

Rating Report [SURVEILLANCE]
Dutch-Bangla Bank Limited
Ratings

Long Term : **AA₃**
 Short Term : **ST-1**
 Date of Rating : 28 June 2010
 Validity : 30 June 2011

Previous Ratings

Long Term : **A₁**
 Short Term : **ST-2**
 Date of Rating : 29 June 2009

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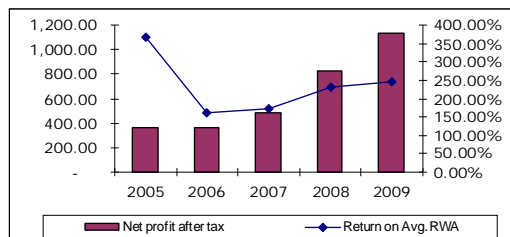
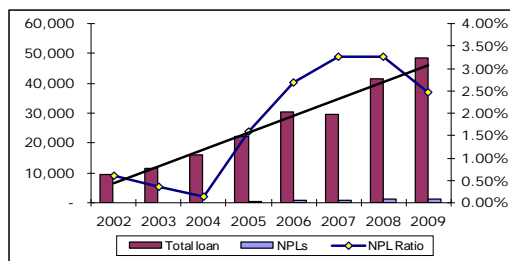
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Financial Highlights

BDT in Million

	2009	2008
Loans & Advances	48,410.99	41,698.32
Non Performing Loan	1,193.32	1,363.17
Deposits	67,788.53	51,575.67
Investment	9,685.88	5,322.31
Net Interest Income	2,066.83	1,817.68
Non Interest Income	2,751.69	1,821.83
ROAA (Before Tax)	3.03%	3.23%
Net Interest Margin	3.92%	4.41%
Capital Adequacy Ratio	11.59%	10.89%
Gross NPL Ratio	2.46%	3.27%
Net NPL Ratio	0.64%	1.84%
Deposit Lent out Ratio	71.41%	80.85%


1. RATIONALE

Credit Rating Agency of Bangladesh (CRAB) Limited has upgraded the Long Term rating of Dutch-Bangla Bank Limited (hereafter called DBBL or the Bank) to '**AA₃**' (Pronounced double A three) and the Short Term rating to '**ST-1**' on the rating surveillance based on financial statements for the year ended 31 December 2009 and other relevant information.

Commercial banks rated in the long term **AA₃** belong to 'Very Strong Capacity & very High Quality' Cohort. They differ from the highest-rated Commercial Banks only to a small degree. **AA₃** rated banks are judged to be of very high quality and are subject to very low credit risk.

Commercial banks rated in the short term **ST-1** 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.

Dutch-Bangla Bank limited started its banking business in June 1996 and enlisted in both the exchanges in 2001. The Bank has been operating its business under the centralized banking system with the help of its sound IT infrastructure through 79 branches and 10 SME service centers. Bank's paid up capital and reserve stood at BDT 3,500.00 million at end of 2009. The capital adequacy ratio of DBBL was 11.59% by the end of 2009 (2008:10.89%) under Basel I accord and 8.14% as on 31st March 2010 under Basel II accord.



DBBL achieved a sound growth of deposit mobilization, especially in case of low cost savings deposit, which is considered as a significant achievement of the Bank while assigning the rating. The deposit of the Bank reported 31.44% growth in 2009 and stood at BDT 67,788.53 million which was 2.36% of total market (2008: 2.20%). The recent growth was supported by expansion of branch network and largest ATM network with online banking service. The increasing contribution of current deposit and saving deposit over the years is considered as a good sign for future stability of funding sources of the Bank while assigning the rating. The average cost of deposit of the Bank declined to 6.53% in 2009 from 7.66% in 2008. The declining trend in high cost fixed deposit may eventually facilitate the Bank to reduce the cost of deposit further in the ongoing year. As a Corollary, the Bank will be benefited during the present downward pressure on lending rate cap resulting from both regulatory compliance and market competition.

The Bank is also well positioned in term of liquidity as liquid assets were 38.92% of deposit and borrowing in 2009. The Bank was a net lender throughout 2009 except for the months of August and December. The asset liability matching was also sound having no large gap or abrupt changes in gap. 85.61% of deposit and 84.67% of loans have maturity of less than 1 year. In spite of decline in longer period deposit the Bank will be resilient to immediate liquidity shock due to maturity matching of loans and deposits having increasing contribution of saving deposits.

The rating is supported by well managed assets of the Bank resulted in improved asset quality with Gross NPL of 2.46% in 2009 from 3.27% in 2008 irrespective of decline in loan-deposit ratio to 71.41% in 2009 from 80.85% in 2008. The loans and advances of the Bank stood at BDT 48,410.99 million in 2009 which was BDT 41,698.32 million in the previous year registering a growth of 16.10% (2008: 41.82% and 2005-09: 26.21%). The non-performing loan of DBBL declined to BDT 1,193.32 million in 2009 from BDT 1,363.17 million in 2008 by 12.46%. The net NPL ratio largely declined to 0.64% in 2009, lowest among the last five years. Both the fresh NPL and SMA as percentage of total loan improved in 2009. The recovery amount in 2009 (BDT 247.54 million, 20.74% of gross NPL) reveals the efficiency of the collection unit of the Bank.

Total operating income of the Bank stood at BDT 4,818.52 million in 2009 which was BDT 3,639.51 million registering a growth of 32.39%. The income mainly increased due to large increase in investment income to BDT 1,334.17 million in 2009 from BDT 621.73 million in 2008 dominated by interest on treasury bills (91% of investment income). Irrespective of increase in interest spread resulted from better fund management the net interest income had slow growth compared to its previous trend registering a decline in NIM to 3.92% in 2009 (industry median: 3.21%) due to low loan-deposit ratio. Although the cost to income ratio is still comparatively high it had a declining over the years and will continue to decline in the ongoing year. Therefore the improvement in profitability ratios in 2009 was slow compared to previous year's performance.

The rating also considered DBBL's leading position in Corporate Social Responsibilities (CSR) in the banking sector. DBBL strives to provide its customers the latest banking technology and delivery channels to provide seamless banking facilities to its valued customers. The Bank gives high emphasis for the safeguard against any disaster situation in order to continue the operation.