

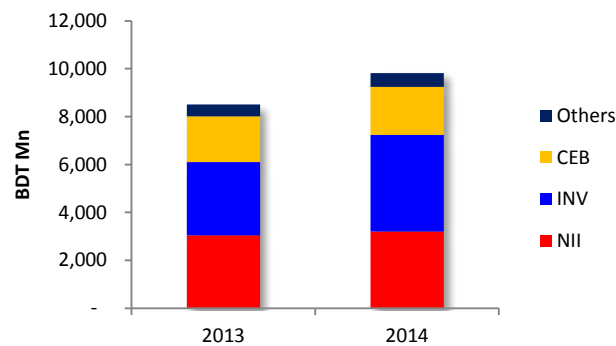
## Flash Note: Bank Asia Limited - 2014 Performance

### Summary

Bank Asia Limited (DSE: BANKASIA) declared consolidated NPAT of BDT 2,012.6 Mn with EPS of BDT 2.64 for the year ended 2014, compared to BDT 1,330.5 Mn and BDT 1.74, respectively in 2013.

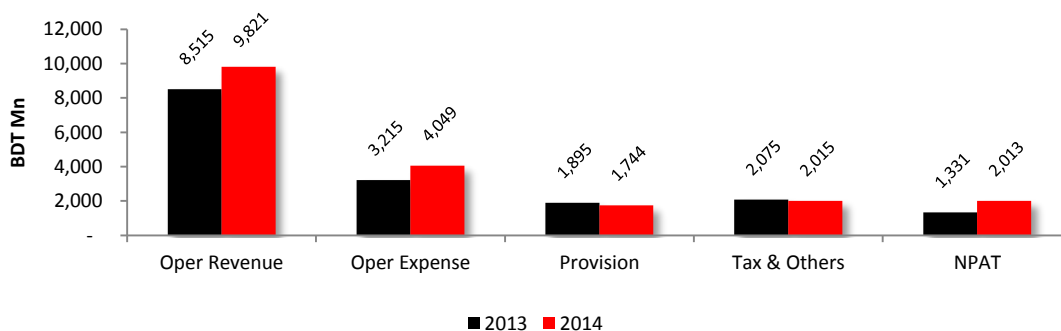
### Performance Analysis:

Operating income amplified by 15.3%, which was basically driven by a boost in investment income (INV). Core banking performed in line with industry-wide declining lending and deposits rate. A more downward adjustment in lending rate than deposit rate hurt BANKASIA's NIM, streamlining at 2.8% which was 3.0%, a year earlier. In the meantime, investment income (INV) stayed upbeat coupled with better investment yield (11.1% in 2014 which was 10.3% in 2013) with increased portfolio size. However, off-balance sheet exposure remained flat, increased slightly by 6.5% during 2014, supporting the bank to maintain a 5.1% YoY growth in commission, exchange and brokerage (CEB) income. Overall, 2014 operating revenue growth originated from a strong performance in INV while maintaining an average growth in core banking business through spread management and other commission based income.



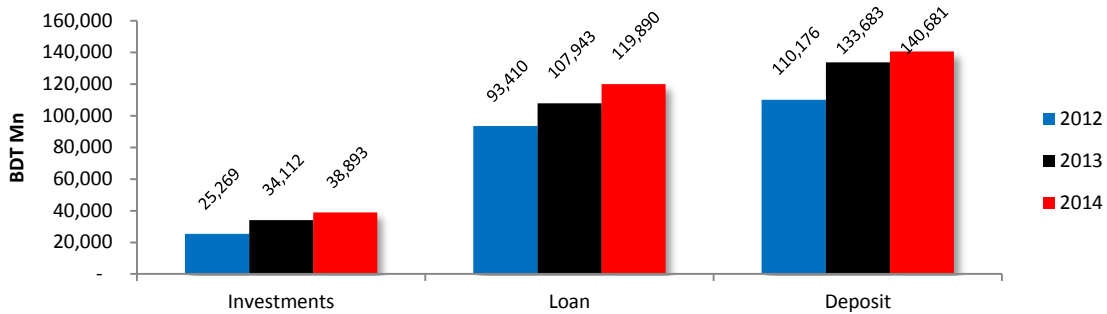
Source: BANKASIA Financial Statements 2014 and Research, IDLC Investments Limited

Net profit of the company maintained a robust YoY growth of 51.3% during 2014 which was 56.3% in 2013. However, increased operating expenses put some pressure on company's bottom line as efficiency ratio shrank to 58.8% which was 62.2%, a year back. Meanwhile, a somewhat decline in total provisions by 8.0% YoY to BDT 1,744.2 Mn brought some relief on bottom line.



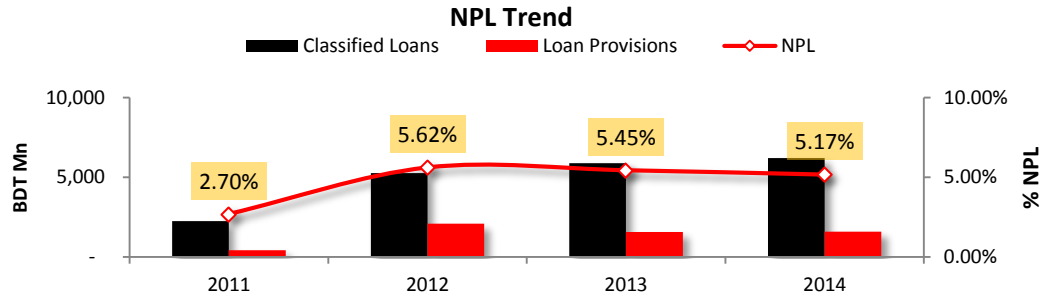
Source: BANKASIA Financial Statements 2014 and Research, IDLC Investments Limited

During 2014, the bank focused primarily on re-balancing its business. Amid declined interest rate scenario, the bank shuffled its portfolio basket, investing more in fixed income govt. securities with competitive investment yield. Hence, investment portfolio amplified by 14.0% YoY, while loan asset portfolio increased by 11.1% YoY and deposit basket added more by 5.2% YoY. Besides, AD ratio stood at 85.2% which was 80.7% in 2013.



Source: BANKASIA Financial Statements 2014 and Research, IDLC Investments Limited

Since more funds flowed to investment portfolio rather than loan portfolio, non performing loan (NPL) declined slightly to 5.2% in 2014 which was 5.5% in 2013. During the year, classified loan increased at a slower pace than loan disbursement, assuring lower contaminated loan asset portfolio than earlier. Like peers, it appears sub-standard & doubtful loans declined while bad loans increased significantly by BDT 806.2 Mn. Interestingly, special mention account (SMA) increased by 29.7% to BDT 4,605.9 Mn, indicating the bank's consistent effort of re-scheduling/re-classification.



Source: BANKASIA Financial Statements 2014 and Research, IDLC Investments Limited

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