

**Current Price (BDT): 23.60**
**Ticker: PRIMEBANK**
**Sector: Bank**
**Company Fundamentals**

Market Cap (BDT mn)	26,721.9
Market Weight	0.38%
Authorized Capital (BDT mn)	25,000.0
Paid-up Capital (BDT mn)	11,322.8
Free-float shares (mn)	464.3
3 Months Return	16.8%
3 Months Average Turnover (BDT mn)	18.2
52-weeks Price Range	18.1 - 25.0
Current P/E	4.3
Sector P/E	6.4

	2021	2022	2023	2024 (H1'Ann)
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**Financial Information (BDT mn):**

Interest Income	14,883	18,391	24,240	29,312
Net Interest Inc.	8,089	8,513	9,293	10,152
Investment Inc.	4,367	4,073	5,173	8,535
Operating Inc.	15,753	17,073	18,080	23,402
Total Provision	2,745	2,690	2,579	1,605
Profit After Tax	3,250	3,995	4,799	6,218
Deposit	242,813	265,726	304,809	322,613
Loans and Adv.	264,962	298,203	315,922	327,276
Total Asset	391,875	435,460	474,461	513,732
Total Equity	29,735	32,171	34,833	35,988
Retained Earnings	5,214	7,471	10,231	11,368
Dividend* (C/B)%	17.5/-	17.5/-	17.5/-	n/a

**Growth (YoY):**

Net Interest Inc.	47.0%	5.2%	9.2%	9.2%
Operating Inc.	21.9%	8.4%	5.9%	29.4%
Net Profit	77.8%	22.9%	20.1%	29.6%
Loans & Adv.	13.2%	12.5%	5.9%	3.6%
Deposits	4.3%	9.4%	14.7%	5.8%
Equity	4.4%	8.2%	8.3%	3.3%

**Margin:**

Profit Before Prov.	54.2%	52.3%	51.3%	56.2%
Profit Before Tax	36.7%	36.6%	37.0%	49.3%
Profit After Tax	20.6%	23.4%	26.5%	26.6%

**Financial Indicators:**

Loan/Deposit	109.1	112.2%	103.6%	101.4%
Asset/Equity	13.2	13.5	13.6	14.3
Assets/Liabilities	1.1	1.1	1.1	1.1
NPL Ratio	4.8%	3.4%	3.5%	n/a
Op. Exp. Ratio	45.8%	47.7%	48.7%	43.8%

**Profitability:**

NIM	3.7%	3.4%	3.5%	3.6%
ROA	0.8%	0.9%	1.0%	1.2%
ROE	10.9%	12.4%	13.8%	17.3%

**Valuation:**

Res. EPS	2.9	3.5	4.2	5.5
NAVPS	26.3	28.4	30.8	31.8
P/E	7.5	5.4	5.0	3.8
P/NAV	0.8	0.7	0.7	0.7

**Others:**

CAR	17.2%	16.8%	17.6%	n/a
Interest Spread	4.1%	3.9%	5.5%	6.0%
Dividend Yield	8.1%	9.1%	8.3%	n/a

**Company Overview**

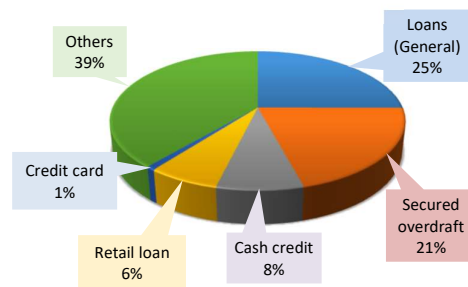
Prime Bank PLC. (PRIMEBANK) is one of the leading 2nd generation private commercial banks that is serving its customers through its 146 branches and 82 agent banking outlets spread across Bangladesh, including 5 full-fledged Islamic Banking branches. The bank also provides offshore banking services through its 3 Off-shore Banking Units (OBU).

**Company Profile:**

- **Incorporation:** February 12, 1995
- **Listing Year:** 2000
- **Key Personnel:** Tanjil Chowdhury (Chairman), Md. Shahadat Hossain (Vice-chairman), Azam J Chowdhury (Director) and Hassan O. Rashid (Chief Executive Officer).
- **Number of Employees:** 2,958
- **Head Office:** Adamjee Court, Annex Building-2, 119~120 Motijheel C/A, Dhaka-1000.
- **Corporate Office:** Simpletree Anarkali (Level 3, 6, 7, & 8), 89 Gulshan Avenue, Dhaka-1212.
- **Subsidiaries:** It has two local subsidiaries and three overseas subsidiaries.
  1. Prime Bank Investment Limited – 99.99% owned (Merchant banking)
  2. Prime Bank Securities Limited – 95.00% owned (Stock brokerage)
  3. Prime Exchange Co. (Pte) Limited, Singapore – Fully owned (Remittance services)
  4. PBL Exchange (UK) Limited – Fully owned (Money Transfer)
  5. PBL Finance (Hong Kong) Limited – Fully owned (Trade Finance)

**Loan Portfolio Mix:**

Prime Bank PLC. maintains a balanced loan portfolio with highest exposure in the general corporate loan segment (25%), followed by secured bank overdrafts (21%). The following chart shows the bank's portfolio mix as on June 30, 2024.

**Loan Portfolio Mix**

**Shareholding Structure (%):**

Period	Sponsor/ Director	Inst.	Foreign	Public
As on Aug 31, 2024	41.01	38.80	0.32	19.87
As on Jun 31, 2024	43.28	36.62	0.33	19.77
As on Dec 30, 2023	41.28	38.11	0.33	20.28

**Key Financial Performance:**

Over the past five years, the bank's total assets have grown at a CAGR of 9.97%, while loans and advances grew at a CAGR of 8.70% during the same period. By the end of 2023, total deposits stood at BDT 322,612 million, reflecting a CAGR of 9.07% over the last five years. For the first half of 2024 (6M'24), the consolidated earnings per share (EPS) stood at BDT 2.75, marking a significant YoY growth of 42.5%.

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## Investment Insights

## Investment Positives

- The operating income of the bank experienced a stellar growth of 35.6% YoY during H1 of 2024, primarily driven by an 11.6% YoY increase in net interest income propelled by rising interest rates on bank loans, along with a boost in investment income (increased by 81.2% YoY).
- The bottom line experienced consistent growth over the past five years, with EPS rising from BDT 1.5 in FY'19 to BDT 4.2 in FY'23. Moreover, the net profit observed a substantial growth of 42.2% YoY in H1'24 owing to higher operating income.
- PRIMEBANK has been consistent in deposit mobilization and loan disbursements, as the 5-year CAGR of Loans and Advances was 8.7% and Deposits was 9.1% during FY'19 to FY'23. Moreover, despite rising costs of funds in a high-interest-rate environment, the bank maintained a stable net interest margin of approximately 3.5% in recent years.
- The interest rate spread of the bank has been in a rising trend since last year due to rising interest rates on bank loans amid an elevated interest rate regime, increasing from 3.90% in FY'22 to 5.95% till H1'24, closely aligning with the industry average spread of 6.03% as of June 2024.
- PRIMEBANK has been constantly paying 17.5% cash dividend since FY'21, which is the maximum limit allowed for banks meeting the minimum 15% CRAR, while the dividend yield has remained above 8% during the period. With consistent earnings growth, the bank is expected to maintain such dividend disbursements in the coming periods as well.
- The bank has been consistently maintaining its credit quality, with the NPL ratio being low at 3.54% in 2023, significantly below the industry average of 9.00% as of December 2023 (Bank sector NPL increased to 12.56% as of June, 2024).
- The company's shares are currently trading at a P/E of 4.3x, which is lower than the sector average P/E of 6.4x and its 3-Year average P/E of 6.0x. Moreover, PRIMEBANK generated increased turnover in DSE recently, with the 3 months average turnover being BDT 18.2 million compared to BDT 3.8 million in the prior three months.

## Investment Concerns

- Provision on diminution in value of investments surged to BDT 200 million as on H1'24 as compared to BDT (-3) million in H1'23 following a 33.6% increase in investment in government bonds from BDT 62.7 billion to BDT 83.8 billion during the period. Moreover, the central bank has recently raised the policy rate by 50 bps to 9.0%, with the possibility of increasing it further to 10.0%. Considering the rising interest rates, the provision on diminution in value of investments may increase further due to the potential decline in the value of government securities, which make up approximately 90% of PRIMEBANK's total investment portfolio.
- PRIMEBANK has been recently accused of granting an interest waiver of approximately BDT 500 million to a 'willful defaulter' against a loan of BDT 580 million disbursed in 2014 and currently under proceedings at the Artha Rin Adalat, Chattogram. Such potential breach of

central bank regulations on interest waivers may raise concerns about the protection of stakeholders' interests.<sup>1</sup>

- Loan provision of the bank amounts to BDT 270 million till H1'24, which is likely to increase significantly in the coming period since PRIMEBANK generally allocates higher provisions in the latter half of the year. Consequently, the year-end EPS may be slightly lower than the current annualized estimate.

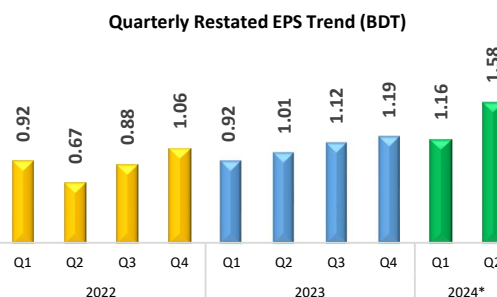
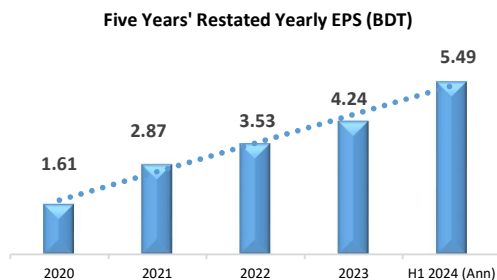
## Listed Second Generation Banks with Similar NAVPS:

Bank Name	Paid-up (mn)	EPS (An.)	P/E	NAVPS	Price*
EBL	13,581.4	4.74	5.53	31.01	26.20
PREMIERBAN	12,334.3	3.16	3.13	22.32	9.90
BANKASIA	11,659.1	5.30	3.66	26.51	19.40
PRIMEBANK	11,322.8	5.50	4.29	31.78	23.60
MERCANBANK	11,065.8	3.96	2.73	24.94	10.80
MTB	9,831.2	2.32	5.47	25.25	12.70
TRUSTBANK	9,247.3	3.30	7.73	28.61	25.50

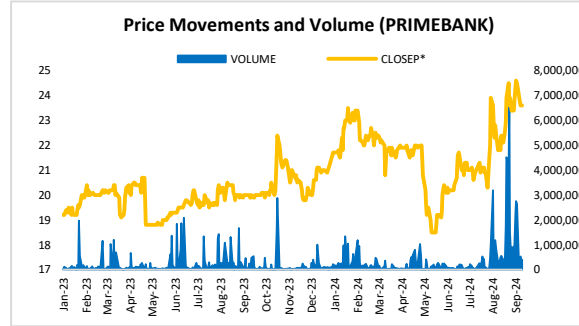
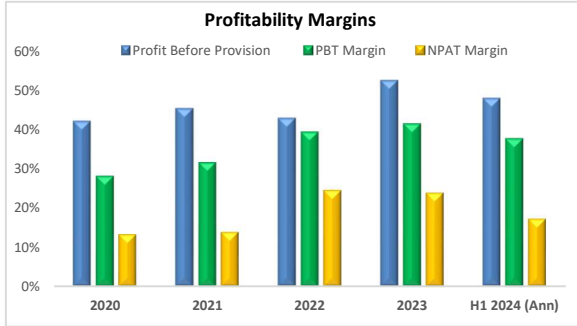
\* Prices are as on September 19, 2024

## Relative Valuation and Pricing:

Pricing Based on Relative Valuation			
Particulars	EPS*	Multiple	Value
Peer Forward P/E	5.49	4.71	25.85
Sector Forward	5.49	6.42	35.26
Sensitivity Analysis			
Price @5.00(x)PE	5.49	5.00	27.46
Price @5.50(x)PE	5.49	5.50	30.20
Price @6.00(x)PE	5.49	6.00	32.95
Price @6.50(x)PE	5.49	6.50	35.69
NAV Based Pricing			
	NAVPS*	Multiple	Value
NAVPS (Peer)	31.78	0.64	20.38
NAVPS (Sector)	31.78	0.73	23.32

\* EPS (H1'24 Annualized) and NAVPS as of 30<sup>th</sup> June 2024

<sup>1</sup> <https://www.tbsnews.net/bangladesh/court/prime-bank-md-asked-explain-tk50cr-interest-waiver-ctg-businessman-803358>

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### STATEMENT OF CONSOLIDATED INCOME (BDT)

Particulars	2020	2021	2022	2023	H1 2024 (Ann)
Interest income	15,851,900,455	14,883,464,368	18,390,953,602	24,240,099,024	29,311,599,834
Interest paid	10,348,259,152	6,794,530,559	9,878,358,816	14,947,291,957	19,159,466,160
<b>Net interest income</b>	<b>5,503,641,303</b>	<b>8,088,933,809</b>	<b>8,512,594,786</b>	<b>9,292,807,067</b>	<b>10,152,133,674</b>
Investment income	4,635,668,871	4,366,920,350	4,073,005,729	5,172,843,688	8,534,865,028
Commission, exchange & brokerage	1,969,676,171	2,270,599,410	3,402,500,927	2,144,483,969	3,154,559,972
Other operating income	816,717,664	1,026,426,319	1,084,602,103	1,469,948,166	1,560,540,994
<b>Total operating income</b>	<b>12,925,704,009</b>	<b>15,752,879,888</b>	<b>17,072,703,545</b>	<b>18,080,082,890</b>	<b>23,402,099,668</b>
<b>Operating Expenses</b>	<b>7,351,152,865</b>	<b>7,220,621,985</b>	<b>8,138,543,940</b>	<b>8,803,744,309</b>	<b>10,257,644,862</b>
Salaries and allowances	4,286,691,671	4,285,048,219	4,713,612,669	5,134,145,556	6,027,651,534
Rent, taxes, insurance, electricity	445,398,223	536,182,196	474,117,542	593,780,634	557,723,858
Legal expenses	32,440,556	56,160,733	56,230,569	40,909,126	77,788,934
Postage, stamp, telecommunication	103,546,145	88,463,056	104,811,493	89,456,904	119,280,692
Stationery, printing, advertising	187,240,934	219,758,403	251,462,755	283,503,396	435,728,210
Chief Executive's salary & fees	11,214,452	12,846,774	16,531,694	17,554,863	21,580,398
Director's fees	4,014,475	6,080,679	6,777,932	6,522,921	9,364,910
Auditor's fees	3,070,109	3,039,752	2,818,321	4,029,830	3,582,378
Other expenses	927,268,560	890,565,711	1,610,160,046	1,659,363,652	1,088,926,304
Depreciation and repair	1,350,267,740	1,122,476,462	902,020,919	974,477,427	1,916,017,644
<b>Profit Before Provision</b>	<b>5,574,551,144</b>	<b>8,532,257,903</b>	<b>8,934,159,605</b>	<b>9,276,338,581</b>	<b>13,144,454,806</b>
<b>Total Provisions</b>	<b>1,711,000,000</b>	<b>2,745,270,879</b>	<b>2,690,425,228</b>	<b>2,579,188,888</b>	<b>1,605,059,464</b>
Provision for loans & advances /investments	1,441,707,703	1,897,414,706	2,622,123,163	2,248,904,009	540,000,000
Provision for diminution in value of investments	(1,992,935)	(93,118,558)	133,925,228	32,946,842	401,140,424
Provision for impairment of client margin loan		193,986,044	40,000,000	(18,258,444)	3,919,040
Other provision	271,285,232	746,988,687	(105,623,163)	315,596,481	660,000,000
<b>Profit Before Taxation</b>	<b>3,863,551,144</b>	<b>5,786,987,024</b>	<b>6,243,734,377</b>	<b>6,697,149,693</b>	<b>11,539,395,342</b>
<b>Provision for Taxation</b>	<b>2,035,614,407</b>	<b>2,537,370,240</b>	<b>2,248,869,020</b>	<b>1,897,773,210</b>	<b>5,321,523,952</b>
Current tax	2,493,946,894	3,117,306,973	2,902,877,863	3,089,312,238	5,463,320,034
Deferred tax	(458,332,487)	(579,936,733)	(654,008,843)	(1,191,539,028)	(141,796,082)
<b>Net Profit</b>	<b>1,827,936,737</b>	<b>3,249,616,784</b>	<b>3,994,865,357</b>	<b>4,799,376,483</b>	<b>6,217,871,390</b>
Earnings per share (par value Taka 10)	1.61	2.87	3.53	4.24	5.49
Restated EPS	1.61	2.87	3.53	4.24	5.49

### STATEMENT OF FINANCIAL POSITION (BDT)

Particulars	2020	2021	2022	2023	H1 2024
<b>PROPERTY AND ASSETS:</b>					
<b>Cash</b>	<b>17,480,758,669</b>	<b>15,870,018,855</b>	<b>17,467,104,471</b>	<b>20,799,697,307</b>	<b>23,859,905,298</b>
In hand	3,260,482,339	4,192,297,236	3,515,224,316	4,830,418,196	6,150,011,121
Balance with Bangladesh Bank	14,220,276,330	11,677,721,619	13,951,880,155	15,969,279,111	17,709,894,177
<b>Balance with other banks and FIs</b>	<b>7,280,554,989</b>	<b>12,391,565,858</b>	<b>5,475,899,610</b>	<b>13,566,049,632</b>	<b>17,055,733,468</b>
In Bangladesh	3,394,160,257	9,050,122,540	3,355,292,845	4,141,504,806	1,495,321,111
Outside Bangladesh	3,886,394,732	3,341,443,318	2,120,606,765	9,424,544,826	15,560,412,357
<b>Money at call and short notice</b>	<b>210,000,000</b>				
<b>Investment</b>	<b>57,226,723,418</b>	<b>62,386,304,290</b>	<b>72,552,762,644</b>	<b>89,799,273,537</b>	<b>109,150,048,251</b>
Government	53,054,038,697	53,969,145,650	63,858,940,387	80,608,360,883	98,901,017,285
Others	4,172,684,721	8,417,158,640	8,693,822,257	9,190,912,654	10,249,030,966
<b>Loans and Advances</b>	<b>234,024,292,594</b>	<b>264,962,362,052</b>	<b>298,202,985,942</b>	<b>315,922,421,114</b>	<b>327,276,229,316</b>
Loans, cash credits, overdrafts etc./Investments	211,720,953,415	220,623,213,932	252,108,270,020	267,567,305,852	278,647,535,293
Bills purchased and discounted	22,303,339,179	44,339,148,120	46,094,715,922	48,355,115,262	48,628,694,023
<b>Fixed Assets including premises, furniture and fixtures</b>	<b>8,233,921,143</b>	<b>8,394,441,334</b>	<b>9,013,898,468</b>	<b>8,708,759,838</b>	<b>8,508,773,869</b>
<b>Other Assets</b>	<b>23,616,803,839</b>	<b>27,650,090,303</b>	<b>32,527,241,715</b>	<b>25,444,095,959</b>	<b>27,660,738,085</b>
<b>Non-Banking Assets</b>	<b>220,500,640</b>	<b>220,500,640</b>	<b>220,500,640</b>	<b>220,500,640</b>	<b>220,500,640</b>
<b>Total Assets</b>	<b>348,293,555,292</b>	<b>391,875,283,332</b>	<b>435,460,393,490</b>	<b>474,460,798,027</b>	<b>513,731,928,927</b>
<b>LIABILITIES AND CAPITAL:</b>					
<b>Liabilities:</b>					
<b>Tier-II subordinated bond</b>					
<b>Borrowings from other bank and FIs</b>	<b>37,613,110,557</b>	<b>62,932,481,200</b>	<b>77,718,293,062</b>	<b>81,329,531,181</b>	<b>97,706,430,664</b>
<b>Deposits and other accounts</b>	<b>232,745,801,398</b>	<b>242,812,806,772</b>	<b>265,726,158,525</b>	<b>304,808,509,397</b>	<b>322,612,837,724</b>
Current deposits and other accounts	41,322,385,560	47,420,761,550	48,559,420,979	65,915,500,049	68,078,045,022
Bills payable	4,528,972,457	4,923,791,928	17,107,305,201	14,214,899,504	5,475,778,228
Savings bank deposits	55,756,396,701	70,358,701,527	64,680,744,665	71,371,431,413	69,394,463,205
Fixed deposits	131,138,046,680	120,109,551,767	135,378,687,680	153,306,678,431	179,664,551,269
<b>Other Liabilities</b>	<b>49,461,817,719</b>	<b>56,394,612,364</b>	<b>59,845,271,291</b>	<b>53,489,269,548</b>	<b>57,424,246,940</b>
<b>Total Liabilities:</b>	<b>319,820,729,674</b>	<b>362,139,900,336</b>	<b>403,289,722,878</b>	<b>439,627,310,126</b>	<b>477,743,515,328</b>
<b>Shareholders' Equity</b>	<b>28,472,825,561</b>	<b>29,735,382,941</b>	<b>32,170,670,553</b>	<b>34,833,487,840</b>	<b>35,988,413,535</b>
Paid up capital	11,322,834,770	11,322,834,770	11,322,834,770	11,322,834,770	11,322,834,770
Statutory reserve	10,353,413,584	10,353,413,584	10,353,413,584	10,353,413,584	10,353,413,584
Share premium	1,211,881,786	1,211,881,786	1,211,881,786	1,211,881,786	1,211,881,786
Revaluation gain / loss on investments	411,888,485	77,762,255	122,985,293	120,199,434	116,720,932
Revaluation reserve	1,507,173,559	1,507,173,559	1,555,128,315	1,441,619,025	1,441,619,025
Foreign currency translation gain	16,769,536	20,460,078	105,135,102	124,174,069	145,650,958
General reserve	28,002,888	28,002,888	28,002,888	28,002,888	28,002,888
Surplus in profit and loss account	3,620,860,953	5,213,854,021	7,471,288,815	10,231,362,284	11,368,289,592
<b>Non-controlling interest</b>	<b>56</b>	<b>57</b>	<b>59</b>	<b>61</b>	<b>62</b>
<b>Total liabilities and Shareholders' equity</b>	<b>348,293,555,291</b>	<b>391,875,283,334</b>	<b>435,460,393,490</b>	<b>474,460,798,027</b>	<b>513,731,928,925</b>
<b>Net Asset Value (NAV) per share</b>	<b>25.15</b>	<b>26.26</b>	<b>28.41</b>	<b>30.76</b>	<b>31.78</b>
<b>No. of Share Outstanding</b>	<b>1,132,283,477</b>	<b>1,132,283,477</b>	<b>1,132,283,477</b>	<b>1,132,283,477</b>	<b>1,132,283,477</b>

### RATIO ANALYSIS

Particulars	2020	2021	2022	2023	H1 2024 (Ann)
<b>Profitability Ratios:</b>					
Net Interest Margin	2.60%	3.67%	3.38%	3.47%	3.64%
ROA	0.52%	0.83%	0.92%	1.01%	1.21%
ROE	6.42%	10.93%	12.42%	13.78%	17.28%
<b>Financial Indicators:</b>					
Loan/Deposit	100.55%	109.12%	112.22%	103.65%	101.45%
Asset/Equity	12.23	13.18	13.54	13.62	14.27
Assets/Liabilities	1.09	1.08	1.08	1.08	1.08
NPL (%)	3.46%	4.83%	3.42%	3.54%	n/a
Op. Exp. Ratio	56.87%	45.84%	47.67%	48.69%	43.83%
<b>Leverage:</b>					
Total Debt to Equity	132.10%	211.64%	241.58%	233.48%	271.49%
Debt to Total Assets	10.80%	16.06%	17.85%	17.14%	19.02%
<b>Margin:</b>					
Profit Before Provision	43.13%	54.16%	52.33%	51.31%	56.17%
Profit Before Tax	29.89%	36.74%	36.57%	37.04%	49.31%
Profit After Tax	14.14%	20.63%	23.40%	26.55%	26.57%
<b>Growth:</b>					
Net Interest Inc.	-32.89%	46.97%	5.24%	9.17%	9.25%
Operating Inc.	-10.15%	21.87%	8.38%	5.90%	29.44%
Net Profit	9.50%	77.78%	22.93%	20.14%	29.56%
Loans & Adv.	8.40%	13.22%	12.55%	5.94%	3.59%
Deposits	7.54%	4.33%	9.44%	14.71%	5.84%
Equity	7.19%	4.43%	8.19%	8.28%	3.32%
<b>Valuation:</b>					
EPS	1.61	2.87	3.53	4.24	5.49
P/E	10.59	7.49	5.44	4.95	3.82
NAV	25.15	26.26	28.41	30.76	31.78
P/NAV	0.68	0.82	0.68	0.68	0.66
<b>Others:</b>					
CAR%	17.28%	17.17%	16.78%	17.55%	n/a
Interest Spread	3.99%	4.12%	3.90%	5.51%	5.95%
Dividend Yield	8.77%	8.14%	9.11%	8.33%	n/a

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