

BRAC EPL Research (research@bracepl.com)
 January 10, 2022

 Subscription Start: Jan 10, 2022
 Subscription End: Jan 30, 2022

IPO Details

Pubali Bank Limited (DSE: PUBALIBANK) will raise BDT 5,000.0 Mn by issuing an unsecured, contingent-convertible and floating rate perpetual bond titled “**Pubali Bank Limited Perpetual Bond**”. Of the total issue, BDT 4,500.0 Mn will be raised from private placement, while the rest BDT 500.0 Mn will be raised from the public through Initial Public Offering (IPO). IPO subscription for the public will commence from January 10, 2022 and would continue till January 30, 2022.

Pubali Bank Limited, the **Issuer & Originator**, is a first-generation private commercial bank (PCB) that commenced operation in 1959. It is the largest PCB with 488 branches across the country, and has the largest real time centralized online banking network. The principal activities of Pubali Bank include providing all kinds of conventional and Islamic commercial banking services, including deposit, loans and advances, export & import financing, local and international remittance facility etc. The bank has two offshore banking units (OBUs). The bank has one subsidiary company named Pubali Bank Securities Limited. The bank is listed in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

Use of Proceeds

Pubali Bank plans to raise Additional Tier-1 Capital in order to strengthen its capital base in accordance with Bangladesh Bank’s guidelines on Risk Based Capital Adequacy. The proceeds from the issue would be utilized for the bank’s regular business activities i.e. strengthening investment (loan) portfolio and other securities.

IPO Summary

Issue Code	PBLPBOND
Issue Size	BDT 5,000.0 Mn
Issue Size under Public Offer	BDT 500.0 Mn
Face Value	BDT 5,000
Minimum Subscription	BDT 5,000
Tenure	Perpetual
Listing	Dhaka Stock Exchange (DSE)
Profit Rate	6.0% - 10.0%
Issuer & Originator	Pubali Bank Limited
Trustee	Green Delta Capital Ltd.
Issue Manager & Underwriter	UCB Investment Limited City Bank Capital Resources Ltd.
Rating Agency	Credit Rating Information and Services Limited (CRISL)
Issue Credit Rating	AA-
Issuer Credit Rating	Long term: AA+ Short term: ST-1

Key Features

- PBLPBOND is perpetual in nature, hence there is no maturity date.
- The rate of return of the bond will be determined based on the latest available **20-year Treasury Bond** rate as published by Debt Management Department of Bangladesh Bank on the quotation day. A **2.0% additional margin** would be added over the applicable T-bond rate.
- The minimum profit rate will be 6.0% with a maximum profit rate of 10.0%, all subject to the availability of distributable profit.
- Investors will receive **semi-annual** payments from the share of distributable profit. The payment will be made at the end of calendar year. However, the bank will have full discretion at all times to cancel distribution/payments to the bondholders.
- In the case of late payments, Pubali Bank shall pay a penalty of 2.0% higher than the coupon rate and will be payable on the amount not paid on the due date till the date of actual payment.
- Pubali Bank can exercise the “**Call Option**” only after 10 years of issuance, with prior approval from Bangladesh Bank.
- Eligibility of exercising the call option: (1) Replacing the current instrument with capital of same or better quality that are sustainable for the income capacity of the bank; & (2) Capital position (consolidated CET-1) is above the minimum requirements after the call option is exercised.
- The conversion of the bonds to common shares would take place at pre-specified trigger point as needed to reach the minimum consolidated CET-1 ratio as per Bangladesh Bank requirement (currently at 4.5%). Unless the trigger point is activated, the conversion would never take place.
- The conversion strike price will be calculated as follows: Average of 180 business days market price prior to the trigger point or par value (BDT 10), amongst whichever is higher.
- The “Dividend Stopper Clause” would stop dividend payment to common equity holders in the event the holders of these bonds are not paid profit/coupon either due to exercise of issuer’s coupon discretion or otherwise.
- The claims of the investors of the bond will be superior to the claims of investors in equity shares and perpetual non-cumulative preference shares. The claims will be subordinated to those of depositors, general creditors, and subordinated debt of the bank other than those qualifying as Additional Tier-1 Capital.

IMPORTANT DISCLOSURES

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BRAC EPL Stock Brokerage Limited

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