

**AN INTERNSHIP REPORT**  
**ON**  
**Financial Performance Analysis of Prime Bank Limited**

This report is submitted to the faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University as a partial requirement for the fulfillment of degree of Master of Business Administration (Evening) Program.

**SUBMITTED BY**

**Md. Fardous Ahmad**

Student ID: E130502005

MBA (Evening) 2<sup>nd</sup> Batch

Major in Finance

Faculty of Business Studies

HSTU, Dinajpur

**SUBMITTED TO**

**Dr. Md. Zahangir Kabir**

Associate Professor

Department of Management

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HSTU, Dinajpur



**FACULTY OF BUSINESS STUDIES**  
**HAJEE MOHAMMAD DANEH SCIENCE AND TECHNOLOGY**  
**UNIVERSITY, DINAJPUR-5200**

**MAY, 2016**

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**Approved by-**

**Ms. Jesmin Ara**

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**Dr. Md. Zahangir Kabir**

Associate Professor and Supervisor  
Department of Management  
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HSTU, Dinajpur

**Hajee Mohammad Danesh Science and Technology University, Dinajpur**

**May, 2016**

# Letter of Transmittal

Dated: May 04, 2016

**To**

**Dr. Md. Zahangir Kabir**

Associate Professor

Department of Management

HSTU, Dinajpur

**Subject: Submission of Internship Report on “Financial Performance Analysis of Prime Bank Limited”.**

**Dear Sir,**

I am highly delighted to submit the internship report on my 45 days long internship program in Prime Bank Limited at Dinajpur Branch. The title of the report is **“Financial Performance Analysis of Prime Bank Limited”**. This report has been prepared to fulfill the requirement of the internship program in Prime Bank Limited.

It has been an interesting and very enlightening experience for me to work in Prime Bank Limited- Dinajpur Branch. I have tried my level best to reflect my forty five days long work experience in this report and also tried to make this report a successful one.

I would like to express my sincere gratitude to you for your kind guidance & suggestions in preparing the report. It would be my great pleasure for me if you find my report informative and useful to have an idea of recent state of Prime Bank Limited.

Sincerely yours

**Md. Fardous Ahmad**

Student ID: 130502005

MBA (Evening) 2<sup>nd</sup> Batch

Major In Finance

Faculty of Business Studies

HSTU, Dinajpur

# Acknowledgement

At the very beginning, I would like to express my gratitude to Almighty Allah for giving me the strength to complete the report. Then I would like to express my gratitude to **Md. Rafiqul Islam**, Senior Executive Officer for giving me an opportunity to do internship in Prime Bank Limited, Dinajpur Branch. I am grateful to **Md. Nazmul Haque Prokhor**, Credit In-charge of Prime Bank Limited, Dinajpur Branch.

Last but not the least I am grateful to my honorable faculty and academic supervisor **Dr. Md. Zahangir Kabir**, Associate Professor, Department of Management and Honorable Dean, Faculty of Business Studies, HSTU to support me to create that type of excellence report from where we can learn many things about the Bank.

Finally, my heartiest thank to all my colleagues and seniors of Prime Bank Limited Dinajpur Branch for helping me throughout the report. And I also thank them for their cordial co-operation and guidance in all the way to do my internship and to prepare this report.

# Abstract

As a fully licensed commercial bank, Prime Bank Limited is being managed by a highly professional and dedicated team with long experience in banking. This report is done based on the 45 days long internship program that I have successfully completed in Prime Bank Limited, Dinajpur Branch from March 6, 2016 to April 20, 2016 as an requirement of MBA program in Hajee Mohammad Danesh Science and Technology University, Dinajpur. Topic of my internship report is-“**Financial Performance Analysis of Prime Bank Limited**”.

This report contains two major parts. In first part I have described my responsibilities during the internship period in Prime Bank Dinajpur Branch. In second part I calculated all basic financial determinants to measure a bank's financial performance in the last five years. They are- Return on Assets (With Breakdown), Return on Equity (With Breakdown), Net Interest Margin, Net Non-interest Margin, Return on Loan, Return on Investment, Earning per Share, Price Earnings Ratio, Dividend Per Share, Return on Deposit, Leverage Ratio, Core Capital, Supplementary Capital, Internal Capital Growth Rate, Loan to Deposit Ratio, Equity to Asset Ratio, Statutory Liquidity Ratio & Cash Reserve Ratio. After completing the calculation, the analysis is done that means according to the change of the ratios at different times I tried to interpret the reasons of the change of the ratios. By analyzing the ratios I figured out some problems. Based on those particular problems I recommend some points which I think will be helpful for Prime Bank Limited to overcome the financial shortcoming. Lastly the conclusion of the report has been done.

# Declaration of Supervisor

I do hereby declare that the concern report entitled “**Financial Performance Analysis of Prime Bank Limited**” has been done by **Mr. Md. Fardous Ahmad**, Student ID:E130502005, MBA (Evening) 2<sup>nd</sup> Batch, Major in Finance, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, completed his internship report under my supervision and guidance and submitted for the partial fulfillment of the requirement of the degree of Master of Business Administration (Evening) at Hajee Mohammad Danesh Science and Technology University, Dinajpur.

Therefore, he is directed to submit his report for evaluation. I wish him success at every spare of his life.

**Dr. Md. Zahangir Kabir**  
Associate Professor  
Department of Management  
&  
Dean  
Faculty of Business Studies  
HSTU, Dinajpur

# Declaration of Co-Supervisor

It's my pleasure to certify that **Mr. Md. Fardous Ahmad**, Student ID:E130502005, MBA (Evening) 2<sup>nd</sup> Batch, Major in Finance, Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur, has successfully completed MBA internship program titled on "**Financial Performance Analysis of Prime Bank Limited**" under my supervision and guidance. He has not copied from any other work.

Therefore, he is directed to submit his report for evaluation. I wish him success at every spare of his life.

**Ms. Jesmin Ara**

Assistant Professor and Co-supervisor  
Department of Finance and Banking  
Faculty of Business Studies  
HSTU, Dinajpur

# Self Declaration

The discussing report is the terminal formalities of the internship program for the degree of Master of Business Administration (Evening), Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur which is compact professional progress rather than specialized. This report has prepared as per academic requirement after successfully completing of 45 days internship program under the supervision of my honorable supervisor **Dr. Md. Zahangir Kabir**, Associate Professor, Department of management and Dean, Faculty of Business Studies, HSTU. It is my pleasure and great privilege to submit my report titled **“Financial Performance Analysis of Prime Bank Limited”** as the presenter of this report; Researcher have tried level best to get together as much information as possible to enrich the report. Researcher believes that it was fascinating experience and it has enriched both my knowledge and experience.

However, after all this, as a human being, researcher believes that no one is beyond of limitations. There might have problems regarding lack and limitations in some aspects and also some minor mistake such as syntax error or typing mistake or lack of information. Please pardon me for that mistake and clarify these of my further information on those matters.

**Md. Fardous Ahmad**  
Student ID: E130502005  
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# List of Abbreviation

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BB	Bangladesh Bank
BID	Business Initiative Direction
BEFTN	Bangladesh Electronic Fund Transfer Network
BACPS	Bangladesh Automated Cheque Processing System
CAMELS	Capital adequacy, Asset quality, Management, Earning, Liquidity and Sensitivity
CSR	Corporate Social Responsibility
CDBL	Central Depository Bangladesh Limited
CSE	Chittagong Stock Exchange
DP	Depository Participant
DSE	Dhaka Stock Exchange
ESP	Education Support Program
EPS	Earnings Per Share
GDP	Gross Development Product
CRR	Cash Reserve Ratio
ISLQ	International Star for Leadership in Quality
MAS	Monetary Authority of Singapore
NIM	Net Interest Margin
PBL	Prime Bank Limited
PBNI	Prime Bank Nursing Institute
PBEH	Prime Bank Eye Hospital
PBCC	Prime Bank Cricket Club
PMI	Pay in Monthly Installment
REPO	Repurchase Agreement
ROA	Return on Asset
ROE	Return on Equity
ROI	Return on Investment
ROD	Return on Deposit
SME	Small and Medium Enterprise
SEC	Securities and Exchange Commission
SWIFT	Society for Worldwide Interbank Financial Telecommunication
SAFA	South Asian Federation of Accountants
SLR	Statutory Liquidity Ratio
UK	United Kingdom

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# Chapter 1

## Introduction

## **1.1 Origin of the Report**

A 45 days internship program with a particular organization and a report assigned by the academic supervisor is mandatory for every student of Master of Business Administration of Hajee Mohammad Danesh Science and Technology University. I got the opportunity to do my internship in “The Prime Bank Limited”-Dinajpur Branch. I started my internship in Prime Bank Limited, Dinajpur Branch on March 06, 2016 to April 20 April 2016. Throughout my internship period Dr. Md. Zahangir Kabir, Associate Professor, HSTU was my academic supervisor and Ms. Jesmin Ara, Assistant Professor, HSTU was my co-supervisor. A report on a particular topic is a mandatory part of the internship program. I was authorized to make a report on the “Financial analysis of Prime Bank Limited”. In this whole report I tried to connect my own financial knowledge to the financial data of Prime Bank Limited. I tried my level best to produce a quality report on “Financial Performance Analysis of Prime Bank Limited”.

## **1.2 Objective of the Report**

### **Broad Objective:**

- Evaluate the corporate financial performance of Prime Bank Limited.

### **Specific Objective:**

- To know the financial performance of Prime Bank Limited in the last five years (2010-2014).
- To present my observation and suggestion to the bank.

## **1.3 Methodology**

This report contains both primary and secondary date. The sources that have been used together and collect data is given below-

### **1.3.1 Primary Sources**

- Personal interview
- Observation

### **1.3.2 Secondary Sources**

- Annual Report of Prime Bank Limited from 2010-2014
- Brochures of Prime Bank Limited
- Newspaper
- Web sites

## **1.4 Limitation of the Report**

It was a great opportunity for me to work in Prime Bank limited as an Intern and a make a report on the financial performance of it but there were surely some limitations while making this report. They are-

- Getting the information and interpreting it, on the basis of my understanding and the implementing it.
- The bank employees are so busy all the time that they could not help me much to interpret the information.
- As I have done this kind of report for the first time and the subject matter is very complex that's why it was difficult to organize the report in a simple manner.
- Besides all these "Time constraint" is another problem for which many aspects of Prime Bank Limited are dropped in this report.

# Chapter 2

## Organization Overview

## **2.1 Overview of Prime Bank**

Prime Bank 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. Prime Bank 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 CAMELS rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation.

As a fully licensed commercial bank, Prime Bank 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 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.

Prime Bank, 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 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 Mission**

To build Prime Bank Limited into an

- Efficient
- Market driven
- Customer focused institution with good corporate governance structure.

### **Continuous improvement in:**

- Business Policies
- Procedure
- Efficient through integration of technology at all levels.

## **2.4 Corporate Philosophy**

### **For customers-**

- To provide the most courteous and efficient service in every aspect of its business.  
To be innovative in the development of new banking products and services,

### **For employees-**

- By promoting good staff morale through proper staff training and development, and provision of opportunities for career development.

### **For shareholders-**

- By forging ahead and consolidating its position as a stable and progressive financial institution.
- By generating profits and fair return on their investment.

### **For community-**

- By assuming our role as a socially responsible corporate citizen in a tangible manner by adhering closely to national policies and objectives thereby contributing towards the progress of the nation.
- By upholding ethical values and best practices.
- Constantly seeking to improve performance by aligning our goals with stakeholder's expectations because we value them.

## **2.5 Strategic Priority**

The strategic priorities of Prime Bank Limited are-

- Maintain satisfactory capital to support and remain compliant.
- Continue to strive for sound growth by doing the business that we do well, expanding into areas undeserved, entering new sectors and exploring innovative ideas.
- Have a strong customer focus and build relationship based on integrity, superior service and mutual benefit
- Continue to provide new services to customers with support of superior information technology platform
- Establishment of good corporate governance by remaining efficient, transparent, professional and accountable to the organization, society and environment.
- Ensure effective risk management for sustainable growth in shareholders' value.
- Diversification of loan portfolio through structured finance and expansion of Retail and SME financing.
- Value and respect people and make decisions based on merit
- Expansion of Brand Image by in-house capacity development through continuous training
- Be responsible, trustworthy and law abiding in all that we do
- Be leader in serving the interest of our community and country.

## **2.6 Ethics, Integrity and Trust**

Banking deals with public money where Ethics, Integrity and Trust is utmost important. Prime Bank upholds these principles in every section by its management and customer service. The following are the key principles of Employee codes of Ethics and Business conduct.

- Provide service to customers with uncompromising integrity, utmost respect, unwavering responsibility and dedicated citizenship.
- Protect privacy and confidentiality of customer information
- Prevent money laundering and fraud
- Demonstrate workplace respect.

## **2.7 Green Banking**

The environmental degradation needs to be tackled in a concerted manner by all. Society demands that business also take responsibility in safeguarding the planet. Prime Bank reinforced its Green banking initiative being a responsible Corporate Citizen.

## **2.8 Credit Rating**

CRISL reaffirmed long term rating of PBL to “AA+” and short term rating to “ST-1” based on financials up to December 31, 2014.

## **2.9 Efficient Capital and Strong Asset Quality**

PBL has a strong capital base and capital adequacy stands at 12.68 percent of risk weighted assets against the regulatory requirement of 10 percent. The bank is also well positioned to maintain capital under Basel-II.

## **2.10 Focused Corporate Strategy**

The bank is focused on few strategic issues encompassing change management in the short to long period through the implementation of various policies, process and activities to ensure continuous, sustainable and qualitative growth, with the sole objective of “Institution Building.” An effective cluster management (Mentorship) program was implemented. Branch management is now being continually exposed to mature thoughts

and ideas through Mentors resulting in qualitative improvement of their business and operational activities.

Organizational and structural changes were made in managing the bank's operations more effectively. Business unit's like-Corporate/Commercial, Retail, SME, and Cards were restructured and established to provide sharper business focus to each of these revenue earning sources. Credit approval, quality and recovery departments were strengthened and separated from simultaneously. Support services to ensure greater customer satisfaction with a wide range of products and services were implemented. New departments like Alternate Delivery Channels, Cards back office, Call centers, operational support were established.

## **2.11 The PBL Brand**

PBL's superior service quality, strong corporate governance has given it an Excellent "Brand Image". To continue to reinforce the PBL brand, Prime Bank is continuously improving its customer service, corporate governance and CSR activities by remaining innovative and caring.

## **2.12 Commitments**

PBL is committed to deliver value to its shareholders. PBL will continue to provide effective and competitive financial solutions and services to its customers. It will continue to enhance the shareholders' value through consistent financial performance and efficient capital management. PBL will foster a strong performance and learning culture that allows the development and talents of its employees so that they can effectively play the role of PBL Brand Ambassador.

## **2.13 Award and Achievements**

Till 2014 Prime Bank Limited is awarded and achieved the following awards-

- 12<sup>th</sup> Bangladesh Awards DHL- The Daily Star.
- The BIZZ 2012 Inspirational Company Award.
- ICAB National Award 2010 for Best Published Accounts and Reports.

- SAFA Award 2010 for Best Published Accounts and Corporate Disclosure in Banking Sector.
- ICMAB Best Corporate Award 2010.
- Prime Bank wins 1st prize in 11th ICAB National Award.
- International Star for Leadership in Quality (ISLQ) award 2010 for Business Initiative Direction (B.I.D) France, Paris.
- SAFA Best Presented Accounts Award 2009.
- SAFA Best Presented Accounts and Corporate Governance Disclosure Award 2009 winner (Banking Sector).
- 10th ICAB National Award for Best Published Accounts and Reports 2009 First (Banking Sector).
- SAFA Best Presented Accounts Award 2008 Joint Winner Banking Financial Sector.
- SAFA Best Presented Accounts Award 2007- Bronze Award (Banking Sector).
- SAFA Best Presented Account Award 3rd Position.
- 10th ICAB National Award 2010 for Best Published Accounts and Reports 2009 Winner (Private Sector) Corporate Governance Disclosure Awards.
- ICMAB Best Corporate Performance Award 2008 First Position (Jointly).
- 9th ICAB National Award 2010 for Best Published Accounts and Reports 2008 (First Prize)
- FNS Award 2005- Best Performing Local Bank.
- ICAB National Award-2004 for Best Published Accounts and Reports First Prize Financial Sector (Banking).
- ICAB National Awards-2003 for Best Published Accounts and Reports Second Prize Financial Sector (Banking).

## **2.14 Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) means a lot for Prime Bank Limited. For this reason Prime Bank Limited has established “Prime Bank Foundation” to execute its corporate social responsibility activities in a greater scale. Prime Bank Limited and Prime Bank Foundation are proud to continue CSR activities for the greater interest of country’s socio economic development.

Prime Bank Limited has a good number of CSR activities for the welfare of their customers, employees, shareholders, communities and environment. They are-

**Investment in Education:** To invest in the education is the first priority in the CSR of Prime Bank Limited. In case of education they have two types of program. They are-

- a) Education Support Program (ESP):** Countless underprivileged, yet meritorious students fail to pursue higher studies due to poverty, the ESP project is designed to support such students through a long term renewable scholarship program. This unique program was launched in 2007 to remove the access barriers faced by many deserving yet destitute students. 2014 marks the 8th year of the program where another 401 underprivileged but meritorious students were awarded stipends. This figure represents the highest number of recipients in one year since ESP's inception. In 2014 reporting year, 401 underprivileged but meritorious students got financial support from this program. Till now the total number of these poor but meritorious students who are the recipients of Prime Bank Foundation stipends stood at 2072.
- b) Prime Campus:** It is an English medium school in Uttara which was established in 2008 at an affordable charge for all range of people.
- c) Prime Bank Nursing Institute (PBNI):** Prime Bank Nursing Institute (PBNI) is a commendable initiative of Prime Bank Foundation, a concern of Prime Bank Limited. This international standard nursing education centre was inaugurated on 13 April 2013 with an aim to prepare knowledge based skilled nurses who will provide high standard medical services to all classes of people of the society.
- d) Prime Bank Eye Hospital (PBEH):** Prime Bank Foundation took the noble step of opening the Prime Bank Eye Hospital (PBEH) which started its journey from January 21, 2012 with a view to provide eye care services to all at an affordable cost. PBEH is equipped with the most modern ophthalmic equipment, staffed with a renowned group of clinical and non-clinical personnel and is located in the heart of the city at House # 82, Road # 8A, Satmasjid Road, Dhanmondi, Dhaka-1209. Prime Bank Eye Hospital (PBEH) has taken different steps to eliminate the doubts and confusions usually seen in eye patients. Initiatives of PBEH include:

- Top class eye care services through Prime Bank Eye Hospital (base hospital).
- Outreach Eye Camps (throughout the country)
- School Screening Camps (in and around Dhaka)
- Industry Screening Camps (within 30 km radius of the base hospital)

**Outreach Eye Camp of PBEH:** PBEH itself and with the financial support of Prime Bank Limited (PBL), has been providing eye care services among poor people through outreach eye camps throughout the country. About 60,000 (sixty thousand) patients have been examined by these camps and almost 3,000 cataract patients have undergone operations at Prime Bank Eye Hospital.

This great humanitarian role makes PBEH/PBF a “Gateway” for eye patients to obtain necessary eye care. PBEH has gained significant popularity within the short span of time it has been functioning because of its ethical approach, humanitarian goals and unconventional facilities which are available at minimum cost.

**School Vision Screening Program of PBEH:** PBEH adopted the School Vision Screening program since its inception and the performance of the last three years is given below:

Year	School Screened	Student Screened	Problem	Service Received from PBEH
2012	02	141	50	04
2013	10	3,632	417	73
2014	13	3,399	279	90
<b>Total</b>	<b>25</b>	<b>7,172</b>	<b>746</b>	<b>167</b>

Source: Annual Report 2014 of Prime Bank Limited

**Industry Eye Screening Program of PBEH:** PBEH started the eye screening camp for industry workers from January of 2014. Three industrial screening were held this year where 379 workers were screened. A total of 181 workers were identified with Refractive Error, spectacles were prescribed to 174, 67 spectacles were dispensed and 25 workers were advised for referral.

Prime Bank Eye Hospital aims to raise awareness about the low use of cataract services, and adopt strategies that will promote equality in eye service delivery, access and use. Our target people are those who do not use or have access to basic eye services. Despite the

hurdles, Prime Bank Eye Hospital has performed very efficiently and is committed to continue its eye service as long as there is a demand for it. The main objective of PBEH continues to be a desire to provide international standard services to all.

## **Sports and Culture**

**Prime Bank Cricket Club (PBCC):** Prime Bank Foundation believes that sports is not only a source of entertainment but is also connected with the mental and physical health, and the character development of the nation. To offer players a chance to experience the life of professional cricket and to improve their skills, the Prime Bank Cricket Club (PBCC) was formed in 2011. PBCC involves world class players in its team as well as gives an opportunity to local young players a chance to experience the international flavor.

**The highlights of the achievements made by PBCC in the 2014 are briefly outlined below:**

- In 2014 the Prime Bank South Zone defeated the BCB North Zone by 213 runs in the final round of the tournament and became the champion of Bangladesh Cricket League which is considered the 2nd highest event in the field of 1st class Cricket Tournament.
- PBCC became the unrivalled champions of the Dhaka Premier League (DPL) 2014-2015 seasons after winning 13 out of a total of 16 matches and gaining 26 points.

**CSR Contribution Conducted Directly by Prime Bank Limited (PBL) During the Period January-December, 2014**

### **Sports:**

- Donation to Fahad Rahman, youngest FIDE Master of the world for attending 2 tournaments in India in May and June, 2014.
- Sponsorship of Ghatail Golf Cup Tournament
- Sponsorship of Indoor University Cricket Tournament 2014



## Arts and Culture

- Sponsorship of an International Seminar on History and Tradition organised by 'Itihas Academy'
- Sponsorship of Pitha Utshab organised by Baridhara Society
- Co-sponsorship of live program of Borsho Boron & Borsho Biday organised by Channel-i
- Sponsorship of Police Week 2014 organized by Bangladesh Police
- Sponsorship of Sadhinata Utshob organized by BD Communication
- Sponsorship of Beach Football Tournament organized by Impress Telefilm

## Disaster Management

- Distribution of 35,000 blankets among poor people

## Others

- Sponsorship of month long Autism Awareness Program in April organized by Positive Thinking, an organization for children with special needs
- Sponsorship of 3rd Leadership Summit organized by Brand Forum
- Sponsorship of International Seminar on Sustainable SME Development in Bangladesh organized by SME Consultant, Bangladesh Bank
- Donation to Government of Bangladesh for organizing Lakho Kontha Sonar Bangla
- Sponsorship of National Science Olympiad-2014

## 2.15 Subsidiaries of Prime Bank Limited

**Prime Exchange Co. Pte Ltd:** Prime Bank Limited established its fully-owned subsidiary "Prime Exchange Co. Pte Ltd." to offer remittance services to Bangladeshi nationals in Singapore, which started its operation from 8th July, 2006, under remittance license received from Monetary Authority of Singapore (MAS) and approval of Bangladesh Bank. Mr. Azam J Chowdhury, Chairman of the Board of Directors of Prime Bank Ltd., is the Chairman of Prime Exchange Co. Pte Ltd. while Mr. Ahmed Kamal Khan Chowdhury, Managing Director of the Bank, is the Director of the Prime Exchange Co. Pte Ltd. Opening of

the fully owned subsidiary in Singapore to offer remittance services to Bangladeshi nationals will add new dimension to the Bank's remittance operation.

**PBL Exchange (UK) Limited:** PBL Exchange (UK) Limited is committed to deliver remittances from Bangladeshi expatriates in UK to each and every corner of Bangladesh swiftly and safely with best competitive exchange rate. To fulfill the cherished desires of banking and assessing the continuous need of the banking services, this holistic endeavor of Prime Bank Limited has taken banking to the next level for the mass customers segment of the country. This footstep of PBL would act as nation building initiative to accelerate the socio-economic development of Bangladesh.

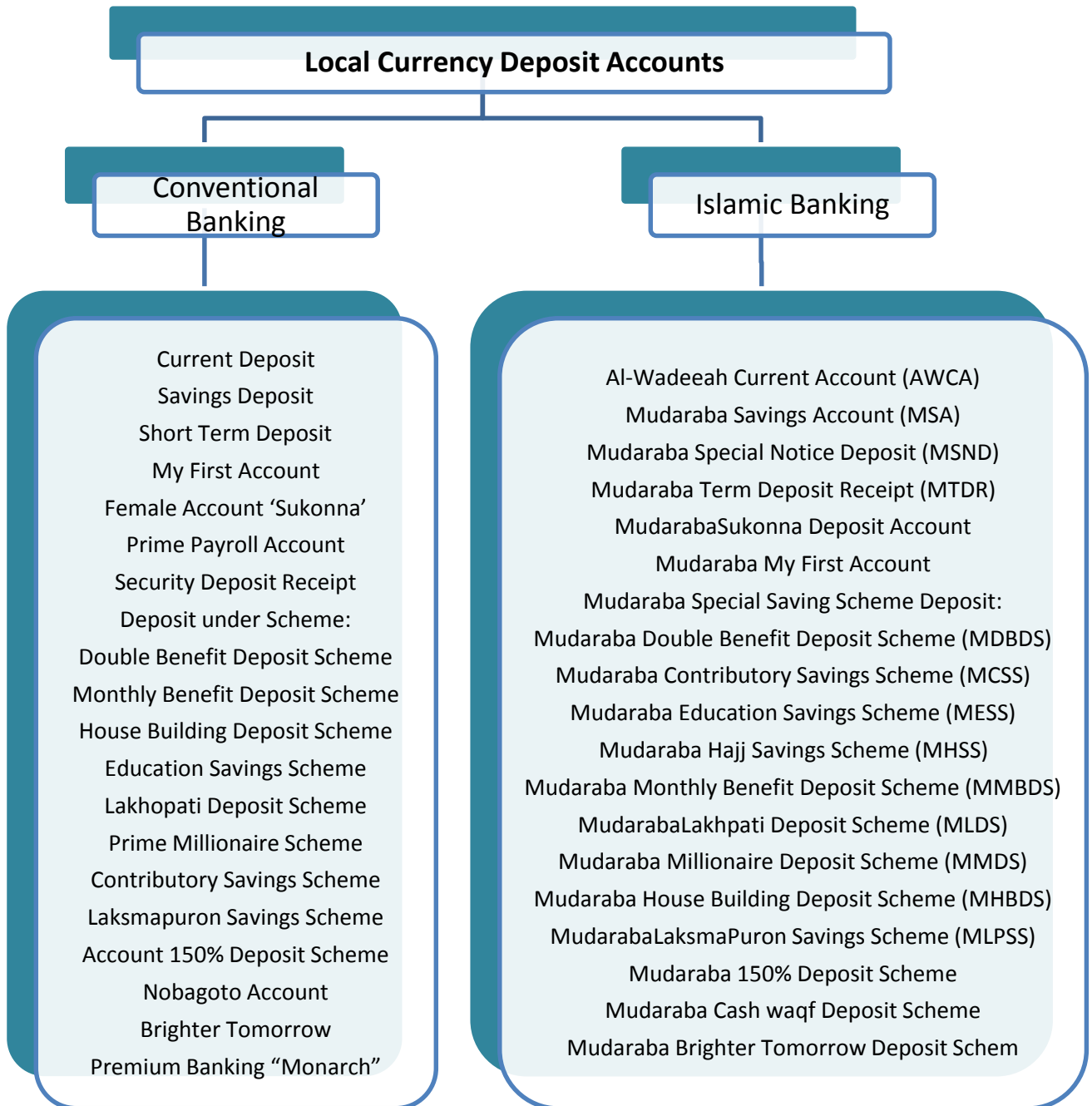
**Prime Bank Investment Limited:** Prime Bank has been operating in the Capital Market since 1996 as a division of Prime Bank Ltd. PBL acquired full-fledged Merchant Banking License from the Securities and Exchange Commission (SEC) in 2001. PBL acquired Depository Participant (DP) License in 2004 from Central Depository Bangladesh Ltd. (CDBL). Prime Bank started full-fledged operation from 2006. PBL launched professional Portfolio Management Service in 2007. We started branch operations to provide Portfolio Management Services in major locations of Dhaka City and Sylhet in 2008. We became a subsidiary of Prime Bank Ltd. in 2010 with a paid-up capital of Tk. 300 crore. We are the Sponsor and Director of Prime Bank Securities Ltd., a subsidiary of Prime Bank Ltd. having both DSE & CSE membership license.

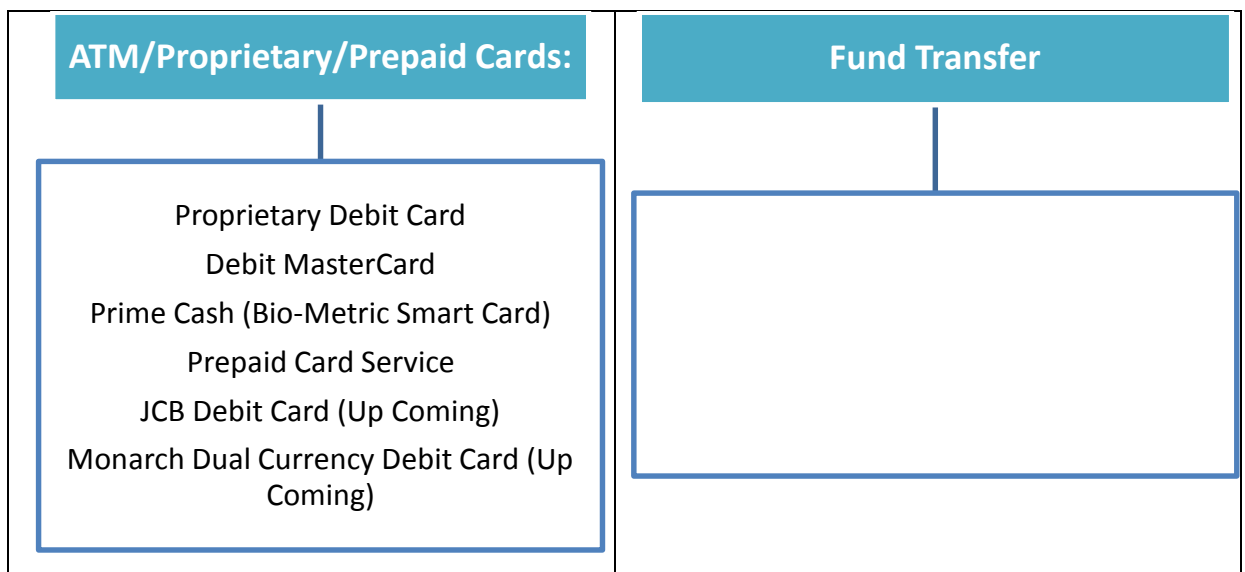
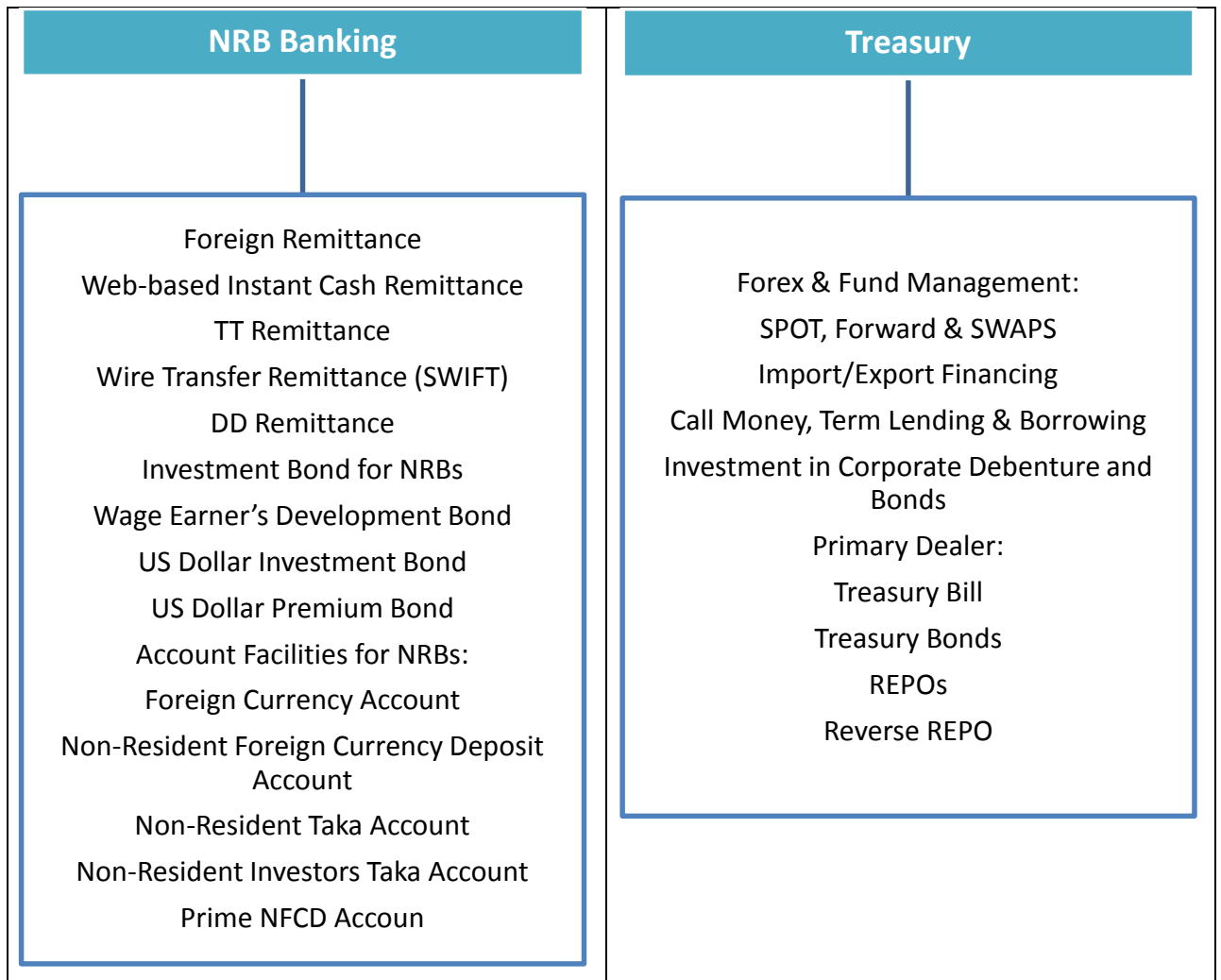
**Prime Bank Foundation:** Prime Bank Foundation has continued to engage in a range of activities that are benefiting priority target groups throughout the country with increased access to higher education, affordable values-oriented quality primary level English medium education in Dhaka, and increased access to secondary level education in the country's hard-to-reach district like Shariatpur. This report highlights the impacts of the programs that demonstrate how the foundation is fully leveraging its unique capabilities to deliver value to those target people and places most in needs.

**Prime Bank Securities:** Prime Bank Securities Limited (DSE Member # 219) has got Stock Dealer Registration Certificate No. REG.-3.1/DSE-219/2010/430 dated September 16, 2010.

**Prime Bank Finance (Hong Kong) Limited:** In 2010, PBL has received permission from Bangladesh Bank for opening a fully owned subsidiary in Hong Kong under the name of PBL Finance (Hong Kong) Limited.

## 2.16 Product and Services





Value Added Services	Other Services
<p>Locker Services Senior Citizen Scheme Insurance Coverage Deposit Schem</p>	<p>ALTITUDE Internet Banking SMS Banking Phone Banking Information Kiosk Utility Bills Pay Service Cash Back Service Prime PMI (Pay in monthly installment) Facilit</p>

## Loans and Advances

Corporate Banking	Retail Banking
<p>Cash Credit Loan General Lease Finance Hire Purchase House Building Loan – Commercial/Residential OD (General) Letter of Credit Letter of Credit- Sight Letter of Credit-Deferred Back-to-Back L/C Stand By Letter of Credit (SBLC) UPAS L/C Payment Against Document (PAD)/Packing Credit(PC)/Export Cash Credit (ECC) Foreign Document Bill Purchase (FDBP) Inland Documentary Bills Purchased (IDBP) EDF Loan</p>	<p>Swapna Neer Home Loan Swapna Shaj Home Loan Swapna Puron Home Loan Abash Home Loan Car Loan Any Purpose Loan CNG Conversion Loan Doctor's Loan Marriage Loan Travels Loan Household Durables Loan Education Loan Hospitalization Loan Loan Against Salary Carnival Loan</p>

<p>Loan Against Imported Merchandize (LIM)</p> <p>Letter of Trust Receipt (LTR)</p> <p>Payment Against Documents (PAD)</p> <p>Secured Overdraft (SOD)</p> <p>Time Loan</p> <p>Letter of Guarantee</p> <p>Advance Payment Guarantee</p> <p>Bid Bond</p> <p>Performance Guarantee</p> <p>Payment Bond</p> <p>Custom Guarantee</p> <p>Retention Money Guarantee</p> <p>Shipping Guarantee</p> <p>Guarantee – Others</p>	
<b>Islamic Banking</b>	<b>SME Banking</b>
<p>Bai-Murabaha</p> <p>Bai-Muajjal</p> <p>Bai-Salam</p> <p>Izarah</p> <p>Hire Purchase under ShirkatulMelk</p> <p>Musharaka</p> <p>Mudaraba</p> <p>Schemes</p> <p>Hasanah Medical Investment (Shifa)</p> <p>Hasanah Home Investment (Manjeel)</p> <p>Hasanah Auto Investment (Burak)</p> <p>Hasanah Household Durables Investment</p>	<p>Sahaj Rin (Easy Loan)</p> <p>Sampad Rin (Capital Loan)</p> <p>Chalti Rin (Working Capital Loan)</p> <p>Moushami Rin (Seasonal Loan)</p> <p>DigunRin (Double Loan)</p> <p>Anchol (Women Entrepreneur’s Loan)</p> <p>Prodip Loan</p> <p>Srijon Loan</p> <p>Prime Subidha</p>
<b>Agriculture Banking</b>	

Abad (Crop Loan)  
Khamar (Farm/Non-Crop Loan)  
Nabanno (for any Agri- purpose Loan)

### Credit Cards

Platinum Dual Credit Card (MasterCard & VISA)  
Gold Dual Credit Card (MasterCard & VISA)  
Silver/Classic Local/Int'l Credit Card ((MasterCard & VISA)  
Travel Quota International Credit Card (MasterCard & VISA)  
RFCD International Credit Card (MasterCard & VISA)  
ERQ International Credit Card (MasterCard & VISA)  
FC International Credit Card (MasterCard & VISA)  
Hasanah Credit Card (VISA Platinum & VISA Gold)  
Hajj Prepaid Card (MasterCard)  
Reward Card (MasterCard)  
JCB Credit Card (Gold & Classic)

Source: Annual report of Prime Bank Limited 2014

## 2.17 Risk Management

PBL has always being in the forefront of implementing different risk management tools and techniques. The risk of any banking institution may be defined as the possibility of incurring losses, financial or otherwise. Banking business is in fact a business of risk taking. So it is vital to manage all these risks efficiently to emerge as the winner out of these risk ventures. In today's challenging financial and economic environment effective risk management is must for sustainable growth in shareholders' value. The major areas of risk to which the activities of the banking operation are exposed to are Credit risk, Liquidity risk, Market risk, Interest rate risk and Equity risk. Market risk includes Foreign exchange risk, Interest rate risk and Equity risk.

## 2.18 Capital Management

Capital Management of the bank is based on the objective to maintain an adequate capital base to support the projected business and regulatory requirement. This is done by drawing an annual planned business growth vis-à-vis capital requirement. PBL recognizes the impact of shareholders' return on the level of equity and seeks to maintain a prudent balance between Tier I and Tier-II capital. As per directives of Bangladesh Bank, the banks are required to maintain capital at 10 percent of risk weighted assets under Basel-II. Tier I should be 5 percent of total capital.

The bank's capital fund is divided into two parts- Tier I and Tier-II capital. Tier-I includes equity and Tier-II include general provision on unclassified loans and advances, revaluation reserves, unsecured subordinate debt and exchange equalization account. Total capital fund increased by Tk. 612 million in 2014. Tier-I capital grew by Tk. 903 million and stood at Tk. 22,611 million during the year under review. Total consolidated capital fund is equivalent to 12.68 percent of total risk weighted assets.

## 2.19 Future Outlook

The financial sector of the country is also expected to continue showing good result during 2014. The banking sector is still the most promising and structured sector of the economy. It is also the most preferred sector for the investors of the courses as increased remittance flow, good export performance and steady industrial growth, accelerated performance in SME and customer loan, implementation of risk management and corporate governance are likely to have positive impact in the performance of the banking sector. PBL is well positioned to meet the challenges of 2014 and will continue to strive to innovate and capture opportunity for growth and value creation. The Bank will continue to harness the potentials of retail, credit card, and SME, agriculture and remittance market. The bank will focus on its IT developments and large customer base to generate more business from existing and potential customers. However continued pressure on Interest margins, fees, exchange earnings and increased Provision requirement for retail, credit card, SME and off-balance sheet exposure will pose a challenge to the financial sector. By adhering to good corporate governance and practices, sound risk management policies and strict credit evolution procedures, PBL in its pursuit for growth, will have the readiness to meet the challenges of capital adequacy under Basel- III which is going to be implemented in Bangladesh in the near future.



## **Chapter 3**

# **Financial Performance Analysis of Prime Bank Limited**

### 3.1 Introduction

Generally by the word “bank” we can easily understand that the financial institutions dealing with money. Banks are among the most important financial institutions in the economy. There are different types of banks like Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, and Co-operative Banks. But when we use the term “bank” without any prefix and restriction, it refers to the Commercial Banks. Commercial banks are the primary contributors to the economy of a country. Commercial bank is a profit-making institution that deposits of individuals and business at the lowest possible cost and provide loans and advances at higher cost. The differences of the two are the profit for the bank.

Banks today are under great pressure to perform- to meet the objectives of their stockholders, employees, depositors and borrowers, while somehow keeping government regulations satisfied that the bank’s policies, loans, and investments are sound. At the same time, competition for banks traditional loan deposit customers has increased dramatically. Credit union, money market mutual funds, insurance company are fighting for a slice of nearly every credit and deposit market traditionally served by banks. Bankers have been called upon to continually reevaluate their loan and deposit policies, review their plans for expansion and growth, and assess their return and risk in light of new competitive environment.

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm’s policies and operations in monetary terms. It is used to measure firm’s overall financial status over a given period of time.

Financial analysis is processes of evaluating the relationship between components of a financial statement of obtain a better understanding of a firm position and performance. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm.

Most important performance dimensions for any banks are profitability and risk. The financial performance of Prime Bank Limited in this report was analyzed by profitability ratio and some other determinants of performance analysis.

### 3.2 Financial data of Prime Bank Limited from 2010 to 2014

(Taka in Million)

Particulars	2014	2013	2012	2011	2010
Authorized Capital	25,000	25,000	25,000	10,000	10,000
Paid-up Capital	10,293	10,293	9,358	7,798	5,776
Shareholder's equity	24,461	23,030	20,787	19,095	16,908
Deposits	204,838	201,907	182,053	159,816	124,574
Borrowings	7,669	3,858	20,682	10,970	3869
Total Liabilities	230,451	220,839	216,046	180,856	137,434
Loans And Advances	147,367	153,589	160,890	138,848	116,057
Investments	72,642	56,940	45,862	39,172	20,484
Fixed Assets	6,613	6,407	4,363	3,975	1,695
Interest Earning Assets	221,521	211,399	212,204	179,537	137,577
Non-interest Earning Assets	33,391	32,470	28,437	20,414	20,109
Total Assets	254,912	243,869	236,833	199,950	154,342
Total off-balance sheet items	118,111	116,415	108,187	101,055	86,187
Interest Income	18,446	22,011	22,822	16,709	12,147
Non-interest Income	2839	2,968	3,447	3,341	2,841
Investment Income	6194	5583	4633	4157	2652
Interest Expenses	15,574	17,678	17,410	12,648	7,824
Non-interest Expenses	5,750	5,409	4,941	4,132	3,618
Profit before provision & Tax	6,157	7,474	8,551	7,427	6,177
Provision for Loans/ investment	2,877	4,029	3,216	661.00	540.00
Profit after provision before Tax	3,280	3,445	5,335	6,766	5,637
Tax including deferred tax	887	1,616	2,636	3,132	2,535
Profit after Tax	2,393	1,829	2,699	3,634	3,102

Number of Share outstanding	1,029.35	1,029.35	935.77	779.81	577.64
Number of Shareholders	23,102	25,632	23,964	26,030	19,748
Average Total Assets	249,391	240,351	218,392	177,146	139,574
Average Equity	23,745	21,908	19,941	18,002	14,327
Market price per Share	19.60	25.90	37.00	44.50	94.45
Earnings Per Share	2.32	1.78	2.88	4.70	5.69
Dividend (Proposed for (2014)	15.00%	12.50%	20.00%	30.00%	40.00%
Price Earnings Ratio (Times)	8.43	14.57	12.85	9.47	16.60
Return on Average Assets (ROA)	0.96	0.76	1.24	2.05	2.22
Return on Average Equity (ROE)	10.08	8.35	13.53	20.19	21.65
Loans & Advances to Deposits Ratio	71.94%	76.07%	88.38%	86.88%	93.16%
Net-interest Margin on Average Earning Assets	1.91	2.75	3.61	3.19	4.21
Net non-interest Margin on Average Earning Assets	1.52	1.48	1.60	2.12	1.50
Cost of Income Ratio	48.29	41.98	36.62	35.75	36.94
Gross Profit Ratio	43.33	42.15	43.66	47.75	55.60
Profit Per Employee	2.15	2.76	3.36	3.24	2.89
Equity to Debt Ratio	10.61	10.43	9.62	10.56	12.30
Cash Reserve Ratio (CRR)	6.71	6.97	6.06	6.22	6.70
Statutory Liquidity Ratio (SLR)	29.83	38.39	34.02	32.96	26.00
Number of Employees	2867	2710	2544	2292	2139
Number of Branches	140	134	130	119	108

Source: Annual Report of Prime Bank Limited from 2010-2014

### 3.3 Analysis of Financial Performance of the Bank through Profitability Ratio

Bank profitability is the net after tax income or net earnings of a bank. Profitability ratios are used to assess a business ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time.

Some of the ratios are mentioned below to determine the profitability of Prime Bank Limited from the year 2010 to 2014:

#### 3.3.1 Return on Asset (ROA)

Return on asset is primarily an indicator of managerial efficiency; it indicates how capably the management of a bank has been converting the institutions assets into net earnings.

$$\text{ROA} = (\text{Net income after tax} / \text{Total average asset}) \times 100$$

ROA of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
ROA	2.22%	2.05%	1.24%	0.76%	0.96%

Source: Annual Report of Prime Bank Limited from 2010-2014

ROA from 2010-2014 of Prime Bank Limited shown in the graph below:

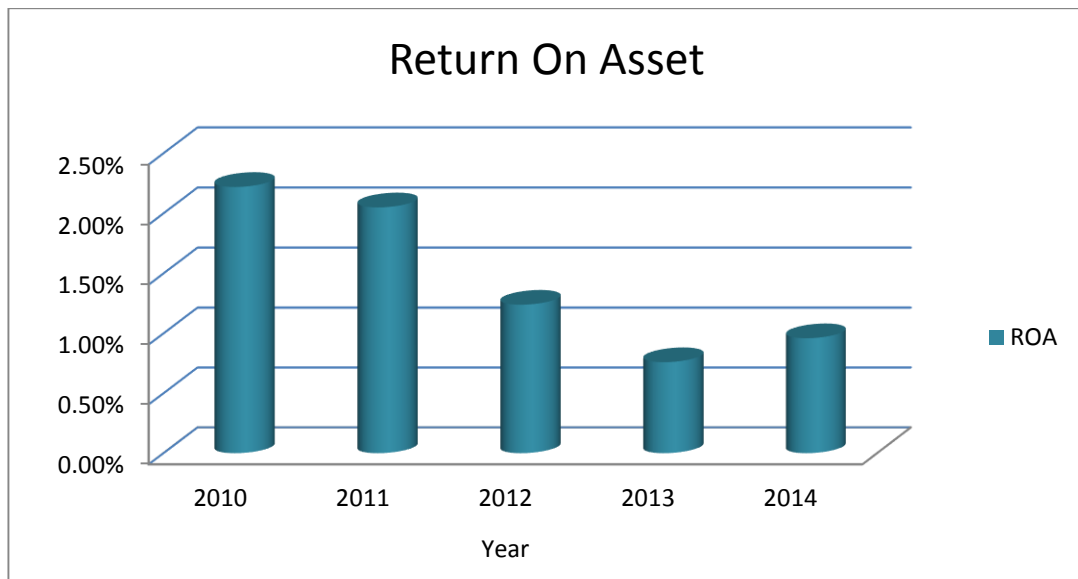


Fig: Return on Asset of Prime Bank Limited

From above we show that the ROA of the bank in 2010 was 2.22%, and then in 2011, 2012 & 2013 it decreased gradually to 2.05%, 1.24% & 0.76%. Then in 2014 the ROA was increased to 0.96%. The ROA of the bank was highest in 2010, its means that in this year the bank more efficiently used its assets to earn profit. But it has been observed in 2011, 2012 & 2013 that the bank was gradually inefficient to convert assets into earnings. After that it tried to increase its managerial efficiency to convert assets into earnings.

### 3.3.2 Return on Equity (ROE)

Return on Equity (ROE) is a ratio that measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage. It also has several components which are net profit margin, asset utilization and equity multiplier. Each component of this simple equation is a telltale indicator of a different aspect of the bank's operation.

$$\text{ROE} = (\text{Net income after tax} / \text{Total average equity}) \times 100$$

ROE of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
ROE	21.65%	20.19%	13.53%	8.35%	10.08%

Source: Annual Report of Prime Bank Limited from 2010-2014

ROE from 2010-2014 of Prime Bank Limited shown in the graph below:

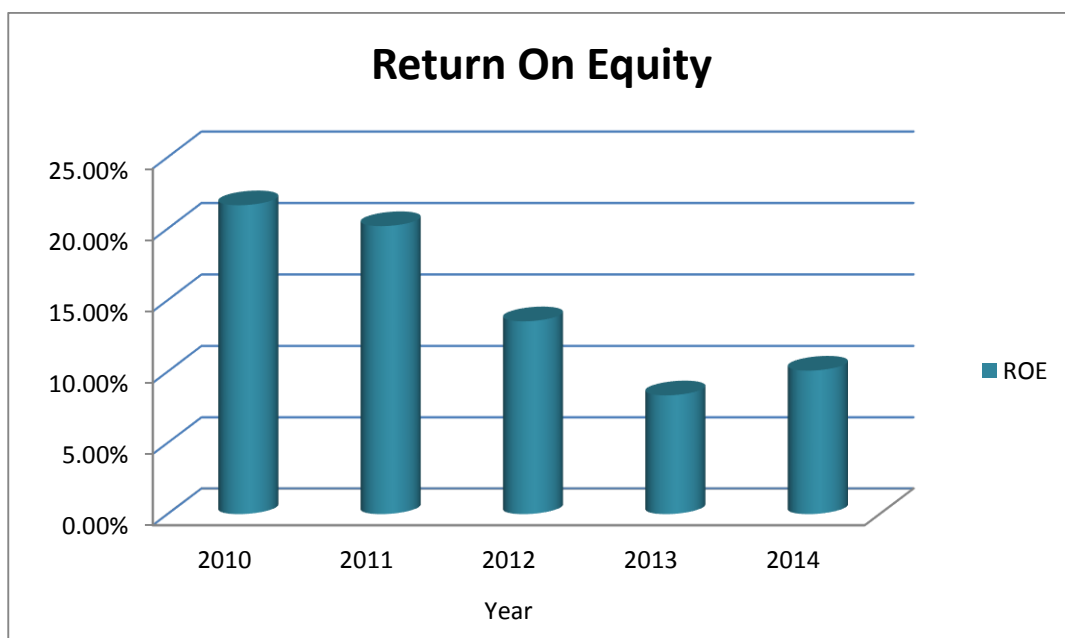


Fig: Return on Equity of Prime Bank Limited

From above we show that the ROE of the Bank in 2010 was 21.65%, and then in 2011, 2012 & 2013 it decreased to 20.19%, 13.53% & 8.35%. Eventually in 2014 the ROE was increased to 10.08%. The ROE of the bank was highest in 2010; this means that in this year the shareholders got more benefit from investing their capital in the bank. But in 2011, 2012 & 2013 shareholders benefit decreased tremendously. After that the bank tried to increase the benefit to the shareholders and in 2014 the shareholders got 10.08% benefit.

### 3.3.3 Net Interest Margin (NIM)

Net interest margin measure how large a spread between interest revenues and interest costs management has been able to achieve by close control over the banks earning assets.

$$\text{Net Interest Margin} = (\text{Interest revenue} - \text{Interest expense}) / \text{Total Average Assets} \times 100$$

Net interest margin of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
NIM	4.21%	3.19%	3.61%	2.75%	1.91%

Source: Annual Report of Prime Bank Limited from 2010-2014

Net interest margin from 2010-2014 of Prime Bank Limited shown in the graph below:

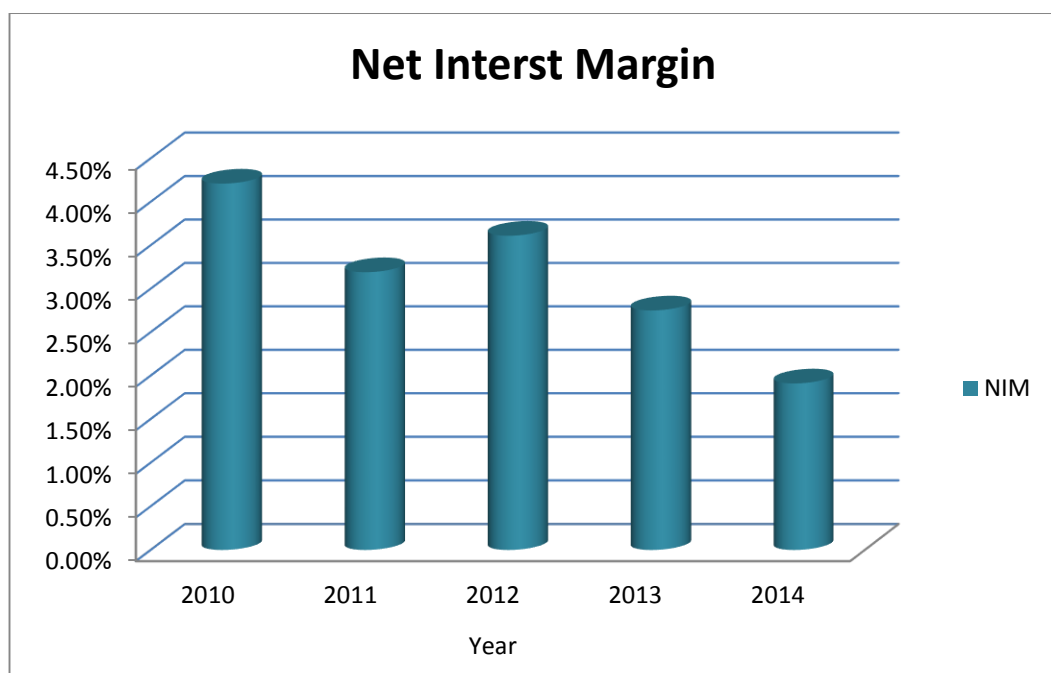


Fig: Net Interest Margin of Prime Bank Limited

Net interest margin is also experiencing a decreasing trend. From above we show the net interest margin of the bank in 2010 was 4.21%, and then in 2011 it has been decreased to 3.19%. Then in 2012 it was increased to 3.61% but again in 2013 & 2014 it reduced to 2.75% & 1.91%. The net interest margin of the bank was highest in 2010, this means that the bank had good control on its earnings assets, so it earned more interest revenue and incurred less interest expenses. But in 2011 the banks control on earning assets reduce so the net interest margin reduced to 3.19%. Then in 2012 the bank able to increase the control on earning assets but again in 2013 and 2014 the bank loss control on earning assets and net interest margin decreased dramatically by 2.75% & 1.91%.

### 3.3.4 Net Non-interest Margin

Net non-interest margin measures the amount of non-interest revenues streaming from deposit service charges and others 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).

$$\text{Net Non-interest Margin} = \frac{(\text{Non-interest revenue} - \text{Non-interest expenses})}{\text{Total Average Assets}} \times 100$$

Net non-interest margin of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Net Non-interest Margin	1.50%	2.12%	1.60%	1.48%	1.52%

Source: Annual Report of Prime Bank Limited from 2010-2014

Net non-interest margin from 2010-2014 of Prime Bank Limited shown in the graph below:

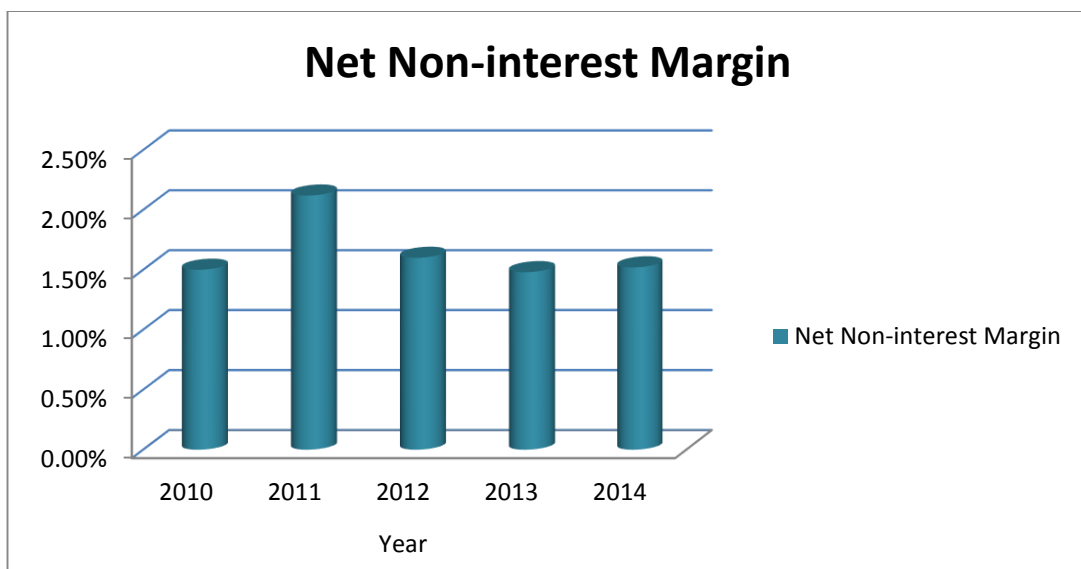


Fig: Net non-interest margin of Prime Bank



From above we show that the net non-interest margin of the bank in 2010 was 1.50%, then in 2011 it increased to 2.12%, but in 2012 it reduced to 1.60%, again in 2013 it was reduced to 1.48%, and then in 2014 it increased to 1.52%. The net non-interest margin was highest in 2011, this means that the bank earn more non-interest revenue and incurred less non-interest expenses in this year. But after that the net non-interest margin begins to reduce and in 2014 it seems increasing trend.

### 3.3.5 Return on Loan (ROL)

Bank loan is the arrangement between the lender (bank) and borrower where the lender gives money to the borrower and borrower agrees to repay the money along with the interest. Return on loans ratio represents the relationship between the earnings of loans to the total loans in a given year.

$$\text{ROL} = \left( \frac{\text{Interest earned on loan}}{\text{Total loan}} \right) \times 100$$

ROL of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Return on Loan	10.47%	12.03%	14.18%	14.33%	12.52%

Source: Annual Report of Prime Bank Limited from 2010-2014

Return on Loan (ROL) from 2010-2014 of Prime Bank Limited shown in the graph below:

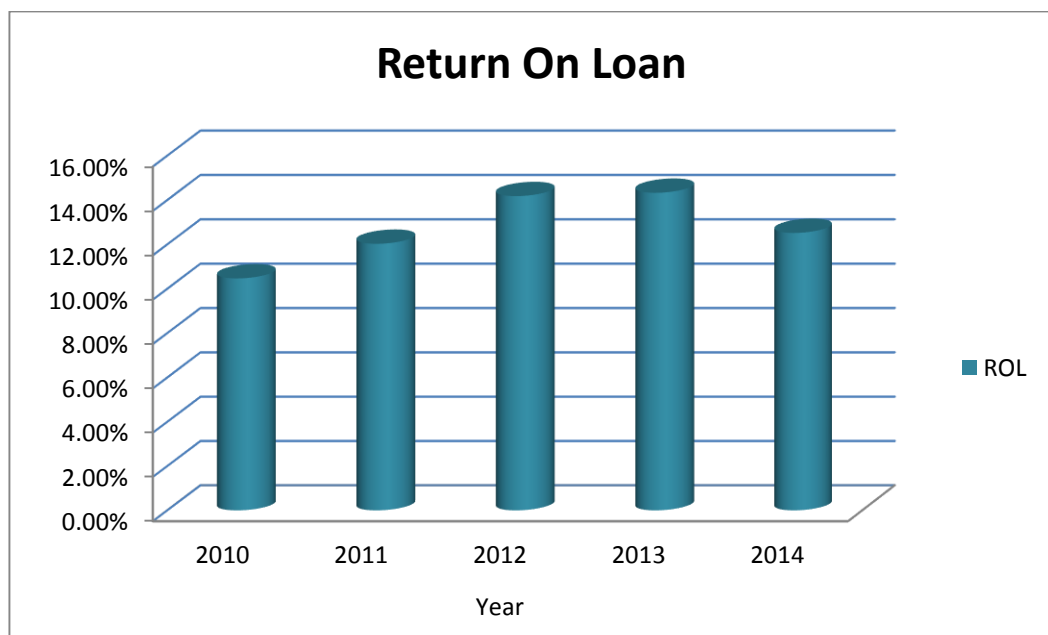


Fig: ROL of Prime Bank Limited

From the above we shown that the ROL of the bank in 2010 was 10.47%, then in 2011 it increased to 12.03%, in 2012 & 2013 it was increased to 14.18% & 14.33%, and then in 2014 it reduced to 12.52%. The ROL of the bank was highest in 2013, this means the loan repayment with interest was higher in this year.

### 3.3.6 Return on Investment (ROI)

Return on investment (ROI) is the ratio of money gained or lost on an investment relative to the amount of money invested. The amount of money gained or lost may be referred to as interest profit/loss, gain/loss, or net income/loss. By this ratio we can measure the efficiency of the firms in investment decision making so that they earn the highest return.

$$\text{ROI} = (\text{Net income after tax} / \text{Total investment}) \times 100$$

ROI of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Return on Investment	15.14%	9.28%	5.89%	3.21%	3.29%

Source: Annual Report of Prime Bank Limited from 2010-2014

Return on investment from 2010-2014 of Prime Bank Limited shown in the graph below:

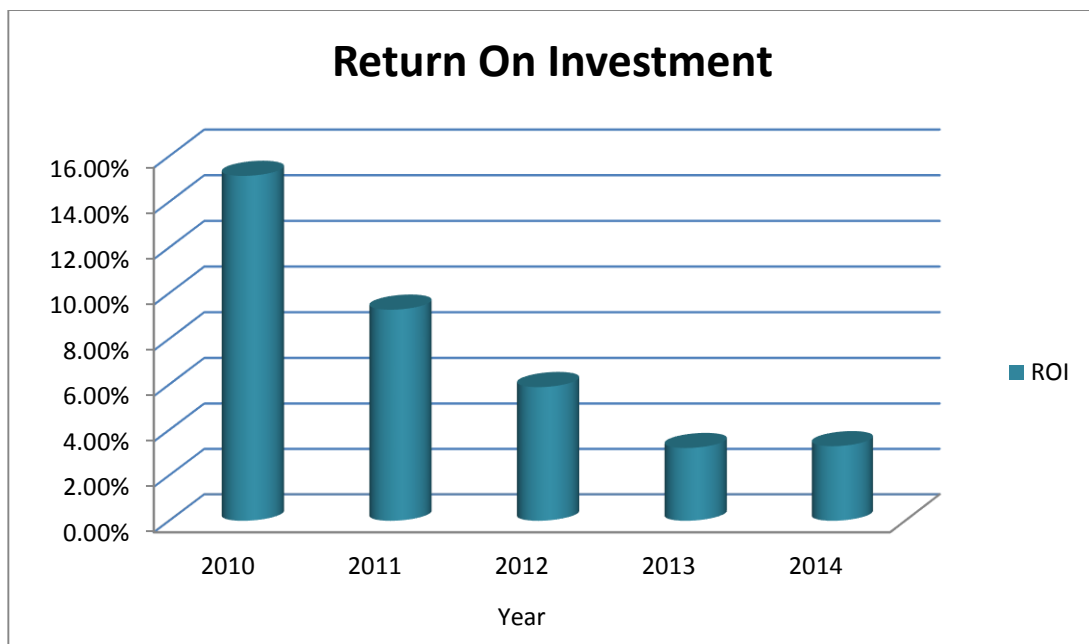


Fig: ROI of Prime Bank Limited

Over the five year return on investment of Prime Bank follows a decreasing trend. Up to 2013 from 2010 Prime Bank experiences a negative growth in net Income. In 2014 it's turned back and net income increased 23.7%. From above we show that the ROI of the bank in 2010 was 15.14%, but in next three years it decreased chronologically due to its decreasing trend of net income. The ROI of the bank was highest in 2010 this means the bank able to make more efficient investment decision in this year.

### 3.3.7 Earnings per Share (EPS)

Earnings per share (EPS) are a useful perspective for determining profitability. Earnings per share are a measure of the net income earned on each share of common stock. It is computed by dividing net income by number of shares outstanding during the year.

EPS of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Earnings per shares	5.69	4.70	2.88	1.78	2.32

Source: Annual Report of Prime Bank Limited from 2010-2014

Earnings per share (EPS) from 2010-2014 Of Prime Bank Limited shown in the graph below:

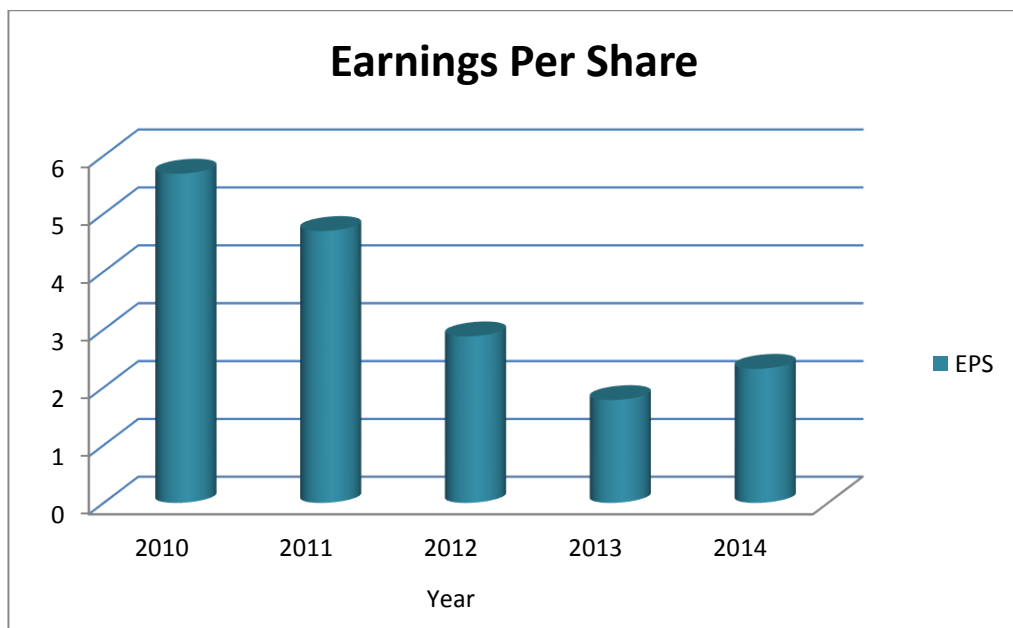


Fig: EPS of Prime Bank Limited

Over the five year earnings per share of Prime Bank follows a decreasing trend. Up to 2013 from 2010 Prime Bank experiences a negative growth in net Income. In 2014 it's turned back

and net income increased 23.7%. On the other hand the number of share outstanding remains same. As a result in 2014 EPS is higher than 2013.

### 3.3.8 Price-Earnings (P-E) Ratio

Price-earnings ratio is the ratio of the market price of each share of common stock to the earning per share. Price-earnings reflect investor’s assessments of a company’s future earnings. This ratio is usually used to find out the operating efficiency of the firm against its total number of share outstanding. It is computed by dividing market price per share by earning per share during the year.

P-E ratio of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Price-Earnings Ratio (Times)	16.60	9.47	12.85	14.55	8.44

Source: Annual Report of Prime Bank Limited from 2010-2014

**P-E ratio from 2010-2014 Of Prime Bank Limited shown in graph below:**



Fig: P-E ratio of Prime Bank Limited

From above we show that the P-E ratio of the bank in 2010 was 16.60 times, then in 2011 it decreased to 9.47 times, again in 2012 & 2013 it increased to 12.85 & 14.55 times respectively. But again in 2014 it decreased 42% than 2013. The P-E ratio of the bank was highest in 2010; this means that each share of the banks stock sold for 16.60 times the amount of the bank earned on each share. On the other hand in 2014 each share of the

banks stock sold for 8.44 times the amount that the bank earned on each share. This means the market price per share if the bank's stock was low in 2014.

### 3.3.9 Dividend per Share (DPS)

Dividend per share (DPS) is a useful perspective for determining profitability. Dividend per share is a measure of the dividend paid on each share of common stock. It computed by cash dividend to common stockholder by number of share outstanding during the year.

Dividend per share of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Dividend Per Share (BDT in Millions)	4.00	3.00	2.00	1.25	1.50

Source: Annual Report of Prime Bank Limited from 2010-2014

Dividend per share from 2010-2014 Of Prime Bank Limited shown in graph below:

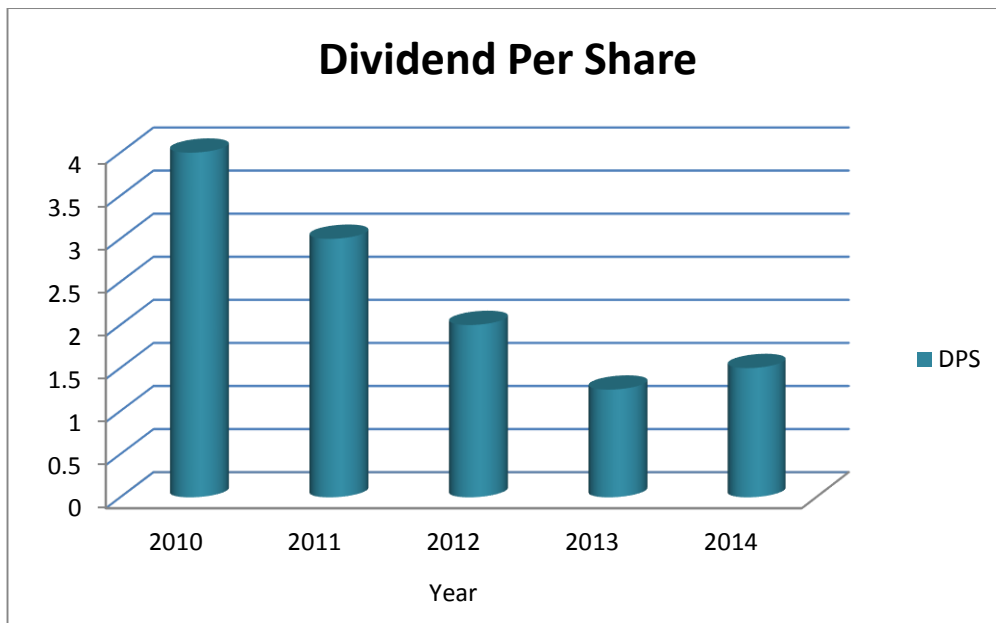


Fig: DPS of Prime Bank Limited

From above we show that the dividend per share of the bank in 2010 was 4.00 (BDT in million), then in 2011, 2012 & 2013 it decreased to 3.00, 2.00 & 1.25 (BDT in million) respectively and in 2014 it was increased to 1.50 (BDT in Million). The DPS of the bank was highest in 2010; this means that in this year the dividend paid on each share of common stock was higher.

### 3.3.10 Return on Deposit (ROD)

Return on deposit (ROD) measures a bank's profitability by revealing how much profit the bank generates with the money savers have kept in the bank. This ratio shows the amount of net income returned as a percentage of total deposits.

$$\text{Return on deposit} = (\text{Net profit after tax} / \text{Total Deposit}) \times 100$$

Return on deposit of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Return on deposit	2.49%	2.27%	1.48%	0.91%	1.17%

Source: Annual Report of Prime Bank Limited from 2010-2014

Return on deposit from 2010-2014 Of Prime Bank Limited shown in graph below:

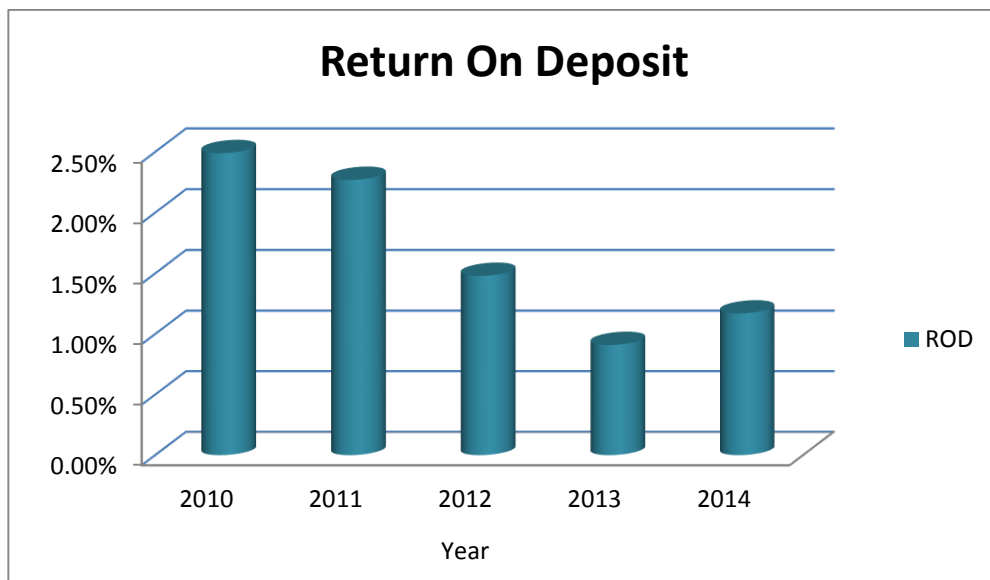


Fig: ROD of Prime Bank Limited

From above we show that the ROD of the bank in 2010 was 2.49%, then in 2011, 2012 & 2013 it was decreases to 2.27%, 1.48% & 0.91% respectively, then it turn back in 2014 and increased to 1.17%. The ROD of the bank was highest in 2010, this means that the bank was generate more profit with the depositor's money in this year. On the other hand in 2011, 2012 & 2013 the bank's ability to generate profit with the depositor's money tremendously decreased. After that the bank tried to increased the ability to generate profit and in 2014 it's able to increased the ROD of the bank.

### 3.4 Analysis of Financial Performance of the Bank through other Determinants

Some important ratio to determine other dimensions of financial performance of a bank are given below:

#### 3.4.1 Loan to Deposit Ratio

Loan to deposit ratio measures the credit risk of the bank. Credit risk is the danger of default by a borrower to whom a bank has extended credit. When the loan to deposit ratio is high the credit risk of the bank increases. As per guideline of central bank a bank can lending up to 85% of their total deposit. So bank should maintain good lending practices to reduce the credit risk.

$$\text{Loan to deposit ratio} = (\text{Total loan} / \text{Total deposit}) \times 100$$

Loan to deposit ratio of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Loan to deposit ratio	93.16%	86.88%	88.38%	76.07%	71.94%

Source: Annual Report of Prime Bank Limited from 2010-2014

Loan to deposit ratio from 2010-2014 Of Prime Bank Limited shown in graph below:

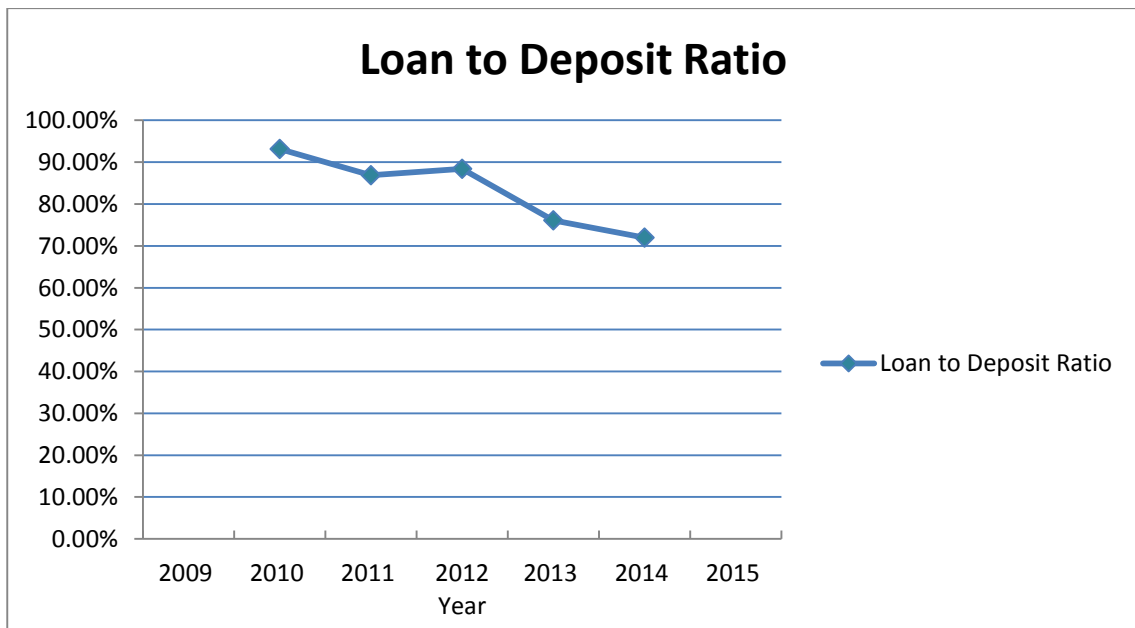


Fig: Loan to deposit ratio of Prime Bank Limited

By observing the loan-deposit ratio of past five years, Prime bank maintain good loan-deposit ratios over last two years.

### 3.4.2 Equity to Asset Ratio

The equity to asset ratio is a financial ratio which is used to determine how much shareholders would receive in the event of a company-wide liquidation. The ratio expressed as percentage, is calculated by dividing total shareholders' equity by total asset of the bank. When the equity to asset ratio is low, it indicates high risk for the bank's shareholder.

Equity to asset ratio of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Equity to asset ratio	10.95%	10.56%	8.78%	9.44%	9.60%

Source: Annual Report of Prime Bank Limited from 2010-2014

By observing the equity to asset ratio of past five years, Prime Bank maintained good equity to asset ratios over the years.

Equity to Asset Ratio from 2010-2014 of Prime Bank Limited shown in the graph below:

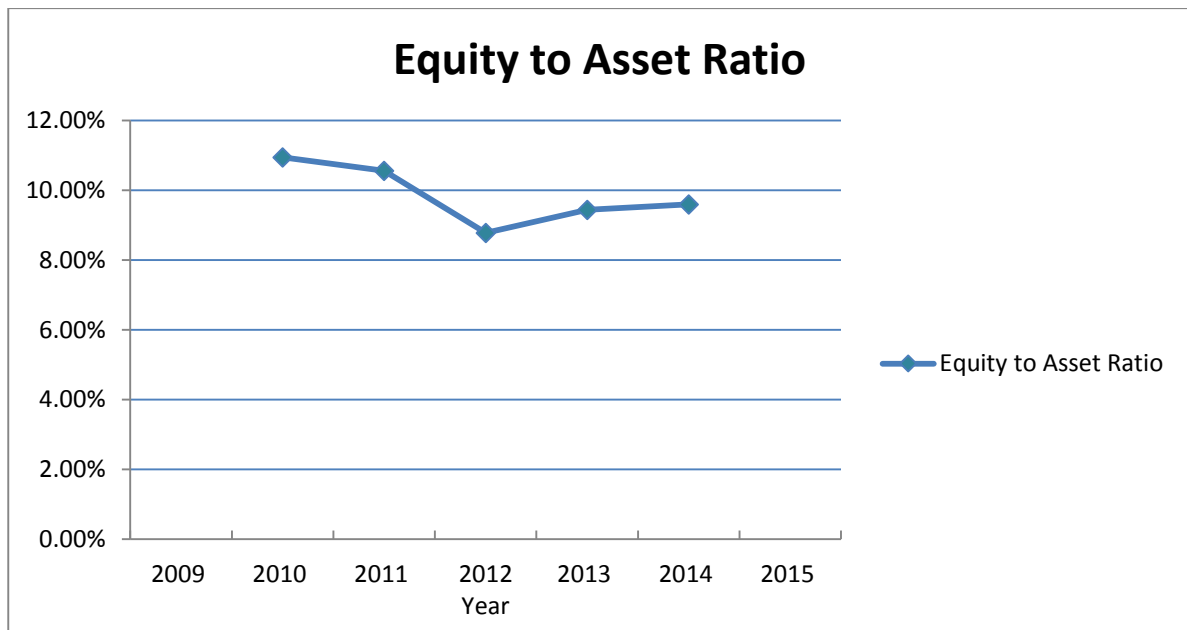


Fig: Equity to Asset Ratio of Prime Bank Limited



### 3.4.3 Statutory Liquidity Ratio (SLR)

Statutory liquidity ratio (SLR) measure the liquidity position of bank. Liquidity means ability to pay as and when some obligations are due. SLR is the portion of deposit that the bank has maintain with own bank. Now the rate of statutory liquidity ratio is minimum 19.00%.

Statutory liquidity ratio of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
SLR	26.00%	32.956%	34.02%	38.39%	29.83%

Source: Annual Report of Prime Bank Limited from 2010-2014

By observing the statutory liquidity ratio of past five years, Prime Bank maintained adequate reserve to the central bank over the years.

**Statutory Liquidity Ratio from 2010-2014 of Prime Bank Limited shown in the graph below:**

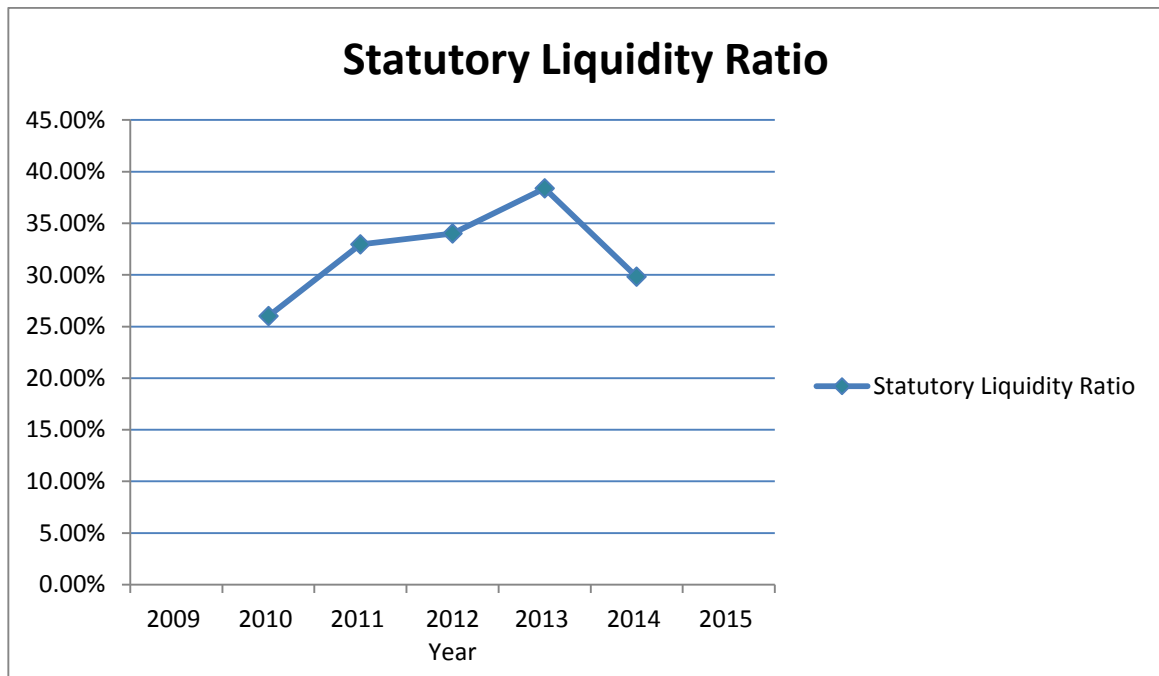


Fig: Statutory Liquidity Ratio of PBL

### 3.4.4 Cash Reserve Ratio (CRR)

It is an important tool for monetary policy as it influences the country's borrowing and interest rates. The higher the reserve requirement is set, the less funds banks will have to loan out, leading to lower money creation and perhaps ultimately to higher purchasing power of the money previously in use. The central bank has set the rate of minimum CRR is 6.00%.

Cash Reserve Ratio (CRR) of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
CRR	6.70%	6.22%	6.06%	6.97%	6.71%

Source: Annual Report of Prime Bank Limited from 2010-2014

By observing the cash reserve ratio of past five years, Prime Bank maintained adequate reserve to the central bank over the years.

**Cash Reserve Ratio from 2010-2014 of Prime Bank Limited shown in the graph below:**

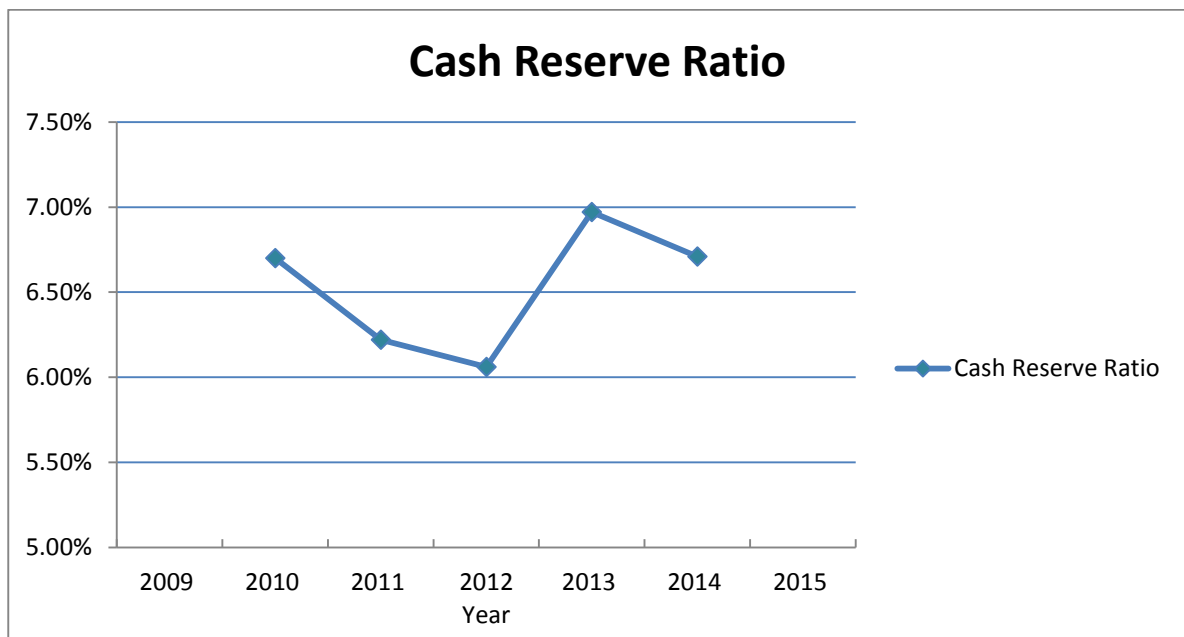


Fig: Cash Reserve Ratio of Prime Bank Limited

### 3.4.5 Leverage Ratio

Leverage Ratio is measured by dividing core capital and total assets. This ratio is measured to identify whether the bank is well capitalized or not. A leverage ratio greater than 5% would be considered as well capitalized. A leverage ratio of 4% or more would be considered adequate capitalization. Below 4% is considered as undercapitalized. If the leverage ratio falls below 3% it is called significantly undercapitalized and when it falls below 2%, considered as critically undercapitalized.

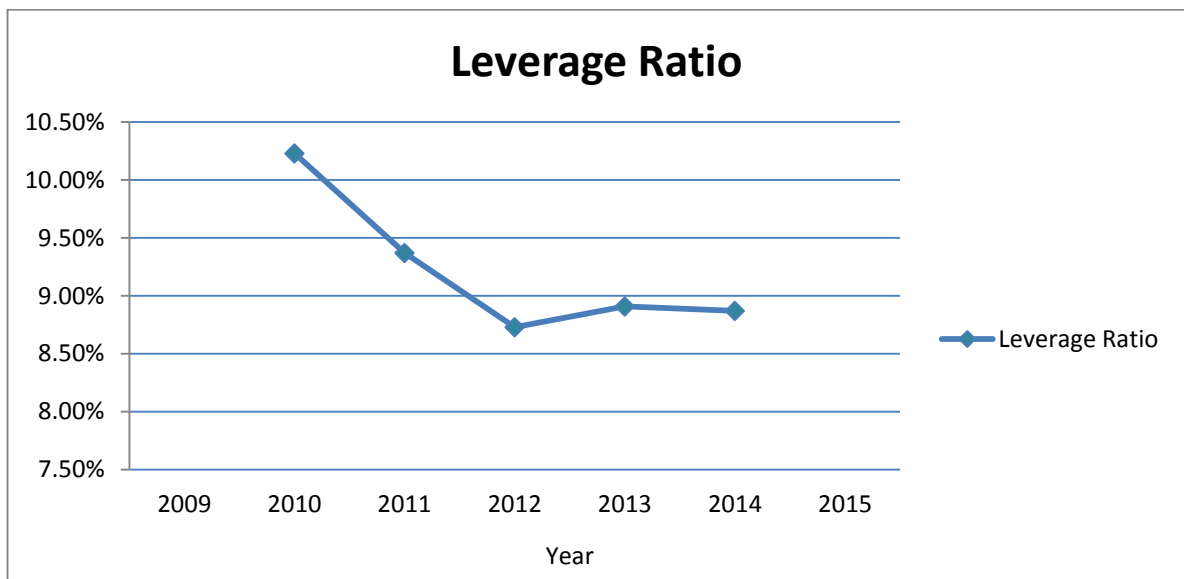
Leverage ratio of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Leverage Ratio	10.23%	9.37%	8.73%	8.91%	8.87%

Source: Annual Report of Prime Bank Limited from 2010-2014

By observing the leverage ratio of past five years, it can be said that prime bank is a well capitalized bank because the leverage ratio is above 5%.

**Leverage Ratio from 2010-2014 Of Prime Bank Limited shown in graph below:**



**Fig: Leverage Ratio of Prime Bank Limited**

### 3.4.6 Tier 1 or Core Capital

Tier 1 or Core capital includes common stock and surplus, retained earnings, qualifying noncumulative perpetual stock, minority interest and intangible assets.

Year	2010	2011	2012	2013	2014
Core Capital	15,791	18,744	20,664	21,708	22,611

Source: Annual Report of Prime Bank Limited from 2010-2014

Over the five years, the bank experiences an increasing trend in tier 1 or core capital. Due to increase in paid up capital, statutory reserve, share premium and retained earnings, it follows as increasing trend.

**Tier 1 or Core Capital of Prime Bank is shown in the graph below:**

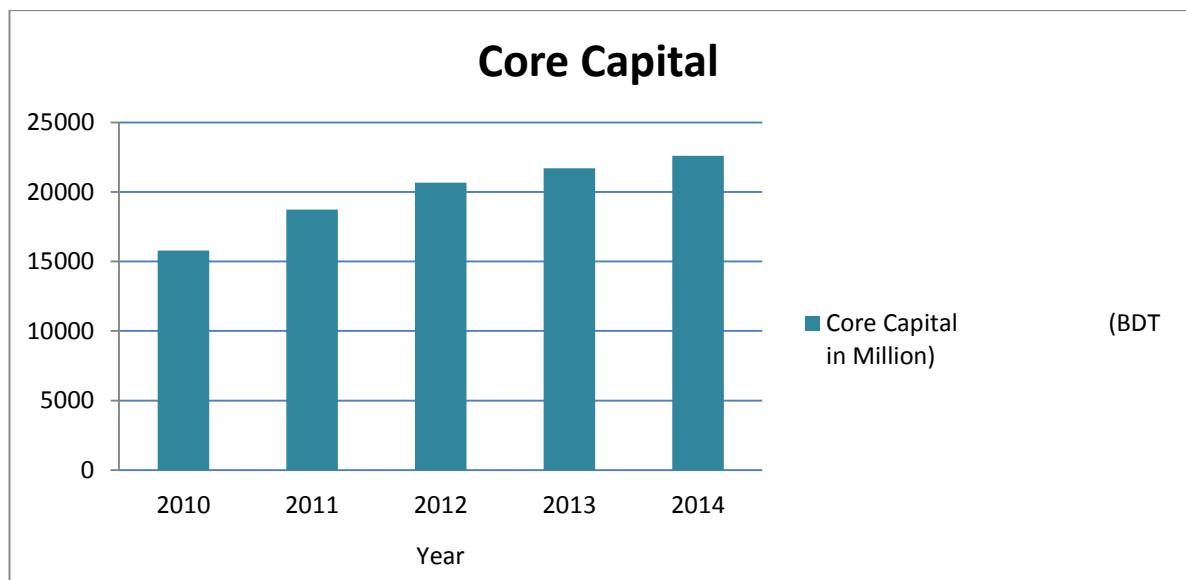


Fig: TIRE 1 or Core Capital of PBL

### 3.4.7 Tier II or Supplementary Capital

Tier II or supplementary capital includes the allowances for loan and lease losses, subordinated debt capital instruments, mandatory convertible debt, intermediate term preferred stock, cumulative perpetual preferred stock with unpaid dividends, equity notes and other long term capital instruments that combine both debt and equity features.

Tier II or Supplementary Capital of Prime Bank Limited from 2010-2014 are given below-

Year	2010	2011	2012	2013	2014
Tire II Supplementary Capital	5,692	5,485	5,252	5,104	4,812

Source: Annual Report of Prime Bank Limited from 2010-2014

Tier 2 or supplementary capital is decreasing trend over the five years. Due to decrease in the components of tier 2 or supplementary capital, it has observed a decreasing trend.

**Tier 2 or Supplementary Capital of Prime Bank is shown in the graph below:**

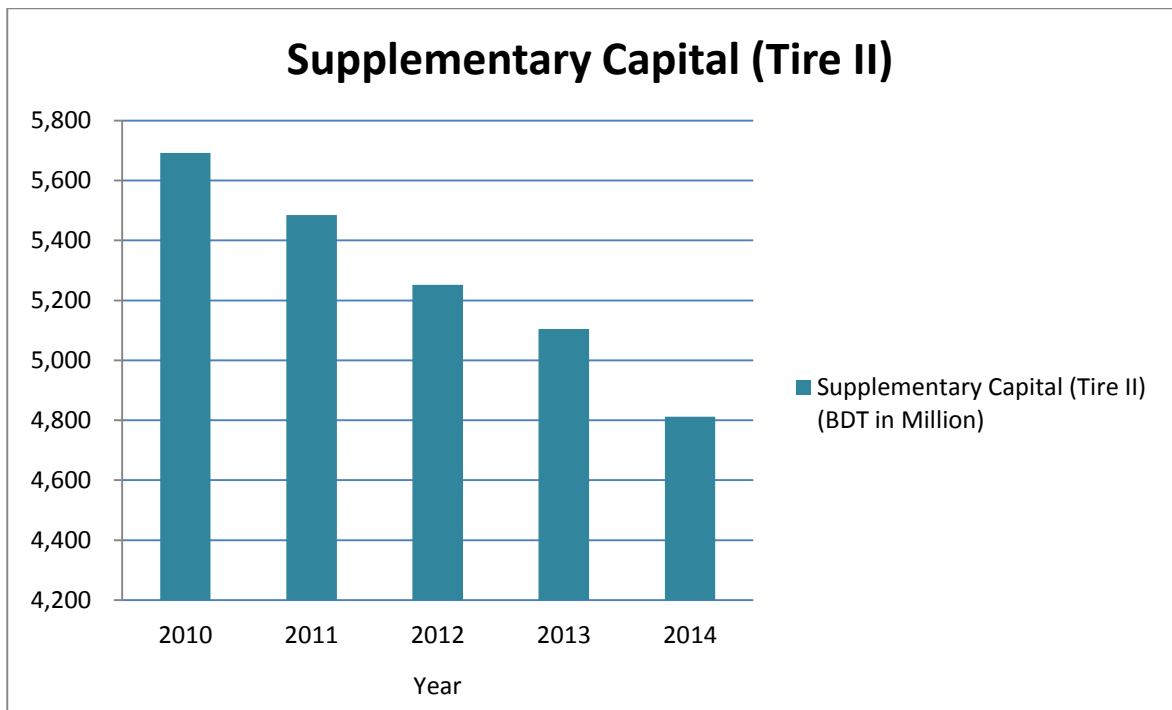


Fig: Tire II or Supplementary Capital of Prime Bank Limited

### 3.4.8 Ratio of Tier 1 Capital to Total Risk Weighted Assets

Ratio of Tier 1 capital to total risk weighted assets must be at least 4%.

Year	2010	2011	2012	2013	2014
Tier I Capital Ratio	8.60%	9.64%	10.08%	9.74%	10.45%

Source: Annual Report of Prime Bank Limited from 2010-2014

Ratio of Tier 1 capital to total risk weighted assets also maintains required rate of level. Over the five year it experiences a certain growth level.

**Ratio of Tier 1 capital to Total Risk Assets of Prime Bank is shown in the graph below:**

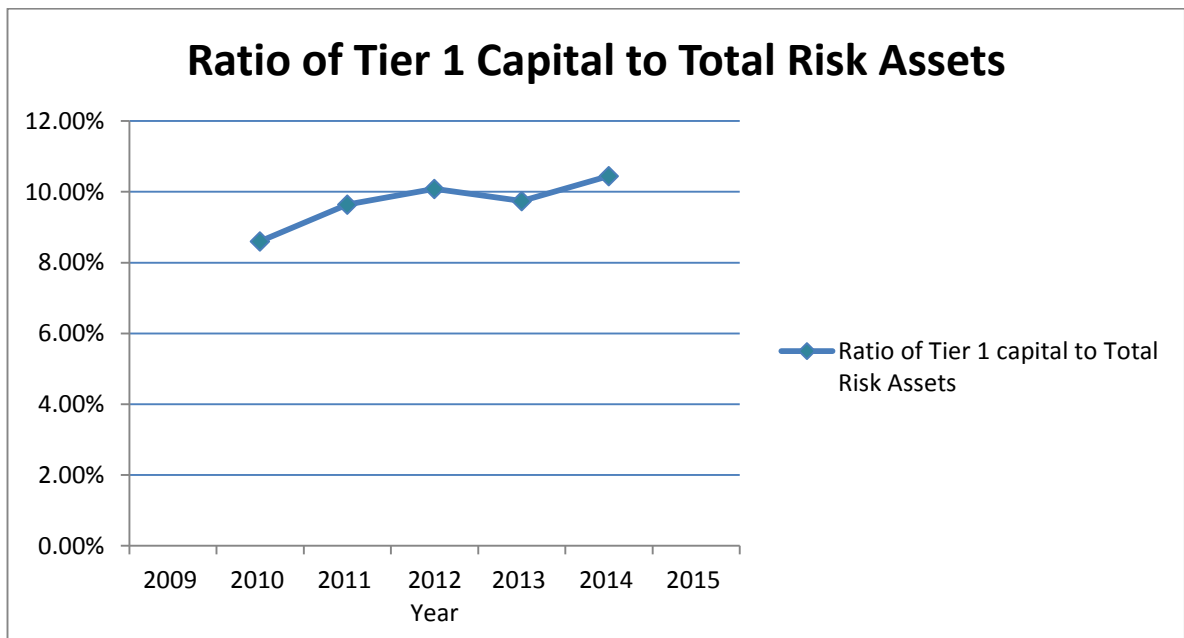


Fig: Ratio of Tier 1 capital to Total Risk Assets

### 3.4.9 Ratio of Tier 1+ Tier 2 Capital to Total Risk Assets

Ratio of tier 1+ tier 2 capitals to total Risk Assets must be at least 8%.

Year	2010	2011	2012	2013	2014
Tier I Capital Ratio	8.60%	9.64%	10.08%	9.74%	10.45%
Tire II Capital Ratio	3.09%	2.82%	2.56%	2.29%	2.23%
<b>Total Capital Ratio</b>	<b>11.69%</b>	<b>12.46%</b>	<b>12.64%</b>	<b>12.03%</b>	<b>12.68%</b>

Source: Annual Report of Prime Bank Limited from 2010-2014

Ratio of Tier 1+ Tier 2 Capital to total Risk Assets of Prime Bank is shown in the graph below:

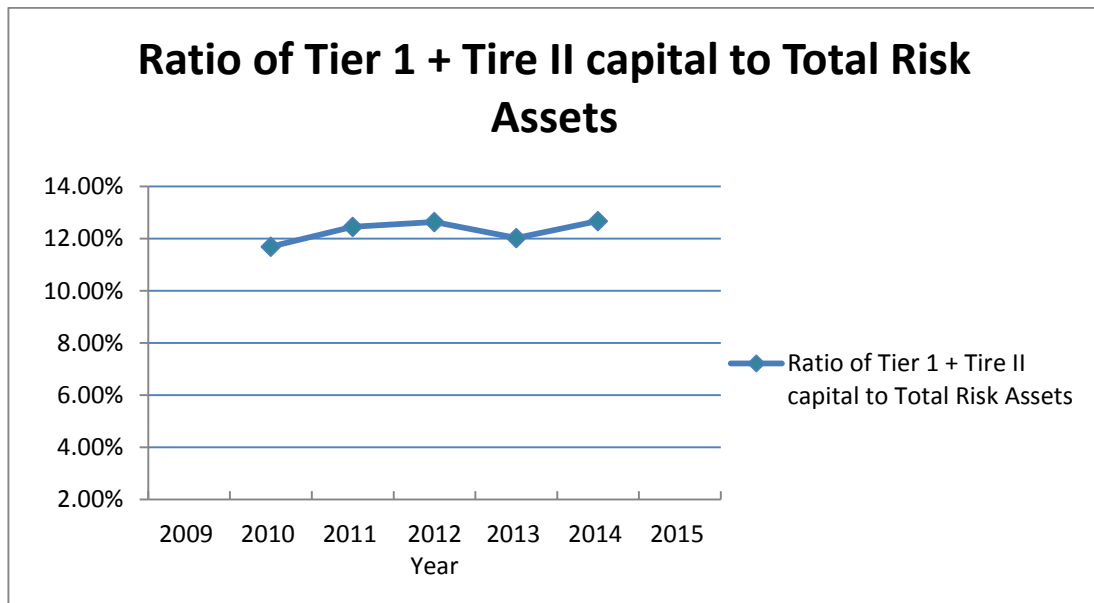


Fig: Ratio of Tier 1 + Tire II capital to Total Risk Assets

With an overall increasing trend in this sector, Prime Bank also succeeds to maintain the required rate of level.

### 3.4.10 Internal Capital Growth Rate (ICGR)

Internal Capital Growth rate measures of how fast a bank can allow its assets to grow so that its capital to assets ratio does not decline. It is measured by multiplying ROE and retention ratio. Retention ratio is measured by dividing retained earnings and net income after taxes.

Year	2010	2011	2012	2013	2014
ICGR	19.56%	15.44%	10.38%	6.12%	7.55%

Source: Annual Report of Prime Bank Limited from 2010-2014

In 2014 Internal Capital Growth Rate of Prime Bank increased from 2013 due to increasing trend in ROE as well as retained earnings and net income after tax was higher than 2013. As a result it experiences a increasing trend in ICGR.

Graphical representation of Internal Capital Growth Rate (ICGR) is shown below:

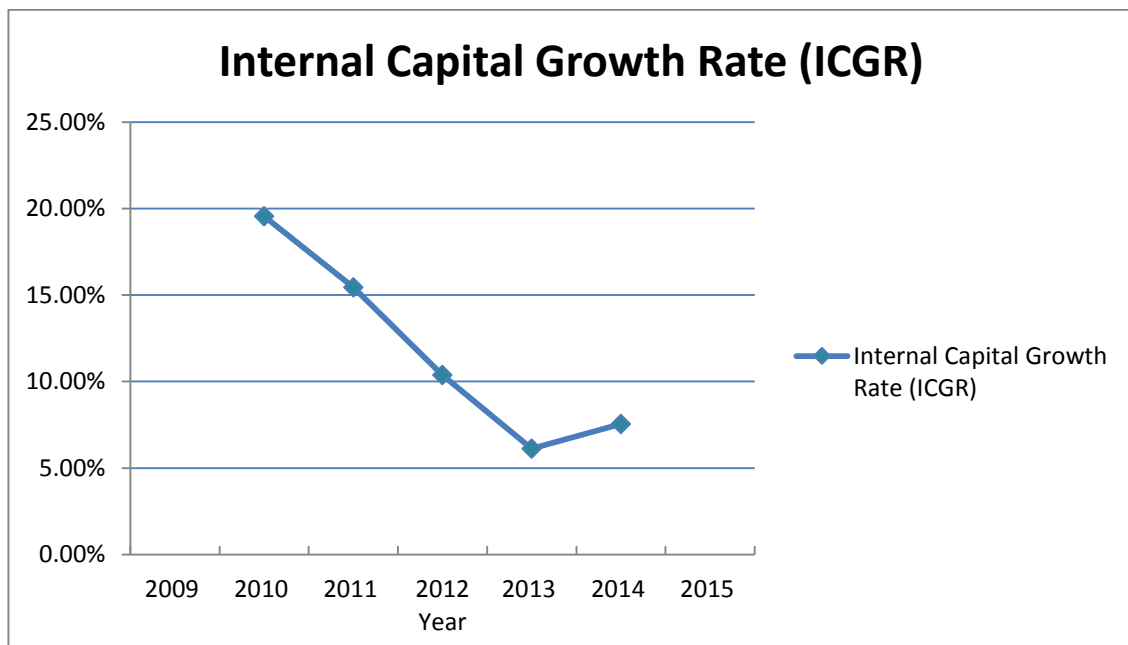


Fig: Internal Capital Growth Rate (ICGR) of PBL



**Chapter 4**

**Summary,  
Recommendations  
and Conclusion**

## 4.1 Summary of the Findings

After Analyzing the financial performance of Prime Bank Limited from 2010-2014 I would like to express some important findings which are given below:

- From 2010-2014, Prime Bank experiences a steady growth in total assets sector. The growth in assets was mainly driven by growth of customer deposits. The growth of deposits was used for funding growth in credit and holding of securities for SLR purpose.
- Prime Bank successfully maintains its capital adequacy ratio. Regulatory capital requirements are therefore necessary to prevent banks from expanding beyond their ability to manage, to improve the quality of bank's assets, to control the ability of the banks to leverage their growth and to lead to higher earning assets, leading to peace of mind of all stakeholders. Prime Bank keeps a careful check on its capital adequacy ratio.
- The bank had higher ROA (2.22% in 2010), but in 2014 the ROA was (0.96%) decreased, which indicate bank's efficient to convert asset into earnings reduced from 2010 to 2014.
- The shareholder's benefit received from investing capital in the bank was declined from 2013 to 2014.
- The interest expenses increased more than increased in interest revenue from 2010 to 2014, which reduced the net interest margin from 4.21% in 2010 to 1.91% in 2014.
- The bank's ROL decreased from 2013 (14.33%) to 2014 (12.52%) because the increase in interest income was less than increase in total loan from 2013 to 2014.
- The bank's investment decision was less efficient in 2014 compare to 2010 because the ROI reduced from 15.14% (2010) to 3.29% in 2014.
- Market price per share of the bank was lowest in 2014 for which the P-E ratio was lower in 2014.

## 4.2 Recommendations

After three months internship and analyzing the financial performance, I would like to mention some recommendations. The recommendations are given below-

- The bank should increase the non-interest income in order to increase the operating income.
- After giving the loan to the customers, a banker should also perform certain duties to the customers to decrease the bad debt problem. Like-monitoring, supervising and follow up the loan that is taken by the customers.
- “Employee Recruitment Process”- should be done in a fair process so that appropriate and talented employees are selected through the recruitment process and increase the productivity and quality of the service.
- Better Customer Service should be provided in order to attract more clients. Increasing number of dissatisfied customer will incur loss to the organization.
- Prime Bank Limited should set up more ATM booth and bring some improvisation into the ATM card service to gain the customers satisfaction.

### **4.3 Conclusion**

Prime Bank is one of the most promising private commercial banks in Bangladesh. Every day Prime Bank makes an effort to increase their product and services although they provide a wide range of product and services. It is committed to provide high quality financial service to contribute to the growth of GDP of the country and the growth of industrialization, boosting up export, creating employment opportunity for the educated youth, raising standard of living of limited income group and overall sustainable socioeconomic development of the country. Prime Bank Limited always tried its level best to perform financially well. In spite of trying to do well in some aspects Prime Bank Limited faced some financial problems from time to time. Some of the problems were-excessive bad loans, shortage of loans and advances, scarcity of cash in hand due to vault limit etc. These problems arouse time to time due to economic slowdown, interest rate fluctuation, emerging capital market, inflation in the money market and so on. Fighting with all these problems and competing with other banks every moment the bank is trying to do better to best. If this thing continues we hope that Prime Bank Limited will develop even more in the future.

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