

DIRECTORS' REPORT

The Directors of Prime Bank Limited (“PBL” or “Bank”) have the pleasure of presenting to the members (registered shareholders on the Record Date) the Directors’ Report together with the Auditors’ Report & Audited Financial Statements of the Bank for the year ended on 31 December 2022.

This report has been prepared in compliance with section 184 of the Companies Act 1994 and condition 1(5) of the Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006158/207/Admin/80 dated 03 June 2018 titled “Corporate Governance Code 2018”.

This report provides relevant disclosures and explanations pertaining to the issues to ensure compliance, transparency, and good corporate governance practices along with the details of the business performance, operations, and achievements of the company for the year ended 31 December 2022.

Principal Activities

The principal activities of the Bank are to provide all kinds of commercial banking services, both in conventional and Islamic (within given parameters) modes, to its customers that include extending credit/lending to different types of customers, receiving deposits, Consumer and SME financing, trade financing, project financing, lease and hire purchase financing, credit cards, remittance services, etc.

The Bank also extends services related to foreign currency-denominated assets and liabilities through its licensed Offshore Banking Units, investment banking & advisory services through Prime Bank Investment Limited, brokerage services through Prime Bank Securities Limited, and remittance business through Prime Exchange Co. Pte Ltd. PBL’s other subsidiary, PBL Finance (Hong Kong) Limited advises, negotiates, confirms, and provides discounting facilities against LCs originating from PBL and other banks in Bangladesh.

Industry Outlook and Possible Future Development in the Industry

The outlook and possible future development in the Banking Industry is presented on page no. 87 as part of Management Discussion and Analysis.

Segment-wise / Product-wise Performance of the Bank

The performance is presented on page no. 87 to 88 as part of Management Discussion and Analysis.

Cost of Goods Sold, Gross Profit Margin, and Net Profit Margin

The relevant discussion is presented on page no. 88 as part of Management Discussion and Analysis.

Management Discussion and Analysis

Detailed discussion and analysis of Bank’s operation & position, amongst others, a brief discussion on changes in the financial statements is presented on page no. 87.

Risk and Concerns

The uncertainties or risks in the Bank’s operating environment may arise, amongst others, from the aftermath of the COVID-19 pandemic, ongoing unwarranted Ukraine-Russia War, potential deterioration of credit qualities, and evolving changes in policy regime.

Utilization of proceeds from Public or Rights Issues & other instruments and its impact on Financial Performance

The Initial Public Offering (IPO) and Rights Issuance were made in 1999 and 2010 respectively. Later, 3 (three) subordinated bonds were issued in 2010, 2015, & 2018 for managing capital as per BASEL compliance requirements.

All funds raised under IPO, right issue, and bonds have already been utilized and duly reported to the regulators. No deterioration of financial results was observed after the utilization of proceeds from the above instruments.

Extra-Ordinary Activities & their Implications

No events of extraordinary gain or loss, which would require adjustment or disclosure in the financial statements, occurred during the reporting period.

Credit Rating

Emerging Credit Rating Limited (ECRL) rated the Bank AA in the long term and ST-2 for the short term with a stable outlook. The rating is valid up to 30 June 2023.

Preparation of Financial Statements & its Fairness

The financial statements as prepared by the Management of the Bank were duly scrutinized by the statutory/external auditors and presented fairly its state of affairs. Also, the financial statements together with the notes thereon have been drawn up in conformity with the Companies Act 1994, relevant IAS and IFRS, Securities and Exchange Rules 2020, and Dhaka/ Chittagong Stock Exchange (Listing) Regulations 2015.

Books of Accounts

Proper books of accounts of the Bank are maintained.

Accounting Policies

Appropriate accounting policies have been consistently applied in the preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.

Application of IAS and IFRS

International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as applicable for bank was followed in the preparation of the financial statements and any departure therefrom has been adequately disclosed.

Internal Control

The systems of internal controls are sound in design and have been effectively implemented & monitored.

Going Concern

There are no significant doubts about the Company’s ability to continue as a going concern.

Variance between Quarterly Financial Performance and Annual Financial Statements

No significant variance was found between the quarterly & annual financial performances of the Bank for the year 2022.

Significant Deviations from the Last Year’s Result

The Net Profit after Tax (NPAT) increased by 29% compared to the same period of last year due to higher exchange earnings. Also, the Net Operating Cash Flow per Share (NOCFPS) largely improved due to higher growth in the disbursement of loans & advances and investment in government securities compared to the last year.

Key Operating and Financial Data of the Last Six Years

The key operating and financial data for the last six years with graphical presentation are given on page no. 104 to 109.

Certification of CEO & CFO on Financial Statements for the year 2022

The certificate is presented at Certification on Financial Statements on page no. 101.

Audit Information

The Directors confirm that a) there is no relevant audit information of which the company’s auditors are unaware, and b) the Directors have taken all the steps that they themselves ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the Bank’s Auditors are aware of that information.

Appointment of Statutory Auditor and Corporate Governance Compliance Auditor

Pursuant to section 210 of the Companies Act 1994, Bangladesh Securities and Exchange Commission (BSEC) order no SEC/CMRRCD/2009-193/104/Admin dated 27 July 2011, the statutory auditors of the Bank M/S ACNABIN, Chartered Accountants shall retire at this AGM. However, they have rendered services for 3 (three) consecutive years as Statutory Auditor and is not eligible for further re-appointment as per BRPD Circular # 12 dated 11 July 2001, regulation 15(2) of the Dhaka / Chittagong Stock Exchange (Listing) Regulations 2015, and section 2(2) of the Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018.

The Board, therefore, recommended appointing “M/S MABS & J Partners, Chartered Accountants” and “M/S Hoda Vasi Chowdhury & Co., Chartered Accountants” as joint Statutory Auditors of the Bank at a VAT exclusive remuneration of BDT 20 Lac (Taka Twenty Lac) only (i.e., BDT 10 Lac for each auditor) until the next Annual General Meeting of the Bank subject to the approval from relevant regulators.

Also, the Board recommended appointing “M/S Suraiya Parveen & Associates” as Corporate Governance Compliance Auditor for the year 2023 at a VAT exclusive remuneration of BDT 55,000.00 (Taka Fifty Five Thousand) only.

Director’s Profile

The Board of Directors has 17 (seventeen) members at present, profiles of whom are presented at Profile of the Board of Directors on page no. 40 to 56. 3 (three) Profiles of the proposed Directors are also presented in Profile of the Proposed Directors on page no. 57 to 59.

Pattern of Shareholdings

Detailed shareholdings, including patterns, are presented at the Statement of Shareholding on page no. 95 to 97.

Related Party Transaction

Transactions with related parties are made on a commercial basis on the principle of arm’s length and in the ordinary course of business. Disclosure of all related party transactions, including the basis for such transactions, is presented in Notes 49 of the notes to the audited financial statements on page no. 237.

Shareholders Rights

The Board upholds the principle of equal shareholders’ rights regardless of their shareholdings. It believes that good Corporate Governance involves open and trusting cooperation between all stakeholders involved in the Company, including the owners of the Company - the Shareholders.

Protection of Minority Shareholders

The Board of Directors is committed to ensuring the highest standards of governance designed to protect the interests of all stakeholders, including the rights of its minority shareholders while promoting integrity, transparency, and accountability. The Board of Directors shall always act in a manner that will be in the best interest of the Company.

Board Meeting and Meetings of its Assistive Committee

The Board of Directors has 3 (three) functional Assistive Committees at present, namely a) Executive Committee, b) Audit Committee, and c) Risk Management Committee. The Nomination & Remuneration Committee was dissolved as per directives of the primary regulators.

During the year 2022, the Board of Directors met 15 (fifteen) times, the Executive Committee met 6 (six) times, the Audit Committee met 8 (eight) times, and the Risk Management Committee met 4 (four) times. The Directors who could not attend the meetings were granted leave of absence.

The attendance record of the Directors is shown at the Statement of Attendance Record of the Directors on page no. 93.

Remuneration Paid to Directors

A total of BDT 2,252,800.00 (inclusive of VAT) has been paid as an honorarium to the Directors during 2022, details of which are shown in the Statement of Honorarium Paid to the Directors on page no. 94.

Changes in the Board of Directors

Mr. Khan Ahmed Sayeed Murshid PhD was appointed as Independent Director during the year 2022.

Appointment, Retirement, & Re-Appointment/ Re-election of Directors

At the forthcoming 28th Annual General Meeting (AGM), one-third (1/3rd) of the Directors holding longest in office shall retire as per clause 107 & 108 of Article of Association (AOA) of the Bank, applicable laws, and regulatory directives/ notifications/circulars. Accordingly, Mr. Azam J Chowdhury (representative Director of East Coast Shipping Lines Ltd.), Mr. Mohammed Nader Khan, Mr. Quazi Sirazul Islam, Mrs. Salma Huq, Mr. Nafis Sikder, and Mr. Imran Khan will retire at the forthcoming AGM. Being eligible, all retiring Directors are proposed for re-appointment/re-election by the Board at the same meeting, except for Mr. Azam J Chowdhury.

The Board also proposed the appointment of Mr. Azam J Chowdhury, Mrs. Nasim Anwar Hossain, and Mr. Tanveer A Chowdhury (representative Director of East Coast Shipping Lines Ltd.) as Directors.

Financial Results and Appropriations

The Directors are pleased to report the financial results for the year 2022 and recommend the following appropriations:

Particulars	2022	2021
Profit before Taxation	6,231,561,131	5,596,311,094
Less: Provision for tax	2,209,711,899	2,485,285,273
Profit after Tax	4,021,849,232	3,111,025,821
Add: Un-appropriated profit brought forward	3,459,418,217	2,329,888,481
Profit Available for Distribution*	4,676,400,007	3,449,023,299
Less: Appropriations		
a) Statutory reserve	-	-
b) Dividend (Cash)**	1,981,496,085	1,981,496,085
Un-appropriated Profit C/F***	5,499,771,364	3,459,418,217

* excludes deferred tax income (BDT 2,804,867,442 for 2022 and BDT 1,991,891,003 for 2021), which is not distributable as dividends.

** recommended by the Board of Directors.

*** includes deferred tax income (BDT 2,804,867,442 for 2022 and BDT 1,991,891,003 for 2021), which is not distributable as dividends.

Notably, all the proposed Directors for appointment & re-appointment/re-election possess the required qualification for the directorship of the Bank, and their appointment/re-appointment/re-election is subject to the approval of the members of the Bank and applicable regulatory approval(s).

Governance of the Board of Directors of Subsidiary Companies

The Bank's representation in the subsidiary company's Board was ensured in line with condition 2 of the Corporate Governance Code 2018.

Minutes of the Board meetings of the subsidiary companies were placed before the Board of the holding company, duly reviewed, and then recorded.

The Audit Committee of the Board of the Bank also reviewed the periodical & annual financial statements of the subsidiaries.

Notice of the Meeting

The notice of the 28th Annual General Meeting (AGM) is shown on page no. 10.

Declaration of Dividend (Cash or Stock and Interim or Final)

The Board of Directors of the Bank recommended a 17.50% cash dividend for the year 2022, which is subject to the approval of shareholders/members in the ensuing Annual General Meeting (AGM) scheduled on 28 May 2023. No cash or stock dividend was declared as an interim dividend during 2022.

Pursuant to BSEC directives, the Board adopted a Dividend Distribution Policy, which was placed on the Bank's website and also on page 100.

Details of outstanding and unclaimed dividends previously declared and paid by the Bank are shown on page 98.

Events subsequent to Balance Sheet

The Directors are aware of the following matter or circumstance that has arisen since the end of the year 2022 up to the date of approval of financial statements by the Board of the Bank that may significantly affect the operations of the Bank, the results of its operations or its state of affairs:

- The Board of Directors in its 541st meeting held on 5 April 2023 recommended 17.50% cash dividend for the year 2022.

Human Resources

PBL recognizes employees as the primary source of its competitiveness and continues to focus on their development. It believes in equal opportunity & competency in the workplace irrespective of race, religion, sex, and color. The relationship between the management and the employees in the company was excellent throughout the year.

Environment, Health & Safety

The Bank places utmost priority on promoting congenial environment and health & safety culture and continuous improvement of the same in line with local legislation, international guidelines and best practices.

Insider Trading

The members of the Board of PBL, or its assistive committees, or its senior management and their family members did not involve in any insider trading and did not violate the provision with regard to insider trading.

Compliance with Laws and Regulations

The Bank is not engaged in any activities contravening the laws and regulations.

Corporate Governance Approach

The Bank recognizes that a robust & sound governance framework is vital for value creation for PBL's stakeholders and sustainable operation. The Board of Directors & Management are pledged bound to continue implementing the highest standards of Corporate Governance in the Bank through a culture of accountability, transparency, and well-understood policies and procedures.

The Corporate Governance Report on page 90 to 92 provides a detailed view of the approach.

Certification on Compliance of the Corporate Governance Code

The certificate issued by Suraiya Parveen & Associates, Chartered Accountants is shown on page no. 102.

Contribution to the National Exchequer

The Bank contributed BDT 7,522.87 million to the national exchequer in the form of taxes and VAT in 2022.

Recognition

PBL is being recognized by various entities as a reward for its relentless efforts to the best practices in its operation, financial reporting, and required disclosures. Notable awards/recognition achieved in 2022 are:

- Asian Technology Excellence Awards from the reputed magazine Asian Business Review for providing AI based services;
- Bangladesh Innovation Award 2022 from a2i for innovating AI-based nano loan disbursement platform (PrimeAgrim);
- Euromoney Notable Market Leaders in Bangladesh (Corporate Banking & Digital Solutions) from Euromoney; and
- Excellence in MasterCard Debit Business (Domestic) Awards 2022 from MasterCard.

Conclusion

The Board extends its heartfelt gratitude to all members of the Prime Bank family for their continuous efforts & hard work toward the success of the Bank. The Board also expresses its sincere appreciation to all valued customers, regulators, and all other stakeholders who have trusted the Bank for the last 28 years of its journey and reposed their confidence in us.

Lastly, the Board reassures all that the Bank will further strengthen its foothold in the banking industry by continuing its legacy of finding success in all adversities that may come our way.

Thank you.

For and on behalf of the Board of Directors,

Tanjil Chowdhury
Chairman