

## Rating Report

### Jamuna Bank Ltd.

**Ratings:**
**Long Term : A<sub>2</sub>**
**Short Term : ST-2**
**Rating Date: 29<sup>th</sup> April 2010**
**Rating Valid up to: 30<sup>th</sup> June 2011**
**Analyst:**
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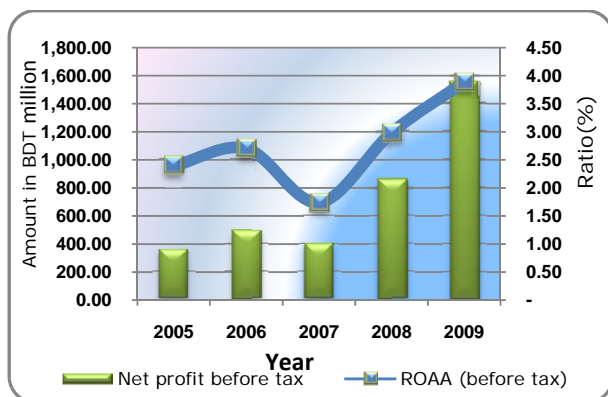
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**EXHIBIT 1: Financial Highlights**

Particulars	2009	2008
ROAA (After Tax)	2.30%	1.65%
Return on Average RWA (After Tax)	6.05%	4.86%
ROAE (After Tax)	30.06%	25.12%
Cost to Income Ratio	34.62%	40.64%
RWCAR	12.83%	11.91%
Gross NPL Ratio	2.20%	2.84%
Loans to Deposit Ratio	76.23%	77.04%


**1. RATIONALE**

Credit Rating Agency of Bangladesh (CRAB) Limited has affirmed **A<sub>2</sub>** (Single A two) rating in the long term and **ST-2** rating in the short term to Jamuna Bank Limited (hereinafter referred to as JBL), based on audited financials of 31 December 2009 and other relevant information.

Commercial Banks rated **A<sub>2</sub>** in the long term belong to “strong capacity” cohort. Banks rated **A<sub>2</sub>** have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than Commercial Banks in higher-rated categories. Banks rated in this category are judged to be of high quality and are subject to low credit risk.

Commercial Banks rated in the short term **ST-2** category are considered to have strong capacity for timely repayment of obligations. Commercial Banks rated in this category are characterised with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

Jamuna Bank Ltd. commenced its operation on 02<sup>nd</sup> April 2001 and the paid up capital reached BDT 1,621 million by 31 December 2009. JBL had 54 branches including 5 SME business centers and 2 Islami Shariah based branches to provide its services.



The Bank's revenue sources are modestly diversified having 104.38% growth in investment income, 58.26% growth from net interest income followed by commission and exchange income 23.92% in 2009 from 2008. The Bank's efficiency ratio in 2009 was 34.62% which reflects its better cost efficient operations.

Net interest margin of the Bank increased to 3.11% in 2009 from 2.75% in 2008 resulted from significant growth of net interest income (58% growth in 2009) as well as increased average interest earning asset (40% growth in 2009). The return on average asset before tax experienced positive trend and reached 3.89%. The return on average risk weighted asset (under BASEL I) also increased to 6.05% from 4.86%, as the growth of profit before tax (80.55% in 2009) was pretty much higher than the growth of average risk weighted asset (52% growth in 2009). The return on average equity before tax was 50.91% in 2009.

The Bank's deposit mobilization rate was 55.11% at its best ever in 2009. Total deposit was mainly dominated by fixed deposit (60% of total deposit), followed by low cost of deposit 24.48% (low cost deposit includes savings, STD and current deposit). In 2009, loans to deposit ratio was 76.23%. JBL experienced sound liquidity during 2009. Liquid asset to total deposit and borrowing ratio reached 33.81%. from the analysis of asset-liability management and maturity profile of deposit and call market operations it was found that the sound liquidity management system of JBL can survive immediate liquidity crisis.

The Bank's loan and advances portfolio increased significantly by 53.48% and reached BDT 32,287.66 million by the end of 2009. The Bank's top 50 funded loans and advances (unclassified) in 2009 hold 45% of total loan portfolio. Total non-performing loan of the Bank increased to BDT 710.86 million in 2009 which was 598.31 million in 2008. Gross NPL ratio stood 2.21%. It is observed that fresh NPL incurred -0.29% growth during 2009 which was very much lower than 83% growth in 2008. The proportion of fresh NPL in 2009 was 0.89% low compared to 1.94% in 2008. The Bank rescheduled loan amount was BDT 112.60 million, 0.35% of gross NPL in 2009. Out of total NPL, 96% belonged to bad and loss category, followed by doubtful category 2.05% and sub-standard category 1.54%.

The Bank's capital adequacy ratio under BASEL II was 9.38% in 2009 according the calculation format of Bangladesh Bank. However, risk weighted asset of the Bank was BDT 31,170 million by 2009 under Basel I whereas this figure shot up to BDT 43,212 million under Basel II framework of the country. JBL capital adequacy ratio under BASEL I is 12.83% in 2009 against regulatory requirement of 10%.

JBL has its strength in liquidity position and there is high growth in loans and advance. On the other hand, principal concern of the Bank is growth in non performing loans. In this context the Bank took legal actions to recover outstanding amount or classified loans keeping required provision during March 2010.