

Report
CO270
BBA

Performance Evaluation of BRAC Bank Limited



Internship Report
On
Performance Evaluation of BRAC Bank Limited

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25 April, 2011

Mr. Dr. Tanbir Ahmed Chowdhury

Professor

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Subject: Submission of Internship Report

Dear Sir,

With due respect I would like to inform you that I have completed my internship program in BRAC Bank Limited, Head Office, Gulshan-1, Dhaka – 1212, and prepared my internship report titled “**Performance Evaluation of BRAC Bank Limited**”. I am placing my internship report to you as a requirement of the BBA Program

The internship program and writing this report has been a great pleasure and an extremely interesting and rewarding experience. It has enabled me to get an insight into the practical arena of Banking.

Sincerely yours,



Rezwana Sharmin

Id # 2007-1-10-114



Acknowledgement

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Table of Contents

	Page No
Executive Summary.....	x
<u>Chapter 1: Introduction</u>	
1.1 Introduction.....	1
1.2 Origin of the Report.....	1
1.3 Problem Statement	2
1.4 Objective of the study.....	2
1.5 Methodology.....	3
1.5.1 Primary data sources.....	3
1.5.2 Secondary data sources.....	3
1.6 Scope.....	3
1.7 Limitations.....	3
1.8 Data Analysis.....	4
1.8.1 Comparative analysis.....	4
1.8.2 Percentage (Common size) analysis.....	4
<u>Chapter 2: Overview of BRAC Bank Limited</u>	
2.1 About BRAC Bank.....	5
2.2 Corporate Vision.....	6
2.3 Corporate Mission.....	7
2.4 Core Values	7
2.5 Goal of the Bank.....	8
2.6 Bank's Culture.....	8
2.7 Slogan.....	9
2.8 Logo	9
2.9 Target Customers.....	9
2.10 Capital Structure.....	10
2.11 Shareholding Structure.....	11
2.12 Trends of Branches Expansion.....	12
2.13 Numbers of Employees	13
2.14 Meetings of BRAC Bank.....	14
2.15 BRAC Bank Ltd. Achievements till date.....	15
2.16 Board of Directors of BRAC Bank Limited.....	15
2.18 Members of BRAC Bank Limited Management Committee.....	16
2.19 Organogram of BRAC Bank.....	17

Chapter 3: Activities of BRAC Bank Limited

3.1 Business Unit.....	18
3.1.1 Retail Banking.....	19- 20
3.1.1.1 Alternate Banking.....	21
3.1.1.2 Branch Banking.....	22
3.1.1.3 Cards.....	22
3.1.2 Wholesale Banking.....	23
3.1.2.1 Corporate.....	23 - 24
3.1.2.2 Treasury & Financial Institutions.....	24-25
3.1.3 Small and Medium Enterprise.....	26
3.1.3.1 Brief Descriptions of SME Product.....	27-28
3.1.3.2 BRAC Bank SME Network Coverage.....	29
3.2 Operation Unit.....	30
3.2.1 Information Technology (IT).....	30
3.2.2 Business Relationships & Support.....	31
3.3.3 Banking Service.....	31
3.3.4 Cards Operations.....	32
3.2.5 General Administration.....	32
3.2.6 Trade and Remittances.....	32-33
3.2.7 Business Systems Management.....	33-34
3.3 Support Unit.....	35
3.3.1 Finance Department.....	35
3.3.2 Human Resource.....	36
3.3.3 Credit Risk Management.....	36-37
3.3.4 Company Secretariat.....	37
3.3.5 Regulatory & Internal Control.....	38
3.3.6 Corporate Affairs.....	39
3.3.7 Operational Risk Management.....	39-40

Chapter 04: Financial Performance Evaluation of BRAC Bank Limited

4.1 Deposit.....	41-42
4.2 Deposit Mix.....	43
4.3 Cost Deposit Ratio.....	44
4.4 Credit Deposit Ratio.....	45
4.5 Loan & Advances.....	46-47
4.6 Maturity analysis of Loan & Advances	48

4.7 Percentage of Net Loan among Total Assets.....	49
4.8 Percentage of Cash & Balance with other banks among Total Asset.....	50
4.9 Provision for Loan & Advances.....	51
4.10 Percentage of Non Performing Loans among total loan & advances.....	52
4.11 Net Income.....	53
4.12 Interest income Mix.....	54
4.13 Non Interest Income.....	55
4.14 Net Interest Margin.....	56
4.15 Net Non Interest Margin.....	56
4.16 Investments.....	57-58
4.17 Investment Income.....	59
4.18 Return on Investment (ROI).....	60
4.19 Asset.....	61
4.20 Fixed Assets.....	62
4.21 Return on Asset (ROA).....	63
4.22 Return on Equity (ROE).....	64
4.23 Debt Ratio.....	65
4.24 Earning Per Share (EPS).....	66
4.25 Dividend Per Share.....	67
4.26 Market Price per Share (DSE).....	68
4.27 Capital Adequacy Ratio (CAR).....	69

Chapter 5: Findings, Recommendation & Conclusion

5.1 Findings	70-71
5.2 Recommendation.....	72-73
5.3 Conclusion.....	74
Bibliography.....	75



List of Tables

	Page No
Table 2.1: Capital Structure of BRAC Bank Ltd.....	10
Table 2.2: Shareholding Structure of BRAC Bank Ltd.....	11
Table 2.3: Table of Branches expansion of BRAC Bank Ltd.....	12
Table 2.4: Numbers of Employees of BRAC Bank Ltd.....	13
Table 2.5: Board of Directors of BRAC Bank Ltd.....	15
Table 2.6: Members of Management Committee of BRAC Bank Ltd.....	16
Table 4.1: Total Deposits of Brac Bank Ltd.....	41
Table 4.2: Deposit mix in the last Five Years of BRAC Bank Ltd.....	43
Table 4.3: Cost Deposit Ratio of Brac Bank Ltd.....	44
Table 4.4: Credit Deposit Ratio.....	45
Table 4.5: Loan & Advances Brac Bank Ltd.....	46
Table 4.6: Maturity analysis of Loan & Advances from 2006 to 2010 of BRAC Bank Ltd.....	48
Table 4.7: Percentage of Net Loan among Total Assets.....	49
Table 4.8: Percentage of Cash & Balance with other banks among Total Asset.....	50
Table 4.9: Provision for Loan & Advances Brac Bank Ltd.....	51
Table 4.10: Percentage of Non Performing Loan among total loan & advances Brac Bank Ltd.....	52
Table 4.11: Net Income of Brac Bank Ltd.....	53
Table 4.12: Interest income mix in the last Five Years.....	54
Table 4.13: Non Interest Income of Brac Bank Ltd.....	55
Table 4.14: Net interest Margin of Brac Bank Ltd.....	56
Table 4.15: Net Non Interest Margin of Brac Bank Ltd.....	57
Table 4.16: Investments of Brac Bank Ltd.....	57
Table 4.17: Investment Income of Brac Bank Ltd.....	59
Table 4.18: Return on Investment of Brac Bank Ltd.....	60
Table 4.19: Total Asset of Brac Bank Ltd.....	61
Table 4.20: Fixed Assets of Brac Bank Ltd.....	62
Table 4.21: Return on Asset of Brac Bank Ltd.....	63
Table 4.22: Return on Equity of Brac Bank Ltd.....	64
Table 4.23: Last five years Debt Ratio of Brac Bank Ltd.....	65
Table 4.24: Information of EPS of Brac Bank Ltd.....	66
Table 4.25: Dividend of Brac Bank Ltd.....	67
Table 4.26: Market Price per Share (DSE) of Brac Bank Ltd.....	68
Table 4.27: Capital Adequacy Ratio of Brac Bank Ltd.....	69

List of Figures

	Page No
Figure 2.1 Capital Structure of Brac Bank Ltd.....	10
Figure 2.2 Shareholding Structure of Brac Bank Ltd.....	11
Figure 2.3 Trend of Branch expansion of Brac Bank Ltd.....	12
Figure 2.4 Numbers of Employees of Brac Bank Ltd.....	13
Figure 2.5 Organogram of Brac Bank Ltd.....	17
Figure 3.1 Process Flow of Retail Loan.....	20
Figure 3.2 Process Flow of SME Loan.....	26
Figure 4.1 Total Deposits of Brac Bank Ltd.....	42
Figure 4.2 Trend of Deposit mix of Brac Bank Ltd.....	43
Figure 4.3 Cost Deposit Ratio of Brac Bank Ltd.....	44
Figure 4.4 Credit Deposit Ratio of Brac Bank Ltd.....	45
Figure 4.5 Loan & Advances of Brac Bank Ltd.....	46
Figure 4.6 Maturity analyses of Loan & Advances of Brac Bank Ltd.....	48
Figure 4.7 Provision for of Loan & Advances of Brac Bank Ltd.....	51
Figure 4.8 Non Performing Loan among total Loan & Advances of Brac Bank Ltd.....	52
Figure 4.9 Net Income of Brac Bank Ltd.....	53
Figure 4.10 Interest income mix of Brac Bank Ltd.....	54
Figure 4.11 Non Interest income mix of Brac Bank Ltd.....	55
Figure 4.12 Trend of Government & Others Investments of of Brac Bank Ltd.....	58
Figure 4.13 Investment Income of Brac Bank Ltd.....	59
Figure 4.14 Return on Investment of Brac Bank Ltd.....	60
Figure 4.15 Total Asset of Brac Bank Ltd.....	61
Figure 4.16 Fixed Asset of Brac Bank Ltd.....	62
Figure 4.17 Returns on Asset of Brac Bank Ltd.....	63
Figure 4.18 Returns on Equity of Brac Bank Ltd	64
Figure 4.19 Earnings per share of Brac Bank Ltd.....	66
Figure 4.20 Market Price per share of Brac Bank Ltd.....	68
Figure 4.21 Capital Adequacy Ratio of Brac Bank Ltd.....	69

Executive Summary

BRAC Bank promotes broad-based participation in the Bangladesh economy through the provision of high quality banking services. BRAC Bank is doing this by increasing access to economic opportunities for all individuals and business in Bangladesh with a special focus on currently under-served enterprises and households across the rural – urban spectrum.

BRAC Bank Limited, has started operations from 04 July, 2001 and currently having authorized and paid up capital of Tk. 4,800 million and Tk. 3,212 million respectively. BRAC Bank Ltd is a pioneer of SME banking in Bangladesh. Now the BRAC Bank is 5th largest bank in Bangladesh. Now BRAC Bank Limited is continuing its operation with 79 branches and 7151 employees.

This bank has a strong financial base and huge assets which makes the organization to be financially sound and solvent. The management of this bank is outfitted with expert and efficient bankers and managers who delicately serve the bank. BRAC Bank is a fast growing bank and simultaneously performing well in almost all the areas. In this report this bank's performance is evaluated on the basis some financial parameters. Among those they are very good at their capital adequacy, profitability & risk management etc. The bank attained capital adequacy of 12% but the current regulatory requirement of 9%.

Although they are successfully operating their business but still they need to improve in many areas which will take this bank to the pick among all the commercial banks operating in our country.

CHAPTER ONE

INTRODUCTION OF THE TOPIC



Introduction

1.1 Introduction

Banking Industry is one of the most promising industries of our country. The importance of the sector revealed through its contribution in the economic growth of the country. This sector accelerates economic growth through mobilizing funds from surplus unit to the deficit unit. Banking Industry is moving towards rapid changes due to technological innovation and diversified needs of its customers.

As the pace of globalization competition in banking sector is increasing very fast. Banks are becoming more customers oriented and offer High Tech customized products to its target market to hold the market. Our central bank always keeps monitoring banks performances. Individual banks also need to assess their own performance to satisfy the parties those are related to its growth.

1.2 Origin of the Report

This report has been originated and prepared as a part of the Internship Program of Bachelor of Business Administration, East West University. As a part of the Internship Program at BRAC Bank Ltd I was exposed to many operations of the various wings of the Regulatory & Internal Control Department.

I have chosen to do my internship report titled “**Performance Evaluation of BRAC Bank Limited**” It will increase the knowledge to know the corporate world and will tend to apply theoretical knowledge in the practical life.



1.3 Problem Statement

This paper will begin by putting light on the Performance evaluation of the bank and continues to focus on overview of BRAC Bank Ltd. Therefore the intention is to find out the significant factor of financial performance of the bank.

This paper features the above mentioned elements depicted by different graphs, tables, and charts in order to provide the reader with ease of understanding.

1.4 Objective of the study

The objective of the study as follows:

- To present an overview of BRAC Bank Limited.
- To present the principal activities of BRAC Bank Limited.
- To evaluate the performance of BRAC Bank Limited.
- To identify the problems of BRAC Bank Limited.
- To suggest remedial measures of development of BRAC Bank Limited.

1.5 Methodology

Both primary data and secondary data will be used in this report. The report will be divided into parts. One is the Organization Part and the other is the Performance Appraisal Part. The parts are virtually separate from one another.

1.5.1 Primary data sources

- ❖ Primary data will be gathered by Focus group meetings.
- ❖ Direct observations are another important way to aid myself in learning more about the topic.

1.5.2 Secondary data sources

- ❖ Official Website of BRAC Bank.
- ❖ Annual Report of BRAC Bank Ltd.
- ❖ Some brochures and related articles of BRAC Bank Ltd.

1.6 Scope

This study is focused on the overall performance of BRAC Bank Ltd. This includes their financial condition, how they maintain it, and how they operate their different major business activities. This study also covers the bank's history and mechanism and performance mechanism.

1.7 Limitations

In every program or activities, one has to face numerous constraints. The constraints that have been during the preparation of this report are:

- Time is a big constraint for my research. I had to go under my day to day job responsibility that I was supposed to do so. So I could get few more time to spend in collecting data for preparing my internship report.
- Lack of knowledge.

1.8 Data Analysis

Various devices will be used in the analysis of financial statement data to bring out the comparative and relative significance of the financial information presented. These devices include

- ❖ Comparative analysis
- ❖ Percentage (Common size) analysis

1.8.1 Comparative analysis

In Comparative analysis the same information is presented for two or more different dates or periods so that like items may be compared. In Comparative analysis an investment analyst can concentrate on a given item and determine whether it appears to be growing or diminishing year by year and the proportion of such change to related items.

1.8.2 Percentage (Common size) analysis

Percentage analysis consists of reducing a series of related amounts to a series of percentages of a given base. This analysis facilitates comparison and is helpful in evaluating the relative size of items or the relative changes in items.

CHAPTER TWO

OVERVIEW OF BRAC BANK LIMITED



Overview of BRAC Bank Limited

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.

Today, 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 to 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 customers, shareholders, acquaintances and communities upon, which the future affluence of company rests.

2.1 About BRAC Bank

BRAC Bank is a scheduled commercial bank established under the Banking Companies Act, 1991 and incorporated as a public company limited by shares on 20 May, 1999 under the Companies Act, 1994 in Bangladesh. The primary objective of the Bank is to carry on all kinds of banking business. The Bank could not start its operation till 03 June, 2001 since the activity of the Bank was suspended by the High Court of Bangladesh. Subsequently, the judgment of the High Court was set aside and dismissed by the Appellate Division of Supreme Court on 04 June, 2001 and accordingly, the Bank has started operations from 04 July, 2001.

BRAC Bank (BRAC) is a fully operational commercial bank that was founded in July 2001 by BRAC NGO, one of the largest development finance institutions in the world. The bank's objectives include providing comprehensive commercial banking services, building a profitable and modern, full-service financial institution, and pursuing profitable market niches in the Small and Medium Enterprise (SME) business sector not traditionally met by conventional banks. The bank's main portfolio products include loans for small and medium sized entrepreneurs; personal loans, credit cards and multiple deposit accounts for retail customers; and specialized retail products tailored to religious restrictions. The bank also provides corporate deposit and loan products as well as non-resident Bangladeshi remittance services. BRAC's distribution network of 79 branches, 68 SME service center, 421 small and medium enterprise unit offices, and 230 ATMs across Bangladesh and now reach more than 10, 00,000 retail customers. The Bank is constantly coming up with new products. Recently BBL has introduced Visa Silver and Visa Gold both Local and International credit cards; and further more the Bank is in the process of introducing VISA Debit card. In the years ahead BRAC Bank expects to introduce many more services and products as well as add a wider network of SME unit offices, Retail Branches and ATMs across the country.

The Banks operate under a “Double Bottom Line” agenda where profit and social responsibility to hand in hand as it strives towards a poverty free, enlightened Bangladesh.

2.2 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”.



2.3 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.

2.4 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.

2.5 Goal of the Bank

BRAC Bank will be the absolute market leader in the number of loans given to small and medium sized enterprises throughout Bangladesh. It will be a world – class organization in terms of service quality and establishing relationships that help its customers to develop and grow successfully. It will be the Bank of choice both for its employees and its customers, the model bank in this part of the world.

2.6 Bank's Culture

Bank has adopted trust as a corporate value which is acronym for team work, respect for all people, unquestionable integrity, excellence in everything BRAC Bank of SME do, Sense of urgency in getting things done and total commitment.

All employees are expected to conduct themselves in accordance with the rules and regulations of the bank.

2.7 Slogan

The slogan of BRAC Bank is “Asta Obichol”. These two words are Bengali words that denote enormous trust on the organization.

2.8 Logo

The logo of BRAC Bank has been made keeping in mind the goal of the organization. The square structure of the logo means solid and strong. The golden color means the “sonar bangle”, rising line means the rising BRAC Bank, and blue is the beautiful sky where sun is shining brightly.



2.9 Target Customers

As the main product of BRAC Bank Ltd is SME, BRAC Bank has a strong SME focus and has developed a wide range of SME business products, these are customized for specific localized small and medium business across the country. The SME loan products cover a range of rural, semi-urban and urban financial needs in the market. Besides them, industries, transport business, education institutions, medical centers, marine business, any other high worth companies, individuals, etc are also the main customers of the bank. The bank has the ATM card and Credit card facility, so the users of the same are also in target.

2.10 Capital Structure

Banks generally do their business with other's fund, so BRAC Bank Ltd is not in exception. In 2010 BRAC Bank Ltd uses 8% equity and 92% debt source of capital. The capital structure is following:

Table 2.1: Capital Structure of BRAC Bank Ltd

Particulars	Percentage
Total Shareholders' Equity	8%
Long term Debt	92%
Total Capital	100%

Source: Annual Report -2010 of BRAC Bank Ltd

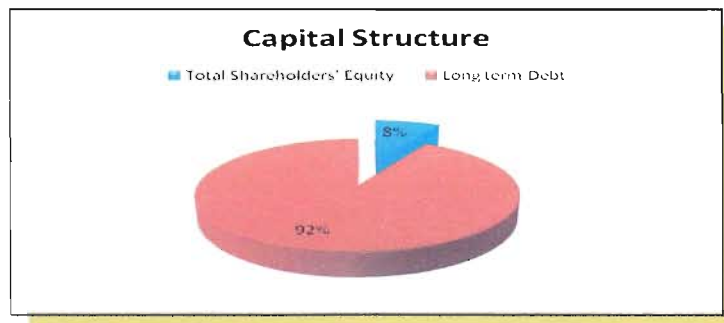


Figure 2.1 Capital Structure of Brac Bank Ltd.



2.11 Shareholding Structure

50 % of the shares are holding by general shareholders, 43.77% share is holding by the BRAC, 5.36% share is holding by International Finance Corporation, 0.86% share is holding by Shore Cap International Limited and only 0.01% share is holding by Board of Directors.

Table 2.2: Shareholding Structure of BRAC Bank Ltd

Name of Shareholder	% of Shareholding
BRAC	43.77%
International Finance Corporation	5.36%
Shore Cap International Limited	0.86%
Board of Directors	0.01%
General Shareholders	50.00%
Total	100%

Source: Annual Report -2010 of BRAC Bank Ltd

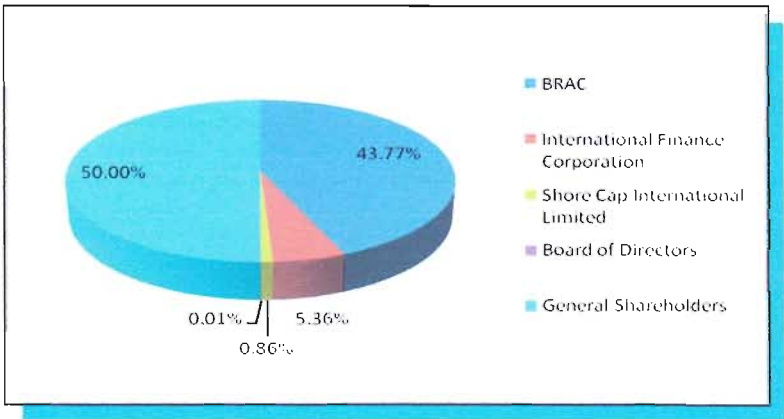


Figure 2.2 Shareholding Structure of BRAC Bank Ltd.

2.12 Trend of Branches Expansion

BRAC Bank Ltd starts its journey not for very long. But BRAC Bank Ltd has 79 branches at end of year 2010.

The Bank has a tendency to open new branches every year, they had an average at least 21% growth of expansion up to 2009. So BRAC Bank Ltd had a very good branch expansion rate. The expansion rate was 36% during 2007 to 2008, 21% during 2009 and 10% during 2010.

The numbers of branches are given bellow:

Table 2.3: Table of Branches expansion of BRAC Bank Ltd

Years	Number of Branches	Growth Rate of Expansion
2006	23	
2007	36	36%
2008	56	36%
2009	71	21%
2010	79	10%

Source: Annual Report -2010 of BRAC Bank Ltd.

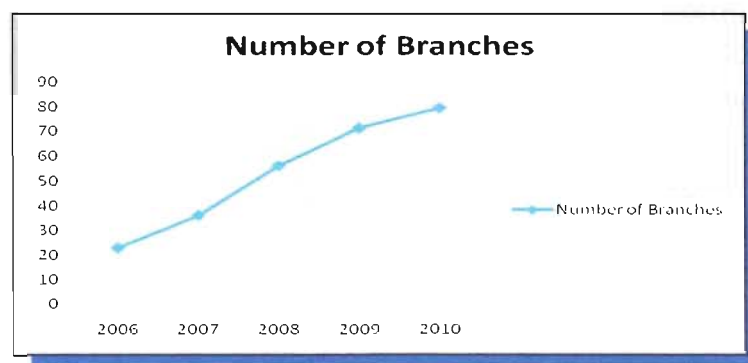


Figure 2.3 Trend of Branch expansion of BRAC Bank Ltd.

2.13 Numbers of Employees

BRAC Bank Ltd creates new employment every year by opening new branches and expanding their existing departments. BRAC Bank Ltd has a very good Growth rate of Employees the growth rate is increasing dramatically. But in the year 2008 growth rate decreased a bit and stood at -6%. The growth rate was 31%, 29%, and 17% for the year 2007, 2009, and 2010 respectively.

The numbers of employees are given bellow:

Table 2.4: Numbers of Employees of BRAC Bank Ltd

Years	Number of Employees	Growth rate of Employees
2006	3047	
2007	4428	31%
2008	4192	-6%
2009	5907	29%
2010	7151	17%

Source: Annual Report -2010 of BRAC Bank Ltd

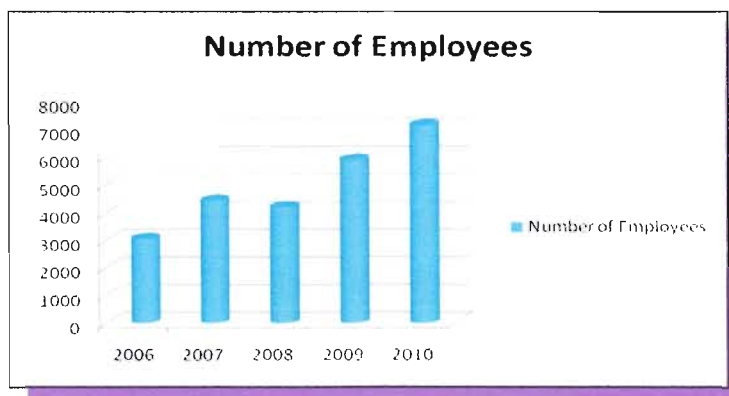


Figure 2.4 Numbers of Employees of BRAC Bank Ltd.

2.14 Meetings of BRAC Bank

➤ **MANCOM meeting**

MANCOM meeting is a formal meeting of the Management Committee members as well as the MD and COO. The members give an overview of the performance of their departments, their growth, their issues and their future plans.

➤ **Board meeting**

The board meeting takes place on every month

➤ **Town Hall meeting**

The Town Hall meeting takes place twice in every year. The MD gives a presentation regarding the bank's progress in that quarter, in the presence of all the members of the BRAC bank family.

➤ **Other important meetings in the bank**

- ✓ Steering Committee Meeting
- ✓ ALCO Meeting
- ✓ ERMC Meeting
- ✓ Credit Committee Meeting



2.15 BRAC Bank Ltd. Achievements till date

- Fastest growing Bank in the country for the last two years
- Leader in SME financing through 421 unit offices
- Biggest suit of personal Banking & SME products
- Large ATMs (Automated Teller Machine) & POS (Point of Sales) network
- Obtained 2nd position in the credit card business just after operating the same in the market for a year.

2.16 Board of Directors of BRAC Bank Limited

The list of Board of Directors of BRAC Bank Ltd. is following

Table 2.5: Board of Directors of BRAC Bank Ltd

Mr. Muhammad A (Rume) Ali	Chairman
Mr. Shib Narayan Kairy	Director
Mr. Quazi Md. Shariful Ala	Director
Ms. Nihad Kabir	Director (Independent)
Dr. Hafiz G.A. Siddiqi	Director
Ms. Tamara Hasan Abed	Director
Mr. Syed Mahbubur Rahman	Managing Director & CEO

2.17 Members of BRAC Bank Limited Management Committee

The list of Members of Management Committee of BRAC Bank Ltd. is following

Table 2.6: Members of Management Committee of BRAC Bank Ltd

Mr. Syed Mahbubur Rahman	Managing Director & CEO
Mr. Mohammad Mamdudur Rashid	Deputy Managing Director
Mr. Nabil Mustafizur Rahman	Chief Credit Officer
Mr. Syed Faridul Islam	Head of SME Banking
Mr. Rais Uddin Ahmad	Company Secretary & Head of Legal, Regulatory & Internal Control
Ms. Tahniyat Ahmed Karim	Head of Human Resources Division
Mr. Firoz Ahmed Khan	Head of Retail Banking
Mr. Mohammed Rahmat Pasha	Head of Treasury & Financial Institutions
Mr. Zeeshan Kingshuk Huq	Head of Corporate Affairs
Mr. Khwaja Shahriar	Head of Cash Management & Custodial Services
Mr. Shah Alam Bhuiyan	Head of Operations
Mr. Md. Sarwar Ahmed	Head of IAM - SME & Retail

2.18 Organogram of BRAC Bank

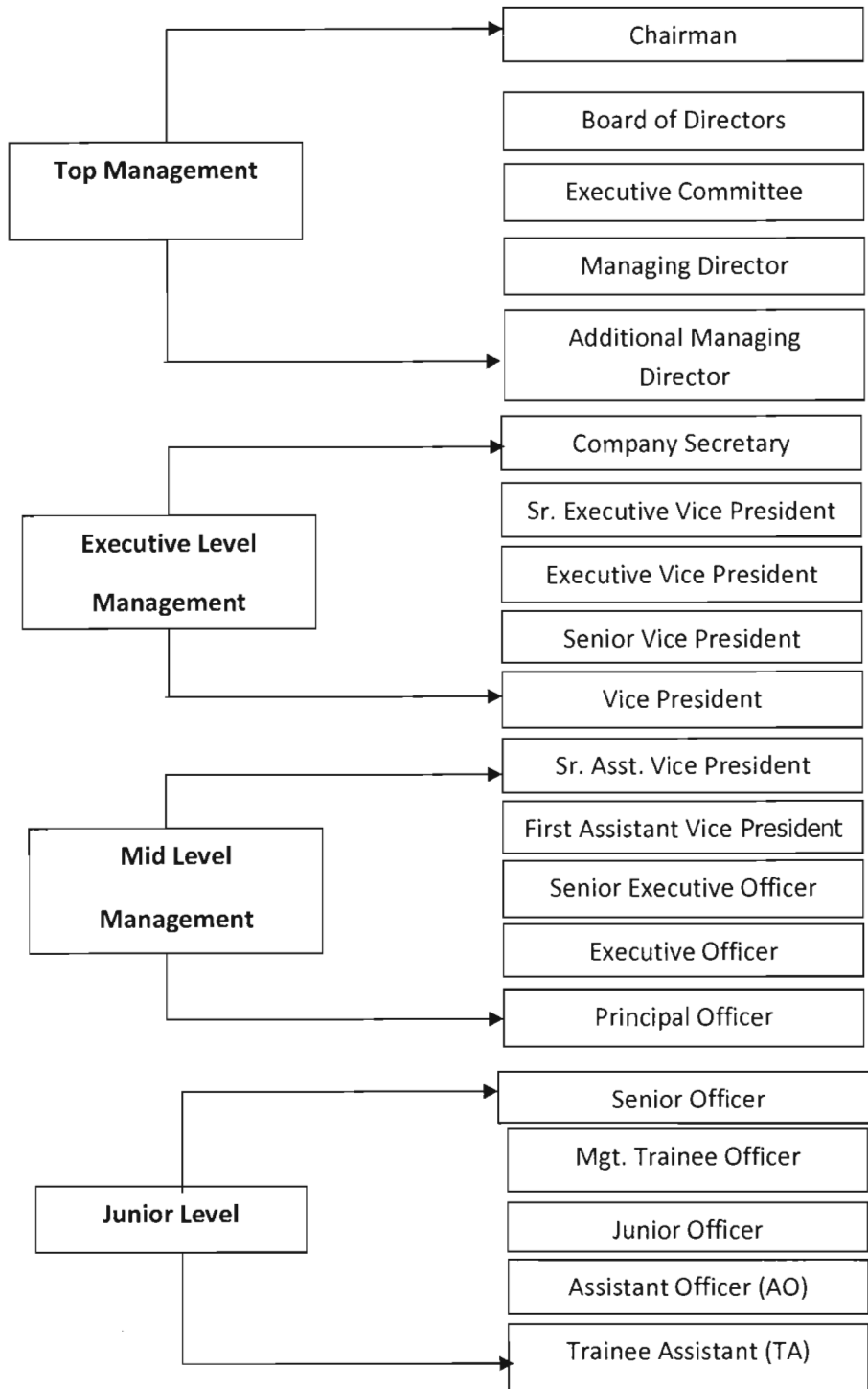


Figure 2.5 Organogram of BRAC Bank Ltd.

CHAPTER THREE

ACTIVITIES OF BRAC BANK LIMITED



Activities of BRAC Bank Limited

BRAC Bank has a centralized banking structure through online banking system that resembles the ABN: AMRO Model. Overall, BRAC Bank is divided into three major units – Business unit, Operations unit and Support unit. All the functional divisions are discussed below.

- ❖ **Business:** These sectors basically deal with the valuable customers of the bank and interact with them on daily basis. The daily transactions for the bank are handled by these departments.

- ❖ **Operations:** These sectors basically deal with the technicalities of the relevant sectors and ensure smooth functioning of the business for the bank.

- ❖ **Support:** These sectors provide support to the business by ensuring the proper functioning of the various resources, risk management, and banking regulations.

3.1 Business Unit

Business unit is divided into three parts

➤ Retail Banking

- Alternate Banking
- Branch Banking
- Cards
- Liability & Wealth Management
- Retail Lending



➤ **Wholesale Banking**

- Corporate Banking
- Treasury and Financial Institution
- Probashi Banking Service
- Corporate Impaired Asset Management and Credit Inspection

➤ **SME Banking**

- Small & Medium Business
- SME Administration

3.1.1 Retail Banking

Retail Banking is known as general banking where the individual customers get services time to time from the local branches of the larger commercial banks. In BRAC Bank Retail section has been divided into four parts –

- **Distribution** – Serve the acquired customers
- **Sales** – Business acquisition.
- **Non Funded Business, Alternate Delivery Channels, Priority Banking**
- **Phone Banking**

They are interdependent and work closely with each other. Retail offers different types of competitive banking products to the customers. The retail division of the BRAC Bank also offers some special types of deposits and loan scheme for the customer attention.

Process Flow of Retail Loan

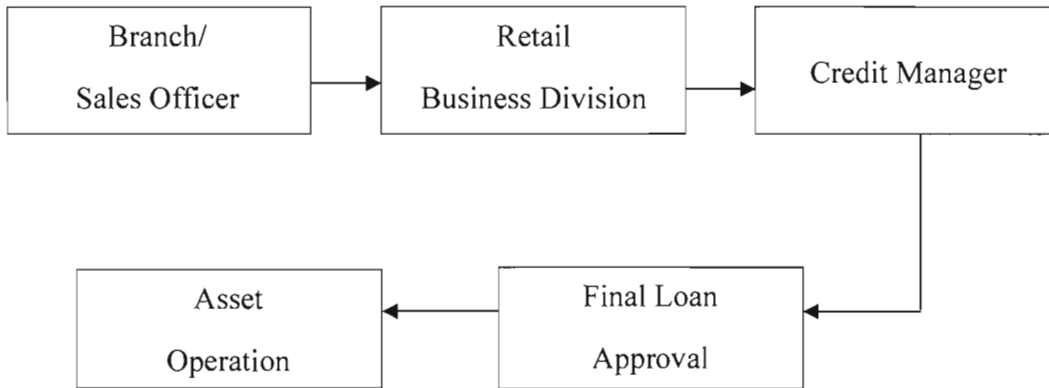


Figure 3.1 Process Flow of Retail Loan

Loan Products:

- Secured Loan
- Topup loan
- Credit Card Loan
- Quick Loan
- Home Loan
- Car Loan
- Salary Loan

Deposit Products:

- Salary Account
- Current Account
- Short Term Deposit
- Saving Accounts
- Ezee Accounts
- DPS
- Interest First
- Fixed Deposit

3.1.1.1 Alternate Banking

BRAC Bank Ltd is the first ever Financial Institution in Bangladesh to depart from 'brick and mortar' concept of banking system by introducing branchless banking system facilities through Alternate Banking. BRAC Bank's developments in alternate banking are relatively new, reflecting developments in, and the diffusion of new information and communications technology. The focuses of BRAC Bank's channels are mainly on service providing activity which is available to customers 24x7. Alternate Banking is a Department under Retail Banking Division that deals with alternate means of providing service to our valuable clients rather than the Direct Banking which is the Distribution Network (branches). The main drive behind the introduction of Alternate Banking is to widen the range of customer services available by utilizing modern technology. Alternate channels were seen as a means of adding to the frontline services and complementing face-to-face contact. Alternate Banking includes:

- ❖ Automated Teller Machine (ATM)
- ❖ Cash Deposit Machines (CDM)
- ❖ 24 hour Call Center
- ❖ Internet Banking
- ❖ Mobile Commerce
- ❖ Apon Shomoy (Alternate Banking Centers)
- ❖ OMNIBUS
- ❖ Public Private Partnership (PPP)

3.1.1.2 Branch Banking

Branch Banking is a department under Retail Banking Division and is basically a channel through which guests of BRAC Bank Limited are served in various capacities. Branch Banking is responsible for carrying out all branch activities of the bank. It has been created to serve the acquired customers. The main task of Branch Banking is to oversee that branches are performing their duties properly and carry out the day-to-day activities of the bank properly and efficiently and at the same time increase both asset & liability portfolio.

Branch Activities include:

- Cash Transaction
- Local & Foreign Remittance
- Clearing Cheque Process
- Other Customer Services

3.1.1.3 Cards

This unit deals with the cards of the bank – debit card and credit card. It is a comparatively new initiative by the bank. The licensing and issuance of cards, application of charges, promoting and selling the cards, etc. are the major functions of this department.

3.1.2 Wholesale Banking

3.1.2.1 Corporate

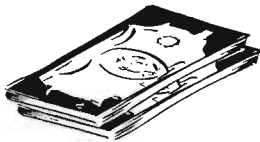
Corporate department has also two different wings - Corporate Banking division & Cash Management. Corporate Banking is a specialized area of BRAC Bank, which addresses the diverse financial needs of Corporate Clients.

This division exists to provide banking services and financial partnership with local and foreign business houses (Public and Private Limited Companies), NGO's, trading houses, joint ventures and various government bodies/corporations etc. As the financial partner of choice for the corporate sector, BRAC Bank wants to be distinguished by its:

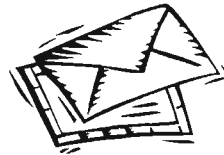
- Quality of service
- Value of innovative solutions
- Level of trust with clients
- Customer knowledge

Categories- the facilities our corporate Division offers to our customers are mainly of two-

Funded Facilities



Non-Funded Facilities



Funded Facilities:

Funded tells us that this type of facilities allows the customer to have money 'on his hand' for use i.e. he will get money as to meet his business demand. Examples are

- Working Capital Loan.
- Overdraft Facility.
- Term Loan.
- Lease Finance.
- Demand Loan.

Non-Funded Facilities:

Non-Funded facilities are those type of facilities where customers don't get fund on their hand rather get Bank's Guarantee service to do international trading-import and export. Letters of Credit, Bank guarantees etc. are the examples of the non-funded facilities.

3.1.2.2 Treasury & Financial Institutions

Treasury division at BBL deals with the fund position. This division calculates and projects the fund requirement to meet day-to-day operation. Treasury is the place where all funds are kept and disbursed to match the inflow and outflow of sources and applications of available funds. And through this Treasury maximizes return and minimizes risk

Treasury is the bank's fund manager. It manages day-to-day liquidity and meets regulatory requirements. Treasury works in the Money Market, and Capital Market to source and invest fund.

Objectives & Functions:

- ❖ Managing mandatory liquidity (18% as SLR of which 5% is CRR)
- ❖ Managing Foreign Exchange Exposure of the Bank
- ❖ Managing funds to maximize return with minimum risk
- ❖ Matching between Asset & Liability (Interest & Maturity)
- ❖ Minimizing cost of fund
- ❖ Making Investment Decisions
- ❖ Conducting ALCO where-
 - Analyze both macro and micro economic information and events and probable subsequent impact of these on overall economy, money market and For Ex market as well.

Structure of Treasury:

Treasury functions are divided into three major parts:

- Front Office – Initiate Transactions/Deals
- Mid Office – Check Point
- Back Office – Process the Transactions/Deals

**Functional areas of Treasury & FI:**

- Money Market
- Corporate FX Sales
- Asset Liability Management and
- Financial Institutions

3.1.3 Small and Medium Enterprise

The SME (Small & Medium Enterprise) Division is the biggest division of BRAC bank. SME is directly related to business of the bank. BRAC Bank extends loans to potential small and medium trading, manufacturing and service enterprises. This loan is able to provide quick and quality banking services to targeted business at any places of the country. Potential women entrepreneurs will also get the facilities of SME loan; this initiation is to play a role in the socio-economic development of the country by expansion of business as well as creation of employment. Most of the profitability of the bank came mostly from the SME sector. SME division is enriched with more than 1000 staffs and it has 421 unit offices all over the country.

- SME Loan process flow is shown below-
- When a customer comes to the unit office for a loan request, first he/she meets with the customer relationship officer to discuss about the loan, which loan product is suitable for him/her. After then the following process takes place:

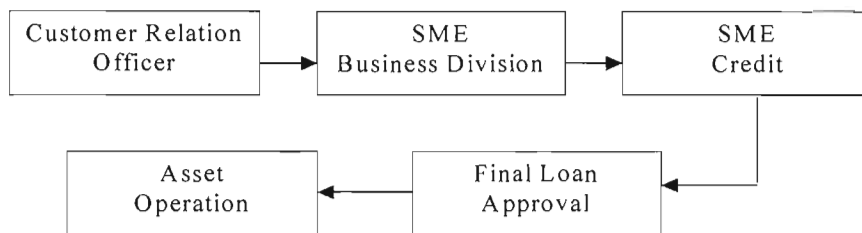


Figure 3.2 Process Flow of SME Loan

3.1.3.1 Brief Descriptions of SME Product

a. Lending Products

The division has designed 9 lending products based on customer need and lifecycle (small loan/large loan, secured loan/unsecured loan, repayment arrangement – term loan/single payment/overdraft, purpose – working capital/fixed asset purchase/import-export, assessment – bank statement based/no bank statement)

(i) Anonno

“Anonno” is a business loan designed to finance small scale trading, manufacturing and service ventures, especially to help small and medium entrepreneurs to meet their short-term cash flow shortages and bridge the fund-flow gaps. Loan is up to BDT 10 lac without any collateral/security for small size business in trading, manufacturing, and service sectors throughout the country.

(ii) Durjoy

“Durjoy” is a banking facility (combination of term loan and overdraft without any tangible security for working capital purpose and/or fixed asset purchase) targeted to SME customers. Unsecured loan upto BDT 25 lac for comparatively larger urban business houses. Bank statement based analysis.

(iii) Prothoma

“Prothoma” is a loan facility for small and medium sized business, which are operated by women entrepreneur. The product offers terminating loan facilities for the purpose of working capital finance and/or fixed assets purchase. Loan upto BDT 10 lac without any collateral at 10% interest rate for women entrepreneurs.

(iv) Shamolima

“Shamolima” Loan is for agricultural and new sectors (biogas plant, solar panel, effluent treatment plant, etc.) with minimum 9.99% interest rate.

(v) Apurbo

“Apurbo” is a loan facility for Small & Medium Entrepreneurs. Apurbo is a combination of term loan and overdraft facility for the entrepreneurs involved in trading, manufacturing, service, agriculture, non-farm activities, agro-based industries etc. Secured loan up to BDT 50 lac (secured against land/building).

(vi) Shokti

“Shokti” Partially secured loan up to BDT 70 lac (covered against cash collateral).

(vii) Shomriddhi

Letter of credit/loan against trust receipt/bill discounting/revolving loan/overdraft facility is for importers/exporters up to BDT 1 crore.

(viii) Shohoj

Shohoj is fully cash secured facility.

(ix) Shompod

“Shompod” is Secured loan upto BDT 3.5 crore (secured against residential apartment/commercial space). Also, purchase of commercial space is catered.

b. Deposit Products

There are currently 2 deposit products, namely Prapti and Prachurjo

(i) **Prapti:** Current account with interest up to 4% p.a. on daily balance.

(ii) **Prachurjo:** Fixed deposit with competitive interest rate.

3.1.3.2. BRAC Bank SME Network Coverage



3.2 Operation Unit

- Enterprise IT Projects
- Quality and Security, IT Systems
- Technology Operations
- Business Relationships & Support
- Banking Services
- Origination
- Cards Operations
- General Administration
- Infrastructure Development Projects and PMO
- Trade & Remittance
- Business System Management

3.2.1 Information Technology (IT)

BRAC Bank Ltd. is currently running countrywide true online banking system. The system allows their customers to do transactions all around the country. The bank cheques are all marked with Barcodes that makes each cheque unique and disallows it to be duplicated. All the signature and customer information with their pictures can be verified from any console at any branch on the bank. We also ensure Offsite backup and Disaster Recovery. Their Goal is to provide a true online banking system, which will not only fulfill the demand of time but also set new benchmarks in twenty-first centuries banking world.

3.2.2 Business Relationships & Support

Business Relationships & Support (BRS) is a new Operations department formed mainly to ensure coordination between Business and Operations to ensure prompt and quality services delivery to customers' vis-à-vis enable business to meet the budget.

Major wings of Business Relationships & Support:

- SME Banking Relationships & Support
- Retail Banking Relationships & Support
- Wholesale Banking Relationships & Support
- Central Support & Operations Helpdesk

3.2.3 Banking Services

Banking Services Department under BBL Operations has been created with a vision of providing one stop banking services to our internal & external customers by ensuring service excellence and accelerating the efficiency through experienced and competent human capital and using advanced technology. Under the Operations umbrella Banking Services Department facilitates the specific services focusing on a particular activity, eagerness to take challenges and develop expertise in it, which in turn augment the service quality, reduce turn-around-time (TAT) and give a competitive edge.

3.3.4 Cards Operations

Cards Operations is the key support department with a vision to provide best support to business to meet their target and ensure quality service to the customers. Cards Operations department has 4 (four) units:

- Account Services
- Merchant Payment
- Settlement & dispute
- Transaction Processing

3.2.5 General Administration

General Administration is responsible to ensure the smooth operation of all service related, premises maintenance and all kind of logistics support services across the Bank in all over Bangladesh.

3.2.6 Trade and Remittances

Trade and Remittances has two major wings; one is Trade Operations and the other is Remittances.

Trade Operations:

Trade Operations is divided in to Corporate Trade Operations and SME Trade Operations aligned with the associated Business Divisions. Corporate Trade Operations look after relevant operational issues from Large Corporate Segments of Corporate Banking Division including

Regional Corporate. SME Trade Operations supports SME Banking Division (both Small and Medium) and Emerging Business of Corporate Banking Division.

Remittance Operations:

Remittance Operations provides support to Probashi Banking Services (PBS). Their major task includes:

- Disbursement of payments to beneficiaries all over the country
- Provides account related services for PBS
- Inward Remittance
- Outward Remittance

3.2.7 Business Systems Management

The objective of Business Systems Management (BSM) Department is to maximize the automation of critical processes throughout the enterprise using in-house resources and 3rd Party, to provide Level 1-3 support for all LIVE software/applications/solutions, to take all initiatives of solutions in terms of automation or software related analysis, development, test, delivery and IT related R&D.

BSM Objective

Its objective is to maximize the automation of critical processes throughout the enterprise using in-house resources and 3rd Party & provide the related support.

Some responsibilities of BSM:

- Development of new software applications or services or solutions
- Customization/change, management/enhancement of any business/Banking software applications and services or solutions
- Outsourcing of any new software applications or services or solutions
- Test & R&D of any new product development, process flow in any live applications (Finacle and others)
- Source Code Maintenance for all development
- Delivery any solution to Technology Team to GO LIVE
- Prepare FAQ or Support Document for all developed application/outsourced/changes.
- Communicate with end stakeholders, users, related vendor or 3rd party related to analysis, development, outsourcing, UAT, delivery or changes of application or solutions.
- BSM Team Update themselves with latest technology through Internet, Training, Knowledge Sharing etc.

There are five divisions in BSM, as

- i. Software Development
- ii. Systems Integration & Development
- iii. Post Development & QC (Quality Control)
- iv. Enterprise Applications
- v. Cards & Electronics Banking

3.3 Support Unit

- Finance Department
- Human Resource Division
- Company Secretariat
- Regulatory & Internal Control
- Credit Risk Management
- Research & Development
- Corporate Affairs
- Product & Services
- Operational Risk Management
- Service Quality



3.3.1 Finance Department

Finance is the one of the major support functions of a bank. Managing financial activities of any bank demands a set of efficient personnel and up to date embedded compliance framework with practical policies. The finance division of BRAC Bank diligently works towards achieving the highest standards. This division performs the key roles of controllership, budgeting, forecasting, financial analysis, business performance monitoring, decision support, procurement. Overall Finance has to maintain strict regulatory and compliance framework to support the complex banking requirement.

3.3.2 Human Resource

This functional unit links employee with employer. It puts right people in the right places so that a person can perform to his or her ultimate and hence contribute in the development of the organization. HR facilitates the promotion (does not motivate employees) by putting an employee in his or her deserved places. It ensures that all the employees are complying with the rules and regulations of the organization and thus ensuring a healthy work environment. HR department arranges training for the employees of the bank. The training may be in house training, on the job training or institutional training.

3.3.3 Credit Risk Management

i) Credit

It supports the departments 'retail' and 'corporate'. It has three wings: **Corporate Credit, Retail Credit and SME Credit.** (SME credit has less function as loans are disbursed at the root level meeting the requirements of credit). The Sales Department collects files or reports about the person or organization, which are then sent to the credit division for entry. Data verification is assigned to external companies who investigate about the person or organization. The Credit Analyst decides using his experience, judgment, Letter of Introduction, Bank Statement, Debt Burden Ratio about the credibility of the applicant.

ii) Risk Management

This functional unit makes sure risk is managed all throughout the organization and day to day job is done according to the rules and guidelines of the regulators and the bank. It is ensured that every process is done properly from vault security to document maintenance before giving out a loan.

Core risks in banking:

- Asset Liability Management Risk
- Foreign Exchange dealing
- Credit Management Risk
- Money Laundering Risk Internal Control & Compliance Risk

3.3.4 Company Secretariat

The role of the company Secretariat is extremely vital and is closely allied to the Board of Directors of the Bank. It works as the bridge between policy and implementation.

Company Secretariat is the flow line of all information to and from the Board of Directors. Company Secretariat maintains a clear and distinct relation and liaison among investor, financiers, bankers, donors, correspondents and many others of the market economy.

The Company Secretariat of BRAC Bank Limited is engaged to perform with a vital role in the management. There are two wings of Company Secretariat:

- (a) Board Secretariat
- (b) Share Division.

Board Secretariat:

Board Secretariat is the vital wing of Company Secretariat. One of the main tasks of the Board Secretariat is to convene, conduct and conclude meeting of the Directors and Shareholders. Company Secretariat of BRAC Bank Limited also maintains public relationship with specialized bodies like the Stock Exchange, Securities and Exchange Commission, Investment Corporation of Bangladesh, different Banks, Registrar of Joint Stock Companies & Firm, Bangladesh Bank etc.

Share Division:

On the other hand, Share Division is directed under the Board Secretariat. The activities of Share Division are involved in Share Management of BRAC Bank Limited. The Share Division ensures activity related to Security Exchange Commission (SEC), Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and all statutory registers related shareholder. It also maintains relationship with the ordinary Shareholders, answered their queries and assists them

3.3.5 Regulatory & Internal Control

Regulatory and Internal Control Department has been restructured to focus more on Regulatory Issues and Internal Control Mechanism. The main objective of this Regulatory & Internal Control function to put the bank in a balanced position of Risk and Return, and no Risk should be unidentified and non-calculative. Regulatory and Internal Control functions ensures subject related to Regulatory Bodies are handled correctly. R&IC is the point of contact for regulatory inspection/query on the operation of the bank. Being in the middle of Regulatory Bodies and internal Departments; it serves as a connection between Regulatory authorities and the Bank.

For all the banks, Central Bank (Bangladesh Bank) is the primary regulator, who governs the activities of the banks. TAX authority, Finance Ministry, Commerce Ministry, Security Exchange Commission etc are the other regulatory bodies, whose directives have significant impact on banks business.

The Regulatory & Internal Control Department has been segregated into a number of functional units. They are:

- (i) Compliance & Monitoring
- (ii) IT Audit & System Security
- (iii) Audit & Inspection.

3.3.6 Corporate Affairs

BRAC Bank Limited has a goal of becoming the most preferred brand in its category i.e. Banking Financial Institutions in Bangladesh. Corporate Affairs is one of the important support departments of BBL. The main functions of this department are upholding the Brand image of the Bank, maintaining media relations & PR through internal & external communication as well as Corporate Social Responsibility & marketing all products and services. The department consists of 4 wings and 11 employees. Stakeholders of this department are staffs of BBL, Customers, Media, Strategic Partners, Government bodies and regulators. This department maintains a smooth corporate relationship through one to one liaison, event & sponsorship.

3.3.7 Operational Risk Management

Operational Risk arises from a failure to properly control key aspects of the Bank's activities, for example documentation, processing, settlement and accounting of transactions and external hazards. These risks and hazards can be caused by internal and/or external sources relating to fraud, business interruptions and system failures, damage to physical assets, execution and service delivery, clients, products and business practices. The risks and losses can occur in all aspects of our businesses, and support functions across all legal entities. The impact of losses can be severe at times and have a resultant impact on reputation. It is therefore important for us as an organization to ensure that our Operational Risk management framework is robust, well embedded and allows us to identify, manage and measure and reduce/mitigate Bangladesh bank have for the first time, proposed an explicit capital charge for Operational Risk through their final Basel Accord II guidelines.

Objectives of Operational Risk Management:

- Ensuring continued solvency of the bank through capital adequacy and enhanced understanding and management of significant Operational Risk exposures.
- Ensuring that customer impact is minimized through proactive and focused risk management practices.
- Ensuring senior management attention on significant Operational Risk exposure areas and mitigating risks is prioritised, focused and adequate.
- Ensuring that staff is sufficiently incentivised to perform their risk management roles & responsibilities diligently.

CHAPTER FOUR

FINANCIAL PERFORMANCE EVALUATION OF BRAC BANK LIMITED



Financial Performance Evaluation of BRAC Bank Limited

In this chapter, I tried to analyze the financial performance of BRAC Bank Ltd. To evaluate the financial performance, I tried to appraise the different variables such as, Deposit, Cost Deposit Ratio, Loan & Advances, Net Income, Interest income Mix, Investments, Investment Income, Return on Income (ROI), Asset, Return on Asset (ROA), Return on Equity (ROE), Debt Ratio, Earning Per Share (EPS), Dividend Per Share and Capital Adequacy Ratio (CAR) etc.

4.1: Deposit

Table 4.1 shows the total deposit of Brac Bank Limited. It is observed from the table that the highest deposit was in 2010 i.e Tk. 88,158 Million. It is also reflected from the table that during 2006 to 2010 every year deposit of BRAC Bank Ltd has increased from the previous year. The deposit growth rate is about 15%, 23%, 36% and 38% in the years 2006, 2007, 2008, 2009 and 2010 respectively.

Table 4.1: Total Deposits of BRAC Bank Ltd.

Year	Total Deposits (Taka in Millions)	Growth Rate (approx) %
2006	23,002	
2007	37,368	38%
2008	58,007	36%
2009	75,220	23%
2010	88,158	15%

Source: Annual Report -2010 of BRAC Bank Limited

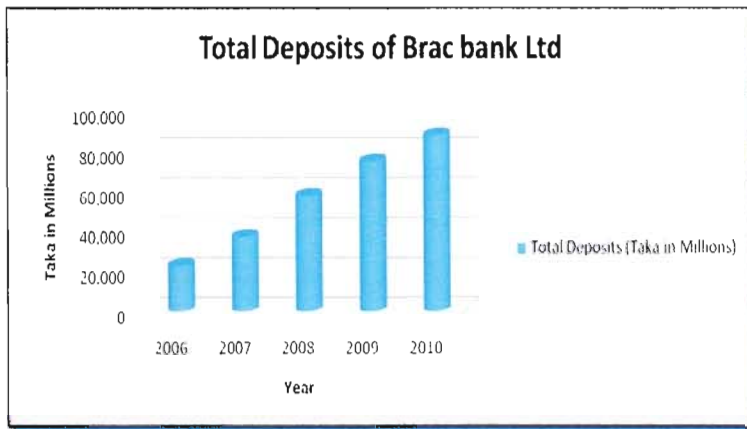


Figure 4.1 Total Deposits of BRAC Bank Ltd

It is reflected from the graph that during 2006 to 2011 the Deposits are increasing at an increasing rate. So the Deposits growth rate of Brac Bank Ltd is very good.



4.2: Deposit Mix

Table 4.2 shows the deposit mix of Brac Bank Limited. It is observed from the table that in the total deposits 57% has contributed from fixed deposit which is highest. Lowest deposit has contributed 1% from bills payable and 1% from other deposits. 25% & 16% deposits have contributed from current deposits and Savings deposits respectively.

Table 4.2: Deposit mix in the last Five Years of BRAC Bank Ltd.

Year	2006	2007	2008	2009	2010
Current Accounts & Other Accounts	3,060,293,660	5,543,600,799	7,652,002,775	24,549,612,758	30,290,472,653
Savings Deposits	2,936,582,930	3,985,564,159	4,627,686,658	12,973,969,209	21,093,422,226
Fixed Deposits	16,742,577,461	27,307,979,282	43,399,790,445	36,037,073,117	35,488,954,124
Other Deposits	148,722,810	66,617,653	1,902,951,371	441,193,045	260,557,678
Bills Payable	113,744,828	464,648,880	424,455,762	453,829,731	1,021,461,002

Source: Annual Report -2010 of BRAC Bank Limited

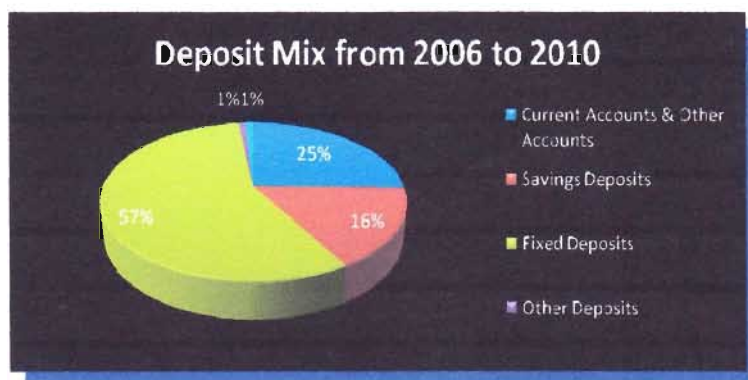


Figure 4.2 Trend of Deposit mix of BRAC Bank Ltd

4.3: Cost Deposit Ratio

Cost deposit means the amount expesened for collecting the deposit for the bank. Lower the cost increases the income of the bank. In the year 2006 & 2007 the growth rate of cost deposit has increased. In the year 2009 & 2010 the growth rate of cost deposit has decreased, that means the cost deposit has decreased and income has increased. Specially in 2010 its growth rate has decreased 30% which is a very good indication for the Brac Bank Ltd.

Table 4.3: Cost Deposit Ratio of BRAC Bank Ltd.

Year	Cost of Deposit Ratio	Growth Rate (approx) %
2006	8.47%	
2007	8.91%	5%
2008	9.44%	6%
2009	8.49%	-11%
2010	6.51%	-30%

Source: Annual Report -2010 of BRAC Bank Limited

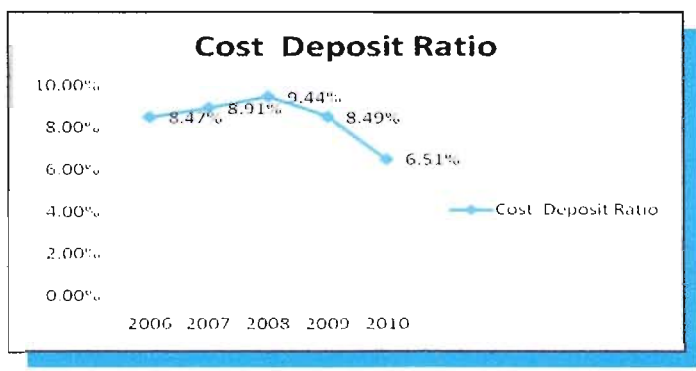


Figure 4.3 Cost Deposit Ratio of BRAC Bank Ltd

According to the graph, we can say that the cost of deposit of BRAC Bank Ltd is in increasing trend from the year 2006 to 2008 and is in decreasing trend from 2009 to 2010. This is very good for the BRAC Bank Ltd.

4.4: Credit Deposit Ratio

Credit Deposit ratio means how much amount is provided as credit to the customer from the deposit amount collected from through the customers. This ratio shows that for 100 taka deposits how much credit is given. Brac Bank Ltd gave 85%, 87%, 91%, 85% and 96% credits for the years 2006, 2007, 2008, 2009 and 2010 respectively of total deposits. Although higher ratio is good for the bank because it indicates higher profitability, but too much higher ratio can be bad for the bank. From the year 2006 to 2008 the growth rate of Credit deposit ratio increased, But in 2009 the growth rate of Credit deposit ratio suddenly decreased. In 2010 growth rate of Credit deposit ratio increased at 12% and it stood at 96% which was highest over the last five years.

Table 4.4: Credit Deposit Ratio

Year	Credit Deposit Ratio	Growth Rate (approx) %
2006	85%	
2007	87%	2%
2008	91%	4%
2009	85%	-7%
2010	96%	12%

Source: Annual Report -2010 of BRAC Bank Limited

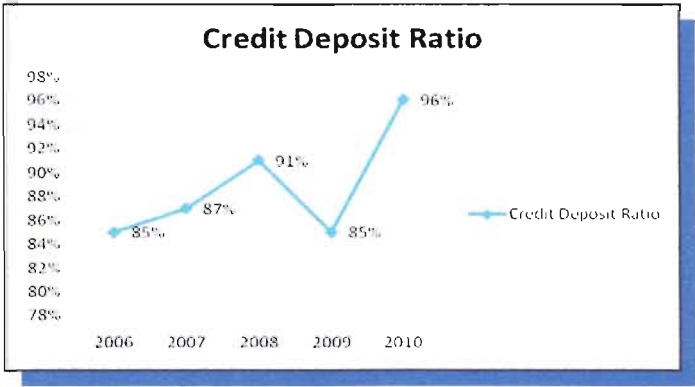


Figure 4.4 Credit Deposit Ratio of BRAC Bank Ltd

From the graph we can easily understand that the credit deposit ratio increased from the year 2006 to 2008, but in 2009 the ratio decreased. So it means that the maximum part of deposits of Brac Bank Ltd is given as loan. If the rates of classified loan increase then the Bank will fall in trouble.

4.5: Loan & Advances

Table 4.5 shows the total Loan & Advances of Brac Bank Limited. It is observed from the table that the highest Loan & Advances was in 2010 i.e Tk. 84,303 Million. It is also reflecting from the table that growth rate was fluctuating over the last five years, the growth rate was 40%, 38%, 18%, 24% for the year 2007, 2008, 2009 and 2010 respectively.

Table 4.5: Loan & Advances BRAC Bank Ltd

Year	Total Loan & Advances (Taka in Millions)	Growth Rate (approx) %
2006	19,557	
2007	32,461	40%
2008	52,677	38%
2009	64,151	18%
2010	84,303	24%

Source: Annual Report -2010 of BRAC Bank Limited

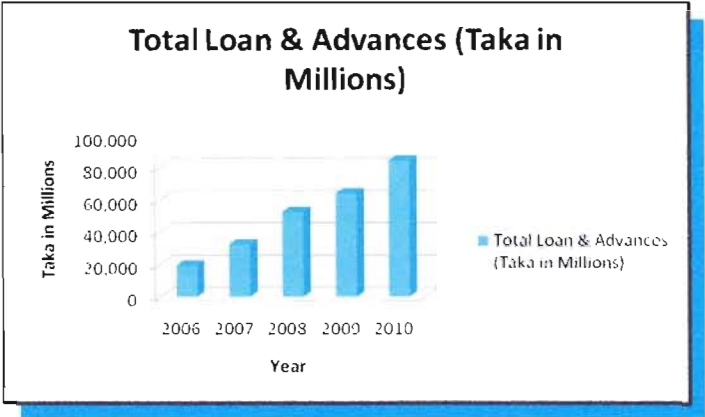


Figure 4.5 Loan & Advances of BRAC Bank Ltd

According to the graph the growth of Loan & Advances was very excellent and from 2006 total Loan & Advances were increasing at an increasing rate. In year 2006 it was 19,557million taka and by 2010 it became 84,303 million taka.

4.6: Maturity analysis of Loan & Advances

Table 4.6 shows the Maturity analysis of Loan & Advances of Brac Bank Limited. It is observed from the table that over the last five years the Brac Bank Ltd provided 9% loans for up to One month. They had only 5% loans for more than 5 years. They actually gave 37% loans for over three months but below one year. They had 33% loans for more than 1 year but not more than 5 years. 16 % loans were for more than 1 month but not more than 3 months. 16 % loans were for more than 1 month but not more than 3 months.

Table 4.6: Maturity analysis of Loan & Advances from 2006 to 2010 of BRAC Bank Ltd.

Year	2006	2007	2008	2009	2010
Up to one month	92,951,763	3,239,223,130	5,109,641,524	5,074,740,450	13,766,769,491
More than 1 month but not more than 3 months	404,242,161	4,918,858,256	9,481,809,013	11,128,368,170	12,742,044,689
More than 3 months but not more than 1 year	2,016,426,274	13,901,552,281	21,237,204,816	26,496,022,255	28,553,902,534
More than 1 year but not more than 5 years	13,700,432,989	10,314,818,765	15,539,621,438	18,380,264,357	24,423,580,217
More than 5 years	3,343,112,193	86,649,748	1,308,429,949	3,071,439,927	4,816,492,386

Source: Annual Report -2010 of BRAC Bank Limited



Figure 4.6 Maturity analyses of Loan & Advances of BRAC Bank Ltd

4.7 Percentage of Net Loan among Total Assets

Percentage of Net Loan among Total Assets means what amount of loan disbursed against total assets. It is observed from the table that the highest Percentage of Net Loan among Total Assets was 73% in 2007. It is also reflecting from the table that during 2006 to 2010 Brac Bank Ltd's average loan was 69%. So that, we can say average Tk. 69 was loan amount against Tk. 100 of total assets. Although it is good that bank was utilizing their money, but most of the asset is loan so bank may fall in liquidity problem.

Table 4.7: Percentage of Net Loan among Total Assets

Year	Percentage of Net Loan among Total Asset %
2006	65%
2007	70%
2008	73%
2009	67%
2010	71%

Source: Annual Report -2010 of BRAC Bank Limited

4.8 Percentage of Cash & Balance with other banks among Total Asset

Percentage of Cash & Balance with other banks among Total Asset means how much money is highly liquid in bank's hand. It is observed from the table average 12.6% of money was highly liquid among total assets from 2006 to 2010. That means BRAC Bank Ltd had Tk. 12.6 as highly liquid assets against Tk. 100 of total asset. Although it is a good indication that bank did not keep money as idle, if the collection of money increases by depositors then bank may fall liquidity problem.

Table 4.8: Percentage of Cash & Balance with other banks among Total Asset

Year	Percentage of Cash & Balance with other banks among Total Asset %
2006	15%
2007	13%
2008	10%
2009	13%
2010	12%

Source: Annual Report -2007, 2008, 2009, 2010 of Brac Bank Limited



4.9: Provision for Loan & Advances

Provision for loan & advances is kept to meet the losses which is arrived from loan defaulters. Banks set aside part of their earnings through an expense account called the provision for loan losses in order to cover these contingencies. More Provision for loan & advances indicates that bank is profitable, so that they can able to reserve the amount for future losses. Table 4.9 shows the Provision for Loan & Advances. It is also observed from the table that in the year 2006 Provision for loan & advances was Tk. 344,920,600 and in 2010 it stood Tk. 2,053,030,038. The growth rate was 48%, 41%, 28%, 23% for the year 2007, 2008, 2009 and 2010 respectively.

Table 4.9: Provision for Loan & Advances BRAC Bank Ltd

Year	Provision for Loan & Advances (Taka)	Growth Rate (approx) %
2006	3 44,920,600	
2007	668,649,664	48%
2008	1,138,548,420	41%
2009	1,574,000,000	28%
2010	2,053,030,038	23%

Source: Annual Report -2010 of BRAC Bank Limited

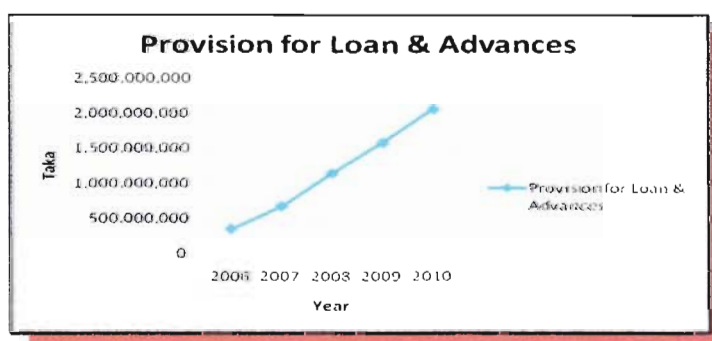


Figure 4.7 Provision for of Loan & Advances of BRAC Bank Ltd

It is reflected from the graph that from 2006 Provision for Loan & Advances was increasing at an increasing rate.

4.10: Percentage of Non Performing Loans among total loan & advances

It means the amount of non performing loans (classified loans) exists in the total loan & advances. Lower ratio is better for the banks as the risk minimizes and return maximizes. It is observed from the following table the Non Performing Loans increased from 2006 to 2009 than the previous year. In 2009 non performing loans reached at 6.04% which is more than Bangladesh Bank regulation. As per Bangladesh Bank's guideline Non performing should be less than 6%. In 2010 Percentage of Non Performing Loan slightly decreased and reached at 5.85%.

Table 4.10: Percentage of Non Performing Loan among total loan & advances BRAC Bank Ltd

Year	Total NPL (%) among total loan & advances	Growth Rate (approx) %
2006	4.04%	
2007	4.45%	9%
2008	4.69%	5%
2009	6.04%	22%
2010	5.85%	-3%

Source: Annual Report -2010 of BRAC Bank Limited

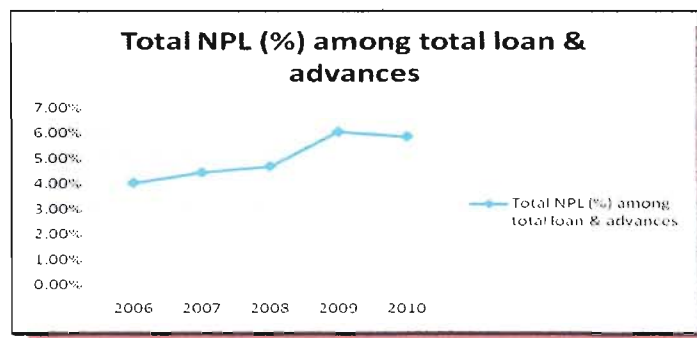


Figure 4.8 Percentage of Non Performing Loan among total Loan & Advances of BRAC Bank Ltd

According to the graph, we can say that from 2006 to 2009 Percentage of Non Performing Loan was increasing. In 2009 the growth rate was 22%, which is very bad indication. But in 2010 growth rate decreased at 3%, which is good indication for the bank.

4.11: Net Income

Table 4.11 shows the Net Income of Brac Bank Limited. It is observed from the table that the highest Net Income was in 2010 i.e Tk. 1,664,354,981. It is also reflected from the table that during 2006 to 2010 every year deposit of Brac Bank Ltd has increased from the previous year. The net income growth rate was about 46%, 36%, 25%, and 22% for the year 2007, 2008, 2009 and 2010 respectively.

Table 4.11: Net Income of BRAC Bank Ltd

Year	Net Income (Taka)	Growth Rate (approx) %
2006	334,261,127	
2007	618,335,637	46%
2008	973,450,830	36%
2009	1,303,588,940	25%
2010	1,664,354,981	22%

Source: Annual Report -2010 of BRAC Bank Limited

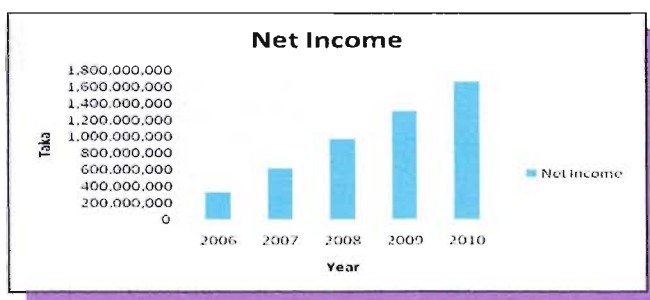


Figure 4.9 Net Income of BRAC Bank Ltd

According to the graph from 2006 to 2010 the Net Income was increasing at an increasing rate. So the Net Income growth rate of Brac Bank Ltd is very good.

4.12: Interest income Mix

Table 4.12 shows the Interest income mix of Brac Bank Limited. It is observed from the table that in the maximum interest income of Brac Bank Ltd. mostly come from SME sector. Average 60% of interest income has contributed from SME, 19% from Retail sector, 16% from corporate sector, 3% from Money at call & short notice and only 1% from Balance with other banks over the last five years.

Table 4.12: Interest income mix in the last Five Years

Year	2006	2007	2008	2009	2010
Retail	643,523,534	805,959,899	1,281,570,721	1,892,596,481	2,003,721,068
Corporate	575,372,015	712,097,870	1,018,721,914	1,096,411,752	2,085,502,654
Lease finance	47,760,928	51,511,899	78,426,524	75,309,276	190,499,908
SME	1,520,110,900	2,952,692,890	5,217,412,505	5,571,878,378	5,762,593,457
Credit Cards	1, 127	24,874,544	340,848,639	357,314,176	367,045,039
Staff	5,487,755	8,096,006	12,360,833	17,292,788	21,249,250
Money at call & short notice	19,255,556	36,367,868	39,150,974	36,020,903	67,547,209
Balance with other banks	19,773,579	41,745,682	32,609,564	124,813,910	106,662,249

Source: Annual Report -2007, 2008, 2009, 2010 of BRAC Bank Limited

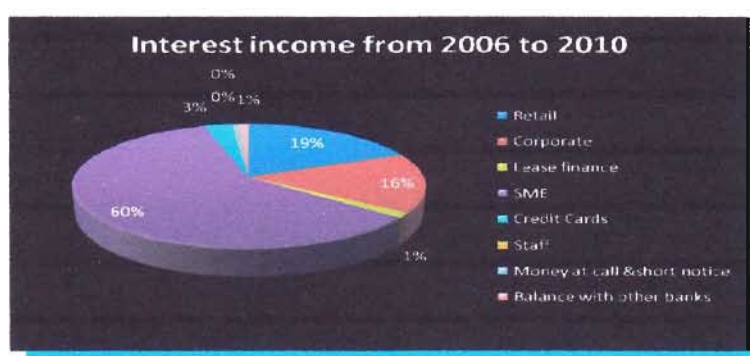


Figure 4.10 Interest income mix of BRAC Bank Ltd

4.13: Non Interest Income

Table 4.13 shows Non Interest Income. It is observed from the table highest Non Interest income was Tk.5, 257,845,790 in the year 2010. It is also reflecting from the table every year Non Interest Income increased from the previous year. The growth rate was 38%, 48%, 31%, 21% for the year 2007, 2008, 2009 and 2010 respectively.

Table 4.13: Non Interest Income of BRAC Bank Ltd.

Year	Non Interest Income (Taka)	Growth Rate (approx) %
2006	919,810,085	
2007	1,484,136,190	38%
2008	2,880,173,968	48%
2009	4,165,757,230	31%
2010	5,257,845,790	21%

Source: Annual Report -2010 of BRAC Bank Limited

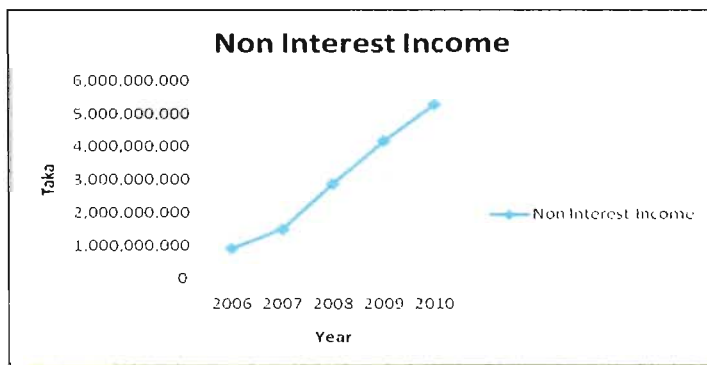


Figure 4.11 Non Interest income mix of BRAC Bank Ltd

The amount of Non Interest Income was increasing in rising trend from 2006 to 2010. This is a very good indication of the bank.

4.14 Net Interest Margin

Net interest margin indicates how much net interest income earns by using the total assets. It is observed from the table that BRAC Bank Ltd generated 4% of net interest income by investing total assets during 2006 to 2008, in 2009 net interest income was 3% and in 2010 again 4%.

Table 4.14: Net interest Margin of BRAC Bank Ltd.

Year	Net Interest Margin %
2006	4%
2007	4%
2008	4%
2009	3%
2010	4%

Source: Annual Report -2010 of BRAC Bank Limited

4.15 Net Non Interest Margin

Net Non Interest Margin indicates how much net non interest income earns by using the total assets. The following table shows the Net non interest margin. It is reflecting from the table that BRAC Bank Ltd generated Net Non Interest income 3% in 2006 & 2007, 4% in 2008 & 2009 and 4.5% in 2010 by investing total assets.

Table 4.15: Net Non Interest Margin of BRAC Bank Ltd.

Year	Net Non Interest Margin %
2006	3%
2007	3%
2008	4%
2009	4%
2010	4.5%

Source: Annual Report -2010 of BRAC Bank Limited

4.16: Investments

Table 4.16 shows the investment of Brac bank Ltd. It is reflecting from the table, Brac Bank Ltd mostly invested in Government securities from 2006 to 2009 at least 94% of total investment was Government sectors. The percentage of Government investment was 94%, 98%, 96% and 99% for the year 2006, 2007, 2008 and 2009 respectively. But in the year 2010 Brac Bank's investment in Government sectors decreased and reached at 75%.

Other sector investment of Brac Bank Ltd. was less than Government investment in every year. The percentage of Other sector investments were 6%, 2%, 4% and 1% for the year 2006, 2007, 2008 and 2009 respectively. Suddenly in the year 2010 others investment increased and reached at 25%.

Table 4.16: Investments of BRAC Bank Ltd.

Year	Total Investments (Taka in Millions)	Government Investments (Taka in Millions)	Percentage of Government Investments	Others Investments (Taka in Millions)	Percentage of Others Investments
2006	3,768	3,555	94%	213	6%
2007	4,997	4,894	98%	103	2%
2008	8,245	7,880	96%	356	4%
2009	10,375	10,258	99%	117	1%
2010	12,856	9,668	75%	3,188	25%

Source: Annual Report -2010 of BRAC Bank Limited

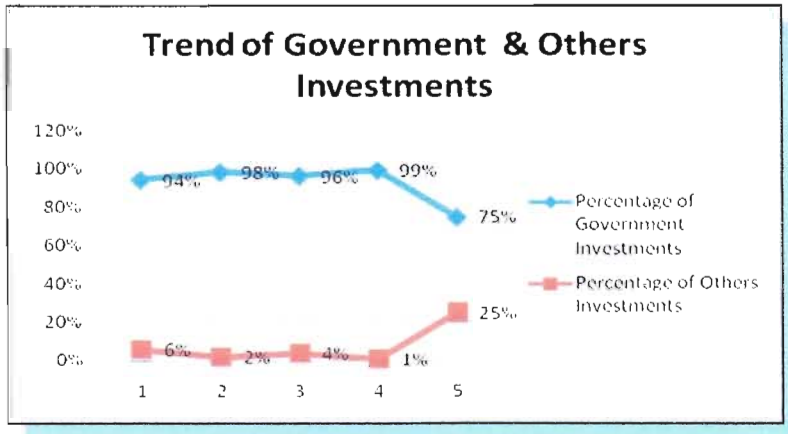


Figure 4.12 Trend of Government & Others Investments of of BRAC Bank Ltd

According to the graph, Government sector investment was in same trend from 2006 to 2009, But in the year 2010 it decreased sharply. Other sector investment was also in same trend from 2006 to 2009, But in the year 2010 it increased sharply.



4.17: Investment Income

It is observed from the following table, in the year 2010 the investment income was highest and stood at Tk. 2,145,070,108. The growth rate was 42%, 24%, 44%, 24% for the year 2007, 2008, 2009 and 2010 respectively.

Table 4.17: Investment Income of BRAC Bank Ltd

Year	Investment Income(Taka)	Growth Rate (approx) %
2006	400,080,011	
2007	693,142,387	42%
2008	909,126,833	24%
2009	1,619,635,992	44%
2010	2,145,070,108	24%

Source: Annual Report -2010 of BRAC Bank Limited

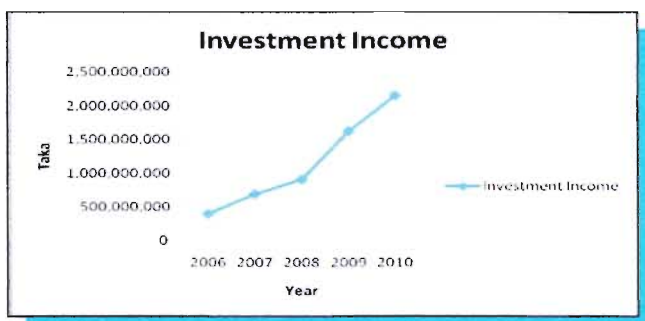


Figure 4.13 Investment Income of BRAC Bank Ltd

It is reflected from the graph Investment Income was increasing sharply from 2006 to 2010. It is a very good indication for the bank.

4.18: Return on Investmentn (ROI)

This ratio shows that how much income is generating from the investment. It is reflecting from the following table, BRAC Bank Ltd generated 9.69%, 11.64%, 12.61%, 12.30% and 9% from investment during 2006, 2007, 2008, 2009 and 2010 respectively. The highest return was in 2008. The growth rate increased 2007 & 2008. But in 2009 & 2010 growth rate decreased.

Table 4.18: Return on Investment of BRAC Bank Ltd

Year	Return on Investmentn (ROI)	Growth Rate (approx) %
2006	9.69%	
2007	11.64%	17%
2008	12.61%	8%
2009	12.30%	-3%
2010	9%	-37%

Source: Annual Report -2010 of BRAC Bank Limited

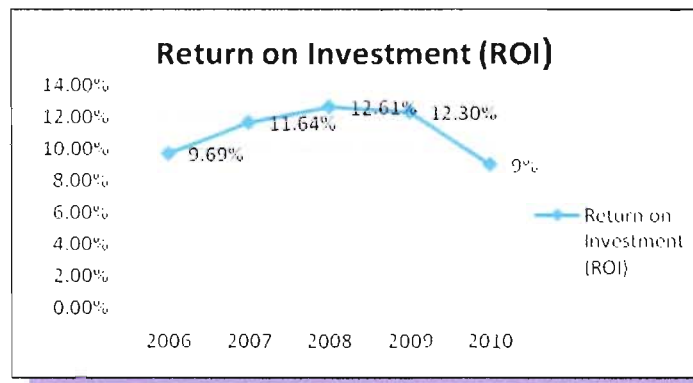


Figure 4.14 Return on Investment of BRAC Bank Ltd

According to the graph Return on Investment was in increasing mood from 2006 to 2008. But from 2009 it was sharply decreasing and it was a bad indication for the bank.

4.19: Asset

Table 4.19 shows the Asset of BRAC Bank Limited. It is observed from the table that the highest asset was in 2010 i.e Tk. 119,150 Million. The asset growth rate was about 15%, 23%, 36% and 38% in the years 2006, 2007, 2008, 2009 and 2010 respectively. Total assets of BRAC Bank Ltd were growing in a systematic way. The growing rate of total assets was within 20% to 36%.

Table 4.19: Total Asset of BRAC Bank Ltd.

Year	Total asset (Taka in Millions)	Growth Rate (approx) %
2006	30,012	
2007	46,383	35%
2008	72,442	36%
2009	95,127	24%
2010	119,150	20%

Source: Annual Report -2010 of Brac Bank Limited



Figure 4.15 Total Asset of Brac Bank Ltd

According to the graph total asset of Brac Bank Ltd increased at increasing trend. This is a good indication of the bank.

4.20: Fixed Assets

Table 4.20 shows the Fixed assets. In the year 2010 total fixed assets of BRAC Bank Limited stood at Tk. 1,749 million. It was Tk. 383 million in 2006. Total fixed assets of BRAC Bank Limited was increased more than 4.5 times within 5 years. The growth rate was 59%, 36%, 10%, 7% for the year 2007, 2008, 2009 and 2010 respectively.

Table 4.20: Fixed Assets of BRAC Bank Ltd

Year	Total Fixed Assets (Taka in Millions)	Growth Rate (approx) %
2006	383	
2007	943	59%
2008	1,472	36%
2009	1,638	10%
2010	1,749	7%

Source: Annual Report -2010 of BRAC Bank Limited

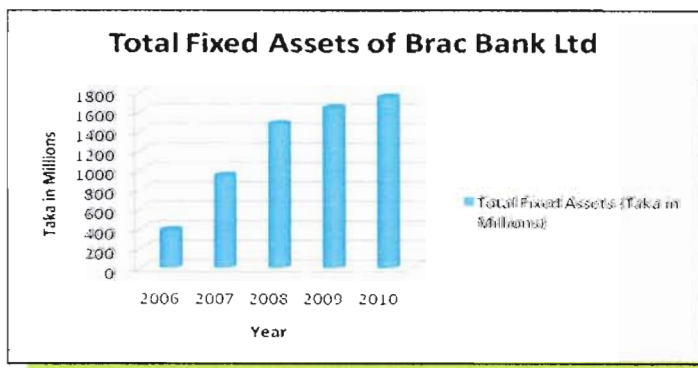


Figure 4.16 Fixed Asset of BRAC Bank Ltd

According to the graph total fixed asset of BRAC Bank Ltd increased at increasing trend. This is a good indication of the bank.

4.21: Return on Asset (ROA)

ROA indicates how much income, a bank has generated for each taka investment of total assets. It is observed from the following Table Brac Bank Ltd generated 1.43%, 1.63 %, 1.64 taka, 1.56 % and 1.55% by investing total assets during 2006, 2007, 2008, 2009 and 2010 respectively.

Table 4.21: Return on Asset of BRAC Bank Ltd.

Year	ROA	Growth Rate (approx) %
2006	1.43%	
2007	1.62%	12%
2008	1.64%	1%
2009	1.56%	-5%
2010	1.55%	-0.65%

Source: Annual Report -2010 of BRAC Bank Limited

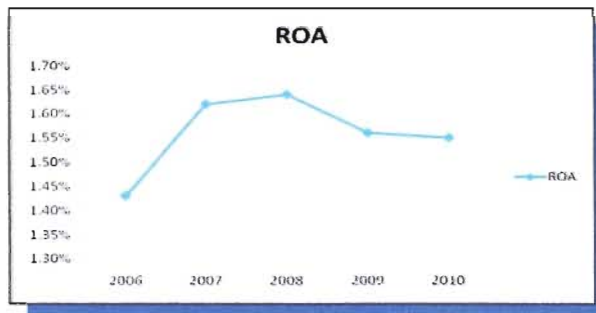


Figure 4.17 Returns on Asset of BRAC Bank Ltd

According to the graph Return on Asset of Bac Bank Ltd was increasing at increasing trend from 2006 to 2008. But in 2009 it was decreased sharply and this trend was continuing in the year 2010.

4.22: Return on Equity (ROE)

This ratio indicates how much returns have generated for the owner's equity. It is reflecting from the following table BRAC Bank Ltd generated 23.05%, 23.83%, 22.88%, 19.19% and 18.95% owner's equity during 2006, 2007, 2008, 2009 and 2010 respectively. The growth rate of Return on Equity is decreasing year to year and this is not a very good indication for the bank.

Table 4.22: Return on Equity of BRAC Bank Ltd

Year	ROE	Growth Rate (approx) %
2006	23.05%	
2007	23.83%	3%
2008	22.88%	-4%
2009	19.19%	-19%
2010	18.95%	-1%

Source: Annual Report -2010 of BRAC Bank Limited

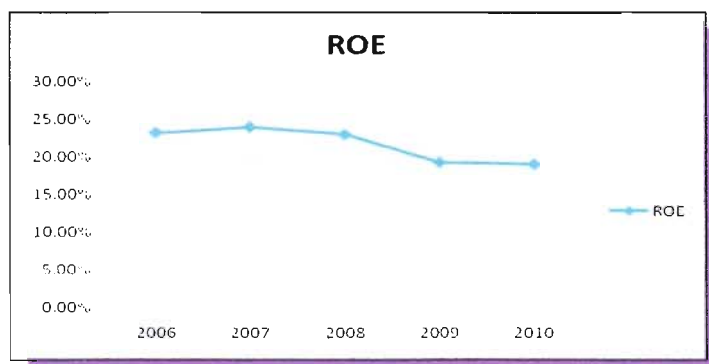


Figure 4.18 Returns on Equity of BRAC Bank Ltd

According to the graph Return on Equity was decreasing at increasing rate from 2006 to 2010.

4.23 Debt Ratio

The debt ratio measures the proportion of total assets financed by the long time creditor. Higher ratio means the greater the amount other people's money being used in an attempt to generate profits. It is reflected from the following table, BRAC Bank Ltd's debt ratio was almost 92% over the last five years. Financial leverage is good but too much of it is bad for the bank. Only 8% of equity capital was used to generate profit. We know that interest is a tax deductible item. So that BRAC Bank Ltd gets a high tax advantage because it has a high rate of debt. If it uses debt higher than the optimal level its cost of debt will dilute the tax advantage. The high debt increases the bankruptcy risk of the bank. So BRAC Bank Ltd should maintain the optimal debt level.

Table 4.23: Last five years Debt Ratio of BRAC Bank Ltd

Year	Debt ratio
2006	93%
2007	93%
2008	92%
2009	91%
2010	92%

Source: Annual Report -2010 of BRAC Bank Limited

4.24: Earning Per Share (EPS)

Earning Per Share (EPS) means the amount that a shareholder received per share from after tax net income of the company. It is the value that shareholder received for holding each share for one year and investing money in the company. It is observed from the table 4.24 that the EPS of BRAC Bank Ltd was fluctuating from 2006 to 2010. Due to increasing of stock dividend per year the numbers of shares were increasing, so the EPS was not showing high though the Net income was high.

Table 4.24: Information of EPS of BRAC Bank Ltd.

Year	Earning Per Share (EPS) (Taka)	Growth Rate (approx) %
2006	29.39	
2007	54.97	47%
2008	45.00	-22%
2009	46.91	4%
2010	60.39	22%

Source: Annual Report -2010 of BRAC Bank Limited

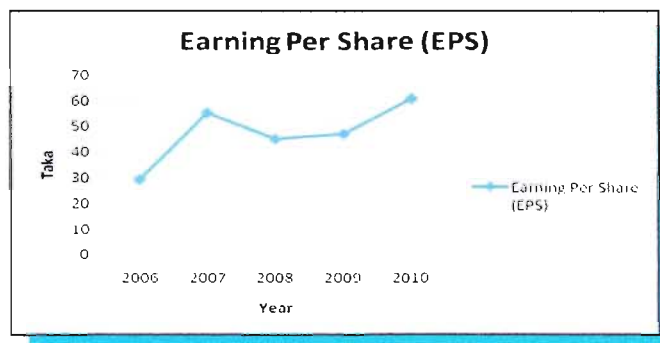


Figure 4.19 Earnings per share of BRAC Bank Ltd

According to the graph EPS of Brac Bank Ltd increased sharply up to 2007 and decreased sharply in 2008. From 2009 started to increase.

4.25: Dividend Per Share

Dividend Per Share means the portion of net income pays out to the shareholders at the year end. It may be cash dividend or may be bonus share dividend.

BRAC Bank Ltd has a tendency to give stock dividend rather than cash dividend. It is observed from the following table that in 2010 first time they gave cash dividend at 10%. They give almost at a fixed rate dividend, which is mostly 30%.

Table 4.25: Dividend of BRAC Bank Ltd

Year	Cash Dividend	Stock Dividend
2006	-	20%
2007	-	10%
2008	-	30%
2009	-	30%
2010	10%	20%

Source: Annual Report -2010 of BRAC Bank Limited



4.26: Market Price per Share (DSE)

It means at what price the shares of BRAC Bank Ltd are sold in the secondary market to the buyer. In the year 2010 Market price of share stood at Tk. 856.25 which was Tk. 531.50 in 2006. Market prices of the shares were fluctuating over the last five years. Moreover in 2007 the growth rate decreased 228% and the shares price reached at Tk. 162. This is a bad indication of the bank.

Table 4.26: Market Price per Share (DSE) of BRAC Bank Ltd

Year	Market Price per Share (DSE) (Taka)	Growth Rate (Approx)%
2006	531.50	
2007	162	-228%
2008	828	80%
2009	687.50	-20%
2010	856.25	20%

Source: Annual Report -2010 of BRAC Bank Limited

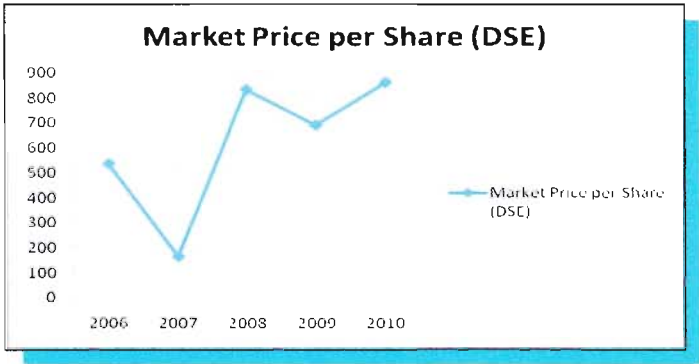


Figure 4.20 Market Price per share of BRAC Bank Ltd

It is reflected from the graph that market share price decreased sharply in 2007 and increased sharply in 2008. Again it decreased in 2009 and increased in 2010.

4.27: Capital Adequacy Ratio (CAR)

Capital Adequacy focuses on the total risk weighted capital intended to protect the depositors from the potential shocks or losses that bank might be incurred. It helps to absorb major financial risks. Banks have to maintain minimum Capital Adequacy Ratio (CAR) at 9% of their risk wighted assets (RWA) or minimum 5% of Core Capital. Compared to the current regulatory requirement of 9.0%, the bank attained capital adequacy ratio at least 12%. This is a very good indication of the bank.

Table 4.27: Capital Adequacy Ratio of BRAC Bank Ltd

Year	Capital Adequacy Ratio	Growth Rate (approx) %
2006	13.53%	
2007	12.28%	-10%
2008	12.76%	4%
2009	12.45%	-2%
2010	12.07%	-3%

Source: Annual Report -2010 of BRAC Bank Limited

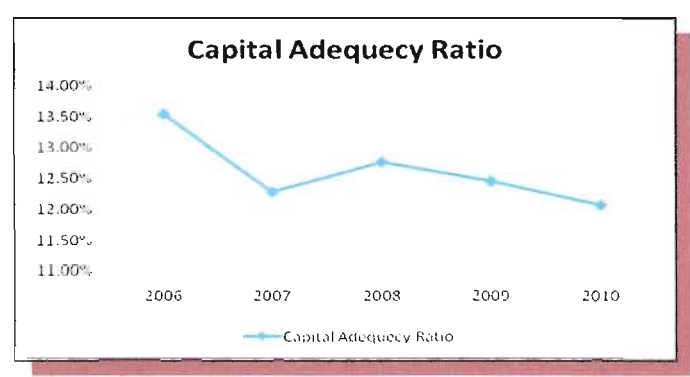


Figure 4.21 Capital Adequacy Ratio of BRAC Bank Ltd

According to the graph Capital Adequacy Ratio (CAR) decreased in 2007 and increased in 2008. From 2008 it was again in decreasing trend.

CHAPTER FIVE

FINDINGS, RECOMMENDATION & CONCLUSION



Findings, Recommendation & Conclusion

5.1 Findings

From my personal observation during my internship period at BRAC Bank Ltd and after doing the analysis I have identified some areas of concern that are needed to be closely monitored. The list of findings is given below:

- Credit deposit ratio of BRAC Bank is very high. Average ratio was 88.8% over the last five years & last year it reached at 96% which was too high. If the amount of classified loan increases then the bank may fall into liquidity crisis.
- Percentage of Net Loan among Total Assets is high. BRAC Bank Ltd's average loan is 69% over the last five years. Although it is good that bank was utilizing their money, but most of the asset is loan so bank may fall in liquidity problem.
- Only average 12.6% highly liquid asset was in bank's hand over the last five years.
- Loans & Advances always carry the risk of Non repayment. Moreover, BRAC Bank Ltd. offers SME loans which are without security or with low security. As a result the trend of Non performing loan was increasing year to year.
- Return on Investment of BRAC Bank Ltd is decreasing year to year where the investment amount is increasing year to year. Normally BRAC Bank Ltd's 98% investment is in government sector, but in 2010 they invested 75% in government sector & 25% in others sector and this year ROI reduced 37% from 2009.

- Return on Equity of BRAC Bank Ltd is decreasing year to year which is bad indication.
- BRAC Bank's capital structure is highly leveraged. The bank can be affected badly by this too much leverage policy.
- Market Price of the bank's share was fluctuating over the last five years.
- The BRAC Bank Ltd has already gained a reputation as SME banker in Bangladesh, but retail banking products is yet not that much familiar to the people.
- A low remuneration is a problem for the entry & mid level employee of BRAC Bank Ltd. Because its salary range is comparatively lower than other local banks. It has bad effect on the employee's motivation of works.
- Number of ATM booths is lower than other local banks.



5.2 Recommendation

BRAC Bank Ltd has made a great success in the Banking sector for its outstanding performance. Despite tremendous success in different parts of banking arena, BRAC Bank Ltd needs to take some initiatives for further improvement and reputation in its performance. The recommendations are mentioned below:

- The growth rate of Assets, Deposits and Loans & Advances of BRAC Bank Ltd is very satisfactory. If they can maintain the growth rate then it may become top bank in Bangladesh.
- BRAC Bank Ltd needs to reduce the Credit deposit ratio to 80% - 85%.
- BRAC Bank Ltd should increase highly liquid asset in hand to face liquidity problem.
- BRAC Bank should be more concern about the non performing loan. SME loan of BRAC Bank has already gained good reputation. But the same time question is being asked about their interest rate. Moreover SME borrower has to pay an amount of money which is called upfront. These are become a burden for the borrowers because they are mostly low net worthy people. Ultimately non performing loan increase & adversely affect bank's profitability.
- BRAC Bank should build an effective credit monitoring system to reduce Non performing loan.
- BRAC Bank should be careful in investment to increase ROI. Because in 2010 ROI decreased from previous year.

- BRAC Bank should be concern about ROE, which was decreasing & ROA almost same every year, but now they need to increase it.
- BRAC Bank should use optimal capital structure where debt & equity will be used in a balance between risk & return to reduce financial risk & to achieve ultimate goal of maximizing the price of the stock.
- BRAC Bank should be more concern about their share's market price; it needs close monitoring why share price is vulnerable.
- Though BRAC Bank's major concern is serving the SME of Bangladesh, but the bank has to also upgrade their corporate and retail banking products & services to match with the ever changing demand of these groups. BRAC Bank should adopt proper strategies to cope with these changes.
- BRAC Bank should increase number of ATM booths.

5.3 Conclusion

BRAC Bank Limited is proving itself as the fastest growing bank with showing remarkable progress of its financial position with the mission of being countries leading bank providing world class services in a cost effective manner. BRAC Bank believes that the pursuit of profit and developmental goals is mutually reinforcing. Increasing the ability of under – served individuals and enterprises to build their asset base and access market opportunities will increase the economic well being for all Bangladeshi at the same time, this will contribute significantly to the profitability of the Bank.

Only within 10 year the position of BRAC Bank Ltd is 5th in among the local banks and 1st in SME banking in Bangladesh. This bank first introduced the SME loan in commercial banking sector which helps the people of poor society both in rural and urban area.

According to my study the performance of this bank is noticeable. In this study to evaluate the performance of this bank various financial parameters are considered and BRAC Bank is found as a fast growing bank and simultaneously performing well in almost all the areas. But BRAC Bank Ltd should be concern about their investment policy & market price of the share.

To keep with this pace of growth and improvement they now should more vigilant on what their customers want and should be more vigilant while giving loans to the clients in order to reduce the defaulter rate.

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