



# **BRAC University**

Internship Report on

**Performance Evaluation & Stock Valuation of Prime Bank Ltd.**

Submitted to-

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# Letter of Transmittal

12<sup>th</sup> June, 2014

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Subject: Submission of the Internship report

Dear Sir,

I am highly delighted to submit the internship report of my three months long internship program in Prime Bank Limited, Tongi Branch. The title of the report is **“Performance Evaluation & Stock Valuation 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, Tongi Branch. I have tried my level best to reflect my three months 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,

.....

Syed Faisal Waky  
ID: 10104052  
BRAC Business School,  
BRAC University

## **Acknowledgement**

The successful accomplishment of this Internship Report is the outcome of the contribution and involvement of a number of people, especially those who took the time to share their thoughtful guidance and suggestions to improve the report. It's difficult for me to thank all of those people who have contributed something to this report. There are some special people who cannot go without mention.

First of all, I would like to thank our honorable academic supervisor Mr. Riyashad Ahmed, Assistant Professor, BRAC Business School, BRAC University. I am thankful to him for his continuous support and supervision, suggestions and providing me with valuable information that was very much needed for the completion of this report.

Then, I express my sincere gratitude to the Operation Manager of the branch, Md. Shahidur Rahman who was my supervisor during my internship period. It was my privilege and I am truly honored working with such a wonderful team.

Finally my sincere gratitude goes to my family, friends, classmates and colleagues who helped me whenever I needed.

## ***Executive Summary***

*This paper has been prepared in order to present an evaluation of financial performances as well as the stock valuation of Prime Bank Ltd. The paper opens with a short overview of Prime Bank followed by my internship experience. The subsequent report covers the evaluation of financial performance through some ratio analysis (i.e., return on equity, return on asset, net interest margin, earning per share, net bank operating margin) and valuation of stock of the company (i.e. the determination of the current market rate of interest, risk free rate, respective beta value of the company, etc.). The analysis of profitability includes determination of the growth rate, required rate of return and the intrinsic value. Finally, the comparison of the intrinsic value with the market price has been made to evaluate whether the common stocks are overpriced or underpriced, along with the possible reasons for its being so. In conclusion, the paper evaluates the reasons for over or undervaluation of the common stock of the Prime Bank Ltd.*

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# **Chapter 1**

## **Introduction**

## 1.1 Origin of the report

A three months internship program with a particular organization and a report assigned by the academic supervisor is mandatory for every student of Bachelor of Business Administration of BRAC University. I got the opportunity to do my internship in Prime Bank Limited, Tongi Branch. I started my internship in Prime Bank on 4<sup>th</sup> February and ended on 4<sup>th</sup> May 2014. Throughout my internship period, Riyashad Ahmed, Assistant Professor of BRAC Business School was my academic supervisor and Md. Shahidur Rahman, Operation Manager was my field supervisor.

A report on a particular topic is a mandatory part of the internship program. I was authorized to make a report on the “Performance evaluation as well as the stock valuation 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 this topic.

## 1.2 Objective of the report

### **Broad Objective:**

- To get an overall idea about the financial performance and the capital market exposure of Prime Bank Limited.
- To relate the theoretical knowledge to the original financial data of Prime Bank Limited.

### **Specific Objective:**

- To know the financial performance of Prime Bank Limited in the last few years.
- To determine the common stock of the company whether it is overvalued or undervalued.



## **1.3 Methodology**

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

### **1.3.1 Primary Source**

- Observation
- Personal interview

### **1.3.2 Secondary Sources**

- Annual Report of Prime Bank Limited from 2008-2013
- Web site
- textbook

## **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 and stock valuation 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 then 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 Introduction of Prime Bank**

Prime Bank Limited “A bank with a difference” is perfectly applicable. Within a short period, acquiring the position at the top slot in terms of quality service to the customers prove its accuracy. 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 Mission

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

## 2.3 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.

## 2.4 Goals and Objectives

- To build up strong pillar of capital.
- To promote trade, commerce and industry.
- To discover strategies for achieving systematic growth.
- To improve and broaden the range of product and services.
- To develop human resource by increasing employment opportunities.
- To enhance asset of shareholders.
- To offer standard financial services to the people.
- To create congenial atmosphere.
- To keep business morality.
- To develop welfare oriented banking service.
- To offer highest possible benefit to customers.

## 2.5 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. M Ehsanul Haque, 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. It acquired full-fledged Merchant Banking License from the Securities and Exchange Commission (SEC) in 2001. It started full-fledged operation from 2006. It started branch operations to provide Portfolio Management Services in major locations of Dhaka City and Sylhet in 2008. It became a subsidiary of Prime Bank Ltd. in 2010 with a paid-up capital of Tk. 300 crore. It is 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 Finance (Hong Kong) Limited:** In 2010, PBL has received permission from Bangladesh Bank for opening a fully owned subsidiary in Hong Kong under the proposed name of PBL Finance (Hong Kong) Limited.

**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.

## 2.6 Managerial Hierarchy

Managerial decision-making authority starts from the Principal Officer. The top-level authority goes to the Chairman, the Board of Directors and the Managing Director.

- Chairman
- Board of Directors
- Executive Committee
- Managing Directors
- Additional Managing Director
- Senior Executive Vice President
- Executive Vice President
- Senior Vice President
- Vice President
- Senior Assistant Vice President
- Assistant Vice President
- First Assistant Vice President
- Senior Executive Office
- Executive Officer
- Principal Officer
- Senior Officer
- Management Trainee Officer
- Junior Officer
- Trainee Assistant Management

## 2.7 Operational Network

Prime Bank has one of the largest operational networks. They have lot of branches around the country. Now they are not only conducting business in Bangladesh but around many foreign countries like Singapore, Hong Kong etc. The principal activities of the bank are banking and related businesses. The banking businesses include taking deposits, extending credit to corporate organizations, retail and small & medium enterprises, trade financing, project financing, international credit card etc. Prime Bank Limited provides a full range of products and services to its customers.

### 2.7.1 Branches of Prime Bank Limited

Division wise Branches	No. of Branches
Dhaka Division	49
Chittagong Division	21
Barishal Division	1
Sylhet Division	14
Rajshahi Division	09
Rangpur Division	02
Khulna Division	04
SME Branches	17
<b>Total</b>	<b>119</b>

### 2.7.2 Departments of Prime Bank Limited

The Department Based Approach is similar to that of the branch based approach, where each department operates as a separate unit but sometimes collaborates in order to operate more efficiently or to solve a common problem. Such departments are also treated as a separate entity but are much more specialized in one particular area of the business unlike a branch, which has to be

involved in multiple tasks. Examples of further departments at Prime Bank Ltd are given below:

- Human Resources Division (HRD)
- Financial and Administration Division (FAD)
- General banking department
  - Accounts opening section
  - Cash section
  - Remittance section
  - Bills and clearing section
  - Accounts section
- Foreign exchange department
  - Import section
  - Export section
  - Foreign remittance section
- Marketing Division
- Public Relation Department (PRD)
- Merchant Banking and Investment Banking
- Treasury Division
- International Division
- Computer and Information Technology Department
- Credit Division
- Corporate Affairs Division
- Card Division
- Board Audit Cell
- Monitoring and Inspection Division



## 2.8 Product/Service Offering

In the field of retail banking Prime Bank Limited presents a wide variety of services. They always try to ensure the best quality retail banking services for their customers. In their retail banking service the number of services they have are given below-

**Deposit Products:** Under this section there are also many products and services of Prime Bank Limited. They are-

- Prime Millionaire Scheme
- Double Benefit Scheme
- Lakhpoti Deposit Scheme
- Monthly Profit Based Scheme
- Contributory Saving Scheme
- Education Savings Scheme

**Retail Loan:** Under retail loan services there are a number of products and services. They are-

- Car Loan
- CNG Conversion Loan
- Doctor's Loan
- Marriage Loan
- Travel Loan
- Loan Against Salary
- Household Durables Loan
- Hospitalization loan
- Home Loan (SwapnaNeer)
- Education loan
- Any purpose Loan

## **Chapter 3**

# **Job Responsibilities as an Intern in Prime Bank Limited**

### **3.1 Introduction**

I started my internship in this branch I was overwhelmed by knowing that I am a part of this renowned branch for three months. The duration of my internship was from 4th February to 4th May. I enjoyed myself working over there a lot because the environment was immensely friendly and all of the employees are very much co-operative. As an intern every day I had to report to the Operation Manager of the branch Md. Shahidur Rahman and he also supervised me through my whole internship period.

Real world is far away different from the theoretical knowledge. Especially in service sector there are both encouraging and off-putting things to experience every day. As an intern of Prime Bank Limited I had experienced of so many new things. I came to know actual works of bankers and observed how the works are being done accordingly to serve the customer properly.

During the three months of my internship I have done several types of work in the General Banking department. In credit department, I have also performed a number of tasks. I tried my level best to perform all the jobs very well.

### **3.2 My Experience in General Banking**

Working in general banking was different and spontaneous experience for me. In general banking sector, I had to deal with the customers directly. The main job in general banking was to collect the cheque requisition slip and helping the customers to fill up their account opening form. Some other works were also done by me. The list of jobs that I have done in general banking is given below:

- Helping customer in filling their forms
- Briefing the customers about different Deposit Scheme of PBL
- Writing Inward & Despatch register
- Collecting cheque requisition slip from the customers
- Issuing cheque books
- Making phone calls to clients to acknowledge them about the arrival of their ATM cards
- Registering the cheque requisition

### **3.3 My Experience in Credit Sector**

I had the opportunity to work in the credit sector as well and it was also a great learning experience for me. The main job was to assist the officers by filling the forms of the clients related to Credit Information Bureau (CIB). The list of jobs that I have done in credit sector is given below:

- Filling the CIB undertaking documents
- Updating the Credit Transaction Report (CTR)
- Checking whether all the documents related to car loan exceed its validity or not
- Recovery visit

### **3.4 Observation about Prime Bank Ltd. (Tongi Branch):**

Prime Bank Ltd (Tongi Branch) should be evaluated for a better working place due to its environment and employees. During my three months internship program I really enjoyed a healthy and warm atmosphere there. But still there are some shortcomings too.

Like there is only one officer for the entire branch who does the cheque clearing process. Moreover, there is shortage of officers in customer service desk. Sometimes due to excessive pressure of clients it just becomes burden for him. As a result the customers are sometimes being made to wait for a while and some customers become impatient.

The crisis of ample space is a creating trouble for the employee as a result they sometimes lag behind in providing better service.

Again, movement of common people in credit department is not restricted. As a result sometimes people gather in that department unnecessarily. Moreover, some computers do not function smoothly. These sorts of things hinder the productivity of the employees.

### **3.5 A few suggestions to overcome those short comings**

To become hundred percent perfect is not possible. Due to changing trend and demand there will be always some shortcomings. Still the organization always strives to provide excellent service in order to achieve complete satisfaction of customer. Some initiatives that can be taken by PBL for better quality service are given below:

- Increasing the number of employees in customer service desk
- Increasing space for general banking
- Restrict entry of common people in credit department
- Increase the number of cheque clearing cubicle
- Organizing training for the employees time to time to upgrade their technical knowledge and for better performance.
- All the computers should be updated properly for better performance

## **Chapter 4**

# **Performance Evaluation of Prime Bank Ltd. from 2009-2013**

## 4.1 Introduction

A company's performance is evaluated through the analysis of its financial statements. Financial statement analysis involves a comparison of a firm's performance with that of other firms in the same line of business, which usually is identified by the firm's industry Classification. Generally speaking, the analysis is used to determine the firm's financial position so as to identify its current strengths and weakness and to suggest action the firm might pursue to take advantage of the strength and correct any weakness.

## 4.2 Summary

Mainly here I want to show a vivid picture of financial performance of Prime Bank Ltd. (PBL) and for this reason it is necessary to know how Prime Bank is performing through any specific financial performance analyzing tool. Since I have already mentioned about the background of Prime Bank, so now to evaluate performance I have gone through ratio analysis which will help to make proper evaluation. Basically for analysis I have chosen some ratios and gather the information to calculate the ratios from income statement and balance sheet for last five years. Lastly I have interpreted the result and recommended where the improvement might take place.

## 4.3 Analysis

The financial performance analysis of Prime Bank of the last five years (2009-2013) is given below:

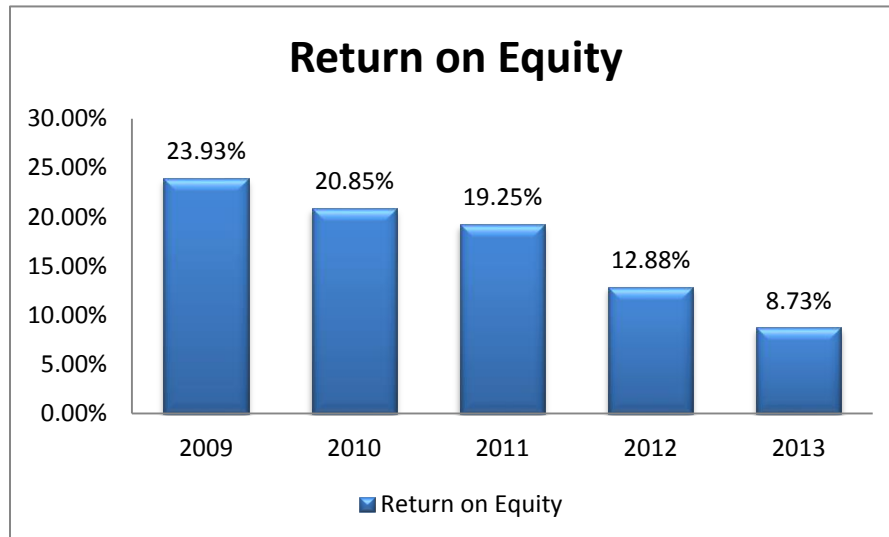
### 4.3.1 Return on Equity

This ratio shows the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. It indicates a firm's efficiency in applying common-stockholders' (ordinary-shareholders') money.

$$\text{Return on Equity (ROE)} = \frac{\text{Net income after taxes}}{\text{Total equity capital}}$$

Particulars	Amount in Taka				
	2009	2010	2011	2012	2013
Net income after tax	2,823,473,302	3,640,602,007	3,717,005,596	2,700,405,687	2,038,309,936
Total equity capital	11,796,677,214	17,464,292,325	19,306,395,169	20,961,807,176	23,358,519,326
Return on Equity	<b>23.93%</b>	<b>20.85%</b>	<b>19.25%</b>	<b>12.88%</b>	<b>8.73%</b>

The return on equity was 23.93% in 2009. After that it started to decrease and became 12.88% in 2012. Then the situation went worst and it turns into 8.73% in 2013. The fall was caused by a lower net profit margin resulting from a lower interest rate spread and increased provisions and operating expenses. Profitability fell due to a domestic economic turndown, combined with the global economic crisis.



So, Prime Bank Ltd. generated 0.0873 taka of profit for every 1 taka of shareholders' equity last year (2013), giving the stock an ROE of 08.73%.



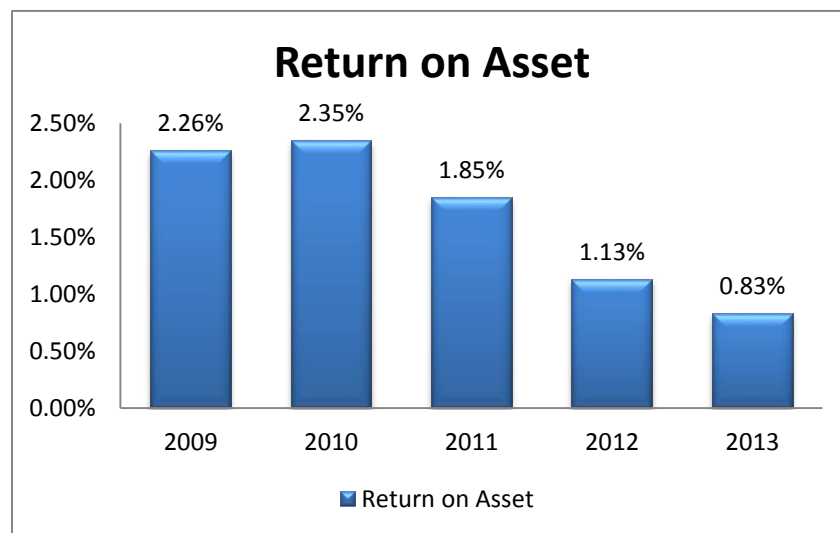
## 4.3.2 Return on Asset

ROA is an indicator of a company's profitability. ROA is calculated by dividing a company's net income (after tax) in a fiscal year by its total assets. It is known as a profitability or productivity ratio, because it provides information about the management's performance in using the assets of the small business to generate income.

$$\text{Return on Asset} = \frac{\text{Net income after tax}}{\text{Total asset}}$$

Particulars	Amount in Taka				
	2009	2010	2011	2012	2013
Net income after tax	2,823,473,302	3,640,602,007	3,717,005,596	2,700,405,687	2,038,309,936
Total assets	124,984,702,326	155,222,005,259	200,995,680,436	238,169,049,276	245,522,645,636
Return on Asset	<b>2.26%</b>	<b>2.35%</b>	<b>1.85%</b>	<b>1.13%</b>	<b>0.83%</b>

Return on asset follows a cyclic trend. It was 2.26% in 2009. In 2010 it increased to 2.35%. After the increase in 2010 it started drastically decreasing and turns into 0.83% in 2013. The fall in 2013 was caused by an economic downturn, coupled with a reduced interest spread and a lower net profit after tax, relative to total interest revenue.



So, Prime Bank Ltd. earned 0.0083 taka of profit for every 1 taka of its assets last year (2013), giving the company an ROA of 0.83%.

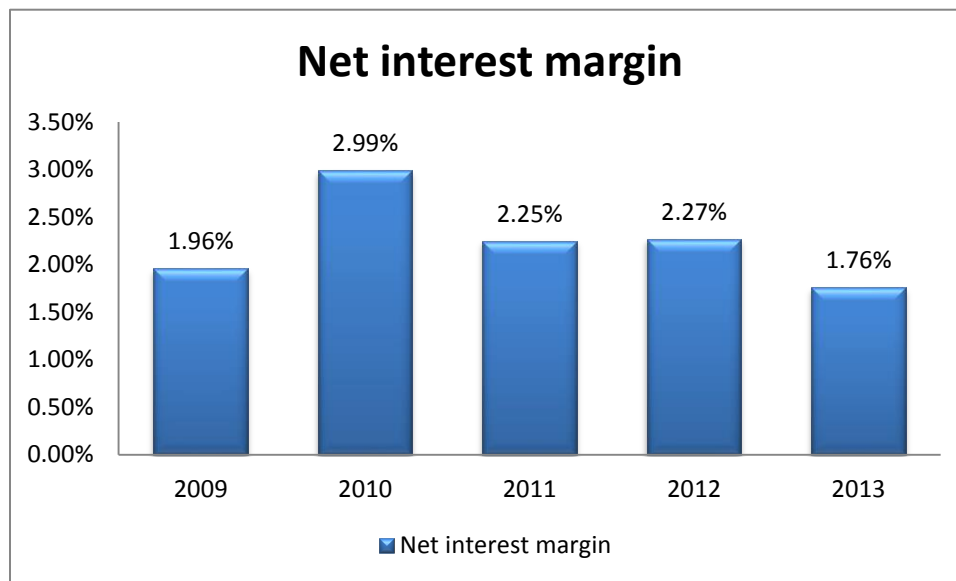
### 4.3.2 Net Interest Margin

This ratio is a performance metric that examines how successful a firm's investment decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because interest expenses were greater than the amount of returns generated by investments.

$$\text{Net Interest Margin} = \frac{(\text{Interest Income} - \text{Interest Expense})}{\text{Total Assets}}$$

Particulars	Amount in Taka				
	2009	2010	2011	2012	2013
Interest income	10,881,150,621	12,695,374,976	17,574,814,286	22,821,500,674	22,010,657,745
Interest expense	8,428,698,978	8,047,100,451	13,043,496,475	17,410,286,124	17,678,359,259
Total assets	124,984,702,326	155,532,789,526	200,995,680,436	238,169,049,276	245,522,645,636
Net interest margin	<b>1.96%</b>	<b>2.99%</b>	<b>2.25%</b>	<b>2.27%</b>	<b>1.76%</b>

After increasing from 2009, net interest margin decreased from 2010 to 2013. The net interest margin was 2.99% in 2010. Then it decreased to 2.25% in 2011 and to 1.76% in 2013.



A steady net profit margin means that the bank's assets generated a similar level of net interest income, relative to its growth. So, in 2013, for every 1 taka of asset, the bank earned 0.0176 taka, giving the company the net interest margin of 1.76%.

### 4.3.3 Earning Per Share

Earnings per share gives an investor the return on their investment in a share of stock of a publicly traded firm on a share price basis. Earnings per share is very important among financial ratios as it tells investors how much they have earned on their stock in the company on a share price basis. It is used extensively in the stock market as the standard of stating earnings.

$$\text{Earnings per Share} = \frac{\text{Net income after tax}}{\text{Common equity shares outstanding}}$$

Particulars	Amount in Taka				
	2009	2010	2011	2012	2013
Net income after tax	2,823,473,302	3,640,602,007	3,717,005,596	2,700,405,687	2,038,309,936
Common equity shares outstanding	35,546,8750	577,636,710	779,809,558	935,771,469	1,029,348,616
Earnings per Share	<b>7.94</b>	<b>6.30</b>	<b>4.77</b>	<b>2.89</b>	<b>1.98</b>

Over the five year earnings per share of Prime Bank follows a decreasing trend. In 2012 and 2013 Prime Bank experiences a negative growth in Net Income. On the other hand, Number of share outstanding is also increased which resulted a lower EPS in 2013.



So, in 2013, Prime Bank generated 1.98 taka for each share, giving the company the Earnings per Share (EPS) of 1.98.

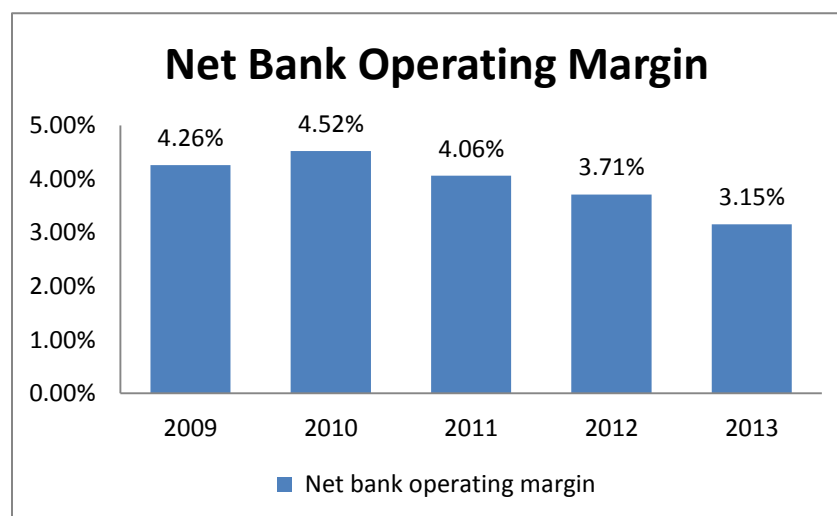
### 4.3.4 Net Bank Operating Margin

Net bank operating margin is a measure of the difference between the operating revenues generated by banks and the amount of operating expenses paid out, relative to the amount of their assets. It is similar to the gross margin of non-financial companies. It is known as a profitability or productivity ratio, because it provides information about the management's performance in using the assets of the small business to generate income

$$\text{Net Bank Operating Margin} = \frac{\text{Total operating revenues} - \text{Total operating expenses}}{\text{Total assets}}$$

Particulars	Amount in Taka				
	2009	2010	2011	2012	2013
Operating revenues	8,262,859,422	10,792,606,133	12,529,869,855	14,002,181,679	13,421,165,859
Operating expenses	2,934,051,448	3,769,667,412	4,364,978,322	5,162,220,245	5,689,098,440
Total assets	124,984,702,326	155,532,789,526	200,995,680,436	238,169,049,276	245,522,645,636
Net bank operating margin	<b>4.26%</b>	<b>4.52%</b>	<b>4.06%</b>	<b>3.71%</b>	<b>3.15%</b>

Prime Bank follows a decreasing trend since 2010. It is seen that, total assets increased at a comparatively faster rate than total operating revenues which caused net bank operating margin to decrease. In 2013, it moved down to only 3.15% whereas in 2010 it was 4.52%.



So, in 2013, for every 1 taka of asset, the bank earned 0.0315 taka, giving the company the net bank operating margin of 3.15%.

## **Chapter 5**

# **Capital Market Investment & Common Stock Valuation**

The capital market is a market for securities, where companies and Governments can raise long-term funds. It is a market in which money is lent for periods longer than a year. The capital market includes the stock market and the bond market. It is the group of interrelated markets, in which capital in financial form is lend or borrowed for medium and long period and in cases such as equities for unspecified periods.

The primary role of the capital market is to raise long-term funds for governments, banks, and corporations while providing a platform for the trading of securities. This fund rising is regulated by the performance of the stock and bond markets within the capital market.

## 5.1 Capital Market Exposure of Prime Bank Ltd.

Capital Market Investment has become a very eye-catching sector for investment by banks around the world. In recent phenomenon in banking industry, this has particularly become important for banks to diversify their investment avenues and opportunities and generate alternate sources of revenues when banks can pour its liquidity in stock market for higher return.

## 5.2 Capital Market Exposure Limit

Banks total exposure in capital market will be limited to 10% of its Total Liabilities. Banks shall have to follow single borrower exposure limit while giving loan facilities to their subsidiaries and others for merchant banking or brokerage activities.

## 5.3 Capital Market Investment in Past Few Years

The investment for 2008-2012 of Prime Bank is shown in table below-

Particulars	2008	2009	2010	2011	2012
<b>Capital Market Investment</b>	147.95	60.00	148.48	464.83	471.38

(Amounts are in BDT. Crore)

## 5.4 Stock Valuation

In financial markets, stock valuation is the method of calculating theoretical values of companies and their stocks. The main use of these methods is to predict future market prices, or more generally, potential market prices, and thus to profit from price movement. Stocks that are judged undervalued (with respect to their theoretical value) are bought, while stocks that are judged overvalued are sold, in the expectation that undervalued stocks will, on the whole, rise in value, while overvalued stocks will, on the whole, fall.

In the view of fundamental analysis, stock valuation based on fundamentals aims to give an estimate of their intrinsic value of the stock, based on predictions of the future cash flows and profitability of the business. Fundamental analysis may be replaced or augmented by market criteria – what the market will pay for the stock, without any necessary notion of intrinsic value.

In the view of others, such as John Maynard Keynes, stock valuation is not a prediction but a convention, which serves to facilitate investment and ensure that stocks are liquid, despite being underpinned by an illiquid business and its illiquid investments, such as factories.

## 5.5 Stock Valuation Methods

There are various methods of stock valuation. The most common methods used are the discounted cash flow method, the P/E method, and the constant dividend growth model.

### **a) The discounted cash flow method**

A valuation method used to estimate the attractiveness of an investment opportunity. Discounted cash flow (DCF) analysis uses future free cash flow projections and discounts them (most often using the weighted average cost of capital) to arrive at a present value, which is used to evaluate the potential for investment. If the value arrived at through DCF analysis is higher than the current cost of the investment, the opportunity may be a good one.

### **b) The P/E method**

Financial analysts often use a P/E model to estimate common stock value for businesses that are not public. The P/E ratio indicates how much investors are willing to pay for each dollar of a stock's earnings. A high P/E ratio indicates that investors believe the stock's earnings will increase, or that the risk of the stock is low, or both. First, analysts compare the P/E ratios of similar companies within an industry to determine an appropriate P/E ratio for companies in that industry. Second, analysts calculate an appropriate stock price for firms in the industry by multiplying each firm's earnings per share (EPS) by the industry average P/E ratio.

### **c) The constant dividend growth model**

A model for determining the intrinsic value of a stock, based on a future series of dividends that grow at a constant rate. Given a dividend per share that is payable in one year, and the assumption that the dividend grows at a constant rate in perpetuity, the model solves for the present value of the infinite series of future dividends. He

## **5.6 Prime Bank Ltd. Stock Valuation**

In this report the constant dividend growth model and the P/E method have been used for stock valuation of Prime Bank.

### **a) Stock Valuation using Constant Dividend Growth Model:**

The formula of the model is presented below –

$$P_0 = D_0(1+g) / (K_e - g)$$

Where,

$P_0$  = Value of Stock

$D_0$  = Latest Dividend

$K_e$  = Required Rate of Return

$g$  = Growth Rate



### Dividend Distribution

Prime Bank Ltd. enlisted in the Dhaka stock exchange (DSE) in the year 2000. It has an authorized capital of 25,000 million (BDT) and paid-up capital is 10,293 million (BDT).

Year	Dividend	Dividend per share
2008	227,500,000	.80
2009	*	-
2010	355,468,750	.67
2011	744,474,022	.95
2012	779,809,558	.83

\*No cash dividends

### Growth Rate

Cash dividend paid has changed from Tk. 0.80 to Tk. 0.83 in the last five years. To calculate the geometric average growth rate:

Future Value = Present Value \* Future Value Interest Factor

$$FV = PV(1+g)^n$$

$$.83 = .80(1+g)^5$$

$$(1+g)^5 = .83/.80$$

$$1+g = (.83/.80)^{1/5}$$

$$g = (.83/.80)^{1/5} - 1$$

$$g = 0.0074 \text{ or } 0.74\%$$

### Beta Coefficient

Prime Bank Ltd. beta coefficient is  $\beta=0.99987$ . So, Beta is lower than 1, offering the possibility of a lower rate of return, but also posing less volatility than the market.

### Required Rate of Return

$$\text{Required Rate of Return} = R_f + (R_m - R_f)\beta$$

$$\text{Risk Free Rate } (R_f) = 4\%$$

$$\text{Return on Market Portfolio } (R_m) = 7.97\%$$

$$K_e = .04 + (0.0797 - .04)0.99987$$

$$K_e = 7.97\%$$

### Intrinsic Value of Stock

$$\text{Value} = \text{Latest Dividend} / (\text{Required Rate Of Return} - \text{Growth Rate})$$

$$\text{Value} = D_0(1+g)/(K_e-g)$$

$$= 0.83(1+0.0074)/(0.0797-0.0074)$$

$$= 0.836142/0.0723$$

$$= 11.56$$

### Decision

The intrinsic value of the stock of Tk. 11.56 is below the market price of Tk. 37. This means that stock of Prime Bank Ltd. is overvalued.

### **b) P/E Multiple Approach Method**

The formula of the model is presented below –

$$P_0 = (P/E) * EPS_1$$

Where,

$$P_0 = \text{Value of Stock}$$

$$(P/E) = \text{price earnings ratio of the industry}$$

$$EPS = \text{earnings per share of the company}$$

Here,

$$\text{Price Earnings Ratio of the Industry } (P/E) = 15.12$$

$$\text{Earnings per Share of the Company } (EPS) = 1.98$$

### Intrinsic Value of Stock

$$\text{Value} = (P/E) * EPS$$

$$= 15.12 * 1.98$$

$$= 29.94$$

### Decision

The intrinsic value of the stock of Tk. 29.94 is below the market price of Tk. 37. This means that stock of Prime Bank Ltd. is overvalued.

### **Reasons for Overvaluation**

Reasons for overvaluation might include:

- Confidence in stock versus economy – Stocks may become overvalued when confidence in a particular company increases, but on the overall economy is still low.
- Flow of money into stocks – As trading of a particular stock increases due to a surge in demand, market prices may exceed the intrinsic value, resulting in overvaluation.
- Unstable dividend flow – Negative growth rate of dividend means, the trading prices of stock needs to be higher than the intrinsic value to ensure sufficient return. Therefore such stocks can be overvalued.

## Assumptions & Adjustments

- Face Value – The face value of all the stocks is TK. 10.
- Constant Growth – The dividend growth model of common stock valuation assumes a constant dividend growth rate. This means that dividend paid has grown at a constant rate over the years.
- Risk Free Rate – The risk free rate is assumed to be 4%. This is based on the Treasury Bills rate offered by the Government of the People’s Republic of Bangladesh.
- Return on Market Portfolio – Return on market portfolio has been calculated considering the annual average rate of the DGEN Index from year 2008 to 2012 and the Return on Market Portfolio is 7.97%.
- Beta Coefficient– The beta coefficient value for individual stocks has been taken through the regression analysis considering the rate of return by DGEN and by the company (PBL) from the year of 2008 to 2012. The value of 0.999873778 is taken as  $\beta$ .
- Dividend Growth – The dividend growth rate is calculated based on the cash dividend paid from the year 2008 to the year 2012.

# **Chapter 6**

## **Recommendations & Conclusion**

## Recommendations

Some recommendations based on the financial performance and stock valuation of Prime Bank Limited are given below-

- A bank should increase the non-funded income in order to increase the operating income ratio.
- Before giving long-term loan a bank should consider that whether a bank has long term deposit or not. Otherwise the bank will surely face the liquidity problem.
- “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.
- The most important thing that has come to my mind concerning their promotional activities is that they should go for print or broad cast media for advertisement to make their customer aware about their range of services and make the strong place in the customers” mind.
- To correct an over-valuation, the technique is to reallocate the equity in the company so everyone ends up with a number of shares they should have owned if the Friends and Family investors had invested at a fair valuation.
- The DSE and CSE should take part in the road show process just as a monitor if not the initiator. This can cause more transparency.

## Conclusion

Now-a-days, all the banks are contributing much than the previous years for the growth and development of the country. Banking industry is now much organized because of strong vigilance and supervision of Bangladesh Bank. In the industry, Prime Bank Ltd is one of the pioneers in many criteria. Prime Bank Ltd. is committed towards the excellence in the service with efficiency, accuracy and proficiency.

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 hands 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.

In spite of shortcomings, I tried my level best to make the report Fruitful. I apologize for making errors in the report.

# **Chapter 7**

## **References & Attachments**



## References

To prepare this report I have collected data mainly from annual reports of Prime Bank Limited, different books regarding ratio analysis, the websites of Dhaka Stock Exchange. The references are given below:

### Annual Reports

- Annual Report of Prime Bank Limited 2013
- Annual Report of Prime Bank Limited 2012
- Annual Report of Prime Bank Limited 2011
- Annual Report of Prime Bank Limited 2010
- Annual Report of Prime Bank Limited 2009
- Annual Report of Prime Bank Limited 2008

### Book

- Commercial Bank Management, Peter S. Rose

### Websites

- <http://www.primebank.com.bd>
- <http://www.dsebd.org>
- <http://www.stockbangladesh.com>
- <http://www.moneyhub.net>
- <http://www.investinganswers.com/>
- <http://www.investopedia.com/>

## Attachments

### Balance Sheet as at 31 December 2013

Particulars	Notes	Amount in Taka	
		2013	2012
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	<b>3a</b>		
In hand (including foreign currencies)		2,683,867,027	2,059,503,576
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		14,958,779,761	14,117,939,937
		<b>17,642,646,788</b>	<b>16,177,443,513</b>
<b>Balance with other banks and financial institutions</b>	<b>4a</b>		
In Bangladesh		244,165,129	251,389,642
Outside Bangladesh		626,533,772	1,392,741,405
		<b>870,698,901</b>	<b>1,644,131,047</b>
<b>Money at call and short notice</b>	<b>5</b>	-	-
<b>Investments</b>	<b>6a</b>		
Government		56,147,165,851	44,936,697,967
Others		792,350,658	925,206,241
		<b>56,939,516,509</b>	<b>45,861,904,208</b>
<b>Loans, advances and lease / investments</b>			
Loans, cash credits, overdrafts, etc./ investments	<b>7a</b>	147,380,881,952	153,440,706,958
Bills purchased and discounted	<b>8a</b>	6,207,878,277	7,449,141,605
		<b>153,588,760,229</b>	<b>160,889,848,563</b>
<b>Fixed assets including premises, furniture and fixtures</b>	<b>9a</b>	6,406,719,662	4,363,349,270
<b>Other assets</b>	<b>10a</b>	8,420,462,735	7,896,328,978
<b>Non - banking assets</b>		-	-
<b>Total assets</b>		<b>243,868,804,824</b>	<b>236,833,005,579</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>11a</b>	3,858,280,882	20,681,977,457
<b>Deposits and other accounts</b>	<b>12a.1.c</b>		
Current / Al-wadeeah current deposits		26,612,333,767	27,373,823,258
Bills payable		2,081,417,055	3,421,438,111
Savings bank / Mudaraba savings deposits		21,125,908,174	19,188,831,632
Term deposits / Mudaraba term deposits		152,087,482,186	132,068,779,059
Bearer certificate of deposit		-	-
Other deposits		-	-
		<b>201,907,141,182</b>	<b>182,052,872,060</b>
<b>Other liabilities</b>	<b>13a</b>	<b>15,073,785,652</b>	<b>13,311,117,157</b>
<b>Total liabilities</b>		<b>220,839,187,716</b>	<b>216,045,966,674</b>
<b>Capital / Shareholders' equity</b>			
Paid up capital	<b>14.2</b>	10,293,486,160	9,357,714,690
Share premium	<b>14.8</b>	2,241,230,396	2,241,230,396
Statutory reserve	<b>15</b>	7,528,626,614	6,839,527,566
Revaluation gain / (loss) on investments	<b>16a</b>	109,193,803	19,719,692
Revaluation reserve	<b>17</b>	1,511,486,306	251,603,567
Foreign currency translation gain	<b>18a</b>	4,513,294	5,015,711
Other reserve		-	-
Surplus in profit and loss account / Retained earnings	<b>19a</b>	1,341,080,535	2,072,227,283
<b>Total Shareholders' equity</b>		<b>23,029,617,108</b>	<b>20,787,038,905</b>
<b>Total liabilities and Shareholders' equity</b>		<b>243,868,804,824</b>	<b>236,833,005,579</b>

## Profit and Loss Account

for the year ended 31 December 2013

Particulars	Notes	Amount in Taka	
		2013	2012
Interest income / profit on investments	22a	22,010,657,745	22,821,500,674
Interest / profit paid on deposits, borrowings, etc.	23a	(17,678,359,259)	(17,410,286,124)
<b>Net interest / net profit on investments</b>		<b>4,332,298,486</b>	<b>5,411,214,550</b>
Investment income	24a	5,582,706,055	4,633,326,302
Commission, exchange and brokerage	25a	2,155,485,165	2,429,444,757
Other operating income	26a	812,592,003	1,017,962,459
<b>Total operating income (A)</b>		<b>12,883,081,709</b>	<b>13,491,948,068</b>
Salaries and allowances	27a	2,939,016,912	2,673,292,974
Rent, taxes, insurance, electricity, etc.	28a	550,258,309	430,873,148
Legal expenses	29a	37,766,195	28,570,418
Postage, stamp, telecommunication, etc.	30a	134,001,255	127,601,535
Stationery, printing, advertisements, etc.	31a	392,246,376	304,366,321
Managing Director's salary and fees	32	11,590,000	11,448,000
Directors' fees	33a	4,364,816	5,152,571
Auditors' fees	34a	690,000	575,000
Charges on loan losses	35	-	-
Depreciation and repair of Bank's assets	36a	348,115,280	331,708,120
Other expenses	37a	990,885,125	1,027,527,828
<b>Total operating expenses (B)</b>		<b>5,408,924,268</b>	<b>4,941,115,915</b>
<b>Profit / (loss) before provision (C=A-B)</b>		<b>7,474,157,441</b>	<b>8,550,832,153</b>
Provision for loans / investments	38a		
Specific provision		2,980,000,000	1,490,000,000
General provision		642,000,000	240,000,000
Provision for Off-Shore Banking Units		362,000,000	-
Provision for off-balance sheet exposures		10,000,000	140,000,000
		3,994,000,000	1,870,000,000
Provision for diminution in value of investments		24,527,202	43,797,548
<i>Other provisions</i>		10,135,000	1,301,942,300
<b>Total provision (D)</b>		<b>4,028,662,202</b>	<b>3,215,739,848</b>
<b>Total profit / (loss) before taxes (C-D)</b>		<b>3,445,495,239</b>	<b>5,335,092,305</b>
Provision for taxation			
Current tax	39a	1,616,000,000	2,449,800,000
Deferred tax		-	186,300,000
		1,616,000,000	2,636,100,000
<b>Net profit after taxation</b>		<b>1,829,495,239</b>	<b>2,698,992,305</b>
Retained earnings brought forward from previous years	19.1a	200,684,344	440,253,439
		<b>2,030,179,583</b>	<b>3,139,245,744</b>

## Consolidated Balance Sheet as at 31 December 2011

Particulars	Notes	Amount in Taka	
		2011	2010
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	<b>3</b>		
In hand (including foreign currencies)		1,464,155,549	1,267,716,376
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		12,032,573,269	8,309,148,371
		<b>13,496,728,818</b>	<b>9,576,864,747</b>
<b>Balance with other banks and financial institutions</b>	<b>4</b>		
In Bangladesh		382,122,372	417,554,765
Outside Bangladesh		1,208,305,751	668,715,404
		<b>1,590,428,123</b>	<b>1,086,270,169</b>
<b>Money at call and short notice</b>	<b>5</b>		
<b>Investments</b>	<b>6</b>		
Government		34,395,651,805	19,368,115,114
Others		3,120,176,474	2,837,921,281
		<b>37,515,828,279</b>	<b>22,206,036,395</b>
<b>Loans, advances and lease /investments</b>			
Loans, cash credits, overdrafts etc./ investments	<b>7</b>	134,982,117,073	111,440,806,551
Bills purchased and discounted		6,819,531,891	7,396,483,456
		<b>141,801,648,964</b>	<b>118,837,290,007</b>
<b>Fixed assets including premises, furniture and fixtures</b>	<b>9</b>	4,033,403,880	1,743,584,748
Other assets	<b>10</b>	2,557,642,372	1,771,959,193
Non - banking assets		-	-
<b>Total assets</b>		<b>200,995,680,436</b>	<b>155,222,005,259</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>11</b>	10,969,847,805	5,214,498,448
<b>Deposits and other accounts</b>	<b>12</b>		
Current / Al-wadeeah current deposits		23,625,794,636	21,552,223,043
Bills payable		2,992,596,076	2,437,755,219
Savings bank / Mudaraba savings deposits		17,943,888,911	15,302,405,243
Term deposits / Mudaraba term deposits		115,250,060,280	85,196,215,629
Bearer certificate of deposit		-	-
Other deposits		-	-
		<b>159,812,359,903</b>	<b>124,488,599,134</b>
<b>Other liabilities</b>	<b>13</b>	<b>10,907,077,559</b>	<b>8,054,615,352</b>
<b>Total liabilities</b>		<b>181,689,285,267</b>	<b>137,757,712,934</b>
<b>Capital / Shareholders' equity</b>			
Paid -up capital	<b>14.2</b>	7,798,095,580	5,776,367,100
Share premium	<b>14.8</b>	2,241,230,396	2,241,230,396
Minority Interest	<b>14.9</b>	63	71
Statutory reserve	<b>15</b>	5,778,119,737	4,419,319,123
Revaluation gain / loss on investments	<b>16</b>	259,338,544	1,420,497,676
Revaluation reserve	<b>17</b>	251,603,566	251,603,566
Foreign currency translation gain	<b>18</b>	8,058,632	1,301,116
Other reserve		-	-
Surplus in profit and loss account / Retained earnings	<b>18</b>	2,969,948,651	3,353,973,277
<b>Total Shareholders' equity</b>		<b>19,306,395,169</b>	<b>17,464,292,325</b>
<b>Total liabilities and Shareholders' equity</b>		<b>200,995,680,436</b>	<b>155,222,005,259</b>

## Consolidated Profit and Loss Account for the year ended 31 December 2011

Particulars	Notes	Amount in Taka	
		2011	2010
Interest income / profit on investments	21	17,574,814,286	12,695,374,976
Interest / profit paid on deposits, borrowings, etc.	22	(13,043,496,475)	(8,047,100,451)
Net interest / net profit on investments		4,531,317,811	4,648,274,525
Investment income	23	4,282,336,459	2,717,663,244
Commission, exchange and brokerage	24	2,916,034,666	2,718,207,140
Other operating income	25	800,180,919	708,461,224
<b>Total operating income (A)</b>		<b>12,529,869,855</b>	<b>10,792,606,133</b>
Salaries and allowances	26	2,115,203,200	1,722,050,368
Rent, taxes, insurance, electricity, etc.	27	380,655,058	318,646,910
Legal expenses	28	16,766,156	20,307,334
Postage, stamp, telecommunication, etc.	29	133,942,232	124,144,300
Stationery, printing, advertisements, etc.	30	260,483,419	226,907,572
Managing Director's salary and fees	31	9,003,067	8,980,000
Directors' fees	32	3,699,624	4,683,876
Auditors' fees	33	661,500	635,000
Charges on loan losses	34	-	-
Depreciation and repair of Bank's assets	35	280,989,830	224,412,619
Other expenses	36	1,163,574,236	1,118,899,433
<b>Total operating expenses (B)</b>		<b>4,364,978,322</b>	<b>3,769,667,412</b>
<b>Profit / (loss) before provision (C=A-B)</b>		<b>8,164,891,533</b>	<b>7,022,938,721</b>
Provision for loans / investments	37		
Specific provision		226,000,000	120,000,000
General provision		305,000,000	120,000,000
Provision for Off-Shore Banking Units		-	30,000,000
Provision for off-balance sheet exposures		130,000,000	270,000,000
		661,000,000	540,000,000
Provision for diminution in value of investments		389,941,266	11,047,554
Other provisions		-	-
<b>Total provision (D)</b>		<b>1,050,941,266</b>	<b>551,047,554</b>
<b>Total profit / (loss) before taxes (C-D)</b>		<b>7,113,950,267</b>	<b>6,471,891,167</b>
Provision for taxation:			
Current tax	38	3,172,444,671	2,581,289,160
Deferred tax		224,500,000	250,000,000
		3,396,944,671	2,831,289,160
<b>Net profit after taxation</b>		<b>3,717,005,596</b>	<b>3,640,602,007</b>
Retained earnings brought forward from previous year	18.1	611,743,672	840,651,060
		<b>4,328,749,268</b>	<b>4,481,253,067</b>

Balance Sheet  
as at 31 December 2009

Particulars	Notes	Amount in Taka	
		2009	2008
<b>PROPERTY AND ASSETS</b>			
<b>Cash</b>	<b>3</b>		
In hand (including foreign currencies)		922,721,774	750,107,609
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		9,327,459,373	6,447,553,847
		<b>10,250,181,147</b>	<b>7,197,661,456</b>
<b>Balance with other banks and financial institutions</b>	<b>4</b>		
In Bangladesh		351,824,846	420,777,975
Outside Bangladesh		367,098,273	1,581,293,172
		<b>718,922,919</b>	<b>2,002,071,147</b>
<b>Money at call and short notice</b>	<b>5</b>	-	-
<b>Investments</b>	<b>6</b>		
Government		19,017,337,618	20,807,924,500
Others		916,591,960	2,295,173,745
		<b>19,933,929,578</b>	<b>23,103,098,245</b>
<b>Loans, advances and lease investments</b>			
Loans, cash credits, overdrafts, etc./ investments	7	84,766,516,739	70,574,812,562
Bills purchased and discounted	8	4,485,705,750	4,581,394,255
		<b>89,252,222,489</b>	<b>75,156,206,817</b>
<b>Fixed assets including premises, furniture and fixtures</b>	<b>9</b>	1,572,618,882	1,374,826,295
<b>Other assets</b>	<b>10</b>	3,078,508,831	1,603,239,351
<b>Non - banking assets</b>		-	-
<b>Total assets</b>		<b>124,806,383,846</b>	<b>110,437,103,311</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Liabilities</b>			
<b>Borrowings from other banks, financial institutions and agents</b>	<b>11</b>	88,546,077	11,397,859,931
<b>Deposits and other accounts</b>	<b>12.1.c</b>		
Current / Al-wadeeah current deposits		15,811,376,614	11,868,543,906
Bills payable		1,808,929,647	1,239,622,153
Savings bank / Mudaraba savings deposits		12,111,585,771	6,797,881,897
Term deposits / Mudaraba term deposits		77,426,378,449	68,114,743,430
Bearer certificate of deposit		-	-
Other deposits		-	-
		<b>106,956,270,481</b>	<b>88,020,591,386</b>
<b>Other liabilities</b>	<b>13</b>	6,018,344,071	4,321,881,216
<b>Total liabilities</b>		<b>113,061,160,629</b>	<b>103,740,332,533</b>
<b>Capital / Shareholders' equity</b>			
Paid up capital	14.2	3,554,687,500	2,843,750,000
Statutory reserve	15	3,284,058,294	2,366,214,496
Revaluation gain / (loss) on investments	16	2,437,039,424	180,281,588
Revaluation reserve	17	251,603,566	251,603,566
Other reserve		-	-
Surplus in profit and loss account / Retained earnings	18	2,217,834,432	1,054,921,127
<b>Total Shareholders' equity</b>		<b>11,745,223,217</b>	<b>6,696,770,778</b>
<b>Total liabilities and Shareholders' equity</b>		<b>124,806,383,846</b>	<b>110,437,103,311</b>

## Profit and Loss Account for the year ended 31 December 2009

Particulars	Notes	Amount in Taka	
		2009	2008
Interest income / profit on investments	21	10,831,380,275	9,095,891,683
Interest / profit paid on deposits, borrowings, etc.	22	(8,426,118,565)	(7,126,309,515)
<b>Net interest / net profit on investments</b>		<b>2,405,261,710</b>	<b>1,969,582,168</b>
Investment income	23	3,372,478,627	1,743,677,466
Commission, exchange and brokerage	24	1,746,268,559	1,436,986,251
Other operating income	25	671,597,792	627,564,412
<b>Total operating income (A)</b>		<b>8,195,606,688</b>	<b>5,777,810,297</b>
Salaries and allowances	26	1,257,931,940	899,204,898
Rent, taxes, insurance, electricity, etc.	27	282,492,748	203,265,914
Legal expenses	28	26,258,442	14,164,497
Postage, stamp, telecommunication, etc.	29	94,757,714	78,712,209
Stationery, printing, advertisements, etc.	30	256,259,139	95,990,087
Managing Director's salary and fees	31	8,830,000	7,914,344
Directors' fees	32	3,153,420	2,385,044
Auditors' fees	33	940,500	418,000
Charges on loan losses	34	-	-
Depreciation and repair of Bank's assets	35	187,699,388	151,233,852
Other expenses	36	788,564,408	477,666,956
<b>Total operating expenses (B)</b>		<b>2,906,887,699</b>	<b>1,930,955,801</b>
<b>Profit / (loss) before provision (C=A-B)</b>		<b>5,288,718,989</b>	<b>3,846,854,496</b>
<i>Provision for loans / investments</i>	37		
Specific provision		(234,242,000)	(1,115,000,000)
General provision		(262,758,000)	(145,000,000)
Provision for Off-Shore Banking Units		(15,000,000)	(5,500,000)
Provision for off-balance sheet exposures		(112,000,000)	(118,000,000)
		(624,000,000)	(1,383,500,000)
Provision for diminution in value of investments		(1,500,000)	-
Other provisions		(74,000,000)	-
<b>Total provision (D)</b>		<b>(699,500,000)</b>	<b>(1,383,500,000)</b>
<b>Total profit / (loss) before taxes (C-D)</b>		<b>4,589,218,989</b>	<b>2,463,354,496</b>
<i>Provision for taxation</i>			
Current tax	38	(1,735,000,000)	(1,012,449,724)
Deferred tax		(70,000,000)	(219,072,598)
		(1,805,000,000)	(1,231,522,322)
<b>Net profit after taxation</b>		<b>2,784,218,989</b>	<b>1,231,832,174</b>
Retained earnings brought forward from previous years	18.1	351,459,241	315,759,852
		<b>3,135,678,230</b>	<b>1,547,592,026</b>