



INTERNSHIP REPORT

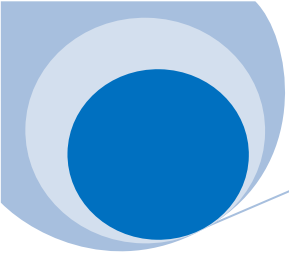
An Overview Of Banking Activities of Prime Bank Ltd.

Prepared For:
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Letter of Transmittal

May 15, 2015

S.M. Arifuzzaman
Assistant Professor

School of Business
BRAC University

Subject: Submission of Report on “An Overview of Banking Activities of PBL”

Dear Sir,

With due respect and humble submission, I am a student of MBA (Spring 2015) and submitting my report on “An Overview of Banking Activities of PBL”. It gives me immense pleasure to inform you that I have completed my report under your kind hearted direct supervision.

Now, I want to place my report and for this reason I want your kind approval. I hope my report will satisfy you.

Sincerely yours

Shohana Afroz Kshama
MBA Program
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BRAC University
School of Business





ACKNOWLEDGEMENT

First of all I would like to express my heartiest reverence and respect to Almighty Allah for his special kindness to give me the opportunity to complete the Internship program successfully. My internship report can be considered as an honest effort to develop my personal and particle knowledge, which adds to the theoretical part of my study. Thus enabling me to move one-step further to face the challenges in the job market. I am grateful to the following people, irrespective of any importance in order, as my report would not have come to life without their kind co-operation & prudent advice.

I am deeply indebted to my internship supervisor **S.M. Arifuzzaman, Assistant Professor, BRAC University** for his whole-hearted guidance and supervision. His suggestions and comments to make the report a good one was really a great source of spirit for me.

I would like to express my heart fell gratitude to honorable Branch manager **Mr. Md. Wasequddin Ahmed Chowdhury (Manager of the Branch), Senior Vice President, Masud Mizan (Operational manager of the Branch), Assistant vice President** of Prime Bank Limited, Asad Gate Branch for their sincere support enthusiastic co-operation for making the report productive. Otherwise this report will not come into reality. The working environment in Bank was totally unknown to me. But they helped me to adjust in this environment and to carry out my task freely.

My special thanks to all officers and staffs of Asad Gate Branch for showing me that there is strength in the units.

Lastly, I would like to give special thanks and greetings to my fellow MBA students for giving me some required information, valuable advices and suggestions to complete the report in a comprehensive manner.

I thank them all from the core of my heart.





Executive Summary

Banks are among the most important financial institutions in the economy. It can be easily identified by the function it performs in the economy. Today the importance of banking practices have become undoubtedly immense across the world and by noticing such growing demand, banks are trying to come up with different kinds of new products and services.

Today, however, the functions of a bank have increased so much so that it is considered as a very vital agent of development in a country like ours, Because of their positive involvement in trade, industry, business, finance and a host of other allied services, banks today represent very important part of any economy.


Prime Bank Limited is a private commercial bank in Bangladesh. It was established on April 17, 1995. It is now one of the banks in Bangladesh which follows international standard in Banking and Finance.

Prime Bank was created and commencement of business started on 17 April 1995. The sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance to energy etc. They offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real estate to software.

I was assigned it in the Asad Gate Branch of Trust Bank Ltd. I present this report on the basis of the knowledge and experience gained during the working period.

This report is broadly categorized in different parts. At First there is an introduction where I describe the background of the report, objectives of the report, scope of the report, limitation of the report and methodology of the report. The main objectives of the report are finding out the working process of “General Banking” performed by the unit members. The data that’s been used for this study are both primary and secondary in types. The primary data has been collected through discussion with the respective organization's officials. Secondary data consists of all published or reported material, which have already been collected or preserved.

In line with the Bank’s objective to become market leader, Prime Bank Limited adopted a customer-oriented service policy and developed diverse products to meet the needs of corporate, commercial and retail customers. This bank is one of the most disciplined banks with a distinctive corporate culture. The Core Competencies of TBL are knowledge, transparency, reliability, experience and expertise etc. And the challenges of the TBL’s are understand customer and banker, management problem, centralization, advertising and promotion etc.



Then I briefly described about the general banking area of Prime Bank limited which includes Account opening section where a customer can open different types of accounts such as Current account, Savings (SB) account, Short Term Fixed Deposit (FDR). Then deposit section which is classified into demand deposit and time deposit, after that cash section where banks, as a financial institution, accept surplus money from the people as deposit and give them opportunity to withdraw the same by cheque, etc. Among the banking activities, cash department play an important role.

After that I analyzed the performance of PBL which includes financial performance from the year 2009 to 2013. The core objective of any corporation is to maximize the stockholders' wealth. As Prime Bank is also a corporation, its prime objective is to maximize its stockholders wealth. According to the theory stock price is the best indicator of a business firm's performance that it is a perfect provided market.






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Chapter one

Introduction

1.1 Background of this report

Internship Report preparation is the mandatory part for the BBA program. For performing this report, I have got the chance to do internship in Prime Bank Limited, which is one of the fastest growing banks in our country and the bank is contributing a lot to our economy with their banking operation. At the very outset of my joining, PBL authority places me in Asad Gate Branch. While working in PBL under the Remittance Department, it becomes possible for me to have practical knowledge and experience about this process.

The primary purpose of this report is to get an idea about the General Banking activities of Prime Bank Ltd., a second generation bank of the country and make an industry analysis on the banking sector of Bangladesh.

The revenue earning sources of banks are mainly loans and advances. The credit facility can be of two types: funded and non-funded. Funded credit can be expensive for the banks, as the bank has to pay interests. Non-funded credit includes Letter of Credit, which is the main source of income for the foreign exchange business.

This report is an attempt to reflect the position of Prime Bank Ltd. in the banking industry procedures, policies and activities with emphasis on foreign exchange business.

1.2 Origin of this Report

This report has been prepared on the basis of experience gathered during the period of internship.

My supervising teacher S.M. Arifuzzaman authorized me to prepare it.

1.3 Objectives of this Report

Through General Banking activities of PBL plays a vital role in our economy. The General objective of the study is to gather knowledge about the banking activities and evaluate the scenario of the Trust Bank Limited. To achieve these main objectives, the study seeks to realize the following:

- Finding out the working process of General Banking performed by the unit members.
- To identify problems in General Banking, Foreign Exchange and Loan operations of the Bank.
- To get the real life experience in the banking sector and by doing that I want to expand the span of my practical knowledge.
- To build up the pillar for my career in near future.
- To know more about the current situation of the bank.
- To fulfill the requirement for the completion of MBA graduation.

1.4 Scope of this Report

As I was working in the Prime Bank at Asad Gate Branch, I got the opportunity to learn different part of banking system. My supervisor divided the whole banking system into three parts so that I can get the opportunity to work in the General Banking division, Credit division, and Foreign Exchange division.

1.5 Capacity of this Report

This report covers the Prime Bank Ltd. Organization over view Management and Organizational structure functions performed by the Prime Bank Ltd. Scope of this report is very confined concentrate of the General Banking and Foreign Exchange banking system of Prime Bank Ltd. In development of capital market of Bangladesh, Moreover this far evaluating the performance I

kept my thinking on accounts, General Banking, identification of problems regarding foreign exchange sector, sector of credit allocation and foreign exchange.

1.6 Methodology of the Report

Theoretical knowledge required for the study was collected through some books on this respective field. The data that's been used for this study are both primary and secondary in types. The **Primary data** has been collected through direct observation, face to face discussion with senior officer, junior officer and Institutional clients in related field. **Secondary data** consists of all published or reported material, which have already been collected or preserved. In this report the necessary document are collected from the MIS, Annual report of Prime Bank Ltd. and other published documents of Bangladesh Bank.

Since I've undergone my internship program on this Remittance, Account Opening, FCAD & Foreign Exchange Department, therefore, in preparing the report I've concentrated on the issues exclusively focused by PBL, Asad Gate Branch in this project.

1.7 Limitation of this Report

The present study was not out of limitations. Some constraints are as follows:

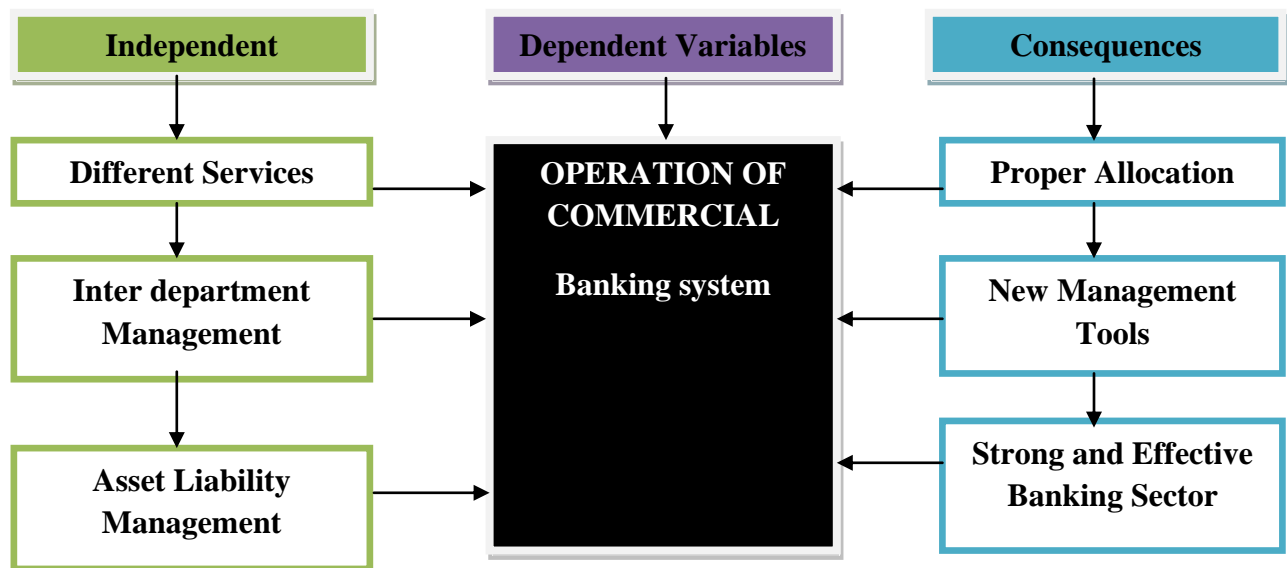
- ✦ The main constraints of the study are inadequate access to information, which has hampered the scope of analysis required for the study.
- ✦ Every organization has their own secrecy that is not revealed to others. While collecting data they did not disclose much information for the sake of organizational confidentiality.
- ✦ The report is mainly based on the secondary data which published by different organization as annually, half-yearly, monthly, weekly or daily.

- ✦ Due to some legal obligation and business secrecy banks are reluctant to provide data. For this reason, the study limits only on the available published data and certain degree of formal and informal interview.
- ✦ The bankers are very busy with their jobs, which lead a little time to consult with.
- ✦ Finally, some recent data which were needed to enrich this report but the unwillingness of executives of the bank due to confidentiality was made my report limited to data content.

Although it was very difficult for me to complete the whole project within very short period, I did give my hundred percent to finish my project on time and in a presentable manner. If I had enough time, I will make the report with more compatible analysis.

1.9 Conceptual framework of the Report

The banking sectors need to determine a consistence standard to determine analysis and improve the shortcomings.



Chapter Two

Overview of Prime Bank Limited

History and Background:

The word '*bank*' comes from the Italian word '*Banco*' or '*Banque*'. Banco or Banque means a bench. In early stage money transaction activities was generally done by sitting on the benches in a market. Somebody says the word '*bank*' comes from the German word '*bank*' that means the joint stock fund. But now this word '*bank*' deals with the money transaction that made in an institution by following some prescribed rules.

Banks play a dynamic role in the economic development of a nation. Schumpeter regarded the banking system as one of the two key agents (the other being entrepreneurship) in the whole process of development.

Historically, the focus of the commercial banking system was entirely short term, providing only working capital and trade finance. But the areas of commercial banking have been expected over time. In the universal banking system of Germany, commercial banks are also an important source of investment finance. They function like investment banks and provide underwriting and brokerage, and they also have considerable control over firms both through their own equity holding and proxy votes for private investors, and by appointing representatives on the boards of firms.

Historical Background of Prime Bank Limited:

Prime Bank Limited is a scheduled commercial Bank under private sector established within the ambit of Bank Company Act, 1991 and was incorporated as a Public Limited Company under Companies Act, 1994 on February 12, 1995. The Bank started commercial banking operations from April 17, 1995 with the inauguration of the Bank's Motijheel Branch at 119-120, Motijheel Commercial Area. A huge public response has enabled the Bank to keep up the plan of expanding its network. Within a span of ten years the bank has been able to deliver services to its customers through thirty-seven branches. In terms of profitability the bank has outperformed its peer banks. Operating profit of the bank in the last financial years was Tk. 3257 million.

As a fully licensed commercial bank, Prime Bank Ltd. is being managed by a highly professional and dedicated team with long experience in banking. They constantly focus on

understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition.

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

The bank has consistently turned over good returns on Assets and Capital. During the year 2007, the bank has posted an operating profit of Tk. 3257 million and its capital funds stood at Tk 6382 million. Out of this, Tk. 2275 million consists of paid up capital by shareholders and Tk. 2659.21 million represents reserves and retained earnings. The bank's current capital adequacy ratio of 11.50% is in the market. In spite of complex business environment and default culture, quantum of classified loan in the bank is very insignificant and stood at less than 1.35%.

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

2.1 PBL Vision

Every Company has their own vision. By fixing vision, they can set their future growth. Prime Bank Ltd. has its own vision to be leader in the banking industry. "To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management & profitability having strong.

2.2 PBL Commitment to Clients

The Bank believes in the proverb “To err is human and forgiveness divine” but the customers do not accept it, because they want the service 100% defect free. So, improvement of the customer service should always be their motto. The ever changing expectations of the customers have shifted the focus of the management from resource base productivity to achieving higher and higher quality of the service. To operate in the global environment, the Bank’s future plan is to equip all the unit of the bank with modern technology, such as online Computer Network, Fax, E-mail etc. for the services of its customers round the clock.

2.5 PBL Value

- Trustworthy
- Dependable
- Reliable
- Professional
- Dynamic
- Fair

2.4 SWOT Analysis of PBL

SWOT Analysis

Every organization over the years of its operation generates some strength and some weaknesses which are solely internal and not dependent on the externalities. Opportunity and threats are on the contrary out of control of an organization and are thus absolutely external. Prima Bank Limited has many things to its credit as strengths while like any other bank has some weaknesses. Prime Bank Limited always is abreast of the market trend and proactive to adopt any market changes and explore opportunities.

i. Strengths

- ☐ Prime Bank Limited is a bank with a difference and is committed to maintaining a positive difference from its peer bank. This is reflected in all its activities and services offered. All the employees bear this slogan in their hearts and this is manifested in their behavior with the customers.
- ☐ Prime Bank Limited has a very well educated and professional management. All the Directors of the bank are highly qualified and eminent business personalities of the country. This is one of the most distinct competitive advantages of the bank.
- ☐ Prime Bank is always ahead of its competitor bank in different innovative policy implementation. Prime Bank has pioneered various lending policies that were subsequently incorporated by other banks.
- ☐ Wide coverage of the bank with its 67 branches across the country has broadened the horizon of its service. This increased network of branch has strengthened its position in the industry.
- ☐ Prime Bank Limited is a sister concern of Prime Finance & Investments Limited, Prime Insurance Limited and Prime Islami Life Insurance Limited. This has helped the bank build a brand image and to differentiate easily from other banks.
- ☐ All the levels of the management of Prime Bank Limited are solely directed to maintain a culture for the betterment of the quality of the service and development of a corporate brand image in the market through organization wide team approach and open communication system.
- ☐ The key contributing factor behind the success of Prime Bank Ltd is its employees, who are highly trained and most competent in their own field. The bank runs a training institute which organizes training on all areas of banking operation throughout the year to upgrade the performance of its employees.
- ☐ Excellent Working Environment: Prime Bank Limited provides its workforce an excellent place to work in. Total complex has been centrally air-conditioned. The interior decoration was done exquisitely with the choice of soothing colors and blend of artistic that is comparable to any overseas bank.

ii) Weaknesses

- ☐ Non-availability of ATM Booths: Prime Bank Ltd has installed ATM machines, but the number of ATM booths is very few. Though PBL customers can use DBBL ATM booths for transactions but still Prime Bank Ltd should increase the number of their own ATM booths.
- ☐ Reliance on Sufficient Collateral: Prime Bank Limited is reluctant to sanction loan in favor of business firms with insufficient collateral security. This is practically important for small

customers who are new to the bank. The requirement of collateral security in many cases, keep firms away from bank's credit which has reduced profitability.

□ Absence of Recovery agent: There is no external firm for recovery of stuck up loans. Thus many officers of the branch are engaged in recovery which retards service to customers and productivity.

iii) Opportunities

□ Government Support: Government of Bangladesh has rendered its full support to the banking sector for a sound financial status of the country, as it has become one of the vital sources of employment in the country now. Such government concern will facilitate and support the long-term vision of Prime Bank Limited.

□ Evolution of E-Banking: Emergence of e-banking will open more scope for the bank to reach the clients not only in Bangladesh but also in the global banking arena. Although the bank has already taken step to enter the world of e-banking but yet to provide full electronic banking facilities to its customer.

□ Banking and information technology might give the bank leverage to its competitors. Nevertheless there are ample opportunities for Prime Bank to go for product innovation in line with the modern day need.

iv) Threats

□ Mergers and Acquisition: The worldwide trend of merging and acquisition in financial institutions is causing concentration. The industry and competitors are increasing power in their respective areas.

□ Frequent Currency Devaluation: Frequent devaluation of Taka and exchange rate fluctuations and particularly South-East Asian currency crisis adversely affects the business globally

2.5 Corporate Information of PBL

General Information

The company was incorporated on 17 June 1999 under the Companies Act 1994 as a public company limited by shares for carrying out all kinds of banking activities.

Memorandum and Articles of Association signed by the Sponsors	05.02.1995
Incorporation of the Company	12.02.1995
Certificate of Commencement of Business	12.02.1995
License issued by Bangladesh Bank	20.02.1995
License issued for opening the first Branch, Motijheel	08.04.1995
Formal launching of the Bank	17.04.1995
Commencement of business from the Motijheel Branch	17.04.1995
Commencement of Islamic banking business from IBB, Dilkusha	18.12.1995
Initial Public Offerings (IPO)	
Publication of Prospectus	29.08.1999
Subscription Opened	09.09.1999
Subscription Closed	22.09.1999
Listed with Chittagong Stock Exchange Limited	15.11.1999
Listed with Dhaka Stock Exchange Limited	27.03.2000
Trading of Shares on Dhaka Stock Exchange Limited	29.03.2000
Trading of Shares on Chittagong Stock Exchange Limited	29.03.2000
Dividend declared in the 5th AGM (First after the IPO)	14.03.2000
Registered as Merchant Banker with the Securities and Exchange Commission	29.03.2001

License issued from the Bangladesh Bank as Primary Dealer	11.12.2003
Registered as Depository Participant of CDBL	29.03.2004
Trading of Shares started in Demat Form in Stock Exchanges	15.06.2004
Completion of 10 years of Service	17.04.2005
Agreement with Temenos for Core Banking Software Temenos T24	30.06.2005
Incorporation of Prime Exchange Co. Pte. Ltd., Singapore	06.01.2006
Prime Exchange Co. Pte. Ltd., Singapore formally started business	08.07.2006
Opening of first Off-shore Banking Unit at DEPZ, Savar, Dhaka	15.03.2007
Launching of ATM	11.03.2008
Recipient of ICAB “Best Published Accounts Award-2007”	04.12.2008
Launching of Internet Banking	01.08.2009
Recipient of ICAB “Best Published Accounts Award-2008”	30.12.2009
Opening of first SME Centre	04.08.2009
Recipient of SAFA Best Bank Award	05.12.2009
Incorporation of PBL Exchange (UK) Ltd.	19.11.2009
Obtained Permission for issuance of Subordinated Bond for	
Tk 2,500 Million for Basel-II Compliance	31.12.2009
Incorporation of PBIL	28.04.2010
Incorporation of PBSL	29.04.2010
Obtained permission for issuance of Rights Share	25.05.2010
Launching of SMS Banking	25.08.2010
Ground breaking of Prime Tower	22.09.2010

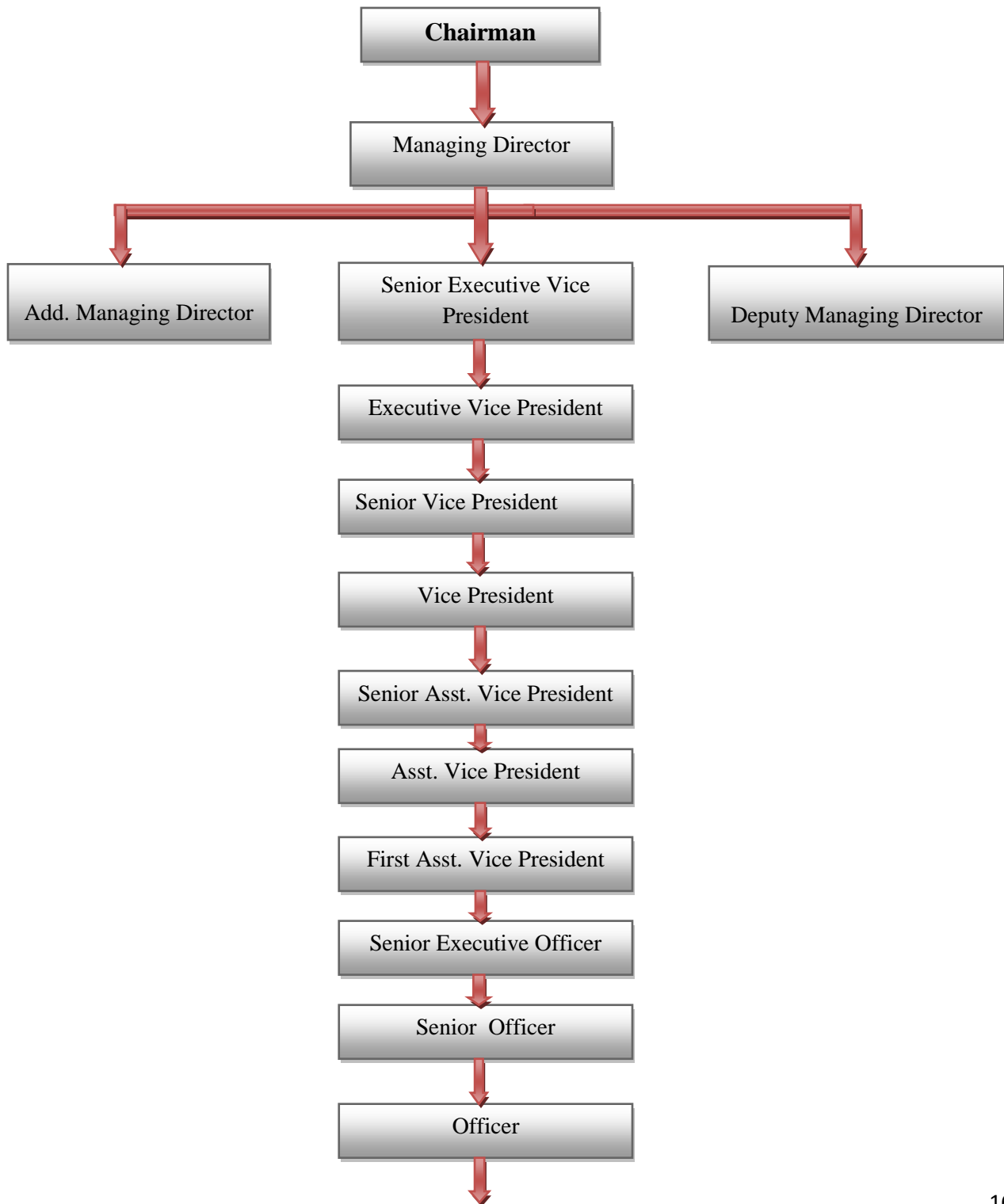
Change of Face Value and Market Lot of Shares of PBL	06.01.2011
Launching of Phone Banking	02.08.2011
Commencement of business of PBL Finance (Hong Kong) Ltd.	01.09.2011
Launching of Mobile Banking	25.03.2012
Launching of Biometric Smart Card-Prime Cash	20.05.2012
Recipient of ICMAB Best Corporate Award-2012	15.01.2013
Recipient of SAFA “Best Presented Annual Report Awards and	
SAARC Anniversary Awards for Corporate Governance Disclosures-2011	22.03.2013
Launching of Prime Bank Nursing Institute	13.04.2013
Launching of first in Bangladesh the JCB Card’s online acquiring service	20.07.2013
Launching of Islamic Credit Card	24.07.2013
Recipient of “13th ICAB National Award for Best Presented Annual Reports	
(Second Prize) Awards -2012	21.12.2013
Recipient of “Best Bank Award 2013” from Global Finance	30.10.2013

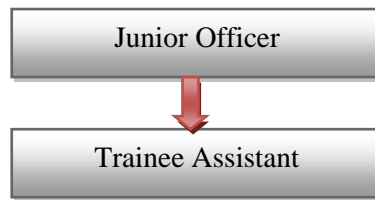
2.6 Strategic objectives of PBL

- ▶ Prime Bank's objectives are to conduct transparent and high quality business operation based on market mechanism within the legal and social framework spelt in their mission and reflected in their vision.
- ▶ Their greatest concerns are customers to provide them continually efficient, innovative and high quality products with excellent delivery system. Motto is to generate profit with qualitative business as a sustainable ever growing organization and enhance fair returns to their shareholders.
- ▶ They are committed to their community as a corporate citizen and contributing towards the progress of the nation as their corporate social responsibility. Their employees are their backbone. PBL promote employees well being through attractive compensation package, promoting staff morale through training, development and career planning.
- ▶ PBL strive for fulfillment of their responsibility to the government through paying entire range of taxes and duties and abiding the other rules.
- ▶ They are cautious about environment & climate change and dutiful to make their homeland a green and clean soil.

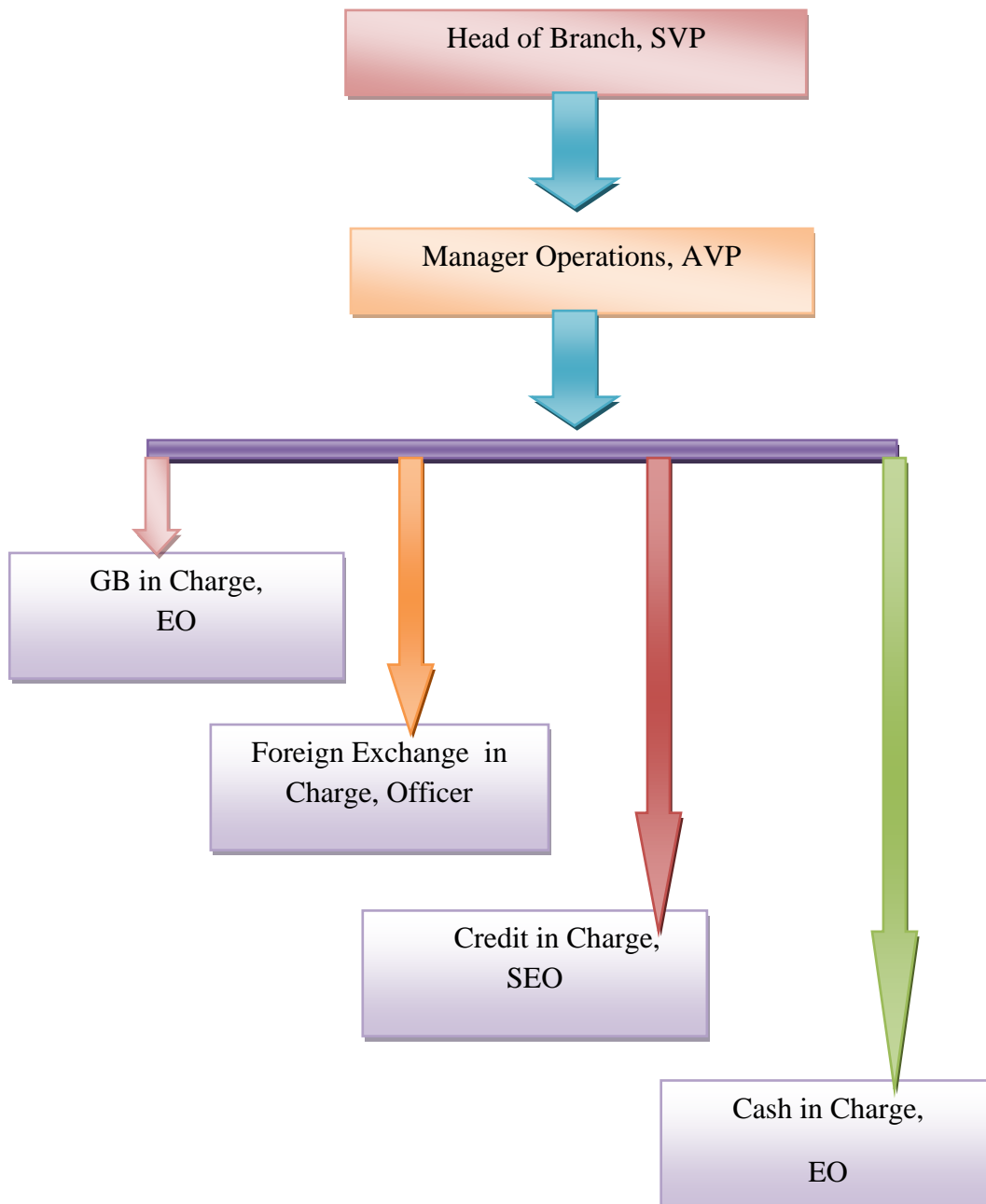
2.7 Organizational Structure of PBL

Management Structure of Prime Bank Ltd.





Employment Structure of Prime Bank Ltd. Asad Gate Branch



2.8 Human Resource practices in PBL

In spite of all technological and intellectual developments – human resources remain the single most influential factor behind the success of any organization. We at PBL believe that a competent, committed and fully motivated team of human resources is the main driving force for performing at the highest level in a fiercely competitive financial market like Bangladesh. Accordingly, the Bank's strategy is to attract, retain and motivate the most talented and success driving people. The Bank has developed a detailed HR manual and service rules covering the recruitment guidelines, promotion criteria, training and other related issues. HR manual and service rules are reviewed and updated so as to keep it time befitting and upholding employees' stake at the Bank's success. The core strength of HRD at PBL is its transparency and continuous endeavors for achieving the excellence.

2.9 Characteristics of shares of PBL at a Glance

- ▶ Large number of Shareholders.
- ▶ Good and satisfactory rate of dividend.
- ▶ Positive Earnings per Share (EPS).
- ▶ Good Net Asset Value per share (NAV).
- ▶ Traded in both the bourses of the country as an 'A' category share.

2.18 Prime Bank Limited at a Glance

PBL Competitors

- ▶ Trust Bank
- ▶ Dhaka Bank
- ▶ AB Bank
- ▶ IFIC Bank
- ▶ Bank Asia
- ▶ Dutch Bangla Bank
- ▶ Eastern Bank

Image and Reputation of PBL

- ▶ Familiarity
- ▶ Loyalty
- ▶ Image as a good bank
- ▶ Error free records
- ▶ Secrecy of money matters
- ▶ Prompt services
- ▶ Co-operative to answer queries
- ▶ Convenience of location
- ▶ Highly skilled and competent workers

PBL in Bangladesh

Prime Bank Limited is one of the leading private sector commercial banks in Bangladesh since 1995.

PBL

PBL Philosophy

A Bank with a difference.

Core Values

- ▶ Trustworthy
- ▶ Dependable
- ▶ Reliable
- ▶ Professional
- ▶ Dynamic
- ▶ Fair

Banking Department

- ▶ General Banking
- ▶ Credit Department
- ▶ Foreign Exchange
- ▶ Accounts

Number of Employees

2139 Employees

Operational Areas

Banking services,
Consumer banking,
Corporate banking,
Investment banking &
Islamic banking

Working Hours

From Sunday to
Thursday-10:00 am
to 6:00 pm

Location of PBL Head Office

Adamjee court
annex Building-2,
119-120, Motijheel
C/A, Dhaka-1000,
Bangladesh.

Chapter Three

General Banking areas of PBL

3.1 Introduction

General banking department is the heart of all banking activities. This is the busiest and important department of a branch, because funds are mobilized, cash transactions are made; clearing, remittance and accounting activities are done here. Since bank is confined to provide the services every day, general banking is also known as 'retail banking'. In Prime Bank LTd., Asad Gate Branch, the following departments are under general banking section:

- ▶ Account opening section
- ▶ Deposit section
- ▶ Customer Service
- ▶ Cash section
- ▶ Remittance section
 - I. Payment Order Issue
 - II. Demand Draft issue/order
 - III. T.T issue and collection
 - IV. Endorsement
 - V. IBC/OBC collection
- ▶ Clearing section
- ▶ Locker Service
- ▶ Accounts section
 - I. Clearing
 - II. Transfer
 - III. Cash

3.2 Types of Accounts with terms & conditions

Contributory Saving scheme: This is a Savings Scheme in which a person gets the opportunity to build up savings by contributing monthly installments and receives an attractive fixed amount at the end of a specified term. Under this scheme: Minimum size of monthly installment shall be Tk. 500/- and multiples of Tk. 1000/-. Maximum installment size shall be Tk. 25,000/-, The Deposit shall be for a period of 5 years, Lump sum amount shall be paid after maturity or monthly Pension shall be paid for the next 5 years according to the size of deposit.

i. Education Savings Scheme: Name of the Scheme shall be "Education Savings Scheme". The Scheme shall be implemented through our Islamic Banking Branch. Deposit under the Scheme is acceptable at any branch of the Bank. The fund shall be transferred to Islamic Banking Branch. Similarly, the issuing Branch shall also make the payment of the Instrument under the Scheme on behalf of the Islamic Banking Branch. Deposit of Tk. 50,000/- and multiples thereof at a time will be accepted under the Scheme.

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

iii. Double Benefit Deposit Scheme: The Scheme shall be implemented through all the branches of Prime Bank Limited. Deposit of Tk. 25,000/- and multiples thereof but maximum limit of Tk. 25, 00,000/- (Taka twenty five lac) at a time will be acceptable under the scheme. A specially designed Receipt shall be issued for the deposit under the Scheme in the same manner as issued in case of FDR. Branches shall use the existing SDS receipts for issue of instruments under this scheme till separate receipts are supplied. The instrument shall be issued for 7.5 years term. At maturity after 7.5 years double the amount of deposit will be paid to the depositor.

iv. Monthly Benefit Deposit Scheme: Deposit of Tk. 25,000.00 and multiples thereof shall be acceptable for the Scheme. The Deposit shall be for a period of 5 (five) years. The Principal amount is refundable on maturity. Profit shall be paid on monthly basis @ Tk. 800.00 per Tk. 1, 00,000.00. The payment of monthly profit will start after minimum gap of 30 days from the date of deposit. Normally, the deposit will not be encashable before 5 (Five) years. But if any depositor intends to withdraw his deposit due to certain unavoidable reasons the clients has to go through some rules & formalities.

v. Lakhopati Deposit Scheme: Under this scheme size of the monthly installments are Tk.250.00, Tk.500.00, Tk.1285.00, Tk. 2400.00 depositor will receive Tk. 1,00,000.00 after a number of period depending on the installment size. Higher the installment size lower the maturity period.

vii. Fixed Deposit Receipts Scheme (FDR): Under this scheme customer can devote a fixed amount of money for one month, three months, six months or twelve months for interest rate of 7.5%, 11%, or 11.5%.

viii. Current Account: Current Account is a non interest bearing checkable deposit (Demand Deposit) which allows the owner of the bank accounts to write check to third parties.

ix. Savings Account: Savings Account is an interest bearing checkable deposit (Negotiable order of withdrawal) which allows the owner of the bank account to write check to the.

3.2 Cash Section

Banks, as a financial institution, accept surplus money from the people as deposit and give them opportunity to withdraw the same by cheque, etc. But among the banking activities, cash department play an important role. It does the main function of a commercial bank i.e. receiving the deposit and paying the cash on demand. As this department deals directly with the customers, the reputation of the bank depends much on it. The functions of a cash department are described below:

<i>Cash Payment</i>	<ul style="list-style-type: none"> ▶ Cash payment is made only against cheque ▶ This is the unique function of the banking system which is known as "payment on demand" ▶ It makes payment only against its printed valid Cheque
<i>Cash Receipt</i>	<ul style="list-style-type: none"> ▶ It receives deposits from the depositors in form of cash ▶ So it is the "mobilization unit" of the banking system ▶ It collects money only its receipts forms

3.3.1 Cash Payment Procedure of PBL

In PBL a Teller is authorized to make payment of cheques, pay orders, cash vouchers, etc. passing by himself/herself of the concerned cheque up to a certain amount (Tk. 20000). Such authority is given to Unit Teller according to size of branch. In Asad Gate Branch of PBL if the amount of cheques exceeds the delegated authority, then the Teller will refer the cheque to Head Teller who will pass the cheque up to the amount (Tk.100000) of authority given to him/her beyond which will be passed by the Sub-Manager/Manager (Operation). Cheque amount exceeding the passing limit of (Tk.500000) the Sub Manager/Manager (Operation) requires cancellation from Manager/Chief Manager. While exercising such authority for passing cheques, In order to safe guard the position the paying banker has to observe the following precaution before honoring a cheque:

The circumstances under which a cheque will be honored by PBL:

- (1) It is duty of a banker to honor his customer's cheque provided that the balance standing to the credit of his customer is sufficient to pay.
- (2) If the cheques are drawn in proper form.

The cheque should fully conform to the legal definition of a cheque.

- ✓ Signed by the drawer or by his authorized agent (Signature to be verified)
- ✓ Be due for payment i.e. not stale or post-dated.
- ✓ The sum should be expressed both in words and figures which should agree.
- ✓ To be properly endorsed in case of an order cheque.
- ✓ Bears the drawer's confirmation for any material alteration.

(3) If there is no legal bar

- ✓ Notice from the customer to stop payment.
- ✓ Knowledge of any defect in the title of the person presenting the cheque.
- ✓ Notice of an available act of bankruptcy by his customer or his death or in the case of accompany notice of its winding up.
- ✓ Notice of an assignment by his customer of the available credit balance.
- ✓ Knowledge that the customer contemplates a breach of trust in cases where it is known that funds lying in the A/C are trust funds.
- ✓ Notice of a garnishee order, injunction or other order from a court of law restraining operation on the account.

Carefully the following PBL Banker's examine points before honoring a cheque:

- ✓ Whether the cheque is an open or crossed cheque.
- ✓ Whether the cheque is post dated or pre dated. The officer must not pay against any post-dated cheque.
- ✓ The paying officer should see whether the cheque is drawn on his /her branch.
- ✓ The officer must carefully see the apparent tenor of the cheque. If it is mutilated or materially altered then the officer must not honor it.
- ✓ The officer must compare the signature of the cheque with the signature on the specimen card.
- ✓ The officer must verify the regularity of the endorsement.
- ✓ The officer may allow overdue against a cheque if prior arrangement is done with the bank.

Not to pay out of banking Hours: The banker is required to honor cheques drawn on them provided they are presented on working day and during "banking hours". It may be mentioned that only the bearer cheque will be paid over the counter. However, order cheque may be paid over the counter on proper identification Crossed-cheque shall not be paid other than to a banker.

Dishonor of cheque: A banker can dishonor a cheque in the following situation:

- ⇒ Insufficient fund.

- ⇒ Payment stopped by drawer.
- ⇒ Alteration require in drawer signature.
- ⇒ Effect not clear in the cheque.
- ⇒ Exceed arrangement in cheque.
- ⇒ Full cover note received.
- ⇒ Payee's endorsement irregular/illegible/required.
- ⇒ Drawer signature different and required.
- ⇒ Cheque is postdated/mutilated/out of date.
- ⇒ Clearing stamp required cancellation.
- ⇒ Cheque crossed" Accounts payee only"
- ⇒ Collecting bank's discharge irregular/required.

3.4 Remittance Section

Carrying cash money is troublesome and risky. That's why money can be transferred from one place to another through banking channel. This is called remittance. Remittances of funds are one of the most important aspects of the Commercial Banks in rendering services to its customers.

3.4.1 Types of Remittance

- ▶ Between banks and non banks customer
- ▶ Between banks in the same country
- ▶ Between banks in the different centers
- ▶ Between banks and central bank in the same country
- ▶ Between central bank of different customers

3.4.2 Remitting fund of PBL

The main instruments used by the TBL of remittance of funds are:

- ✓ Payment Order (PO)
- ✓ Saving Certificate Issue (Sanchay Patra issue)
- ✓ Telegraphic Transfer(TT)
- ✓ IBC/OBC Collection

Payment Order (PO)

It is an instrument that is used to remit fund within a local area, i.e. within a certain clearing house area. For Example, if we want to remit fund from one place of Dhaka to another place of Dhaka we generally use payment order. For issuing a pay order, the client is to submit an application to GB in the prescribed form. This form should be properly filled up and signed. The procedure of the issuing pay order is similar to that of the Local Draft.

Payment of pay Order: The pay order is presented to the bank either through clearance or for credit to the client's account. While payment; relative entry is given in the pay order register with the date of payment. There are some processes to send a pay order. First a client fills a pay order slip then the officer mention the commission and other issue and remark. After that, the client pays money with commission to the cash. Teller receives the money and sealed to the paper. Then the client comes to the officer again. Officer fills a pay order slip that is very sensitive. S/he is careful that any mistake will not occur in pay order slip and mention the amount very clearly. Pay order has three parts one sent to the payee bank second one take client and last one take issuing bank.

Account treatment: PO by cash

Date	Particulars	Dr. (Tk.)	Cr. (Tk.)
- - / - - / - -	Cash A/C Dr.	XXXX	
	Bill payable (PO) Cr.		XXXX
	PO commission Cr.		XXXX

Prime Bank charges a fixed amount of commission which is Tk.230. If the client has an account in any Branch of Trust Bank then he/she need to pay TK. 115 commission for the Payment Order.

Savings Certificate

PBL Asad Gate Branch sales Sanchaya Patra as its ancillary services rendered to customers on behalf of govt. Through Bangladesh bank Sanchaya Patra is issued by Jatio Sanchaya Bureau guided by Bangladesh Bank.

Sanchaya Patra: Sanchaya Patras is received from Bangladesh bank (BB). People purchasing these bonds by depositing money in this branch and payment are made on maturity to customers from this branch only. Every transaction is reported to Bangladesh bank. In case of issuance, report to be reached to BB within 48 hours, otherwise penalty is imposed. Money is realized from BB after making payment to customer.

Sanchaya Patra is a government instrument/borrowing tool and not a product of the bank. A scheduled bank/post office has to act as the representative of government and is authorized to receive commission @ 0.50% from Bangladesh Bank on sale and subsequent rendering of service to the purchasers of Sanchaya Patra. It may be termed as the 'govt. sector FDR'.

Presently, following 03 (three) types of Sanchaya Patras are in operation:

Payment of Interest on Sanchaya Patra:

1. In case of the Three Month Interest Based Sanchaya Patras the profit is paid three monthly.
2. The Purchaser / holder shall tear off the interest Coupon from the Sanchaya Patras and sign on it in front of the Dealing Officer.
3. The Dealing Officer shall verify the signature from the original application forms and prepare a Debit Cash Voucher. The coupon shall be affixed with the voucher.
4. After signing the debit voucher by the Authorized Officer, the holder shall sign at the back of the debit cash voucher, the Authorized Officer shall verify the signature. After submitting the same in the cash counter payment will be made to the holder after getting another signature to ensure that the payment is released to the right person.
5. The Journal Entries will be the same as that of Encashment of Sanchaya Patras.

OBC/IBC

By OBC, we mean that those cheques drawn on other banks which are not within the same clearing house. Officer gives OBC seal on this type of cheques and later sends a letter to the manager of the branch of the some bank located in the branch on which cheque has been drawn. After collection of that bill branch advises the concerned branch in which cheques has been presented to credit the customer account through Inter Branch Credit Advice (IBCA).

In absence of the branch of the same bank, officer sends letter to manager of the bank on which the cheque is drawn. That bank will send pay order in the name of the branch. This is the procedure of OBC mechanism. Suppose AGRANI Bank, Jatrabari Branch sent a Cheque, which no: 012536, Tk. 5,00,000/- to Prime Bank Limited against AGRANI Bank Motijheel Corp. Branch. So this cheque could be an OBC. Now what Prime Bank Limited has to do? PBL tries to collect this cheque through Bangladesh Bank Clearing House, and credited clients account.

OBC Collection Process: Create a Voucher against OBC: S/D A/C OBC Tk. 5,00,000/-

10% Cut off as Commission on OBC Tk. 500	
15% Cut off as Vat on Others	Tk. 75
<u>Tk. 20/- Cut off as Postage Recovery</u>	<u>Tk. 20</u>
Total	Tk. 595/-

In this condition PBL got the cheque amount of Tk.500000. After cut off the commission, vat and postage recovery PBL will be credited the amount Tk.(500000–595)=Tk.499405 in party a/c.

BANGLADESH BANK CIRCULATION About OBC: Bangladesh Bank has circulated some things about OBC. These are given below:

If the cheque amount will be under Tk.100000 then bank's OBC commission will be charged at .15%. If the cheque amount will be above Tk. 100000 to Tk. 500000 then Bank's OBC commission will be charged at .10%. If the cheque amount will be above Tk.500000 then Bank's OBC commission will be charged at .5%. Against the OBC the Government Tax will be realized on 15% on Commission Amount. Postage Recovery will be realized Tk. 20/- for each OBC.

3.6 Clearing Section

According to the Article 37(2) of Bangladesh Bank Order, 1972, the banks, which are the member of the clearinghouse, are called as Scheduled Banks. The scheduled banks clear the cheques drawn upon one another through the clearinghouse. PBL is a scheduled Bank.

From the date of opening, PBL Asad Gate Branch received instruments of other Banks. These instruments would be sent to respective Banks for clearing on behalf of the customers. Therefore prior arrangements shall have to be made with a Bank so that the instrument can be placed to Clearing House to Bangladesh Bank or to Sonali Bank in that Zone. Clearing operation is centralized at clearing Branch, i.e. Branch maintaining account with Bangladesh Bank or Sonali Bank where acting as representative of Bangladesh Bank for clearing purposes. Gearing

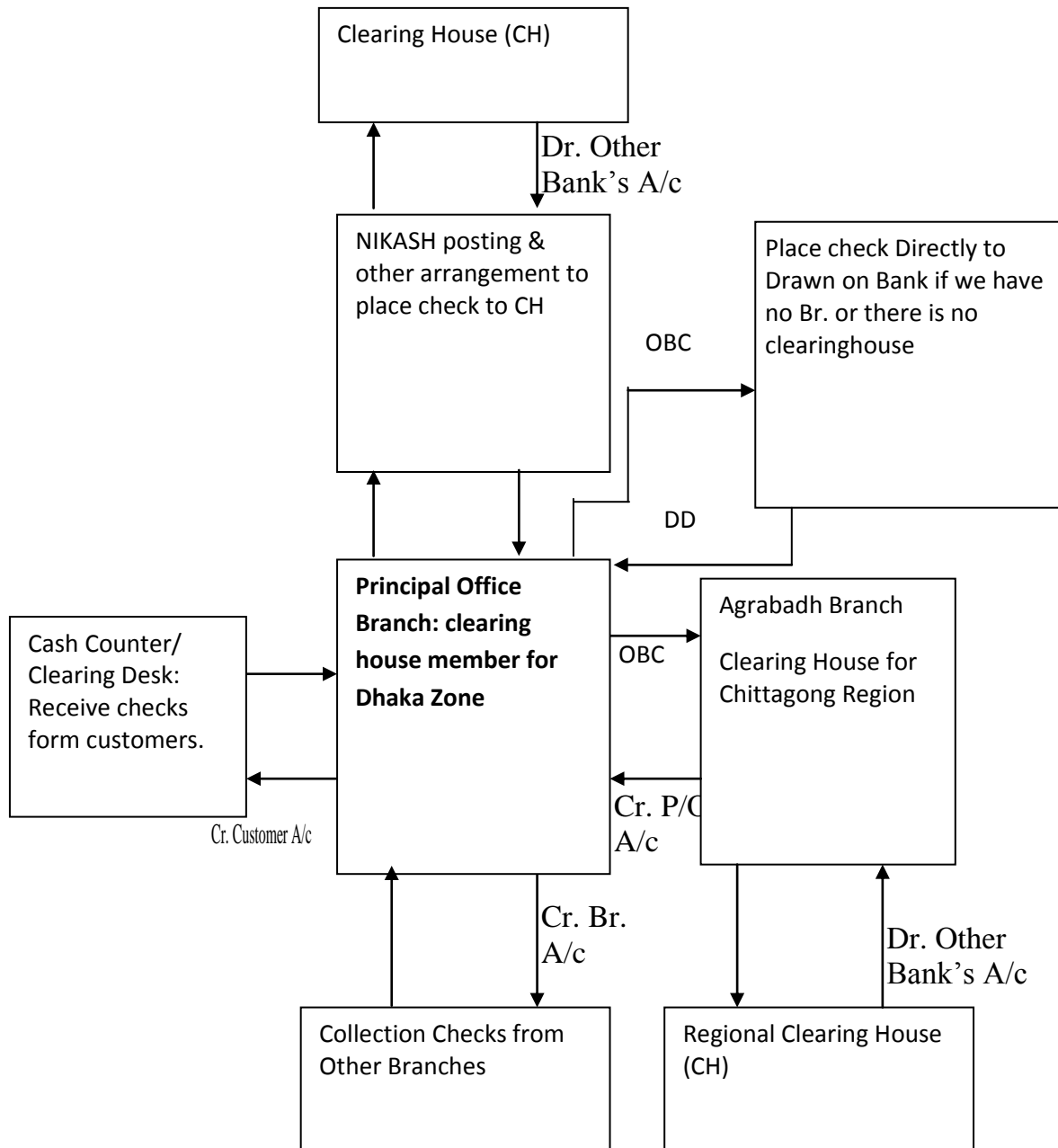
department at SKB Branch of PBL performs clearing activities of Dhaka based Branches. It may be changed by the Head Office instruction.

The main function of this section is to collect instrument on behalf of the customers through Bangladesh Bank Clearing House upon the receipt of the instrument this section examines the following things:

- ⇒ Whether the paying bank within the Dhaka city.
- ⇒ Whether the paying bank outside the Dhaka city.
- ⇒ Whether the paying bank is its own branch

Cheques, Pay Order (P.O), Demand Draft (D.D.) Collection of amount of other banks on behalf of its customer are a basic function of a Clearing Department.

3.5.1 Clearing Operation at a Glance



3.5.2 Same Day & Special Day Clearing

Special Clearing: Sometimes the Branches require sending special clearing other than the usual one. The formalities are the same as discussed earlier. The separate clearing sheet, Diskette and the instruments shall be sent to the Clearing House in time through the Principal Branch or Authorized Branch.

Same Day Clearing: Bangladesh Bank, Dhaka introduced another clearing house named “Same Day Clearing” for quick clearing large amount instruments. This clearing house deals with instruments drawn on Branches of different Bank situated Within 5 km of Bangladesh Bank area and for the instrument amount Tk. 5.00 lac & above.

PBL’s Asad Gate Branch provides this service to the customer. Because this Branch is within 5 kilometers from Bangladesh Bank, & become the member of the same day clearing house separately. This clearing house starts at 10.30 A.M. every day. So, instruments under the criteria deposited before 10.00 A.M. can be presented in the same day for clearing. Again return house for this house is at 2.00 P.M.

3.5.3 Procedure with amount of Clearing House

a) If the amount of the advice received is less than the amount of the instrument received or the amount of advice sent is more than the amount of the instruments delivered, Return memo is given mentioning “less claim” for the claimed amount & vice versa. The excess amount is sent to the Bank concerned by a PO, if the settlement is not made within the date in clearing house. Journal Entries will be:

Debit: Sundry Creditors -Misc. Crediting Clearing - Clearing

Credit: Bills Payable - Payment Order issued

b) If the amount of the advice received is more than the amount of the instrument received or the amount of advice sent is less than the amount of the instrument delivered the entry is:

Debit: Other Assets — Suspense A/c - Clearing

Return Memo is given mentioning “Excess Claim” for that specific instrument.

On receipt of Payment Order from the Debtor Bank the Entry is reversed.

3.6 Working in this Department

- ▶ Recording the transactions in the cashbook
- ▶ Recording the transactions in general and subsidiary ledger
- ▶ Preparing the daily position of the branch comprising of deposit and cash
- ▶ Preparing the daily Statement of Affairs showing all the assets and liability of the branch as per General Ledger and Subsidiary Ledger separately
- ▶ Making payment of all the expenses of the branch
- ▶ Recording inters branch fund transfer and providing accounting treatment in this regard
- ▶ Preparing the monthly salary statements for the employees
- ▶ Preparing the weekly position for the branch which is sent to the Head Office to maintain Cash Reserve Requirement (C.R.R)
- ▶ Preparing the monthly position for the branch which is sent to the Head Office to maintain Statutory Liquidity Requirement(S.L.R)
- ▶ Preparing the budget for the branch by fixing the target regarding profit and deposit so as to take necessary steps to generate and mobilize deposit
- ▶ Checking of Transaction List
- ▶ Recording of the vouchers in the Voucher Register
- ▶ Packing of the correct vouchers according to the debit voucher and the credit voucher.

Chapter Four

Performance Analysis of PBL

Financial Performance Analysis

Common Size Balance Sheet

as at 31 December 2013(according to the annual report 2013)

Particulars	Amount in Taka		Common-Size Percentages	
	2013	2012	2013	2012
PROPERTY AND ASSETS				
Cash				
In hand (including foreign currencies)	2,683,867,027	2,059,503,576		
Balance with Bangladesh Bank and its agent bank (s)	14,958,779,761	14,117,939,937		
(including foreign currencies)				
	17,642,646,788	16,177,443,513	7.23%	6.83%
Balance with other banks and fiancial institutions				
In Bangladesh	244,165,129	251,389,642		
Outside Bangladesh	626,533,772	1,392,741,405		
	870,698,901	1,644,131,047	.35%	.69%
Money at call and short notice	-	-		
Investments				
Government	56,147,165,851	44,936,697,967		
Others	792,350,658	925,206,241		
	56,939,516,509	45,861,904,208	23.34%	19.36%
Loans, advances and lease / investments				
Loans, cash credits, overdrafts, etc./ investments	147,380,881,952	153,440,706,958		
Bills purchased and discounted	6,207,878,277	7,449,141,605		
	153,588,760,229	160,889,848,563	62.98%	67.93%
Fixed assets including premises, furniture and fitures	6,406,719,662	4,363,349,270	2.62%	1.84%
Other assets	8,420,462,735	7,896,328,978	3.45%	3.34%
Non - banking assets	-	-		
Total assets	243,868,804,824	236,833,005,579	100%	100%
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings from other banks, fiancial institutions and agents	3,858,260,882	20,681,977,457	1.58%	8.73%
Deposits and other accounts				
Current / Al-wadeeah current deposits	26,612,333,767	27,373,823,258		
Bills payable	2,081,417,055	3,421,438,111		
Savings bank / Mudaraba savings deposits	21,125,908,174	19,188,831,632		
Term deposits / Mudaraba term deposits	152,087,482,186	132,068,779,059		
Bearer certifiante of deposit	-	-		
Other deposits	-	-		
	201,907,141,182	182,052,872,060	82.79%	76.869%
Other liabilities	15,073,785,652	13,311,117,157	6.18%	5.62%
Total liabilities	220,839,187,716	216,045,966,674	90.55%	91.22%

Particulars	Amount in Taka		Common-Size Percentages	
	2013	2012	2013	2012
Capital / Shareholders' equity				
Paid up capital	10,293,486,160	9,357,714,690		
Share premium	2,241,230,396	2,241,230,396		
Statutory reserve	7,528,626,614	6,839,527,566		
Revaluation gain / (loss) on investments	109,193,803	19,719,692		
Revaluation reserve	1,511,486,306	251,603,567		
Foreign currency translation gain	4,513,294	5,015,711		
Other reserve	-	-		
Surplus in profit and loss account / Retained earnings	1,341,080,535	2,072,227,283		
Total Shareholders' equity	23,029,617,108	20,787,038,905	9.44%	8.77%
Total liabilities and Shareholders' equity	243,868,804,824	236,833,005,579	100%	100%
OFF-BALANCE SHEET EXPOSURES				
Contingent liabilities				
Acceptances and endorsements	25,014,184,593	26,979,335,910		
Letters of guarantee	54,276,988,409	42,846,572,774		
Irrevocable letters of credit	19,359,031,049	28,353,752,325		
Bills for collection	9,104,975,230	10,007,661,530		
Other contingent liabilities	-	-		
	107,755,179,281	108,187,322,539	100%	100%
Other commitments				
Documentary credits and short term trade -related transactions	-	-		
Forward assets purchased and forward deposits placed	-	-		
Undrawn note issuance and revolving underwriting facilities	-	-		
Undrawn formal standby facilities , credit lines and other commitments	-	-		
Liabilities against forward purchase and sale	-	-		
	-	-		
Total Off-Balance Sheet exposures including contingent liabilities	107,755,179,281	108,187,322,539	100%	100%

Interpretation:

A balance sheet that displays both the numeric value of all entries and the percentage each entry is relative to the total value of related entries. On a common size balance sheet, an asset is compared to total assets, a liability to total liabilities and stockholder equity to total stockholder equity. In 2013 we can see that cash, loan and advances, fixed assets, shareholders equity are increasing than 2012. And total liabilities are decreasing in rate in 2013 than 2012.

Common size Profit and Loss Account

for the year ended 31 December 2013 according to the annual report 2013

Particulars	Amount in Taka		Common-Size Percentages	
	2013	2012	2013	2012
Interest income / profit on investments	22,010,657,745	22,821,500,674	100%	100%
Interest / profit paid on deposits, borrowings, etc.	(17,678,359,259)	(17,410,286,124)		
Net interest / net profit on investments	4,332,298,486	5,411,214,550	19.68%	23.71%
Investment income	5,582,706,055	4,633,326,302	25.36%	20.30%
Commission, exchange and brokerage	2,155,485,165	2,429,444,757	9.79%	10.65%
Other operating income	812,592,003	1,017,962,459	3.69%	4.46%
Total operating income (A)	12,883,081,709	13,491,948,068	58.53%	59.11%
Salaries and allowances	2,939,016,912	2,673,292,974		
Rent, taxes, insurance, electricity, etc.	550,258,309	430,873,148		
Legal expenses	37,756,195	28,570,418		
Postage, stamp, telecommunication, etc.	134,001,255	127,601,535		
Stationery, printing, advertisements, etc.	392,246,376	304,366,321		
Managing Director's salary and fees	11,590,000	11,448,000		
Directors' fees	4,364,816	5,152,571		
Auditors' fees	690,000	575,000		
Charges on loan losses	-			
Depreciation and repair of Bank's assets	348,115,280	331,708,120		
Other expenses	990,885,125	1,027,527,828		
Total operating expenses (B)	5,408,924,268	4,941,115,915	24.57%	21.65%
Profit / (loss) before provision (C=A-B)	7,474,157,441	8,550,832,153	33.95%	37.47%
Provision for loans / investments				
Specific provision	2,980,000,000	1,490,000,000		
General provision	642,000,000	240,000,000		
Provision for Off-Shore Banking Units	362,000,000			
Provision for off-balance sheet exposures	10,000,000	140,000,000		
	3,994,000,000	1,870,000,000		
Provision for diminution in value of investments	24,527,202	43,797,548		
Other provisions	10,135,000	1,301,942,300		
Total provision (D)	4,028,662,202	3,215,739,848	18.30%	14.09%
Total profit / (loss) before taxes (C-D)	3,445,495,239	5,335,092,305	15.65%	23.38%
Provision for taxation				
Current tax	1,616,000,000	2,449,800,000		
Deferred tax	-	186,300,000		
	1,616,000,000	2,636,100,000		
Net profit after taxation	1,829,495,239	2,698,992,305	8.31%	11.82%
Retained earnings brought forward from previous years	200,684,344	440,253,439	.911%	1.9%
	2,030,179,583	3,139,245,744	9.22%	13.76%

Particulars	Amount in Taka		Common-Size Percentages	
	2013	2012	2013	2012
Appropriations				
Statutory reserve	689,099,048	1,067,018,461		
General reserve	-	-		
	689,099,048	1,067,018,461		
Retained surplus	1,341,080,535	2,072,227,283	6.09%	9.08%
Earnings per share (EPS)	1.78	2.62		

Interpretation :

Common size income statement analysis allows an analyst to determine how the various components of the income statement affect a company's profit. In 2013 operating income relatively decreasing than 2012. Net profit is also decreasing in 2013 than 2012. EPS is higher in 2012 and lower in 2013.

Cash Flow Statement

for the year ended 31 December 2013 (according to the annual report 2013)

Particulars	Notes	Amount in Taka	
		2013	2012
A) Cash flows from operating activities			
Interest receipts in cash		27,019,442,414	25,883,028,176
Interest payments		(17,374,446,980)	(17,194,391,298)
Dividend receipts		89,885,351	14,477,350
Fees and commission receipts in cash		2,155,485,165	2,429,444,756
Recoveries of loans previously written off		6,064,168	85,048,984
Cash payments to employees		(2,921,049,473)	(2,554,040,973)
Cash payments to suppliers		(806,734,400)	(683,868,903)
Income taxes paid		(1,862,253,078)	(1,992,688,589)
Receipts from other operating activities	40a	1,558,097,238	1,775,963,262
Payments for other operating activities	41a	(1,429,170,216)	(1,355,446,797)
Cash generated from operating activities before changes in operating assets and liabilities		6,435,320,188	6,407,525,968
Increase / (decrease) in operating assets and liabilities			
Statutory deposits		-	-
Purchase of trading securities (Treasury bills)		(3,274,763,630)	1,157,486,973
Loans and advances to other banks		-	-
Loans and advances to customers		4,760,494,847	(22,041,418,555)
Other assets	42a	(8,849,257,530)	(13,647,964,993)
Deposits from other banks / borrowings		(16,835,943,667)	8,658,446,788
Deposits from customers		20,902,604,991	22,646,097,089
Other liabilities account of customers		(1,340,021,056)	428,842,035
Trading liabilities		-	-
Other liabilities	43a	729,880,009	786,096,248
		(3,907,006,035)	(2,012,414,415)
Net cash from operating activities		2,528,314,152	4,395,111,553
B) Cash flows from investing activities			
Debentures		5,000,000	5,000,000
Proceeds from sale of securities		-	-
Payments for purchases of securities		(35,329,490)	(127,663,428)
Purchase of property, plant and equipment		(859,824,544)	(666,354,778)
Payment against lease obligation		(6,126,544)	(5,720,867)
Proceeds from sale of property, plant and equipment		2,079,350	3,893,813
Net cash used in investing activities		(894,201,228)	(790,845,260)

Cash Flow Statement

for the year ended 31 December 2013

Particulars	Notes	Amount in Taka	
		2013	2012
C) Cash flows from financing activities			
Receipts from issue of sub-ordinated bond		-	-
Receipts from issue of ordinary share including premium net off Tax		-	-
Dividend paid		(935,771,469)	(779,809,558)
Net cash used in financing activities		(935,771,469)	(779,809,558)
D) Net increase / (decrease) in cash and cash equivalents (A+ B + C)		698,341,455	2,824,456,735
E) Effects of exchange rate changes on cash and cash equivalents		(5,400,826)	(13,202,489)
F) Cash and cash equivalents at beginning of the year		17,826,680,460	15,015,426,214
G) Cash and cash equivalents at end of the year (D+E+F)		18,519,621,089	17,826,680,460
Cash and cash equivalents at end of the year			
Cash in hand (including foreign currencies)		2,683,867,027	2,059,503,576
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		14,958,779,761	14,117,939,937
Balance with other banks and financial institutions		870,698,901	1,644,131,047
Money at call and short notice		-	-
Reverse repo		-	-
Prize bonds (note-6a)		6,275,400	5,105,900
		18,519,621,089	17,826,680,460

Interpretation:

Cash flow statement is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities. Essentially, the cash flow statement is concerned with the flow of cash in and out of the business. The statement captures both the current operating results and the accompanying changes in the balance sheet.

Cash in operating activities is lower in 2013 than 2012. Cash in investing and financing activities is higher in negative marked in 2013 than 2012. But overall cash and cash equivalents is higher at the end of 2013 than 2012.

Comparative Analysis of Prime Bank Ltd. With Two Banks

Southeast Bank Ltd & Bank Asia

Prime Bank was created and commencement of business started on 17th April 1995. The sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance to energy etc. Nowadays Prime Bank plays top class position in local financial market.

Southeast Bank Limited was established in 1995 with a dream and a vision to become a pioneer banking institution of the country and contribute significantly to the growth of the national economy. The Bank was established by leading business personalities and eminent industrialists of the country with stakes in various segments of the national economy.

Bank Asia set milestone by acquiring the business operations of the Bank of Nova Scotia in Dhaka, first in the banking history of Bangladesh. It again repeated the performance by acquiring the Bangladesh operations of Muslim Commercial Bank Ltd. (MCB), a Pakistani bank. In the year 2003 the Bank again came to the limelight with oversubscription of the Initial Public Offering of the shares of the Bank, which was a record (55 times) in our capital market's history and its shares commands respectable premium.

The comparative analysis can be made belong to these banks for according to their financial performance. As they are same category in the financial market.

Particulars	Prime Bank	Southeast Bank	Bank Asia
Capital Adequacy Ratio	12.04%	10.34%	11.05%
Return on equity	8.35%	16.50%	10.55%
Total loans & advances	153,589	134864	104,911.26

Table: Comparative analysis of prime bank, southeast Bank, Bank asia(source :web)

Annexure

Financial Highlights Of PBL In Last Two Years:

Performance during the year	Prime Bank Limited			Group		
	2013	2012	Change	2013	2012	Change
	Taka in million	Taka in million	%	Taka in million	Taka in million	%
Interest income	22,011	22,822	-3.55	22,616	23,808	-5.01
Profit before provision and tax	7,474	8,551	-12.59	7,732	8,840	-12.53
Provision for loans and assets	4,029	3,216	25.28	4,030	3,324	21.24
Profit after provision before tax	3,445	5,335	-35.42	3,702	5,516	-32.88
Tax including deferred tax	1,616	2,636	-38.70	1,664	2,815	-40.91
Profit after tax	1,829	2,699	-32.22	2,038	2,700	-24.52
At the year end						
Total shareholders' equity	23,030	20,787	10.79	23,359	20,962	11.43
Deposits	201,907	182,053	10.91	201,819	181,962	10.91
Loans and advances	153,589	160,890	-4.54	159,010	165,042	-3.66
Investments	56,940	46,862	21.50	58,751	48,003	22.39
Property, plant and equipment	6,407	4,363	46.83	6,457	4,420	46.09
Total assets	243,869	236,833	2.97	245,523	238,169	3.09
Statutory Ratios (%)						
Cash Reserve Ratio	6.97	6.06	15.08	6.97	6.06	15.08
Statutory Liquidity Ratio	38.39	34.02	12.83	38.39	34.02	12.83
Capital Adequacy Ratio	12.04	12.73	-5.42	12.03	12.64	-4.83
Share Information						
Earnings per share (Taka)	1.78	2.62	-32.06	1.98	2.62	-24.43
Dividend (%)	12.50	20.00	-37.50	12.50	20.00	-37.50
Net assets value per share (Taka)	22.37	22.21	0.72	22.69	22.40	1.30
Ratios (%)						
Non performing loans	5.09	3.83	32.90	4.91	3.74	31.39
Return on average shareholders' fund	8.35	13.53	-38.28	9.20	13.43	-31.51
Return on average assets	0.76	1.24	-38.61	0.84	1.23	-31.48

Last Five Years Performance of PBL:

Taka in million

Particulars	2009	2010	2011	2012	2013
Interest income	10,856	12,147	16,709	22,822	22,011
Interest expenses	8,426	7,824	12,648	17,410	17,678
Net interest income	2,430	4,323	4,061	5,411	4,332
Investment income	3,372	2,632	4,157	4,633	5,583
Commission, exchange and brokerage	1,749	2,262	2,689	2,429	2,155
Other Operating Income	644	579	652	1,018	813
Operating Income	8,196	9,795	11,559	13,492	12,883
Operating expenses	2,907	3,618	4,132	4,941	5,409
Earning before interest, depreciation and tax	13,175	13,643	19,666	23,024	21,422
Profit before provision and tax	5,289	6,177	7,427	8,551	7,474
Provision for loans and assets	700	540	661	3,216	4,029
Profit after provision before tax	4,589	5,637	6,766	5,335	3,445
Tax including deferred tax	1,805	2,535	3,132	2,636	1,616
Profit after tax	2,784	3,102	3,634	2,699	1,829
Balance Sheet					
Authorized capital	10,000	10,000	10,000	25,000	25,000
Paid-up capital	3,555	5,776	7,798	9,358	10,293
Total shareholders' equity	11,745	16,908	19,095	20,787	23,030
Deposits	106,956	124,574	159,816	182,053	201,907
Long-term liabilities	38,209	47,918	63,379	84,827	91,424
Loans and advances	89,252	116,057	138,848	160,890	153,589
Investments	19,934	20,484	39,172	45,862	56,940
Investments	19,934	20,484	39,172	45,862	56,940
Property, Plant and Equipment	1,573	1,695	3,975	4,363	6,407
Earning assets	109,905	137,577	179,537	212,204	211,399
Net current assets	3,435	7,349	2,262	2,735	15,023
Total assets	124,806	154,342	199,950	236,833	243,869
Total liabilities	113,061	137,434	180,856	216,046	220,839
Current ratio	1.05	1.09	1.02	1.02	1.12
Gearing ratio	80.56	76.98	77.88	80.97	80.67
Quick Ratio	1.05	1.09	1.01	1.01	1.12
Cash Reserve Ratio	6.04	6.70	6.22	6.06	6.97
Statutory liquidity Ratio	28.50	26.00	32.96	34.02	38.39
Equity debt ratio (%)	10.39	12.30	10.56	9.62	10.43
Other Business					
Import	96,452	147,704	174,384	168,532	133,219
Export	76,097	106,943	133,396	143,612	127,091
Remittance	26,447	28,433	36,890	42,443	32,628
Guarantee Business	13,673	29,000	27,844	29,391	31,170
Capital Measures (Consolidated)					
Total risk weighted assets	82,710	183,747	194,380	205,103	222,791
Core capital (Tier-I)	9,057	15,791	18,744	20,664	21,708
Supplementary capital (Tier-II)	3,112	5,692	5,485	5,252	5,104
Total capital	12,168	21,483	24,229	25,916	26,812
Tier-I capital ratio	10.95	8.60	9.64	10.08	9.74
Tier-II capital ratio	3.76	3.09	2.82	2.56	2.29
Total capital ratio	14.71	11.69	12.46	12.64	12.03

Taka in million

Particulars	2009	2010	2011	2012	2013
Credit Quality					
Non-performing loans (NPLs)	1,149	1,368	1,908	6,168	7,815
NPLs to total loans and advances (%)	1.29	1.18	1.37	3.83	5.09
Provision for unclassified loans	1,303	1,463	1,725	2,025	1,691
Provision for classified loans	631	642	778	1,949	3,733
Share Information					
Market price per share (Taka)	65.30	94.45	44.50	37.00	25.90
No. of shares outstanding (Million)	355.47	577.64	779.81	935.77	1029.35
No. of shareholders (actual)	10,339	19,748	26,030	23,964	25,632
Earnings per share (Taka)	7.83	5.69	4.70	2.88	1.78
Dividend:	40%	40%	30%	20%	12.50%
Cash	10%	5%	10%	10%	12.50%
Bonus	30%	35%	20%	10%	-
Effective dividend ratio (%)	44.44	49.52	40.21	21.82	13.10
Dividend cover ratio (times)	1.96	1.42	1.57	1.44	1.42
Dividend yield (%)	6.13	4.23	6.74	5.41	4.83
Market capitalization	23,212	54,572	34,702	34,624	26,660
Net asset value per share (Taka)	33.04	29.27	24.49	22.21	22.37
Price earning ratio (times)	8.34	16.60	9.47	12.85	14.57
Operating Performance Ratio (%)					
Net Interest Margin (NIM)	2.95	4.21	3.19	3.61	2.75
Net non-interest margin on average earning assets	2.72	1.50	2.12	1.60	1.48
Earning base in assets (average)	89.34	88.66	89.51	89.69	88.12
Gross profit ratio	49.31	55.60	47.75	43.66	42.15
Net interest income as a percentage of working funds	2.07	3.10	2.29	2.48	1.80
Profit per employee	2.87	2.89	3.24	3.36	2.76
Operating profit as a percentage of working funds	4.50	4.43	4.19	3.92	3.11
Cost-income ratio	35.47	36.94	35.75	36.62	41.98
Credit-deposit ratio	83.45	93.16	86.88	88.38	76.07
Cost of funds on average deposits	8.41	6.39	8.15	8.75	8.80
Yield on average advance	13.16	11.76	13.09	15.17	13.85
Return on average assets	2.37	2.22	2.05	1.24	0.76
Return on average equity	30.19	21.65	20.19	13.53	8.35
Return on Capital Employed	10.59	9.53	9.01	8.10	6.53
Other information					
No. of branches	84	94	102	113	117
No. of SME branches/centers	5	14	17	17	17
Number of ATM	39	43	81	134	151
No. of employees	1,844	2,139	2,292	2,544	2,710
No. of foreign correspondents	602	621	644	660	661
Average earning assets	105,083	123,741	158,557	195,871	211,802
Average total assets	117,622	139,574	177,146	218,392	240,351
Average deposits	97,488	115,765	142,195	170,934	191,980
Average loans & advances	82,204	102,654	127,452	149,869	157,239
Average equity	9,221	14,327	18,002	19,941	21,908

4.1 Sources of Capital Structure

Particulars	2013	2012
Gross revenue	30,561	30,902
Operating income	12,883	13,492
Profit after tax	1,829	2,699
Total capital	26,495	25,752
Total deposits	201,907	182,053
Total loans & advances	153,589	160,890
Total assets	243,869	236,833
No. of deposits accounts	1,083,793	1,034,120
No. of loans & advances accounts	49,594	55,709
Return on assets (%)	0.76	1.24
Return on equity (%)	8.35	13.53
Statutory Liquidity ratio (%)	38.39	32.02
Capital adequacy ratio (%)	12.04	12.73
No. of employees	2,710	2,544
No. of branches	117	113
No. of SME branches/centers	17	17

4.2 Financial Performance of PBL

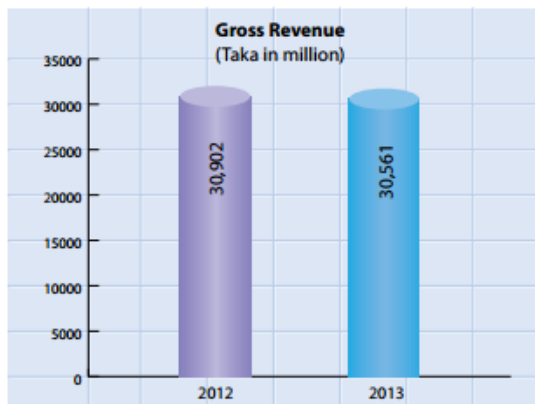


Figure: gross revenue (annual report 2013)

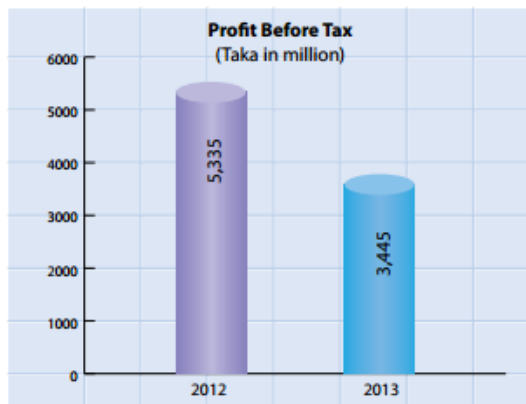


Figure: profit before tax(annual report 2013)

Interpretation:

The above graphs show that the gross revenue is in a quite same position in 2012 and 2013. But the profit before tax is decreased in 2013 than 2012.

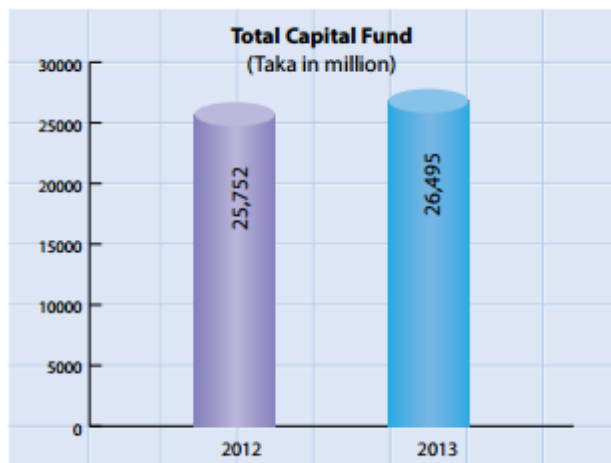
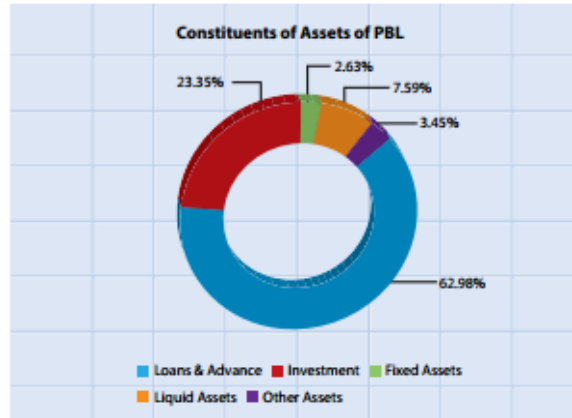
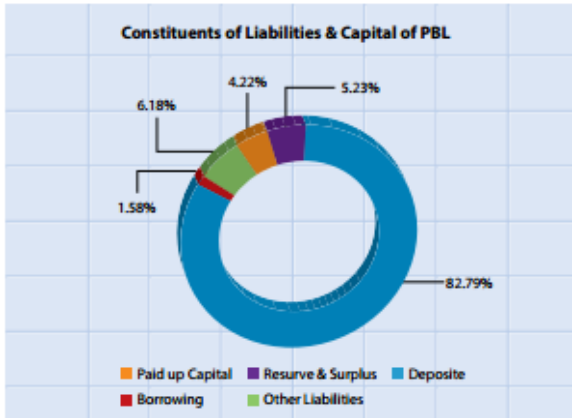


Figure: Total capital fund (sources of annual report 2013)

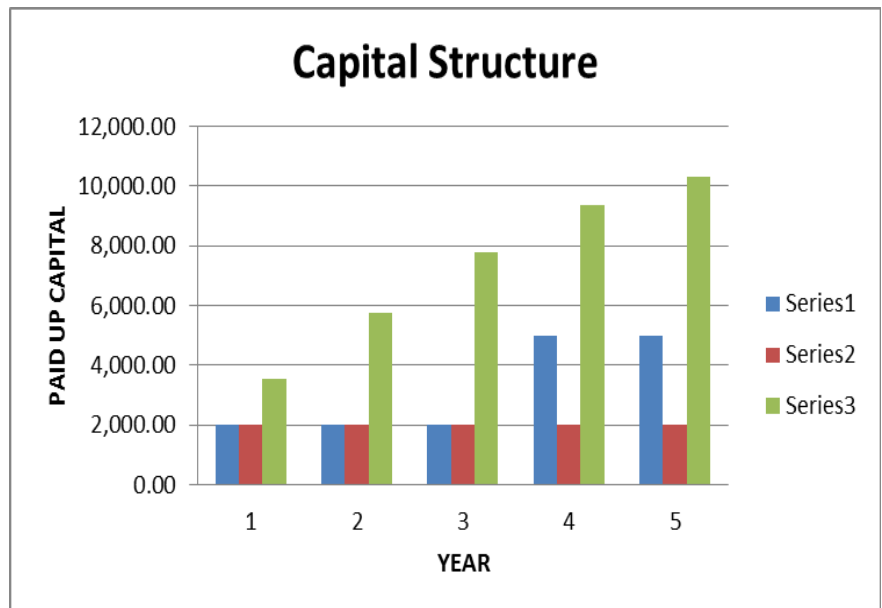


Interpretation:

The above graphs show that the capital fund is increased in 2013 than 2012. And constituents of liabilities and capital as also as assets of Prime Bank Ltd are given in the above graphs.

Capital structure of Prime Bank has changed from year to year. The components of the capital structure are paid-up capital; proposed issue of dividend, share premium, statutory reserve, proposed cash dividend, retained earnings and other reserve. Authorized and paid up capital of Prime Bank:

Authorized Capital (TK) In Million	Year	Paid Up Capital (TK) In Million
2,000.00	2009	3555
2,000.00	2010	5776
2,000.00	2011	7798
5,000.00	2012	9358
5,000.00	2013	10293



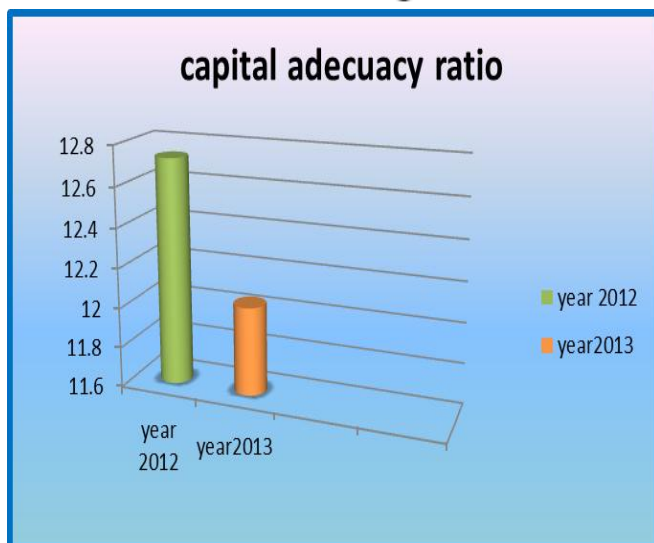
4.3 Other common Ratio analysis of PBL

Finance department cover a wide range from the basic record keeping for providing information to assisting managers in making strategic decisions. Finance department is responsible for all the day to day transactional accounting for the bank. This includes tracking of all transactions and the management of any regulatory reporting. Finance department prepare the bank's budgets and forecasts, and reports back on the progress against these throughout the year.

a) Capital adequacy ratio :

Management of capital adequacy ratio (CAR) and reporting on quarterly basis to central bank is another important area of the finance division.

$$\text{CAR} = \frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$$



Year	Percentage
2012	12.73
2013	12.04

Figure: Capital adequacy ratio (sources of annual report 2013)

b) Return on Investments (ROI):

Return on Investments(ROI)	
Year	Percentage
2009	15.67%
2010	13.02%
2011	13.94%
2012	10.43%
2013	10.86%

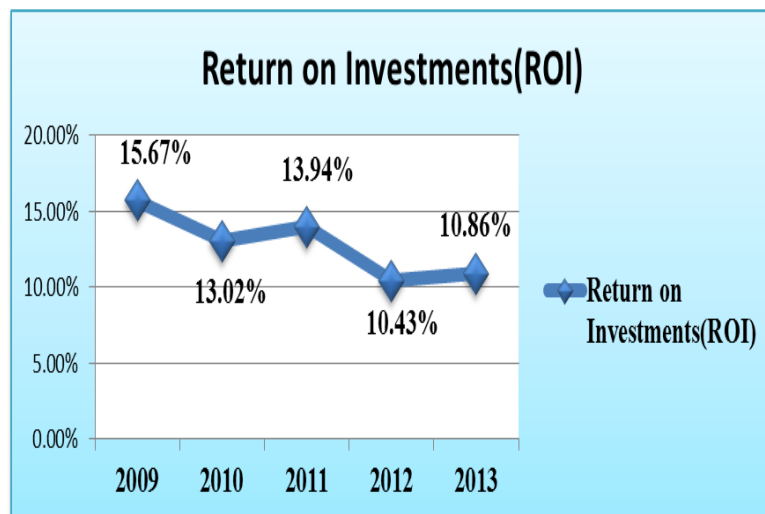


Figure: Return on investment (sources of annual report 2013)

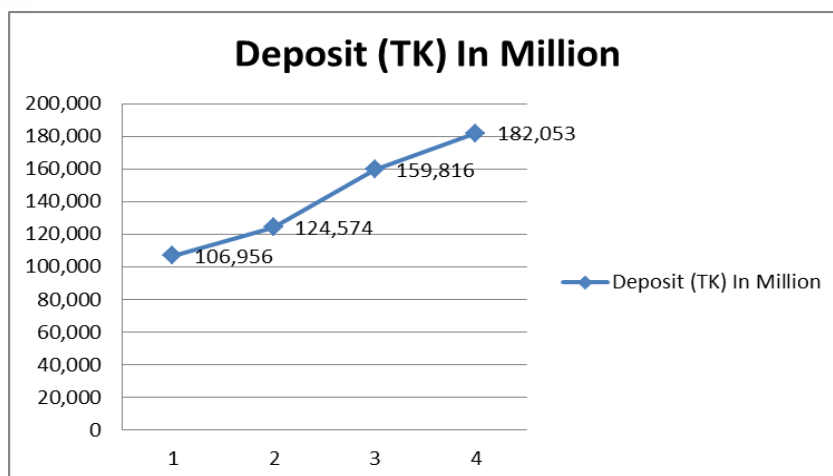
Interpretation:

The above graph shows that the Return on Investment of Prime Bank Ltd. from 2009 to 2013 had in an increased situation but after 2010, the portion of ROI was decreased and it's reached to 10.86% in 2013.

c) Credits to Deposit Ratio:

Deposit is one of the principal sources of commercial banks and investment deposit is the main stream of revenue in banking business. The total deposit of the bank stood at Tk. 201,906 million as on December 31st 2013 against Tk. 182,053 million of the previous year this is an increase of 10.91 %. This growth rate may be termed as remarkable achievement for the bank. The present strategy is to increase the deposit base through maintaining competitive rates of Profit and having low cost of funds.

Year	Deposit (TK) In Million
2009	106,956
2010	124,574
2011	159,816
2012	182,053



Credit to Deposit Ratio%					
Years	2009	2010	2011	2012	2013
Percentage	83.45%	93.16%	86.88%	88.38%	76.07%

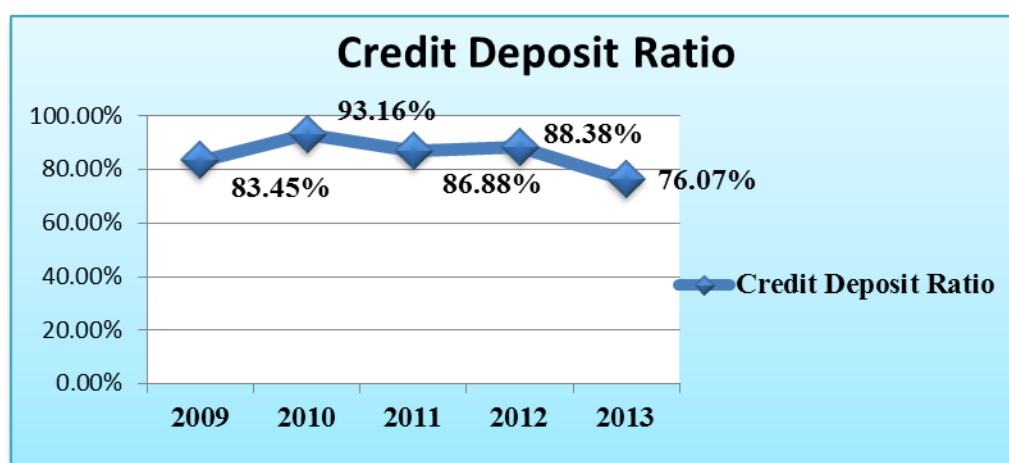


Figure: credit deposit ratio (sources of annual report 2013)

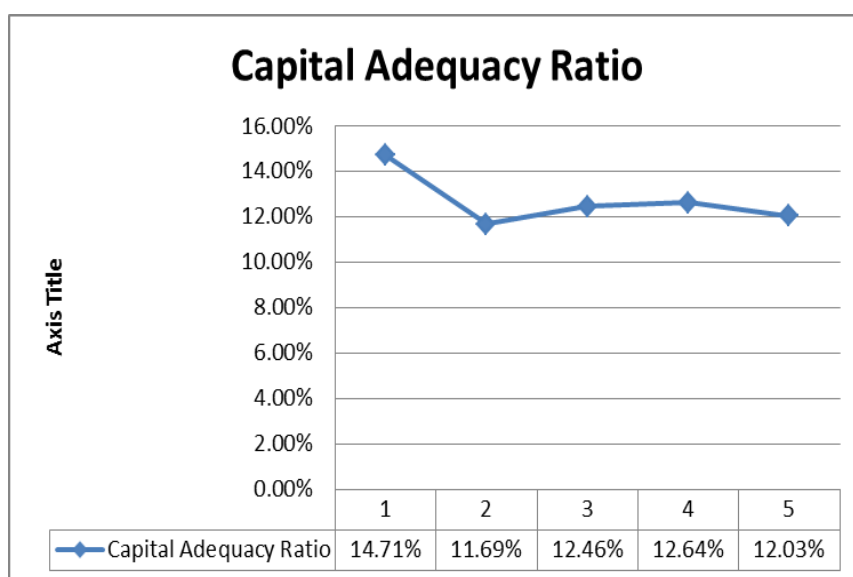
Interpretation:

From the graph, it is seen that the credit to deposit ratio increased from 2009 to 2010 and it was 93.16%. After 2010, that percentage Fluctuating year by year. The greater this ratio leads to high liquidity risk.

d) Capital Adequacy Ratio:

Bank maintained capital adequacy ratio of 12.03 percent of the risk-weighted assets as on December 31, 2013 as against the minimum capital requirement of 9 percent as set by Bangladesh Bank under Basel-II reporting.

<i>Year</i>	<i>Capital Adequacy Ratio</i>
2009	14.71%
2010	11.69%
2011	12.46%
2012	12.64%
2013	12.03%

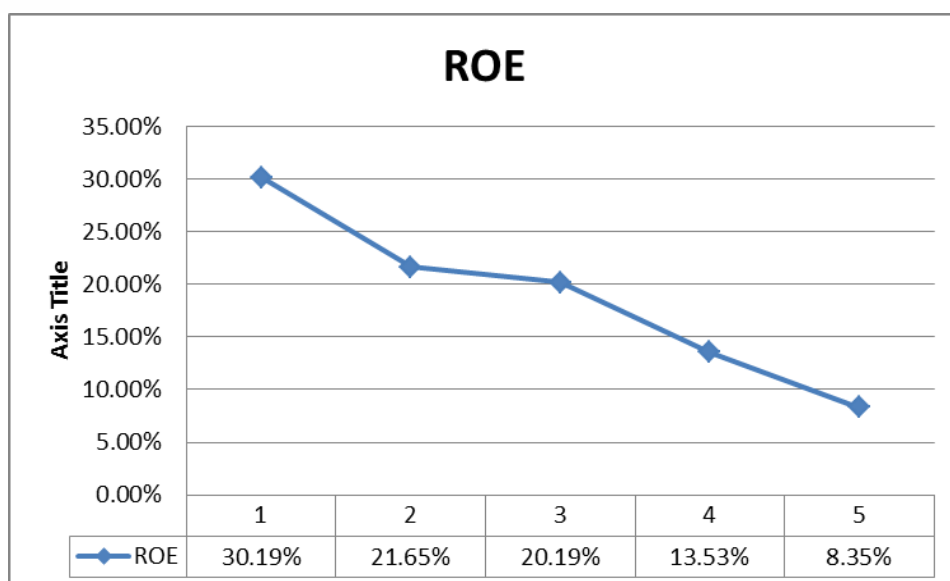


e) Return on Equity (ROE):

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. In 2009 the ratio was 30.19%. In the next two years there was decreased in this ratio and it became 13.53% in 2012. But in 2013 the ratio was 8.35% and it was tremendously decreased from previous year.

The benefit of low ROEs comes from reinvesting earnings to aid company growth. The benefit can also come as a dividend on common shares or as a combination of dividends and company reinvestment. ROE is less relevant if earnings are not reinvested.

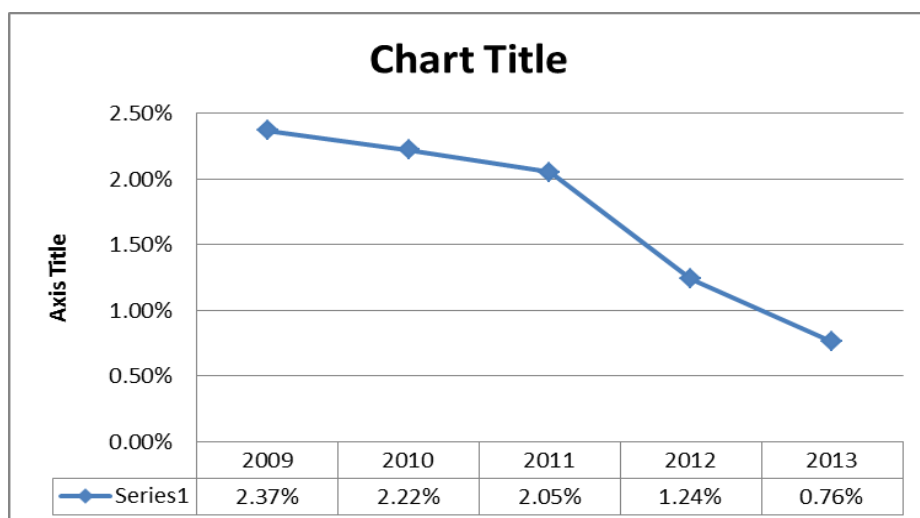
<i>Year</i>	<i>ROE</i>
2009	30.19%
2010	21.65%
2011	20.19%
2012	13.53%
2013	8.35%



f) Return on Assets (ROA):

The Return on Asset is an indirect measure of management efficiency, it show how efficiently the management has been able to use the assets of the bank in order to generate income. Prime Bank's ROA has been fluctuated in past years. The return on assets (ROA) was 2.37% in 2009, but it has decreased in 2013, which came to 0.76%.

<i>Year</i>	<i>Capital Adequacy Ratio</i>
2009	2.37%
2010	2.22%
2011	2.05%
2012	1.24%
2013	0.76%



A decreasing ROA indicates less profitability. ROA is derived from Net income and assets, so to improve the return on bank's assets, increase Net Income without acquiring new assets or improve the effectiveness of existing assets.

Chapter Five

Credit/Loan performance of PBL

5.1 Introduction

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions. The objective of Credit Risk management is to minimize the risk and maximize banks risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters. The Credit Risk Management department is responsible for upholding the integrity of the Bank's risk/return profile. It ensures that risks are properly assessed, and that risk/return decisions are made accurately and transparently. The overall success in credit management depends on the banks credit policy, portfolio of credit, monitoring, supervision and follow-up of the loan and advance. Therefore, while analyzing the credit risk management of a bank, it is required to analyze its credit policy, credit procedure and performance regarding credit risk management.

5.2 Loan/Advance Products

1. **Fixed Term:** These are the loans made by the bank with fixed repayment schedules. Fixed term loans are categorized into three based upon its tenure which is defined as follows:
 - i. **Short term:** Up to 12 months
 - ii. **Medium terms:** More than 12 and up to 36 months.
 - iii. **Long term:** More than 36 months.
2. **Continuing Loans:** These are the loans having no fixed repayment schedule, but have an expiry date at which it renewable on satisfactory performance of the customer. Furthermore, all categories of loans are accommodated under the following prime sectors:
 - i. **Agriculture:** Credit facilities to the customers of doing agro business falls under this category.
 - ii. **Term Loan to Large & Medium Scale Industry:** This category of advances accommodate the medium and long term financing for capital formation of new Industries or for an existing units who are engaged in manufacturing of goods and services.

iii. Term Loans to Small & Cottage Industries: These are the medium and long term loans allowed to small & cottage manufacturing industries. No short term or continuous credits will be included in this category.

iv. Working Capital: Loans allowed to the manufacturing units to meet their working capital requirements, irrespective of their size-big, medium or small, fall under this category. These are usually continuous credits and as such fall under the head “Cash Credit”.

v. Export Credit: Credit facilities allowed to facilitate export of all items against Letter of Credit and/or confirmed export orders fall under this category. It is accommodated under the heads “Export Cash Credit (ECC)”, Packing Credit (PC)”, Foreign Documentary Bill Purchased (FDBP) etc.

vi. Commercial Lending: Short term loans and continuous credits allowed for commercial purposes other than exports fall under this category. It includes import financing for local trade, service establishment etc. No medium & long term loans are accommodated here. This category of advance is allowed in the form of (a) Loan against Imported Merchandise (LIM), (b) Loan against Trust Receipt (LTR), (c) Payment against Documents (PAD), (d) Secured Overdraft (SOD), (e) Cash Credit etc. for commercial purpose.

5.3 Types of Credit Facilities

Depending on the various nature of financing, all the credit facilities have been brought under two major groups: (a) Funded Credit and (b) Non-funded Credit, there are basically two major products namely Letter of Credit and Letter of Guarantee.

i. Loan (General): Short, Medium & Long term loans allowed to individual/firm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this type. These are mainly allowed to accommodate financing under the categories (a) Large & Medium Scale Industry & (b) Small & Cottage Industry.

ii. Housing Loan (Commercials): Loans allowed to individual/enterprises for construction of house for commercial purpose only fall under this type. The amount is repayable by monthly/quarterly installments within a specific period.

iii. Home Loan: Loan allowed to individuals for purchase of apartment or construction of house for residential purpose fall under this type. The amount is repayable by monthly installments within a specified period.

iv. House building Loan (Staff): Loans allowed to three employees of PBL for purchase of apartment/construction of house shall be known as House Building Loan (Staff).

v. Lease Financing: Lease financing is one of the most convenient sources of acquiring capital machinery and equipment where by a customer is given the opportunity to have an exclusive right to use an asset usually for an agreed period of time against payment of rental.

vi. Customer Credit Scheme (CCS): It is a special credit scheme of the bank to finance purchase of consumer durable by the fixed income group to raise their standard of living. The loans are allowed on soft terms against personal guarantee and deposit of specified percentage of equity by the customers. The loan is repayable by monthly installments within a fixed period.

Apart from the above loans there are some other loans which are:

- 🏠 Household Durables
- 🏠 Doctors Loan
- 🏠 Any Purpose Loan
- 🏠 Travel Loan
- 🏠 CNG Conversion Loan
- 🏠 Car Loan
- 🏠 Advance against Salary
- 🏠 Education Loan
- 🏠 Marriage Loan
- 🏠 Hospitalization Loan.

5.4 Process of CRM

Credit risk management process should cover the entire credit cycle starting from the origination of the credit in a financial institution's books to the point the credit is extinguished from the books. It should provide for sound practices in:

Credit Risk Management Process	
1	Credit processing/appraisal
2	Credit approval/sanction
3	Credit documentation
4	Credit administration
5	Disbursement
6	Monitoring and control of individual credits
7	Monitoring the overall credit portfolio
8	Credit classification and
9	Managing problem credits/recovery

Credit policy of PBL

Credit risk management is a robust process that enables a Bank to proactively manage its loan portfolio in order to minimize losses and earn an acceptable level of return for stakeholders.

Given the fast changing dynamic global economy and the increasing pressure of globalization, liberalization, consolidation, it is essential that Prime Bank has a robust credit risk management policy. That's why a comprehensive **“Credit Risk Management Policy”** was introduced on November 19, 2005 for the first time.

Purpose of the Policy:

1. Establishing an appropriate credit risk environment
2. Setting up a sound approval process
3. Maintaining an appropriate credit administration and monitoring process.
4. Ensuring adequate controls over credit risk.

Prime Bank takes the policies, which help the development of several sectors of the country under general credit division. For achieving the proposed goals of the principles of development of a number of sectors such as Agricultural, Economical, Industrial and Trade the bank follow

the guidelines of Bangladesh Bank; this is the credit policy of Prime Bank. This policy is changeable. If Bangladesh Bank resists providing credit in any sector Prime Bank does not provide any credit in those sectors.

Processing of credit proposal

Once a customer decides to request a loan, an interview with a loan officer usually follows right away, giving the customer the opportunity to explain his or her credit needs. That interview is particularly important because it provides an opportunity for the bank's loan officer to assess the customer's character and sincerity of purpose. The approval process must reinforce the segregation of Relationship Management/Marketing from the approving authority.

The responsibility for preparing the Credit Application should rest with the RM within the corporate/commercial banking department. Credit Applications should be recommended for approval by the RM team and forwarded to the approval team within CRM and approved by individual executives. Banks may wish to establish various thresholds, above which, the recommendation of the Head of Corporate/Commercial Banking is required prior to onward recommendation to CRM for approval. In addition, banks may wish to establish regional credit centers within the approval team to handle routine approvals. Executives in head office CRM should approve all large loans. The recommending or approving executives should take responsibility for and be held accountable for their recommendations or approval. Delegation of approval limits should be such that all proposals where the facilities are up to 15% of the bank's capital should be approved at the CRM level, facilities up to 25% of capital should be approved by CEO/MD, with proposals in excess of 25% of capital to be approved by the EC/Board only after recommendation of CRM, Corporate Banking and MD/CEO (PBL, 2005 November).

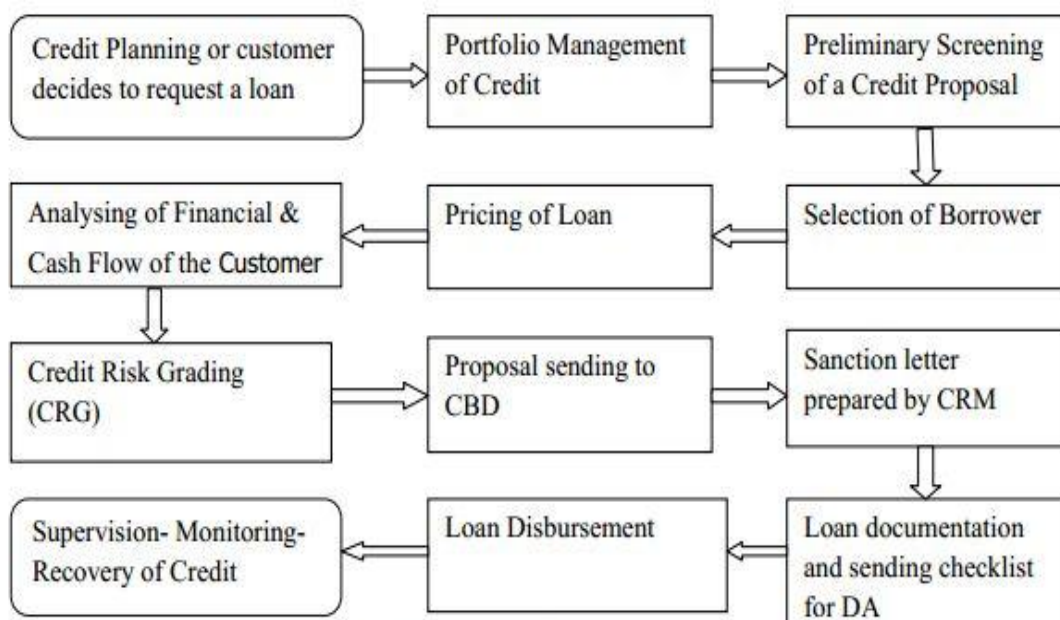


Fig: Steps in the Lending Process

Credit risk management

Credit risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms and conditions. In other words, it is the loss associated with degradation in the credit quality of the borrowers or counterparties. In a Bank's portfolio, losses stem from outright default due to the inability or unwillingness of the customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk emanates from a bank's on and off balance sheet dealings with an individual, corporate, bank, financial institution or a sovereign. The following sets of principles are used for the sustainable risk management culture:

Balancing Risk and Return: Risk is taken hampering the interest of bank's stakeholders, in line with bank's strategy and within its risk appetite.

Responsibility: All employees ensure that risk-taking is disciplined and focused.

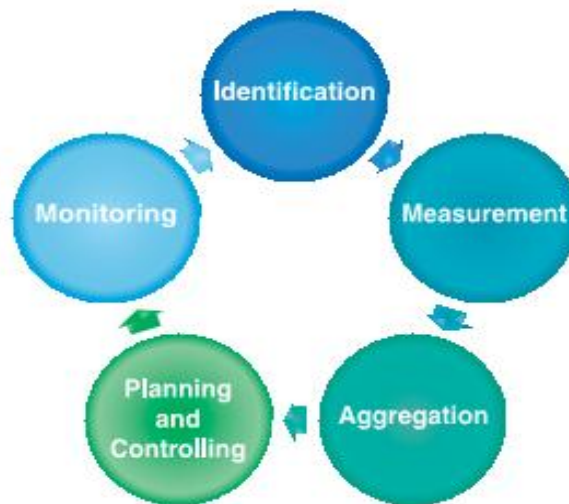
Accountability: Risk is taken only by delegated authorities and where there is appropriate infrastructure and resources. PBL maintains a clear and transparent process for all risk-taking decisions.

Anticipation: PBL seeks to anticipate future risks and ensure awareness of all known risks.

Competitive advantage: The bank seeks to achieve competitive advantage through efficient and effective risk management and control.

Credit Risk Management process

Risk management is to balance the trade-off between risk and return and ensure optimum risk-adjusted return on capital. The risk management function of PBL strives to proactively anticipate vulnerabilities at the transaction as well as at the portfolio level, through quantitative or qualitative examination of the embedded risks. Risk is managed through a framework of policies and principles approved by the Board of Directors which ensures that the Bank operates within its risk appetite. The policies and procedures established for this purpose are continuously benchmarked with international best practices. Further, the Internal Capital Adequacy Assessment Process (ICAAP) of the Bank assesses all the significant risks associated with various businesses. The process of the Credit risk management can be defined by the following graph



A bank's risks have to be identified before they can be measured and managed. Typically PBL distinguishes Credit risk, Market risk, Liquidity risk, Operational risk, Islamic banking risk and Information and Communication Technology (ICT) risk. Besides these, concentration risk, strategic risk, residual risk, reputation risk etc are covered under Internal Capital Adequacy Assessment Process (ICAAP).

Chapter Six

Findings and Recommendations

6.1 Findings

On the basis of analysis and practical experience of 3 months of internship period, the following findings are observed:

Positive Findings

- ▶ Ideas of satisfying the customers' needs by means of products and the entire cluster of action as associated with creation/delivering and finally consuming the products and services.
- ▶ In case of Export L/Cs, sometimes customers insist to give their payments though their documents are found discrepant. In some cases, Bank has to give payment to these customers for different reasons. But it lessens the credibility of the Bank.
- ▶ In case of L/C opening, employees are very much cautious about the document, whether the document of the clients are correct or they are giving the right information to the documents.
- ▶ The relationship between the clients and the employees are very much friendly which a good sign for the bank is.

Negative Findings

- ▶ Delayed government order and postponed the training program by ministry must create negative impact towards the employees motivation and also destroy the lucrative training opportunities for the employees of Trust Bank Ltd.
- ▶ Prime Bank Ltd. is fully centralized bank. All decisions are come from top level. As a consequence, employees of a branch are unable to show their expertise at optimum level.
- ▶ Prime Bank has little attention about publicity and advertisement. As a result, most of the consumers are unaware about the bank.
- ▶ The distance between cash counter and account opening section is so short. Sometimes client create so much gather and rows that create the disorder. This Branch has not sufficient utility for example number of scanner & photocopy machine. It hampers & delays the works of the Banker.
- ▶ The transfer and promotion process is fair but the promotion is not faster.

- ▶ The bank has not enough branches to conduct their operation. There are some important commercial and domestic areas where outlet is not available. They have not adequate number of ATM booths. Maximum times client are used other banks booths and they charge some amount on the period of cash withdraws.
- ▶ In case of foreign exchange, they provide more emphasis on only Ready Made Garments (RMG) sector. Since Bangladesh is a developing country, there are many scopes to expand their business like- Leather goods, Jute Products, Shrimp etc.
- ▶ Prime bank provides geographical location wise credit distribution was Dhaka and Chittagong division is high but other divisions is low.

6.2 Recommendation

I have tried my best to find out some realistic promotional activities and solution to some internal backlogs regarding the service quality. If there is anything wrong or irrelevant, the reader is requested to take those errors under kind consideration. However the bank is facing severe competition from some of the nearby branches from well-established banks like Bank Asia, DBBL, EBL, and UCB etc. These bank's branches are taking different initiatives to attract different clients and corporate organizations in Asad gate area to make them their valuable clients. They can become PBL's clients too if some strategic steps are taken in order to improve the service quality. The steps are given below:

Customer defined Service standards

A formal service blueprint should be designed with appropriate service level standards to reduce the variability of service. These standards should be customer defined and customer expectation should be considered while deciding about the service standards.

Increasing Promotional Activities

Prime Bank Limited has not enough promotional activities in their foreign exchange department to attract more customers. As a consequence, they are incapable to generate more profit. They can offer some unique offerings and some attractive package to acquire new customers and also retain their existing customers.

Increasing Manpower

It will be better for Trust Bank to increase their manpower. If they do so, they can handle every client of bank cordially. As a result, customers will be more satisfied which is the ultimate objective of modern business. On the other hand, employees will be more motivated to do their job properly. They will be able to serve their client on the basis of their needs.

Improvement of the HRD

The HR department of the bank is one of the weakest areas and many of the human resources development policies and practices are not being followed or implemented. The management should immediately apply the performance appraisal system and take appropriate actions on the basis of that appraisal. All sorts of promotions or benefits should be based on the report of the performance appraisal. More qualified and skilled HR professional should be recruited for this department for the future growth of the HR in PBL.

Maintaining a Well-balanced Portfolio

In order to increase the profitability and reduce the credit risk, PBL Asad Gate branch should maintain a well-balanced portfolio. For example, instead of focusing on just corporate banking and high profile business loan and leasing, it should also give equal importance to retail banking. The more diversified the portfolio is the lesser the risk of losses.

Decentralization

Prime Bank is a fully centralized bank. As a result of this, the employees of each branch are unable to show their individual performance at an optimum level. So, it would be better for Prime Bank to decentralize their management authority to some extent but not fully. If they decentralize their management authority, each branch can make instant decision regarding their banking activities. Moreover, employees will be motivated more to show their performance.

Regular Research

Regular research should also be conducted to find out customer expectations about various service aspects. Appropriate research and surveys should be designed to find out the requirements the dissatisfied segments.

The performance of Prime Bank Limited is increasing day by day and they able to expand their business rapidly. Within a few years, of its operations it able to attract customers by providing satisfactory services. They use modern way of Banking and introduce new features very often. If they able to do such things which I mentioned above they have a better future undoubtedly

Conclusion

In his modern world like all other sectors, banking sector is also changing. Banking industry in Bangladesh is now on the right track. The banks are contributing much than the previous years for the growth and development of the country. Credit for such contribution by the industry goes to the Bangladesh Bank. Banking industry is much organized because of strong vigilance and supervision of Bangladesh Bank. In the industry, Prime Bank Limited is one of the pioneers in many criteria. PBL is committed towards the excellence in the service with efficiency, accuracy and proficiency. Prime Bank is operating its' business facing various barriers like deregulation, telecommunication and globalization successfully.

During the whole period of the practical orientation in Prime Bank limited I have reached a solid and concrete conclusion in a very confident way. The realization will be in synchronization with most of the banking thinking. It is quite evident that to build up an effective and efficient banking system to the highest desire level computerized transaction is a must. I had a great exposure while working in a banking environment. My internship helped me to develop essential skills and build the confidence by performing essential tasks in the organization. While working with Prime Bank Ltd., Bangladesh, I have developed good organizational and communication skills. This internship was an on-the-job learning experience which enhanced my chances for early career success. It provided me with a realistic work preview and offered practical, supervised learning experience. This three months internship orientation with PBL undoubtedly will help me a lot to understand and cope with any typical corporate culture.

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Asad Gate Branch

Prime/Asad Gate/GB/2015/924

March 10, 2015

To whom it may concern

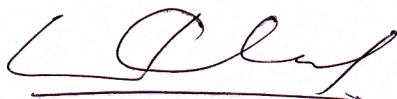
We pleasure to certify that Ms. **Shohana Afroz Kshama** D/O: Reza Salim & Afroza Khan, MBA, Major in Finance, BRAC University was appointed as an Intern at our Branch for the period of 90 (Ninety) days from 15th February 2015 to 15th May, 2015.

Topic of her Internship Program is An Overview of Banking Activities of Prime Bank Ltd, Asadgate Branch . She put her best efforts into the topic.

She also gathered general theoretical and practical knowledge from the major parts of daily banking activities.

During the Internship period Ms.**Shohana Afroz Kshama** was found optimistic, enthusiastic, hard working, brilliant and above all having a sober personality.

We wish her a brilliant success in the long run.



Wasequddin Ahmed Chowdhury
SVP & Head of Branch