Rating Report
Islamic Finance & Investment Limited

Ratings

Long Term	: **BBB_2**
Short Term	: **ST-3**
Date of Ratings	: **15 April 2010**
Valid till	: **30 June 2011**

Analysts

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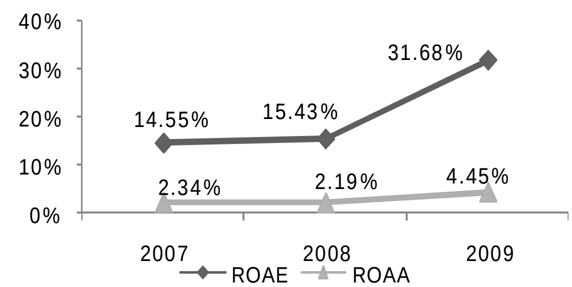
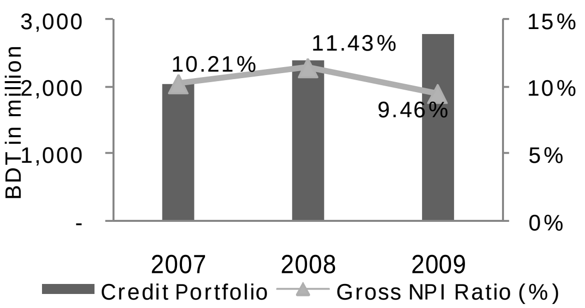
1.0 RATINGS RATIONALE

Financial Highlights

BDT in million

Particulars	2009	2008
General Investment	2,777.42	2,410.01
Non Performing Investments	262.85	275.56
Shareholders Equity	517.79	376.17
Total Assets	3,525.27	2,846.60
Deposits & Borrowings	2,729.87	2,219.69
Operating Income	197.50	133.04
Operating Expenditure	63.01	47.17
Net Parofit (after tax)	141.62	56.84





Credit Rating Agency of Bangladesh Limited (CRAB) has assigned BBB_2 (Triple B two) rating in the long term and ST-3 rating in the short term of Islamic Finance & Investment Limited (hereinafter referred to as 'IFIL' or 'the Company'). The rating analysis was based on the last audited financial statements for the year ended 2009 and other relevant information.

Financial Institutions rated 'BBB_2' have adequate capacity to meet their financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the Financial Institutions to meet their financial commitments. BBB_2 rated FIs are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. Financial Institutions rated ST-3 in the short term are considered to have average capacity for timely repayment of obligations, although such capacity may impair by adverse changes in business, economic, or financial conditions. Financial Institutions rated ST-3 are characterized with satisfactory level of liquidity, internal fund generation, and access to alternative sources of funds.

IFIL commenced its business in 2001 as a Non Banking Financial Institution based on Islamic Shariah. By 2009 they have expanded their business significantly and raise the capital to BDT 318.75 million. Total operating income of IFIL in 2009 was BDT 197.50 million registering a growth of 48.45%. The total operating income of the Company is mainly dominated by net investment income which was 59.22% of total revenue. During 2009, the profit (after tax) of IFIL also increased by 149.17% to BDT 141.62 million from BDT 56.84 million in 2008.

In 2009 IFIL's ROAA and ROAE increased to 4.45% from 2.19% and to 31.68% from 15.43% in 2008 respectively due to high growth in net profit. The net investment profit margin in 2009 also increased to 71.70% and net investment margin of the Company also increased to 4.33% in 2009 due to growth in net investment income as well as increased in average investment earning assets. The cost to income ratio of IFIL decreased to 31.91% from 35.46% due to higher growth in operating income than the operating expenses. On the other hand, staff cost to income ratio increased to 16.07% in 2009 from 15.65% in 2008 due to high growth in staff cost.

In 2009 IFIL's 78.79% asset was dominated by general investment which had a growth of 15.25% during the period under review. IFIL's non-performing investments (NPI) in 2009 reached to BDT 262.85 million which was 9.46% of total investment and 11.43% in 2008. Against this NPI, IFIL maintained adequate provision.

In 2009 the fresh NPI generation was BDT 61.86 million which was 23.53% of gross NPI whereas in 2008 this percentage was 42.98%. On the other hand, during this period IFIL's cash recovery was BDT 31.95 million (2009:12.16% & 2008:12.33% of gross NPI) and rescheduled amount was BDT 25.82 million (2009:9.82% & 2008:6.67% of gross NPI). In 2009 for the first time IFIL write off BDT 16.79 million of its NPI (6.39% of gross NPI). In 2009, an amount of BDT 19.67 million was marked in Special Mention Account (SMA) which was BDT 42.11 million in 2008, a better outlook in 2009. However, in 2009 NPI to shareholders equity was 50.76% which was 73.25% in 2008.

During 2009 investments allowed to each customer exceeding 10% of Company's total capital was BDT 880.15 million which was 31.69% of total investment (2008: 21.62%). All these investments were reported as unclassified at the end of the year.

According to the Financial Institutions Regulations 1994 and relevant Bangladesh Bank's circulars IFIL had adequate capital base. In 2009, shareholder's equity of IFIL increased to BDT 517.79 million from BDT 376.17 million registering growth of 23.84%. In 2009 the capital adequacy ratio was 17.22% whereas in 2009 the internal capital generation increased to 43.71% from 28.22% in 2008 due to high growth in net profit (after tax).

IFIL's sources of funds remained almost stable over the year and were largely dependent on customer's deposit which was 78.67% of total fund of the Company. In 2009 IFIL's total deposits increased by 27.17% and of the total deposits 73.20% was comprised of term deposit which is higher at cost.

The ratings also take into account the qualitative factors. The rating considers the credit policy and approval process practices are in place to protect the quality of the portfolio. The shareholding and organizational structure, composition of Board, efficient management team, the independence of the management from the Board of Directors, internal control & compliance system and moderate market share of the Company were also key factors in arriving ratings.