

DIRECTORS' REPORT

The Directors of Prime Bank PLC. ("PRIMEBANK" or "Bank") have the pleasure of presenting to the Members (registered shareholders on the Record Date 7 May 2024) the Directors' Report together with the Auditors' Report & Audited Financial Statements of the Bank for the year ended on 31 December 2023.

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".

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 company's business performance, operations, and achievements for the year ended 31 December 2023.

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 3 (three) licensed Offshore Banking Units, investment banking & advisory services through its merchant bank subsidiary, share trading services through its brokerage subsidiary, and remittance business through its Singapore subsidiary. Also, PBL Finance (Hong Kong) Limited advises, negotiates, confirms, and provides discounting facilities against LCs originating from PRIMEBANK and other banks in Bangladesh.

Industry Outlook and Possible Future Development in the Industry

The outlook and possible future development in the Banking Industry are presented on page no. 58 as part of Management Discussion and Analysis.

Segment-wise / Product-wise Performance of the Bank

The performance is presented on page no. 58 to 59 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. 59 as part of Management Discussion and Analysis.

Management Discussion and Analysis

Detailed discussion and analysis of the Bank's operation & position, amongst others, a brief discussion on changes in the financial statements is presented on page no. 59.

Risk and Concerns

The recent geopolitical escalation between Israel & Palestine and the prolonged Russia-Ukraine conflicts are disrupting the global supply chains and elevating uncertainties across the world after the prolonged stress of the COVID pandemic. Besides, pressure on national forex reserves coupled with high inflation & liquidity stress added layers of complexity to the domestic market.

The Board is fully aware of these developments and committed to maintaining an effective risk management framework across the Bank & its subsidiaries by timely identification, assessment, and addressing those affecting the short-term and foreseeable future.

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, 4 (four) subordinated bonds were issued in 2010, 2015, 2018, & 2023 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 utilizing 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 2024.

Preparation of Financial Statements & its Fairness

The financial statements of the Bank, as prepared by the Management, 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, relevant securities laws and directives, 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 for preparing 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 the Bank, were followed in preparing the financial statements, and any departure therefrom has adequately been 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 2023.

Significant Deviations from the Last Year's Result

The Net Profit after Tax (NPAT) increased by 20% compared to the same period of last year due to the growth in net interest income and investment income.

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. 133 to 140.

Certification of CEO & CFO on Financial Statements for the year 2023

The certificate is presented at Certification on Financial Statements on page no. 118.

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 joint statutory auditors of the Bank M/S MABS & J Partners and M/S Hoda Vasi Chowdhury & Co. shall retire at this AGM. The Firm, being eligible has

offered their willingness to be reappointed and the Board of Directors recommended their re-appointment for the year 2024 & continuation till the end of the next AGM at a VAT exclusive remuneration of BDT 20 Lac (Taka Twenty Lac) only (i.e., BDT 10 Lac for each auditor) subject to the required approval.

Also, the Corporate Governance Compliance Auditor M/S Suraiya Parveen & Associates has offered their willingness to be reappointed and the Board of Directors recommended their re-appointment for the year 2024 at a VAT exclusive remuneration of BDT 60,000.00 (Taka Sixty Thousand) only subject to the approval of the Members.

Director's Profile

The Board of Directors has 20 (Twenty) members at present, profiles of whom are presented on the page no. 26 to 45. The profile of the proposed directors (Currently not in the Board) are presented on the page no. 46 to 47.

Pattern of Shareholdings

Detailed shareholdings, including patterns, are presented at the Statement of Shareholding on page no. 111 to 114.

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. 254 to 256.

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 the directives of the primary regulator.

During the year 2023, 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. Leave of Absence were

granted to the Directors, who communicated their inability to attend the meetings due to preoccupation.

The attendance record of the Directors is shown at the Statement of Attendance Record of the Directors on page no. 109.

Honorarium Paid to the Directors

A total of BDT 1,984,000 (exclusive of VAT) has been paid as an honorarium to the Directors during 2023, details of which are shown in the Statement of Honorarium Paid to the Directors on page no. 110.

Changes in the Board of Directors

Mr. Md. Mukul Hossain was appointed as representative Director of MJL Bangladesh PLC. during the year 2023.

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

At the forthcoming 29th 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. Md. Shahadat Hossain, Mrs. Nazma Haque, Mr. Mafiz Ahmed Bhuiyan, Mr. SM Tamjid, Mr. Muhammad Mushtaque Ahmed Tanvir (representative Director of Uniglory Cycle Industries Ltd.), Mr. Zaeem Ahmed (representative Director of Namreen Enterprise Limited), and Mr. Md. Mukul Hossain (representative Director of MJL Bangladesh PLC.) will retire at the forthcoming 29th AGM. Being eligible, all retiring Directors are proposed by the Board of Directors for re-appointment/re-election at the 29th AGM. Notably, other than the retiring Directors, no one expressed their intention in writing to be a Director to the Board of Directors of the Bank.

The Independent Directors – Mr. C. Q. K. Mustaq Ahmed, Mr. Anwaruddin Chowdhury FCA, and Dr. Sharif M. N. U. Bhuiyan shall complete their first term as Independent Directors on 19 June 2024. Mr. C. Q. K. Mustaq Ahmed expressed his intention to continue for a second term and is eligible for reappointment.

Accordingly, the Board proposed the reappointment of Mr. C. Q. K. Mustaq Ahmed as Independent Director for the second term, and the appointment of Mr. G. M. Khurshid Alam and Mr. Muhammed Farhad Hussain as Independent Directors as a replacement of the retiring two Independent Directors.

Notably, all the proposed Directors & Independent 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).

The profiles of the proposed Independent Directors are presented on page no. 46 to 47.

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 29th Annual General Meeting, duly served on 8 May 2024, 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 2023, which is subject to the approval of Members in the ensuing 29th AGM scheduled on 30 May 2024. No cash or stock dividend was declared as an interim dividend during 2023.

The Dividend Distribution Policy as adopted by the Board and the details of outstanding & unclaimed dividends are shown on page 148 and page 115 to 116 respectively.

Financial Results and Appropriations

The Directors are pleased to report the financial results for the year 2023 and recommend the following appropriations:

Particulars	2023	2022
Profit before taxation	6,804,548,285	6,231,561,131
Less: Provision for tax	1,983,097,753	2,209,711,899
Profit after tax	4,821,450,532	4,021,849,232
Add: Un-appropriated profit brought forward	5,499,771,364	3,459,418,217
Profit available for distribution (a)	6,845,057,915	4,676,400,007
Less: Appropriations		
Statutory reserve	-	-
Dividend (Cash) (b)	1,981,496,085	1,981,496,085
Un-appropriated profit C/F (c)	8,339,725,811	5,499,771,364

(a) Excludes deferred tax income (BDT 3,476,163,980 for 2023 and BDT 2,804,867,442 for 2022) which is not distributable as dividend as per Bangladesh Bank BRPD circular no.11 dated 12 December 2011.

(b) Recommended by the Board of Directors.

(c) Includes deferred tax income (BDT 3,476,163,980 for 2023 and BDT 2,804,867,442 for 2022) which is not distributable as dividend.

Events subsequent to Balance Sheet

The Directors are aware of the following matter or circumstance that has arisen since the end of the year 2023 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 556th meeting held on 15 April 2024 recommended a 17.50% cash dividend for the year 2023.

Human Resources

PRIMEBANK 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 a 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, its assistive committees, its Senior Management & their family members were not involved in any insider trading and did not violate the provision concerning insider trading as per available records.

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 its 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 69 to 71 provides a detailed view of the approach.

Certification on Compliance of the Corporate Governance Code

The certificate issued by M/S Suraiya Parveen & Associates, Chartered Accountants is shown on page no. 120.

Contribution to the National Exchequer

The Bank contributed BDT 7,339.52 million to the national exchequer in the form of taxes and VAT in 2023.

Recognition

PRIMEBANK 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 2023 are:

- Best Bank for ESG 2023 by Asiamoney
- Best Green Deal (Issuing Bank) Award 2023 by ADB TSCFP
- Outstanding Sustainable Finance Solution by Global Transaction Banking Innovation Awards 2023
- Fintech Innovation of the Year (Banks) 2023 - Honorable Mention by 2nd Fintech Innovation Award (Bangladesh Brand Forum)
- Asian Technology Excellence Awards 2023 - Fintech (Banking) by the Asian Business Review
- Top Sustainable Bank 2022 by Bangladesh Bank
- Most Reliable Commercial Banking Brand by Global Brands Magazine Awards 2023
- Best Bank for CSR Initiatives by Global Brands Magazine Awards 2023
- Best Bank for Debit Business (Domestic) by MasterCard Excellence Awards 2023

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 29 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.

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Tanjil Chowdhury
Chairman