# Rating Report

## BRAC Bank Ltd.

| Previous Ratings | | Present Ratings | |
|---|---|---|---|
| Long Term | : **$AA_2$** | Long Term | : **$AA_3$** |
| Short Term | : **ST-2** | Short Term | : **ST-2** |
| Date of Rating | : 12 April 2009 | Date of Rating | : 16 June 2010 |
| | | Validity | : 30 June 2011 |

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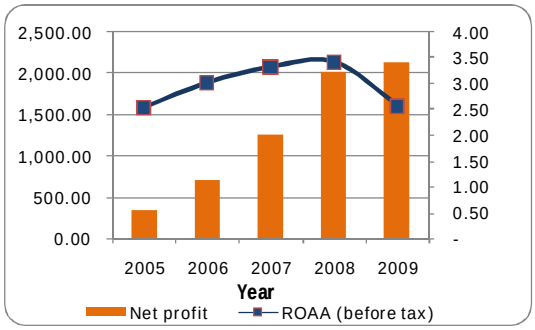
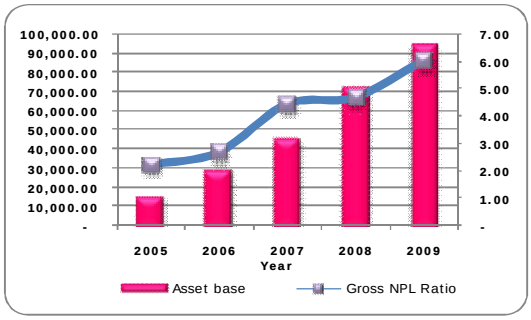
**Highlights:**

Number in Percent

| Particulars | 2009 | 2008 | 2007 |
|---|---|---|---|
| **ROAA (After Tax)** | 1.56 | 1.64 | 1.62 |
| **Return on RWA** | 2.43 | 2.47 | 2.51 |
| **ROAE (After Tax)** | 19.19 | 22.88 | 23.83 |
| **Cost to Income Ratio** | 0.49 | 0.47 | 0.45 |
| **RWCAR** | 12.69 | 12.76 | 12.28 |
| **Gross NPL Ratio** | 6.04 | 4.69 | 4.45 |
| **Loans to Deposit Ratio** | 85.28 | 90.81 | 86.87 |
| **Net NPL Ratio** | 3.03 | 1.84 | 1.9 |
| **Gross NPL Coverage Ratio** | 46.28 | 56.38 | 108.81 |




### 1.0 Rationale

Credit Rating Agency of Bangladesh (CRAB) Limited has assigned **$AA_3$** (Double A three) in the long term and **ST-2** rating in the short term to BRAC Bank Limited (hereinafter referred to as BBL or the Bank). The rating was updated based on the audited financial statements of 31 December 2009 and other relevant information.

Commercial Banks rated **$AA_3$** have very strong capacity to meet their financial commitments. They differ from the highest-rated Commercial Banks only to a small degree. **$AA_3$** 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.

Incorporated in 1999, the Bank had 69 branches, 59 SME service centre, 179 ATM booths, 30 cash deposit machine, 1,558 POS terminals and 19 utility service bill payment booths as of 31 December 2009.

The Bank has segmented it's business through 3 major business lines: Retail banking, SME banking and corporate banking while concentrating in SME sector exclusively. The Bank's revenue sources are well diversified with 42.65% contribution from net interest income, 26.48% coming from investment income followed by commission, exchange & brokerage income 29.80% in 2009. The Bank's efficiency ratio in 2009 was 48.82%, which reflects its cost efficient operations.

Net interest margin of the Bank was 4.83% in 2009 from 5.99% in 2008 resulting from negative growth of net interest income (-1.83% growth in 2009) along with decreased average interest earning asset (27.06% growth in 2009). The ROAA before tax experienced downward trend and reached 2.57% in 2009. The ROAE before tax was 31.55% in 2009.

The Bank's deposit mobilization rate was 29.67% in 2009. In total deposit proportion of term deposit was 48.83% and low cost deposit was around 50% (low cost deposit includes savings and current deposit). Due to launching "Prapti" current account and "Triple benefit savings account" along with other BBL's existing deposits scheme there are 220% growth in current deposits and 182% growth in savings deposit in 2009. BBL's loans to deposit ratio was 85.28% during 2009. Liquid asset to total deposit and borrowing ratio reached 30.60% 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 BBL is sound and can survive immediate liquidity crisis.

The Bank's loans and advances portfolio increased by 21.78% and reached BDT 64,150.84 million by the end of 2009. BBL's loan growth stimulated through SME and retail loans which constituted 56% of total loan portfolio in 2009. The main concentration of BBL loan portfolio was in internal trading sector which includes whole sale trading and retail types of business. The Bank's top 50 funded loans and advances (unclassified) in 2009 held 29% of total loan portfolio. Total non-performing loan of the Bank increased to BDT 3,877.66 million in 2009 which was 2,473.01 million in 2008. Thus Gross NPL ratio increased to 6.04% in 2009. There was 35% growth in fresh NPL, which is 4.03% of total loan outstanding. Out of total loan portfolio, 2.34% belonged to substandard category, followed by bad & loss category 2.16% and doubtful category 1.54%. BBL's Net NPL ratio was 3.03% in 2009. To overcome this BBL has accumulated significant provision amount BDT 3,452.59 million in 2009. The Bank's written off loan amount was BDT 491.78 million, 0.77% of total loan outstanding in 2009. Pre provision profit to net loans of the Bank was 5.98%.

The Bank's capital adequacy ratio under BASEL II was 12.45% in 2009 according the calculation format of Bangladesh Bank. However, risk weighted asset of the Bank was BDT 59,186 million by 2009 under Basel I whereas this figure shot up to BDT 66,584 million under Basel II framework of our country. BBL's capital adequacy ratio under BASEL I was 12.69% 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.