

COMPANY BRIEF

Business Details: Incorporated on March 20, 2013, Midland Bank Limited started its operation as a fourth generation Bangladeshi conventional commercial bank. In 2019, Midland bank commenced its Islamic Banking window. Currently, it has around 36 branches, 16 sub-branches, 107 agent banking centers (ABCs) spread all over Bangladesh.

Use of BDT 700mn IPO proceeds: Of the total BDT 700mn IPO proceeds, BDT 611mn (c87%) will be invested in Government securities, BDT 50mn (c7%) will be invested in listed securities, and the remaining BDT 39mn (6%) will be used to meet the IPO expenses.

Consolidated Financial Performance: At the end of September 2022, Midland Bank's total asset size was BDT 78.1bn and the size of its loan portfolio was BDT 51.1bn.

In five years (2017-2021), Midland bank's loan portfolio grew by c17% compounding rate while the compounded average growth rate for deposit portfolio was 13.7%. The CASA ratio of the bank stood at 39.8% at the end of September 2022.

The company's pre-IPO NAV per share (as of September 30, 2022) was BDT 12.79 and the post-IPO NAV per share would stand at BDT 12.49.

The bank's reported NPL ratio was 3.4% in 2021. The reported provision coverage (classified loan over gross loan) was 75%.

Please note that, the bank maintained 15.9% CRAR (capital to risk weighted asset ratio) while the minimum required ratio is 10% plus 2.5% as Capital Conservation Buffer.

Pre-IPO Ownership Structure: Mrs. Nilufer Zafarullah, chairman of the bank, owns 2.2% of equity stake in the bank. Her husband, Mr. Kazi Zafarullah (sponsor) has 0.3% shares. Their two sons - Mr. Kazi Omar Zafar and Mr. Kazi Raihan Zafar and one daughter - Ms. Anushka Mehreen Zafar own 6.7% of the shares of the company in total.

Mr. Ahsan Khan Chowdhury, the Chairman and CEO of PRAN-RFL Group, owns 5.0% shares of the bank. Liberty Knitwear Ltd. (Represented by Mr. Md. Shamsuzzaman) and Mr. A.K.M. Badiul Alam own 5.2% and 3.4% stakes in the bank. Please note that they are directors of another listed company - Shahjibazar Power Co. Ltd. (DSE ticker: SPCL).

Sponsors and directors currently hold 88.3% pre-IPO shares of the bank. After issuing 70mn IPO shares, their holding will be 78.6%.

Credit Rating: Long-term credit rating is A+ while the short-term credit rating is ST-2 with stable outlook.

Credit Rating Company: Emerging Credit Rating Limited

Issue Managers: Lankabangla Investments Limited

Auditor: A. Qasem & Co. Chartered Accountants

Key Market Information

Key Market Information	
Issue Size (BDT mn)	700.0
Pre-IPO No. of Shares (mn)	569.7
No. of Shares to be Issued (mn)	70.0
Post-IPO No. of Shares (mn)	639.7
Offer Price	10.0
Dilution	10.9%

Financials

Income Statement (BDT mn)	2018	2019	2020	2021	9M 2022
Net Interest Income	1,213	1,275	412	970	303
Total Operating Income	2,232	2,311	2,320	2,636	1,986
Profit Before Provision	1,242	1,269	1,218	1,571	1,098
Loan Loss Provision	127	174	203	340	505
NPAT	650	557	656	514	189
Pre-IPO EPS(BDT)	1.14	0.98	1.15	0.90	0.33
Post IPO EPS(BDT)*	1.02	0.87	1.03	0.80	0.30

Balance Sheet (BDT mn)	2018	2019	2020	2021	9M 2022
Gross Loans	31,075	31,750	39,087	45,867	51,093
Total Assets	45,751	52,911	63,146	69,019	78,088
Total Deposits	35,592	39,501	45,068	50,730	54,246
Total Equity	6,487	7,038	7,614	7,404	7,288
Pre-IPO NAVPS (BDT)	11.39	12.36	13.37	13.00	12.79

*Based on 639.7mn post-IPO number of shares

Key Financial Ratios

Key Ratios	2018	2019	2020	2021	9M** 2022
Return on Equity	10.5%	8.2%	9.0%	6.8%	3.4%
Return on Assets	1.5%	1.1%	1.1%	0.8%	0.3%
Net Interest Margin*	4.5%	4.2%	2.5%	3.8%	n/a
Interest Rate Spread	4.1%	4.7%	2.3%	2.9%	1.7%
Cost to Income Ratio	44.4%	45.1%	47.5%	40.4%	44.7%
Cost of Risk	0.4%	0.6%	0.6%	0.8%	1.4%
Gross NPL	1.2%	2.6%	1.2%	3.4%	n/a
CASA Ratio	29.0%	25.9%	30.3%	36.9%	39.8%
CRAR	19.3%	21.1%	17.4%	15.9%	n/a

*Net Interest Margin calculation excludes capital gain on Treasury bills & bonds

** 9M 2022 figures are annualized

Dividend History

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

DISCLAIMER

The information contained in this report has been compiled by IDLC Securities Limited (IDLC-SL) from sources believed to be reliable, but no representation or warranty, express or implied, is made by IDLC-SL as to its accuracy, completeness, or correctness. Expressions of opinion herein were arrived at after due and careful consideration and were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at that time. All opinions and estimates contained in this report are subject to change without notice due to changed circumstances and without legal responsibility. This document is not and should not be construed as an offer or the solicitation of an offer to buy or sell any securities. It does not constitute a personal recommendation or take into account the particular investment objectives, financial conditions, or needs of individual clients. Clients should consider whether any advice or recommendation in this research is suitable for their particular circumstances. IDLC-SL accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein.

IDLC-SL and its affiliates, officers, directors, and employees may have positions in, and buy or sell, the securities, if any, referred to in this Document. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desks that may reflect opinions that are contrary to the opinions expressed in this Document and may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

By issuing this research report, each IDLC-SL analyst named in this report hereby certifies that the recommendations and opinions expressed herein accurately reflect the research analyst's independent views about any and all of the subject securities or companies discussed herein, and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. On top of that, no part of the research analyst's compensation was, is, or will be, directly or indirectly related with any kind of investment banking activities.

This document is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to law or regulation. The information and data provided herein is the exclusive property of IDLC-SL. No part of this material can be (i) copied, photocopied, or duplicated in any form by any means or (ii) redistributed without the prior written consent of IDLC-SL.

IDLC Securities Limited

DR Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dastagir Road,

Purana Paltan, Dhaka - 1000

Tel: +8809609994352

Fax: +88029574366

E-mail: IDLCResearch@idlc.com