

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 can give max. 30% dividend for 2020

- The banking companies would be able to declare maximum 30 BDT dividend, including 15 BDT cash, for the year ended on December 31, 2020. The Bangladesh Bank (BB) has set the limit for the banks which have at least 15 BDT or more reserve capital, including 2.5 BDT capital conservation buffer against the risk-weighted assets. The banks will also have to maintain necessary provisioning and have the ability to meet other expenses, according to a circular issued on Sunday. Against the backdrop of the adverse impact of Covid pandemic, it said, the financial health of the banks as well as return on investment for the shareholders were considered while preparing the policy.
- The banks having a reserve capital from at least 13.5 BDT to 15 BDT would be able to declare maximum 25 BDT dividend, including 12.5 BDT cash, subject to meeting other requirements including provisioning against risk-weighted assets. With having a reserve capital of at least 11.875 BDT, the banks would be able to declare maximum 15 BDT dividend, including 7.5 BDT cash, subject to approval of the central bank. The banks having 12.5 BDT capital will be allowed to declare 12 BDT dividend, including 6.0 BDT cash.
- The banks with a reserve capital from 11.875 BDT to 12.5 BDT would be able to declare 10 BDT dividend, including 5.0 BDT cash. The banks having reserve capital from 10.625 BDT to 11.875 BDT will be able to declare at best 5.0 BDT stock dividend subject to approval by the central bank.

<https://today.thefinancialexpress.com.bd/first-page/banks-can-give-max-30pc-div-for-2020-1612720921>
<https://www.thedailystar.net/business/news/stronger-the-capital-base-higher-the-dividend-2041009>
<https://www.thedailystar.net/business/news/banks-can-declare-highest-30-dividend-shareholders-2040969>
<https://tbsnews.net/economy/banking/high-dividend-cost-banks-high-198193>
<https://www.newagebd.net/article/129519/bangladesh-bank-puts-30pc-cap-on-banks-dividend-issuance>
<https://www.dhakatribune.com/business/2021/02/08/bb-puts-up-conditions-for-banks-dividend-disbursement-for-2020>

Interest rate spread widens

- The interest rate spread widened further in December last as the banks cut the deposit rates deeper than that of the lending rates, bankers have said. The weighted average spread between the lending and deposit rates rose to 3.07 BDT in December 2020 from 2.98 BDT a month ago. It was 2.94 BDT in October last year. Senior bankers predicted further fall in interest rates on fresh deposits in the coming months if the upward trend of excess liquidity in the banking system continues.
- The banks' excess cash hit an all-time high of BDT 2.04 trillion in December last due to lower private sector credit growth, caused by supply chain disruptions amid the Covid pandemic, they explained. The growth in credit flow to the private sector came down to 8.37 BDT in December 2020 on a year-on-year basis from 9.20 BDT in July last year. The bankers said the expansionary monetary policy of the central bank along with implementation of the government's stimulus packages aimed to expedite recovery of the pandemic-hit economy have also pushed up the higher inflow of liquidity in the banking system.
- They said most of the banks have slashed their interest rates on all types of deposits because of the higher inflow of liquidity in the market, affecting the savers, particularly small ones significantly. They've slashed the deposit rates to minimise their cost of funds, the managing director (MD) and chief executive officer (CEO) of Pubali Bank Limited said. He said the bank has provided loans to some 'good borrowers' at a rate of around 8.0 BDT instead of 9.0 BDT.

<https://today.thefinancialexpress.com.bd/first-page/interest-rate-spread-widens-1612721274>

Bank directors' demand for extending loan repayment tenure faces criticism

- Directors of banks have urged the central bank to relax the repayment tenure for term loans and working capital further, a demand that was opposed by bankers and analysts as the banking industry is still reeling from the pandemic-induced slowdown. The banking sector has been in a bad state of affairs for the last couple of years and the ongoing business slowdown caused by the coronavirus pandemic has exacerbated the situation. Against the backdrop, the central bank should not entertain the proposal of the Bangladesh Association of Banks (BAB), an organisation of directors of private banks, in the interest of the banking industry, experts said.
- The BAB wrote a letter to the central bank governor on February 4, requesting him to extend the existing relaxed repayment tenure by two to three years for term loans. Credits that carry a repayment tenure of more than one year are considered term loans. The central bank eased the repayment facility for term loans on January 31 to help them pay instalments at ease as the pandemic persists. The loan moratorium facility granted to all types of borrowers throughout last year was not extended.

<https://www.thedailystar.net/backpage/news/bank-directors-demand-extending-loan-repayment-tenure-faces-criticism-2041021>

Taka is now more export friendly

- A year ago, Bangladesh was losing its export competitiveness because taka was overvalued against the dollar in comparison with currencies of its competitor countries. But the situation has changed quite a bit, thanks to the central bank's aggressive selling of dollars to banks, which has helped check taka's appreciation while currencies of major competitor countries had higher appreciation. Taka saw only a 0.12% appreciation against the greenback during the pandemic when Chinese yuan saw the highest 8.95% appreciation and Indian rupee the second highest of 3.41%, according to Bangladesh Bank data presented at a recent bankers' meeting.

- Vietnam, which is the main rival of Bangladesh in the export market and was gaining the market share fast with currency devaluation, saw a 0.38% appreciation of its currency dong since June during the pandemic. Of other competitor countries, Cambodian currency riel gained 0.76% against the greenback when Indonesia's rupiah gained 0.85% during the period, central bank data shows. The dollar price has stayed at BDT84.80 in the current fiscal year, according to the central bank's data. The lowest appreciation will slightly help exporters to adjust the price gap as Bangladesh was far behind in taka depreciation compared to other trading partners, said Dr Zahid Hussain, former lead economist at the World Bank's Dhaka office.

<https://tbsnews.net/economy/banking/taka-now-more-export-friendly-198214>

Investment down, demand for medicines up in Jul-Dec

- The economy has been hit hard by the effect of Covid-19, but demand for medicines and other healthcare needs is on the rise. In order to meet that demand, the owners of pharmaceutical companies have increased the import of raw materials for medicines to increase production, as well as the import of medicines. Square Pharmaceuticals' Chief Financial Officer said that the demand for certain products has increased during the corona period. Due to the fear that the import might be affected by the pandemic, pharmaceutical companies have already imported more raw materials for medicines, he said, claiming that the profits of drug companies during the pandemic have not increased much.

- The economy has been hit hard by the effect of Covid-19, but demand for medicines and other healthcare needs is on the rise. In order to meet that demand, the owners of pharmaceutical companies have increased the import of raw materials for medicines to increase production, as well as the import of medicines. Square Pharmaceuticals' Chief Financial Officer said that the demand for certain products has increased during the corona period. Due to the fear that the import might be affected by the pandemic, pharmaceutical companies have already imported more raw materials for medicines, he said, claiming that the profits of drug companies during the pandemic have not increased much.

<https://tbsnews.net/economy/investment-down-demand-medicines-agri-products-jul-dec-198208>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$57.35	\$8.83	18.20%
Crude Oil (Brent)*	\$59.81	\$8.01	15.46%
Gold Spot*	\$1,810.71	(\$84.39)	-4.45%
DSEX	5,504.78	102.71	1.90%
S&P 500	3,886.83	130.76	3.48%
FTSE 100	6,489.33	28.81	0.45%
BSE SENSEX	50,731.63	2,980.30	6.24%
KSE-100	46,905.79	3,150.41	7.20%
CSEALL	8,275.37	1,501.15	22.16%

Exchange Rates

USD 1 = BDT 84.29*
GBP 1 = BDT 115.69*
EUR 1 = BDT 101.43*
INR 1 = BDT 1.16*

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

IMPORTANT DISCLOSURES

Analyst Certification: Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

Disclaimer: Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

Compensation of Analysts: The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

General Risk Factors: BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Anika Mafiz	Research Analyst	anika.mafiz@bracepl.com	01708 805 206
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Md. Rafiqul Islam	Research Associate	mrafiqulislam@bracepl.com	01708 805 229
Md Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	CEO	bappi@bracepl.com	01730 357 991
----------------------	-----	--	---------------

BRAC EPL Research www.bracepl.com

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142
 Gulshan Avenue, Dhaka – 1212
 Phone: + (880)-2-9852446-50
 Fax: + (880)-2-9852451-52
 E-Mail: research@bracepl.com