

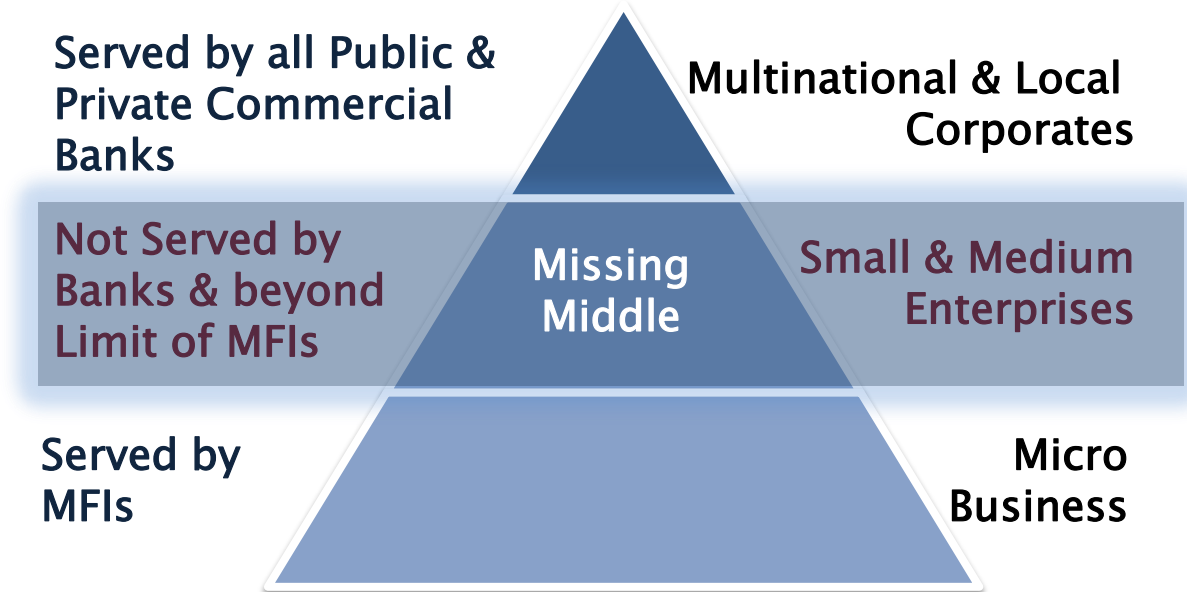
# Small Business Banking

 **BRAC BANK** perspective

Syed Mahbubur Rahman  
Managing Director & CEO

# BRAC Bank – Beginning of the Journey

Small and Medium size Enterprises (SMEs) in Bangladesh did not have access to banks and financial institutions like the big multinational & local corporates. But SMEs have a significant role in employment generation, poverty alleviation and overall economic growth, especially for a developing economy like that of Bangladesh's.



To serve the “Missing Middle” and to work as a catalyst for the vibrant yet unbanked SME sector of Bangladesh, our Chairperson, Sir Fazle Hasn Abed founded **BRAC Bank** in 2001 with institutional shareholding of **BRAC**, **ShoreBank** & **IFC**.

# BRAC Bank – In 10 Years

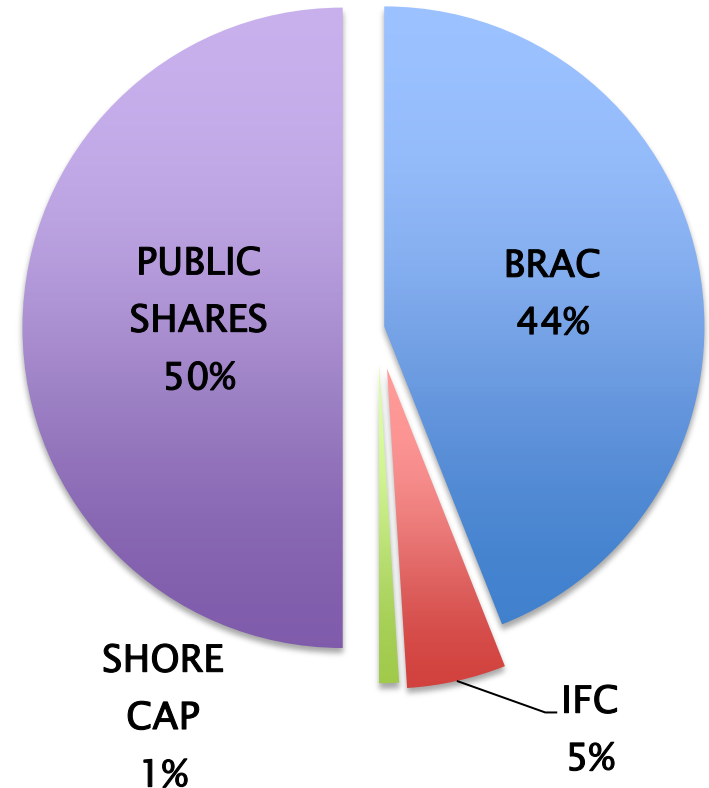
Total Asset	BDT 10,834 Crore
Total Deposit	BDT 13,328 Crore
Funds under Management (FUM)	BDT 24,162 Crore

## Distribution Reach

• Branches	84
• SME Service Centers	70
• SME Unit Offices	309
• ATMs	317

Number of Employees (FTEs) 6,897

## Shareholding Structure



# BRAC Bank – In 10 Years

- ✓ **Awarded the prestigious Financial Time’ s Sustainable Bank of the Year 2010**  
– A global recognition of BRAC Bank’ s contribution in making a difference in the lives of many small businesses all over Bangladesh.
- ✓ **BRAC Bank has been rated as one of the four most successful and sustainable SME Banks in the World by the Council of Microfinance Equity Funds (CMEF), USA based on the results of a global research in 2008.**
- ✓ **Received the prestigious Business Award styled DHL–Daily Star Bangladesh Business Awards in 2008 as ‘Best Financial Institution of the Year**
- ✓ **Evolved as Country’ s largest SME Bank**

# BRAC Bank – Subsidiaries



BRAC EPL Stock Brokerage Limited is one of the leading stock brokers in the country. They have membership at both the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE).



BRAC EPL Investment Limited delivers a whole range of Investment Banking services including traditional merchant banking activities



BRAC Saajan Exchange Limited mainly provides remittance services to the large Bangladeshi Communities living in UK. It also caters to the investment needs of the NRBs.

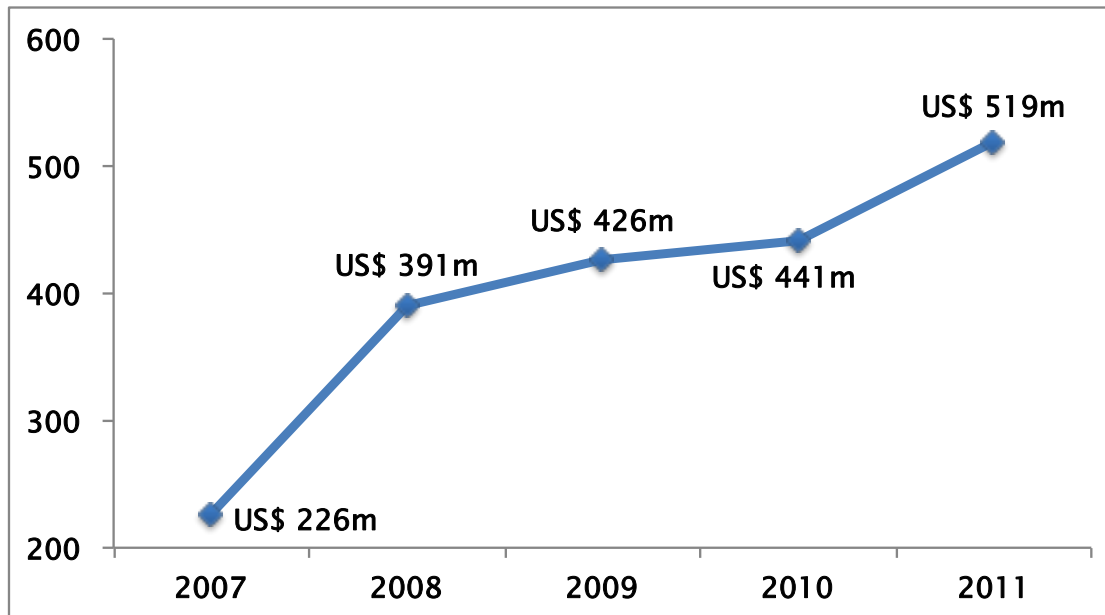


bKash Limited operates to provide a broad range of financial services mainly for the low income masses of the country using the mobile telecommunication infrastructure which is convenient, affordable and reliable.

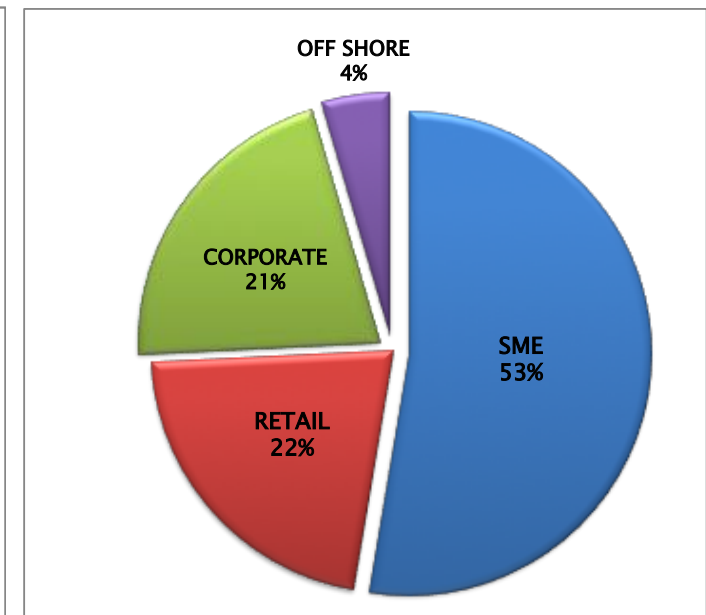
# BRAC Bank – An SME Bank

- BRAC Bank started its journey in 2001 with a mandate to serve the SMEs of Bangladesh & to realize dreams and aspirations of SMEs especially in remote areas of the country.
- In-line with the mandate BRAC Bank continued to grow its SME portfolio, which is 53% of Bank's total portfolio.

Growth of BRAC Bank's SME Portfolio:

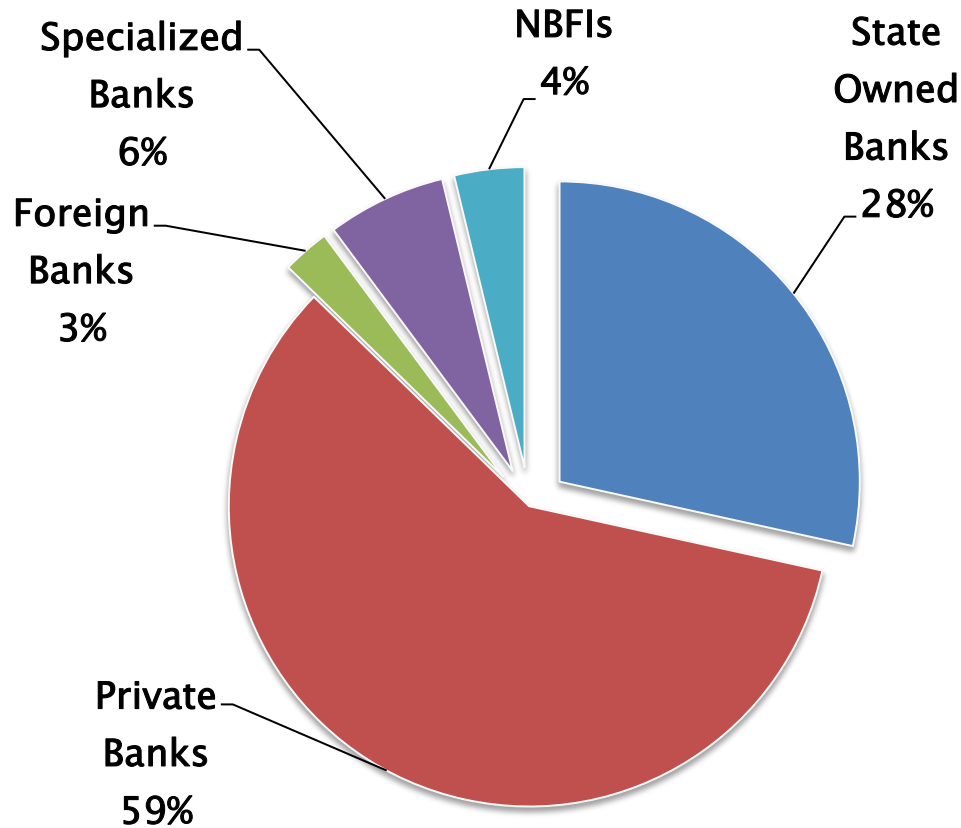


BRAC Bank's Portfolio Mix:



# Financial Industry's contribution to SMEs in Bangladesh

Total Outstanding of SME Loans in the industry: **USD 9,275 Million**



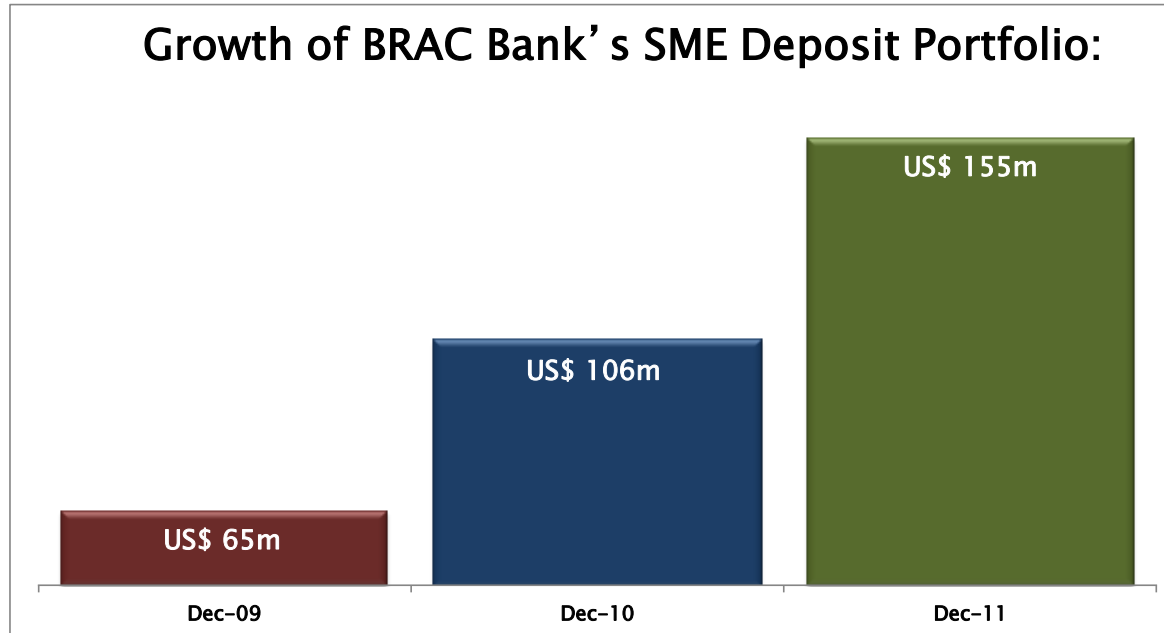
## BRAC Bank holds :

- **9%** SME Portfolio of Private Banks
- **5.29%** SME Portfolio of Entire Industry

Source: Major Economic Indicators: Monthly Update  
Status as on 30 September 2011

# BRAC Bank – In 10 Years

- ✓ Embedded Deposit build-up culture in SME Business – moving towards a model where SME lending can be financed by Deposits raised from SMEs



In million USD

	Dec-09	Dec-10	Dec-11
SME Asset	\$430	\$441	\$519
SME Deposit	\$65	\$106	\$155
Self-funding of SME Assets by SME Deposit	15%	24%	30%



# BRAC Bank – Drivers of SUCCESS

- ✓ **Diverse product offering for the Small Business Segment**
- ✓ A ROBUST operational model which evolved over last 10 years by incorporating the learning & best practices
- ✓ Continuously thrive to improve the model by incorporating global best practices & making it cost effective & resilient

# BRAC Bank – Product Suite

	Unsecured	Partially Secured	Secured
Above \$ 32K	Nil	Shukti Shomriddhi	Apurbo Shompod Shohoj
\$12K to \$32K	Durjoy	Shukti Shomriddhi	Apurbo Shohoj
\$3K to \$12K	Anonno Prothoma Shamolima	Shomriddhi	Shohoj

•Need based product offering (variation in loan amount and security arrangement)

•Statement based/non statement based financial assessment

Product	Loan Type		
	Term Loan	Single Payment	Over draft
Anonno	✓	✓	✓
Prothoma	✓	✓	✗
Durjoy	✓	✗	✓
Apurbo	✓	✗	✓
Shakti	✓	✗	✗
Shampad	✓	✗	✓
Shamriddhi	✗	✓	✓
Shohoj	✓	✓	✓
Shamolima	✓	✓	✓

•Segment driven product offering (small business, women entrepreneur, agriculture sector, importer-exporter)

•Repayment tailored to cash flow pattern (cash cycle based payment/longer term)

# Sourcing

SME Business

Loan Officer/CRO

Zonal Manager

Credit

OPS

SME Collection

SME Business

Special Asset Mgmt



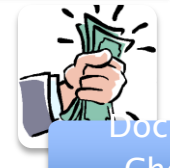
Sourcing of Customers



Initial Evaluation/Screening



Credit Risk Analysis



Document Check & Disburse



Servicing/Collection

- Customers selected by Loan Officer/CRO's based on analysis in a Standard Framework

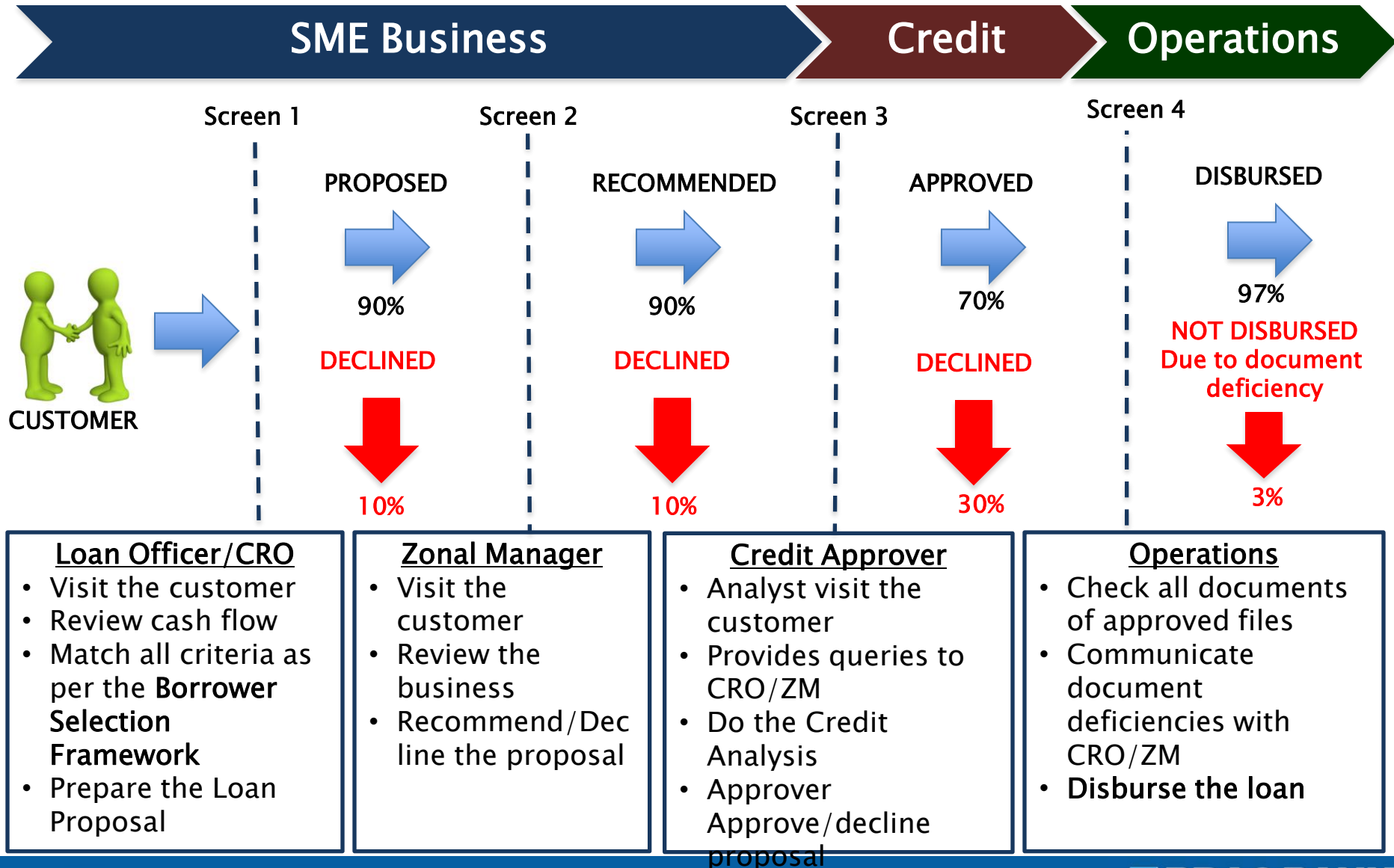
- ZM visits the customer analyze both Business & Credit aspects.
- Recommend/Decline proposal based on the analysis

- Credit Analysts visit the customer & do a full analysis of all credit credentials as per Standard Framework
- Approve/Decline based on analysis.

- Document checking framework in place

- Separate dedicated for collection & focused on DPD
- Mechanism in place to keep the customers informed

# Credit Approval Process



# Key Challenges – Small Business

1. Adept with the current economic condition & achieve the desired growth in SME Segment
2. Maintain the competitive edge over other players & retain the No 1 position in SME lending in an environment where there will be increased competition among existing players as well as new entrants (new banks/FIs) focusing the SME segment.
3. Improve/maintain the Quality of the Portfolio
4. Higher customer & quality staff attrition due to competition
5. Greater regulatory intervention in SME lending which may impact pricing and bring down revenue
6. Declining Net Interest Margin due to increase in cost of liquidity
7. Containing costs of acquisition through enhancing staff productivity and efficiency

# Key Priorities – Small Business

1. Grow deposit in the SME segment to fund its own book
2. Have market scoping done for SMEs across the country – know the market better
3. Include all customer segments of the country in formal financial channels & provide financial services through diversified distribution channels (e.g. mobile financial services)
4. Consolidate/Re-arrange footprint by strengthening presence in the growth markets.
5. Financing the SMEs involved in supply & distribution chain of consumer products (e.g. Dairy Farms → Milk Processors → Distributors)
6. Finance agricultural machinery, commercial vehicles, etc. to SMEs under MoU with suppliers/importers

# Key Priorities – Small Business

7. Value added services (e.g. Internet Banking, Cash Management Services) to High Net Worth (HNW) & Loyal customers – create the baseline for segmentation of SMEs
8. Digitally capture all data of SMEs – create the baseline for implementation of Credit Scoring
9. Use technology in SME loan processing to reduce TAT & cost – process loans faster & get the competitive edge.
10. Strengthen collection by introducing technology based monitoring tools (e.g. capture all payment commitments in the system & follow-up accordingly)
11. Introduce Diversified Products for SMEs – SME Credit Cards/Krishok Card, DSS
12. Tap the unexplored market of trade financing through selected Small Business & Branch Banking network

Small business is lifeblood of economy. Combination of these small initiatives at nook and corner of the country will come with big impact and make national economy vibrant.



# Thank You