**Project report**

On

Financial Performance of BRAC Bank Limited

**Submitted To**

Mr. Mohammad Ali Ashraf

Associate Professor

School of Business & Economics

**Submitted By**

Sk. Saidur Rahman

ID: 111 131 467

School of Business & Economics



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**United International University**

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Mr. Mohammad Ali Ashraf

Associate Professor

School of Business & Economics

United International University

Subject: Submission of project report on Performance analysis of “BRAC Bank Limited”.

Dear Sir,

I am pleasure to submit my project report on “Performance analysis of BRAC Bank Limited”. I have tried my best to finish this project report properly. I learned a lots from this project. Although I have few lacking of knowledge, I think this project report is well covered by me. I analyzed the performance of BRAC Bank by collecting information from various sources.

So, I therefore, pray and hope that you would be kind enough for accepting this report. I am always ready to give the information regarding this report.

Sincerely Yours

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SK. Saidur Rahman

ID: 111 131 467

**Declaration**

This project report is done by me. I try to use my own feeling regarding in this project report. It is not copied from any website. This project report does not submit to any university yet.

The work I have presented in this project report does not be breach any existing copyright methods. It will be helpful for learners who basically want to analysis the performance of a bank or financial institution.

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Sk. Saidur Rahman

ID: 111 131 467

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**Acknowledgement**

First, I would like to express my gratitude to almighty Allah for giving me strength for successfully completion of this project report. This project report is based on performance analysis.

 I am very thankful to my supervisor. Sir helps me to do this project successfully by sharing his knowledge. Without his support it will be impossible for me to finish the project report successfully.

I am also grateful to all of my teachers, parents and friends. They have great contribution on my life. Without their support not only project report but also all other things are impossible for doing by me alone. I always get inspiration from them.

**Executive summary:**

This project is prepared by me for the purpose of fulfilling the requirements to complete the BBA program. This project report is based on the “performance analysis of BRAC Bank Limited”. BRAC Bank is one of the best private bank in Bangladesh. Gradually the profitability of this bank is increasing day by day. It is good for the bank and also for the economic condition of Bangladesh.

In this report firstly I have described the ratio analysis of the BRAC Bank. This ratio analysis helps to know the performance of the bank. Shareholders invest in the share markets. They need to know the performance of the bank. It can help them to earn greater profit. Moreover, they can take the right decisions at the time of busying shares. BRAC Bank performance is very well in terms of profitability.

Risk management is related with the performance. If the risk can manage successfully, performance automatically become good. So, risk management technique is very important for banking sector as well as all other sectors.

 Banking sector also need to handle foreign transaction it is also related with the performance. Foreign transaction depends on the several currency.

**Table of content**

|  |  |  |
| --- | --- | --- |
| **Serial Number** | **Topic** | **Page number** |
| **1** | **Introduction of the study** |  |
| **1.1** | **Objective** | **1** |
| **1.2** | **Methodology** | **1** |
| **1.3** | **Limitation** | **2** |
| **1.4** | **Scope** | **2** |
| **2** | **Overview of the BRAC Bank Limited** |  |
| **2.1** | **Corporate Vision** | **3** |
| **2.2** | **Corporate Mission** | **3** |
| **2.3** | **SME Banking** | **4-6** |
| **2.4** | **Retail Banking** | **7** |
| **2.5** | **Some others Banking’s** | **8** |
| **2.6** | **Credit Granting Decision** | **9** |
| **2.7** | **Designation** | **10** |
| **3** | **Analysis and Finings**  |  |
| **3.1** | **Current Ratio** | **11-12** |
| **3.2** | **Operating Margin** | **13-14** |
| **3.3** | **Profit Margin** | **15** |
| **3.4** | **Return on total assets**  | **16** |
| **3.5** | **Basic earnings power** | **17** |
| **3.6** | **Return on common equity** | **18** |
| **3.7** | **Book value per share** | **19** |
| **3.8** | **Market/ Book value ratio** | **19-20** |
| **3.9** | **Inventory turnover ratio** | **20-21** |
| **3.10** | **Total assets turnover ratio** | **22** |
| **3.11** | **Fixed assets turnover ratio** | **23** |

|  |  |  |
| --- | --- | --- |
| **4** | **Foreign currency transaction** | **24** |
| **4.1**  | **Relative inflation rate** | **25-26** |
| **4.2** | **Relative interest rate** | **27** |
| **4.3** | **Relative income level** | **28** |
| **4.4** | **Government control** | **29** |
| **5** | **Risk Management** |  |
| **5.1** | **Credit risk** | **30-31** |
| **5.2** | **Market risk** | **32** |
| **5.3** | **Operational risk** | **32** |
| **5.4** | **Liquidity risk** | **33** |
| **5.5** | **Reputational risk** | **34** |
| **5.6** | **Business risk** | **34** |
| **5.7** | **Systematic risk** | **34** |
| **6** | **Recommendations and conclusions** | **35-37** |
| **7** | **References** | **38** |

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| 1. Introduction of the study
 |

Banking sector is one of the biggest sector in Bangladesh. Basically in this report I focus on the BRAC Bank Limited. BRAC Bank is the best private bank in Bangladesh according to their reputation and balance sheet.

**1.1 Objectives:** The objective to create this report is to analysis the performance of BRAC Bank Limited. It helps me to know about the recording and analysis procedures of the financial statement of the banking sector.

**1.2 Methodology:**

The methodology to make this report are the followings,

**Primary sources:**

Many officers in BRAC Bank Limited helps me to make this report by sharing their knowledge about the BRAC Bank performance at the time when I sometimes meet with them.

**Secondary Sources:**

* Annual Report of BRAC Bank Limited.
* Website of the Bank.
* Several Booklets of BRAC Bank.
* Text Book.

**Data Analysis Tools**

Tools are the followings,

* Using Microsoft word.
* Using Microsoft Excel.
* Formula of ratio on performance analysis.
* Several diagrams.

**1.3 Limitation:**

The limitation of this report are the followings,

* Although there are lots of analysis in the annual report, the analysis are not enough to gather the vast knowledge about the performance of the BRAC Bank limited.
* Website information is not available.
* To analysis the performance of the bank is not an easy task. It needs a huge time.

**1.4 Scope:**

This report helps me to learn the followings,

* How ratio analysis is done.
* The interpretation of ratio analysis.
* The process of earning profit for the banking sector.
* The method of comparison between different years performance.

|  |
| --- |
| 2. Overview of the BRAC Bank Limited |

BRAC Bank limited was established in 2001. The Journey of the bank is only 16 years. The bank gave a lot of services to the consumers from 2001. Recently BRAC Bank Limited is one of the best private bank in Bangladesh. The service of this bank is very good. Customers prefer to receive loans, Open deposit in this bank.

**2.1** **Corporate Vision**

Making profitable & socially (environmentally) responsible banking sector based on market and industrial with rapid growth scope and ensure poverty free Bangladesh.

**2.2 Corporate Mission**

* Developing small & medium enterprise sector.
* Attempt to enlarge non funded income.
* Minimize charges to ensure better services to customers.
* Customer oriented.
* Working as a team to ensure first position in banking sector.
* Creating risk free environment.
* Improvement business in Bangladesh.
* Improving economic condition of the Customers.
* Establishing Branches in every point in Bangladesh.

**2.3 SME Banking**

Deposit Products:

**PRAPTI Current Account**:

Eligibility for this account: Any types of organization (such as one owner organization, two or many owner organization, non-government organization, schools, colleges or other educational institutions)

This is basically a current account. Customers who fulfill the above criteria can open this account anywhere at BRAC Bank branches in Bangladesh. The opening balance for opening this account is 5000 TK outside Dhaka city and 50000 TK inside the Dhaka city. Basically in this account interest amount is given based on daily balance. The interest rate are the followings which are given in daily basis.

|  |  |
| --- | --- |
| **Balance** | **Interest rate** |
| 0 to below 5000 | 0% |
| 5000 to below 1,00,000 | 1% |
| 1,00,000 to below 2,50,000 | 2% |
| 2,50,000 or above  | 3% |

 **PRACURJO Fixed Deposit**

Any medium and small business can open this fixed deposit from the BRAC Bank branches. The organization should be having valid trade license.

Specialties of this deposit:

* Maturity period: Minimum 12 months and maximum 36 months.
* Interest rate is applicable on the maturity.
* The interest rate is 9% on this deposit. This rate given in annually.

**Shonchoy Sme Deposit**

Specialties:

* BDT 500 is the monthly installment for this deposit.
* Maturity date: 1 year to 10 year.
* No account maintenance fees will be charged in this account.
* Attractive interest rate after the maturity period.

Eligible person for this deposit:

* Non-government organizations.
* School, colleges or other institution.
* Self-motivated person who are involved in business.

**Loan Products**

ANONNO SME Loan

Specialties:

* No security required for this loan.
* Easy installment process for this loan.
* Loan processing is easy for the small and medium enterprise.

Eligibility:

* Small and medium size enterprises are eligible for receiving this types of loans.

**APURBO SME Loan**

This is the loan taking opportunity for the small and medium enterprises.

Specialty of this loan:

* Very few documents need for this types of loan.
* The small and medium enterprises are eligible to receive 10 LAC to 3 CRORE.
* Easy installment procedure for the clients.

Eligibility:

* Businesses which have trade licenses and more than 3 years working experience.

 **PROTHOMA SME Loan:**

This loan is for the woman entrepreneur. The main aim of this loan is to increase the opportunity for the woman to do business.

Specialty:

* No security required to achieve this loan for the woman.
* The interest rate for achieving this loan is lower than others loans. The interest rate is below 10%.
* The loan processing System is well. Easy to get loan.

**2.4 Retail Banking**

**Premium banking:**

This services give to the customers for their financial needs. It is a specialized service.

Benefits of this premium banking:

* Providing platinum debit card.
* Better banking service.
* Personalized banking service.

**Account & Deposits:**

Many types of Account & Deposit products have for the customers in BRAC Bank limited.

|  |
| --- |
| PROBASHI Current Account |
| PROBASHI Savings Account |
| PROBASHI ABIRAM |
| PROBASHI DPS |
| PROBASHI Fixed Deposit |

Basically the customers can open above types of deposits & accounts. All this products have the advantage for the customers. The demand on this products are very high in BRAC Bank Limited.

**2.5 Some Others Banking’s**

Some others products in BRAC Bank limited are the followings,

|  |  |
| --- | --- |
| **Wholesale Banking** | Corporate Banking |
|  | Cash Management |
|  | Custodial Service |
| **Tara Women’s Banking** |  |
| **Digital Banking** | BRAC Bank Mobile |
|  | Internet Banking |
|  | Share Management Portal |
|  | 24 Hour Call Center |
|  | SMS Banking |
|  | Important Security Message |
|  | E-Commerce |

**2.6 Credit Granting Decision:**

For providing loans to the customers BRAC Bank follows the following criteria of a customer,

* **Character:** It is the character of a customer. Bank want to give loans to the customers who have the sincerity, willingness to repay loans, trustworthiness. Basically this types of people never delay or ignoring their contracts with the bank. There are few people who are not serious to repay the loan. Loan section of BRAC Bank limited avoid this types of clients to give loans. It can be risky to give loan to the irresponsible customers.
* **Capital:** For providing loan to the customers employees always consider the capital of the clients. Capital shows the ability for the consumers to repay the loan amounts. Capital of customers is a vital things at the time of providing loan. Generally the employees of the bank calculate the asset and liability of customers. If asset is higher than the liability, clients are allow to receive the loans. If the assets is lower than the liability, Clients are not able to receive the loans from the bank.
* **Capacity**: Employees of the bank also consider the capacity of the customers at the time of providing loan. The customer who have the capability for repaying the loan amount are highly acceptable for receiving loan amount.
* **Conditions:** It means that the purpose of the customers for talking loan. If the employees seem the conditions are valid, the customers are acceptable for receiving loan. If the employees seem the reasons are not valid, the employees not like to provide loans to those customers.
* **Collateral:** At the time of providing loans to the customers, the employees of the BRAC Bank limited make the contract with the customers. The contract include the collateral. It means that if customers are not able to repay the loan amount. The bank will receive the collateral property of the customers.

**2.7 Designation**

|  |
| --- |
| **MD** |
| **DMD** |
| **Senior Executive Vice President** |
| **Executive Vice President** |
| **Senior Vice President** |
| **Vice President** |
| **Senior Assistant Vice President** |
| **Assistant Vice President** |
| **Senior Principal Officer** |
| **Principal Officer** |
| **Senior Officer** |
| **Officer** |
| **Junior Officer** |
| **Assistant Officer** |

|  |
| --- |
| 3. Analysis and findings |

**3.1 Current ratio:**

|  |  |  |  |
| --- | --- | --- | --- |
| Types |  | Year |  |
|  | 2015 | 2016 | 2017 |
| **Current asset** |  |  |  |
| Cash | 16227438475 | 15827759714 | 18301854032 |
| Balance with other bank | 24790485928 | 31148142995 | 43355772365 |
| Money at call on short notice | 20017491682 | ------ | ------- |
| Loans and advances | 149934139696 | 175841420944 | 203431019401 |
| Total | 2.1097E+11 | 2.22817E+11 | 2.65089E+11 |
| **Current liability** |  |  |  |
| Borrowing from other bank | 24671834522 | 19131258722 | 23210933175 |
| Borrowing from central bank | 4527813643 | 6752978397 | 5595585766 |
| Convertible subordinate bond | 3000000000 | 2951079000 | 2850148000 |
| Money at call on short notice | 3780000000 | 1303750000 | 2700000000 |
| Deposit and other accounts | 142648188939 | 181478777560 | 216929919763 |
| Total | 1.78628E+11 | 2.11618E+11 | 2.51287E+11 |
| Current ratio | 1.18 | 1.05 | 1.05 |

**Comment:**

Basically Current ratio measure the ability of a firm to pay the current liability. From this analysis I find that BRAC Bank limited had current ratio 1.18 in 2015. It means that at the time when the bank has TK 1 current liability then it also has 1.18 in current asset.

In 2016 the ratio was 1.05 and in 2017 the ratio was 1.05. So it can be said that the current asset is enough to repay the current liability.

In generally the standard ratio is 4.2 for this ratio. But it differs industry to industry. Banking sector is one of the largest industry in Bangladesh. In this sector the demand of loan is very high. Current assets are the Short term loan, deposit, Cash. This current asset become very difficult to remain in the hand for the banking sector.

**3.2 Operating margin**

**Operating margin** formula= Operating income / sales

(Hints: Banking sector depends on the providing loan. In here loan is considered as a sales of the BRAC Bank limited.)

|  |  |  |  |
| --- | --- | --- | --- |
| Categories |  | Year |  |
|  | 2015 | 2016 | 2017 |
| Operating Income | 8079577777 | 8610885395 | 9422458889 |
| Loan | 149934139696 | 175841420944 | 203431019401 |
| Ratio | 5.39% | 4.89% | 4.63% |

**Comment on operating margin ratio**:

In generally, Operating margin ratio needs to become high for a good bank. In BRAC Bank limited in 2015 the ratio was 5.39%, in 2016 the ratio was 4.89% and in 2017 the ratio was 4.63%.

This ratio means that on the basis of the providing loans amount BRAC Bank did profit 5.39% in 2017, 4.89% in 2016 and in 4.63% in 2017.

It can be said that the profit of the BRAC Bank limited is gradually going down. The reason can be the loan amounts decreasing in the bank. So, the top level management should be given focus on this issues. The essentials elements for this ratio are the followings,

* Operating income will be high if loan providing limit become high.
* It also depends on the bank deposit amount because bank provide loans from it deposit amount.

**3.3 Profit Margin:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Categories** |  | **Year** |  |
|  | **2015** | **2016** | **2017** |
| **Net income** | 2884811567 | 4075664713 | 5498416039 |
| **Sales** | 149934139696 | 175841420944 | 203431019401 |
| **Ratio** | 1.92% | 2.32% | 2.70% |

**Comment:**

The Profit margin ratio says the profit of the bank based on the net income and loans. The net income when become high than the loans profit margin ratio become high.

In 2015 the profit margin ratio was 1.92%, in 2016 the profit margin ratio was 2.32% and in 2017 the profit margin ratio was 2.70 % for the BRAC Bank limited.

There are some reasons behind the profit margin ratio for the BRAC Bank limited,

* In this year the deposit rate is lower than the previous year deposit rate.
* Interest rate on loan become affordable than the previous.

**3.4 Return on total assets:**

 Return on total assets= Net income / Total assets

|  |  |  |  |
| --- | --- | --- | --- |
| Categories |  | Year |  |
|  | 2015 | 2016 | 2017 |
| Net income | 2884811567 | 4075664713 | 5498416039 |
| Total asset. | 281822841330 | 268324018065 | 319550216302 |
| Ratio: | 1.02% | 1.52% | 1.72% |

**Comment on return on total asset**

This ratio means that the return of the income based on the total asset of the bank. In 2017 the bank has the highest return than other two years. So this ratio indicates that,

* The banking condition is good.
* The return on the fixed asset is well enough because it is highest than other two years.
* The performance is better. The reasons are the marketing executive who are involved in the loan section. They try hard to increase the loan amount to the customers.

**3.5 Basic earning power:**

**Basic earning Power formula:**  EBIT / Total asset

|  |  |  |  |
| --- | --- | --- | --- |
| Categories |  | Year |  |
|  | 2015 | 2016 | 2017 |
| EBIT | 8079577777 | 8610885395 | 9422458889 |
| Total Assets | 281822841330 | 268324018065 | 319550216302 |
| Ratio:  | 2.87% | 3.21% | 2.95% |

**Comment on based earning power:**

It shows the operating income based on the total asset. In 2017 the basic earning power ratio was 2.95%, in 2016 it was 3.21% and in 2016 it was 2.87%.

In 2017 this ratio is lower than the 2016. Generally 2.95% operating income on the total asset is good for the bank. So it can be said that the position of the BRAC Bank limited is good.

**3.6 Return on common equity:**

**Formula:**

**Return on common equity=** Net income/ common equity

|  |  |  |  |
| --- | --- | --- | --- |
| Categories |  | Year |  |
|  | 2015 | 2016 | 2017 |
| Net income | 2884811567 | 4075664713 | 5498416039 |
| Common equity | 18814593507 | 23739900812 | 28429842891 |
| Ratio | 15.33% | 17.17% | 19.34% |

**Comment return on common equity:**

This measures the return generation from the common equity of the shareholders. In 2017 the return on common equity is 19.34%.This ratio is good for the BRAC Bank limited. In 2016 this ratio was 17.17% and in 2015 the ratio was 15.33%.

**3.7 Book value Per Share**

This ratio can be identified by the following formula,

Book value per share= Common equity/ shares outstanding.

For analyzing book value per share the common equity need to know and share outstanding also need to know.

In 2017 the Book value per share: 28429842891/858000228=33

**Comment:**

This figure is identifying based on the data. It shows the book value price of a share. In 2017 the book value was 33 for the BRAC Bank limited. Generally in banking sector book value is fixed which 10 TK.

**3.8 Market/ Book value Ratio:**

The share prices of BRAC Bank limited in several years are indicated in the following chart,

Market /Book value ratio in (2017): 80/10=8

In 2016 the ratio was: 65/10=6.5

In 2015 the ratio was= 50/10= 5

**Comment on Market/Book value ratio:**

Basically Market/Book value higher is the better for BRAC Bank limited. It means that the customers have willing to pay more for the BRAC Bank limited shares. In 2017 the ratio is higher than other two years ratio.So, it indicates that the financial position is better than other years.

In 2016 the ratio was 6.5. It means that the consumers have willingness to pay 6.5 times more than the book value. Shareholders basically buy those companies’ shares which have the ability to make profit for the shareholders.

In 2015 the ratio was 5. It means that the shareholders have willingness to pay 5 times more than the book value. The ratio gradually increases for BRAC bank limited.

**3.9 Inventory Turnover Ratio**

Formula= Sales/ Inventories

(Hint: BRAC Bank is a financial institution. Deposit is inventory for BRAC Bank Limited. Loans are sales for the bank)

|  |  |  |  |
| --- | --- | --- | --- |
| Categories | 2015 | 2016 | 2017 |
| Deposit | 81704275372 | 32966273574 | 39833786707 |
| Loans | 149934139696 | 175841420944 | 203431019401 |
| Ratio | 1.84 | 5.33 | 5.11 |

**Comment on Inventory Turnover Ratio**

In 2016 inventory turnover ratio was higher. The ratio was 5.33 times. It means that Loans amounts 5.33 times more than deposits amount. Basically loans are the asset for the bank. Deposits are the liability for the bank. So it is good indication. It also means that bank become profitable because loans are providing according to expectations. The deposits amount successfully utilize by the loan department of the bank. In 2017 the ratio was 5.11. It means that loans amount are 5.11 times higher than deposits amount. It is lower than 2016 ratio. But still it is good indication for the bank. In generally, higher this ratio is better for the bank.

**3.10 Total assets Turnover Ratio**

Formula= Sales/ Total assets

(Hint: BRAC Bank is a financial institution. Loans are the sales)

|  |  |  |  |
| --- | --- | --- | --- |
| **Categories** | **2015** | **2016** | **2017** |
| **Loans** | 149934139696 | 175841420944 | 203431019401 |
| **Total assets** | 281822841330 | 268324018065 | 319550216302 |
| **Ratio** | 0.53 | 0.66 | 0.64 |

**Comment:** In 2016 the ratio was 0.66. It Means that loans is 0.66 times of total assets. Basically loan is the key asset in the bank. In 2016 from all assets loan was above 50%. In 2017 the ratio was 0.64. This ratio prove that providing loan amount is well for the BRAC Bank Limited.

**3.11 Fixed Asset Turnover Ratio**

Formula= Sales/ Net fixed asset

(Hint: BRAC Bank is a financial institution. Loans are the sales for the bank.)

|  |  |  |  |
| --- | --- | --- | --- |
| **Categories** | **2015** | **2016** | **2017** |
| **Loans** | 149934139696 | 175841420944 | 203431019401 |
| **Net fixed assets** | 240805000000 | 221348000000 | 257893000000 |
| **Ratio** | **0.62** | **0.79** | **0.79** |

**Comment:** In 2016 and 2017 the fixed asset turnover ratio was equal for the BRAC Bank Limited. In 2017 the ratio was 0.79. It means that sales are 0.79 times of fixed asset. This is good indication for the bank. Basically higher is the better for this ratio.

|  |
| --- |
| Foreign currency transaction |

|  |  |  |
| --- | --- | --- |
| **Currency** | **Buying** | **Selling** |
| **USD** | **82.50** | **83.50** |
| **EUR** | **100.56** | **105.12** |
| **GBP** | **115.22** | **119.80** |

From the foreign exchange transaction, BRAC Bank earns a lot. The USD Currency bid price is 82.50 TK for BRAC Bank limited and selling price is 83.50 TK for USD currency.

For Euro, The bid price for the BRAC Bank is 100.56 TK and the ask price is 105.12 TK

For, pound the bid price for the BRAC Bank limited is 115.22 TK and the ask price is 119.80 TK for the BRAC Bank limited.

In generally, bid price is the buying price in which price BRAC Bank limited buy us dollar. Ask price is the price in which BRAC Bank limited sell US Dollar. BRAC Bank also involves to generate profit from this bid and ask rate gap. Basically the banks collect currency at a lower price than selling price. Everyday lots of transaction involves with the foreign currency exchange. So, it is one of the vital source for BRAC Bank limited for making profit.

**How exchange rate forecast**

E= f (^INF, ^INT, ^INC, ^GC, ^EXP)

Basically exchange rate depends on the changing of the inflation, interest rate, income, government control and expenditures.

**4.1 Relative Inflation rates:**

Inflation rates have an impact on the exchange rate of a country. Bangladeshi Taka and Us dollar exchange rate also determine by following this criteria.

**Example:**

When inflation rate is high for Bangladesh, then the demand on the US products increase. The consumers want to purchase US product rather than Bangladeshi product. Then the demand for the import increase. Export will decrease for Bangladesh. Then the demand for dollar will also increase. It results will be upward pressure of the US dollar. So the value of dollar will increase and value of TK will decrease.

Value of dollar

 82 D1 D2

 78

Quantity of dollar

**Example:**

Dollar demand also can decrease. When the inflation rate in Bangladesh become low, the consumers want to buy Bangladeshi product. The demand on import decrease. The United States consumers also want to buy Bangladeshi products then if the product quality become good for United States people. The demand on the Export for Bangladeshi product increase. In currency, the demand on Taka also increase.

Value of Dollar

 D1

 D2 S

 82

 78

Quantity of US dollar

**4.2 Relative interest rate**

Interest rate has also impact on the exchange rate between two countries. Suppose in US and Bangladesh interest rate is same. When the interest rate in Bangladesh increase, the demand on the Taka will also increase. The supply of the US dollar will increase. Because the US consumers also like to invest in Bangladesh as the interest rate is high in Bangladesh. The demand on the US dollar will decrease.

Value of dollar

 S1

 D1

 D2 S2

 82

 78

 Quantity of US dollar

**4.3 Relative income:**

Income has also impact on the Currency exchange rate. When the income of Bangladeshi consumer become high, they want to buy foreign products. Now the consumers have the ability to buy the foreign products. Now the demand for the US dollar will increase. The supply of the Taka will also increase. In this situation the value of the US dollar will be increased and the value of the Taka will be decreased.

Value of the US dollar

 D1 D2

 80

 78

 Quantity of US dollar

**4.4 Government control**

Government control also has impact on the fluctuation of the exchange rate. Government can create impact on the exchange rate by the following ways,

* **Imposing foreign trade barriers**: Foreign government can impose barriers on foreign trade. Then the export or import with that country decrease.
* Government can direct intervene in the money exchange market. Then the exchange rate also can fluctuate.
* **By increasing interest rate**: Bangladesh government has the power to minimize the interest rate. Then the foreign country less will like to invest in Bangladesh because the deposit rate is lower than there country. Bangladeshi people then will like to invest in foreign country. Then the demand on the US Dollar will increase. The supply of Bangladeshi TK will also increase. So then the value of the TK will be minimize. The value of Dollar will increase.
* **By decreasing inflation**: Government also can influence the exchange rate by changing the inflation rate within the country. Suppose the inflation rate in Bangladesh is lower than the previous inflation rate. Then the demand on the dollar will minimize. The Bangladeshi people will like to buy from the Bangladesh because the price is lower than the previous price of the product. Then the value of TK will be increased and the value of the dollar will decreased.

**How this exchange rate affect BRAC Bank Transactions:**

In BRAC Bank lots of transaction are related with money exchange. When the value of money (TK) increase, then less TK need to buy a Dollar. Customers then purchase more dollars from the bank. The transactions become increase in the bank. In 2017 the value of TK is higher than the previous year.

|  |
| --- |
| Risk Management |

BRAC Bank limited has several types of risks. Top level management are taken various steps for removing those types of risks. Several types of risks for BRAC Bank Limited are the followings,

* Credit risk
* Market risk
* Operational risk
* Liquidity risk
* Reputational risk
* Business risk
* Systemic risk
* Moral Hazard

**5.1 Credit risk**

This risk happens at the time of giving loan to the customers. There are many clients who are not able to repay the loans. It is risk for the bank. There are several reasons for the clients for unpaying the loan amounts.

* Client’s financial position is not well.
* They have few other liabilities.
* The reason for taking loan was unrealistic.
* Improper evaluating of the clients financial conditions by the employees of the bank.
* Clients loss their job.
* They are not physically able to continue their job.
* Death of clients.

Top level management has taken the following steps to minimize credit risk. The top level management steps are the followings,

* Analyzing the financial situation of the clients appropriately.
* Give loan to clients if they are able to repay the loans.
* Rating the clients after every transaction with the clients.

Credit risk also involves with the trade financing, foreign exchange transactions, bonds and equities.

**Trade financing:** In trade financing credit risk also involve. BRAC Bank Limited invest in many trade for the purpose of improving the position of the clients who are basically involve in trade. Sometimes the clients are not able to repay the loan.

**Foreign exchange transaction:** In foreign exchange transaction credit risk also involve. BRAC Bank exchange the currency to the clients.

**Stocks & Bonds:** Clients sometimes also unable to repay the amount of bonds and stocks. It is also a credit risk.

This is the chart of BRAC Bank Limited. In 2016 estimated credit risk for the bank was 10%. In 2017 credit risk was 08%.

**5.2 Market risk:**

Market risk happens due to change of the interest rate, exchange rate and commodity prices. BRAC Bank top level management concerns about this exposure. They develop few process for rescuing from this risk. The reasons for the market risk are the followings,

* **Interest rate risk:** Interest rate basically fix by the Bangladesh bank. Private bank follow this interest. BRAC Bank owns policy also has regarding interest rate. When interest rate need to minimize from the expected rate, bank face the possibility of loss. This is the market risk for the bank. BRAC Bank has provision for rescuing from this types of risks.
* **Equity risk:** The price of stock can be minimized. If the price decrease, it is not a good indication for the bank. BRAC Bank share price is good. The share price of BRAC Bank gradually increase.
* **Currency risk:** The exchange rate can be minimized or increased. When the value of TK decrease, more TK needs to buy the dollars. Then the transactions become lower. Customers become less interested to buy the dollars. When the value of TK increase, Lower TK need to buy US Dollars, Customers purchase more. The transactions increase.
* **Commodity risk:** Sometimes the price of the agricultural or other equipment’s increase. It is another market risk. Clients less want to buy the equipment’s if they have less ability to purchase this equipment’s. BRAC Bank provide shortage amount loan at this time.

**5.3 Operational risk:**

This risk arise at the time of operation of banking activity. BRAC Bank has many department to do all the activities. All the activities need human resource, IT related software. Top level management monitor all the activities day by day for ensuring accuracy in the bank.

* **Human risk:** Human are the key elements in bank. They are responsible for doing all the activities in bank. Sometimes there are lacking of experience of employees who basically are responsible for several activities in the bank. This is the human risk for the BRAC Bank limited. Bank arrange training program for the employees. It ensure the quality of the employees.
* **IT Risk:** In bank most works are done by the software. BRAC Bank limited have so many software’s, website for doing all the financial analysis in the software. Employees need to know about the software, website. They also need to have expertise about this software. Otherwise they will not be able to do the financial analysis.
* **Process risk:** Top level management need to develop lots of process for doing all the activities successfully. Risk is involved in every process. Because it is not an easy task to implement all the process successfully.

**5.4 Liquidity risk:**

BRAC Bank is best private bank in Bangladesh. Liquidity risk is very low in this bank. Liquidity risk means that inability to repay the current liability. BRAC Bank limited has lots of liquidity assets to repay the current liabilities that arise on the bank. Bank maintain the liquidity risk by the following ways,

* Maintain adequate cash for running day to day activities.
* Current asset is greater than current liabilities.

**5.5 Reputational Risk**

This risk involve with the reputation of the bank. BRAC Bank limited is highly reputed bank in Bangladesh. So the bank has no reputational risk still now. Basically reputation involve in the following activities,

* Providing loan opportunity.
* Lower interest rate.
* Higher deposit rate according to the customer demand.
* No hidden charge.

BRAC bank limited very sensitive to ensure the above criteria for ensuring the reputation of the bank all the time.

**5.6 Business Risk**

BRAC Bank has the business risk. It is not possible to make profit according to the desireness. Profit always change from the expectation. Sometimes profit become above the expectation. Sometimes profit become under the expectation of the top level management.

**5.7 Systematic Risk**

It is the risk which is the industry risk. All the bank must need to receive this types of risk. BRAC Bank also take this types of risk for running the business. Top level management always have plan to handle this types of risk.

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| 6. Recommendation and Conclusion |

**Recommendation**

Banking sector in Bangladesh is well recognized. There are foreign bank also. Government can earn their revenue from the banking sector. There are many profitable banks in Bangladesh. BRAC Bank is one of them. BRAC Bank earns lots of profit from 2015 to 2017.There are some recommendations about BRAC Bank Limited. They are the followings,

* Although skillful employees have in banking sector, banking industry is suffering from shortage of skilled and adept professionals. Skillful employees are not enough in banking sector. So skillful employees are more required in banking sector.
* Most bank should have a strong Management Information System and accounting system to track down records which will reduce the barriers to monitor credit programs.
* A need for recognition for the whole financial system, under this the banking operational mechanism needs to be reexamined.
* Banking sector should make effective utilization of fund to bring the ADR (Annual development program) at optimum level.
* The prime focus of the banking sector should have the recovery of rescheduled loans that has been made during last part of the previous year through.
* Bangladesh Bank going to implementing supervisory review process through internal capital adequacy assessment process. (ICAAP). This process should strictly follow.
* Internal and external audit, review technique, and regulatory framework should strong.
* There is idea about the conventional banking systems and most of the people do not know that the operation of private banking system under the conventional bank. So awareness should create among people.
* The risk management technique that the banks are followed should make it more effective and strong.
* All banks should come forward to help each other and adopt a twenty year perspective plan, for the development of the banking system of Bangladesh. To actualize this mission, they should immediately establish an Apex Research Academy and a Training Institute equipped with modern tools, books, and other accessories. At present it is not enough required more.
* Finally, the rules, regulation and policy of Bangladesh bank should not take in such a way that may harm for the banking industry of Bangladesh.

**Conclusion**

It can be said that the performance of BRAC Bank is well enough. In this project report I have analyzed the financial report from several years. The figure is well enough. Those figures indicate that performance of BRAC Bank is well.

Shareholders who want to buy share of BRAC Bank can surely buy the shares of this bank. The ratio indicates that the profitability will be increased in the long run for the BRAC Bank Limited. In 2017 the profit is high than the others years.

There are few problems also for the bank. Providing loan amount is decreasing day by day. One of the reason is interest rate. Interest rate become high and it increase incapability to take the loan from the bank. It is not easy to repay the loan amount if the financial condition of the customers are not well. Another problem of BRAC Bank is their selling officers who are not able to increase the customers. SO lots of training programs need for the employees that can help to perform better in the long run.

Risk management technique in this bank is also well. All the risks are effectively manage by the employees and top level management.

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