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BOARD OF DIRECTOR'S SIZE, INDEPENDENCE, INSTITUTIONAL SHAREHOLDINGS AND PERFORMANCE: AN ANALYSIS OF PRIME BANK LIMITED

INDEPENDENT UNIVERSITY BANGLADESH SCHOOL OF BUSINESS

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By



An Internship Report Presented in Partial Fulfillment of the Requirements for
the Degree Bachelor of Business Administration

A BANK WITH A DIFFERENCE

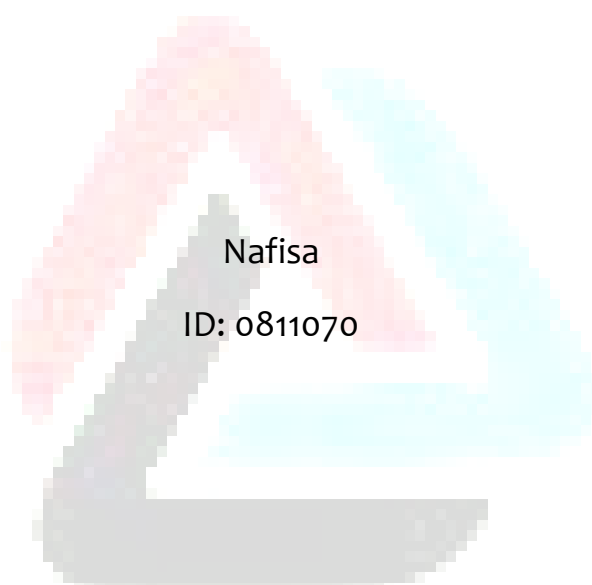
INDEPENDENT UNIVERSITY, BANGLADESH

MAY 2012



BOARD OF DIRECTOR'S SIZE, INDEPENDENCE, INSTITUTIONAL
SHAREHOLDINGS AND PERFORMANCE: AN ANALYSIS OF PRIME BANK
LIMITED

By



Nafisa

ID: 0811070

has been approved

MAY, 2012

PRIME BANK LIMITED

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Ms. Showgat Kutubi

Lecturer of Finance

School of Business

Independent University, Bangladesh

10th May, 2012

Ms. Showgat Kutubi

Lecturer of Finance, School of Business

Independent University, Bangladesh

Subject: Submission of Internship Report.

Dear Madam,

It is a pleasure to be able to hand over the report of my internship program on “Board of director’s size, independence, institutional shareholdings and performance: An analysis of Prime Bank Limited”.

The internship program has provided me the opportunity to work with the employees of Prime Bank LTD which gave me valuable insights to the professional life in an organization. These really helped me significantly to enhance my practical knowledge.

I, therefore, convey my thanks to you for your kind cooperation, supervision and advice in conducting and preparing this report. I have completed the whole program with great enthusiasm. I hope you will find this report worth reading although I was not able to accumulate all types of information due to some limitations.

If you need any information, I will be obliged to provide further clarification.

Yours sincerely,

Nafisa

ID No: 0811070

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ACKNOWLEDGEMENT

It is indeed a great pleasure and honor on my part to have the opportunity to submit this report after three months of practical orientation in Prime Bank Limited. I would like to offer my heartiest gratitude to almighty Allah for keeping me in good health and giving me the strength to accomplish the report.

My successful completion of internship program in Prime Bank LTD would not have possible without the help of some kind-hearted people.

I convey my deepest appreciations to my honorable supervisor Ms. S Kutubi for her continuous guidance and support in preparing this report. I thank her for being a constant source of inspiration all through. I am also very grateful to Ms. Khadiza Marzia of Prime bank LTD under whom I worked and who helped me a lot through the internship.

Last but not the least, I would like to express my deepest gratitude to the officers and personnel of Prime bank LTD Mr Masud, Ms Panna, Mr. Nasir, Ms. Farhana, Mr Junayed. Mr Salim, Mr. Syed, Mr. Aman, Mr. Faisal, Mr. Faruk, Mr. Mahmudul Banna, Mr. Mamun, Ms.Tanjida, Ms.Selina for their continuous support and valuable suggestions, cooperation and assistance in the preparation of this report.

I would like to show my gratitude towards some of my friends who gave their selfless effort to conduct the research. Finally, I thank my organization, Independent University Bangladesh and my mentors for giving me the opportunity of self development through practical experience.

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Executive summary

Banks lend money that is in effect borrowed from depositors, and the failure of banks could result in a monetary loss for the depositors. The interests of depositors should be protected, and for this reason, amongst others, the Task Force believes that the importance of corporate governance of banks differs from that of other companies and needs special attention. The boards and management of banks have to take into account the interests of these non-shareholding stakeholders, i.e. depositors. Reflecting the relatively short history of economic development in the region, many Asian jurisdictions do not have in place sufficient institutional infrastructure (e.g. sufficient resources, experience, focus, and know-how) necessary for effective enforcement of the corporate governance policy framework.

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way in which a corporation is directed, administered or controlled. Corporate governance also includes the relationships among the many players involved (the stakeholders) and the goals for which the corporation is governed. The principal players are the shareholders, management and the board of directors.

This research is done basically to give an idea about the corporate governance of Prime bank Ltd. Both primary and secondary data are used. Data are collected through informal discussion and secondary method (book, official manual). No questionnaire has developed here.

The research was structured on a number of objectives. Research starts with an overview of the corporate governance of Prime bank Ltd. Some people still don't think the corporate governance as a most important and sensitive issue of banking sector. Corporate governance is of course not just important for banks. It is something that needs to be addressed in relation to all companies. It is to be believed that sound corporate governance is particularly important for banks. Unlike other companies, most of the funds used by banks to conduct their business belong to their creditors, in particular to their depositors. Linked to this is the fact that the failure of a bank affects not only its own stakeholders, but may have a systemic impact on the stability of other banks. All the more reason therefore to try to ensure that banks are properly managed.

This report is done because there were only no research found on corporate governance on individual bank specifically Prime bank LTD. This paper will aim to find out that whether board of director's size, independence, institutional shareholdings is related to bank's performance. The significance of this study is that now a particular research gap will be filled up and it will indicate if any further related research is needed or not. I have tried my best to complete this research but there are some limitations. I need forgiveness for my unintentional mistakes.



CHAPTER 1: INTRODUCTION

1.1 ABSTRACT

This study examines the impact of board size, independent directors and institutional investors on the performance of Prime bank limited. A panel fixed-effect in the individual regression model is used to examine this relationship over 2005-2010.

1.2 INTRODUCTION

This study examines the relationship between bank board size, independent directors, institutional investors and performance of Prime Bank Ltd. Bangladesh offers an excellent opportunity to study this relationship as when compared to those of the India, Sri Lanka, Pakistan, Thailand and Malaysia, CG in practice and philosophy have up till now remained relatively under-developed in Bangladesh. Further, there appears to be a lack of either market or structural governance mechanisms to discipline errant managers.

Globalization of financial markets and fears of financial instability have brought the issue of the corporate governance into forefront of the policy discussions. In an increasingly deregulated policy environment, the big corporate failures such as Enron, Vivendi, Barrings have raised the need for implementing competent corporate governance practices. The recent financial crises in different countries have verified how the lack of good governance practices in the financial institutions can lead to a crisis in the system leaving long-term consequences to the economy (Singh and Weisse, 2002; Mitton, 2001). Among the financial institutions, the corporate governance of banks has received very little attention only (Arun and Turner, 2003). In developing countries, banks have a dominant position in the financial systems and a discussion on corporate governance of banks required special attention.

1.3 ORIGIN OF THE REPORT

This report has been prepared as a means of completion of the requirements of the Internship program of school of Business of Independent University Bangladesh. This report is an outcome of three-month internship program. Prime Pank Limited is the organization where I have gathered experience about the operations of the financial institution.

I worked under the close supervision of Ms. S. Kutubi, Lecturer of Finance, School of Business. She approved the topic on which I have prepared my internship report.

1.4 BACKGROUND OF THE STUDY

Corporate governance practices in Bangladesh are quite absent in most companies and organizations. In fact, Bangladesh has lagged behind its neighbors and the global economy in corporate governance. One reason for this absence of Corporate Governance is that most companies are family oriented (Gillibrand, 2004). Moreover, motivation to disclose information and improve governance practices by companies is felt negatively. There is neither any value judgment nor any consequences for corporate governance practices. The current system in Bangladesh does not provide sufficient legal, institutional and economic motivation for stakeholders to encourage and enforce corporate governance practices; hence failure in most of the constituents of corporate governance is witness in Bangladesh (MZ. Islam, 2009). Poor bankruptcy laws, no push from the international investor community, limited or no disclosure regarding related party transactions, weak regulatory system, general meeting scenario, lack of shareholder active participations are some of the individual constituents that have been identified by Mamtaz Uddin Ahmed and Mohammad Abu Yusuf in their research study “Corporate Governance : Bangladesh Perspective” (Mamtaz and Yusuf, 2005).

Prime Bank Ltd. is a private commercial bank. This research is carried out to identify the corporate governance structure of Prime Bank Ltd and to find out that does this have any impact on financial performance of the bank.

1.5 PROBLEM STATEMENT

In practice, corporate governance and monitoring mechanism recently focused on matters like the composition of the Board of Directors, the duties and responsibilities of the executive directors, regular monitoring by shareholders, voting rights of shareholders and detailed disclosure of company information that are material for decision making by interested parties.

The board of Directors is the central entity in a functioning corporate governance system, since it is the governing body of any organization. The board size should be optimal with diverse expertise and experience to ensure a well functioning and involved board. All companies should also encourage effective representation of independent directors on their Board of Directors so that the Board, as a group, includes core competencies considered relevant in the context of each company. Some researchers find positive relation between board size, independent directors, institutional investors and bank performance, whereas some researchers find negative. Therefore, it will be interesting to examine empirically whether Prime bank Ltd board size ,director independence and institutional shareholding relates to performance.

Winkler (1998) insists that the quality of corporate governance of banking institutions determines the success of the financial development. This research is aimed at Prime bank Ltd to find out that does the quality of corporate governance of Prime Bank is optimal and whether it has any impact on financial success of it.

1.6 OBJECTIVE AND SCOPE

1.6a Objective

The major objective of this study is to find out the ownership structure and performance of Prime bank Ltd. To do this research, I have set some core objectives on the basis of which I am going to do research. These objectives are as follows:

- To find out the impact of board size on banks performance.
- To find out the impact of independent directors on banks performance.
- To find out the role of institutional investors in promoting good corporate governance.

1.6b Scope

By preparing this report I will find out the real scenario of corporate governance of Prime bank Ltd. For doing this research, I will need a lot of information regarding the bank. To achieve these objectives, I will talk to the bank manager and staff members. Through the secondary data, I can find out the historical facts and information regarding Prime Bank Ltd. To dig out the actual facts i have to put forward indirect question and disguised question.

1.7 LIMITATIONS

Some barriers and limitations were faced while gathering information.

These are as follows:

- The study is confined to only Prime Bank Limited, IBB O.R. Nizam Road Branch Chittagong.
- Time frame of this research was very limited.
- For the lack of our practical knowledge, some shortcoming may be available in the paper.
- The data and information related with the topic was not easily available.



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CHAPTER 2: BANKING SECTOR IN BANGLADESH

With recent gains in financial fronts Bangladesh's financial sector is now comparable with most of the countries in South and East Asia in terms of financial deepening (measured by broad money to GDP ratio). This was 80 percent in India (2008) followed by 50 percent in Bangladesh (2008) and Pakistan (2007) and 35 percent in Sri Lanka. Bangladesh, like other developing countries, still has an underdeveloped financial system and is facing serious problems with the operation of its financial system and poor financial intermediation presents significant disincentives to foster economic growth.

Since the early 1990s, CG has been receiving increasing attention from regulatory bodies and practitioners worldwide. Corporate sectors are still in its initial stage; nevertheless awareness of the importance of CG is growing. However, To govern the corporate environment in Bangladesh, following legal measures are in practice:

- Securities and Exchange Ordinance 1969
- Bangladesh Bank Order 1972
- Bank Companies Act 1991
- Financial Institutions Act 1993
- Securities and Exchange Commission Act 1993
- Companies Act 1994
- Bankruptcy Act 1997

However, to institutionalize the practice of CG in Bangladesh, first initiative was undertaken by the Securities and Exchange Commission (SEC). SEC issued a notification on Corporate Governance Guidelines (CG Guidelines) for the publicly listed companies of Bangladesh under the power vested on the Commission by Section 2CC of the Securities and Exchange Ordinance, 1969. The CG Guidelines were issued on a 'comply or explain' basis, providing some 'breathing space' for the companies to implement on the basis of their capabilities. Nevertheless, the overall framework for investor protection and CG has a number of important weaknesses that have hindered the capital market development.

Since the independence in 1971, the government until 1982, when the 'ownership reform' measures started in the financial sector, had carried out the regulation and ownership of

all the financial institutions. During the reform period, two out of six National Commercial Banks (NCBs) were denationalized and private commercial banks were allowed to operate in the country. In 2011, out of the 49 banks operating in Bangladesh, 9 belong to the public sector, 30 are local private and 10 are foreign owned banks.

Despite the expansion, the operational efficiency of the banking institutions has continued to be dismal (Sayeed, 2002; Raquib, 1999). The sector witnessed decreasing profitability, increasing non-performing assets, provision and capital shortfalls, eroded credit discipline, rampant corruption patronized by political quarters, low recovery rate, inferior asset quality, managerial weaknesses, excessive interference from government and owners, weak regulatory and supervisory role etc (Hassan, 1994; USAID, 1995). Internal control system along with accounting and audit qualities are believed to have been substandard (World Bank, 1998; Raquib, 1999; CPD, 2001). Many of the problems have been attributed to lack of sound corporate governance among the banks. The reports by the Banking Reform Commission (1999) and BEI (2003) raises serious concerns on the banking sector and criticize the quality of governance that prevails in the banking sector in Bangladesh,

The banks in Bangladesh can be considered as extremely closely held corporations, since the majority of the banks are not publicly listed companies. An average of only 20 per cent shares of banks is publicly available in Bangladesh and a large majority of the shares are owned by a small number of ‘Sponsor’ shareholders leaving a small portion of the shareholding to the ‘General’ shareholders.

In Bangladesh, the average number of directors in the bank boards stands at 10, and the boards are overwhelmingly dominated by the non executive members. There is very thin presence of executive membership in the bank boards most of whom are the CEOs who by the virtue of the banking regulation must be included in the bank boards. Among the non-executive board members, the scale is heavily tilted towards shareholder directors almost all of who are sponsor shareholders. Only the public sector banks have non-executive independent directors where as there are only two independent directors in the boards of the private banks.

The normal tenure of the board members turns out to be 3 years for the majority of the banks. This can be attributed to the recent regulation issued by the central bank which limits the tenure of board membership for the private banks into two terms of 3 years each.

All corporate governance systems revolve around four core principles: Fairness, accountability, responsibility and transparency. The specific challenges of upholding these principles depend on the ownership structure of the corporate sector. However, in Bangladesh, general practice is that the corporate structure is dominated by family members. Such practice hinders the level of fairness, accountability and transparency.

CHAPTER 3: LITERATURE REVIEW

There are several competing theories (for example, agency problem, stewardship theory and resource dependence theory) to explain the relationship between board size, independent directors, institutional investors, and performances. Nonetheless, these empirical findings are limited to non-bank firms. The section below examines the non-bank literature to help in formulating hypothesis on Prime Bank Ltd governance.

3.1 BOARD SIZE AND BANK PERFORMANCE

Many researchers find a negative relation between board size and bank performance (UWUIGBE, Olubukunola Ranti, FAKILE, Adeniran Samuel). This study made use of a range of data drawn from the Nigerian Stock Exchange fact book (2008), which contains information on board size and the performance proxies. Regressing performance on board size, it was observed that banks with board size below 13 are more viable than those with board size above 13. The study further observed that banks with larger boards recorded profits lower than those with smaller boards. Therefore, this study concludes that there is a significant negative relationship between board size and bank financial performance with a t-value of -1.977 and a p-value of 0.053. This is because, increase in board size occurs with increase in agency problems (such as director free-riding) within the board and the board becomes less effective. However, the paper recommends a smaller board size for better financial performance and to reduce the problem of free-rider of banks in Nigeria.

Jensen (1993) states that “Keeping boards small can help improve their performance. When boards get beyond seven or eight people they are less likely to function effectively and are easier for the CEO to control.” (p. 865) Lipton and Lorsch (1992) also call for the adoption of small boards, and recommend that board size be limited to seven or eight members. Based on these theoretical arguments firms with larger boards of directors could experience lower performance.

On the other hand, Cheng (2008) provides empirical evidence that firms with larger boards have lower variability of corporate performance. Astrachan et al. (2002) and Setia-Atmaja et al. (2009), argue that larger board affiliated with the controlling family may enhance performance because they have valuable business experience, expertise, skill and social and professional network which might add substantial business resources to the family firms.

Hypothesis 1 : Bank size is related to bank performance.

3.2 INDEPENDENT DIRECTORS AND BANK PERFORMANCE

According to SEC “Independent Director means a director who does not hold any share in the company or who holds less than one percent (1%) shares of the total paid-up shares of the company, who is not connected with the company’s promoters or directors or shareholder who holds one percent (1%) or more than one percent (1%) shares of the total paid-up shares of the company on the basis of family relationship; who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies, who is not a member, director or officer of any stock exchange, and who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market.” The independent director(s) should be appointed by the elected directors.

Enhanced director independence, according to Young (2003) is intuitively appealing because a director with ties to a firm or its CEO would find it more difficult to turn down an excessive pay packet, challenge the rationale behind a proposed merger or bring to bear the skepticism necessary for effective monitoring. Some studies find actually, better performances for firms with boards of directors dominated by outsiders (see Weiback 1988, Resenstein and Wyatt, 1990 Mehran, 1995 and John and Senbet 1998). They argue that outside independent directors are better monitors, large and complex firms could require more of them so as to reduce the augmented agency problems of being large (Lehn et al. 2009). In addition, Fama and Jensen (1983) and Linck et al. (2008) consider outside directors to be of high importance to large and complex firms, since they bring valuable expertise and potential networks that could be beneficial to the firm. Ezzamel and Watson (1993) find that outside directors are positively associated with profitability among a sample of U.K. firms. In a similar study of 266 U.S. corporations, Baysinger and Butler (1985) report that firms with more outside board members realize higher return on equity. Several other researchers have also (Journal of Money, Investment and Banking - Issue 19 (2010) 75) reported a positive relationship between outside director

representation and firm performance (Pearce and Zahra, 1992; Rosenstein and Wyatt, 1990; Schellenger et al., 1989). Micheal adusei in his paper develop a hypothesis that the proportion of independent directors of a bank should be significantly and positively related to its profitability while the proportion of independent directors of a bank should be significantly and negatively related to its efficiency.

Whereas, some researchers discover negative relationship. Kyereboah-Coleman and Biekpe's (2006) study investigates the role of boards and CEOs in the performance of the Ghanaian banking sector examining 18 banks both listed and not – listed for the period 1997 – 2004 by adopting panel data to support their model. The conclusion was that the more independent the board is, the worse the profitability of a bank.

While Weir and Laing (2001) and Pinteris (2002) find no such relationship between independent directors and bank performance in terms of accounting profit or firm value. Also, Forsberg (1989) find no relationship between the proportion of outside directors and various performance measures. In the same vein, Hermalin and Weisbach (1991) and Bhagat and Black (2002) find no correlation between the degree of board independence and four measures of firm performance, controlling for a variety of other governance variables, including ownership characteristics, firm and board size and industry. They find that poorly performing firms were more likely to increase the independence of their board. Mac Avoy, Dana, Cantor and Peck (1983), Baysinger and Butler (1985) and Klein (1998) find that firm performance is insignificantly related to a higher proportion of outsiders on the board. Thus, the relation between the proportion of outside directors and firm performance is mixed.

Again some researchers are bit conditional. Peng (2004) suggests that outsider directors do make a difference in firm performance, if such performance is measured by sales growth, and that they have little impact on financial performance such as return on equity (ROE). Arosa et al. (2010) find that the presence of independents on the board of a non-listed family firm has a positive effect on performance when the firm is run by the first generation. However, no effect on performance is seen when the firm is run by the second and subsequent generations.

Hypothesis 2: The proportion of independent directors on the board is related to bank performance.

3.3 INSTITUTIONAL INVESTORS AND BANK PERFORMANCE

Shareholders, investor associations, institutional investors and the financial press can play significant role in ensuring better CG. Each of these potential pressure groups is weak in Bangladesh. The numbers of journalists who possess knowledge on financial reporting are limited and there are lacks of investigative reports. Similarly public shareholders are not organized under a common platform (such as shareholder associations) to demand better corporate governance. Unlike institutional investors in most capital markets across the globe, the few State -owned Enterprises (SOEs) lack performance spirit and motivation to force companies to improve CG as well as performance.

Prior studies find a positive relationship between institutional ownership and firm performance (Imam and Malik 2007) in Bangladesh suggesting that institutional shareholders have the incentive as well as the power to monitor and control the behavior of firms, and have played a significant role in corporate governance. The role of large institutions in corporate governance is particularly important in countries where legal protection of shareholders' interest is weak for historical and institutional reasons. This is a situation that exists in many transition economies.

In contrast, many researchers don't find any relation between institutional shareholding and banks performance. Rose (2007) used a sample of all Danish firms listed at the Copenhagen Stock Exchange for the period 1998 – 2001 in order to examine whether ownership affects firm's performance, measured by Tobin's q. The cross – sectional regression analysis showed that increased ownership by institutional investors did not have an impact on firm's performance. However decomposing the results, it was evident that ownership by banks had a positive significant impact on performance. Even there are other researchers who don't find any relation. Barako and Tower (2007) investigated the association between ownership structure and bank performance in Kenya. Their empirical analysis included all financial institutions operating in Kenya and ran a multivariate regression with variables referring to ownership, bank size and ROA. The results provided a strong support that ownership institutional shareholders have no significant influence on performance.

While other researchers find negative relationship. Shah and Haq (2007) undertook an empirical study and found that in the cement sector of Pakistan the percentage of block holdings by financial institutions has a negative relationship with performance.

Hypothesis 3: Institutional shareholding is related to bank performance.



CHAPTER 4: DATA AND METHODOLOGY

4.1 DATA

The dataset covers the information of Prime Bank LTD. over the five year period 2005 to 2010. The five year sample period covered the information on banks board size, independent directors and institutional shareholding. It also includes ROE, ROA, Tobin's Q, Assets, Leverage and Non-performing loan.

4.2 RESEARCH DESIGN

Research design helped me to fulfill my research objectives. I did my research through survey and the secondary data method. To conduct interviews, I regularly visited bank. The length of the interview varied upon the different groups of people.

4.3 SAMPLE DESIGN

In this phase I selected the staff of bank upon which I conducted my research. I selected some experienced employees who has been working long in the bank.

4.4 DATA COLLECTION

For the purpose of collecting data I arranged annual reports, read journals and books, and browse internets.

4.5 DATA PROCESS AND ANALYSIS

After collecting the data, the later stage was to process the data for analysis. In this step, with the help of descriptive and inferential statistics, I developed relationship among variables.

4.6 SURVEY PERIOD

The survey is being conducted from February 1st to April 30th, 2012.

4.7 VARIABLES AND STATISTICS

Three of the bank performance measures have been used here. First is ROA which is simply the percentage calculated by dividing company's annual earnings by its total assets. Second one is ROE which is also the percentage calculated by dividing net income by shareholders equity. Third one is Tobin's Q which is the ratio of the market value of a firm's existing shares to the replacement cost of the firm's physical assets. This measure has been used as dependent variables in research to evaluate board effectiveness. Independent variables include BS which means total number of directors on the board as at the end of each year. ID is total number of independent directors on the board as at end of each year. IDI means Ratio of the number of independent directors to the board size as the end of each year. IS means the percentage of shareholdings owned by institutional investors. In order to understand the behavior of directors on the performance of the bank the study used the effect of size, leverage and performance of loan as control variable. SIZE is bank size defined as bank's average total assets. LEVERAGE is measured as the ratio of total debt and equity to total assets. Nonperforming loan means a sum of borrowed money upon which the debtor has not made his or her scheduled payments for at least 90 days. In this research non performing loans is used as a ratio of nonperforming loans to gross loans.

4.8 DESCRIPTION OF VARIABLES

4.8a Board characteristics

Table: 1

BS	Total number of directors on the board as at the end of each year.
-----------	--

ID	Total number of independent directors on the board as at end of each year.
IDI	Ratio of the number of independent directors to the board size as the end of each year.
IS	The percentage of shareholdings owned by institutional investors.

4.8b Performance measures

Table: 2

ROA	The percentage calculated by dividing companys annual earnings by its total assets.
ROE	The percentage calculated by dividing net income by shareholders equity.
Tobin's Q	The ratio of the market value of a firm's existing shares to the replacement cost of the firms physical assets.

4.8c Control variables

Table: 3

Size	Bank's total assets
Leverage	Total debt plus equity to total assets
NPL	The ratio of nonperforming loans to gross loans.

CHAPTER 5: RESULTS AND FINDINGS

5.1 BOARD SIZE, INDEPENDENT DIRECTORS AND INSTITUTIONAL SHAREHOLDINGS

Figure: 1a

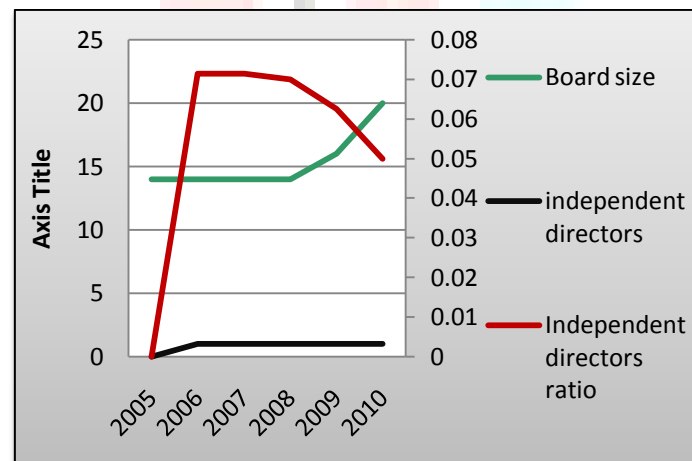


Figure: 1b

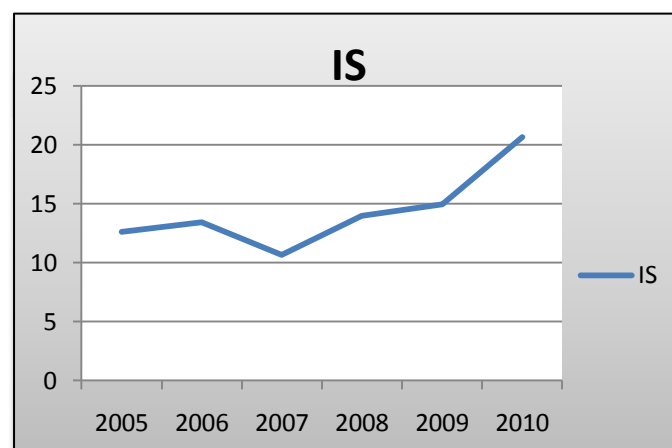
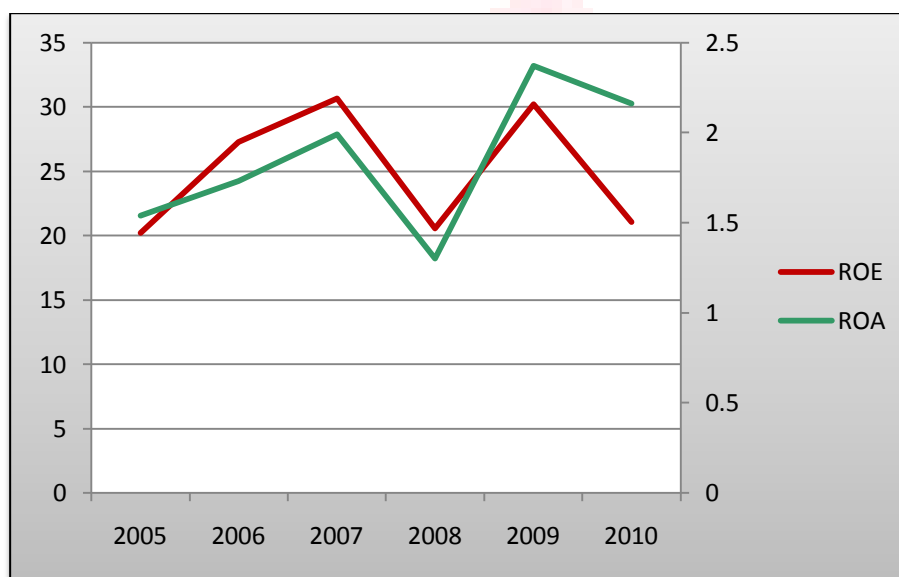


Figure 1a presents the trends in the Prime Bank's board size and independent directors over 2005 to 2010. We can see that the average bank's board size in the study is constant for four years and then increased to 20 in next two years. In 2005, there were no independent directors in Prime bank Ltd. In the figure it is seen the ratio of independent directors climbed in 2006 and then again dropped down. In figure 1b IS over the six years shows the upward trend. In 2010, it reached above 20.

5.2 ROE AND ROA

Figure 2



Furthermore, Figure 2 shows that the bank profitability as measured by ROA and ROE improved over the period except. Both the ROA and ROE are fluctuating and follows the same trend. It increased in 2007 and again falls in 2008. Again moves upward in 2009 at present decreasing.

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5.3 DESCRIPTIVE STATISTICS

Table 4: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	6	20.23	30.68	25.0000	4.94204
ROA	6	1.30	2.37	1.8483	.39977
TOBINSQ	6	.14	.36	.2217	.08183
BS	6	14.00	20.00	15.3333	2.42212
IDI	6	.00	.07	.0533	.02733
IS	6	10.65	20.62	14.3667	3.38880
Assets	6	4.15E10	1.53E11	9.5006E10	4.17832E10
Leverage	6	.02	.12	.0772	.03652
NPL	6	.82	1.76	1.2350	.32856
Valid N (listwise)	6				

Table 4 presents some descriptive statistics for the variables used in this study. The mean ROE is 25, the minimum is 20.23 and maximum is 30.68. Similarly the mean of ROA is 1.85, the minimum is 1.3 and maximum is 2.37. Regarding the Tobin's Q mean is .22 and min and max is .14 and .36 respectively. On average the BS of the Prime Bank LTD is 15.33 i.e. 16 and min and max is 14 and 20 respectively. Regarding ratio of independent director's average is .05 and min and max are 0 and .07. The mean of institutional shareholding is 14.37, the min is 10.65 and max is 20.62. The mean of total asset or size is Tk. 95006 million, minimum is Tk. 41500 million and maximum is Tk. 153000 million. The mean NPL is 1.24, the min is 0.82 and the maximum is 1.76. The mean leverage is 0.08, min is 0.02 and the maximum is 0.12.

5.4 UNIVARIATE ANALYSIS

Table 5: Pearson Pair-Wise Correlation Matrix of the Variables

[illegible]

Leverage	Pearson Correlation	.007	.422	.167	.684	.583	.747	.764	1	.461
	Sig. (2-tailed)	.989	.404	.752	.134	.225	.088	.077		.357
	N	6	6	6	6	6	6	6	6	6
NPL	Pearson Correlation	-	-	-.100	.020	.419	.039	.348	.461	1
	Sig. (2-tailed)	.122	.168	.850	.970	.409	.941	.499	.357	
	N	6	6	6	6	6	6	6	6	6

Table 5 presents the Pearson's pair-wise correlation matrix between variables of interest along with their corresponding significance level. The matrix shows a positive and statistically significant correlation between both bank performance measures – ROE and ROA. However, there is statistically significant negative correlation exists between the ROE and ROA - and Tobin's Q. We found a positive and statistically significant correlation between the ROA and Tobin's Q with board size (BS). But the negative correlation exists between ROE and Board size but that is insignificant. Moreover, both measures of performance ROE and ROA are positively correlated with board independence measure (IDI), and the relationship is found statistically significant. In case of Tobin's Q with independent directors measures (RID) the results show a negative and insignificant correlation. Negative correlation is found between ROE and institutional shareholding but the relationship is not strong. Whereas, positive correlation found between ROA, Tobin's Q and IS but the relationship found moderate. NPL is found negatively correlated with ROA, ROE and Tobin's Q but the relationship is not statistically significant. There is the strong positive correlation between ROA and Tobin's Q with size of the firm.

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5.5 MULTIVARIATE ANALYSIS

Table: 6

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.994	1	5.994	.206	.673 ^a
	Residual	116.125	4	29.031		
	Total	122.119	5			

a. Predictors: (Constant), BS

b. Dependent Variable: ROE

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.931	15.412		2.072	.107
	BS	-.452	.995	-.222	-.454	.673

a. Dependent Variable: ROE

The table shows the regression analysis on BS. It shows the coefficient on BS is negative and statistically insignificant.



Table: 7

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.869	1	34.869	1.599	.275 ^a
	Residual	87.250	4	21.813		
	Total	122.119	5			

a. Predictors: (Constant), IDI

b. Dependent Variable: ROE

**Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	19.846	4.501		4.410	.012
	IDI	96.643	76.437	.534	1.264	.275

a. Dependent Variable: ROE

Table 7 reports the regression analysis of ROE on ratio of independent directors (IDI). It shows that the coefficient on the IDI is positive, and it is statistically significant. So this supports our hypothesis that independent directors are positively related to bank performance.

Table: 8

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.732	1	20.732	.818	.417 ^a
	Residual	101.387	4	25.347		
	Total	122.119	5			

a. Predictors: (Constant), IS

b. Dependent Variable: ROE

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	33.633	9.764		3.445	.026
	IS	-.601	.664	-.412	-.904	.417

a. Dependent Variable: ROE

Table 8 shows the regression analysis on institutional shareholding and the result is that the coefficient is found negative and statistically significant.

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Table: 9

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.796	1	7.796	.273	.629 ^a
	Residual	114.323	4	28.581		
	Total	122.119	5			

a. Predictors: (Constant), Assets

b. Dependent Variable: ROE

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.161	5.858		3.783	.019
	Assets	2.989E-11	.000	.253	.522	.629

a. Dependent Variable: ROE

Table 9 show the correlation on bank assets (size) which is positive and the relationship is moderate.

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Table: 10

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.006	1	.006	.000	.989 ^a
	Residual	122.113	4	30.528		
	Total	122.119	5			

a. Predictors: (Constant), Leverage b. Dependent Variable: ROE

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24.925	5.688		4.382	.012
	Leverage	.973	67.669	.007	.014	.989

Dependent variable ROE

In *table 10*, leverage is found to be positively related with bank performance as expected but the coefficient is not statistically significant.

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Table: 11

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.810	1	1.810	.060	.818 ^a
	Residual	120.309	4	30.077		
	Total	122.119	5			

a. Predictors: (Constant), NPL

b. Dependent Variable: ROE

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.261	9.487		2.874	.045
	NPL	-1.831	7.465	-.122	-.245	.818

a. Dependent Variable: ROE

In table 11 the coefficient on NPL is negative and statistically insignificant.

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Table: 12

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.020	1	.020	5.961	.071 ^a
	Residual	.013	4	.003		
	Total	.033	5			

a. Predictors: (Constant), BS

b. Dependent Variable: TOBINSQ

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.179	.166		-1.080	.341
	BS	.026	.011	.774	2.442	.071

a. Dependent Variable: TOBINSQ

Table 12 show that the coefficient on board size (BS) is positive and statistically significant with Tobin's Q.

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Table: 13

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	.318	.603 ^a
	Residual	.031	4	.008		
	Total	.033	5			

a. Predictors: (Constant), IDI

b. Dependent Variable: TOBINSQ

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.265	.085		3.123	.035
	IDI	-.813	1.441	-.271	-.564	.603

a. Dependent Variable: TOBINSQ

The *table 13* shows the regression analysis on IDI. Coefficient is negative and therefore, relationship is moderate.

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Table: 14

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	1	.011	1.927	.237 ^a
	Residual	.023	4	.006		
	Total	.033	5			

a. Predictors: (Constant), IS

b. Dependent Variable: TOBINSQ

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.024	.146		.164	.878
	IS	.014	.010	.570	1.388	.237

a. Dependent Variable: TOBINSQ

The *table 14* shows the positive coefficient on IS and it is statistically significant.

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Table: 15

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	122.119	5	24.424	.	. ^a
Residual	.000	0	.		
Total	122.119	5			

a. Predictors: (Constant), IS, IDI, NPL, Assets, Leverage

b. Dependent Variable: ROE

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	60.977	.000		.	.
	NPL	-13.001	.000	-.864	.	.
	Assets	1.056E-10	.000	.892	.	.
	Leverage	185.590	.000	1.371	.	.
	IDI	-52.753	.000	-.292	.	.
	IS	-2.886	.000	-1.979	.	.

a. Dependent Variable: ROE

Table 15 shows the multiple regression result which explain that the coefficient of Assets, Leverage effect positively on ROE, but NPL, IDI and IS has negative effect.

Table: 16

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.799	5	.160	.	.
	Residual	.000	0	.		
	Total	.799	5			

a. Predictors: (Constant), IDI, BS, NPL, Assets, Leverage

b. Dependent Variable: ROA

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	5.503	.000		
	NPL	-1.132	.000	-.930	
	Assets	2.038E-11	.000	2.130	
	BS	-.279	.000	-1.692	
	Leverage	9.366	.000	.855	
	IDI	-11.885	.000	-.812	

a. Dependent Variable: ROA

In *table 16* the multiple regression result shows that the coefficient of Assets, Leverage affect positively on ROA, and the negative relationship between the NPL, BS and IDI with ROA.

CHAPTER 6: CONCLUSION

This paper examined the relationship between board size, independent directors, institutional shareholding and performance of the Prime Bank Limited.

Using univariate analysis we have found positive statistical significant correlation between Tobins Q and ROA with BS. However, the result does not show any significant correlation between the board size and the performance measures of ROE. That indicates that the higher the board size, higher the Tobins Q and ROA or we can conclude that board-size influences the behavior of investors. In case of Tobins Q and ROA with independent directors measures (RID) the results show an insignificant correlation. But we find a positive significant correlation between ROE with board independence (IDI). It can be concluded that independent directors do influence the performance of firm in terms of ROE. Again, we have found positive and significant correlation between Tobins Q and IS but insignificant relation was found between ROE and ROA with IS. We cannot, however, undermine the importance of institutional shareholdings for the Tobins Q. The study indicates a way for further research on the impact of institutional shareholdings on the governance and performance of bank.

Using panel fixed effects model, we found statistical significant relation between Prime Bank LTD's board-size and its performance for Tobins Q and ROA, but not for ROE. This result suggests that additional directors to the board may improve firm performance up to a certain point beyond which more will detract.

In testing hypothesis: 2 we again have found that inclusion of independent directors does not affect the performance of the banks in terms of Tobins Q and ROA, but it does significantly affect ROE. Although the existence of independent directors does not affect the ROA and Tobins Q, the investors prefer to have independent directors on the board, which possibly increases their confidence regarding the board decisions. Independent directors are better monitors than other directors because independent directors have a market reputation to maintain.

In testing hypothesis: 3, we found statistically negative and significant relation between institutional shareholdings and ROE but on the other side the inclusion of institutional shareholdings affects the performance of bank positively in terms of Tobins Q. This might suggest that Institutional investors may reduce the free rider problem caused by

dispersed ownership and therefore avoid managerial focus on short-termism. In addition, the presence of large institutional owners might even enhance the free rider problem, since smaller investors would rely on institutional investors to monitor and control management, so they would not spend resources doing these activities themselves.

In summary, it is not feasible to accept one general conclusion for the relationship between firm performance and corporate governance. However, empirical results show that generally ownership structure affects significantly corporate performance. More specifically, ownership concentration does not have any impact on firm's performance. Moreover, it is stated that weak corporate governance leads to poor corporate performance. As for the banking sector, there are mixed and ineffective results about the link between performance and corporate governance. In general, ownership structure affects bank performance.



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Appendix

ORGANIZATION OVERVIEW

Background of Prime Bank Limited

Prime Bank Ltd. incorporated in 12th February 1995 and started operation in 17th April 1995. The sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance energy etc.

The bank has a network of 115 branches strategically located in different cities. All the branches are functioning in computerized environment.

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

The bank has already occupied an enviable position among its competitors after achieving success in all area of business operation. The growth of the deposit is growing fast. At the end of 2010 total deposits stood at TK. 70.5 billion, a 28.85% increase compared to TK 54.7 billion from the year before and consolidated loans and advances/investments (credit under Islamic Shariah) grew strongly by 28.38% and stood at TK 57,782 million in 2010. Loans & advances of PBL increased by TK.12, 673 million showing a growth of 28.16% during 2010.

In a fast changing business environment financial intermediaries are gradually being left Competition is strengthened by the entry of new and innovative providers of financial services through the development of money market and capital market .

Corporate philosophy

► For our Customers

- To provide the most courteous and efficient service in every aspect of its business.
- To be innovative in the development of new banking products and services

► For our Employees

- By promoting their well-being through attractive remuneration and fringe benefits
- By promoting good staff morale through proper staff training and development and provision of opportunities for career development.

► **For our Shareholders**

- By forging ahead and consolidating its position as a stable and progressive financial institution
- By generating profits and fair return on their investment

► **For our Community**

- By assuming our role as a socially responsible corporate citizen in a tangible manner.
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

.....upholding ethical values and best practices

- Constantly seeking to improve performance by aligning our goals with stakeholders' expectations. Because we value them.

Strategic priority

- Maintain satisfactory capital to support growth and remain compliant
- Continue to strive for sound growth by doing the business that we do well, expand into areas underserved, entering new sectors and exploring innovative ideas
- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit
- Continue to provide new services to customers with support of superior information technology platform
- Establishment of good Corporate Governance by remaining efficient, transparent professional and accountable to the society and environment
- Ensure effective risk management for sustainable growth in shareholders' value
- Diversification of loan portfolio through structured finance and expansion of Retail and SME financing
- Value and respect people and make decisions based on merit
- Expansion of Brand Image by in-house capacity development through continuous training
- Be responsible, trustworthy and law-abiding in all that we do
- Be leader in serving the interest of our community and country

Business Activities of PBL

The Principal activities of the bank were banking and related businesses. Prime Bank Limited provides a full range of products and services to its customers, some of which are mentioned below with a brief overview of the major business activities.

Retail Banking:

As a part of risk diversification strategy PBL expended the lending activities in this sector during 2006. The growth rate of PBL's consumer financing was 38% during this year. The loan schemes offered by the bank include Home Loan, Loan against Salary, Marriage Loan, Car Loan, Hospitalization Loan, Education Loan, Doctors Loan, Travel Loan etc.

SME Lending:

Job creation is essential and it must come from Small and Medium Enterprise that will ultimately dominate the private sector. During 2006 bank's Strategy was focused on customer convenience. The Bank provided working capital loans to suppliers or dealers of large corporations or clusters of small exporters of non-traditional items. Outstanding loan of SME is Tk.437 million. The growth rate of PBL's SME Lending was 41% during this year.

Corporate Credit:

PBL's strategy is to provide comprehensive service to the clients of this segment who are large and medium size corporate customers with expertise in trade finance and related services. Besides trade finance bank are providing working capital finance, project finance and arranging syndication for our corporate clients. Syndication and structured Finance Unit of the Bank

strengthened its footstep in the consortium financial market and arranged a number of syndication deals for its corporate clients.

Islamic Banking:

For the development of Islamic Banking Business, 2006 was also a commendable year. It has been observed that compliance of Shariah has improved in 2006 as compared to the preceding years. According to their advice Islamic Banking operation of the bank has been separated from the operation of Conventional Banking and shown separately in the

bank's financial statement. It is found that the investment and deposits grew by 38% and 89% respectively in the year 2006. The operating profit of Islamic Banking Branches grew by 45% during the Year.

Credit Card:

In the year of 2005, Prime Bank Ltd has launched VISA. Before that PBL started its credit card operation in 1999 by introducing Master Card. Now PBL has become the first local Bank of the country to achieve principal membership of both the worldwide-accepted plastic money network i.e. Master Card and VISA. PBL has redesigned the credit card facility by providing the incentive of "Free Life Insurance Coverage" for their valued cardholders to mitigate the financial risk.

Custodial Service:

PBL equator fulfills its strategic commitment to provide custody and clearing services. Equator's focuses are on the following:

-  Commitment to quality
-  Dedication to customer needs
-  Sustained investment in people and systems

International Trade Management:

This division is operational throughout the group and PBL's core strength is trade finance and services. With an experience, Prime Bank has developed knowledge of trade finance, which is world class. Principle services to importers include imports letter of credit, import bills for collection and back-to- back letters of credit facilities. Services provide to exporters include export letters of credit, direct export bills, bonds, and guarantees.

Cash Management:

Prime Bank recognizes the importance of cash management to corporate and financial institutional customers, and offers a comprehensive range of services and liquidity management.



Institutional Banking:

Prime Bank Limited provides a wide range of services to institutional clients, commercial, merchant and central banks; brokers and dealers; insurance companies; funds and managers, and others. It provides relationship managers who are close to their customers and speak local language. This wide network of institutional banking facilities includes transaction, introduction, problem solving and renders advice and guidelines on local trading condition.

Treasury:

Treasury operations had been consideration as an important avenue for income generation purpose within Head Office. In fact, in the past, income from treasury operation was quite sizable and significant to the total income generated by the bank. The treasury division publishes daily and weekly currency newsletters, which provide analyses of currency trends and related issues. Prime Bank is one of the first local banks in Bangladesh to integrate treasury dealings of local money market and foreign currency under one Treasury umbrella. Prime Bank's Dealing Room is connected with automated Reuters Terminal facility thus enabling the bank to provide forward/future facilities to its corporate clients at a very competitive rate.

Foreign Exchange Business:

Over the years, foreign trade operations of the bank played a pivotal role in the overall business development of the bank. The bank has established relationship with as many as 110 new foreign correspondents abroad thereby raising the total number of correspondents to 553. The total import & export business handled by the bank during the year 2006 was Tk. 70,616.80 million and Tk. 51,316.40 million. The growth rate was 46%. The bank has also entered into remittance arrangements with several banks and exchange houses and expects to handle increased volume of remittance business over the near future.

Merchant Banking:

The Bank's operation in this sector was limited to Underwriting, Portfolio Management and Banker to the Issue functions. The compulsory requirement for opening BO account for share trading has increased the demand for opening BO account.



Online Branch Banking:

The bank has set up a Wide Area Network (WAN) across the country to provide online branch banking facility to its valued clients. Under this scheme, clients of any branch shall be able to do banking transaction at other branches of the bank.

Under this system a client will be able to do following type of transactions:

- Cash withdrawal from his/her account at any branch of the bank.
- Cash deposit in his/her account at any branch of the bank irrespective of the location.
- Cash deposit in other's account at any branch of the bank irrespective of the location.
- Transfer of money from his/her account with any branch of the bank.

At present 24 (Twenty Four) branches are under online. Clients can easily deposit and withdraw money from those online branches in a moment.

SWIFT:

Prime Bank Limited is one of the first few Bangladeshi banks, which have become member of SWIFT (Society for Worldwide Inter-bank Financial Telecommunication) in 1999. SWIFT is a member-owned co-operative, which provides a fast and accurate communication network for financial transactions such as Letters of Credit, Fund Transfer etc. By becoming a member of SWIFT, the bank has opened up possibilities for uninterrupted connectivity with over 5,700 user institutions in 150 countries around the world.

Information Technology in Banking Operation:

Prime Bank Limited adopted automation in banking operation from the first day of its operation. The main objective of this automation is to provide efficient and prompt services to the bank's clients. At present, all the branches of the bank are computerized. At branch level, the bank is using server-based multi-user software under UNIX operating system to provide best security of automation.

Profitability and Shareholder Satisfaction:

The bank had been one of the most profitable in the banking sector. The bank's return on assets (ROA) was 1.99% in the year 2006. Even though the capital market of the country has been suffering over the last few years, the good performance of Prime Bank made sure that the banks share price remained in a respectable position.

Corporate governance

Fairness, Transparency, Accountability and Responsibility are the minimum standard of acceptable corporate behavior today. At PBL corporate governance means increasing the shareholders' value by being efficient, transparent, professional and accountable to the organization, society and the environment.

The number of Board member is 19 as per the Bangladesh Bank's guideline. Out of the 19 members one member is an Independent Director and two members are from the Depositors. Thus, the bank has also complied with the Securities and Exchange Commission's corporate governance guidelines. Board members include persons of high caliber, with academic and professional qualification in the field of business and professionals. This gives strength for effective discharge of duties and responsibilities by the Board.

Table 17: Board of Directors

SRno.	NAME	DESIGNATION	AGE	Educational Qualifications
1.	Mr. Md. Shirajul Islam Mollah	Chairman	65	
2.	Mr. M. A. Khaleque	Vice Chairman	53	
3.	Mrs. Razia Rahman	Vice Chairperson	42	
4.	Mrs. Hasina Khan	Sponsor Director	44	

5.	Mr. Mohammad Aminul Haque	Director	56	Mechanical Engineer graduated from BUET in 1962.
6.	Capt. Imam Anwar Hossain	Director	57	graduation from Jaldia Marine Academy
7.	Qazi Saleemul Huq	Director	49	MBA from IBA of University of Dhaka in 1979
8.	Mr. Azam J Chowdhury	Director	48	B.A. (Hons) and M.A. in English literature , Dhaka University
9.	Khandker Mohammad Khaled	Director	50	BUET graduate in Mechanical Engineering
10.	Quazi Sirazul Islam	Director	52	
11.	Mr. Mafiz A. Bhuiyan	Sponsor Director	58	
12.	Mrs. Shahnaz Quashem	Sponsor Director	40	
13.	Ms. Saheda Pervin Trisha	Director	36	MBA from the faculty of Business Studies, University of Dhaka
14.	Mr. Manzur Murshed	Depositor Director	63	B.Sc. Engineer (Electrical), University of Dhaka and MA (Public Admin), American University, Beirut
15.	Prof. Ainun Nishat	Depositor Director	54	Ph.D. in Civil Engineering from University of Strathclyde, Glasgow, U.K. M.Sc. in Engineering(Civil) from Bangladesh University of Engineering and Technology (BUET)

16.	Prof. Mohammad Aslam Bhuiyan	Independent Director	55	MS in Sociology of Rural Development at the Moscow University, USSR Ph.D from Bombay University
17.	Mr. Mohammad Ehsan Khasru	Managing Director	59	MBA in Marketing from the Institute of Business Administration (IBA), University of Dhaka in 1982, Bachelor (Hons) in Economics from Dhaka University in 1979.
18.	Mohammad Abdul Wahhab	Sponsor Director	62	
19.	Firoza Amin	Director	42	
20.	Nafis Sikder	Director	39	BS in Business Administration with distinction.(Washington University, Saint Louis, Missouri, USA)
21.	Tanzil Chowdhury	Director	37	BA (Hons) in Accounting and Finance, MSc in International Management (Finance), from King's College London, University of London.

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Performance at a glance**Table 18: Financial highlights**

(Taka in Million)

Sl no .	Particulars	2005	2006	2007	2008	2009	2010
1	Paid up capital	1400	1750	2275	2844	3555	5776
2	Total capital	3177.32	2657.32	2275.00	2843.75	12168	21485
3	Capital surplus	306.19	1114.89	6382.60	7858.65	3897.50	4947.62
4	Total Assets	41506.3	60899	110437.1	79588.43	124806.4	152797
5	Total deposits	36022.5	54724	70512	88021	106956.3	124518.6
6	Total loans and advances	31916.11	45010	57683	75156	89252.22	111167.39
7	Total contingent liabilities and commitments	23683.08	27999.99	33088.73	37815.34	44564.33	86186.66
8	Credit- deposit ratio	89%	82.25%	81.81%	85.38%	83.45%	89.28%
9	Percentage of classified loans against total loans and advances	0.96%	1.01%	1.35%	1.76%	1.29%	1.23%
10	Profit after tax and provision	568.20	1052	1041	1232	2784.22	3002.88
11	Amount of classified loans during current year	308.21	498.33	777.22	1322.60	1149.10	1367.69
12	Provision kept against classified loan	127.00	308.52	478.40	734.43	631.14	642.14
13	Provision surplus against classified loan	20.28	106.45	316.79	133.82	326.35	12.42
14	Cost of fund	7.07%	7.45%	8.41%	8.55%	8.41%	6.39%
15	Interest earning	37438.6	54456.1	72798.51	100261.3	109905.0	132687.5

Board Size, Independence, Institutional Shareholdings and Performance

	assets	3	0		8	7	6
16	Non-interest earning assets	4067.66	5078.89	6789.92	10175.73	14901.31	20109.35
17	Return on investments(ROI)	6.59%	7.02%	12.60%	9.74%	15.67%	13.02%
18	Return on assets(ROA)	1.54%	2.04%	1.99%	1.30%	2.37%	2.16%
19	Income from investment	259.52	678.00	1294.21	1743.68	3372.48	2631.66
20	Earnings per share	40.59	43.65	49.25	43.32	54.37	56.90
21	Net income per share	40.59	43.65	49.25	43.32	54.37	56.90
22	Price earning ratio	16.40	15.10	10.96	12.46	12.02	16.60

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