

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

BDT 300 million Bangladesh Telecommunication Regulatory Commission (BTRC) fine on GP legal: High Court

- The High Court on Sunday declared legal the imposition of a BDT 300 million fine on mobile operator Grameenphone by the Bangladesh Telecommunication Regulatory Commission for providing broadband internet services in violation of rules. The BTRC however, requires issuing a fresh notice to GP asking it to pay the amount. The HC in its verdict observed that GP committed a criminal offence by running broadband services in violation of the telecom law. The court directed the Comptroller and Auditor General to assess within four months the actual benefit GP got in giving the broadband services.

In slapping the fine, the BTRC earlier said GP violated its licensing condition by providing internet connectivity under its 'Go Broadband' brand to 551 branches of state-run Sonali Bank through its own fiber transmission. GP signed an agreement with Sonali Bank in December 2014 to establish last-mile connectivity for the bank through fiber optic. According to the BTRC rules, only the Nationwide Telecommunication Transmission Network operators are allowed to provide internet services through their own fiber transmission. In April 2014, GP launched the GO Broadband service in partnership with ISP operator ADN Telecom Ltd and AGNI Systems Ltd. The telecom regulator's move against GO Broadband came following a complaint filed with the BTRC by the Internet Service Providers Association of Bangladesh in February, 2016.

<http://today.thefinancialexpress.com.bd/last-page/hc-asks-btrc-to-issue-new-letter-to-gp-1566755914>
<http://www.newagebd.net/article/82529/BDT-30cr-btrc-fine-on-gp-legal-hc>

Default loans hit the brakes

- Default loans soared just BDT 15.51 billion in the second quarter of the year -- in contrast to a record BDT 166.92 billion in the previous quarter -- in the most heartening development for the banking sector battling a runaway trend in bad loans. At the end of June, the banking sector's total default loans stood at BDT 1124.25 billion, up 1.40% from the preceding three months, according to data from the Bangladesh Bank.

- When the new minister took charge of the finance ministry in January, he had announced that default loans would not increase by a single taka. In the first six months of his tenure as the finance minister, default loans increased BDT 185.13 billion. The reason for the increase, the minister says, was many borrowers stopped paying their instalments on time in the hope of availing the relaxed rescheduling facilities he had announced earlier with a view to showing a lower default loan figure.

- Earlier on May 16, the Bangladesh Bank unveiled a special rescheduling policy, under which defaulters will be allowed to reschedule their classified loans by providing only 2% down payment instead of existing 10-50% . A maximum of 9% interest rate will be charged on the rescheduled loans, which is much lower than the existing interest rate of 12-16% . The tenure for repayment is 10 years with a grace period of one year, which is much longer than the existing duration for any loan at present. Based on banks' relationship with clients, the accrued interest on the default loan can be waived, leaving the defaulters to only pay the principle amount and the new 9% interest rate.

<https://www.thedailystar.net/business/news/default-loans-hit-the-brakes-1790632>
<http://www.newagebd.net/article/82566/defaulted-loans-go-up>

Banking sector face BST 128.97 billion provision shortfall as of June

- The banking sector faced a combined provisioning shortfall of BDT 128.97 billion at the end of June this year, exposing their faltering financial health. Thirteen public and private sector banks are on the list, according to the Bangladesh Bank latest data. Of the 13 banks, four are state-owned, while the remaining nine are private commercial banks. Some of the banks faced provisioning shortfall because they lent a large amount of funds in violation of banking regulations, it was alleged. According to experts, the rising trend of defaulted loans in the banking sector is largely responsible for the huge provisioning shortfall.

- The provision shortfall of AB Bank stood at BDT 35.93 billion, Bangladesh Commerce Bank's at BDT 5.11 billion, Mutual Trust Bank's at BDT 1.26 billion, Dhaka Bank's at BDT 3.29 billion, National Bank's at BDT 7.27 billion, Shahjalal Islami Bank's at BDT 1.00 billion, Social Islami Bank's at BDT 3.70 billion, Standard Bank's at BDT 1.03 billion and Trust Bank's provisioning deficit stood at BDT 1083 billion.

- As per bank regulations, banks have to keep 0.50% to 5% provision with Bangladesh Bank against defaulted loans for general category, 20% against classified loans of sub-standard category, 50% against classified loans of doubtful

category, and 100% against classified loans of bad or loss category. The capital base of the 13 banks will erode significantly as they have to keep provisioning as per the central bank rules, says a Bangladesh Bank official. Non-performing loans (NPLs) of banks rose by a staggering BDT 15.51 billion in three months till June this year, taking the amount of stress loan in the banking sector to BDT 1.12 trillion.

<https://www.dhakatribune.com/business/banks/2019/08/25/banking-sector-face-BDT12-897cr-provision-shortfall-as-of-june>

No more feather-bedding

- Finance Minister on Sunday made it abundantly clear that state-owned banks would no longer get recapitalization facility. The minister said he has asked the bank high-ups to prepare a work plan within a week, which will be reviewed later. The minister said though the banks would not be given money, they will be given necessary policy support. No allocation was set aside for recapitalization of state lenders in the current fiscal's budget, he said, adding this will be followed going forward. Data available with the ministry of finance shows that between 2012 and 2018, the government paid some BDT 125 billion to state-run banks in recapitalization.

<http://today.thefinancialexpress.com.bd/first-page/no-more-feather-bedding-1566755152>
<https://www.thedailystar.net/business/news/no-more-handouts-state-banks-1790641>
<http://www.newagebd.net/article/82534/no-more-recapitalisation-fund-for-sobs-mustafa>

FDI in apparel, textile industries

- Bangladesh textile and apparel industries received USD 408 million in foreign direct investment (FDI) in 2018, down by USD 13 million from the previous year. While total FDI in the country saw a 68% rise to USD 3.61 billion in the same year. As per Bangladesh Bank (BB) data, last year the FDI in the sector declined by 3.24% to USD 408 million, from USD 421.68 million in 2017. Hong Kong was the largest investor with an investment of USD 83 million in the country's textile and garment industry, followed by United Kingdom's USD 43 million, China with USD 40 million, South Korea USD 35 million, British Virginia Islands USD 33 million and Bermuda with USD 31 million, according to FDI data.

- Business people blame the rise in the production cost and cumbersome process of getting factory permission along with scarcity of land. However, the business leader hopes the FDI in the sector will rise as the government is providing investment facility in Special Economic Zones. Economists believe that ongoing US-China trade war has opened up new opportunity for Bangladesh as investors are relocating their ventures from China to elsewhere. In the face of intensifying trade friction between the US and China, investors are fleeing China. They are investing in many Asian countries, Policy Research Institute (PRI) executive director said. He strongly believes Bangladesh has enough opportunity to grab work orders and investment from foreign nations. Bangladesh has to liberalize its trade and investment policy to incentivize FDI which would ultimately give a boost in investment as well as capacity, he adds.

<https://www.dhakatribune.com/business/2019/08/25/fdi-in-apparel-textile-industries>

World Stock and Commodities*

| Index Name | Close Value | Value Change | % Change |
|------------------------------|-------------|--------------|----------|
| Crude Oil (WTI)* | \$53.57 | -0.60 | -1.11% |
| Crude Oil (Brent)* | \$58.79 | -0.55 | -0.93% |
| Gold Spot* | \$1,539.57 | +12.61 | +0.83% |
| DSEX | 5223.73 | -13.12 | -0.25% |
| Dow Jones Industrial Average | 25,628.90 | -623.34 | -2.37% |
| FTSE 100 | 7,094.98 | -33.20 | -0.47% |
| Nikkei 225 | 20,258.92 | -451.99 | -2.18% |

Exchange Rates

USD 1 = BDT 83.98*
 GBP 1 = BDT 103.09*
 EUR 1 = BDT 93.57*
 INR 1 = BDT 1.17*

*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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BRAC EPL Stock Brokerage Limited

Research

| | | | |
|---------------------|-------------------------|--|---------------|
| Ayaz Mahmud, CFA | Deputy Head of Research | ayaz.mahmud@bracepl.com | 01708 805 221 |
| Md. Sakib Chowdhury | Research Analyst | sakib.chowdhury@bracepl.com | 01709 641 247 |
| Sadman Sakib | Research Associate | sadman.sakib@bracepl.com | 01730 727 939 |
| Ahmed Zaki Khan | Research Associate | zaki.khan@bracepl.com | 01708 805 211 |
| Md. Rafiqul Islam | Research Associate | mrafiquislam@bracepl.com | 01708 805 229 |
| Md. Mahirul Quddus | Research Associate | mmahirul.quddus@bracepl.com | 01709 636 546 |

International Trade and Sales

| | | | |
|----------------------|-------------------------------------|--|---------------|
| Ahsanur Rahman Bappi | Head of International Trade & Sales | bappi@bracepl.com | 01730 357 991 |
|----------------------|-------------------------------------|--|---------------|

BRAC EPL Research www.bracepl.com

121/B Gulshan Avenue
Gulshan-2, Dhaka
Phone: +880 2 881 9421-5
Fax: +880 2 881 9426
E-Mail: research@bracepl.com