

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.

Operating profits of Private Commercial Banks (PCB) rise despite Non-Performing Loans (NPL)

- Operating profits of the country's private commercial banks (PCBs) showed an upturn in the first six months (H1) of this calendar year (2019) although the volume of classified loans in the banking sector is on the rise, bankers said. Of 40 PCBs, 19 marked an upward trend in operating profits, while no bank witnessed downturn, according to provisional data for the six-month period from January to June. The data of the rest were not immediately available. The rising trend in the volume of credit, particularly in the private sector, has helped the banks pick up on their operating profits in H1 of 2019 compared to the same period last year, according to the senior bankers.
- Meanwhile, the total outstanding loans with the private sector rose to BDT 9,879.29 billion in April 2019 from BDT 8,815.11 billion a year ago, according to the central bank's latest statistics. Besides, some banks, having offshore banking unit (OBU) operations, earned a notable amount through providing foreign currency loans to their customers. Currently, 35 commercial banks, out of 58, are running their OBUs across the country, they added. The private bankers also said some banks have already been able to earn a significant amount from their treasury operations.
- However, some banks could not perform in H1 of 2019 as per expectation mainly due to an increase in their volume of non-performing loans (NPLs), according to the bankers. The volume of classified loans increased by more than 18% to BDT 1,108.73 billion in the first quarter of 2019 from BDT 939.11 billion in the previous quarter, the Bangladesh Bank (BB) data showed. The private bankers opined that the operating profits may rise in the second half (H2) of this year, if the banks are able to reduce the amount of their NPLs by gearing up recovery drives across the country.

<http://today.thefinancialexpress.com.bd/first-page/operating-profits-of-pcb-rise-despite-npls-1562003899>

<http://www.newagebd.net/article/77190/most-banks-operating-profits-rise>

<https://www.dhakatribune.com/business/banks/2019/07/01/banks-operating-profits-soar-up-to-june>

Banks to transfer incentive to accounts of remitters

- Banks will transfer incentive to the bank accounts of remitters or their beneficiaries like they do in case of exporters as the maiden budget allocation for the hard-working migrant workers became available from yesterday. A finance ministry official said that it would send a guideline to the central bank regarding the incentive on remittance.
- For the first time, the government has introduced an incentive, which is 2 percent, on the money remitted by expatriate Bangladeshis with a view to encouraging the inflow of remittance through legal channels. The government has allocated BDT 30.60 billion for the purpose in the current fiscal year. The official said that banks will pay an additional 2% to the remitters when they disburse the money to the bank accounts of the recipients. At present, commercial banks disburse incentives to exporters when their earnings enter the country.
- A Bangladesh Bank official, however, said that because of the incentive, money will be laundered from Bangladesh through hundi and the same money will enter the country again as remittance. Subsequently, the central bank sent an opinion on the incentive, expressing apprehension on the misuse of the fund. In the opinion, the central bank said no agreement or document is required between a remitter and the recipient to transfer the remittance. Banks pay the remitted funds to the accounts of the relatives directly.
- As a result, the low private sector credit growth did not impact their profitability. Private sector credit growth sank to a 56-month low of 12.07% in April. As a result, the low private sector credit growth did not impact their profitability. The recent hike in interest rate on lending played a role in increasing the bank's operating profit, said the executive director of the Policy Research Institute.

<https://www.thedailystar.net/business/news/banks-transfer-incentive-accounts-remitters-1765522>

Mobile Financial Service (MFS) transactions hit record high

- Transactions through the mobile financial service platform hit a record BDT 422.36 billion in May as discounts offered by the major MFS providers to tempt Eid shoppers to pay through their channel appear to have worked. The amount is an increase of 20.8% from the previous month, according to data from the Bangladesh Bank. Eid has surely been a big factor behind the spike in transactions but there were few other factors as well," said the chief external and corporate affairs officer at bKash.
- The central bank's move in May to increase the MFS transaction limits also seemed to have helped log in the highest number for a single month, said the spokesperson of the Bangladesh Bank (BB). The move to introduce more options to top-up MFS wallets other than through agents contributed to the higher transactions, he added. Customers can now add money to their wallet by making a direct transfer from the bank account through internet banking and through

foreign inward remittance.

- At the end of May, the total number of registered MFS accounts reached 70.5 million, of which 32.1 million are actively using the service, according to the BB report. At the end of April there were only 29.1 million active accounts. Salary disbursement through the platform crossed the landmark of BDT 10.00 billion in May, when BDT 12.44 billion was sent. Government's payments soared 53.9% month-on-month to BDT 3.22 billion and utility bill payments 32.1% to BDT 4.83 billion.
- Some MFS operators are collecting foreign remittance: in May BDT 26.71 core was received, up 74.9% from the previous month. The average daily transaction in May stood at BDT 13.62 billion, up 16.86% from April. Actually, the amount transacted through the platform is much higher as the postal department's MFS service Nagad is enjoying great popularity, said the BB spokesperson.
- But Nagad's numbers are not reflected in the central bank's data. Nagad currently has about 3.0 million active users, according to one of its high officials. Businesspeople mostly use Nagad for its higher ceiling. A Nagad customer can deposit BDT 0.25 million every day into his/her account, which is way higher than the BDT 30,000 allowed by the other MFS operators.

<https://www.thedailystar.net/business/news/mfs-transactions-hit-record-high-1765525>

Trade with China trebles in a decade

- Bilateral trade between Bangladesh and China trebled to nearly USD 12 billion in the past decade thanks to the soaring imports by industrialists and businesses. Trade between the two nations, which was USD 3.51 billion in 2008-09, rose to USD 12.38 billion in 2017-18. And in the first nine months of the just concluded fiscal year trade stood at about USD 11 billion, with the balance heavily tilted towards China, according to data compiled by Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).
- The data showed that import from China has been increasing gradually while shipment to the world's second biggest economy have been hovering below USD 1 billion for the last several years. Analysts and entrepreneurs said that Bangladesh gets duty-free access for nearly 5,000 items but businesses cannot take full advantage of the opportunity owing to the country's small export basket. Garment accounted for 56% of the total exports of USD 695 million to China in fiscal 2017-18.
- As much as 68% of the imports from China were textiles, machinery and mechanical appliances. A senior official of the commerce ministry said that nearly 50% of the products imported from China are meant for export-oriented industries to make products for the export market. The rest come for domestic consumption, he added.

<https://www.thedailystar.net/business/news/trade-china-trebles-decade-1765534>

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change
Crude Oil (WTI)*	\$58.84	-0.25	-0.42%
Crude Oil (Brent)*	\$64.89	-0.17	-0.26%
Gold Spot*	\$1,389.10	+4.91	+0.35%
DSEX	5,421.62	-8.42	-0.16%
Dow Jones Industrial Average	26,717.43	+117.47	+0.44%
FTSE 100	7,497.50	+71.87	+0.97%
Nikkei 225	21,754.79	+24.82	+0.11%

Exchange Rates

USD 1 = BDT 84.80*
GBP 1 = BDT 107.18*
EUR 1 = BDT 95.66*
INR 1 = BDT 1.23*

*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	Deputy Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Md. Sakib Chowdhury	Research Analyst	sakib.chowdhury@bracepl.com	01709 641 247
S. M. Samiuzzaman	Research Analyst	sm.samiuzzaman@bracepl.com	01708 805 224
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