

ILCL-ILSL MONTHLY

Economy and Market Review

November : 2014

Issue : 15



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Editorial

Welcome to our November 2014 issue. Our vision is to establish ourselves as one of the leading Investment Banking solution providers in Bangladesh with high ethical standards and best practices. We started our first monthly publication "ILCL Monthly Economy and Market Review" with September, 2013 edition and seek every opportunity to make it more informative and beneficial for our readers that cover honorable business community, corporate clients and high net worth retail clients.

From January, 2014 edition we are publishing it jointly with our sister concern, International Leasing Securities Limited, with the title of "ILCL-ILSL Monthly Economy and Market Review". This edition covers **Bank Sector of Bangladesh** with a snapshot over a stocks defined under the sector in prime bourse.

We believe this publication will be enriched with contribution from ILSL research team and look forward to any advice or suggestions from our readers or any other corner to make it distinguished and complete. Please do not hesitate to contact us to convey your opinion. We are also committed to the readers for any assistance or explanation over any doubt or confusion arises from our publications.

Thanking You-



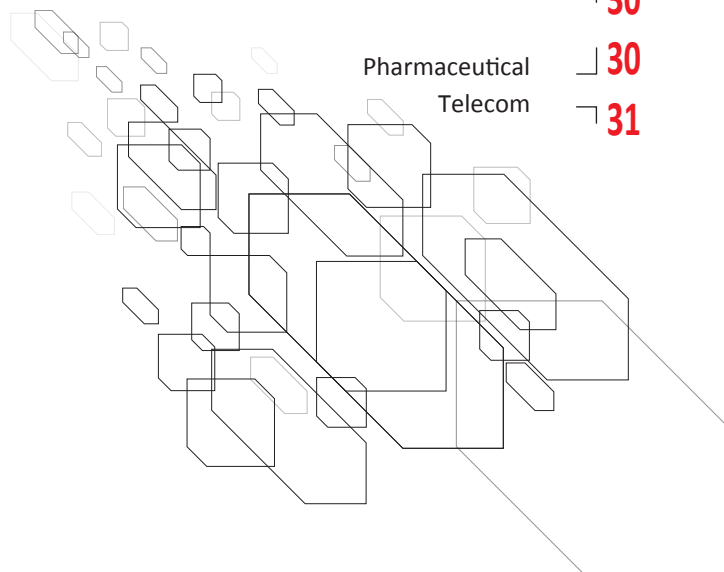
Nehal Ahmed FCA
Managing Director
IL Capital Limited

ILCL-ILSL MONTHLY

Economy and Market Review
November, 2014

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Economy Update

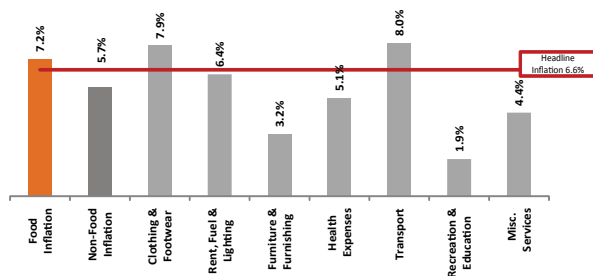
Snapshot of October 2014

- 6.6% inflation (bottom of last 12m)
- 5.09% interest rate spread (bottom of last 8m)
- 8.4% call money rate (top of last 8m)
- 17.5% drop in remittance (bottom of last 12m)
- USD 22.4 bn FX reserve (all time high)

Inflation

The overall inflation for the month of October decreased from 6.8% to 6.6% due to a significant 5.2% drop in the monthly food inflation. It should be mentioned here, that the international market price of edible oil dropped by 19% in the past six months. On the other hand, Non-Food inflation increased by 1.78% due to soaring prices of different services, such as rents and utilities (6.4%), transportation costs (8.0%), education (1.9%) and medical services (5.1%).

Performance of Point to Point Inflation in October 2014



Source: Bangladesh Bank and IL Capital Research

Monthly Broad Money (M2)

The Broad Money on year on year basis decreased to 16.1% in FY2014 from 16.7% in FY2013 as the demand for National saving tools increased. The commercial banks were offering 8% or 9% interest on fixed deposits, whereas the Department of National Savings (DNS) was offering 12% to 13.45% yield rate over a timeline of 3 to 5 years. The government is now reviewing the national saving deposit rate as it is anticipating that the demand for government saving tools may fall as the Capital market is showing some positive signs.

Reserve Money

The year on year monthly reserve money rate increased in September 2014 to 26% from 16.6% in August 2014. If this trend continues, the rise in the Central Bank's reserve may eventually increase the overall money supply. The current situation represents a state where money is left idle in the banks as there is less investor in the private sector. Under this circumstance, the rise in money supply and the crunch in investment cycle, the interest rate might be inversely affected.

Interest Rate

Overall interest rate movement was downward and the spread narrowed slightly as it reached to 5.09% in October 2014. However, call money rate reached to this year's high at 8.4%.

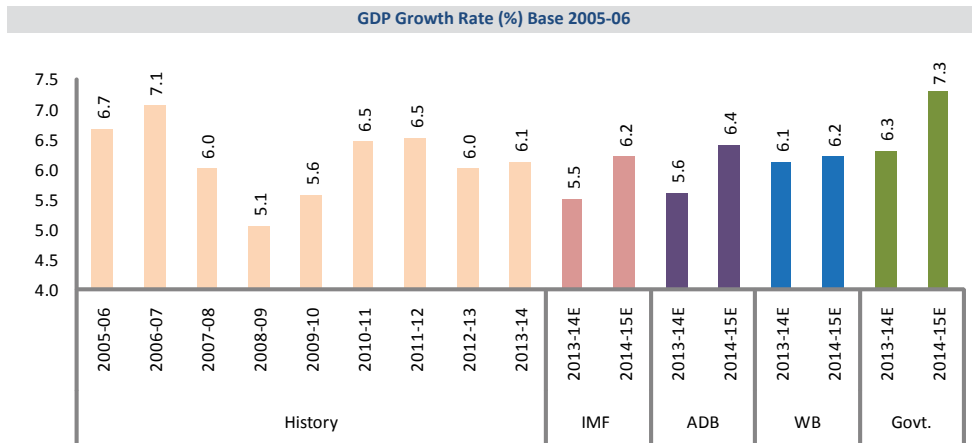
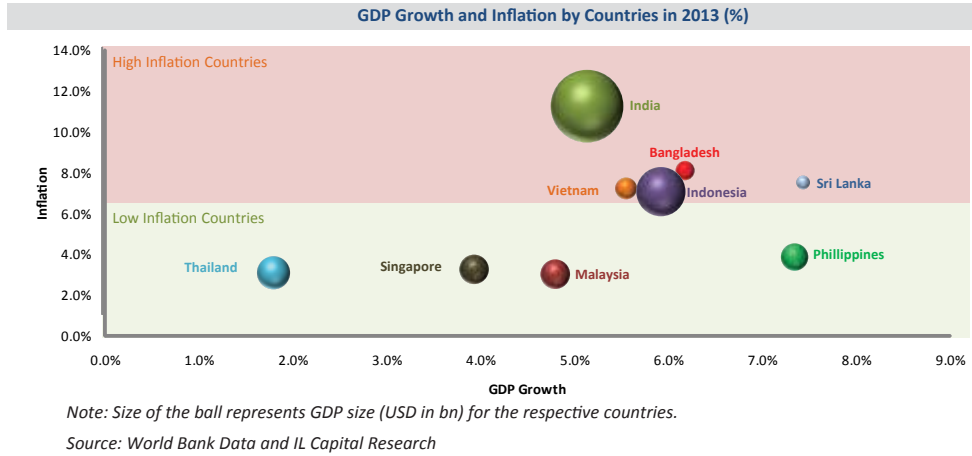
Foreign Direct Investment and Portfolio Investment

As investors sensed market instability, the net foreign investment in the Capital market fell 6.61% in November from October 2014. Foreign direct investment was USD 1,730 million in FY2013, which fell by 13.6% to USD 1,495 million in FY2014. The portfolio investment in FY2013 was BDT 743 crore, which dropped significantly by BDT 4,690 crore, indicating that the value of overseas investments was well below the value of foreign investments in the country.

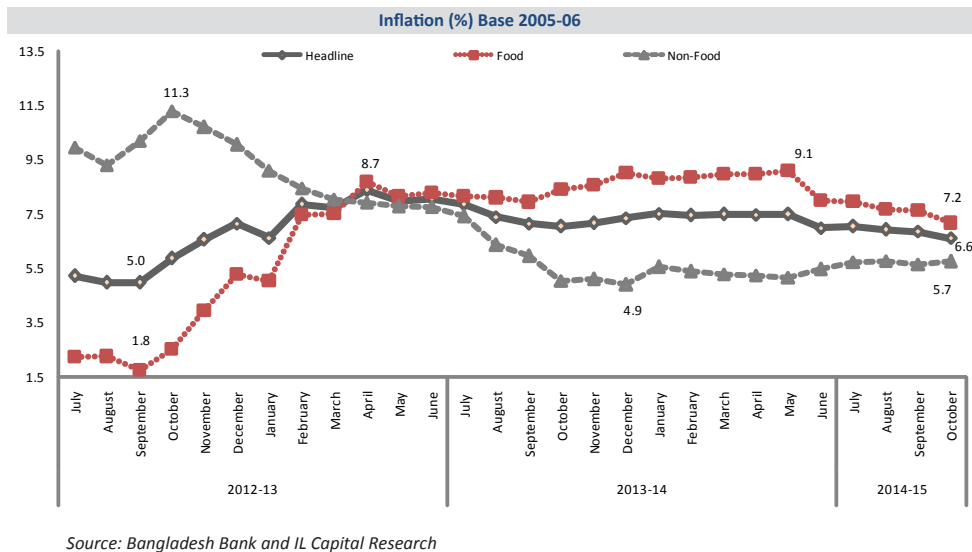
Remittance and FX Reserve

The year on year monthly remittance growth witnessed a major 17.5% fall in October 2014 from October 2013. The annual remittance growth for FY2014 was a negative 1.6% where it was a positive growth of 12.6% in FY2013. The reasons behind this falling trend are- the value of Taka being gradually appreciated against foreign currencies, and the volatility in the manpower sector of the country. The government has recently taken initiative to strengthen the overseas employment act, which will bring a sustainable positive state in the remittance inflow eventually. However, FX reserve stood all time high at USD 22.4 bn in October 2014.

GDP:

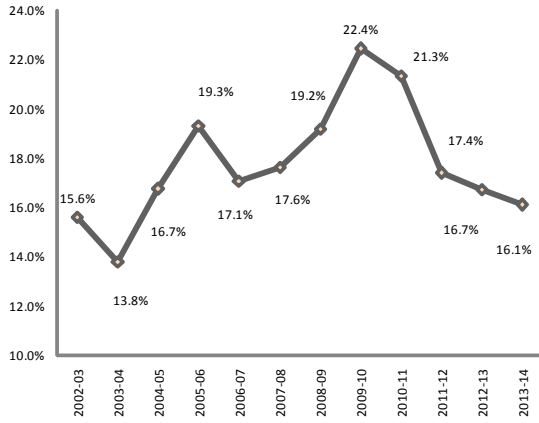


Inflation:

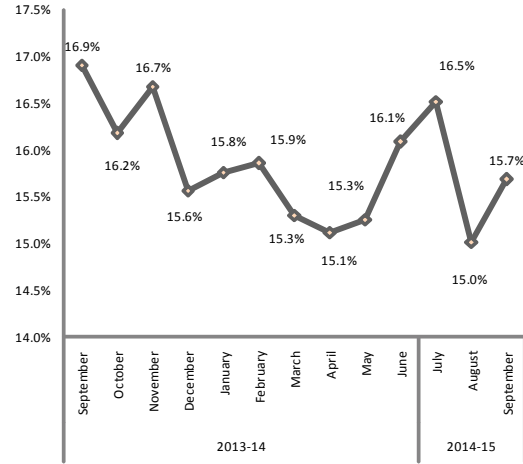


Money Supply:

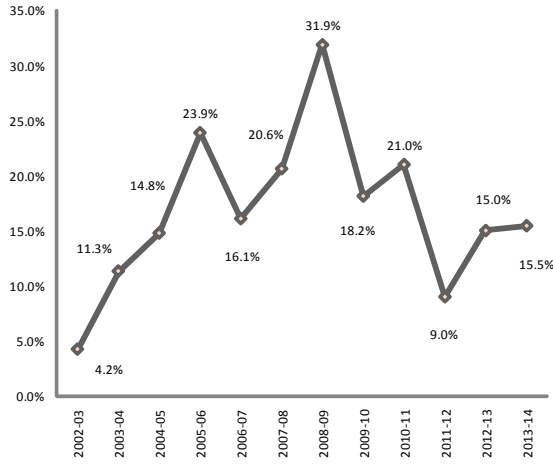
Annual Broad Money Supply (M2) Growth Rate (%)



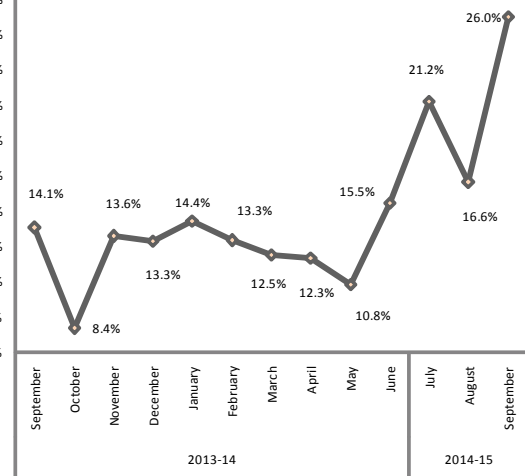
Monthly Broad Money Supply (M2) Growth yoy (%)



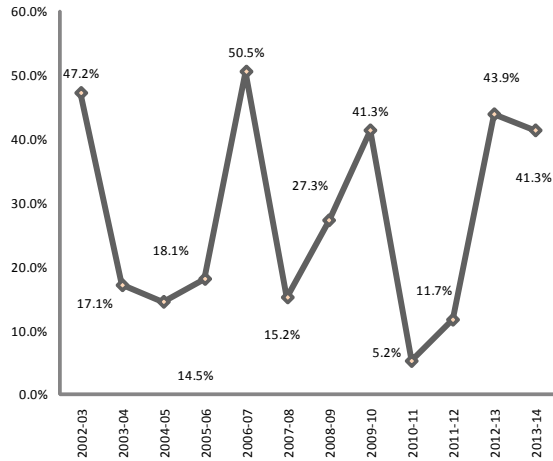
Annual Reserve Money Growth Rate (%)



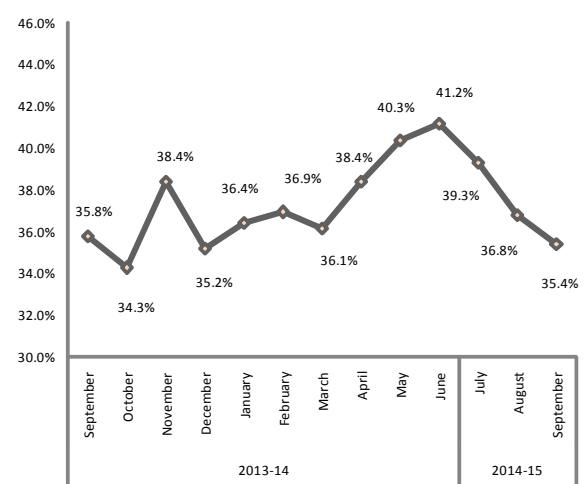
Monthly Reserve Money Growth yoy (%)



Annual Net Foreign Assets Growth Rate (%)



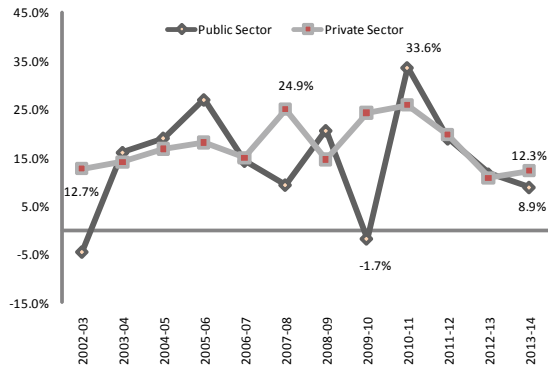
Monthly Net Foreign Asset Growth yoy %



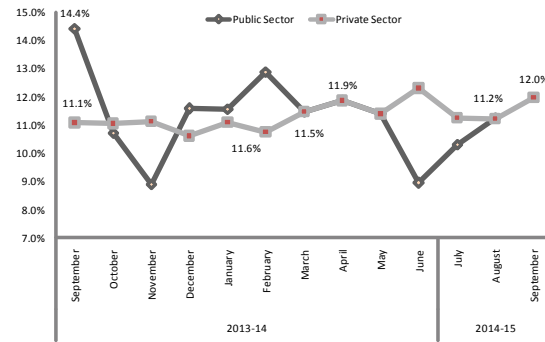
Source: Bangladesh Bank and IL Capital Research

Money Supply (Continued):

Annual Public and Private Sector Credit Growth Rate (%)



Monthly Public and Private Sector Credit Growth yoy (%)

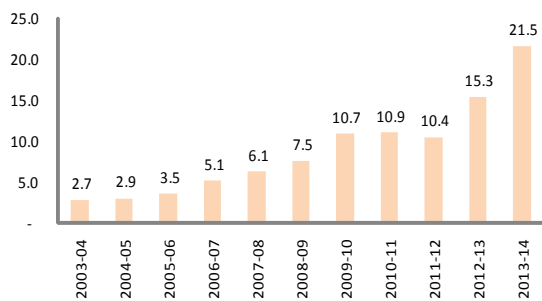


Monetary Aggregates Y-o-Y Growth (%)

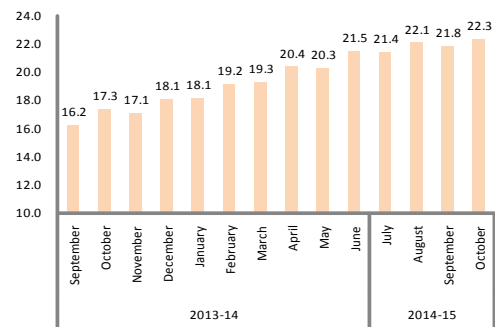
	Actual				Program	
	FY11	FY12	FY13	May.14	Dec-14	Jun-15
Net Foreign Assets	6.2	7.2	50.4	39.1	30.3	16.8
Net Domestic Assets	24.7	19.3	11.0	9.9	12.4	16.4
Domestic Credit	28.2	19.2	10.9	10.1	13.8	17.3
Credit to the Public Sector (incl. Govt.)	38.3	17.4	11.1	5.3	12.9	24.8
Credit to the private sector	25.8	19.7	10.8	11.4	14.0*	15.5
Broad money	21.4	17.4	16.7	15.2	16.0	16.5
Reserve money	21.0	9.0	15.0	10.8	15.5	16.0

Reserve:

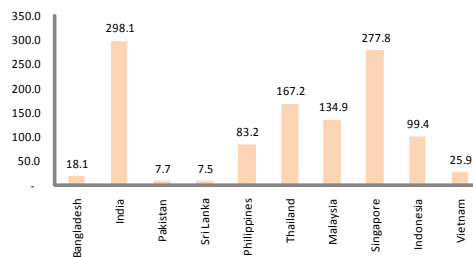
Annual Movement of Reserve (USD Bn)



Monthly Movement of Reserve (USD Bn)

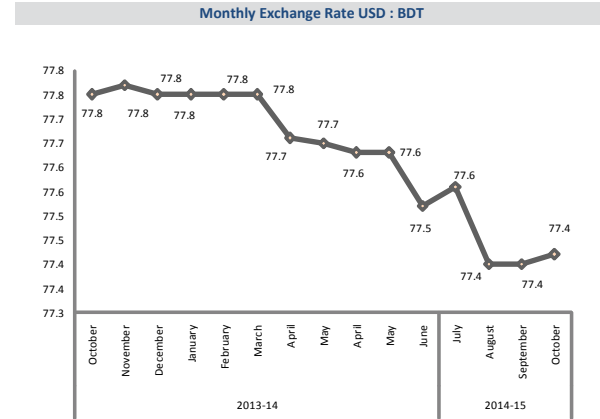
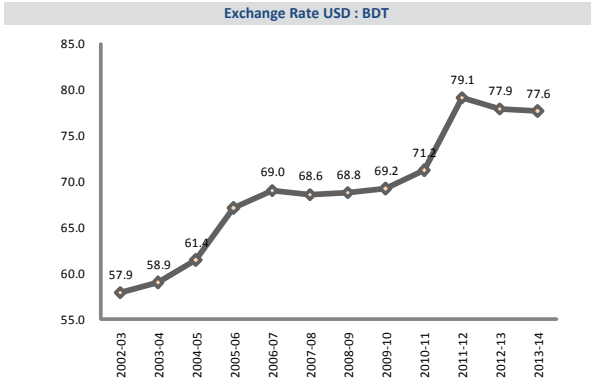


Gross Regional Foreign Exchange Reserve (USD Bn) in 2013

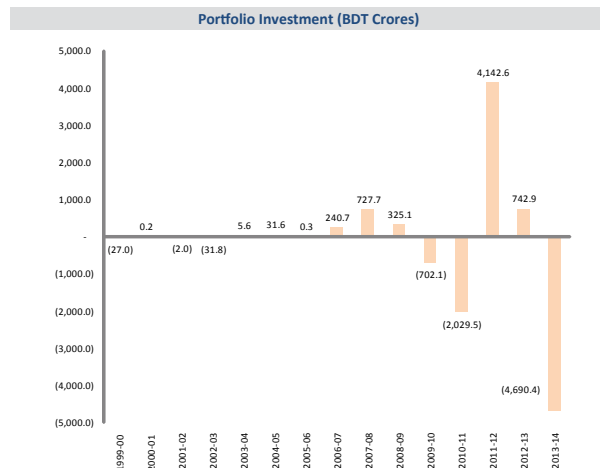
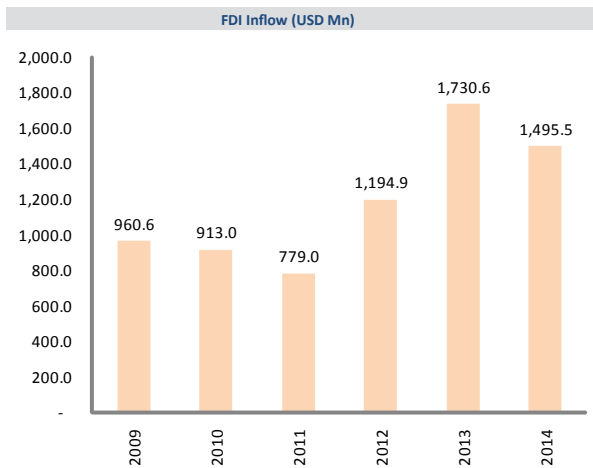


Source: Bangladesh Bank and IL Capital Research

Exchange Rate:

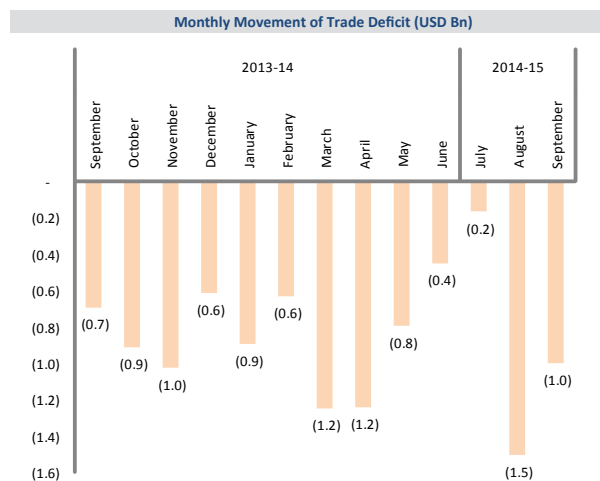
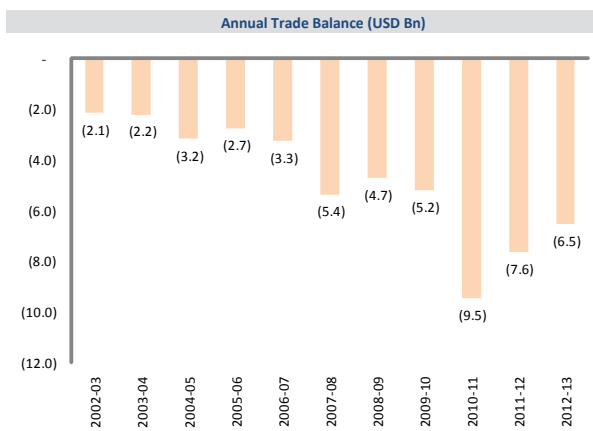


FDI Inflow and Portfolio Investment:



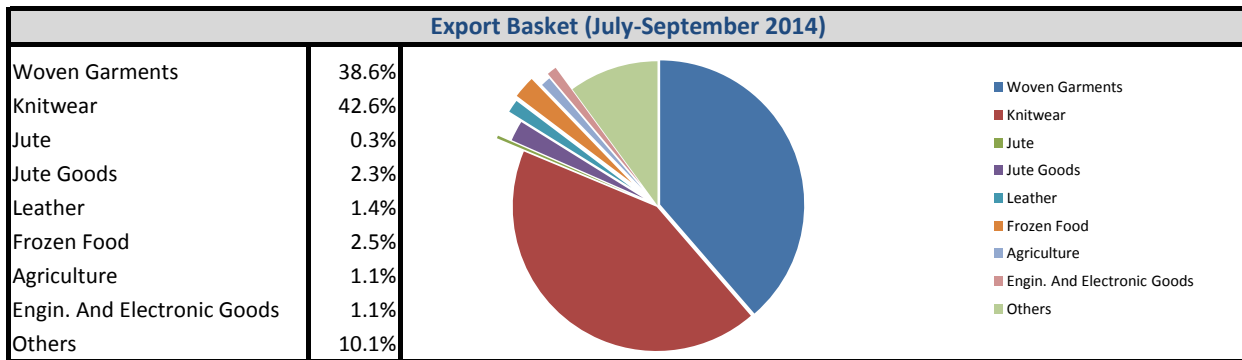
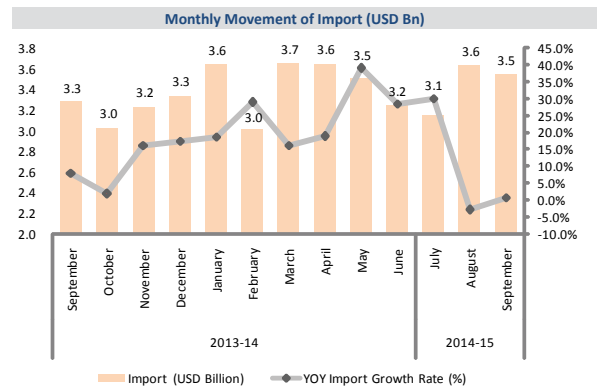
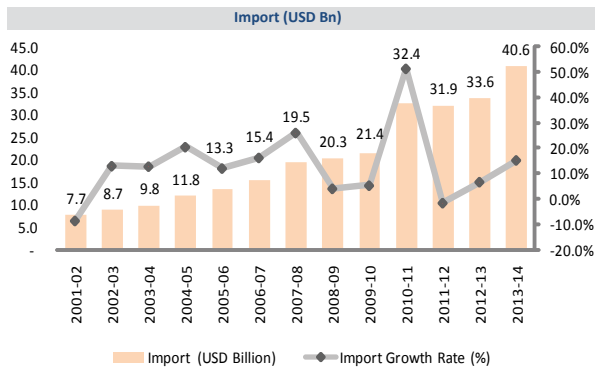
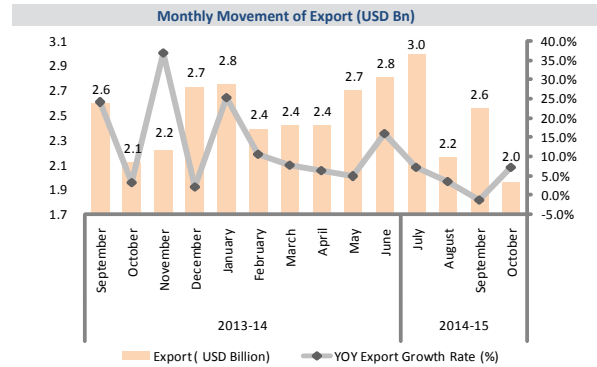
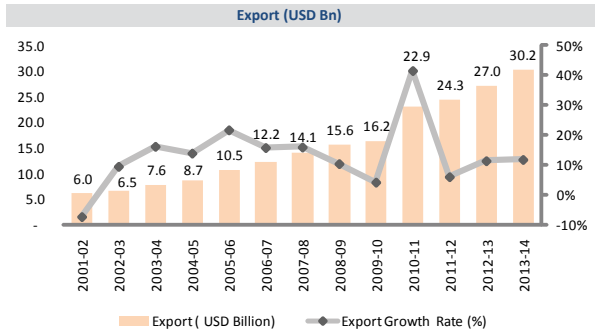
Source: Bangladesh Bank and IL Capital Research.

International Trade:

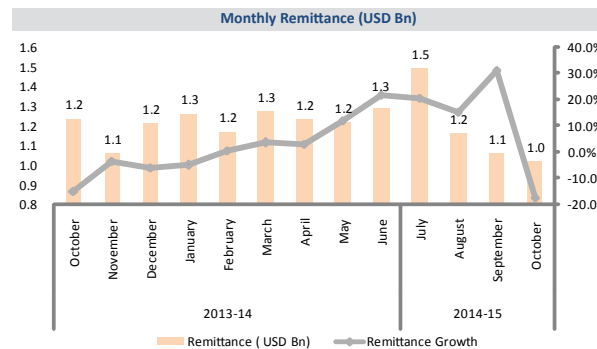
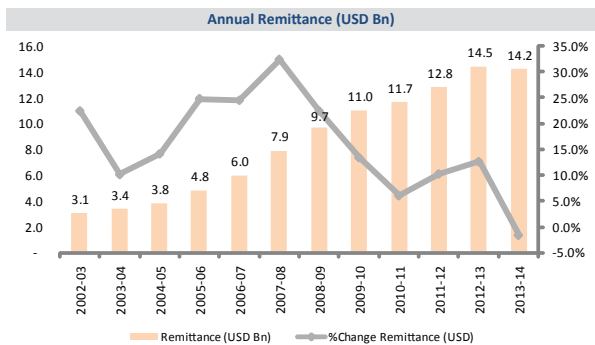


Source: Bangladesh Bank and IL Capital Research

International Trade (Continued):

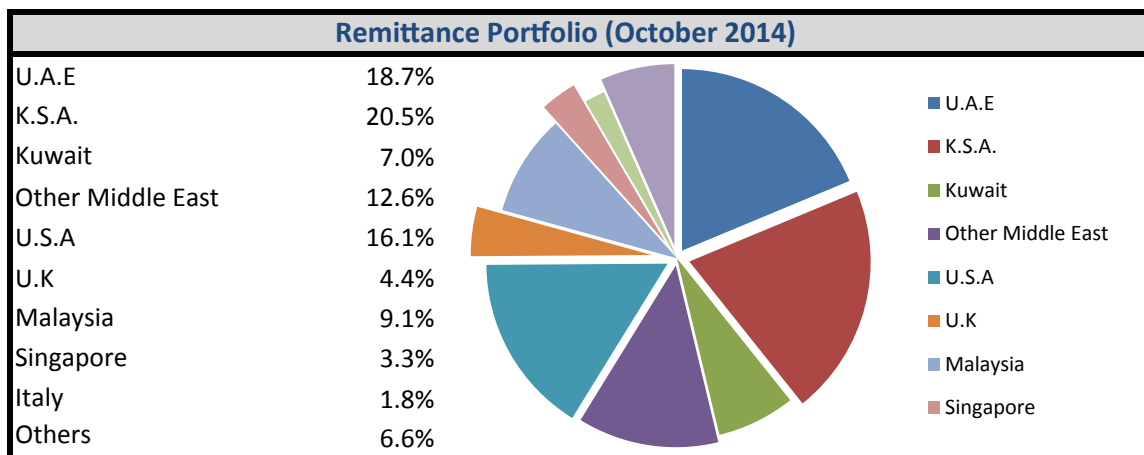


Remittance:

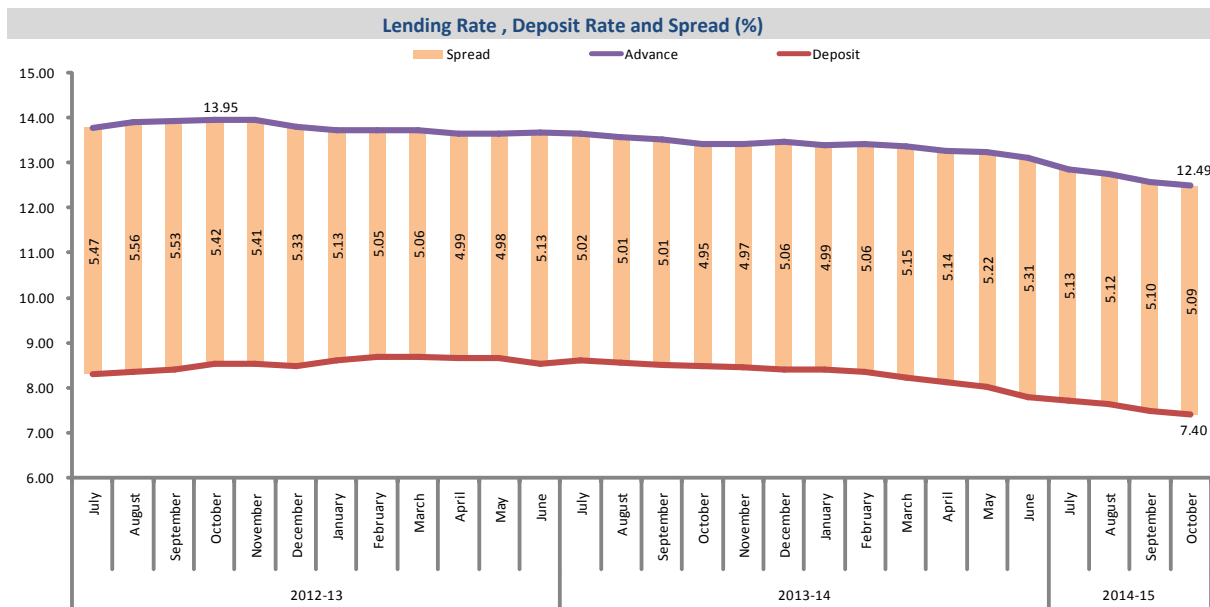
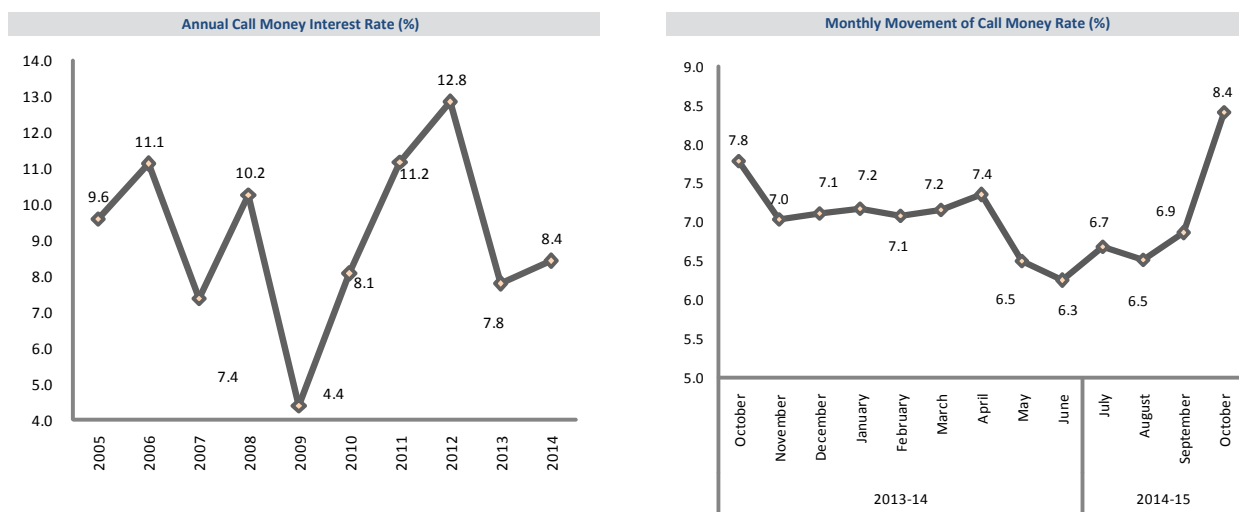


Source: Bangladesh Bank and IL Capital Research

Remittance (Continued):

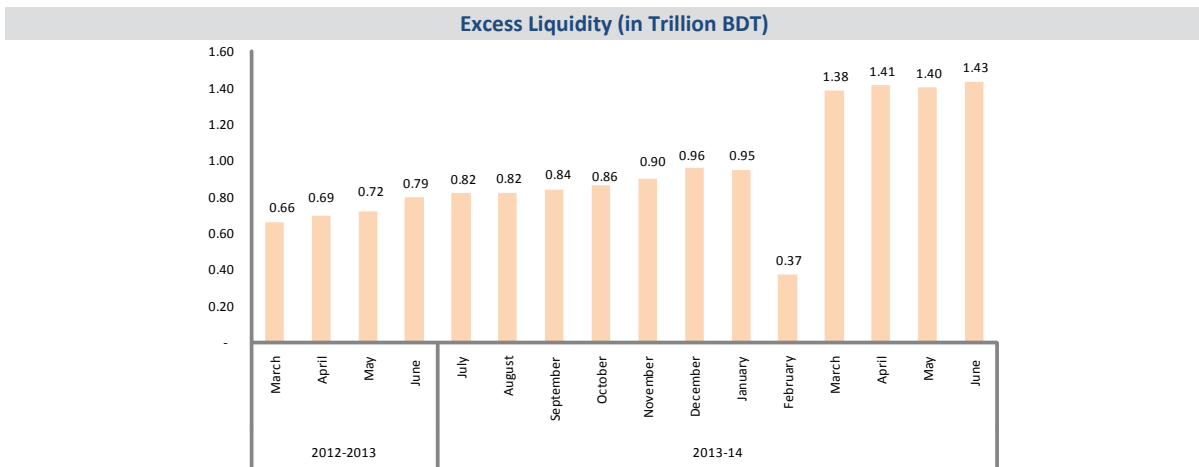
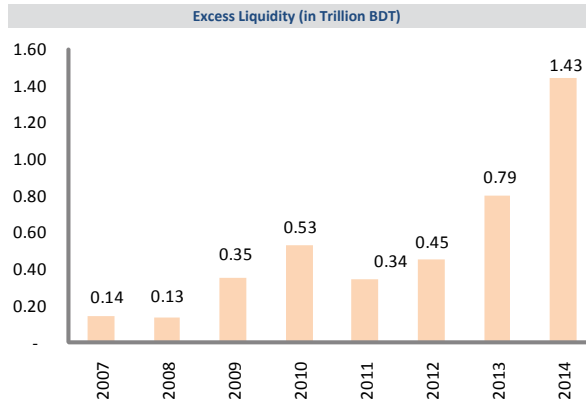


Interest Rate:



Source: Bangladesh Bank and IL Capital Research

Excess Liquidity :



Source: Bangladesh Bank and IL Capital Research



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- Discretionary Investment Management

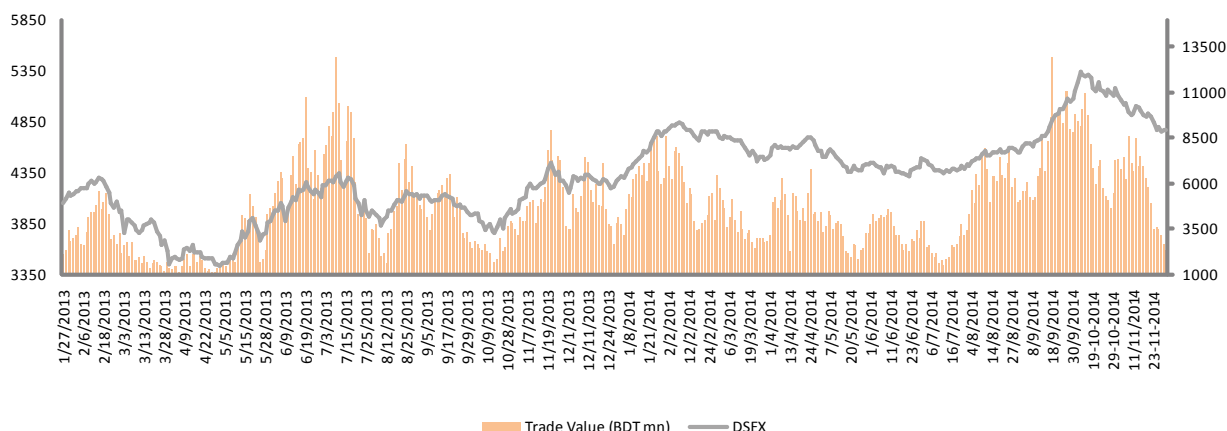
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MARKET UPDATE:

- The benchmark index of Dhaka Stock Exchange (DSEX) gained 11.8% in last eleven months.
- During the month of November 2014, Market (DSEX) closed down by 7.8%, mainly driven by the down-trend in share prices of Cements, Telecommunication, Ceramics, Life Insurance and Fuel & Power.
- The major loser sectors were Cements (-16.3%), Telecommunication (-14.9%), Ceramics (-12.2%) and Life Insurance (-11.7%) in November 2014.
- On the other hand, the major sector that gained during the month of November 2014 was Real Estate & Services (12.1%).
- Among the companies traded in the Dhaka Stock Exchange (DSE), Northern Jute Manufacturing (85.1%), National Polymer (32.7%), GSP Finance Company (26.6%), Gemini Sea Food (25.9%) and Rahima Food (24.7%) were the top gainers in November 2014.
- On the other hand, major loser companies were Tallu Spinning (-47.9%), Fine Foods (-32.7%), Shurwid Industries (-26.5%) and Malek Spinning (-24.2%) in November 2014.
- During the month of November 2014 the average daily turnover of Dhaka Stock Exchange was down by 28.5% to BDT 5.21bn from BDT 7.28bn in October 2014. Average daily turnover of Real Estate & Service sector increased by 41.0% followed by ITs (7.9%) and Foods (3.7%) in November 2014. However, average daily turnover of Life Insurance, general Insurance, NBFIs and Banks sector declined by 66.9%, 60.5%, 60.1% and 52.4% respectively in the same period.
- There are sectors who have outperformed DSEX Year-To-Date namely Cements by 83.4%, Real Estate & Services by 61.7%, Foods by 48.1%, Telecommunication by 39.5% and Pharma & Chemical 29.5% as of November 30, 2014.
- On the other hand, Travel & leisure, Textiles, Mutual Funds, Insurance, and Banks have underperformed DSEX Year-To-Date as of November 30, 2014 by 35.5%, 35.0%, 29.3%, 29.0% and 16.3% respectively.
- Market capitalization of DSE decreased by 7.3% to BDT 3.15 trillion (USD 40.97 billion) as of November 30, 2014 from BDT 3.40 trillion (USD 43.67 billion) in October 2014.

DSEX and Turnover movement in DSE



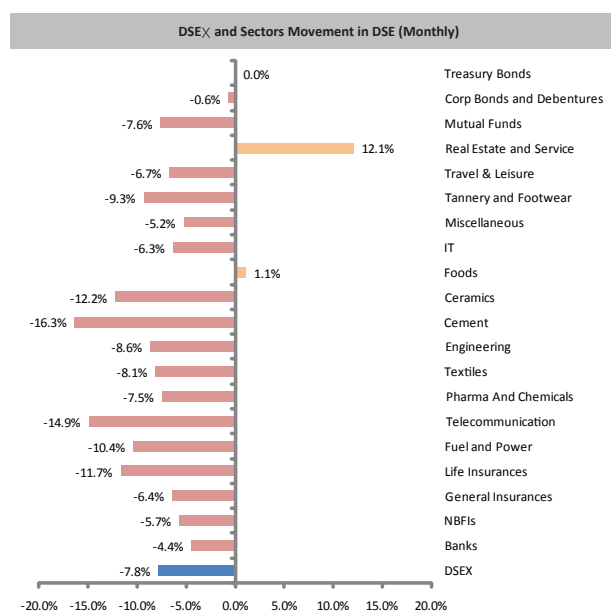
Sources: DSE and IL Capital Research

Market Capitalization of DSE

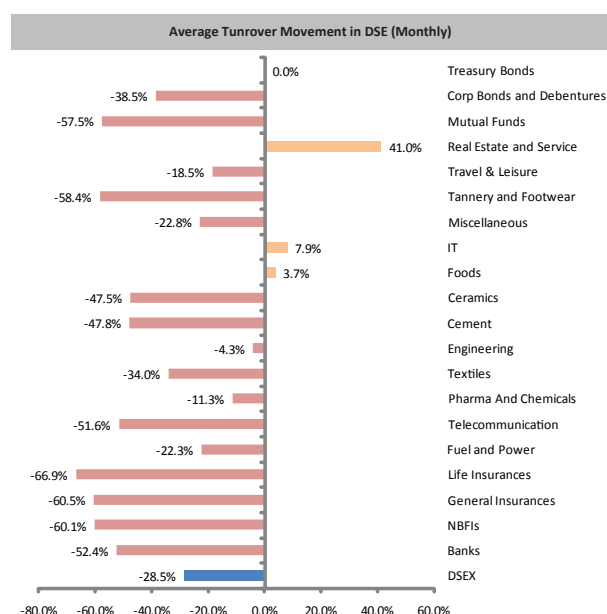
Instruments	30-Nov-14			30-Oct-14			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,564,222.6	32,980.4	81.4%	2,808,341.2	36,120.1	82.7%	-8.7%
Debt Securities	555,020.1	7,138.5	17.6%	555,067.9	7,139.1	16.3%	0.0%
Mutual Fund	29,323.2	377.1	0.9%	31,729.7	408.1	0.9%	-7.6%
Total	3,148,565.9	40,496.0	100.0%	3,395,138.8	43,667.4	100.0%	-7.3%

Note: Exchange Rate USD 1 : BDT 77.75

Source: DSE and IL Capital Research



Note: Sector movement considers changes in Market Capitalization of the sectors



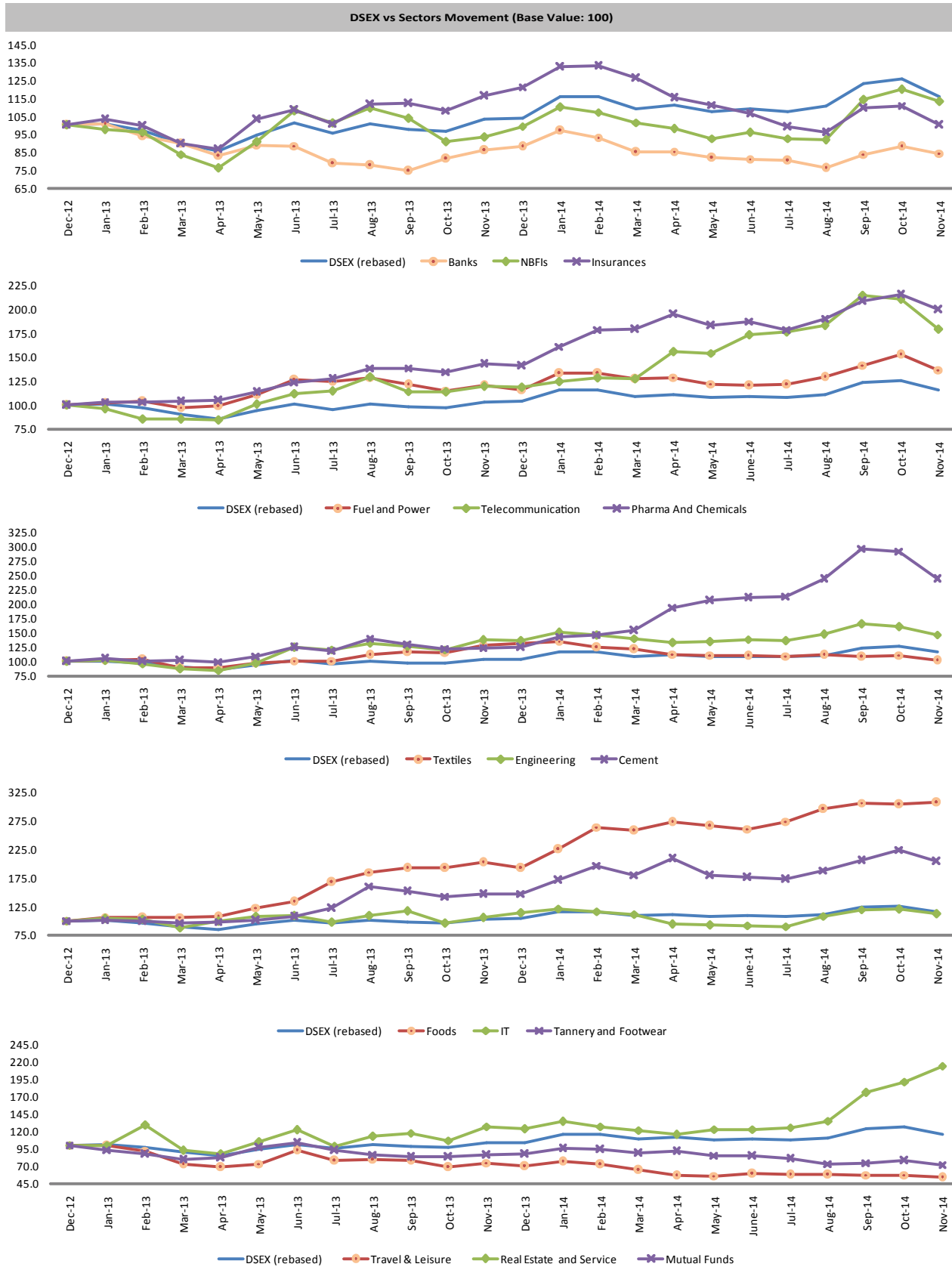
Note: Average Turnover excludes Block and Oddlot Market transaction

Source: DSE and IL Capital Research

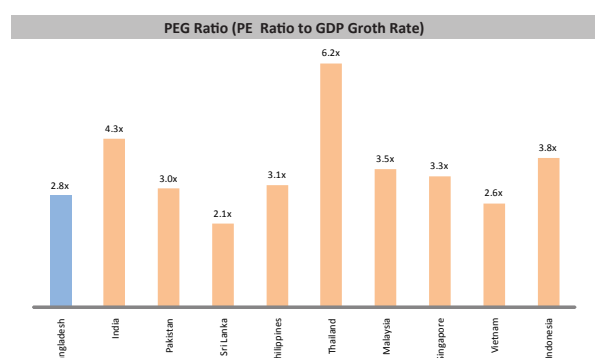
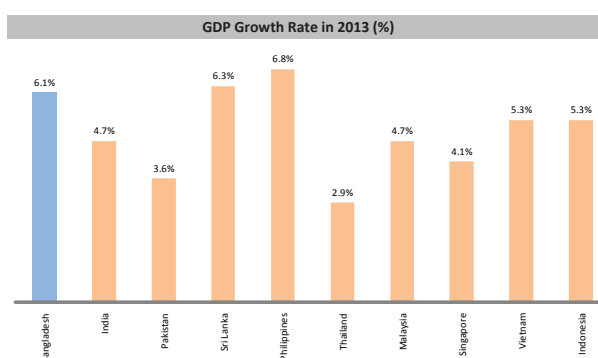
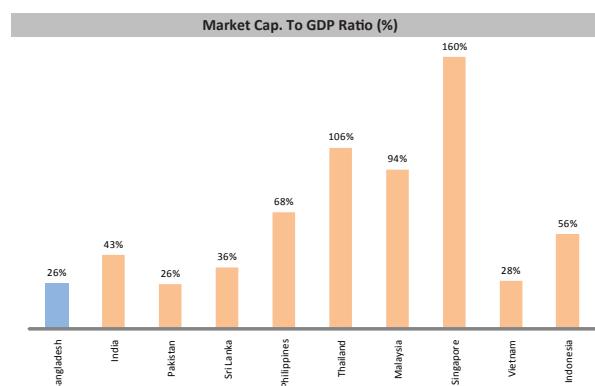
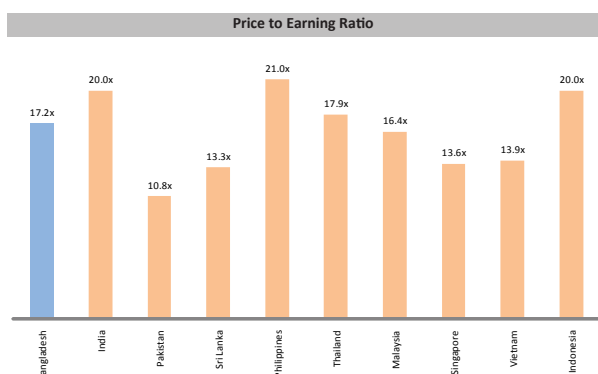
Top Gainers This Month		
1	NORTHERN	85.1%
2	NPOLYMAR	32.7%
3	GSPFINANCE	26.6%
4	GEMINISEA	25.9%
5	PHARMAID	24.7%
6	RNSPIN	19.7%
7	KOHINOOR	19.6%
8	BDTHAI	19.2%
9	SAPORTL	19.0%
10	SONALIANS	18.3%

Top Losers This Month		
1	TALLUSPIN	-47.9%
2	FINEFOODS	-37.7%
3	SHURWID	-26.5%
4	MALEKSPIN	-24.2%
5	DAFODILCOM	-23.5%
6	LRGLOBMF1	-23.3%
7	NLTUBES	-22.4%
8	FARCHEM	-22.3%
9	PRIMETEX	-21.9%
10	POWERGRID	-20.9%

Source: DSE and IL Capital Research



Note: The sector Indices are market capitalization weighted indices. Should you require any further clarification over index calculation methodology, please don't hesitate to contact IL Capital Research Team.



PEG ratio = PE ratio of the major stock exchange of the country /GDP Growth of the country in 2013. We assume that listed companies' aggregate earnings growth is reflected in GDP growth rate of the country.

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

- As on November 30, 2014, Bangladesh (DSE) is trading at P/E 17.2x which is lower than that of Philippine (21.0x) India (20.0x) and Indonesia (20.0x). However, Bangladesh (DSE) is trading higher than that of Singapore (13.6x), Sri Lanka (13.3x) and Malaysia (16.4x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on November 2014 is 2.8x which is lower than that of Singapore (3.3x), Malaysia (3.5x), Indonesia (3.8x) and India (4.3x) which is an indication of cheaper stock prices with respect to growth.

Regional Market Comparables							
Country	Index Symbol	Index Point	52-Week Low	52-Week High	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,769	4.15K	5.37K	17.2x	2.8x	40.5
India	SENSEX	28,754	19.96K	28.82K	20.0x	4.3x	760.3
Pakistan	KSE100	31,197	24.18K	32.23K	10.8x	3.0x	62.1
Sri Lanka	CSEALL	7,183	5.75K	7.56K	13.3x	2.1x	23.4
Philippines	PCOMP	7,325	5.71K	7.41K	21.0x	3.1x	185.5
Thailand	SET	1,589	1.21K	1.60K	17.9x	6.2x	452.1
Malaysia	FBMKLCI	1,781	1.77K	1.90K	16.4x	3.5x	318.0
Singapore	FSSTI	3,333	2.95K	3.39K	13.6x	3.3x	431.8
Vietnam	VNINDEX	571	0.50K	0.65K	13.9x	2.6x	47.4
Indonesia	JCI	5,148	4.11K	5.26K	20.0x	3.8x	483.2

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

We Dig Through The Bottom...



ILSL Research

Dedicated and Qualified Research Team

Uphold Professional and Ethical Manner

Ensure Loyalty and Fair Dealing to Clients

Conduct Investors' Awareness Program on Regular Basis

Exercise Diligence, Independence and Thoroughness in Analysis

BANKING SECTOR OF BANGLADESH

Banking sector, as a major financial intermediary, contributes significantly for the Country's economic development. After liberation period, this sector was consisted of only six nationalized commercial banks, two state owned specialized banks and three foreign banks. In the period of 1980s, a good number of private banks was incorporated and established a strong base of the industry.

Currently, 56 scheduled banks and 4 non-schedule banks are operating in the Country. Scheduled banks are composed of 4 State Owned Commercial Banks (SOCBs), 4 Specialized Banks, 31 Private Commercial Banks (PCBs), 8 Islami Shariah based PCBs and 9 Foreign Commercial Banks (FCBs). According to Bangladesh Bank (BB) data, up to June 2014, there are 8,794 branches through which these banks continue their operations. Among these branches 5,022 are located in rural areas and rest 3,772 are located in urban areas.

No of Banks of Bangladesh

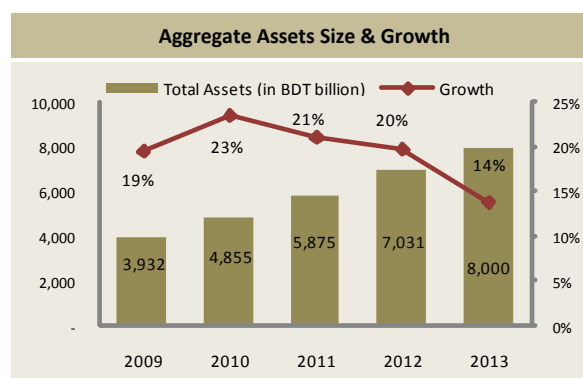
Particulars	2011	2012	2013	2014*
SOBs	4	4	4	4
Specialized Banks	4	4	4	4
Private Commercial Banks	23	23	31	31
Islami Sariah Based PCBs	7	7	8	8
Foreign Commercial Banks	9	9	9	9
Total Banks	47	47	56	56
No. of Branches	7,961	8,322	8,685	8,794

* Up to June 2014; Source: Bangladesh Bank & ILSL Research

Bangladesh Bank (BB), the central bank, is the regulator of the Country's banks and non-bank financial institutions. It was established on 16 December 1971 with a view to perform all the core functions of a typical monetary and financial sector regulator and a number of other non-core functions. BB is conducting its operation through 40 departments and total 10 offices situated at different places of the country.

Over the period, BB has played vital role to evolve the country's banking sector by endorsing rules and regulation as well as enforcing them. Several acts, regulation and guideline are enacted. At present, the Country's banking sector is mainly regulated by Bangladesh Bank Order 1972, Bank Company Act 1991, Bank Company (amendment) Act 2013 etc.

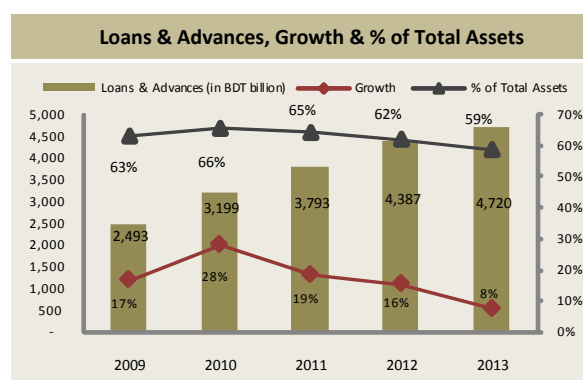
Assets: The asset size of the Country's banking industry has increased over the period. 5 Year CAGR (Compound Annual Growth Rate) of total assets is 19.4%. In December 2013, aggregate asset size of the banking industry was BDT 8,000.2 billion stating 13.8% growth compared to December 2012. However, in 2012 this growth rate was 19.7%. Because of political imbalances, growth rate of 2013 was dampened than that of 2012.



Source: Bangladesh Bank & ILSL Research

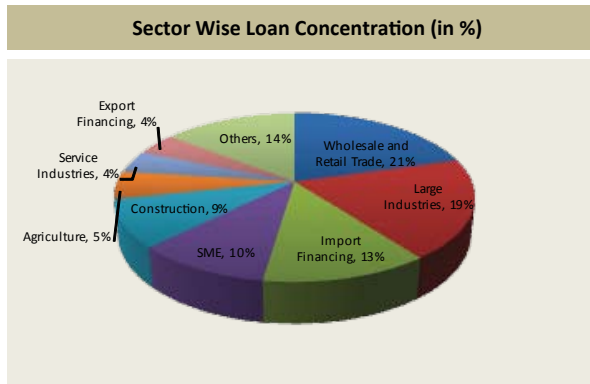
Loans & Advances: A substantial portion of banking sector's assets is consisted of loan & advances. In the last five years, on an average, loans & advances has contributed around 63.0% of total assets. BB data showed that, in December 2013, loan & advances was 59.0% as a percentage of total assets which was 62.4% in 2012. Political instability in the recent past created uncertainty that affected the confidence level of the entrepreneurs. Moreover, the bank's tendency to move to safer liquid asset also accelerated the condition.

According to BB's data, in December 2013 aggregate loans & advances of the sector stood at BDT 4,720.1 billion registering 7.6% growth compared to 19.7% growth in 2012.



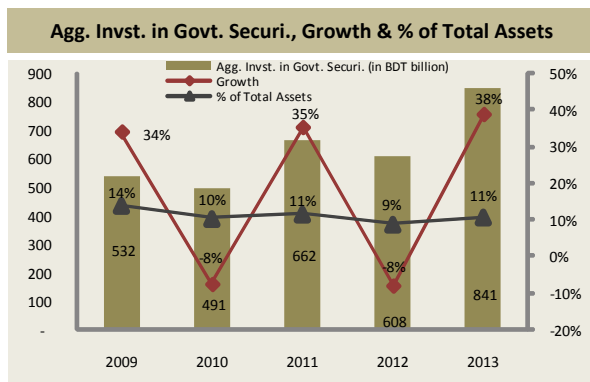
Source: Bangladesh Bank & ILSL Research

In 2013, major portion of total loan portfolio was concentrated on wholesale and retail trade followed by large industries and import financing. As on December 2013, sector wise loan concentration of banking sector was as follows –



Source: Bangladesh Bank & ILSL Research

Investment in Government Securities: Banks invest in government securities as an operational process. In the last five years, on an average, around 11% of banking sector’s total assets was invested in government securities.

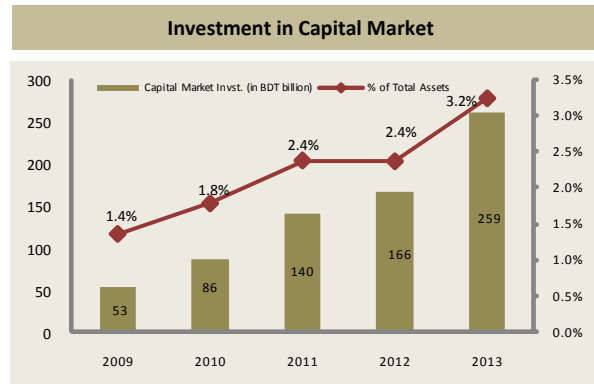


Source: Bangladesh Bank & ILSL Research

On December 2013, banking sector’s aggregate investment in government securities was BDT 841.2 billion achieving 38.5% growth compared to that of last year. It can be noticed that, banks invest more in government securities when other income sources are not that much lucrative.

Capital Market Exposure: As per Bangladesh Bank’s data, scheduled banks had BDT 259.2 billion investment in capital market assets (equities, debentures) as on June 2013 which was BDT 166.1 billion in June 2012 registering 56.0% growth. Moreover, outstanding advances of scheduled banks against shares and securities was BDT 21.0 billion as on June 2013 which was BDT 9.1 billion in June 2012. According to DOS Circular no. 7, dated 25 Feb, 2014, the market value of total investment of a banking

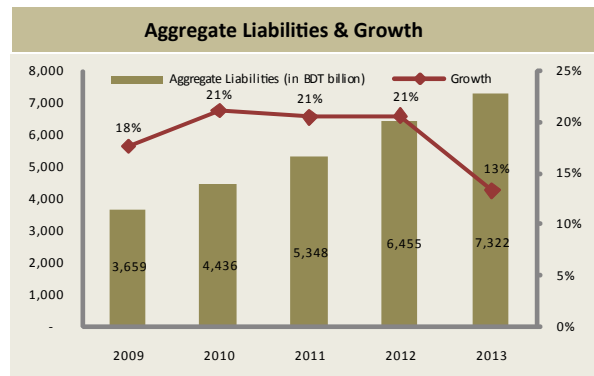
company in capital market on consolidated basis shall not exceed 50% of the sum of its consolidated paid up capital, balance in share premium account, statutory reserve and retained earnings. All the banks are instructed to comply within 21 July, 2016.



Source: Bangladesh Bank & ILSL Research

Capital market assets as a percentage of total assets showed an increasing trend indicating that, overall banking sector has increased their holding in capital market assets over the years. 5 year CAGR of the sector’s investment in capital market was 43.2%.

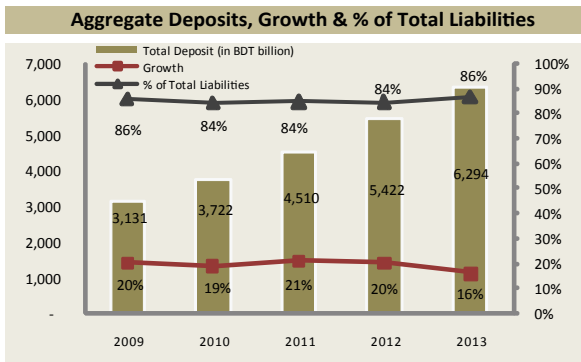
Liabilities: According to BB’s data, on December 2013, the aggregate liabilities of the banking sector was BDT 7,321.9 billion which was BDT 6,454.7 billion resulting a 13.4% growth.



Source: Bangladesh Bank & ILSL Research

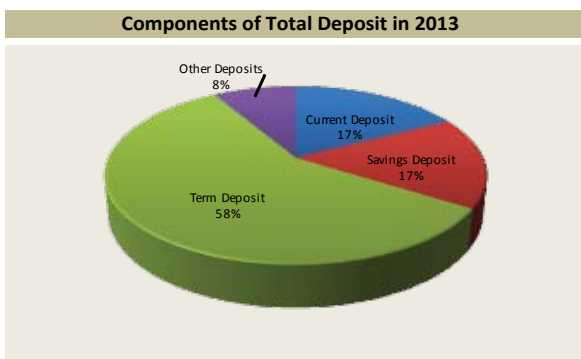
5 year CAGR of the sector’s aggregate liabilities was 18.7%. The sector’s aggregate liability mainly comprised of deposits and borrowings from other sources.

Deposits: The sector’s major financing source is deposit. In the last 5 years, on an average, deposits contributed 84.7% of total liabilities. According to BB’s data, in December 2013, aggregate deposit amount was BDT 6,294.3 billion, around 86% of total liabilities, which was BDT 5,422.2 billion in December 2012 stating 16.1% growth.



Source: Bangladesh Bank & ILSL Research

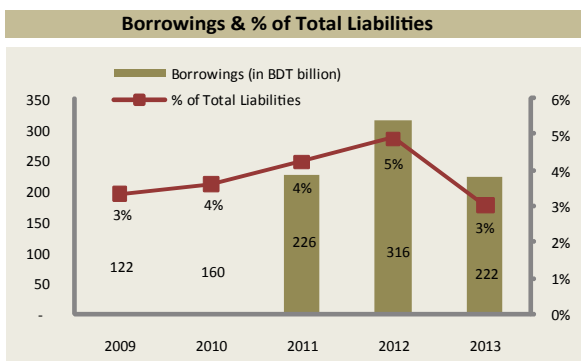
In December 2013 components of total deposit were as follows –



Source: Bangladesh Bank & ILSL Research

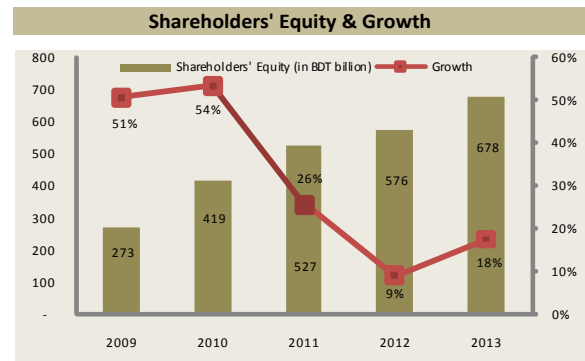
Generally term deposit is the major contributor of total deposits. In December 2013, the aggregate amount of term deposit was BDT 3,622.3 billion which was BDT 2985.6 billion in December 2012 reporting 21.3% growth.

Borrowings from Other Banks and FIs: Another financing source for banking industry is borrowing from other banks and financial institutions. This source of financing is logically costlier than deposit. However, it contributes nominal portion, usually 3% to 4% of total liabilities. On December 2013, aggregate borrowing from other banks and FIs was BDT 221.6 billion which was BDT 316.0 billion on December 2012.



Source: Bangladesh Bank & ILSL Research

Shareholders' Equity: As on December 2013 aggregate shareholders' equity of the banking sector was BDT 678.2 billion which was BDT 575.9 billion in December 2012 resulting 17.8% growth. 5 year CAGR of shareholders' equity is 30.3%.



Source: Bangladesh Bank & ILSL Research

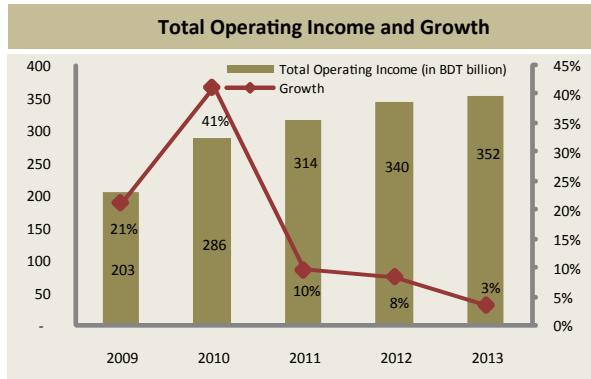
With a view to strengthening the capital base of banks, Basel-II Accord has been introduced. Full implementation of Basel-II was started in January 01, 2010. Now, scheduled banks in Bangladesh are required to maintain BDT 4 billion or 10% of Total Risk Weighted Assets as capital, whichever is higher. However, as per BRPD circular no 07, dated 31 March 2014, BB has finalized a roadmap for Basel-III implementation.

According to that plan, implementation process of Basel-III has started from July 2014 and on January 2019 full implementation of Basel III is expected. Basel III establishes more stringent capital requirements. Under the Basel-III, banks have to maintain 4.5% of Common Equity which was 2% in Basel-II and 6% of Tier I capital which was 4% in Basel-II. Moreover, two additional "capital buffers"—a "mandatory capital conservation buffer" of 2.5% and a "discretionary counter-cyclical buffer" up to an additional 2.5% of capital are introduced.

Income Sources: Operating income of the banking sector is mainly generated from net interest income and non-interest income i.e., investment income, commission & brokerage and others. As on December 2013 aggregate operating income of the sector has increased by 3.5% to BDT 352.1 billion compared to aggregate operating income of BDT 340.2 billion in December 2012.

Components of Income Source				
	2010	2011	2011	2013
Total Operating Income	286.4	313.8	340.2	352.1
% of Total Operating Income				
Net Interest Income	42%	46%	45%	38%
Non-Interest Income	58%	54%	55%	62%

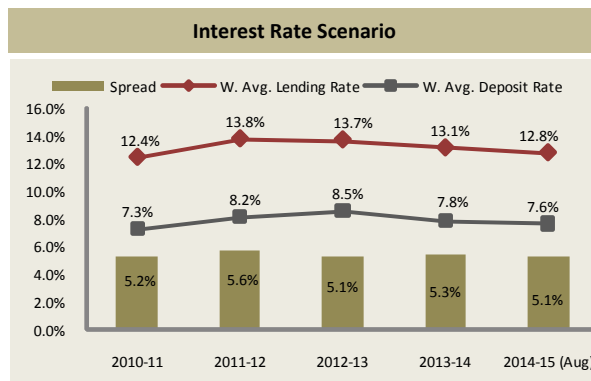
Source: Bangladesh Bank & ILSL Research



Source: Bangladesh Bank & ILSL Research

In the last three years banking sector suffered badly from political turmoil which ultimately slowed down economic activities of the Country. As a result, operating income growth of the banking sector suffered.

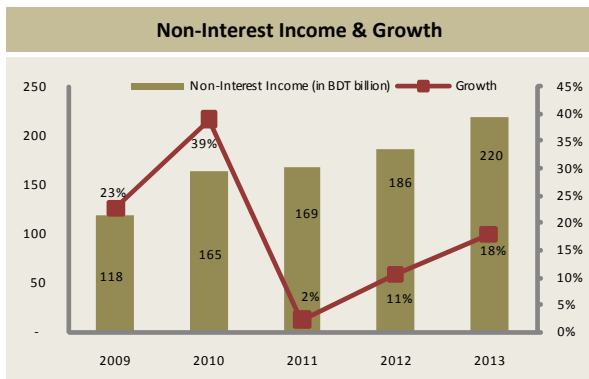
Net Interest Income: The principal income source of banks is the difference between interest income earned from interest-bearing assets and interest paid out for servicing liabilities. As a regulatory body Bangladesh Bank informally tries to maintain 5% interest rate spread. In recent years excess liquidity in banking sector squeezed the deposit rate and eventually the lending rate. On December 2013, net interest income of the sector was BDT 132.3 billion which was BDT 153.8 billion in December 2012.



Source: Bangladesh Bank & ILSL Research

Bangladesh Bank has formulated a flexible interest rate policy. According to that, banks are free to charge their deposit and lending rates other than Export Credit. At present, except Pre-shipment export credit and agricultural lending, there is no interest rate cap on lending for banks. Yet, banks can differentiate interest rate up to 3% considering comparative risk elements involved among borrowers in same lending category.

Non-Interest Income: Non-interest Income is another source of operating income of banks. Non-interest income consists of investment income, brokerage commission and others. These incomes are mainly generated from bank's own investment in capital market, income from subsidiary merchant bank and brokerage house, commission from remittance & trade financing etc.



Source: Bangladesh Bank & ILSL Research

In the year 2011, non-interest income of banks suffered seriously due to capital market debacle. As on December 2013, aggregate non-interest income was BDT 219.8 billion registering 17.9% growth compared to that of December 2012.

Profitability: ROA & ROE

ROA (Return on Asset) and ROE (Return on Equity) measures the profitability of banks relative to the asset and equity.

Operating profit of the industry decreased by 5.68% to BDT 186.1 billion in 2013 from that of BDT 197.3 billion in 2012. But, net profit of the sector increased by 62.45% to BDT 72.55 billion in 2013 from BDT 44.66 billion in the last year. This is because of extensive loan rescheduling and drops in required provision in 2013. Thus, return on assets (ROA) and return on equity (ROE) of the industry increased to 0.9% and 10.7% respectively in 2013 than the last year.

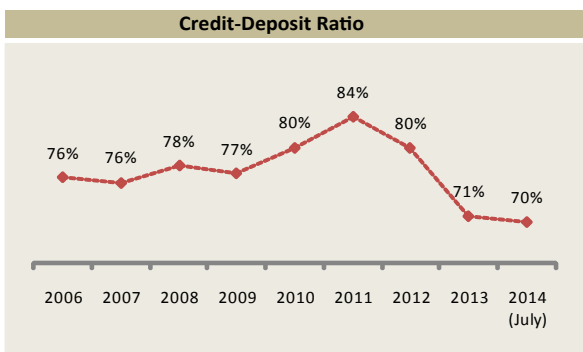
Banking Sector ROA & ROE					
	2009	2010	2011	2012	2013
ROA	1.40%	1.70%	1.30%	0.60%	0.90%
ROE	19.90%	19.90%	14.30%	7.80%	10.70%

Source: Bangladesh Bank & ILSL Research

Particularly, in 2012, banking sector ROA and ROE dropped significantly from 2011 due to introduction of a stricter loan classification regulation.

Credit to Deposit Ratio

The Credit – Deposit Ratio, is one of the key indicators for the banks, has been swelling around 70% since December 2013 due to gloomy business environment amid the volatile political disorder. The BB data showed that the ratio declined in almost every month since the second half of the financial year 2013-14. According to the latest BB data, the ADR of the industry stood at 70.42% as of July 2014 whereas it was 70.84% as on January 2014. According to BB data, the ADR in 19 out of 56 banks declined below 70% as of July 24, 2014.



Source: Bangladesh Bank & ILSL Research

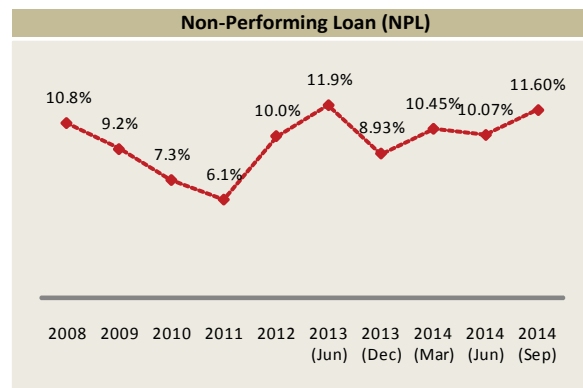
As per BB rules, the conventional commercial banks are not allowed to invest more than 85% of their deposits while Islamic banks and Islamic wings of the conventional commercial banks can invest up to 90% their deposits.

Asset Quality: NPL

The ratio of gross Non-Performing Loans (NPL) to total loans is one of the most important indicators to identify the problems with asset quality in the loan portfolio.

As of June 2013, SCBs had the highest NPL ratio of 26.4% whereas it was 4.7 % for the FCBs and 6.6% for the PCBs. The ratio of NPL to total loans of the sector decreased to 8.93% in December 2013 from 10.0% in December 2012. As on September 2014, NPL climbed to 11.6%. In 2013, Bangladesh Bank relaxed Rules for

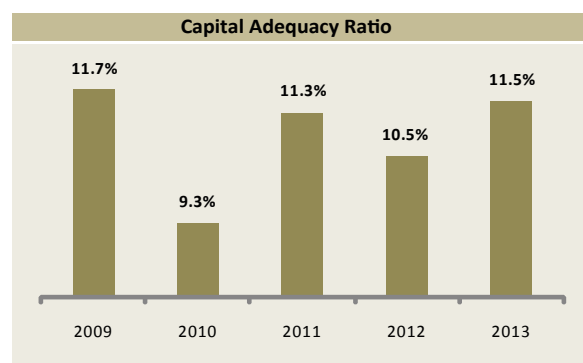
loan rescheduling. The ratio increased after December 2013 because of the misused relaxed rules of BB. According to BB report, six state banks -- Sonali, Janata, Agrani, Rupali, BASIC and Bangladesh Development Bank -- accounted for 48% of the default loans in the banking sector. As of June 2013, total amount of write off loans increased by 53.61% to BDT 253.3 billion which was BDT 164.9 billion in June 2012.



Source: Bangladesh Bank & ILSL Research

Capital Adequacy

Capital Adequacy Ratio (CAR) measures the capital as a percentage of the risk weighted credit exposures. In line with the international standards Basel II, banks have to maintain a CAR of 10% against their risk-weighted assets. (Basel II was intended to create an international standard for banking regulators to control how much capital banks need to put aside to guard against financial and operational risks.)



Source: Bangladesh Bank & ILSL Research

Capital adequacy ratio of the banking industry improved moderately in 2013 to 11.5% than 10.5% in the previous year. This was due to a relaxation in the provision requirements of banks.

Liquidity: CRR & SLR

In a circular (MPD circular No. 01) published in June 23, 2014, the Bangladesh Bank has raised the CRR (Cash Reserve Ratio) of the scheduled commercial banks. Daily average reserve requirement for banks has been raised to 6% of average total time and demand liabilities from 5.5% and on fortnightly basis to 6.5% from 6%.

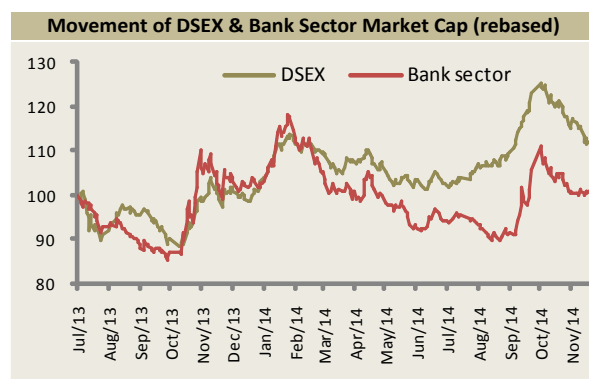
In another circular, BB asked conventional banks to maintain the SLR (Statutory Liquidity Reserve) at 13.0% of average total time and demand liabilities apart from the CRR (which was 19% including the CRR).

The Shariah-based Islamic banks have to maintain the SLR of 5.50% as they cannot purchase any bonds and government-approved securities that involve receipt of interest. However, the Islamic banks and financial institutions may now meet their SLR through Islamic bonds as per the Islamic Bond Regulation 2004.

Banking Sector in the Capital Market

The banking sector represents 14.9% of total market capitalization in Dhaka Stock Exchange (DSE). 30 banks are currently listed to the country's prime bourse.

Banking Sector in DSE (As on 30 November 2014)	
Market Capitalization of Sector (BDT bn)	411.2
Market weight of Sector (based on Market Cap)	16.0%
3-month Average Turnover (BDT mn)	568.0
3-month Return	11.2%
Bank Sector Trailing P/E	8.1
Bank Sector Forward P/E	10.4
Bank Sector P/B	0.9
Bank Sector ROE	8.3%
No of Listed Stocks	30



Source: Bangladesh Bank & ILSL Research

Banks Listed in DSE				
	Asset*	Equity*	Asset Growth*	NPL**
	(BDT mn)	(BDT mn)		(%)
ISLAMIBANK	633,231	43,923	15%	3.70%
RUPALIBANK	266,394	12,645	23%	17.60%
NBL	264,689	25,559	13%	3.20%
PRIMEBANK	258,626	23,726	5%	4.90%
UCBL	252,444	21,035	12%	4.00%
PUBALIBANK	243,555	20,668	6%	5.90%
ABBANK	242,814	18,891	16%	3.40%
SOUTHEASTB	234,152	22,932	6%	3.90%
EXIMBANK	211,296	21,514	8%	3.70%
ALARABANK	210,412	17,275	22%	2.80%
DUTCHBANGL	206,676	13,701	11%	3.90%
FIRSTSBANK	195,083	6,851	20%	2.20%
BRACBANK	192,210	20,492	4%	7.40%
BANKASIA	180,652	15,693	9%	5.60%
CITYBANK	167,485	20,767	14%	8.10%
MERCANBANK	167,434	13,255	15%	4.80%
EBL	163,065	19,464	3%	3.60%
DHAKABANK	157,986	11,532	9%	4.20%
TRUSTBANK	150,085	8,106	27%	3.10%
SIBL	146,189	10,977	16%	5.40%
IFIC	145,117	10,336	9%	3.80%
NCCBANK	143,557	13,448	15%	5.60%
JAMUNABANK	139,174	9,909	20%	7.60%
UTTARABANK	135,789	11,836	3%	8.00%
SHAHJABANK	128,751	11,232	4%	6.50%
MTB	127,903	6,367	26%	3.60%
STANDBANKL	121,001	9,332	11%	3.50%
ONEBANKLTD	113,688	8,632	11%	4.90%
PREMIERBAN	106,760	8,192	19%	5.70%
ICBIBANK	14,621	-9,695	2%	73.30%

Source: *Q3, 2014 report **2013 Annual Report of respective companies, ILSL Research

Banking industry is one of the major sectors that contribute considerably in the socio-economic development of the country. Due to low credit demand of the private sector and massive loan scam, the banking sector of the country is facing difficulty in achieving growth in recent time. However, all these hindrances are expected to wipe out, once the country's economy starts picking up.

In this issue, we covered four particular stocks of the Bank sector. These are: BRAC Bank Limited (DSE: BRACBANK), The City Bank Limited (DSE: CITYBANK), Southeast Bank Limited (DSE: SOUTHEASTB), Trust Bank Limited (DSE: TRUSTBANK) and United Commercial Bank Limited (DSE: UCBL).

BRAC BANK LIMITED

Company Overview

BRAC Bank Limited, a third generation scheduled commercial bank, commenced its operation on June 2001. At present, the bank is operating with 88 branches, 69 SME service centers, 157 zonal offices and 421 unit offices of SME. The bank has subsidiary companies of BRAC EPL Investments Ltd. (76% owned), BRAC EPL Stock Brokerage Ltd. (90%), b-Kash Ltd. (51%), BRAC SAAJAN Exchange Ltd. (87.5%) and an associate of BRAC Asset Management Company (25%). In 2013, the Bank has launched its fifth subsidiary – BRAC IT Services Limited (biTS).

Over last 5 years, Loan portfolio and Deposit account of the bank both grew at a CAGR (Compound Annual Growth Rate) of 18% and 17% respectively whereas Equity attained 19%. As of September 2014, Credit-Deposit Ratio of the bank stood at 91.5% and leverage ratio (asset/equity) stood at 9.8x. As of September 2014, 57% of total operating income came from interest income, 21% from L/C commission, foreign exchange earnings & brokerage and 14% from Investment. Income from investment mainly came from government securities.

As on December 2013, the company's capital market exposure (i.e., Investment in shares, corporate bonds, mutual fund units, and margin loan to portfolio investors by the subsidiaries of the bank) was around BDT 5,516 million or 45% of its prescribed consolidated capital components i.e. paid up capital, share premium, statutory reserve and retained earnings.

The Company was enlisted with the DSE and the CSE in 2007. Around 50% of shares of the company are held by Sponsors whereas 45.59% and 4.41% are held by General and Institutional Investors respectively.

Investment Insight

- The bank focuses on pursuing Small & Medium Enterprises (SME). Around 51% of Loans of the bank is concentrated to this segment. It is the market leader within this arena in Bangladesh - captured 6% market share and served 434,050 borrowers, amounting BDT 258,310 million.
- Over the period, the bank maintained a strong capital base. Its capital adequacy ratio (CAR) is higher (12.1% in December, 2013) than the regulatory requirement of 10%. In May 2014, the Bank has raised its capital through issuance of rights share at a ratio of 1R:2 @ BDT 20 (including a premium of BDT 10). This will strengthen the capital base of Bank.
- For SME lending, BRAC Bank is enjoying BB's "refinancing scheme" for years. Moreover, it keeps general provision against loan and lease for SMEs at only 0.25% since May 2013, which is 1.0% for lending in other sectors. That means the bank is able to keep more funds for business.
- The revenue of bKash, a subsidiary of the bank, has increased pointedly by 731% to stand at BDT 3,171.65 million in 2013 than the previous year. But it is incurring loss since inception due to increase in operating and administrative expenses.
- As of December 2013, NPL (classified loan to total loan) of the bank increased to 7.4%, which was 7.3% in last year.
- The bank has written-off around BDT 1,000 million of its lending portfolios each year over the last 5 years. In 2013, the Bank has written off BDT 2,695 million.

DSE:BRACBANK
BLOOMBERG: BRAC:BD

Company Fundamentals as of November 30, 2014

Market Cap (BDT mn)	26,626.9
Market weight (Based on Mkt Cap)	1.0%
No. of Share Outstanding (in mn)	709.3
Free-float Shares (Public +Inst.+Foreign)	50.0%
Paid-up Capital (BDT mn)	7093.0
3-month Daily Average Turnover (BDT mn)	69.7
3-month Return	36.3%
Current Price (BDT)	36.4
52-week price range (BDT)	21.4 – 38.6
Sector's Forward P/E	10.4

	2011	2012	2013	2014 (9M Annu.)
Financial Information (BDT mn):				
Operating Income	10,796	11,757	14,407	16,069
Operating Profit	5,199	5,406	6,141	7,274
Profit Before Tax	3,214	2,176	3,208	4,705
Profit After Tax	1,812	700	1,339	2,394
Shareholder's Equity	10,160	11,025	13,024	19,559
Deposit	103,649	134,245	126,679	126,568
Loans and Advances	97,478	114,086	119,515	115,835
Investment	14,675	25,463	21,484	25,978
Total Asset	140,922	180,396	185,576	192,210
Div. % (C/B)	-/20	-/15	10/10	-/
Margin:				
Operating Profit	48.2%	46.0%	42.6%	45.3%
Pretax Profit	29.8%	18.5%	22.3%	29.3%
Net Profit	48.2%	46.0%	42.6%	45.3%
Growth:				
Loans & Advances	12.6%	17.0%	4.8%	-3.1%
Deposits	17.6%	29.5%	-5.6%	-0.1%
Equity	3.1%	8.5%	18.1%	50.2%
Operating Income	3.8%	8.9%	22.5%	11.5%
Operating Profit	-5.8%	4.0%	13.6%	18.4%
Net Profit	-12.6%	-61.4%	91.4%	78.7%
Financial Indicators:				
Credit/Deposit	94.0%	85.0%	94.3%	91.5%
Asset/Equity	13.9	16.4	14.2	9.8
Capital Adequacy Ratio	11.6%	11.4%	12.1%	--
NPL	5.8%	7.4%	7.4%	--
Cost to Income	51.8%	54.0%	57.4%	54.7%
Profitability:				
ROA	32.1%	20.5%	26.7%	28.9%
ROE	1.4%	0.4%	1.4%	2.5%
Valuation:				
Price/Earnings	9.9	22.9	11.2	10.8
Price/BV	2.4	2.2	1.9	1.2
EPS (BDT)	4.6	1.5	2.9	3.4
DPS (BDT)	--	--	1	--
NAVPS (BDT)	21.8	21.7	26.7	27.6

Last 5 Year's Price Movement (BDT)



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research, BRAC bank website.

THE CITY BANK LIMITED

Company Overview

The City Bank Limited, one of the first generation scheduled commercial banks, started its operation on March 1983. At present, the bank is operating with 94 online branches, 1 SME service center, 11 SME/Agri branches and 1 Islamic Banking branch. The bank has subsidiary companies of City Brokerage Limited, City Bank Capital Services Limited and CBL Money transfer Sdn. Bhd.

As of September 2014, the Bank's Loan portfolio was BDT 108,305 million and deposit was 113,958 million. 5 year CAGR of loans and advances is 21% and for deposit it is 19%. As of September 2014, Credit-Deposit Ratio of the bank stood at 95.0% and leverage ratio (asset/equity) stood at 8.1x. During the same period, 46% of total operating income came from net interest income, 28% from investment income, 17% from commission and & brokerage income and 9% from other operating income.

As on December 2013, the company's capital market exposure (i.e., Investment in shares, corporate bonds, mutual fund units, and margin loan to portfolio investors by the subsidiaries of the bank) was around BDT 8,447 million or 66.9% of its prescribed consolidated capital components i.e. paid up capital, share premium, statutory reserve and retained earnings.

The Company was enlisted with the DSE and the CSE on February 1987 and December 1995 respectively. Around 31.22% of shares of the company are held by Sponsors whereas 58.89% and 9.89% are held by General and Institutional Investors respectively.

Investment Insight

- As of September 2014, within 9 months the loan portfolio of the Bank grew by 19% compared to December 2013 and stood at BDT 108,305 million.
- Its capital adequacy ratio (CAR) on core capital is 8.8% where the regulatory requirement is 5% and on total capital it is 11.4% against minimum requirement of 10.0%. Moreover, the bank has got permission from BSEC to raise capital of BDT 3,000 million through issuance of Non-Convertible Coupon Bearing Subordinated Bond. This will further strengthen the capital base of the Bank.
- Up to November 2014, the Bank has offloaded around 6.5 million shares of IDLC Finance Ltd out of its sponsor holding of 57.04 million shares. The profit, booked from the sale, is accounted as investment income. In addition this, the offloading reduced the bank's capital market exposure.
- In 2013, the Bank launched Citytouch Internet Banking, Citygem Priority Banking, Remittance Company in Malaysia, lounge at domestic airport and Amex Platinum Card. These new products of the Bank may contribute more to the profit segment in the coming days.
- As of September 2014, 65% of its total deposits are sourced from costly fixed deposits.
- As of September 2014, the high cost borrowings of the Bank from other banks and financial institutions increased by 115.29% and stood at BDT 17,576 million from December 2013. However this is insignificant as it accounts for only 10.5% of its total liability.
- As of December 2013, NPL of the bank has increased to 8.1%, which was 7.5% in the last year.

DSE: CITYBANK

BLOOMBERG: CITYBA:BD

Company Fundamentals as of November 30, 2014

Market Cap (BDT mn)	17,182.3
Market weight (Based on Mkt Cap)	0.7%
No. of Share Outstanding (in mn)	834.1
Free-float Shares (Public +Inst.+Foreign)	68.8%
Paid-up Capital (BDT mn)	8341
3-month Daily Average Turnover (BDT mn)	62.6
3-month Return	32.1%
Current Price (BDT)	20.6
52-week price range (BDT)	15 – 24
Sector's Forward P/E	10.4

	2011	2012	2013	2014 (9M Annu.)
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Financial Information (BDT mn):

Operating Income	7,945	8,718	8,853	10,882
Operating Profit	4,271	4,620	3,955	5,075
Profit Before Tax	3,543	1,816	1,417	3,561
Profit After Tax	2,056	794	490	2,087
Shareholder's Equity	17,915	18,052	18,188	20,762
Deposit	83,635	93,850	107,056	113,959
Loans and Advances	76,965	82,935	90,868	108,305
Investment	16,263	21,428	27,650	28,052
Total Asset	116,123	130,314	147,560	167,485
Div. % (C/B)	-/25	-/10	-/20	-/

Margin:

Operating Profit	53.8%	53.0%	44.7%	46.6%
Pretax Profit	44.6%	20.8%	16.0%	32.7%
Net Profit	25.9%	9.1%	5.5%	19.2%

Growth:

Loans & Advances	27.1%	7.8%	9.6%	19.2%
Deposits	25.1%	12.2%	14.1%	6.4%
Equity	55.2%	0.8%	0.8%	14.2%
Operating Income	7.9%	9.7%	1.6%	22.9%
Operating Profit	3.4%	8.2%	-14.4%	28.3%
Net Profit	9.9%	-61.4%	-38.3%	325.6%

Financial Indicators:

Credit/Deposit	92.0%	88.4%	84.9%	95.0%
Asset/Equity	6.5	7.2	8.1	8.1
Capital Adequacy Ratio	12.8%	11.7%	11.6%	--
NPL	3.4%	7.5%	8.1%	--
Cost to Income	46.2%	47.0%	55.3%	53.4%

Profitability:

ROA	14.0%	4.4%	2.7%	20.1%
ROE	2.0%	0.6%	0.4%	2.5%

Valuation:

Price/Earnings	16.2	23.5	34.2	9.9
Price/BV	1	1	1	0.8
EPS (BDT)	3.2	1.1	0.6	2.5
DPS (BDT)	--	--	--	--
NAVPS (BDT)	28.4	25.9	21.8	24.9

Last 5 Year's Price Movement (BDT)



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research, City bank website.

SOUTHEAST BANK LIMITED

Company Overview

Southeast Bank Limited, a second generation scheduled commercial bank, commenced its operation on March 1995. At present, the bank is operating with 103 branches out of which 55 branches are urban, 33 branches are rural and 15 branches are SME/krishi and 2 Off-shore units. The bank has subsidiary companies of Southeast Bank Capital Services Ltd. (98.99% owned), Southeast Financial Services (UK) Ltd. (100%), Southeast Financial Services (Australia) Pty Ltd. (100%), Southeast Exchange Company (South Africa) Pty Ltd. (100%). The Bank has a Foundation named Southeast Bank Foundation to carry on charitable activities in an organized and sustainable manner.

As of September 2014, the Bank's Loan portfolio was BDT 142,703 million and Deposit was BDT 192,300 million. 5 year CAGR (Compound Annual Growth Rate) of loan portfolio and deposit was 17% and 21% respectively. As of September 2014, Credit-Deposit Ratio of the bank stood at 74.2% and leverage ratio (asset/equity) is 10.2x. As of September 2014, 47.4% of total operating income came from investment income, 24.1% from net interest income and 23.6% from commission and & brokerage income. As the Bank is PD (Primary Dealer) Bank income from investment mainly came from government securities.

As on December 2013, the company's capital market exposure was around BDT 8,960 million or 51.6% of its prescribed consolidated capital components i.e. paid up capital, share premium, statutory reserve and retained earnings.

The Company was enlisted with the DSE and the CSE on April 2000. Around 31.54% of shares of the company are held by Sponsors whereas 40.27% and 23.61% are held by General and Institutional Investors respectively and Govt. and Foreign Investors held about 2.65% and 1.93% respectively.

Investment Insight

- BSEC has given consent to Southeast Bank Limited to raise capital amounting to BDT 300.00 crore only through issuance of 7-year Floating Rate Non-Convertible Subordinated Bond through private placement. It will increase the Tier-II Capital of the Bank. Its capital adequacy ratio (CAR) on core capital is higher (8.8%) than the regulatory requirement of 5% and on total capital it is 10.9% against minimum requirement of 10.0%.
- As of December 2013, NPL (classified loan to total loan) of the bank has decreased to 3.94%, which was 4.47% in last year where the industry average was 8.93%.
- As of September 2014, 80% of its total deposits and other accounts comprises of fixed deposits that increased the cost of funds for the Bank.
- Annualized net profit after tax for the year 2014 has decreased by 14% than the previous year because of increased provisions for loans and advances. However, quarter to quarter (nine month) operating income, operating profit and net profit has increased by 19.6%, 21.4% and 53.46% respectively than the previous year.

DSE: SOUTHEASTB
BLOOMBERG: SEB:BD

Company Fundamentals as of November 30, 2014

Market Cap (BDT mn)	17,697.2
Market weight (Based on Mkt Cap)	0.7%
No. of Share Outstanding (in mn)	916.9
Free-float Shares (Public +Inst.+Foreign)	68.5%
Paid-up Capital (BDT mn)	9,170.0
3-month Daily Average Turnover (BDT mn)	42.7
3-month Return	9.7%
Current Price (BDT)	19.3
52-week price range (BDT)	16.2 – 24.0
Sector's Forward P/E	10.4

	2011	2012	2013	2014 (9M Annu.)
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Financial Information (BDT mn):

Operating Income	8,168	7,832	9,685	11,109
Operating Profit	6,086	5,495	6,700	8,033
Profit Before Tax	4,337	3,604	6,079	5,969
Profit After Tax	1,912	1,649	3,379	2,902
Shareholder's Equity	19,376	19,784	21,929	22,932
Deposit	127,178	152,901	177,519	192,300
Loans and Advances	107,289	126,969	134,864	142,704
Investment	29,847	39,011	57,589	60,694
Total Asset	158,079	191,276	220,931	234,152
Div. % (C/B)	15/05	15/-	16/05	-/-

Margin:

Operating Profit	74.5%	70.2%	69.2%	72.3%
Pretax Profit	53.1%	46.0%	62.8%	53.7%
Net Profit	23.4%	21.1%	34.9%	26.1%

Growth:

Loans & Advances	14.2%	18.3%	6.2%	5.8%
Deposits	18.6%	20.2%	16.1%	8.3%
Equity	13.0%	2.1%	10.8%	4.6%
Operating Income	-4.0%	-4.1%	23.7%	14.7%
Operating Profit	-10.1%	-9.7%	21.9%	19.9%
Net Profit	-30.8%	-13.8%	104.9%	-14.1%

Financial Indicators:

Credit/Deposit	84.4%	83.0%	76.0%	74.2%
Asset/Equity	8.2	9.7	10.1	10.2
Capital Adequacy Ratio	11.5%	10.8%	10.9%	--
NPL	3.5%	4.5%	3.9%	--
Cost to Income	25.5%	29.8%	30.8%	27.7%

Profitability:

ROA	10.5%	8.4%	16.2%	25.3%
ROE	1.3%	0.9%	1.6%	2.5%

Valuation:

Price/Earnings	9.5	11	5.4	6.1
Price/BV	0.9	0.9	0.8	0.8
EPS (BDT)	2.2	1.9	3.7	3.2
DPS (BDT)	1.5	1.5	1.6	--
NAVPS (BDT)	22.2	22.6	23.9	25

Last 5 Year's Price Movement (BDT)



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research, Southeast bank website

TRUST BANK LIMITED

Company Overview

Trust Bank Limited, sponsored by the Army Welfare Trust (AWT) is first of its kind in the country, started its operation on June 1999. At present, the bank is operating with 83 branches and 7 SME centers. The bank is operating its capital market activities through its two fully owned subsidiary companies of Trust Bank Investment Ltd & Trust Bank Securities Ltd.

As of September 2014, the Bank's Loan portfolio was BDT 110,249 million and deposit was 121,614 million. 4 year CAGR (Compound Annual Growth Rate) of loans and advances is 21% and for deposit it is 16%. As of September 2014, Credit-Deposit Ratio of the bank stood at 90.7% and leverage ratio (asset/equity) stood at 18.5x. During the same period, 44.67% of total operating income came from net interest income, 30.58% from investment income, 16.36% from commission and & brokerage income and the rest 8% from other operating income. As of December 2013, 13.4% of the loan is provided to trading business followed by real estate sector (11.9%), textile & garments (11.8%) and steel & engineering sector (7.8%).

As on December 2013, the company's capital market exposure (i.e., Investment in shares, debentures and bonds, preference shares and portfolio investment by the subsidiaries of the bank) was around BDT 6,763 million or 94.4% of its prescribed consolidated capital components i.e. paid up capital, share premium, statutory reserve and retained earnings.

The Company was enlisted with the DSE and the CSE on September 2007. Around 60% of shares of the company are held by Sponsors whereas 20.39% and 19.34% are held by Institutional and General Investors respectively.

Investment Insight

- In 2013, loans and advances of the bank increased by 43% to BDT 83,798 million. As of September 2014, loan portfolio of the bank stood at BDT 110,248 million higher by 31.56% compared to December 2013.
- Up to 9 month of 2014, net interest income of the bank grew by 120.86% to BDT 1,995.71 million than the same period of the previous year which is 44.67% of total operating income.
- Capital adequacy ratio (CAR) of the bank is maintained at 11.74% on total risk weighted assets where the regulatory requirement is 10% under Basel II accord. In addition, the BSEC has given consent the bank to raise capital through issuance of Fully Redeemable Non-Convertible Un-secured Subordinated Bond of BDT 2,000 million. This will strengthen the Tier II capital of the Bank.
- As of December 2013, NPL (classified loan to total loan) of the bank has decreased to 3.12%, which was 4.58% in the last year where the industry's NPL was 8.93%.
- Leverage ratio of the bank stood at 18.5x as of September 2014, which is much higher than the industry.
- As of September 2014, 68% of its total deposits are generated from fixed deposits that are relatively costlier than savings and current account.
- As of September 2014, borrowings from other banks and financial institutions of the Bank increased by 268% to BDT 13,507 million from BDT 3,669 million in December 2013 but this is insignificant as it accounts for only 9.5% of its total liability.

DSE: TRUSTBANK
BLOOMBERG:TRBK:BD

Company Fundamentals as of November 30, 2014

Market Cap (BDT mn)	7,671.7
Market weight (Based on Mkt Cap)	0.3%
No. of Share Outstanding (in mn)	426.2
Free-float Shares (Public +Inst.+Foreign)	39.7%
Paid-up Capital (BDT mn)	4,262.0
3-month Daily Average Turnover (BDT mn)	8.2
3-month Return	30.4%
Current Price (BDT)	18.0
52-week price range (BDT)	12.9 – 22.8
Sector's Forward P/E	10.4

	2011	2012	2013	2014 (9M Annu.)
Financial Information (BDT mn):				
Operating Income	3,802	3,757	4,174	5,900
Operating Profit	2,207	1,828	1,936	3,550
Profit Before Tax	1,903	952	1,164	2,694
Profit After Tax	933	183	322	1,194
Shareholder's Equity	5,863	6,850	7,200	8,106
Deposit	65,931	83,063	102,524	121,614
Loans and Advances	54,553	58,599	83,798	110,249
Investment	9,665	13,676	19,060	22,637
Total Asset	77,036	96,339	118,308	150,085
Div. % (C/B)	10/10	-/10	-/12	-/
Margin:				
Operating Profit	58.0%	48.7%	46.4%	60.2%
Pretax Profit	50.0%	25.3%	27.9%	45.7%
Net Profit	24.5%	4.9%	7.7%	20.2%
Growth:				
Loans & Advances	27.6%	7.4%	43.0%	31.6%
Deposits	30.9%	26.0%	23.4%	18.6%
Equity	16.2%	16.8%	5.1%	12.6%
Operating Income	0.9%	-1.2%	11.1%	41.3%
Operating Profit	-7.1%	-17.2%	5.9%	83.3%
Net Profit	-27.9%	-80.4%	76.3%	270.8%
Financial Indicators:				
Credit/Deposit	82.7%	70.5%	81.7%	90.7%
Asset/Equity	13.1	14.1	16.4	18.5
Capital Adequacy Ratio	11.8%	13.9%	11.7%	--
NPL	3.0%	4.6%	3.1%	--
Cost to Income	49.0%	61.4%	58.4%	--
Profitability:				
ROA	17.1%	2.9%	4.6%	29.5%
ROE	1.4%	0.2%	0.3%	1.6%
Valuation:				
Price/Earnings	13.5	52.1	26.3	6.4
Price/BV	1.3	1.1	1.1	0.9
EPS (BDT)	3.2	0.5	0.8	2.8
DPS (BDT)	1	--	--	--
NAVPS (BDT)	20	18	16.9	19

Last 5 Year's Price Movement (BDT)



Source: Annual Reports, DSE Website, the Financial Express, the Daily Star, ILSL Research, Trust bank website

UNITED COMMERCIAL BANK LIMITED

Company Overview

United Commercial Bank Limited (UCBL) commenced its commercial operation on November 1983. It offers all sort of typical commercial banking services to its customers. As on 31 December 2013, the bank has 139 branches, 2 SME centers and 1 off-shore banking unit all over the country. It has two subsidiary companies of UCB Securities Ltd. (99.99%) and UCB Investment Ltd. (99.90%).

As of 30 September 2014, the Company's loan portfolio was BDT 169,048 million affirming a 5 year CAGR (Compound Annual Growth Rate) of 22.3% and total deposit was BDT 190,971 million with 5 year CAGR of 19.7%. Up to 30 September 2014, 51.9% of total operating income generated from net interest income, 26.8% from investment income, 16.9% from Commission and brokerage and rest 4.4% from other operating income. Total investment income was BDT 2,666.4 million in 2013 of which around 60% generated from investment in T-bills, T-bonds and Bangladesh Bank Bill. In 2013, NPL as a percentage of total loan was 4.03% which was 3.69% in 2012.

As on December 2013, the company's capital market exposure (i.e., Investment in marketable & non-marketable ordinary shares, preference shares, bonds and Margin loan to portfolio investors) was around BDT 3,968 million or 23.0% of its prescribed consolidated capital components i.e. paid up capital, share premium, statutory reserve and retained earnings.

The firm enlisted in the DSE and the CSE in 1986 and 1995 respectively. Currently, around 36.41% of shares are held by Sponsors whereas 57.85%, 4.93% and 0.81% of shares are held by General investors, Institutions and Government respectively.

Investment Insight

- The bank has maintained a strong capital base. The capital adequacy ratio (in 2013: CAR 11.53%) is higher than regulatory requirement of 10%.
- The bank has decided to focus more on SME sector, RMG sector and export-import business and strategically reduce corporate sector operation. Such business concentration will help the bank specialize in these areas and seize more respective market share.
- The bank has planned to establish a representative office in Singapore, a leasing company in Hong Kong and an exchange house in Malaysia. These initiatives will create more business exposure.
- The bank has started mobile banking service under the brand name of "UCash".
- The bank is going to upgrade its core banking software to Oracle FLEXCUBE.
- As of December 2013, NPL (classified loan to total loan) of the bank increased to 4.03%, which was 3.69% in last year.
- In 2013, around 77% of total deposits generated from fixed deposit which relatively more costly source of financing compared to current and savings deposits.
- As on 30 September 2014, borrowing from other banks, which is a costlier source of funding, has increased by 346.5% compared to 31 December 2013. However, as on 30 September 2014, only 7.0% of total liabilities were generated from this financing source.

DSE: UCBL
BLOOMBERG: UCBL:BD

Company Fundamentals as of November 30, 2014

Market Cap (BDT mn)	24,094.4
Market weight (Based on Mkt Cap)	0.9%
No. of Share Outstanding (in mn)	836.6
Free-float Shares (Public +Inst.+Foreign)	63.6%
Paid-up Capital (BDT mn)	8,366.0
3-month Daily Average Turnover (BDT mn)	54.2
3-month Return	18.0%
Current Price (BDT)	28.8
52-week price range (BDT)	21.2-32.4
Sector's Forward P/E	10.4

	2011	2012	2013	2014 (9M Ann.)
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Financial Information (BDT mn):

Operating Income	9,294	10,178	12,412	14,723
Operating Profit	5,972	5,761	7,132	8,154
Profit Before Tax	5,172	3,738	5,893	6,501
Profit After Tax	2,945	1,585	3,069	3,145
Shareholder's Equity	15,963	18,167	20,505	21,035
Deposit	139,285	170,331	183,997	190,972
Loans and Advances	115,506	136,072	148,677	169,048
Investment	19,507	26,605	36,091	40,797
Total Asset	168,689	207,244	225,620	252,444
Div. % (C/B)	12/15	10/-	20/-	N/A

Margin:

Operating Profit	64.3%	56.6%	57.5%	55.4%
Pretax Profit	55.6%	36.7%	47.5%	44.2%
Net Profit	31.7%	15.6%	24.7%	21.4%

Growth:

Loans & Advances	23.5%	17.8%	9.3%	13.7%
Deposits	23.3%	22.3%	8.0%	3.8%
Equity	104.3%	13.8%	12.9%	2.6%
Operating Income	18.3%	9.5%	22.0%	18.6%
Operating Profit	26.3%	-3.5%	23.8%	14.3%
Net Profit	35.1%	-46.2%	93.6%	2.5%

Financial Indicators:

Credit/Deposit	82.9%	79.9%	80.8%	88.5%
Asset/Equity	10.6	11.4	11	12
Capital Adequacy Ratio	10.9	10.4	11.5	N/A
NPL	1.8%	3.7%	4.0%	N/A
Cost to Income	35.7%	43.4%	42.5%	44.6%

Profitability:

ROA	2.0%	0.8%	1.4%	N/A
ROE	24.8%	9.3%	15.9%	N/A

Valuation:

Price/Earnings	12.5	12.5	6.8	7.6
Price/BV	2.3	1.1	1	1.1
EPS (BDT)	3.5	1.9	3.7	3.8
DPS (BDT)	1.2	1	2	N/A
NAVPS (BDT)	19	21.7	24.5	25.1

Last 3 Year's Price Movement (BDT)



Source: Annual Report, DSE Website, UCBL Website and ILSL Research

Monthly Awareness Program, Sylhet:



ILSL arranged a Monthly Investor Awareness Program in its Sylhet Branch at Dhaka on 22nd November. In the program, our COO, Md. Humayan Kabir, discussed about ILSL different services, along with overall market situation. Besides this, Head of Operation Md. Moslem Uddin discussed about Bangladesh's Pharmaceutical Sector while covering some leading companies from the respective sector.

Monthly Awareness Program, Dhaka:



ILSL arranged another Monthly Investor Awareness Program in its Corporate Head Office at Dhaka on 6th December. In the program, our COO, Md. Humayan Kabir, discussed about ILSL different services, banking sectors present condition with overall market situation. Besides this, Md. Tanvir Islam from ILSL Research team gave a presentation on "Bangladesh Pharmaceutical Sector's growth and prospect".

MUTUAL FUND: MONTHLY UPDATE

Performance of Mutual Funds

Mutual Fund Sector of DSE posted 7.1% loss over the month (30 October - 27 November, 2014), while the prime index of the bourse, DSEX, decreased by 7.7%. Price of 8 Mutual Funds increased, 1 Mutual Funds remain unchanged and 32 Mutual Fund decreased over the period. On the other hand, NAV @ Market Price of all Mutual Funds decreased. Out of 41 Mutual Funds, 40 were traded below their respective NAV. Green Delta Mutual Fund had the lowest Price/NAV ratio (43.8%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (144.3%). Price of 7th ICB Mutual Fund gained 12.8% against decrease in NAV by 10.8%.

Name of Fund	NAV Per Unit @		Price 11 Nov, 2014	Close Price/ NAV per Unit	% Change in NAV	% Change in Price	52-Week Price Range	Avg Monthly Turnover (BDT mn)	Year of Redemption	Asset Manager
	Market Price	Cost Price								
AIMS1STMF	36.14	12.81	25.5	70.6%	↓ -3.3%	↓ -3.8%	24.7 - 48.4	5.73	30/Jun/15	AIMS
GRAMEEN1	29.51	11.22	23.7	80.3%	↓ -4.4%	↓ -10.6%	23 - 51.6	3.84	4/Sep/15	AIMS
GRAMEENS2	18.13	10.66	12.7	70.0%	↓ -4.8%	↓ -7.3%	12.3 - 20	4.99	2/Sep/23	AIMS
RELIANCE1	12.37	11.2	7.0	56.6%	↓ -2.3%	↓ -9.1%	6.8 - 10.3	1.45	7/Jul/21	AIMS
1STICB	1530.82	222.81	1027.6	67.1%	↓ -4.5%	↑ 6.6%	841 - 1068.2	0.40	31/Mar/15	ICB
2NDICB	293.55	95.05	281.0	95.7%	↓ -10.6%	↑ 4.0%	235.7 - 329	0.15	30/Jun/15	ICB
3RDICB	348.23	66.11	237.6	68.2%	↓ -1.2%	↑ 10.0%	188 - 251	0.24	30/Sep/15	ICB
4THICB	279.66	70.69	211.0	75.4%	↓ -8.9%	↑ 2.5%	185.9 - 235	0.22	31/Dec/15	ICB
5THICB	246.33	56.39	185.0	75.1%	↓ -5.8%	↑ 7.4%	140 - 205	0.17	31/Mar/16	ICB
6THICB	59.94	26.41	56.5	94.3%	↓ -6.8%	↑ 0.5%	49.8 - 72.4	0.39	30/Jun/16	ICB
7THICB	106.25	34.55	95.5	89.9%	↓ -10.8%	↑ 12.8%	80 - 105	0.08	30/Sep/16	ICB
8THICB	72.12	30	65.4	90.7%	↓ -8.3%	↑ 1.4%	52.1 - 75	0.28	31/Dec/16	ICB
1STPRIMFMF	11.64	16.59	16.8	144.3%	↓ -5.4%	↓ -6.7%	15.8 - 28.6	3.14	17/Mar/16	ICB AMCL
ICB1STNRB	24.9	33.23	21.6	86.7%	↓ -5.6%	↓ -12.2%	21 - 31.9	0.09	28/Mar/17	ICB AMCL
ICB2NDNRB	11.21	14.64	8.0	71.4%	↓ -5.0%	↓ -9.1%	7.7 - 12	0.34	27/Jul/18	ICB AMCL
ICB3RDNRB	7.84	11.2	4.4	56.1%	↓ -5.0%	↓ -8.3%	4.4 - 6.4	0.61	24/May/20	ICB AMCL
ICBAMCL2ND	8.76	12.85	4.9	55.9%	↓ -6.2%	↓ -7.5%	4.6 - 7.8	0.43	28/Oct/19	ICB AMCL
ICBEPMF1S1	8.27	11.56	4.5	54.4%	↓ -6.3%	↓ -8.2%	4.3 - 7.4	0.44	18/Jan/20	ICB AMCL
ICBISLAMIC	18.38	23.24	14.9	81.1%	↓ -5.2%	0.0%	14.4 - 24.9	0.95	29/Dec/14	ICB AMCL
ICBSONALI1	9.9	10.77	6.3	63.6%	↓ -3.6%	↓ -8.7%	6.1 - 10.5	0.57	12/Jun/23	ICB AMCL
IFILISLMF1	9.8	11.17	5.5	56.1%	↓ -4.8%	↓ -5.2%	5 - 8	0.64	22/Nov/20	ICB AMCL
PF1STMF	7.93	11.27	4.5	56.7%	↓ -5.5%	↓ -10.0%	4.4 - 7	0.32	9/May/20	ICB AMCL
PRIME1ICBA	8.41	11.49	4.5	53.5%	↓ -5.3%	↓ -8.2%	4.4 - 6.9	0.28	2/Feb/20	ICB AMCL
AIBL1STIMF	10.02	10.67	4.8	47.9%	↓ -3.4%	↓ -7.7%	4.6 - 9	0.14	10/Jan/21	LR Global
DBH1STMF	9.95	10.76	4.6	46.2%	↓ -4.1%	↓ -4.2%	4.4 - 7.2	0.89	7/Feb/20	LR Global
GREENDEL MF	10.05	10.35	4.4	43.8%	↓ -3.3%	↓ -8.3%	4.3 - 6.8	0.90	28/Sep/20	LR Global
LRGLOBMF1	10.27	10.9	4.8	46.7%	↓ -3.6%	↓ -11.9%	4.4 - 8.2	4.56	19/Sep/21	LR Global
MBL1STMF	9.98	10.61	4.4	44.1%	↓ -4.1%	↓ -8.3%	4.2 - 8.9	0.95	8/Feb/21	LR Global
NCCBLMF1	10.43	10.96	5.4	51.8%	↓ -4.0%	↓ -10.0%	5.2 - 13	0.42	24/May/22	LR Global
1JANATAMF	10.37	11.01	5.1	49.2%	↓ -4.9%	↓ -7.3%	5.1 - 7.4	0.93	20/Sep/20	RACE
ABB1STMF	11.6	10.67	6.0	51.7%	↓ -4.0%	↓ -7.7%	5.8 - 8.3	2.72	29/Jan/22	RACE
EBL1STMF	9.95	11.38	5.3	53.3%	↓ -6.3%	↓ -7.0%	5.2 - 7.9	0.64	19/Aug/19	RACE
EBLN RBMF	10.16	10.64	5.1	50.2%	↓ -5.4%	↓ -16.4%	4.6 - 8.7	0.16	23/May/21	RACE
EXIM1STMF	10.61	10.44	6.3	59.4%	↓ -4.6%	↓ -7.4%	5.9 - 9.3	0.00	16/Jul/23	RACE
FBFIF	10.6	10.47	6.5	61.3%	↓ -3.4%	↓ -4.4%	6.4 - 10	0.01	19/Mar/22	RACE
IFIC1STMF	10.44	10.89	5.0	47.9%	↓ -5.1%	↓ -7.4%	5 - 7.9	0.76	1/Apr/20	RACE
PHPMF1	9.95	11.26	4.6	46.2%	↓ -6.0%	↓ -6.1%	4.5 - 6.8	1.39	29/Nov/20	RACE
POPULAR1MF	10.57	11.27	4.8	45.4%	↓ -4.9%	↓ -9.4%	4.8 - 7.1	1.79	19/Oct/20	RACE
TRUSTB1MF	10.46	10.65	5.4	51.6%	↓ -6.3%	↓ -8.5%	5.1 - 8.4	2.98	27/Jan/20	RACE
NLI1STMF	12.39	12.06	7.6	61.3%	↓ -1.3%	↓ -3.8%	6.7 - 10.3	0.99	27/Feb/22	VIPB
SEBL1STMF	12.07	11.59	7.2	59.7%	↓ -1.9%	↓ -4.0%	6.6 - 9.4	0.71	23/May/21	VIPB

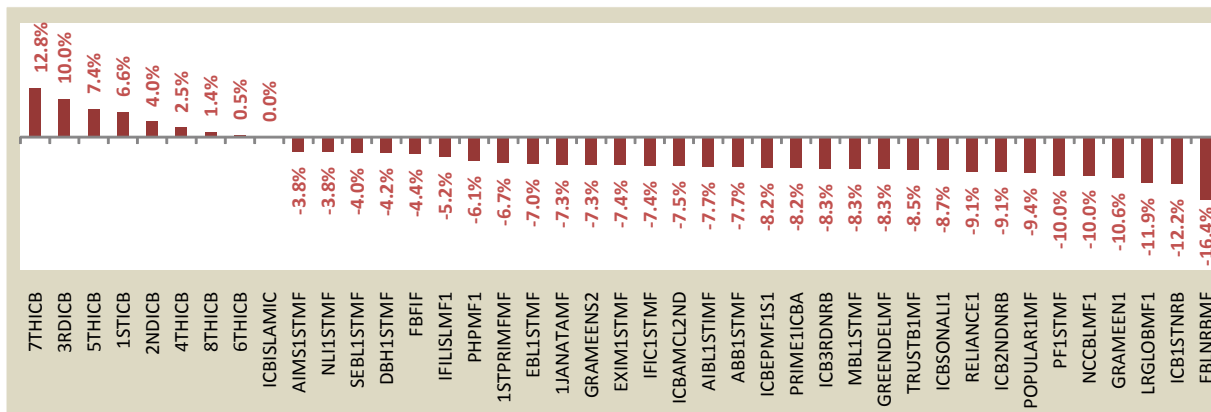
Source: DSE, ILSL Research

MUTUAL FUND: MONTHLY UPDATE

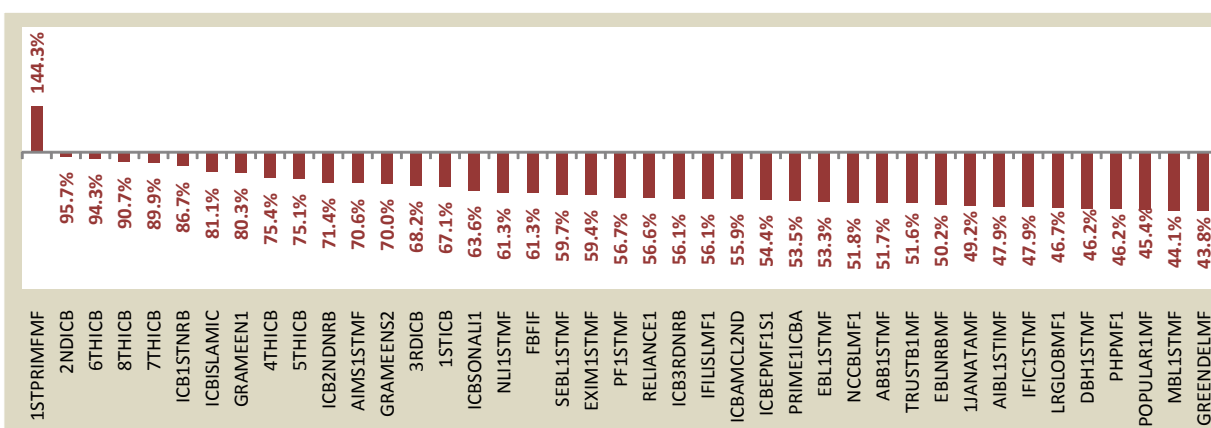
Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turover Leader	Avg Turnover (BDT mn)
3RDICB	-1.2%	7THICB	-10.8%	AIMS1STMF	5.7
NLI1STMF	-1.3%	2NDICB	-10.6%	GRAMEENS2	5.0
SEBL1STMF	-1.9%	4THICB	-8.9%	LRGLOBMF1	4.6
RELIANCE1	-2.3%	8THICB	-8.3%	GRAMEEN1	3.8
GREENDEL MF	-3.3%	6THICB	-6.8%	1STPRIMFMF	3.1
AIMS1STMF	-3.3%	ICBEPMF1S1	-6.3%	TRUSTB1MF	3.0
FBFIF	-3.4%	EBL1STMF	-6.3%	ABB1STMF	2.7
AIBL1STMF	-3.4%	TRUSTB1MF	-6.3%	POPULAR1MF	1.8
LRGLOBMF1	-3.6%	ICBAMCL2ND	-6.2%	RELIANCE1	1.4
ICBSONALI1	-3.6%	PHPMF1	-6.0%	PHPMF1	1.4

Monthly Price Return



Mutual Funds Trading at Premium/Discount



Performance of Asset Managers

Asset Manager	Assets Under Management (AUM) (BDT mn)	% of Total AUM	Monthly Return on Portfolio	NAV @ Market Price/ Cost Price	Paid-Up Capital (BDT in mn)
AIMS	6,840	13.2%	-4.0%	1.94	3,140
ICB	3,271	6.3%	-6.3%	3.98	178
ICB AMCL	6,916	13.4%	-5.1%	0.77	7,250
LR Global	9,053	17.5%	-3.7%	0.95	8,896
RACE	23,744	46.0%	-4.8%	0.97	22,181
VIPB	1,828	3.5%	-1.7%	1.04	1,501

Source: DSE, ILSL Research



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Business Newsflash

Economy

Fin min report for savings tools' interest rate cut

Newage, November 05, 2014

A finance ministry internal report has strongly recommended making immediate revision on the interest rates regime of savings tools. An imminent fiscal risk to be caused by high interest burden of the government if the interest yields are not slashed down and current pace of borrowing trend continues from national savings schemes. The borrowing from savings certificates in the July-September period of the current fiscal year registered above 225% growth year-over-year that accounts for 75% of the yearly target. The interest yields of savings tools offer as high as 13.50% compared to 9 to 10% in commercial banks for fixed deposits of money.

Export earnings in July-Oct in negative territory after 5yrs

New Age, November 11, 2014

The country's export earnings in the first four months of the current financial year 2014-15 registered a negative growth for the first time in last five years due to sluggish earnings from readymade garments. The export earnings in the July-October period of the FY15 fell by 0.97% to USD9.65 bn from USD9,747.17 bn of the FY14. The single month export earnings in October fell by 7.63% to USD1.95 bn from USD2.11 bn of the same period of the FY14. The export of readymade garments fell by 1.76% to USD7.75 bn in July-October of the FY15 from USD7.88 bn in the same period of the FY14.

Regulatory body for financial reporting on way

The Daily Star, November 11, 2014

The government is set to form a ten-member regulatory body to monitor financial reporting by firms, a move that will put an end to doctoring of accounts by listed companies and reassure prospective investors. The move comes after the Asia Development Bank recently asked for the passage of the Financial Reporting Act by this month or else it would not release the USD150 mn fund for capital market development. The ten-member council will fix the standards and ethics for chartered accountants and auditors, according to the Financial Reporting Bill 2014.

Trade deficit soars by 89% in Q1 on tattering export

New Age, November 13, 2014

Country's trade deficit increased by 88.95% to USD2.39 bn in the first quarter of this financial year compared with that of USD1.26 bn during the same period of the FY 2013-14 due to higher import growth against lower export growth. The BB data showed that the export earnings had registered a 0.94% growth in the first three months of the FY15 compared with that of 14.91% growth in the same period of the FY14. The imports registered a 13.62% growth in the first three months of the FY15 compared with that of 9.37% growth in the corresponding period of the FY14.

Inflation the lowest since Dec 2012

The Daily Star, November 14, 2014

Inflation continued its descent in October, **coming down to 6.6%, the lowest in 23 months**, much to the cheer of central bankers. Food inflation was the biggest driver behind the drop last month, sliding to 7.16% from 7.63% in September. Non-food inflation, however, edged up to 5.74% last month from 5.63% in September, owing to a rise in house rent, transportation costs, education and medical expenses and other non-food items. With the latest reduction, inflation is close to Bangladesh Bank's target for the fiscal year- 6.5

Pvt Sector credit growth inches up in Sept

New Age, November 14, 2014

The private sector credit growth inched up in September from that of the previous month as the country's import payment increased significantly in the first quarter of this financial year. The year-on-year **credit growth rate in the private sector rose to 12.15% in September** compared with that of 11.39% in August of this year. The BB earlier set a private sector credit growth target of 14% by December, 2014. The credit growth rate in the private sector slightly increased in September as the country's import payment rose significantly in the first three months of the FY 2014-15. The imports registered a 13.62% growth in July-September of the FY15 compared with that of 9.37%.

Imports soar by 11% in October

New Age, November 25, 2014

The country's overall imports increased by 11.01% in October of this year against a 8.60-% growth in the corresponding month of last year due mainly to higher import of capital machinery, rice and chemical fertilizers. BB officials and experts suspected that money laundering might have been happened behind the import of capital machinery as there was no logical ground for higher import of the products amid dull business scenario in the country. The settlement of LCs for capital machinery stood at USD154.94 mn in October against USD119.82 mn during the same month of the FY14.

BDT deflates further against greenback

The Financial Express, November 26, 2014

The Bangladesh Taka (BDT) depreciated further against the US dollar on November 25, 2014 despite the central bank's intervention in the market through selling the greenback to the commercial banks. The Bangladesh Bank (BB) sold USD 10 mn at market rate to a state-owned commercial bank (SoCB) on the day to settle fertilizer import payment. The US dollar was quoted at USD 77.65-77.66 in the inter-bank foreign exchange market on the day against USD 77.62-77.63 of the previous working day.

Investment in savings tools surpasses BDT 9,056 crore annual target in 4 months

New Age, November 27, 2014

The net investment in national saving certificates and bonds surpassed its annual target in just four months (July-October) of this financial year 2014-15 as clients continued to invest heavily in the NSCs due to low bank deposit rates and sluggish business climate. The net investment in the savings instruments stood at BDT 9,077.60 crore in the first four months of the FY15 against the annual target of BDT 9,056 crore. **The net investment in the national savings certificates and bonds increased by 236% to BDT 9,077.60 crore in the July-October of the FY15 from BDT 2,698.88 crore during the same period of the FY14.**

Stock Market

BSEC turns down ICB request

TIME EXTENSION PLEA FOR MFS

Newage, November 02, 2014

The Bangladesh Securities and Exchange Commission has rejected the Investment Corporation of Bangladesh's proposal for ten-year time extension for the eight mutual funds it manages. The commission also asked the ICB to close all its eight mutual funds one by one in three-month interval. The first one of the funds has to be abolished within March 31 next. The commission at the same time also warned the state-run investment entity for not to act in accordance with a BSEC order that had asked the entity to abolish or convert all the eight mutual funds by December 31, 2014.

October sees fall in foreign investment

The Daily Star, November 04, 2014

Net foreign investment in the Dhaka stock market slumped 14.22% year-on-year in October. Foreign investors bought shares worth BDT 302.88 crore and sold shares worth BDT 107.02 crore to take net investment to BDT 195.86 crore last month. Also known as portfolio investment, foreign investments account for around 1% of DSE's total market capitalization of BDT 341,003 crore as of yesterday.

BSEC limits use of IPO funds for loan repayment

The Daily Star, November 10, 2014

Companies will be barred from using more than a third of the funds raised in an initial public offering (IPO) to repay loans, the Bangladesh Securities and Exchange Commission has decided. The new rule was imposed as most companies have recently used their IPO proceeds to repay bank loans instead of expanding operations. The stock market regulator also imposed new conditions on raising capital and issuing rights shares; **newly listed firms will not be allowed to offer rights shares for up to two years from the date of publishing an IPO prospectus, and before utilization of the IPO proceeds.** Other listed firms will also not be allowed to offer rights shares before full utilization of funds raised through the previous rights issue or repeat a public offer. In addition, re-listed firms will have to complete three financial years from the date of fresh listing on the main market from the OTC (over-the-counter) market to be eligible to use a rights issue to raise capital.

Rights offer of 4 newly listed companies rejected

New Age, November 12, 2014

The Bangladesh Securities and Exchange Commission on Tuesday rejected proposals of four companies to issue rights shares as the investors got insufficient time to judge the performance of entities which were listed with the major bourse in last one year. The companies, **Bangladesh Building Systems, Central Pharmaceuticals, Mozaffar Hossain Spinning Mills and JMI Syringes and Medical Devices**, were listed with the Dhaka Stock Exchange between 2013 and 2014. Following severe criticism from stakeholders, the commission on October 29 imposed two-year bar on listed entities from offering rights shares after getting approval for their initial public offerings.

BSEC to formulate guidelines on ETF operation

New Age, November 22, 2014

The Bangladesh Securities and Exchange Commission has moved to formulate guidelines on operating index-based exchange traded fund and to scrutinize the Dhaka Stock Exchange's proposal of launching two index-based ETFs. An ETF is like a mutual fund that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange. The market regulator has made the moves as the DSE in last month at a meeting with the BSEC sought its permission to launch ETFs on December 22 this year when the bourse is scheduled to launch its new trading system. The two ETFs will be formed based on DS30, the blue-chip index of the DSE, and DSES, the Shariah index of the bourse.

Bring investors with above BDT 1cr margin loan under CIB reporting

New Age, November 24, 2014

The Bangladesh Merchant Bankers Association has requested the capital market regulator that the investors having loans above BDT 1 crore in merchant banks and brokerage houses should be brought under the reporting of Credit Information Bureau of Bangladesh Bank. The BMBA letter also sought another year till December 2015 for keeping provisioning at 20% in three-month installment against the losses the merchant banks and brokerage houses incurred during 2011-2012 after the market crash. The association sought the facility for the merchant banks and brokerage houses which might fail to comply with the BSEC's previous directive.

JP Morgan also keen to become issue manager

New Age, November 25, 2014

JP Morgan, a US-based investment bank, has showed interest to become issue manager for raising funds for Bangladesh from the international money market. Some international banks have started lobbying for the same as the government planned to issue sovereign bonds to raise finance from foreign sources. Goldman Sachs, another US-based multinational investment bank, a couple of months ago also expressed willingness to be the issue manager for the bonds. The London-based HSBC has also been for long pursuing the government to get the deal. Last month, Deutsche Bank AG, a German global bank and financial services company, showed interest in assisting the government to raise dollars from the international market.

Bank**Most listed banks' net profit up in July-Sept**

Newage, November 09, 2014

Net profit of most banks listed with the capital market rose in July-September period of 2014 compared to the same period of the previous year. The reasons stand behind amid relaxed loan rescheduling facility against defaulted loans and increased interest margin on working capital. Out of the 30 banks listed with the capital market, **net profit of 18 banks increased during the third quarter of the calendar year**. The facility period for relaxed provisioning had expired in July this year but its impact helped most of the banks keep reduced amount of provisioning against the classified loans. Under the relaxed policy, the scheduled banks regularized loans of more than BDT 15,000 crore taken by the unrest-hit businesses as of December 31, 2013.

Banking sector grappling with BDT 1.5 lakh crore excess liquidity

Newage, November 09, 2014

Excess reserve and liquidity in the banking sector stood BDT 1,50,454.50 crore by the end of September due to low investment and credit demand from the businesspeople amid political uncertainty. The excess reserve in the banks after meeting their statutory liquidity ratio stood at BDT 1,02,621.08 crore as of September 18, 2014. Banks are investing the excess reserve in treasury bills and bonds of the government and they are getting the rate of interest between 7.41% and 11.98%.

Default loans jump in third quarter

The Daily Star, November 14, 2014

Default loans climbed 11.4% in the third quarter (July-September) of the year to BDT 57,200 crore as old loans became bad. In the second quarter, the total default loans were BDT 51,345 crore, according to data from the central bank. As of September, default loans as part of total outstanding loans stood at 11.60%. It was 10.07% at the end of June.

AIBL to issue mudaraba subordinated bond

The Financial Express, November 17, 2014

The board of directors of Al-Arafah Islami Bank Ltd (AIBL) has decided to issue mudaraba subordinated bond (7 years redeemable) for BDT 3.0 bn. The decision has been taken to strengthen the bank's Tier II capital as per requirement under Basel III for issuing "AIBL Mudaraba Subordinated Bond" through private placement subject to approval of regulatory bodies and shareholders in the EGM. The company has also decided to amend the clause no 108.3.1 of Articles of Association of the Company.

Banks' capital rises

The Daily Star, November 24, 2014

Banks' overall capital increased 1.94% in the third quarter compared to the previous quarter, as asset quality of most banks improved. On September 30, their capital was BDT 64,932 crore, which is 10.57% of their total risk-weighted assets. The amount was BDT 63,694 crore on June 31. In line with international standards, banks have to maintain a capital adequacy ratio (CAR) of 10% against their risk-weighted assets. The total capital of state-owned commercial banks increased around 3% to BDT 9,531 crore in September as the capital of the banks, except Sonali Bank, marked a rise. Their CAR now stands at 8.66%, which was 8.05% three months back, as a result of the overall hike in capital.

Textile

Draft policy eyes doubling of local textile production by 2019-20

Newage, November 06, 2014

The government is going to finalize new textile policy with the aim of raising local textile production from the existing 7,000 mn meters to 14,036 mn meters of fabrics by 2019-20. Currently, country's textile sector meets 62% of the local demand for fabrics — 11,400 mn meters — a year. The draft policy recommended giving support to the small and medium entrepreneurs for installing their units in Textile Park or industrial park. It also recommended giving special privilege for the garment industry and backward linkage industry in the special zones.

Matin Spinning to shell out BDT 227cr for expansion

The Daily Star, November 09, 2014

Matin Spinning Mills, a unit of DBL Group, plans to spend BDT 227 crore to expand its production capacity by 17 tonnes a day to meet the company's growing demand for high-quality yarn. The additional capacity of producing 10 tonnes of cotton melange, a type of yarn, and seven tonnes of synthetic yarn will boost the total capacity to 42 tonnes a day. The company will be able to meet 52.5% of its daily demand for 80 tonnes of yarn. The company will spend BDT 126 crore, which was raised through an initial public offering, to set up its cotton melange project, the first of its kind in Bangladesh.

Power

Khulna Power to merge units

The Daily Star, November 06, 2014

Khulna Power Company Ltd (KPCL), the country's first private sector company to produce power for the national grid, has decided to absorb its two subsidiaries to boost company profits. The subsidiaries KPC Unit Two Ltd and Khanjahan Ali Power Company Ltd -- whose capacities stand at 115 megawatts and 40 MW respectively -- would be merged with KPCL to take the total generation capacity to 265 MW. The amalgamation of the companies, which will be completed by December, will boost business through better utilization of assets. KPCL owned 90% of Khanjahan Ali Power Company and 99% of KPC Unit Two.

Engineering

Lower dev work throws long steel makers into trouble

The Financial Express, November 30, 2014

Poor development work by the government and downtrend in private investments have thrown mild steel (MS) rod millers' business into an uncertainty. Bangladesh's annual demand for quality rod is estimated at more than 2.5 mn tonnes, of which the millers sell more than 80% in peak season (October-April period). But the manufacturers claimed that many of their fellow businessmen could not even start their seasonal sales.

Pharmaceutical

Pharma leaders to grow 16% this quarter: study

The Daily Star, November 12, 2014

Market leaders in the pharmaceutical sector are expected to grow at around 16% in the fourth quarter this year owing to superior product quality and brand value. Although one of the most developed sectors in the country, the pharmaceutical sector is highly concentrated, with 85% of the market share being in the hands of 20 companies. Square Pharmaceuticals is the market leader, followed by Incepta, Beximco, Opsonin and Renata. The sector itself is forecasted to grow at around 12% this quarter, according to the study by LR Global, an asset management firm. Gross margin of pharmaceutical companies will slightly decline this quarter as the active pharmaceutical ingredients (API) price, the sector's raw material, has been on an increasing trend in recent months.

ACI to market leather chemicals from Turkey

Dhaka Tribune, November 17, 2014

ACI Chemicals, a subsidiary of Advanced Chemical Industries Limited (ACI Limited), is set to market leather chemical products from Turkey's biggest leather chemical manufacturer SOSA Chemical. The local business conglomerate in health care, consumer brands, agribusiness and retail chain, ACI has entered into an agreement with SOSA Chemical for working as their agent in Bangladesh for marketing their leather chemical products. However, the news failed to attract investors, as its share prices at the Dhaka Stock Exchange fell more than 2%.

Pharmaceutical sector supporting measures yet to be implemented

The Financial Express, November 23, 2014

The supportive measures taken a decade back as backward linkage facilities to boost growth of pharmaceuticals sector are yet to be implemented due to apathy of the government. The Active Pharmaceuticals Ingredients Park (API Park) and the National Control Laboratory (NCL) are two major projects among other measures. Among other steps taken to enhance export growth are reviewing the drug policy and doing bio-equivalence tests of pharmaceutical products under local arrangements. Due to non-implementation of the taken measures, currently the exporters need to import API raw materials and go abroad for tests at higher costs. According to a source in the Ministry of Industries (Mol), construction of the API Park is still going on despite missing the scheduled deadlines several times.

Beximco Pharma gets approval from Health Canada

New Age, November 24, 2014

Beximco Pharmaceuticals Limited, a leading manufacturer and exporter of medicines in Bangladesh, has recently received 'Good Manufacturing Practices' approval from the Canadian regulatory authority, Health Canada. This is for the first time a Bangladeshi company has received the approval from the Canadian regulatory authority. In July this year, Beximco Pharma also received GMP approval from the Taiwan Food & Drug Authority, again marking a first-time approval for a Bangladeshi company.

Drug prices to rise as NBR taxes total commission

The Daily Star, November 27, 2014

The prices of certain drugs may rise in the new year after the National Board of Revenue imposed value-added tax on the entire commission pharmaceutical companies pay to retailers. The retailers and distributors get 16% commission on average, but the universal 15% VAT is calculated on 13.33% of commission. From January 1, the entire commission amount – 16% -- must be taken into account for VAT calculations.

Telecom

New MFS providers expanding rapidly in Bangladesh: Helix report

New Age, November 11, 2014

Mobile money transfer service provider bKash has 50% market share in the country while new providers are expanding rapidly. Transaction volumes and profits in mobile financial service were low in the country compared to the East African countries. bKash is dominating the market in mobile financial service with half of the market share. Dutch-Bangla Bank's mobile financial service is the second largest in the country with 28% market share while United Commercial Bank's UCash has 14%, Islami Bank Bangladesh's mCash has 6% and other service providers has 2% market share.

New rate to be effective from Sept 18: BTRC

New Age, November 20, 2014

The Bangladesh Telecommunication Regulatory Commission informed the IGW, ICX and mobile phone operators that the new international incoming call rate and revenue share would be effective from September 18. The BTRC order came following an application of IGW Operators Forum, a proposed cartel of IGW operators, to give retrospective effect of the new rates from July 1. The new incoming call rate, which was lowered to 1.5 cents from 3 cents, will come into effect from the date of issuance of the respective order which is September 18.

Note: Business Newsflash is a collection of news published in the top daily newspapers like The Daily Star, The Financial Express, The NewAge and Dhaka Tribune. IL Capital is not responsible for any discrepancy in the information provided in the news.

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