

RATING REPORT

ONE Bank Limited

Ratings

Long Term : **A₁**
 Short Term : **ST-2**
 Date of Rating : **07 June 2010**
 Valid Till : **30 June 2011**

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01. RATIONALE

Credit Rating Agency of Bangladesh Limited (hereinafter referred to as CRAB) has awarded “**A₁**” (pronounced **Single A One**) rating in the long-term rating and “**ST-2**” rating in the short term rating to ONE Bank Limited (hereinafter referred to as OBL or the Bank). CRAB performed the present rating based on audited financial statements of 31 December 2009 and other relevant information.

Commercial Banks rated **A₁** in the long term belong to ‘strong capacity’ cohort. Banks rated **A₁** have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. **A₁** rated banks are judged to be of high quality and are subject to low credit risk.

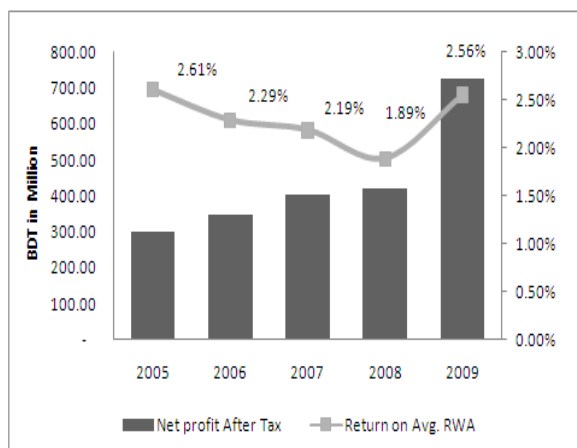
Commercial Banks rated in the short term **ST-2** category are considered to have strong capacity for timely repayment of obligations. Commercial Banks rated in this category are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources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

ONE Bank Limited is a third generation private commercial bank incorporated on 12 May 1999 as a public limited company, and licensed by Bangladesh Bank. The Bank went for public issue of its shares on 29 June 2003 and raised its share capital to BDT 600.00 million in FY03. The Bank’s paid up capital as of 31 December 2009 stood at BDT 1,558.49 million. OBL offers both corporate and retail banking services with strong trade finance focus in recent period. OBL had run with a network of 39 branches including 11 in rural areas and 7 booths in FY09.

Exhibit: Financial Highlights

Particulars	2009	2008
ROAA (After Tax)	1.89%	1.43%
Return on Avg. RWA*	2.56%	1.89%
RWCAR (Basel I)	10.90%	11.02%
Cost to Income Ratio	36.14%	38.98%
Gross NPL Ratio	5.40%	4.23%
SMA to Total Loans	0.74%	0.35%
Loans to Deposit Ratio	82.64%	83.58%

*after tax





CRAB Ratings

Banks

OBL's major income was generated from net interest income (average 38.42% period: FY06-09) followed by non-funded incomes (average 29.37% period: FY06-09) like fees, commission etc. However, in recent time (FY09), investment income takes the second position of OBL's income mix. The Bank's efficiency ratio in FY09 was 36.14%, which reflects its better cost efficient operations.

Both after tax Return on Average Asset (ROAA) and Return on Average Equity (ROAE) experienced positive trend in 2009. ROAA increased by 0.46% whereas ROAE increased by 6.65%. NIM of the Bank increased by 0.42% in FY09 due to increase in interest spread. OBL's after tax return on average risk weighted assets also witnessed an upsurge in FY09.

OBL is mainly funded through customer deposits and internal capital generation. OBL achieved average growth of deposits by 30.83% from last five years of operation. In FY09, such growth was 49.21%. The Bank's major portion of deposits was fixed in nature, which is of high cost. However, Bank's cost of fund during FY09 reduced to 7.99% due to planned reduction of dependence on term deposits by the Bank to 79.34% from 82.82% during that period. Advances to Deposits ratio of the Bank was 82.64% in FY09. OBL has historically low dependence on borrowed funds. Although, in FY09 inter bank borrowing of the Bank increased to BDT 633.14 million from BDT 190.16 million in FY08.

The Bank's loans and advances portfolio increased significantly by 39.70% and reached BDT 32,532.70 million by the end of FY09. Credit portfolio was reasonably diversified in terms of intrinsic and concentration risk.

Credit quality of OBL had a downward trend in last couple of years. Bank's total gross non-performing loan (NPL) increased from BDT 213.61 million in FY05 to BDT 1,755.72 million in FY09. Fresh NPL generation soared by 76.45% in FY09, which was 12.36% in FY08. Furthermore, the Bank did not reschedule any account in FY09. As a result, OBL's gross NPL ratio increased to 5.40% in FY09 from 4.23% in FY08. SMA to total loans & advances of the Bank also increased to 0.74%. (FY08: 0.35%). OBL maintains equal amount of required provision for loans and advances as per requirement by Central Bank in the same period.

OBL consistently focused on investments. In FY09, investment was 15.03% of the Bank's total assets, which was 11.70% in FY08. Bank's proportion of risk free investment, which is investment in govt. securities decreased. In FY09, OBL's proportion of investment in govt. securities was 72.36% of its total investment, which was 89.63% in FY05. Major part of such investment was on Treasury bill. At present, significant portion of Investment is made through other securities by the Bank. In FY09, 27.64% of its total investment or BDT 1,876.21 million fell in this portion, which is continuing with positive growth for last few years.

The Bank was reasonably capitalized with risk weighted capital adequacy ratio of 10.90% by the end of FY09 (FY08: 11.02%) against regulatory requirement 10%. Capital Adequacy ratio under Basel II was also above 8% by the end of FY09.

The rating reflects the Bank's strength in earning capability, consistently moderate lending and deposit growth, satisfactory liquidity as well as capital adequacy. The rating however, is constrained by declining asset quality with higher rate of fresh NPL generation, relatively small business operation and lack of earning diversification.