

**Rating Report (Surveillance)**
**AB Bank Limited**
**Ratings**

Long Term : AA<sub>3</sub>  
 Short Term : ST-1  
 Date of Rating : 15 June, 2010  
 Valid till : 30 June, 2011

**Previous Ratings**

Long Term : AA<sub>3</sub>  
 Short Term : ST-1  
 Date of Rating : 29 September, 2009

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**1. RATIONALE**

Credit Rating Agency of Bangladesh (CRAB) Limited has affirmed **AA<sub>3</sub>** (Pronounced Double A three) rating in the long term and **ST-1** rating in the short term of AB Bank Limited based on audited financials of 31 December 2009 and other relevant information.

Commercial Banks rated AA<sub>3</sub> in the long term belong to “Very strong capacity & Very high quality” cohort. Banks rated “AA<sub>3</sub>” have very strong capacity to meet their financial commitments. AA<sub>3</sub> rated banks are judged to be of high quality and are subject to low credit risk.

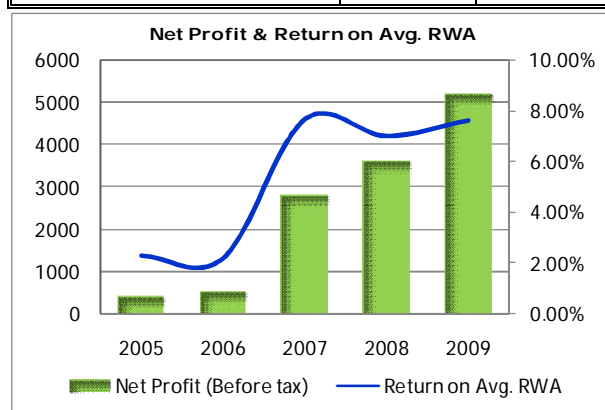
Commercial Banks rated in the short term ‘ST-1’ category are considered to have highest capacity for timely repayment of obligations. Commercial Banks rated in this category are characterized with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

AB Bank Limited, the first private sector bank of the country commenced its operation on April 12, 1982 and presently the Bank has 77 branches (including Mumbai branch) and 11 SME business centers across the country. The paid up capital of the Bank reached BDT 2,564.25 million as of 31<sup>st</sup> December 2009 against the authorized capital of BDT 6,000 million.

CRAB assigned AA<sub>3</sub> in the Long Term to AB Bank Limited considering year on year high profit growth (profit after tax reached

**Exhibit 1: Financial Highlights**

Particulars	2009	2008
ROAA (Before Tax)	5.45%	4.88%
Return on Average RWA*	7.64%	7.03%
RWCAR	13.78%	12.84%
Cost to Income Ratio	29.83%	30.10%
Gross NPL Ratio	2.75%	2.99%
Loans to Deposit Ratio	85.31%	82.71%





BDT 3,362.56 million in 2009 from BDT 2,300.62 million in 2008, registering a growth of 46.16%); high asset growth, improvement in asset quality (gross NPL reduced to 2.75% in 2009 from 2.99% in 2008) and adequate liquidity.

The revenue stream of the Bank was diversified having 35% revenue from both net interest income and investment income followed by income from commission & exchanges (in 2009: 22% of total operating income). The higher growth of the major contributing sector (interest income and investment income) helped the bank achieve a high growth of net interest income as well as operating income. The Bank managed to reduce its cost to income ratio by 0.27 percentage points on the back of higher growth of operating income.

In 2009, the Return on Average Asset (ROAA) increased by 0.40 percentage points whereas Return on Average Equity (ROAE) decreased by 0.95 percentage points. Net interest margin (NIM) of the Bank increased to 4.30% in 2009 compared to 3.93% in 2008. ABBL's after tax return on average risk weighted asset (RWA) also witnessed an upsurge in 2009.

The Bank is mainly funded by customer deposit. Current and savings deposit accounted for 44% of total deposits in 2009 (2008: 32%) which reflect the stable deposit base of the Bank and helped the Bank to reduce its cost of deposit and borrowing from 8.40% to 7.63% in 2009. AB Bank maintained satisfactory liquidity position in 2009. Average loans to deposit ratio of the Bank was 82.22%. The Bank was net borrower in the call market throughout the year.

AB Bank experienced a reasonable growth (24.99%) in loans and advances and reached BDT 70,879.93 million by the end of 2009. The Bank's loan portfolio was reasonably diversified in terms of intrinsic and concentration risk. The Bank's top 50 funded loans in 2009 held 24.55% of total loan portfolio.

The overall asset quality trend of the Bank shows an improving trend in the last couple of years. Total non-performing loans (NPL) decreased to BDT 1,949.17 million in 2009 (2008: 1,695.38 million). The gross NPL ratio reduced to 2.75% in 2009 (2008: 2.99%) resulted from rescheduling and loan written off. In 2009, AB Bank had BDT 88.91 million excess provisions against non-performing loans. Special Mention Accounts (SMA) to total loans and advances ratio of the Bank was also reduced to 0.19% in 2009 from 0.40% in 2008.

The Bank was well capitalized in terms of risk weighted capital adequacy ratio which was 13.78% by the end of 2009, against regulatory requirement of 10%. The risk weighted capital adequacy ratio was 11.09% under Basel II for the same period.

Investment income of ABBL increased by 35.80% on back of 43.64% increase in investment portfolio. Investment in quoted shares accounted for 38.78% of total investment in 2009.

The rating reflects the Bank's strength in earning diversity, satisfactory liquidity as well as capital adequacy. On the other hand, principal concerns of the Bank are low recovery of classified asset and higher rate of fresh NPL generation as well as high investment in shares.