

*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.*

### **Banks must reduce classified loans by this year: Bangladesh Bank (BB)**

- The central bank has asked all the scheduled banks for taking effective measures to reduce the volume of classified loans significantly by the end of this year. The bankers have, however, sought judicial support to this end. As per BB officials, they might invite the chairman of Law Commission to attend the next bankers' meeting to inform [him of] the legal complexity for settling classified loan disputes.
- The BB and the commission already sat months ago to discuss issues like the functioning of money loan courts, strengthening recovery of NPLs and Credit Information Bureau-related matters. On May 14, the Law Commission at the meeting discussed establishment of commercial courts aiming to attract foreign direct investment through resolving disputes on trade, commerce and banking promptly. At the meeting, the central bank assured the country's top bankers of extending its support, if necessary, to reschedule loans that will help reduce the volume of defaulted loans.
- The central banker also said that they will help the bankers reschedule loans within the existing rules and regulations. Another BB official said that BB asked the banks for taking measures to bring down the volume of% of classified loans to around 10% of total outstanding loans by the end of this year. The BB's latest move came against the backdrop of a rising trend in the non-performing loans (NPLs) in the country's banking sector in recent months despite its close monitoring.

<http://today.thefinancialexpress.com.bd/first-page/banks-must-reduce-classified-loans-by-this-year-bb-1545237094>  
<https://www.thedailystar.net/business/banking/news/bb-steps-clear-backlog-cases-1676098>

### **Finance ministry to make review next week**

- In the wake of widespread criticism over mounting non-performing loans (NPL) in the banking system, the finance ministry is going to hold a meeting next week to review the situation. The meeting, to be chaired by financial institutions division (FID) secretary, will assess the situation in relation to volume of classified loans and provisioning in the state-owned commercial banks (SoCBs). As of September last, the amount of default loans in the country's banking sector reached BDT 1.0 trillion, an all-time high volume, stirring up worries among experts and bankers.
- In the first nine months of current calendar year, the NPL jumped by nearly 34% or BDT 250.67 billion to BDT 993.70 billion from BDT 743.03 billion in December last year. The size will be even bigger if the amount of rescheduled and written-off loans are taken into account. During the same period, the overall shortfall in provisioning against NPLs swelled by over 20% or BDT 13.60 billion. The total amount of provisioning shortfall rose to BDT 81.27 billion in September from BDT 67.67 billion in January, according to the latest central bank data.
- A senior finance ministry official said that the FID has moved to review the NPL situation, as its rising trend has fuelled concern among many. The issue came to the fore after a local think-tank, the Centre for Policy Dialogue (CPD), voiced concern about the continuous rise in NPL, he said.

<http://today.thefinancialexpress.com.bd/first-page/finance-ministry-to-make-review-next-week-1545237244>

### **New banks to increase competitive intensity, says S & P**

- S&P Global Ratings affirmed its 'B+' long-term and 'B' short-term issuer credit ratings on Bangladesh-based BRAC Bank Ltd. The outlook on the long-term rating is stable. S&P affirmed the rating because they expect BRAC Bank's above-industry average profitability and capital buffers will sustain its credit profile over the next 12-18 months. At the same time, they believe Bangladesh's broader banking system faces increasing pressure on earnings capacity, from an already moderate base. They have reflected the increased system-wide risks in our revised BICRA scores on Bangladesh.
- By their estimates, BRAC Bank's pre-diversification risk-adjusted capitalization will remain above 5.0% over the next 12-24 months. In their view, the bank is implementing prudent capital strategy, which includes completion of a stake sale in its subsidiary bKash Ltd., and plans to retain all profits going ahead. They also expect loan growth to slow over the next 12-18 months, from 20% year-on-year growth in the first half of 2018.
- The bank is likely to increase its franchise in Bangladesh's competitive yet underpenetrated financial services industry. We expect expansion and better use of BRAC Bank's distribution network to drive growth. In our view, the bank will continue to invest in its branch infrastructure, cyber security and technology initiatives.

<http://today.thefinancialexpress.com.bd/stock-corporate/new-banks-to-increase-competitive-intensity-says-s-p-1545235152>

### **Assess impact of new VAT law first: FBCCI**

- The Federation of Bangladesh Chambers of Commerce and Industry has urged the revenue authority to conduct an impact assessment study before implementing the new VAT law. In a letter sent to the chairman of the National Board of Revenue, the apex trade body suggested that the changes between the VAT and Supplementary Duty Act 2012 and VAT Act 1991 should be identified as part of the study. It stressed the need for assessing the impact of the new law on import, exports, manufacturing and trading in light of the VAT Act 1991 that has been in effect for more than two and a half decades.
- The plea came months before the planned implementation of the new VAT law, enforcement of which was shelved for two years since June last year. Its implementation was halted amid public outcry and reported pressure from the business community who opined that a uniform 15% VAT instead of the existing multiple rates would hurt businesses and raise living costs. The FBCCI in its letter urged for studying incidence of application of 15% VAT, and impact of withdrawal of package and truncated VAT rates on retail business, service sector and consumers.
- It also demanded impact assessment of the new law on small and medium enterprises and the service sector, assess capacity of businesses and revenue officials for enforcement of the new legislation and determine steps required. The FBCCI also demanded that the NBR revise the new law by doing cost benefit analysis on the basis of proposals from the NBR field offices and recommendations of its member organisations.

<http://today.thefinancialexpress.com.bd/stock-corporate/new-banks-to-increase-competitive-intensity-says-s-p-1545235152>

### **Power generation below half-mark of installed capacity**

- The state-run Bangladesh Power Development Board (BPDB) is keeping the country's overall electricity generation below the half mark of the installed capacity under a 'rationing' system in view of the sagging winter demand. In such a situation the people are not getting the maximum benefit of the significant increase in the country's overall electricity generation over the past one decade, according to insiders.
- BPDB chairman said that they are producing less electricity due to the less demand in winter. Some power plants were asked to suspend operations and some were kept under maintenance work, he added. Despite the plants remaining out of operation, the BPDB has been counting a capacity payment to them as they are ready to supply electricity. The capacity payment is a sort of penalty, which the BPDB is bound to pay to the power plant owners, if the government fails to purchase a certain portion of the electricity readily available.
- According to the BPDB statistics, the countrywide electricity generation during the evening peak hours on Tuesday (December 18) was 7,865 megawatts (MW), just 44.47% of the country's total installed capacity of 17,685 MW. Power generation during the off-peak hours (day-time power generation) on the day was 6,301 MW. It was only 35.62% of the total installed capacity. The country's overall electricity production just one month back on November 18 last was also below the half mark of the total installed capacity.

<http://today.thefinancialexpress.com.bd/first-page/power-generation-below-half-mark-of-installed-capacity-1545237052>

### **Bangladesh Securities & Exchange Commission (BSEC) extends timeframe till December 31, 2020**

- The securities regulator has extended the timeframe till December 31, 2020 for keeping provision against unrealised losses in margin accounts of stock dealers' and stock brokers' clients. The unrealised losses took place due to revaluation of portfolios of the merchant banks and stock dealers and their clients. The existing deadline of keeping provision against unrealised losses will be ended on December 31, 2018. In 2017, the BSEC also set December 31, 2018 as the deadline for provisioning the unrealised losses.
- DSE Brokers Association on December 9 urged the commission to extend the timeframe by three more years, mentioning the overall bearish trend in the capital market. The market situation has also been taken into account while taking the decision of extending the deadline of keeping provision.

<http://today.thefinancialexpress.com.bd/stock-corporate/bsec-extends-timeframe-till-december-31-2020-1545234965>

**World Stock and Commodities\***

<b>Index Name</b>	<b>Close Value</b>	<b>Value Change</b>	<b>% Change</b>
Crude Oil (WTI)*	\$47.20	+0.96	+2.08%
Crude Oil (Brent)*	\$56.44	-0.80	-1.40%
Gold Spot*	\$1,244.46	+1.38	+0.11%
DSEX	5242.56	+8.97	+0.17%
Dow Jones Industrial Average	23,323.66	-351.98	-1.49%
FTSE 100	6,765.94	+64.35	+0.96%
Nikkei 225	20,470.82	-517.10	-2.46%

**Exchange Rates**

USD 1 = BDT 83.78\*

GBP 1 = BDT 105.75\*

EUR 1 = BDT 95.36\*

INR 1 = BDT 1.19\*

*\*Currencies and Commodities are taken from Bloomberg.*

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