Early Warning System

IFC-42462

DCM-BRAC Bank Affordable Housing Bond

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Quick Facts

Countries	Bangladesh
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	C
Voting Date	2021-07-12
Borrower	BRAC BANK LIMITED
Sectors	Finance
Potential Rights Impacts	Housing & Property
Investment Type(s)	Loan
Investment Amount (USD)	$ 50.00 million
Loan Amount (USD)	$ 50.00 million

Project Description

According to IFC, the proposed investment comprises of a subscription of up to US$50 million equivalent in Bangladeshi Taka (BDT) in an up to 5-year, fixed rate, senior, non-convertible, unsecured, privately placed debt instruments to be issued by BRAC Bank Limited (‘BRAC Bank’, the ‘Bank’), the longest-standing IFC Financial Institutions Group client in Bangladesh. The proceeds will be used to provide housing finance facility, including affordable housing finance facilities to low and middle-income households. This is expected to be the first housing bond issued in Bangladesh. The investment is expected to be supported by the International Development Association’s Private Sector Window (IDA PSW) and Local Currency Facility (LCF).BRAC Bank was established in 2001 and has a total asset of US$5.5 billion as of June 30, 2021.

The Project is expected to contribute towards (i) increasing access to housing finance for urban households, with a focus on providing more access to housing finance to lower income households; and (ii) increasing the availability of longer-tenor housing finance in the market. At the market level, IFC will contribute via demonstration, replication and competition channels to: (i) integrating the housing finance sector with the local bond market and supporting the overall development of the corporate bond market; and (ii) fostering increased inclusiveness within the housing finance market by demonstrating the business case of moving down the market.

By providing longer term, local currency funding, IFC will support the Bank to broaden its housing finance outreach and provide housing loans with longer tenors, and enable the Bank to move down the market. This is expected to be Bangladesh's first housing bond and it will support both the growth of housing finance and stand out as an important milestone in the development of the country's domestic long-term bond markets. IFC's advisory support is expected to help the Bank to strengthen its business and operating models to identify segments for portfolio growth, enhance its product and services offering, and improve its customer service delivery. More specifically, IFC will assist the Bank to design and formally launch its affordable housing finance program.

Investment Description

- International Finance Corporation (IFC)

IFC for its own account expects to subscribe to an up to US$50 million equivalent in BDT, up to 5-year, fixed rate, senior, unsecured, non-convertible, privately placed debt instruments to be issued by BRAC Bank, for the purpose of funding its housing finance facilities, including affordable housing finance facilities to low and middle-income households. Other investors may participate in subsequent/parallel bond issuances by the Bank, where the proceeds will also be used for the same purpose. The Project is expected to be supported by the IDA19 Private Sector Window Local Currency Facility (IDA PSW LCF).

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- BRAC Bank Limited (Financial Intermediary)

Private Actors Description

BRAC Bank’s key focus has been the small and medium enterprises (SME) segment, while offering the full range of banking products and services to the corporate and retail customers as well. BRAC Bank was the first Bangladeshi bank to be rated by S&P and Moody’s and is the highest rated Bangladeshi bank with a long-term rating of B+ (S&P) and Ba3 (Moody’s).

BRAC Bank was founded by BRAC, the largest non-governmental organization in the world. IFC was one of the original shareholders of the Bank and fully exited in 2017. BRAC Bank has been listed on the Dhaka and Chittagong stock exchanges since 2007. Currently, BRAC is the largest shareholder with a 46 percent stake in the Bank. Foreign investors hold 37 percent of the shares, while local institutions hold 11 percent and the public hold 6 percent.

Contact Information

BRAC Bank Limited
Noman Nasir
Head of Financial Institutions Relationship
88 02 8801261
noman.nasir@bracbank.com
Anik Tower, Level-11, 220/B, Tejgaon-Gulshan Link Road, Dhaka 1208, Bangladesh
www.bracbank.com

ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://disclosures.ifc.org/#/inquiries

If you believe that your request for information from IFC has been unreasonably denied, or that this Policy has been interpreted incorrectly, you can submit a complaint at the link above to IFC's Access to Information Policy Advisor, who reports directly to IFC's Executive Vice President.

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org