

Flash Note on Listed Banks – HY 2015 Performance

Lately, almost all the listed banks published their HY performance. Despite the declining lending and deposit rates, most of the banks demonstrated better operating performance than that of the HY 2014.

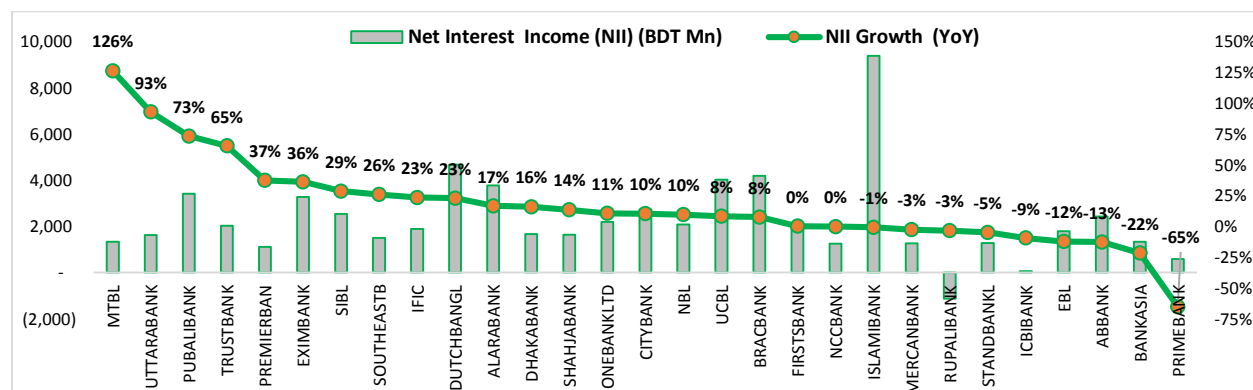
Key Highlights of HY 2015 Performance:

- 19 out of 29 listed banks (1 is yet to publish) demonstrated positive growth in Net Interest Income (NII).
- MTBL posted significant growth in NII, 126.4% YoY which was followed by UTTARABANK, PUBALIBANK and TRUSTBANK having 93.0%, 73.4% and 65.4%, respectively.
- Net Interest Margin (NIM) improved for 14 banks, while remaining faced a contraction.
- 23 banks posted step up in Operating Revenue.
- TRUSTBANK, SIBL, UTTARABANK and EXIMBANK faced better than average YoY growth of 35.4%, 21.3%, 18.0% and 17.5%, respectively in Operating Revenue.
- 17 banks observed positive bottom line growth, averaging at 53.9% YoY.
- ISLAMIBANK posted significant growth of 248.6% YoY, followed by TRUSTBANK and PRIMEBANK of 158.0% and 114.4%, respectively.

The following charts indicate some better performing banks during HY 2015:

Banks in terms of NII Growth [The Higher, The Better]

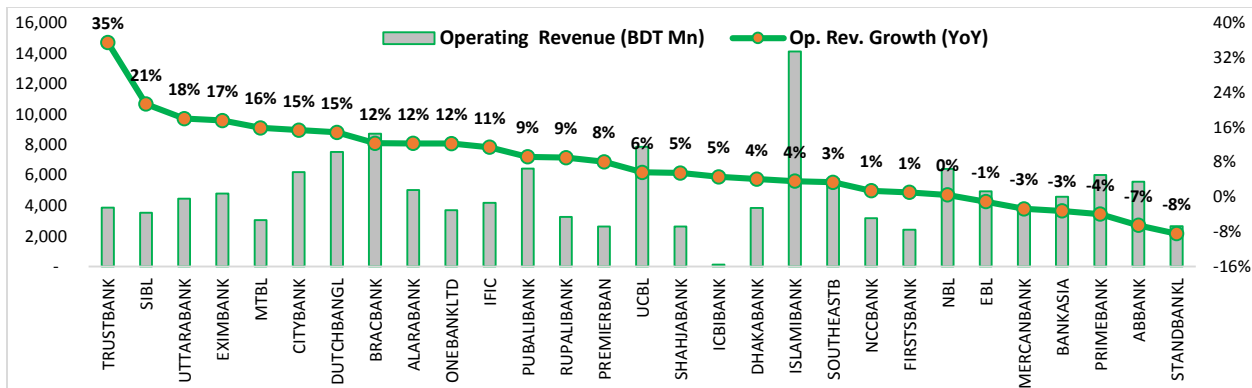
MTBL observed significant YoY growth in NII, followed by UTTARABANK and PUBAIBANK, primarily due to better spreads management resulted from earlier deposit rates adjustment. Conversely, PRIMEBANK, BANKASIA and ABBANK faces worst YoY de-growth in NII as those banks adjusted lending rate faster than industry peers, putting a challenge in spread management.



Banks in terms of Operating Revenue Growth [The Higher, The Better]

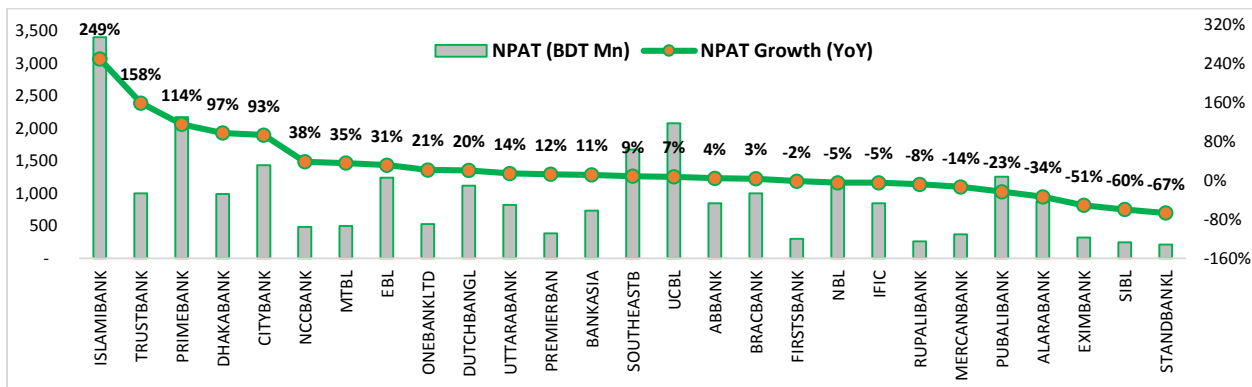
In terms of Operating Revenue, BRACBANK possesses strongest top line than other banks after ISLAMIBANK. However, in terms of growth, TRUSTBANK, SIBL and UTTARABANK came in frontline, particularly due to strong funded income. In the meantime, MTBL which topped in terms of NII growth faced YoY de-growth in Investment Income (INV) and Non-Funded Income, streamlining a 16% overall growth in Operating Revenue.

On the opposite site, STANDBANKL, ABBANK and PRIMEBANK faced worst YoY de-growth in top line, reasoning to decline in both funded and non-funded income.



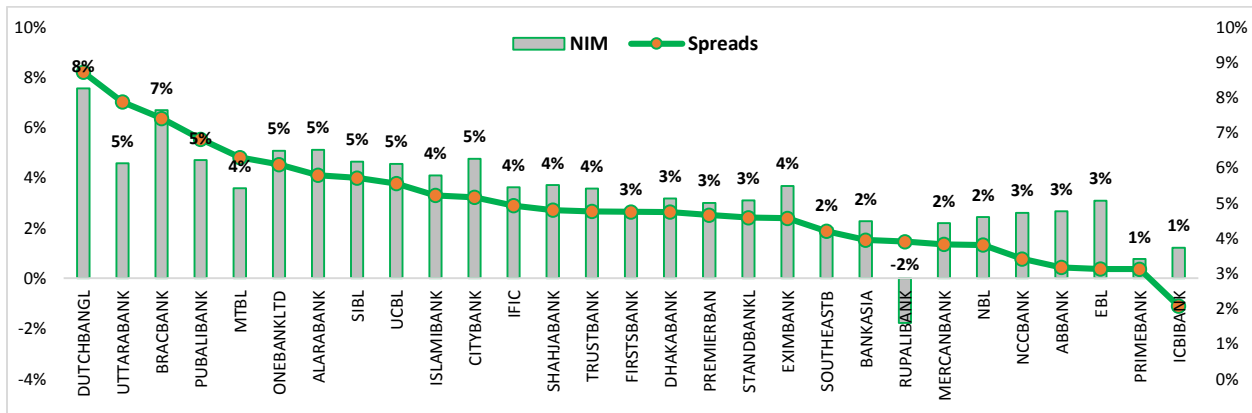
Banks in terms of NPAT Growth [The Higher, The Better]

The largest bank, ISLAMIBANK led the chart in terms of bottom line growth, growing 249% YoY which was followed by PRIMEBANK due to same reason of lower amount of provisions booking. However, TRUSTBANK, DHAKABANK and CITYBANK's NPAT growth was particularly driven by operating performance. Conversely, STANDBANKL and SIBL faced worst YOY de-growth in bottom line.



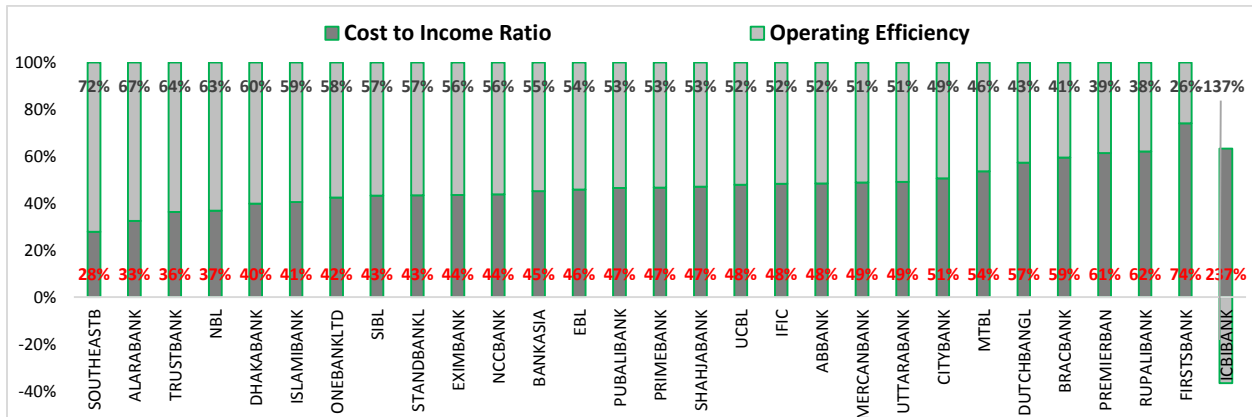
Net Interest Margin (NIM) [The Higher, The Better]

During HY 2015, DUTCHBANGL and BRACBANK had the higher NIM and Spreads than other banks while NIM turned negative for RUPALIBANK. Meanwhile, ICBIBANK and PRIMEBANK had to capture lower Spreads than other peers. Notable to mention, during 2014, Banking Sector's NIM was 1.8% which was 2.1% in 2013 (source: Financial Stability Report – 2014)



Cost to Income [The Lower, The Better]

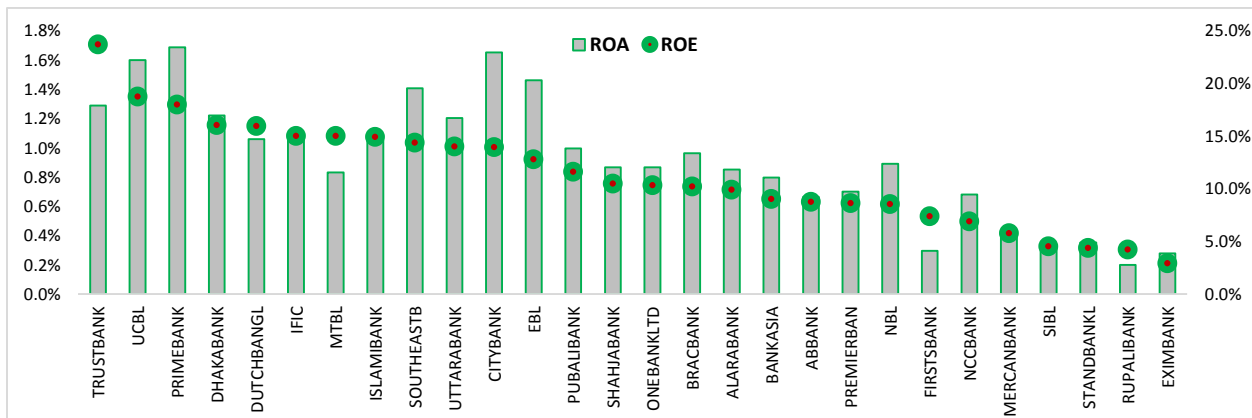
Amid listed banks, SOUTHEASTB has been consistently maintaining lower cost as a % of Operating Revenue at 28%, which is helping the bank to maintain a strong bottom line, overall. Besides, ALARABANK, TRUSTBANK and NBL also in line with SOUTHEASTB, having lower than industry average Cost to Income Ratio at around 33%, 36% and 37%, respectively, which happened particularly due to strong operating revenue with consistent operating expenses.



Return on Asset and Return on Equity [The Higher, The Better]

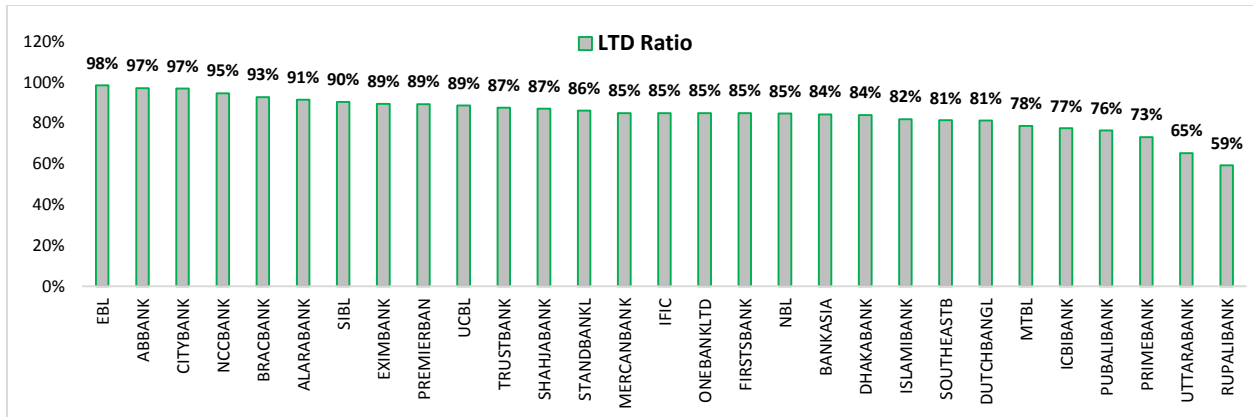
Return on Assets (ROA) expresses how well management is employing the company's total assets to make a profit. During 2014, ROA of Banking Sector was 0.7% which was 0.9% a year before (source: Financial Stability Report – 2014).

Return on equity measures a bank's profitability by revealing how much profit a company generates with the money shareholders have invested. During 2014, ROE of Banking Sector was 8.1% which was 10.7% a year before (source: Financial Stability Report – 2014).



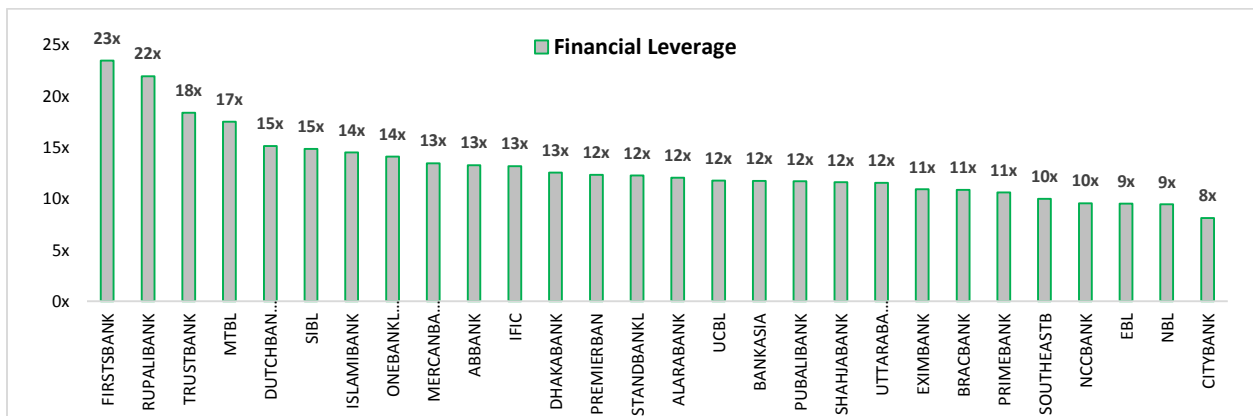
Loan to Deposit (LTD) Ratio [Mixed Explanation]

How much peoples' money being deposited are used for lending purposes is measured by LTD ratio. Higher AD ratio is good for lending business while at the same time increases the risk of liquidity crunch and potential classified loan. Amid the listed banks, EBL, ABBANK, CITYBANK, NCCBANK and BRACBANK posted significantly higher LTD ratio than industry average at around 98%, 97%, 97% and 95%, respectively while RUPALIBANK and UTTARABANK demonstrated lower than average LTD ratio of 59% and 65%, respectively.



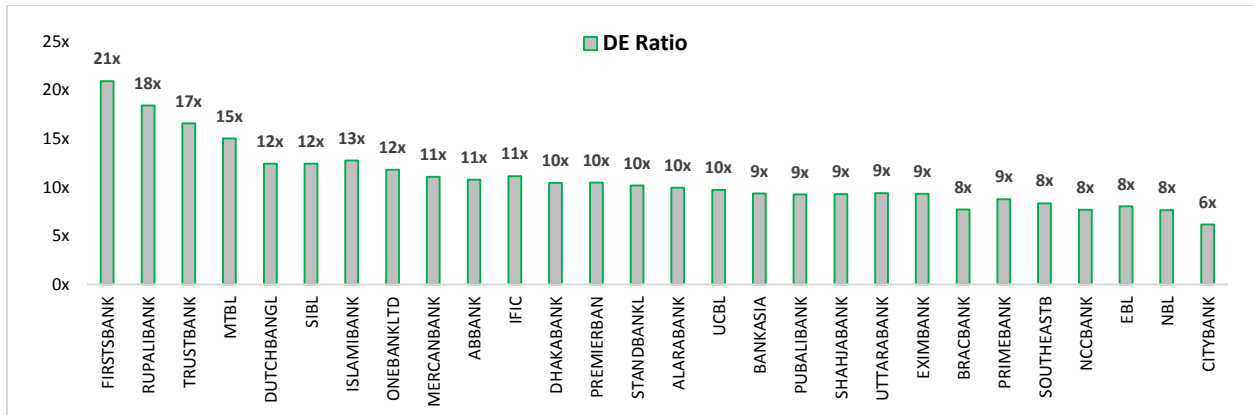
Financial Leverage or Equity Multiplier [Mixed Explanation]

Financial Leverage or Equity Multiplier is calculated as Total Assets to Total Shareholder's Equity, indicates the level of debt financing is used for loan distribution and maintain core operations. From the below chart, it is clear that FIRSTSBANK, PUBALIBANK, TRUSTBANK and MTBL are at higher financially leveraged area of 23x, 22x, 18x and 17x, meaning these banks rely much on deposit than internal funds. While CITYBANK, NBL and EBL are totally opposite of these banks, hovering at 8x, 9x and 9x respectively.



Debt to Equity (DE) Ratio [Mixed Explanation]

DE Ratio, calculated as Total Deposits and Borrowings from other financial institutions as a % of Total Equity, indicates the financial burden of a bank to outside parties. The financial industry typically has a higher debt-to-equity ratio. This is due to the fact that banks and other financial institutions borrow money to lend, which results in a higher debt-to-equity ratio. But, excessive dependence on debt pose a threat to sustainable business at longer horizon like FIRSTSBANK and RUPALIBANK's of 21x and 18x. However, CITYBANK, NBL and EBL are in good position in terms of DE ratio of 6x, 8x and 8x, respectively.



Research Findings/Observations:

- Most of the banks are in consolidation phase, focusing more on strengthening core operation and Balance Sheet.
- Spreads management or funded income growth came upon to support sustainable growth.
- Due to excess liquidity, deposit growth became slower while lending remain coped with industry average.
- Despite loan assets growth, quality of loan basket remains in question.
- Loan re-scheduling may pose a threat to quality asset growth throughout the banking sector.

Appendix:

Listed Banks	Income Statement Line Item (BDT Mn)						Balance Sheet Line Item (BDT Mn)				Financial Ratios (%)									
	NII	Op. Rev.	Opex	PBP	Total Provisions	NPAT	Total Loans	Total Deposits	Total Assets	Total Equity	NII Growth (YoY)	Op. Rev. Growth (YoY)	NPAT Growth (YoY)	NIM	Spreads	Cost to Income	Op. Efficiency	ROA	ROE	AD Ratio
ABBANK	2,426	5,547	2,683	2,863	771	846	197,439	203,595	274,344	20,695	-12.7%	-6.6%	4.1%	2.7%	3.2%	48.4%	51.6%	0.7%	8.7%	97.0%
ALARABANK	3,780	5,005	1,629	3,376	1,262	872	153,752	168,385	214,820	17,850	16.7%	12.2%	-33.9%	5.1%	5.8%	32.5%	67.5%	0.9%	9.9%	91.3%
BANKASIA	1,333	4,564	2,061	2,504	852	733	129,709	154,000	199,749	17,033	-21.5%	-3.3%	11.1%	2.3%	3.9%	45.1%	54.9%	0.8%	9.0%	84.2%
BRACBANK	4,190	8,699	5,169	3,531	1,416	1,000	131,097	141,590	217,735	20,077	7.7%	12.3%	3.1%	6.7%	7.4%	59.4%	40.6%	1.0%	10.2%	92.6%
CITYBANK	2,736	6,192	3,133	3,060	779	1,429	122,530	126,454	182,975	22,619	10.4%	15.3%	92.6%	4.8%	5.2%	50.6%	49.4%	1.7%	13.9%	96.9%
DHAKABANK	1,671	3,833	1,525	2,308	496	987	108,678	129,605	164,887	13,154	16.0%	4.1%	96.9%	3.2%	4.7%	39.8%	60.2%	1.2%	16.0%	83.9%
DUTCHBANGL	4,671	7,511	4,305	3,206	814	1,116	138,479	170,642	223,780	14,812	23.0%	14.8%	20.1%	7.6%	8.7%	57.3%	42.7%	1.1%	15.9%	81.2%
EBL	1,800	4,936	2,263	2,673	684	1,242	129,264	131,380	190,805	20,095	-12.3%	-1.1%	31.1%	3.1%	3.1%	45.8%	54.2%	1.5%	12.8%	98.4%
EXIMBANK	3,279	4,787	2,084	2,703	2,221	322	193,856	216,934	254,203	23,299	36.2%	17.5%	-51.1%	3.7%	4.6%	43.5%	56.5%	0.3%	2.9%	89.4%
FIRSTSBANK	1,960	2,415	1,789	626	113	299	166,272	196,276	221,226	9,438	0.2%	1.0%	-1.6%	2.6%	4.7%	74.1%	25.9%	0.3%	7.4%	84.7%
ICBIBANK	56	117	277	(160)	(70)	90	8,780	11,350	13,117	(9,720)	-9.3%	4.6%	N/A	1.2%	2.1%	237.1%	-137.1%	1.3%	N/A	77.4%
IFIC	1,888	4,177	2,019	2,341	798	846	113,393	133,748	166,891	12,674	23.5%	11.4%	-5.2%	3.6%	4.9%	48.3%	51.7%	1.1%	15.0%	84.8%
ISLAMIBANK	9,387	14,106	5,714	8,392	1,670	3,395	487,327	595,696	688,820	47,536	-0.6%	3.6%	248.6%	4.1%	5.2%	40.5%	59.5%	1.1%	14.9%	81.8%
MERCANBANK	1,261	3,926	1,920	2,006	1,184	372	123,485	145,525	178,077	13,238	-2.6%	-2.8%	-13.6%	2.2%	3.8%	48.9%	51.1%	0.4%	5.8%	84.9%
MTBL	1,342	3,033	1,626	1,406	350	499	83,828	106,824	127,989	7,322	126.4%	15.8%	35.2%	3.6%	6.3%	53.6%	46.4%	0.8%	15.0%	78.5%
NBL	2,088	6,395	2,355	4,040	1,532	1,133	177,172	209,447	264,374	27,984	9.5%	0.4%	-5.1%	2.4%	3.8%	36.8%	63.2%	0.9%	8.5%	84.6%
NCCBANK	1,257	3,154	1,380	1,774	663	482	100,944	106,745	141,862	14,851	-0.2%	1.4%	37.8%	2.6%	3.4%	43.8%	56.2%	0.7%	6.9%	94.6%
ONEBANKLTD	2,203	3,695	1,566	2,129	899	525	94,145	111,071	133,034	9,438	10.7%	12.2%	21.3%	5.1%	6.1%	42.4%	57.6%	0.9%	10.3%	84.8%
PREMIERBAN	1,110	2,614	1,606	1,008	358	382	81,931	91,849	115,523	9,383	37.3%	8.0%	12.2%	3.0%	4.7%	61.5%	38.5%	0.7%	8.6%	89.2%
PRIMEBANK	591	5,989	2,796	3,193	461	2,170	152,116	208,181	265,342	25,030	-65.2%	-4.0%	114.4%	0.8%	3.1%	46.7%	53.3%	1.7%	18.0%	73.1%
PUBALIBANK	3,416	6,408	2,981	3,427	744	1,253	158,331	207,476	263,067	22,507	73.4%	9.2%	-23.4%	4.7%	6.8%	46.5%	53.5%	1.0%	11.6%	76.3%
RUPALIBANK	(1,125)	3,237	2,009	1,229	709	263	135,821	229,360	274,822	12,533	-3.5%	9.0%	-8.4%	-1.8%	3.9%	62.0%	38.0%	0.2%	4.2%	59.2%
SHAHJABANK	1,648	2,617	1,232	1,385	692	575	89,787	103,250	133,999	11,553	13.5%	5.5%	N/A	3.7%	4.8%	47.1%	52.9%	0.9%	10.5%	87.0%
SIBL	2,537	3,528	1,525	2,003	1,000	248	121,518	134,534	165,593	11,155	28.8%	21.3%	-59.8%	4.6%	5.7%	43.2%	56.8%	0.3%	4.5%	90.3%
SOUTHEASTB	1,509	5,717	1,592	4,125	953	1,672	160,177	197,059	245,430	24,572	25.9%	3.3%	8.5%	2.0%	4.2%	27.8%	72.2%	1.4%	14.4%	81.3%
STANDBANKL	1,286	2,639	1,144	1,495	839	212	87,183	101,280	124,099	10,128	-4.8%	-8.5%	-67.1%	3.1%	4.6%	43.4%	56.6%	0.4%	4.4%	86.1%
TRUSTBANK	2,029	3,847	1,396	2,452	486	997	125,792	143,929	170,164	9,274	65.4%	35.4%	158.0%	3.6%	4.8%	36.3%	63.7%	1.3%	23.7%	87.4%
UCBL	4,026	7,836	3,750	4,087	405	2,077	189,985	214,443	279,594	23,759	8.3%	5.6%	7.1%	4.6%	5.6%	47.8%	52.2%	1.6%	18.7%	88.6%
UTTARABANK	1,623	4,436	2,177	2,259	650	821	74,269	113,985	140,007	12,147	93.0%	18.0%	14.0%	4.6%	7.9%	49.1%	50.9%	1.2%	14.0%	65.2%

Source: Financial Statement of Respective Bank

Note: JAMUNABANK did not disclose HY 2015 Earnings. Highlighted portion are better than average performance indicators.

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