

IPO Details

Midland Bank will raise BDT 700 million through Initial Public Offering (IPO) under fixed price method. The fund will be used for investing in capital market, Treasury Bond, and meeting IPO expenses.

General Public would be allowed to subscribe BDT 10,000 for a single application, subject to maintaining capital market investment of BDT 50,000. In order to subscribe for IPO under "Institutional" quota, eligible investors (EI) would have to maintain a minimum capital market investment of BDT 15.0 Mn for approved pension funds, recognized provident funds and approved gratuity funds, while other EIs would have to maintain BDT 30.0 Mn at market price in listed securities.

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn BDT	% of Proceed
Investment in Govt. Securities	611	87.3%
Investment in Listed Securities	50	7.1%
IPO Expenses	39	5.6%
Total	700	100.0%

Source: Prospectus and BRAC EPL Research

Company Brief

Midland Bank Limited is a fourth-generation commercial bank in Bangladesh, commencing its operation in 2013. The bank currently has 35 branches and 13 sub-branches across the country. The bank does not have any subsidiary. The range of banking business comprises of deposit mobilization, cash deposit and withdrawal, extending credit facilities to corporate, micro, small and medium enterprise (MSME), retail business, trade financing, project financing, organizing syndication deals, lease & hire purchase financing, issuance of credit card, remittance services and many other financial activities within the framework of regulatory guidelines. The bank has investment focus in the following segments: Manufacturing Industry, Trade services, Construction, Textile, RMG, NBF, SME loans, Consumer credit. In 2019, Midland Bank also got Islamic banking license to operate Islamic banking activities across the country.

Competitive Landscape

Currently there are 61 scheduled banks in Bangladesh, of which 33 are conventional private commercial banks (PCBs). Despite high equity capital requirements, the conventional PCB sector is becoming highly competitive due to a large number of existing players. Total deposits and loans in the conventional PCBs stood at BDT 6.6 trillion (USD 61.6 Bn) and BDT 5.8 trillion (USD 54.0 Bn) respectively at the end of Dec'21. Midland Bank Limited had market shares of ~0.8% on both fronts among the conventional PCBs.

Industry Outlook

Bangladesh banking sector experienced growth due to expanding economic activities and policy supports from Bangladesh Bank. During 2021, conventional PCBs experienced deposit growth of 4.1% YoY, lower than 9.7% growth in the overall banking sector. Loan & advances of conventional PCBs saw 4.8% growth YoY, lower than 10.4% growth in the banking sector. Overall, conventional PCBs accounted for ~44% of total deposits in the banks, and ~48% of total loans outstanding of the banks.

Gross non-performing loan (NPL) ratio of the overall banking sector was 7.93% and Loan Provision to NPL ratio stood at 82.63% at end of Dec'21. At the end of Dec'21, return on asset (ROA) in the banking sector stood at 0.25%, while return on equity (ROE) stood at 4.44%. During the period, the aggregate capital adequacy ratio of the banking industry stood at 11.08%, while the advance-deposit ratio (ADR) stood at 73.15%.

IPO Summary

DSE Ticker		MIDLANDBNK
IPO Proceeds	(BDT Mn)	700.0
New Shares Issued	(Mn)	70.0
Pre- IPO No. of Shares	(Mn)	569.7
Post IPO No. of Shares	(Mn)	639.7
Pre-IPO Paid-up Capital	(BDT Mn)	5696.7
Post-IPO Paid-up Capital	(BDT Mn)	6396.7
Face Value (BDT)		10.0
Accounting Year End		December
Auditor		Qasem & Co.
Issue Manager		LankaBangla Investments
Underwriters		ICB Capital Management Rupali Investment Prime Bank Investment Sonali Investment
Sector		Bank
GICS Mapping		40101010

Income Statement

Mn BDT	2017A	2018A	2019A	2020A	2021A
Interest Income	2,817	3,760	4,259	3,160	3,233
Interest Paid on Deposits	2,042	2,547	2,984	2,748	2,263
Net Investment Income	775	1,213	1,275	412	970
Investment Income	964	630	650	1,565	1,358
Commission, Exchange, and Brokerage	243	321	321	277	224
Other Operating Income	50	68	65	66	84
Total Operating Income	2,031	2,232	2,311	2,320	2,636
Operating Expense	836	991	1,042	1,102	1,065
Profit Before Provision	1,196	1,241	1,269	1,218	1,571
Provisions	160	135	217	258	445
Net Profit before Tax	1,035	1,106	1,051	960	1,126
Tax	343	456	494	304	612
Net Profit after Tax	692	650	557	656	514
EPS (Post-IPO)	1.08	1.02	0.87	1.03	0.80

Balance Sheet

Mn BDT	2017A	2018A	2019A	2020A	2021A
Cash	2,389	2,293	2,482	2,517	2,670
Balance with Banks and FIs	4,959	3,482	3,119	2,738	2,629
Money at Call	160	420	500	296	0
Investment in Securities	5,777	6,726	12,710	14,633	14,980
Loans and Advances	27,296	31,075	31,750	39,087	45,867
Other Assets	199	283	259	660	634
Total Assets	41,949	45,751	52,911	63,146	69,019
Borrowing from Banks & FI	313	1,540	3,469	6,075	5,949
Deposits	34,240	35,592	39,501	45,068	50,730
Other Liabilities	1,544	2,132	2,903	4,390	4,935
Total Liabilities	36,097	39,264	45,873	55,532	61,615
Paid-up Capital	4,795	5,275	5,697	5,697	5,697
Retained Earnings	481	426	348	458	297
Total Equity	5,852	6,487	7,038	7,614	7,404
Total Liabilities & Equity	41,949	45,751	52,911	63,146	69,019
NAVPS (Post IPO)	9.15	10.14	11.00	11.90	11.58
Mn BDT	2017A	2018A	2019A	2020A	2021A

Cash Flow Statement

Mn BDT	2017A	2018A	2019A	2020A	2021A
Operating Activities	576	-1,229	21	62	1,434
Investing Activities	-388	-85	-114	150	-1,678
Financing Activities	0	0	0	-342	-427
Net Cash Flow	188	-1,314	-94	-130	-671

Source: Prospectus and BRAC EPL Research

Ownership Structure

Sponsors and Directors currently own 84.9% of the pre-IPO shares, which in post-IPO would stand at 75.6%. Placement shareholders own 15.08% of the pre-IPO shares, which in post-IPO would stand at 13.43%.

Financial Performance

Midland Bank's net interest margin (NIM) fluctuated over the past three years, averaging at 2.28%. Operating profit grew at 3-year CAGR of 5.70%, however, net profit grew at 3-year CAGR of -7.54%, owing to higher tax provision and lower interest income. Cost-Income (CI) ratio averaged 44.34% over the last three years.

Deposits in current account & savings account to total deposit ratio (CASA ratio) decreased from 16.66% to 15.90% over the past five years, however the relatively low ratio indicates high deposit costs. Gross non-performing loans (NPL) ratio was 3.17% in 2021 (2020: 1.16%), where overall banking sector was 7.93%. Capital adequacy ratio was 15.9% in 2021, which is above the 12.5% requirement per Basel III guidelines.

Dividend

The bank has regularly declared dividend with combination of both cash and bonus stock.

Dividend	2017	2018	2019	2020	2021
Cash	0.0%	0.0%	6.0%	7.5%	5.0%
Stock	10.0%	8.0%	0.0%	0.0%	0.0%

Pricing

Pre-IPO EPS in 2021 was BDT 0.90, whereas post-IPO EPS would be BDT 0.80. Pre-IPO NAVPS was BDT 13.00 in 2021, whereas post-IPO NAVPS would stand at BDT 11.58. Offer price per share is BDT 10.00, implying a Pre-IPO P/E of 11.1x and Pre-IPO P/NAV of 0.8x.

Lock-in Requirements

Sponsors, directors and placement shareholders hold maximum portion of the 569.67 million shares that are subject to lock-in provision. Lock-in period of 3 years is applicable for 563.78 million shares (88.14% of the post-IPO shareholding), while 5.89 million shares (0.92% of post-IPO shares) are subject to lock-in period of 2 years. Shares provided under employee share purchase plan (5.0 Mn) would be subject to a 2-year lock-in period.

ESG Footprints:

Environment Footprints:

Midland Bank arrange training and workshops for employees on Green Banking to encourage and educate them on sustainability and ethical consumption of resources.

Social Footprints

The bank's CSR activities include funding Bangabandhu Mural, Braille newspaper, Healthcare, School for child of special needs, relief distribution among poor in winter and others.

Corporate Governance

The directors are experienced professionals and most of them sit on the board of other private and public companies. Mrs. Nilufer Zafarullah is the Chairman of the bank. She was a Member of the National Parliament. She is also a Director of Hong Kong Shanghai Manjala Textiles Ltd.

Once listed, Midland Bank Limited would trade in the main board of DSE & CSE under 'N' category.

Ratios

	2017A	2018A	2019A	2020A	2021A
Operating Profit growth	6.3%	9.9%	3.5%	0.4%	13.6%
Net Profit Ratio	55.1%	63.8%	53.8%	34.4%	30.9%
ROE	12.3%	10.5%	8.2%	9.0%	6.8%
Loan-Deposit Spread	3.3%	4.1%	4.7%	2.6%	3.2%
Net Interest Margin	2.6%	3.6%	3.6%	1.1%	2.1%
Cost to Income Ratio	41.1%	44.4%	45.1%	47.5%	40.4%
Capital Adequacy Ratio	21.0%	19.3%	21.1%	17.4%	15.9%
Loan to Deposit Ratio	79.7%	87.3%	81.6%	82.0%	83.6%
Gross NPL%	1.7%	1.2%	2.6%	1.2%	3.2%
CASA	16.7%	16.5%	13.8%	25.1%	15.9%

Source: Prospectus and BRAC EPL Research

Shareholding Details

Name	Position	No. of shares (Mn)	Pre-IPO shareholding	Post-IPO shareholding
Mrs. Nilufer Zafarullah	Chairman	12.8	2.25%	2.00%
Liberty Knitwear Ltd.	Vice Chairman	29.9	5.25%	4.68%
Reedisha Knitex Ltd.	Director	28.5	5.00%	4.45%
Mondol Fabrics Ltd.	Director	28.5	5.00%	4.45%
That's It Sportswear Ltd.	Director	28.5	5.00%	4.45%
Mr. Ahsan Khan Chowdhury	Director	28.5	5.00%	4.45%
Mr. Md. Wahid Miah Popular	Director	28	5.00%	4.45%
Pharmaceuticals Ltd.	Director	27.1	4.75%	4.23%
Beq Knit Ltd.	Director	26.4	4.63%	4.12%
Mr. Master Abul Kashem	Director	22.9	4.02%	3.58%
Mr. Mohammed Jamal Ullah	Director	13.0	2.28%	2.03%
Hazrat Amanat Shah Spinning Mills Ltd.	Director	12.8	2.25%	2.00%
Mr. Kazi Omar Zafar	Director	12.8	2.25%	2.00%
Ms. Anushka Mehreen Zafar	Director	12.8	2.25%	2.00%
Mr. Kazi Raihan Zafar	Director	12.8	2.25%	2.00%
Mr. Dr. Kazi Shahidullah	Director	1.4	0.25%	0.22%
Garments Export Village Ltd.	Director	1.0	0.18%	0.16%
Ms. Scherezad Joya Monami Latif	Sponsor Shareholder	57.0	10.00%	8.91%
Mr. Abdullah Ahmed Yousuf	Sponsor Shareholder	31.3	5.50%	4.90%
Other Share Holders	Sponsor Shareholder	23.2	4.08%	3.62%

Source: Prospectus and BRAC EPL Research

IMPORTANT DISCLOSURES

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