

**Eastern Bank PLC. (EBL)**

**ইস্টার্ন ব্যাংক পিএনসি (ইবিএল)**

Current Price	Valuation	Return Potential	Earnings Growth Forecast	Equity Growth Forecast	Rating	Category
BDT 30.7	BDT 43.4	41.38%	9.24%	14.41%	Buy	Retail Bank

**Fundamentals**

Market Cap (BDT mn)	36,700
52-weeks Price Range (BDT)	(26.9 - 33.7)
Authorized Capital (BDT mn)	25,000
Paid up Capital (BDT mn)	12,072
Free-Float Share (%) (Jan-24)	69.3%
Free-Float Market Cap (BDT mn)	25,444
Number of Shares (mn)	1,207
Dividend Yield (2022)	3.9%
Trailing EPS (BDT)	4.67
Latest NAV (BDT)	33.3
3 Years Median P/E	7.0x
3 Years Median P/B	1.0x

**Company Overview**

Eastern Bank PLC. (EBL) is one of the largest private commercial banks which wins Best Domestic Bank award in 2021 and Best Corporate and Investment Bank award for four consecutive years from 2017–2020 by the Asiamoney, a renowned global financial publication. EBL is involved in all types of commercial banking and related activities such as loans and advance to personal and commercial purpose, trade service, cash management, treasury, securities, custodian services, and also off-shore banking service. EBL provides exceptional customer service throughout Bangladesh through its 68 Drop-box locations, 63 agent banking outlets, 255 ATMs, 7,265 POS, 23 sub-branches, and 83 branches.

EBL made history in Bangladesh's banking sector by becoming the first bank to introduce online banking services across all branches in 2003. The bank added some new features in its digital banking platform during the Covid-19 crisis including its EBL Insta Account, which can be opened remotely using e-KYC. It is also continuously improving its app EBL Sky Banking, which it plans to turn into its omni-channel banking platform, further reducing pressure on its branch network. Recently, EBL brought the country's first life and non-life insurance services where clients can easily take the facility through MetLife, and Green Delta Insurance.

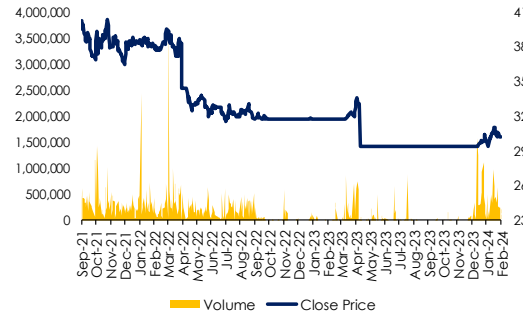
**Banking Sector Facts**

The banking sector of Bangladesh is fragmented into state-owned commercial banks (SCBs), local private commercial banks (PCBs) and foreign banks with a marked difference in mode of operations, service quality, profitability and financial soundness indicators such as corporate governance, asset quality, capital adequacy. Currently there are 61 schedule banks in Bangladesh that are completely governed and overseen by Bangladesh Bank. Out of 61 schedule banks, 36 banks are publicly traded in the stock exchanges.

At the end of 2022, total assets in the banking sector soared by 7.50% from that of 2021 and reached at BDT 21,962 billion. In 2022, total loans and advances escalated by 13.45%, and stood at BDT 15,026 billion, which was in 12.74% growth in the previous year. Total deposit of banking sector stood at BDT 16,029 billion, and saw a 5.6% growth at the end of December 2022. Return on assets (ROA) of the banking sector increased to 0.62% in 2022 compared to 0.25% in 2021. On the other hand, the return on equity (ROE) increased remarkably to 10.70% from 4.37% in 2021.

Capital to Risk-Weighted Assets Ratio (CRAR) of the banking sector increased by 75 basis points and stood at 11.83% at the end of December 2022 compared to 11.08% of the previous year. Banking industry experienced squeezed liquidity condition after first quarter of 2022 as indicated by gradual swelling of Advance to Deposit Ratio (ADR) and increasing call money rate. The banking sector's ADR stayed below the admissible limit of 87% but showed steady upward progress across 2022. The non-performing loan (NPL) in the banking sector reached 8.16% at the end of December 2022, up from 7.93% in the preceding year. The growing trend in NPLs has been mostly attributed to poor corporate governance, relaxed loan policy and political instability.

**Close Price and Volume Chart (EBL)**



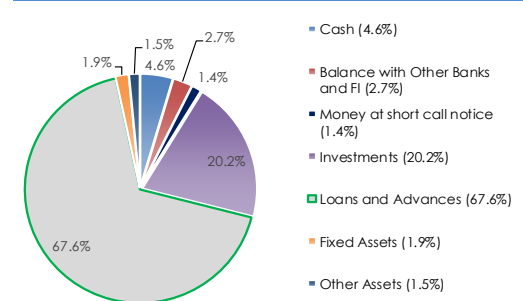
**Shareholding Structure as on Jan-24**

Sponsor/Director	Government	Institute	Foreign	Public
370,258,887	-	570,176,956	3,018,087	263,780,785
30.67%	0.00%	47.23%	0.25%	21.85%

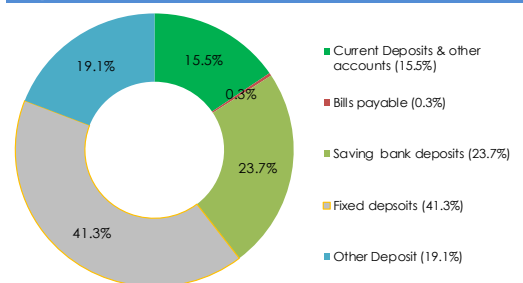
**Percentage of Group Wise Shareholding**

Shareholders Group	2022		2021	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Directors	329,082,425	30.67%	287,911,286	30.18%
General Public	604,717,737	56.35%	539,089,564	56.52%
Financial Institutions	139,297,363	12.98%	126,863,617	13.30%

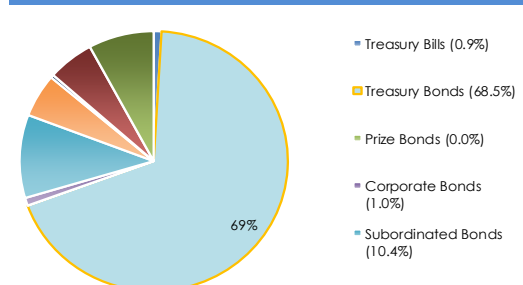
**Assets Mix FY22**



**Deposit Mix FY22**



**Investment Mix FY22**



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**Financial Performance**

- ⇒ In Q3-23, EBL reported BDT 4,258 million earnings which was 8.8% higher than the previous period.
- ⇒ EBL recorded highest profit after tax (PAT) of BDT 5,107 million (solo) in 2022 which was BDT 3,081 million (solo) in 2018 registering 66% growth. Diversified revenue streams and prudent risk management enabled to produce tangible results over the years.
- ⇒ Operating income grew by BDT 631 million in 2022 despite a negative growth of net interest income by 14% or BDT 1,062 million mainly due to upward pressure on deposit rate; which was more than compensated by non-net interest income growth of 18% or BDT 1,693 million driven by excellent performance in fees, commission and FX income.
- ⇒ Compared to year end 2018, EBL loan portfolio grew by 48% or BDT 99,609 million (solo) and reached to BDT 308,916 million on end of 2022.
- ⇒ NPL ratio reached at 2.78% only in December 2022 (2.35% in December 2018) which is far below than the industry average of 8.16% in December 2022.
- ⇒ Compared to year end 2018, deposit base also grew by 59% or BDT 117,468 million and reached to BDT 317,097 million on December 2022 with strong focus to increase the low cost CASA deposit base.
- ⇒ In 2022, Capital to risk weighted assets ratio (CRAR) was 14.61% (solo basis), well above the requirement of 12.50%.
- ⇒ EBL's return on equity also increased from 13.83% in 2018 to 15.46% in 2022.
- ⇒ The NAV per share increased to BDT 32.66 in 2022 from BDT 32.52 in 2021. In Q3-23, the NAV stood at BDT 31.88 per share.

**Stock Performance**

EBL holds the fourth highest market capitalization in the listed banking industry (BDT 36,700 mn). Its share price inched down 17.4% (YoY) in 2022, because of a challenging capital market environment characterized by some economic challenges. Share price went dry due to the regulatory floor price impact followed by the global geopolitical and economic crises.

In 2022, EBL reported a positive Economic value-added (EVA) of BDT 1,849 million, down substantially from BDT 2,809 million in previous year. This was happened due to high Written off interest suspense and relatively lofty cost of equity (10.33% YoY). This underpins the bank's fragile business model and business practices.

EBL reported a comparatively lower market value-added (MVA) of BDT 23,394 million in 2022 as against BDT 27,185 million in 2021, representing sluggish in the market performance.

**Capital Market Portfolio**

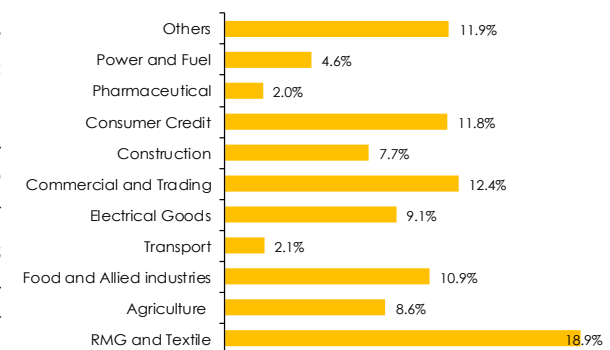
The DSEX plunged by 550 points or 8.14%, from 6,757 points as on 31 December 2021 to 6,207 as on 31 December 2022. EBL well managed the portfolio to outperform the DSEX, limiting the loss in the portfolio market value. Despite realization of gain worth BDT 73 million, market value of portfolio fell by 1.41% in 2022 from that of 2021.

Despite facing abrupt challenges in 2022, EBL managed to make revenue of BDT 311 million from the capital market portfolio. EBL made a net capital gain of BDT 73 million and dividend income of BDT 239 million in 2022, where major income was generated from Mutual Funds, Bank and Engineering sectors. EBL maintained a diversified exposure in different sectors within set limit to minimize unsystematic risk.

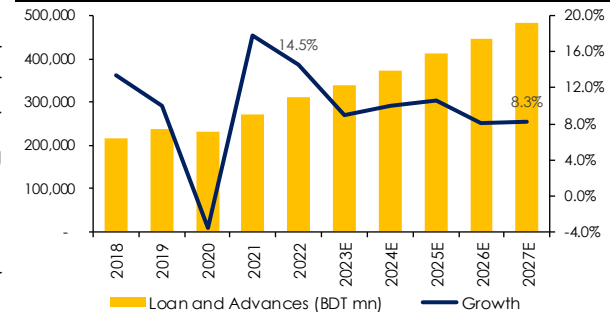
**Capital Market Exposures and Return by EBL (FY22)**

Sector	Exposure	Return	Sector	Exposure	Return
Mutual Funds	19%	29%	Pharmaceuticals	15%	5%
Bank	28%	28%	Insurance	5%	1%
Engineering	2%	11%	Travel & Leisure	3%	1%
NBFI	3%	3%	Miscellaneous	4%	4%
Food & Allied	15%	8%	Others	2%	4%
Fuel & Power	4%	6%			

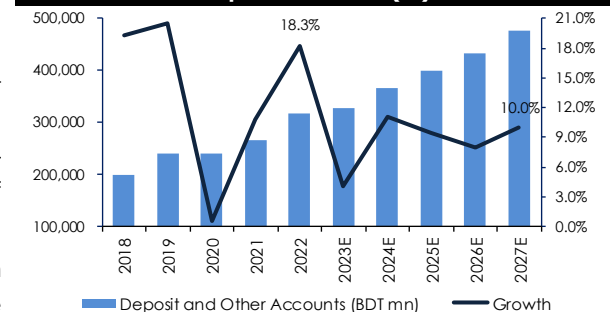
**Sector-wise Credit Concentration (FY22)**



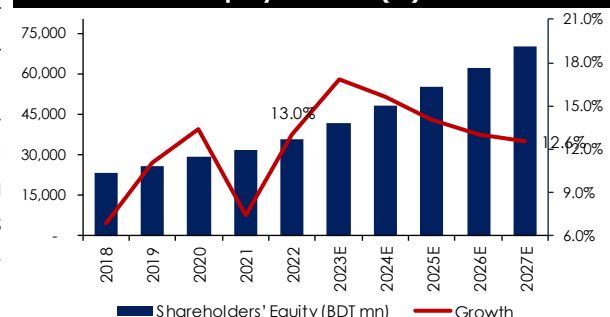
**Credit Growth (%)**



**Deposit Growth (%)**



**Equity Growth (%)**



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**Assets Mix**

EBL is one of the largest private sector commercial bank in Bangladesh in terms of total assets, which stood at BDT 459,868 million, as at the end of 2022 with a CAGR of 12.4% over the past five years. EBL's assets size, consists of cash balances, investments and loan portfolios. As of December 2022, the credit segment holds 67.6% of total assets where investment holds 20.2%, cash 4.6%, fixed assets 1.9%, and other assets 1.5%. EBL distributed its credit portfolio to RMG and Textile (18.9%), agriculture (8.6%), food and allied industries (10.9%), Electrical goods (9.1%), Commercial and trading (12.4%), consumer credit (11.8%), fuel and power (4.6%), transport (2.1%), and rest of (11.9%) others credit at the end of December 2022. The total classified loan of EBL is stood at BDT 9,060 million, NPL stood at only 2.9% as against the sector average 10.16% in 2022.

As of December 2022, the investment portfolio of EBL stood at BDT 93,032 million where maximum portion (69.4%) was invested on treasury securities and the rest amount in corporate bonds (1.0%), subordinated bonds (10.4%) and very small portion in prize bonds.

**Deposit Mix**

In December 2022, the deposit base of EBL reached at BDT 316,327 million from BDT 267,448 million, having grown by 18.3% from the preceding year. EBL's deposits book consists of with 39.2% CASA, 41.3% of Fixed deposit, 0.3% of bills payable and 19.1% of other deposit. EBL is one of the largest CASA holder company in the banking sector.

**Investment Merits**

**Handsome Asset Quality:** NPL ratio of EBL stood only at 2.78% (solo) as of December 2022 whereas industry NPL ratio was 8.16% as of that date. NPL ratio decreased by 92 bps from 3.70% of December 2021. EBL always puts utmost importance to keep the non-performing portfolio as low as possible to protect the interest of the stakeholders. On average, EBL was able to keep it's NPL at 3.0% level in last five years.

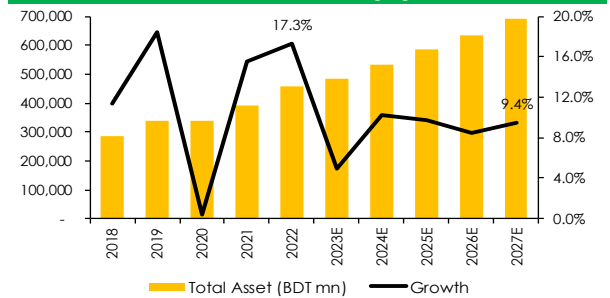
**Lucrative ROE:** ROE of EBL stood 15.46% (solo) at the end of 2022 and average 14.5% in the last five years, which is one of the highest among all listed banks.

**Low Cost to Income Ratio:** In Q3-23, cost to income ratio of EBL stood at 45.2%, which was 42.9% in Q3-22. At the end of 2022, the ratio accounted for 43.5%, which was 4.54% higher from the preceding year. EBL maintains one of the lowest cost to income ratio in listed banking industry.

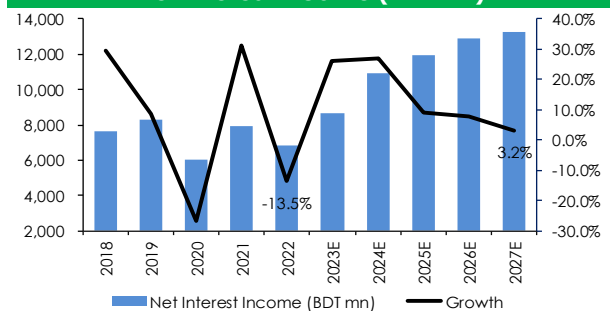
**Strong Capital Base:** EBL maintains a strong capitalization in Tier -1 and total capital ratio. The Capital to risk weighted assets ratio (CRAR) has increased to 14.61% in 2022 from 14.08% in 2021 against the regulatory limit of 12.50%.

**Lucrative Dividend Payment:** EBL provided handsome dividend over the years. Because of regulatory restriction on dividend payment, a bank now can declare a maximum 30% dividend with cash and stock dividend combined. As of 2022, EBL disbursed 12.5% cash and 12.5% stock dividend for investors and the dividend yield stood at 3.9%.

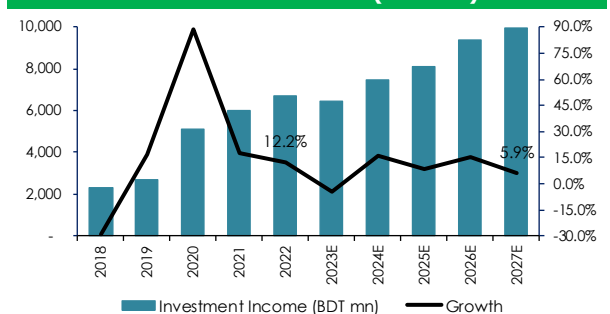
**Asset Growth (%)**



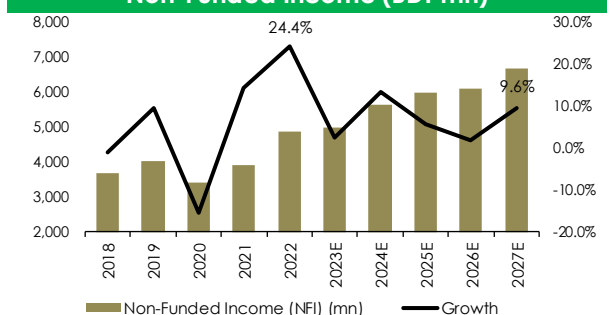
**Net Interest Income (BDT mn)**



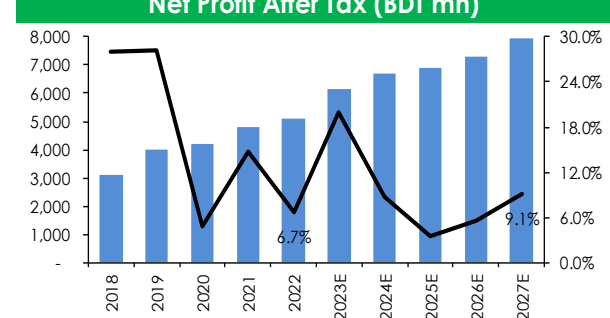
**Investment Income (BDT mn)**



**Non-Funded Income (BDT mn)**



**Net Profit After Tax (BDT mn)**



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**Investment Concerns**

**Limited Branch Network across the Country Compared to Peers:** EBL's service network is very low comparatively industry average. EBL has only 255 ATMs, 23 sub-branches, and 83 branches where industry highest ATMs service amount is almost 6,000.

**Subsidiary Profile**

**EBL Securities Limited:** EBL Securities Limited (EBLSL) is one of the top-tier full-service brokerage houses in Bangladesh and ranks among the top ten stockbrokers of the Dhaka Stock Exchange (DSE). EBLSL offers a wide range of services including trade execution in both DSE and CSE, CDBL services, margin loan, foreign trade and panel brokerage Services.

**EBL Investments Limited:** EBL Investments Limited (EBLIL) is a fully owned subsidiary of Eastern Bank Limited (EBL). It has obtained license from Bangladesh Securities & Exchange Commission (BSEC) as full-fledged Merchant Bank in 2013. Paid-up Capital of EBLIL is BDT 40 Crore. EBLIL provides a full range of investment banking facilities including conventional merchant banking activities. EBLIL also focuses on originating, structuring, underwriting and executing debt financing including syndications, corporate bonds, and other debt linked products. syndications, corporate bonds, and other debt linked products.

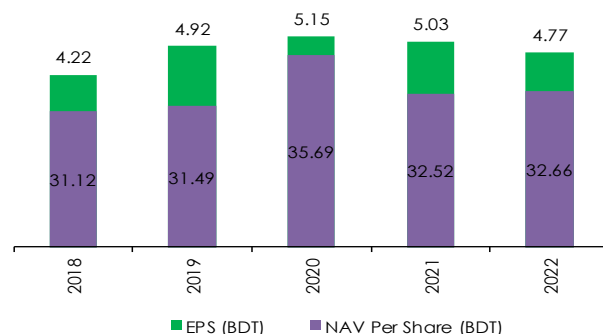
**EBL Finance (HK) Limited:** The principal activity of the Company is engaged in money lending business.

**EBL Asset Management Limited (EBLAML):** EBLAML is carry out business on asset management, portfolio management, capital market operation, equity investment, financial services. It has one open ended fund named EBL AML 1st Unit Fund, with BDT 30 crore initial fund size. Trustee & Custodian was ICB Capital Management Ltd and Sponsor & Asset Manager was EBL Asset Management Ltd.

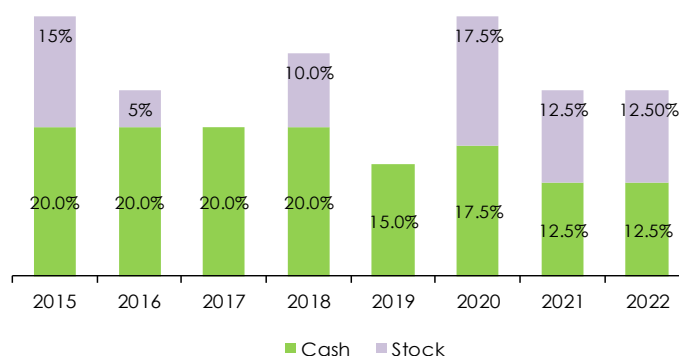
**Valuation**

The relevant valuation methods are (Residual Income Approach and Relative Valuation) to find out the intrinsic value of the company. The assumed cost of equity and terminal growth rate are 10.5% and 3.0% respectively. Under the residual income model, the value of the bank is BDT 47.4 per share. Under the relative valuation, it has been used Last Twelve Month (LTM) PE and PB multiples to value the company. Based on the relevance and merits of the valuation models, It has been given 70.0% weight in Residual income model and 30.0% in relative valuation. Overall, the intrinsic value of the EBL has estimated at BDT 43.4 per share. Currently EBL's share is traded at BDT 30.7. So EBL's return potential is 41.4%.

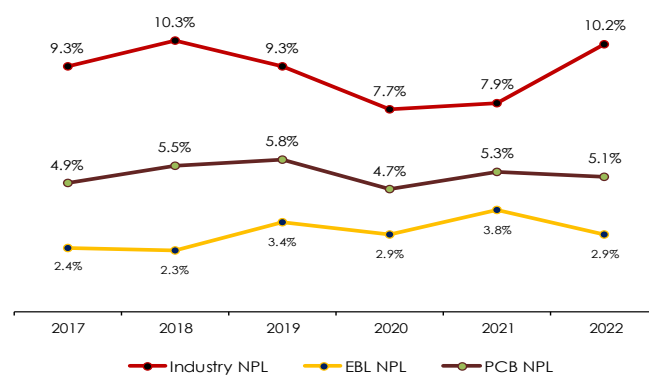
**Earnings and NAV Per Share (BDT)**



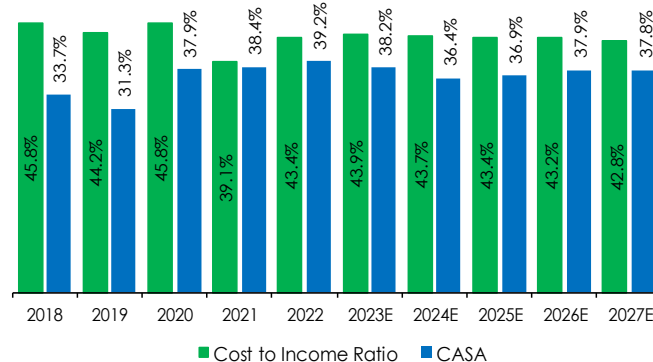
**Dividend Payment**



**NPL Ratio Movement- (EBL vs Industry & PCBs)**



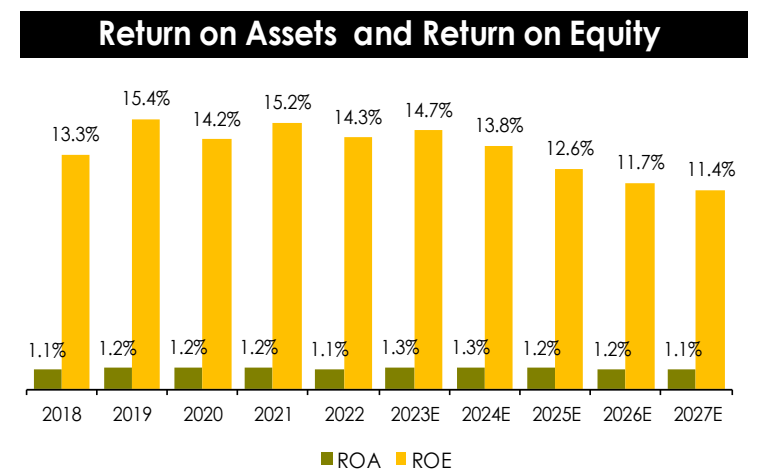
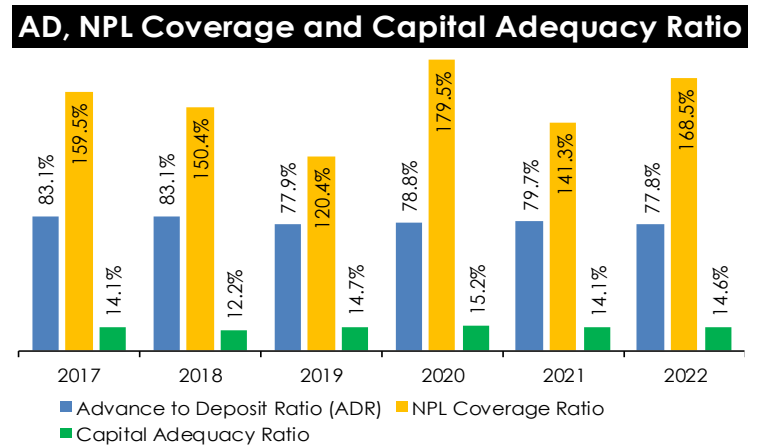
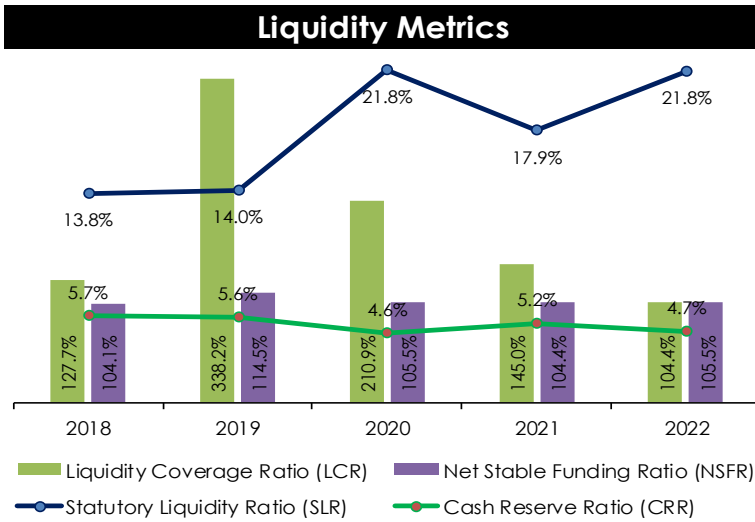
**Cost to Income Ratio and CASA (%)**



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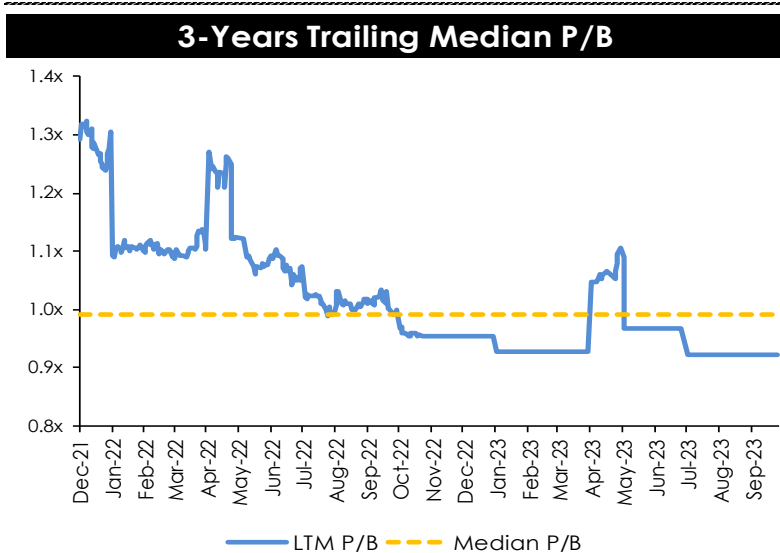
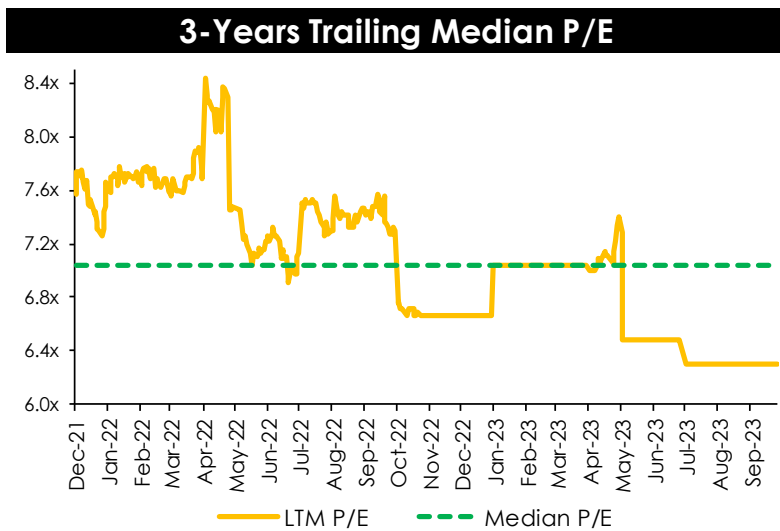
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### Valuation Summary (EBL)

		Valuation (BDT)	
Residual Income Model		47.4	
P/E Based Valuation (LTM EPS)	Multiple (x)	EPS (BDT)	Valuation (BDT)
3-Yr Median P/E	7.0x	4.67	32.9
Industry P/E	6.5x	4.67	30.2
P/B Based Valuation	Multiple (x)	NAVPS (BDT)	Valuation (BDT)
3-Yr Median P/B	1.0x	33.3	33.1
Industry P/B	1.2x	33.3	40.0
<b>Valuation Per Share</b>			<b>43.4</b>
Current Price (February 20, 2024)			30.7
<b>Return Potential</b>			<b>41.4%</b>



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**Appendix- Historical and Forecasted Financials**

Eastern Bank PLC. (BDT MN)	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Historical Five Years CAGR	Expected Five Years CAGR
<b>Total Assets</b>	285,500	338,201	339,508	392,187	459,868	482,687	532,183	583,896	633,480	693,241	12.4%	8.6%
<b>Growth (YoY)</b>	11.4%	18.5%	0.4%	15.5%	17.3%	5.0%	10.3%	9.7%	8.5%	9.4%		
<b>Loan &amp; Advances</b>	217,380	239,095	230,545	271,602	311,085	339,146	373,061	412,580	445,955	482,936	10.2%	9.2%
<b>Growth (YoY)</b>	13.4%	10.0%	-3.6%	17.8%	14.5%	9.0%	10.0%	10.6%	8.1%	8.3%		
<b>Deposits</b>	199,156	239,980	241,295	267,448	316,327	329,066	365,345	400,104	432,247	475,575	13.6%	8.5%
<b>Growth (YoY)</b>	19.3%	20.5%	0.5%	10.8%	18.3%	4.0%	11.0%	9.5%	8.0%	10.0%		
<b>Net Interest Income</b>	7,611	8,277	6,052	7,935	6,860	8,639	10,952	11,965	12,881	13,296	3.1%	10.2%
<b>Growth (YoY)</b>	29.5%	8.7%	-26.9%	31.1%	-13.5%	25.9%	26.8%	9.2%	7.7%	3.2%		
<b>NIM</b>	3.3%	3.1%	2.5%	2.7%	2.1%	2.4%	2.7%	2.7%	2.7%	2.6%		
<b>Loan-Deposit Spread</b>	3.8%	3.9%	3.6%	3.3%	3.0%	3.3%	3.6%	3.4%	3.4%	3.3%		
<b>CASA</b>	33.7%	31.3%	37.9%	38.4%	39.2%	38.2%	36.4%	36.9%	37.9%	37.8%		
<b>Equity</b>	23,375	25,962	29,449	31,639	35,762	41,770	48,321	55,103	62,275	70,108	10.3%	14.4%
<b>Growth (YoY)</b>	6.9%	11.1%	13.4%	7.4%	13.0%	16.8%	15.7%	14.0%	13.0%	12.6%		
<b>Advance to Deposit Ratio (ADR)</b>	83.1%	77.9%	78.8%	79.7%	77.8%							
<b>NPL Coverage Ratio</b>	150.4%	120.4%	179.5%	141.3%	168.5%							
<b>Risk Weighted Assets (RWA)</b>	202,655	207,437	217,654	253,388	279,016							
<b>Tier-1 Capital</b>	18,908	20,719	23,467	26,136	29,942							
<b>Tier-2 Capital</b>	10,819	9,538	9,678	9,850	5,740							
<b>Capital to Risk Weighted Assets</b>	12.2%	14.7%	15.2%	14.1%	14.6%							
<b>Investment</b>	29,888	42,066	66,016	68,901	93,032	71,684	83,330	96,461	108,950	118,165	25.5%	4.9%
<b>Growth (YoY)</b>	14.5%	40.7%	56.9%	4.4%	35.0%	-22.9%	16.2%	15.8%	12.9%	8.5%		
<b>Investment Income</b>	2,312	2,699	5,102	5,997	6,726	6,432	7,476	8,125	9,384	9,937	15.6%	8.1%
<b>Growth (YoY)</b>	-28.9%	16.7%	89.0%	17.5%	12.2%	-4.4%	16.2%	8.7%	15.5%	5.9%		
<b>Investment Yield</b>	7.7%	6.4%	7.7%	8.7%	7.2%	9.0%	9.0%	8.4%	8.6%	8.4%		
<b>Statutory Liquidity Ratio (SLR)</b>	13.8%	14.0%	21.8%	17.9%	21.8%							
<b>Cash Reserve Ratio (CRR)</b>	5.7%	5.6%	4.6%	5.2%	4.7%							
<b>Liquidity Coverage Ratio (LCR)</b>	127.7%	338.2%	210.9%	145.0%	104.4%							
<b>Net Stable Funding Ratio (NSFR)</b>	104.1%	114.5%	105.5%	104.4%	105.5%							
<b>Non-Funded Income (NFI) (mn)</b>	3,691	4,044	3,413	3,911	4,867	4,989	5,663	5,996	6,111	6,697	5.4%	6.6%
<b>Growth (YoY)</b>	-1.1%	9.6%	-15.6%	14.6%	24.4%	2.5%	13.5%	5.9%	1.9%	9.6%		
<b>NFI as a % of Operating Income</b>	27.1%	26.9%	23.4%	21.9%	26.4%	24.9%	23.5%	23.0%	21.5%	22.4%		
<b>Operating Income</b>	13,615	15,020	14,567	17,842	18,453	20,059	24,091	26,085	28,375	29,930	7.5%	10.2%
<b>Growth (YoY)</b>	5.8%	10.3%	-3.0%	22.5%	3.4%	8.7%	20.1%	8.3%	8.8%	5.5%		
<b>Operating Expense</b>	6,235	6,642	6,671	6,977	8,004	8,808	10,528	11,308	12,260	12,802	6.6%	9.8%
<b>Growth (YoY)</b>	7.4%	6.5%	0.4%	4.6%	14.7%	10.0%	19.5%	7.4%	8.4%	4.4%		
<b>Cost of fund</b>	5.3%	5.6%	4.8%	2.7%	3.6%							
<b>Cost to Income Ratio</b>	45.8%	44.2%	45.8%	39.1%	43.4%	43.9%	43.7%	43.4%	43.2%	42.8%		
<b>Operating Profit</b>	7,380	8,378	7,896	10,866	10,448	11,252	13,563	14,777	16,116	17,128	8.2%	10.4%
<b>Growth (YoY)</b>	4.6%	13.5%	-5.8%	37.6%	-3.8%	7.7%	20.5%	8.9%	9.1%	6.3%		
<b>Effective Tax Rate</b>	21.9%	28.1%	32.4%	34.3%	29.9%	37.5%	37.5%	37.5%	37.5%	37.5%		
<b>Net Profit After Tax (BDT mn)</b>	3,111	3,990	4,181	4,800	5,121	6,143	6,685	6,916	7,306	7,967	16.1%	9.24%
<b>Growth (YoY)</b>	28.1%	28.3%	4.8%	14.8%	6.7%	20.0%	8.8%	3.5%	5.6%	9.1%		
<b>EPS</b>	4.22	4.92	5.15	5.03	4.77	5.09	5.54	5.73	6.05	6.60		
<b>Growth (YoY)</b>	28.1%	16.6%	4.8%	-2.3%	-5.2%	6.6%	8.8%	3.5%	5.6%	9.1%		
<b>ROA</b>	1.1%	1.2%	1.2%	1.2%	1.1%	1.3%	1.3%	1.2%	1.2%	1.1%		
<b>ROE</b>	13.3%	15.4%	14.2%	15.2%	14.3%	14.7%	13.8%	12.6%	11.7%	11.4%		
<b>NPL (%)</b>	2.3%	3.4%	2.9%	3.8%	2.9%	3.0%	3.1%	3.2%	3.2%	3.2%		
<b>Operating Profit Per share</b>	9.68	10.11	9.48	10.97	9.36							
<b>Dividend Payout Ratio</b>	72%	30%	69%	51%	53%							
<b>Price Earnings Ratio (Times)</b>	8.62	6.72	7.12	7.89	6.68							
<b>NAV (book value) Per Share</b>	31.12	31.49	35.69	32.52	32.66							
<b>Market Price to NAV Per Share</b>	1.16	1.05	1.01	1.18	0.97							

Current Price	Valuation	Return Potential	Earnings Growth Forecast	Equity Growth Forecast	Rating	Category
BDT 30.7	BDT 43.4	41.38%	9.24%	14.41%	Buy	Retail Bank

### Quarterly Financial Performance (EBL)

Financials (BDT mn)	2023			2022			Year End	
	Q1	Q2	Q3	Q1	Q2	Q3	2022	2021
Loan and Advances	306,226	329,158	331,753	264,849	284,387	291,692	311,085	271,602
Deposit and Other Accounts	315,605	338,798	340,726	270,067	290,909	294,366	316,327	267,448
Loan to Deposit	97.0%	97.2%	97.4%	98.1%	97.8%	99.1%	98.3%	101.6%
Net Interest Income	1,712	3,548	5,822	1,778	3,487	5,150	6,860	7,935
Investment	97,759	104,588	103,855	84,956	88,104	91,727	93,032	68,901
Investment to Deposit	31.0%	30.9%	30.5%	31.5%	30.3%	31.2%	29.4%	25.8%
Investment Income	1,827	3,797	6,038	1,352	3,004	4,851	6,726	5,997
Non-Funded Income (NFI)	1,180	2,402	3,580	1,305	2,502	3,673	4,867	3,911
Operating Income	4,719	9,748	15,440	4,436	8,993	13,674	18,453	17,842
Operating Expense	2,328	4,806	6,980	1,938	4,016	5,872	8,004	6,977
Cost to Income	49.3%	49.3%	45.2%	43.7%	44.7%	42.9%	43.4%	39.1%
Net Profit After Tax	1,069	2,423	4,258	1,193	2,372	3,863	5,121	4,800
EPS (BDT)	1.0	2.0	3.5	1.3	2.2	3.6	4.8	4.5

The report is based on an assessment conducted by the Research and Innovation Lab (RIL) at Royal Capital Limited. Related data in this report are mainly sourced from Bangladesh Bank website, newspaper, and different publications. RIL will not bear any responsibility for any changes in the related data and estimates made after the mentioned access date. This report is available at [www.royalcapitalbd.com](http://www.royalcapitalbd.com) RIL is committed to deliver high quality research for all. For any further query or information about this report or other research of RIL, contacts can be made using the following detail.

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