

IPO Note on NRB Bank Limited (NRBBANK)

Date: February 25, 2024

Offer Price (BDT): 10.0

IPO Issue Size (BDT mn): 1000.00

IPO Issue Size (No. of Shares) (mn): 100.00

Company Fundamentals

Face Value (BDT)	10.0
Authorized Capital (BDT mn)	10,000.0
Pre IPO Paid up Capital (BDT mn)	5,905.9
Post IPO Paid up Capital (BDT mn)	6,905.9
Retained Earnings as on 30 th Sep, 2023 (BDT mn)	676.4
IPO Issue Size (No. of shares) (mn)	100.0
IPO Issue Size (BDT mn)	1,000.0
1st Day Free Float Shares (mn)	100.0
Issue managers	UCB Investment Limited Shahjalal Equity Management Limited
Auditor	G. Kibria & Co.

	2020	2021	2022	2023 (9M Ann.)
Financial Information (BDT mn):				
Interest Income	4,065	3,544	3,836	4,693
Net Interest Inc.	995	1,100	958	961
Investment Inc.	995	1,034	579	637
Operating Inc.	2,439	2,632	2,325	3,001
Loan Provision	(9)	574	88	911
Profit After Tax	681	428	553	214
Deposit	41,831	44,755	54,419	61,304
Loans and Adv.	38,849	40,244	49,491	56,976
Total Asset	55,363	61,140	74,224	83,269
Total Equity	5,804	7,002	7,763	7,514
Retained Earnings	471	309	929	676
Dividend (C/B)%	-/-	-/8.5	7/-	-
Growth (YoY):				
Net Interest Inc.	-34.3%	10.5%	-12.9%	0.4%
Operating Inc.	0.4%	7.9%	-11.7%	29.1%
Net Profit	-642.9%	-37.1%	29.3%	-61.3%
Loans & Adv.	-0.2%	3.6%	23.0%	15.1%
Deposits	0.1%	7.0%	21.6%	12.7%
Equity	13.2%	20.7%	10.9%	-3.2%
Margin:				
Profit Before Prov.	38.9%	45.7%	33.1%	39.6%
Profit Before Tax	39.3%	23.9%	29.3%	9.2%
Profit After Tax	27.9%	16.3%	23.8%	7.1%
Financial Indicators:				
Loan/Deposit	92.7%	89.7%	90.8%	92.7%
Asset/Equity	9.5	8.7	9.6	11.1
Assets/Liabilities	1.1	1.1	1.1	1.1
NPL	3.7%	3.4%	3.2%	6.1%
Op. Exp. Ratio	61.1%	54.3%	66.9%	60.4%
Profitability:				
NIM	2.56%	2.74%	1.94%	1.69%
ROA	1.23%	0.70%	0.75%	0.26%
ROE	11.73%	6.11%	7.12%	2.85%
Valuation:				
Re. EPS (BDT)	1.2	0.7	0.9	0.4
Post-IPO EPS (BDT)	1.0	0.6	0.8	0.3
Basic NAVPS (BDT)	12.4	11.9	13.1	12.7
Others:				
CAR%	16.1%	18.2%	16.6%	14.2%
Interest Spread	3.3%	3.8%	3.4%	3.6%

Company Overview

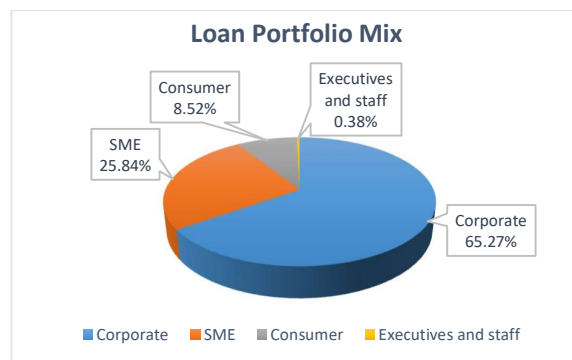
NRB Bank Limited (NRBBANK) is a 4th generation private bank in Bangladesh that offers commercial banking services to its corporate, SME and retail customers through 50 branches across the country.

Company Profile

- **Incorporation:** March 19, 2013
- **Commercial Operation:** April 25, 2013
- **Key Personnel:** Mr. Mohammed Mahtabur Rahman (Chairman, 3.06%); Mr. Golam Kabir (Vice Chairman, 2.18%); Mr. Mohammed Jamil Iqbal (Vice Chairman, 3.25%); Mr. Md. Shakir Amin Chowdhury (Acting Managing Director & CEO).
- **Number of Employees:** 805
- **Head Office:** Uday Sanz, Plot # 2/B, Road # 134, Block- SE (A), Gulshan South Avenue, Gulshan-1, Dhaka-1212.

Portfolio Mix:

NRB Bank Limited has highest loan exposure in Corporate Loan segment (65.27%), followed by SME Loan (25.84%) and Consumer Loan (8.52%) segments.



Post IPO Shareholding Position:

Shareholder Type	No. of Shares (mn)	% Holding	Lock In
Directors and Others	567.3	82.1%	3 Years
Other Shareholders	23.3	3.4%	2 Years
Mutual Funds (EIs)	5.0	0.7%	Lock-in Free
Other EIs	20.0	2.9%	
Public	70.0	10.1%	
NRBs	5.0	0.7%	
Total	690.6	100.0%	

IPO Fund Utilization Plan:

Particulars	Amount (mn)	%
Investment in Government Securities	920.0	92.0%
Investment in Listed Securities	41.7	4.2%
IPO Expenditures	38.3	3.8%
TOTAL	1,000.0	100.0%

The investment in government securities and the secondary market are projected to be completed within 12 months of receiving the IPO proceeds.

Lock-In Free Share (Trading Date): February 27, 2024

Trading Day	Lock-In Free Shares (mn)	Tradable Shares (mn)	Lock-In for
February 27, 2024	100.00	100.00	1st Day
February 27, 2026	23.30	123.30	2 Years
February 27, 2027	567.30	690.60	3 Years

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IPO Issue Size (BDT mn): 1000.00
IPO Issue Size (No. of Shares) (mn): 100.00
Capital Raising History:

Allotment	Date of Allotment	BDT (mn)	Mode
1 st	19-Mar-13	4,000.0	Cash
2 nd	28-Jun-18	320.0	Bonus
3 rd	23-Jun-19	345.6	Bonus
4 th	3-Jun-21	777.6	Cash
5 th	15-Jul-21	462.7	Bonus
Total		5,905.9	

Distribution of IPO Shares:

	Eligible Investors		General Public	
	Mutual Funds (5.0%)	Other Els (20.0%)	NRB (5.0%)	Others (70.0%)
Amount (BDT mn)	50.0	200.0	50.0	700.0
Shares (mn)	5.0	20.0	5.0	70.0

Comparison among Recently listed Companies:

Scripts	Post IPO Paid Up (mn)	Issue Size (BDT mn)	Re EPS While Listing	1st Day Closing Price	P/E (listing day)	Current Price*
UNIONINS	484	194	1.2	11.0	9.2	54.2
BDTHAIFOOD	815	150	0.6	11.0	20.0	30.0
UNIONBANK	10,363	4,280	1.7	11.0	6.5	8.4
JHRML	1,253	750	1.9	22.0	11.9	71.2
MEGHNAINS	400	160	2.7	11.0	12.1	36.9
NAVANAPHAR	1,074	750	2.4	26.4	11.1	92.0
CLICL	375	150	n/a	11.0	n/a	54.3
GIB	9,874	4,250	2.1	9.0	7.9	8.6
ICICL	507	203	1.1	13.3	15.8	31.8
MIDLANDBNK	6,397	700	0.4	10.2	25.5	13.8
TILIL	400	160	n/a	11.0	n/a	50.7
SICL	400	160	0.9	11.0	11.8	44.4
BESTHLDNG	10,592	3,500	1.4	26.4	19.4	41.0
NRBBANK	6,906	1,000	0.3	-	-	-

*Current Prices are as on February 25, 2024.

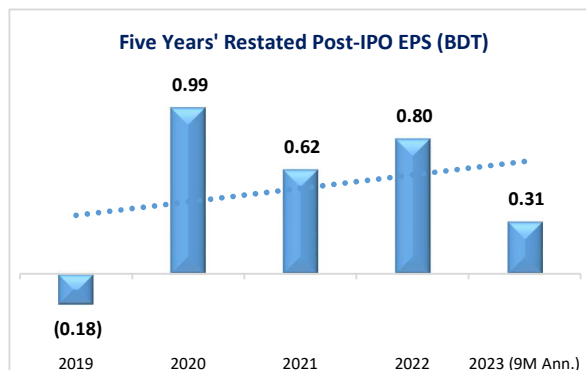
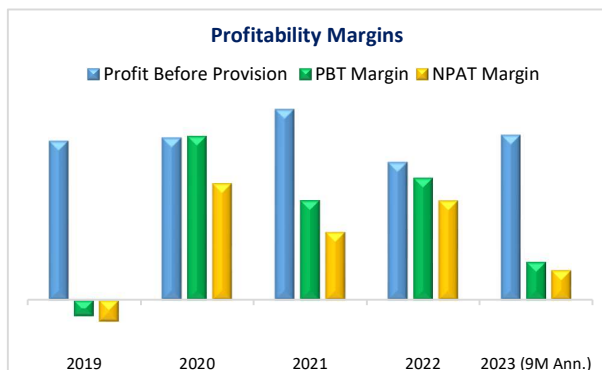
Investment Insight
Investment Positive

- 5-year CAGR of Loans and Advances was 16.6% and Deposit was 17.9% during FY'18 to FY'22 (higher than the industry average of 12.1% and 10.1% respectively) which indicates that the bank has performed above the industry average in deposit mobilization and loan disbursements. Moreover, NRBBANK maintained its growth in Loans and Deposits at 15.1% (YTD) and 12.7% (YTD) respectively during the first nine months of FY'23.
- NRBBANK's operating income increased by 29.1% in FY'23 (9M Annualized), primarily driven by higher interest income (increased by 24.1% YoY) propelled by increased interest rates on bank loans following the uplifting of the interest rate cap and shifting to a market-based reference lending rate. Meanwhile, the cost-to-income ratio also decreased to 60.4% in FY'23 (9M Annualized) from 66.9% in FY'22.
- The rising trend in SMART rates following the gradual increase in interest rates on Treasury bills has been exerting continued upward pressure on banks' lending rates. Hence, NRBBANK can also improve its interest rate spread and Net Interest Margin (NIM), provided that it focuses on minimizing the cost of funds.

- IPO proceeds will be used for Investment purpose (BDT 920.0 mn or 92.0% will be invested in Govt. securities and another BDT 41.7 mn or 4.2% in Secondary Market Market) which will slightly improve the bank's investment income and also positively impact the bottom-line.
- According to NBR, fourth generation banks enjoy a reduced tax rate of 37.5%, like the listed banks. Upon getting listed, the bank will continue getting the tax benefits in the future as well.

Investment Concern

- The bank's bottom line has experienced a significant de-growth of 61.3% in FY'23 (9M Annualized), mainly due to higher loan provisioning against classified loans (increased by 4.8x times YoY in 9M'23). The Post-IPO Restated EPS has declined to BDT 0.31 in FY'23 (9M Annualized) as against BDT 0.80 in FY'22.
- The rising NPL of the bank can be a concern for investors as the NPL ratio abruptly increased to 6.1% until 9M'23, which was only 3.2% in 2022. The bank's amount of non-performing loans increased to BDT 3.5 billion as of September'23 from BDT 1.6 billion in December'22.
- NRBBANK declared a 7% cash dividend in FY'22 while the dividend payout ratio was 74.7%. The corporate declaration of the bank for FY'23 will be held soon after its getting listed on the bourses, but it is less likely for NRBBANK to declare a minimum 10% dividend to be categorized as "A" category security considering the dividend payout ratio since the Post-IPO restated EPS of the bank is only BDT 0.31 in FY'23 (9M Annualized).
- The cost of funds of the 4th generation banks is generally higher as compared to other conventional banks which is squeezing the bank's Net Interest Margin (NIM) and overall profitability. Moreover, the ROA and ROE of the bank are much lower than the industry average which indicates that the bank has been facing significant challenges in efficiently utilizing its assets to generate sufficient returns for its stakeholders.

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IPO Issue Size (No. of Shares) (mn): 100.00


Relative Valuation and Pricing:

Pricing Based on Relative Valuation			
Particulars	EPS*	Multiple	Value
Sensitivity Analysis			
Price @20.00(x)PE	0.31	20.00	6.21
Price @25.00(x)PE	0.31	25.00	7.76
Price @30.00(x)PE	0.31	30.00	9.31
Price @35.00(x)PE	0.31	35.00	10.86
NAV Based Pricing			
	NAVPS*	Multiple	Value
NAVPS (Peer)	12.33	0.79	9.75
NAVPS (Sector)	12.33	0.73	9.06

*Post-IPO Restated EPS (9M Annualized) and NAVPS as of 31st September 2023

Highest Price Range and P/E for The First 3 Trading Days:

Day	Circuit Breaker	Price	P/E
1 st	10%	11.0	35.5
2 nd	10%	12.1	39.0
3 rd	10%	13.3	42.9

Listed Fourth Generation Banks with Similar NAVPS:

Bank Name	Paid-up (mn)	P/E	NAVPS	Price*
UNIONBANK	10,362.8	4.7	15.9	8.4
GIB	9,874.4	5.6	13.8	8.6
SBACBANK	9,066.1	15.8	13.5	12.6
NRBCBANK	8,286.5	8.8	16.5	13.4
MIDLANDBNK	6,396.7	17.8	13.1	13.8

*Prices are as on February 25, 2024

Offer Price (BDT): 10.0
IPO Issue Size (BDT mn): 1000.00
IPO Issue Size (No. of Shares) (mn): 100.00
Statement of Consolidated Income (BDT mn)

Particulars	2019	2020	2021	2022	2023 (9M Ann.)
Interest income	4,603,332,997	4,065,018,938	3,544,405,693	3,835,851,249	4,692,628,257
Interest Paid on Deposit and Borrowing etc.	3,088,835,347	3,070,333,638	2,444,805,662	2,878,211,397	3,731,171,315
Net interest income	1,514,497,650	994,685,300	1,099,600,031	957,639,852	961,456,943
Income from investment in shares/securities	447,119,076	994,960,846	1,033,968,530	578,706,980	637,451,117
Commission, exchange & brokerage	445,817,916	388,086,630	464,010,808	755,741,768	1,348,994,440
Other operating income	20,858,079	61,478,441	34,856,069	33,047,565	52,939,356
Total operating income	2,428,292,721	2,439,211,217	2,632,435,438	2,325,136,165	3,000,841,856
Operating Expenses	1,503,180,741	1,489,484,189	1,429,378,701	1,555,731,592	1,813,678,395
Salaries and allowances	710,291,621	798,760,560	797,479,371	844,643,381	1,022,017,351
Rent, taxes, insurance, electricity	316,448,163	312,600,607	263,200,968	260,804,746	274,652,381
Legal expenses	4,137,894	5,558,070	8,027,930	1,502,017	3,244,563
Postage, Stamps and Telephone	34,885,572	33,130,666	28,404,336	28,391,190	37,620,473
Printing, Stationery, Advertisement	30,935,848	19,632,693	18,538,989	29,964,174	49,744,985
Managing Director's Remuneration	16,738,000	13,600,000	9,532,144	12,396,429	14,414,139
Director's fees	5,148,511	742,421	5,885,377	4,024,820	6,487,412
Auditor's fees	400,000	400,000	400,000	515,000	0
Depreciation and repair	154,999,478	146,623,100	148,415,540	163,175,333	161,046,481
Other expenses	229,195,654	158,436,072	149,494,046	210,314,502	244,450,609
Profit Before Provision	925,111,980	949,727,028	1,203,056,737	769,404,573	1,187,163,461
Total Provisions	1,018,817,427	(8,841,502)	573,686,096	88,167,984	911,270,529
General Provision	75,087,071	93,948,404	(7,903,253)	82,886,660	44,820,415
Specific provision	814,076,927	(129,777,502)	373,879,576	(205,808,713)	908,855,076
Provision for Off Balance Sheet Exposures	28,601,862	(33,703,162)	11,397,036	(4,813,092)	(5,232,245)
Provision for diminution in investments	100,854,567	(65,959,197)	192,061,839	198,628,383	(46,230,297)
Other provision	197,000	126,649,955	4,250,898	17,274,746	9,057,581
Profit Before Taxation	(93,705,447)	958,568,530	629,370,641	681,236,589	275,892,932
Provision for Taxation	31,650,765	278,002,818	201,477,439	128,150,749	61,593,684
Current tax	340,045,431	195,195,492	201,477,439	172,443,301	448,443,808
Deferred tax	(308,394,666)	82,807,326	-	(44,292,552)	(386,850,124)
Net Profit	(125,356,212)	680,565,712	427,893,202	553,085,840	214,299,248
Earnings per share (par value Taka 10)	-0.27	1.46	0.72	0.94	0.36
Restated EPS (Pre IPO)	-0.21	1.15	0.72	0.94	0.36
Restated EPS (Post IPO)	-0.18	0.99	0.62	0.80	0.31

Offer Price (BDT): 10.0
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IPO Issue Size (No. of Shares) (mn): 100.00
Statement of Financial Position (BDT mn)

Particulars	2019	2020	2021	2022	2023 (9M Ann.)
PROPERTY AND ASSETS:					
Cash	3,170,883,607	3,140,113,528	3,819,277,226	4,069,579,561	4,432,706,416
In hand	777,432,737	739,719,284	1,041,954,491	1,427,538,450	1,323,860,751
Balance with Bangladesh Bank	2,393,450,870	2,400,394,244	2,777,322,735	2,642,041,111	3,108,845,665
Balance with other banks and FIs	2,018,295,669	3,167,659,594	3,329,468,287	3,528,749,847	2,734,279,779
In Bangladesh	1,859,573,354	3,068,091,239	3,180,351,652	3,409,236,754	1,868,035,372
Outside Bangladesh	158,722,315	99,568,355	149,116,635	119,513,093	866,244,407
Money at call and short notice	345,320,000	535,500,000	285,400,000	592,060,000	635,400,000
Investment	8,256,770,228	7,665,384,722	10,384,613,338	13,063,656,826	14,319,528,876
Government	6,703,274,548	6,079,258,097	7,746,901,199	8,668,781,155	9,848,101,317
Others	1,553,495,680	1,586,126,625	2,637,712,139	4,394,875,671	4,471,427,559
Loans and Advances	38,932,317,978	38,848,570,390	40,243,799,326	49,490,759,327	56,976,332,108
Loans, cash credits, overdrafts etc.	38,813,955,679	38,792,949,133	40,134,294,168	49,419,142,074	56,828,301,929
Bills purchased and discounted	118,362,299	55,621,257	109,505,158	71,617,253	148,030,179
Fixed Assets including premises, furniture and fixtures	448,917,068	384,938,747	423,670,630	449,541,492	401,582,605
Other Assets	1,550,469,807	1,621,318,738	2,573,849,520	2,949,829,230	3,688,901,797
Non-Banking Assets	-	-	80,196,000	80,196,000	80,196,000
Total Assets	54,722,974,357	55,363,485,719	61,140,274,327	74,224,372,282	83,268,927,580
LIABILITIES AND CAPITAL:					
Liabilities:					
Borrowings from Other Banks and FIs	3,733,884,914	3,642,983,144	4,378,640,019	5,975,635,034	6,782,800,401
Deposits and other accounts	41,809,853,016	41,830,983,438	44,754,932,372	54,419,368,144	61,304,116,223
Current deposits and other accounts	8,835,535,861	9,887,349,818	10,228,913,239	12,835,513,633	14,725,029,543
Bills payable	200,730,379	316,811,897	227,554,613	713,431,060	668,244,988
Savings Deposits	3,315,135,398	3,831,217,604	4,748,996,643	5,916,707,228	6,005,505,139
Fixed Deposit	29,458,451,378	27,795,604,119	29,549,467,877	34,953,716,223	39,905,336,553
Other Liabilities	4,051,536,334	4,085,752,364	5,004,219,566	6,066,128,519	7,668,323,962
Total Liabilities:	49,595,274,264	49,559,718,946	54,137,791,957	66,461,131,697	75,755,240,586
Shareholders' Equity	5,127,700,093	5,803,766,773	7,002,482,370	7,763,240,585	7,513,686,993
Paid up capital	4,665,600,000	4,665,600,000	5,905,872,000	5,905,872,000	5,905,872,000
Statutory reserve	470,693,317	660,507,569	786,381,698	923,227,700	923,227,700
Other reserve	1,708,959	6,707,198	1,516,910	5,100,679	8,233,691
Non-controlling (Minority) interest	-	-	-	80	80
Retained Earnings	-10,302,183	470,952,006	308,711,762	929,040,126	676,353,522
Total liabilities and Shareholders' equity	54,722,974,357	55,363,485,719	61,140,274,327	74,224,372,282	83,268,927,580
Net Asset Value (NAV) per share	10.99	12.44	11.86	13.14	12.72
No. of Share Outstanding	466,560,000	466,560,000	590,587,200	590,587,200	590,587,200

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Ratio Analysis

Particulars	2019	2020	2021	2022	2023 (9M Ann.)
Profitability Ratios:					
Net Interest Margin	3.9%	2.6%	2.7%	1.9%	1.7%
ROA	-0.2%	1.2%	0.7%	0.7%	0.3%
ROE	-2.4%	11.7%	6.1%	7.1%	2.9%
Financial Indicators:					
Loan/Deposit	92.8%	92.7%	89.7%	90.8%	92.7%
Asset/Equity	10.7	9.5	8.7	9.6	11.1
Assets/Liabilities	1.1	1.1	1.1	1.1	1.1
NPL (%)	4.1%	3.7%	3.4%	3.2%	-
Op. Exp. Ratio	61.9%	61.1%	54.3%	66.9%	60.4%
Leverage:					
Total Debt to Equity	72.8%	62.8%	62.5%	77.0%	90.3%
Debt to Total Assets	6.8%	6.6%	7.2%	8.1%	8.1%
Margin:					
Profit Before Provision	38.1%	38.9%	45.7%	33.1%	39.6%
Profit Before Tax	-3.9%	39.3%	23.9%	29.3%	9.2%
Profit After Tax	-5.2%	27.9%	16.3%	23.8%	7.1%
Growth:					
Net Interest Inc.	20.8%	-34.3%	10.5%	-12.9%	0.4%
Operating Inc.	5.1%	0.4%	7.9%	-11.7%	29.1%
Net Profit	-121.5%	-642.9%	-37.1%	29.3%	-61.3%
Loans & Adv.	19.9%	-0.2%	3.6%	23.0%	15.1%
Deposits	24.7%	0.1%	7.0%	21.6%	12.7%
Equity	-2.4%	13.2%	20.7%	10.9%	-3.2%
Valuation:					
Pre-IPO Res. EPS	-0.2	1.2	0.7	0.9	0.4
Post-IPO Res. EPS	-0.2	1.0	0.6	0.8	0.3
NAVPS (Basic)	11.0	12.4	11.9	13.1	12.7
Others:					
CAR%	13.3%	16.1%	18.2%	16.6%	14.2%
Interest Spread	5.1%	3.3%	3.8%	3.4%	3.6%

IMPORTANT DISCLOSURES

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