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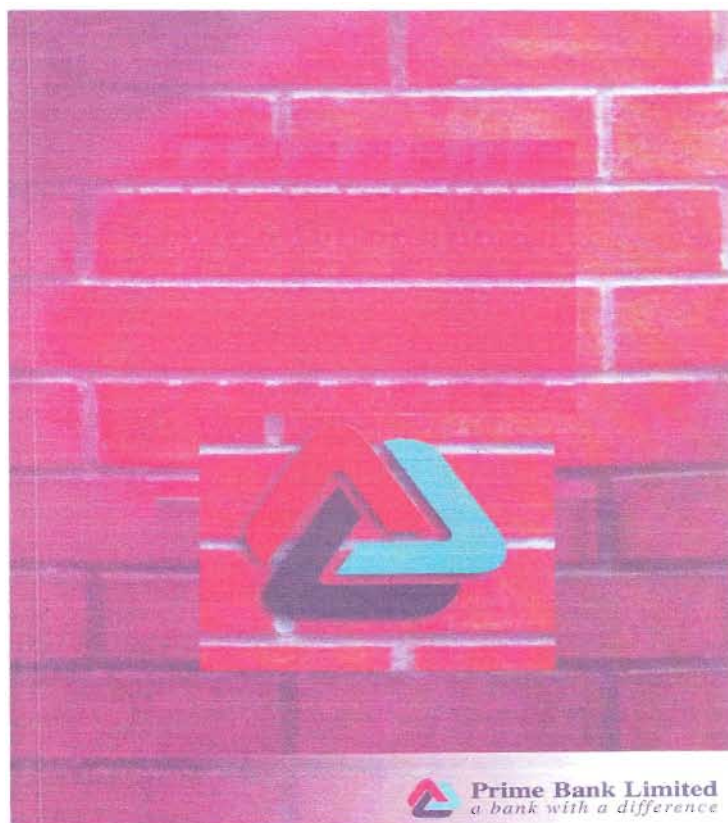
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Performance Evaluation OF Prime Bank Ltd.



EAST WEST UNIVERSITY

Letter of transmittal

April 18, 2007

Mr. Sayeed Alam
Senior lecturer
East West University
Mohakhali C/A
Dhaka-1212

Subject: Submission of Project Work

Dear Sir,

It is with great pleasure that I submit to you my Project Work title "*Performance evaluation of Prime Bank Ltd.*"

The entire semester long project works has been a wonderful learning experience for me and I have thoroughly enjoyed it. I take this opportunity to express my sincere gratitude to you for making all the necessary arrangements for my project.

I can assure you that I have tried to the best of my ability to prepare this report. I hope you will find it satisfactory and I am looking forward to the defense of my report at any date convenient to you. If you need any assistance interpreting this report please contact us at arifur_56@yahoo.com or mobile no: 0152344714

Sincerely yours,

Arifur Rahman
(Arifur Rahman)





Acknowledgement

First I would like to thank almighty Allah that he has given me the ability to complete the BBA program and therefore this report. Then I would like to take the opportunity to express my gratitude to my honorable faculty Mr. Sayeed Alam, senior lecturer of the Undergraduate Program, School of Business at East West University, Bangladesh to provide guideline and opportunity to complete the report. This report is prepared for BUS-498 (project work).

I would like express my gratitude to authority of Prime Bank Ltd for their cooperation and help. They tried their best to manage their valuable time for me in furnishing information, as well as gave me suggestion to conduct the study. Thank goes all the employees of Motijheel Branch of the PBL, to my brothers, seniors who have given their opinion, information and suggestion for the completion of this report. Thank also goes to all of those who sacrificed their valuable time by providing help and information to me.

Lastly, we would like to give a special thanks to our parents. Without their love and support it would not possible to maintain our duty and responsibility.



Executive Summary

Banking system occupies an important place in a nation economy because of its intermediary role; it ensures allocation and relocation of resources and keeps up the momentum of economic activities. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core at the money market in any country. In a developing country like Bangladesh the banking system as a whole has a vital role to play in the progress of the economic development. Bank plays an important role in the business sectors and in the industrialization of a country.

This paper has been prepared for Mr. Sayeed Alam, senior lecturer of the Undergraduate Program, and faculty of Business at East West University of Bangladesh as a partial requirement of BBA Program.

The purposes of this report cognates the project purpose. The project objective was to gather practical knowledge and experiencing the corporate working environment with the close approximation to the business firm and the experts who are leading and making strategic decisions to enhance the growth of a financial institution. To this regard this report is contemplating the knowledge and experience accumulated from project work. Personal interviews were conducted with various managers, employees of Prime Bank Ltd. (Motijheel). A structured questionnaire is designed which considered as the major tool of preparing the report. Data collection method of this report was consisted of mainly secondary and primary source. I tried to observe different aspects of the customers of the *Prime Bank Ltd.* in my eyes. A major portion of the required information was collected from secondary sources. The data, which I collected from the secondary sources, were basically used to analyze the bank's performance. The first chapter includes the background of the study, objectives of the study, scope, purpose, and limitations as well as methodology of this research. The second chapter deals with *Prime Bank Ltd.* and its organization. The third chapter is described the banking functions of *Prime Bank Ltd.* The fourth chapter is concentrated on the *Prime Bank's* performance evaluation in terms of financial statement analysis. The fifth chapter focuses SWOT analysis of *Prime Bank Ltd.* The sixth chapter is give recommendations for *Prime Bank Ltd.* The last chapter is devoted to summary conclusion of the study.

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Prime Bank Limited
A bank with difference

PART ONE

INTRODUCTION



1.1 Introduction

Banking system occupies an important place in a nation's economy because of its intermediary role; it ensures allocation and relocation of resources and keeps up the momentum of economic activities. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core at the money market in any country. In a developing country like Bangladesh the banking system as a whole has a vital role to play in the progress of the economic development. Bank plays an important role in the business sectors and in the industrialization of a country. Basically the banks take deposits from the customers against interest and lend it to the borrowers against interest for a cessation period. Under these circumstances of banks offers different interest rates and other options to the customers to remit and deposit their money. These options are very common among the entire bank, but only the customer services and other facilities vary from bank to bank.

In our country there are Govt. Banks, Semi-Govt. Banks, and Private sector commercial bank of Bangladesh and also it is the third generation private bank in Bangladesh. It started its crucial moment/juncture when Bangladesh economy was undergoing through massive economy reforms and pursuing unilateral and multilateral trade liberalization with the backdrop of the World Bank made international monetary fund recommendations.

1.2 ORIGIN OF THE REPORT

This paper has been prepared for Mr. Sayeed Alam, advisor of the project, School of Business at East West University as a partial requirement of BBA Program. This course is synonymous of our project work. I hope this project work will give my instructor a clear idea about the history, activities & operations, structure, management of assets, liability, liquidity, investment function and overall performance of *Prime Bank Ltd.* A leading bank in Bangladesh, where I am going to complete my project work. However, this project will be



based on the author's first hand experience during the semester attachment project with Motijheel Branch of the *Prime Bank Ltd*

-1

1.3 Background

Knowledge and learning become perfect when it is associated with theory and practice. Theoretical knowledge gets its perfection with practical application. As our educational system predominantly text based, inclusion practical orientation program, as an academic component is as exception to the norm. As the parties; educational institution and the organization substantially benefit from such a program, it seems a “win-win situation”. It establishes contracts and networking contracts. Contracts may help to get a job. That is, students can train and prepare themselves for the job market. A poor country like Bangladesh has an overwhelming number of unemployed education graduates. As they have no project work experience they have not been able to gain normal professional experience or establish networking system, which is important in getting a job. Recognizing the importance of project work experience, School of Management and Business Administration has introduced a three months practical exposure as a part of the curriculum of Bachelor of Business Administration program. In such state of affairs the present aiming at analyzing the experience of project work related to General Banking activities in the *Prime Bank Ltd*

1.4 Objective of the study

The project work objective was to gather knowledge and experiencing the corporate working environment with the close approximation to the business firm and the experts who are leading and making strategic decisions to enhance the growth of a financial institution. To this regard this project is contemplating the knowledge and experience accumulated from project work program. With the set guidelines and proposal by the School of Business of East West University and with the kind advice of project Supervisor this report comprises of a project part.



Broad objective:

“Assessing the overall performance evaluation of Prime Bank Limited.”

Specific objective:

To be honest, the objective of the study is to fulfill my requirement that is to have a complete report to be furnished. However this might not sound good. Therefore, the objectives behind conducting this study are as follows:

- 1. The primary objective in this research paper is to fulfill the partial requirement in the Bachelor of Business Administration (BBA) degree.**
- 2. Besides fulfilling the degree requirement, this project report intends to cover a comprehensive analysis of overall activities of Prime Bank LTD.**
- 3. To present an overview of Prime Bank LTD. (Motijheel Branch)**
- 4. To appraise credit activities of Prime Bank LTD. (Motijheel Branch)**
- 5. To measure customer satisfaction level of Prime Bank LTD.**
- 6. To identify problems and challenges of Prime Bank LTD.**
- 7. To recommend remedial measures for the improvement of the activities of Prime Bank LTD.**
- 8. To determine the most important attributes of service quality**

1.5 Scope

The scope of this report is limited to the overall description of the company, its services, and its position in the industry and its marketing strategies. The scope of the study is limited to organizational setup, functions, and performances.





1.6 METHODOLOGY OF THE STUDY

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



The primary data will be collected in various ways. The different sources were:

- ⇒ Questionnaire survey
- ⇒ Face to face conversations with the employees and opportunities were given by the management to work in relevant fields in Prime Bank LTD.
- ⇒ By interviewing and interacting customers at Prime Bank LTD.
- ⇒ Observing various organizational procedures. Informal conversation with the clients.
- ⇒ Relevant file study as provided by the officers concerned.

Secondary data were collected by

- ⇒ Bank's Annual Reports (2001, 2002, 2003, 2004 and 2005)
- ⇒ Prior research report
- ⇒ Any information regarding the Banking sector
- ⇒ Different books and periodicals related to the banking sector
- ⇒ Newspapers and Internet.
- ⇒ Periodicals published by Bangladesh Bank various books, articles, compilations etc. regarding general banking functions, foreign exchange operations and credit policies.



Data collecting instruments

In-depth interviews were conducted with various managers, employees of Prime Bank LTD. A structured questionnaire designed which would be considered as the major tool of preparing the project paper.

1.7 Research Design

Data collection method of this report was consisted of mainly secondary and primary source. I tried to observe different aspects of the customers of the Prime Bank LTD. in my eyes within the shortest possible time. Major portion of the required information collected from secondary sources. The data, which I collected from the secondary sources, were basically used to analyze the bank's performance.

Analysis technique:

MS Excel will be use for statistical analysis.

SPSS Software

1.8 Limitations

In doing the report I have faced some limitations what I can't ignore. Some of those limitations are:

- ✓ Bankers don't want to disclose all the information I need.
- ✓ I studied foreign book but our banking system is different from the westerns. So I failed to relate our academic knowledge with our practical knowledge in every respect. Load of semester work was also a barrier to prepare this report.
- ✓ Although the officers of the Prime Bank Limited have been very helpful, they didn't have enough time to provide, as they are very busy with their assigned works. So, in some cases, observation was needed.



- ✓ Due to lack experience, there may have been faults in the report through maximum efforts have been given to avoid any kind of mistake.
- ✓ Large-scale research was not possible due to time constraints.
- ✓ The research was conducted only within the customers of Motijheel branch.
- ✓ Relevant data and document collection were difficult due to the organization confidentiality.
- ✓ Another limitation was that the data gathered could not be verified for accuracy.
- ✓ The lack of intellectual thought and analytical ability to make it a perfect one.
- ✓ Finally, the length of this project program (12 Weeks) is not sufficient conduct a detailed study on the subject of research.



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PART TWO

A Brief History Of Prime Bank Ltd.



2.1 INTRODUCTION

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs conceived an idea of floating a commercial bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. Accordingly, Prime Bank Ltd. was created and commencement of business started on 17th April 1995. The sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance to energy etc. As a fully licensed commercial bank, Prime Bank Ltd. is being managed by a highly professional and dedicated team with long experience in banking. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition.

Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating.

Prime Bank Ltd. offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software.

The bank has consistently turned over good returns on Assets and Capital. During the year 2005, the bank has posted an operating profit of Tk. 1520.34 million and its capital funds stood at Tk 3177.32 million. Out of this, Tk. 1400 million consists of paid up capital by shareholders and Tk. 1777.32 million represents reserves and retained earnings. The bank's current capital adequacy ratio of 9.96% is in the market. In spite of complex business environment and default culture, quantum of classified loan in the bank is very insignificant and stood at less than 0.96%.

Prime Bank Ltd., since its beginning has attached more importance in technology integration. In order to retain competitive edge, investment in technology is always a top agenda and under constant focus. Keeping the network within a reasonable limit, our strategy is to serve the customers through capacity building across multi delivery channels. Our past performance gives an indication of our strength. We are better placed and poised to take our customers through fast changing times and enable them compete more effectively in the market they operate.



2.2 MISSION AND VISION OF PBL

Mission

To build Prime Bank Limited into an efficient, market driven, customer focused institution good corporate governance structure. Continuous improvement in business policies, procedure and efficiency through integration of technology at all levels.

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.

2.3 PBL HISTORY

Prime Bank Limited (**PBL**) is a banking company incorporated in the People's Republic of Bangladesh with limited liability. Prime Bank Ltd. was created and commencement of business started on 17th April 1995.

Nature of business:

PBL offers services for all banking needs of the customers, which include deposit banking, loans and advances, export and import financing, inland and international remittance facilities etc. The Bank is involved in most of the areas of commercial banking operations. **PBL** has acted as the lead arranger in raising term loan for a number of projects under syndicated finance and also participated in some cases under such financing arrangement. The Bank is also provided personal credit services related to local and foreign remittances and several other products. The "personal credit" scheme of the bank, which is designed to help the fixed income group in raising standard of living, is competitively priced and has been widely appreciated by the customers. Extensive knowledge of the market and essential expertise in a wide range of financial services has helped the bank to build business opportunities for corporate and institutional clients at home and abroad. Continuous upgrading of technology and control system has enabled the bank to offer new services.

2.4 OBJECTIVES

There are some objectives of this bank

(1) To establish, maintain, carry on, transact, undertake and conduct all types of banking, financial, investment and trust business in Bangladesh and abroad.



(2) To form, establish and organize abroad any bank, company, institution or organization, either single and / or joint collaboration for partnership with any individual, company, financial institution, bank, organization or any government agency for the purpose of carrying of business, financial investment or any other business as provided hereafter.

(3) To carry on any business relating to wage earners scheme as may be allowed by the Bangladesh bank from time to time including maintaining of foreign currency accounts.

(4) To conduct or negotiate all kinds of loan and or assistance, private or public, from any source, local or foreign, and to take all such steps as may be required to complete such deals.

(5) To form, promote, organize, participate or aid in forming, promoting organizing and company, bank, syndicate, consortium, institute or any holding or subsidiary company in Bangladesh or abroad for the purpose of undertaking any banking, financial and investment or trust business.

(6) To purchase, or otherwise acquire, undertake, the whole or any part of or any interest in the business, goodwill, property, contract, agreement, right private assets and liabilities of any other company, bank corporation, partnership, body person or person carrying on or having ceased to carry on, upon such term and may be deemed expedient.

2.5 FUNCTIONS

(1) Treasury Operation included funding operation and foreign exchange dealings. The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) was one of the major functions of Treasury. The foreign exchange operations were conducted to meet LC commitment and remittance requirement needs of the customers. Treasury Division actively participated in money market operation. Investments, Cash balances, Balances with other Banks and Money at call & short notice were managed by Treasury Department. It executed the strategies of the Asset Liability Management Committee for effective management of the balance sheet. The Bank was lender in the money market and utilization of surplus funds was a major function of Treasury Department.

(2) Mobilization of savings of the people and safe keeping of all types of deposit accounts.

(3) Making advances, especially for productive activities and generally for other commercial and socioeconomic needs.

(4) Providing banking services to common people through the network of branches.

- (5) Handling of export and import trade and foreign remittances and with special support to export activities.
- (6) Introduce modern banking services in the country.

2.6 Capital, Reserved Fund and Other reserved

Capital:

The authorized capital of the bank remains changed at Tk.1000.00 million to 4000.00 as on 31st December, 2005. The issued and paid up capital stood at Tk.1000.00 million to 1400.00 million as on December 31, 2005.

Reserve fund and other reserved:

The bank raised its reserve from Tk.986.51 to 1055.98 million during the year 2005 which is quite significant compared to the position of the previous year.

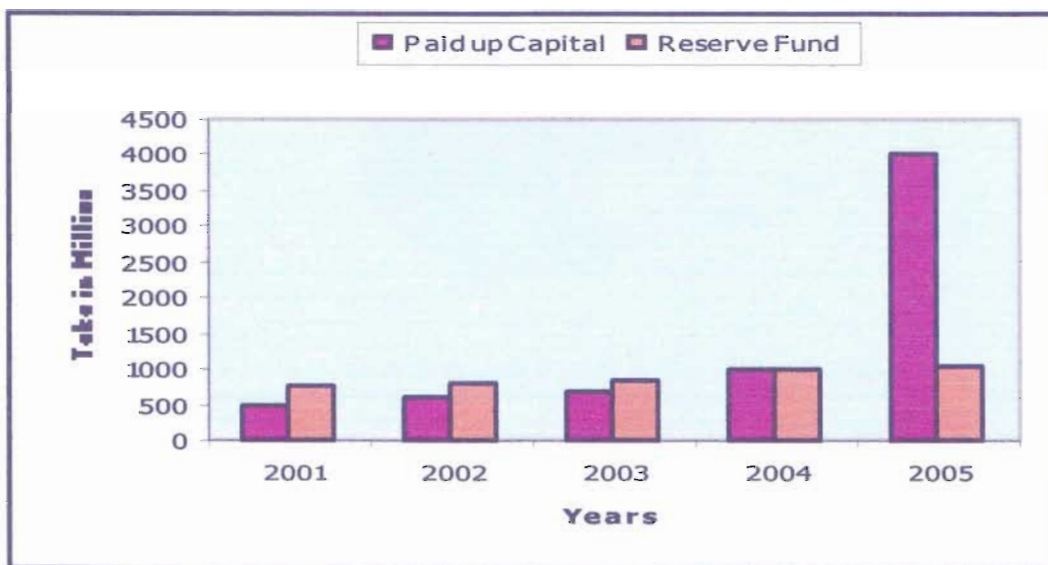


Figure: 01

Deposits:

The Bank's deposits grew by 28 percent in 2005. Customer deposits of the Bank grew by 33 percent. The growth was supported by branch network and high standard service provided to customers. The No cost and Low cost deposits comprised of 33 percent of the deposits. However, fixed deposits remained the main component of deposits contributing about 52 percent of the total deposits. The flavor of Insurance coverage of the fixed depositors has also increased the quantum. Average Interest cost of deposit increased 7.07 percent as against

6.62 percent of previous year. The clientele group of the Bank was individuals, Corporation, NGO, NBFI, Government Bodies, and Autonomous Bodies etc. The Bank introduced an attractive senior citizen scheme to encourage investment of pension and gratuity fund for a reasonable return.

Loans and advances:

The amount of total loans and advances of the bank was Tk.31916.11 million as on December 31, 2005 against Tk.23219.67 million the previous year showing an increase of 37.45% effective systems have been implemented to improve the recovery rate for the given loans and convert the non performing assets into productive ones. They give importance to acquire quality assets and performing appropriate landing analysis for commercial and trade loans.

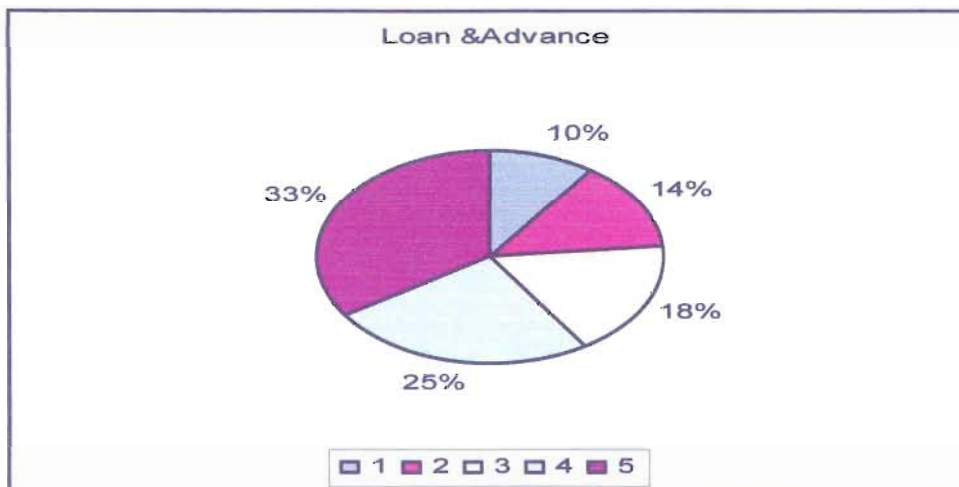


Figure: 02

Import & Export Business

The Bank's performance in this area was satisfactory. Total import and export business transacted were Tk 40,303 million and 28,882 million respectively during 2005. The growth rate of the import business was 10 percent and the main items of imports were industrial machineries, raw materials, commodities and other consumer products. The growth rate of export business was 48 percent and the items of export were RMG, Shrimp, Jute & Jute goods, Leather, Tobacco, Ceramic tiles, Fresh vegetables, Tempered Quoted Glass, Bone crust, Betel-Nut etc. The import and export businesses were contributed by our corporate clients. In export sector there was expansion in non-traditional items also.

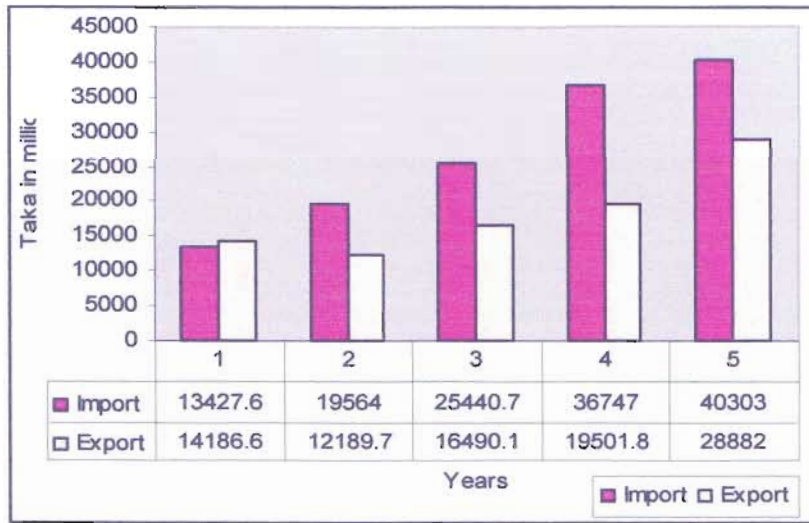


Figure: 03

Guarantee Business:

The bank issues total guarantees amounting to Tk. 5302.80 million during the year compared to Tk. 4085.15 million recorded in the previous year marking an increase of 29.81%.



Figure: 04

Investments:

The size of the investment portfolio in the year 2005 was Tk. 3939.50 million against Tk.3083.7 million in the previous year registering a growth of 27.75%. The portfolio included government treasury bills, prize bonds and shares in public ltd. Companies.



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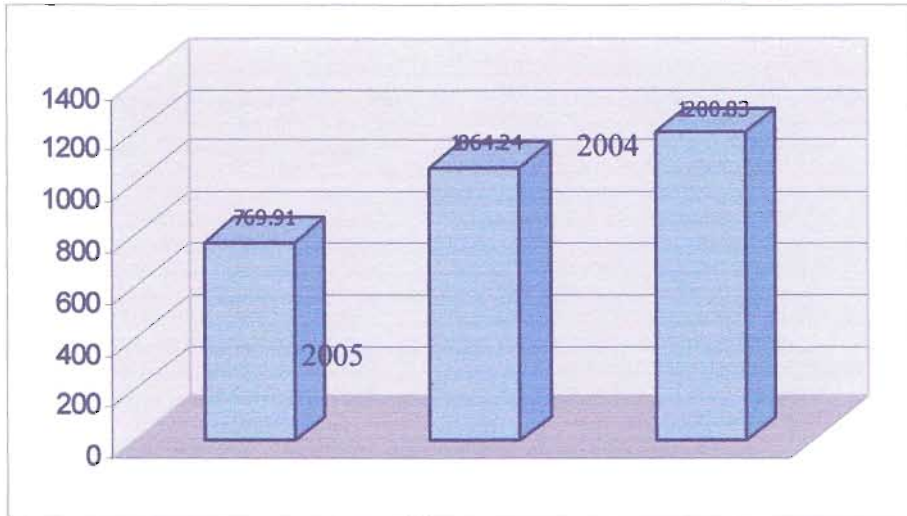


Figure: 05

Profit and operating results:

The operating profit of the bank increased to Tk.1520.34 million in 2005 compared to Tk. 1146.14 million in 2004. Indicating an impressive growth of 32.65%. The Bank declared 25% bonus shares @ 10%.

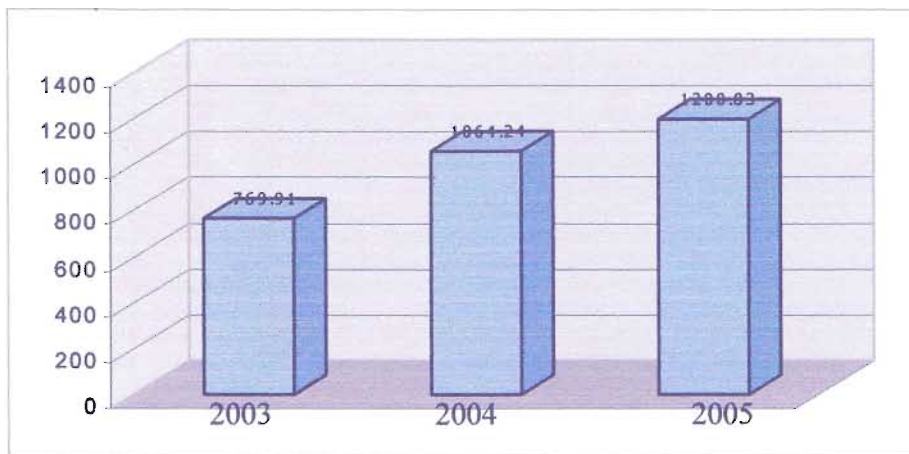


Figure: 06

Foreign correspondents

Foreign trade operation of the Bank played a significant role in the overall business development of the Bank. The number of foreign correspondents and agents of the bank in the year 2005 stood at 104 millions with 32 banks covering the prime business and trade centers of the world.

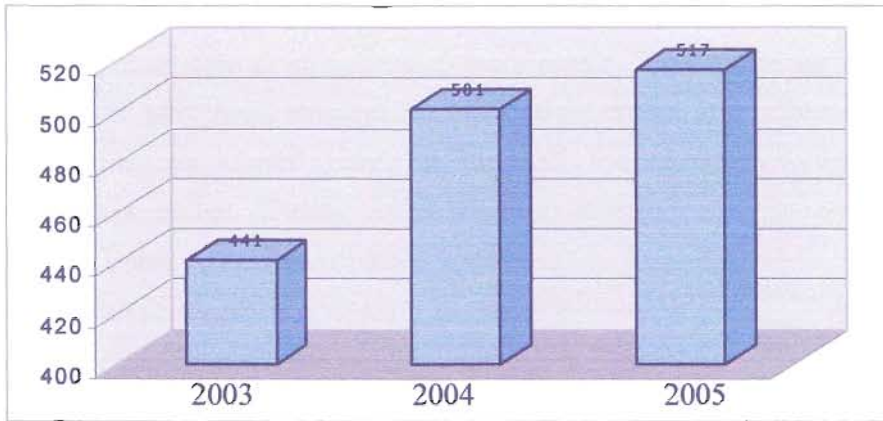
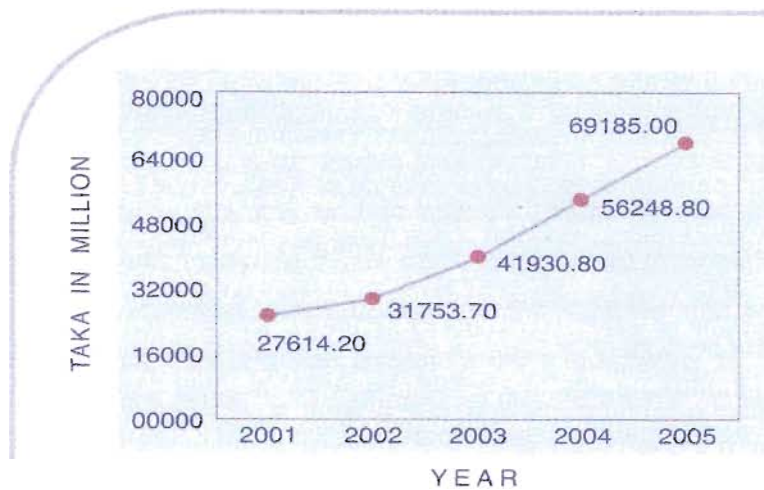


Figure: 07

Credit Card

Prime Bank Limited started its credit card operation in 1999 by introducing Master Card. In 2005 the Bank has also launched VISA. Now PBL has become the first local Bank of the FOREIGN EXCHANGE BUSINESS



country to achieve principal membership of both the worldwide-accepted plastic money network i.e. MasterCard and VISA. We have redesigned the credit card facility by providing the incentive of “Free Life Insurance Coverage” for our valued cardholders to mitigate the financial risk. These accomplishments positioned the Bank in a very strong footing within the industry for delivering more values to our clients. We have also widened our merchant network considerably to gain significant access to the market. However, as more players are emerging in the industry the competition is growing more intense.



SME Lending

In an era of constrained public budgets, the best hope of income lies with locally owned small businesses. Job creation is essential and it must come from Small and medium enterprise that will ultimately dominate the private sector. This sector suffers from capital shortage and to grow they need stronger business environment and access to right kind of financial and non-financial support. However, the Bank has taken renewed steps to enhance its exposure in this sector. During 2005 Bank's strategy was focused on customer convenience. The Bank provided working capital loans to suppliers or dealers of large corporations or clusters of small exporters of non-traditional items. The exposure is well diversified among over 500 customers in manufacturing, trading and service sector viz. Light engineering and manufacturing, cottage and power loom industries, CNG, Paper and pulp. Prime Bank introduced a special type of loan termed as "Herbal Loan" under SME finance.

Dividend

Thus fund available for distribution is Tk 592 million (Tk 568 million from current year profit plus Tk 24 million from previous years retained earnings). In order to maintain a satisfactory capital adequacy ratio of the Bank, the Board decided on 100 percent retention policy and has recommended Stock Dividend of 25 percent during the year. Strong Capital Fund will enable the Bank to increase their business activities.

Corporate Governance

Fairness, Transparency, Accountability and Responsibility are the minimum standard of acceptable corporate behavior today. At Prime Bank corporate governance means increasing the shareholders value by being efficient, transparent, professional and accountable to the society and the environment. The Board of Directors wants to ensure that the Bank conducts itself as a good corporate citizen and adheres to the following corporate governance principles:

- ❖ As per the Bangladesh Bank's guideline the number of Directors in the Board is 13;
- ❖ Regular meeting of the Board is held, at least once in a month;
- ❖ As approved by Bangladesh Bank, the Board has two committee i.e. Executive Committee and Audit Committee;
- ❖ Board members include persons of high caliber, with academic and professional qualification in the field of business. This gives strength for effective discharge of duties and responsibility by the Board;



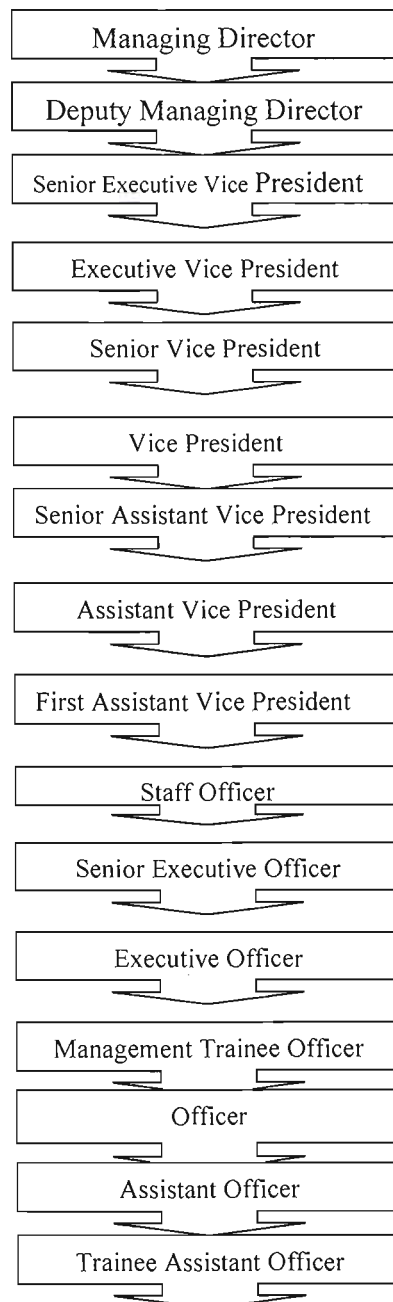
- ❖ The Board approves the Bank's budget and review the business plan of the Bank on monthly basis so as to give directions as per changing economic and market environment;
- ❖ The Board reviews the policies and manuals of the various segment of businesses in order to establish effective risk management in credit and other key areas of operations;
- ❖ The Board and the Executive Committee reviews the policies and guidelines issued by Bangladesh Bank regarding credit and other operations of the banking industry. They ensures the implementation of the policies and guidelines through the management;
- ❖ The Executive Committee of the Board approves the credit proposals as per the approved policy of the Board and Bangladesh Bank's guidelines. Management ensures due diligence of the credit policy and risk management at the time of submitting the credit proposals;
- ❖ The management operates within the policies, manuals and limits approved by the Board;
- ❖ The Audit Committee examines the status of implementation of the Bank's policies and manuals, IT portfolio, Bangladesh Bank's guidelines and regulatory compliances. The Audit Cell of the Board and the Internal Audit team of the Bank undertakes various special audit as per the advice of the Audit Committee;
- ❖ Audit Committee meets with the external auditors to discuss audit plan, the risk management processes of the Bank. They also discuss the preparation of the financial statements of the Bank as per Bangladesh Accounting Standard (BAS) and International Accounting Standard (IAS);
- ❖ The Bank attaches high priority on timely submission of the statutory reports i.e. Half-yearly Statement of Accounts and Annual Accounts in details enabling the existing and potential shareholders to make a fair assessment on the Bank's overall performance. In order to give more insight to our shareholders' the numbers of disclosures in the Annual Report are made regarding risk management, capital adequacy, corporate governance etc. of the Bank.
- ❖ The Bank also strictly adheres to regulatory requirements of submission of financial statements on time. The financial statements are published in the two dailies and given in web site of the Bank (www.prime-bank.com);
- ❖ The Board continues to ensure the compliance of Securities and Exchange Commission's rules and regulation;



2.7 FUNCTIONAL DEPARTMENTATION

Managing Director, ex-officio Director of the Board, is the chief Executive officer (CEO) of the bank. Next in the organizational hierarchy is the Deputy Managing Director. Divisions at Head office report either directly to the Managing Director or through the Deputy Managing Director.

Hierarchy of Prime Bank Ltd





2.8 Branch network

The Bank was incorporated as a public limited company in Bangladesh under Companies Act 1994. It commenced its banking business with one branch from April 17, 1995 under the license issued by Bangladesh Bank. Presently the bank has 41 branches all over Bangladesh and a booth located at Dhaka Club, Dhaka. Out of the above 41 branches, 05 (five) branches are designated as Islamic Branch complying with the rules of Islamic Shariah, the modus operandi of which is substantially different from other branches run on commercial conventional basis. The bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly quoted company for its general class of shares.

Location of Branches of Prime Bank Limited





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PART THREE

BANKING FUNCTIONS





3.1 Introduction:

There are three types of basic functions, which are deal in the banking business in this branch. For each type of Function there is an individual department.

The departments are as follows:

- **General Banking Department**
- **Credit Department**
- **Account Department**
- **System Department**
- **Foreign Exchange Department**
- **Export Section**
- **Islamic Banking**

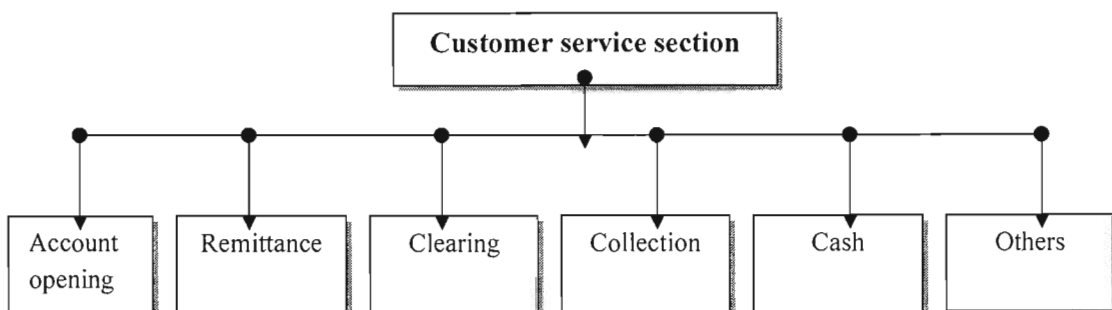
3.2 General Banking Department

Bank deals with customers. To be a customer of a bank a person must have a contract agreement with the bank that is the legal basis of customer- banker relation. By opening an account a person can be a customer of bank. An account opening form thus is the contractual document. When the customer signs the form, he said to create a contractual relation. The rules and regulations to open an account for different types of people vary.

Customer services

Customer services are one of the most talked about subject now-a-day. In banking sector, it is a major rule to earn a comparative edge. Customer service means to meet customer needs in a prompt and efficient way. In service oriented organization like, quality means customer satisfaction. And customer satisfaction depends on the services provided by the organization. So, customer service section is the most important section in Prime Bank Ltd. So, of all customer want to collect information before taking services if he/ she satisfied with the information given by the customer-service section, then she come to take services. In the sense it is very sensitive section in PBL satisfy the customer by giving better services all staff and officers of this section have to take responsibility, be cordial, frank and smiling appearance.

Functions of customer service section





Account opening:

Procedure of account opening

At first any one will take a form (account opening form), a “cheque requisition and a “signature card” and fill-up those. An introducer will attest the customer photographs and the account opening form, then the banker would account number and give a “deposit slip to the customer. Minimum balance is deposited -only cash is accepted. The relationship between the banker and the customer will establish. After that the bank will issue a “Cheque Book” on the customer’s name.

Classification of Bank Account

Bank has two type of deposit account, these Ares-

Demand deposit

Time deposit

Demand deposit

There are mainly to types of demand deposit accounts, these are-

Savings account

Current account

Both these account can be opened jointly or individually. Again current account can be for personal, partnership and proprietorship.

Savings Account

To encourage savings habit amongst the general public, bank allows depositors to open savings account. As the name indicates, these accounts are opened for the purpose of Savings. Interest is awarded on the balance of the account.

Current Account

Current account is an account numerous transaction can be made by the account holder within the funds available in its credits. No interest is paid on nose deposits. Current account is mainly suitable for business man though nobody is debarred from opening such an account for any purpose. Requirements to open an account are almost same to that of savings account except the initial deposit and the introducer must be the current account holder. Requirement for different types of current account holder are given below:

Limited company:

Several documents are submitted by them which should be checked carefully by the bank to be legally in a safe position. Requirements to open an account are as follows:

- ♀ Articles of association
- ♀ Two copies of attested photograph
- ♀ Letter of commencement



- ♀ Letter of incorporation
- ♀ List of directors, their number of shares and status
- ♀ Memorandum of Association
- ♀ Registration-which the company is registered and certificate relating to this issue, is obtained from the registration office of Joint Stock Company.

Partnership firm:

Same account opening form for partnership firm is used. Instruction of account is given in this form. Documents required to open this type of account are as follows:

- ◆ Two copies attested photograph of those who will operate the account.
- ◆ Partnership deed
- ◆ Resolution of the firm regarding account opening should be given
- Trade license

Personal current account:

Same account opening form for partnership firm is used. Instruction of account is given in this form. Document required to open personal current account are given below:

- ◆ Two copies photograph of who will operate the account
- ◆ Personal are introduced by the granter who is already maintaining an account.

Current proprietorship account:

Requirements for opening this type of account are as follows:

- ☼ Two copies photograph of who will operate the account are attested by the granter.
- ☼ Photocopy of trade license.

For opening every type of account a signature card and different types of register are maintained in the bank. An account no is given for each account and the description of the account entered in the computer. According to rules of the bank a letter of thank should be given to the account holder and to the introducer but in practice it is not done.

Another important demand deposit account



Time deposit

Any deposit which is not repayable on demand is time deposit. In other words, a deposit, which is repayable after a stipulated period is a time deposit. Time deposit can be further classified into-

- ☼ Fixed Deposit Receipt (FDR)
- ☼ Short Term deposit (STD)

Fixed Deposit Receipt (FDR)

The bank receipt deposit for a fixed period ranging from one month to three or above. Although the minimum period, for which the sum is received as a fixed deposit is one month, there is no maximum time limit for opening fixed deposit accounts but bank generally accept deposit for longer period, say 10 years. Interest on fixed deposit varies from maturity period. Fixed deposit account may be opened in the names of two or more persons and even in the names of minors jointly with guardians.

Short Term deposit (STD)

STD account is a purely a time deposit account. The formalities for opening of this account are similar to those required for current account. The account runs like an ordinary current account with the exception that 7 days notice is required to be given to the bank before each withdrawal and interest is paid at prescribed rate. Generally STD account is maintained by government, semi-government, and autonomous bodies, etc.

Interest

Interest is the price of the product which is determined by the market demand and supply. Bank and fixed it one interest rate. Different interest is given for different types of instruments such as-

Particulars	Deposit rates (Effective from 17.11.2001)
1. Current	0%
2. Savings	7.50%
3.Special notice deposit (STD)	6.00%
4.Fixed deposit (Time deposit	
a. 30 Days	7.00%
b. 60 Days	7.50%
c. 3 (three) Months	8.25%
d. 6 (Six) Months	8.50%
e. 1 (One) Year	9.00%
f. 2 (Two) Year	9.50%
g. 3 (Three)Years and above	10.00%



Cheque Book

Cheque is a negotiable instrument and can be passed hand to hand easily and so it has become a popular mode of payment. Cheque legal tender money but can be converted into currency at any day. Cheques are drawn against the funds in the hand of the bankers. Cheque book is issued to the new customer after opening an account. Different cheque book are given for current and saving account. For current account there are cheque book with 25, 50 and 100 leaves. And for saving account there are cheque book with 10 leaves. Different register is maintained for all kinds of cheque book. When a new cheque book is issued, the cheque number is entered in the computer for safety. To have a new cheque book every cheque book has a registration slip & by filling that a customer have a new cheque book.

Various types of special deposit schemes:

Besides normal deposit accounts the PBL is providing some special deposit schemes, which are mentioned below:

Pension Savings Scheme (PSS)
Marriage Savings Scheme (MSS)

Different types of special deposit scheme are described below:

Pension Savings Scheme (PSS):

Rules:

Applicant

The applicant should be of minimum 18 years of age, being of sound mind, and a Bangladesh national. The applicant can open 1(one) P55 account with any of the Branches of the Bank.

Monthly Installment

Tk. 500.00	for 5 years
Tk. 1000.00	for 10 years

Tenure: 5 Years/10 years

Marriage Savings Scheme (MSS)

Rules

Applicant

The applicant should of minimum 18 years of age, being of sound mind and a Bangladeshi national. The applicant can open a total of 3 MSS accounts of any branches of the bank.

Monthly installment:

Tk. 500.00	For 5 years.
Tk. 1000.00	For 10 years



Tenure: 5 years /10 years

Remittance

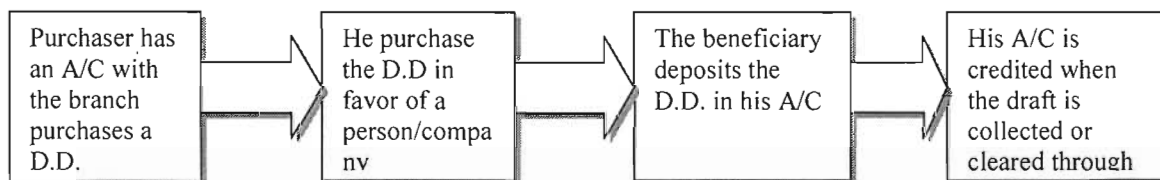
Remittance means transfer of money from one place to another. Bank has a wide network of branches all over the country and offers various types of remittance facilities to the public. They serve as best media for remittance of funds from one place to another. The service is available for both customers as well as non customer of the bank. In banks it is done in the form of

DD (Demand Draft),
TT (Telegraphic Transfer);
Pay order.

Demand Draft (D.D)

Demand draft is that kind of instrument which is payable on demand. A branch issues it to another branch containing an order to pay a certain amount of money to a certain person. To issue a D.D. the sender of the D.D. should have an A/C with that issuing branch. D.D. can be send from one branch to another by cash or cheque. Every bank charges a certain amount as commission for issuing a D.D. for the local office the commission is Taka 25 for the amount up to Taka 16000!L, then Taka 0.15 per hundred.

The flow chart of the total procedure of issuing Demand Draft is as follow: -



Pay Order

Bank's payment order (P0) is an instrument which contains an order of payment to the payee to effect local payment whether on behalf of the bank or its constituents. If any person wants to transfer money within the local area, the bank located then the transfer should be made by 'Pay Order'. Deference between 'Pay Order' and 'Demand Draft' is in terms of place only. Pay order is issued for remitting money within the city whereas D.D is issued for within the country.

Telegraphic Transfer (T.T)

Telegraphic Transfer is by far the quickest method of transferring funds from one place to another. The remitting branch sends a telegraphic message to: the branch at the other end, to pay a certain sum of money to a named payee. Such a message is usually send in code language. The message is authenticated by prefixing or suffixing a check cipher. All IT is



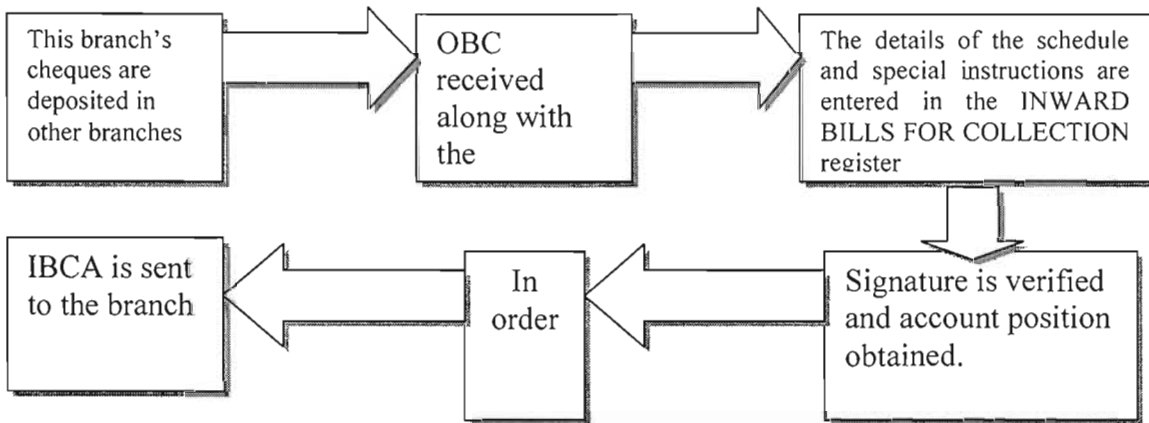
followed by, written confirmations under the signature of authorized officer of the remitting: ranch. The receiving branch, after thoroughly checking the telegraphic message, acts on it.

Collection

When the bills are supposed to be drawn on any bank which is out of range of clearing house of Bangladesh bank this instruments are sent for collection not clearing. These bills are of two types. They are inward bills for collection and outward bills for collection. We can see a brief scenario about these two types of bill as below---

Inward bills for collection:

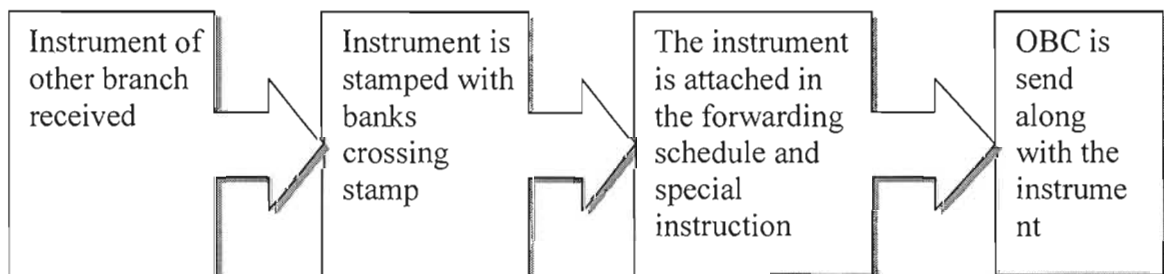
When instruments are received from other branches or other banks, they are treated as inward bills for collection. In practice instruments of other banks or branches are cleared through clearinghouse. For those instruments from other branches of and other banks outside clearinghouse come under the bill collecting procedure. We can get a clear idea from the chart as below:



Outward bills for collection

When the instruments of other branches or banks are received they are treated as outward bills for collection. This collection procedure occurs in two different situations. They are as follows:

When the instrument of the other branch received then the following procedure is maintained





3.3 CREDIT DEPARTMENT

Bank lending is important for the economy in the sense that it can simultaneously finance all of the sub-sectors of financial arena, which comprises agricultural, commercial and industrial activities of a nation. By the primary security, we mean the financial claim of holder against the real sector of economy. In banking the sector, the financial claim of bank against issuer, (called investors, borrowers and deficit units). The credit department of the bank performs this core function of a bank. In this case, the relationship of bank and customer is that of the creditor and debtor. The word “CREDIT” is derived from Latin word “credo” meaning ‘I believe’. In general credit means the granting of a period of time by a creditor to a debtor at the expiration of which the latter must pay the debt. From a banker’s point of view, credit is the confidence of the lender on the ability and willingness of the borrower to repay the debts at a future date.

Different advances offered by PBL

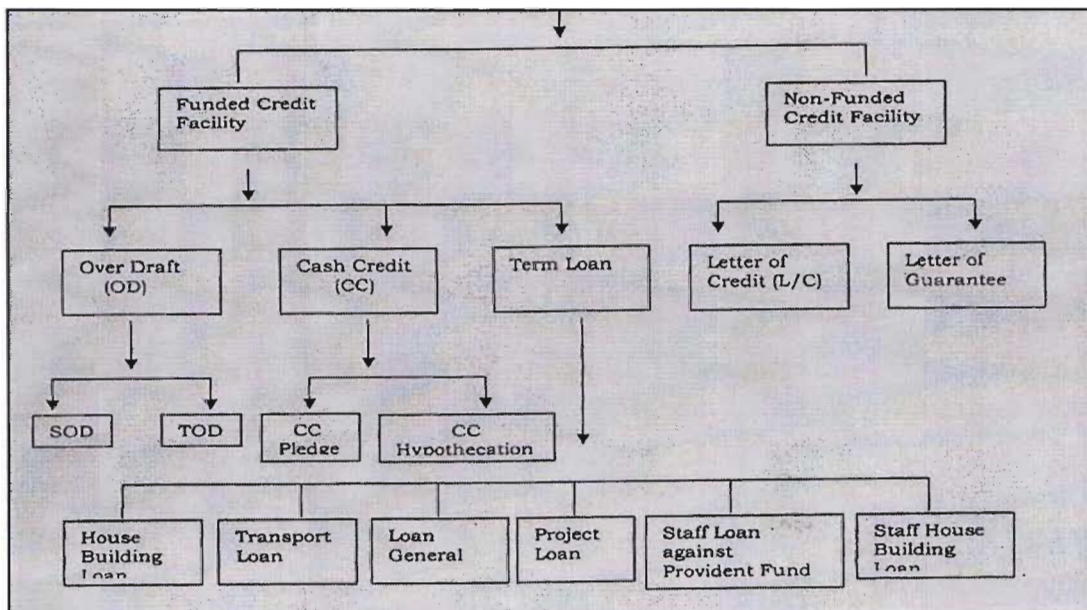


Figure: 0

Different Types of Credit Facilities. All types of credit facilities can be broadly classified into two:

- Funded and
- Non funded

FUNDED CREDIT

A funded credit facility that a bank offers to a customer result in actual disbursement of cash to the customer or to any designated supplier of the customer. In order to provide funded facility to a customer the bank has to incur real liability before hand,



as security for the advance. This is allowed primarily relying on the credit worthiness of the client.

NON FUNDED CREDIT

Non funded credit facility to a customer refers to a bank's commitment to a third party on behalf of the customer. The commitment itself constitutes facility but does not involve cash outflow from the bank. The bank's commitment essentially states that in the event of occurrence or non occurrence of a particular event, within a particular date, due to a particular reason or reasons, a specific sum of money shall be paid by the bank to the third party upon claim in a particular manner. Though this types of facilities are primarily non funded in nature but at times it may turn into funded facility. As such liabilities against this types of credit facilities are termed as 'contingent liability' and do not affect the balance sheet of the bank at the time of commitment but contains the possibility. The non funded facilities are:

Letter of Credit

A banker's documentary credit is an instrument or letter issued by a bank on behalf of and for the account of the buyer of the merchandise. By this instrument the bank undertakes that the bill(s) of exchange of the beneficiary (the seller of the merchandise) drawn on the buyer, or on the issuing bank or on another bank designated in the instrument, strictly according to the conditions stipulated in the instrument, will be duly honored by acceptance and /or payment depending upon the use of the bill(s) of exchange in question.

Guarantee

In banking, it is an irrevocable obligation of a bank to pay a certain sum of money in the event of non performance of a contract by a third party. The basis of guarantee is always a contractual relationship between principal debtor (account holder) and creditor (beneficiary), which is either a contract that has been definitely concluded or a relationship in its pre-contracted as is the case with the tender guarantee. This relationship is referred to as the principal or underlying relationship or contract. The contract of guarantee is independent of this underlying relationship.

MODERN CONCEPT OF LENDING PRINCIPLES

Modern concept of lending presupposes a well-developed loan proposal / loan case I project. It will cover as many as six pertinent factors like Managerial, Organizational, Technical, Marketing, Financial and Economic / Socio economic. These are technically known as feasibility or viability study of a loan proposal / loan case I project. By studying all these six factors if a banker is satisfied about the viability of a loan proposal / loan case I project, then he / she can finance it i.e., grant for lending otherwise not.





TECHNIQUES OF PROJECT APPRAISAL

“Project appraisal” means pre-investment analysis of an investment project with a view to determine its commercial and socio-economic feasibility. It is an essential tool for judicious investment decision and project selection. It is the prime step in the process of decision making in respect of sanctioning any loan by financial institutions. The under mentioned appraisals should be conducted while evaluating an investment proposal:

- Management appraisal.
- Market appraisal
- Technical appraisal
- Financial appraisal
- Economic appraisal

The Initial Loan Interview

The initial interview is generally held at the officer’s bank or, on occasion, at the client’s business. The objective of an initial loan interview is to ascertain whether the loan request warrants further consideration (and the additional time and expense) that is entailed in a credit investigation, follow-up interviews and financial statement analysis. The beginning of a loan interview sets the tone for all that follows. The credit officer of PBL should establish a relaxed but businesslike atmosphere. The credit officer should greet the client with a warm handshake, introduce him or herself by name and ask the client feel ill-at-ease, which can hinder communication during the interview.

CREDIT INVESTIGATION

If, after the initial interview, the commercial credit officer decides that the loan request meets basic bank lending criteria, the next step is to conduct a more in-depth investigation, relying upon the documents obtained from the client and from in-bank and outside sources. One of the important functions of a, PBL is to channel funds for meeting the credit needs of genuine borrowers engaged in economic activities of the country. Study the integrity and reliability of the borrower

Purpose of Credit investigation

Credit investigations vary among banks. In smaller banks, credit officer s investigates their own loans. The contribution from bank staff is limited to clerical assistance, such as typing credit inquires, maintaining credit files, or spreading financial statements for review and analysis by the credit officer. In many larger banks, the division of responsibility is more specialized, with the credit investigation and loan analysis function separated from the lending function

Interview



Once the major questions have been identified, the credit officer should decide whether each question warrants the time and expense necessary to arrive at an answer. Many banks have standardized forms that list types of information that should be acquired during loan interviewing and credit investigation. Of course, the amount, nature and detail of the information vary depending on the circumstances of the loan request and it is usually left to the credit officer to determine the extent of the information-gathering process.

Preparation and have signing of credit report

Branch Managers are expected to a very fair idea of the assets, means and the credit position of their borrower constituents. They may depute Credit investigator to collect credit informality but branch managers should make independent inquiries to establish veracity of credit checking made by their branches. Credit report should be signed jointly by the Manager and the Credit Investigator.

Revision of credit report:

Every credit report should be revised intelligently and properly at least once in six months. It is, of course, understood that if at any time an adverse report or damaging information is received on a constituent or a major change is noticed in regard to the assets and means of a party, immediate steps should be taken to review and revise the credit lines make available to him. It is also necessary that whenever a new credit proposal or renewal of an existing credit line is recommended, the report on the party concerned is checked up and revised.

Credit Line Proposal

In this step of the term loan the branch sends a credit line proposal to the head office for approval of the term loan. The credit line proposal contains the following particulars:

- Fresh/Renewal/Revision of the term loan
- Borrowers name
- Types of business
- Capital structure
- Particulars of previous transaction
- Existing vis-à-vis proposed credit limits
- Movement of the accounts
- Liabilities of sister concerns

Security

Security is a Cover against loans and advances. It ensures recovery of loans and advances. Though now-a-days greater emphases are put on the purpose of the loan rather than securities, nevertheless the securities play an extremely important role to take a decision.



Types of Security

The types of securities offered vary from place to place in metropolitan cities, it may be Govt. bonds / share / assignment of Book debt I Bills receivable etc. whereas, in the industrial area raw materials & finished goods etc. may be offered as securities. Again agricultural produce is the principal securities in the agricultural centers. Further, a bank also accepts moveable & immovable properties, life insurance policy etc. as securities.

Securities can be classified into primary security & collateral security

Primary security means the security offered by the borrower himself as cover for the loan. It refers to the asset which has been bought with the help of the bank. Such as when machinery or some goods have been bought with the help of the bank the machinery and goods constitute the primary security.

Collateral security:

All other additional security other than the primary securities such as land I Building etc. are considered as collateral securities which may be offered 1 deposited by the borrower or, by any other third party.

Good collateral security must have the following characteristics:

- Tangible
- Transferable / negotiable
- Easily marketable
- Price stability
- Durability (not perishable)
- Ascertain ability of market value
- Genuineness of title (free from encumbrance)

Valuation of Security

Valuation of security is very important for the lending banker. Therefore valuation of security must be done with careful verification of sources, in respect of nature of procurement, quality, quantity and considering possible risks.

Modes of Creation of Charges on Securities

'Charge' in a transaction for value means that the creditor(Bank) shall have the right to take the property on which charge is created, available to him as security for payment of a debt, by an order of court of law. A charge may be classified as:

- i) **Fixed Charge**



A charge is said to be fixed if it is made specifically to cover definite and ascertained assets of a permanent nature e.g.; charge on land and building or heavy machinery, it precludes the company from dealing with the property charged without the consent of the charge holder.

ii) **Floating Charge**

It is a charge on the property which is constantly changing, e.g.; stock. The company can deal with such property in normal course of its business until it becomes fixed on the happening of an event. Thus it is a charge on the assets of the company in general.

Mortgage

Mortgage has been defined in section 58 of Transfer of Property Act 1882. It is the transfer of interest on the property by way of charging immovable property for the security of loan amount. Therefore, for the purpose of securing loan amount when an immovable property is charged for transfer interest on the property is known as mortgage.

Classification of mortgage

On the basis of transfer of title in the mortgaged property mortgage can be classified as i) Simple/Registered Mortgage and ii) Equitable Mortgage.

DOCUMENTATION AGAINST BANK CREDIT

Documentation is one of the major aspects of credit functions of a Commercial Bank. The principal income generating activity of a Bank in Bangladesh is providing credit services to customers preferably on a secured basis. The charge on securities against credit facilities is created through execution of relevant documentation formalities and as such the Bank can largely at a future date fall back the securities held for recovery of the dues besides documents are the physical embodiment of liability. In is to be ensured that documents should be prepared and executed according to the law of the land and should not confront with the rules and practice of Banking. Consequently documents should be drafted and executed under the supervision of Professional lawyer / legal retainer.

DOCUMENT

Document is the written statement of facts or evidence in regard to a particular transaction, which on placement may bind the parties answerable and liable to the court of law.

IMPORTANCE OF DOCUMENTATION

Documentation formalities against loans and advances should be properly completed prior to extension of the facility to safeguard the Bank's interest. Complete and correct documentation enables the Banker to take legal recourse against the borrower in case of non-realization of dues.



PURPOSE OF DOCUMENTATION

Documentation is necessary for acknowledgement of debt by the borrower and for charging of securities to the Bank against loans and advances.

LEGAL DOCUMENTS

Memorandum and Articles of Association (Limited Company).

- Registered partnership deed (Partnership firm).
- Trade License.
- Board resolution covering corporate borrowing power and execution of security documents (Limited Company).
- Resolution of the partners for availing of credit facility and for execution of security documents.

STEPS OF DOCUMENTATION

- Obtaining of the instruments I documents.
- Stamping.
- Execution.
- Witnessing.
- Registration.
- Preservation.

TYPES OF LOANS AND ADVANCES OFFERED PBL:

PBL offers following types of loans and advances, -

- Secured Overdraft (SOD)
- Loan (General)
- House Building Loan (Staff)
- Demand Loan
- Transport Loan
- Industrial Credit
- House Building Loan (General)
- Transport Loan (Staff)
- Cash Credit (Hypothecation)
- Past Due Bills.
- Loan against Trust Receipt (LTR)



Different types of interest rate charged on advances offered by PBL

Types of Advance	Internal Rate	Feature
Secured Overdraft (SOD)	13-15%	Continuous advance facility given for one year but can be renewed after the expiry of the time Given against I.C.B. unit, FDR, Sanchaypatras and Work Orders.
Loan (General)	12%-15%	Given against Personal guarantee, Hypothecation of goods and land and building.
House Building Loan (Staff)	7%	Given against Personal guarantee, land and building.
House Building Loan (General)	15%	Given against Personal guarantee, land and building.
Transport Loan(Staff)	7%	Given against personal guarantee and hypothecation of vehicles.
Transport Loan (General)	15%	Given against personal guarantee and hypothecation of vehicles.
Demand Loan	7%-14.5%	Given against personal guarantee and cash collateral securities.
Industrial Credit	12.5%-15%	Given against land and building along with machinery, personal guarantee of Directors and hypothecation of raw materials.
Cash Credit (Hypothecation)	11%-15%	A short term arrangement by which a customer is allowed to borrow money up to a certain limit is sanctioned by the bank for a certain time. Given against Registered mortgage of land and building, hypothecation of goods and personal guarantee of Directors.
Cash Credit(Hypothecation)	12%-15%	A short term arrangement by which a customer is allowed to borrow money up to a certain limit is sanctioned by the bank for a certain time. Given against Registered mortgage of land and building, hypothecation of goods and personal guarantee of Directors.
Past Due Bills	15%	Given against Bills Receivables
Loan against Trust Receipt(LTR)	11 %-15%	Advance allowed for retirement of shipping documents and release of goods imported through L/C. The goods are handed over to the importer under trust with the arrangement that sale proceeds should be deposited to liquidate the advances within a given period. Given against Bills Receivables, hypothecation of imported goods, Trust Receipt, personal guarantee, registered mortgage of land and building.



- ④ Name of the Borrower with address
- ④ Nature of Facility
- ④ Extent of Facility
- ④ Purpose
- ④ Security
- ④ Margin
- ④ Commission
- ④ Validity
- ④ Beneficiary
- ④ Liability position of the Borrower----
- ④ Nature of Facility
- ④ Extent of Facility
- ④ Drawing Power
- ④ Margin Amount (Tk.)
- ④ Outstanding! Net Exposure (Tk.)
- ④ Validity.

Then Bank issues Bank Guarantee on Judicial Stamp. The conditions for issuing Bank Guarantee are:

1. The customer must maintain a Current Deposit (CD) account.
2. The must keep certain percentage of guaranteed money (usually 2%) as margin.
3. Bank charges 0.50% commission on the guaranteed money per quarter (i.e.,3 months).

After realizing all the above charges, Bank then issues the Guarantee. A Guarantee issue Register is maintained to record following information about Guarantee---

- Name of the Customer
- Account No.
- Guarantee No.
- Issuing Date
- Date of Approval! Reference No.
- Beneficiary of the Guarantee
- Amount of Guarantee
- Margin (percent and amount)
- Commission
- Date of Expiry

STATEMENTS PREPARED BY THE CREDIT DEPARTMENT

- Monthly statements prepared by Credit Department for Bangladesh Bank.
- Quarterly statements prepared by Credit Department for Bangladesh Bank.
- Monthly statement prepared by Credit Department for Head Office.



3.4 Accounts Department

Accounting system of PBL is double entry system which is a system in which: fold aspect of each and every mercantile in money or money's is recorded. The functions of it are theoretical based PBL Br records its counts daily, weekly, and monthly. And every record is sent to Head Office keeping photocopy for its record.

General Account

The account that is to be maintained with H/0 of PBL for the purpose of settlement of inter-branch transactions. Indeed General A/C is a record of originating and responding transactions among inter-branches of the same bank. Branch can know how much liable with H/0 the branch is. The debit and credit balance shows assets and liabilities of the respective branch.

Extract

Extract is a statement of all originating and responding transactions among ranches through inter branches debit and credit advice. At the end of the day, all the debit and credit advices of different department come to accounts department. It makes extract in light of all advices. Actually extract shows the balance of PBL Motijheel Br general A/C. The objective of preparing it is to know how many transactions have been originated and responded by the respective branch per day. Branch has to send it its Head Office keeping one photocopy.

Statement of Affairs

Accounts section prepares the statement of affairs for finding the profit/loss as well as amount of assets and liabilities of concerned branch per day. Theoretically, it is called financial statement and has two parts:

- ☼ Income and Expenditure A/C.
- ☼ Statement of assets & liabilities.

Amortization and Depreciation

Amortization is the allocation of the cost of an intangible asset to expense. For example; prepaid expenditure, prepaid insurance and goodwill etc. amortization schedule is determined by the decision of management. Depreciation is a process of cost allocation of assets not a process assets valuation.

- a) Fixed Assets have been shown at cost less accumulated depreciation.
- b) Depreciation has been charged on straight-line method at the following rate on cost of assets for the full year irrespective of their date of purchase.

Particulars of assets	%
Furniture & fixture	10
Office Appliance	20
Office Decoration	10
Electric Equipment	20
Computer	20
Vehicle	20





Functions provided by accounts department

Like all other Banks, in PBL, Accounts Department is regarded as the nerve Center of the bank. In banking business, transactions are done every day and these transactions are to be recorded properly and systematically as the banks deal with the depositors' money. This department is called as Accounts Department.

Besides the above, the Bank has to prepare some internal statements as well as some statutory statements which are to be submitted to the central bank. Accounts Department prepares these statements also.

Daily tasks

The routine daily tasks of the Accounts Department are as follows:

- i. Recording the daily transactions in the cashbook.
- ii. Recording the daily transactions in general and subsidiary ledgers.
- iii. Preparing the daily position of the branch comprising of deposit and cash.
- iv. Preparing the daily Statement of Affairs showing all the assets and liability of the branch as per General Ledger and Subsidiary Ledger separately.
- v. Making payment of all the expenses of the Branch.
- vi. Recording inter-branch fund transfer and providing accounting treatment in this regard.

Periodical tasks:

The routine periodical tasks performed by the department are as follows:

- i. Preparing the monthly salary statements for the employees.
- ii. Publishing the basic data of the branch.
- iii. Preparing the weekly position for the branch which is sent to the Head Office to maintain Cash Reserve Requirement (C.R.R).
- iv. Preparing the monthly position for the branch which is sent to the Head Office to maintain Statutory Liquidity Requirement (S.L.R).
- v. Preparing the weekly position for the branch comprising of the break up of sector-wise deposit, credit etc.
- vi. Preparing the weekly position for the branch comprising of denomination wise statement of cash in tills.
- vii. Preparing the budget for the branch by fixing the target regarding profit and deposit so as to take necessary steps to generate and mobilize deposit.
- viii. Preparing an 'Extract' which is a summary of all the transactions of the Head Office account with the branch to reconcile all the transactions held among the accounts of all the branches.

The amazing and dazzling touch of the fastest banking practice of. Prime Bank is outcome of exciting banking software where I relished the expertise.



3.5 SYSTEM DEPARTMENT

PC Bank opened up the door of new horizon for the smarter, better and faster banking. The arenas covered by the PC BANK are as follows:

CD: CURRENT	FC: FOREIGN CURRENCY
SB: SAVING	LN: LOAN AND ADVANCES
STD: SHORT TERM DEPOSIT	SS: SAVING AND SCHEME
FDR: FIXED DEPOSIT	BCD: BEARER CERTIFICATE DEPOSIT

System information

This option of PC BANK comprises some crucial aspects for the bank, which are deciding factors for the bank. This option lets the bank calculate interest rate, government tax, service charge, and service charge. The options of system are as follows:

- ☼ Set up branch code
- ☼ Set up parameter file
- ☼ Set up overdraft limit
- ☼ List of overdraft limit
- ☼ Set up currency file
- ☼ Maintain user password
- ☼ Set up report parameter
- ☼ Group of company information
- ☼ System password

Online

Online setup sub menu allows the lets the bank officers edit information of existing accounts or close an account or mark an account as freeze, stop payment or reactivate the stop or freeze account. The features of online are:

- @ New Accounts
- @ Maintaining existing account
- @ Inquirers
- @ Instant statement
- @ Add or delete stop payment
- @ Mark clearing cheque
- @ Maintain series
- @ Enter instructions
- @ Interest on demand
- @ Alpha search
- @ Standing order
- @ Term loan

Transaction input

Transaction input sub menu of PC Bank lets the officers enter new transaction and check a transaction in multiple way. The convenient features held by transaction input are as follows:



- Ω Enter transaction
- Ω List transaction
- Ω Edit transaction
- Ω Display transaction
- Ω Total transaction

Update

The update sub menu lets the bank officers update balances of the account in the customer master file and preparing amount for general ledger interface.

- ☼ Update all
- ☼ Update transaction
- ☼ Update clearing
- ☼ Update quick clearing

Report

The report sub menu helps the bank generate daily reports, management reports and customers advice.

- ☼ Daily report
- ☼ Management report
- ☼ Customer advice
- ☼ Quarterly report
- ☼ Optional report

Statement

The statement sub menu is used to generate customer statement of all type of applications. It can easily provide any record of specified account and balances. This sub menu can print out statement of any year.

- ☼ Cyclic
- ☼ On demand
- ☼ Up to date statement

Period Process

Period process is another vital sub menu of PC bank as it is useful for calculating and applying interest to the customer account and debit incidental, service charge, excise duty from customer account.

- Month end processing
- Yearly end processing
- Debit charge
- Print interest report
- Interest report of classified advances

General Ledger

The General ledger sub menu is crucial to maintain the books of accounts of the bank. This menu can generate chart of account definition, balance sheet, income and expenditure statement and statement of affairs.

- GL parameter
- GL transaction



- GL update
- CL report
- CL report
- GL statement
- CL period process

Bills and Registers

The bills and registers sub menu let's the bank issue, collect, cancel or point bills instruments.

- Bills Payable
- Letter of guarantee
- FC/TC register
- Back up and restore

The back up and restore sub menu is very vital for taking data backup and restoring them when necessary.

- Back up
- Format
- Restore
- Listing

Day start process

The day start sub menu lets the bank initialize transaction data files and run necessary processes. The features of this menu are as follows:

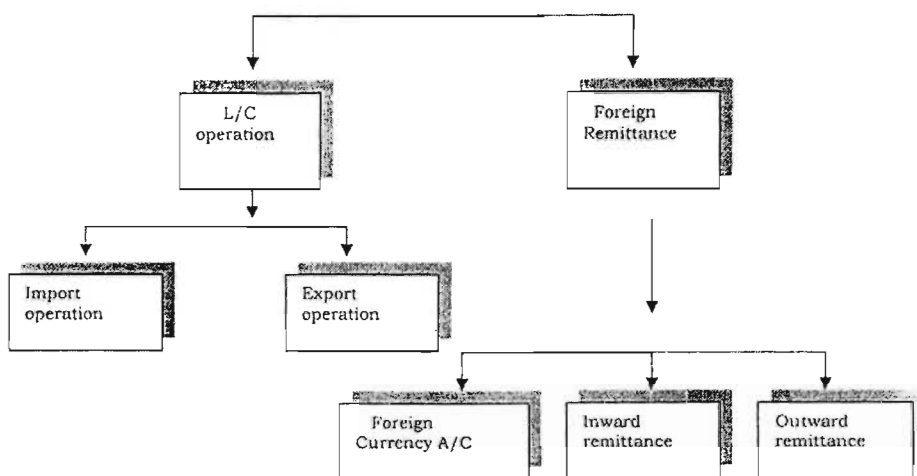
- Initialize new accounts
- Initialize new clearing cheque
- Initialize GL transaction
- Initialize all transaction
- Processing of standing order
- Process matured FDR
- Process monthly benefit deposit
- Process matured BCD
- Process matured DPS
- Process for dormant and inoperative.



3.6 Foreign Exchange Department

Foreign Exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency. The foreign exchange department PBL Branch office is playing an important role in enhancing export earning, which aids economic growth and, will be helpful for economic boost. On the other hand, it also helps to meet those goods and services, which are more demanding and not adequate in our country.

Foreign Exchange Department of PBL Branch



The banks cover by its activities all the important trading commercial centers of the country. Almost all the important branches are equipped with computers in addition to the modern facilities and logistics and professionally competent manpower. The bank covers by its activities all the important trading and commercial centers of the country. As on June 30, 2006 it has 65 branches within Bangladesh.

Foreign exchange department of **PBL** Bangladesh Branch has been divided into two sections:

1. Foreign Remittance
2. L/C Operation

Before going to detailed discourse let's discuss some inevitable terms.

Some important terms on foreign exchange

Letter of Credit

Letter of credit can be defined as a "Credit Contract" whereby the buyer's bank is committed (on behalf of the buyers) to place an agreed amount of money at the seller's disposal under some agreed conditions. Since the agreed conditions include amongst other things, the



presentation of some specified documents, the letter of credit is called Documentary letter of credit. The uniform customs and practices for documentary (UCPDC) published by international Chamber of Commerce (1993) revision, publication no 500 define Documentary Credit:

FORMS OF DOCUMENTARY CREDIT

1. Revocable Credit

A revocable credit is one where the issuing banks at liberty to revoke i.e. cancels the credit at any time. According to UCPDC, a revocable credit may amend or cancelled by the issuing bank at any moment and without prior notice to the beneficiary before shipment of consignment against the [IC.

2. Irrevocable Credit:

An irrevocable L/C is one, which can not be revoked, amended or modified by the bank with the concurrence of the interested parties.

Parties involved in the process of Letter of Credit:

Importer (Buyer)/Applicant

The Issuing Bank (Opening Bank)

The Advising Bank/Notifying Bank

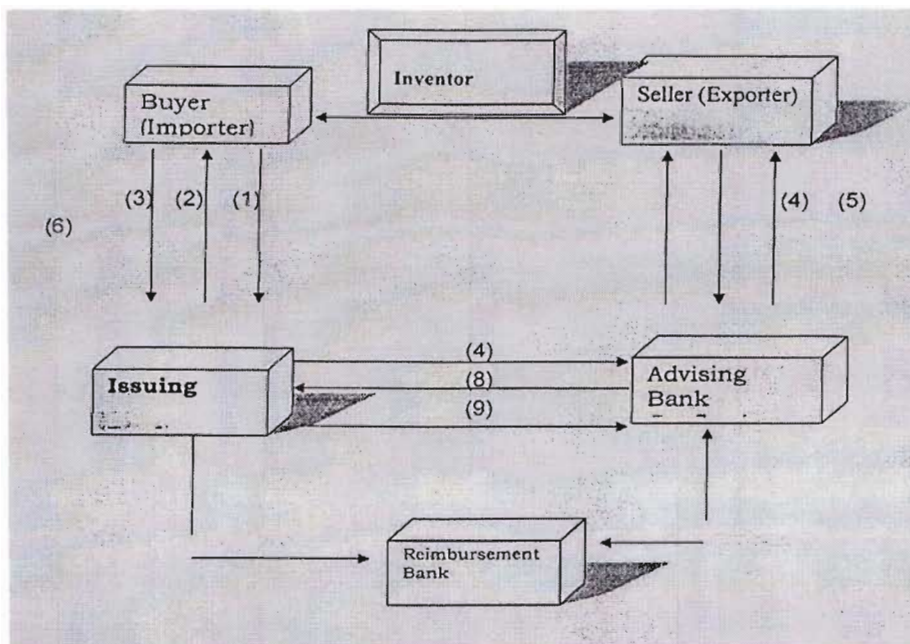
Exporter! Seller (Beneficiary)

Confirming Bank.

Negotiating Bank.

The Paying/Reimbursing/Accepting/Remitting Bank.

Mechanism of L/C operation



- Legends:**
1. L/C opening.
 2. Present Document



3. Payment against Document
4. Confirming [/C
5. Submit Documents
6. Makes Payment
7. Issue L/C
8. Forward Document
9. Makes Payment

Import section

Import section deals with L/C opening and post import financing i.e. LIM & LIR. Now the procedure from opening L/C to disbursement against L/C is given below:

Application for Opening L / C

At first, an importer will request banker to open L/C along with the following documents.

- An application
- Indent or Proforma Invoice
- Import Registration Certificate (IRC)
- Taxpayer's Identification Number (TIN)
- Insurance cover note with money receipt
- A bank account in PBL Bangshal Br
- Membership of chamber of commerce

Indent or Proforma Invoice

Indent or Proforma Invoice is the sale contract between seller and buyer in export- import business. There is slight difference between indent and Proforma invoice. The sales contract, which is direct correspondence between Exporter and importer, is called Proforma invoice.

Delivered forms by banker to importer

After scrutinizing above-mentioned documents carefully, officer delivers the following forms to be filled up by importer and banker should check:

- Whether the goods to be imported is permissible or not.
- Whether the goods to be imported is demanding or not.

PREPARATION OF L/C BY BANKER:

Bank's officer prepares L/C when above mentioned forms are to be submitted by customer or importer. Before preparing L/C PBL officer scrutinizes the application in the following manner.

1. The terms and conditions of the LIC must be complied with UCPDC 500 and Exchange Control & Import Trade Regulation.
2. Eligibility of the goods to be imported.
3. The L/C must not be opened in favor of the importer.
4. Radioactivity report in case of food item.

Desk work

- One debit voucher to be passed.
- Corresponding credit vouchers to be passed. (margin, commission, postage, stamp, F.F.C. and others.)



- Liability voucher to be passed.
- The L/C Confirming process:



Forwarding Documentary Credit By Advising Or Confirming Bank

There are usually two banks involved in a documentary credit operation. The issuing bank and the 2nd bank, the advising bank, is usually a bank in the seller's country. The issuing bank asks another bank to advise or confirm the credit. If the 2nd bank is simply "advising the credit", it will mention that when it forwards the credit to seller, such a bank is under no commitment or obligation to pay the seller. If the advising bank is also "confirming the credit", this mention that the confirming bank, regardless of any other consideration, must pay accept or negotiate without recourse to seller. Then the bank is called confirming bank also.

Submission of necessary documents by exporter to the negotiating bank:

As soon as the seller/exporter receives the credit and is satisfied that he can meet its terms and conditions, he is in position to load the goods and dispatch them. The seller then sends the documents evidencing the shipment to the bank. Exporter will submit those documents in accordance with the terms and conditions as mentioned in [/C. Generally the documents observed by me in the foreign exchange department are:

- Bill of exchange
- Commercial invoice
- Bill of lading
- Certificate of origin
- Packing list
- Clean report of finding (CRF)
- Weight list
- Insurance cover note
- Pre-shipment certificate

Some inevitable notions involved in foreign exchange:

Bill of exchange

According to the section 05, Negotiable Instruments (NI) Act-1881, A "bill of exchange" is an instrument in writing containing an unconditional order signed by the maker, directing a certain person to pay [on demand or at fixed or determinable future time] a certain sum of money only to or to the order of a certain person or to the bearer of the instrument. It may be



either at sight or certain day sight. At sight means making payment whenever documents will reach in the issuing bank.

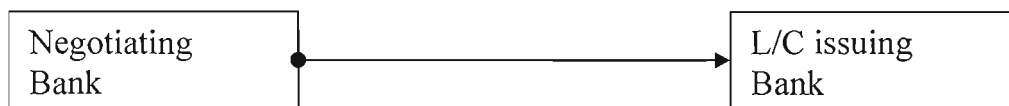
Commercial Invoice

Commercial invoice issued by exporter is the accounting document by which the seller charges the goods to buyer.

Bill of lading

A bill of lading is a document usually stipulated in a credit when exporter dispatches the goods. It is an evidence of a contract of carriage, is a receipt for the goods and is a document of title to goods. It also constitutes a document that is or may be, needed to support an insurance claim. The Documents Sent to the Issuing Bank through the negotiating Bank. The negotiating bank carefully checks the documents provided by the exporter against the credit, and if the documents meet all the requirement of the credit, the bank will pay, accept, or negotiate in accordance with the terms and conditions of the credit. Then the bank sends the documents to the L/C opening bank.

SENDING L/C DOCUMENTS



MAKING THE PAYMENT OF FOREIGN BILL THROUGH THE REIMBURSING BANK

The L/C issuing bank getting the documents checks immediately and if they are in order and meet the credit requirements; it will arrange to make payment against L/C through reimbursement bank and will send the importer the document arrival notice.

LODGMET & RETIREMENT OF SHIPPING DOCUMENTS

After scrutinizing the import negotiating document, if no discrepancy are found then it is treated to be accepted after the end of seven banking day following the day of receipt of the document under “Article 1(b) of UCPDC —500”. If any discrepancy is found then the banker inform it to the importer that whether he accept bills with discrepancies or not. If the importer does not accept, the banker (PBL) informs it to the negotiating bank within seven banking days from the date of receipt of the documents, otherwise it is treated to be accepted and the opening bank PBL) must bound to pay against the bill and no complain against the bill will be accepted more than 4 banking days following the date of receipt of the documents under article no. K1 (d) & article no. 14(c) of the UCPDC-500.

Post-import financing

If there is no available in cash in importer’s hand, he can request the bank to grant loan against the documents for the purpose of post import finance. There are two following forms of post import finance available in PBL Br.

LIM (Loan against imported merchandise).

LTR (Loan against trust receipt).



3.7 EXPORT SECTION

PBL is running exciting as well lively export to deliver the surplus product to other country and thereby earns huge amount of foreign currency. Payment for goods exported from Bangladesh should be received through an Authorized Dealer in freely convertible foreign currency or in Bangladesh Taka from a Non- Resident Account.

Parties to Export Transactions

- (a) L/C Issuing Bank
- (b) Importer
- (c) L/C Advising Bank
- (d) Exporter
- (e) Confirming Bank (If any)
- (f) Negotiating Bank
- (g) The paying/Reimbursing Bank

Export L/C

Export L/Cs are issued by a foreign bank favoring Bangladeshi exports through our banks having correspondent relationship with them.

L/C:

A) Advising of Export L/C:

The advising bank getting the import [IC sent by the issuing bank located abroad will advise the L/C to the beneficiary without any engagement or responsibly on their part. It will see the following only:

- a) Authenticity of L/C (Test agreed in case of Telex L/C and signature verified in case (air mail L/C).
- b) Merchandise specified in the L/C is permissible and clauses incorporated in the L/C are not against country's regulations.

B) Add Confirmation of Export L/C:

Bank may add additional confirmation to export L/C where there is specific instruction from the [IC issuing bank to do so. Additional confirmation of L/C gives the seller a double assurance of payment. Bank's requirement of adding confirmation:

- I. Issuing Bank should be a reputed bank.
- II. Credit Line/Arrangement with the L/C issuing bank.
- III. LIC clause are to be acceptable to confirming bank
- IV. Approvals from the competent authority for adding confirmation of export L/C.
- V. Confirmation charges are to be recovered as per rules.

C) Negotiating of Export L/C:





Documents/papers to be submitted by exporter to bank for negotiation/collection against export [IC. the exporter submit the documents to bank as per requirement of bank. List of export documents is as follows:

- Export L/C
- EXP Form
- Bill of exchange
- Invoice
- Bill of Lading
- Packing List
- Certificate of Origin
- Inspection Certificate
- Insurance Document
- Weight List
- Any other documents as per [IC

Bank must scrutinize all the documents stipulated in the credit with reasonable care to ascertain whether they confirm with the terms and conditions or not. If the documents are drawn strictly in terms of the credit, the bank may negotiate and pay the value of export bill to the exporter at:

- OD buying rate (Sight Draft)
- Usance rate (For DA Bill)
- Appropriate rate for DP Bill

Export Financing

Financing of export credits is made in two stages:

1. Pre-shipment stage.
2. Post-shipment stage

Packing Credit: (Pre-shipment financing)

Packing credit is a short-term advance granted by a bank to an exporter against valid export L/C contract for the purpose of purchase of materials or finished goods or manufacturing, processing, packing, transporting up to ware house/port of shipment etc, of exportable for export.

Back-to-Back L/C: (Pre-shipment financing)

Back-to-back [IC means one credit backs another credit. It is new credit in favor of another beneficiary. Sometimes beneficiary/seller of a credit himself is unable to supply goods specified in the [IC and required to purchase from another supplier by opening second credit. Besides, the normal formalities and requirements (for L/C opening) the following formalities and documents are also required for opening back-to back L/C:

- 1) Master L/C
- 2) Valid bonded ware house license
- 3) Quota allocation for quota items
- 4) ERC in addition to IRC



- 5) Indemnity/undertaking
- 6) No objection from previous banker (if any)
- 7) Factory inspection certificate
- 8) BGMEA Membership

Vouchers and accounting treatments are the same normal L/C opening except margin. In this case, no margin is taken by the bank. After lodgment, maturity date of the import bill is intimated to foreign bank as per L/C terms. The documents are delivered to the order of opener duly indorsed for clearance of goods from custom authority. Goods are cleared through approved clearing and forwarding agent of the bank.

Payment of Import Bills

Payment of the import bills is at maturity from the relative export proceeds repatriated. The required foreign exchange for payment of import bills is kept in a separate account, out of repatriated proceeds of relative export. Party-wise and export L/C-wise funds are kept in FBPAR (Foreign Bills Awaiting Remittance) account from export proceeds for payment of bills at maturity.

Foreign Remittance Department

'Foreign remittance' means purchase and sale of freely convertible foreign currencies as admissible under Exchange Control Regulations of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitutes outward foreign remittance. Key Functions of foreign remittance department. The prime functions of the foreign exchange department are as follows:

- Overall supervision of Foreign Remit. Dept.
- Correspondence to Nostro Account.
- Checking of all Batches.
- Assist in preparation of IBCA/IBDA etc.
- Compliance of Audit & Inspection.
- Issuance of outward TT & FDD.
- Statement & all related works regarding deposit of Bangladesh Bank.
- convertible Taka Accounts.
- Preparation of IBCA & IBDA and Balancing of Collection and other special assignment as desired by Department in charge.
- Student Case handling & preparation of related statements (Head Office and Bangladesh Bank). –

Foreign Remittance Department deals with the following instruments,

- Foreign demand draft (FDD)
- Telegraphic Transfer (T.T.)
- Travelers Check (TC)

We see that there are two types of Foreign Remittance:

- a. Foreign Inward Remittance.
- b. Foreign Outward Remittance.



3.8 Islamic Banking Activities

Islamic Mode of Operation

Prime Bank Limited has started its operation as a Conventional Bank in April 1995. But pretty soon afterwards, within few months, the Bank has taken up the Challenge to start Islami Banking Operations. The Challenge is not so much as in operating Islamic Banking but in maintaining both the forms in Parallel. From its inception as an Islami Bank the bank has proven itself to be worthy of its slogan of 'Bank with a Difference', through successful operation of Islami Banking.

Prime Bank has started its Islami Banking operation through its first Branch being inaugurated at 19, Dilkusha C/A, Dhaka on 18 December 1995. Since then it has so far has established four more branches at different locations in the Country. Because of its popularity and management's commitment toward social well being gradual expansion of Prime Bank's Islami Banking operations is assured. Following are the salient features of Islamic Banking, as is practiced in Prime Bank Limited:

01. All activities are conducted according to Islamic Shariah.
02. Interest free monetary operations.
03. Building partnership relation between the Bank and its customers.
04. Following Islamic principles in its investment portfolio.
05. While investing special consideration to social needs is given.
06. Through small and long term deposit schemes providing hope to the poor income group of the society.
07. Client service centric banking, through which making the clients feel special.
08. Conduct welfare activates etc.

Service Portfolio

Prime Bank provides following services under Islami Banking:

- ☼ Deposit
- ☼ Investment
- ☼ Foreign Trade
- ☼ Remittance and Fund Transfer



Prime Bank Limited
A bank with difference

PART FOUR

Financial Statement Analysis of Prime Bank Ltd



4.1 INTRODUCTION

Financial Statement Analysis allows comparison of one firm to another. Since financial statement ratio analysis looks at relationship inside the firm, a firm of one size can be directly compared to a second industry / firm (or a collection of industries/firms), which may be larger or smaller or even in a different business. Financial Statement Analysis is a method of comparison not dependent on the size of either firm. Financial Statement Analysis provides a broader basis for comparison than do raw numbers. However, ratios on their own, without year-to-year or other industry/firm comparative ratios are of little use in judging the health or future of the industry/firm being analyzed.

4.2 Objective of Financial Statement Analysis

- * Explain why Financial Statement Analysis is needed.
- * Discuss the General Principles of the financial reporting system
- * Review the elements of the FASB s conceptual framework.
- * Briefly describe the principal financial statement:
 - * Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows, & statement of Stockholder's Equity.
- * Discuss the Usefulness of Financial Statement footnotes & supplementary data.
- * Describe the usefulness of the Management Discussion and Analysis & other sources of financial information

4.3 The Financial Reporting System

The Accounting process or financial reporting system, which generates financial information for external users, encompasses five principal financial statements:

1. Balance sheet (statement of financial position)
2. Income statement (statement of earnings)
3. Statement of stockholders' equity
4. Statement of cash flows
5. Statement of comprehensive income



4.4 Financial Highlight

(Figure in million)

Sl #	Particulars	2001	2002	2003	2004	2005
01.	Authorized Capital	1000.00	1000.00	1000.00	1000.00	4000.00
02.	Paid-up Capital	500.00	600.00	700.00	1000.00	1400.00
03.	Reserve Fund	761.43	807.92	602.89	815.89	1055.98
04.	Equity Fund	1258.26	1526.41	1781.86	2239.80	2808.00
05.	Deposits	13259.87	16481.60	20483.23	28069.24	36022.46
06.	Loans & Advances	9074.94	12686.85	16492.22	23219.67	31916.11
07.	Investments	1703.74	1996.23	2749.71	3083.81	3939.50
08.	Foreign Exchange Business	27614.20	31753.70	41930.80	56248.80	69185.00
	Import	13427.60	19564.00	25440.70	36747.00	40303.00
	Export	14186.60	12189.70	16490.10	19501.80	28882.00
09.	Guarantee Business	2175.00	3659.30	4247.73	4085.15	5302.80
10.	Operating Income	1987.58	2250.96	1593.69	1970.37	2406.43
11.	Operating Expenditure	1231.49	1503.12	592.28	824.23	886.09
12.	Operating Profit	756.09	747.84	1001.41	1146.14	1520.34
13.	Net Profit before tax after provision	705.09	696.84	769.91	1064.24	1200.83
14.	Fixed Assets	174.27	218.50	265.17	321.68	372.12
15.	Total Assets	15736.94	19358.93	24249.13	32361.62	41506.29
16.	Dividend : Cash	30%	20%	20%	—	—
	Bonus	1:5	1:6	3 : 7	2:5	1:4
17.	Book Value per Share	221.65	234.81	233.12	223.98	200.57
18.	Earnings per Share	96.60	59.73	37.55	43.71	40.59
19.	Market Value per Share	409.50	307.51	374.25	879.50	681.50
20.	Number of Employees	613	730	777	894	1024
21.	Number of Branches	26	27	30	36	41
22.	Number of Shareholders	1081	1727	1993	2620	4467
23.	Number of Foreign Correspondents	398	422	441	501	517
24.	Capital Adequacy Ratio	17.50%	12.44%	11.92%	10.74%	9.96%
25.	Return on Assets	3.38%	2.38%	1.72%	2.16%	1.54%
26.	Loans as % of total Deposits	67%	77%	78%	81%	89%
27.	Ratio of Classified Loans to Total Loans	1.13%	1.48%	1.98%	1.52%	0.96%



4.5 Measuring the performance of PBL.

Comparative Balance Sheet Prime Bank Ltd

	2002	2003	2004	2005
Property, plant and Equipment				
Cash:	1,366,744,576	1,133,517,980	2,247,699,221	3,350,640,854
Balance with other banks and financial institutions:	2,189,509,401	2,527,281,383	1,653,795,077	403,023,839
Money at call and short notice	630,000,000	420,000,000	1,180,000,000	1,180,000,000
Investment:	1,996,233,000	2,749,709,400	3,083,812,400	3,939,495,059
Loans and advances:	12,686,845,330	16,492,224,405	23,219,673,305	31,916,112,508
Fixed assets	218,496,496	265,168,372	321,681,640	372,118,317
Other assets	271,096,821	661,229,102	654,955,145	344,898,190
Total assets	19,358,925,624	24,249,130,642	32,361,616,788	41,506,288,767
Liabilities and capital:				
Liabilities:				
Borrowing from other banks, financial institutions and agents	730,000,000	566,763,000	383,734,000	945,369,978
Deposits and other accounts:	16,481,597,989	20,483,225,521	28,069,242,650	36,022,455,081
Other liabilities	620,919,514	1,417,278,553	1,668,838,226	1,730,465,510
Total liabilities	17,832,517,503	22,467,267,074	30,121,814,876	38,698,290,569
Capital/shareholders' equity:				
Paid up capital	600,000,000	700,000,000	1,000,000,000	1,400,000,000
Share premium account	256,464,400	0	0	0
Proposed cash dividend	120,000,000	154,000,000	0	0
Proposed issue of bonus shares	100,000,000	300,000,000	400,000,000	0
Statutory reserve	448,925,103	602,907,103	815,811,128	1,055,977,985
Other reserves		0	0	0
Retained earnings	1,018,618	24,956,465	23,990,784	352,020,213
Total shareholders' equity	1,526,408,121	1,781,863,568	2,239,801,912	2,807,998,198
Total liabilities and shareholders' equity	19,358,925,624	24,249,130,642	32,361,616,788	41,506,288,767



**Common Size Balance Sheet
 Prime Bank Ltd**

	2002	2003	2004	2005
	%	%	%	%
Property, plant and Equipment				
Cash:	7.06	4.67	6.95	8.07
Balance with other banks and financial institutions:	11.31	10.42	5.11	0.97
Money at call and short notice	3.25	1.73	3.65	2.84
Investment:	10.31	11.34	9.53	9.49
Loans and advances:	65.53	68.01	71.75	76.89
Fixed assets	1.13	1.09	0.99	0.90
Other assets	1.40	2.73	2.02	0.83
Total assets	100	100	100	100
Liabilities and capital:				
Liabilities:				
Borrowing from other banks, financial institutions and agent	3.77	2.34	1.19	2.28
Deposits and other accounts:	85.14	84.47	86.74	86.79
Other liabilities	3.21	5.84	5.16	4.17
Total liabilities	92.12	92.65	93.08	93.23
Capital/shareholders' equity:				
Paid up capital	3.10	2.89	3.09	3.37
Share premium account	1.32	0.00	0.00	0.00
Proposed cash dividend	0.62	0.64	0.00	0.00
Proposed issue of bonus shares	0.52	1.24	1.24	0.00
Statutory reserve	2.32	2.49	2.52	2.54
Other reserves	0.00	0.00	0.00	0.00
Retained earnings	0.01	0.10	0.07	0.85
Total shareholders' equity	7.88	7.35	6.92	6.77
Total liabilities and shareholders' equity	100	100	100	100



Interpretation of Common-Size Balance Sheet

Common Size balance sheet is shown all balance sheet components as percentage of total assets. In 2005, **PBL** was in a strong position as compare with 2002, 2003 and 2004. In 2005, Cash and Cash equivalents was 8.07% which was 7.06%, 4.67%, 6.95 in 2002, 2003 and 2004 respectively. The current asset in 2002 is 21.62 %, which is highest if we compare it with 2003 (16.82%), 2004(15.71%) and 2005 (11.88%). In 2005, Investment (Govt. & Others) was 9.49%, which is lowest as compare with 2002 (10.31%), 2003 (11.34%) and 2004 (9.53%), so which ultimately reduce the profitability of the Bank but, it increases the cash amount (liquidity increased). In 2005, loans and advances was 76.89% which is highest as compare to 2002 (65.53%), 2003 (68.01%), and 2004 (71.75%).The fixed assets of the bank was 1.13%, 1.09% and 0.99% in 2002, 2003 and 2004 , but in 2005 the fixed assets of the bank is 0.90% which indicates in this year , the bank give more loans and advances. In 2005, **PBL** was borrowing from other banks, financial institutions and agents such as in 2002 (3.77%), 2003 (2.34%), 2004 (1.19%) and 2005 (2.28%). In 2005, **PBL** collects its fund from the customer as Deposits and other accounts was 86.79% which is highest as compare to 2002 (85.14%), 2003 (84.47%), and 2004 (86.74%). In 2005, the total liability for **PBL** was 93.23% which is highest as compare to 2002 (92.12%), 2003 (92.65%), and 2004 (93.08%).The Paid up capital for the bank was 3.10%, 2.89%, 3.09% and 3.37% in 2002, 2003, 2004 and 2005 respectively. In 2005, Retained earnings was 0.85% which is highest as compare to 2002 (0.01%), 2003 (0.10%), and 2004 (0.07%). These differences may be due to the bank wants to expand its business. The total shareholders' equity of the bank was 7.88%, 7.35%, 6.92% and 6.77% in 2002, 2003, 2004 and 2005 respectively.



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Comparative Income Statement Prime Bank Ltd

	2002	2003	2004	2005
Interest Income	1,619,809,988	2,187,939,275	2,640,910,158	3,445,519,545
Interest paid on deposit, borrowing, etc	1,054,759,548	1,407,521,835	1,616,184,117	2,271,009,603
Net Interest Income(gross profit)	565,050,440	751,143,138	1,024,726,040	1,174,509,942
Total operating income	1,196,200,990	1,592,214,991	1,970,365,485	2,406,430,811
Total operating expense	448,356,364	590,804,544	825,227,141	886,089,649
Profit before provisions	747,844,626	1,001,410,447	1,146,138,344	1,520,341,162
Total provisions	51,000,000	231,500,000	81,900,000	319,506,876
Profit before tax	696,844,626	769,910,447	1,064,238,344	1,200,834,286
Provision for corporate tax:	278,700,000	394,455,000	452,300,000	632,638,000
Net Profit after tax	418,144,626	375,455,447	611,938,344	568,196,286



**Common-Size Income Statement
Prime Bank Ltd**

	2002	2003	2004	2005
	%	%	%	%
Interest Income	100	100	100	100
Interest paid on deposit, borrowing, etc	65	64	61	66
Net Interest Income(gross profit)	54	53	63	52
Total operating income	74	73	75	70
Total operating expense	28	27	31	26
Profit before provisions	46	46	43	44
Total provisions	3	11	3	9
Profit before tax	43	35	40	35
Provision for corporate tax:	17	18	17	18
Net Profit after tax	26	17	23	16



Interpretation of Common-Size Income Statement

In 2004 , Operating Expenses was highest which was 31%, whereas in 2002, 2003 and 2005 it was 28%, 27% and 26% respectively. As the operating expenses was highest in 2004, that's why Gross profit was less in 2004 2002 as compare with 2002, 2003 and 2005.

Operating profit was lowest in 2005 (70%) as compare to 2002 (74%), 2003(73%), and 2004 (75%). The reason may be Marketing and Administrative expenses, Amortization of Deferred Expenses and Depreciation on Fixed Assets was high in 2005.

Non-Operating Income was relatively high in 2005. And Net Profit before Tax was relatively high in 2002 (43%) as compare to 2003 (35%), 2004 (40%), and 2005 (35%).

Provision for Income Tax was different for all four (4) years such as in 2002 (17%), 2003 (18 %), 2004 (40%) and 2005 (18 %). And Net Profit in 2002, 2003, 2004 and 2005 was 26%, 17%, 23% and 16% respectively.

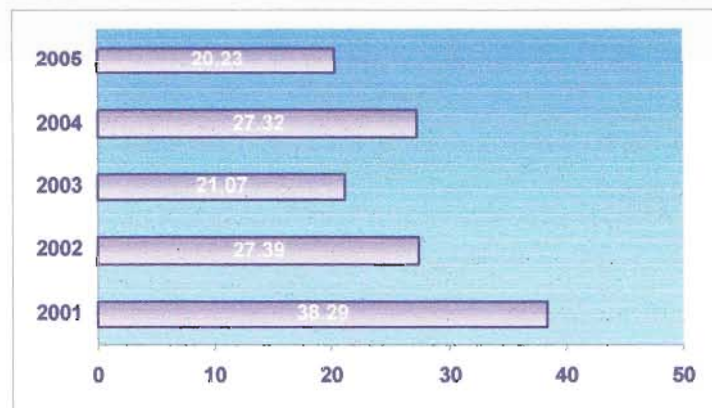
4.6 Ratio and Trend Analysis:

Profitability Analysis

Item	2005	2004	2003	2002	2001
	%	%	%	%	%
Return on equity (ROE)	20.23	27.32	21.07	27.39	38.29
Return on Asset (ROA)	1.37	1.89	1.55	2.16	3.07
Net interest Margin	2.83	3.17	3.22	2.92	3.07
Net non-interest Margin	2.97	2.92	3.35	3.26	3.83
Net Bank Operating Margin	23.61	31.06	23.56	34.96	43.90
Earning per share	14. 20	61.19	37.55	41.81	48.29

Return on equity (ROE):

Return on equity (ROE)	%
2001	38.29
2002	27.39
2003	21.07
2004	27.32
2005	20.23

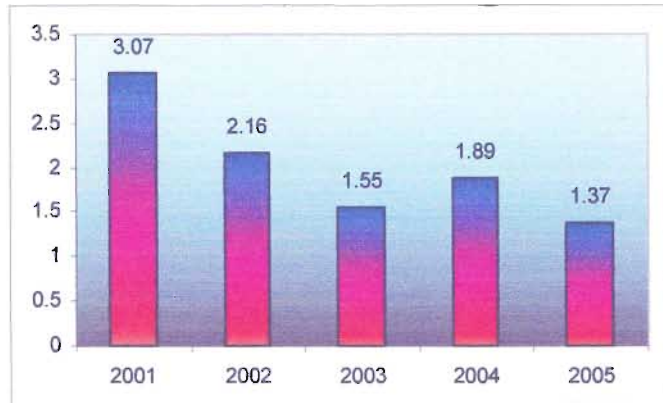


Comments:

ROE is an indicator of performance in terms of total equity capital. It is the rate of return flowing to the bank's shareholders. The net benefit investors have received from investing their capital in Bank. The ROE ratio of Prime Bank Ltd (PBL) was 38.29%, 27.39%, 21.07%, 27.39% and 20.23% for 2001, 2002, 2003, 2004 and 2005 respectively. By comparing the ROE of five years we can say that the Bank's ROE has been decreased. It indicates that their net income after tax has been decrease for the shareholders of **PBL**. This is shown with the help of trend analysis. From the trend analysis, we have found that ROE has increased in 2001 due to the increase in the net income after tax, but has fallen again in 2005 because net income after tax has fallen and equity capital has increased.

Return on Assets (ROA):

Return on Asset (ROA)	%
2001	3.07
2002	2.16
2003	1.55
2004	1.89
2005	1.37

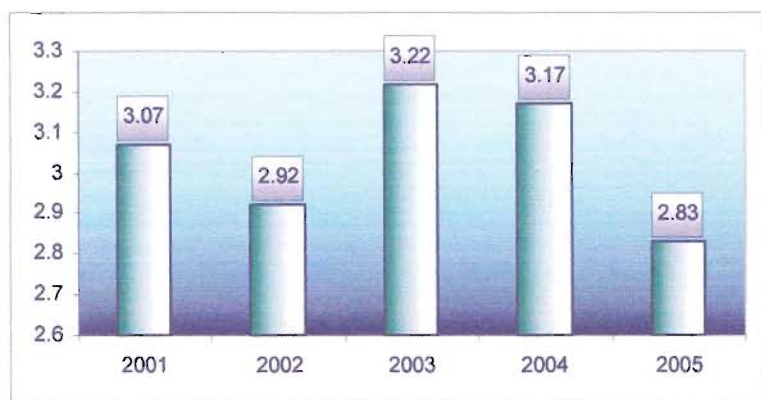


Comments:

The Return on the asset is primarily indicator of managerial efficiency. It indicates how successfully the management has been converting the firm's assets into net earning. By comparing the ROA of **PBL**, we can say that ROA has decreased constantly which indicates Prime Bank's management efficiency has been declines as a result; in 2005 the ROA ratio was the lowest compare to previous years. From the trend analysis we can say that ROA has increased in 2001 but has fallen in 2005, because net profit after taxes and provision decreased and the total asset increased.

Net Interest Margin (NIM):

Net interest Margin	%
2001	3.07
2002	2.92
2003	3.22
2004	3.17
2005	2.83



Comments:

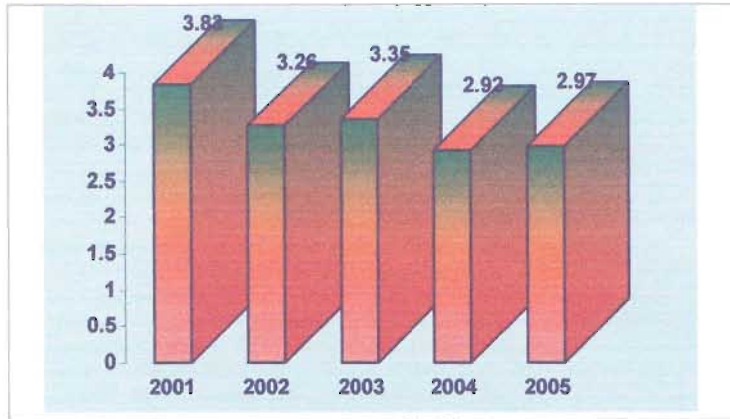
NIM measures how large a spread between interest revenues and interest costs management has been able to achieve by close control over the bank's earning assets and the pursuit of the cheapest sources of funding. Prime Bank's Net Interest Margin was 3.07%, 2.92%, 3.22%, 3.17% and 2.83% for 2001, 2002, 2003, 2004 and 2005. After comparing the Net Interest Margin of this Bank we can say that Interest revenue has also decrease as compare to their



total assets in 2005. From the trend analysis we can say that NIM has increased in 2003, 2004 but has fallen in 2005.

Net Non Interest Margin (NNIM):

Net non-interest Margin	%
2001	3.83
2002	3.26
2003	3.35
2004	2.92
2005	2.97



Comments:

It measures the amount of non- interest revenue stemming from deposit service charges and other service fees the bank has been able to collect relative to the amount of non-interest costs incurred(including salaries and wages, repair and maintenance cost on bank facilities and loan loss expense). From this trend analysis we have seen that the NNIM of PBL's decreased significantly during 2004-2005 because the bank's non -interest expense increased comparative to non-interest income. This is due to the fact that the number of branches and the number of employees has increased during this period. The construction of those branches and the training of new employees increased the non-interest expenses. As our calculation we have found that Prime Bank's Net Non Interest Margin was 2.92% for 2004 and 2.97% for 2005. So we can easily say that though their interest margin has decline their non interest margin has increase on total assets.

Net Bank Operating Margin:

Net Bank Operating Margin	%
2001	43.90
2002	34.96
2003	23.56
2004	31.06
2005	23.61

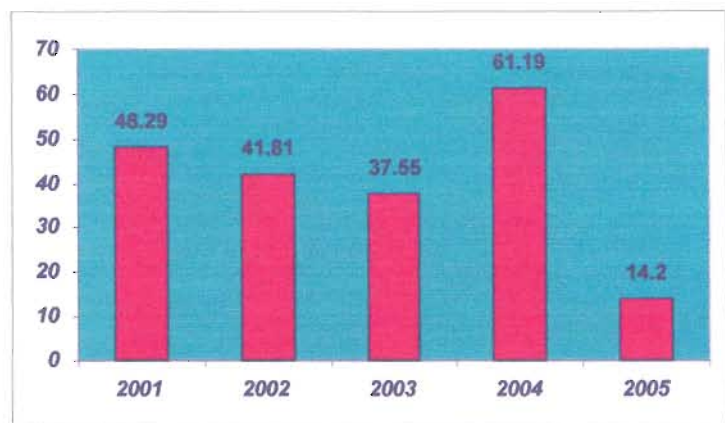


Comments:

Net Bank Operating Margin (NBOM) measures the spread between operating revenue and expenses in terms of total assets. It also measures the bank's income from routine recurring source of revenue relative to bank's total resources. By comparing five years Net Operating Margin, we can say that income from recurring sources has decreased in 2005. From the trend analysis we have found that, the net bank operating margin increased in 2001, but declined in 2002, 2003, 2004 and 2005.

Earning per share:

Earning per share	%
2001	48.29
2002	41.81
2003	37.55
2004	61.19
2005	14.20



Comments:

EPS is a direct measure of returns flowing to the Bank's owners, relative to the number of share sold to the public. Prime Bank's EPS was 48.29%, 41.81%, 37.55%, 61.19% and 14.20% for 2001, 2002, 2003, 2004 and 2005 respectively. EPS of PBL has declined very seriously in 2005 compare to other four years. This decline is mainly for increasing numbers of ordinary shares through issuance of bonus share (4000 bonus share) and increase in loan losses provision. From the above diagram we have found that Earning Per Share has increased in 2004 because net income after taxes has increased, but the decrease in 2005 due to issue of new shares.

Breaking Down of ROE

Item	2005	2004	2003	2002	2001
Net profit Margin	23.61%	31.06%	23.56%	34.96%	43.90%
Banks degree of asset utilization	5.80%	6.09%	6.57%	6.18%	6.99%
The banks equity multiplier	14.78	14.45	13.61	12.68	12.48

Comments:

Now we look forward to find out what was the reason behind the increment in ROE for the bank. As we know the ROE depends on Net Profit Margin, Asset Utilization and Equity



Multiplier, this clearly indicates the higher Net Profit Margin, Asset Utilization and Equity Multiplier boost up the ROE for the bank. Intrinsically that indicates the bank is very efficient in expense management and in designing asset- portfolio structure and implemented a good financing policy. In 2004 the net bank operating margin was 31.06% of the total asset which is decreased to 23.61% in 2005. Banks degree of asset utilization: They have earned 6.09% operating revenue in 2004 by using total asset which is decreased by 0.29% during 2005. The banks equity multiplier: In 2005 the banks equity multiplier is 14.78 that means BDT 14.78 is supported by BDT 1 of the equity capital. By the equity multiplier ratio we can see that it is substantially higher that means the risk of the failure is also high. As the risk is higher so the banks profit margin is also higher.

RISK ANALYSIS

Risk to banker or the manager of nonblank financial institution means the perceived uncertainty associate with a particular event. Banker and the managers of other financial institutions are concern with six main types of risk.

1. **Credit Risk**
2. **Liquidity Risk**
3. **Market Risk**
4. **Interest Risk**
5. **Earning Risk**
6. **Capital Risk**

Each of these risks can threaten a Bank's solvency and long run survival.

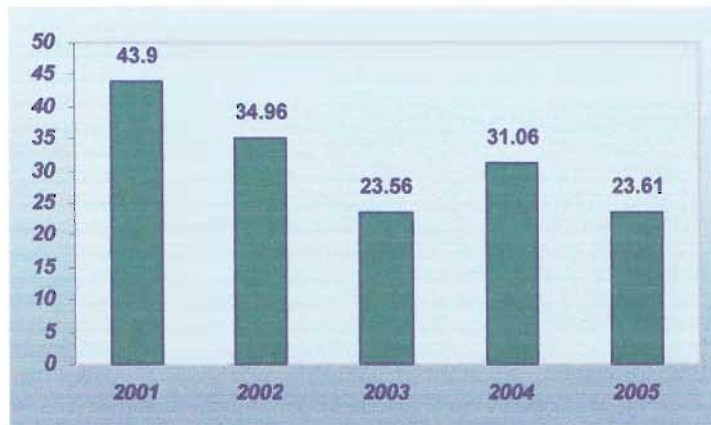
MEASURING CREDIT RISK

Measuring Credit Risk	2005	2004	2003	2002	2001
Nonperforming Loan / Total Loans	1.06	1.66	42.45	1.67	1.40
Net Charge - Offs / Total Loans	0.00	0.41	0.00	0.00	0.00
Provision for Loan Losses / Total Loans	1.10	0.38	1.59	0.45	0.93
Provision for Loan Losses / Equity Capital	11.38	3.66	12.99	3.34	5.31
Allowance for Loan Losses / Total Loans	0.00	0.00	0.00	0.00	0.00
Allowance for Loan Losses / Total Equity capital	0.00	0.00	0.00	0.00	0.00
Total Loans / Total Deposits	80.49	77.08	70.44	69.90	56.02



Nonperforming Loan / Total Loans

Nonperforming Loan / Total Loans	%
2001	43.90
2002	34.96
2003	23.56
2004	31.06
2005	23.61

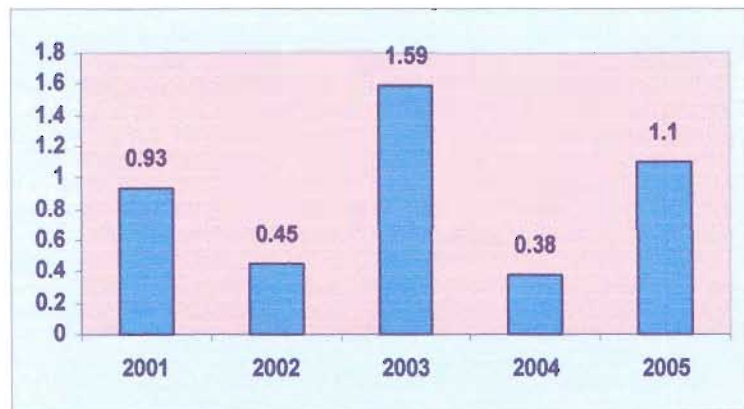


Comments:

From the above ratio, we can observe the proportion of Non-performing loans against Total loans has come down during the year (2005) which indicates that the credit risk of the bank also came down. In 2005 and 2003, the credit risk of PBL was lower because at that time these ratios were lower. From the trend analysis we can say that this ratio has highest in 2001 but has fallen in 2003 and 2005, because net profit after taxes and provision decreased and the total asset increased.

Provision for Loan Losses / Total Loans

Provision for Loan Losses / Total Loans	%
2001	0.93
2002	0.45
2003	1.59
2004	0.38
2005	1.10



Comments:

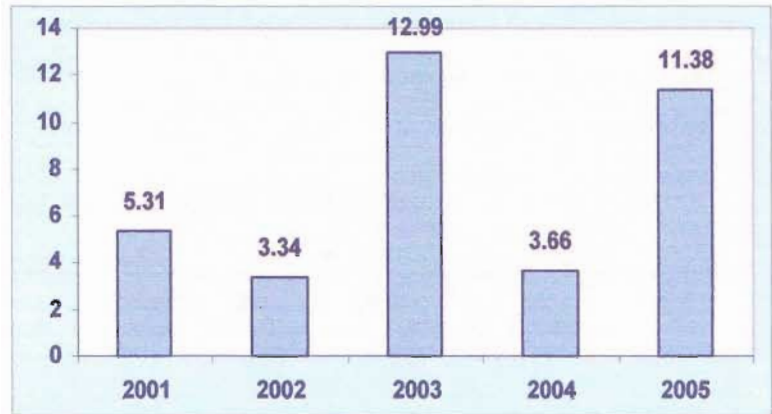
Provision for Loan Losses indicates the loan that has low chance to get back from the borrower but still have a hope to get back the amount. Prime Bank's provision for loan losses has the lowest in 2004 (0.38%), which indicates in this year the credit risk for PBL was lowest. From the trend analysis we can say that this ratio has higher in 2001, 2003 and 2005



but has fallen in 2002 and 2004, because net profit after taxes and provision decreased and the total asset increased.

Provision for Loan Losses / Equity Capital

Provision for Loan Losses / Total Loans	%
2001	5.31
2002	3.34
2003	12.99
2004	3.66
2005	11.38

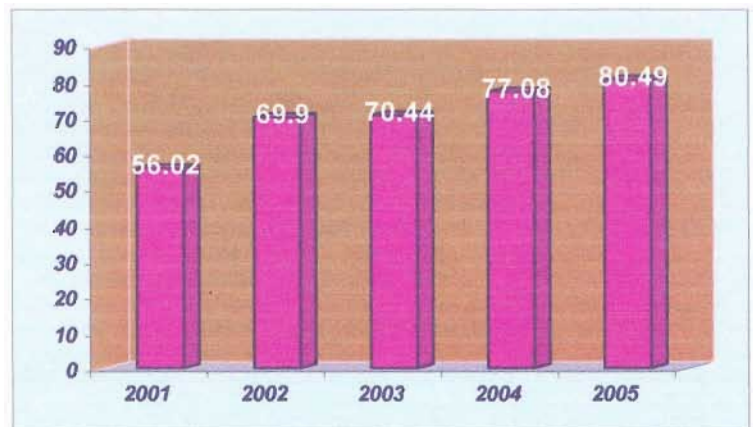


Comments:

Provision for Loan Losses indicates the loan that has low chance to get back from the borrower but still have a hope to get back the amount. Prime Bank's provision for loan losses were 5.31%, 3.34%, 12.99%, 3.66% and 11.38 for 2001, 2002, 2003, 2004 and 2005 respectively of total Equity Capital that indicates that Bank's loan losses risk has increased in 2005 as compare to 2004. From the trend analysis we can say that this ratio has highest in 2003 and 2005 but has fallen in 2001, 2002 and 2004.

Total Loans / Total Deposits

Total Loans / Total Deposits	%
2001	56.02
2002	69.90
2003	70.44
2004	77.08
2005	80.49





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Comments:

Loans are usually among the riskiest of all assets for Bank and other depository institutions, and deposits must be carefully protected. Prime Bank’s total loan was 69.90%, 70.44%, 77.08% and 80.49% in 2002, 2003, 2004 and 2005 of their total deposits, which indicates their loan demand is less then their deposits. They have some deposited amounts as liquid assets. From the trend analysis we can say that this ratio has the highest in 2005 because the loan demand is less then their deposits.

MEASURING LIQUIDITY RISK

Measuring Liquidity Risk	2005	2004	2003	2002	2001
Purchased Funds / Total Assets	6.77	5.97	7.94	12.13	8.68
Net Loans / Total Assets	69.86	65.78	60.07	58.10	45.97
Cash & Due From Banks / Total Assets	8.07	6.95	4.67	5.83	4.57
Cash & Govt. Securities / Total Assets	17.28	16.13	15.53	15.81	56.14

Purchased Funds / Total Assets

Purchased Funds / Total Assets	%
2001	8.68
2002	12.13
2003	7.94
2004	5.97
2005	6.77



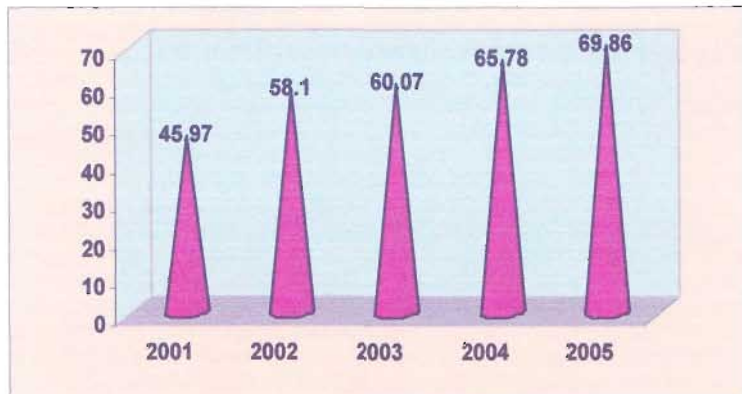
Comments:

Purchased funds mean non-deposit source of funds. Purchased funds increase the chance of liquidity crisis in the event deposit withdraws rise or loan demand increased. Prime Bank’s purchase funds was 8.68 %, 12.13%, 7.94%, 5.97% and 6.77% for 2001, 2002, 2003, 2004 and 2005 respectively, which indicate that bank had very low liquidity risk for 2004 as

compare to 2005. PBL has the highest liquidity risk in 2002 because in this ratio is higher. From the trend analysis we can say that this ratio has the high in 2005 as compare to 2004 because deposit withdraws and loan demand is increased.

Net Loans / Total Assets

Net Loans / Total Assets	%
2001	45.97
2002	58.10
2003	60.07
2004	65.78
2005	69.86

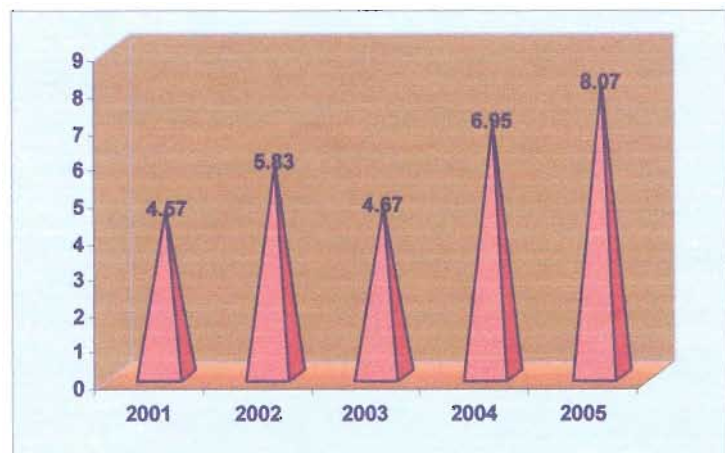


Comments:

From the above analysis of liquidity risk measurement of the bank, we can see that, Net loans against Total Assets have increased over the years which reduced the liquidity risk level of the bank. Prime Bank's net loan was 45.97%, 58.10 %, 60.07 %, 65.78 % and 69.86 % for 2001, 2002, 2003, 2004 and 2005 respectively of total assets, which was continuously increased. From the trend analysis we can say that this ratio has highest in 2005 as compare to other five years which indicates that PBL has the highest liquidity risk in that year.

Cash & Due from Banks / Total Assets

Cash & Due From Banks / Total Assets	%
2001	4.57
2002	5.83
2003	4.67
2004	6.95
2005	8.07

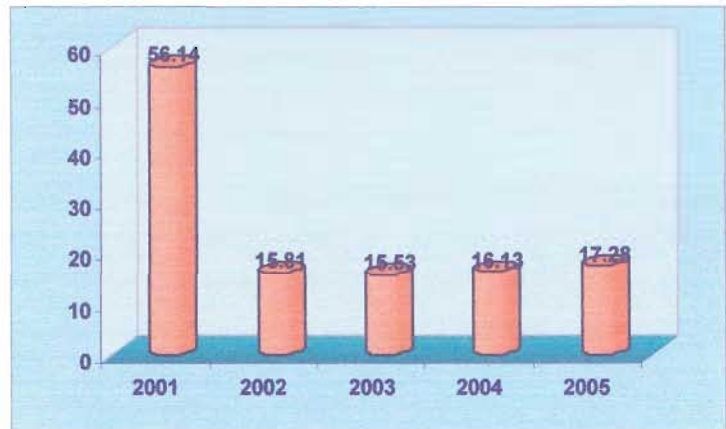


Comments:

Commercial banks maintain adequate level of cash as liquid assets for response to request to customers for withdraws and quality loan. In 2005, Prime Bank has maintained higher cash and due from Banks as compare to other five years which indicates. From the trend analysis we can say that this ratio has highest in 2005 as compare to other five years which indicates that PBL has the lowest liquidity risk in that year. Higher this ratio means lower liquidity risk

Cash & Govt. Securities / Total Assets

Cash & Govt. Securities / Total Assets	%
2001	56.14
2002	15.81
2003	15.53
2004	16.13
2005	17.28



Comments:

If Prime Bank wants maintain lower liquidity risk, it should lower this ratio. As the Cash & Govt. securities / Total Assets has decreased in the later years which go against the bank's favor considering liquidity risk. From the trend analysis we can say that this ratio has highest in 2001 as compare to other five years which indicates that PBL has the lowest liquidity risk in that year. In 2005, this ratio is lower than 2001 which indicates PBL poses higher liquidity risk in 2005

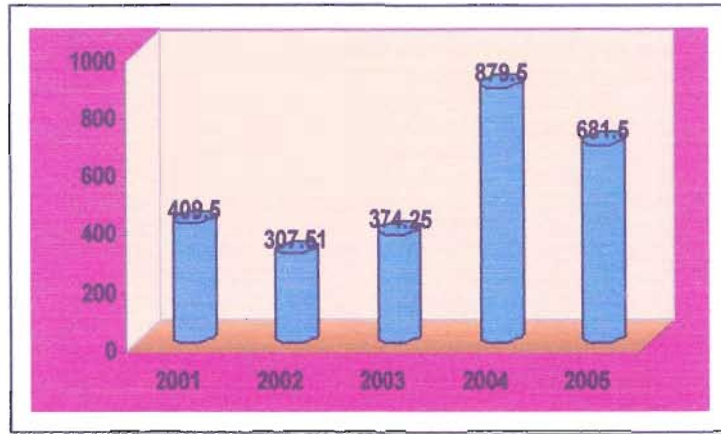
MEASURING MARKET RISK

Item	Comments
Book-Value of Assets/ Market Value of Assets	No sufficient information is given in the Annual report
Book-Value of Equity/ Market Value of Equity	No sufficient information is given in the Annual report
Book-Value of Bonds/Market Value of Bonds	No sufficient information is given in the Annual report
Market Value of Preferred Stock and Common Stock	No sufficient information is given about preferred stock in the Annual report



Market Value of Preferred Stock and Common Stock

Market Value of Preferred Stock and Common Stock	Taka
2001	409.50
2002	307.51
2003	374.25
2004	879.50
2005	681.50



Comments: Prime Bank has only Common stock. Stock price reflects investor’s perceptions, risk exposure and other potentials. Prime Bank’s Market value of Common Stock was Tk. 409.50, Tk. 307.51, Tk. 374.25, Tk. 879.50 and Tk. 681.50 for 2001, 2002, 2003, 2004 and 2005. It indicates that their market value decreased in 2005 as compared to 2004. So it is not good for the bank to invest because they are doing not so well respectively. Investors also have to consider the lower percentage of declared Dividend. Because if the bank has declared high dividend in recent year it indicates they have only showing that their financial condition is good, actually it is not true. From the trend analysis we can say that this ratio has the highest in 2004 as compare to other five years which indicates that PBL has very good financial situation in that year. In 2005, this ratio is lower than 2004 which indicates PBL should try to increase its common stock price.

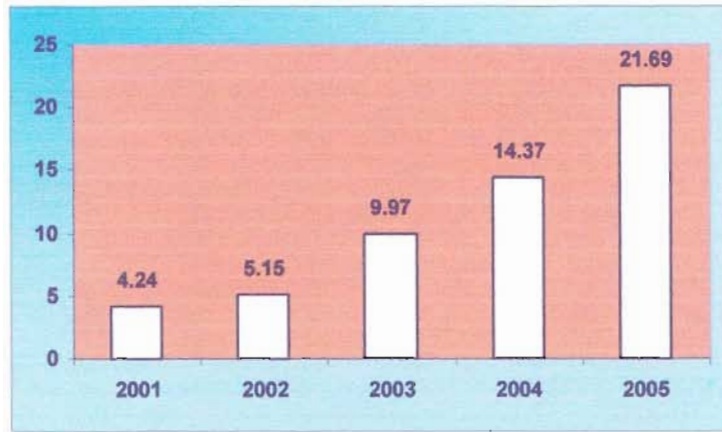
MEASURING CAPITAL RISK

Item	2005	2004	2003	2002	2001
	%	%	%	%	%
Stock Price/Earnings Per Share	21.69	14.37	9.97	5.15	4.24
Equity Capital/Total Assets	6.77	6.92	7.35	7.88	8.02
Purchased Funds/Total Liabilities	7.26	6.42	8.57	12.68	9.43
Equity Capital/Risk Assets	13.30	14.49	39.19	45.66	66.70



Stock Price/Earnings Per Share

Stock Price/Earnings Per Share	%
2001	4.24
2002	5.15
2003	9.97
2004	14.37
2005	21.69

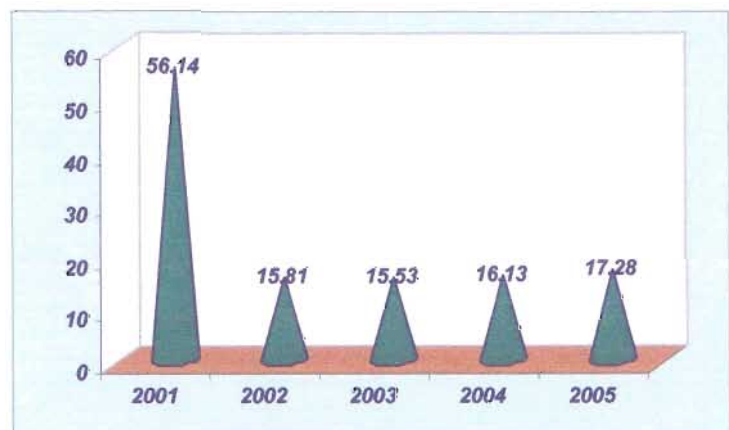


Comments:

The price earning ratio for the bank was higher in 2005 due to lower EPS in that year. The ratio lower in the earlier years which indicates that the bank is exposed to higher capital risk, but actually this happened due to increase in EPS during the earlier years not due to fall in share price. So the real capital risk position of the bank is ok. From the trend analysis we can say that this ratio has the highest in 2005 as compare to other five years which indicates that PBL has the lowest capital risk in that year as their stock price was higher as compare to their earning per share.

Equity Capital/Total Assets

Equity Capital/Total Assets	%
2001	56.14
2002	15.81
2003	15.53
2004	16.13
2005	17.28



Comments:

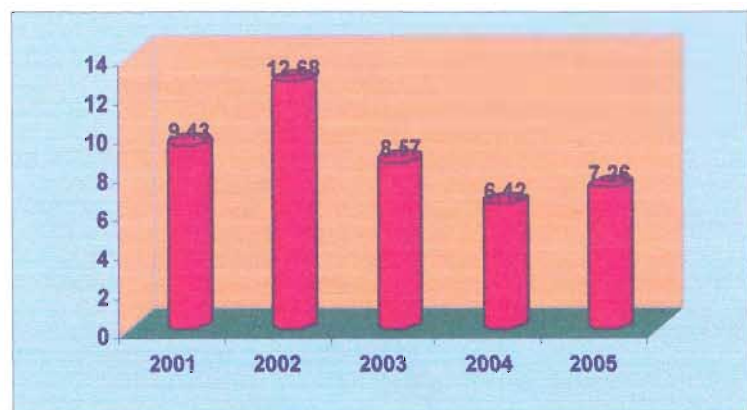
Equity Capital/Total Assets ratio has increased during the year which supports the bank's favorable position considering capital risk. If a bank has large amounts of equity and lower



liabilities on their Assets, the bank has lower capital risk, because in the time of failure, it can cover it by its equity capital. Equity Capital/Total Assets ratio of Prime Bank showing that their equity capital ratio was strong for 2005 as compare to other four years. From the trend analysis we can say that this ratio has the highest in 2005 as compare to other four years which indicates that PBL has the lowest capital risk in that year.

Purchased Funds/Total Liabilities

Purchased Funds/Total Liabilities	%
2001	9.43
2002	12.68
2003	8.57
2004	6.42
2005	7.26

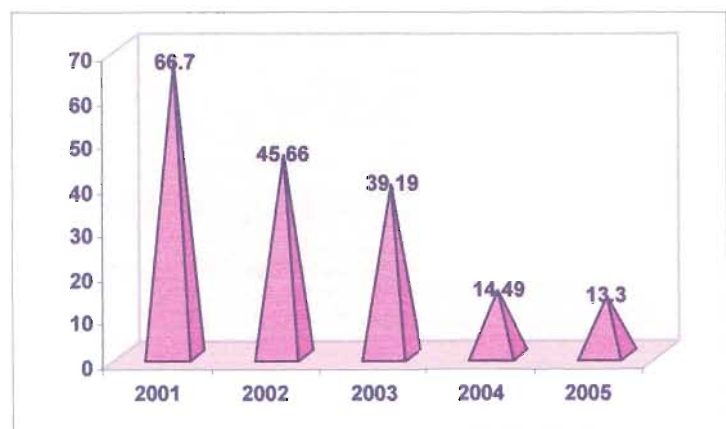


Comments:

If a commercial bank has higher purchased funds on their liabilities that bank has more capital risk. Calculation presenting that PBL had more risk in 2002 as compare to other four years. From the trend analysis we can say that this ratio has lower in 2005 as compare to 2002 2003 and 2004 which indicates that PBL has the lowest capital risk in that year.

Equity Capital/Risk Assets

Equity Capital/Risk Assets	%
2001	66.70
2002	45.66
2003	39.19
2004	14.49
2005	13.30





Comments:

If a commercial bank has higher equity capital, it has lower risk. To cover the risky assets, commercial bank must have to higher equity capital to lower the risk exposure. Calculation of Prime Bank’s ratio of equity capital and risky assets was higher for 2001, which means they had less exposure of capital risk in 2001 as compare to 2002, 2003, 2004 and 2005. From the trend analysis we can say that this ratio has lower in 2005 as compare to 2001, 2002 2003 and 2004 which indicates that PBL has the highest capital risk in that year.

MEASURING Interest rate risk

Item	2005	2004	2003	2002	2001
Interest Sensitive Assets/Interest Sensitive Liabilities	No sufficient information is given in the Annual Report				
Uninsured Deposits/Total Deposits	No sufficient information is given in the Annual Report				

Interest Sensitive Assets/Interest Sensitive Liabilities

Comments:

Under interest sensitive assets / interest sensitive liabilities ratio, we can say that their

$ISA > ISL =$ Positive Gap (as ratio is Grater then 1)

If PBL has the above situation, which indicates PBL has higher interest rate risk, because if the market interest rate decline, their income would also reduce by a significant level.

$ISA < ISL =$ Negative Gap (as ratio is Less than 1)

If PBL has the above situation, which indicates PBL has lower interest rate risk, because if the market interest rate decline, their income would also reduce by a lower level.

Uninsured Deposits/Total Deposits

Comments: Uninsured Deposits are Government and Corporate deposits. This deposits are very much interest sensitive. They withdraw their deposits if they gat higher yield from others bank.



MEASURING Earning Risk

-1

The risk to a commercial bank's bottom line –its net income after all expenses are covered— is known as Earning Risk. Among the most popular measures of earning risk are the following such as-

1. Standard Deviation of Net Income
2. Standard Deviation of ROE
3. Standard Deviation of ROA

By using SPSS software, we easily calculate the Standard Deviation of Net Income, ROE and ROA

Standard Deviation of Net Income

Mean=491343961.20

Standard Deviation= 99130527.46

Comments:

As we know, higher the ratio higher risk for the bank. After calculating the Standard Deviation of net income for the Prime Bank, we have seen that their deviation of income was quit high for five years as a result; the earning risk for PBL is also high.

Standard Deviation of ROE

Mean= 26.856

Standard Deviation= 7.221

Comments:

Standard Deviation of ROE for the five year is not so large. It is good signal for investors who wants to buy share, because the equity holder will have a stable income. Though Standard Deviation of ROE is small, the earning risk for PBL is also small.

Standard Deviation of ROA

Mean= 2.014

Standard Deviation= .660



Comments:

Standard Deviation of ROA showing a very good results because their Standard Deviation very closes to zero, which implies the lower earning risk exposure.

4.7 Decisions:

After analyzing the performance evaluation through ratio we have gotten a very clear picture of Prime Bank. PBL is high profitable company. They are conducting their business almost perfectly. Prime Bank is one of the largest capital based Bank in Bangladesh. Their Asset, Liability and Equity combination is very sound. They maintain a strong capital position. Total shareholder's equity for the bank was 2808 million for 2005. They have also ensured that to have readily available funds to meet its obligations by managing cash flows and liquid assets through Assets Liability Management. Their operating income has increased. They are playing a fair game. Bank has played a significant role in accelerating economy in our country providing qualified loans to different areas of business and that flourished income.

Prime Bank is a well performing Bank. Their Profitability and Risk ratio showing a sound picture of this company, So It will be a good decision to make accounting relationship with this company. Investors can hold their share and new investor can invest with a great hope.



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PART FIVE

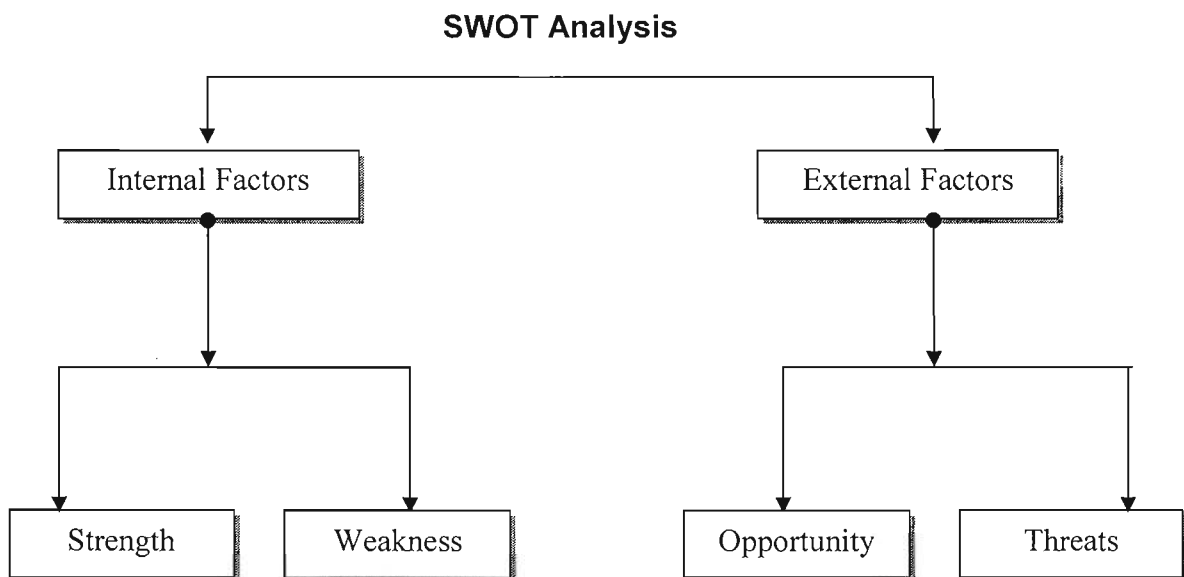
SWOT ANALYSIS





5.1 SWOT ANALYSIS:

Not surprisingly, in the competitive arena of marketing era SWOT analysis is a must based on Product, Price, Place and Promotion of a financial institute like private bank. From the SWOT analysis we can figure out ongoing scenario of the bank. So to have a better view of the present banking practices of PBL did the SWOT analysis.



In SWOT analysis two factors act as prime movers

- Internal factors which are prevailing inside the concern which include Strength and weakness.
- On the other hand another factor is external factors which act as opportunity and threat.



⊖ Strengths

- **PBL** is a very old commercial bank in banking sector, they builds strong reputation in time.
- The top management of the bank, the key strength for the **PBL** has contributed heavily towards the growth and development of the bank.
- Strong network through out the country and provide quality of service to every level of customer.
- **PBL** has been founded by a group of prominent entrepreneurs of the country.
- The corporate culture of **PBL** is very much interactive compare to our other local organization.
- Membership with SWIFT
- Usage of faster pc bank software
- Strong Financial Position
- Efficient administration. and fewer default loan.
- Good banker-customer relationship and Energetic as well as smart work force.
- Strong position in CAMEL rating.

⊕ Weakness:

- Advertising and promotion is one of the weak points of **PBL**. It does not have any effective plan for aggressive marketing activities.
- Lots of inexpert and laggard assistant officers and existing manual vouchers.
- Entrance of new private banks.
- Lack of consumer credit scheme and packing credit
- At the entry level and mid level officer's experience considerable low remuneration packages that some other local banks.



- There is a very little practice for increasing motivation in the workers by the management.

☉ Opportunity:

- **PBL** can pursue diversification strategy in expanding its current line of business. The management can consider options for starting merchant banking or diversity in to leasing and insurance. By expanding business portfolio, **PBL** can shrink business risk.
- The credit facility offered by **PBL** has attracted security and status conscious businessmen and well as service holders with higher income group.
- **PBL** can evaluate the option of launching ATM and Credit card system.
- **PBL** should move towards the On-line banking operations. It is high time that they should go for this because some banks are already in to the On-line banking operation.
- Enter new markets or segments.
- Expand product line to meet broader range of customer need.

☉ Threats

- The Central Bank exercises strict control over all banking activities in local banks like **PBL**. Some times the restriction impose barrier in the normal operations and policies of the bank.
- Rival bank easily copy the product offering of **PBL**. Therefore, the bank is in continuous of product innovation to gain temporary advantage over its Competitors.
- Sometime political loans are the threat for this banking service.



- The worldwide trend of mergers and acquisition in financial institutions is causing concentration the industry and competitors are increasing in power in their respective areas.
- As previously mentioned, the World is advancing towards e-technology very fast. Through **PBL** has taken effort to join the stream; it is not possible to complete the mission due to the poor technological infrastructure of our country.
- Frequent Taka Devaluation and foreign exchange rate fluctuations and particularly Southeast Asian currency crisis adversely affects the business globally.
- Due to existence of unsaved demand in financial sector, it is expects that more financial institutions will introduced in the industry very shortly, and we have already seen such cases in our country that lots of new banks are coming in the scenario with new services. **PBL** should always be prepared for the competition in the coming years.
- Political unrest.



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PART SIX

Recommendations And Conclusion



6.1 RECOMMENDATIONS

- ✓ Reduce stress from service personnel by increasing their number it will also bring speed in service delivery.
- ✓ Service people can instruct customer about how they can get their job done quickly it will also reduce their stress.
- ✓ Services should be targeted to wards small account holders too.
- ✓ Number of tellers both in cash area and remittance area should be increased.
- ✓ Tellers should be categorized in terms of major types of accounts
- ✓ Reduce interest of different loan.
- ✓ Have bigger branch premises for increased number of customer.
- ✓ More sitting arrangement should be made.
- ✓ Automatic teller machines should be serviced properly.
- ✓ Number of branches should be increased.
- ✓ All Branch should be authorized to operate the "student file"
- ✓ Priority suit should setup in the branch to provide quick and better service to valued and important customers.
- ✓ Need to speed up processing of loan application.
- ✓ Bank must introduce new service time to time.
- ✓ IT should be controlled properly and last but not the least
- ✓ Immediately need to improve on line banking.

Perhaps not all of those recommended suggestions are possible to implement in the short-run. However to improve their service quality **PBL** bank does need to take these suggestions and complains seriously and work on it. It is also worth mentioning that some of the above suggestions can be taken care of at branch level. For example, complains about service personnel can be handles at branch level and can be implementing in the short-run.



6.2 Conclusion:

Their reputation for quality enables them to stay one step ahead of the competition Prime Bank's market standing today reflects a commitment to continually upgrade their capabilities and quality of services to meet client needs and rapidly changing market conditions.

Their culture values tie long-term relationships above short-term transactions. This is reflected in the diverse range of capabilities provided to clients. Whether our clients need to finance short term working capital or long term investment; to manage currency, interest rate or commodity fluctuations; to efficiently manage their cash positions or securities portfolios, they can rely on Prime Bank, the leading Emerging Markets bank.

Consumer banking is quite a new concept in banking history, especially in Bangladesh. With the growing number of local private banks competing for customers, **PBL** cannot hold on to their expected customer base with only the reputation of an old bank. It also has to maintain its service quality and they have to keep upgrading their service as well. Since the banking industry of our country is very competitive, one might want to add and innovate newer product and service to their line. It will help the bank in two ways, firstly they can keep their existing customer feel interested about bank's product and services and secondly this strategy will help them to add more and more new customer to their portfolio. The bank has more customers in its portfolio to look after. To keep up the expectations of these customers they have to take all the necessary measures because if the customers feel that they are not getting proper treatment, they will definitely leave the bank.



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PART SEVEN

Appendices



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THE END