IMPACT OF FINANCIAL RISK ON BANK PERFORMANCE CASE STUDY OF HABIB BANK LIMITED

BY

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PROJECT APPROVAL STATEMENT

APPROVAL FOR EXAMINATION

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Project Title: Impact of Financial Risk on Bank Performance; Case Study of Habib Bank Limited

I hereby certify that the above candidate's final year project (FYP) has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this FYP using HEC prescribed software and found similarity index at page # 5 that is within the permissible limit set by the HEC for the BS (A & F) FYP. I have also found the FYP in a format recognized by the Department of Management Sciences.

Supervisor's Signature: Asad ali **Date:** 15-08-2022.

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DECLARATION OF AUTHENTICATION

I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

Student's Signature: **1.** ______________________

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Tables of Content

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ABSTRACT

The study investigates the impact of financial risk on bank performance of Habib Bank Limited using the annual financial time series data from 2005 to 2021. The dependent variable is the bank performance which is measured through the return on equity. The independent variables are the financial risks, which includes the credit risk, liquidity risk, and market risk. The findings suggest that the credit risk and liquidity risk has negative significant effect on the return on equity, which means that the increase in credit risk and liquidity risk would result in declining the profitability of Habib Bank Limited. Moreover, the operational risk has positive significant effect on the return on equity. The study concludes that Habib Bank Limited need to control the credit risk and liquidity risk to perform well in the market. It is recommended that the Habib Bank Limited must adopt strict policies and must do risk analysis of each borrower before issuing loan. To control the liquidity risk Habib Bank Limited must offer attractive financial products to motivate the depositors to deposit more in account rather than handling cash.

Keywords: Financial Risk, Bank Performance, Credit Risk, Liquidity Risk, Operational Risk.
JEL: C32, F65, G21