

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.

Interest rate spread rises in August

- The interest rate spread in the country's banking system increased slightly in August 2020 as banks further slashed rates on deposits but charged a little bit higher on lending. The weighted average spread between lending and deposit rates offered by commercial banks rose to 2.87 in August from 2.77% in July. It was 4.07% in March. The weighted average rate on deposits fell to 4.95% in August from 5.02% in July while such rate on lending rose to 7.82% from 7.79%, revealed the Bangladesh Bank statistics.
- Senior bankers, however, predicted that the spread may improve further in the near future if the falling trend in interest rates on deposits continues. Most of the banks have already slashed their interest rates on all types of deposits because of a higher inflow of liquidity in the market, they explained. Pubali Bank managing director and CEO said that the spread might increase further in September following maturity of FDRs (fixed deposit receipts) that were collected earlier with higher rates. He also expected that loans and advances would increase in September as businessmen are showing interest to expand their businesses. But some 'good borrowers' have already urged to sanction their loans at below 9.0% interest rates, he added.
- Yield on advances has increased slightly as the central bank has suspended adverse classification of any loans until December 31 this calendar year, said a senior executive of a leading private commercial bank (PCB) while explaining the increased lending rates. Interest rates on deposits might fall further because excess liquidity in the banking system has maintained an upward trend in recent months, he added.

<https://today.thefinancialexpress.com.bd/last-page/interest-rate-spread-rises-in-august-1601489152>

Banks' profit soars, on paper

- Net profit in the banking sector soared 33.60% year-on-year to BDT 24.24 billion in the first half of 2020 despite a collapse in business and a feeble recovery of loans due to the onslaught of the coronavirus pandemic. The increase in the profit came at a time when the majority of indicators in the financial sector has been on the decline because of the economic slowdown brought on by the crisis and banks face an uphill struggle to recover both defaulted and unclassified loans. This led experts to call the jump in the net profit a mirage as the profit has just increased on paper.
- The central bank has given a loan moratorium facility to borrowers for this year to help them avoid the default zone. The ongoing economic hardship and the moratorium facility have put an adverse impact on the loan recovery of banks. But lenders are transferring the interest of the loans, which is yet to be realized, to their income books enlarging the profit artificially. Such interest is treated as an accrued interest in banking norms. Banks are allowed to show the accrued interest as income, but such amounts have to be treated as an interest in suspense if loans become defaulted.
- On Monday, the central bank extended the loan moratorium facility. It also indicated that it would instruct how much of the accrued interest could be shown as income for the year. The Bangladesh Bank is working on it. Net profit in banks will decline at the end of this year and the banking regulator will issue a clear instruction to this end, a BB official said. The central bank should take the issue seriously, or else directors of private banks will enjoy dividends from public deposits, said the executive director of the Policy Research Institute of Bangladesh.

<https://www.thedailystar.net/business/news/banks-profit-soars-paper-1970421>

Draft prospectus of SAML Income Unit Fund approved

- The securities regulator has approved the draft prospectus of SAML Income Unit Fund whose initial size will be BDT 100 million. At the meeting, the securities regulator has also decided to start de-listing process of two listed debentures and four companies of OTC (over-the-counter) market to settle the claims of shareholders. As per the BSEC approval, SAML Income Unit Fund will raise BDT 90 million from the unit holders selling units of BDT 10 each. The sponsors will contribute remaining BDT 10 million of the open-end mutual fund.
- Shahjalal Asset Management is the sponsor and asset manager of SAML Income Unit Fund. As per another decision, BD Zipper 14% Debenture, BD. Luggage 14% Debenture and four other companies of OTC market will be de-listed. The four companies which will be de-listed are: Bangladesh Chemical Industries, Bangladesh Dyeing & Finishing, Bangladesh Luggage Industries and Bangladesh Zipper Industries.
- Besides, the securities regulator will appoint two independent directors at Union Capital. Union Capital was placed in 'Z' category from 'B' category with effect from August 04, 2020 as the company recommended 'no dividend' dividend for the year ended on December 31, 2019. After the company's shifting in 'Z' category, the company held discussion with the securities regulator.

<https://today.thefinancialexpress.com.bd/stock-corporate/draft-prospectus-of-saml-income-unit-fund-approved-1601482965>

<https://www.newagebd.net/article/117746/bsec-decides-to-delist-4-otc-cos-2-debentures>

<https://www.dhakatribune.com/business/stock/2020/09/30/bsec-resolves-to-delist-four-companies-from-otc-market>

<https://tbsnews.net/economy/stock/bsec-appoint-two-independent-directors-union-capital-139750>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$40.21	(USD 21.42)	-34.76%
Crude Oil (Brent)*	\$40.95	(USD 27.49)	-40.17%
Gold Spot*	\$1,892.31	USD 370.84	24.37%
DSEX	4,963.29	510.36	11.46%
S&P 500	3,363.00	132.22	4.09%
FTSE 100	5,866.10	(1,720.95)	-22.68%
BSE SENSEX	38,067.93	(3,574.21)	-8.58%
KSE-100	40,571.48	(163.60)	-0.40%
CSEALL	5,984.84	(144.37)	-2.36%

Exchange Rates

USD 1 = BDT 84.73*

GBP 1 = BDT 109.57*

EUR 1 = BDT 99.49*

INR 1 = BDT 1.15*

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

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