





# **Daffodil** *International* **University**

**Internship Report**  
**On**  
**Performance Evaluation**  
**Of**  
**BRAC Bank Limited (Head Office)**

**Submitted To:**

**Rafiqul Islam**  
Professor,  
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Faculty of Business & Economics  
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**Date of Submission:**

22 April, 2018

# LETTER OF TRANSMITAL

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Date: 22.04.2018

To  
Rafiqul Islam  
Professor  
Department of Business Administration  
Faculty of Business & Economics  
Daffodil International University

**Subject: Submission of Internship Report on “Performance Evaluation of Brac Bank Limited**

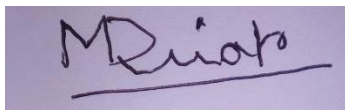
Dear Sir,

This is my pleasure to submit my internship report entitled- “Performance Evaluation of Brac Bank Limited”.

I have conducted my internship program in Brac Bank Limited, Head Office in Dhaka and effect from 25 February 2018 to 25 May 2018 under your kind supervision. I have invested my every effort to financial functions performed by Brac Bank Limited.

I believe that the knowledge and experience I have gathered during the internship period, will be helpful in my future professional life. I will be grateful to you if you kindly accept this report.

Thanking you for your time and kind supervision.



Sincerely Yours,

Md. Oliar Azam

ID NO: 171-14-2264

Program: MBA (Major in Finance)

Daffodil International University.

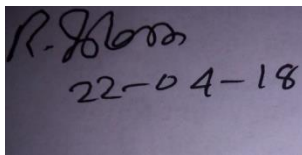
# Certificate of Approval

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This is to certify that, Md. Oliar Azam, ID: 171-14-2264; a student of Daffodil International University, MBA program completed the Intenship Report titled “Performance Evaluation of Brac Bank Limited” under my supervision. His internship placement was at Brac Bank Limited in Head Office. I’m pleased to state that, Md. Oliar Azam in preparing this report and have been able to present a good picture of the concern organization and his relevant area of research. The data and findings presented in the report seem to be authentic.

This report is accepted for Presentation. I wish him every success in life.

## Signature of the Supervisor

A photograph of a handwritten signature in black ink on a light-colored surface. The signature appears to be 'R. Islam' and is followed by the number '22-04-18' written below it.

## Rafiqul Islam

Professor  
Department of Business Administration  
Faculty of Business & Economics  
Daffodil International University.

# Declaration

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I a student of Business Administration (MBA) Major in Finance of Daffodil International University do hereby declare that the internship report entitled “Performance Evaluation of Brac Bank Limited”, Which is submitted by me in partial fulfillment of the requirement for the award of MBA. This is my work and due acknowledgement have been made to the appropriate authority for materials used in the report.

**Md. Oliar Azam**

**ID NO: 171-14-2264**

Program: MBA (Major in Finance)

Daffodil International University.

# ACKNOWLEDGEMENT

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First of all I would like to pay my gratitude to the Almighty Allah for helping me in preparing this internship report successfully. In the preparation of this internship report, I acknowledge the encouragement and assistance given by a number of people and institution. I am most grateful to the Business Administration Department of Daffodil International University for the co- operation of managing an internship for me. I am also most grateful to the Brac Bank's management to give me the opportunity to complete my internship in their organization.

I would like to express my gratitude to my Supervisor Professor Rafiqul Islam for providing me detailed feedback and advice on this report. He always gave me her suggestions in making this study as flawless as possible.

I want to thank Mr. Mohammed Masum Iqbal (Dean, Faculty of Business & Economics, Daffodil International University) for his valuable counseling regarding the preparation of the internship report.

I also thank the Authority and the Management of Brac Bank Limited and all other officers and employees of Brac Bank Limited for their delightful co-operation to acquire practical banking knowledge in my 3 months internship program. I practically work with them, try to share their perception, feelings and on the basis of my realization, I prepared this report from my own point of view.

Then at last I shall be grateful to those persons who read this report and who shall get benefit from this report at present and in future.

Furthermore, I want to convey my heartiest thanks to my classmates and friends, without their help this report could not be fulfill.

Finally, special thanks goes to the respondents, who spared their time generously and helped me to complete my study.

# Preface

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Internship program is one of the most significant parts of our MBA program. At present the world is getting more competitive. So we have to acquire knowledge about critical environment of business. This type of program helps the students to acquire practical knowledge about the contemporary business organization. It will also help the students to be an effective executive in the future. In our country one of the reputed private banks is Brac Bank Limited. This bank tries to introduce different kinds of products and services to satisfy their customers.

As a student of MBA Program of Daffodil International University I have been assigned to prepare a report on Performance Evaluation of Brac Bank Limited. From my practical experience I have tried my level best to acquire the knowledge from many departments of the particular bank.

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# Executive Summary

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In the new competitive business era, private banking sector is becoming more competitive in Bangladesh. As financial intermediary commercial banks plays an important role to match the surplus & deficit units. They collect deposit from surplus unit & lend it to the deficit unit. These mobilizations of deposit & allocation of credit leads towards the economic development. This internship report is based on my internship program and financial statements of Brac Bank Limited. It was a great opportunity to gather experience and knowledge from different types of banking operations of BRAC BANK LIMITED. My faculty supervisor helped me to choose the topic – **“Performance Evaluation of Brac Bank Limited”** which is a study based on the period of 2012- 2017. In banking sector the more used financial statements are balance sheet and profit and loss account where balance sheet shows the financial position such as assets, liabilities as well as the equity condition and profit and loss account shows the net profit and loss.

The main objective of the study is to scrutinize the Financial Performance of Brac Bank Ltd from the period of 2012 to 2017 and evaluate this performance. In my report I had to study Brac Bank Limited’s financial statements for the last six years then had to analyze and give significant comments regarding the changes in the financial position. Analysis and interpretation of these financial statements through ratio analysis has now become an important technique for performance evaluation because the investors, financial experts, management executives and the bankers always rely on these ratios to make important decisions. I have found out some points by screening the whole study, which is expressed as major findings. From the findings we can observe that Return on Assets indicate the Net Income after Tax of BRAC BANK LIMITED increase year by year but not in response to Total Assets. The Ratio ROE indicates that the Equity capital of BRAC BANK LIMITED increase rapidly compares to the Net Income after Tax. The financial position of Brac Bank was not strong enough because the Bank’s Return on Assets, Return on Equity, Net Interest Margin or other ratio was below standard. However, BRAC BANK LIMITED has the opportunities to make their financial position stronger by utilizing their management because the Brac Bank has satisfactory operating efficiency and Assets Management Efficiency. After preparing this report I came to know that evaluation of financial statements through ratios helps to overcome the past flaws and make the future decisions and strategies.

# Chapter: 1

# Introduction

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## **1.1 Introduction of the Study**

This internship report entitled “Performance Evaluation of Brac Bank Limited has been started at the beginning of the March, 2018 under the instruction of my honorable intern supervisor & instructor **Professor Rafiqul Islam**.

As a financial intermediary commercial bank plays an important role to match the surplus & deficit units. They collect deposit from surplus unit & lend it to the deficit unit. These mobilizations of deposit & allocation of credit to productive & consumer services leads towards the economic development. This internship report is based on my internship program and financial statements of Brac Bank Limited. I have spent three months at Head Office, Dhaka of Brac Bank Limited. For the purpose of learning the activities of different banking operations practically I have worked at many sections gradually. I have analyzed the financial statements of Brac Bank Limited from the annual reports and bank affairs of Brac Bank Limited to find out its ratios by using its past and current records. In my report I had to study Brac Bank Limited’s financial statements for the last six years then had to analyze and give significant comments regarding the changes in the financial position.

Brac Bank Limited is a private Commercial Bank but it has some differences in its formation compare to other private banks. Brac Bank Limited was established by recognizing the erstwhile BCI Ltd. through passing act 12 of 1997 in the parliament of the People’s Republic of Bangladesh having paid up capital amounting to Tk. 92 crore consisting of Tk. 40 Crore cash money paid by the government and 3 state- owned Banks and Tk. 52 crore of BCI depositors’ money. The commercial operation of the Bank started since July 4, 2001 through opening of its principal branch.

## **1.2 Objectives of the Study**

### **Main Objective:**

The main objective of the study is to scrutinize the Financial Performance of Brac Bank Limited from the period of 2012 to 2017 and evaluates this performance.

### **The other objectives of this study are:-**

- To evaluate the financial position and performance of Brac Bank Limited from the period of 2012 to 2017.
- To estimate the factors affecting performance of the Bank from the period of 2012 to 2017.
- To find out the trend of profitability of Brac Bank Limited from the period of 2012 to 2017.
- To measure the managerial efficiency of the firm as well as earning capacity of Brac Bank Limited in future period.
- To present the major findings and to provide the recommendations on the basis of findings.

## **1.3 Scope of the study**

This report covers the “Performance Evaluation of Brac Bank Limited” Due to successful completion of an essential part of the report we have the opportunity to discuss regarding the following issues:

- What is the present situation of Brac Bank Bank Ltd based on performance evaluation?
- To know about the previous situation of the Brac Bank Limited.
- What are the problems of overall banking practices in Brac bank Limited?

## **1.4 Limitation of the study**

Although there were sincere co-operation from employees of Brac Bank Limited, but they could not manage enough time to provide the necessary information for the completion of the report. During the preparation of the report the following problems occurred that may be termed as the limitation of the study. Some of the limitations faced in preparing this report are

- The limitation of this report is non-availability of the most recent data & information about different activities of the Brac Bank Limited
- Another limitation of this report is the Bank's policy of not share any data and information for obvious reason.
- The bank personnel are very busy.
- I carried out such a study for the first time, so inexperience is one of the main constraints of the study.

In spite of all these limitations, I have tried to put the best effort as far as possible.

## **1.5 Rationale of the Study**

Bangladesh is one of the developing countries of the world. However, the country has many opportunities for massive improvement. In an economy like this, banking sector can play a vital role as an intermediary, which can mobilize the excess fund of surplus sectors to provide the necessary finance to those sectors, which need funds to grow. Thus, banks can establish a sound base for the development of the country.

Here I got the clue to work on. I had a quest to know how a private bank has linked its motto with the ever increasing pressure of better operation for new challenges. I wanted to investigate the pillars based on which the bank is standing and the key performance indicators of the bank.

So, I had worked both in the general banking division and monitoring the financial performance of the bank and prepared my report giving emphasize on the performance evaluation of BRAC BANK LIMITED.

## **1.6 Methodology**

The research methodology using for finding out the solution of the research problem is analytical research methodology and some extend descriptive research methodology. There are two types of data sources have been used. One is primary and another is secondary sources. In the absence of primary information the majority of the study has been based on secondary information.

### **1.6.1 Sources of Data**

The following sources are used for the purpose of gathering and collecting data as required.

#### **Primary data**

1. Conversation with the officials of Brac Bank.
2. Observe daily activities regularly.
3. Oral and informal interview of officers and employees in Brac Bank and personal observation.

#### **Secondary Data**

1. Annual Reports of the Brac Bank Limited.
2. Official files and folders, working papers, published and unpublished documents.
3. Financial Affairs of Head Office.
4. Website of Brac Bank Limited.
5. Different text books & articles.
6. Internet and various study selected reports.

### **1.6.2 Methods of Data Analysis:**

The report used both the qualitative and quantitative approaches to analyze data. The quantitative approach includes different statistical tables and graphs. Some other techniques are used to analyze the report are as follows-

1. Graphical Presentation
2. Ratio Analysis (key ratios related performance analysis)
3. SWOT Analysis

# **Chapter: 2**

## **Organizational Part (Company Overview)**

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## 2.1 INTRODUCTION:

BRAC Bank Limited is a full service scheduled commercial bank. It has both local and International Institutional shareholder. The bank is primarily driven with a view of creating opportunities and pursuing market niches not traditionally meet by conventional banks. BRAC Bank has been motivated to provide “best-in-the-class” services to its diverse assortment of customers spread across the country under an on-line banking dais. At present, BRAC Bank is one of the fastest growing banks in the country. In order to support the planned growth of its distribution, network and its various business segments, BRAC Bank is currently looking for impressive goal oriented, enthusiastic, individuals for various business operations. The bank wants to build a profitable and socially responsible financial institution. It carefully listen to the market and business potentials, It is also assisting BRAC and stakeholders to build a progressive, healthy, democratic and poverty free Bangladesh. It helps make communities and economy of the country stronger and to help people achieve their financial goals. The bank maintains a high level of standards in everything for our customers, our shareholders, our acquaintances and our communities upon, which the future affluence of our company rests.

## 2.2 HISTORICAL VIEW OF BRAC BANK LIMITED:

BRAC Bank Limited started its journey on 4 July 2001 originating from its source BRAC – **Bangladesh Rural Advancement Committee**. BRAC is known as the one of the most successful NGO in the world.

BRAC Bank originated due to successful story of BRAC microfinance. The Chairman, Sir. Fazle Hasan Abed believed that until modern, competitive financial services are readily available – including credit in amounts, terms and conditions that small can access, Bangladesh will not be able to create the large middle class that is a prerequisite to social stability. So, the **BRAC Bank Limited** came into existence due to the need of mass financing, which wouldn't have been possible with BRAC microfinance itself.

BRAC Bank has been the fastest growing local bank in the year 2004 & 2005 with a double bottom line of vision. This organization wants to mix profit and social responsibility together and as such serve the people of the nation. The parent organization that is Bangladesh Rural Advancement Committee (BRAC) has been working since the independence of the country for the development of the deprived people.

The concept of BRAC Bank is also based on helping those deprived people and at the same time making profit by providing top class financial services. For this reason 50% of the total loan portfolio of this bank is dedicated towards small and medium enterprises. It has been found that there exists a segment of people who do not have access to capital but if fund is given to them, they can excel in their own small and medium businesses and as such contribute in the development of the economy.

Today BRAC Bank is considered as third generation bank extending full range of banking facilities by providing efficient, friendly and modern fully automated on-line service on a profitable basis. Since its inception, it has introduced fully integrated online banking service to provide all kinds of banking facilities from any of its conveniently located branches.

## 2.3 Strategic Priorities of BRAC BANK LIMITED

- To maintain a healthy growth of business in all core activities with desired image.
- To acquire state-of-the-art technologies and adopt innovative ideas for financial inclusion.
- To strengthen the risk management technique and compliance culture.

- To expand the customer base and maintain an incremental deposit & reduce the non-performing assets.
- To develop appropriate corporate governance system and culture with best practice.
- To establish relationship banking & continuously improve service quality.
- To extend banking services to all classes of people.
- To ensure environment friendly investment in line with the “Green Banking Guideline” issued by Bangladesh Bank.
- To take effective measures to increase capital base and provision shortfall.
- To enrich management capacity & human resources quality and develop a pro-active work force with a suitable compensation package.
- To be a trend-setter in the socio-economic development of the country.

## **2.4 VISION, MISSION AND CORE VALUES OF BRAC BANK LIMITED**

### **Corporate Vision:**

Building profitable and socially responsible financial institution focused on Market and Business with Growth potential, thereby assisting BRAC and stakeholders to build a just, enlightened, healthy democratic and poverty free Bangladesh”.

### **Corporate Mission:**

- Sustained growth in Small & Medium Enterprise sector
- Continuous low-cost deposit Growth with controlled growth in retail assets.
- Corporate Assets to be funded through self-liability mobilization. Growth in Assets through syndications and investment in faster growing sectors.
- Continuous endeavor to increase non-funded income
- Keep our debt charges at 2% to maintain a steady profitable growth
- Achieve efficient synergies between the bank’s branches, SME unit offices and BRAC field offices for delivery of remittance and Bank’s other products and services
- Manage various lines of business in a full controlled environment with no compromise on service quality
- Keep a divers, far flung team fully controlled environment with no compromise on service quality

- Keep a diverse, far flung team fully motivated and driven towards materializing the bank's vision into reality

## **Core Values:**

Our Strength emanates from our owner - BRAC. This means, we will hold the following values and will be guided by BRAC as we do our work.

- Value the fact that one is a member of the BRAC family
- Creating an honest, open and enabling environment
- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit
- Strive for profit & sound growth
  
- Work as team to serve the best interest of our owners
- Relentless in pursuit of business innovation and improvement
- Value and respect people and make decisions based on merit
- Base recognition and reward on performance
- Responsible, trustworthy and law-abiding in all that we do.

# **Chapter: 3**

## **Financial Overview of BRAC BANK LIMITED from 2012-2017**

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### 3.1 Introduction

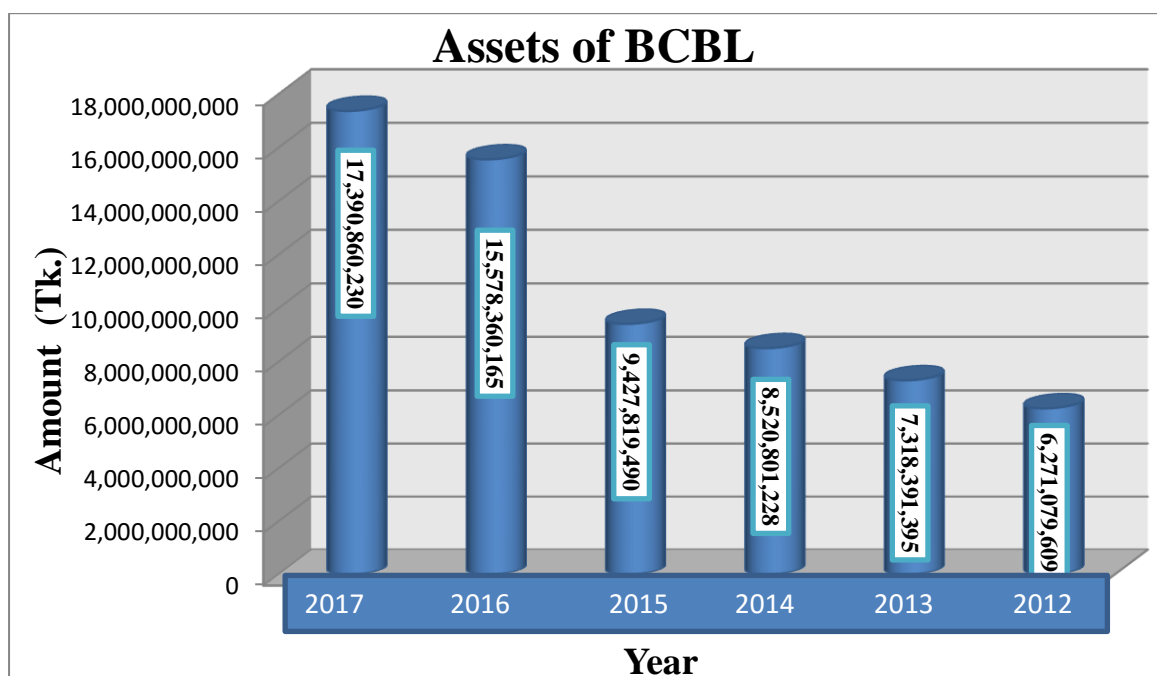
Generally financial overview represents the scenario of financial position of an organization. In this particular part of the report I try to capture the scenario of assets & asset portfolio, deposits along with various types of deposit, loan and advances as well as the loan and advance portfolio and finally represent the net income after tax of Brac Bank Limited. The particular chapter of the report also contains the major financial information of BRAC BANK LIMITED at a glance for the purpose of performance evaluation and key ratio analysis of Brac Bank Limited.

### 3.2 Assets

The asset position of Brac Bank Limited from 2012 to 2017 represent that the bank is creating a strong position in the banking sector of Bangladesh.

**Table 1: Total Assets**

Year	Assets in crore (Tk.)	Growth Rate
2012	6,271,079,609	-
2013	7,318,391,395	17%
2014	8,520,801,228	16%
2015	9,427,819,490	11%
2016	15,578,360,165	65%
2017	17,390,860,230	12%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 1: Asset of BRAC BANK LIMITED**

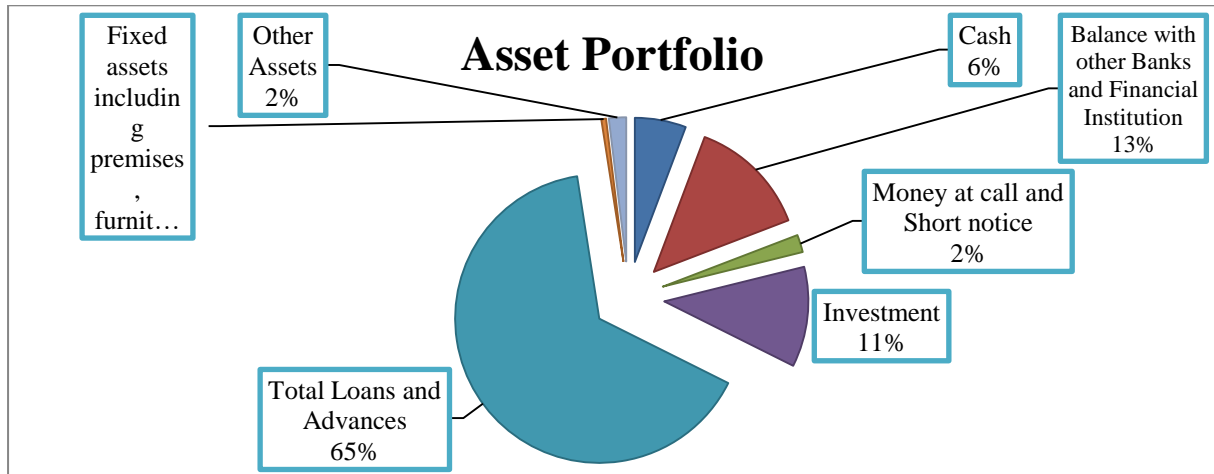
We see that the growth rate of the Assets of BRAC BANK LIMITED in the last five years had mixed trend. It increased highest in the year 2016 that was 65% but in the year 2017 the growth rate fall to 12% only.

### 3.2.1 Asset Portfolio

In 2016, the Brac Bank Limited asset portfolio represents the bank current situation, which reflects that bank held in a competitive position to the other commercial bank. That is given below:

**Table 2: Asset Portfolio**

Particulars of Assets	Amount (Crore TK.)	Percentage
Cash	99.85	6%
Balance with other Banks and Financial Institution	233.67	13%
Money at call and Short notice	34.00	2%
Investment	195.29	11%
Total Loans and Advances	1133.44	65%
Fixed assets including premises, furniture & fixtures	9.23	1%
Other Assets	33.61	2%
Total	1739.09	100%



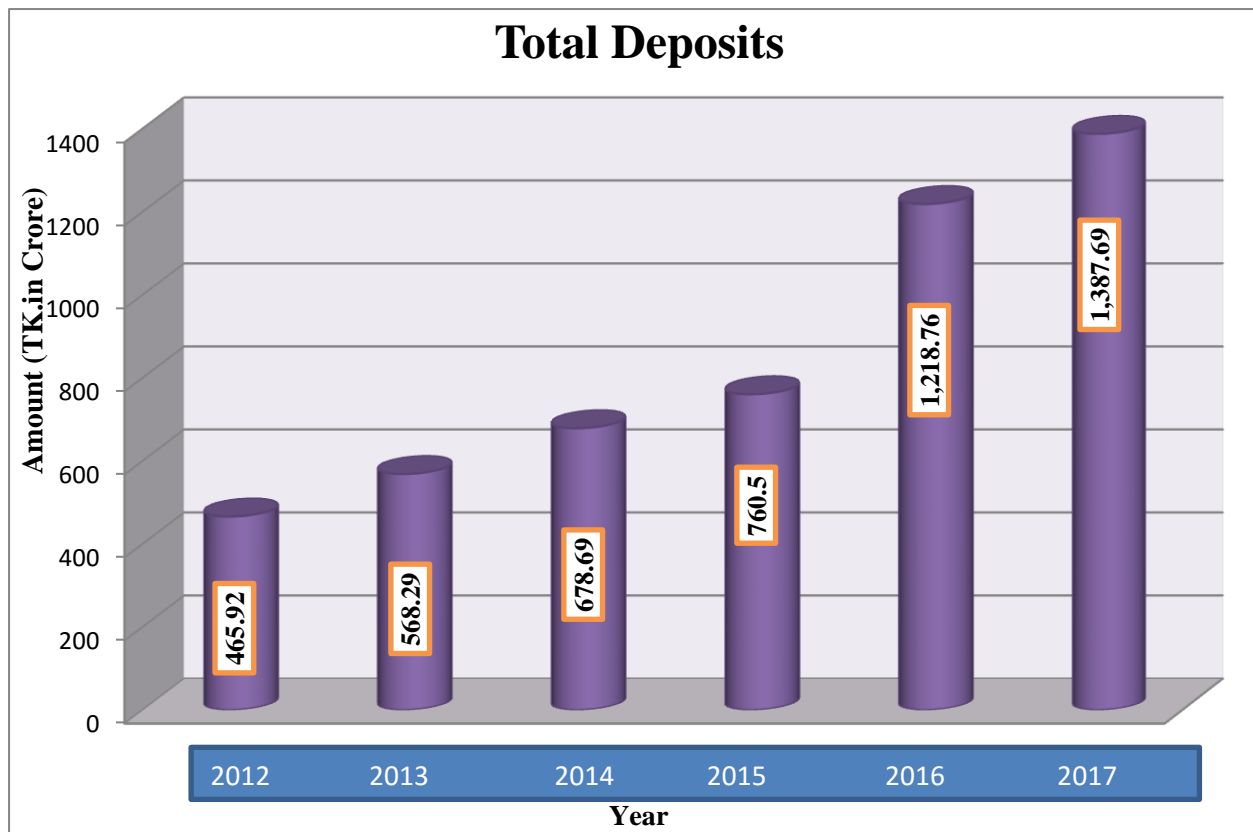
Source: Annual Report 2016 of BRAC BANK LIMITED

**Figure 2: Asset portfolio of BRAC BANK LIMITED**

### 3.3 Deposits

**Table 3: Total Deposits**

Year	2012	2013	2014	2015	2016	2017
Total deposits in Crore (Tk.)	465.92	568.29	678.69	760.5	1,218.76	1,387.69
Growth Rate	----	22%	19%	12%	60%	14%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 3: Deposit of BRAC BANK LIMITED**

From the above calculation, we see that growth rate of deposits in the year 2013 was satisfactory but the rate had downward trend in the year 2014 and 2015. The rate reached highest in the year 2016 that was 60% and like assets deposit growth rate also fall in the year 2017.

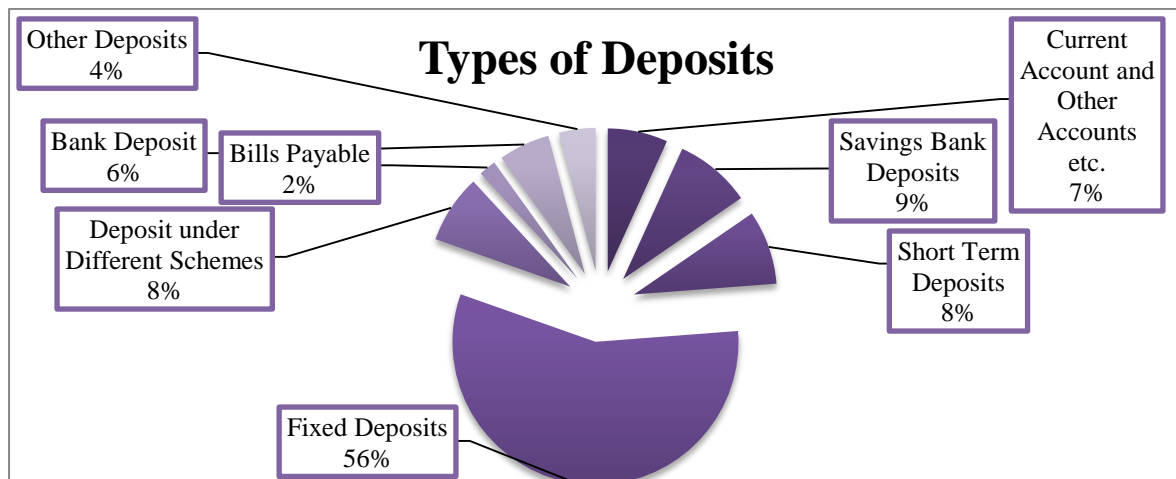


### 3.3.1 Types of Deposits

Brac Bank Limited gather funds from different types of deposits. The bank has attached top priority on the mobilization of low cost funds. The deposit mix of the bank as of 31 December 2017 was as follows:

**Table 4: Types of Deposits**

Types of Deposits	Amount (Crore Tk.)	Percentage
Current Account and Other Accounts etc.	94.20692	7%
Savings Bank Deposits	119.8961	9%
Short Term Deposits	116.0418	8%
Fixed Deposits	785.4746	56%
Deposit under Different Schemes	107.6275	8%
Bills Payable	26.95062	2%
Bank Deposit	80.289	6%
Other Deposits	57.20236	4%
Total	1387.689	100%



Source: Annual Report 2017 of BRAC BANK LIMITED

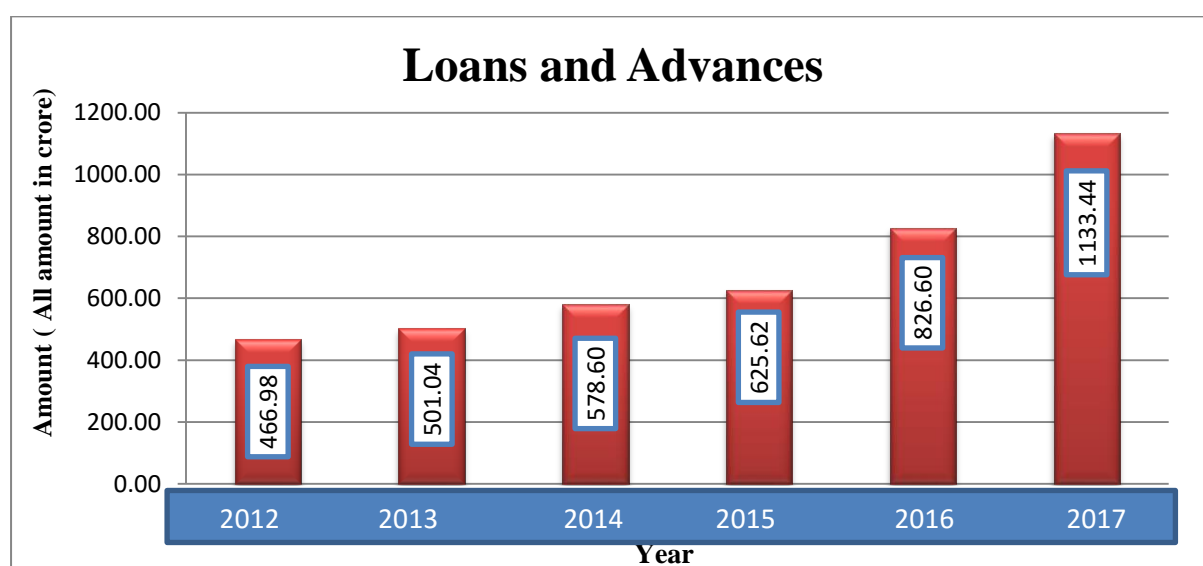
**Figure 4: Different types deposit of BRAC BANK LIMITED**

### 3.4 Loans and Advances

The loans and advances of the bank registered an impressive growth From the year 2012 to 2017. The total loans and advances as on 31 December 2016 was Tk. 826.60 crore and in the year the loan and advance was Tk.1, 133.44 that was 37% higher than the year 2016.

**Table 5: Total Loans and Advances**

Year	2012	2013	2014	2015	2016	2017
Loan and Advance in crore (Tk.)	466.98	501.04	578.60	625.62	826.60	1133.44
Growth Rate	----	7%	15%	8%	32%	37%



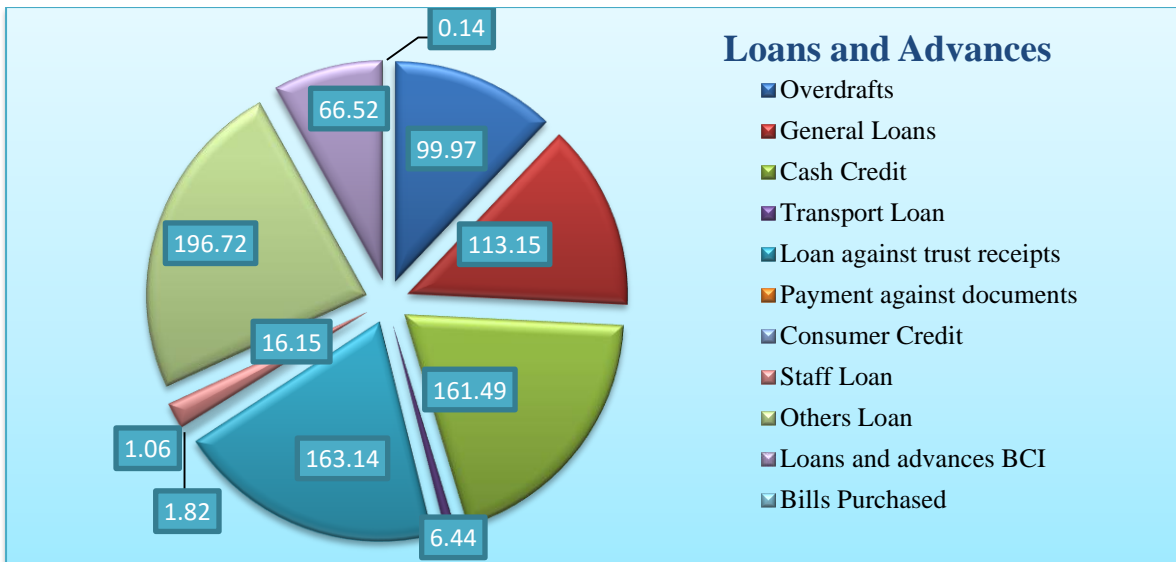
Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 5: Loans and advances of BRAC BANK LIMITED**

By analyzing the growth rate of loan and advance of BRAC BANK LIMITED, we can say that the BRAC BANK LIMITED had a stable growth rate except year 2014 and the last two year growth was highest of BRAC BANK LIMITED that was 32% and 37% respectively. In conclusion, we can say that the loan and advance growth was satisfactory in the last five years.

#### 3.4.1 Loans and Advances Portfolio

The bank gives top most priority to acquire quality assets and does appropriate lending risk analysis while approving commercial and trade loan to clients. The advance matrix of the bank as of 31 December 2016 was as follows:



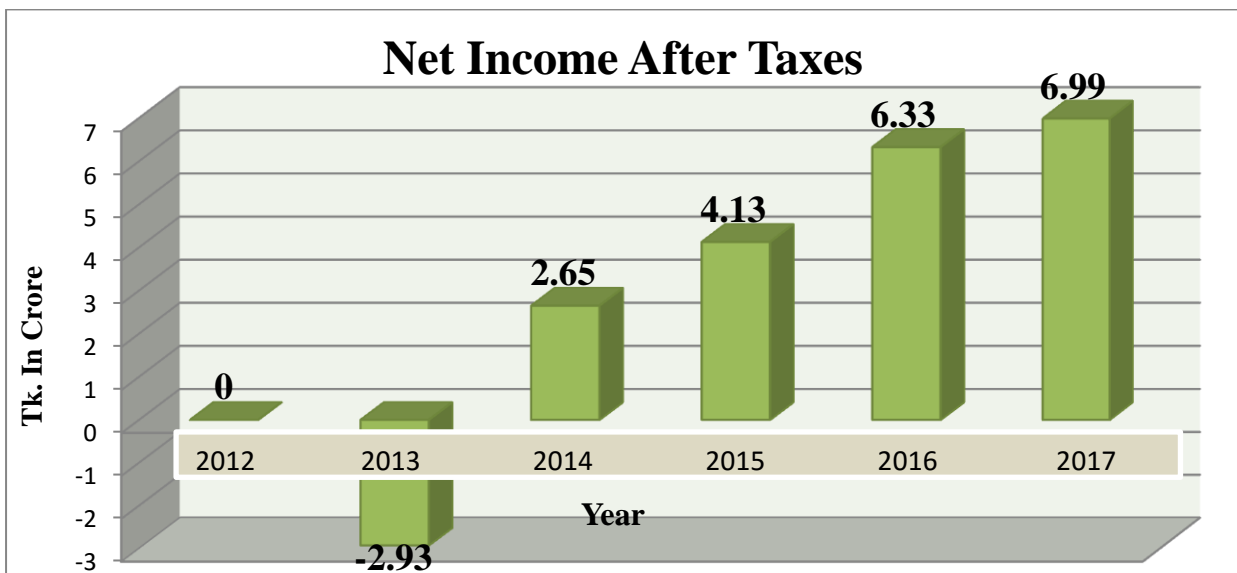
Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

Figure 6: Loans and advances matrix of BRAC BANK LIMITED

### 3.5 Net Income after Tax

Table 6: Net Income after Tax

Year	2012	2013	2014	2015	2016	2017
Net Income after Tax (Tk. Crore)	-	-2.93	2.65	4.13	6.33	6.99
Growth Rate	-	-	190%	56%	53%	10%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

Figure 7: Net Income after Tax

Net Income after Tax was Nil in the year 2012 because in the 2012 BRAC BANK LIMITED Net Income before Provision equal to the Total Provision of that year that means no profit no loss of BRAC BANK LIMITED in the year 2012. That's the growth rate of Net Income after Tax of BRAC BANK LIMITED was not available. Moreover in the year 2013, BRAC BANK LIMITED was earned Net Loss and that was TK.2.93 crore. The growth in Net Income after Tax was very high in the year 2014 because BRAC BANK LIMITED in the year 2013 had net loss figure but that turns into Profit in the year 2014. The growth rate in Net Income after tax was satisfactory in the year 2015 and 2016 but the growth rate had fallen in the year 2017.

From the above calculations and figures, based on the growth rate we can say that, the Total Assets, Total Deposits, Total loan & Advances and Net Income after Taxes of BRAC BANK LIMITED had a upward trend that indicate strong Financial position of BRAC BANK LIMITED. From the above calculation we also see that financial position of BRAC BANK LIMITED were best in the year 2016 in terms of growth rate than that of other years.

**Table 7: Financial Information of BRAC BANK LIMITED at a Glance  
2012-2017 (All Figures in Taka)**

Accounts Name	2012	2013	2014	2015	2016	2017
Paid up Capital	920,000,000	920,000,000	920,000,000	920,000,000	1,988,742,800	1,988,742,800
Total Assets	6,271,079,609	7,318,391,395	8,520,801,228	9,427,819,490	15,578,360,165	17,390,860,230
Total Liabilities	5,283,930,003	6,313,542,132	7,500,805,360	8,409,074,791	13,431,959,145	15,173,360,356
Total Equity Capital	987,149,606	1,004,849,263	1,019,995,868	1,018,744,699	2,146,401,020	2,217,499,875
Common Shares	9,200,000	9,200,000	9,200,000	9,200,000	19,887,428	19,887,428
Total Loans	4,669,759,307	5,010,354,982	5,785,988,266	6,256,201,680	8,266,020,064	11,334,441,444
Total Deposits	4,659,231,622	5,682,937,214	6786,866,290	7,604,975,266	12,187,614,460	13,876,888,734
Operating Revenues	253,611,019	136,225,473	214,924,501	489,870,749	617,781,223	900,500,699
Operating Expenses	154,966,794	165,525,816	185,218,674	201,740,881	292,415,768	401,556,671
Net Income before Taxes	Nil	(29,300,343)	29,705,827	151,696,889	162,683,719	224,422,681
Net Income After Taxes	Nil	(29,300,343)	26,508,455	41,306,097	63,308,582	69,899,439
Nonperforming Loans	1,592,421,000	1,524,542,000	1,579,485,266	1,485,066,353	1,068,041,000	
Provision for Loan Losses	246,712,557	236,749,634	232,546,520	278,848,334	367,105,466	
Interest Income	491,075,497	510,962,381	634,800,634	905,556,240	926,555,777	1,510,634,175
Interest Expense	323,610,466	438,607,424	523,104,891	552,907,005	621,149,033	912,798,490
Non Interest income	86,145,988	63,870,516	103,228,758	137,221,514	312,374,479	302,665,014
Earnings Per Share	Nil	(3.18)	2.88	4.49	3.18	3.51
Return on Investment	7.33%	5.06%	7.51%	10.11%	12.14%	
Price to Earnings Ratio	-	-	35 Times	22 Times	31 Times	28 Times

[Source Annual Report from 2012 to 2017]

# **Chapter: 4**

## **Ratio Analysis & Interpretation of the Ratios**

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## **4.1 Definition & Importance of Performance Evaluation**

Performance Evaluation is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of the balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors and investors.

## **4.2 Objectives of Evaluation and Interpretation:**

The users of financial statement have definite objectives to analysis and interpret .Therefore; there are variations in the objectives of interpretation by various classes of people. There are certain specific and common objectives, which are listed below:

- To interpret the profitability and efficiency of various business activities with the help of profit and loss account.
- To measure the managerial efficiency of the firm.
- To ascertain earning capacity in future period.
- To measure short-term and long -term solvency of the business.
- To determine future positional of the concern.

## **4.3 Methods of Evaluation and Interpretation**

The evaluation and interpretation of financial statement are used to determine the financial position and result of operation as well. The following are the tools that are used for analyzing the financial position of the company:

1. Ratio Analysis
2. Comparative balance sheet
3. SWOT Analysis.

## **4.4 Ratio Analysis**

Ratio analysis is an important and age-old technique. It is a very powerful tool of performance evaluation. It is defined as “The indicated quotient of two mathematical expressions” and as “the relationship between two or more things”. Systematic use of the ratio is to interpret the financial statement so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.



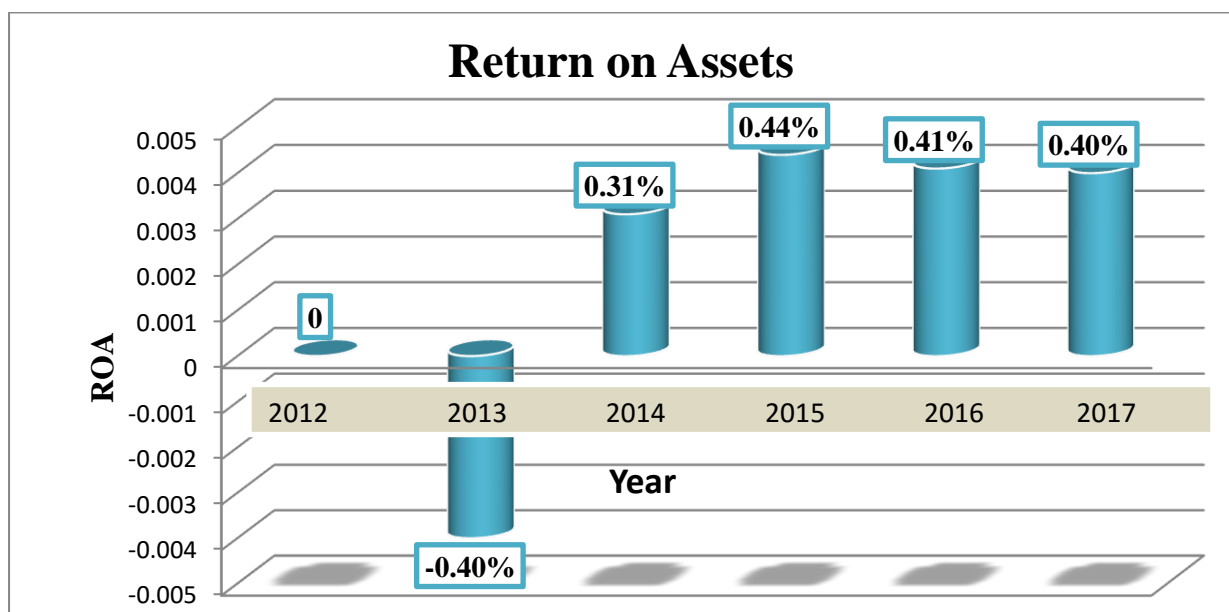
## 4.5 Ratio Analysis of Brac Bank Limited

### 4.5.1 Return on Assets (ROA)

Return on assets (ROA) is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources. It is commonly defined as net income after tax / total assets. ROA is known as a profitability or productivity ratio, because it provides information about management's performance in using the assets of the small business to generate income. ROA and other financial ratios can provide small business owners and managers with a valuable tool to measure their progress against predetermined internal goals, a certain competitor or the overall industry. ROA is also used by bankers, investors, and business analysts to assess a company's use of resources and financial strength.

**Return on Assets (ROA) = Net Income after Tax / Total Assets**

2012	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
–	(29,300,343)/	26,508,455/	41,306,097/	63,308,582/	69,899,439/
	7,318,391,395	8,520,801,228	9,427,819,490	15,578,360,165	17,390,860,230
–	(.40%)	.31%	.44%	.41%	.40%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 8: Return of Assets of BRAC BANK LIMITED**

**Comment:** From the above calculation, we see that Return on Asset of Brac Bank Limited in the year 2013 was (.40%) because this year Bank incurred a net loss but in the year 2014 ROA turns into positive figure and that was .31%. Moreover in the year 2015, ROA increased to .44% that was increased approximately 42% from the year 2014. However, in the year 2016 it was decreased to .41% and .40% in the year 2017. In the summary, we can say that ROA of BRAC BANK LIMITED in the different year had a mixed trend because total assets of BRAC BANK LIMITED rapidly increased from the year by year, on the other hand profit of BRAC BANK LIMITED gradually increased from 2012 to 2017 but not in response to total assets.

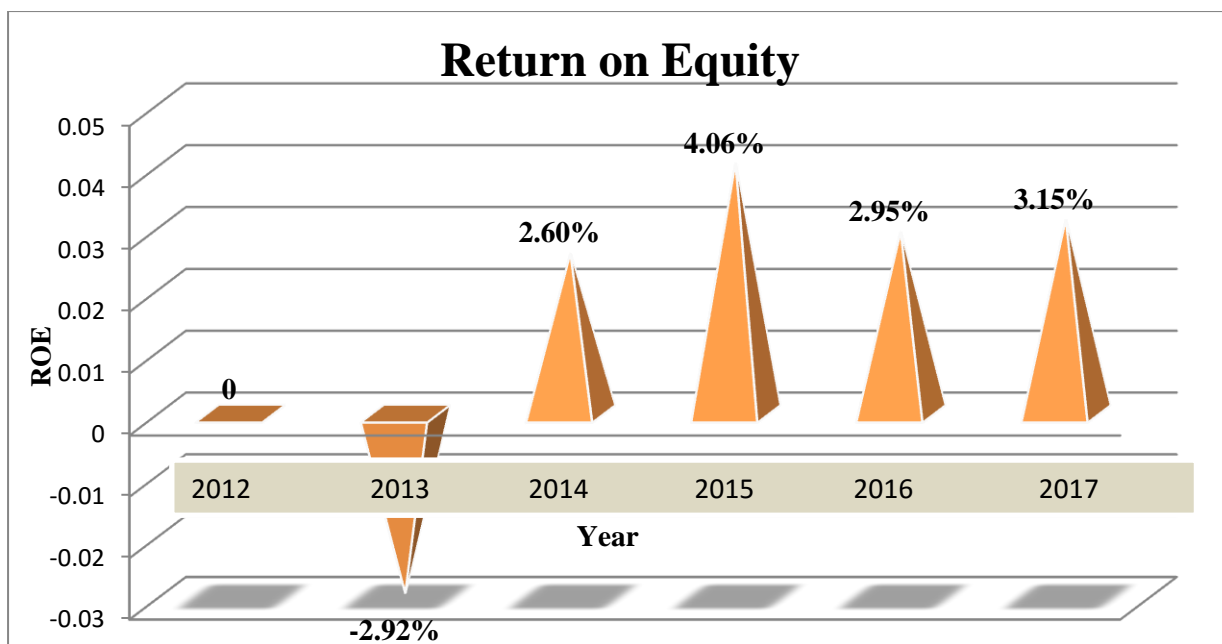
[The amount of Net Income after tax in the year 2012 of the Brac Bank was Nill]

#### **4.5.2 Return on Equity (ROE)**

Return on equity (ROE) is the amount of net income returned as a percentage of shareholders' equity. The return on equity ratio, sometimes called return on net worth, is the most important of the entire profitability ratio for investors in the company. It allows investors to see how effectively the money they invested in the firm is being used. It reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. ROE between 15% and 20% are generally considered good.

**Return on Equity Capital (ROE) = Net Income after Tax/ Total Equity Capital**

<b>2012</b>	<b>2013 (Tk.)</b>	<b>2014 (Tk.)</b>	<b>2015 (Tk.)</b>	<b>2016 (Tk.)</b>	<b>2017 (Tk.)</b>
–	(29,300,343)/	26,508,455/	41,306,097/	63,308,582/	69,899,439/
	<b>1,004,849,263</b>	<b>1,019,995,868</b>	<b>1,018,744,699</b>	<b>2,146,401,020</b>	<b>2,217,499,875</b>
–	<b>(2.92%)</b>	<b>2.60%</b>	<b>4.06%</b>	<b>2.95%</b>	<b>3.15%</b>



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 9: Return on Equity of BRAC BANK LIMITED**

**Comment:** From the above calculation, we see that the Brac Bank in the year 2013 by using of its total equity capital made negative ROE and that was (2.92%) because this year Bank incurred a net loss but in the year 2014 ROE of BRAC BANK LIMITED rapidly turn into positive figure that was 2.60% and held it in the year 2012. Moreover, in the year 2015 ROE increase 56% from the year 2014. But in the year 2016 ROE decrease to 2.95% that was 27% less from year 2015. However ROE of BRAC BANK LIMITED reached 3.15% in the year 2017 by increasing 6.78% from the year 2016.

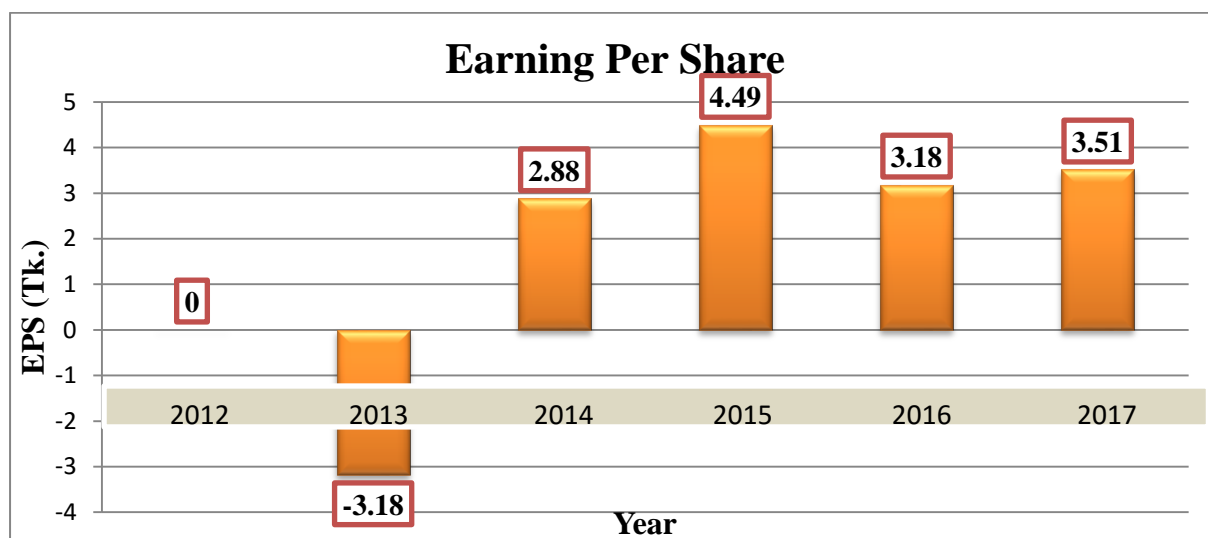
[The amount of Net Income after tax in the year 2012 of the Brac Bank was Nil]

#### 4.5.3 Earnings per share (EPS)

A company's profit divided by it numbers of common outstanding shares. In calculating EPS, the company often uses a weighted average of shares outstanding over the reporting term. The one-year (historical or trailing) EPS growth rate is calculated as the percentage change in earnings per share. The prospective EPS growth rate is calculated as the percentage change in this year's earnings and the consensus forecast earnings for next year.

**Earnings per Share = Net Income after Taxes / Common Equity Shares Outstanding**

2012	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
Nil	(29,300,343)/ 9,200,000	26,508,455/ 9,200,000	41,306,097/ 9,200,000	63,308,582/ 19,887,428	69,899,439/ 19,887,428
Nil	(3.18)	2.88	4.49	3.18	3.51



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 10: Earnings per Share of BRAC BANK LIMITED**

**Comment:** From the above figure of the Brac Bank Ltd, we see that in the year 2013 EPS of BRAC BANK LIMITED was a negative figure because in that year the Bank made net loss but in the year 2014, 2015, 2016 and 2017, Brac Bank has made positive EPS that was 2.88, 4.49, 3.18 and 3.51 respectively. The maximum EPS of Brac Bank was in the year 2015 and minimum in the year 2013.

[The amount of Net Income after tax in the year 2012 of the Brac Bank was Nil]

#### 4.5.4 Price Earnings Ratio (P/E ratio)

Price earnings ratio (P/E ratio) is the ratio between market price per equity share and earnings per share. The ratio is calculated to make an estimate of appreciation in the value of a share of a company and is widely used by investors to decide whether to buy shares in a particular company or not.

The P/E gives you an idea of what the market is willing to pay for the company's earnings. The higher the P/E the more the market is willing to pay for the company's earnings. Some investors read a high P/E as an overpriced stock and that may be the case, however it can also

indicate the market price has high potential for this stock's future growth and has bid up the price.

**Price to Earnings Ratio = Market Price per Share /Earning Per Share**

2012	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
–	–	100/2.88	100/4.49	100/3.18	100/3.51
–	–	35 Times	22 Times	31 Times	28 Times

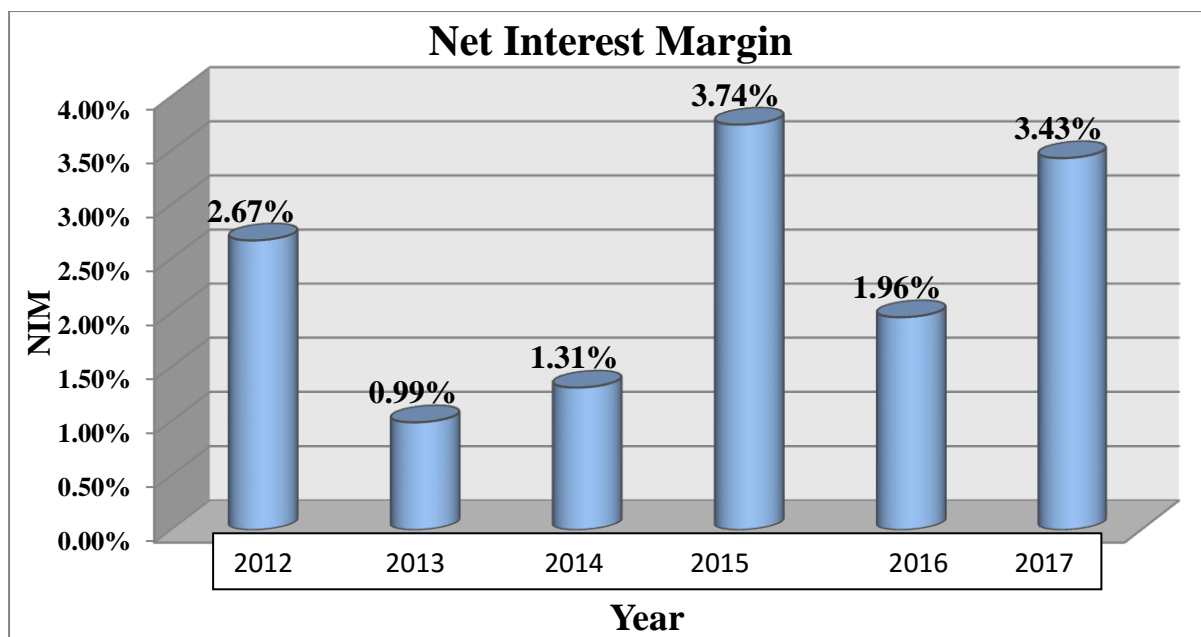
**Comment:** From the above calculation, we see that in the year 2014 the market is willing to pay 35 times against EPS. That is indicating high share value against its EPS. It could be because of the high potential growth rate. But in the year 2015, P/E ratio fell to 22 times against its EPS and in the year 2016 and 2017 the P/E ratio of BRAC BANK LIMITED was 31 times and 28 times respectively.

#### 4.5.5 Net Interest Margin (NIM)

Net interest margin (NIM) is a measure of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders (for example, deposits), relative to the amount of their assets. It is usually expressed as a percentage of what the financial institution earns on loans in a time period and other assets minus the interest paid on borrowed funds divided by the average amount of the assets on which it earned income in that time period

**Net Interest Margin (NIM) = Net Interest Income/ Total Assets**

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
167,465,031/ 6,271,079,609	72,354,957/ 7,318,391,395	111,695,743/ 8,520,801,228	352,649,235/ 9,427,819,490	305,406,744/ 15,578,360,165	597,835,685/ 17,390,860,230
2.67%	.99%	1.31%	3.74%	1.96%	3.43%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 11: Net Interest Margin of BRAC BANK LIMITED**

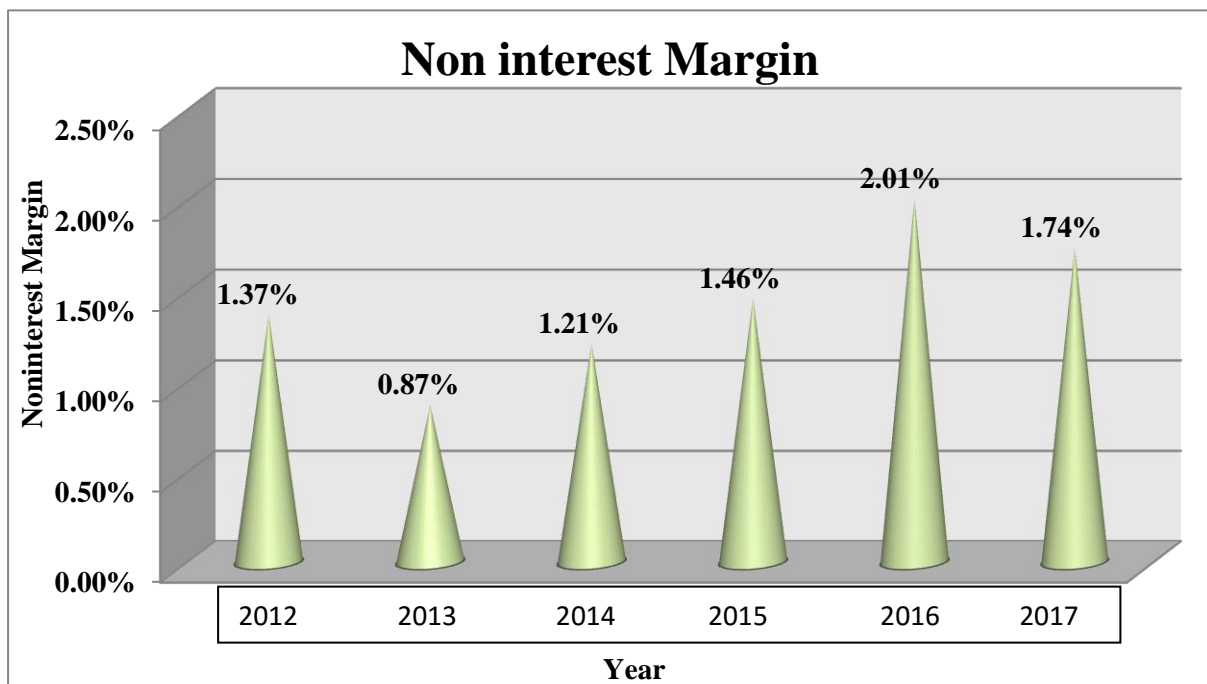
**Comment:** From the above calculation, we see that NIM of Brac Bank in the year 2012 was 2.67% but in the year 2013 NIM of BRAC BANK LIMITED decline to .99%, that is 62.92% less from the year 2012. However, NIM of BRAC BANK LIMITED gradually increases in the year 2014 and 2015 that was 1.31% and 3.74% respectively. In addition, NIM of BRAC BANK LIMITED in the year 2016 again fall by approximately 48% from the year 2016 and down to 1.96%. Finally, the NIM of BRAC BANK LIMITED was 3.43% in the year 2017.

#### **4.5.6 Non interest Margin:**

Non-interest income is any type of income that is generated from the application of fees, rather than from interest that is applied to the outstanding balance of a financial account. The income of this type is often associated with financial institutions, particularly banks and credit card companies. In some cases, the non-interest income is associated with recurring fees that are assessed on customer accounts each month. At other times, the fees are one-time charges that are applied in return for some type of specific task or service that is provided by the account issuer. The ratio Noninterest Margin means how much income in addition interest income the Bank has made by utilizing its total assets.

**Non interest Margin = Net Non interest Income/ Total Assets**

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015(Tk.)	2016 (Tk.)	2017 (Tk.)
86,145,988/ 6,271,079,609	63,870,516/ 7,318,391,395	103,228,758/ 8,520,801,228	137,221,514/ 9,427,819,490	312,374,479/ 15,578,360,165	302,665,014/ 17,390,860,230
1.37%	.87%	1.21%	1.46%	2.01%	1.74%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 12: Non interest Margin of BRAC BANK LIMITED**

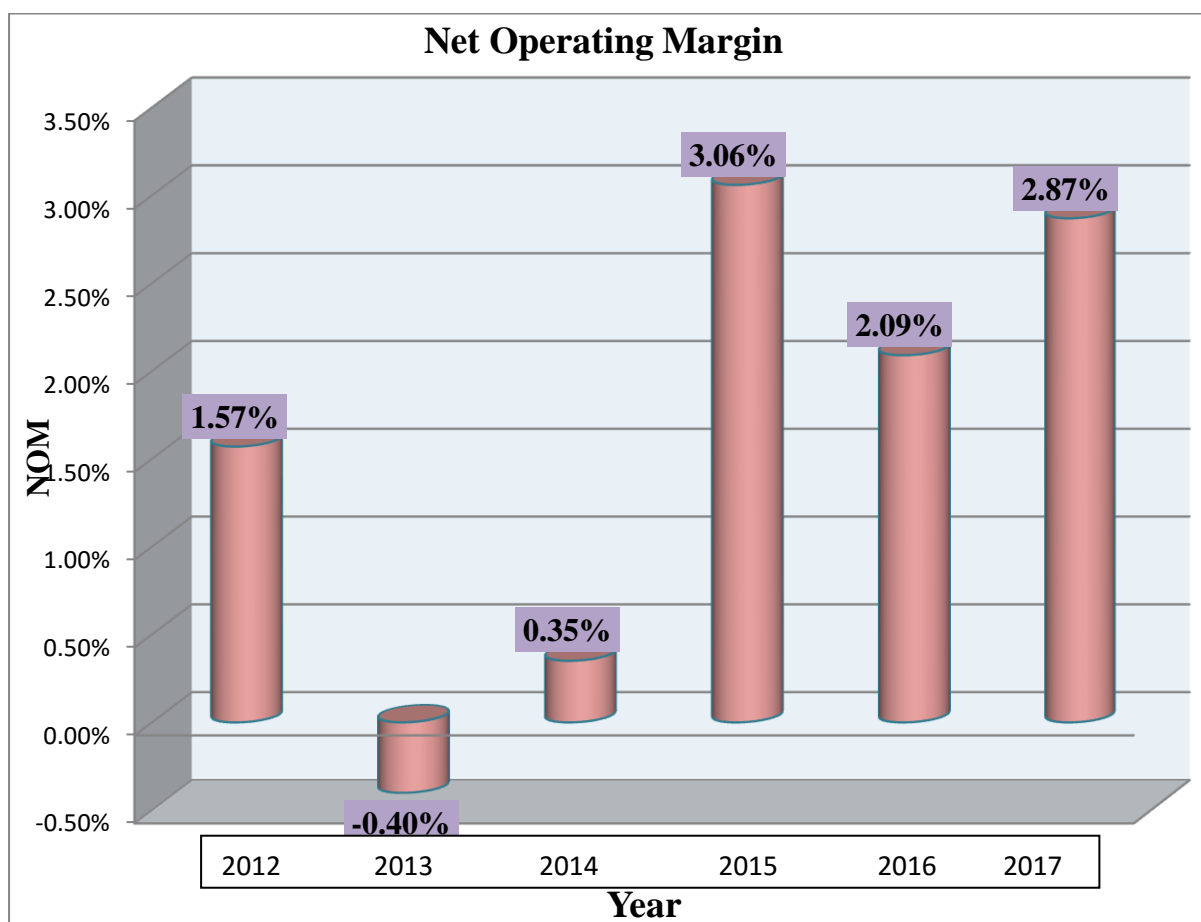
**Comment:** From the above calculation, we see that the Net Non interest Margin of Brac Bank in the year 2012 was 1.37% but in the year 2013, Net Non interest Margin of BRAC BANK LIMITED declined to .87% that was 36.50% less from the year 2012. However, Net Noninterest Margin of BRAC BANK LIMITED gradually increases in the year 2014, 2015 and 2016 that was 1.21%, 1.46% and 2.01% respectively. But again Net Noninterest Margin of BRAC BANK LIMITED fallen to 1.74% that means Brac Bank by utilizing of its total assets in the year 2017 earned 1.74% Net Noninterest Income.

### 4.5.7 Net Operating Margin

A company's operating income after deduction of operating expenses, but before income taxes is deducted. If this is a positive value, it is referred to as net operating income, while a negative value is called a net operating loss (NOL). The ratio Net Operating Margin (NOM) means how much net operating income the bank has made using its total assets.

$$\text{Net Operating Margin} = \frac{\text{Total Operating Revenues} - \text{Total Operating Expenses}}{\text{Total Assets}}$$

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
(253,611,019- 154,966,794)/ 6,271,079,609	(136,225,473- 165,525,816)/ 7,318,391,395	(214,924,501- 185,218,674)/ 8,520,801,228	(489,870,749- 201,740,881)/ 9,427,819,490	(617,781,223- 292,365,454)/ 15,578,360,165	(900,500,699- 401,556,671)/ 17,390,860,230
1.57%	(.40%)	.35%	3.06%	2.09%	2.87%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

Figure 13: Net Operating Margin of BRAC BANK LIMITED



**Comment:** From the above calculation, we see that NOM of Brac Bank in the year 2012 was 1.57% but in 2013, the NOM of BRAC BANK LIMITED had negative figure that was (.40%). In the year, 2014 BRAC BANK LIMITED earned a positive NOM that was .35%. The NOM of BRAC BANK LIMITED rapidly increases in the year 2015 and that was 3.06% but again NOM had fallen to 2.09% in the year 2016. However, NOM of BRAC BANK LIMITED in the year 2017 had increased to 2.87%. In the conclusion, we can say that the trend of Net Operating Margin of BRAC BANK LIMITED has up and Down year by year.

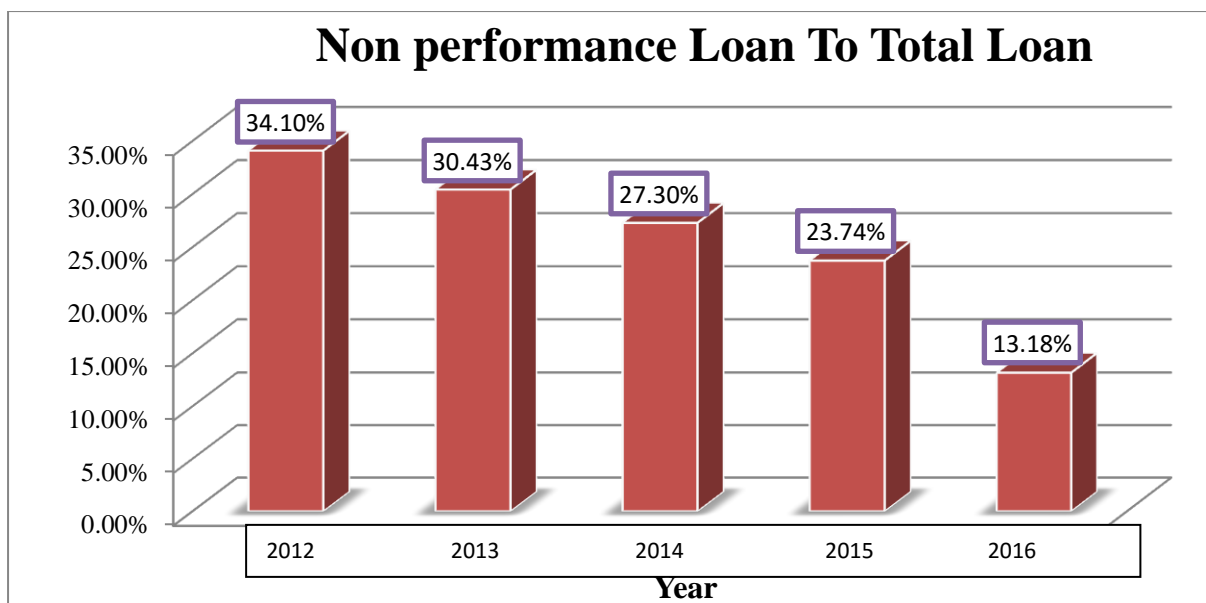
#### **4.5.8 Non performance Loan to Total Loan**

A Non-performing loan is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms.

Ratio of classified loan against the total loan dictates the percentage of bad loans to total loans. This ratio is very much useful to measure the efficiency in collecting money. The ratio Nonperformance loan to total loan means the percentage of Nonperforming loans among total loan. Under this ratio higher the percentage, lower the efficiency of bank. This ratio for the selected banks in the last 6 years is as follows –

**Nonperformance Loan to Total Loan = Nonperforming Loans / Total Loans**

<b>2012 (Tk.)</b>	<b>2013 (Tk.)</b>	<b>2014 (Tk.)</b>	<b>2015 (Tk.)</b>	<b>2016 (Tk.)</b>	<b>2017</b>
<b>1,592,421,000/ 4,669,759,307</b>	<b>1,524,542,000/ 5,010,354,982</b>	<b>1,579,485,266/ 5,785,988,266</b>	<b>1,485,066,353/ 6,256,201,680</b>	<b>1,068,041,000/ 8,266,020,064</b>	
<b>34.10%</b>	<b>30.43%</b>	<b>27.30%</b>	<b>23.74%</b>	<b>13.18%</b>	



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2016

**Figure 14: Non performance loan to total loan of BRAC BANK LIMITED**

**Comment:** From the Calculation, we see that percentage of Nonperforming Loan gradually decline from year 2012,2013,2014,2015 and 2016 that were 34.10%, 30.43%, 27.30%, 23.74% and 13.18% respectively. That indicates efficiency of credit control and collection department of BRAC BANK LIMITED.

#### 4.5.9 Interest Income to Operating Income

The ratio Interest Income to Operating Income means the percentage of Interest income among its total Operating income

$$\text{Interest Income to Operating Income} = \text{Interest Income} / \text{Operating Income}$$

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
167,465,031/ 253,611,019	72,354,957/ 136,225,473	111,695,743/ 214,924,501	352,649,235/ 489,870,749	305,406,744/ 617,781,223	597,835,685/ 900,500,699
66.03%	53.11%	51.97%	71.99%	49.44%	66.39%

**Comment:** From the above calculation, we see that Interest Income to Operating Income of BRAC BANK LIMITED in the year 2012 was 66.03% of total operating income. In addition, another five years Interest Income to Operating Income of BRAC BANK LIMITED was 53.11%, 51.97%, 71.99%, 49.44% and 66.39% respectively.

#### 4.5.10 Non Interest Income to Operating Income

The ratio Non Interest Income to Operating Income means the percentage of Noninterest income among total Operating income.

**Non Interest Income to Operating Income = Non Interest income / Operating Income**

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
86,145,988/ 253,611,019	63,870,516/ 136,225,473	103,228,758/ 214,924,501	137,221,514/ 489,870,749	312,374,479/ 617,781,223	302,665,014/ 900,500,699
33.97%	46.89%	48.03%	28.01%	50.56%	33.61%

**Comment:** From the above calculation, we see that Non Interest Income to Operating Income of BRAC BANK LIMITED in the year 2012 was 33.97% of total operating income. Next five years Non Interest Income to Operating Income of BRAC BANK LIMITED was 46.89%, 48.03%, 28.01%, 50.56% and 33.61%. Non Interest Income to Operating Income of BRAC BANK LIMITED maximum was in the year 2016 that was 50.56% and minimum in the year 2015 that was 28.01%

#### 4.5.11 Interest Expense to Interest Income

The ratio Interest Expense to Interest Income means the percentage of Interest Expenses among total interest income that means the amount of interest income used to pay its interest expenses.

**Interest Expense to Interest Income = Interest Expense / Interest Income**

2012 (Tk.)	2013 (Tk.)	2014(Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
323,610,466/ 491,075,497	438,607,424/ 510,962,381	523,104,891/ 634,800,634	552,907,005/ 905,556,240	621,149,033/ 926,555,777	912,798,490/ 1,510,634,175
66%	86%	82%	61%	67%	60%

**Comment:** From above the calculation, we see that in the year 2012 BRAC BANK LIMITED had 66% of its interest income used to pay interest expenses. Interest Expense to Interest Income of BRAC BANK LIMITED from year 2013 to 2017 was 86%, 82%, 61%, 67%, and

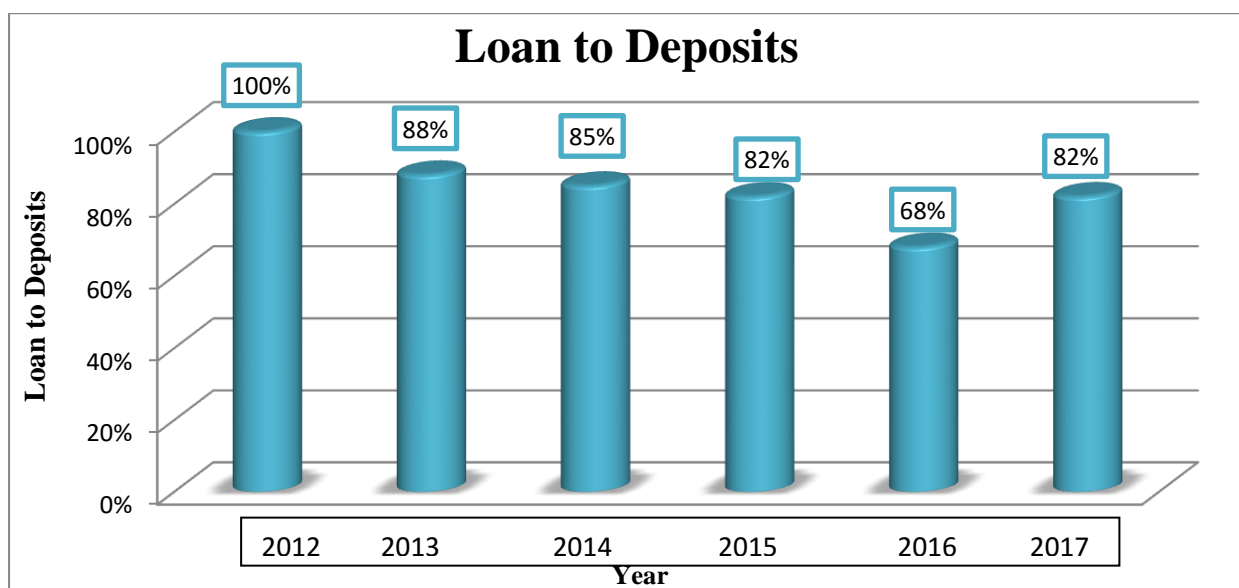
60% respectively. Interest expenses were the highest in the year 2013 that was 86% and 60% that was the lowest in the year 2017.

#### 4.5.12 Loan to Deposits

The ratio Loan to Deposits means the percentage of total deposits of BRAC BANK LIMITED used to giving loan.

**Loan to Deposits = Total Loans / Total Deposits**

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015(Tk.)	2016 (Tk.)	2017 (Tk.)
4,669,759,307/ 4,659,231,622	5,010,354,982/ 5,682,937,214	5,785,988,266/ 6,786,866,290	6,256,201,680/ 7,604,975,266	8,266,020,064/ 12,187,614,460	11,334,4 41,444/ 13,876,8 88,734
100%	88%	85%	82%	68%	82%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 15: Loan to Deposits of BRAC BANK LIMITED**

**Comment:** From the above calculation, we see that in the year 2012 BRAC BANK LIMITED used to giving loan approximately same amount of their total deposit. In the year, 2013 BRAC BANK LIMITED gave loan 88% of their total deposit. In addition, continue this percentage decline in the year 2014, 2015 and 2016 that were 85%, 82%, and 68%

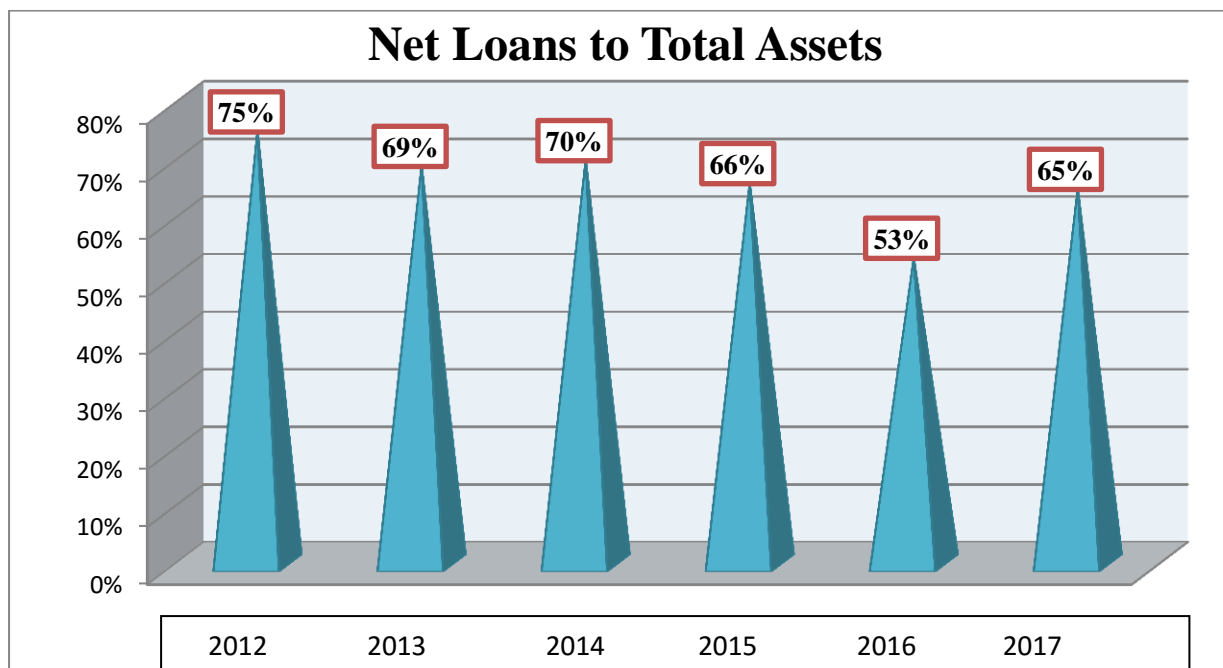
respectively. However, in the year 2017 the percentage of giving loan among its total deposit that was 82%. That means in the year 2015 the Bank gave loan 82% of their total deposit. That indicates better position of the Bank in coming year.

#### 4.5.13 Net Loans to Total Assets

The ratio Net Loans to Total Assets means the portion of total Assets of BRAC BANK LIMITED used to giving loan

$$\text{Net Loans to Total Assets} = \text{Net Loans} / \text{Total Assets}$$

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
4,669,759,307/ 6,271,079,609	5,010,354,982/ 7,318,391,395	5,785,988,266/ 8,520,801,228	6,256,201,680/ 9,427,819,490	8,266,020,064/ 15,578,360,165	11,334,4 41,444/ 17,390,8 60,230
75%	69%	70%	66%	53%	65%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 16: Net Loans to Total Assets of BRAC BANK LIMITED**

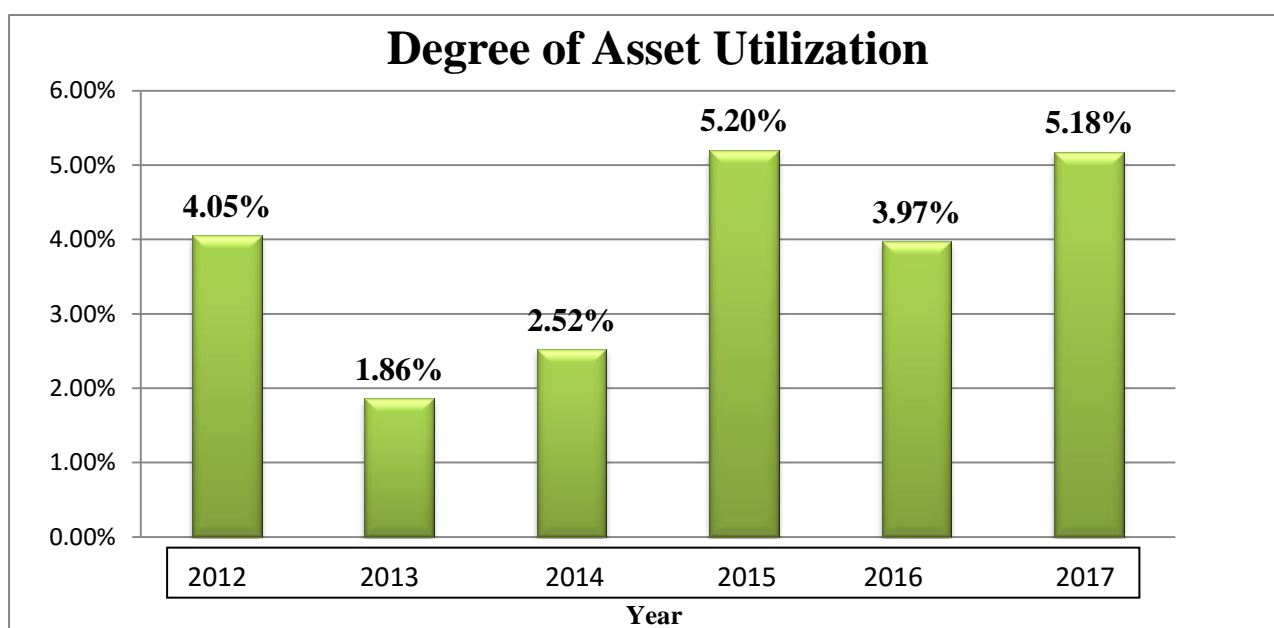
**Comment:** From the above calculation, we see that in the year 2012 Net Loans to Total Assets of BRAC BANK LIMITED was 75% of its total assets. From the above calculation, we see that BRAC BANK LIMITED had stable Net Loans to Total Assets ratio. Net Loans to Total Assets was highest in the year 2012 that was 75% and 53% in the year 2016 that was lowest.

#### 4.5.14 Degree of Asset Utilization

The ratio Degree of asset utilization means the efficiency of BRAC BANK LIMITED management team to earn Total Operating Revenue using its Total Assets.

**Degree of Asset Utilization = Total Operating Revenue / Total Assets**

2012 (Tk.)	2013 (Tk.)	2014 (Tk.)	2015 (Tk.)	2016 (Tk.)	2017 (Tk.)
253,611,019/ 6,271,079,609	136,225,473/ 7,318,391,395	214,924,501/ 8,520,801,228	489,870,749/ 9,427,819,490	617,781,223/ 15,578,360,165	900,500,699/ 17,390,860,230
4.05%	1.86%	2.52%	5.20%	3.97%	5.18%



Source: Annual Report of BRAC BANK LIMITED from 2012 to 2017

**Figure 17: Degree of Asset Utilization**

**Comment:** Degree of asset utilization of BRAC BANK LIMITED in the year 2012 was 4.05% that means the bank using its total assets earned 4.05% of Total Operating Revenue. BRAC BANK LIMITED had not stable in Degree of asset utilization in the last 5 years.

### 4.5.15 Bank's Equity Multiplier

The equity multiplier is calculated by dividing a company's total asset value by total net equity, And it measures financial leverage. Companies finance their operations with equity or debt, So a high equity multiplier indicates that a larger portion of asset financing is attributed to Debt. The equity multiplier is a variation of the debt ratio, and its definition of debt financing includes all liabilities.

An equity multiplier measures a company's financial leverage by using a ratio of the company's total assets to its stockholders' equity. Generally, a lower equity multiplier indicates a company has lower financial leverage. It is better to have a low equity multiplier, because a company uses less debt to finance its assets.

**Equity Multiplier= Total Assets/Total Equity Capital Accounts**

2012(Tk.)	2013(Tk.)	2014(Tk.)	2015(Tk.)	2016(Tk.)	2017(Tk.)
6,271,079,609/ 987,149,606	7,318,391,395/ 1,004,849,263	8,520,801,228/ 1,019,995,868	9,427,819,490/ 1,018,744,699	15,578,360,165/ 2,146,401,020	17,390,860,230/ 2,217,499,875
6.35	7.28	8.35	9.25	7.25	7.84

**Comment:** From the above calculation we can see that, the equity multiplier ratio of Brac Bank is very high in the year of 2013, 2014, 2015, 2016, and 2017 in comparison to 2012.

In the year 2014 and 2015 this ratio is ratio is very high than the other years in the table. So the equity multiplier ratio was not satisfactory.

## 4.6 Conclusion:

It is not possible to make any specific comment by calculating one bank financial ratio that Brac Bank's financial position was strong or poor by analysis the Bank financial data. From the above Ratio of Brac Bank we can say that the financial position of Brac Bank was not so strong because Bank ROA, ROE, NIM or other ratio was below standard. However, BRAC BANK LIMITED has the opportunities to make their financial position stronger by utilizing their management because the Brac Bank has satisfactory operating efficiency, Assets Management efficiency and giving loans to customers.

## 4.7 SWOT Analysis

SWOT Analysis is an important tool for evaluating the company's Strengths, Weaknesses, Opportunities and Threats. It helps the organization to identify how to evaluate its performance and scan the macro environment, which in turn would help the organization to navigate in the turbulent ocean of competition.

The acronym for SWOT stands for...



### Strength

- ❖ The chief Executive Officer and the top management of the Brac Bank Ltd. have contributed to the growth and development of the Bank is a key strength.
- ❖ Providing quality services to each of the customer throughout the country by strong network and skilled manpower of BRAC BANK LIMITED.
- ❖ Skilled personnel's have developed professional relationships with their customers and clients, which is an emotional tie in regular business.
- ❖ Due to a sophisticated and developed system that enables the bank to make it easy to get the information without wasting paper works and time.
- ❖ Brac Bank has attractive Credit Card.



- ❖ Employees are sharing good atmosphere in BRAC BANK LIMITED so that it gave them a reason to work efficiently and to become dedicated in banking.
- ❖ BRAC BANK LIMITED maintains a corresponding relationship with many foreign banks so that it is an effective measure for the smooth business.

## **Weakness**

- ❖ Market promotional activities are very much weak in this bank, because the market promotion department has less initiative and less encouraged persons, who do not have effective plans for aggressive marketing activities.
- ❖ People are discouraged to save their money with BRAC BANK LIMITED due to less rate of interest for deposit.
- ❖ Lack of high quality personnel in the top level of management discourages the high personality Businessmen and entrepreneur to do business in BRAC BANK LIMITED.
- ❖ High-level personnel are hired on a contract basis instead of promoting the internal forces demoralized them is a weakness.

## **Opportunity**

- ❖ Bangladesh Govt. has rendered its full support to the banking sector to develop the country's economic position, at the same time creating employment opportunity.
- ❖ By expanding the business portfolio, BRAC BANK LIMITED can start the investment business with foreign exchange curriculum.
- ❖ By expanding the financing policy with credit facility customers are very much secured in business environment.

## **Threats**

- ❖ Defaulters are seriously affecting the smooth banking culture in Bangladesh. BRAC BANK LIMITED is a new type of bank, which has been started by passing the bills in the national assembly with defaulting burdens of BCI -LTD.
- ❖ The central bank is always supervising the local and foreign banks in Bangladesh and sometimes it is hampering the normal operations of Private Banks.
- ❖ However, the innovation workings are in a continuous process, but the other rival banks are copying it within the short period.

- ❖ It is expected that very shortly, more financial institutions are coming with their new products and we should be prepared for hard competition in the following years.

# **Chapter: 5**

## **Findings, Recommendations & Conclusion**

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## 5.1 Findings

I could find out some points by screening the whole study, which are as major findings. The data were analyzed sincerely and carefully to identify appropriate findings. Moreover, conversations with the BRAC BANK LIMITED officials were very significant for these findings.

- In the year 2017, the Total asset of the Brac Bank was 12% higher than that of year 2016.
- Total Deposit of BRAC BANK LIMITED in the year 2017 was Tk. 1,387.69 crore and that was 14% higher than the year 2016.
- The growth rate of Total Loan and Advance in the year 2017 of BRAC BANK LIMITED was 37% from the year 2016.
- At the end of the 2017 the Net Income after Tax of BRAC BANK LIMITED was Tk. 6.99 crore and Tk.6.33 crore was in the year 2016. The growth rate of Net Income after Tax of BRAC BANK LIMITED in the year 2016 and 2017 was 53% and 10% respectively
- Total Assets and Total Liabilities of BRAC BANK LIMITED was also approximately twice in the year 2017 than in the year 2012.
- Total Operating Income and Total Operating Expense of BRAC BANK LIMITED were approximately double in the year 2017 than in the year 2012.
- Paid up Capital me and Interest Expense of BRAC BANK LIMITED were also approximately twice in the year 2017 than in the year 2012. On the other hand, Noninterest Income of BRAC BANK LIMITED was not increased in response to the Interest income in the year 2017 than in the year 2012.
- Earnings per Share of BRAC BANK LIMITED declined 28% in the year 2017 than in the year 2012.
- The Ratio Return on Assets indicate that the Net Income after Tax of BRAC BANK LIMITED increase year by year but not in response to Total Assets
- The Ratio ROE indicates that the Equity capital of BRAC BANK LIMITED increase rapidly compares to the Net Income after Tax.
- The Net Operating Margin ratio indicates that the net Operating Income of BRAC BANK LIMITED increases from the previous year.
- Nonperformance loan of BRAC BANK LIMITED gradually declines from the year 2012 to 2016 that means greater efficiency of the Credit Management.

From the above findings of the Brac Bank, we can say that, the financial position of Bangladesh Commerce was not strong enough because Bank ROA, ROE, NIM or other ratio was below standard. However, BRAC BANK LIMITED has the opportunities to make their financial position stronger by utilizing their management because the Brac Bank has satisfactory operating efficiency, Assets Management efficiency and giving loans to customers.

## 5.2 Recommendations

In order to compete with other Bank & improve financial position, top management should try to modify the following steps:

- Return on Assets of BRAC BANK LIMITED in the year 2013 had negative figure. However, in the year 2014 & 2015 this ratio gradually increases. In addition, in the year 2016 & 2017 this ratio was gradually declined. Although Net Income after Tax increased year by year but not in response to Total Assets. That's why Bank should increase Total income as maximum as possible and minimize expense as per as possible.
- The ratio ROE of BRAC BANK LIMITED was not stable in the last six years because the Net Income after Tax slow increases in response to Total Equity. As a result EPS & P/E ratio of BRAC BANK LIMITED were up and down year by year
- They should try to maximize their interest income and minimize their interest expense. The Bank should seek a high profitable source for investing its deposits and find out the lower expense source for financing.
- The Bank should increase their noninterest income by providing customers various innovative and profitable services.
- The Bank should try to increase their Operating income and minimizing their administrative expense.
- The Bank should minimize their non performance loan by analyzing customer details and analyzing collateral information careful when the Bank grant loan to customers
- The Bank should give more emphasis to collect deposits from customers by offering attractive interest and use this money to give loans in profitable projects.
- **Project Management:** 'Project Management' must be practiced in the case of investing in the project. Feasibility study of the project, project planning, monitoring & evaluation should be undertaken.
- **Financial Analysis:** Branch should have a separate section to analyze the financial statement for finding its liquidity, profitability & ownership ratios.

- Before accepting a project, management should implement sophisticated capital budgeting tools special risk measurement tools like standard deviation, correlation and so on.
- **Strategy:** Effective strategies must be undertaken against their defaulter.

### **5.3 Conclusion**

In this age of modern civilization bank is playing its splendid role to keep to the economic development wheel moving. We can see many new commercial banks have been established in the last few years and these banks have made this banking sector very competitive. The major task for banks, to survive in this competitive environment is by managing its assets and liabilities in an efficient way. BRAC BANK LIMITED has a strong financial base and huge assets to meet up its liabilities, which makes this organization financially sound and solvent. BRAC BANK LIMITED continues to play its' leading role in socio-economic development of the country as a companion of Independent Bangladesh. Besides its' traditional function such as deposit mobilization, deployment of fund in trade, commerce, industry, agriculture, import & export business, outward and inward remittance as an agent of Bangladesh Bank, BRAC BANK LIMITED has emerged as the pioneer of playing key role in the country.

From the Performance Evaluation, of Brac Bank Limited we can say that, in the recent year BRAC BANK LIMITED did well in their operation. Although, they have some problem in Net Income after Tax, Expense Control and having high Nonperforming Loans but BRAC BANK LIMITED have the opportunities to do well because BRAC BANK LIMITED has an efficient Management & Credit control Department and huge Assets .

Therefore, all the Financial Institutions must find out their own method in order to sustain in the changing environment. The central focus in this regard would be to have a comprehensive Information Technology system, sufficient expertise and above all very relaxed management to adopt new ideas. Now BRAC BANK LIMITED is continuing business operation successfully in Bangladesh through developing an image and goodwill among its clientele by offering its excellent services. The success has been resulted from the dedication, commitment and dynamic leadership of its management. During the short period of time of its operation, BRAC BANK LIMITED has successfully achieved a position as a highly progressive and dynamic financial institution in the country.



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