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BBA

PERFORMANCE EVALUATION OF PRIME BANK LIMITED

Submitted To

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Dr. Tanbir Ahmed Choudhury
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Subject: Submission of Internship Report.

Dear Sir,

As a student of Business Administration I have to submit a internship report to fulfill the requirement of my graduation. I have tried my best to complete this requirement of the course.

Utmost effort has been made in the report to give proper concentration to details and to maintain clearness. I have enjoyed working in Prime Bank Limited and learned a lot of things during this whole period. While preparing this report, I have tried to make it as thorough and inclusive as possible by covering many issues from more than one angle. Still, if there is any room for further clarification or improvement, I will be glad to attend to it.

Thanking you

Sincerely Yours,

Tafhim Ahmed

ACKNOWLEDGEMENT

This case analysis is prepared for the course named BUS 499, Internship. The study was done for the Business Department of East West University, Dhaka, Bangladesh.

I would like to thank my instructor Dr. Tanbir Ahmed Choudhury, Business Department, East West University, for his kind guidance, advice and encouragement during the course of this study. He played the pivotal role by giving us an insight thought and proper guidance to get this report done. He also provided us a guideline for preparing this report. I deeply express my profound indebtedness opinion that helped me immensely in preparing this case analysis. His encouragement and praise during the course provided us real support in preparing this report. I also duly appreciate him for extending his helping hand whenever we needed which undoubtedly will enrich our academic and group study proficiency.

I would also like to thank all officials of Prime Bank Limited, Mouchak Branch. Specially thanks to Mr. Muradur Rahman Pathan, Mr. Ziaur Rahman, and Mr. K.M. Muntasir for their cooperation. This report would not be possible without the cooperation of them. So my heartiest appreciation goes to those officials.

EXECUTIVE SUMMARY

The premise of this report will impart the performance and financial position of Prime Bank Limited. Banking sector in Bangladesh is prospering day by day. As a financial intermediary between the surplus unit and the deficit unit, banks hold an integral and crucial position. Also the activities of banks are not only confined to eliminate the gap between surplus units and deficit units, but also in several other activities such as in Export and Import sector. In this era of technology the banking sector is further spurred by computer system and by other supporting machineries such as Automatic Teller Machine. Now a days the services of banks are available just a stone's through away from home. The number of banks in all now stands at 49 in Bangladesh. Out of the 49 banks, four are Nationalized Commercial Banks (NCBs), 28 local private commercial banks, 12 foreign banks and the rest five are Development Financial Institutions (DFIs). The Prime Bank Limited is one of the well-established and prominent private banks in Bangladesh.

The report includes a through analysis of performance and financial condition of Prime Bank limited. How the General Banking, Loan & Credit sections and Foreign Exchange sections are coping up with rampant customer demand. To do that there are information about each of the loan and deposit schemes. Throughout the report my onus was to analyze the performance and financial position of Prime Bank limited. In order to do that, there will be some comparative analysis, some financial statement analysis along with some relevant ratio calculations and their interpretations. Last but not least, identifying the strengths and weaknesses of Prime Bank Limited will be a part of this report.

The primary and basic focus of this report is to identify the services that are integrative part of Prime Bank Limited and how those services are affecting the Performance of Prime Bank Limited.

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Chapter One

Introduction

1.1 Origin of the Report:

This internship report is originated as a partial fulfillment of the BBA program of Business Department in East West University. The report is a mandatory onus for BBA completion, as well as weighted three credits. This Three months internship period has helped us to match our theoretical knowledge with practical understanding. As an intern of Prime Bank Limited I was provided with the topic 'Performance Evaluation of Prime Bank limited'. The report titled 'Performance Evaluation of Prime Bank' will be submitted to Professor Dr. Tanbir Ahmed Chowdhury, Dean and Chairperson of Business Department.

1.2 Objectives of the Report:

- a) To evaluate the performance of Prime Bank Limited.
- b) To know the existing services of Prime Bank Limited through analysis of different Deposit and Loan schemes. Basically this is to analyze the Liability Side (Deposits) and Asset Side (Loans) of the bank.
- c) To know the existing services regarding foreign exchange such as; import, export.
- d) To know the financial condition of the bank through the analysis of financial statements of last five years. In this regard ratios will be calculated and their interpretations will be given accordingly.
- e) Find out the problems and inefficiencies of Prime Bank Limited and recommend on those findings of the report.

1.3 Scope of the Report:

This report will cover the details of Prime Bank's various practices and different schemes regarding Deposits, Loans and Foreign Exchanges departments. Basically, those three departments are integral part of a bank. In this report, I will try to focus on the various schemes, functions using relevant financial analysis using different ratios. It will also cover the performance of Prime Bank Ltd. Finally interpreting the ratios to assess the bank's performance and recommend to on the performance.

1.4 Methodology:

To make the Report more meaningful and presentable, two sources of data and information have been used widely.

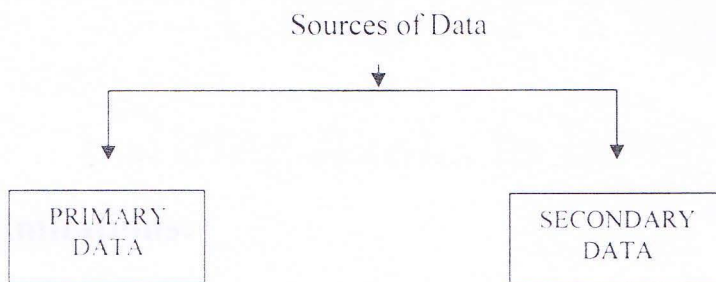


Figure 1.1: Sources of data

Both primary and secondary data sources were used to generate the report.

The "Primary sources" are as follows-

- * Face-to-face conversation with the respective officers and staffs of Prime Bank and other banks.
- * Informal conversation with the clients.
- * Practical work exposures from the different desks of the departments of the Branch.
- * Study of the relevant files as instructed as instructed by the officers concerned.

The "Secondary Sources" of data and information are-

- * Annual reports of PBL and other Banks.
- * Various books articles, compilations etc. regarding marketing of financial products are informed below:

PUBLICATIONS

- ← Brochures of Prime Bank Limited.
- ← Prime Bank Annual Report 2003, 2004, 2005, 2006 and 2007.
- ← Terms & Condition Published by Prime Bank Limited.
- ← Credit Guidelines of Prime Bank Limited.
- ← Statement of Affairs, Prepared by accounts section of Mouchak Branch.
- ← Previous Orientation Reports

1.5 Limitations:

There are certain limitations regarding the studies that are summarized below:

- Deficiencies in data required for the study.
- Field practice varies with the standard practice that also created problem.
- Time provided for conducting the study is another important constraint.
- The employees in Prime Bank Limited are so much busy in their responsible fields: they could hardly provide little time to discuss with them.
- Management Information Systems is a very wide spectrum. However the branch does not even have a separate MIS division. I could not therefore focus on MIS practices on local banks, as there is not much to deal with.

Chapter Two

Existing Banks in Bangladesh

2.1 Banking Industry in Bangladesh

The Banking industry in Bangladesh is characterized by strict regulation and monitoring from the central governing body, the Bangladesh Bank. The chief concern is that currently there are far too many banks for the market to sustain. As a result, the market will only accommodate only those banks that can transpire as the most competitive and profitable ones in the future.

Currently, the major financial institutions under the banking system include:

- Bangladesh Bank
- Commercial Banks
- Islamic Banks
- Leasing Companies
- Finance Companies

Of these, there are four nationalized commercial banks (NCB), 5 specialized banks, 11 foreign banks, 26 domestic private banks and 4 Islamic Banks currently operating in Bangladesh. Generally, the commercial banks and finance companies provide a myriad of banking products to cater to the needs of their customers. All banks and financial institutions are highly governed and controlled under the Banking Companies Act-1991.

The range of banking products and financial services is also limited in scope. All local banks must maintain a 4% Cash Reserve Requirement (CRR), which is non-interest bearing and a 16% Secondary Liquidity Requirement (SLR). With the liberalization of markets, competition among the banking products and financial services seems to be growing more intense each day. In addition, the banking products offered in Bangladesh are fairly homogeneous in nature due to the tight regulations imposed by the central bank. Competing through differentiation is increasingly difficult and other banks quickly duplicate any innovative banking service.

Bangladesh pursues a liberal market economy. Bangladesh Bank is the apex bank of the country responsible for promoting healthy growth and development of the banking

system. Banks and insurance companies, both in the private and public sectors, are operating freely and contributing to the economy. Foreign banks like American Express Bank, Standard Chartered Bank, Grindlays Bank, Indosuez Bank, etc. function in Bangladesh through their branches.

There are other specialized financial institutions like the Bangladesh Shilpa Bank (Industrial Bank), Bangladesh Shilpa Rin Sangstha (Industrial credit organization), Krishi (Agriculture) Bank, House Building Finance Corporation, Grameen (Rural) Bank and several cooperative banks. The Industrial Promotion and Development Corporation (IPDC) of Bangladesh and the Investment Corporation of Bangladesh (ICB) provide equity support to public limited companies in the private sector. The government has recently replaced the Controller of Capital Issues by establishing a full-fledged Securities and Exchange Commission with enhanced power for the growth and development of the Securities market in Bangladesh. Liberal fiscal policy has resulted in the highest forex reserve.

During the last three years a number of steps have been taken to strengthen the country's banking system. These include improvement of the regulatory environment, Enforcement of loan classification guidelines and re-capitalization of nationalized commercial banks. Over the past two years, there has been a massive infusion of taka 32,000 million in the NCBs in the shape of government bonds to make up for capital and provisioning shortfalls.

The commercial banks are now diversifying and strengthening their portfolio. They have increased term lending. Up to April 1994 they have sanctioned term loans totaling taka 10,260 million. Disbursement of agricultural loans stood at taka 9,660 million 31 % increase over the same period in 1993. NCBs have introduced loan programmers in off-farm and agro-based activities. NCBs, BSB and BSRS have been able to rehabilitate 471 sick industrial units, which have created 21,000 new jobs. The government is keen to correct and remedy failures and imperfection in the financial markets. A small credit guarantee scheme has been introduced, to assist new entrepreneurs who can receive loan

of taka 2.5 million without any collateral. To enlarge the activities of Grameen Bank, which serves the poor, particularly the women in the rural areas, the government has provided guarantee against loans amounting to taka 4,650 million in 1993-94 in addition to taka 1000 million provided directly by the Bangladesh Bank. In the fiscal year 1994-95 the government has already committed to Grameen Bank to provide loan guarantee for an additional amount of taka 3850 million.

The reforms of financial sector and trade liberalization are being complemented by appropriate Forex regime. An active exchange rate policy to maintain the competitiveness of the economy is being followed in the backdrop of the Uruguay Round Multilateral Trade Agreements and particularly, the gradual merger of Multi-fiber arrangement into the GATT. The exchange rate will be closely monitored. Taka has been made convertible on all international current transactions. Company laws have been reformed for boosting private investment.

Bangladesh has accepted the obligations of IMF Articles of Agreement, which means removal of all restrictions on making payments and transfers for current international transactions. By accepting these obligations, Bangladesh has given a clear signal to the international community that it would pursue sound economic policies, and thereby creates a congenial climate for investment.

The Bangladesh banking sector relative to the size of its economy is comparatively larger than many economies of similar level of development and per capita income. The total size of the sector at 26.54% of GDP dominates the financial system, which is proportionately large for a country with a per capita income of only about US\$370. The non-bank financial sector, including capital market institutions is only 3.22% of GDP, which is much smaller than the banking sector. The market capitalization of the Dhaka Stock Exchange was US\$1.025 billion or 2.19% of GDP as at mid-June 2002. In contrast, the size of the total financial sector in India, including banks and non-banks as well as the capital market is 150% (March 2002) of its GDP, with commercial banks accounting for 58.3% of GDP. Access to banking services for the population has



Chapter Three

An Overview of Prime bank Limited

3.1 Company Profile

Prime Bank Ltd. started its operation on 17th April 1995 with an authorized capital of Tk. 1000 million and paid up capital of Tk. 100 million by a group of highly successful entrepreneurs who are established in various fields of economic and business activities. PBL is a fully licensed scheduled commercial bank set up in private sector in pursuance of the Government of Bangladesh to liberalize banking and financial services.

Till now, the branch network of Prime Bank Ltd. increased to 42 with 5 new branches in the last of the year 2005. Currently, there is no proposed branch. The commercial and investment services of PBL range from small enterprises to big business loans to all type of customers. Besides this, the bank actively participates in socio-economic development of priority sectors like agriculture, industry, housing, self-employment, etc. PBL is also a pioneer in providing consumer loans as well as financing the industries and transport sector through attractive leasing and higher purchase scheme.

3.2 Company Vision

To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management, and profitability having strong liquidity.

3.3 Company Mission

To build Prime Bank limited into an efficient market driven, customer-focused institution with good corporate governance structure. Continuous improvement in Bank's business policies, procedures and through integration of technology at all levels.

3.4 Strategic Priority

To have sustained growth, broaden and improve range of products and services in all areas of banking activities with the aim to add increased value to shareholders investment and offer highest possible benefits to the customers.

3.5 Corporate Values

For Employees

By promoting well-being of the members of the staff.

For Shareholders

By ensuring fair return on their investment through generating stable profit.

For Community

By assuming our role as socially responsible corporate entity in a tangible manner through close adherence to national policies and objectives.

3.6 Objectives of the Bank

Prime Bank aims to continuously update and develop its product line and range of services to cater to the needs of retail and corporate customers. To achieve this goal, efforts have been directed in three main areas:

- Design and introduction of new products and services
- Shaping and developing the system to face new challenges and emerging need of the market
- Full implementation and utilization of the Bank's excellence program which aims to provide service to customers.

While strengthening risk management and improving asset quality is the main focus of the bank, it is also aware of its responsibility to the society. With this noble intention, Prime Bank Foundation was established in 2001, which took part in diverse charitable and voluntary programs to alleviate poverty and community welfare.

3.7 Slogan

The Slogan of Prime Bank Limited is: "A bank with a difference."

3.8 Logo



Prime Bank Limited

3.9 Board of Directors

Name of Directors	Designation	Percentage of Shares as on 31.12.2007
Mr. Azam J Chowdhury	Chairman	0.23
Mrs. Shahnaz Quashem	Vice Chairperson	0.30
Mrs. Hasina Khan	Vice Chairperson	1.01
MD. Aminul Haque	Director	2.38
Quazi Sirazul Islam	Director	1.59
Capt. Imam Anwar Hossain	Director	1.00
Qazi Saleemul Huq	Director	0.28
Mrs. Razia Rahman	Director	0.83
Mrs. Ferdousi Islam	Director	1.38
Mr. Nafis Sikder	Director	0.90
Ms. Saheda Pervin Trisha	Director	0.13
Mr. Mohammad Delwar Hossain	Director	1.54
Mr. MAksudur Rahman Sarkar	Independent Director	0.00044
Mr. M. Shahjahan Bhuiyan	Managing Director	-

3.10 Organizational Structure

The bank had a rather large board (20 members in all) with representatives from all the major shareholders. Previously central bank norms prevented any one shareholder individually holding an equity stake of greater than 5% in the bank, this was the reason for the 20 directors sitting in the board. The central bank rules in this regard have undergone a slight change. Now the rules are that the individual holding has been enhanced to 10% and the size of the Board will now be restricted to 13 members, which should include at least two independent directors.

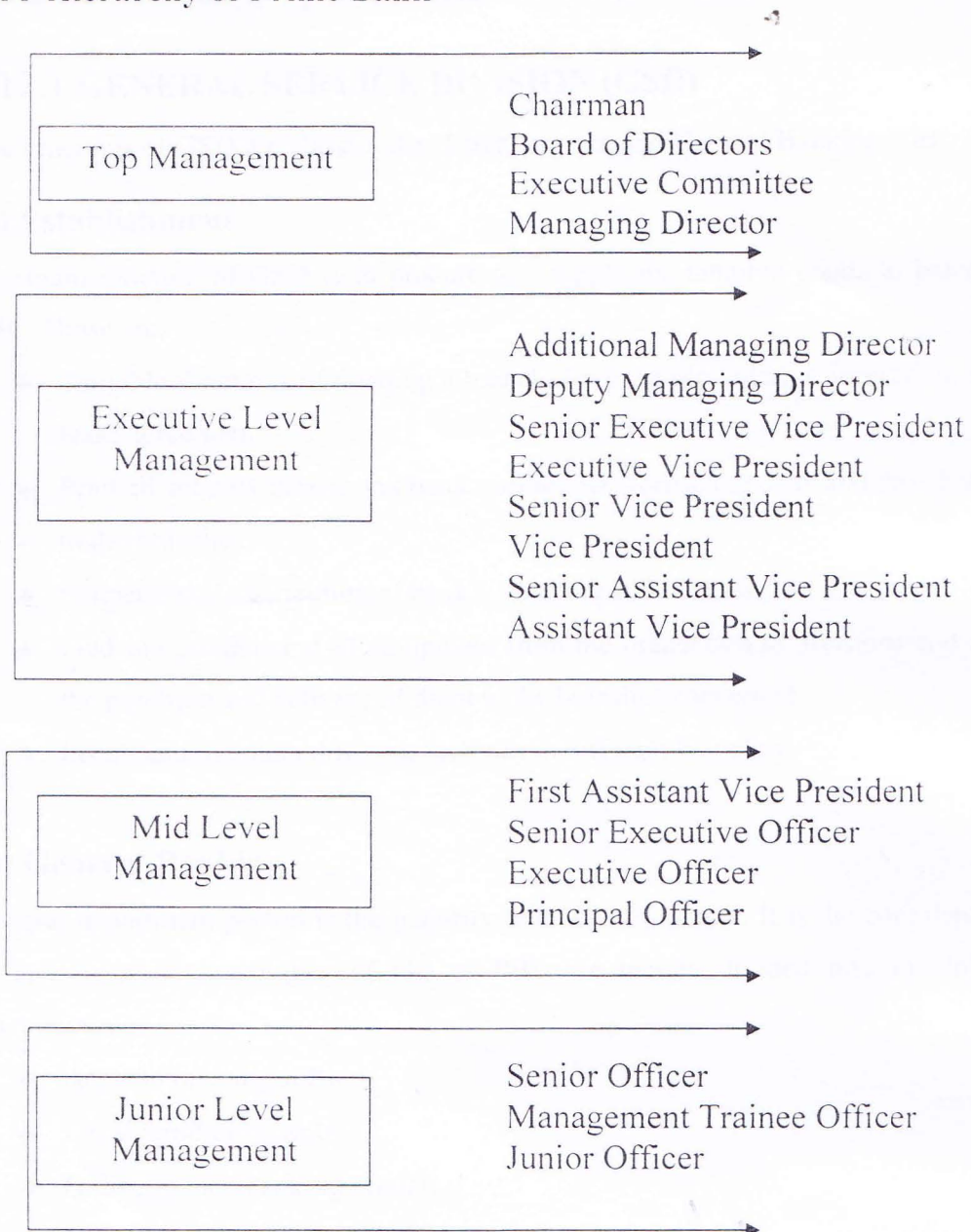
Prime Bank is listed with promoter shareholders' collectively holding a 46% stake in the bank. One of the main reasons for the bank's good financial condition is that the bank's promoters, who have other business interests as well, have refrained from using the bank for insider lending. This is a huge issue for Bangladeshi private banks and together with somewhat lax supervision, is the single biggest factor for the poor financial condition of most private banks. While Prime Bank has so far benefited from its promoter shareholders' approach of maintaining an arms-length relationship between the bank and their other businesses, whether this would continue to be the case in future, particularly when the second-generation promoters become directors of the bank remains to be seen.

The bank's board has a policy of rotating the Chairman's position amongst various members; consequently the bank has a new Chairman every year. The executive management also appears a bit top-heavy (relative to the size of the bank) with one additional managing director besides the managing director, a Senior Executive Vice President, four Executive Vice Presidents and many Senior Vice Presidents. Prima-facie the rotating Chairman and the presence of effectively two managing directors may lead to some overlapping responsibilities and possible conflict; however this does not seem to have happened so far in the bank's history and the bank continues to perform satisfactorily.

Designation in ascending order

Sl. No.	Designation
1.	Managing Director
2.	Deputy Managing Director
3.	Senior Executive Vice President
4.	Executive Vice President
5.	Senior Vice President
6.	Vice President
7.	Senior Assistant Vice President
8.	Assistant Vice President
9.	First Assistant Vice President
10.	Senior Executive Officer
11.	Executive Officer
12.	Principal Officer
13.	Senior Officer
	Management Trainee
14.	Officer
15.	Junior Officer
16.	Assistant Officer
	Trainee Assistant

3.11 Hierarchy of Prime Bank



3.12 Different Departments of Prime Bank Limited

3.12.1 GENERAL SERVICE DIVISION (GSD)

The functions of GSD are classified as Establishment and General Banking (GB).

(a) Establishment

The main function of GSD is to procure and supply the tangible goods to branches of PBL. Those are:

- ✦ Tangible functions of opening a branch, for example, interior decoration, making lease agreement
- ✦ Print all security papers and bank stationeries, forms, registers and distribute them to the branches
- ✦ Purchase and distribution of bank's furniture and fixtures
- ✦ Find out the demand of equipment from the branches and divisions and arrange the purchase and delivery of them to the branches concerned
- ✦ Install and maintain different facilities in different branches.

(b) General Banking

General department performs the majority functions of a bank. It is the core department of any bank. The activities of GB of PBL are mainly divided into the following categories:

- ✦ Account opening section
- ✦ Local remittance section
- ✦ Online branch banking section
- ✦ Deposit scheme section
- ✦ Clearing section
- ✦ Collection section
- ✦ Cash section
- ✦ Accounts section

3.12.2 HEAD OFFICE DIVISION

Its deals with the Head Office transactions with banks and its different branches and these are recorded under the following headings:

- ♣ **Income and expenditure positioning:** It maintains all the income and expenditure information
- ♣ **Cash section:** It handles cash expenditure for office operations and payments.
- ♣ **Bills section:** It deals with inland bill transactions.
- ♣ **Salary and wages section:** Salary and wages of head office executives are given from this account.
- ♣ **Provident fund:** Employee provident fund are maintained here.

3.12.3 CONSOLIDATION OF BRANCH DIVISION

All branches of PBL have to periodically send their income and expenditure, profit and loss accounts to head office. This division consolidates all these information and makes statements to submit to Bangladesh Bank.

3.12.4 CREDIT DIVISION

The main functions of this division are:

- ♣ To Manage PBL's credit portfolio
- ♣ Receive credit proposal from branches
- ♣ Appraise and approve the proposals
- ♣ Sanction letters and send them to branches
- ♣ Monitor and follow up the loans and advances provided by the bank
- ♣ Set up prices for credits and ensure their effectiveness
- ♣ Prepare various statements to submit to Bangladesh Bank

3.12.5 INTERNATIONAL DIVISION

This division is responsible for monitoring and supervising the foreign exchange dealings of the bank. It performs the following functions:

- ♣ Making guidelines and frameworks for foreign dealings complying the rules of Bangladesh Bank
- ♣ Circulating instructions of Bangladesh Bank
- ♣ Maintaining correspondence with foreign banks and exchange houses with which it has exchange arrangement
- ♣ Maintaining NOSTRO accounts with banks in abroad
- ♣ Fixing and sending foreign exchange rates to Authorized Dealer (AD) branches and Bangladesh Bank.

3.12.6 TREASURY

Treasury is considered to be an important division for income generation purpose within the head office. The treasury of PBL continues to efficiently manage bank's cash flow. It optimizes the investment of the bank's excess liquidity. Treasury is also expected to provide quality services and products to meet the demand of the customer needs and play a major role in raising bank's income.

3.12.7 COMPUTER DIVISION

This division operates and keeps the record of all transactions, assets, liabilities of PBL by using integrated software. Though the technology of PBL is not advanced, the computer division tries to provide the following functions:

- ♣ Supply and installation of computer as per requirement
- ♣ Design software to support accounts operation
- ♣ Train the officers and employees about the operation of different software
- ♣ Updating the software if there is any lagging in its operation.



3.12.8 MARKETING DIVISION

There are two types of marketing division. These are:

Asset Marketing: It refers to various kinds of loan and advances. This division maintains communication with corporate clients gives incentive to take loan from PBL and approaches them to borrow from PBL in profitable projects

Liability Marketing: This refers to marketing for collecting funds through buying of depository products from large depositors. The division communicates to the persons or organization having excess fund of deposit, informs them about the attractive features of the depository products and convince them to invest in PBL in various deposit scheme.

3.12.9 HR DIVISION

The Human Resource Division performs the activities related to administration and personnel. The main functions of HRD are:

- ♣ Selection and recruitment of new personnel
- ♣ Appropriate placement of human resources
- ♣ Maintain the detail about transfer, promotion and leave of personnel
- ♣ Training and development of human resource
- ♣ Keeping employee records and personal file
- ♣ Taking disciplinary action if necessary

3.12.10 CREDIT CARD DIVISION

In 1999, PBL obtained the membership of Master Card and a separate division has been assigned to look after the credit card operation. There are four types of credit card, Local Silver Credit Card, International Silver Credit Card, Local Gold Credit Card, and International Gold Credit Card.

3.12.11 RESEARCH AND DEVELOPMENT

This division is maintained to do the research and development work to innovate new products and services as well as to improve existing products and services.

3.12.12 COMMITTEES AND GROUP DIVISION

Prime Bank Ltd. has both democratic and consultative decision making process. The subordinates are given chance to participate in the goal and objective setting of the bank. In this regard, there are three committees functioning in the bank. These are:

Policy Committee: In this case, the committee members are drawn from the Board of Directors. The committee reviews the principles, policies, rules and gives a decision which later requires the approval of the Board.

Executive Committee: This committee consists of the members of the Board. To approve the matters beyond the delegation of the board, this committee exercises the power delegated by the Board from time to time.

Management Committee: This committee consists of the Managing Directors and Head Office Executives. They discuss about the progress and improvement on the guidelines regarding deposit, loans, gives different ideas, decision regarding various issues.

3.13 Corporate Social Responsibilities (CSRs)

It is being widely recognized by the corporate sector that augmented Corporate Social Responsibility (CSR) designed to respond to huge unmet needs of the society can be one of the important means in the achievement of long term and persistent business value. The high level of awareness of CSR has also strongly come about as a result of the United Nations Millennium Development Goals (MDG), in which a major goal is the increased contribution of assistance from a range of organizations to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society. In the context of current global and local scenarios, customers and public together with the development players and partners are very much aware of the CSR and its synergistic effects on national development process. There is no "one-size-fits-all" for pursuing a CSR approach. Each company has unique characteristics and circumstances that will affect how it views its operational contexts and its defining social responsibilities. One of the nicest things about CSR as perceived by Prime Bank is the extent to which it takes real social and community problems or issues in the way bank does business and innovates responses to them. Prime Bank limited supports the concept of "Triple Bottom Line" which focuses on:

- Good economic performance.
- Good social practice
- Good environmental practice

In respect of CSR, Prime Bank limited has focused on following specific key areas of:

- Nation building
- Enhancement of market place
- Promotion of the work place
- Support to the community
- Protection of environment

Chapter Four

Services of Prime Bank Limited

4.1 Types of deposits offered by Prime Bank Limited

4.1.1 Current Deposit

4.1.2 Fixed Deposit

4.1.3 Recurring Deposit

4.1.4 Special Deposit

4.1.5 Special Deposit

4.1.6 Special Deposit

4.1.7 Special Deposit

4.1.8 Special Deposit

4.1.9 Special Deposit

4.1.10 Special Deposit

4.1.11 Special Deposit



4.1 Deposit Scheme

Bank is the largest mobilize of surplus domestic savings. For poverty alleviation, we need self-employment, for self-employment we need investment and for investment we need savings. In the other words, savings help capital formations and the capital formations help investments in the country. The investment in its turn helps industrialization leading towards creation of wealth of the country. And the wealth finally takes the country on road to progress and prosperity. As such, savings is considered the very basis of prosperity of the country. The more the growth of savings, the more will be the prosperity of the nation.

The savings rate in Bangladesh is one of the lowest in the world. In order to improve the savings rate, Financial Institutions responsible for mobilization of savings should offer attractive Savings Schemes so that the marginal propensity to save increases. The savings do not, of course, depend only on the quantum of income but largely depend on the habit of savings of the people. Interest rate of Savings Deposit Account was 6.00% for the year 2008.

4.2 Types of Deposits Offered by Prime Bank Limited

- ☐ Contributory Savings Scheme
- ☐ Education Savings Scheme
- ☐ Short Term Deposit
- ☐ Double Benefit Deposit Scheme
- ☐ Resident Foreign Currency Deposit Account
- ☐ Non-resident Taka Account
- ☐ House Building Deposit Scheme
- ☐ Monthly Benefit Deposit Scheme
- ☐ Fixed Deposit Scheme
- ☐ Lakhopati Deposit Scheme
- ☐ Foreign Currency Account



4.3 Features of Different Types of Deposits:

4.3.1 Contributory Savings Scheme: This is a Savings Scheme in which a person gets the opportunity to build up savings by contributing monthly installments and receives an attractive fixed amount at the end of a specified term. The Scheme is designed to help the fixed income group to save money and build up a sizable funds with which they can go for some income generating venture to improve the quality of their life and or meet any future financial obligations.

4.3.2 Education Savings Scheme: The educational expenses particularly the expenses for higher education are sharply increasing day by day in our country. Sometimes, the children are deprived of getting the desired level of education because of the inability of the parents to meet their educational expenses. But the parents would not feel any difficulty to defray such expenses if a proper financial planning is made much ahead of time. Moreover the increasing demands from the Islamic minded people of our country for an attractive Saving Scheme on the basis of Islamic Sariah to encourage the people to save in Islamic way for education of their children. With this end in view, Prime Bank Limited has introduced a Savings Scheme entitled "Education Savings Scheme" in accordance with the principles of Islamic Sariah i.e., on the basis of profit and loss sharing. The scheme provides a unique opportunity to the parents to make a future provision for the educational expenses of their children when they enter into Schools, Colleges and Universities out of the benefit of a small amount of savings with the Bank at an opportune moment.

4.3.3 Double Benefit Deposit Scheme: The Scheme shall be implemented through all the branches of Prime Bank Limited. Deposit of Tk. 25,000/- (Taka twenty five thousand) and multiplies thereof but maximum limit of Tk. 25,00,000/- (Taka twenty five lac) at a time will be acceptable under the scheme. At maturity after 06 (six) years double the amount of deposit will be paid to the depositor. Under the scheme depositor can get free insurance facility.

4.3.4 Short Term Deposit: Short-term deposit (STD) account is a running account with amounts being paid into and drawn out of the account continuously. These accounts are called Demand Deposits or Demand Liabilities since the banker is under obligation to pay the money in such deposits on demand. Generally Business Organizations, Public Institutions and Corporate Bodies open these accounts. An individual person may also open an STD account. It is an interest bearing deposit. Interest is calculated on daily basis as per Banks Prescribed Rate and is credited to account on half yearly basis.

4.3.5 Resident Foreign Currency Deposit Account: Persons who reside in Bangladesh may open and maintain Resident Foreign Currency Deposit (RFCD) accounts with foreign exchange brought in at the time of their return from travel abroad. Proceeds of export of goods or services from Bangladesh or commission arising from business deals in Bangladesh shall not be credited to such accounts. Balances in these accounts shall be freely transferable abroad. Fund from these accounts may also be issued to account-holders for the purpose of their foreign travels in the usual manner (i.e. with endorsement in passport and ticket, up to US \$ 1500 in the form of cash currency notes and the remainder in the form of TC). These accounts may be opened in US Dollar, pound sterling, Euro or Japanese yen and may be maintained as long as the account holders desire. Interest in foreign exchange shall be payable on balances in such accounts if the deposits are for a term of not less than one month and the balance is not less than US\$ 1000 or £ 500 or its equivalent. The rate of interest shall be one-quarter percent (0.25%) less than the rate at which interest is paid on balances of bank in their foreign currency clearing accounts maintained with Bangladesh Bank.

4.3.6 Monthly Benefit Deposit Scheme: This is a Deposit Scheme where the depositor gets monthly benefit out of his deposit. The scheme is designed for the benefit of the persons who intend to meet the monthly budget of their families from the income out of their deposit. Basically this is an Investment of fund from Trusts and Foundations, from which monthly awards, scholarships and stipends are given to students, etc.



4.3.7 Non-resident Taka Account: The Taka accounts maintained with banks in Bangladesh by private individuals, firms and companies resident outside Bangladesh are known as Non-resident Taka Accounts. The accounts of foreign nationals residing in Bangladesh and foreign firms and companies located and operating in Bangladesh and accounts of U.N. and its organizations are, however, treated as resident accounts and kept outside the scope of Exchange Control. The accounts of Bangladesh nationals who leave the country except those who hold office in the service of Bangladesh Government are required to be treated as non-resident Taka account so long they remain outside Bangladesh. Prior permission of Bangladesh Bank is necessary for opening non-resident Taka accounts. Non-resident Taka account may, however, be opened without prior permission of Bangladesh Bank for crediting the proceeds of remittances received from abroad through normal banking channel.

4.3.8 House Building Deposit Scheme: The tenor of the House Building Deposit Scheme will be 5/7/10 years. Minimum Equity building amount shall be Tk. 10.00 lac. Income Tax on interest amount shall be as per Government rule on taxation and the Bank reserves the right to deduct Income Tax. The depositor will have the option to choose any installment size at the time of opening of the A/C. and will not be allowed to change the size of installment afterwards. Account in the name of minors can be opened too under the Scheme but without insurance coverage.

4.3.9 Lakhopati Deposit Scheme:

Monthly Installment size, tenure and terminal value of the scheme will be as follows:

Monthly Installment Size (Tk)	Tenure	Amount To Be Paid After Maturity (Tk)
250/-	15 years	1,00,000/-
500/-	10 years	1,00,000/-
1285/-	5 years	1,00,000/-
2400/-	3 years	1,00,000/-

4.3.10 Fixed Deposit Scheme: This type of deposit should be kept for a fixed term or period. Prime Bank Limited deals with the following terms deposit.

Sl. No.	Particulars		INTEREST RATE
1	1 (One) month		7.50 %
2	3 (Three) months		
	i)	Below Tk. 1.00 crore	11.50 %
	ii)	Tk. 1.00 crore & above but below Tk. 5.00 crore	13.00 %
iii)	Tk. 5.00 crore & above	13.00 %	
3	6 (Six) months		
	i)	Below Tk. 1.00 crore	11.50 %
	ii)	Tk. 1.00 crore & above but below Tk. 5.00 crore	13.00 %
iii)	Tk. 5.00 crore & above	13.00 %	
4	1 (One) year & above		
	i)	Below Tk. 1.00 crore	12.00 %
	ii)	Tk. 1.00 crore & above but below Tk. 5.00 crore	13.00 %
iii)	Tk. 5.00 crore & above	13.00 %	

4.3.11 Foreign Currency Account

Bangladesh nationals residing abroad, foreign nationals residing abroad or in Bangladesh, foreign firms registered abroad and operating in Bangladesh or abroad, and foreign missions and their expatriate employees in Bangladesh can open Foreign Currency (FC) accounts. Foreign exchange earned through business done or services rendered in Bangladesh can not put into this account. Credits to a foreign currency account may be made against inward remittances of foreign exchange in any form or by transfer from another FC account. Local as well as foreign payments may be made freely from foreign currency accounts. No payment in foreign exchange can be made to or on behalf of any resident in Bangladesh. Payments from these accounts received by residents, unless generally or specifically authorized by Bangladesh, must be converted into Taka. No payment in foreign exchange can be made to or on behalf of any resident in Bangladesh. Payments from these accounts received by residents, unless generally or specifically authorized by Bangladesh, must be converted into Taka.

4.4 Loans and Advances

Prime Bank Limited has formulated the following Loans and Advances Facilities:

- General Loan Scheme
- Lease Finance
- House Building and Apartment Loan Scheme
- Small and Medium Enterprise (SME) loans
- Consumer Credit Scheme
- Hire Purchase
- Advance Against Share

4.5 Features of Different Types of Loans and Advances

4.5.1 General Loan Scheme: Depending on the various nature of financing, all the lending activities have been brought under the following General Loans:

- Short Term Loans
- Medium Term Loans
- Long Term Loans

The loans are allowed to individual/firm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this head. This type of lending are mainly allowed to accommodate financing under the categories (i) Large & Medium Scale Industry and (ii) Small & Cottage Industry. Very often term financing for (1) Agriculture (ii) Others.

4.5.2 Lease Finance: Lease financing is one of the most convenient long-term sources of acquiring capital machinery and equipment. It is a very popular scheme whereby a client is given the opportunity to have an exclusive right to use an asset, usually for an agreed period of time, against payment of rent. Of late, the lease finance has become very popular in almost all the countries of the world. An obvious advantage of the lease is to use an asset without having to buy it. The lessee is obligated to make lease payments until the expiration of the lease agreement, which corresponds to the useful life of the asset.

In a capital scarce economy like ours, Lease Financing is suitable for firms to acquire Capital Machinery, Equipments, Medical Instruments, and Automobiles etc. And thereby employ their resources more advantageously in some other investments. Lease financing also helps a firm to reap significant economic benefit through tax saving and by reducing the risk of the equipments becoming obsolete due to the technological advancement.



4.5.3 House Building / Apartment Loan Scheme: Loans allowed to individual/enterprises for construction of house (residential or commercial) fall under this type of advance. The amount is repayable by monthly installment within a specified period. Such advances are known as Loan (**HBL-GEN**). Loans allowed to our Bank Employees for purchase /construction of house shall be headed by Staff Loan (**HBL-STAFF**).

4.5.4 Small & Medium Enterprise (SME): Bangladesh is a densely populated country. Job opportunity here is very scanty; Unemployment rate is approximately 40%. Population below poverty line is 36%. Therefore, it is the prime concern for the nation to generate income through creation of job opportunity & employment. Creation of job opportunity at large scale by us is not possible. What can be done better is to help self-employment through financial support. There are many small and medium entrepreneurs in the country that have innovative idea, spirit and potentiality to do something productive for local consumers as well as export abroad. They can generate income and contribute to the GDP. They may also provide employment to other people. Development and growth of Small and Medium Enterprise is vital for national development. Such type of beneficial enterprises borrower can not go a long way for want of financial support because they have no access to institutional credit facilities, as they cannot provide collateral security as demanded for such credit facility.

4.5.5 Consumer Credit Scheme: In order to provide financial assistance to the limited income group for raising their standard of living by acquiring domestic durables like Refrigerator, T.V., Washing machine, Furniture, Computer, Motor Car, etc., Prime Bank limited has introduced a Scheme to improve the quality of life particularly of the fixed income earner of the society and this scheme is known as Consumer Credit Scheme.

4.5.6 Hire Purchase: Hire Purchase is a type of installment credit under which the Hire Purchase agrees to take the goods on hire at a stated rental, which is inclusive of the repayment of Principal as well as interest for adjustment of the loan within a specified period.

4.5.7 Advance Against Share: In order to contribute to the development of the Capital Market of the country Prime Bank Limited extends credit facilities against pledge of Shares to the individuals as well as to the Member of DSE & CSE.

Chapter Five

Performance Evaluation of Prime Bank Limited

4.1 Paid-up Capital

The total amount of shareholder's capital that has been paid is called Paid-up Capital. In case of Prime Bank Limited the Paid-up Capital for the years 2003 to 2007 were respectively: (in million) 1000, 1000, 1000, 1000, 1000. The total amount of Paid-up Capital was 5000 million for the years. As the Bank could not raise more of the authorized shares and could not successfully get the money from the shareholders, it was later using the bank's savings. It increased its authorized capital but against the authorized capital the Paid-up Capital was not increasing. Although the Paid-up Capital has a steady increasing trend but the gap between Authorized Capital and Paid-up Capital has increased over the years. This may give the picture a good creditworthiness. For the Paid-up Capital is the primary factor in

Chapter Five

Performance Evaluation of Prime Bank Limited

Chapter 5: Paid-up Capital from 2003 to 2007 is 1000.



Figure 1: Paid-up Capital

The above figure shows a steady trend of Paid-up Capital at the Bank. It has not increased over the years. Hence, it is clear that the bank is not able to raise more money from the shareholders. This may give the picture a good creditworthiness.

5.1 Paid-up Capital

The total amount of shareholder's capital that has been paid in full by shareholders is known as Paid-up Capital. In case of Prime Bank Limited the Authorized Capital throughout the years 2003 to 2007 were respectively (Tk.in million) 1000, 1000, 4000, 4000, 4000. On the other hand the Paid-up capital was satisfactory in the first two years as the Bank could sold most of the authorized shares and could successfully get the money form the shareholders. In the later years the Bank managed to increase it's authorized capital but against the Authorized capital the Paid-up Capital was not increasing. Although the Paid-up capital has a steady increasing trend but the gap between Authorized Capital and Paid-up capital has increased over the years. This may give the public a pessimistic indication. But the Paid-up Capital is not the only factor an investor should consider to fathom the condition of a Bank.

Year	2003	2004	2005	2006	2007
Paid-up Capital (Tk. in Million)	700	1000	1400	1750	2275
Growth in Paid-up Capital from 2003 to 2007 is 225% .					

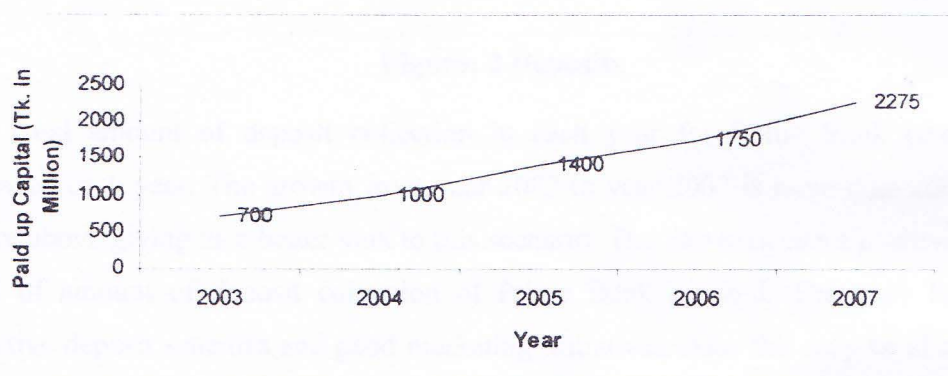


Figure: 1 Paid-up Capital

The above figure depicts a steady trend of Paid-up Capital as the Paid-up Capital has increased over the years. Especially in year 2006 to year 2007, the Paid-up Capital was increased by 525 Million Taka.



5.2 Deposits

Deposit is one the most important indicators of a bank's performance as granting different types of deposits is a core activity for a Bank. Below in the Table, we can see the last five years Deposit collected by Prime Bank Limited. These figures are aggregate of all kind of deposit schemes offered by the bank, such as Demand Deposits, Short-term Deposits and Long-term Deposits.

Year	2003	2004	2005	2006	2007
Deposit (Tk. in Million)	20483	28069	36022	54724	70512
Growth in Deposits from 2003 to 2007 is 224.24%.					

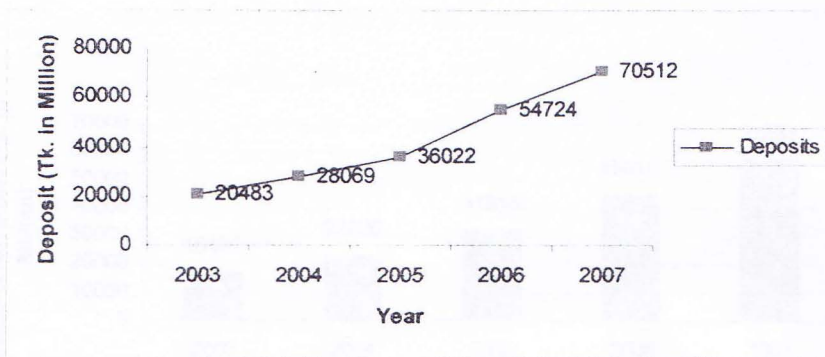


Figure: 2 Deposits

The Total amount of deposit collection in each year for Prime Bank Limited has increased each year. The growth from year 2002 to year 2007 is more than 200%. The Figure above giving us a better look to this scenario. The line indicates a positive upward trend of amount of deposit collection of Prime Bank Limited. This may be due to attractive deposit schemes and good marketing initiatives. Also this may be also a result of overall Macro- Economic factors, such as Interest rate or Inflation etc. May be it is the result of both the Bank's effort and the Macro-Economic Factors. But here the main issue is the Bank has successfully increased the collection Deposit from the customers. The more the collection deposits, the more the bank can give Loans to borrowers and the more the bank can earn from the interest of loans.

5.3 Loans And Advances

Consolidated Loans and advances/Investments (Credit under Islamic Shariah) of the Bank grew strongly by 28.38 percent and stood at Tk 57,782 million in 2007. Outstanding loans and advances of Offshore Banking Unit was in the form of bills purchased and discounted of Tk 99 million. MBID also extended margin loan to the investors, which was Tk 1,572 million during 2007. Yield on loans and advances of PBL increased to 13.96 percent from the level of 13.52 percent of previous year.

Year	2003	2004	2005	2006	2007
Loans & Advances (Tk in Million)	16492	23220	31916	45010	57683
Growth in Loans and Advances from 2003 to 2007 is 249.76%.					

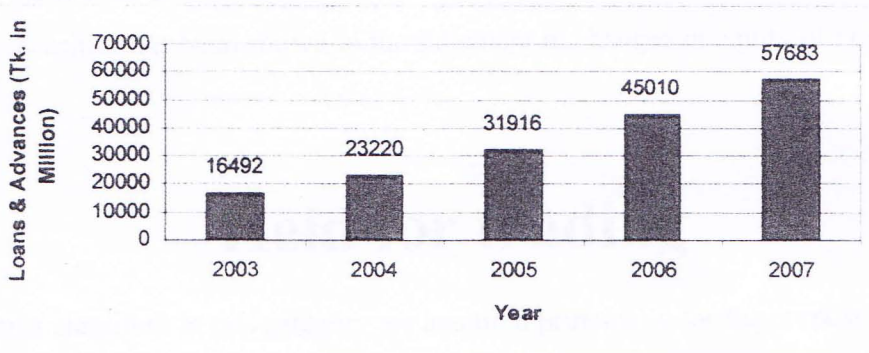


Figure: 3 Loans & Advances

There exists a relation between Deposits and Loans. The more a bank can collect Deposits, the more the bank will invest those deposits as loans to the deficit units who are in need of money. In the previous section we have seen that the deposit collection of Prime Bank Limited has increased over the years. For that reason the investment in terms of loans has also been increased over the years. The above graph depicts that notion perfectly. In the year 2007 the deposit collection was the highest and also in that same year the loans and advances was also in the highest point. The scenario was also true in the other years.

5.4 Investments

All investment securities are initially recognized at cost, being fair value of the consideration given, including acquisition charges associated with the investment. Premiums are amortized and discounts accreted, using the effective yield method and are taken to discount income. The valuation methods of investments used are:

Held to maturity

Investments which have 'fixed or determinable payments', and are intended to be 'held to maturity', other than those that meet the definition of 'held at amortized cost-others' are classified as held to maturity. These investments are subsequently measured at present value as per Bangladesh Bank Guideline. Investments in securities have been revalued as mark to market as at December 31, 2007, the gain of revaluation from the held to maturity securities has been shown in the statement in changes in equity of December 31, 2007.

Held for trading

Investments classified in this category are acquired principally for the purpose of selling or repurchasing -in short trading or if designated as such by the management. After initial recognition, investments are measured at fair value and any change in the fair value is recognized in the statement of income for the period in which it arises.

Value of investments has been enumerated as follows:

Items	Applicable accounting value
Government treasury bills	Present value
T & T bonds and Bangladesh treasury bonds	Present value
Prize bond	At cost
BHBFC's-debenture	Present value

Investment in unlisted securities

Investment in unlisted securities is reported at cost under cost method. Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

Year	2003	2004	2005	2006	2007
Investments (Tk. in Million)	2750	3084	3940	7844	12698
Growth in Investments from 2003 to 2007 is 361.75%.					



Figure: 4 Investments

Prime Bank Limited's investment increased during the year by Tk 7,844 million and stood at Tk 12,698 million as at 31 December 2007. The Bank purchased government treasury bills to cover the increased SLR requirement. Besides, as primary dealer Prime Bank Limited had to buy treasury bills, which were devolved by Bangladesh Bank. There was no investment made by subsidiary and Off-shore Banking Unit.

5.5 Imports

The Import Section helps business and other people to import goods. In international environment, buyers and sellers are, in most of the cases, unknown to each other. So a seller always seeks guarantee for the payment for his exported goods. Here comes the role of bank. It is the bank that guarantees the seller the payment for the goods on behalf of the buyer. This guarantee is called Letter of Credit. Thus the contract between the importer and the exporter is given a legal shape by the banker by its 'Letter of Credit'.

Year	2003	2004	2005	2006	2007
Import (Tk in Million)	25441	36747	40303	52639	70617
Growth in Imports from 2003 to 2007 is 177.57%.					

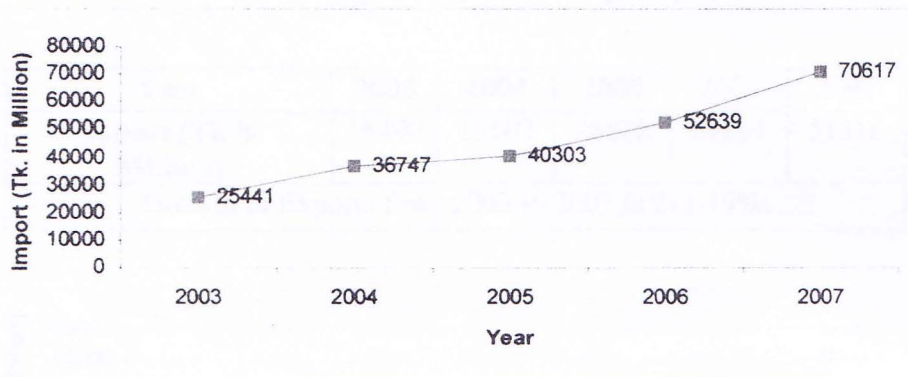


Figure: 6 Imports

The above Table and Figure Show amounts of import from year 2002 to year 2007, backed by Prime Bank Limited. The exchange rate has a relationship with the import of a particular country. If the exchange rate increases the import will go down and if the exchange rate falls the import will increase. But in case of Prime Bank Limited, the scenario occurred oppositely. This is due to the increasing demand of some goods, such as; Cars, Mobile Chargers, Batteries etc. The trend of Import for Prime Bank Limited shows an upward trend. As a result the highest Import was done through Prime Bank Limited in the year of 2007.

5.6 Exports

Bangladesh exports a large quantity of goods and services to foreign households. Creation of wealth in any country depends on the expansion of production in the export sector in international trade. By increasing the production of the export sector Bangladesh can improve the employment level of such a highly populated country. Readymade textile garments (both knitted and woven), Jute, Jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters export to foreign countries. Garments sector is the largest sector that exports the lion share of the country's export. Bangladesh exports most of its readymade garments products to the U.S.A and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to the U.S.A. Most of the exporters who export through Prime Bank are readymade garment exporters. They open export Letters of Credit here to export their goods, which they open against the import Letters of Credit opened by their foreign importers.

Year	2003	2004	2005	2006	2007
Export (Tk in Million)	16490	19502	28882	41801	51316
Growth in Exports from 2003 to 2007 is 211.19%.					

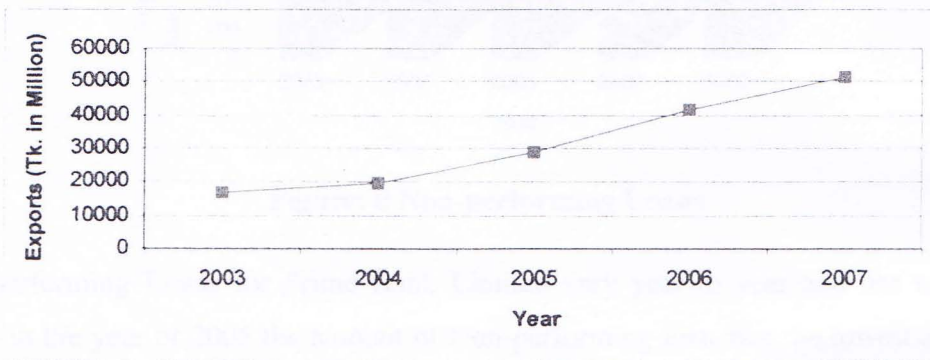


Figure: 7 Exports

The above Figure shows an upward sloping line that has increased each year. The Growth from year 2002 to year 2007 is 211%. As the number of Back-to-Back L/Cs increased to support the export L/Cs, the amount of Commission from those L/Cs also increased. The commission earned by L/Cs in year 2007 was 31.90 crore Taka.

5.7 Non-performing Loans (NPLs)

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 3 months, but this can depend on the contract terms. According to International Monetary Fund, "A loan is nonperforming when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payments have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payments will be made in full"

Year	2003	2004	2005	2006	2007
Non-performing Loans (Tk in Million)	326.53	352.73	308.21	367.15	777
Growth in Non-performing Loans from 2003 to 2007 is 137.96%.					

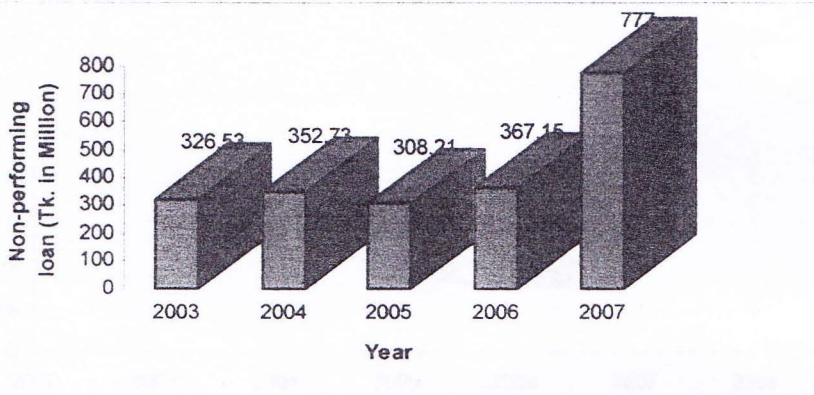


Figure: 8 Non-performing Loans

Non-performing Loans for Prime Bank Limited vary year to year and has no regular trend. In the year of 2005 the amount of Non-performing loan was the lowest and in the year of 2007 the amount was at its highest. Basically the increase in these types of loans indicates a major pitfall for a bank. As this implies that the bank is having problem to recover the loan given to the customers. This may be due to the lacking in credit policy and collection policy of the loan. So Prime Bank Limited should pay cautious attention for these types of issues.



5.8 % of NPLs to Total Loans and Advances

In the above section we have seen the position of Non-performing loan of Prime Bank Limited for the year 2002 to year 2007. Although the Non-performing loan itself is a good indicator of how the bank is managing its Loans and Advances, but % of NPLs to Total Loans and Advances can give us a broader look regarding the issue. After collection of deposits, the second most important business for a bank is to give loans to proper persons who can repay the money. So the banks are investing those deposits as loans. % of NPLs to Total Loans and Advances indicates the portion of Total Loans and Advances which the Bank will not get back from the customers.

Year	2003	2004	2005	2006	2007
NPL to Total Loan (In %)	1.98%	1.52%	0.96%	0.82%	1.35%
Growth in from NPL to Total Loan 2003 to 2007 is -31.82%.					



Figure: 9 % of Non-performing Loans & Advances

From the table we can see that in year 2003 of Total Loans and Advances only 1.90% is NPL. In the later years it started to decline more and more. The percentage was at the lowest in the year of 2006. But in the year 2007 it started to rise in a growth of 63.64% from year 2006 to year 2007. Although the percentage is low against total Loans and Advances, but the rise of this % of NPLs from year 2006 to year 2007 should be monitored cautiously by Prime Bank Limited, so that the proportion reduce more.

5.9 Provisions for Unclassified Loans

Classified loans are those, which are substandard and doubtful. On the other hand, Unclassified loans are those loans, which have more probability to be recovered than those of classified loans. That is why Banks sometimes keep this type of provision. This type of provision is necessary. But keeping to much amount as provision will stag the money of the bank, as the bank will have less opportunity to invest more. That's why this is to be optimized carefully, so that the bank both has the security against this risk and has enough money to invest.

Year	2003	2004	2005	2006	2007
Provision for Unclassified loans (Tk in Million)	171.73	231.73	364.80	544.80	895
Growth in Provision for Unclassified Loan from 2003 to 2007 is 421.17%.					

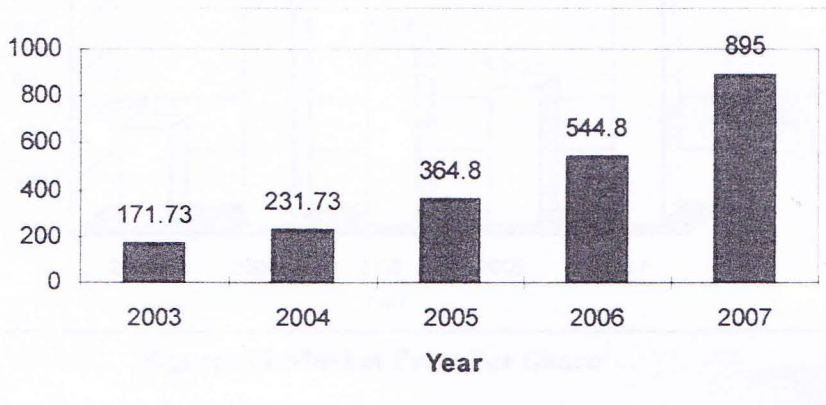


Figure: 10 Provision for Unclassified Loans

From the figure above we can see that the provision was lowest in the year 2003 and later it increased steadily. And in the year 2007 it was the highest. So we can say that this is due to the increase in unclassified loans. As this type amount is increasing, the provision against this loan is also increasing. Although this types of loans are less risky that those of classified loans, but still keeping reserve is important. As I mentioned before a proper balance is needed to keep the bank free from risk and to keep invest more. Prime Bank Limited must consider this issue to obtain a more risk free position.



5.10 Market price Per Share (M.P.S)

The price of a share in the market is known as Market Price Per Share. This price is very volatile. Due to several factors, such as: Economic conditions, Performance of the Company etc affect this price. That is why Market price Per Share is very volatile. The basic notion about Market price Per Share is the price the customer is willing to pay to have the share of a particular company. Also the higher the Market Price Per Share indicates the better performance of that company. So it is quite important to analyze this factor to fathom the performance of a company or a financial institution.

Year	2003	2004	2005	2006	2007
M.P.S. (Taka)	374.25	879.50	681.50	528.75	924
Growth in M.P.S from 2003 to 2007 is 146.89%.					

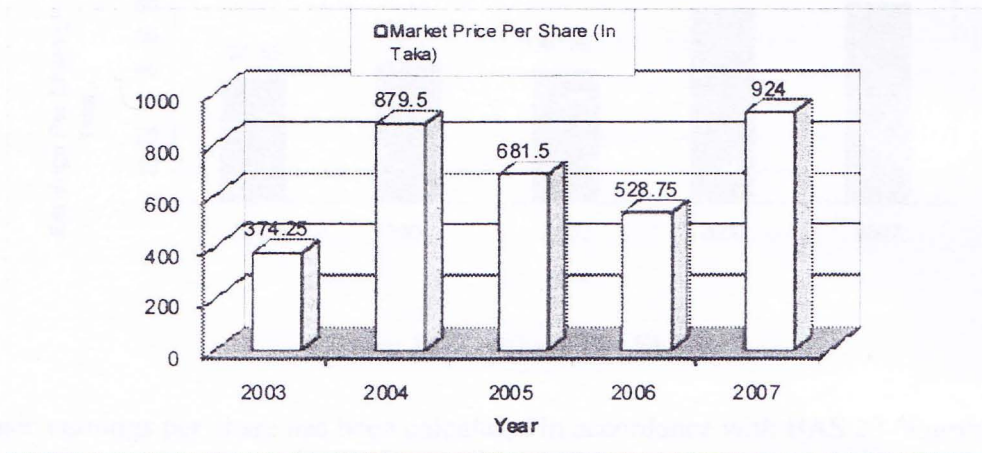


Figure: 11 Market Price Per Share

The Market Price per Share for Prime Bank Limited varies year to year. The reason for that I have already mentioned in the previous section. The Market Price Per Share was the lowest in the year 2003 and the highest was in the year 2007. As the Market Price Per Share increased in the year 2007, it indicates a positive direction regarding the performance of the Bank. Ultimately this led the Bank to earn more equity capital and later invest those to increase the Income. Also this factor influences the Price Earnings Ratio, as Market Price Per Share is the component, which is the nominator of the Price Earning Ratio.

5.11 Earnings Per Share (E.P.S)

An Earnings Per Share is generally considered to be the single most important variable in determining a share's price. This ratio indicates the portion of a company's profit allocated to each outstanding share of common stock. Diluted EPS expands on basic EPS by including the shares of convertibles or warrants outstanding in the outstanding shares number.

Year	2003	2004	2005	2006	2007
E.P.S (Taka)	37.55	43.71	40.59	60.11	61.57
Growth in E.P.S from 2003 to 2007 is 63.96%.					

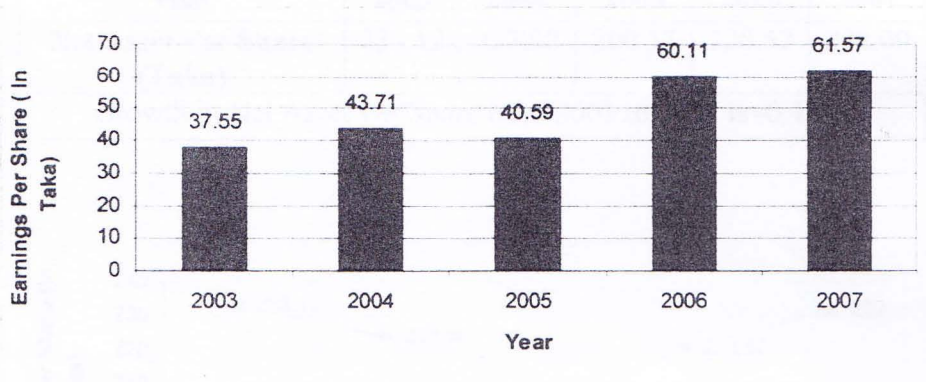


Figure: 12 Earnings Per Share

A basic earnings per share has been calculated in accordance with BAS 33 "Earnings per Share" which has been shown on the face of the profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year. No diluted earnings per share is required to be calculated for the year as there was no scope for dilution during the year under review. In the figure above we can see that the Earnings per Share was lowest in the year 2003 and was highest in the 2007. And there exists no trend. So we can say that the Earnings or Net income fluctuated few times in the last couple of years. As the Net Income fluctuated the Earning Per Share also fluctuated. But as in the last couple of years it started to increase, this gives a positive indication to the shareholders and to the market.

5.12 Net Asset Per Share

A valuation of an investment company's shares calculated by subtracting any liabilities from the market value of the firm's assets and dividing the difference by the number of shares outstanding. This factor illustrates the amount a shareholder would receive for each share owned if the fund sold all its assets (stocks, bonds, and so forth) at their current market value, paid off any outstanding debts with the proceeds, and then distributed the remainder to the stockholders. In general, net asset value per share is the price an investor would receive when selling a fund's shares back to the fund. Net asset value per share is similar in concept to book value per share for other types of firms.

Year	2003	2004	2005	2006	2007
Net Asset Per Share (Taka)	233.12	223.98	200.57	220.57	232.00
Growth in Net Asset Per Share from 2003 to 2007 is -0.48%.					

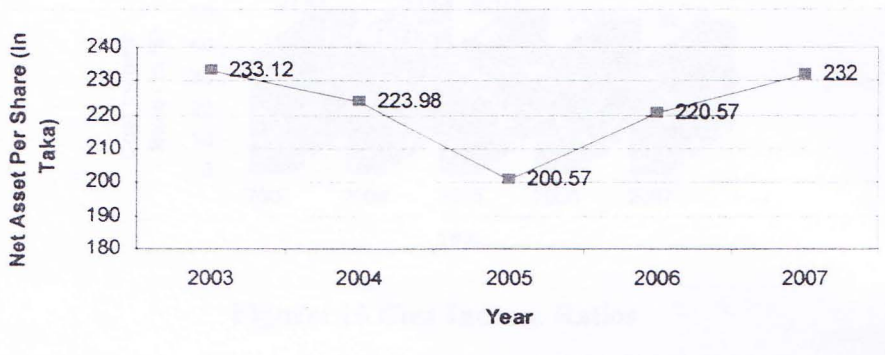


Figure: 14 Net Asset Per Share

The Net Asset per Share gives us an idea about how a company is using equity capital to manage its assets properly. The higher the proportion the better it is for both the company and for the shareholders. But we can see the scenario for Prime Bank Limited in the above figure. From the year 2003 to the year 2005 the Net asset per share was declined. But again from the year 2005 it started to increase and in the year 2007 it stood Tk. 232.00. If this trend continues it will be better for both the Bank and its Shareholders.

5.13 Cost Income Ratio

The Cost Income Ratio is an efficiency measure similar to Operating Margin. Unlike the operating margin, lower is better. The cost income ratio is most commonly used in the financial sector. It is useful to measure how costs are changing compared to income - for example, if a bank's interest income is rising but costs are rising at a higher rate looking at changes in this ratio will highlight the fact. The Cost Income Ratio reflects changes in the Cost/Asset Ratio and in Interest margin.

Year	2003	2004	2005	2006	2007
Cost Income Ratio (In %)	37.11%	41.83%	36.82%	34.07%	32.37%
Growth in Cost to Income Ratio from 2003 to 2007 is -12.77%.					

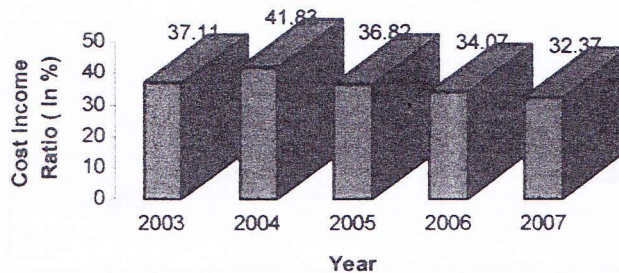


Figure: 15 Cost Income Ratios

As I have mentioned in the above section that the lower the ratio the better it is, we can see from the above figure that Prime Bank Limited has managed to reduce ratio in a downward trend. Although the ratio increased in the year 2004, but later it started to decline over the following years. This proves that Prime Bank Limited is managing the cost properly to earn the income. Basically this ratio proves how effective an organization is to manage the cost contrasting the factor income. The ratio was lowest in the year 2007 and was highest in the year 2004.

5.14 Credit Deposit Ratio

Credit deposit ratio indicates the proportion of loan-assets created by banks from the deposits received. The more a bank can collect deposit, the more it can give loan to the deficit units. In this ratio in the nominator we use Credit or Loan and in the denominator we use Deposit. This ratio serves different types of customers differently. For example, for borrower the higher the ratio the better it is and on the other hand for the lender or for the depositor the lower the ratio the better it is. That is why banks should observe this ratio carefully so that it can satisfy both the parties. Prime Bank Limited also finance the loans and advances from the customers deposit and sometimes from the Capital Fund of the Bank.

Year	2003	2004	2005	2006	2007
Credit Deposit Ratio (In %)	80.52%	82.72%	88.60%	82.25%	81.81%
Growth in Credit Deposit Ratio from 2003 to 2007 is 1.60%.					

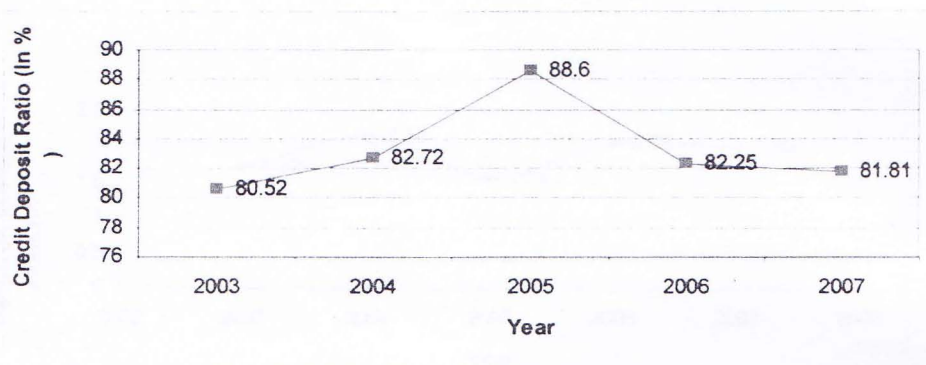


Figure: 16 Credit Deposit Ratios

The above figure depicts that in the year of 2003 the bank gave away loan of Tk. 80.52 from each Tk. 100 collection of Deposit. And this trend tends to increase up to year 2005. Then in the later years this trend started to decline and reached to 81.81% in the year of 2007. This may be due to credit policy persuaded by the bank or may be due to increase in the rate of interest to borrow or may be for other factors. Prime Bank Limited usually does not extend the loan fund out of temporary fund or borrowing from money market.

5.15 Return on Average Assets

Return on Average Assets is a measure of profits relative to size that is most commonly used in analysing banks and finance companies. It is fairly straightforward:

$$ROAA = \text{net profit} \div \text{average assets}$$

As numbers for assets are usually only available for the ends of reporting periods (years, half years or quarters), the average is an approximation that may not reflect highs or lows between the ends of reporting periods: it implicitly assumes that changes are fairly smooth. Nonetheless, it is a reasonably useful efficiency measure for banks that is not dissimilar to margin numbers for non-finance businesses.

Year	2003	2004	2005	2006	2007
Return on Average Assets (In %)	1.72%	2.16%	1.54%	2.05%	1.99%
Growth in Return on Average Assets from 2003 to 2007 is 15.69%.					

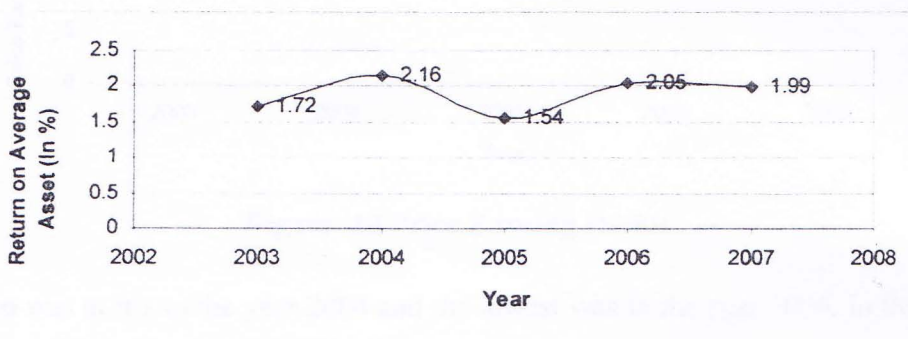


Figure: 17 Return on Average Assets

From the above figure we can see that the percentage of return on average assets has increased from the year 2003 to the year 2004. But then in the year of 2005 it declined from 2.16% to 1.54%. Then again it increased in the year 2006 and become stable for the year 2007 at 1.99%. The reason for drastic decline in year 2005 is due to lower income. But in the later year as the income increased, the Return on Average Asset percentage has increased.

5.16 Price Earning Ratio

The P/E ratio shows how much investors are willing to pay per dollar of earnings. For example, if a company were trading at a multiple (P/E) of 20, the interpretation is that an investor is willing to pay tk.20 for tk.1 of current earnings. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.

Year	2003	2004	2005	2006	2007
Price Earning Ratio (Times)	9.97	20.12	16.79	8.80	15.00
Growth in Price Earning Ratio from 2003 to 2007 is 50.45%.					

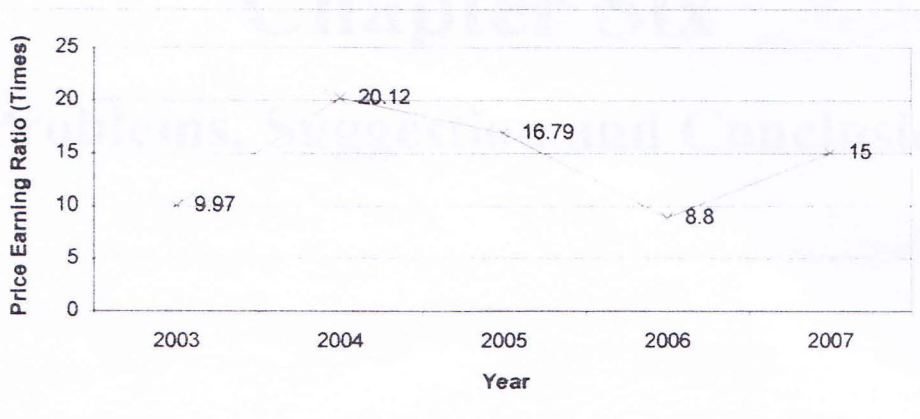


Figure: 18 Price Earning Ratios

P/E Ratio was at its highest in the year 2004 and the lowest was in the year 2006. In the year of 2004 the Market price Per Share was high but Earning per share was low. That's why in 2004 the ratio was high and on the other hand in year the 2006, the Market Price per Share was low and the Earning per Share was high. That's why in the year 2006 the ratio was low. But later the ratio started to grow up as Market Price per share increased drastically from the year 2006 to the year 2007. So this indicates that in year 2007 the customers are willing to pay Tk.15 to earn Tk.1 from Prime Bank Limited. As this ratio started to increase, this gives a positive signal regarding the performance of the bank.

Chapter Six

Problems, Suggestion and Conclusion

6.1 Problems

It is a difficult task to identify problems of Bank, which is rated first according to the rating scale of CAMELS. CAMELS consider some factors such as; Capital Adequacy, Asset quality, Management quality, Earnings record, Liquidity position and last but not least Sensitivity to market risk. Below I tried to find some problem regarding prime Bank Limited from the perspective of overall performance of the bank.

Regarding Overall Performance

- The Credit deposit Ratio has fallen over time.
- The proportion of Non-performing loan to total loan is increasing.
- The Information processing system regarding filing should be more computerized.
- The number of ATM booth of Prime Bank Limited is not adequate.

Regarding Foreign Exchange

- Documents coming with L/Cs are not properly kept. As a result they might get lost. So a proper filing system is important to maintain those documents.
- Less use of computer based information storing for the purpose of Foreign Exchange department.
- To keep good terms with big clients sometimes it is necessary to open L/Cs with out documents. But this is not to be done but to retain good clients is important for the bank also.
- The provision margin for Back-to-Back L/Cs is 75%. But to retain the export related customers of L/Cs it is sometimes become necessary to increase the margin for the sake of the customers.

Regarding Credit Policy

- Less diversified target client segments
- Lengthy Assessment Procedure
- Decentralized Disbursement System
- Inadequate Promotional Activities

6.2 Suggestions

This suggestion part can be divided into two segments. The first segment imparts suggestions regarding the overall improvement of performance of Prime Bank Limited and the second segment imparts suggestions regarding the improvement of Mouchak Branch of Prime Bank Limited.

6.2.1 Suggestions Regarding Overall Performance Improvement of Prime Bank Limited

Providing More Industrial loans

It seemed to me that the bank having a large amount of deposit is not encouraging the large scale producers that much of long term industrial loans to accelerate the economy as well as to help the economy to solve unemployment problem.

Offer Some Loan and Deposit Scheme Exclusively for The Premium Customers

All the lending and savings packages offered to the Premium customers are same as offered to the general customers, excepting the waiver of service charges for Premium Ones. Prime Bank Limited should try to introduce more attractive lending and savings scheme to its Premium customers to create more business for the Bank. The Bank can pay more attention to this segment of customers, as it is the most solvent group from which income can be generated if the package is designed properly.

More Gifts and Discounts for The Premium Customers

Premium Customer should be offered occasional gifts and discounts, which can make the Premium Service more attractive and keep consumer delight. The interest rates on several loan and deposit schemes should be differentiated for the Premium customers.

Ensure Sufficient Manpower

The number of human resources in import section and in clearing section is really insufficient to give services to huge number of customers. So, number of staff should be increased in those sections.

Ensure Proper Maintenance of Files

Prime Bank Ltd. gives personalized services. All the officers have to give concentration to the customers, while doing this they cannot properly maintain the customer files. In many cases, application forms are not properly filled up and documents are not properly filed. Every staff should try to reduce these irregularities.

Bank should be computerized:

There are computers almost in every branch in the Prime Bank, but it does not mean that the bank is maintaining a network among them. The networking system obviously charges a high installation cost, but it will definitely reduce the overhead costs and an error free banking may be in progress. Moreover by adopting this system the bank can join the modern banking along with e-commerce concept. The main problem is that the foreign banks and other private commercial banks have started providing these facilities. So introduction of these facilities are very necessary for surviving and thriving in the modern competitive banking.

6.2.2 Suggestions Regarding Improvement of Mouchak Branch of Prime Bank Limited.

Ensure Proper Division of Labor In The Desk

There is lack of division of labor in the branch. Therefore every body has to handle every type of banking services. This decreases the level of performance of the personnel, though it reduces monotonousness. But lack of division of labor hampers the discipline of working environment. So customers are to wait for some time for the desired service, which is contrary to the Premium Banking objective.

Development of Human Resources

Human resource is another sector for the branch to be developed urgently. Human resources, in the branch, need to be equipped with adequate banking knowledge. Majority of the human resources must be having basic knowledge regarding money, banking,

Finance and accounting. Without proper knowledge in these subjects, efficiency cannot be optimized. Bank can arrange training program on these subjects.

Ensure Proper Maintenance of Office Premises

Mouchak Br. (Prime branch) is supposed to be very neat and clean and well decorated. But sometimes it loses its glamour. The cleaners are not regular in their duties and files and papers are kept here and there by the officers during the busy hour. This habit must be changed. Moreover, the sitting arrangement is very insufficient comparing with the number of customers. So, Mouchak Br. of PBL must pay attention to this issue.

Ensure Proper Communication System and Maintenance of Machineries

Most of the time the branch's computers remain out of order and it is also true for the photocopiers. Attention should be given on proper maintenance of phone, computer, fax machine and photocopier.

Ensure Sufficient Forms and Brochures

There are always shortages of application forms, brochures, etc. in the branch. These Forms and Brochures must be maintained in sufficient quantity. Otherwise, customer service will be hampered.

More Strict Security should be maintained:

Mouchak Branch is such a branch, where millions of Taka transactions are handled regularly. The security guards assigned in the branch do not have any arms. Sometimes, it has been observed that miscreants try to enter into the premises and Managers have to face these odds. Therefore, more strict security should be maintained.

Conclusion

Modern Commercial Banking is an exacting business. The rewards are modest but the penalties for bad decisions are enormous. And Commercial banks are great monetary institutions, important to the general welfare of the economy more than any other financial institution. It has a vastly sobering and exacting responsibility. Banks play a very vital role in the economic development of the country. The popularity of banks is increasing day by day which leads to increase competition as well. All the Commercial banks are offering almost the same products and services and almost same their operation system. But the ways they provide the services are different from each other. So people choose their Bank according to their satisfaction and need. And they will prefer the bank of which service is easily accessible and understandable. Prime Bank Ltd. is not an exception. It has a large portfolio with huge assets to meet up its liabilities and the management of this bank is equipped with the expert bankers and managers in all level of management. So it is not an easy job to find out the drawbacks of this bank. But not all the activities are flawless. I tried to identify those flaws and tried to give suggestions accordingly. Last but not least, the performance analysis revealed the potentiality and good performance of Prime Bank Limited. We opt to expect more prudential performances from Prime Bank Limited, so that those activities will uplift the economy and living standard of people in Bangladesh.

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