

Financial Statements

for the year ended 31 December 2022

2.13 Earnings per share

Basic earnings per share

Basic earnings per share has been calculated in accordance with IAS 33 "Earnings per Share" which has been shown on the face of the profit and loss account. This has been calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share is not required to be calculated for the year as there was no scope for dilution during the year under review.

2.14 Events after the reporting period

Where necessary, all the material events after the reporting period have been considered and appropriate adjustment / disclosures have been made in the financial statements.

2.15 Memorandum items

Memorandum items are maintained to have control over all items of importance and for such transactions where the Bank has only a business responsibility and no legal commitment. Bills for collection, savings certificates, wage earners bank etc. fall under the memorandum items. However, bills for collection are shown under contingent liabilities as per Bangladesh Bank's format of reporting.

2.16 Related party transaction

Related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Information on related party transactions are given in **note-49**.

2.17 Information about business and geographical segments

Segmental information is presented in respect of the Group's business and of Prime Bank Limited.

Geographical segments

Geographical segments report consists of products and services within a particular economic environment where risks and returns are different from those of other economic environments. These segments comprise of Prime Bank Limited, Off-shore Banking Units, Prime Bank Investment Limited, Prime Bank Securities Limited, Prime Exchange Co. (Pte.) Ltd. Singapore, PBL Exchange (UK) Ltd. and PBL Finance (Hong Kong) Limited. Geographical segments report are shown in **Annexure-H**.

Business segments

Business segments report consists of products and services whose risks and returns are different from those of other business segments. These segments comprise Conventional Banking including Off-shore Banking Units, Islamic Banking, Prime Bank Investment Limited and Prime Bank Securities Limited. Business segments report are shown in **Annexure-H**.

Inter-segment transactions are generally based on inter-branch fund transfer measures as determined by the management. Income, expenses, assets and liabilities are specifically identified with individual segments. Based on such allocation, segmental balance sheet as on 31 December 2022 and segmental profit and loss account for the year ended 31 December 2022 have been prepared.

2.18 Compliance with International Financial Reporting Standards (IFRS)

Name of the Standards	Ref	Status
Presentation of Financial Statements	IAS 1	Applied *
Inventories	IAS 2	N/A
Statement of Cash Flows	IAS 7	Applied*
Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8	Applied
Events after the reporting period	IAS 10	Applied
Income Taxes	IAS 12	Applied
Property, Plant and Equipment	IAS 16	Applied
Employee Benefits	IAS 19	Applied
Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	N/A
The Effects of Changes in Foreign Exchange Rates	IAS 21	Applied
Intangible Assets	IAS 23	Not Applicable
Related Party Disclosures	IAS 24	Applied
Accounting and Reporting by Retirement Benefit Plans	IAS 26	N/A **
Separate Financial Statements	IAS 27	Applied
Investments in Associates and Joint Ventures	IAS 28	N/A
Financial Instruments: Presentation	IAS 32	Applied *
Earnings per Share	IAS 33	Applied
Interim Financial Reporting	IAS 34	Applied ***
Impairment of Assets	IAS 36	Applied
Provisions, Contingent Liabilities and Contingent Assets	IAS 37	Applied*
Intangible Assets	IAS 38	Applied
Investment Property	IAS 40	N/A
Agriculture	IAS 41	N/A
First time adoption of International Financial Reporting Standards	IFRS 1	N/A
Share Based Payment	IFRS 2	N/A
Business Combinations	IFRS 3	N/A
Insurance Contracts	IFRS 4	N/A
Non-current Assets Held for Sale and Discontinued Operations	IFRS 5	N/A
Expenditure for and Evaluation of Mineral Resources	IFRS 6	N/A
Financial Instruments: Disclosures	IFRS 7	Applied *
Operating Segments	IFRS 8	Applied
Financial Instruments	IFRS 9	Applied *
Consolidated Financial Statements	IFRS 10	Applied
Joint Arrangements	IFRS 11	N/A
Disclosure of Interests in other entities	IFRS 12	N/A
Fair Value Measurement	IFRS 13	Applied
Regulatory Deferral Accounts	IFRS 14	N/A
Revenue from Contractors with Customers	IFRS 15	Applied
Leases	IFRS 16	Applied
Insurance Contracts	IFRS 17	N/A

N/A= Not Applicable

** In order to comply with certain specific rules and regulations of the local Central Bank (Bangladesh Bank) which are different to IAS/IFRS, some of the requirements specified in those IAS/IFRSs are not applied. Refer below (note-2.10) for such recognition and measurement differences that are most relevant and material to the Bank and the Group.

** This Standard regards a retirement benefit plan as a reporting entity separate from the employers of the participants in the plan. Therefore, it is not applicable for the Bank's annual report as it is the employer and not the retirement benefit plan itself.

*** The objective of IAS 34 is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period and hence it is not applicable for annual financial statements. However, the Bank being a listed entity in Dhaka and Chittagong Stock Exchange regularly publishes Interim Financial Reports complying with IAS 34.

**** Not Applied due to not having transaction during the year.

2.19 Departures from IAS/IFRS

The consolidated financial statements of the Group and the financial statements of the Bank as at and for the year ended 31 December 2022 have been prepared under the historical cost convention except investments and in accordance with the "First Schedule" (section 38) of the Bank Company Act, 1991, as amended by Bangladesh Bank (the Central Bank of Bangladesh) through BRPD Circular No. 14 dated 25 June 2003, other Bangladesh Bank Circulars, International Financial Reporting Standards (IFRSs), the Companies Act 1994, the Securities and Exchange Rules 2020, Dhaka and Chittagong Stock Exchange's listing regulations. In case any requirement of provisions and circulars issued by Bangladesh Bank differs with those of other regulatory authorities, the provisions and circulars issued by Bangladesh Bank shall prevail. Material departures from the requirements of IFRS are as follows:

i) Investment in shares and Securities

IFRS: As per requirements of IFRS 9, classification and measurement of investment in shares and securities will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Based on these factors it would generally fall either under "at fair value through profit or loss account" or under "at fair value through other comprehensive income" where any change in the fair value (as measured in accordance with IFRS 13) at the year-end is taken to profit and loss account or other comprehensive income respectively.

Bangladesh Bank: As per Banking Regulation and Policy Department (BRPD) circular no. 14 dated 25 June 2003 investments in quoted shares and unquoted shares are revalued at the year end at market price and as per book value of last audited balance sheet of the companies concerned respectively. Provision should be made for any loss arising from diminution in value of investment; otherwise investments are recognized at cost.

ii) Revaluation gain/loss on Government securities

IFRS: As per requirement of IFRS 9 where securities will fall under the category of fair value through profit or loss account, any change in the fair value of assets is recognized through the profit and loss account. Securities designated as amortized cost are measured at effective interest rate method and interest income is recognized through the profit and loss account.

T-bills and T-bonds designated as "held to maturity" are measured at amortized cost method and interest income is recognized through the profit and loss account.

Bangladesh Bank: HTF securities are revalued on the basis of mark to market and at year end any gains on revaluation of securities which have not matured as at the balance sheet date are recognized as a part of equity and any losses on revaluation of securities which have not matured as at the balance sheet date are charged in the profit and loss account. Interest on HTF securities including amortization of discount are recognized in the profit and loss account. HTM securities which have not matured as at the balance sheet date are amortized at the year end and gains or losses on amortization are recognized in other reserve as a part of equity.

iii) Provision on loans and advances

IFRS: As per IFRS 9 an entity shall recognize an impairment allowance on loans and advances based on expected credit losses. At each reporting date, an entity shall measure the impairment allowance for loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on these loans and advances has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable information, including that which is forward-looking. For those loans and advances for which the credit risk has not increased significantly since initial recognition, at each reporting date, an entity shall measure the impairment allowance at an amount equal to 12 months expected credit losses that may result from default events on such loans and advances that are possible within 12 months after reporting date.

Bangladesh Bank: As per BRPD circular no. 14, dated 23 September 2012, BRPD circular no. 15, dated 23 September 2012, BRPD circular no. 19, dated 27 December 2014, BRPD circular no. 05, dated 29 May 2013, BRPD circular no. 16, dated 18 November 2014, BRPD circular no. 08, dated 02 August 2015, BRPD circular no. 12, dated 20 August 2017, BRPD circular no. 13, dated 27 September 2017, BRPD circular no. 01, dated 20 February 2018, BRPD circular no. 07, dated 21 June 2018, BRPD circular no. 13, dated 18 October 2018, BRPD circular no. 03, dated 21 April 2019, BRPD circular no. 52, dated 20 October 2020, BRPD circular no. 16, dated 21 July 2020, BRPD circular no. 56, dated 10 December 2020, BRPD circular no. 03, dated 31 January 2021, BRPD circular no. 05, dated 24 March 2021, BRPD circular no. 50, dated 14 December 2021, BRPD circular letter no. 52, dated 29 December 2021, BRPD circular letter no. 53, dated 30 December 2021, BRPD circular letter no. 51, dated 18 December 2022 and BRPD circular letter no. 53, dated 22 December 2022 a general provision at 0.25% to 5% under different categories of unclassified loans (good/standard loans) has to be maintained regardless of objective evidence of impairment. Also, specific provision for sub-standard loans, doubtful loans and bad losses has to be provided at 5%, 20%, 50% and 100% respectively for loans and advances depending on time past due. Again, as per BRPD circular no. 10 dated 18 September 2007 and BRPD circular no. 14 dated 23 September 2012, a general provision at 1% is required to be provided for all off-balance sheet exposures. Such provision policies are not specifically in line with those prescribed by IFRS 9.

iv) Recognition of interest in suspense

IFRS: Loans and advances to customers are generally classified at amortized cost as per IFRS 9 and interest income is recognized by using the effective interest rate method to the gross carrying amount over the term of the loan. Once a loan subsequently become credit-impaired, the entity shall apply the effective interest rate to the amortized cost of the loans and advances.

Bangladesh Bank: As per BRPD circular no. 14 dated 23 September 2012, once a loan is classified, interest on such loans are not allowed to be recognized as income, rather the corresponding amount needs to be credited to an interest in suspense account, which is presented as liability in the balance sheet.

v) Other comprehensive income

IFRS: As per IAS 1, Other Comprehensive Income (OCI) is a component of financial statements or the elements of OCI are to be included in a single other comprehensive income statement.

Bangladesh Bank: Bangladesh Bank has issued compulsory for financial statements which will strictly be followed by all banks. The templates of financial statements issued by Bangladesh Bank do not include Other Comprehensive Income nor are the elements of Other Comprehensive Income allowed to include in a Single Comprehensive Income (OCI) Statement. As such the Company does not prepare the other comprehensive income statement. However, elements of OCI, if any, are shown in the statements of changes in equity.

vi) Financial instruments – presentation and disclosure

In several cases Bangladesh Bank guidelines categories, recognize, measure and present financial instruments differently from those prescribed in IFRS 9. As such full disclosure and presentation requirements of IFRS 7 and IAS 32 cannot be made in the financial statements.

vii) Repo and Reverse Repo transactions

IFRS: As per IFRS 9 when an entity sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo), the arrangement is treated as a loan and the underlying asset continues to be recognized at amortized cost in the entity's financial statements. The difference between selling price and repurchase price will be treated as interest expense. The same rule applies to the opposite side of the transaction (reverse repo).

Bangladesh Bank: As per DOS Circular letter no. 6 dated 15 July 2010 and subsequent certification in DOS circular no.2 dated 23 January 2013, when a bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (repo or stock lending), the arrangement is accounted for as a normal sales transactions and the financial assets are derecognized in the seller's book and recognized in the buyer's book.

However, as per DMD Circular letter no.7 dated 29 July 2012, non primary dealer banks are eligible to participate in the Assured Liquidity Support (ALS) program, whereby such banks may enter collateralized repo arrangements with Bangladesh Bank. Here the selling bank accounts for the arrangement as a loan, thereby continuing to recognize the asset.

viii) Financial guarantees

IFRS: As per IFRS 9, financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The financial guarantee liability is subsequently measured at the higher of the amount of loss allowance for expected credit losses as per impairment requirement and the amount initially recognized less, income recognized in accordance with the principles of IFRS 15. Financial guarantees are included within other liabilities.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, financial guarantees such as letter of credit, letter of guarantee will be treated as Off-Balance Sheet Items. No liability is recognized for the guarantee except the cash margin.

ix) Cash and cash equivalent

IFRS: Cash and cash equivalent items should be reported as cash item as per IAS 7.

Bangladesh Bank: Some highly liquid assets such as money at call and short notice, T-bills, prize bonds are not prescribed to be shown as cash and cash equivalents rather shown as face item in the balance sheet. However, in the cash flow statement, money at call and short notice and prize bonds are shown as cash and cash equivalents beside cash in hand, balance with Bangladesh Bank and other banks.

x) Non-banking asset

IFRS: No indication of Non-banking asset is found in any IFRS.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, there must exist a face item named Non-banking asset.

xi) Cash flow statement

IFRS: Cash flow statement can be prepared either in direct method or in indirect method. The presentation is selected to present these cash flows in a manner that is most appropriate for the business or industry. The method selected is applied consistently.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, cash flows is the mixture of the direct and indirect method.

xii) Balance with Bangladesh Bank (CRR)

IFRS: Balance with Bangladesh Bank should be treated as other asset as it is not available for use in day to day operations as per IAS 7.

Bangladesh Bank: Balance with Bangladesh Bank is treated as cash and cash equivalents.

xiii) Presentation of Intangible asset

IFRS: An intangible asset must be identified and recognized, and the disclosure must be given as per IAS 38.

Bangladesh Bank: There is no requirement for regulation of intangible assets in BRPD circular no. 14 dated 25 June 2003.

xiv) Off-balance sheet items

IFRS: There is no concept of off-balance sheet items in any IFRS; hence there is no requirement of disclosure of off-balance sheet items.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, off balance sheet items (e.g. Letter of credit, Letter of guarantee etc.) must, be disclosed separately on the face of balance sheet.

xv) Disclosure of appropriation of profit

IFRS: There is no requirement to show appropriation of profit in the face of statement of comprehensive income.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, an appropriation of profit should be disclosed in the face of profit and loss account.

xvi) Loans and advance net of provision

IFRS: Loans and advances should be presented net of provisions.

Bangladesh Bank: As per BRPD circular no. 14 dated 25 June 2003, provision on loans and advances are presented separately as liability and cannot be netted off against loans and advances.

2.20 The Bank's compliance with related pronouncements by Bangladesh Bank:

i) Internal Control
The objective of internal control is to ensure that management has reasonable assurance that (i) operations are effective, efficient and aligned with strategy, (ii) financial reporting and management information is reliable, complete and timely accessible, (iii) the entity is in compliance with applicable laws and regulations as well as its internal policies and ethical values including sustainability, and (iv) assets of the Company are safeguarded and frauds & errors are prevented or detected.

Prime Bank Limited has established an effective internal control system whose primary aim is to ensure the overall control of risks and provide reasonable assurance that the objectives set by the Bank will be met. It has designed to develop a high level risk culture among the personnel of the Bank, establish efficient and qualified operating model of the Bank, ensure reliability of internal and external information including accounting and financial information, secure the Bank's operations and assets, and comply with laws, regulatory requirements and internal policies.

The Board of Directors of Prime Bank, through its Audit Committee, periodically reviews the effectiveness of Bank's internal control system covering all the material controls, including financial, operational and compliance controls, risk management systems, the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, training programs, budget, etc. Audit Committee of the Board reviews the actions taken on internal control issues identified by the Internal & External Auditors and Regulatory Authorities. It has active oversight on the Internal audit's independence, scope of work and resources and it also reviews the functions of Internal Control & Compliance Division of Head Office, particularly the scope of the annual audit plan and frequency of the internal audit activities.

ii) Internal Audit

Internal Audit is the continuous and systematic process of examining and reporting on the activities of an organization undertaken by the specially assigned staff(s). Internal Auditor works as the Eyes & Ears of the management. It may therefore be used to bridge the gap between management & shop floor. It can assure the management that the Internal Controls are adequate and in operations, the policies and systems laid down are being adhered to and accounting records provided by the lower level are correct.

Internal Audit Mechanism is used as an important element to ensure good governance of PBL. Internal Audit Activity of PBL is effective and it provides senior management with a number of important services. These include detecting and preventing fraud, testing internal control, and monitoring compliance with own policies & procedures, applicable rules & regulations, instructions/ guidelines of regulatory authority etc.

During the year 2022, ICDD conducted inspection on many of the Branches/ Divisions of Head Office of the Bank and submitted reports presenting the findings of the audits/ inspections. Necessary control measures and corrective actions have been taken on the suggestions or observations made in these reports. The reports or key points of the Reports have also been discussed in the meetings of the Audit Committee of the Board and necessary steps have been taken according to the decision of the said Committee for correct functioning of Internal Controls & Compliance.

iii) Fraud and Forgeries

The increasing wave of fraud and forgery cases in the banking sector in recent time calls for concerted steps in identifying ways for reducing or preventing frauds and forgeries by analyzing the causes and effect of frauds and forgeries, and prescribing effective control strategies for salvaging frauds in the banking sector. Prime Bank does always pay due attention on intra-fraud internal controls for prevention of fraud and forgery. The Bank has already implemented some strategies like Financial Control Strategy, Personnel Control Strategy, Accounting Control Strategy, Credit Control Strategy, Cost Control Strategy, Administrative Control Strategy, Process Control Strategy etc. in order to strengthening the internal control system further. Although it is not possible to eliminate all frauds because of the inherent limitations of Internal Control System, the Board of Directors and Management have taken all the measures to keep the operational risk in a very minimum level. Internal Control and Compliance Division (ICDD) assesses and evaluates the effectiveness of Bank's intra-fraud internal control measures, recommends for further improvement in implementation of aforesaid strategies and reports to the Bangladesh Bank on effectiveness of controls at the end of each quarter following their prescribed format.

2.21 Audited Financial Statements of the loanee

Bank collects latest audited Financial Statements for credit approval/renewal of the loanee as available and preserve in the loan file of the particular loan account in line with the instruction of BRPD circular letter no. 04 (dated 04 January 2021). In order to comply with the requirement of BRPD circular letter no. 35 (dated 06 July 2021) Bank has verified DCD mentioned in audited financials with Document Verification System (DVS) developed by Institutions of Chartered Accountants of Bangladesh (ICAB) for 100% cases from the date of having access in the DVS system.

2.22 Approval of Financial Statements

The financial statements were reviewed by the Audit Committee of the Board in its 180th meeting held on 05 April 2023 and was approved by the Board of Directors in its 541st meeting held on 05 April 2023.

2.23 General

- These financial statements are presented in Taka, which is the Bank's functional currency. Figures appearing in these financial statements have been rounded off to the nearest Taka.
- Figures of previous year have been rearranged and/or restated whenever necessary to conform to current year's presentation.

	Amount in Taka	
	31 Dec 2022	31 Dec 2021
3 Consolidated cash		
i) Cash in hand		
Prime Bank Limited (note-3a.1)	3,515,103,923	4,175,754,565
Prime Bank Investment Limited	20,393	96,274
Prime Bank Securities Limited	100,000	78,500
Prime Exchange Co. Pte. Ltd., Singapore	-	16,457,897
PBL Exchange (UK) Ltd.	-	-
PBL Finance (Hong Kong) Limited	-	-
	3,515,224,316	4,192,297,236

ii) Balance with Bangladesh Bank and its agent bank(s)

Prime Bank Limited (note-3a.1)	13,951,880,155	11,677,721,619
Prime Bank Investment Limited	-	-
Prime Bank Securities Limited	-	-
Prime Exchange Co. Pte. Ltd., Singapore	-	-
PBL Exchange (UK) Ltd.	-	-
PBL Finance (Hong Kong) Limited	-	-
	13,951,880,155	11,677,721,619
	17,467,104,471	15,870,018,855

3a Cash of the Bank

	Amount in Taka	
	31 Dec 2022	31 Dec 2021
3a.1 Cash in hand		
In local currency	3,456,991,317	4,132,694,695
In foreign currency	59,512,602	43,050,721
	3,515,103,923	4,175,754,565
3a.2 Balance with Bangladesh Bank and its agent bank(s)		
In local currency	11,631,149,630	10,156,474,358
In foreign currency	1,385,010,693	660,665,128
	13,016,160,324	10,817,139,486
Sonal Bank as agent of Bangladesh Bank (Local currency)	935,719,631	860,552,136
	13,951,880,155	11,677,721,619
	17,466,984,078	15,853,476,184

Reconciliation statements regarding Bangladesh Bank balance are given Annexure-A-1

3a.3 Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR)

Cash Reserve Requirement and Statutory Liquidity Ratio have been calculated and maintained in accordance with section 33 of Bank Companies Act, 1991 and MFD circular nos.8 & 02, dated June 23, 2014 and December 10, 2013 & DOS circular no. 1 dated 19 January 2014 & MFD Circular no.1 dated April 03, 2018 & DOS circular letter no. 26 dated 19 August 2019 and MFD Circular no. 03 dated April 09, 2020.

The Cash Reserve Requirement on the Bank's time and demand liabilities at the rate of 4% has been calculated and maintained with Bangladesh Bank and 13% Statutory Liquidity Ratio for conventional banking and 5.50% Statutory Liquidity Ratio for Islamic banking, excluding CRR, on the same liabilities has also been maintained in the form of treasury bills, bonds and debentures including FC balance with Bangladesh Bank. Both the reserves maintained by the Bank are in excess of the statutory requirements, as shown below:

a)	Cash Reserve Requirement		
	Required reserve	11,506,703,700	9,709,883,000
	Actual reserve maintained	11,855,312,286	10,106,987,520
	Surplus / (deficit)	348,613,686	397,104,502
b)	Statutory Liquidity Ratio		
	Required reserve	38,223,646,740	31,878,802,350
	Actual reserve maintained- (note-3a.5)	62,945,166,230	59,402,161,308
	Surplus / (deficit)	24,721,519,490	27,523,358,958
	Total required reserve		
	Actual reserve held	49,730,350,440	41,588,665,300
	Total surplus	25,070,133,176	27,920,463,460
3a.4	Maturity grouping of cash		
	Payable on demand	-	-
	Up to 1 month	5,960,280,377	6,143,593,194
	Over 1 month but not more than 3 months	-	-
	Over 3 months but not more than 6 months	-	-
	Over 6 months but not more than 1 year	-	-
	Over 1 year but not more than 5 years	-	-
	Over 5 years	11,596,703,701	9,709,883,000
		17,466,984,078	15,853,476,184
3a.5	Held for Statutory Liquidity Ratio		
	Cash in hand (note-3a.1)	3,515,103,920	4,175,754,565
	Balance with Sonal Bank	935,719,630	860,552,136
	HTM Securities	50,564,537,320	42,467,887,515
	HTF Securities	7,266,898,270	11,166,217,890
	Un-encumbered approved securities (other eligible)	662,906,890	711,817,402
		62,945,166,230	59,402,161,308