Performance Evaluation of Prime Bank Limited

Prepared for:

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East West University

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Prof. Md. Tanbir Ahmed Chowdhury
Chairperson
Department of Business Administration
East West University

Subject: Submission of the Project Report.

Dear Sir:

With due respect and humble submission, I undertook my Project (BUS-498) under your supervision and guidance with the topics "Performance evaluation of Prime Bank Limited" which is a mandatory element of my graduation as a Finance Major.

As you will notice, the report will cover all relevant topics, representing a whole picture of Prime Bank to analyze the work structure and identify the supporting services of Prime Bank and their impact in providing quality services to the ultimate customers. Besides, several recommendations will be included for ensuring future success. This will make the report a complete and an extensive one. Therefore, I am confident of the validity of this study.

If you have any questions or suggestion about the process, I would be happy to oblige for any further clarification.

Thank You.

Zinnat Ara
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Acknowledgement

Expressing heartiest gratitude to my honorable teacher **Md. Tanbir Ahmed Chowdhury** Chairmen & my Project Coordinator, Department of Business Administration East West University, for assigning me such a perfect project report to work and practice in real. It gives me the opportunity to work on the selected banking industry focusing on the various aspects & analysis. Accomplishing the report, I gathered a thorough idea and view on various Issues & market reflection regarding the banking sector.

Executive Summary

Prime Bank Ltd. *started operation from* April 17, 1995 *with a commitment to play some social* role in addition to normal banking. Its slogan is "Prime Bank Ltd. – a bank with a difference." From the very beginning, the bank has adopted the policy of diversifying its business. To achieve this objective, the bank started Consumer Credit Scheme, Lease Financing, Hire Purchase, loans in general, Secured Overdrafts etc. Under the dynamic leadership of the Chief Executive Officer, the bank earned profit within December 1995 and raised its reserve. The bank started operation its business through four branches.

The savings rate in Bangladesh is one of the lowest in the world. In order to improve the savings rate, Financial Institutions responsible for mobilization of savings should offer attractive Savings Schemes so that the marginal propensity to save increases. The savings do not, of course, depend only on the quantum of income but largely depend on the habit of savings of the people. Interest rate of **Savings Deposit** is 5.50%.

The bank's deposits grew by 28 percent in 2005. Customer deposits of the bank grew by 33 percent. The growth was supported by branch network and high standard service provided to customers. The No cost and Low cost deposits comprised of 33 percent of the deposits. However, fixed deposits remained the main component of deposits contributing about 52 percent of the total deposits. The flavor of Insurance coverage of the fixed depositors has also increased the quantum. Average Interest cost of deposit increased 7.07 percent as against 6.62 percent of previous year.

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Introduction

1.1. Origin of the Report

Project report is a practical part of academic studies. This is a reflection of academic knowledge through practical work experience. Thus this Project report aims to reflect the professional view of real world working environment.

Business Administration Department of East West University offers Four year BBA program majoring in different related fields. This four year BBA academic program is the building up of the theoretical knowledge about business administration which is the base of practical knowledge. This BBA Project program is an attempt to provide business students an orientation to a real life business situation in which we can observe and evaluate the use and applicability of the theoretical concepts which were taught in the classrooms.

The report on **"Performance Evaluation of Prime Bank Ltd."** is prepared by Zinnat Ara individually under the supervision and guidance of Prof. Tanbir Ahmed Chodhury Chairman of Business Administration Department, East West University to meet the requirement of the project program of BBA.

As per norm this report is the requirement of the fulfillment of the Under Graduation program. This report **"Performance Evaluation of Prime Bank Ltd."** is the outcome of over 4 years studying in East West University in Undergraduate Program. This report writing is mainly based on the analysis of Prime Bank's performance along with other banks in this Bangladeshi financial market place.

1.2. Objective

Broad Objectives

To explore the various features of Prime Bank Limited (PBL) and analyze the performance of PBL.

Specific Objectives

- To Present a Background and Introduction of Prime Bank Limited.
- Observing and understanding the activities of the different departments of the host organization: Prime Bank Limited (PBL)

- To Focus on the Business and Operations of the Company.
- To Focus on Products & Services.
- To discuss about the activity of the Prime Bank Limited to ensure quality service.
- To determine the Prim Bank services awareness status and services usages.
- Identify and compare the performance of PBL with that of standard.
- Identify findings of analysis and make recommend based on the findings.

1.3. Scope of the Study

The report is basically divided into two parts:

- The Organization Part
- The Project Part

The organization part of the report focuses upon the organizational structure and the financial services offered by PBL. The study also concentrates upon the actual lending activities of the company, its exposure to the various sectors and its performance.

The project part of the report basically evaluate the financial performance of Prime Bank Limited and measuring the activity ratios, liquidity analysis, debt and solvency analysis, profitability analysis, operating and financial leverage.

1.4. Methodology

The study requires a systematic procedure from selection of the topic to final report preparation. To perform the study data sources are to be identified and collected, they are to be classified, analyzed, interpreted and presented in a systematic manner and key points are to be found out. This overall process of methodology is given in the following page in the form of flowchart that has been followed in the study.

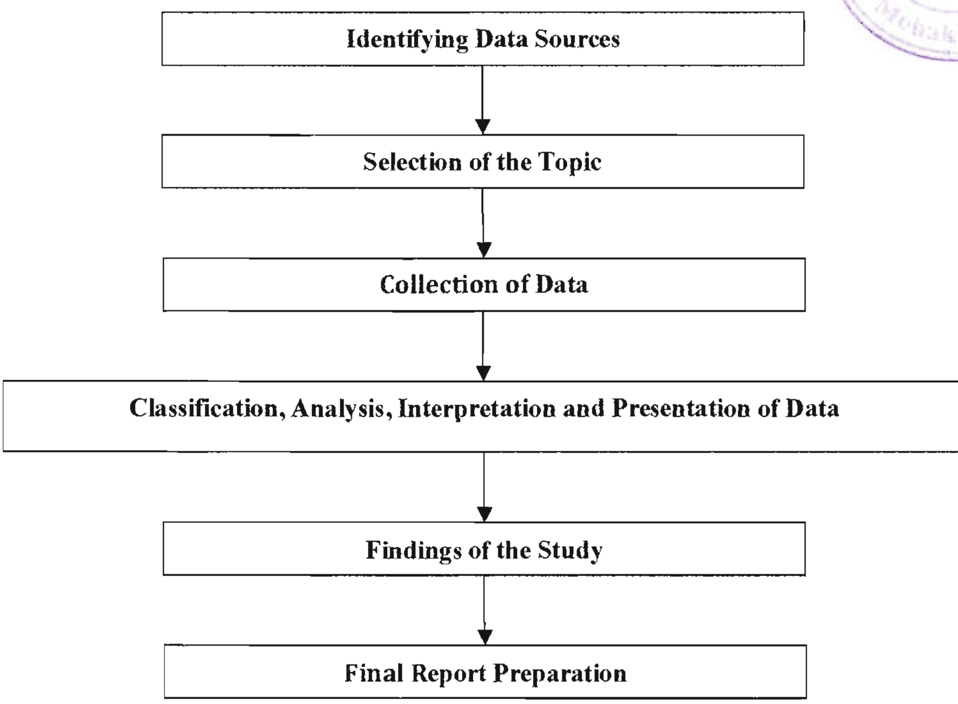


Figure 1.1: Flow chart of methodology

i. **Identifying data sources:** Essential data sources both primary and secondary are identified which are needed to complete and workout the study. To meet up the need of data, primary data are used and the study also requires interviewing the officials and staffs where necessary.

ii. **Selection of the topic:** The topic selected for the study was assigned by Prof. Tanbir Ahmed **Chowdhury.** Before assigning the job it was discussed with me so that I can prepare a well-organized project report.

iii. **Collection of data:** Primary data are collected through physical inspection as there is no provision and scope for using sampling technique. Different year's annual report will give me the financial structure of PBL.

iv. **Classification, analysis, interpretation and presentation of data:** To classify, analyze, interpret and presentation of data I will use some arithmetic and graphical tools to understand them clearly. And as well as I also measure the activity ratios and liquidity analysis, debt and solvency analysis, profitability analysis, operating and financial leverage.

v. **Findings of the study:** After scrutinizing the data problems of the study are pointed out and they are shown to my instructor. Recommendations are suggested thereafter to overcome the problems.

vi. **Final report preparation:** On the basis of the suggestions of our honorable course teacher some deductions and additions have been made and final report is prepared thereafter.

1.4.1. Study Design

A. **Nature of Study:** The study is mainly cumulative in nature.

B. **Instrument:** It was conducted using the qualitative and quantitative instrument. Depth interviews as well as assessment of different historical data were used to analyze the present scenario.

1.4.2. Sources of Information

The study has been performed with the help of secondary sources of data. Hence, no primary data or raw data was needed to be collected.

The secondary sources are:

- Information gathered from different standard textbooks, reference books, journals, official records, manuals, circulars.
- Different 'Procedure Manual', published by PBL.
- Annual Reports (2001-2005) of PBL, Dhaka Bank Ltd, NCC Bank Ltd, SIBL.
- Publications obtained from different libraries and from internet.

1.4.3. Data Analysis and Interpretation

All the data that are presented through charts & tables are also presented through graphical presentation. These graphs are interpreted by analyzing the scenario that acts as an indicator for different analysis.

1.5. Limitations

For the organizational part, the annual report was the main secondary source of information that was not enough to complete the report and provide the reader a clear idea about the bank.

- The main limitation for me was the fact that I was not working in Prime Bank limited. So I had to rely on my friend who is working on PBL and materials provided by him.
- Recent data and information on different activities of Prime Bank Limited was unavailable.
- Banks policy did not permit to disclose various data and information related to Credit Portfolio.
- Although I have chosen only Dhaka Bank Limited, and NCC bank Limited, Social Investment Bank Limited to compare the financial performance of PBL which may not reflect the actual scenario of Prime Bank Ltd.

1.6. Structural Design of the Report

The whole report is designed to highlight the findings of the study. It is segregated into seven chapters. The chapter contents are produced here to have a snapshot of the structural design of this report.

Part 1 Contains introduces origin of the repot, broad and specific objectives, scope of the study, describes the methods applied and methodology followed in the study, and explains limitations of the study and ends with the structural design of the report.

Part 2 Shows the organizational part, information required was collected within the organization from the different departments Prime Bank Ltd. Information for the part of the project has been collected both from primary, secondary and internet sources.

Part 3 Shows product and services offered by Prime Bank Ltd. And different types of deposit scheme and deposit mix, investment product list as well as the growth of it. Different types of mechanism for conducting investment.

Part 4 Includes overview of the selective commercial bank.

Part 5 Contains performance evaluation of Prime bank.

Part 6 Contains comparative study of PBL, DBL, NCC bank and SIBL and analysis of different types of ratios.

Part 7 Includes conclusion and bibliography of the study.

An Overview of Prime Bank Limited

2.1. Background of the study

The financial system of a country is the lifeblood of the economy of the country. The financial system of an economy provides the medium of exchange, allocates resources, provides a return on and affects the level of savings. It also pools, transforms and distributes risks as an important locus of implementation of development policy of a country. Real economic growth goes hand in hand with an increasing amount and diversity of activity of financial institutions, market and instruments. The financial structure is composed of two sets of elements; namely, financial instruments and financial institutions. In the context of Bangladesh, an efficient and developed financial system is essential for transferring capital from savers to investors and to channelise scarce resources to maximize production. According to Stiglitz "Financial market can be thought of as the brain of the entire economic system, the central locus of decision making". In fact, the financial system's contribution to growth lies precisely in its ability to increase efficiency in financial deepening through viable and effective financial market and financial instruments and profitable interaction with the progressive globalization.

Amongst the financial institutions, commercial banks constitute the heart of the financial structure since they have the ability to add the money supply and thus create additional purchasing power. The commercial banks have been playing a vital role in the economy of Bangladesh. In view of this, a well developed, organized, planned and viable banking system is necessary for developing economies so that it can occupy a crucial place in the process of socio-economic transformation as well as a catalyst to economic growth. In a developing country like Bangladesh, the banking sector has been assigned an important role for achieving certain socio-economic objectives.

Before liberation of Bangladesh, the banking and finance industries in the then East Pakistan was owned and controlled by the then West Pakistani owners. After liberation, Bangladesh inherited a narrow and thin financial sector with six commercial banks (which were nationalized), a few foreign banks and two government-owned specialized financial institutions. Since 1972, the banking system was operating with the directives of monetary authorities aiming at achieving objectives of supplying cheap money to the state owned enterprises and priority sector like agriculture, export and small and cottage industries in the private sector. Then the financial institutions of Bangladesh used to operate under a regime of rigid government control and central bank regulations. The regulations covered fixation of interest rate on deposit and credit, direction of credit to public sector enterprises and priority sectors, directed expansion of bank branches etc.

Bangladesh has moved a long way since its liberation in the field of money, banking and credit. It is committed to a free economy whose growth and development are to be assisted by an efficient and effective monetary and banking system and capital market which can ensure an adequate mobilization of financial *resources through broadening and deepening of the monetary and financial system.* Keeping this in view and also to help deal with the various problems being faced by the country's financial system in respect of credit delivery, recovery of loans and advances, management of nationalized financial institutions, supervision and control of such institutions and inadequacy of the existing laws and regulations affecting the financial sector, government constituted a National Commission on Money, Banking and Credit in 1986 which diagnosed numerous financial sector problems and recommended major reforms in the sector.

After liberation, number of bank branches has increased due to the rapid increase of financial network of the banking system. It is imperative that as the financial network of a country increases, the case for implementing productions and information regulations is much more important than economic regulations for the matter of improving on the operations of financial markets. In this study it has been tried to evaluate the financial performance of Prime Bank Limited and then appraised the ratios in relation to the industry average.

2.2. Historical background of Prime Bank Ltd.

Prime Bank being Banking Company has been registered under the companies Act 1994 as a Public Limited Company on February 12, 1995 with its registered office at 5, Rajuk Avenue, Motijheel Commercial Area, Dhaka-1000, Bangladesh. Later, the office had been shifted to Adamjee Court (annex building), Motijheel Commercial Area. The Bank operates as a Scheduled Bank under a Banking license issued by Bangladesh Bank, the Central Bank.

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs conceived an idea of floating a commercial bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. Accordingly, Prime Bank Ltd. was created and commencement of business started on 17th April 1995 with a commitment to play some social role in addition to normal banking. Its slogan is "Prime Bank Ltd. – a bank with a difference". 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. From the very beginning, the bank has adopted the policy of diversifying its business. To achieve this objective, the bank started Consumer Credit Scheme, Lease Financing, Hire Purchase, loans in general, Secured Overdrafts etc. Under the dynamic leadership of the Chief Executive Officer, the bank earned profit within December 1995 and raised its reserve. The bank started operation its business through four branches. Now its branches stood at seventy and by this year another eleven new branches are proposed to start their operation.

It is a full licensed scheduled commercial bank set up in the private sector by a group of highly successful entrepreneurs in pursuance of the government to liberalize banking and financial services. The Chairman of the Bank is **Azam J. Chowdhury**. The former Governor of Bangladesh Bank Mr. Lutfar Rahman Sarker was the first Managing Director of this bank. At present, Managing Director is M. Ehsanul Haque, who has a long experience in domestic and international banking. Highly professional people having wide experience in domestic and international banking are managing the bank. The bank has made a significant progress within a very short time due to its very competent board of directors, dynamic management and introduction of various customer friendly deposit and loan products. At present bank has 15 Directors, including the Chairman. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition.

Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation.

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, our strategy is to serve the customers through capacity building across multi delivery channels. Our past performance gives an indication of our strength. We are better placed and poised to take our customers through fast changing times and enable them compete more effectively in the market they operate.

2.3. Vision, Mission, Goals and Strategies

"A Bank with a difference" is the motto of Prime Bank Limited. So the motto itself is self-explanatory to deliver the vision of the bank. Prime Bank limited is prepared to meet the challenge of the 21st century well ahead of time. To cope with the challenge of the new millennium it hired experienced and well-reputed banker of the country from the inception. The bank has efficient and dedicated professional and equipped with modern technology to provide the best service in the need of the people and thus to realize its vision. So the Bank defined:

Vision: *"to be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity."*

Mission: *"to build Prime Bank Limited into an efficient, market driven, customer focused institution with good corporate governance structure.*
Continuous improvement in our business policies, procedures, and efficiency through integration of technology at all levels."

Strategic Priority: *"to have sustained growth, broaden and improve range of products and services in all areas of banking activities with the aim to add increased value to shareholders investment and offer highest possible benefits to our customers".*

Our Efforts are focused: *"on delivery of quality service in all areas of banking activities with the aim to add increased value to shareholders' investment and offer highest possible benefits to our customers".*

Core Values:

For our Customers: *"to become most caring Bank - by providing the most courteous and efficient service in every area of our business".*

For our Employees: *"by promoting well - being of the members of the staff".*

For our Shareholders: *"by ensuring fair return on their investment through generating stable profit".*

For our Community: *"by assuming our role as socially responsible corporate entity in a tangible manner through close adherence to national policies and objectives".*

... ***upholding ethical values and best practices***

Brief Profile of Prime Bank Limited

1. Date of Incorporation	: 12^{th} February, 1995
2. Date of Inauguration of Operation	: 17^{th} April, 1995
3. Name of the Chairperson of the board	: Azam J. Chowdhury
4. Name of the Managing director	: M. Ehsanul Haque
5. Number of Branches	: Existing 70 and proposed 11
6. Publicly Traded Company	: Share quoted daily in DSE & CSE
7. Credit Card	: Member of Master Card
8. Banking Operation System	: Both Conventional and Islamic Banking
9. Technology Used	: Member of SWIFT On line Banking UNIX based Computer System
10. Head Office	: Adamjee Court Annexe Building-2,119-120, Motijheel C/A, Dhaka-1000, Bangladesh Phone: 9567265, 9570747-8 PABX Fax: 880-2-9567230, 9560977, 9566215 Telex: 642459 PRIME BJ 671543 PBL MJ BJ E-mail: info@prime-bank.com, primebank@bangla.net Web Site: www.prime-bank.com SWIFT: PRBLBDDH

2.4. Objectives of the Bank

The objectives of the Prime Bank Limited are specific and targeted to its vision and to position itself in the mindset of the people as a bank with difference. The objectives of the Prime Bank Limited are as follows:

- To mobilize the savings and channeling it out as loan or advance as the company approve.
- To establish, maintain, carry on, transact and undertake all kinds of investment and financial business including underwriting, managing and distributing the issue of stocks, debentures, and other securities.
- To finance the international trade both in Import and Export.
- To carry on the Foreign Exchange Business, including buying and selling of foreign currency, traveler's cheque issuing, international credit card issuance etc.
- To develop the standard of living of the limited income group by providing Consumer Credit.
- To finance the industry, trade and commerce in both the conventional way and by offering customer friendly credit service.
- To encourage the new entrepreneurs for investment and thus to develop the country's industry sector and contribute to the economic development.

2.5. Branches if PBL

The first branch was opened at Motijheel area in Dhaka. Now the total numbers of branches are 71 till 2009. PBL divided its branches network into five zones i.e. Dhaka, Chittagong Khulna, Rajshahi, Sylhet and Barisal Arena with 38, 14, 6, 2, 10, & 1 branch respectively.

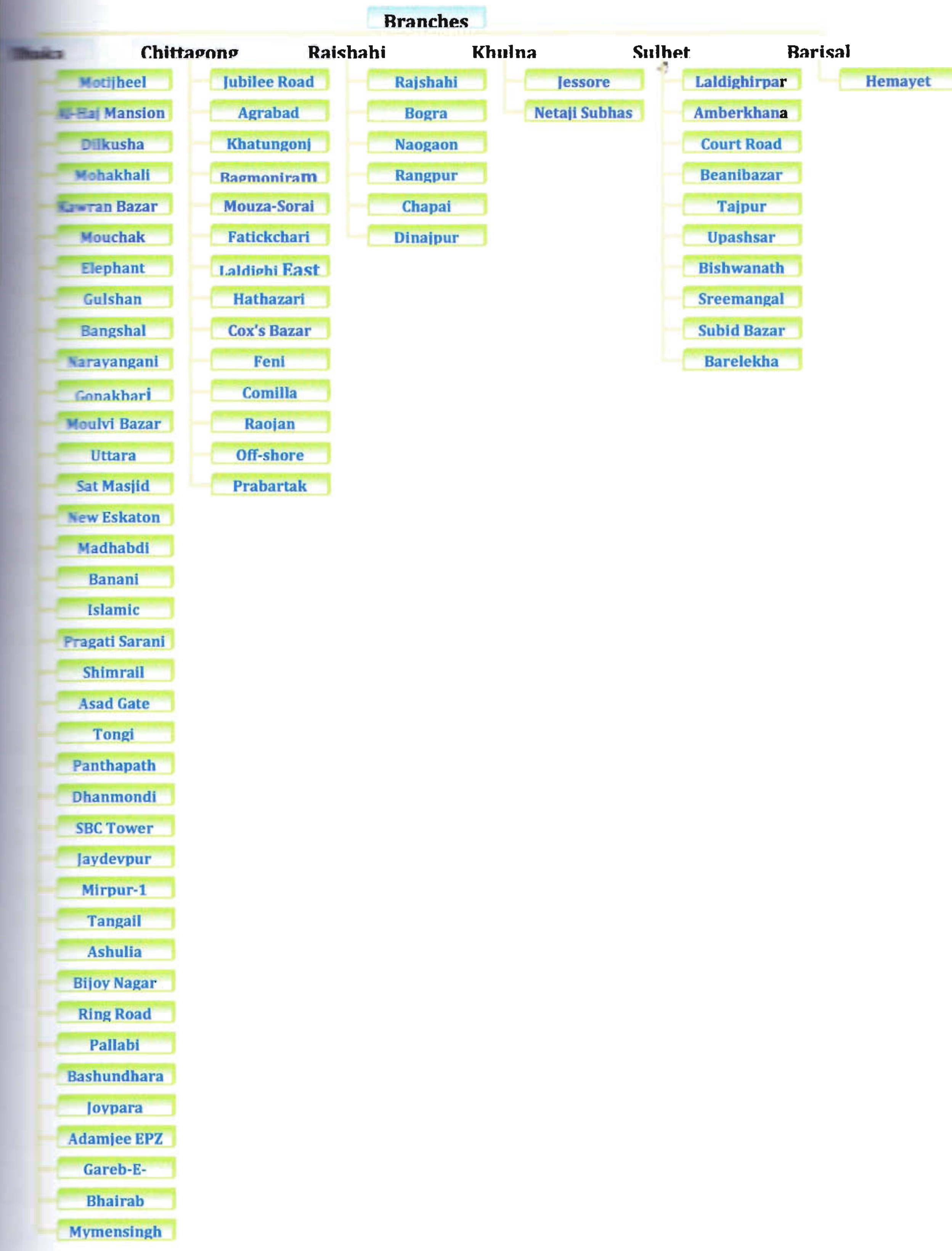


Figure 2.1: Branch Network of PBL

2.6. Management of the bank

Board of Directors:

The Board of Directors is the sole authority to take decision about the affairs of the business. Now there are 15 directors in the management of the bank. All the directors have good academic background and have huge experience in business. **Azam J. Chowdhury** is the Chairman of the bank. The board of directors holds meetings on a regular basis.

Executive Committee:

The Executive Committee consists of the members of the Board of Directors. Now there are three members are in executive committee. **Capt. Imam Anwar Hossain** is the Chairman, **Hasina Khan** and **Hasina Khan**re are the Vice Chairpersons. This committee exercises the power as delegated by the Board from time to time and approves all matters beyond the delegation of Management.

Management Committee:

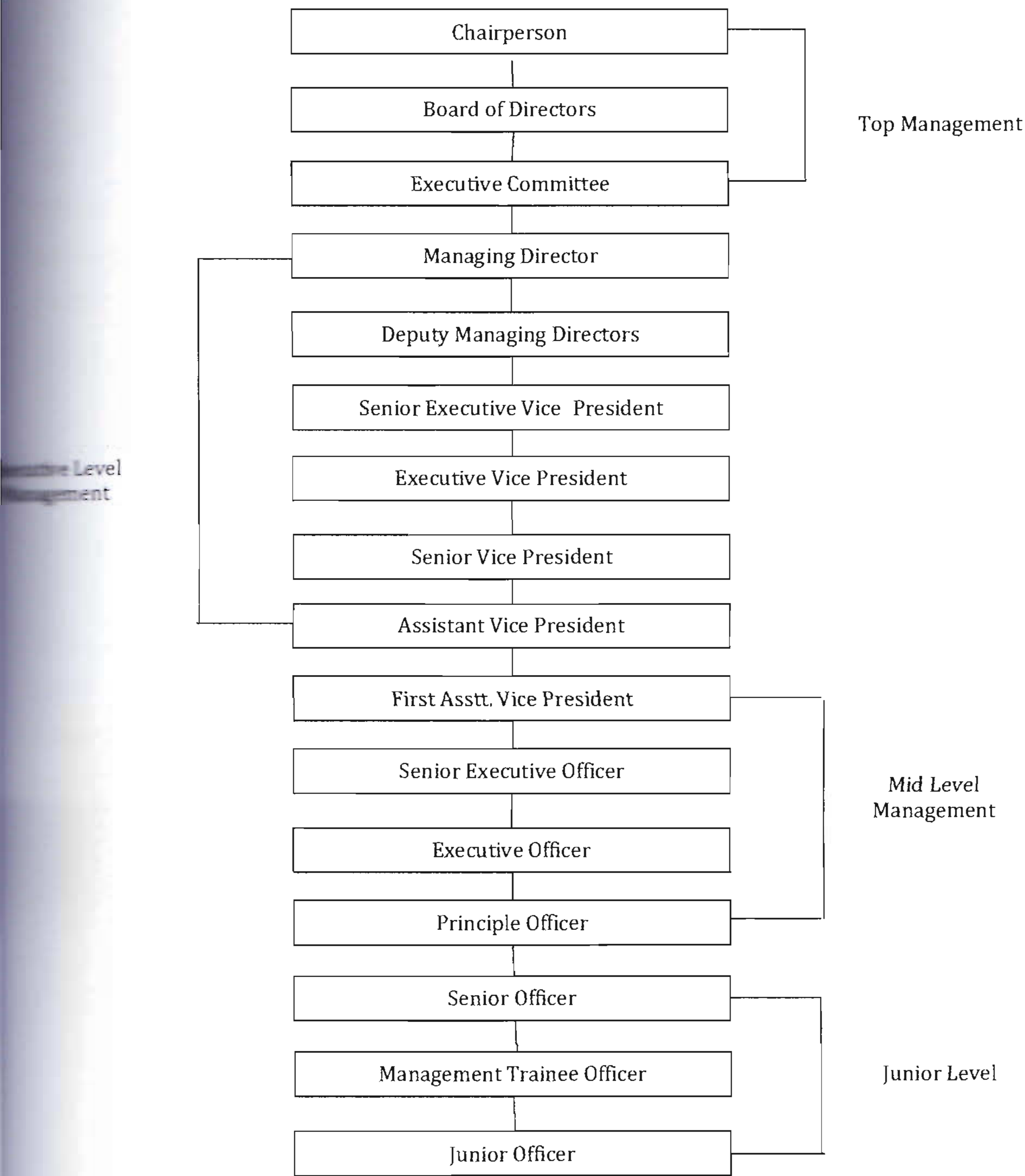
The Management Committee consists of the one Managing Director and five Deputy Managing Directors. They discuss about the progress on portfolio functions. Different ideas and decisions, guidelines regarding deposits, lending and management of Human and Material resources are the main concern of this committee.

All these committees meet on a regular basis for discussing various issues and proposals submitted for decisions.

2.7. Management Hierarchy of Prime bank Limited

Prime Bank limited is a public limited company. The shareholders are the proprietors of the banks. There are 15 members of the Board of Director who are managing the total management & Human Resources of the bank. The chairperson & Managing Director both are the members of this bank. The chairman of the bank is the head of the Board of Directors. The main function of the Board of Directors is to formulate policy. From the top to the bottom management body of Prime Bank Limited can be divided into four levels:

a) Top Level Management
b) Executive Level Management
c) Mid Level Management
d) Junior Level



Source: HRD, Head Office PBL

Figure 2.2: Management Hierarchy of PBL

2.8. Field of Operations

PBL, being one of the best financial intermediaries in the country, blended its operations in conventional banking, Islamic banking and investment banking. The blending has been done with the objective of diversifying the operations for catering to the needs of the customers of the different strata of the society from one viewpoint and for having sustainable growth in profitability and business with the least possible risk. The bank's operations were diversified into the following areas of activities as a dynamic financial intermediary.

- Conventional Banking Operation
- Islamic Banking Operation
- Lease Finance Operation
- Merchant Banking
- Retail Banking

If the departmentalization is not fitted for the particular works there would be haphazard situation and the performance of a particular department would not be measured. Prime Bank Limited has done this work very well. In order to carry out the above operations PBL has set up the following divisions, departments and units in its Head Office:

1. Credit Operation & Management Unit
    - Corporate/Relationship Operation Department
    - Credit Risk Management Department
    - Credit Administration department
    - Credit Monitoring and Recovery Department
    - Export Finance Division
    - Small & Medium Enterprise (SME) Credit Cell
    - Structured Financing Unit
2. International Division
3. Treasury Division
4. Leasing Unit
5. Card Division

6. Retail Credit Division
7. Corporate Affairs Division
8. Islamic Banking Division
9. Merchant Banking & Investment Division

For facilitating operations by the above mentioned divisions the bank has established the following divisions to provide support and internal services:

1. Logistic & Support Services Division (L&SSD)
2. Financial Administration Division (FAD)
3. Credit Division
4. International Division
5. Computer Division
6. Public Relations Division
7. Marketing Division
8. Human Resources Division
9. Inspection & Audit Division
10. Credit Card Division
11. Merchant Banking and Investment Division

For ensuring internal and statutory compliance there are following three cells namely,

- Board Audit Cell
- Audit and Inspection Division
- Central Compliance Department

Besides, there is a Board Secretariat to look after the company matters and to for arrange for Board/Executive Meetings and record the proceeding of the board/EC

2.8.1. Logistic & Support Services Division (L&SSD)

This Division was formerly known as General Services Division (GSD). Its main functions relate to procurements and supply of all tangible goods and services to the Branches as well as Head

Office of Prime Bank Limited. These include:

- Every tangible functions of Branch opening such as making lease agreement, interior decoration etc.
- Print all security papers and Bank Stationeries
- Distribution of these stationeries to the Branch
- Purchase and distribute all kinds of bank's furniture and fixtures
- Receives demand of cars, vehicles, telephones etc. from branches and different divisions in Head Office and arrange, purchase and delivery of it to the concerned person / Branch
- Install & maintain different facilities in the Branches

2.8.2. Financial Administration Division (FAD)

Financials Administration Division mainly deals with the account side of the Bank. It deals with all the Head Office transactions with bank and its Branches and all there are controlled under the following heads:

- Income, Expenditure Posting: income and expenditures are maintained and posted under these heads.
- Cash Section: Cash section generally handles cash expenditure for office operations and miscellaneous payments.
- Bills Sections: this section is responsible for inland bills only.
- Salary & Wages of the Employee: Salary and wages of the Head Office executives, officers and employees are given in this department.
- Maintenance of Employee Provident Fund: Employee provident fund accounts are maintained here.

Consolidation of Branch's Accounts: All Branches periodically (especially monthly) sends their income and expenditure i.e. profit and loss accounts and Head Office made the consolidation statement of income and expenditure of the bank. Here branch Statements arte reviewed. This division also prepares different monthly, quarterly, half-yearly statements and submits to Bangladesh bank. It also analyzes and interprets financial statements for the management and Board of director.

2.8.3. Credit Division

The main function of this division is to maintain the Bank's Credit Portfolio. A well reputed and hard working group of executives & officers run the functions of this division. These functions are as follows:

- Receiving proposals
- Proposing and appraising
- Getting approval
- Communicating and sanctioning
- Monitoring and follow-up
- Setting price for credit and ensuring effectiveness of it
- Preparing various statements for onward submission to Bangladesh Bank

2.8.4. International Division

The objective of this division is to assist management to make international dealing decisions and after decision is made, guide Branches in their implementation. Its functional areas are as follows:

- Maintaining correspondence relationship
- Monitoring foreign rate and exchange dealings
- Maintaining Nostro A/Cs and reconciliation
- Authorizing of signing and test key
- Monitoring foreign exchange returns & statements
- Sending updated exchange rates to the concerned Branches

2.8.5. Computer Division

Prime Banks operates and keeps records of its assets and liabilities in computers by using integrated software to maintain client Ledger and general Ledger. The main function of this division id to provide required Hardware and Software. The functions of this division are:

- Designing software to support the accounting operation
- Updating software, if there is any lagging
- Improvising software to get best possible output from them.
- Hardware and Software trouble shooting
- Maintaining connectivity through LAN, Intranet & Internet
- Providing updated CD's of online accounts to the Branches
- Routine Checking-up of computers of different Branches

2.8.6. Public Relations Division

It has to perform certain functions related to all types of communication. The broad routine functions can be enumerated as follows:

- Receiving and Sanctioning of all advertisement application
- Keeping good relation with different newspaper offices
- Inviting concerned ones for any occasion
- Keeping good relation with different officers of electronic media

2.8.7. Marketing Division

Marketing Division is involved in two types of marketing:

Asset Marketing: Marketing of assets refers to marketing of various kinds of loans and advances. In-order to perform this job, they often visit dome large organizations and attract then to borrow from the Bank to finance profitable ventures.

Liability Marketing: The process of Liability marketing is more of less same as Asset marketing. In this case different organizations having excess funds are solicited to deposit their excess fund to the Bank. If the amount of money to be deposited is large, the Banks sometimes offer a bit higher price than the prevailing market rate.

2.8.8. Human Resources Division

HRD performs all kind of administrative and personnel related matters. The broad functions of the division are as follows:

- Selection & Recruitment of new personnel
- Preparation for all formalities regarding appointment and joining of the successful candidates
- Placement of manpower
- Dealing with the transfer, promotion and leave of the employees
- Training & Development
- Termination and retrenchment of the employees
- Keeping records and personal file of every employee of the Ban
- Employee welfare fund running
- Arranges workshops & trainings for employee & executives

2.8.9. Inspection & Audit Division

Inspection and Audit division works as internal audit division of the company. The officers of this division randomly go to different Branches, examining the necessary documents regarding each single account. If there is any discrepancy, they inform the authority concerned to take care of that/those discrepancies. They help the bank to comply with the rules and regulation imposed by the Bangladesh Bank.

2.8.10. Credit Card Division

Prime Bank obtained the principal membership of Master Card International in the month of May, 1999. A separate Division is assigned to look after this card. The Marketing Team of this division goes to the potential customers to sell the card. Currently Prime Bank Ltd. offers four types of cards

1. Local Silver Card	3. Local Gold Card
2. International Silver Card	4. International Gold Card

Recently Prime Bank has obtained the membership of VISA credit Card and soon they will start marketing of it.

2.8.11. Merchant Banking and Investment Division

This division concentrates its operation in the area of under writing of initial public offer (IPO) and advance against shares. This division deals with the shares of the Company. They also look after the security Portfolio owned by the Bank. The Bank has a large amount of investment in shares and securities of different corporations as well as government treasury bills and prize bond.

2.9. Human Resources Management of PBL

The core competencies in banking sector can be created with the help of its personnel. The main thing in banking business is that a bank or financial institution has to avail the trust of the depositor, client for improving its performance. Availing the trust of the general people is not an easy task. Not only the directors attitude and efficiency but also that of the employees are important for achieving the trust of the general people and thus for better performance of the bank. In the face of the today's global competition, it is not only essential to assemble the best people to work for the company but also to equip the workforce with the latest skill and technologies and retain the high achievers to compete effectively and efficiently.

To cope with the consumers' need Prime Bank's human resources policy emphasize on providing job satisfaction, growth opportunities, and due recognition of superior performance. A good working environment reflects and promotes a high level of loyalty and commitment from the employees. Realizing this Prime Bank Limited has placed the utmost importance on continuous development of its human resources, identify the strength and weakness of the employee to assess the individual training needs, they are sent for training for self development. To orient, enhance the banking knowledge of the employees PBL organize both in-house and external training.

2.10. Performance of PBL

From the very beginning of its journey, PBL is growing immensely. The Prime Bank Limited is probably the most successful private sector Commercial Bank in our country. Though it started its operation few years back, it has achieved the trust of the general people and made reasonable contribution to the economy of the country by helping the people investing allowing credit facility. Its capital base is as solid as its profit is high. Not only these two, is almost every aspect of this bank very strong in the context of our country. The following table will give a clear idea about the strength of PBL and its continuous growth.

Table 2.1: Performance of the Bank at a Glance Taka in million

Particulars	2001	2002	2003	2004	2005
Authorized Capital	1000.00	1000.00	1000.00	1000.00	4000.00
Paid Up Capital	500.00	600.00	700.00	1000.00	1400.00
Reserve Fund	761.43	807.92	828.57	815.89	1055.98
Equity Fund	1258.26	1526.41	1781.86	2239.80	2808.00
Deposits	13259.87	16481.60	20483.23	28069.24	36022.46
Loans & Advance	9074.94	12686.85	16492.22	23219.67	31916.11
Loans as % of Deposit	68.44%	76.98%	80.52%	82.72%	88.61%
Investments	1730.74	1996.23	2749.71	3083.81	3939.50
Foreign Exchange Business	27614.20	31753.70	41930.8	56248.80	69185.00
Classified Loan	1.13%	1.48%	1.98%	1.52%	0.96%
Branches	26	27	30	36	41
Foreign correspondents	398	422	441	501	517
Capital adequacy ratio	17.50%	12.43%	11.90%	10.74%	9.96%
ROA	3.38%	2.386%	1.72%	2.16%	1.54%
Operating Profit	756.09	747.84	1001.41	1146.14	1520.34
Net Profit before Tax	705.09	696.86	769.91	1064.24	1200.83
Fixed Assets	174.27	218.50	265.17	321.68	372.12
Total Assets	15736.94	19358.93	24249.13	32361.62	41506.29

Product and Services

3.0. Product and Services

If the memorandum and articles of association of the Prime Bank Limited is revised its area of operation is clearly written. The product of PBL is targeted to fulfill that aim. The product and services that are currently available are given below.

3.1. Deposit Scheme

The first Primary function of the bank is to accept deposits of money from the customers or saver group PBL offers all types of deposit services to its customer available in today's bank in Bangladesh. The interest rate is different for the different types of deposits. Prime Bank Limited is now offering 14 depository products for mobilizing the savings of the general people. There are also accounts for force saving from the exporter that is called **Reserve Margin** from the export bill.

The savings rate in Bangladesh is one of the lowest in the world. In order to improve the savings rate, Financial Institutions responsible for mobilization of savings should offer attractive Savings Schemes so that the marginal propensity to save increases. The savings do not, of course, depend only on the quantum of income but largely depend on the habit of savings of the people. Interest rate of **Savings Deposit** is 5.50%.

The bank's deposits grew by 28 percent in 2005. Customer deposits of the bank grew by 33 percent. The growth was supported by branch network and high standard service provided to customers. The No cost and Low cost deposits comprised of 33 percent of the deposits. However, fixed deposits remained the main component of deposits contributing about 52 percent of the total deposits. The flavor of Insurance coverage of the fixed depositors has also increased the quantum. Average Interest cost of deposit increased 7.07 percent as against 6.62 percent of previous year.

Types of Deposits offered by PBL

Prime Bank ltd. serves following deposit services:

- Contributory Saving Scheme
- Monthly Benefit Deposit Scheme
- Special Deposit Scheme
- Education Saving Scheme
- Fixed Deposit Scheme
- Saving deposit Account
- STD Account
- PBL-Insured Fixed Deposit Scheme
- Prime Bank Money Scheme
- Multi Currency Account
- Resident Foreign Currency Deposit Scheme
- Non-Resident Taka Account
- NFCD Non Resident Foreign Currency Account
- Non-Residents Investors Taka Account
- Double Benefit Deposit Scheme
- Housing Building Deposit Scheme
- Lakhopati Deposit Scheme
- Foreign Currency Account
- Prime Millionaire Scheme

Table 3.1: Deposit Mix of Prime Bank Ltd.

(2003)

Deposit Mix	Percentage
Current & other Deposits	17.20%
Savings bank deposit	9.62%
Fixed Deposit	51.71%
Short term Deposit	4.89%
Deposit Schemes	14.74%
Bills payable	1.84%

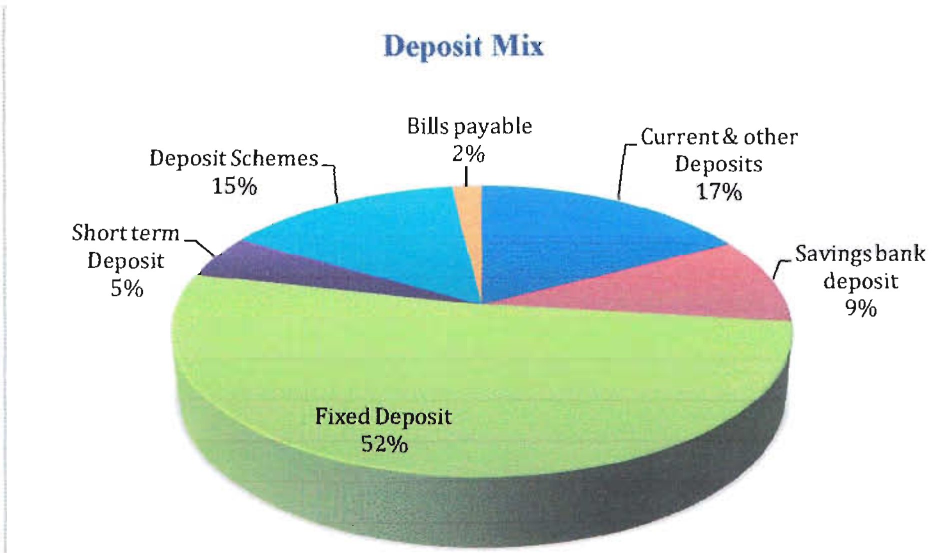


Figure 3.1: Deposit Mix of Prime Bank Ltd.

Here we can found that higher amount of deposit that people are interested in on fixed deposit which is 52 percent and lower on bills payable which is 2 percent. We can also found that there are other types of deposit that PBL has. Current & other deposit is 17 percent which indicate they are more concentrating on fixed deposit which is quite good signal for bank. Because fixed deposit reduces uncertainty in future cash flow.

3.3. Investment

Bank is the largest mobilizer of surplus domestic savings. For poverty alleviation, we need self employment, for self-employment we need investment and for investment we need savings. In the other words, savings help capital formations and the capital formations help investments in the country. The investment in its turn helps industrialization leading towards creation of wealth of the country. And the wealth finally takes the country on road to progress and prosperity. As such, savings is considered the very basis of prosperity of the country. The more the growth of savings, the more will be the prosperity of the nation.

The special feature of the investment policy of Islami Banking is to invest on the basis of profit and loss sharing system in accordance with the tenets and principles of Islamic Shariah. Earning of profit is not the only motive and objective of the Islamic Banking investment policy rather emphasis is given in attaining social welfare and creating employment opportunity.

Value of investment has been enumerated as follows:

- Government treasury bills
- T & T bonds and Bangladesh treasury bonds
- Prize bond
- BHBFC-debenture
- Investment in shares

Prime Bank conducts its investment portfolio mainly under three mechanisms. These are as follows:

- Bai Mechanism
- Share Mechanism
- Ijara

3.3.1. Growth of Investment

Table 3.2: Investment amount of different year for Prime Bank Ltd.

Year	Investment (Taka in million)	Growth (%)
2001	1730.74	
2002	1996.23	15.34%
2003	2749.71	37.75%
2004	3083.81	12.15%
2005	3939.50	27.74%

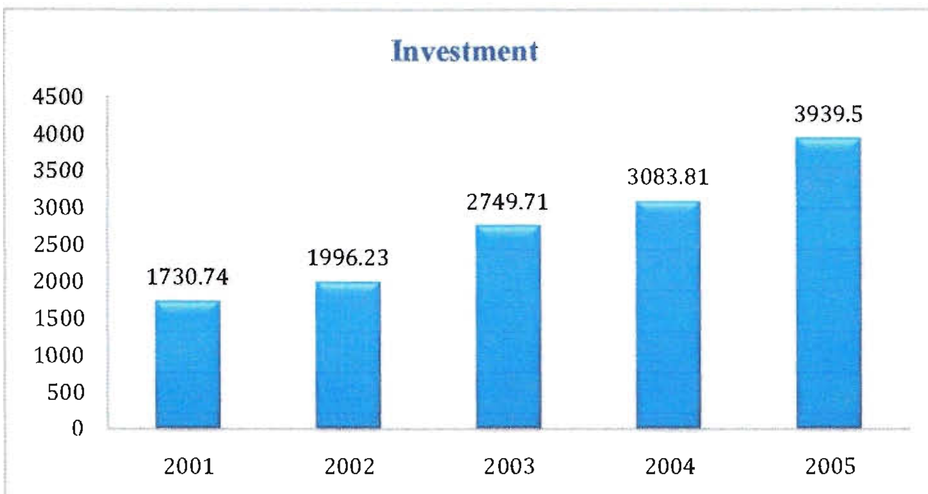


Figure 3.2: Investment amount of different year for Prime Bank Ltd.

Over the years the investment amount is increasing. The bank's investment increased during the year 2005 by Tk 856 million and stood at Tk 3939 million as at 31st December 2005. And the growth of this investment is higher in 2003 which is 37.75 percent. The bank purchased government treasury bills to cover the increased SLR arising from the growth of deposit liabilities.

3.4. Loans and Advances

Table 3.3: Loans and Advances of Prime Bank Ltd.

Year	Loans and Advances (Taka in million)	Growth (%)
2001	9074.94	
2002	12686.85	39.80%
2003	16492.22	29.99%
2004	23219.67	40.79%
2005	31916.11	37.46%

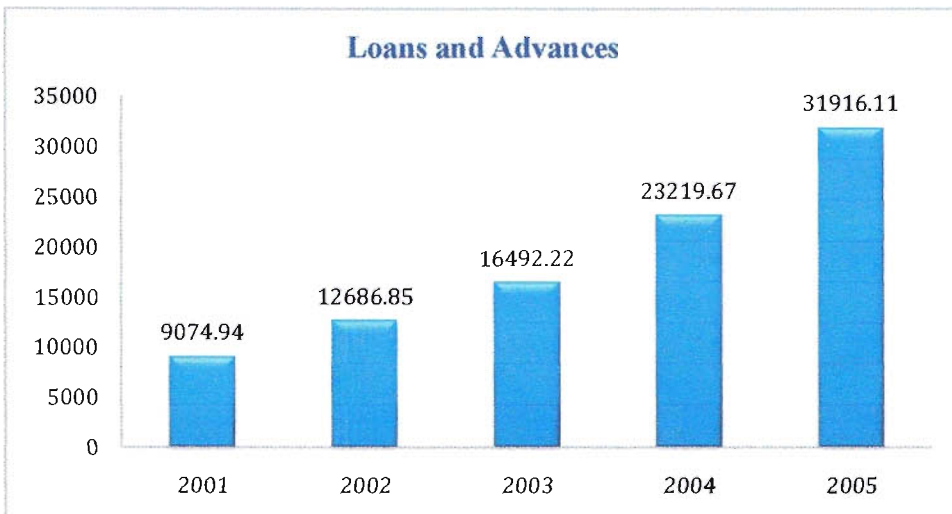


Figure 3.3: Loans and Advances of Prime Bank Ltd.

Loans and advances/Investments of the Bank grew strongly by 37.45 percent to 31.916 million in 2005. And in 2005 the total investment amount is 31916.11 million. Bills purchased and discounted increased by 51.19 percent indicating strong growth in export performance. Investment of Islamic Banking Branches grew by 82 percent and loans and advances of Conventional Branches grew by 33 percent.

3.5. Credit Categories & Types

As initiated by Bangladesh Bank vide BCD circular No. 8 dated 25-04-94 different kinds of credit wee subdivided into 7 prime sectors for fixation of interest rates by the individual banks on competitive basis depending on the cost of funds, prevailing market condition and monetary policy of the country.

Loans and advances have primarily been divided into two major groups:

a) Fixed Term Loan

b) Continuing Credits

Further these two categories have been accommodated under 7 prime sectors as under:

- Agriculture
- Export Credit
- Working Capital
- Commercial Lending
- Term Loan for Large/ Medium Scale Industry
- Term Loan for Small and Cottage Industry
- Others

Prime Bank Ltd. offers the following types of credit services:

1) Loan (General)
2) Secured Over Draft (Export)
3) House Building Loan (General)
4) Payment Against Document (PAD)
5) House Building Loan (Staff)
6) Loan Against Imported Merchandise
7) Other Loans to Staff
8) Loan Against Trust Receipt (LTR)
9) Cash Credit (Hypo)
10) Inland Bill Purchase
11) Cash Credit (Pledge)
12) Export Cash Credit
13) Hire Purchase
14) Packing Credit
15) Lease Finance
16) Foreign Documentary Bills Purchased
17) Consumer Credit Scheme
18) Local Documentary Bills Purchased
19) Secured Over Draft (General)
20) Foreign Bills Purchase
21) Secured Over Draft (Others)
22) Inland Documentary Bills Purchased

Diversification is one of the key mantras of PBL. So, it has provided its credit services to the various sectors of economy. Prime Bank Limited's sector-wise exposure is given below.

Table 3.4: Sector-wise Loans and advances as on 30-06-04

Figure in Crore

Sl No.	Sector	Amount	% of Total Loan
1	Agriculture	44.19	2.15
2	Large & Medium Scale Industry (Term Loan)	417.85	20.37
3	Working Capital	298.38	14.54
4	Export Finance	266.62	13.00
5	Commercial Lending	448.23	21.85
6	House Building Loan	53.23	2.61
7	Small & Cottage Industry	12.05	0.59
8	Consumer Credit Scheme	51.57	2.51
9	Others	459.31	22.39
	Total	**2051.66**	**100**

Source: Prime Bank Training

An overview of the selected Privet Commercial Banks of Bangladesh

4.1. Dhaka Bank Limited (DBL)

Bangladesh economy has been experiencing a rapid growth since the '90s. Industrial and agricultural development, international trade, inflow of expatriate Bangladeshi workers' remittance, local and foreign investments in construction, communication, power, food processing and service enterprises ushered in an era of economic activities. Urbanization and lifestyle changes concurrent with the economic development created a demand for banking products and services to support the new initiatives as well as to channelize consumer investments in a profitable manner. A group of highly acclaimed businessmen of the country grouped together to responded to this need and established Dhaka Bank Limited in the year 1995.

The Bank was incorporated as a public limited company under the Companies Act. 1994. The Bank started its commercial operation on July 05, 1995 with an authorized capital of Tk. 1,000 million and paid up capital of Tk. 100 million. The paid up capital of the Bank stood at Tk 1,934,252,875 as on June 30, 2008. The total equity (capital and reserves) of the Bank as on June 30, 2008 stood at Tk 3,424,609,016.

The Bank has 44 branches, 2 SME Service Centers, 1 Business Center, 2 Offshore Banking Units across the country and a wide network of correspondents all over the world. The Bank has plans to open more branches in the current fiscal year to expand the network.

The Bank offers the full range of banking and investment services for personal and corporate customers, backed by the latest technology and a team of highly motivated officers and staff.

In our effort to provide Excellence in banking services, the Bank has launched Online Banking service, joined a countrywide shared ATM network and has introduced a co-branded credit card. A process is also underway to provide e-business facility to the bank's clientele through Online and Home banking solutions.

Dhaka Bank Ltd. is the preferred choice in banking for friendly and personalized services, cutting edge technology, tailored solutions for business needs, global reach in trade and commerce and high yield on investments.

The Bank has 37 branches across the country and a wide network of correspondents all over the world. The bank offers the full range of banking and investment services for personal and corporate customers, backed by latest technology and a team of highly motivated officers and staff. In the effort to provide Excellence in Banking Services, the bank has launched Online Banking Service, Joined a countrywide shared ATM network and has introduced a co-branded credit card. A process is also underway to provide e-business facility to the bank's clientele through Online and home banking solutions.

Our Mission

To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking.

Our Vision

At Dhaka Bank, we draw our inspiration from the distant stars. Our team is committed to assure a standard that makes every banking transaction a pleasurable experience. Our endeavour is to offer you razor sharp sparkle through accuracy, reliability, timely delivery, cutting edge technology, and tailored solution for business needs, global reach in trade and commerce and high yield on your investments.

Our Goal

Our people, products and processes are aligned to meet the demand of our discerning customers. Our goal is to achieve a distinction like the luminaries in the sky. Our prime objective is to deliver a quality that demonstrates a true reflection of our vision – Excellence in Banking.

4.2. NCC Bank Ltd

National Credit and Commerce Bank Ltd. bears a unique history of its own. The organization started its journey in the financial sector of the country as an investment company back in 1985. The aim of the company was to mobilize resources from within and invest them in such way so as to develop country's Industrial and Trade Sector and playing a catalyst role in the formation of capital market as well. Its membership with the browse helped the company to a great extent in this regard. The company operated up to 1992 with 16 branches and thereafter with the permission of the Central Bank converted in to a full fledged private commercial Bank in 1993 with paid up capital of Tk. 39.00 corore to serve the nation from a broader platform.

Since its inception NCC Bank Ltd. has acquired commendable reputation by providing sincere personalized service to its customers in a technology based environment.

The Bank has set up a new standard in financing in the Industrial, Trade and Foreign exchange business. Its various deposit & credit products have also attracted the clients-both corporate and individuals who feel comfort in doing business with the Bank.

Our Mission

To mobilize financial resources from within and abroad to contribute to Agricultures, Industry & Socio-economic development of the country and to pay a catalytic role in the formation of capital market.

Our Vision

To become the Bank of choice in serving the Nation as a progressive and Socially Responsible financial institution by bringing credit & commerce together for profit and sustainable growth.

4.3. Social Investment Bank Limited (SIBL)

The formal corporate sector, this Bank would, among others, offer the most up-to date banking services through opening of various types of deposit and investment accounts, financing trade, providing letters of guarantee, opening letters of credit, collection of bills effecting domestic and international transfer, leasing of equipment and consumer durables, hire purchase and installment sale for capital goods, investment in low-cost housing and management of real estates, participatory investment in various industrial, agricultural , transport, educational and health projects and so on.

In the Non-formal non-corporate sector, it would, among others, involve in cash Waqf Certificate and development and management of WAQF and MOSQUE properties, and Trust funds.

Total Operating Income of the Bank as on 31st December 2007 stood at Tk. 902.00 million against Tk. 632.00 million of the preceding year. The Bank made an operating profit of Tk. 481.00 million in 2007 against Tk. 296.00 million of 2006.

Our Mission

- High quality financial services the latest technology.
- Fast, Accurate and Satisfactory customer service.
- Balanced & sustainable growth strategy.
- Optimum return on shareholders' equity.
- Introducing innovative Islamic Banking products.
- Attract and retain high quality human resources.
- Empowering real poor families and create local income opportunities.
- Providing support for social benefit organizations - by way of mobilizing funds and social services.

Our Vision

Social Islami Bank Ltd started its journey with the concept of 21st Century Islamic participatory three sector banking model: i) Formal Sector- Commercial Banking with latest technology; ii) Non-Formal Sector - Family Empowerment Micro-Credit & Micro-enterprise program and iii) Voluntary Sector - Social Capital mobilization through CASH WAQF and others. Finally, "Reduction of Poverty Level" is our Vision, which is a prime object as stated in Memorendum of Association of the Bank with the commitment "Working Together for a Caring Society".

Different types of ratio analysis on Prime Bank Ltd.

5.1. Profitability Ratios

While the behavior of a stock's price is, in theory, the best indicator of a firm's performance because it reflects the market's evaluation of that firm, this indicator is often not available for smaller banks because the stock issued by smaller banks is frequently no actively traded in international or national market. This fact forces the financial analyst to fall back on surrogates for market-value indicators in the form of various profitability ratios. Among the most important ratio measures of profitability used today are the following:

5.1.1. Return on Equity Capital

Table 5.1: Return on Equity Capital

Year	Return on Equity Capital	Growth (%)
2001	38.29%	-
2002	27.39%	-28.47%
2003	21.07%	-23.07%
2004	27.32%	29.66%
2005	20.89%	-23.54%

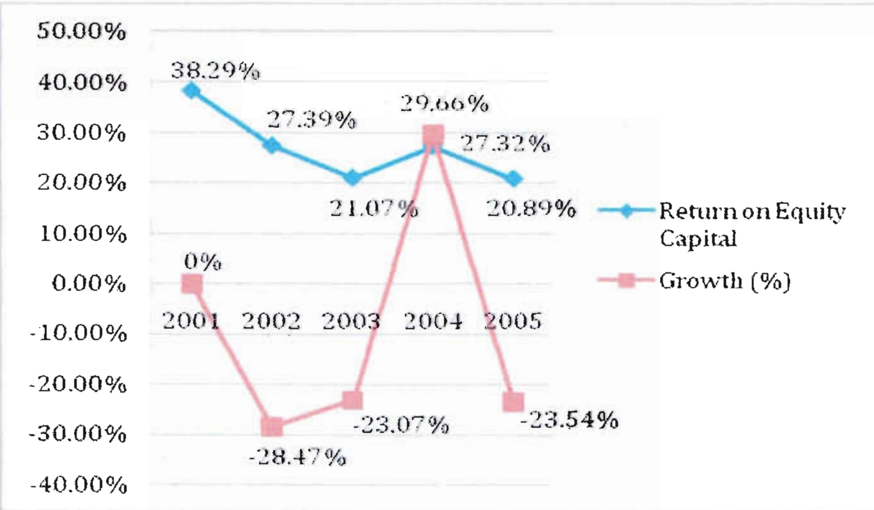


Figure 5.1: Return on Equity Capital

ROE measures the return PBL earns for its share holders. This ratio indicates that how much return available to its equity holder. And this ratio was decreased over the five years which indicates that through 2001 to 2005 Prime Bank Ltd. decreased its financing from its equity holder which indicates PBL is less reluctant to its creditors which decreased its risk but the bank has to pay more on tax. In year 2005 the growth of return on equity was 20.89% which was gradually decreased from 38.29% in year 2001.

5.1.2. Return on Assets

Table 5.2: Return on Asset

Year	Return on Assets	Growth (%)
2001	3.07%	-
2002	2.09%	-31.92%
2003	1.55%	-25.84%
2004	1.89%	21.94%
2005	1.54%	-18.52%

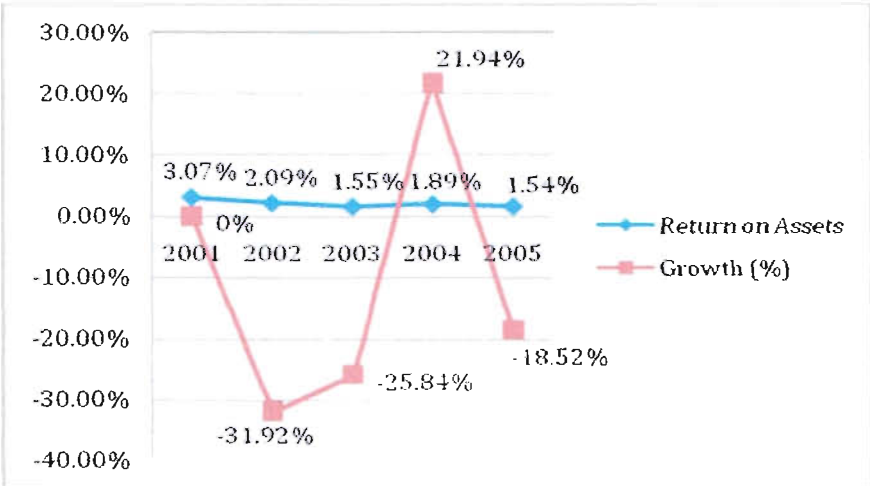


Figure 5.2: Return on Asset

This ratio measures the management's the ability and efficiency in using the firm's assets to generate (operating) profits and It also reports the total return accruing to all providers of capital (debt and equity). Higher the ratio is better for investors of the company which means the company earns more return. And a low ROA can result from low turnover, indicating poor Asset management, low profit margin or a combination of both factors. ROA ratio was decreasing over the five years. PBL earns 3.07% return for its all capital providers in 2001 and in year 2003 ROA was lowest 1.55% which means low turnover, indicating poor Asset management, low profit margin or a combination of both factors.

5.1.3. Net Interest Margin

Table 5.3: Net Interest Margin

Year	Net Interest Margin	Growth (%)
2001	3.16%	-
2002	2.81%	-11.08%
2003	3.1%	10.32%
2004	3.17%	2.26%
2005	2.83%	-10.732%

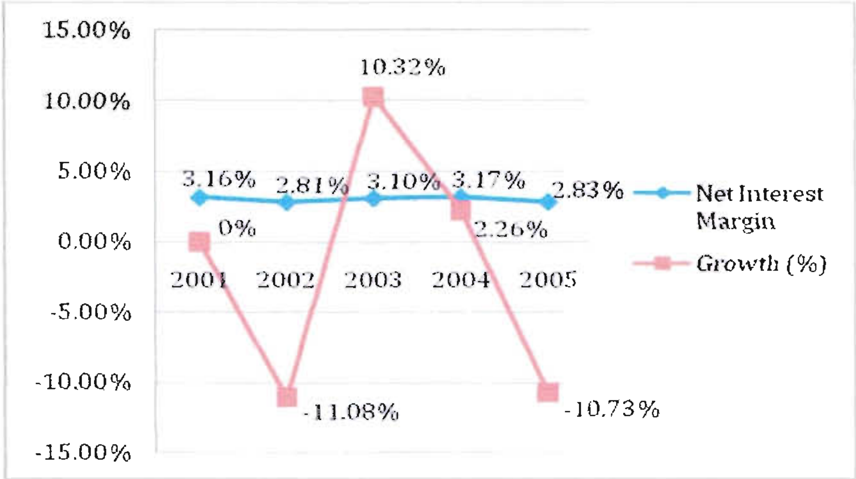


Figure 5.3: Net Interest Margin

The net interest margin means how large a spread between interest revenues and interst costs that management has been able by close control over earning assets and the pursuit of the cheapest sources of funding. Higher this ratio is better for the bank. Considering the ratio, Prime Bank had the largest spread between interest revenues and costs in 2004 which is 3.17% and lowest in 2002 which is 2.81%. And over the five years this ratio result some ups and downs in the spread.

5.1.4. Net Noninterest Margin

Table 5.4: Net Noninterest Margin

Year	Net Noninterest Margin	Growth (%)
2001	3.92%	-
2002	3.15%	-19.64%
2003	3.47%	10.16%
2004	2.92%	-15.85%
2005	2.97%	1.71%

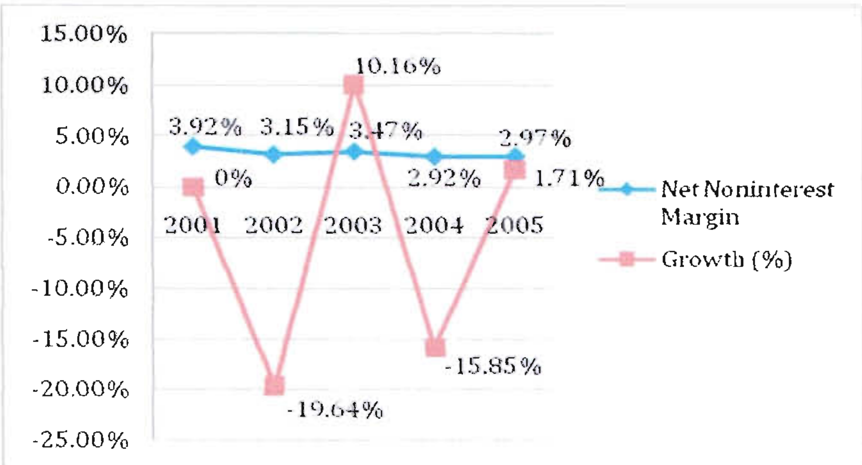


Figure 5.4: Net Noninterest Margin

The net noninterest margin measures the amount of noninterest revenues stemming from deposit service charges and other service fees the bank has been able to collect (called fee income) relative to the amount of noninterest costs incurred (including salaries and wages, repair and maintenance costs of facilities, and loan-loss expenses). Over the five years the noninterest costs was increasing so net noninterest margin was decreasing. In 2001, Prime Bank achieved the highest noninterest revenues.

5.1.5. Net Operating Margin

Table 5.5: Net Operating Margin

Year	Net Operating Margin	Growth (%)
2001	4.8%	-
2002	3.73%	-22.29%
2003	4.13%	10.72%
2004	3.54%	-14.29%
2005	3.66%	3.39%

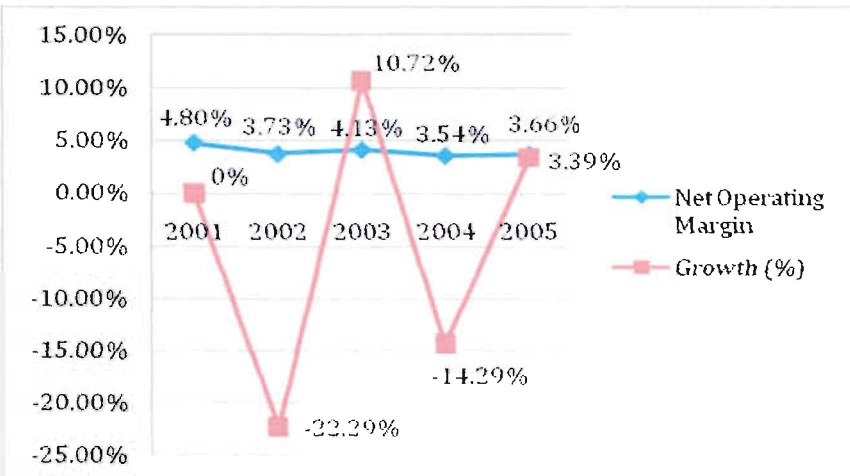


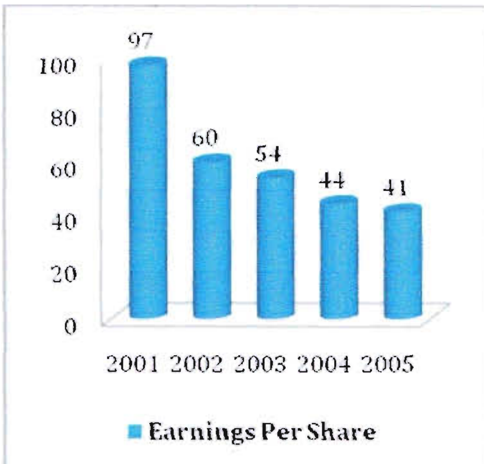
Figure 5.5: Net Operating Margin

The ratio measures the profitability of firm from the operation its core business and the profitability is used to compute this ratio excluding the effect of Investment, Financing and Tax Position and including the affect of gains and loss of incidental operations. Starting from that year the operating margin for the bank has subsequently created some ups and down result. In 2001 PBL achieved the highest net operating margin (4.8%) and in 2004 it achieved the lowest (3.54%).

5.1.6. Earnings Per Share

Table 5.6: Earnings Per Share

Year	Earnings Per Share	Growth (%)
2001	97	-
2002	60	-38.14%
2003	54	-10%
2004	44	-18.52%
2005	41	-6.82%



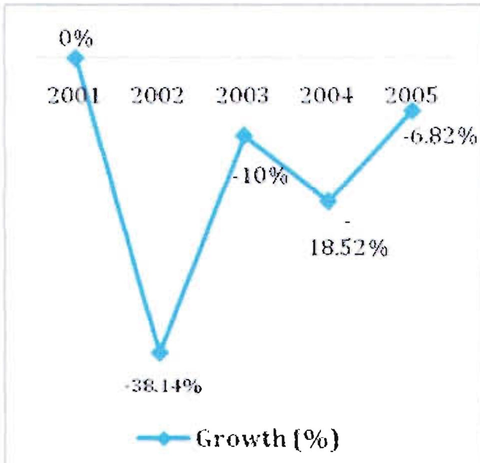


Figure 5.6: Earnings Per Share

Earning per share is probably is the most commonly used corporate performance statistic for publicly traded firms. Earning per share implies how much earning available to its stockholder against Tk. 100 is investment. From the five years financial analysis we have identified that Prime Bank Ltd. was getting profit and this earning is highest in 2001. But this earning per share was decreasing starting from 2001. So it became Tk. 41 in 2005 from Tk. 97 in 2001. It has been observed that during 2001 to 2005 every year EPS has been decreased form the previous year. It indicates profitability (Net Income) is decreasing continuously. This decreased of EPS indicates negative signal about the prospects of the bank.

Measuring Risk in Banking services

Risk to a banker means the perceived uncertainty associated with a particular event. Risk measurement is related to return to return measurement because a bank must take risks in order to earn adequate returns. Risk management is emphasized not only for regulatory purpose but also to improve operational and financial performance of the bank. Bankers are concerned with six main types of risk:

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

1. Credit Risks

Credit risk is one of the major risks faced by the bank. This can be described as potential loss arising from the failure of a counter party to perform according to contractual agreement with the bank. The failure may arise due to unwillingness of the counter party or decline in economic condition. The following ratios are the most widely used indicators of credit risk:

Table 5.7: Non performing Loan (a)

Year	Non performing Asset/Total Loans	Growth (%)
2001	0.64%	-
2002	0.94%	46.88%
2003	1.98%	110.64%
2004	1.52%	-23.23%
2005	0.96%	-36.84%

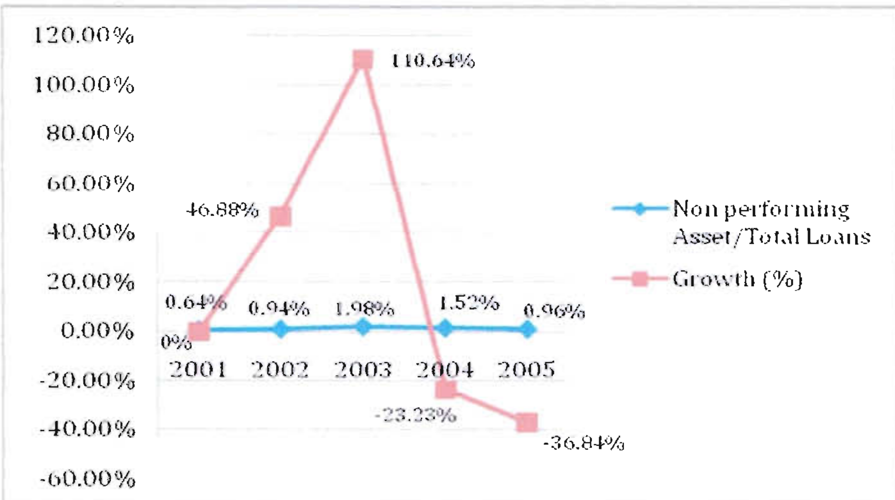


Figure 5.7: Non performing Loan (a)

Non performing asset are income-generating assets; means the classified loans provided by the banks which also known as problematic loans. The lower the volume of non performing loans, the lower the credit risks of the bank. As the ratio rise, exposure to credit risk grows, and failure of a bank may be just around the coner. In terms of this ratio, Prime Bank managed to keep lower portion of non performing loans (classified loans) relative to its total loans over the five years. So in 2001 Prime Bank had lowest credit risk and in 2003 it had heighest credit risk.

Table 5.8: Non performing Loan (b)

Year	Non performing Assets/Equity Capital	Growth (%)
2001	8.03%	-
2002	12.33%	53.55%
2003	18.33%	48.66%
2004	15.75%	-14.08%
2005	18.29%	16.13%

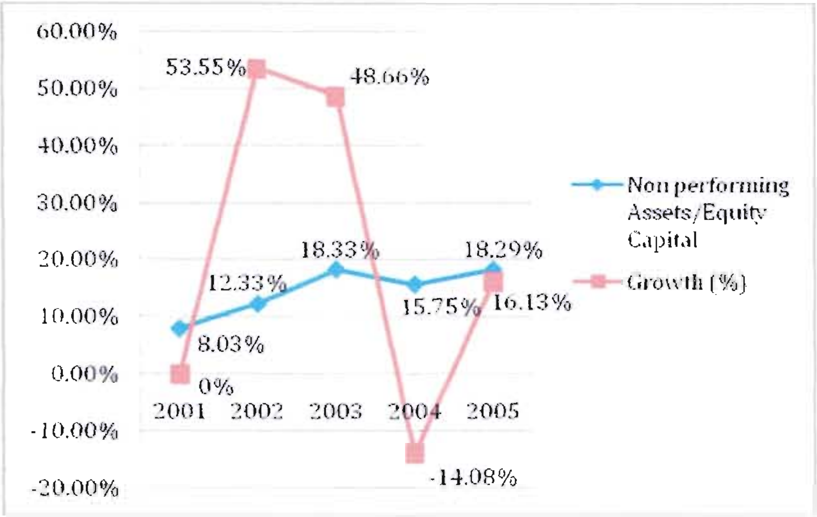


Figure 5.8: Non performing Loan (b)

The lower the volume of non performing loans relative to its equity capital, the lower the credit risks of the bank. Lower this ratio is better for the bank. In 2001, Prime Bank managed to keep lower portion of non performing loans (classified loans) relative to its shareholder's equity. On the other hand it is gradually increasing. And in 2003, this ratio is quite high which indicates credit risk had been increased.

Table 5.9: Net Charge off of Loans

Year	Net Charge off of Loans/Total Loans	Growth (%)
2001	0.03%	-
2002	0.015%	-50%
2003	0.44%	2833.33%
2004	0.45%	2.27%
2005	0.81%	80%

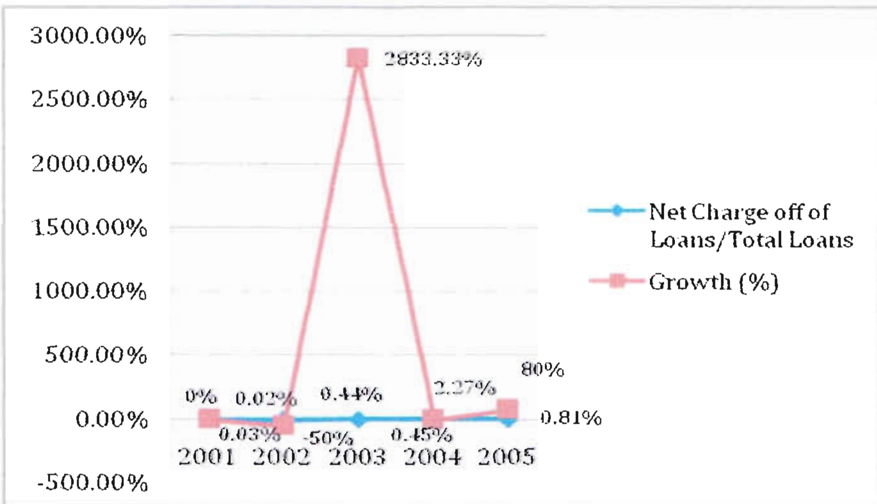


Figure 5.9: Net Charge off of Loans

Charge-offs, are loans that have been declared worthless and written off the lender's books. If some of these loans ultimately generate income for the lender, the amonuts recovered are deducted from gross charge-offs to yield net charge-offs. As the ratio rise, exposure to credit risk grows, and failure of a bank may be just around the coner. This ratio was lower in 2002 so credit risk was quite low in 2002 but it was highest in 2005 which indicate credit risk was quite high in 2005.

Table 5.10: Annual Provision for Loans (a)

Year	Annual Provision for Loans/Total Loans	Growth (%)
2001	1.75%	-
2002	0.44%	-74.86%
2003	1.58%	259.09%
2004	0.38%	-75.95%
2005	1.45%	281.58%

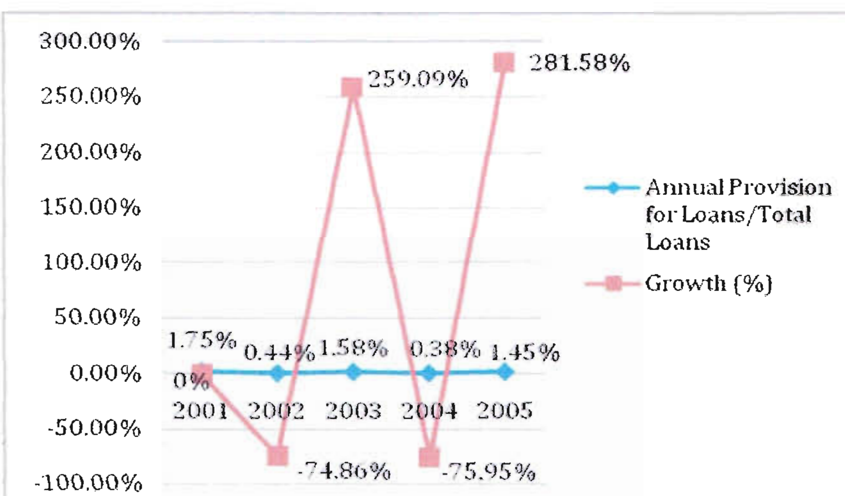


Figure 5.10: Annual Provision for Loans (a)

Higher this ratio is better for the bank. According to this ratio, in 2001 Prime Bank had the lower probability to face credit risks in future because of higher reserve for annual provision loan losses and in 2004, it moved the lowest amount of taka to provision account for future loan losses. And in 2005 it has quite modaret amount of credit risk.

Table 5.11: Annual Provision for Loans (b)

Year	Annual Provision for Loans/Equity Capital	Growth (%)
2001	10.05%	-
2002	3.28%	-67.36%
2003	12.91%	293.6%
2004	3.59%	-72.19%
2005	14.96%	316.7%

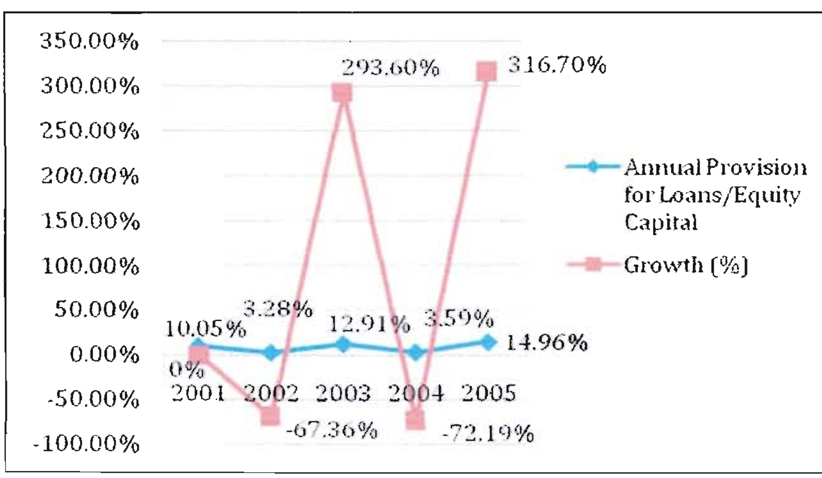


Figure 5.11: Annual Provision for Loans (b)

Higher this ratio is better for the bank. Here in 2003, Prime Bank was in the better position with lower credit risk probability because it always maintained higher amount of provision annually relative to shareholder's equity which primarily can absorb the risk if there was any chance of affecting bank's equity capital.

Table 5.12: Allowance for Loan Losses (a)

Year	Allowance for Loan Losses/Total Assets	Growth (%)
2001	1.31%	-
2002	1.31%	0%
2003	1.74%	32.82%
2004	1.25%	-28.16%
2005	1.18%	-5.6%

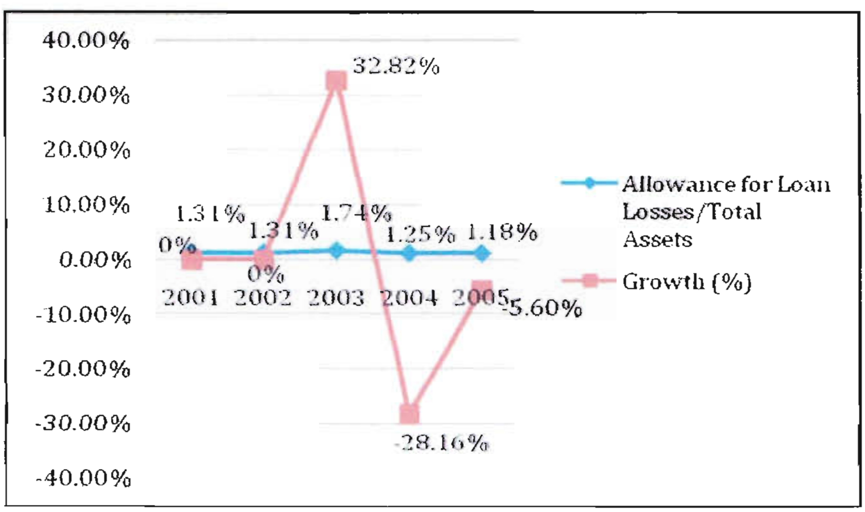


Figure 5.12: Allowance for Loan Losses (a)

Higher this ratio is better for the bank. Here in 2003, Prime Bank again was in the better position with lower credit risk probability because it always maintained higher amount of allowance for loan losses (cumulative amount of annual provision) relative to its total assets which primarily can absorb the risk if there was any chance of affecting bank's asset value. But in 2005 its credit risk was rises because of lower amount of this ratio.

Table 5.13: Allowance for Loan Losses (b)

Year	Allowance for Loan Losses/Equity Capital	Growth (%)
2001	16.34%	-
2002	16.68%	2.08%
2003	23.64%	41.73%
2004	18.11%	-23.39%
2005	17.51%	-3.31%

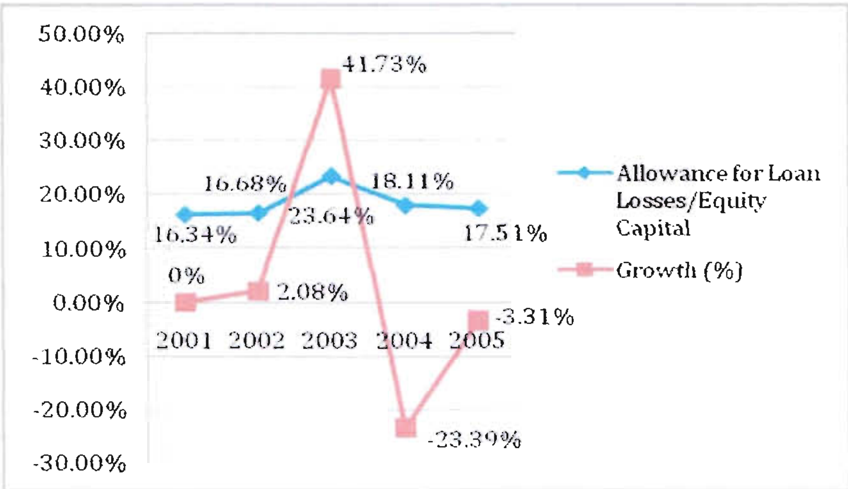


Figure 5.13: Allowance for Loan Losses (b)

Prime Bank was in the better position with lower credit risk in 2003, probability because it maintained higher amount of allowance relative to shareholder's equity which absorb the risk if there was any chance of affecting bank's equity capital in future due to huge charge off. In 2001, Prime Bank had the lowest portion of allowance relative to its equity capital.

Table 5.14: Total Loans

Year	Total Loans/Total Deposits	Growth (%)
2001	68%	-
2002	85.14%	25.21%
2003	84.47%	-0.79%
2004	86.74%	2.69%
2005	86.79%	0.06%

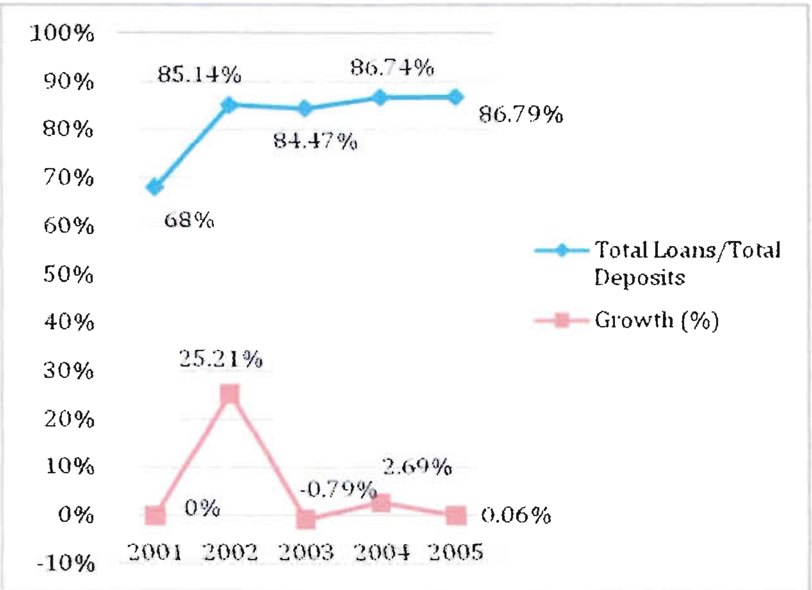


Figure 5.14: Total Loans

As this ratio grows, examiners representing the regulatory community may become more concerned because loans are usually among the riskiest of all for banks and other depository institutions, and, therefore, deposits must be carefully protected. A rise in bad loans or declining market values of otherwise good relative to the amount of deposits creates greater depositors risk. So Prime Bank had higher risk in 2005 which was gradually increased from 2001.

2.2. Liquidity Risks

Banks managers are also concerned about the danger of not having sufficient cash and borrowing capacity to meet customer withdrawals, loan demand, and other cash needs, which are known as liquidity risk. A bank's liquidity risk refers to a comparison of its liquidity needs for deposit outflows and loan increases with its actual and potential sources of liquidity, from either selling an asset it holds or acquiring an additional liability. It is computed by dividing short-term securities with the deposits.

The tradeoffs that generally exist between returns and risks are demonstrated by observing that a shift from short-term securities into long-term securities or loans would raise a bank's return but would also increase its liquidity risk. The inverse would be true if short-term securities were increased. Thus, high liquidity ratio for the sample bank would indicate a less-risky and less profitable bank.

PBL maintains diversified and stable funding base comprising of core retail, corporate and industrial deposits. It maintains sufficient liquid asset for meeting the funding requirements. The principal responsibility of the liquidity risk management of the bank rests with treasury division, ALCO (Asset and Liabilities Committee) monitors the liquidity management of the treasury division by 1) setting tolerance limit for cumulative cash flow mismatches 2) setting limit on loan to deposit ratio 3) setting limit on dependence on institutional deposits which are volatile in nature. Primary source of funding is customer deposits via saving, FDR and Scheme deposits and as such PBL attaches the stability of the core deposits by maintaining depositor's confidence in PBL's financial strength and liquidity.

The useful measure of liquidity risk exposure ratios are:

Table 5.15: Purchase Funds

Year	Purchase Funds/Total Assets	Growth (%)
2001	0.95%	-
2002	3.77%	296.84%
2003	2.34%	-37.93%
2004	2.92%	24.79%
2005	0.92%	-68.49%

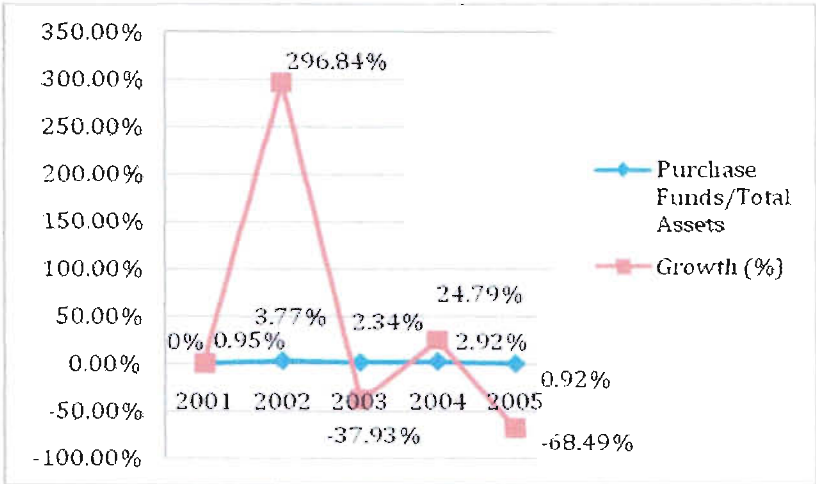


Figure 5.15: Purchase Funds

Shortage of liquidity due to unexpectedlly heavy deposit withdrawals might forces a bank to borrow funds from other banks, finacial institutions or agents at an elevated interest rate, higher than the interest rates other institutions are paying for similar borrowings. Heavier use of purchased funds increases the chances of a liquididty crunch in the event deposit withdrawals rise or loan quality declines. In year 2002 Prime Bank's pruchased dunds was high compaire to other years. So in 2002 the chances of a liquididty crunch was high and in 2005 it was low. In 2002 the chances of a liquididty crunch was inreased by 296.84% from 2001 and in 2005 it was declines by 68.49%.

Table 5.16: Net Loans

Year	Net Loans/Total Assets	Growth (%)
2001	45.95%	-
2002	58.09%	26.42%
2003	59.85%	3.03%
2004	65.48%	9.41%
2005	69.29%	5.82%

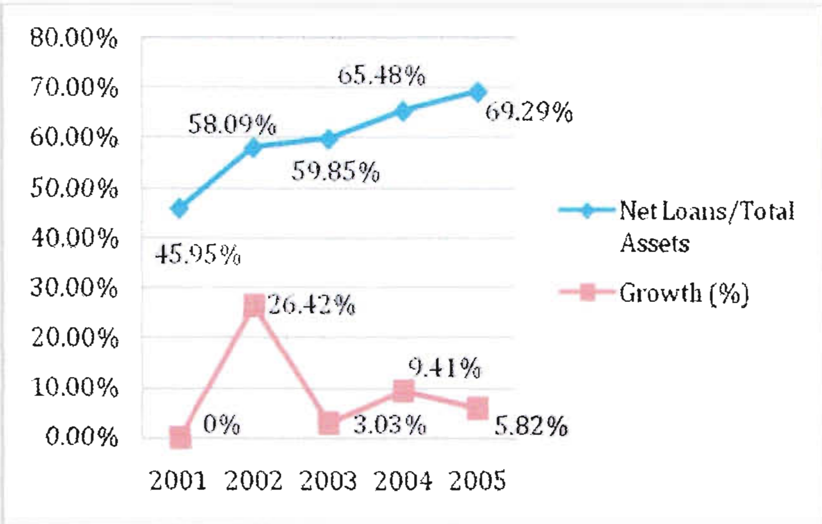


Figure 5.16: Net Loans

Over the five years Prime Bank had minimal liquidity risks because most of the time they provided fair percentage of loans and incurred less amount of charge off against its assets. Only exception was in 2004 and 2005, prime Bank granted on average 67% loan amount relative to its total assets. So In those years, they faced lower operating and net income than its earlier years.

Table 5.17: Cash and Due from Other Financial Institutions

Year	Cash and Due from Other Financial Institutions/Total Assets	Growth (%)
2001	21.35%	-
2002	18.37%	-13.96%
2003	15.11%	-17.74%
2004	12.06%	-20.19%
2005	9.04%	-25.04%

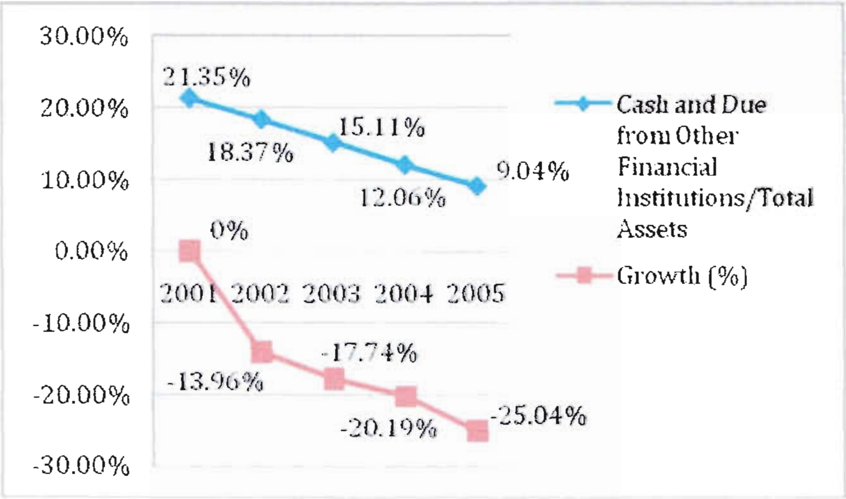


Figure 5.17: Cash and Due from Other Financial Institutions

Prime Bank had higher amount of cash balance and corresponding deposits balances against its total assets in 2001 but in the respective years it was going down. So in 2001 they had higher amount of credit and liquidity risk and in 2005 they have lower amount of credit and liquidity risk.

Table 5.18: Cash and Government Securities

Year	Cash and Government Securities/Total Assets	Growth (%)
2001	16.12%	-
2002	17.04%	5.71%
2003	15.54%	-9.33%
2004	16.13%	3.80%
2005	17.28%	7.13%

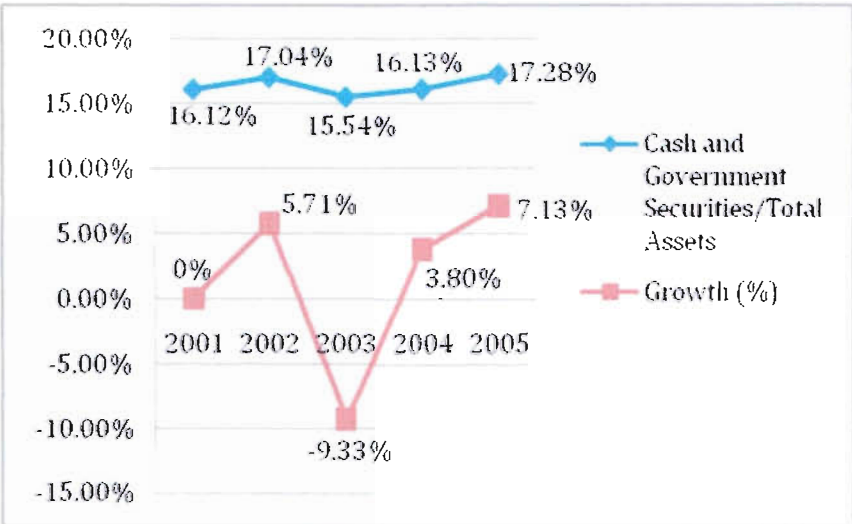


Figure 5.18: Cash and Government Securities

Over the five years Prime Bank had fair amount of liquidity risks. In 2005, they had lower amount of liquidity risk beacause they kept higher balance of cash and invested in government securities which gave them a shield against the risk exposure. And in 2003, they had higher amount of liquidity risk beacause they had lowest amount of cash balance and govemmnet seurities investment among them which lead them to expose against the liquidity risk.

3. Market Risks

In market-oriented economies, where most of the world's banks and other leading financial institutions offer their services today, the market values of assets, liabilities, and net worth if banks and other financial-service providers are constantly in a state of flux, creating market risk. Changes in market interest rates and currency prices, shifting public demands for bank services and the services offered by nonbank financial firms, sudden alternations in central bank monetary policies, and changing investors perceptions of the riskiness of bank and nonbank financial firms cause the value of institutional assets, liabilities, and equity to move up pr down frequently, depending on the direction financial winds are blowing. Especially sensitive to these market-value movements are bond portfolios and stockholders' equity, which can dive suddenly as market prices move against a bank.

Table 5.19: Book Value Per Share

Year	Book Value Per Share	Growth (%)
2001	222	-
2002	235	5.86%
2003	233	-8.51%
2004	224	-3.86%
2005	201	-10.27%

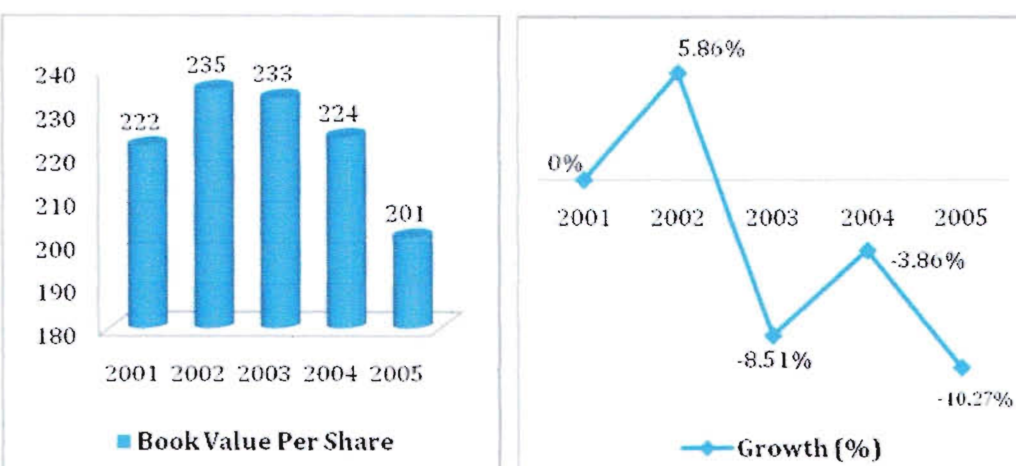


Figure 5.19: Book Value Per Share

Table 5.20: Market Value of Common Stock

Year	Market Value of Common Stock	Growth (%)
2001	410	-
2002	308	-24.88%
2003	374	21.43%
2004	880	135.29%
2005	682	-22.5%

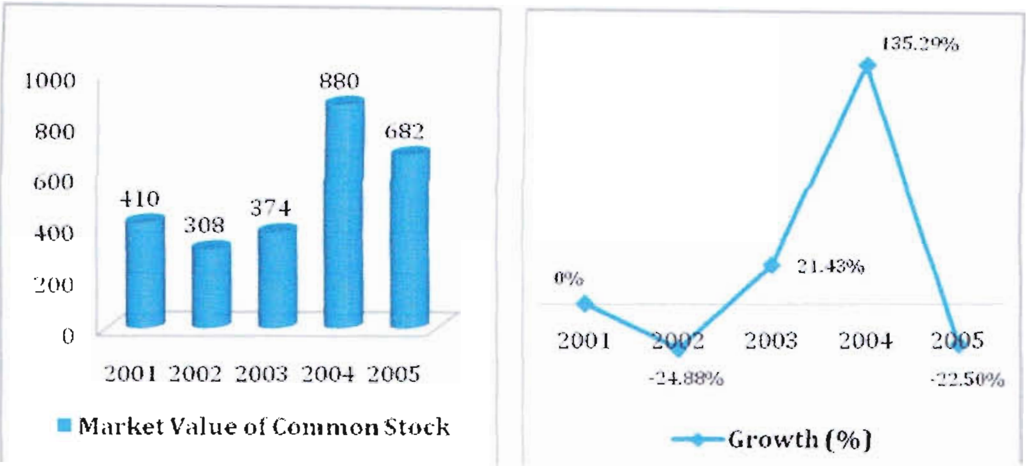
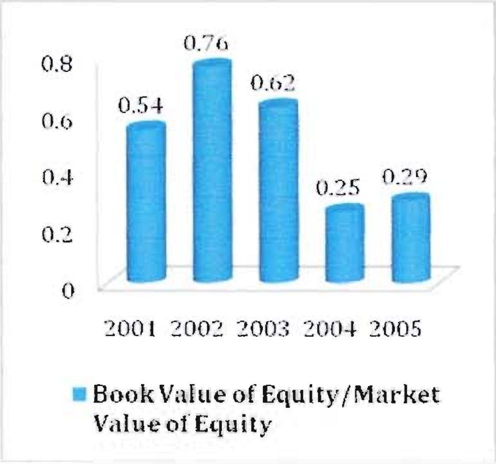


Figure 5.20: Market Value of Common Stock

Prime Bank Limited doesn't issue preferred stock. So, all of their issued stocks are common stock. The market price per share of Prime Bank is Tk. 682 in 2005 and Tk. 410 in 2001. Face value of common share is Tk. 100. Although the share price in 2001 indicate better condition in the market as the price is higher than the face value, in 2005 the price of share indicate more better position compare to the year of 2001. So, the market risk is lower compare to other years except 2004.

Table 5.21: Book Value of Equity

Year	Book Value of Equity/Market Value of Equity	Growth (%)
2001	0.54	-
2002	0.76	40.74%
2003	0.62	-18.42%
2004	0.25	-59.68%
2005	0.29	16%



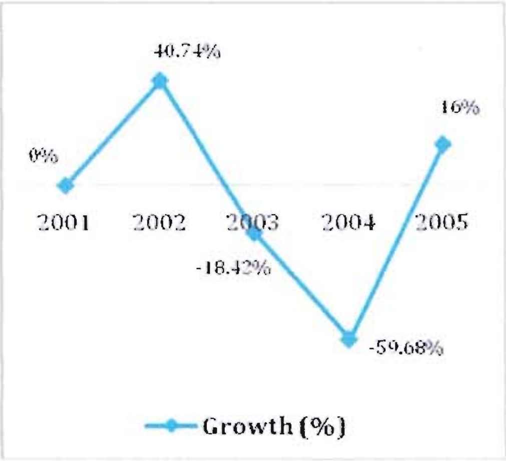


Figure 5.21: Book Value of Equity

5.2.4. Interest Rate Risk

The bank's interest rate risk is related to the changes in interest rates. The ratio of interest- sensitive assets to interest-sensitive liabilities is the measure of interest rate risk. The impact of changing interest rates on a bank's or other financial institution's margin of profit is usually called interest rate risk. Movements in market interest rates can also have potential effects on the margin of revenues over costs for both banks and their competitors. For example, rising interest rates can lower a bank's margin of profit if the structure of the institution's assets and liabilities is such that interest expenses on borrowed ey increase more rapidly than interest revenues on loans and security investments. However, if a k or other financial firm has an excess of flexible-rate liabilities, falling interest rates will erode its fit margin. In this case, asset revenues will drop faster then borrowing costs.

Table 5.22: Interest Rate Risk

Year	Interest Sensitive Assets/Interest Sensitive Liabilities	Growth (%)
2001	69.22%	-
2002	68.24%	-1.42%
2003	69.06%	1.20%
2004	75.84%	9.82%
2005	80.49%	6.13%

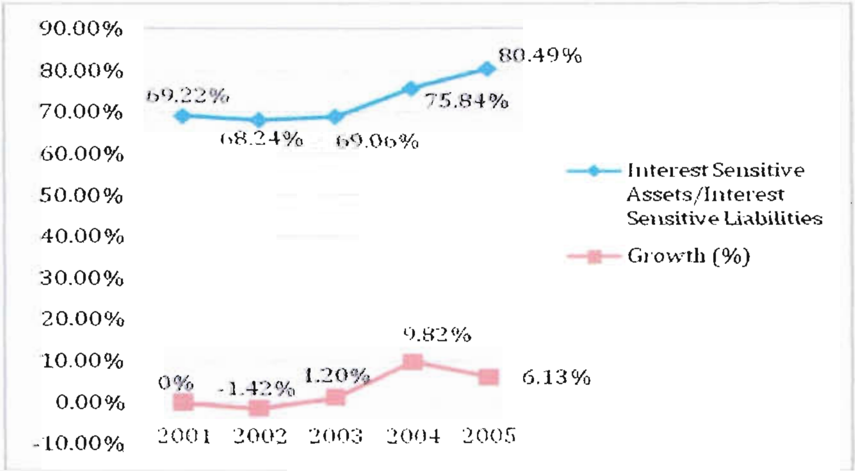


Figure 5.22: Interest Rate Risk

2002, Prime Bank had the lower interest sensitive assets relative to interest sensitive liabilities so ey was in less vulnerable postion to losses from falling interest rates. But in 2005, they had higher ount of interest sensitive assets relative to interest sensitive liabilities. So Prime Bank was more lnerable to losses from falling interest rates in 2005. When the situation is vice-versa, they are likely incurred less losses if market interest rates rise.

5.2.5. Earning Risks

The risk to a financial institution's bottom line- its net income after all expenses are covered- is known as earnings risk. Earnings may decline unexpectedly due to factors inside the financial firm or due to external factors, such as changes in economic conditions or in laws and regulations. For example, recent increases in banking competitions have tended to narrow the spread between earnings on a bank's assets and the cost of raising bank funds. Thus, a bank's stockholders always face the possibility of a decline in their earnings per share of stock, which would cause the value of the bank's stock to fall, eroding its resources for future growth.

Table 5.23: Earning Risks

Prime Bank	Standard Deviation (σ)
Return on Equity (ROE)	7.22%
Return on Assets (ROA)	0.63%

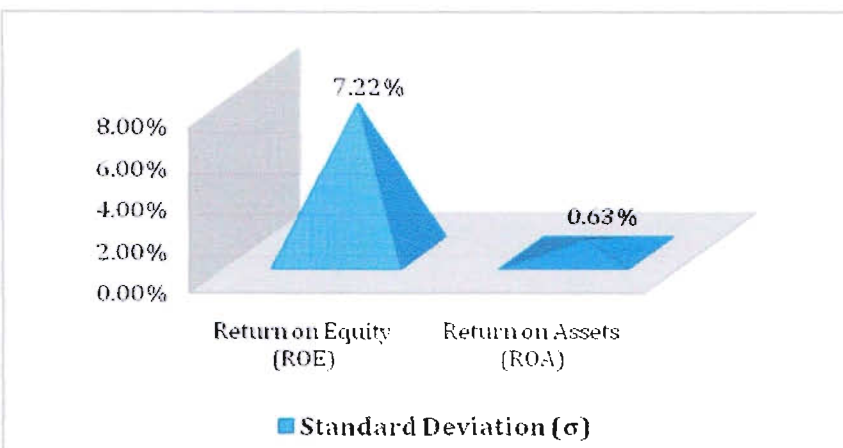


Figure 5.23: Earning Risks

The higher the standard deviation or variance of a bank's income, the more risky the bank's earnings picture is. Here Prime Bank has moderate amount of risk. If in the next five years Standard Deviation of Return on Equity will increase then they will incur higher amount of earnings risk. There is 7.22% probability that net earning will be change in next year and 0.63% probability to deviate ROA (return on assets) in future. As the probability is less, so we can say that earning risk is lower for Prime Bank.

2.6. Capital Risks

Capital risk is measured by dividing capital by the risk assets. Capital risk indicates the risk of creditors can be shifted to the owners if the company is in jeopardized condition. The higher the capital risks the higher the safety for the creditors and the inverse is also true.

The capital risk is inversely related to the leverage multiplier and therefore of the ROE. When a bank chooses (assuming this is allowed by its regulators) to take more capital risk, its leverage multiplier and ROE will be higher, if other factor remains unchanged. If the bank choose (or is forced to choose) a lower capital risk, its leverage multiplier ROE will be lower.

Table5.24: Stock Price

Year	Stock Price/EPS	Growth (%)
2001	1.03	-
2002	1.67	62.14%
2003	1.85	10.78%
2004	2.27	22.70%
2005	2.44	7.49%

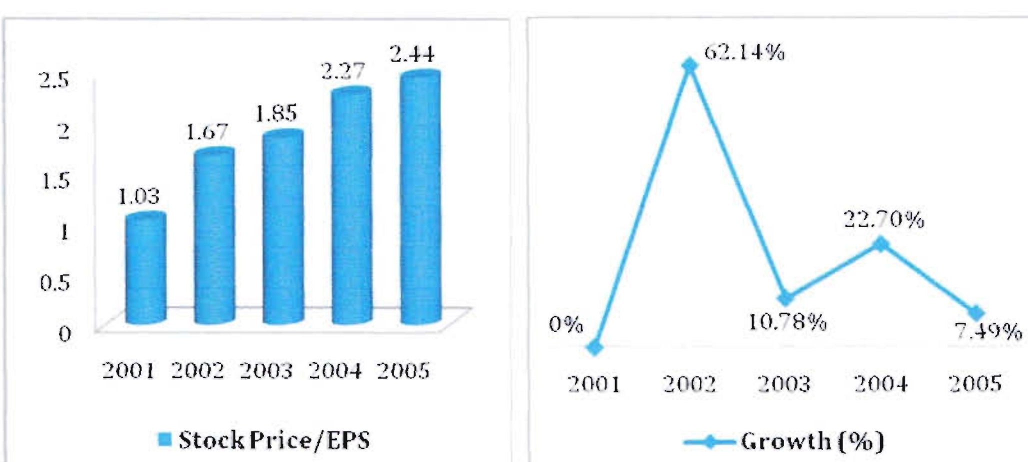


Figure 5.24: Stock Price

ce of each ordinary share of Prime Bank is Tk.100. These ratios had increased from the year 2001 to 05. So capital risk of the bank has decreased in the year of 2005 compare to year of 2001. So estors of Prime bank have to believe that the bank in capitalized relative to the risks it had taken on.

Table 5.25: Equity Capital (a)

Year	Equity Capital/Total Assets	Growth (%)
2001	8.02%	-
2002	7.60%	-5.24%
2003	7.35%	-3.29%
2004	6.92%	-5.85%
2005	6.77%	-2.17%

Figure 5.24: Equity Capital (a)

Decline in equity funding relative to assets may indicate increased risk exposure for shareholders and ebtholders. Capital risk is increased for Prime Bank because their equity capital decline relative to ssets between 2001 and 2005.

Table 5.25: Equity Capital (b)

Year	Equity Capital/Risk Weighted Assets	Growth (%)
2001	-	
2002	11.40%	-
2003	10.83%	-5.00%
2004	9.72%	-10.25%
2005	8.81%	-9.36%

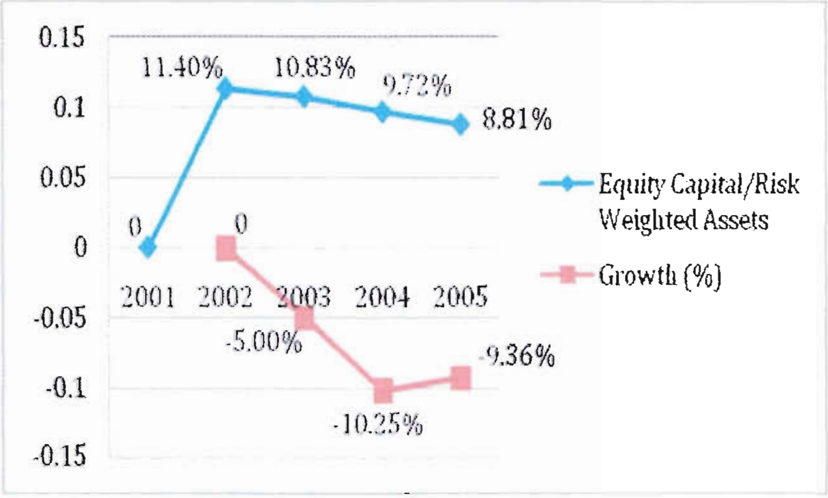


Figure 5.25: Equity Capital (b)

This ratio reflects how well the current level of a bank's capital covers potential losses assets most likely to decline in value. The higher the ratio between these two items, the lower the capital risk. So in 2002, Prime Bank had lower amount of capital risk compare to other years.

Table 5.26: Purchase Funds

Year	Purchase Funds/Total Liabilities	Growth (%)
2001	1.04%	
2002	4.09%	293.27%
2003	2.52%	-38.39%
2004	3.14%	24.60%
2005	0.99%	-68.47%

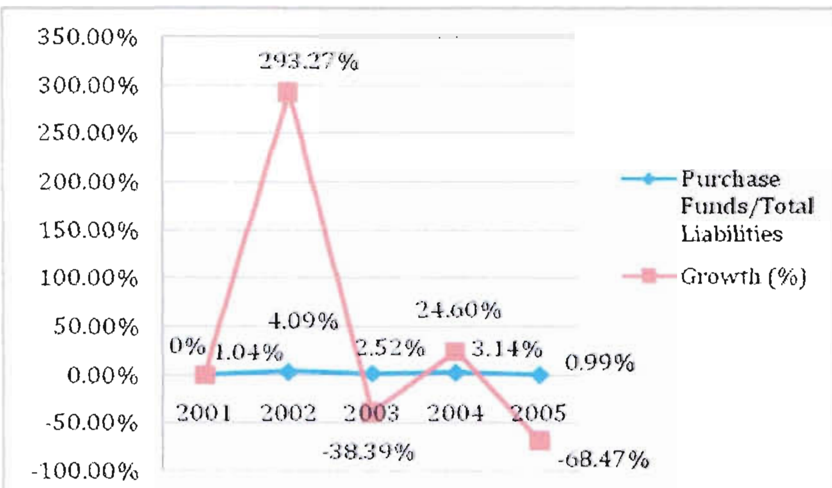


Figure 5.26: Purchase Funds

Bank's purchase funds usually include uninsured deposit and borrowings in the money market from other banks, corporations, and governmental units that fall due within one year. Lower this ratio is better for the bank. In 2005, Prime Bank had lower amount of risk and in 2002 they had higher amount of risk and Prime Bank's management failed to meet unexpected customer demands in 2002.

3. Evaluating the Result of Prime Bank Limited

After analyzing the performance of Prime Bank, we can say that the bank performance is not satisfactory. By Profitability Measurement of Prime Bank Limited we can say that it has failed to increase its performance. Though the interest and non-interest expense has decreased it's earning per share has also decreased. Its ROE also decreased which indicate that it has to pay more tax. And ROA has been decreased in 2005 compare to 2001 which means low turnover, indicating poor Asset management, low profit margin or a combination of both factors. Net interest margin ratio over the five years this result give some ups and downs in the spread.

From the overall observation we can say as we observe that credit risk has decreased more compare to the increasing tendency in some area. Prime Bank managed to keep lower portion of non performing loans (classified loans) relative to its total loans over the five years which indicates it has less amount of problematic loans. But in 2005 it has higher volume of non performing loans relative to its equity capital. So, the overall risk has been decreased in the year of 2005 compare to the year of 2001.

By considering all the Liquidity Risk measurement of Prime Bank, we can say that, the overall liquidity risk of Prime Bank has decreased from the year of 2001 to 2005. As market value of common stock is higher than the book value, the market risk of the Prime Bank has been decreased.

But in 2005, they had higher amount of interest sensitive assets relative to interest sensitive liabilities. So Prime Bank was more vulnerable to losses from falling interest rates in 2005.

From the above analysis we can also say that the earning risk has been decreased from 2001 to 2005 for Prime Bank. The interest sensitive ratios of the five years give an idea that the bank is asset sensitive bank. So if the market interest increases the bank profit will also increases and vise versa. So, from overall measurement we can say that Prime Bank Limited efficiently manages its capital risk and it has decreased its capital risk in the year of 2005 compare to the year of 2001.

5.4. Suggestion to improve

After analyzing the performance of Prime Bank Limited, we can recommend the following things:

- The Prime Bank should try to increase its earning per share for the profitability of the bank by reducing its expenditure.
- Decreasing ROE indicates that it increase the tax amount for bank that it has to pay. So bank has to increase it ROE.
- The bank should have to increase it ROA because in 2005 it has poor asset management which leads low profit margin.
- The bank should have to decrease its non performing loans relative to its equity capital more carefully; so that its credit risk has been decreased.
- The bank must have to increase its loan amount relative to its total assets otherwise they faced lower operating and net income.
- It has to increase the cash balance and corresponding deposits balances against its total assets for decreasing its liqudity risk.
- The bank has to decrease the volume of interest sensitive assets relative to interest sensitive liabilities. Otherwise they would not be able to gain from interest rate.
- The bank has to increase it equity funding relative to assets.

Comparative analysis among the selected bank

6.1. Profitability Ratios

6.1.1. Return on Equity Capital

Table 6.1: Return on Equity Capital

Banks	2001	2002	2003	2004	2005
Dhaka Bank	43.92%	26.17%	22.23%	24.06%	20.89%
NCC Bank	28.71%	20.59%	16.1%	20.83%	18.93%
Prime Bank	38.29%	27.39%	21.07%	27.32%	20.23%
SIBL	29.64%	29.22%	43.55%	16.65%	24.13%

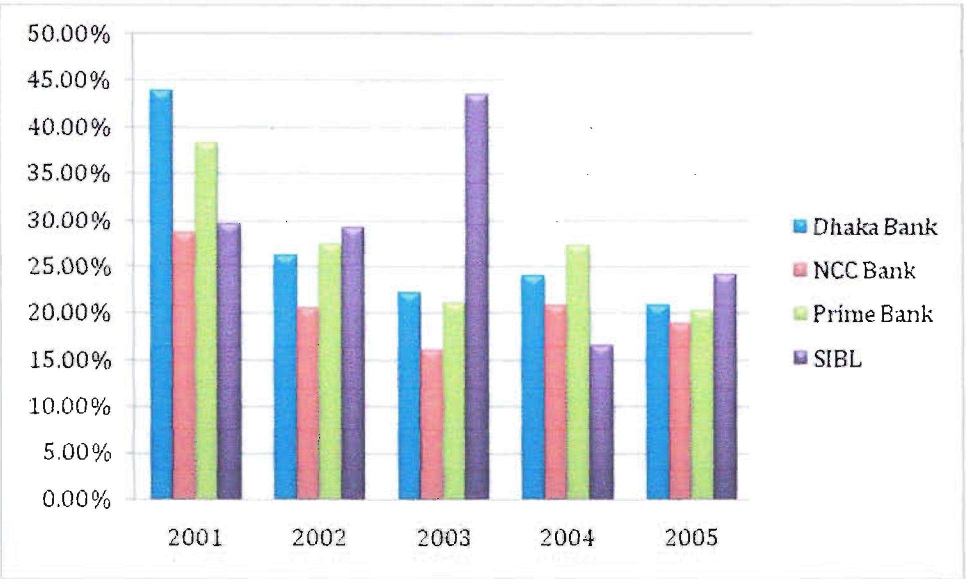


Figure 6.1: Return on Equity Capital

Return on equity (ROE) is a measure of the rate of return flowing to the bank's shareholders. ROE also indicates how much return a bank generates out of its equity total. Considering this ratio, all 4 banks had maintained a good rate of return between 2001 and 2005. In 2001, Dhaka Bank achieved the best rate of return among these banks but we see that in the year all the banks were able to generate good return to their shareholders.

6.1.2. Return on Assets

Table 6.2: Return on Asset

Banks	2001	2002	2003	2004	2005
Dhaka Bank	1.52%	1.23%	1.29%	1.27%	1.4%
NCC Bank	1.44%	1.14%	0.95%	1.33%	1.35%
Prime Bank	3.07%	2.09%	1.55%	1.89%	1.54%
SIBL	1.28%	1.25%	1.83%	0.71%	0.27%

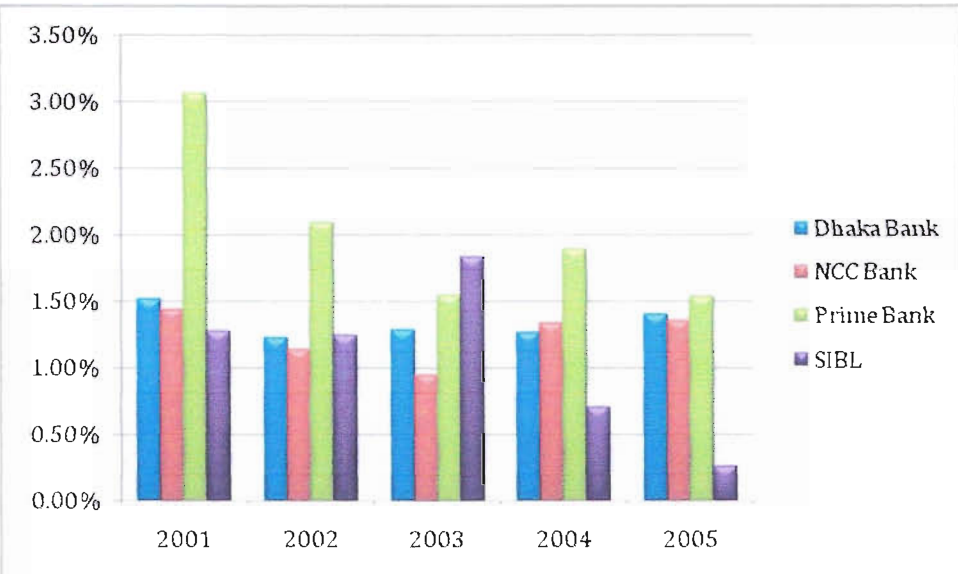


Figure 6.2: Return on Asset

Return on assets (ROA) is primarily an indicator of *managerial efficiency*; it indicates how capably the management of the bank has been converting the institution's assets into net income. Most of our banks smartly managed to achieve a good portion of return from using its assets but Prime Bank was the bank who able to keep good form by managing a better percentage of return throughout the 5 years. In 2001, Prime Bank also achieved the best rate of earning.

6.1.3. Net Interest Margin

Table 6.3: Net Interest Margin

Banks	2001	2002	2003	2004	2005
Dhaka Bank	1.91%	2.06%	1.87%	6.7%	5.28%
NCC Bank	2.4%	2.47%	2.32%	3.35%	2.33%
Prime Bank	3.16%	2.81%	3.1%	3.17%	2.83%
SIBL	2.65%	2.48%	4.59%	3.62%	1.36%

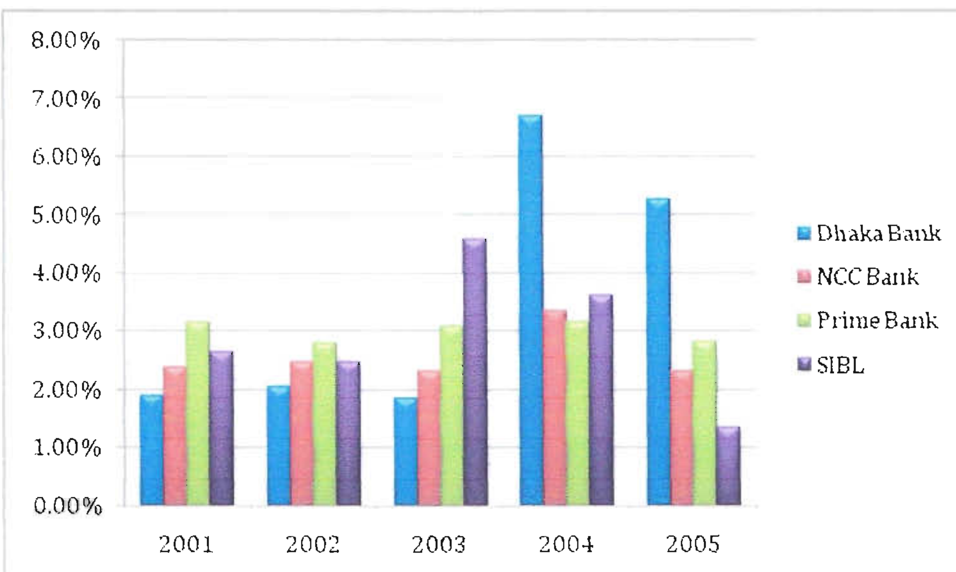


Figure 6.3: Net Interest Margin

The net interest margin means how large a spread between interest revenues and interst costs management has been able by close control over earning assets and the pursuit of the cheapest sources of funding. Considering the ratio, Dhaka Bank had the largest spread between interest revenues and costs in 2004. Dhaka Bank also maintained a quite good increasing trend throghout the years whereas other banks result some ups and downs in the spread.

6.1.4. Net Noninterest Margin

Table 6.4: Net Noninterest Margin

Banks	2001	2002	2003	2004	2005
Dhaka Bank	2.41%	2.98%	0.58%	2.23%	2.3%
NCC Bank	1.13%	0.72%	1.13%	1.33%	1.57%
Prime Bank	3.92%	3.15%	3.47%	2.92%	2.97%
SIBL	0.88%	0.11%	0.52%	0.03%	-0.31%

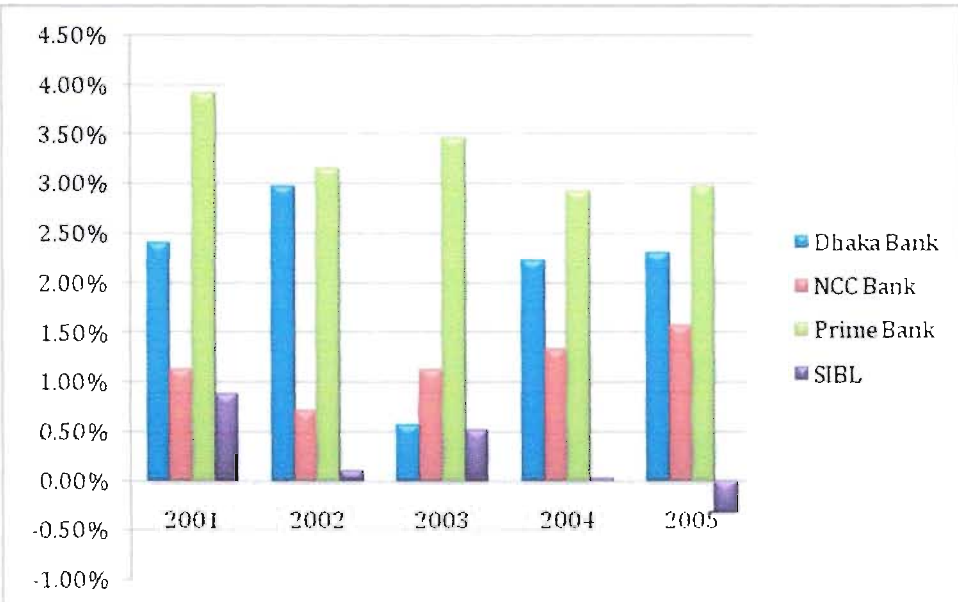


Figure 6.4: Net Noninterest Margin

The net noninterest margin measures the amount of noninterest revenues stemming from deposit service charges and other service fees the financial firm has been able to collect relative to the amount of noninterest costs incurred. Among the 4 banks, Prime Bank always maintained better performance to generate higher noninterest revenues than noninterest cocts. Beside them, Dhaka Bank's performance was good over the years but they almost incurred higher costs than revenues. In 2001, Prime Bank achieved the highest noninterest revenues and, in contrast, SIBL incurred the highest noninterest costs which lead them negative margin in 2005.

6.1.5. Net Operating Margin

Table 6.5: Net Operating Margin

Banks	2001	2002	2003	2004	2005
Dhaka Bank	2.74%	3.15%	2.45%	2.7%	2.65%
NCC Bank	3.53%	3.2%	3.45%	3.35%	2.63%
Prime Bank	4.8%	3.73%	4.13%	3.54%	3.66%
SIBL	2.67%	2.59%	2.42%	1.96%	1.05%

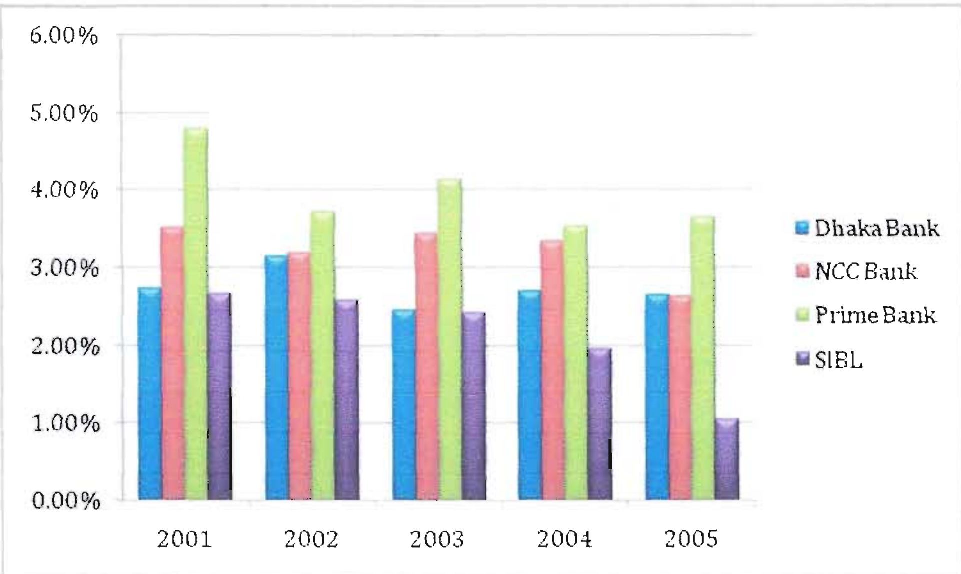


Figure 6.5: Net Operating Margin

Net operating margin measures how much gain or loss a bank able to generates by using its total assets. According the result of this ratio, Prime Bank again the number one to generate the higher net operating margin among the 4 banks where other banks regularly maintained quite good margin throughout the 5 years. In 2001, Prime Bank got the best margin in terms of generating operating income relative to operating expenses.

6.1.6. Earnings Per Share

Table 6.6: Earnings Per Share

Banks	2001	2002	2003	2004	2005
Dhaka Bank	106	69	53	61	44
NCC Bank	54	44	31	47	36
Prime Bank	97	60	54	44	41
SIBL	555	783	331	143	24

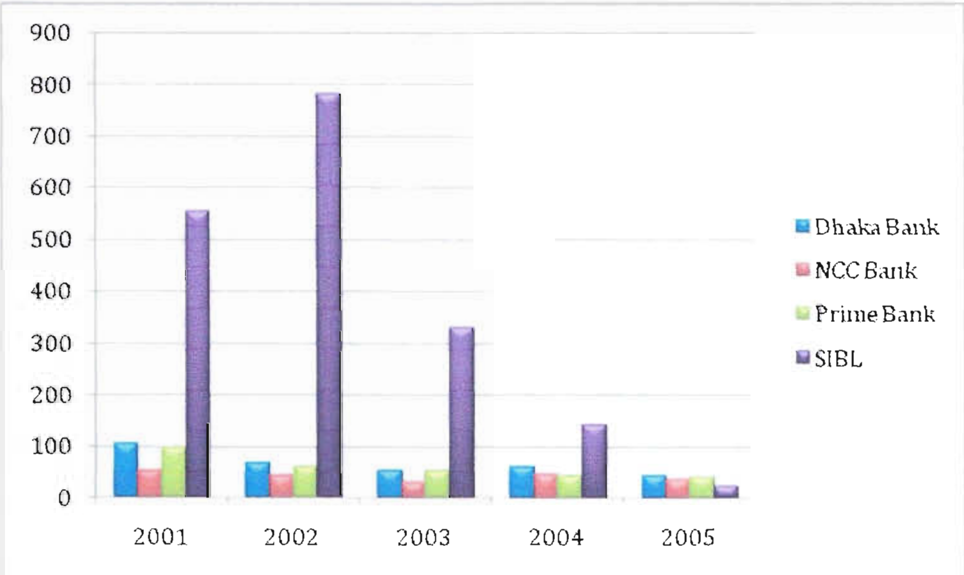


Figure 6.6: Earnings Per Share

Dhaka Bank provided the better earnings per share to its shareholders in terms of EPS. Although SIBL had the bigger amount of EPS in earlier years but we have to keep in mind that its stock price is amounted to Tk. 1000 per share. Later SIBL decreased to the lowest EPS amount because of the new issuance of shares and lower net income after taxes.

6.2. Measuring Risk in Banking services

6.2.1. Credit Risks

Non performing Asset/Total Loans

Table 6.7: Non performing Loan (a)

Banks	2001	2002	2003	2004	2005
Dhaka Bank	1.19%	2.48%	3.26%	1.65%	1.51%
NCC Bank	2.28%	1.86%	2.38%	2.54%	4.78%
Prime Bank	0.64%	0.94%	1.98%	1.52%	0.96%
SIBL	5.1%	4.39%	7.46%	11.36%	7.54%

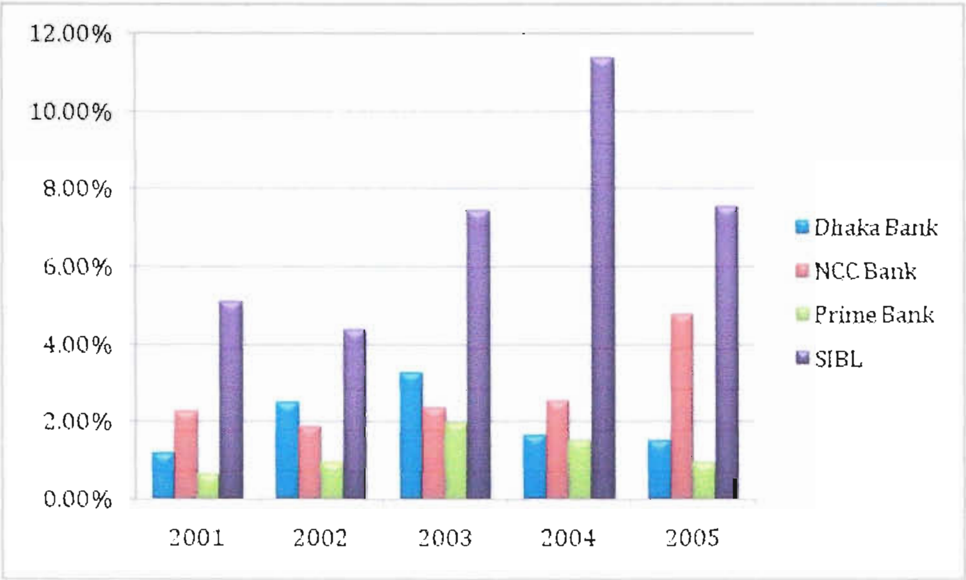


Figure 6.7: Non performing Loan (a)

Non performing loans are income-generating assets; means the classified loans provided by the banks which also known as problematic loans. The lower the volume of non performing loans, the lower the credit risks of the bank. In terms of this ratio, Prime Bank managed to keep lower portion of non performing loans (classified loans) relative to its total loans. On the other hand, SIBL always had the higher probability that some of assets will decline in value and perhaps become worthless because of the higher volume of non performing loans against its total loans.

Non performing Assets/Equity Capital

Table 6.8: Non performing Loan (b)

Banks	2001	2002	2003	2004	2005
Dhaka Bank	18%	29.94%	34.71%	18.21%	15.84%
NCC Bank	59.22%	96.56%	117.88%	86.8%	52.77%
Prime Bank	8.03%	12.33%	18.33%	15.75%	18.29%
SIBL	57.59%	47.31%	84.2%	159%	123%

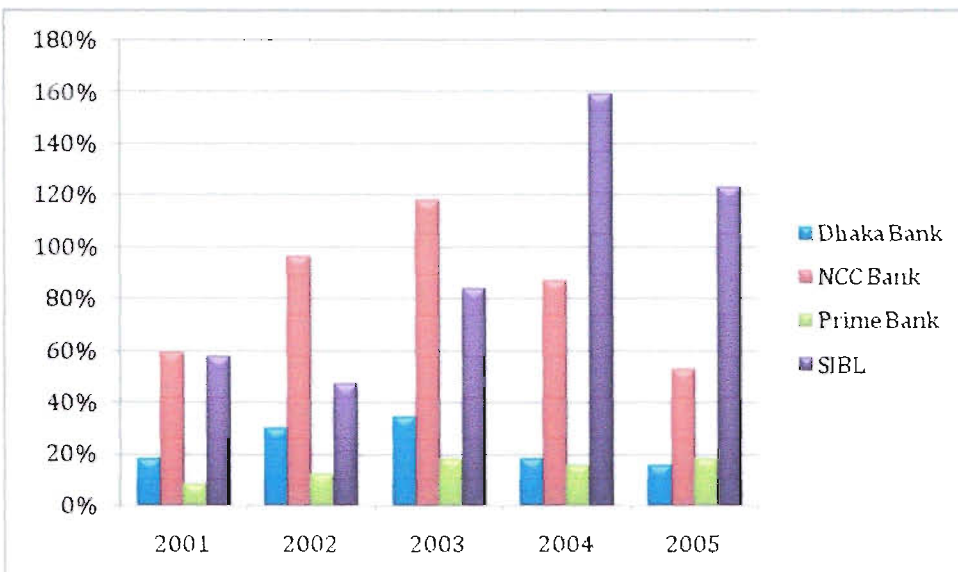


Figure 6.8: Non performing Loan (b)

The lower the volume of non performing loans relative to its equity capital, the lower the credit risks of the bank. In terms of this ratio, Prime Bank and Dhaka Bank managed to keep lower portion of non performing loans (classified loans) relative to its shareholder's equity. On the other hand, SIBL and NCC Bank always had the higher probability that some of its equity value will decline and perhaps become worthless because of the higher volume of non performing loans against its equity capital. In 2001, Prime Bank had lowest volume of non performing loans whereas in 2004, SIBL had the highest amount of non performing loans.

Net Charge off of Loans/Total Loans

Table 6.9: Net Charge off of Loans

Banks	2001	2002	2003	2004	2005
Dhaka Bank	0.02%	-	0.4%	0.86%	0.003%
NCC Bank	1.46%	0.053%	1.7%	-	-
Prime Bank	0.03%	0.015%	0.44%	0.45%	0.81%
SIBL	-	0.015%	0.0002%	0.06%	2.29%

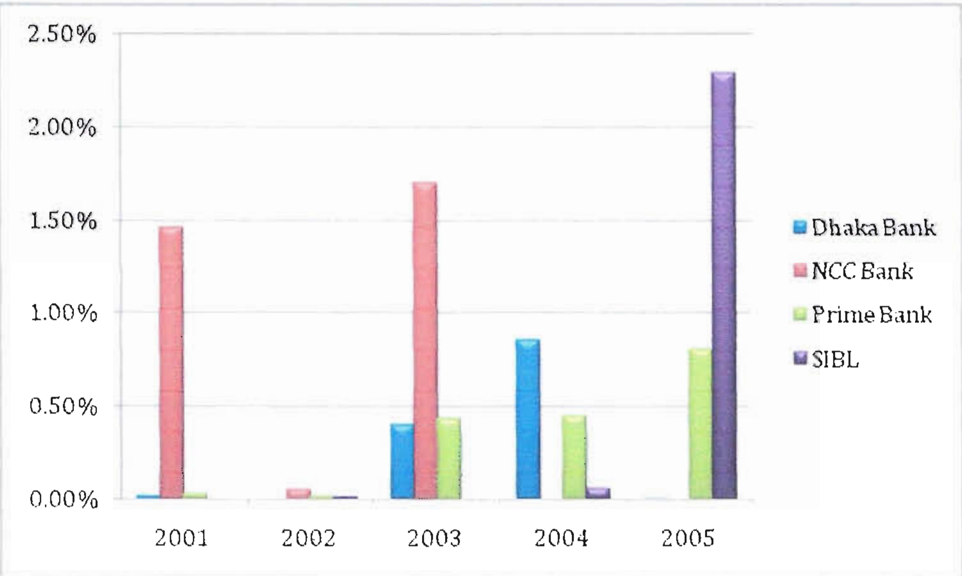


Figure 6.9: Net Charge off of Loans

Almost all the 4 banks managed to keep the amount of charge off of loans lower despite some exceptions. The management of Prime Bank and Dhaka Bank well managed the loans according to its class. They had minimal amount of charge off which adjusted with the allowance for loans and advances. On the contrary, SIBL faced huge charge off relative to its total loans in 2005.

Annual Provision for Loans/Total Loans

Table 6.10: Annual Provision for Loans (a)

Banks	2001	2002	2003	2004	2005
Dhaka Bank	0.76%	1.51%	0.48%	0.6%	0.5%
NCC Bank	4.68%	4.54%	4.86%	4.92%	2.96%
Prime Bank	1.75%	0.44%	1.58%	0.38%	1.45%
SIBL	-	2.09%	1.18%	2.31%	1.18%

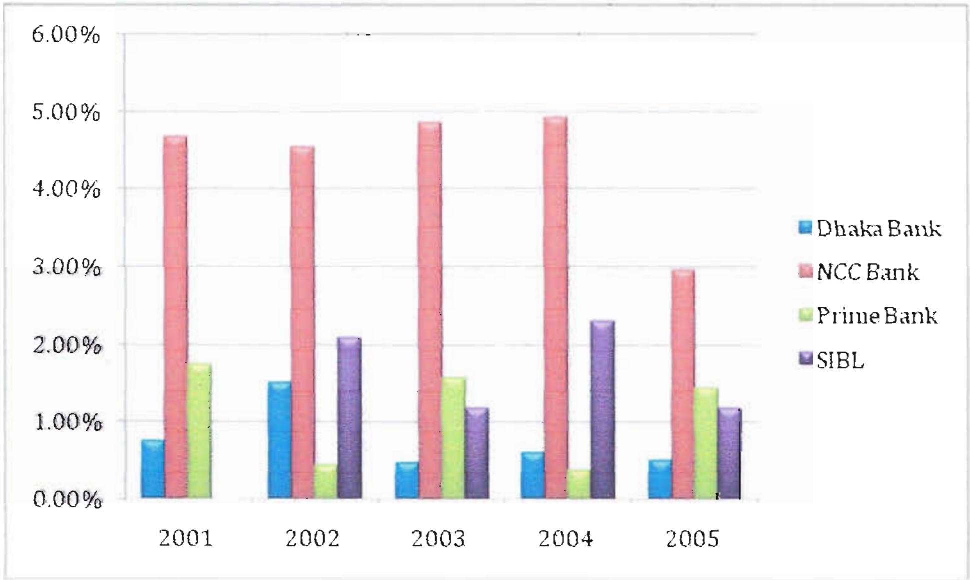


Figure 6.10: Annual Provision for Loans (a)

According to this ratio, NCC Bank had the lower probability to face credit risks in future because of higher reserve for annual provision loan losses. Beside these, other banks kept a minimum provision for loan losses every year. In 2004, NCC Bank moved the highest amount of Taka to provision account for future loan losses.

Annual Provision for Loans/Equity Capital

Table 6.11: Annual Provision for Loans (b)

Banks	**2001**	**2002**	**2003**	**2004**	**2005**
Dhaka Bank	11.02%	18.6%	5%	6.5%	5.06%
NCC Bank	19.54%	32.24%	22.61%	17.65%	26.12%
Prime Bank	10.05%	3.28%	12.91%	3.59%	14.96%
SIBL	-	19.81%	10.83%	28.24%	16.25%

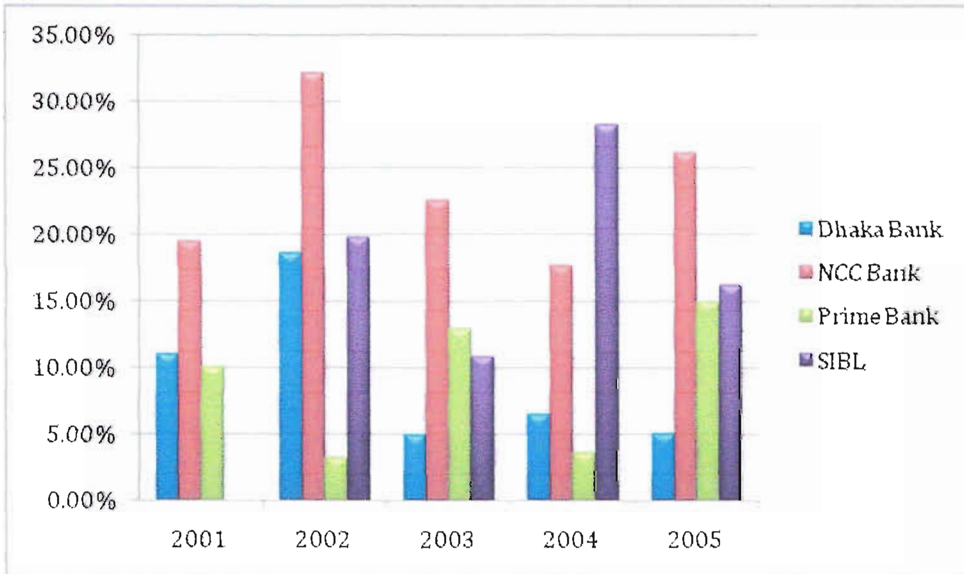


Figure 6.11: Annual Provision for Loans (b)

Here NCC Bank again was the better firm with lower credit risk probability because it always maintained higher amount of provision annually relative to shareholder's equity which primarily can absorb the risk if there was any chance of affecting bank's equity capital. In comparison, SIBL was second best in terms of keeping higher provision. Other 2 bank's provision amount were not so high, that's why they were in credit risk zone.

Allowance for Loan Losses/Total Assets

Table 6.12: Allowance for Loan Losses (a)

Banks	2001	2002	2003	2004	2005
Dhaka Bank	0.8%	1.63%	1.38%	0.84%	1.03%
NCC Bank	2.78%	4.03%	4.71%	3.67%	2.33%
Prime Bank	1.31%	1.31%	1.74%	1.25%	1.18%
SIBL	-	3.01%	1.2%	2.35%	2.86%

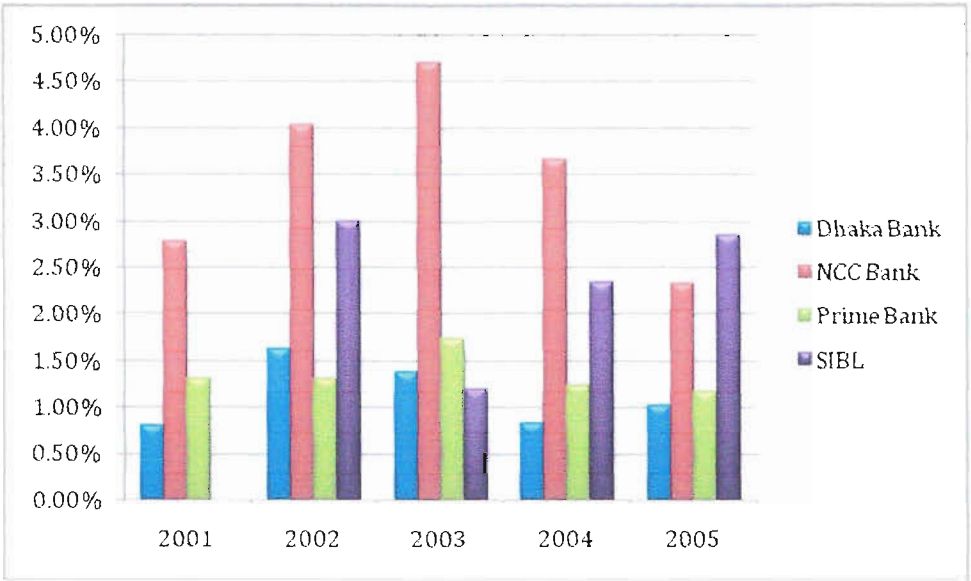


Figure 6.12: Allowance for Loan Losses (a)

Here NCC Bank again was the better firm with lower credit risk probability because it always maintained higher amount of allowance for loan losses (cumulative amount of annual provision) relative to its total assets which primarily can absorb the risk if there was any chance of affecting bank's asset value. In comparison, SIBL and Prime Bank jointly were second best in terms of keeping higher allowance. Only Dhaka Bank's allowance amount was not so high, that's why they was in credit risk zone.

Allowance for Loan Losses/Equity Capital

Table 6.13: Allowance for Loan Losses (b)

Banks	2001	2002	2003	2004	2005
Dhaka Bank	23.23%	34.72%	23.81%	15.97%	15.32%
NCC Bank	46.97%	81.85%	90.23%	47.6%	49.44%
Prime Bank	16.34%	16.68%	23.64%	18.11%	17.51%
SIBL	-	70.06%	28.6%	55.32%	39.45%

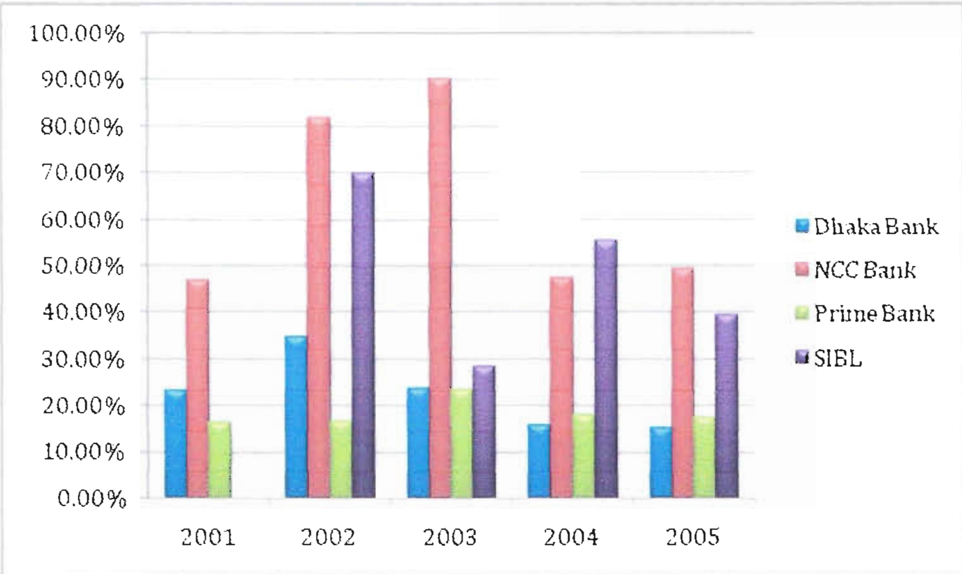


Figure 6.13: Allowance for Loan Losses (b)

NCC Bank was the better firm with lower credit risk probability because it maintained higher amount of allowance relative to shareholder's equity which absorb the risk if there was any chance of affecting bank's equity capital in future due to huge charge off. This bank was upholding large amount for allowance from the very beginning. In comparison, SIBL was second best in terms of keeping higher allowance. Other 2 bank's allowance balances were not so high, that's why they were in credit risk zone. In 2003, NCC Bank had the highest portion of allowance relative to its equity capital.

Total Loans/Total Deposits

Table 6.14: Total Loans

Banks	2001	2002	2003	2004	2005
Dhaka Bank	57.87%	66.52%	70.17%	64.42%	80.54%
NCC Bank	83.97%	81.85%	87.58%	94.66%	95.6%
Prime Bank	68%	85.14%	84.47%	86.74%	86.79%
SIBL	52%	49.56%	51.04%	65.4%	89.53%

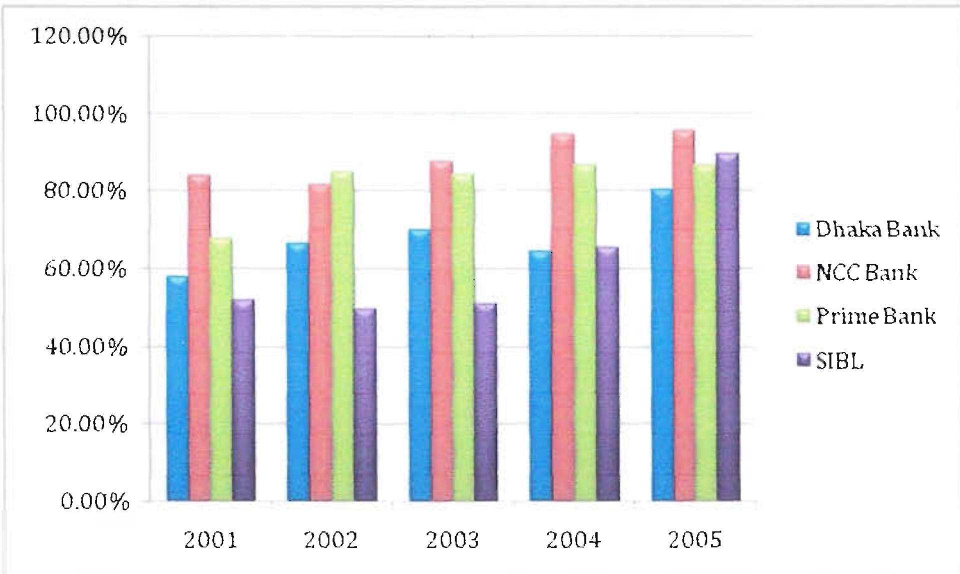


Figure 6.14: Total Loans

Based on the ratio, we can say that NCC Bank had higher probability to counter credit risk because they always provided higher portion of loans relative to its deposit balance. On the other hand, rest of the banks preserving a fair portion its deposits as loans. One exception is, in 2005, all the 4 banks provided too much loans against its amount of money deposited by the customers (80% and above).

6.2.2. Liquidity Risks

Purchase Funds/Total Assets

Table 6.15: Purchase Funds

Banks	2001	2002	2003	2004	2005
Dhaka Bank	13.66%	9.89%	7.28%	11.09%	1.75%
NCC Bank	6.77%	0.28%	1.03%	11.77%	4.81%
Prime Bank	0.95%	3.77%	2.34%	2.92%	0.92%
SIBL	-	-	-	-	9.63%

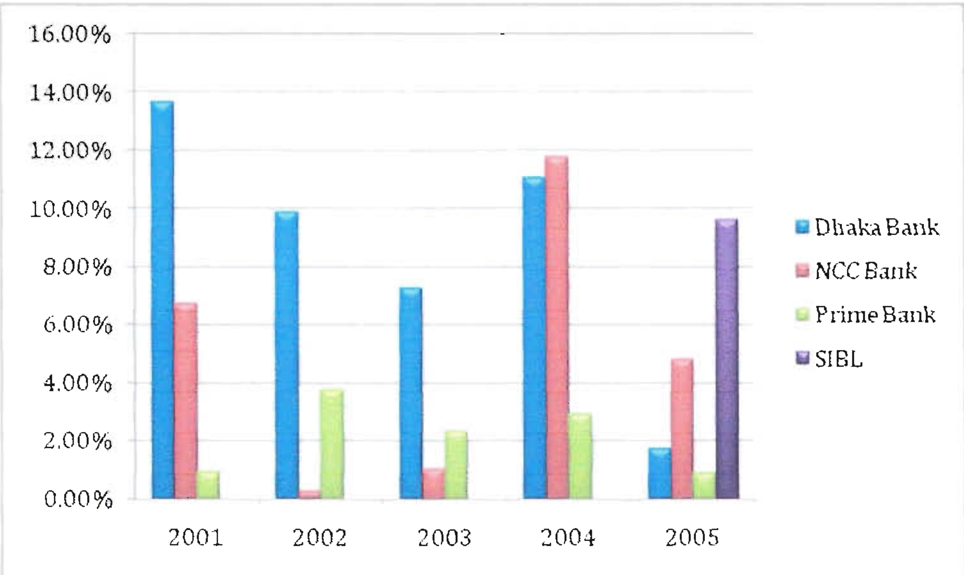


Figure 6.15: Purchase Funds

Shortage of liquidity due to unexpectedlly heavy deposit withdrawals might forces a bank to borrow funds from other banks, finacial institutions or agents. According to the result of this ratio, Dhaka Bank's management failed to meet unexpected customer demands most of the time. We can name Prime Bank because they borrowed minimal funds from other institutions compare with the other banks. SIBL did not require any purchase funds or borrowing requirements but once in 5 years regime.

Net Loans[1]/Total Assets

Table 6.16: Net Loans

Banks	2001	2002	2003	2004	2005
Dhaka Bank	50.28%	57.64%	60.73%	57.03%	68.37%
NCC Bank	62.65%	65.74%	64.5%	66.36%	73.23%
Prime Bank	45.95%	58.09%	59.85%	65.48%	69.29%
SIBL	41.21%	40.64%	47.46%	91.42%	81.39%

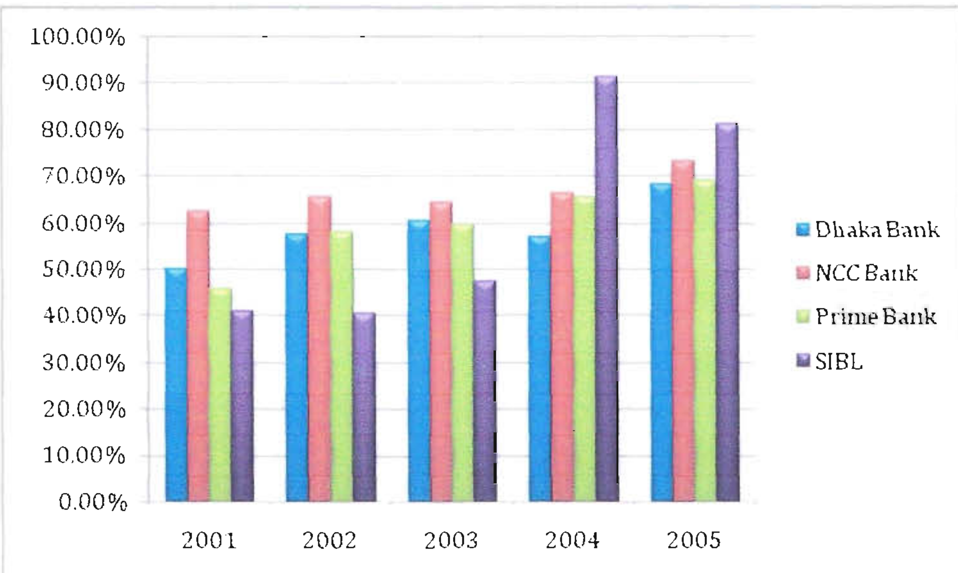


Figure 6.16: Net Loans

Here all of the selected banks had minimal liquidity risks because most of the time they provided fair percentage of loans and incurred less amount of charge off against its assets. Only exception was in 2004 and 2005, SIBL granted 80% and above loan amount relative to its total assets. In that those year, they faced lower operating and net income than its earlier years.

[1] Net Loans = Total Loans-Charge off (Written off)

Cash and Due from Other Financial Institutions/Total Assets

Table 6.17: Cash and Due from Other Financial Institutions

Banks	2001	2002	2003	2004	2005
Dhaka Bank	15.19%	12.22%	9.87%	7.1%	7.85%
NCC Bank	14.58%	6.71%	5.7%	4.24%	5.16%
Prime Bank	21.35%	18.37%	15.11%	12.06%	9.04%
SIBL	47.19%	49.93%	47.7%	35.53%	20.49%

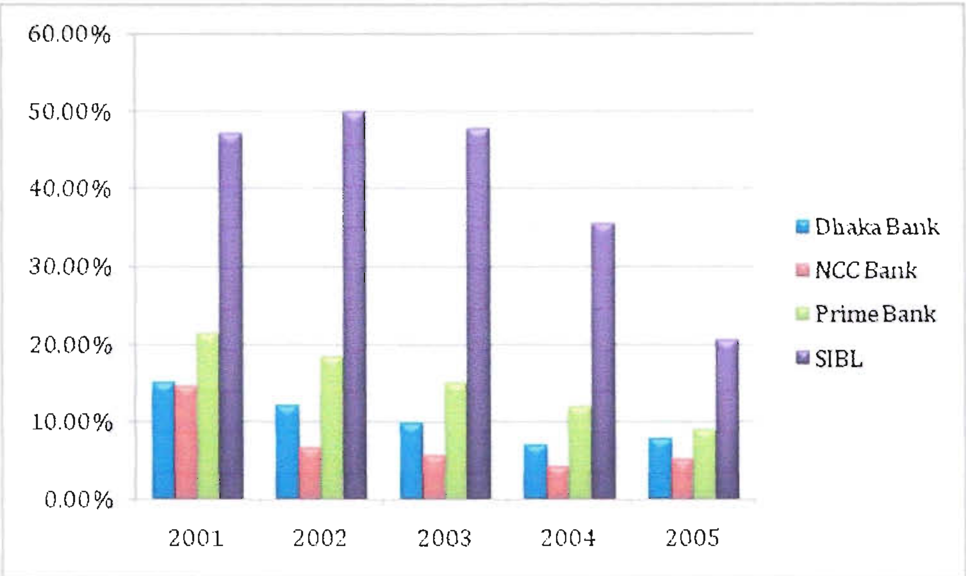


Figure 6.17: Cash and Due from Other Financial Institutions

SIBL maintained higher amount of cash balance and corresponding deposits balances against its total assets. They were in risks of credit and liquidity, that's why for standard remedies for reducing those risks it keeps increasing amount of most liquid assets. In contrast, other banks holded fair amount of liquid assets relative to its assets.

Cash and Government Securities/Total Assets

Table 6.18: Cash and Government Securities

Banks	2001	2002	2003	2004	2005
Dhaka Bank	11.55%	15.66%	15.19%	13.67%	15.46%
NCC Bank	14.57%	16%	17.9%	20.84%	12.14%
Prime Bank	16.12%	17.04%	15.54%	16.13%	17.28%
SIBL	4.75%	4.71%	5.51%	6.07%	7.76%

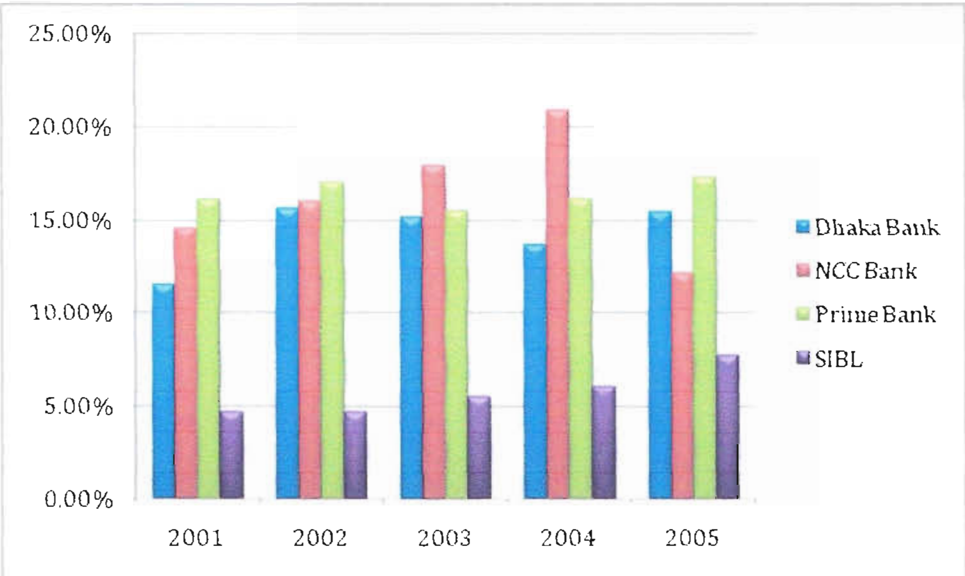


Figure 6.18: Cash and Government Securities

Here all of the selected banks except SIBL had less chance to face liquidity risks because most of the time they kept fair balance of cash and invested in government securities which gave them a shield against the risk exposure. Only SIBL had lowest amount of cash balance and governmnet seurities investment among them which lead them to expose against the liquidity risk.

6.2.3. Market Risks

Table 6.19: Book Value Per Share

Banks	2001	2002	2003	2004	2005
Dhaka Bank	218	236	228	224	180
NCC Bank	-	-	-	-	-
Prime Bank	222	235	233	224	201
SIBL	-	-	-	-	-

Table 6.20: Market Value of Common Stock

Banks	2001	2002	2003	2004	2005
Dhaka Bank	415	264	251	850	469
NCC Bank	-	-	-	-	-
Prime Bank	410	308	374	880	682
SIBL	-	-	-	-	-

Table 6.21: Book Value of Equity/Market Value of Equity

Banks	2001	2002	2003	2004	2005
Dhaka Bank	0.53	0.89	0.91	0.26	0.38
NCC Bank	-	-	-	-	-
Prime Bank	0.54	0.76	0.62	0.25	0.29
SIBL	-	-	-	-	-

The closer the ratio, the better the banks have balanced share or equity price.

6.2.4. Interest Risk

Interest Sensitive Assets/Interest Sensitive Liabilities

Table 6.22: Interest Rate Risk

Banks	2001	2002	2003	2004	2005
Dhaka Bank	66.75%	74.92%	76.48%	63.83%	77.92%
NCC Bank	77.41%	81.85%	84.8%	95.57%	96.28%
Prime Bank	69.22%	68.24%	69.06%	75.84%	80.49%
SIBL	52.03%	43.55%	41.38%	56.87%	75.62%

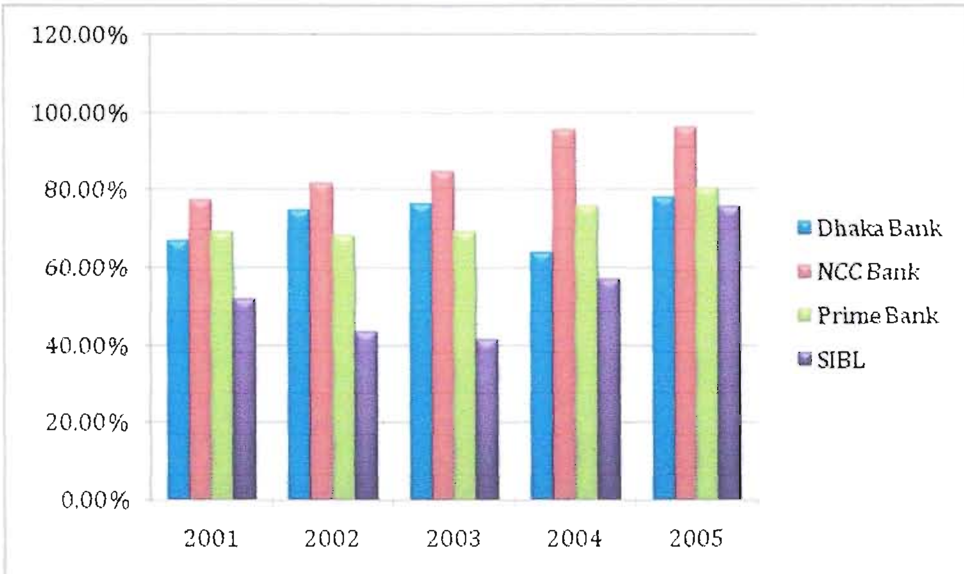


Figure 6.22: Interest Rate Risk

Movements in market interest rates can also have potent affects on the margin of revenues over costs for both banks and their competitors. SIBL had the lower interest sensitive assets relative to interest sensitive liabilities in a particular matuity range so they was in less vulnerable postion to losses from falling interest rates. When the situation is vice-versa, they arelikely to incurred less losses if market interest rates rise. Considering this factor, NCC Bank was most vulnerable to incurr interst risks due to higher portion of interest sensitive assets relative to interest sensitive liabilities.

6.2.5. Earning Risks

Return on Equity

Table 6.23: Standard Deviation of Return on Equity (σ)

Banks	σ
Dhaka Bank	9.42%
NCC Bank	4.69%
Prime Bank	7.22%
SIBL	9.85%

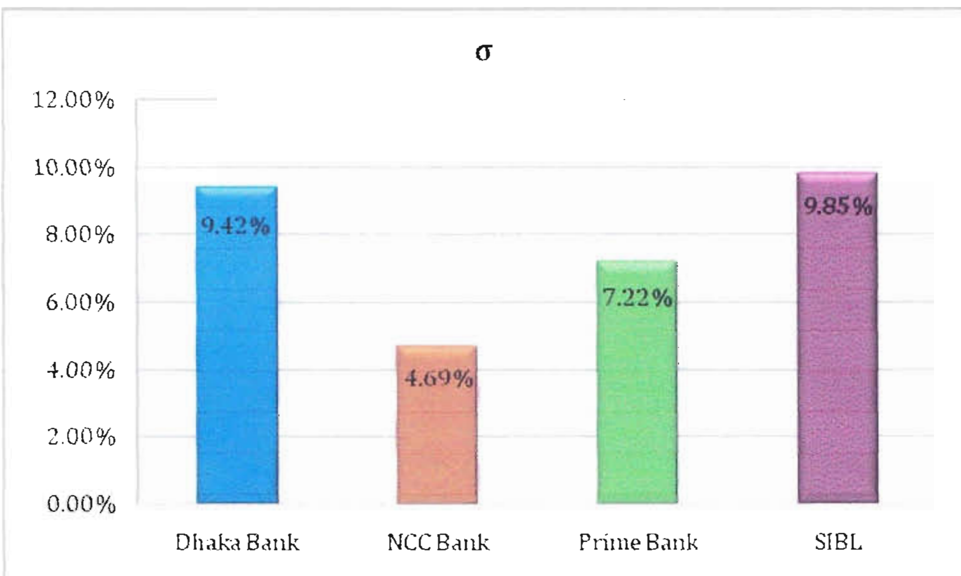


Figure 6.23: Standard Deviation of Return on Equity (σ)

SIBL has the highest earning risk because in future there is 9.85% probability that their ROE (return on equity) will deviate whereas NCC Bank's probability is 4.69% to incurr this risk. Other 2 bank's chance of earning risk is fair.

Return on Assets

Table 6.24: Standard Deviation of Return on Assets (σ)

Banks	**σ**
Dhaka Bank	0.12%
NCC Bank	0.2%
Prime Bank	0.63%
SIBL	0.6%

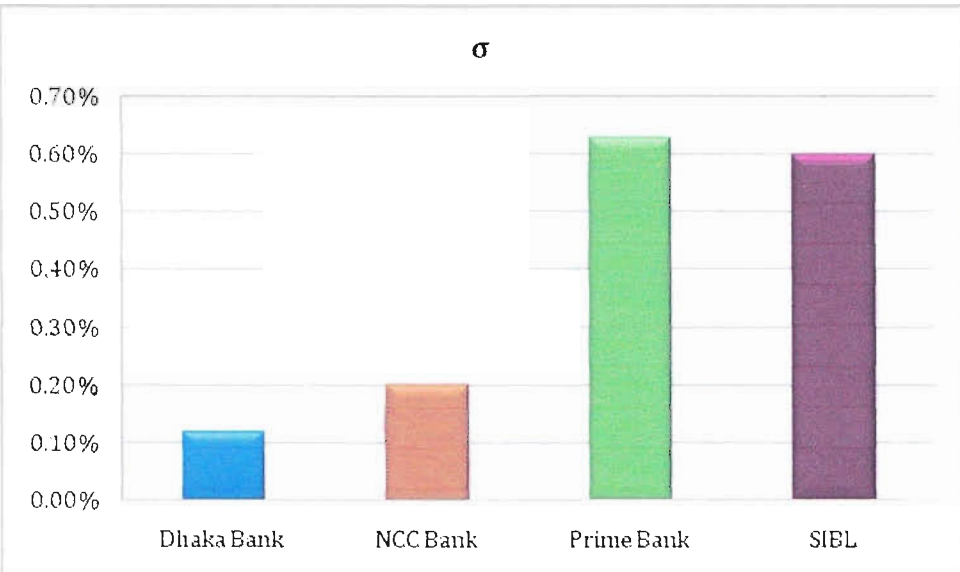


Figure 6.24: Standard Deviation of Return on Assets (σ)

All the 4 banks have lower probability to deviate ROA (return on assets) in future. But for comparison, Prime Bank has highest chance to deviate and Dhaka Bank has lowest chance to happen so.

6.2.6. Capital Risks

Stock Price[2]/EPS

Table 6.25: Stock Price

Banks	2001	2002	2003	2004	2005
Dhaka Bank	0.94	1.45	1.89	1.64	2.27
NCC Bank	1.85	2.27	3.23	2.13	2.78
Prime Bank	1.03	1.67	1.85	2.27	2.44
SIBL	1.8	1.28	3.02	6.99	41.67

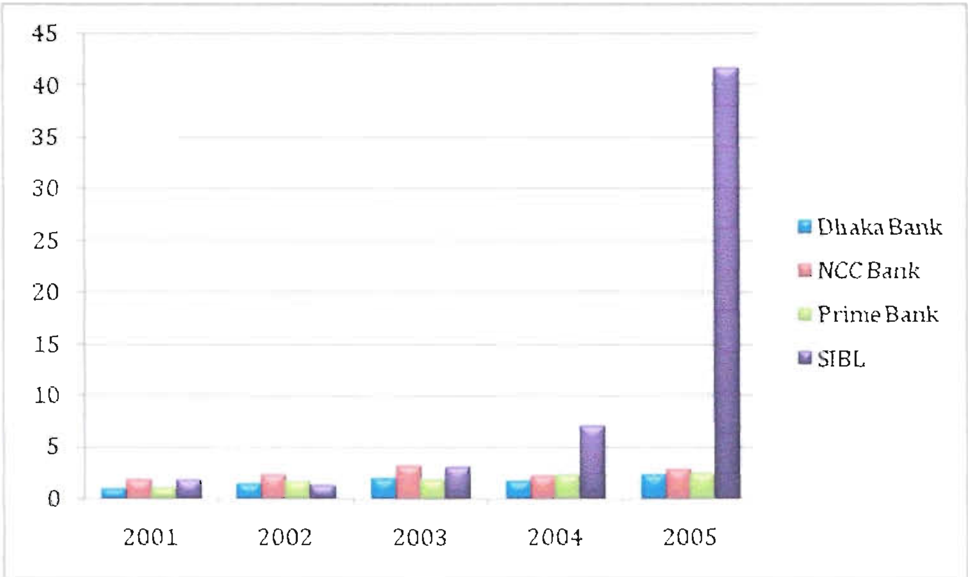


Figure 6.25: Stock Price

All the 4 banks conerned for capital risk because they do not want to become insolvent in the market. Their ratio between stock price and EPS showing us that their shares attracts the current and potential funds. Their shares were not undercapitalized relative to the risks it has taken on.

[2] Price of Each Ordinary Share: Dhaka Bank- Tk. 100, NCC Bank- Tk. 100, Prime Bank-Tk. 100 and SIBL- Tk. 1000

Equity Capital/Total Assets

Table 6.26: Equity Capital (a)

Banks	**2001**	**2002**	**2003**	**2004**	**2005**
Dhaka Bank	3.46%	4.69%	5.81%	6.7%	5.28%
NCC Bank	5.91%	5.55%	5.88%	8.51%	7.12%
Prime Bank	8.02%	7.6%	7.35%	6.92%	6.77%
SIBL	4.31%	4.29%	4.2%	4.22%	4.53%

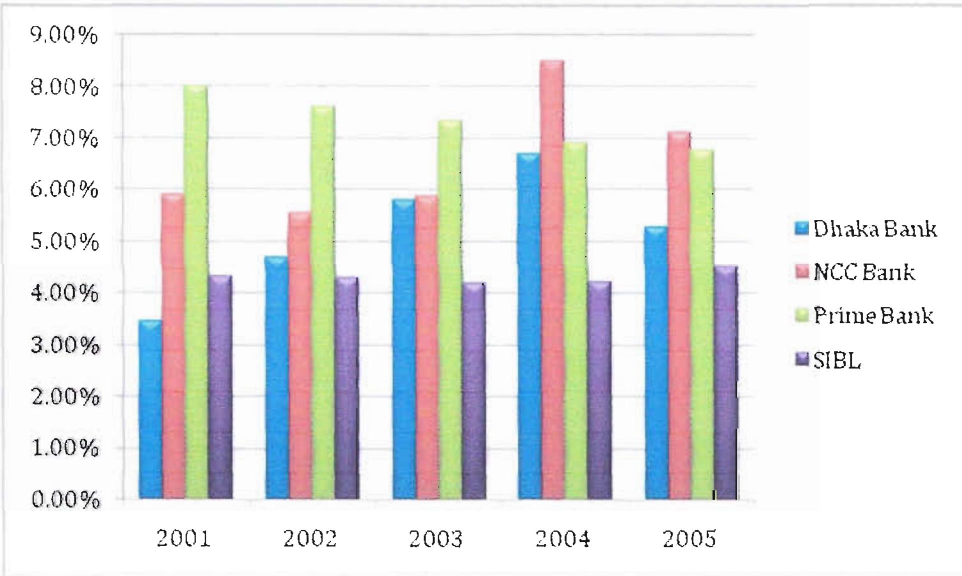


Figure 6.26: Equity Capital (a)

Decline in equity funding relative to assets may indicate increased risk exposure for shareholders and debtholders. This situation happened to Dhaka Bank and Prime Bank because their equity capital decline relative to assets between 2001 and 2005. Beside these, NCC Bank and SIBL reduced the capital risk exposure throughout the years.

Equity Capital/Risk Weighted Assets

Table 6.27: Equity Capital (b)

Banks	2001	2002	2003	2004	2005
Dhaka Bank	-	7.79%	9.85%	9.47%	9.94%
NCC Bank	-	7.13%	8%	-	-
Prime Bank	-	11.4%	10.83%	9.72%	8.81%
SIBL	8.97%	9.08%	8.62%	6.69%	5.87%

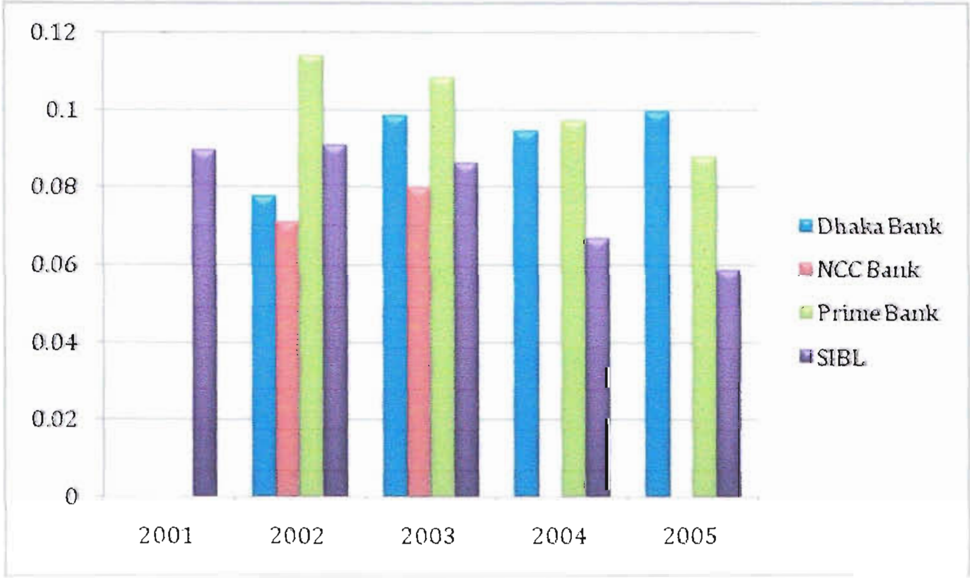


Figure 6.27: Equity Capital (b)

The higher the ratio between these two items, the lower the capital risk. Prime Bank was good in managing the current level of capital covering potential losses from those assets most likely to decline in value. Dhaka Bank managed to keep and increased trend to reduce the risk where SIBL had a decreased tendency to increase the risk.

Purchase Funds[3]/Total Liabilities

Table 6.28: Purchase Funds

Banks	2001	2002	2003	2004	2005
Dhaka Bank	14.14%	10.38%	7.28%	11.71%	1.88%
NCC Bank	7.19%	0.29%	1.09%	12.48%	5.14%
Prime Bank	1.04%	4.09%	2.52%	3.14%	0.99%
SIBL	-	-	-	-	10.08%

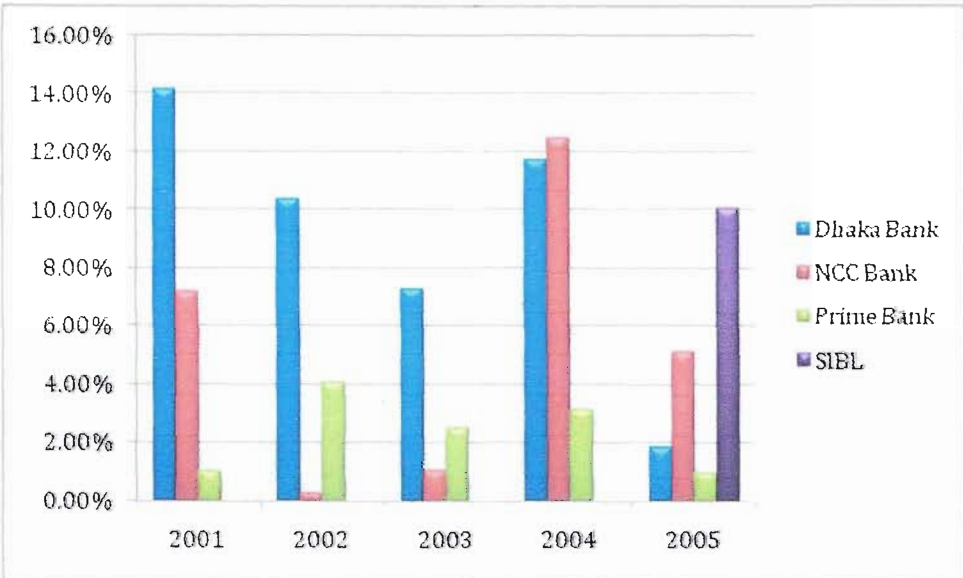


Figure 6.28: Purchase Funds

According to the result of this ratio, Dhaka Bank's management failed to meet unexpected customer demands most of the time. It also indicates that bank had higher amount of uninsured deposits and borrowings from money market that fall due within one year. We can name Prime Bank because they borrowed minimal funds from other institutions compare with the other banks relative to its total liabilities. SIBL did not require any purchase funds or borrowing requirements but once in 5 years regime which was quite higher portion of borrowings against the liabilities.

[3] Blank cell indicates the bank has no borrowings from other banks, financial institutions and agents

6.3. Evaluating the result

After measuring all the ratios and risks, we can say that prime bank is the better among the 4 banks because it's current situation and potential scenario is very good. Dhaka bank and NCC bank both are performed well between 2001 and 2005. Both have good chance to dominate the banking industry. Beside this, SIBL is in worse situation although they have good shield against loans and advances items.

Ending Summery

7.1. Conclusion

From the above analysis we can also say that the deposit decline in interest spread and fee earnings the bank made impressive progress in many lines of business. The operating profit before provisions registered a growth of 32.65 percent during 2005. Profit before tax showed a growth of 12.78 percent. To comply with provision of Bangladesh Accounting Standard and International Accounting Standard, Deferred tax liability was made to the tune of Tk 75 million during 2005.Thus there was negative growth in net profit after tax. The growth of asset was 28 percent and return on assets was 1.54 percent. The non-performing loan ratio came down below 1 percent, a commendable performance compared to peer group average. Deposit the rise in capital base of Tk 400 million, EPS was an impressive Tk 40.59. Return on equity stood at 20.89 percent.

Despite the fact that 2005 was a year of many challenges, the Bank was managed quite successfully. The year was concluded with a steady growth and the market share was retained in all areas of operations. Bank management is confident about its ability to sustain its earning capacity and maintenance of asset quality in the coming years.

With a view to improving the quality and soundness of deposit scheme, investment facility, loan portfolio, credit risk management methods were updated in 2005. The Bank monitors its exposure to particular sectors of economy on an ongoing basis.

Prime Bank is a second generation Bank. Though the bank is a new one made a good profit in the years following its opening in 1995. The bank is better in respect of other contemporary banks like Dhaka Bank, SIBL and NCC Bank.

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