



Rating Report

Bank Asia Ltd.

Ratings

Long Term	: AA₂
Short Term	: ST-1
Date of Rating	: 07 June 2010
Validity	: 30 June 2011

Previous Ratings

Long Term	: AA₃
Short Term	: ST-1
Date of Rating	: 11 June 2009

Analyst:

Tahmina Islam

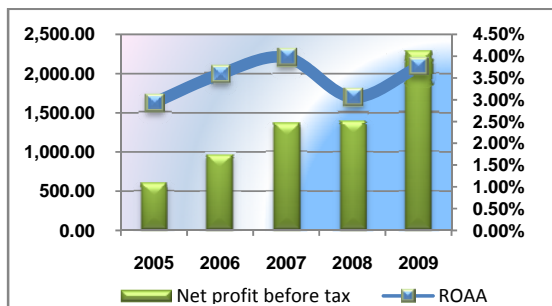
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Highlights

	Amount in BDT million	
	2009	2008
Loans & Advances	50,267.92	39,974.99
Non Performing Loan	785.07	1,072.67
Deposits	54,832.82	42,435.24
Net Profit After Tax	1,327.18	686.70
Return on Average Asset (before tax)	3.75%	3.06%
Net Interest Margin	3.81%	3.53%
Capital Adequacy Ratio	12.27%	11.25%
Internal Capital Generation	47.06%	39.69%
Gross NPL ratio	1.56%	2.68%
Net NPL ratio	0.68%	0.69%
NPL Coverage Ratio	140.62%	124.67%
Loan to Deposit Ratio	91.67%	94.20%
Liquidity Ratio	24.57%	22.80%



1.0 RATIONALE

Credit Rating Agency of Bangladesh (CRAB) Limited has upgraded the rating of Bank Asia Limited (hereinafter referred to as BA or the Bank), to rating **AA₂** (Double A two) in the long term and retained **ST-1** rating in the short term. The rating was updated based on the audited financial statements of 31 December 2009 and other relevant information provided by the Bank.

Commercial Banks rated **AA₂** have very strong capacity to meet their financial commitments. They differ from the highest-rated Commercial Banks only to a small degree. **AA₂** is judged to be of very high quality and is subject to very low credit risk.

Commercial Banks rated in this category are considered to have the highest capacity for timely repayment of obligations. Commercial Banks rated in this category are characterised with excellent position in terms of liquidity, internal fund generation, and access to alternative sources of funds is outstanding.

Bank Asia is a third generation private commercial bank incorporated in 1999 as a public limited company. As of 31st December 2009 the Bank had 33 branches all over the country including 2 Islamic Banking branches. The Bank obtained



It's offshore Banking Unit permission¹ in June 2007 and commenced operation of this unit from 28 January 2008 at Chittagong EPZ. The Bank's revenue sources are well diversified with 42.37% contribution from net interest income (41.76% growth), 24.53% coming from investment income (66.84% growth) followed by commission, exchange & brokerage income 28.51% (38.43% growth) in 2009. The Bank's efficiency ratio in 2009 was 36.63%, which reflects its cost efficient operations.

Net interest margin of the Bank increased to 3.81% in 2009 from 3.53% in 2008 resulted from significant growth of net interest income (41.76% growth in 2009) as well as increased average interest earning asset (31.06% growth in 2009). The ROAA before tax experienced positive trend and reached 3.75% in 2009. The ROAE before tax was 55.17% in 2009.

The Bank's deposit mobilization rate was 29.22% in 2009. Total deposit was mainly dominated by fixed deposit (around 80% of total deposit), followed by low cost of deposit 18.71% (low cost deposit includes savings, STD and current deposit). In 2009, loans to deposit ratio was 91.67%. Liquid asset to total deposit and borrowing ratio reached 24.57% in 2009. It is observed from the analysis of ALM and maturity profile of deposit and call money market operations that liquidity management system of BA is sound and can survive immediate liquidity crisis.

The Bank's loans and advances portfolio increased by 25.75% and reached BDT 50,267.26 million by the end of 2009. The Bank's top 50 funded loans and advances (unclassified) in 2009 held 36% of total loan portfolio. Credit quality of BA had an improving trend in the last few years. Total non-performing loan of the Bank decreased to BDT 785.07 million in 2009 which was 1,072.67 million in 2008. Gross NPL ratio decreased to 1.56%. There was 6.44% decline in fresh NPL during 2009. The proportion of fresh NPL in 2009 was 1.95% lower compared to 2.13% in 2008. The Bank's rescheduled loan amount was BDT 413.07 million, 0.82% of total loan outstanding in 2009. Out of total loan portfolio, 0.99% belonged to bad and loss category, followed by doubtful category 0.28% and sub-standard category 0.29%. BA has written off and rescheduled its non-performing loans in 2009. Thus BA's Gross NPL ratio decreased to 1.56% in 2009 from 2.68% in 2008 as total NPL experienced decline by 27% in 2009. Bank Asia has recovered BDT 376.10 million of previous NPL in 2009.

The Bank's capital adequacy ratio under BASEL II was 10.01% in 2009 according the calculation format of Bangladesh Bank. However, risk weighted asset of the Bank was BDT 45,150 million by 2009 under Basel I whereas this figure shot up to BDT 56,672 million under Basel II framework of our country. BA capital adequacy ratio under BASEL I was 12.27% in 2009 against regulatory requirement of 10%. The rating reflects the Bank's strength in capital adequacy and improving credit quality. The Bank has been maintaining diversified and stable funding base.

¹ Vide letter no. BRPD (P-3) 744 (94)/ 2007-1853 dated 21 June 2007.