Report On

Addressing Root Causes of AML Non-Compliance and the Role of Internal Audit at Prime Bank PLC.

By

Md Rasel Khan
22264056

An internship report submitted to the Brac Business School in partial fulfillment of the requirements for the degree of
Master of Business Administration

BRAC Business School
BRAC University
May 2025

Declaration

It is hereby declared that

1. The report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Md Rasel Khan
Student ID: 2264056

Supervisor's Full Name & Signature:

Dr. Mohammad Enamul Hoque
Brac Business School
BRAC University

Letter of Transmittal

Dr. Mohammad Enamul Hoque
Brac Business School, BRAC University
Kha 224 Bir Uttam Rafiqul Islam Avenue, Merul Badda,
Dhaka 1212. Bangladesh

Subject: Submission of internship report on “Addressing Root Causes of AML Non-compliance and the Role of Internal Audit at Prime Bank PLC.).”

Dear Sir,

I am writing to transmit my internship report, "Addressing Root Causes of AML Non-Compliance and the Role of Internal Audit at Prime Bank," for your review and consideration. This research project was undertaken during my employment at Prime Bank PLC, where I gathered firsthand experience over 1.7 years.

To gain a broader perspective on AML practices within the banking sector, I also conducted a survey of 13 participants from various banks in Bangladesh. This survey aimed to gather insights into the effectiveness of Anti-Money Laundering (AML) measures implemented across the industry.

The findings of this research aim to shed light on how Prime Bank, as a leading green bank in Bangladesh, cultivates a robust compliance culture.

I am confident that this report will provide valuable insights into the critical role of internal audit in addressing AML risks and fostering a culture of compliance within the banking sector. I am available to discuss the findings of this research further at your convenience.

Sincerely yours,

Md Rasel Khan

22264056

BRAC Business School

BRAC University

Date: 21 May, 2025

Non-Disclosure Agreement

This agreement is made and entered into by and between Prime Bank PLC. and MD Rasel Khan.

I, Md Rasel Khan, agree to maintain full confidentiality regarding any information obtained from Prime Bank PLC. and will not disclose any confidential information even after the completion of my tenure with the company.

Student's Full Name & Signature

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Md Rasel Khan

Student ID: 22264056

Organization Supervisor's Full Name & Signature

____

Md. Mowlamul Islam

Senior Executive Officer (SEO)

Prime Bank PLC.

Acknowledgement

The successful completion of this report is a result of the combined efforts and contributions of many individuals. I would like to express my sincere gratitude to all those who generously shared their valuable time and insights to enhance this work.

Firstly, I extend my deepest thanks to Allah for granting me the strength and perseverance to diligently work through the challenges of this project.

I am immensely grateful to my esteemed supervisor and mentor, Dr. Mohammad Enamul Hoque, Assistant Professor, BRAC Business School, BRAC University. His invaluable guidance, continuous encouragement, and insightful suggestions have been instrumental in shaping this research. I am deeply indebted to him for his unwavering support and for providing me with access to crucial resources that were essential for the successful completion of this report.

I would also like to express my heartfelt appreciation to my friends, family, students, and colleagues for their unwavering support and encouragement throughout this endeavor.

Finally, I would like to extend my sincerest gratitude to all the respondents who participated in the survey. Their valuable time and honest feedback were crucial in providing the data necessary for this research. Their contributions are deeply appreciated.

1. **Dr. Mohammad Enamul Hoque,** Brac Business School, BRAC University

2. **Md. Mowlamul Islam**, Senior Executive Officer (SEO), Prime Bank PLC

Executive Summary:

This report investigates the fundamental reasons behind the non-compliance with Anti-Money Laundering (AML) regulations at Prime Bank PLC and assesses the contribution of internal audit functions in enhancing AML effectiveness. Using a mixed-methods strategy, the report integrates direct audit observations, internal audit documentation, a survey involving 13 banking professionals, and an analysis of regulatory frameworks to pinpoint areas of non-compliance. This report has three sections, internship experience, organizational overview and the project part. The first part discusses my work experience, my contributions to the bank, the skills and knowledge I gained, the difficulties I experienced, and the recommendations I made based on those experiences. The second part gives an overview of Prime Bank PLC, including its vision, mission, financial performance over the last five years, and a study of its external and internal environments using frameworks like Porter's Five Forces, PESTEL, and SWOT and the recommendations. The final section investigates the underlying causes of AML noncompliance and the role of internal audit at Prime Bank PLC. It examines the bank's established anti-money laundering policy, regulatory framework, common AML audit observations, and analysis of audit observations. The major findings reveal that inadequate Know Your Customer (KYC) protocols, ineffective transaction monitoring, insufficient staff training, political interference, and technological constraints are significant factors contributing to non-compliance. Furthermore, obstacles such as informal remittance systems (hundi), inadequate collaboration between financial institutions and regulatory authorities, and weaknesses in Trade-Based Money Laundering (TBML) practices further complicate AML enforcement. The research emphasizes the necessity of fostering a robust compliance culture through improved internal audit practices, enhanced staff training, and upgraded technological solutions for transaction oversight.

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List of Acronyms

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMLD	Anti-Money Laundering Department
BAMLCO	Branch Anti-Money Laundering Compliance Officer
BB	Bangladesh Bank
BFIU	Bangladesh Financial Intelligence Unit
BM	Branch Manager
BOM	Branch Operation Manager
CAMLCO	Chief Anti-Money Laundering Compliance Officer
CBS	Core Banking Solution
CCU	Central Compliance Unit
CDD	Customer Due Diligence
COF	Cost of Fund
CSO	Customer Service officer
CTR	Cash Transaction Report
EDD	Enhanced Due Diligence
GL	General Ledger
HO	Head Office
ICCD	Internal Control & Compliance Division
KYC	Know Your Customer
LOD	Liability Operations Department
NPL	Non Performing Loan
PBL	Prime Bank PLC (Public Limited Company)
RBA	Risk Based Audit Guideline

ROCE	Return on Capital Employed
ROE	Return on Equity
SOP	Standard Operating Procedures
STR	Structured Transaction Report
TBML	Trade Based Money Laundering

Chapter 1: Overview of the Internship

1.1 Student Information

Name: Md Rasel Khan

ID: 22264056

Program: Master's in business administration (MBA)

Major/Specialization: Finance

1.2 Internship Information

1.2.1 Internship/Employment Period and Company Name

I worked with Prime Bank PLC from 26th June 2023 to 18th December 2024 as an Officer in the audit department. During my tenure I have conducted audits in different branches in different areas. Which includes cash management, general banking, customer services, AML, FAD. The Prime bank audit department is located in Prime Tower (8th Floor), Plot 8 & 35 Airport Road, Nikunja-2, Dhaka-1229

1.2.2 Company Supervisor's Information

Supervisor Name: Md. Mowlamul Islam

Position: Senior Executive Officer (SEO)

Location: Prime Tower (8th Floor), Plot 8 & 35 Airport Road, Nikunja-2, Dhaka-1229

Job Description/ Responsibilities

- Carry out Audit & Inspection as per approved Annual Internal Audit Plan as instructed within reasonable time.
- Performing branch audit in Cash management, AML & CFT, IT, Clearing & Pay order, Branch operations, Voucher etc.
- Conducting divisional and branch rating based on the audit reports
- Follow the Audit procedure as per Bank Company Act and Companies Act as defined in Bangladesh Bank ICC guideline.
- Conduct Audit Closing Meeting with concerned division & advice for rectify lapses/risk issues regarding future compliance.
- Identify process lapses & recommend for process development.
- Prepare draft audit reports & submit to concerned Branch Manager and Division Heads for response.
- Review and develop checklist for Audit & Inspection of branches/Divisions and recommend modification of reporting system time to time.

1.3 Internship/Employment Outcome

1.3.1 Contribution to the Company

During my tenure at Prime Bank, I was an active member of the audit department, making major contributions to the effectiveness and efficiency of internal controls. My responsibilities include drafting of audit plans, strategies, and audit programs. I actively engaged in performing comprehensive audits which included 13 branches in 2023 and 16 branches in 2024, with an emphasis on in-depth identify possible risks and weaknesses in cash management, AML compliances, customer services, general banking, general ledgers (GL) controls. This includes assessing the appropriateness of division of tasks, the correctness of financial reporting, and the effectiveness of risk management methods, as well as conducting interviews with branch officers to acquire a thorough knowledge of effective operations. Following each field audit, I carefully prepared draft audit reports, which I then communicated to stakeholders for the management responses. These responses were essential for ensuring a comprehensive understanding of the audited areas and for developing effective recommendations. Subsequently the head of audit conducted a thorough review of both the draft reports and the management responses, leading to the finalization of the audit reports. This process ensured accuracy, completeness, and alignment with departmental standards, ultimately strengthening the bank's internal control framework. I was responsible for identifying and analyzing risks, making actionable mitigation recommendations, and ensuring that corrective measures were implemented. I also ensured compliance with key Bangladesh bank regulations, internal policies, and auditing standards, which included assessing loan portfolios, cash management, AML compliances, customer services and financial reporting. I worked well as part of a team contributing to departmental improvements. I used technology and data analysis tools, MIS to improve audit efficiency on high-risk areas, proving my dedication to the integrity and soundness of Prime Bank's operations.

1.3.2 Benefits to the Students

My employment in the audit department at Prime Bank provided unique learning and experiences that significantly enhanced my professional development in the banking industry. Key benefits included:

- Deepened awareness of Banking Operations: I have obtained a thorough awareness of the complexities of branch operations, financial reporting, AML compliances, loan/asset management and risk management in the banking industry.

- Enhanced Audit abilities: Through hands-on experience, I improved my audit planning, execution, and reporting abilities, as well as risk assessment, control evaluation, and data analysis.

- Improved Communication and Stakeholder management: Communicating audit findings and suggestions to stakeholders, such as branch managers and senior management helped me develop my communication and interpersonal skills.

- Strengthened Analytical and Problem-Solving Capabilities: Identifying control flaws and making effective suggestions need strong analytical and problem-solving abilities, which I gained via audit work.

- Increased Regulatory Compliance Knowledge: Staying up to date on banking rules and maintaining compliance in audit activities helped me have a better awareness of the regulatory landscape and its influence on banks.

- Professional Judgment and Ethical Conduct: Working with sensitive financial information and making informed decisions in audit circumstances strengthened my professional ethics and integrity.

1.3.3 Problems/ Difficulties

During my employment tenure in the audit department, I faced several challenges that influenced both my initial adaptation and my ongoing performance. Firstly, there was no orientation program at the time of my joining in the bank resulted the difficulties to adapt to the bank's specific audit procedures and environment. Secondly, the limited opportunities for job rotation within the department limited the development of a comprehensive skill set and exposure to various audit department. Additionally, the conveyance policy served as a significant demotivating factor, as the fixed allowance did not adequately cover rising hotel costs during out-of-town audits, imposing a financial strain on junior team members. Moreover, the absence of consistent and current training for the audit team led to knowledge gaps, which could potentially undermine the quality of our audit work. The department's dependence on paper-based processes for report drafting and review raised environmental concerns and introduced inefficiencies. Lastly, the noticeable deficiency in team-building activities raised a sense of disconnection within the department which could adversely impact confidence and collaboration.

1.3.4 Recommendations:

- Onboarding Program: Prime bank should develop an organized onboarding program for new staff, covering bank policies, audit procedures, and relevant regulations.

- Introduce Job Rotation within the department: Implement a job rotation program between branch audit team and head office audit team that allows auditors to gain experience in different audit areas.

- Review the Conveyance Policy: Review of the current conveyance policy to ensure that allowances are adequate to cover travel expenses for junior team members, including hotel accommodations, food bills in various locations.

- Reduce Paper Usage: Switch to a paperless audit environment by implementing electronic work papers, digital audit reports, and online review processes.

- Team Building and Collaboration: Organize regular team-building activities, such as workshops, social events, and off-site retreats, to promote friendship and strengthen team structure. Encourage feedback from audit staff on potential improvements to audit procedures.

Chapter 2: Organization Overview

2.1 Background on Prime Bank PLC.

Prime Bank PLC, established in 1995, is a second-generation commercial bank in Bangladesh. It operates through 146 branches, including 5 Islamic banking branches, 154 ATMs, and 82 agent banking outlets, delivering conventional, Islamic, and alternative banking solutions. With a mission to create a customer-focused, technology-driven institution, the bank aims to maintain high asset quality, capital adequacy, and profitability. It has subsidiaries engaged in investment banking, securities trading, and international money transfers, with operations spanning Hong Kong, the UK, and Singapore. Renowned for its governance and innovation, Prime Bank integrates sustainability into its operations and has received awards for its achievements in environmental, social, and financial domains. (Prime Bank PLC, 2024)

2.1.2 Vision & Mission

The vision of Prime Bank is to become the best private commercial bank in Bangladesh by ensuring operational efficiency, capital adequacy, high asset quality, and strong profitability. Its mission centers around creating a market-driven, customer-focused institution supported by a sound corporate governance structure. By continuously enhancing its business policies, integrating advanced technology, and maintaining a well-trained workforce, Prime Bank seeks to uphold its commitment to providing superior financial services. (Prime Bank PLC, 2024)

2.1.3 Core Operations and Services

Prime Bank provides both conventional and Islamic banking services through its extensive network of 146 branches, which include five dedicated Islamic banking branches. The bank also utilizes alternative delivery channels such as 154 ATMs and 82 agent banking outlets to ensure convenient access to its services. It serves various customer segments, including corporate, MSME (Micro, Small, and Medium Enterprises), and individual clients, with specialized products and services tailored to their financial needs. Prime Bank’s digital initiatives, including internet and mobile banking platforms like MyPrime further enhance customer experiences by offering secure and seamless transactions. (Prime Bank PLC, 2024)

2.1.4 Subsidiaries and Global Presence

Prime Bank operates through five subsidiaries to expand its reach and services. Locally, Prime Bank Investment Limited provides full-fledged merchant banking services, while Prime Bank Securities Limited handles stock trading and brokerage activities. Its international subsidiaries include Prime Exchange Co. Pte Limited (Singapore), PBL Exchange (UK) Limited, and PBL Finance (Hong Kong) Limited, which are focused on money transfer and trade financing. The bank's global network of 580 correspondents spans 63 countries, enabling robust international banking operations. (Prime Bank PLC, 2024)

2.1.5 Commitment to Sustainability

Prime Bank is dedicated to incorporating sustainable practices into its operations. Its efforts focus on environmental stewardship, social responsibility, and robust governance. Through strategic investments in green initiatives, resource efficiency, and community empowerment, the bank aims to create long-term value for its stakeholders. Initiatives such as digitalization and green financing underline its goal of achieving both financial and environmental sustainability. (Prime Bank PLC, 2024)

2.1.6 Achievements and Recognition

Over the years, Prime Bank has garnered numerous awards for its performance and innovation. Notable achievements include recognitions for its contributions to ESG (Environmental, Social, and Governance) practices, fintech innovation, and excellence in syndicated loans. These awards highlight the bank's leadership in adopting technology and fostering sustainable banking practices. (Prime Bank PLC, 2024)

2.1.7 Corporate Governance and Ethical Practices

Corporate governance is at the heart of Prime Bank's operations. The institution has a well-structured board of directors and committees to ensure transparency, accountability, and strategic direction. Ethical practices and customer protection policies guide the bank's efforts to maintain trust and reliability among its clients and stakeholders. (Prime Bank PLC, 2024)

2.1.8 Product-Wise Performance of the Bank:

The Bank's total deposits experienced a 15% growth in 2023 compared to the previous year, reaching BDT 305.26 billion by the end of 2023. Similarly, total loans and advances increased by 6.34%, amounting to BDT 315.29 billion.

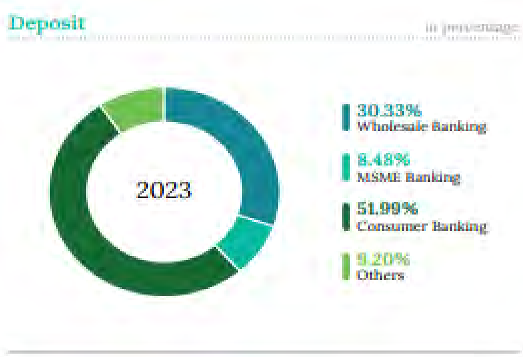
2.2 Financial Performance of Prime Bank PLC

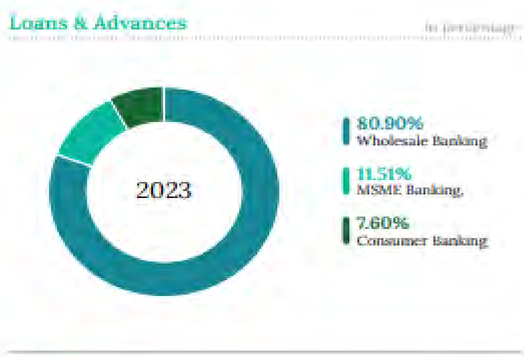
2.2.1 Key Financial Highlights

In 2023, Prime Bank achieved a Net Profit After Tax (NPAT) of BDT 482.14 crores, reflecting a commendable growth of 20.14% compared to the previous year. Operating profit also saw an increase of 7% growth. The non-performing loan (NPL) ratio was effectively contained at 3.54%, showcasing the bank's robust credit management. Additionally, the capital adequacy ratio (CRAR) stood at 17.55%, surpassing regulatory requirements.

2.2.2 Segment-Wise Performance

Prime Bank's performance across various segments in 2023 showed notable achievements. Wholesale banking accounted for 80.90% of loans and advances, followed by MSME banking at 11.51%, and consumer banking at 7.60%. Deposits were dominated by consumer banking which is 51.99%, wholesale banking contributing to 30.33% and the MSME banking is 8.48% of the total deposits. Other segments like agent banking and Islamic banking continued to grow, complementing the bank's diverse portfolio.





Source: Annual report 2023 of prime bank

2.2.3 Financial Ratios:

Table 1: Liquidity Measures

Liquidity Measures						
Years	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Current Ratio	1.01	0.96	1.11	1.20	1.19	1.02
Gearing Ratio	84%	83%	85%	85%	84%	79%
Debt Equity Ratio	12.53	12.42	12.04	11.08	10.5	9.6

Current Ratio

Current ratio of the Bank is a financial metric that measures Prime Bank's ability to pay short term debts using its short term assets. The ratio is calculated by dividing current assets by current liabilities. A current ratio of more than 1 indicates that the company has more current assets than current liabilities. This means that it should be able to pay its short-term debts without selling long-term assets or taking on more loans. In last five years the bank maintained a stable current ratio. The Current Ratio of the bank has fluctuated over the years. It was stood at 1.02 in 2018, rose to 1.20 in 2020, and then declined to .96 in 2022 and rose to 1.01 in 2023.

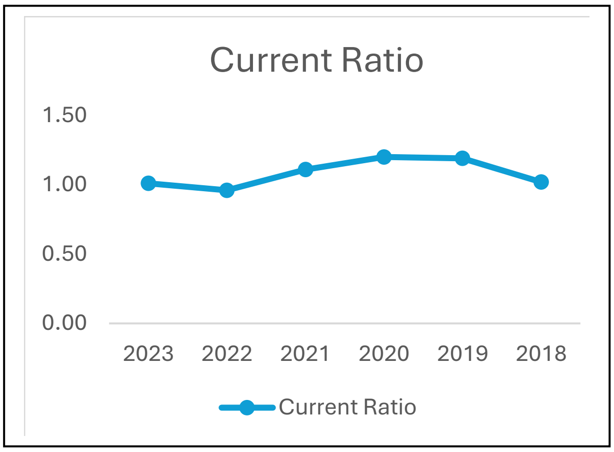


Figure 1: Current Ratio

Gearing Ratio

Gearing ratio is a financial ratio that compares equity to debt and funds borrowed by the bank. Gearing is a measurement of the bank's financial leverage which reveals the degree to which a company's activities are funded by capital versus creditors/depositors' funds. The Gearing Ratio of the bank has remained relatively stable, fluctuating between 79% and 85% during the last 5 years. A consistent gearing ratio suggests a stable capital structure in the Bank.

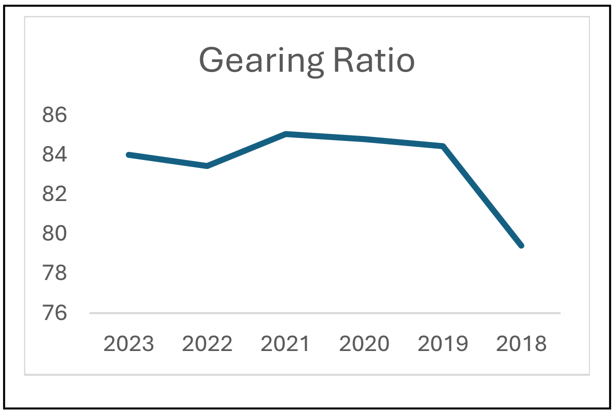


Figure 2: Gearing Ratio

Debt Equity Ratio

A bank's debt-to-equity ratio (D/E) assesses how much debt the bank has in relation to its equity or capital. It helps to determine the financial health and ability to meet its obligations. The Debt Equity Ratio has shown a gradual increase over the years, rising from 9.6 in 2018 to 12.53 in 2023. The high D/E also could indicate a deposit growth in the bank. High D/E is common in Banking industries due to deposit from customers.

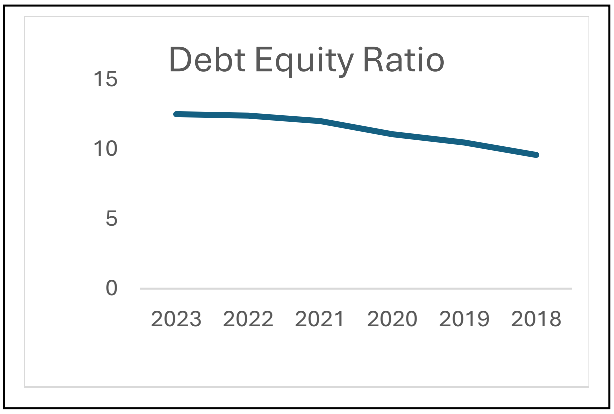


Figure 3: Debt Equity Ratio

Table 2: Capital Measures

Capital Measures						
Years	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Capital to Risk Weighted Asset Ratio	17.55%	16.78%	17.17%	17.28%	17.42%	17.04%
Leverage Ratio under Basel-III	5.73%	5.72%	5.71%	6.23%	6.38%	6.52%
Liquidity coverage Ratio (LCR)	163.14%	131.3%	128.5%	174.68%	173.78%	101.4%1
Net Stable Funding Ratio (NSFR)	113.67	112.29	116.89	124.65	127.3	127.94

Capital to Risk Weighted Asset Ratio (CRAR) is a financial ratio that measures a bank's capital adequacy relative to its risk weighted assets. The purpose of which is to protect depositors, to promote financial stability, to ensure banks can absorb losses, and to comply with statutory capital requirements as set by the central bank and BASEL III. Prime Bank has maintained a healthy CRAR which was consistently above regulatory requirements. This suggests its strong capital base and the bank ability to survive potential losses. The CRAR of the bank has remained relatively stable which was fluctuating between 16.78% in 2022 and 17.55% in 2023.

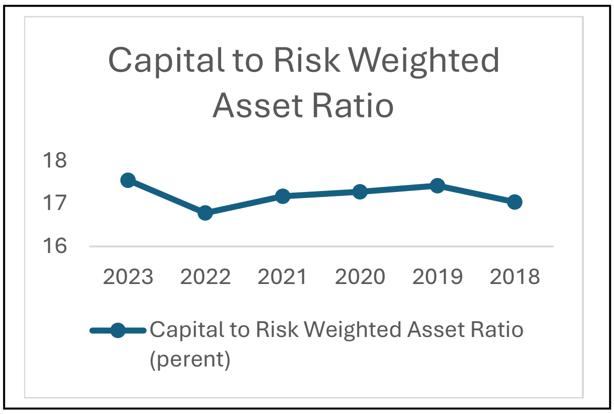


Figure 4: CRAR

The Basel III leverage ratio is the ratio of a banks tier 1 capital to its debt. Its calculated by dividing bank Tier 1 capital by its total leverage ratio exposure measure. The central bank has directed banks to increase leverage ratio to 4% by 2026. The leverage ratio of prime bank has shown a slight declining trend over the last 5 years from 6.52% in 2018 to 5.73% in 2023. However its still above regulatory requirement as set by Bangladesh Bank.

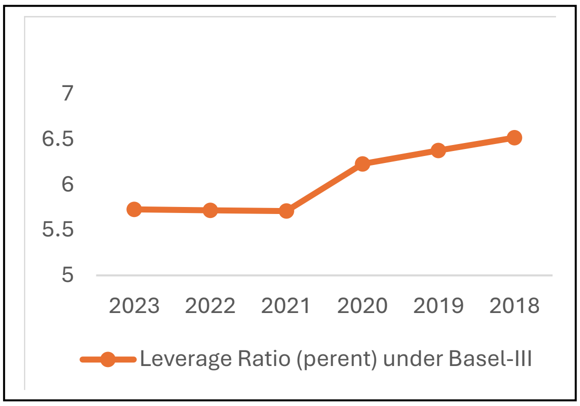


Figure 5: Leverage ratio

Liquidity Coverage Ratio (LCR) ratio measures bank ability to meet short-term liquidity needs in a stress scenario. **Net Stable Funding Ratio (NSFR)** measures bank ability to fund its assets with stable funding sources over a one year horizon. According to BRPD Circular No. 18/2014 by Bangladesh bank, banks have to maintain the minimum standard Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) from January 2015. The minimum standard for LCR shall be greater than or equal to 100, and for NSFR it shall be greater than 100. The LCR of prime bank has shown significant fluctuations with a notable increase in 2023 for 163.14 and The NSFR of prime bank has remained relatively stable though it was decreased to 112.29% in 2023 from 127.94%.in 2018.

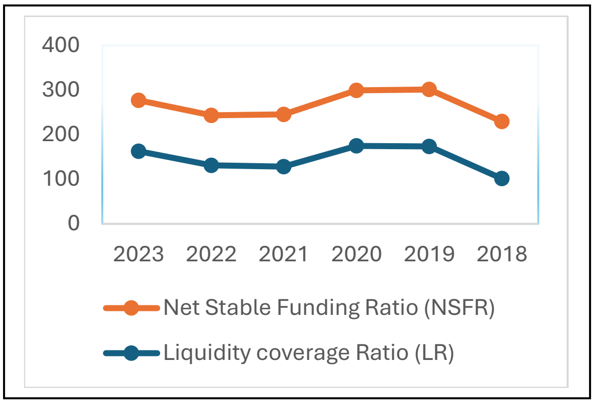


Figure 6: NFSR & LR

Operating Performance of Prime Bank

Table 3: Operating Performance

Operating Performance	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Gross profit ratio	54.4%	62.66%	68.91%	55.03%	54.74%	54.72%
Cost of Fund	6.54%	5.53%	5.09%	6.68%	7.91%	7.95%
Return on average assets (ROA)	1.06%	0.98%	0.84%	0.54%	0.54%	0.76%
Return on average equity (ROE)	14.33%	12.93%	10.61%	6.31%	5.93%	8.31%

Gross Profit Ratio is used to measure a company's profitability. This ratio calculated by dividing the company's gross profit by sales. This ratio shows how effectively the company can generate profit from its core business activities. The GP ratio of the bank has been quiet consisting in last 5 years. Which was fluctuating between 54% to 69%. During 2023 the bank GP ratio was 54.4%.

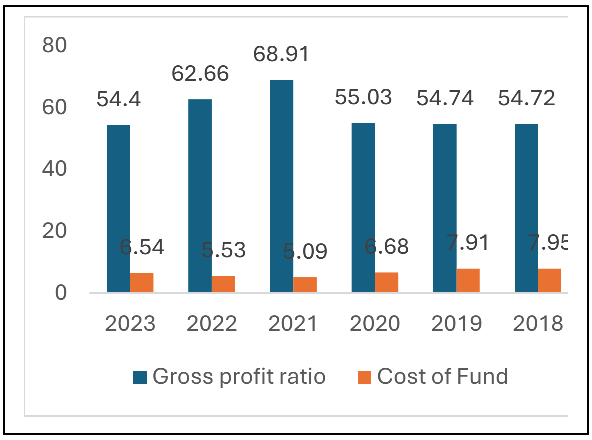


Figure 7: GP & COF

Cost of Funds

The cost of funds is one of the important measures in the banking industry. The less cost of the fund indicates effective asset liability management of the bank. The cost of funds is determined by the interest rate paid to depositors. The cost of funds of prime bank decreased in recent years, the decreasing trend indicates improved funding cost management.

Return on Average Assets (ROA)

The increase in ROA reflects improved profitability relative to the bank's total assets. This indicates that Prime Bank has enhanced its efficiency in generating profits from its asset base, despite economic challenges in the banking sector.

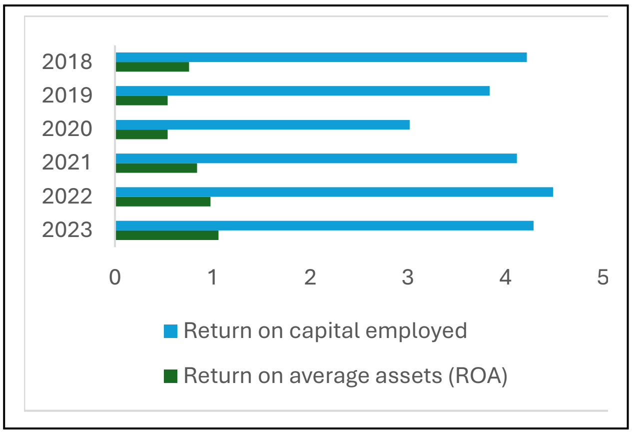


Figure 8: ROCE & ROA

Return on Average Equity (ROE)

The improvement in ROE signifies stronger profitability for shareholders. The higher percentage suggests that the bank has efficiently utilized its equity capital to generate higher returns for its investors.

Table 4 : Asset Quality

Asset Quality of Prime Bank	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Non-performing loans ratio (NPLs)	3.54	3.42	4.83	3.46	4.66	6.16
NPL overage	150%	140%	109%	151%	103%	65%

Non-Performing Loan (NPL) Ratio

The reduction in the NPL ratio is a positive development, demonstrating Prime Bank's improved credit risk management and collection efficiency. This lower ratio highlights the bank's ability to maintain asset quality in a challenging economic environment.

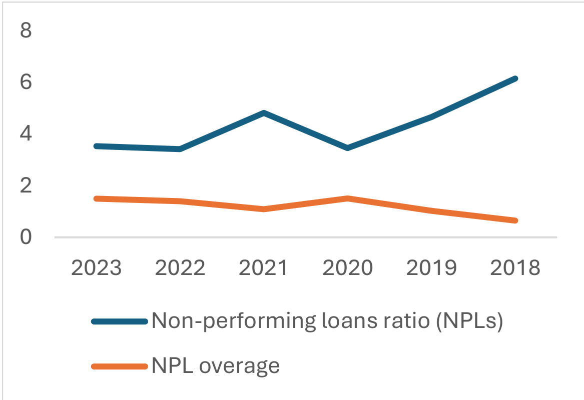


Figure 9: NPL

NPL Coverage Ratio

The NPL coverage ratio of prime bank shows the extent to which it has set aside provisions to cover potential losses from Non-Performing Loan/Classified loan. A higher coverage ratio indicates a more careful approach to managing credit risk. Prime Bank's significant improvement over the last 5 years in NPL coverage is a positive sign which indicates a stronger financial position to absorb potential loan losses.

Table 5: Share Information

Information regarding share	2023	2022	2021	2020	2019	2018
Earnings per share (BDT)	4.26	3.55	2.75	1.59	1.47	1.94
Price Earnings ratio	4.93	5.46	7.83	10.77	12.38	9.19
Dividend Payout	17.5	17.5	17.5	15	13.5	12.5
Net asset value per share (BDT)	30.89	28.53	26.4	25.4	24.86	24.63

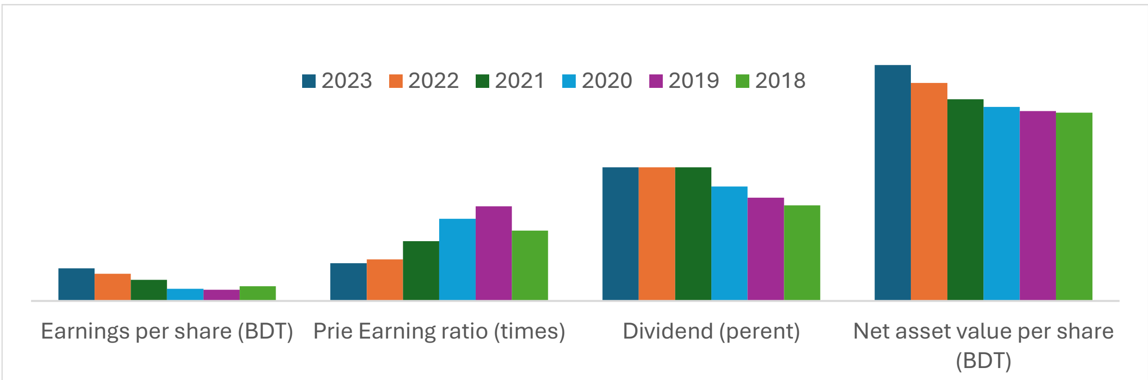


Figure 10: Share Information

Earnings Per Share (EPS)

EPS represents the percentage of a company's profit allocated to each outstanding share of common stock. The growth in EPS reflects improved profitability and indicates enhanced shareholder value. This increase makes the bank more attractive to investors and underscores its financial stability.

Price-Earnings Ratio (P/E Ratio)

The price-earnings ratio, also known as P/E Ratio, compares the price of a company's stock with its earnings. This ratio indicates how much investors are eager to pay for each taka of their earnings. The decreasing P/E ratio of prime bank suggests that the market is becoming less willing to pay a premium for Prime Bank earnings.

Dividend Payout Ratio

The consistent dividend payout ratio highlights the bank's commitment to delivering returns to shareholders while maintaining sufficient retained earnings for future growth. The bank has proposed 17.50% dividend in 2023.

Net Asset Value Per Share

The consistent growth in Net Asset Value Per Share of prime bank reflects its ability to accumulate assets and increase equity base. It indicates a healthy financial position and potential for future growth.

Productivity of Prime Bank

Table 6: Productivity

Productivity for 2023			
Overall productivity of Prime Bank	(Int.Income+Inv.Income+Fees from commission,exchange and brokerage+Other income)/(Interest paid on deposits and borrowings+Total Operating Expenses)	(24,177,426,337+5,129,055,383+1,903,793,224+1,450,167,322)/(14,893,655,303+8,388,344,614)= 140.28%	Prime Bank generated Tk. 140.28 as income for every Tk. 100 in expenditure in 2023.
Manpower Productivity of Prime Bank	(Int.Income+Inv.Income+Fees from commission,exchange and brokerage+Other income)/(Salaries and allowances+Managing Director's salary and fees+Directors' Fees)	(24,177,426,337+5,129,055,383+1,903,793,224+1,450,167,322)/(4,918,635,815+17,554,863+5,834,300)=660.87	The bank generated Tk. 660.87 as income for every Tk. 100 expense on manpower in 2023.

2.3 Accounting Practices

Adherence to Standards

Prime Bank prepares its financial statements in compliance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), the Companies Act 1994, Bank company act 1991 as amended 2023 and the Financial Reporting Act 2015. The financial statements are consolidated, incorporating the performance of its subsidiaries, and have been audited by the Hoda Vasi Chowdhury & Co. according to established regulations. These practices ensure transparency and accuracy in financial reporting.

Consistency in Policies

The accounting policies and estimation methods remain consistent year over year, emphasizing the principle of prudence. No significant changes in accounting policies or estimations were reported for 2023. This stability supports reliability and comparability in financial disclosures.

Key Focus Areas in Financial Reporting

The preparation of financial statements involved detailed assessments and disclosures related to loans, advances, and investments as per Bangladesh Bank guidelines. Areas such as loan provisioning, valuation of assets, and income recognition were handled meticulously to align with regulatory guidelines and international standards.

Internal Controls

Prime Bank has established a strong internal control system, audited periodically by internal and external auditors. This ensures adherence to policies and reduces risks of material misstatements in the financial statements. The management has also emphasized the importance of ethical practices and compliance across the organization.

Dividend Policy

In 2023, Prime Bank declared a cash dividend of 17.50% for the third consecutive year, reflecting its commitment to delivering shareholder value. This policy underscores the bank's strong profitability and prudent financial management.

Prime Bank PLC's robust financial performance, coupled with its adherence to stringent accounting practices, highlights its stability and leadership in the Bangladeshi banking industry. Its dedication to innovation, sustainability, and regulatory compliance continues to strengthen its reputation among stakeholders.

2.4 Industry and Competitive Analysis

Porters Five Forces Analysis

Porters Five Forces Analysis is a management technique which is used to assess the competitive landscape of an industry by examining five key factors.

Threat of New Entrants: Moderate

Bangladesh financial institution's stringent licensing necessities and capital adequacy requirement as per central bank make it hard for new entrance in the industry. Present banks like top financial institutions from 1st generation to 5th generation banks have built robust brand loyalty, that is tough for new entrants to conquer. However, virtual banking and fintech could decrease a few boundaries through the years.

Bargaining Power of Buyers: High

Both individuals and corporate customers are frequently pretty sensitive to the interest charges and expenses. The rise of digital banking and MFS has given clients extra choices, digital platforms reduced the problem of switching banks.

Bargaining Power of Suppliers: Moderate

Suppliers in this context of bank are those who supply funds in the bank. Depositors are the main supplier of funds. Although banks are competing for deposits, but individual depositors have limited power.

Threat of Substitutes: High

Mobile Financial Services (MFS) companies like bKash and Nagad offer payment and money transfer services that are substitutes for traditional banking. Non-Banking financial institutions (NBFIs) offer comparable lending and funding offerings.

Competitive Rivalry: High

The banking industry in Bangladesh is aggressive with many private and public banks competing for market share. Many banks provide similar products and services, leading to charge and interest competition. The rise of digital banking has intensified the competition further.

PESTEL analysis

Table 7: PESTEL analysis

Political Factors	• Bangladesh bank's rules substantially effect banking operations, consisting of capital requirement, lending regulations, and digital banking initiatives. • Political balance and changes in government regulations can create uncertainty or opportunities. Political stability is vital for investor confidence and economic growth. • Corruption within the financial sector and political influence remains a concern.
Economic Factors	• Bangladesh economic growth, inflation rate, interest rates, and foreign exchange rates directly impact the bank profitability and customer demand.

Social Factors	• Country's large and developing population provides opportunities for expanding the client base. • Increasing urbanization and a growing middle class drive demand for various monetary offerings • Increasing mobile devices and internet penetration are driving the adoption of digital banking services.
Technological Factors	• The rapid adoption of digital banking technologies in Bangladesh such as mobile banking, online banking, and digital wallets, is transforming the banking sector. • Cybersecurity is a growing concern in the industry and the rise of fintech companies is creating both opportunities and challenges for the traditional banking.
Environmental Factors	• Increasing awareness of environmental issues is driving demand for sustainable finance and green banking products in the country. • Bangladesh is vulnerable to climate change, and banks need to consider the potential impact of their operations and lending portfolios.
Legal Factors:	• Bangladesh Bank regulations regulate the banking sector, including licensing, capital requirements, and risk management. • Anti-money laundering (AML) and combating the financing of terrorism (CFT) related laws and regulations are crucial for maintaining the integrity of financial transactions.

SWOT Analysis

Table 8 : SWOT Analysis

Strengths:	• Strong financial performance of prime bank like profit, ROA, ROE • Range of Diverse services and products like Conventional & Islamic banking, MSME, consumer, wholesale etc. • Advanced digital banking applications like MyPrime, PrimePay & fintech investments. • Global & local presence of the services (branches, agent banking, international subsidiaries). • Strong governance & compliance and green bank branding by Bangladesh Bank.
Weaknesses:	• High reliance on wholesale banking. • Traditional banking approach. • Lack of portfolio in SME • Limited rural reach.
Opportunities:	• Growing digital banking market. • SME and startup financing. • Green and sustainable finance.

	• Remittance growth.
Threats:	• Economic and political instability and influence. • Frequent Regulatory changes. • Increased competition. • Cybersecurity risks.

2.5 Recommendations for Prime Bank:

Based on the financial analysis and market and industry analysis of the Prime Bank PLC, the following suggestions are made:

- Prime Bank should reduce reliance on wholesale banking through increasing attention on MSME and retail banking.
- The bank should expand in rural areas through agent banking and sub-branch.
- Make investments further in cybersecurity to protect towards developing cyber threats.
- Improve client segmentation and personalize offerings.
- Increase tailored economic products and services for SMEs, consisting of digital lending answers.
- Promote sustainable banking practices, integrate environmental, social, and governance (ESG) factors into lending and funding selections.
- Improve AML/CFT Compliance and regularly conduct internal and external audits to become aware of and address AML/CFT vulnerabilities.
- Explore partnerships with fintech organizations to enhance virtual offerings and extend market reach.

Chapter 3: Project Part.

Addressing Root Causes of AML Non-Compliance and the Role of Internal Audit at Prime Bank PLC.

3.1 Literature review

(The Money Laundering Prevention Act (MLPA), 2012) defines money laundering as the process of concealing the illegal origins of criminal proceeds. This includes moving, converting, or transferring the proceeds of crime to hide their source.

As per BFIU, Money laundering is a complex term which can be defined in a number of ways. Simply, it is defined as the process by which proceeds from a criminal offence are disguised or attempted to disguise their illicit origins or activity of smuggling of money or property earned through legal or illegal means to foreign country. Furthermore, remitting or bringing the proceeds of crime into Bangladesh from a foreign country with the intention of hiding their illicit origin also falls into the category of money laundering.

Process of Money Laundering

As per BFIU, The stages of money-laundering include Placement (i.e. moving the funds from direct association with the crime) Layering (i.e. disguising the trail to foil pursuit) Integration (i.e. making the money available to the criminal, once again, from what seem to be legitimate sources)

BFIU Circular No. 26, issued on June 16, 2020, by the Bangladesh Financial Intelligence Unit (BFIU), provides comprehensive guidelines for scheduled banks to prevent money laundering and terrorist financing. This circular emphasizes the implementation of a robust compliance structure within banks, focusing on several key areas:

Compliance Structure: Banks are required to establish a dedicated compliance framework, including the appointment of a Branch Anti-Money Laundering Compliance Officer (BAMLCO) responsible for overseeing adherence to AML/CFT regulations.

Customer Selection Policy: The circular mandates a clear policy for customer acceptance, prohibiting the opening of accounts under anonymous or fictitious names and discouraging relationships with shell banks.

Customer Due Diligence (CDD): Banks must implement rigorous CDD procedures to identify and verify customers, assess risks, and monitor transactions. This includes understanding the nature of the customer's business and the purpose of the account.

Transaction Monitoring: Continuous monitoring of customer transactions is essential to detect and report suspicious activities. Banks are instructed to implement systems capable of identifying unusual or potentially suspicious transactions.

Reporting Requirements: The circular outlines the necessity for submitting Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) to the BFIU in a timely manner.

Record Preservation: Banks must maintain records of customer identification and transaction data for a specified period, ensuring they are readily available for regulatory scrutiny.

Training: Regular training programs for bank staff are mandated to ensure they are well-versed in AML/CFT policies, procedures, and their responsibilities under the law.

Weak institutions, bureaucratic pathology, lack of transparency and accountability, high levels of corruption, an ambiguous regulatory environment, unregulated financial operations, a disordered banking sector, conflicting interests, criminal exploitation, poor oversight and reporting, flawed risk assessment and weak government performance have affected the performance of the AML system in Bangladesh. (Zafarullah & Haque, 2023)

The report of (Solaiman , 2018) stated the repeated forgiveness to black money holders have detrimental impacts on corruption and money laundering in Bangladesh.

(Waris & Latif , 2014) found gaps in the scope of predicate offences and the types of property covered by the money laundering offence in Bangladesh. There is also an absence of financial penalties available to effectively sanction legal persons.

Traditional banking system in Bangladesh cannot combat Trade-based Money Laundering. Criminal use the legal loopholes and political influence to get away quickly. They suggested a rapid expansion of digitalization, capacity building, the collaboration between the Government agencies, Central Bank, Law Enforcement agencies, academia, etc., to strengthen the fight against TBML. They also suggested a centralized system to be controlled and monitored by the special units or an independent commission to track and trace export and import-based trade data. Collaboration can be formed with the Government, Law Enforcement Agencies, Bangladesh Bank, and units like BFIU and CIB, Public & Private Banks, NGOs, Financial Institutions, Civil Society and Think Tanks, Academia, etc. (Morshed & Rahman, 2021).

(Rana & Awwal, 2020) found several reason for money laundering which includes Lack of Ethics and Morality and Nature and Behavior, Lack of adequate Education and Training, Lack of Religious practice, Patriotism, Higher-income influences, The politician has a higher tendency to conduct money laundering than other occupations, Bribe and Speed Money, To evade tax for having a higher tax rate.

(Dash, Sadek Shibli, & Saha, July 2024) found gap in the existing Money Laundering Prevention Act, 2012 (amended in 2015 and 2019) which includes Ambiguity in Defining Suspicious Transactions, Inadequate Scope of Reporting Organizations, Insufficient International Cooperation Framework, Limited Authority of BFIU, Weak Enforcement Provisions, Inadequate Provisions for Emerging Financial Technologies, Insufficient Provisions for Customer Due Diligence , Lack of Comprehensive Training and Resources for Implementation.

3.1.1 Internal Audit Function of Prime Bank

The internal audit function at Prime Bank PLC serves as a critical mechanism to ensure compliance, operational efficiency, and risk management. As part of its governance framework, the internal audit operates independently from the bank's executive management, directly reporting to the Audit Committee of the Board of Directors. This structure ensures impartiality and provides the audit team with the authority to assess various aspects of the bank's operations.

Key Objectives of Internal Audit

The objectives of the internal audit function at Prime Bank are:

1. **Risk Based Internal Audit (RBIA) Assurance**: Identifying, assessing, and mitigating risks across all banking operations to ensure the compliance with regulatory requirements.
2. **Compliance Assurance**: Verifying adherence to policies, procedures, and regulatory guidelines issued by Bangladesh Bank and other authorities.
3. **Operational Efficiency**: Evaluating the effectiveness and efficiency of internal processes.
4. **Fraud Detection and Prevention**: Proactively identifying potential vulnerabilities and instances of fraud through detailed investigations.

Scope of Work

The internal audit covers all departments, divisions, including core banking functions, credit management, treasury operations, and IT systems. The scope extends to branches, subsidiaries, and agent banking outlets to maintain a comprehensive oversight of the bank's operations. Specialized audits, such as for Islamic banking or offshore banking units, are also conducted to address unique regulatory and operational requirements.

Methodology of the audit

The internal audit process at Prime Bank is structured to align with regulatory requirements, internal policy and process and best practices in the banking sector:

1. **Risk-Based Approach**: Audits are planned and executed based on risk assessments, prioritizing high-risk areas such as credit management, liability management, asset quality, and anti-money laundering (AML) processes.
2. **Periodic Audits**: Regular audits are conducted at branches and business units to monitor day-to-day operations and identify issues before they escalate.
3. **Special Investigations**: The team conducts ad-hoc audits when irregularities are reported or suspected, ensuring swift resolution of potential issues.
4. **IT Audits**: With increasing digitization, Prime Bank's internal audit function places significant focus on cybersecurity, data privacy, and IT systems' integrity.

Role of Internal Audit in AML Compliance at Prime Bank

The internal audit function plays a critical role in ensuring Prime Bank’s compliance with Anti-Money Laundering (AML) regulations. This responsibility is essential to safeguard the bank’s integrity, ensure adherence to local and international laws, and mitigate reputational and financial risks. The following outlines the specific contributions of the internal audit function to AML compliance:

- Branch Compliance Evaluation
- Evaluate Know Your Customer (KYC) process
- Review Transaction Monitoring
- Evaluate Cash Transaction Report (CTR) and Suspicious Transaction Report (STR)

- Evaluate effectiveness of Statement submission to the Money Laundering Prevention Department/Division
- Review Self Assessment Mechanism of branch
- Evaluate Knowledge and awareness of the Branch Officials relating to AML & CFT.
- Check Record Keeping of related files and circulars
- Review Audit, Inspection and others related compliances.
- Scoring of Independent testing procedure (AML) to provide assurance (See annexure-3)

Reporting and Recommendations

The internal audit team prepares detailed reports highlighting findings, risks, and recommendations for improvement. These reports are shared with the Audit Committee, management, and relevant departments for prompt action. The bank's governance structure specially Internal Control & Compliance Division (ICCD) ensures that audit recommendations are implemented effectively and monitored over time.

3.1.2 Established Control Points and Policy by the Prime Bank.

According to ((IFC), 2019)The first line of defense comprises business units responsible for implementing and adhering to AML/CFT controls in their daily operations. The second line of defense includes the AML/CFT compliance function, which provides guidance, conducts monitoring, and ensures adherence to regulations. The third line of defense is the independent internal audit function, which assesses the effectiveness of the entire AML/CFT framework. Prime Bank has also established similar line of defense.

AML & CFT Division

Prime Bank PLC. has created an enterprise-wide AML (Anti-Money Laundering) and CFT (Combating the Financing of Terrorism) compliance program which covers all the activities of the Bank AML compliance. It’s reasonably designed to comply with applicable laws and regulations. PBL policy is to take all reasonable and appropriate steps to prevent anyone engaged in money laundering, fraud, or other financial crime, including the financing of terrorists or terrorist operations, from utilizing the bank products and services. Prime Bank put its best effort to comply with applicable AML and CFT laws, rules and standards. (Prime Bank PLC, 2024)

Key Responsibilities of AML/CFT Compliance Unit:

Oversee AML/CFT Compliance:

AML/CFT Compliance Unit is responsible to monitor, review, and coordinate the implementation and enforcement of the organization's AML/CFT policies. Ensure compliance with all applicable legislation and guidelines published by the Bangladesh Financial Intelligence Unit (BFIU), Bangladesh Bank, and other regulatory organizations.

KYC Policy & Procedures:

The unit is responsible for creating and enforcing strong Know Your Customer (KYC) rules and procedures to detect and mitigate money laundering and terrorist financing concerns. Ensure that due diligence practices are effectively implemented across all branches and divisions.

Suspicious Activity Monitoring:

Set up and manage systems for detecting and reporting suspicious transactions and account activities. Respond to inquiries from branches about money laundering and terrorist funding concerns. Cooperate with Bangladesh financial intelligence unit (BFIU).

Regulatory Compliance & Reporting:

Circulate BFIU circulars, instructions, and policy guidelines to all relevant branches and departments. Ensure timely and accurate reporting of Suspicious Transaction Reports (STRs) and Suspicious Activity Reports (SARs) to the BFIU. Cooperate with the BFIU, Bangladesh Bank, and other law enforcement agencies during inspections, investigations, and inquiries.

Branch Guidance & Support:

Provide guidance and support to branches on all AML/CFT related matters. Issue necessary instructions and guidance to branches on compliance with AML/CFT regulations.

Internal & External Audits:

Extend full cooperation to the Internal Audit Team, BFIU Inspection Team, and other law enforcement agencies as and when required.

Established Policy by the AML & CFT division:

AML & CFT guidelines 2022

As per BFIU Circular No. 26, dated 16.06.2020 (Master Circular) Prime Bank has its AML & CFT Policy/Guidelines which is approved by the Board of Directors.

The guidelines integrate key regulations, including the MLPA-2012, YTA-2009, BFIU Master Circular No. 26, MLP Rules-2019, and guidance notes on Beneficial Ownership, Politically Exposed Persons (PEPs), Suspicious Transaction Reports (STRs), Prevention of Terrorist Financing, and Financing of Proliferation of Weapons of Mass Destruction, as issued by the BFIU for commercial banks. The guidelines comprehensively address critical AML/CFT areas such as KYC/CDD, customer acceptance policies, roles and responsibilities of employees, cooperation with supervisory authorities, monitoring and reporting suspicious transactions, adopting a risk-based approach, eKYC, agent banking, reporting requirements, record-keeping, and conducting training and awareness programs.

3.1.3 Establishment of Liability of operation department (LOD)|

The Liability Operations Department of Prime Bank is responsible for managing the account opening process and its subsequent review to ensure compliance with regulatory requirements and internal policies. The department ensures that all necessary documentation is collected and verified. It adheres to Know Your Customer (KYC) and Customer Due Diligence (CDD & EDD) protocols to prevent fraud and money laundering. Customers are classified based on their risk levels, and enhanced due diligence is conducted for high-risk accounts, such as those belonging to Politically Exposed Persons (PEPs) & Influential persons (IPs). Any discrepancies in account documentation are identified and addressed promptly to the branches.

The department ensures that all processes align with the guidelines issued by the Bangladesh Financial Intelligence Unit (BFIU) and other regulatory bodies. Proper documentation is maintained to support audit trails and regulatory inspections, ensuring transparency and accountability.

3.1.4 CBS and other software

CBS software facilitates different reporting which is integrated with MIS software. As part of transaction monitoring, branches are required to generate Daily/Monthly threshold report, TP breach report, Cash transaction report (CTR), Structured transaction report (STR) and review that report to identify any suspicious transaction. Branch officials are required to put review comments or annotations on the reports. They sent those reports with review comments to AML division on monthly basis through DMS software. The AML division further review those reports and take necessary measures if required. The bank also use vessel tracking software and price verification software to combat Trade Based Money Laundering (TBML) guidelines.

3.1.5 Independent testing procedures

The internal audit department are required to check and verify AML & CFT practices in the branches as required by the BFIU. Audit team check the transaction monitoring, CDD, SDD, periodical TP & KYC review while conducting audit in the branch. After the audit they score the branch based on their review in Independent Testing Procedures (ITP) as set by the BFIU on 10 different aspects. Based on the score they categorized branch AML practice as follows:

Table 9: ITP Scoring

Score	Rating
90+ - 100	Strong
70+- 90	Satisfactory
55+ - 70	Fair
40+ - 55	Marginal
Up to 40	Unsatisfactory

3.1.6 Performance appraisal of the branch officials

The performance appraisal of the branch official also includes AML score of the branch as evaluated by the audit team. Maximum branch of the Prime Bank got satisfactory rating in 2024. The bank also offers prize money to the top branches with highest AML rating. This practice motivates branch officer to comply with the AML & CFT guidelines.

3.1.7 Internal control & Compliance

The branch has strong ICCD division who is responsible for ensuring compliance and monitoring both regulatory and internal control. Based on the audit observations they monitor the branches for compliance. The ICC division regularly monitor whether the branch/division resolved the audit observations.

3.2 Problem Statement

The banking sector in Bangladeshi faces a huge problem in preventing money laundering. A complicated issue that exposes the integrity of the financial system. Money laundering is defined by the Money Laundering Prevention Act (MLPA) of 2012 and further elaborated by the Bangladesh Financial Intelligence Unit (BFIU) as the concealment of illicitly obtained fund through multiple stages: placement, layering, and integration. This process, which may involve the transit, conversion, or transfer of criminal proceeds, seeks to conceal their illegal origins, whether domestically or internationally. Despite the BFIU's comprehensive rules, including as Circular No. 26, which requires strong compliance structures, thorough customer due diligence (CDD), and effective transaction monitoring, substantial loopholes remain. These gaps are visible in audit observations at banks Prime Bank PLC, which indicate systemic flaws in KYC procedures, transaction monitoring, and reporting of suspicious activity. Moreover, the impact of political and financial pressures, combined with operational limitations such as shortages of manpower and outdated technologies, worsens these vulnerabilities. The informal money transfer methods such as "hundi," which operate outside of the formal banking framework, hinders efforts to detect and prevent illicit financial movements. As a result, the primary issue is a misalignment between statutory requirements and operational practices, creating an environment conducive to money laundering. This mismatch is characterized by inadequate Customer due diligence (CDD) implementation, insufficient staff training, poor inter-agency coordination, and a lack of robust enforcement tools, all of which contribute to a financial climate conducive to criminal proceeds laundering. Thus, the problem statement is: How can the Bangladeshi banking sector effectively bridge the gap between regulatory mandates and operational realities to mitigate the pervasive risks of money laundering while ensuring the integrity and stability of the financial system in the face of persistent challenges such as insufficient KYC processes, insufficient transaction monitoring, and socio-political pressures. In recent years, some common audit observations were identified by the audit teams during internal audit at the branches and the divisions of Prime Bank PLC. Those issues were reducing operational efficiency in compliance to AML & CFT and most of the observation were occurred due to lack of manpower, proper due diligence, business pressure, other limitation of the bankers as observed by the auditors. Some of the issues were exposing the bank to AML & CFT risk. Major audit observations/cases identified are as follows:

- KYC wasn’t performed adequately in case of Account Opening
- Lack of Review and update of KYC/TP in a regular interval
- Transactions monitoring wasn’t performed adequately
- Lacking in Identifying and reporting suspicious transaction.
- Sanctions Screening wasn’t done for the beneficial owner
- Miss-declaration of Preparing AML Half-Yearly Self-Assessment Report
- Lapses in Maintaining AML & CFT Files and record keeping.
- Lack of Awareness of AML/CFT and preparing Meeting Minutes
- EDD for PEPS/IP/High Risk Accounts wasn’t done adequately
- Delay in Resolving issues raised by Internal and External Audit
- Noncompliance of trade-based money laundering (TBML) guidelines

3.3 Observation/Case Overview

KYC wasn’t performed adequately in case of Account Opening

Branch or account opening officials must collect and verify accurate and complete information on the customers during the account opening process as per the BFIU guidelines and prime bank AML & CFT guidelines. Details of customer information, Source of funds, address verifications etc. Failure to conduct robust KYC (Know Your Customer) procedures leads to insufficient identification of customers and potential misuse of accounts which is rise to AML risk. In some cases, auditor identified that KYC wasn’t performed adequately. In some cases source of fund related documents of accountholder/beneficial owner wasn’t collected specially in case of legacy accounts, and term deposit accounts, Business address of non-personal account (Contact point verification) wasn’t done.

Lack of Review and Update of KYC/TP in Regular Intervals

Regular updating of KYC and Transaction Profile (TP) ensures customer information remains accurate. This is necessary to identify deviations in transactions and detect suspicious activities, as required by the BFIU circular and prime bank internal circulars. KYC and TP are required to review at regular intervals but auditor identified that those are not performed in many cases.

Transactions Monitoring Wasn't Performed

Continuous monitoring of customer transactions is a core requirement under Anti-Money Laundering (AML) regulations. Failure to monitor transactions results in an inability to identify unusual or suspicious activities. Branch are required to generate CTR & STR report on monthly basis and generate daily threshold report and provide review comments on the report. In some cases it was observed that branch didn't put review comments on those reports, and some official put same comments for all type of transactions which leads to lack of review.

Lacking in Identifying and Reporting Suspicious Transactions

Branch must promptly report Suspicious Transaction Reports (STR) or Suspicious Activity Reports (SAR) to the BFIU when anomalies are detected. Audit team identified some transactions or activities which are supposed to be reported as SAR or STR weren't reported.

Sanctions Screening Wasn't Done for the Beneficial Owner

Screening customers and their beneficial owners against international and domestic sanctions lists is mandatory. Lapses in sanctions screening can expose banks to regulatory and reputational risks. In many cases sanction screening for beneficial owner wasn't done by the branch official.

Miss-Declaration in Preparing AML Half-Yearly Self-Assessment Report Properly

BFIU mandates submission of accurate and comprehensive AML self-assessment reports half yearly. Misstatements or miss-declaration in these reports indicate a lack of compliance with internal controls and regulatory expectations. It's a common scenario that branch used to copy paste this report just by changing the period.

Lapses in Maintaining AML & CFT Files and Record Keeping

Proper documentation and retention of AML and Combating the Financing of Terrorism (CFT) records are critical. Failing to maintain records undermines transparency and audit trails. In few cases branch official wasn't preserved all the required files as mentioned in the bank internal guidelines.

Awareness of AML/CFT and Preparing Meeting Minutes

Regular training and awareness programs for staff on AML/CFT are essential. Meeting minutes must accurately reflect discussions, decisions, and measures taken in AML/CFT compliance programs. In many cases it was observed that branch use to prepare meeting minutes by copy and pasting earlier minutes.

EDD for PEPs/IPs/High-Risk Accounts Wasn't Done Adequately

Enhanced Due Diligence (EDD) is required for Politically Exposed Persons (PEPs), Influential Persons (IPs), and high-risk accounts to mitigate higher risks of money laundering and terrorism financing. As per the BFIU circular and banks internal circular branch are required to collect and preserve additional documents for the high risk accounts. Audit report addressed that EDD for PEPs/IPs/High-Risk Accounts Wasn't Done Adequately.

Trade-Based Money Laundering (TBML)

TBML is a complex form of financial crime that requires robust measures such as monitoring trade transactions, price verifications, vessel tracking, realization of export proceed within 120 days of shipment, identifying irregularities, and verifying the legitimacy of trade documents.

Price verification of goods: According to TBML Guideline 2019 of Bangladesh bank, Banks are required to verify price at the time of issuing LC to address over invoicing and under invoicing. During audit in some cases price verification documents wasn't found in related LC files.

Vassel Tracking: As per TBML guideline 2019, bank are also required to track vessel for sanction screening purpose. This capability is crucial for various applications, including trade monitoring, logistics, law enforcement, search and rescue, environmental protection, and detecting suspicious activities such as smuggling or trade-based money laundering (TBML). In some lc file tracking documents was missing.

Realization of export proceed: As per (Guidelines for Foreign Exchange Transactions (GFET), 2018) Banks are required to ensure that export proceeds are realized within 120 days of shipment date. In few cases it was observed that export proceeds weren't realized within the said period.

3.4 Objectives of the report

Clear and well-defined objectives are critical to ensure the progress and accuracy of any work. They act as a guiding framework for achieving the goals. The following objectives have been set for this paper:

- To examine the root cause of AML noncompliance at prime bank, including insufficient KYC process, inadequate transaction monitoring, lapses in current policies and procedures.
- To assess the impact of business pressure, political influence, lack of staff, outdated technology on AML non-compliance and evaluate how these factors hinder effective AML compliances.
- To identify challenge in coordination among stakeholders in AML compliance including banks and regulatory authorities, enforcement of compliance polices and increased customer awareness.
- To propose recommendation for enhancing AML compliance culture, ensuring bank officials are equipped with the necessary knowledge and skills.

3.5 Research Methodology

The purpose of this paper is to conduct a systematic investigation on the root cause of AML noncompliance and effectiveness of internal auditing in improving efficiency in Anti-Money Laundering (AML) at Prime Bank. To accomplish this a structured technique was used that included problem definition, data collection, analysis, and the development of actionable recommendations.

Research Approach

The paper used a mixed-methods approach, collecting data using both qualitative and quantitative methods.

Primary Data:

- **Firsthand experience:** Knowledge and understanding gained through my involvement and direct observation in the audit department.

- **Internal Audit reports:** To identify root cause and examine operational efficiency of practices, data was acquired from Prime Bank's internal audit reports.

- **Survey:** A survey was conducted through google form where 13 bankers from various banks participated, including managers, officers, and professionals involved in compliance, audit and customer relationship management. The survey questionnaire included 15 multiple-choice and 2 open-ended questions to gather insights about AML practices in banks. The focus of survey was effectiveness of KYC processes, transaction monitoring, staff training, and external coordination.

Survey Questions:

Working full time in Prime Bank PLC audit department has provided me with priceless firsthand experience. I have had the opportunity to collaborate closely with various stakeholders, conducting audits to identify compliance gaps and operational inefficiencies. This has included a thorough evaluation of branch practices related to AML reporting and general compliance. Through these audits, I have been responsible for reporting non-compliance issues and assessing the overall effectiveness of AML practices. My direct observations have consistently revealed recurring audit findings. These observations have highlighted issues with initial KYC procedures, the timely review and updating of KYC/Transaction Profile (TP), the adequacy of transaction monitoring, the accurate identification and reporting of suspicious transactions, and the proper screening of beneficial owners against sanctions lists. Furthermore, we have also noted inconsistencies in the preparation of AML Half-Yearly Self-Assessment Reports, lapses in the maintenance of AML/CFT files and record-keeping, a lack of awareness regarding AML/CFT requirements and the proper documentation of meeting minutes, insufficient Enhanced Due Diligence (EDD) for Politically Exposed Persons (PEPs) and high-risk accounts, and non-compliance with trade-based money laundering (TBML) guidelines. This direct involvement has given me a deep understanding of the practical challenges faced in implementing effective AML/CFT measures within the bank.

I have also conducted a survey through google form targeting employees from different banks. This survey was designed to provide a window into the lived experiences of banking professionals in Bangladesh, particularly in terms of anti-money laundering (AML) and combating the financing of terrorism (CFT) policies. I wanted to get past theoretical compliance and grasp the realities on the ground. The survey began with a focus on foundation of AML: Know Your Customer (KYC) protocols. I didn't simply ask if KYC was being performed; I also inquired about its effectiveness. Participants were asked to evaluate the effectiveness of KYC during account opening and, more significantly, to indicate the specific challenges they encountered. Were the customers cooperative? Was the staff adequately trained? Were there any operational pressures that hampered the process? I wanted to grasp the human factor, the practical issues that are sometimes disregarded.

Moving on from the first customer onboarding, I focused on the continuing monitoring of transactions. I inquired about the effectiveness of the bank's transaction monitoring systems, hoping to determine their ability to detect suspicious activity. I was interested not just in the ' existence of the system but also its effectiveness. Were suspicious transactions frequently reported to Bangladesh's Financial Intelligence Unit (BFIU)? What were the primary challenges in detecting these transactions? Was it the huge volume of data, a lack of experience, or a flaw in the system itself? I wanted to learn about the practical constraints.

Staff training and awareness are important components of effective anti-money laundering compliances. I needed to know if the training offered was sufficient, and if not, where the gaps were. Were branch staff fully aware of their regulatory responsibilities? Were they able to identify and report suspicious activity? I asked participants to indicate the areas of AML/CFT training that needed the most improvement. This was vital, because without a well-informed staff, even the best systems and procedures would be ineffective.

I also tried to investigate the role of external variables. Respondents were questioned about the impact of political influence and corruption, two major issues in Bangladesh. To avoid Trade-Based Money Laundering (TBML) I also looked into the effectiveness of working with port authorities. This was significant since TBML is a complicated issue that necessitates coordination among several entities. I inquired openly about the barriers to greater coordination, hoping to find the structural difficulties obstructing effective information exchange and cooperation.

Finally, I wanted to understand the viewpoints of those on the front lines. They inquired about customer participation in providing information. I requested participants to express their perspectives on the primary reasons of money laundering in Bangladesh, as well as to make ideas for change. This was about giving them a voice and letting them to share their knowledge and experiences in the continuous drive to improve AML processes. Finally, the goal of this survey was to capture the human aspect of AML compliance, understand the issues that banking professionals confront, and propose areas for improvement.

Secondary Data:

- **Bank Documents:** To understand the bank's overall performance and financial health annual report of Prime Bank were reviewed and 5-year financial performances was analyzed.

- **Regulatory Guidelines:** Relevant Bangladesh Bank guidelines, circulars, and other regulatory documents were analyzed to assess compliance with AML regulations.

- **Literature Review:** Online resources, journals, and academic articles were reviewed to gain a comprehensive understanding of AML best practices, challenges, and causes.

3.6 Findings and Analysis

This research identified several key root causes of Anti-Money Laundering (AML) non-compliance within the Prime Bank during the audit. These findings were derived from my first hand audit experience in the branches and a comprehensive review of internal audit reports, regulatory guidelines. Further I have also conducted a survey among 13 banking professionals from different banks through google form, asking them 17 different questions including 2 open-ended questions about money laundering.

3.6.1 Root Causes of AML Non-Compliance identified during audit:

Insufficient KYC Processes

Insufficient KYC process was one of the common audit observations identified during the audit of different branches. Based on the audit findings and communication with branch officials it was discovered that lack of robust identification and verification of customers during account opening as most of the customers are reluctant to provide all the information. It's common that bank officials are provided with huge business target to onboard new customer and business. They often prioritize business growth over compliance, leading to incomplete KYC procedures. Another issue is customers' limited understanding of the importance of providing accurate information for the AML compliance.

Weak Monitoring and Detection Mechanisms

While monitoring sample transaction during the audit we found that some inward foreign remittances with same amount were transferred to walk in customer. These transactions were unusual as 20 inward foreign remittances with same amount was identified in a single month which was transferred to different walk in customer. These transactions had seemed suspicious to us which could have raised as Suspicious transaction report (STR). We believe that inadequate technology for real-time monitoring of suspicious transactions is one of the causes for such noncompliance. If there were technology that can identify suspicious transaction, this noncompliance could have prevented. Another cause is high workload and again business pressure which prevent the bank officials from thoroughly reviewing these types of transactions.

Inadequate Awareness and Training

The branch officials were given with a set of AML related questions by the audit team during the audit to assess their overall understanding in the AML compliances. We also checked their training history for AML compliances. We have observed that limited training programs for bank staff on AML regulations causing threats specially in identifying suspicious transactions. In almost all cases branch official doesn't give proper guideline and awareness to customer regarding AML issues. Hence, customers' knowledge of compliance requirements is very minimal which contributing to procedural gaps.

Influence of Political and Business Pressures

Bank are required to conduct Extended due diligence (EDD) and regular monitoring of politically exposed persons (PEPs) and Influential persons (Ips) accounts. Complying with this requirement is quite difficult for the bank officials as this kind of customer are reluctant to provide their information and the political power. Hence, political influence interferes with the enforcement of AML measures, especially when politically exposed persons (PEPs) are involved. As again officials face pressure to prioritize business expansion, so they must maintain relationships with influential clients which hamper the compliance. Many PEPs in the country involved in corruption and they place their dirty money in the banking sector. Corruption in the financial system allows non-compliance to persist without significant consequences in Bangladesh.

Remittances Through Informal Channels (Hundi)

Remittance through hundi is a national threat for the country particularly for the banking industry. This informal system reroutes remittance flows away from banks and diminishes the liquidity of bank and stability. Significantly, hundi's anonymous nature and lack of record keeping facilitate money laundering and terrorist financing which leads to significant AML non-compliance in Bangladesh as authorities struggle to track illicit funds. This system contributes to economic instability through lost government revenue, currency fluctuations, and inaccurate economic data, hindering effective policymaking. Ultimately, hundi's capacity to conceal financial transactions poses a significant vulnerability, undermining the integrity of the banking sector and compromising national security by providing a conduit for criminal and terrorist activities. Customers use these channels due to higher exchange rate, their ease and cost-effectiveness, bypassing formal banking systems. There is a weak coordination between banks and authorities to identify and curb such activities.

Lapses in Sanctions Screening and Beneficial Ownership Verification

In many cases where account was opened with beneficial owner, bank officials didn't perform sanction screening for beneficial owner (Actual owner/beneficiary of the account). We discovered that lapses in sanctions screening of beneficial ownership verification often arise from a combination of negligence and knowledge of beneficial ownership compliances. Negligence and business influences can discourage the rigorous investigation of beneficial owner creating an environment where compliance is compromised. Additionally, inadequate training and knowledge among bank officials involving the identification of beneficial owners and the verification of their compliance with AML contribute significantly to these lapses. This lack of expertise deters the effective implementation of AML compliances.

Poor Coordination Between Stakeholders

In Bangladesh there is lack of coordination between bankers and government authorities such as Custom to combat money laundering and terrorist financing. This poor coordination between stakeholders substantially hinders efforts to combat financial crimes. Banks primarily rely on documents like invoices, bills of lading, and customs declarations bill of entry/export to process trade finance transactions. These documents are supposed to represent the physical movement of goods. Bank are working on documents they typically lack the resources or mandate to physically inspect goods at ports. We found that a critical root cause lies in the lack of effective coordination between banks and customs authorities, which directly undermines attempts to curb Trade-Based Money Laundering (TBML). Additionally, minimal communication and collaboration between customers and financial institutions create significant information gaps, hindering the ability to identify suspicious activities.

Corruption and Lack of Transparency

In recent years many banks were influenced politically and government intervention to the policy making hindered the effective AML compliance. Corruption and lack of transparency are fundamental barriers to effective Anti-Money Laundering (AML) enforcement in Bangladesh. Corruption within financial institutions and regulatory bodies erodes the integrity of the system, deterring impartial investigations and enforcement actions. This is combined by a lack of transparency and accountability across various levels, enabling suspicious activities to remain undetected and unchecked. Moreover, favouritism allows influential individuals and organizations to avoid compliance requirements, creating an environment where the rule of law and policy is selectively applied and challenging the overall effectiveness of AML compliances.

Vulnerabilities in Trade-Based Money Laundering (TBML)

Financial integrity is seriously threatened by Trade-Based Money Laundering (TBML) exposures. As part of trade audit, audit team check the compliance with Trade-Based Money Laundering (TBML) guideline by Bangladesh Bank. During our review, it was observed that trade officials are working and making decision-based documents. Bank official also have lack of product knowledge, and it is difficult to identify differences when there is no complete, centralized database for commodity pricing, especially when trade officials lack specific product knowledge, there are potential for valuation manipulation by exporter or importer. This raises the possibility of errors and compromised scrutiny, especially when combined with the huge volume of trade transactions and the ensuing workload on banks and customs staff.

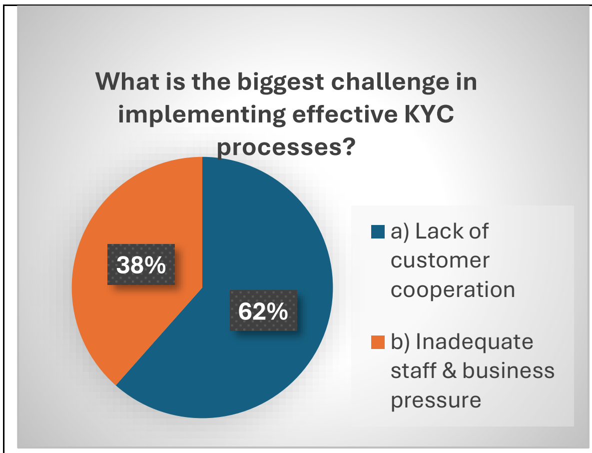
The lack of cooperation and communication between customs officials and bank is a serious systemic flaw. Although customs authorities can physically inspect products, they lack the financial transaction context necessary to identify spot discrepancies. On the other hand, banks mostly rely on documentary proof, are unable to confirm the physical reality of imported or exported commodities. The detection of TBML systems is hampered by this information asymmetry. These weaknesses are further impaired by lack of training and experience in products ang goods of trade finance officers in recognizing red flags. As a result, the system is vulnerable to misuse, which makes it possible for illegal monies to be successfully masked inside legal transactions.

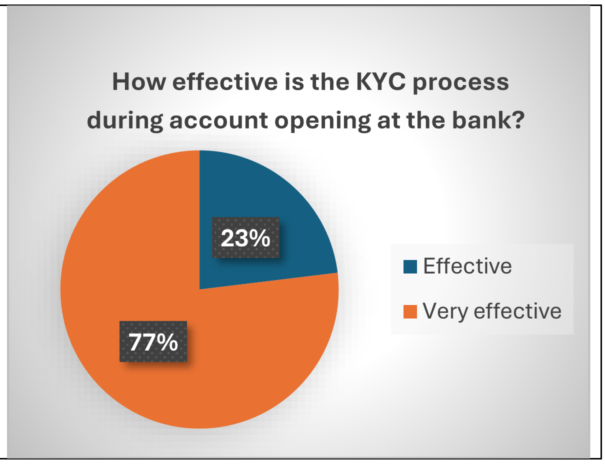
Technological and Operational Challenges

Technological and operational challenges significantly hinder effective Anti-Money Laundering (AML) compliances. A primary root cause is the continued dependence on outdated systems that lack the capacity to process and analyze the complex data required for modern AML compliance. Furthermore, the substantial financial investment necessary to adopt advanced technologies acts as a significant deterrent.

3.6.2 Survey analysis:

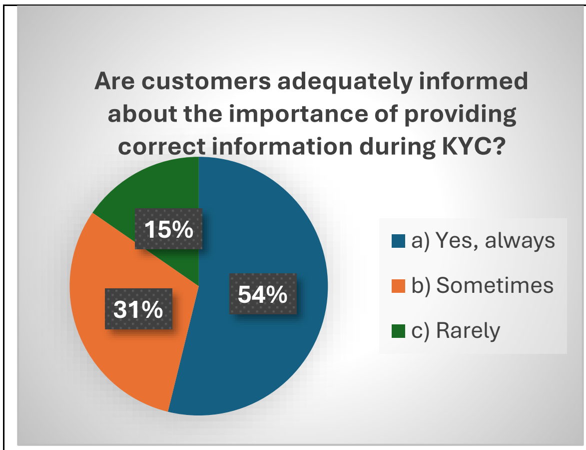
A survey was conducted among 13 bankers from different bank who has been provided with 15 multiple choice questions and 2 open ended questions about AML practice in bank. The detail response is discussed below:



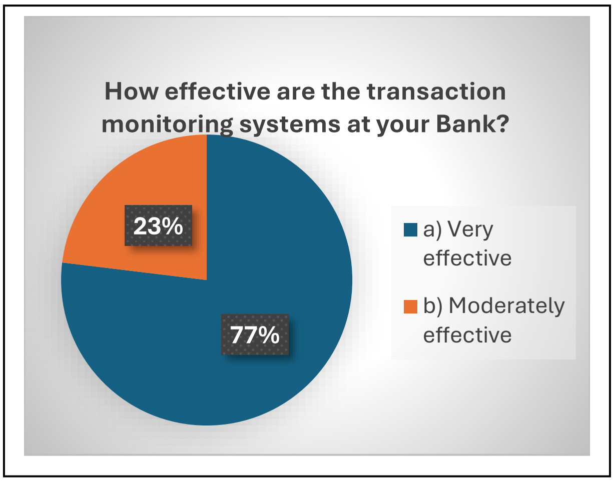


The survey reveals key insights into different bankers perceptions of Anti-Money Laundering (AML) practices. According to 62% of respondents, "inadequate staff & business pressure" is the main barrier to adopting efficient KYC procedures, as shown in pie chart 1. This points to serious internal bank limits that may be caused by lack of staff, inadequate training, unequal resource allocation, business pressures that lead to lack of thorough checking, and outdated technology. The remaining 38% cited "lack of customer cooperation" as a barrier, citing obstacles to acquiring required data and documentation that could be linked to thorough procedures, a lack of customer education, or issues with trust.

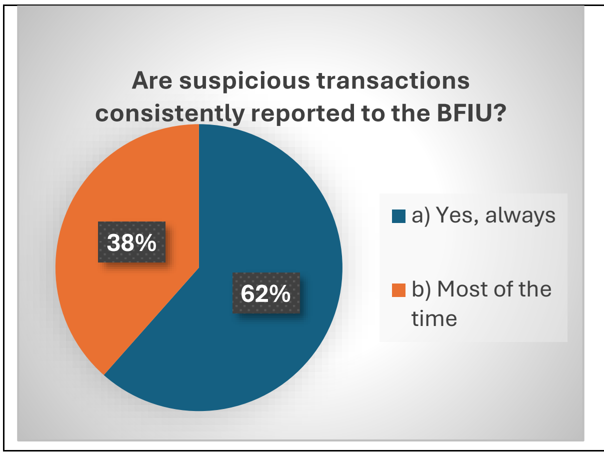
The second pie chart, which evaluates the efficiency of KYC procedures during account opening gives a more optimistic picture. The most of bankers (77%) believe that these procedures are "very effective," suggesting that the fundamental KYC protocols are largely operational. Only 23% of respondents say they are "effective," indicating that there is potential for improvement and the use of best practices.

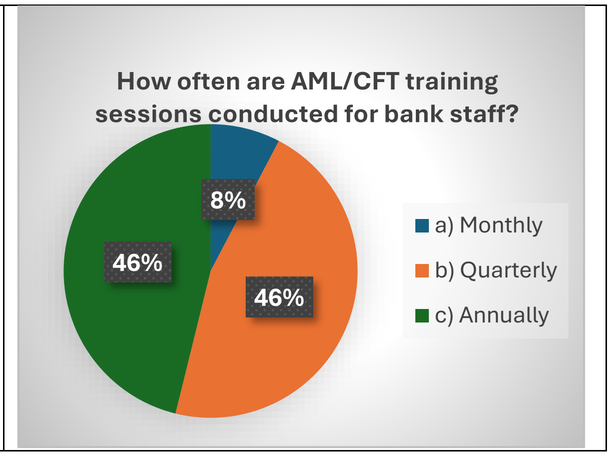


AML/CFT processes can be improved in a number of important areas, according to the study results. Customer education is a key concern because, according to 31% respondents, consumers are only "sometimes" sufficiently informed about the significance of providing accurate information during KYC. However, 54% stating that customers are "always" informed, indicating that most of the customer provide accurate information. On other hand, 54% considered as customers are sometime cooperative, 31% respondent said that “always cooperative” and 15% said that customers are “rarely cooperative”.



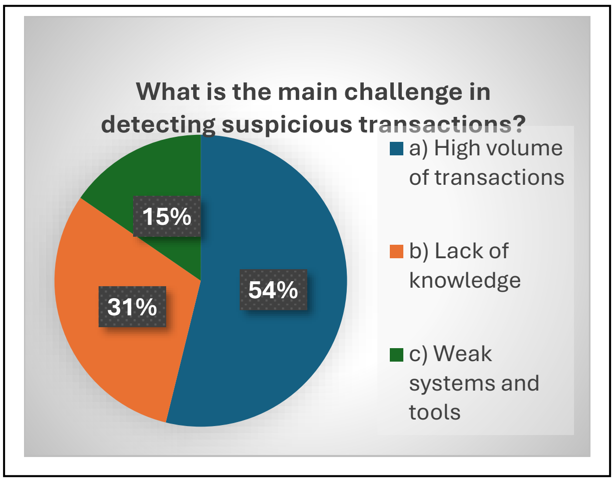
Transaction monitoring systems are viewed as "very effective" by most people (77%), but only 23% think they are "effective," indicating that this area needs some improvement.

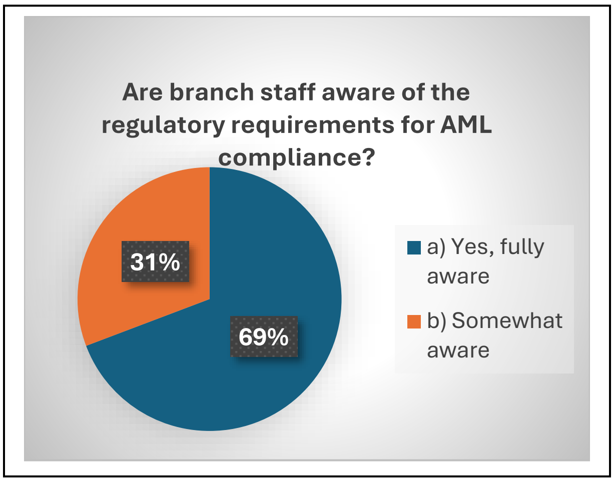




Regarding reporting suspicious transactions to the BFIU, while most respondents (62%) said they do it "always," just 38% said they do so "most of the time" suggesting that reporting procedures may not be consistent.

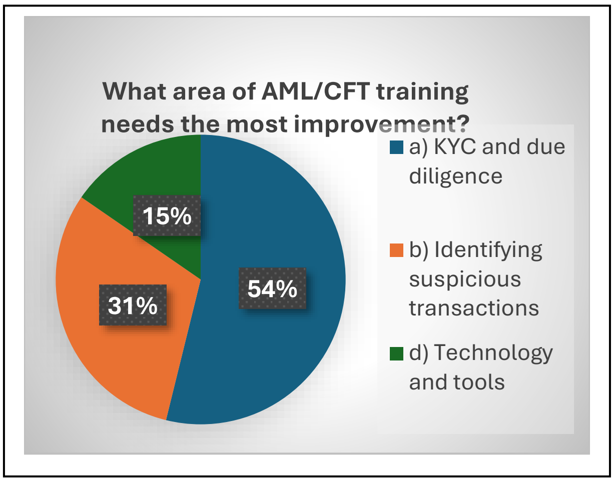
The frequency of AML/CFT training raises questions regarding staff readiness. Most banks only offer quarterly (46%) or annual (46%), and only 8% offer monthly sessions, suggesting a possible gap in ensuring staff members stay current with changing AML/CFT regulations. Together, these results highlight the necessity for banks to give priority to bettering client education, fortifying transaction monitoring systems, guaranteeing consistent reporting of suspicious transactions, and increasing the frequency and thoroughness of AML/CFT training for employees.

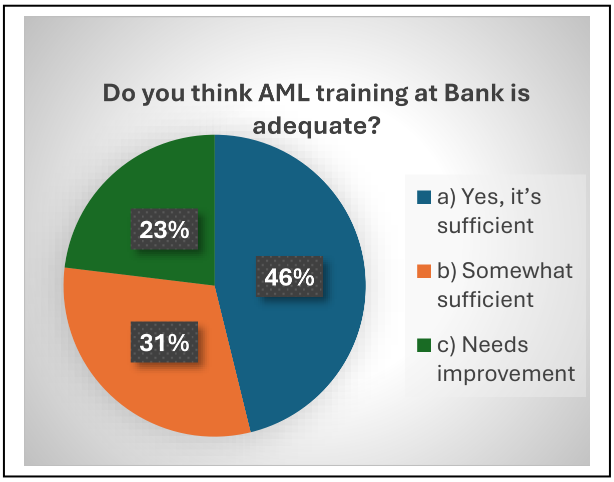




The main difficulties in identifying suspicious transactions are depicted in the chart-7. 54% of respondents said that "high volume of transaction" was the biggest obstacle. This suggest that additional automation or more effective procedures may be required to properly handle the workload. 31% mentioned " lack of knowledge " as a significant barrier. This raises the possibility of a staff training and comprehension gap with relation to spotting suspicious activity. 15% of respondents cited the " weak systems and tools " as a concern, suggesting that additional automation is required.

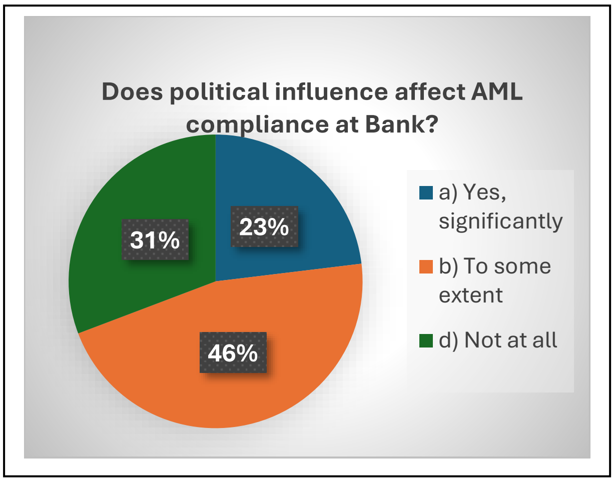
The awareness of regulatory requirements for AML compliance by branch workers is depicted in the chart-8. According to 69% of respondents branch employees "fully aware" understand these standards. Just 31% of employees said they are " somewhat aware" indicating the need for more thorough and regular training sessions.

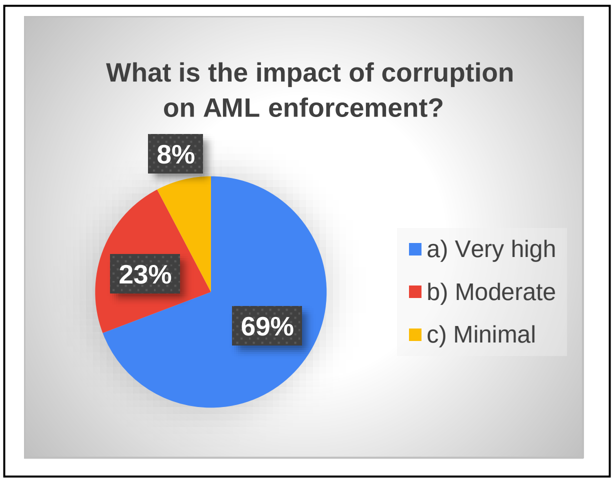




The chart-9 looks at the AML/CFT training areas that need the most work. According to 54% of respondents, "KYC and due diligence" requires the greatest attention. 31% of respondents said that "identifying suspicious transactions" needed to be improved. which suggests that fundamental understanding in these areas must be strengthened. 15% of respondents said that "technology and tools" should be improved.

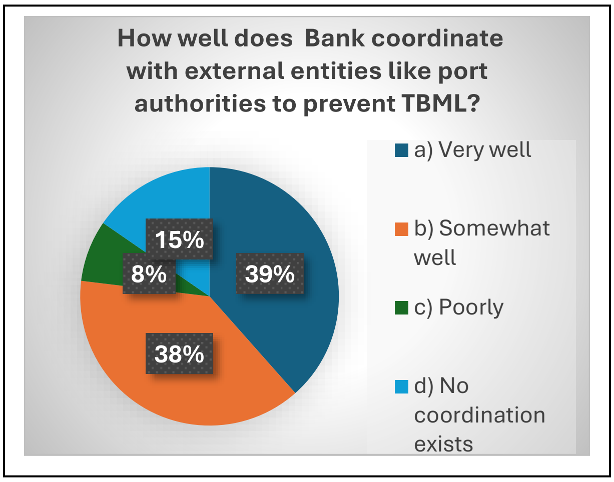
The perceived sufficiency of the bank AML training is evaluated in chart-10. 46% of those surveyed think that AML training is sufficient. 31% of respondents believe the training is "somewhat sufficient. Just 23% of respondents said the training needs improvement. which makes it obvious that the bank has to review and improve its AML training programs.

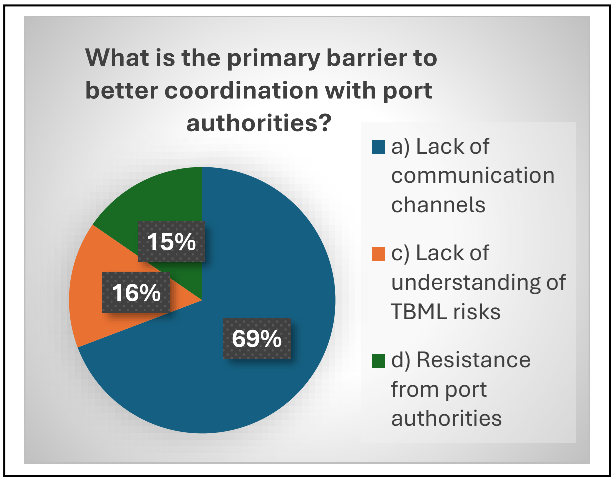




46% of the respondents believe that political influence affect AML compliance to some extent although 31% respondents claimed "not at all". However, 23% of respondents think that political influence affect AML compliance significantly.

In response to impact of corruption on AML enforcement, 69% respondent think that impact is "very high" and 23% respondent claimed as "moderate" impact. While 8% of the respondents said minimal impact of corruption.





When asked about bank coordination with external entities like port authorities to prevent TBML the response was mixed. Although most of the respondents claimed that the coordination was well but in reality, there is a lack of coordination. However, according to some respondents there is no coordination at all.

69% of respondents considered the primary barrier to better coordination with port authorities is the “lack of communication channels”, 16 % said that “lack of understanding of TBML risks” and 15 % said that “resistance from port authorities.

Open Ended Questions and Answers for causes of money laundering and suggestions for improvement of AML compliance:

Table 10: Open Ended Questions

Sl	What are the main causes of money laundering in Bangladesh?	What improvements would you suggest for better AML compliance?
1	Political influence, Corruption, Informal money exchange	Government support, central documents system by Bangladesh bank
2	Corruption	Awareness
3	Suspicious Transaction with lack of proof.	Knowledge, Research, Reading and Cooperation
4	Corrupted politicians, businessmen and lack of governance	
5	Lack of proper monitoring of BFIU of BB. Lack of KYC, due diligence, identify and repotting of SAR/STR etc	Ensuring proper KYC, due diligence, identify and reporting SAR/STR timely.
6	Lack of awareness and knowledge.	More digitally sound..
7	Corruption	Good Governance, awareness, presence of ethical behavior
8	Trade based money laundering	Regular training, risk assessment.
9	Political influences, Noncompliance of Regulatory Body and Lack of Good Governance l.	Proper monitoring and made actions on any issues found.
10	To hide illegal money and tendency of settlement in foreign country	Proper monitoring by regulators and high degree of compliance
11	Money laundering in Bangladesh is primarily driven by factors such as corruption, weak regulatory frameworks, and the use of informal money transfer systems like 'hundi'. These elements facilitate the illicit movement of funds, both domestically and internationally. High-profile cases have highlighted the challenges in combating these practices.	To enhance Anti-Money Laundering (AML) compliance, it is essential to strengthen the legal and regulatory frameworks, ensuring they are robust and comprehensive. Improving enforcement mechanisms and fostering international cooperation are also crucial steps. Additionally, increasing transparency in financial transactions and promoting the use of formal banking channels over informal systems can significantly mitigate money laundering risks.

The respondent was given with the open-ended question, asking for the main causes of money laundering in Bangladesh and suggestion for the improvements. The responses reveal that money laundering in Bangladesh is primarily driven by many factors, notably political influence and corruption, which create an environment grown for illicit financial activities. Weak regulatory frameworks and non-compliance further worsen the problem, hindering effective detection and prevention. The incidence of informal money transfer systems, such as "hundi," allows for the movement of funds outside of formal channels, complicating efforts to trace and capture them.

Moreover, a lack of awareness and knowledge about money laundering risks among various stakeholders contributes to the problem. To combat these challenges and improve AML compliance, respondents suggest strengthening legal and regulatory frameworks, enhancing due diligence and reporting mechanisms, and fostering greater government support and international cooperation. Promoting the use of formal banking channels and increasing transparency in financial transactions are also considered crucial steps.

Additionally, investing in awareness programs, training, and digitalization of AML processes would contribute to a more robust and effective system for combating money laundering in Bangladesh.

3.7 Recommendations

In order to further enhance Prime Bank PLC's Anti Money Laundering (AML) framework and address the challenges identified, the following recommendations are proposed.

Upgrade Technology

- ✓ Automate STR, CTR & TP Violation reporting and ensure mandatory review comments by the concern officer/BAMLCO during the transaction.
- ✓ Invest in AI-driven real-time transaction monitoring systems.

Strengthen KYC and Due Diligence

- ✓ Digitize KYC processes and enforce periodic updates.
- ✓ Apply stricter Enhanced Due Diligence (EDD) for high-risk accounts and PEPs.

Enhance Training and Awareness

- ✓ Provide regular AML training for staff and specialized training for trade finance officers.
- ✓ Conduct customer awareness campaigns on AML compliance.

Improve Coordination

- ✓ Collaborate with customs, and regulatory agencies to combat TBML.
- ✓ Foster partnerships between financial institutions and law enforcement bodies.

Mitigate Political Influence

- ✓ Establish independent oversight for high-risk accounts.

Address Resource Constraints

- ✓ Expand AML teams and allocate resources for advanced technologies. Promote Transparency

Monitor and Evaluate

- ✓ Conduct regular audits of documentation & Conduct regular gap analyses

3.8 Conclusion

The results of this research indicate severe deficiencies of Anti-Money Laundering (AML) compliance in the banking system, which are caused by business pressure, insufficient staff training, inadequate transaction monitoring, and political intervention. These flaws expose the bank to financial, regulatory, and reputational risks, making it critical to enhance internal controls. The internal audit function is crucial in discovering compliance flaws. Addressing these issues necessitates a comprehensive approach that includes investments in advanced technology, stronger training programs with practical examples, stronger due diligence for high-risk customers/PEPS and better regulatory cooperation. By taking these steps Banks may reduce AML risks, strengthen their compliance culture, and conform with global banking norms, assuring long-term financial stability and institutional integrity.

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Appendix-A

BDT in million except Ratios

Liquidity Measures	2023	2022	2021	2020	2019	2018
Long-term liabilities	183,662	162,679	170,008	160,503	152,673	107,586
Current liabilities	254,458	238,426	189,982	158,234	142,964	160,134
Earning assets	402,898	365,215	327,996	289,800	264,677	241,264
Current assets	256,740	228,768	211,609	190,528	170,306	163,248
Net current assets	2,282	(9,658)	21,627	32,295	27,342	3,114
Credit-deposit ratio (Conventional)	79.35	85.30	83.99	79.5	80.11	82.65
Credit-deposit ratio (Islamic)	87.38	86.16	84.24	68.61	74.67	82.71
Current Ratio (percent)	1.01	0.96	1.11	1.20	1.19	1.02
Gearing Ratio (percent)	84.00	83.43	85.05	84.80	84.43	79.41
CRR Held (percent)	4.15%	4.12%	4.16%	4.33%	5.60%	5.72%
SLR Held (percent)	25.42%	20.66%	23.29%	24.64%	21.03%	15.28%
Debt Equity Ratio (percent)	12.53	12.42	12.04	11.08	10.50	9.60

BDT in million except Ratios

Capital Measures	2023	2022	2021	2020	2019	2018
Total risk weighted assets	248,353	232,470	237,968	236,220	231,300	224,585
Tier-1 Capital	29,384	27,284	25,945	25,105	24,818	24,335
Tier-2 Capital	14,213	11,730	14,905	15,707	15,472	13,924
Total capital	43,598	39,014	40,850	40,812	40,289	38,259
Tier-1 Ratio (percent)	11.83	11.74	10.90	10.63	10.73	10.84
Tier-2 Ratio (percent)	5.72	5.05	6.26	6.65	6.69	6.20
Capital to Risk Weighted Asset Ratio (percent)	17.55	16.78	17.17	17.28	17.42	17.04
Leverage Ratio (percent) under Basel-III	5.73	5.72	5.71	6.23	6.38	6.52
Liquidity Coverage Ratio (LCR)	163.14	131.30	128.5	174.68	173.78	101.41
Net Stable Funding Ratio (NSFR)	113.67	112.29	116.89	124.65	127.30	127.94

BDT in million except Ratios

Operating Performance Ratio (%)	2023	2022	2021	2020	2019	2018
Gross profit ratio	54.40	62.66	68.91	55.03	54.74	54.72
Cost-income ratio	47.21	46.99	45.24	54.88	50.82	55.66
Cost of Deposit (Daily average)	3.61	3.07	2.60	4.07	4.81	4.72
Cost of Fund	6.54	5.53	5.09	6.68	7.91	7.95
Yield on average advance (Daily average)	8.06	6.57	6.27	7.38	9.15	8.51
Spread	4.45	3.50	3.67	3.31	4.34	3.79
Earning asset to total assets (average)	84.41	83.88	83.78	82.60	81.68	81.67
Return on average assets (ROA)	1.06	0.98	0.84	0.54	0.54	0.76
Return on average equity (ROE)	14.33	12.93	10.61	6.31	5.93	8.31
Return on capital employed	4.29	4.49	4.12	3.02	3.84	4.22

BDT in million except Ratios

Asset Quality	2023	2022	2021	2020	2019	2018
Non-performing loans (NPLs)	11,168	10,132	12,713	8,034	9,966	12,686
NPLs to total loans and advances (percent)	3.54	3.42	4.83	3.46	4.66	6.16
Provision for unclassified loans and advance	7,527	6,744	8,542	8,449	6,564	3,726
Provision for classified loans and advance	9,270	7,480	5,312	3,677	3,656	4,567
NPL Coverage	150%	140%	109%	151%	103%	65%

Share Information	2023	2022	2021	2020	2019	2018
Market price per share (BDT)	21.00	19.20	21.50	17.10	18.20	17.80
No. of shares outstanding (in million)	1,132	1,132	1,132	1,132	1,132	1,132
No. of shareholders	10,502	11,706	13,700	12,072	12,985	14,895
Earnings per share (BDT)	4.26	3.55	2.75	1.59	1.47	1.94
Dividend (percent)	17.5 C	17.5 C	17.5 C	15 C	13.5 C	12.5 C
Dividend yield (percent)	8.33	9.02	8.14	8.77	7.42	7.02
Market capitalization (BDT in million)	23,778	21,966	24,344	19,362	20,506	20,155
Net asset value per share (BDT)	30.89	28.53	26.40	25.40	24.86	24.63
Price Earning ratio (times)	4.93	5.46	7.83	10.77	12.38	9.19

Other Information	2023	2022	2021	2020	2019	2018
No. of branches	146	146	146	146	146	146
Number of ATM	154	151	152	160	160	170
No. of employees	2958	2913	2997	3090	3,124	3,212
Profit per employee (BDT in million)	3.17	3.00	2.75	1.85	2.22	1.78