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# MTBiz

Volume: 02, Issue: 02, Feb. 2010

## Monthly Business Review

# SME LOANS

## Banking and Financial Indicators

## National Economic Indicators

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# INTERNATIONAL NEWS

## FINANCE AND ECONOMY

### Indian banks ahead of BRIC nations

The Indian banking system, on many parameters, is much ahead of that in the BRIC nations and developed countries as it has maintained resilience and continues to provide growth opportunities even in the current economic situation, industry body FICCI said in a study. The BRIC nations include Brazil, Russia, India and China. Some of the major strengths of the Indian banking industry, which makes it resilient in the current economic climate, include regulatory system, economic growth and relative insulation from external market. A majority of the respondents in the study, consisting of 60 bankers, said, "The Indian banking industry is in a good and excellent shape." Over 50 per cent showed confidence that the sector would register a growth rate of 15-20 per cent in 2009-10, it said. The respondents said the Indian banks were better than China, Brazil, Russia and are at par with Japan, Singapore, Hong Kong, the UK and the US, in terms of regulatory systems, technology systems, credit quality and risk management systems. **(Source: Various)**

### Toyota Motor Company in Massive Trouble

In 2008, Toyota achieved its long-held goal of becoming the No. 1 carmaker in the world, passing General Motors, which had been the world leader since 1931. Shortly after Toyota gained that distinction, global auto sales plunged, leading to a loss for the fiscal year of $4.8 billion, the largest in the company's 72-year history. Its reputation for safety and quality - key elements in its success - took a battering. A series of recalls in recent years was capped by announcements in November 2009 and January 2010 that it would recall more than eight million cars globally to resolve a widespread problem with unintended acceleration. Under the recalls, Toyota will shorten gas pedals and in some cases remove padding from the floor to prevent the pedals from getting stuck on floor mats. The automaker also said in January that it would temporarily stop building and selling eight models in the North American market. Toyota said that the move was intended to restore confidence in the automaker, and the safety of its products. Of the eight million vehicles recalled, about six million of the vehicles are in the United States. On Feb. 1, the automaker said repairs to accelerator pedals would begin days later. The company suffered another blow to its reputation two days later, when Japanese authorities told it to investigate reports of faulty brakes on the Prius, a centerpiece of Japan's cutting-edge technology. Toyota assured that it would recall 437,000 of its 2010 flagship Prius hybrid and other gas-electric models worldwide to fix the glitch. In the face of growing investigation by U.S. federal authorities, Toyota took full-page ads in major Japanese and U.S newspapers to apologize for massive recalls, and began fixing braking glitches for two problem hybrid models. **(Source: New York Times)**

### Gold remains under pressure in Asia

Gold prices edged up in Asian trade Friday but remained highly volatile after posting huge losses overnight. Bullion prices dropped heavily Thursday mainly on technical selling due to slide in stocks, commodities and the weaker euro, pushing down prices to their lowest since November 3. Spot gold traded in a range around the $1,050 level for about a month last October before breaking upward to test new highs in December. It hit a low of $1,059.10 an ounce on February 4, the weakest since November 3. Meanwhile, holdings at the world's largest gold-backed exchange-traded fund, SPDR Gold Trust fell 0.5 per cent to 1,104.550 tones as of February 4, down 5.789 tones from the previous business day, and the lowest since late October. **(Source: Commodity Online, Singapore)**

### Japan still world's No. 2 economy with 4th Quarter GDP jump

Japan is still the world's second-biggest economy as fourth-quarter growth beat expectations and kept the country just ahead of a surging China. It may now be strong enough to avoid falling back into recession, said Cabinet official Keisuke Tsumura, according to Kyodo News agency. Real gross domestic product grew at an annual pace of 4.6 percent in the October-December period. The average forecast of 15 economists polled by The Associated Press was annualized growth of 3.4 percent. The results indicate that Japan continues to benefit from government stimulus measures around the world, which have bolstered global trade and persuaded Japanese households to boost spending. Companies are also gaining confidence and starting to invest in factories and equipment.GDP, or the total value of the nation's goods and services, has climbed for three straight quarters at the rate of 1.1 percent. Corporate capital spending climbed 1 percent in the first expansion since January-March 2008. Public investment fell 1.6 percent, while exports jumped 5 percent. Government officials said they were encouraged by the latest numbers, particularly since it was the first time in seven quarters for domestic demand to push GDP higher. Consumer spending, which accounts for about 60 percent of the economy, rose 0.7 percent from the previous quarter as shoppers took advantage of incentives on cars and home appliances. The fourth quarter figures cap a miserable economic year overall that sent Japan to its steepest recession since World War II but Japan managed to hold on to its spot as the world's No. 2 economy. Analysts agreed but predicted that consumer demand will decelerate, dragging growth in the months. "Policy benefits will fade in subsequent quarters and deflationary tendencies remain stubborn," said Tetsufumi Yamakawa, chief Japan economist at Goldman Sachs. **(Source: AP Tokyo)**

### Asian Stock Markets Edge Down

Stock markets in Asia slipped on Thursday, and the U.S. dollar rose to a near nine-month high against the euro as the single currency was dogged by worries about sovereign debt levels and poor growth prospects. The price of gold fell after the International Monetary Fund said it would sell more of its bullion holdings. The planned gold sales also pressured the Australian dollar, though the I.M.F. said the selling would be spread over time. Shares in Japan edged higher as a weaker yen helped exporters' stocks, but profit taking capped gains after the Nikkei 225 index booked its best rise in more than two months in the previous session. The Nikkei share average rose 0.15 percent but unable to gather much momentum after a 2.7 percent pop on Wednesday. The MSCI index of Asia Pacific stocks outside Japan slipped 0.4 percent, weighed down by a 1.1 percent fall in the materials sector. The euro slipped 0.2 percent to $1.3572, within striking distance of a nine-month low of around $1.3530 that was hit last week. The U.S. dollar index rose 0.3 percent against a basket of other major currencies. But the Australian dollar sagged 0.3 percent to US$ 0.8960, near the middle of a $0.9400 to $0.8575 range carved out in the last four months. The Reuters-Jefferies CRB index of 19 commodity futures is down 3.4 percent so far this year. Investors were focused on the relative speed at which the world's economies were recovering from recession and punishing laggards such as some European economies. Several Federal Reserve policy makers, confident of a U.S. recovery, want to begin selling securities relatively soon to cut back massive help to the financial system, the central bank informed. **(Source: Reuters, Hongkong)**

### Bank of England united over radical monetary policy

Bank of England policymakers voted unanimously to keep British interest rates at a record low level and to freeze radical credit-easing plans, minutes of a recent meeting showed on

Wednesday. The central bank's Monetary Policy Committee voted 9-0 in favor of keeping its key lending rate at 0.50 percent at its last meeting held on February 3-4. It was also united over a decision to pause its extraordinary policy of pumping billions of pounds (dollars) of new money into the British economy. "The Committee voted unanimously in favor" of the propositions, the minutes said. In order to revive the British economy, the Bank of England has pumped out 200 billion pounds (222 billion euros, 320 billion dollars) under the radical policy of quantitative easing (QE). **(Source: AFP, London)**

### BNP Paribas reports doubled profits of 5.8b euros

BNP Paribas bank reported doubled net profit to 5.832 billion euros (8.027 billion dollars) last year on strong capital market activity, beating forecasts and driving the shares up 2.85 percent on Wednesday. Managing director Baudouin Prot said that the bank was "well positioned in all its main activities" and would "continue to put most of its capacity to generate profits to the strengthening of shareholders' funds in the service of financing the economy." This remark appeared to refer to strong public and political demand for banks to show that they are funding activities by businesses and individuals, in contrast to a perception that they have been unduly reticent to lend during the crisis and have focused unduly in the past on trading activities.

There is also strong pressure on banks to strengthen their underlying capital structure in order to be able to withstand any future strains in the banking system. **(Source: AFP, Paris)**

### Oil strengthens

Oil prices extended gains Wednesday on a weaker US dollar and strengthening stock markets as fears of contagion from Greece's debt crisis eased. New York's main futures contract, light sweet crude for delivery in March, rose 34 cents in afternoon trade to 77.35 dollars a barrel. Brent North Sea crude for April delivery was up 22 cents to 75.90 dollars. Prices surged overnight "due to the weakening of the US dollar versus the euro and the strengthening of equity markets", said Victor Shum, an analyst with Purvin and Gertz international energy consultants in Singapore. **(Source: AFP, Singapore)**

### Thailand to launch mini gold futures in 2010

Thailand's largest stock exchange, the Stock Exchange of Thailand said Monday it is hopeful that new mini-gold futures contracts may be launched in the market by August. Thailand Futures Exchange (TFEX) said they delayed their plans to start 10 baht-weight (152 gramme) "mini" contracts over heavy opposition from local gold shops concerned about the impact on the physical gold market. It said it will welcome gold traders as new gold-related agents and launch 10 baht gold futures after clearing all doubts of local gold traders. Presently, TFEX is supporting gold traders from the Gold Trader Association and Thailand Gold Retail Club to become gold-related agents by reducing admission fees from THB 4 million ($121,200) to THB 1.2 million ($36,400). Moreover, the Securities and Exchange Commission has allowed retail gold traders to be selling agents for gold futures clients. Currently only 50 baht-weight futures contracts are traded on the exchange, resulting in trade largely restricted to wealthier investors or industry traders. Chumpol Phitthayanon, the president of the Gold Retail Club, said retail gold shops may group together to apply for TFEX licences, with around four coalitions expected. "Setting up a new company requires at least 100 million baht in capital. Gold shops don't have any problems with money, but they lack the management skills and staff to run a futures business," he said. **(Source: Commodity Online Bangkok)**

### Eurozone: Caught Between a Rock and a Bail-out

After years of profligacy, hosting the costliest Olympic games ever in 2004 and failing to rein in its spiralling public debt, the country was on the brink of defaulting on loans, according to some seasoned commentators. The uncomfortable prospect of the eurozone member being unable to pay its debts was one that investors were pondering in the wake of the Dubai crisis that has sent markets falling around the world. With a public-sector deficit approaching 12.5% of GDP – more than four times the stipulated EU amount and nearly double the level announced by the previous conservative administration – the gravity of the situation has not been lost on Athens' new socialist government. "Our economy is in intensive care," said George Papandreou, the prime minister, barely a week after assuming power in October. "This is without doubt the worst economic crisis since the restoration of democracy [in 1974]." National debt – the highest in the EU and projected to rise to 135.4% in 2011 – has made the outlook grimmer still. After years of posting 4% growth rates, the economy is expected to contract 1.2% in 2009 with unemployment levels tipped to top 9% amid growing poverty.

European leaders have vowed to keep Greece from slipping into a financial chasm but none of them has said how the worst collective crisis in the history of the euro zone can be fully resolved. Market pressure in reaction to massive Greek deficit and crushing debt is bearing down on other euro zone countries, forcing governments to sort out their finances and get the 16-nation bloc into better balance. The answer seems simple at first -- raise tax revenues, cut spending and get growth back on track to reduce deficits and debt in line with the European Union's Stability and Growth Pact. A leading economist has warned however that the debate should not be dominated by "deficit fetishism" because draconian measures can check economic growth. Other experts highlight basic, structural flaws that the European Union (EU) might not be able to resolve. **(Source: Various)**

## POLITICS

### Iran says will not give up nuclear work at any price

Iran will not give up uranium enrichment and the West must get used to an Iran that is a "master of enrichment," Ali Asghar Soltanieh, Tehran's envoy to the U.N. nuclear watchdog was quoted on Wednesday as saying in an interview with New Statesman, a British current affairs magazine. Iran says its nuclear program is for electricity generation. Tehran announced this month it had begun work to enrich uranium to a higher grade for a reactor making isotopes for cancer patients, further raising Western concerns that it might build a nuclear bomb. Western powers had offered Iran a fuel swap under which it would have sent much of its low-enriched uranium abroad in return for fuel rods for the medical reactor.The United States is leading a push for the U.N. Security Council to impose a fourth round of sanctions on Iran over its nuclear work Soltanieh said the language of threats reflected a 'colonialist mentality.' "Iran will never give up enrichment – at any price. Even the threat of military attack will not stop us," the Iranian ambassador to the International Atomic Energy Agency said. He said though U.S. President Barack Obama had come to power with a slogan for change, he had been unable to deliver, and on occasion had resorted to using the same language of threats as George W. Bush. Obama came to office vowing to break with Bush's policy

of seeking to isolate Iran. But he has taken a tougher stance since the disputed elections there last June and the passing of a deadline for Tehran to accept the fuel swap deal. **(Source: Reuters, London)**

### Obama defends economic stimulus

On the one-year anniversary of a plan that was pushed through the U.S. Congress by Democratic majorities, Obama and Vice President Joe Biden launched a sweeping effort to convince skeptical Americans that the $787 billion stimulus has been beneficial. In a White House speech, Obama said he believed the stimulus will save or create 1.5 million jobs in 2010 after saving or creating as many as 2 million jobs thus far. His point was to show that the stimulus, while admittedly unpopular, had the effect of keeping the U.S. economy from plunging into a second Great Depression. But Obama has much work to do to convince Americans who are still struggling to find work amid a 9.7 percent jobless rate. A CBS News/New York Times poll last week found that only 6 percent of Americans believed the package had created jobs.

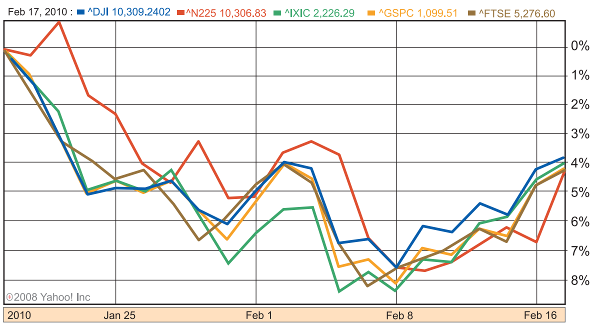
Obama used a portion of his speech to accuse Republicans of hypocrisy, saying they have enjoyed its benefits even as they criticized the plan. Republicans eager to score political points emailed out to reporters the original administration estimates from a year ago that showed the U.S. jobless rate would only rise to 8 percent under the stimulus. **(Source: www.ibtimes.com)**



# INTERNATIONAL CAPITAL MARKETS

## SELECTED GLOBAL INDICES

### Global Indices Round-up




U.S. stocks rose and the U.S. dollar appreciated against other major currencies in February helped by stronger U.S. economic data that suggested the U.S. central bank will soon begin withdrawing its huge monetary stimulus. The Dow Jones industrial average closed up 40.43 points at 10,309.24. The Standard & Poor's 500 Index ended up 4.64 points at 1,099.51. The NASDAQ Composite Index finished up 12.10 points at 2,226.29. MSCI world equity index rose 0.87 percent, while the Pan-European FTSE 300 index of top European shares hit a two-week closing high, up 1.3 percent, boosted by financials after BNP Paribas fourth-quarter profits beat forecasts and operational results from ING pleased investors. The U.S. dollar extended gains against other major currencies after the Fed minutes with the dollar index gaining 1 percent at 80.500. The Euro fell 1.18 percent at $1.3606 from a previous session close of $1.3768. Against the Yen, the Dollar rose 1.21 percent at 91.19 yen. Policy makers seem to be agreeing on a number of issues, such as discount window spreads, which is further evidence conditions are normalizing. From a markets perspective, this is clearly another Dollar positive. Britain's top share index rose for the third consecutive time in February, led by financials and miners on bullish corporate results and economic data, and adding to growing optimism over the health of the global economy. The FTSE 100 ended up 32.58 points at 5,276.64, touching a two-week high during the period. Strong results from Barclays and French lender BNP Paribas which beat forecasts with fourth-quarter results in February indicated the financial sector might be in better shape than many had feared. Investors are focusing on corporate earnings which have been better than expectations and it is earnings which drive equity markets. Japan's Nikkei N225 gained 28.86 points to 10,335.69 after rising nearly 3 percent in February. Nikkei stock average rose 0.3 percent on the first week of February, clawing to its highest close in two weeks, as buying of defensive shares such as retailers outweighed profit-taking a day after the benchmark made its biggest gain in over two months. Kubota Corp, a maker of farm equipment, rose 1.8 percent after Deere & Co, the world's largest farm equipment maker, posted results that beat expectations and raised its outlook for the year ahead. However, a strong hit by the third-lowest trading volume this year, the Nikkei drifted in a tight range as investors turned their eyes to China. The BSE Sensex was trading on 16351.68, 0.4 percent lower in early February, after two straight gains, with Reliance Industries 1002.65 and Tata Steel 575.45 leading the fallers amid subdued Asian cues. Energy major Reliance Industries, India's largest-listed firm with the most weight in the main index, shed 1.7 percent after gaining 2.4 percent at the end of January. Market is still struggling as there are no immediate triggers. Investors are eying on the annual national budget to be announced for the 2010/11 financial year on Feb. 26. Foreign funds have bought around $178 million of Indian equities in early February. Tata Steel, world's eighth-largest steel maker by output, declined nearly 2 percent, after climbing nearly 12 percent in the last four sessions in early February. Top mobile operator Bharti Airtel dropped to 278.5, after rising 2.4 percent in the second week of February, as investors termed its likely buyout of Kuwaiti firm Zain's African assets as expensive. Investors believe that the deal appears to be very expensive and the funding of the same would strain the balance sheet and would hence result in overhang on the stock. **(Source: Compiled from Yahoo! Finance and Reuters)**

## INTERNATIONAL MARKET MOVEMENTS

| INDEX | VALUE (As of February 17, 2010) | 1 MONTH AGO (As of January 17, 2010) | CHANGE | % CHANGE |
|---|---|---|---|---|
| DJIA | 10309.24 | 10725.43 | -416.19 | -3.88% |
| S&P 500 | 1099.51 | 1136.03 | -36.52 | -3.21% |
| NASDAQ | 2226.29 | 2287.99 | -61.70 | -2.70% |
| FTSE 100 | 5276.64 | 5455.40 | -178.76 | -3.28% |
| DAX | 5648.34 | 5875.97 | -227.63 | -3.87% |
| NIKKEI 225 | 10335.69 | 10982.10 | -646.41 | -5.89% |
| BSE SENSEX | 16382.79 | 17554.30 | -1171.51 | -6.67% |
| HANG SENG | 20531.85 | 21654.16 | -1122.31 | -5.18% |

# INTERNATIONAL ECONOMIC FORECASTS - WELLS FARGO SECURITIES ECONOMICS GROUP™ REPORT

## U.S. OVERVIEW

### Growth Is Not Nearly as Strong beneath the Surface

Expectations for near-term growth have been ratcheted up, following the fourth quarter's robust 5.7 percent real GDP growth. While that number came in almost precisely in line with our forecast, we have raised our estimate for first quarter growth and slightly reduced our expectations for growth during the second and third quarters. The adjustments were necessary because inventories are correcting much more quickly than originally thought. Inventories added 3.4 percentage points to fourth quarter GDP growth and are expected to add another 1.2 percentage points to growth during the first quarter.

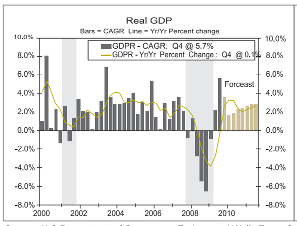
Consumer spending is also packing a little more punch. Real personal consumption expenditures ended the year well above their fourth quarter average. Spending looks set to rise at a 1.9 percent annual rate in the first quarter. Colder than usual temperatures are boosting utility usage and an early Easter should boost goods purchases in March. Toyota's huge recalls are expected to weigh on motor vehicle purchases during the quarter and might also add to inventories. Spending is expected to grow more modestly during the balance of the year.

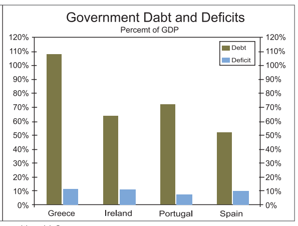
Business fixed investment modestly increased in the fourth quarter, with spending on computers and related equipment posting an astonishing rise. Much of that gain was in portable devices and equipment that drives the infrastructure supporting them. Residential investment pulled back toward the end of the year, reflecting a payback from the burst in starts tied to the first-time home buyers' tax credit.

## INTERNATIONAL OVERVIEW

### Sovereign Debt Concerns in Southern Europe

In response to market concerns over its indebtedness, the Greek government has proposed an ambitious fiscal adjustment plan over the next few years. In order to help stabilize the government's debt-to-GDP ratio, however, nominal GDP growth in Greece needs to rebound. But the common currency that Greece shares with the other members of the euro area precludes strong export growth via real exchange rate depreciation, which will hamper its ability to achieve strong growth in nominal GDP. In our view, there is a significant probability that Greece will need financial support




Source: U.S Department of Commerce, Euristat and Wells Fargo Securities, LLC

from the European Union (EU) and/or the IMF to help the government smooth out its fiscal adjustment. The fiscal situations in both Portugal and Spain are not as dire as they are in the Hellenic Republic, but these two countries may also need financial support if investors remain spooked.

The fiscal adjustment that will need to take place in Southern Europe will restrain economic growth in those countries over the next few years. Although these Mediterranean countries are not the largest economies in the euro area, they accounted for more than their share of overall GDP growth in the Euro-zone during the last expansion. Therefore, we expect that economic growth in the overall euro area likely will be sluggish as well for the foreseeable future. In our view, the combination of slow economic growth and benign inflation will lead the European Central Bank to keep its policy rate at 1.00 percent, where it has been maintained since last May, until early next year.

### Is it Time to Take the Training Wheels Off?

We expect real GDP to rise at a 3.7 percent annual rate during the current quarter. Business inventories are expected to move back into positive territory for the first time in two years, adding 1.2 percentage points to first quarter growth. Final demand is growing much more modestly. Real final sales are expected to rise at a 2.0 percent annual rate, marking the fourth consecutive quarterly increase. The three prior gains in final sales have also been exceptionally modest, however, and much of the increase that has occurred results from some sort of temporary fiscal or monetary stimulus. Once those programs end, growth will likely pull back a notch.

Solid gains in first quarter real GDP almost seem guaranteed. Real personal consumption expenditures ended the year well above their fourth quarter average and outlays would rise at around a 1 percent annual rate even if spending were flat in every month of the quarter. Spending is also getting a boost from increased utility usage resulting from this year's unusually harsh winter. Spending on goods should also rise solidly, although we are concerned the huge recall by Toyota will cut into motor vehicle sales for the quarter. Easter falls on the first Sunday in April, which means most of the related shopping will occur in March, making some amends.

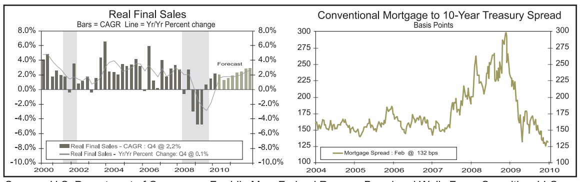
The early Easter means sales will be weaker during the second quarter and consumers may also need to scale back discretionary purchases so they can catch up with their power bills. Fortunately, we expect nonfarm employment to move back into positive territory this spring, providing a boost to wages & salaries and consumer confidence.

Residential construction outlays are expected to decline during the first quarter, reflecting a payback from what was supposed to be the end of the first-time homebuyers' tax credit. The initial plan was for the credit to expire at the end of November and that led to a mini surge in homebuilding last fall and existing home sales in October and November. Housing starts pulled back after the program was due to end late last year and existing home sales plummeted in December. Construction spending tends to lag starts by about a quarter, so the fourth quarter's drop in starts, along with the harsh winter weather, should lead to a small drop in outlays during the first quarter.

We expect another surge in housing starts and sales leading up to the revised end of the home-buyer tax credit. The numbers should be less impressive this time, however, as the end of the program coincides with the start of the key spring home buying season. As a result, the seasonal adjustment process will not exaggerate the impact like it did last fall.

An even larger question is what will happen to mortgage rates program, which began early last year, caused the spread between 30-year conventional mortgages and the 10-year Treasury note to tighten a little more than a quarter percentage point below its historic average. Once the program ends on March 31, we expect the spread to overshoot the other way for at least a short time, which means mortgage rates should rise about a half a percentage point from their current level by this spring. The net result will be a slower recovery in residential construction than many had hoped for.

While the Fed apparently feels confident enough to take the training wheels off monetary policy, we do not expect them do much more than stand back and watch for now. We see the federal funds rate remaining unchanged until after the mid-term congressional elections. The administration is likely even more cautious and may urge some sort of stimulus this year, mostly aimed at jobs programs and aid to state and local government.



Source : U.S. Department of Commerce, Freddie Mac, Federal Reserve Board and Wells Fargo Securities, LLC

## Grim Fiscal Outlook in Southern Europe

Financial markets have been buffeted recently by concerns about the fiscal situation in some countries in the Euro-zone. Attention has focused most acutely on Greece because it has the most precarious fiscal position (see graph on front page). However, investors are also nervous about the respective fiscal outlooks in Ireland, Portugal and Spain. (For a more in-depth report, see "The Long Road Ahead for Greece (and Others)" which is posted on our website.)

The Greek government has proposed a very ambitious plan to reduce its deficit to about 3 percent of GDP in two years, but there is an inconsistency in the government's blueprint. That is, nominal GDP growth needs to be fairly strong to help stabilize the debt-to-GDP ratio. However, a sharp fiscal contraction, which is also needed to stabilize the situation, weighs on GDP growth, everything else equal. How can the government bring about the necessary fiscal adjustment while at the same time supporting nominal GDP growth?

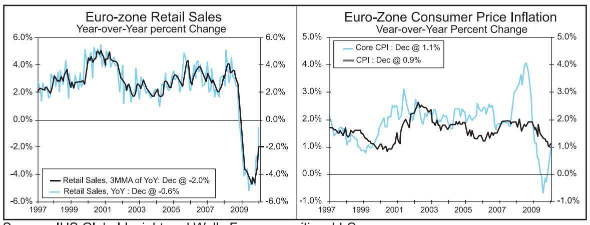
This inconsistency would not be so glaring if Greece could rely on strong export growth to prop up the economy as it tightens fiscal policy. For example, both the Finnish and Swedish economies were able to bounce back from their banking crises in the early 1990s via strong export growth that was aided by significant depreciation of their currencies. However, the majority of Greece's exports go to the other member countries of the Euro-zone with which the Hellenic republic shares a common currency. Without strong export growth in Greece, how will the economy grow as fiscal policy is tightened?

In our view, there is a significant probability that Greece will need financial support from the European Union and/or the IMF to help the government smooth out its fiscal adjustment. Indeed, EU officials have recently discussed a possible deal for Greece. The debt dynamics for Portugal and Spain are not quite as challenging as they are for Greece, but financial assistance packages may also need to be assembled for the governments of the Iberian countries if investors become spooked enough that they refuse to buy the debt.

In any event, fiscal policies in Greece, Portugal and Spain will need to be tightened over the next few years. Although these countries are not the largest economies in the euro area, they added more than their share to overall growth in the Euro-zone during the last expansion. That is, Greece, Portugal and Spain make up less than 15 percent of the overall Euro-zone economy, but accounted for 20 percent of overall GDP growth in the euro area during the last expansion. If, as we believe, these countries are destined for a few years of sluggish growth due to fiscal tightening, then GDP growth in the overall euro area likely will be restrained for the next year or two as well.

Growth in real spending in the Euro-zone is starting to flatten out, at least on a year-over-year basis, largely because the collapse late in 2008 is starting to drop out of the calculation (bottom chart). However, there has been very little growth on a sequential basis, and real spending remains about 5 percent below its May 2008 peak. Growth in real consumer spending likely will remain sluggish throughout most of this year.

In addition, there are few inflationary pressures in the Euro-zone at present. The year-over-year rate of overall CPI inflation has bounced higher over the past few months as energy prices have rebounded from their collapse last year. However, the core rate of CPI inflation, which reflects underlying demand conditions, has trended down to a nine-year low and further disinflation seems likely (bottom chart). Slow economic growth and benign inflation is a recipe for the European Central Bank to maintain its policy rate at its historic low of only 1.00 percent for the foreseeable future.



Source : IHS Global Insight and Wells Fargo securities, LLC

**Wells Fargo International Economic Forecast**

(Year-over-Year Percent Change)

| | GDP 2009 | GDP 2010 | GDP 2011 | CPI 2009 | CPI 2010 | CPI 2011 |
|---|---|---|---|---|---|---|
| Global (PPP welghts) | -0.7% | 4.1% | 4.1% | 2.8% | 4.2% | 4.2% |
| Global (Market Exchange Rates) | -1.9% | 2.9% | 2.9% | n/a | n/a | n/a |
| Advanced Economies[1] | -3.3% | 2.4% | 2.5% | -0.3% | 1.5% | 1.7% |
| United States | -2.4% | 2.9% | 2.4% | -0.3% | 2.2% | 2.1% |
| Eurizone | -3.9% | 1.4% | 2.3% | 0.3% | 1.0% | 1.3% |
| United Kingdom | -4.8% | 1.3% | 2.5% | 2.2% | 2.9% | 2.1% |
| Japan | -5.2% | 2.1% | 1.6% | -1.3% | -0.6% | 0.5% |
| Korea | 0.1% | 5.0% | 3.6% | 2.8% | 2.7% | 2.9% |
| Canada | -2.5% | 2.3% | 2.8% | 0.3% | 1.9% | 1.6% |
| Development Economies[1] | 2.5% | 6.1% | 6.0% | 6.5% | 7.4% | 7.1% |
| China | 8.5% | 9.5% | 9.0% | -0.7% | 2.8% | 3.2% |
| India | 7.2% | 8.5% | 8.0% | 11.4% | 11.9% | 8.0% |
| Mexico | -6.9% | 3.4% | 3.5% | 5.3% | 4.1% | 4.3% |
| Brazil | -0.9% | 3.5% | 3.9% | 4.9% | 5.0% | 5.0% |
| Russia | -7.3% | 3.1% | 4.1% | 11.8% | 6.8% | 9.0% |

Forecast as of: February 10, 2010
[1]Aggregated Using PPP Weights

**wells Fargo International Interest Rate Forceast**

(End of Quarter Rates)

| | 3-Month LIBOR 2010 Q1 | 2010 Q2 | 2010 Q3 | 2010 Q4 | 2011 Q1 | 2011 Q2 | 10- Year Bond 2010 Q1 | 2010 Q2 | 2010 Q3 | 2010 Q4 | 2011 Q1 | 2011 Q2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. | 0.30% | 0.35% | 0.55% | 0.80% | 1.50% | 2.35% | 3.70% | 3.80% | 4.00% | 4.10% | 4.20% | 4.30% |
| Japan | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 1.30% | 1.35% | 1.45% | 1.55% | 1.60% | 1.70% |
| Euroland | 0.55% | 0.60% | 0.80% | 1.00% | 1.40% | 2.25% | 3.20% | 3.40% | 3.75% | 4.00% | 4.20% | 4.30% |
| U.K. | 0.65% | 0.65% | 0.75% | 1.00% | 1.75% | 2.75% | 3.90% | 4.20% | 4.50% | 4.60% | 4.70% | 4.75% |
| Canada | 0.40% | 0.40% | 0.50% | 1.00% | 2.00% | 3.00% | 3.40% | 3.60% | 3.90% | 4.10% | 4.30% | 4.40% |

Forecast as of : February 10, 2010 **Source : Wells Fargo Securities, LLC**

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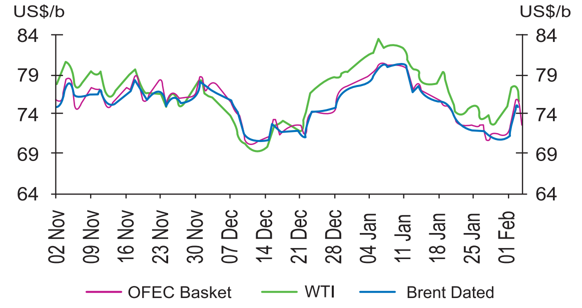
# COMMODITIES REVIEW

## CRUDE OIL PRICE MOVEMENTS - EXTRACTED FROM "OPEC MONTHLY OIL MARKET REPORT™"

OPEC

Cold weather and increased investment flows helped oil futures and the OPEC Reference Basket to continue the upward trend in the first weeks of 2010. The OPEC Reference Basket hit $80.29/b on 11 January, the highest since early October 2008, after ten consecutive sessions of gains. However, the momentum came to an end just after temperatures in the Northern Hemisphere increased and concerns about global economic growth emerged again. A stronger dollar and downward corrections in the equity markets also contributed to the decline in prices. As a result, the OPEC Reference Basket started to decline to settle at $71.01/b on 29 January - the last business day of the month - implying a loss of more than $9 or 11.6% in 14 days. Over this period, the Basket increased just in one day, on 14 January.

Graph 1: Crude oil Price Movement




All the Basket components dropped within that period, particularly Ecuadorian crude, Oriente and Middle Eastern crudes. Oriente lost around $10.50/b and Middle Eastern crude saw losses between $9.15/b for Arab Light and $9.70/b for Iran Heavy while Brent-related and Venezuelan Merey crudes declined by almost $8.50/b. Higher demand for distillate-rich crudes in Europe and Asia Pacific following improving distillate margins helped Middle Eastern crudes to strengthen in early January. Abu Dhabi reduced allocations from contractual supply by as much as 13%, lifting Murban values for March cargoes to a small premium to the ADNOC OSP after three months of discounts. However, as temperatures retreated from unusually low levels, demand for middle distillate-rich grades fell along with refining margins, leading to bearish sentiment for Middle Eastern crudes in most of the second half of January. The heavy crude market was the most affected. It has been sluggish over almost the whole month on a supply glut before it got some support at the end of the month after Abu Dhabi deepened its supply curbs on the heavy Upper Zakum grade for March. Increased Russian offers of its new ESPO blend also put downward pressure on the medium heavy crude market.

However, despite the strong decline in the second half of the month, the OPEC Reference Basket averaged $76.01/b in January, up $2.0 or 2.7% from December 2009. Among the components, Oriente gained $4.01 followed by Basrah Light (+$2.71), Merey (+$2.64), Girassol (+$2.25) and Arab Light (+$2.08). The remaining components increased by less than $2.0 each. Compared to a year earlier, the gain rose to $34.47 or 83% (see Table 1).

The OPEC Reference Basket showed some recovery in early February before it dropped to $69.76/b on 9 February. The last time when the Basket was below $70/b was on 9 October 2009.

**Table 1 : OPEC Reference Basket and selected crudes, US$/b**

| | Dec 09 | Jan 10 | Change Jan/Dec | 2009 | 2010 |
|---|---|---|---|---|---|
| **OPEC Reference Basket** | **74.01** | **76.01** | **2.00** | **41.54** | **76.01** |
| Arab Light | 74.38 | 76.46 | 2.08 | 41.23 | 76.46 |
| Basrah Light | 73.03 | 75.74 | 2.71 | 39.47 | 75.74 |
| Bonny Light | 75.68 | 77.39 | 1.71 | 45.44 | 77.39 |
| Es Sider | 74.23 | 76.14 | 1.91 | 42.74 | 76.14 |
| Girassol | 74.53 | 76.78 | 2.25 | 43.43 | 76.78 |
| Iran Heavy | 74.34 | 75.72 | 1.38 | 39.93 | 75.72 |
| Kuwait Export | 74.03 | 75.69 | 1.65 | 40.00 | 75.69 |
| Marine | 75.36 | 77.07 | 1.71 | 44.62 | 77.07 |
| Merey | 68.63 | 71.27 | 2.64 | 37.39 | 71.27 |
| Murban | 76.84 | 78.19 | 1.35 | 46.27 | 78.19 |
| Oriente | 68.93 | 72.94 | 4.01 | 35.12 | 72.94 |
| Saharan Blend | 74.98 | 76.79 | 1.81 | 43.89 | 76.79 |
| **Other Crudes** | | | | | |
| Minas | 78.67 | 79.82 | 1.15 | 44.98 | 79.82 |
| Dubai | 75.42 | 76.68 | 1.27 | 43.94 | 76.69 |
| Isthmus | 73.05 | 76.10 | 3.05 | 40.15 | 76.10 |
| T.J. Light | 71.81 | 74.66 | 2.85 | 38.86 | 74.66 |
| Brent | 74.28 | 76.19 | 1.91 | 43.59 | 76.19 |
| W Texas Intermediate | 74.41 | 78.30 | 3.89 | 41.50 | 78.30 |
| Urals | 73.88 | 76.09 | 2.21 | 43.09 | 76.09 |
| **Differentials** | | | | | |
| WT/Brent | 0.13 | 2.11 | 1.98 | -2.09 | 2.11 |
| Brent/Dubai | -1.14 | -0.50 | 0.64 | -0.34 | -0.50 |

*Note: Arab Light and Other Saudi Arabian crudes preliminarily based on American Crude Market (ACM) and subject to revision,*

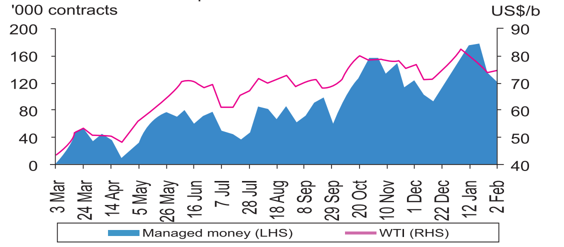
### The oil futures market

Oil futures remained strong in early January, supported by very cold weather in the Northern Hemisphere. However, in the US, Nymex WTI front-month continued the upward trend started in mid-December 2009 to hit a 15-month high of $83.18/b on 6 January before declining as temperatures improved. With the exception of 8 and 25 January, the WTI front-month has declined over all the traded sessions, losing nearly $10.30 in 16 trading days to settle at $72.89/b on 29 January - the last business day of the month and the lowest after the $72.47/b seen on 21 December 2009. However, despite this downward trend, WTI front-month averaged $79.34/b in January, up $4.74 or 6.4% from December. The gain over the previous month was due to the combination of weakness from the first half of December and strong levels in early January.

Compared with a year ago, WTI front-month in January 2010 displayed a gain of $37.42 or 89%. This was mainly due to the low levels seen in the previous year as prices plunged to as low as $35.4/b on 15 January, following the collapse of the financial market.

The drop in WTI front-month was exacerbated by bearish economic news from the main consumer countries as well as a

Graph 2: Managed money net positions : Nymex WTI futures and options




stronger dollar. The re-emergence of concern about global economic growth and hence oil demand was triggered by several news. Firstly, China, the world's second-largest energy consumer, surprised markets by raising interest rate for the first time since August. The move to tighten monetary policy was seen as part of an effort to cool down its economy in order to avoid overheating. This could likely imply lower GDP growth and oil demand. Secondly, in the US Administration's proposed restrictions on the US banking sector has raised concerns that they would not only undermine the financial sector's profitability, but also result in a decrease in liquidity on commodity markets. As a result, all asset classes were under significant pressure. Thirdly, in Europe, growing concerns that

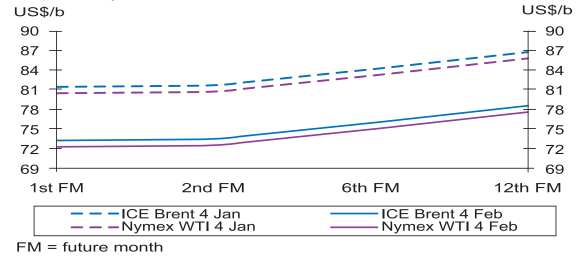
Greece's economic problems, resulting in a weaker euro, also contributed to the bearishness in the oil market. The recent draw in oil stocks - both commercial and floating - which remained high also contributed to the decline in oil futures. In addition to milder weather, high inventories, concern about economic growth and investor activity, the futures market was also affected by the US dollar and equity markets. The relationship between the US dollar and WTI became stronger again in late January when the WTI March contract was weakening while the dollar was strengthening, particularly against the Euro when it hit a six-and-a-half month high. Similarly, the relationship between futures and equity markets strengthened as growing concerns about economic prospects affected the stock market. The WTI front-month was also pressured by increasing stocks at Cushing, Oklahoma, the delivery point for WTI, to the all-time high of almost 36 mb in early January.

However, the weaker dollar in combination with higher equity markets and positive data on US manufacturing and consumer spending helped the Nymex WTI March contract to recover in the first day of February from a five-week low. The recovery continued the second day before a bearish report showing US crude oil inventories increasing more than expected in the previous week and refinery rates dropping to their lowest levels since 1990, pushed prices down back to less than $77/b on 3 February. Bearish sentiment amid a plunge in equity markets, higher-than-expected rise in US jobless claims, sovereign debt concerns (particularly in European Union), and strength of the US dollar to a seven-month high against the euro, made the WTI front-month fall by $3.89 or 5% on 4 February, the largest drop in a single day since July. Prices dropped further on 5 February when estimated daily trading volume for the WTI front-month hit 54,000 positions shortly after settlement. Daily trading volume for all crude oil futures contracts hit 1,007,414 positions. The record remains at 1,092,509 positions of 6 June 2008, around one month before WTI front-month prices hit an all-time high. After increasing net long crude oil positions in December, money managers raised them further in early January to more than 177,000 contracts in the week through 19 January 2010, the highest since 2006. However, bearish sentiment in the market pushed money managers cut net long positions sharply in the week through 26 January to 133,155 lots. The previous cut was in the week-ending 15 December 2009. Net long positions were cut further in the week ending 2 February to 121,074 lots (see Graph 2).

In Europe, ICE Brent followed almost the same trend as WTI. Brent February contract reached almost $81.90/b in the first week of January to drop to $71.46/b in the end of the month, implying a loss of $10.43, almost in step with the $10.30 drop in Nymex WTI. For the whole month, Brent averaged $77.91/b in January compared with $75.21/b in December and $45.71/b in January 2009. Like WTI, Brent front-month also recovered in the first two days of February before losing 14¢ or 0.18% and $3.79 or 5% in the following two days to settle at $72.13/b on 4 February. It moved even below $70/b on 5 February.

The spread between the WTI-Brent front-month contracts was almost stable around $1.40/b in January but recovered strongly compared to the previous month when it stood at minus 59¢/b. It dropped only once below $1/b to 89¢/b on 15 January when Brent fell by just half of WTI's loss (71¢ against $1.39). The spread strengthened in January on the back of stronger demand in the US and the increase in storage capacity at Cushing. In February, the WTI-Brent spread fell to more than minus $10/b on 12 February 2009 when Cushing rose to a high level of 34.9 mb.
The futures market for both WTI and Brent remained in contango in January but the respective curves have flattened. The expansion in storage capacity at Cushing has also contributed to the softness in the contango as traders holding WTI contracts may now be less concerned by swelling in Cushing stocks. The discount for front-month WTI versus a month later narrowed 34% between 4 January and 4 February. It moved from 61¢/b to

Graph 3: Nymex WTI and ICE Brent forward curve, 2009




40¢/b whereas the spread between 1st month and 12th month has widened to $5.36/b from 4.79/b a month earlier as the front-month was the impact of the bearishness was more pronounced on the front-month. Regarding Brent, the spread between the 1st and the 2nd month has almost halved to move from 67¢/b to 36¢/b. and the spread between the 1st month and the 12th month dropped by just 4% to $5.54/b.

## The sour/sweet crude spread

The Brent-Dubai spread remained negative in January but dropped to average minus 5¢, more than half of December's level of minus $1.14/b. The decline in the spread is attributed to the bearish sentiment for Middle Eastern crude amid increasing supply. The spread even turned positive in late January and early February. A negative spread opens opportunities of arbitrage for West African, Mediterranean and Russian crude to move to Asia as the price of lower-quality Middle Eastern crude was higher compared with higher quality crudes. The introduction of Russian new blend ESPO into Asia- Pacific market in January has also put pressure on Middle Eastern crude. The front month Brent/Dubai Exchange for Futures (EFS) for March rose to 20¢/b in the first week of February as Saudi Arabia cut March OSP of Arab Light and Arab Medium crudes for Asian customers, despite healthy fuel oil cracks and improving refining margins. The cut in OSP might be driven by the anticipation of lower seasonal Asian demand.

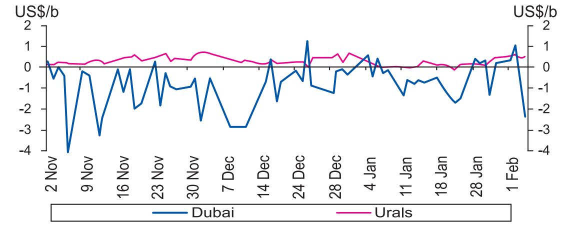
**Table 2: Nymex WTI and ICE Brent forward Price, US$/b**

| | 1st FM | 2nd FM | 3rd FM | 6th FM | 12th FM |
|---|---|---|---|---|---|
| **Nymex WTI** | | | | | |
| 4 Jan 2010 | 81.51 | 82.12 | 82.65 | 84.02 | 86.30 |
| 4 Feb 2010 | 73.14 | 73.54 | 74.14 | 75.83 | 78.50 |
| **ICE Brent** | | | | | |
| 4 Jan 2010 | 80.12 | 80.79 | 81.46 | 83.08 | 85.87 |
| 4 Feb 2010 | 72.13 | 72.49 | 73.08 | 74.84 | 77.67 |

FM = future month

The Brent-Urals spread narrowed in January and moved even in negative territory during few days. Russian Urals crude strengthened on the back of improving refining margins and received support from the price hikes of Saudi, Iraqi and Iranian OSPs to Europe. Russian crude was also supported by a drop in loading programmes and delays in the Black Sea and port closures. The spread averaged 10¢/b in January compared with 40¢/b in December (see Graph 4).

**Graph 4: Brent Dated VS. Sour grades (Urals and Dubai) spread**



# NATIONAL NEWS

## FINANCE AND ECONOMY

### NBR Plans E-pay for Income Tax

The National Board of Revenue (NBR) is set to introduce an e-pay system for income tax payers in July to reduce government revenue losses and taxpayers' hassles. The board sent a letter to Bangladesh Bank (BB) in this regard, requesting amendments to treasury rules. The treasury rules need to be revised to be able to accept e-payment, along with cash and cheques. "If we can initiate the e-payment system, it will help people pay tax without hassles," said Nasiruddin Ahmed, chairman of the board. "This will help us resolve procedural complexities and rescue large sums of revenue that the government losses every year." He also added, "We will introduce the system in phases. Initially, we will start by bringing large and corporate taxpayers under the system. All stakeholders have agreed to cooperate to introduce the on-line tax payment system". The NBR introduced the online tax filing system this month, which can work effectively once authorities' launch online tax payment. **(Source: Choice)**

### Paint Makers Continue Double-Digit Growth

Bangladesh's paint industry has been growing at a double-digit rate for the past several years riding on the increasing demand from the construction sector, market players said. A recent study reveals its market size based on demand is estimated at Tk 1,000 crore and domestic production capacity Tk 920 crore. Leading private commercial bank Prime Bank conducted the study. The demand-supply gap, according to the study, is Tk 80 crore. "We believe there is still good prospect for paint industry here. It is growing constantly," said Sangam Lal, chief financial officer of RAK Group, a UAE-based conglomerate that has been working on setting up a paint factory in Bangladesh. The Tk 50-55 crore valued factory is likely to go for commercial production by the year-end. Only a few players Berger, Asian, Roxy, Pailac, Aqua and Elite etc are operating in the market with over 90 percent market share. The Prime Bank study shows Berger alone holds 48 percent market share, followed by Asian Paints with 12 percent, Roxy with 10 percent, Pailac and Aqua each with 7 percent and Elite Paints wirth 5 percent. Uzala and Navana paints are also in the market. **(Source: The Daily Star)**

### EXIM Bank Opens Second Exchange House in Canada

Export Import Bank of Bangladesh Limited opened its own exchange house 'Exim Exchange Company (Canada) Ltd' at Toronto, Canada Saturday. This exchange house, registered with Canadian regulator FINTRAC, is a compliant official money transfer channel to serve Bangladeshi expatriates working and living in Canada. The Chairman of the bank Mr. Md. Nazrul Islam Mazumder inaugurated the exchange house at Danforth Road in Toronto. Yakub Ali, Bangladesh high commissioner in Canada was present as special guest on the occasion. 'Exim Exchange Company (Canada) Ltd' is a wholly-owned subsidiary of Exim Bank with a paid-up capital of Canadian dollar 600,000.00 after being incorporated in September of 2009. EXIM Bank opened its first exchange house in London, UK as the first Bangladeshi private bank. Before stepping into its second year of operation the UK exchange house is also in the process of starting trade finance business besides remittance. It is another milestone in the way of continued success of EXIM Bank. **(Source: Financial Express)**

### Recession Pulls down BB Profit

Global financial crisis has taken a heavy toll on Bangladesh Bank's profit although the central bank's prudential measures have helped commercial banks avoid losses during the recession period. Bangladesh Bank's operating profit declined by 20.6 percent or Tk 650 crore in fiscal 2008-09 compared to that of a year ago. "Lower interest rate globally has caused this fall in profit," BB Governor Dr Atiur Rahman told reporters while releasing the central bank's annual report at its headquarters in Dhaka. The BB generally invests its money in US and European banks. It had withdrawn its investment in foreign banks in the wake of the ongoing global recession that started in mid-2007. The central bank earned Tk 2,500 crore as operating profit in fiscal 2008-09. The profit was Tk 3,150 crore in 2007-08. "There was not more than one percent interest rate in the global market last year," said Rahman, reasoning the slide in profit. During fiscal 2008-09, the BB deposited Tk 1,000 crore less to the government account than that of the previous year. Out of the Tk 2,500-crore operating profit, Tk 1,730 crore was transferred to the government and Tk 770 crore to statutory funds, interest reserve account and other funds. **(Source: The Daily Star)**

### Banks to Have Permission from BB for Land Purchase

The central bank has imposed restriction on purchase or lease of fixed assets including land by the commercial banks to protect public interest.

Under the new provisions, the banks will have to take prior approval from the Bangladesh Bank (BB) to buy or lease such assets, officials said.

"We've imposed the restriction on the basis of our report that some banks are now involved in such transactions," a BB senior official told.

The central bank issued a circular in this connection Monday and asked the managing directors of all commercial banks to comply with such instructions.

"The new instruction will be applicable in the case of agreements now under process," the BB said in its circular. The central bank found that some banks are involved in deals in violation of the existing Bank Companies Act.

**(Source: Financial Express)**

### Banks Shift Focus to Home Loans

Commercial banks are increasingly coming forward to provide home loans, which they feel are more secure than other forms of loan. The banks' outstanding home loans have doubled to Tk 12,360 crore in fiscal 2009 from Tk 6,400 crore in fiscal 2006. Private banks led the tally with Tk 7,490 crore outstanding loans to the housing sector as on June 30, 2009, against just Tk 3,510 crore three years ago. Private Banks' lending to the sector increased by over 113 percent in the three years to fiscal 2009. Housing loans from four state-owned banks also rose by over 42 percent in the same period. Outstanding housing loans by the four banks were Tk 2,580 crore in fiscal 2006, which rose to Tk 3,670 crore at the end of fiscal 2009. "Home loans are very safe. It is a good investment also," said Anis A Khan, managing director of Mutual Trust Bank. Syed Abu Naser Bukhtear Ahmed, managing director of state-owned Agrani Bank, said home loans are good because the returns are fixed. "No home loan becomes classified." Demand for home loans is increasing, backed by the rising population in Dhaka city, where real estate is booming. According to Bangladesh Bank (BB) statistics, housing loans reached Tk 18,180 crore at the end of fiscal 2009 from Tk 10,090 crore in fiscal 2006, a whooping 80 percent rise. Banks also have become more interested in extending loans to the sector in the past few years as they consider it safer. The central bank introduced a low-cost refinancing scheme for housing loans in 2007. Recently, BB increased the fund to Tk 700 crore to meet growing demand. Banks take 50-60 percent security against a home loan and charge up to 13 percent in interest. The Agrani Bank managing director also highlighted some negative sides to the booming housing loan sector. "The housing sector does not create as much employment as the manufacturing sector," said Ahmed. It is neither fully productive nor unproductive, he added. Commercial lending to the housing sector has raised constantly through the recent years. **(Source: The Daily Star)**

### Share on Second Indian Bank Sets Foot in Bangladesh

The bank has received approval from Bangladesh Bank, said Satish C Gupta, chairman and managing director of the bank, at a press conference at Dhaka Sheraton Hotel. Initially, the bank's Dhaka office will help promote trade between the two next-door neighbors. TM Bhasin, executive director of the bank, said UBI has a unique presence in the northeastern part of India. UBI was the result of the merger in 1950 of four banks: Comilla Banking Corporation (founded in 1914), Bengal Central Bank (founded in 1918), Comilla Union Bank (founded in 1922) and Hooghly Bank (founded in 1932). Headquartered in Kolkata, UBI is predominantly seen in the eastern and northeastern parts of India. Nearly two-thirds of the bank's 1,505 branches are located in those areas. State Bank of India, another state-owned bank from India, has long been operating in Bangladesh. **(Source: The Daily Star)**

### Market Monitoring Amid Inflation Fear



The monthly rate of inflation, according to the latest available data, has started rising again, hitting hard the low-income groups in both urban and rural areas. The food inflation rate in November in rural area stood at 7.0 per cent. And in urban areas, the same rate stood at 7.24 percent the highest in last 14 months. The price situation, going by the trends in both global markets, is likely to come under further strains in the coming months. The prices of rice have already gone up substantially in last two months, despite full harvest of Aman rice, the second largest cereal product, in local market. According to reports in the media, food price inflation witnessed 9.83 per cent increase in urban areas, reflecting a fresh wave of price upswing. In this backdrop, Finance Minister AMA Muhith rightly expressed his concern over the price hike of commodities in the global market, which could add to the inflationary pressure. He said prices of essential commodities, including petroleum products, increased in the international market, posing a serious challenge to fulfilling the government's major electoral pledge about keeping the price of essentials within a tolerable level. Indeed, a low price regime, which started with the assumption of office by the Awami League-led coalition, appears to be over. People have started feeling the pinch of a fresh bout of price-hike of essential commodities. And prices are up at a time when stocks of rice, soybean oil, sugar, onion etc., with the government and in retail markets are reportedly otherwise "sufficient". **(Source: Choice)**

### BB Mulls Easing Rules for Subordinated Debt

The central bank considers relaxing the rating conditions for banks to introduce subordinated term debt to raise capital in line with a Basel II requirement, said Bangladesh Bank officials. The relaxed rules will be made available soon, they said. Subordinated debt comes in the form of debt instruments such as bonds, debentures and loans, rather than in the form of stock. "Several applications for issuing the debt are pending with us, but most do not fulfill the required rating criteria," a senior Bangladesh Bank (BB) official told. "We are thinking about relaxing the rules." Earlier in October 2009, the BB permitted the banks to raise capital through debt instruments, particularly with subordinated debt, instead of issuing only rights and bonus shares, following demands from the banks. Prime Bank is the only bank that has issued the debt instrument even though it has been four months since the BB issued the guidelines. A bank, which has composite CAMELS rating 2, BB Rating Grade 2 and entity (bank) rating 2, is eligible to issue subordinated debt, according to the criteria. **(Source: The Daily Star)**

## POLITICS

### Bangladesh May Forego UN Arbitration with Myanmar

The recent Bangladesh-Myanmar sea border talks addressed a long-standing dispute that threatened 17 of Bangladesh's blocks in the Bay of Bengal. This may mean UN arbitration will no longer be needed to resolve the issue, foreign secretary Mohamed Mijarul Quayes said Saturday. Briefing journalists at the foreign ministry, the secretary also said the government would still go ahead with UN arbitration for settling the sea border dispute with India. Dhaka would also push to sign agreements with Delhi on sharing of all common rivers, including the Teesta, he said. The secretary said Bangladesh and Myanmar during January 8-9 maritime boundary talks had emerged from a long deadlock over the demarcation procedure. "Myanmar for the first time recognized the 'equity method' to demarcate the sea boundary. This is a very big development in the maritime talks," said Quayes. He also said that Myanmar in the past had always pushed for the 'equidistance method' for delimiting the sea boundary. The equidistance method would deprive Bangladesh of 17 out of 28 offshore blocks in and Bangladesh's sea zone would be locked. **(Source: Choice)**

### HC Asks Govt. for Update of River Grabbing Every 3 Months

The High Court (HC) directed the government to start within a month demolition of all illegal structures built within the boundaries of four rivers around the capital, so that removal of the debris can be completed by the time stipulated by a previous court order. The rivers are Buriganga, Balu, Shitalakhya and Turag. The court also directed officials concerned to submit to it, progress reports of the river reclamation drive through the Supreme Court (SC) registrar every three months, for necessary new court orders. The HC in June last year issued a set of directives, including one upon the government, to complete by November 30 this year the demolitions and debris removal. The court issued the June order upon a writ petition in a public interest litigation filed by Human Rights and Peace for Bangladesh (HRPB), an organization for protecting human rights and the environment. If the demolitions are not started immediately, the task will not be completed within the stipulated time, he said adding that the illegal structures have to be removed in order to stop encroachment upon the rivers. The court directive was sent to the deputy commissioners of the four districts who had submitted the survey reports, chairman of Bangladesh Inland Water Transport Authority, director general of the Directorate of Land Record and Survey, secretaries to the ministries of finance, water resources, forest and environment, and land, and to other officials concerned. **(Source: Financial Express)**

### No Room for New Vehicles

The number of vehicles is around seven times the capacity of the roads in the capital. In last six years, the volume of motorized and non-motorized vehicles has almost doubled,

| TRAFFIC MESS | |
|---|---|
| Vehicle status: Over 10 lakh | Two new roads since 1990 |
| Vehicle capacity: 1.5 lakh | 730 traffic men hired in 6 yrs |
| Vehicle arriival: 180 a day | |

while the city has seen only two new thoroughfares–Doyaganj-Jurain and Bijoy Sarani-Agargaon–built in last two decades, said traffic management and road transport officials. With 250-300 kilometers of roads, Dhaka has room for around 1.5 lakh vehicles. But it has to accommodate over 10 lakh vehicles, accounting for much of the unrelenting traffic congestion, they added. Tapan Kumar Sarkar, director of Bangladesh Road Transport Authority, told The Daily Star that at least 5.25 lakh motorized vehicles ply the city streets now, while it was 3.03 lakh in 2003. On average, 180 new vehicles including motorbikes step onto the city streets every day. Sources in Dhaka Metropolitan Police (traffic) said the number of non-motorized vehicles in the capital is over five lakh. In 1992, there used to be 246.49 vehicles on every kilometer of the city roads. That number at present is around 500 vehicles per km. A mega city like Dhaka should have 25 percent of its size dedicated to roads. But in reality, roads claim only 8 percent of its total area, and 3 percent of that is meant for public transport and heavy vehicles. Of the total city size, 45 percent is occupied by residential establishments, 15 percent by mills, factories and shopping malls, 20 percent by administrative and academic establishments and 12 percent is used for other purposes. To make things even worse, there is an acute shortage of traffic personnel. **(Source: The Daily Star)**

### 800 More Buses to Hit City Roads

The government is set to import 800 buses, including 400 from India, to ease transport in Dhaka city by replacing unfit buses gradually. The new buses are expected to ply the city roads within next six months, Communications Minister Syed Abul Hossain told. However experts said the new buses could cause more traffic congestion unless the government introduces bus rapid transit (BRT) system, a high-speed articulated bus service, before using the buses in the city. Besides India, 300 buses will be imported from Korea and 100 from China. "Indian auto manufacturers would be called soon for participating in a bidding process to supply the buses," said the communication minister adding that these buses will be imported under a $1 billion soft loan scheme, which India committed to provide Bangladesh during the recent visit of Prime Minister Sheikh Hasina. The proposed import would

include both single decked and double decked buses. The communication minister said the government has decided to go for a massive drive to withdraw unfit buses from Dhaka city. Bus import from India should be considered seriously after replacement of out of order public transports. **(Source: The Daily Star)**

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# DOMESTIC CAPITAL MARKETS REVIEW

## CAPITAL MARKETS - DSE
(For the week Feb. 14th to Feb. 18th, 2010)

### Weekly Summary

| | |
|---|---|
| Total Turnover (BDT mil.) | 74,228.01 |
| Volume of Share (Nos.) | 278,883,642 |
| Weighted Avg. P/E Ratio | 31.35 |
| Total Scrip Traded | 263 |

### Category-wise Turnover

| Group | Turnover Value (BDT mil.) | % of Total |
|---|---|---|
| A | 64,986,947,843 | 87.55% |
| B | 532,504,000 | 0.72% |
| N | 7,835,360,000 | 10.56% |
| Z | 873,200,000 | 1.18% |

### Script Performance in the Week

| | |
|---|---|
| Advanced | 61 |
| Declined | 186 |
| No Change | 2 |
| Not Traded | 14 |
| Total Traded Issues | 263 |

### Top 10 Gainers of the Week (by Closing Price of all Companies)

| Sl. No. | Name | Category | % Change | Deviation % (High & low) | Value in BDT (million) |
|---|---|---|---|---|---|
| 1 | CMC KAMAL | Z | | 65.35% | 2.14 |
| 2 | AIMS 1ST M.F. | A | | 31.65% | 662.72 |
| 3 | GRAMEENPHONE LTD | N | | 27.91% | 4,307.39 |
| 4 | KEYA COSMETICS | A | | 16.57% | 1,584.76 |
| 5 | PURABI GENERAL INSURANCE | A | | 31.65% | 79.62 |
| 6 | LANKABANGLA FINANCE COM | A | | 18.86% | 3,235.05 |
| 7 | RUPALI BANK | Z | | 19.64% | 65.24 |
| 8 | NAVANA CNG LIMITED | N | | 15.00% | 2,242.17 |
| 9 | CHITTAGONG VEGETABLE | Z | | 11.50% | 2.26 |
| 10 | GOLDEN SON | A | | 11.17% | 458.77 |

### Top 10 Losers of the Week (by Closing Price of all Companies)

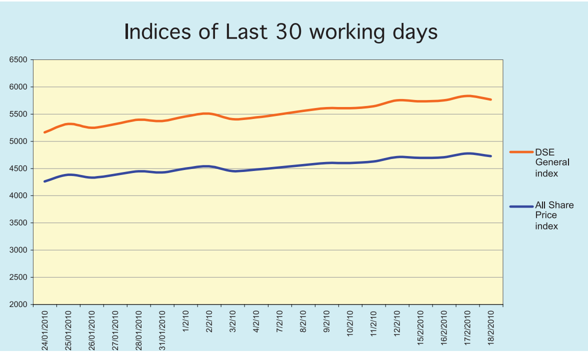
| Sl. No. | Name | Category | % Change | Deviation % (High & low) | Value in BDT (million) |
|---|---|---|---|---|---|
| 1 | BANGLADESH COMPANIES | B | | -42.68% | 13.71 |
| 2 | BLTC | Z | | -24.23% | 0.15 |
| 3 | DUTCH-BANGLA BANK | A | | 14.15% | 277.47 |
| 4 | UNITED INSURANCE | A | | -13.92% | 73.98 |
| 5 | AGNI SYSTEMS LTD | A | | -12.47% | 255.19 |
| 6 | BEACH HATCHERY LTD | A | | -10.60% | 314.06 |
| 7 | EASTERN BANK | A | | -9.78% | 10.97 |
| 8 | SAVAR REFRACTORIES | B | | -9.70% | 0.70 |
| 9 | ALPHA TOBACCO | Z | | -9.47% | 0.04 |
| 10 | H. R. TEXTILE | B | | -9.16% | 32.83 |



### Top 10 Companies by Turnover for this Week

| Sl No. | Names | Turnover BD Tk. (million) | Volume |
|---|---|---|---|
| 1 | BEXIMCO | 8,772.42 | 23,666,300 |
| 2 | GRAMEENHONE LTD | 4,307.39 | 12,086,000 |
| 3 | LANKABANGLA FINANCE COM | 3235.05 | 8,459,000 |
| 4 | AB BANK | 3,160.37 | 2,427,670 |
| 5 | NAVANA CNG LIMITED | 2,242.17 | 8,803,300 |
| 6 | BEXTEX LIMITED | 2,209.01 | 23,599,000 |
| 7 | PREMIER BANK LTD | 1,991.63 | 23,599,000 |
| 8 | KEYA COSMETICS | 1,584.66 | 14,202,500 |
| 9 | SUMMIT POWER | 1,495.45 | 1,121,450 |
| 10 | NBL | 1,449.64 | 1,759,920 |

### DSE Market Round Up




Stocks finished a volatile week, an outcome of regulators market cooling measures. Nonetheless market was not distracted from its current upward trend which is continuing for 8 weeks at stretch. Benchmark DSE General Index crossed 5600 mark. Against the backdrop of soaring price hike spurred by influx of money both from retail and institutional investors and unusual trading of GP, SEC reduced margin loan facilities for all stocks in previous week and stop financial adjustment facilities for GP effective from February 10. To some extent it worked and average daily turnover dropped by 19% from previous week. But banking sector hold the steering of the market as investors rushed to this stock ahead of year end declaration. Last week engineering, textile, food advanced markedly while cement, investment, IT and pharma declined. DSE General Index reached at 5635.73 rose by 201.69 points or 3.71% from the previous week. Total turnover reached at Tk63096.88m with 18.82% decrease from the last week's Tk77720.05m. On the other hand, market capital rose by 3.76% and stood at Tk1927.34b ($28.14b) at the weekend against Tk1857.51b. DSE-20 has moved upward by 148.86 points (4.85%) and closed at 3215.50 points against 3066.64 points. Last week weighted average Market PE was 30.60 which was 3.34% higher than previous week's 29.61. During the week, DSE General Price Index was above of both 9 and 18-day moving average line.

**(Source: AIMS Weekly Newsletter)**

# CAPITAL MARKETS - CSE
(For the week Feb. 14th to Feb. 18th, 2010)

### Weekly Summary

| | |
|---|---|
| Total Turnover (BDT mil.) | 6,956 |
| Volume of Share (Nos.) | 41,700,981 |
| Total Contact (Nos.) | 148,243 |
| Total Scrip Traded | 195 |

### Category-wise turnover

| Group | Turnover Value (BDT mil.) | % of Total |
|---|---|---|
| A | 5639.99 | 81.02 |
| B | 55.68 | 0.8 |
| N | 1119.61 | 16.09 |
| Z | 140.52 | 2.02 |

### Script Performance in the Week

| | |
|---|---|
| Advanced | 59 |
| Declined | 131 |
| No Change | 4 |
| Total Traded Issues | 195 |

### Top 10 Gainers of the Week (by Closing Price of all Companies)

| Sl. No. | Name | Category | Deviation % (High & low) | Value in BDT (million) |
|---|---|---|---|---|
| 1 | AIMS FIRST GUARANTEED MUTUAL FUND | A | 17.67 | 209.86 |
| 2 | IMAM BUTTON | B | 17.47 | 0.03 |
| 3 | KEYA COSMETICS LIMITED | A | 14.7 | 72.48 |
| 4 | LANKA BANGLA FINANCE LTD. | A | 14.05 | 162.73 |
| 5 | RUPALI BANK | Z | 10.55 | 9.03 |
| 6 | UNION CAPITAL LIMITED | A | 9.77 | 48.03 |
| 7 | GOLDEN SON LIMITED | A | 8.75 | 78.29 |
| 8 | GULF FOODS LIMITED. | Z | 8.33 | 0.01 |
| 9 | GRAMEENPHONE LIMITED | N | 8.14 | 688.27 |
| 10 | KEYA DETERGENT LIMITED | A | 8.12 | 64.40 |

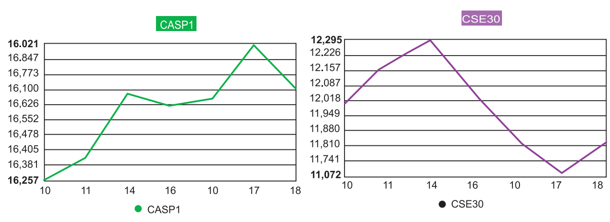
### Top 10 Losers of the Week (by Closing Price of all Companies)

| Sl. No. | Name | Category | Deviation % (High & low) | Value in BDT (million) |
|---|---|---|---|---|
| 1 | DHAKA INSURANCE LIMITED | N | -24.97 | 16.40 |
| 2 | 8TH ICB MF | A | -15.03 | 0.10 |
| 3 | DUTCH-BANGLA BANK LIMITED | A | -13.92 | 29.40 |
| 4 | ASIA PACIFIC GENERAL INSURANCE CO. | A | -12.88 | 0.38 |
| 5 | JMI-BANGLA COMPANY LIMITED | B | -12.85 | 16.04 |
| 6 | PRAGATI INSURANCE | A | -11.94 | 1.99 |
| 7 | STANDARD CERAMIC | B | -11.53 | 0.11 |
| 8 | EASTERN BANK LIMITED | A | -10.52 | 38.54 |
| 9 | ANLIMA YARN | B | -10.02 | 0.30 |
| 10 | MEGHNA LIFE INSURANCE CO. LTD. | A | -24.97 | 1.18 |

### Top 10 Companies by Turnover for this Week

| Sl No. | Names | Turnover BD Tk. (million) | Volume |
|---|---|---|---|
| 1 | GRAMEENPHONE LIMITED | 688.27 | 1,928,200 |
| 2 | BEXIMCO | 564.28 | 1,517,208 |
| 3 | AB BANK LTD. | 539.22 | 414,878 |
| 4 | Bextex Ltd | 371.08 | 3,963,919 |
| 5 | NAVANA CNG LIMITED | 277.96 | 1,090,900 |
| 6 | AIMS FIRST GUARANTEED MUTUAL FUND | 209.86 | 10,587,500 |
| 7 | NATIONAL BANK | 190.71 | 231,756 |
| 8 | THE PREMIER BANK LTD. | 181.60 | 392,480 |
| 9 | LANKA BANGLA FINANCE LTD. | 162.73 | 426,650 |
| 10 | STANDARD BANK LIMITED | 158.24 | 394,098 |

### Indices of Last 30 Working days



# NATIONAL ECONOMIC INDICATORS

**Foreign Exchange Reserve:**
The Foreign Exchange Reserve as of February 02, 2010, was registered at USD 10,110.16 from US$ 5,555.78 million, reported on February 02, 2009, a 81.98% decline. At the end of June 2009, the reserve was US$ 7,470.96 million. However, over the past six months, the increase on January 31, 2010 is a significant 35.16% as the foreign exchange reserve last year on the exact date was US$ 10,097.84 million.

**Exchange Rate Movements:**
The average Taka-Dollar exchange rate of BDT 69.2696 reported on February 02, 2010 was a slight increase from the previous month's exchange rate of BDT 69.2015, as reported on January 31, 2010. On a year-over-year basis, the exchange rate has experienced an increase from the February 02, 2009 figure of BDT 68.9286 to the Dollar.

**Wage Earner's Remittance:**
Bangladesh received US$ 950.92 million as inward foreign remittance in January 2010 registering 10.70% growth over year-over-year. The remittance for the period of July 2009 - January 2010 stood at US$ 6,484.12 million, a 20.89% increase, year-over-year.

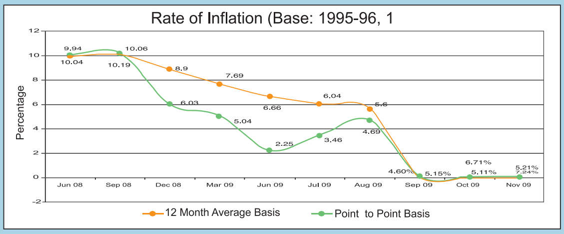
**Import:**
Import figures in November 2009 was US$ 1,820.50 million as compared to US$ 1,816.50.70 million in November 2008, a 0.22% decrease year-over-over. Imports for the quarter July - November 2009 stood at US$ 9,877.10 a -3.48% decrease year-over-year.

**Export:**
Export figures for November 2009, is reported as US$ 1,197.52 million, a decrease of -7.70% from the previous year. Yet, the figure for FY2008-09 was reported at US$ 15,565.19 million, a 10.31% increase from the previous year.

**Investments in National Savings Certificates**
The November 2009 figure of sales of National Savings Certificates was reported as BDT 777.07 million, a significant increase from November 2008 figure of BDT 96.37 million. The July - November 2009 figure was reported to be BDT 4707.19 million. The total certificates outstanding for July - November 2008 was BDT 1047.50 million, a significant increase from the figure reported on the previous year.



| 17th February, 2010 | Currency | Buying | Selling |
|---|---|---|---|
| A. USD/BDT Rates (based on interbank transaction) | | | |
| | USD | 69.3400 | 69.3700 |
| B. Cross Rate | | | |
| | SEK | 9.6589 | 9.6649 |
| | JPY | 0.7692 | 0.7696 |
| | GBP | 109.4809 | 109.5422 |
| | EUR | 95.4812 | 95.5294 |
| | CAD | 66.3985 | 66.4464 |

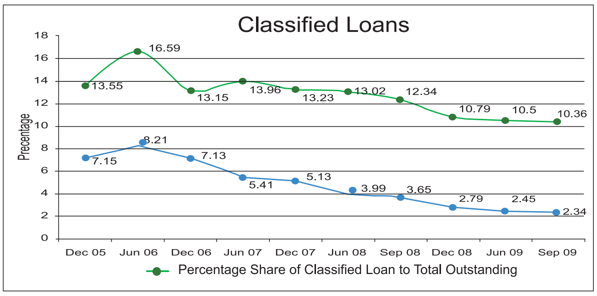


# BANKING AND FINANCIAL INDICATORS

| Classified Loans | Dec 05 | Jun 06 | Dec 06 | Jun 07 | Dec 07 | Jun 08 | Sep 08 | Dec 08 | Jun 09 | Sep 09 |
|---|---|---|---|---|---|---|---|---|---|---|
| Percentage Share of Classified Loan to Total Outstanding | 13.55 | 16.59 | 13.15 | 13.96 | 13.23 | 13.02 | 12.34 | 10.79 | 10.5 | 10.36 |
| Percentage Share of Net Classified Loan | 7.15 | 8.21 | 7.13 | 5.41 | 5.13 | 3.99 | 3.65 | 2.79 | 2.45 | 2.34 |

| | | | | Percentage Change (%) | | |
|---|---|---|---|---|---|---|
| | Nov 08 | Jun 09 | Nov 09 | Jul-Nov 2009-10 | Jul-Nov 2008-09 | FY 08-09 |
| **Reserve Money (BDT billion)** | 55151.10 | 69390.10 | 73326.20 | 567.00% | 4.47% | 31.45% |
| **Broad Money (BDT billion)** | 268,147.30 | 296,499.80 | 322,999.40 | 8.94% | 7.78% | 19.17% |
| Net Credit to Government Sector (BDT billion) | 53680.10 | 58185.20 | 51444.40 | -11.59% | 14.43% | 24.04% |
| Credit to Other Public Sector (BDT billion) | 13444.80 | 12439.70 | 13859.10 | 11.41% | 15.58% | 6.94% |
| Credit to Private Sector (BDT billion) | 203307.60 | 217927.50 | 237325.10 | 8.90% | 6.93% | 14.62% |
| **Total Domestic Credit (BDT billion)** | **270432.50** | **288552.40** | **302628.60** | **4.88%** | **8.75%** | **16.03%** |

| | | | | | Percentage Change (%) | |
|---|---|---|---|---|---|---|
| | Jul-Dec 08-09 | | Jul-Dec 09-10 | | Year over Year | |
| L/C Opening and Settlement Statement (US$ million) | Open | Sett. | Open | Sett. | Open | Sett. |
| Food Grains (Rice & Wheat) | 448.42 | 396.03 | 589.10 | 409.63 | 31.37% | 3.43% |
| Capital Machinery | 628.87 | 773.89 | 863.87 | 722.59 | 37.37% | -6.63% |
| Petroleum | 1,163.49 | 1,163.22 | 1,170.09 | 929.07 | 0.57% | -20.13% |
| Industrial Raw Materials | 4,587.56 | 4,609.44 | 4,720.66 | 4010.11 | 2.90% | -13.00% |
| Others | 4,348.31 | 4,172.81 | 5,796.61 | 4575.72 | 33.31% | 9.66% |
| **Total** | **11,176.65** | **11,115.39** | **13,140.33** | **10,647.12** | 17.57% | -4.21% |






| YEARLY INTEREST RATES | | | | | | |
|---|---|---|---|---|---|---|
| End of Period | Bank Rate | Call Money Market's Weighted Average Interest Rates on | | Schedule Banks' Weighted Average Interest Rates on | | Spread |
| | | Borrowing | Lending | Deposits | Advances | |
| 2009* | 5.00 | 5.04 | 5.04 | | | |
| 2008 | 5.00 | 10.27 | 10.27 | 7.31 | 12.31 | 5.00 |
| 2008 | 5.00 | 9.31 | 9.31 | 6.77 | 12.75 | 5.98 |
| 2007 | 5.00 | 7.17 | 7.17 | 6.98 | 12.99 | |
| 2006 | 5.00 | 8.41 | 8.41 | 5.90 | 11.25 | 5.35 |
| 2005 | 5.00 | 4.93 | 5.74 | 5.56 | 10.83 | 5.27 |
| 2004 | 5.00 | 6.88 | 8.17 | 6.25 | 12.36 | 6.11 |
| 2003 | 6.00 | 9.49 | 9.56 | 6.49 | 13.09 | 6.60 |
| 2002 | 7.00 | 8.26 | 8.57 | 6.75 | 13.42 | 6.67 |
| 2001 | 7.00 | 6.82 | 7.21 | 7.08 | 13.75 | 6.67 |

| Interest Rate Development *a | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Period | Treasury Bills | | | BGTB | | | | Repo | Rev. Repo | Call Rate | Lending Rate | Deposit Rate |
| | 91-Day | 182-Day | 364-Day | 5-Year | 10-Year | 15-Year | 20-Year | 1-2 Day | 1-2 Day | | | |
| **2008-09 *b** | | | | | | | | | | | | |
| July | 7.78 | 8.01 | 8.51 | 10.6 | 11.72 | 12.14 | 13.06 | 8.5 | 6.5 | 8.27 | …. | …. |
| August | …. | …. | …. | 10.6 | 11.72 | 12.14 | 13.07 | 8.5 | 6.5 | 9.88 | …. | …. |
| September | 7.81 | 8.06 | 8.53 | 10.6 | 11.72 | 12.14 | 13.07 | 8.75 | 6.5 | 9.89 | 12.34 | 7.71 |
| October | 7.87 | 8.08 | 8.56 | 10.6 | 11.72 | 12.14 | 13.04 | 8.75 | 6.5 | 7.64 | …. | …. |
| November | 7.91 | 8.12 | 8.57 | 10.6 | 11.72 | 12.14 | 13.04 | 8.75 | 6.75 | 7.56 | …. | …. |
| December | 7.91 | 8.16 | 8.58 | 10.6 | 11.72 | 12.14 | 13.02 | 8.75 | 6.75 | 10.42 | 12.31 | 7.31 |
| January | 7.93 | 8.16 | 8.59 | 10.6 | 11.72 | 12.14 | 13 | 8.75 | 6.75 | 9.82 | …. | …. |
| February | …. | 8.16 | 8.6 | 10.6 | 11.72 | 12.14 | 12.99 | 8.75 | 6.75 | 9.25 | …. | …. |
| March | …. | 8.16 | 8.6 | 10.6 | 11.72 | 12.14 | 12.98 | 8.5 | 6.5 | 8.31 | 12.34 | 7.52 |
| April | 6.53 | 7.48 | 8.31 | 9.97 | 11.68 | 11.79 | 11.48 | …. | …. | 1.95 | …. | …. |
| May | 3.97 | 5.43 | 6.16 | 10.01 | 10.22 | 10.57 | 11.09 | …. | …. | 3.28 | …. | …. |
| June | 3.54 | 4.24 | 5.96 | 9.21 | 10.05 | 10.09 | 10.07 | …. | …. | 1.79 | 11.87 | 7.01 |
| **2009-10 *c** | | | | | | | | | | | | |
| July | 1.86 | 3.75 | 5.01 | 8.2 | 9.42 | 9.39 | 8.97 | …. | …. | 1.08 | …. | …. |
| August | …. | …. | …. | 7.47 | 8.55 | 8.59 | 8.59 | …. | …. | 0.72 | …. | …. |
| September | 2.05 | 3.5 | 4.33 | 7.49 | 8.43 | 8.8 | …. | 8.5 | …. | 4.39 | 11.59 | 6.57 |
| October | 2.14 | 3.51 | 4.57 | 7.8 | 8.75 | 8.69 | 9.1 | …. | 2.5 | 2.82 | …. | …. |
| November | 2.3 | …. | 4.6 | 7.8 | …. | …. | …. | 4.5 | 2.5 | 4.01 | …. | …. |
| December | 2.3 | 3.54 | 4.6 | 7.8 | 8.75 | 8.69 | …. | 4.5 | 2.5 | 5.05 | …. | …. |
| January | 2.33 | 3.55 | 4.61 | 7.8 | … | 8.74 | …. | 4.5 | 2.5 | 4.82 | …. | …. |

Source: MRP, DMD, Statistics Dept., Bangladesh Bank *a Weighted Average Rate *b Provisional *c Revised …. Data Unavailable

# FINANCIAL INSTITUTION OF THE MONTH

LankaBangla FINANCE

**Mr. Mafizuddin Sarker**
Managing Director
& Chief Executive Officer

## Company Profile:

LankaBangla Finance Limited (LBFL) a joint venture financial institution established with multinational collaboration is in operation since 1997 having license from Bangladesh Bank under Financial Institutions Act, 1993. With institutional shareholding structure, educated & motivated human resources, friendly working environment & dynamic corporate culture has enabled LBFL to be a diversified financial services providing institution of the country. Technical support provided by Sampath Bank Limited, Sri Lanka has been working as a catalyst to emerge LBFL as most innovative financial solution provider strictly in compliance with the rules & regulations of Bangladesh Bank. LankaBangla Finance went for public issue in 2006 and its shares are listed in both Dhaka Stock Exchange and Chittagong Stock Exchange since 17-October-2006 and 31-October-2006 respectively.



**Incorporation Date:** November 05, 1996

**Corporate Head Office:**
Safura Tower (Level 11)
20 Kemal Ataturk Avenue, Banani
Dhaka 1213, Bangladesh
Phone: (8802) 988 3701 – 10
Fax: (8802) 881 0998
e-mail: info@lankabangla.com

### Financials as reported on Dec, 2008:

**Total Equity:** BDT million 922.48
**Total Assets:** BDT million 7,944.87
**Net Profit after Tax:** BDT million 377.64
**Return on average Equity (%):** 49.7
**Earnings per Share (%):** 9.81
**Dividend per Share (%):** 30

# REGULATORY AFFAIRS

## Dhaka Clearing House to Reject Non-MICR Cheque/ Instrument from April 01, 2010

Though Bangladesh Automated Clearing House has started distributing MICR cheques, the statistics of the presented MICR checks in Dhaka Clearing House shows that the number of these cheques is not at a desirable level. But the full-fledged implementation of this system requires that all the instruments/cheques presented in the clearing house are MICR attached. So, it has been decided that Dhaka Clearing House will not accept Non- MICR cheques / instruments anymore from April 1, 2010. All the bank branches under the Dhaka Clearing House are asked to take appropriate actions in this regard and inform their customers about this new development. **(Source: Bangladesh Bank DCMPS Circular no. 03/2010, 11 February, 2010)**

## Rescheduling of loan/ lease of closed and effected industries during of caretaker government tenure

The obligatory down payments for the creditors/ leases of financial institutions - imprisoned /absconded during the tenure of the caretaker government and acquitted later on - will be relaxed on the basis of client - organization relationships and can be rescheduled till 301/10/2010. **(Source: Bangladesh Bank DCMPS Circular Letter no. 02/2010, February 2, 2010)**

## Financial institutions are requested to submit Audited Financial Statements and Management Report within 3 months of year ending

All the financial institutions of Bangladesh are requested to submit their Audited Financial Statements for the year ended December 31, 2009 and Management Report prepared by external audit team according to Financial Institutions Act 1993 (code 23 and 24) and DFIM circular no-11 (Dated December 23, 2009) within 3 months of year ending in Bangladesh Bank. **(Source: Bangladesh Bank DFIM Circular Letter no. 04, February 2, 2010)**

## E-commerce services will be equivalent to cash transactions

From now on, the scheduled banks can provide several e-commerce services to their clients like payment of utility bills, transfer money from client's one bank account to his/her other accounts in the same bank, online payment from customer's bank account to seller's bank account, credit card transaction in local currency. These online transactions will be equivalent to cash payments and CTR & STR has to be submitted in Financial Intelligence Unit of Anti money laundering Department of Bangladesh Bank. **(Source: Bangladesh Bank PSD circular no. 05/2009, November 2, 2009)**

## BB to restrict defaulters from banks board

From now on, the commercial banks will have to verify default loan condition from the central bank's Credit Information Bureau (CIB) prior to appointment or re-appointment of directors which should be attested by the bank Chairman. Though according to Bank Company Act, a loan defaulter cannot be appointed as a director in the Board of any commercial bank, a good number of banks reportedly appointed loan defaulters as directors some of whom allegedly have made fake declarations in this regard. All commercial banks must submit an updated list of directors to the central bank with declaration of director's eligibility, according to the circular. **(Source: Bangladesh Bank BRDP Circular no. 05, January 28, 2010)**

## Bangladesh Bank Makes Bank Account Opening Process Easy for Farmers.

To ensure the availability of different government subsidies through banks, any farmer with National Id/ Birth Registration card and Agricultural Material Assistance card issued by Agricultural Expansion Department can open their savings account with a deposit of Tk. 10/- in any “Krishok Bank”. There is no mandatory rules regarding minimum balance and the account is free of all charges. **(Source: Bangladesh Bank BRPD circular no. 01, January 17, 2010)**

## Bangladesh Bank Asks Scheduled Banks to Establish Inter-Branch Connectivity Network and Core Banking Solution.

In order to implement efficient, cost effective, safe and technology based modernized payment and settlement systems, Bangladesh Bank has established Bangladesh Automated Clearing House (BACH) which is expected to start its full-fledged operations in Dhaka very soon. The Data Center and Disaster recovery center (Mirpur) of BACH has been already connected to all the banks. Besides, Bangladesh Bank has granted permission for implementing Mobile Payment Scheme. In this situation, the banks which do not have Core Banking Solution and Inter-branch Connectivity Network have been advised to establish these services within December 31, 2010. Apart from this, they have been also asked to submit “Tri- Quarterly Report” concerning progress of constructing CBS and Inter-Branch Connectivity Network to the Bangladesh Bank Department of Currency Management and Payment Systems (Payment Systems Division). **(Source: Bangladesh Bank DFIM Circular Letter no. 02, January 12, 2010)**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**To register for MTB Internet Banking, please visit a branch**

**E-mail: info.ibanking@mutualtrustbank.com**

**www.mutualtrustbank.com**

মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড

**Mutual Trust Bank Ltd.**

*you can bank on us*

# ARTICLE OF THE MONTH

## SME Financing

The funding of small and medium enterprises in Bangladesh, popularly known as SME Financing, represents a major function of the general business finance market Here capitals are supplied through bank loans and overdrafts; leasing and hire-purchase arrangements; equity/corporate bond issues; venture capital or private equity; and asset-based finance.

SME has been defined separately by Ministry of Industry of Bangladesh, SME Foundation and Bangladesh Bank. According to the definition by Bangladesh Bank circulated on 26/05/2008, an enterprise may be categorized as small or medium on the basis of three factors - type of ownership, fixed asset (Excluding Land & Buildings) and head count of employees. SME means an entity i.e. proprietorship, partnership and private limited which is not ideally a public limited company and fulfills the following criteria -

| Sector | Fixed Asset (BDT) | | No. of Employees | |
|---|---|---|---|---|
| | Small | Medium | Small | Medium |
| Service Sector | 50,000-50,00,000 | 50,00,000-10,00,00,000 | Less than 25 | Less than 50 |
| Trading Sector | 50,000-50,00,000 | 50,00,000-10,00,00,000 | Less than 25 | Less than 50 |
| Manufacturing Concern | 50,000-1,50,00,000 | 1,50,00,000-20,00,00,000 | Less than 50 | Less than 150 |

SMEs are recognized worldwide as engines of economic growth and have special significance for poverty reduction programs and potential contribution to the overall industrial and economic growth. They create large scale, low-cost employment opportunities, use locally available inputs and technologies, mobilize small and scattered private savings, develop entrepreneurship, and correct the regional imbalance in development that exists in developing countries. SMEs are typically labor-intensive industries with relatively low capital intensity. So for a country like Bangladesh, which is labor abundant and capital scarce, SMEs have a natural comparative advantage. According to National Strategy for Accelerated Poverty Reduction (NSAPR II), Bangladesh has a very high density of SMEs constituting over 99% of private sector establishments and providing job opportunities to roughly 70% to 80% of the non-agricultural labor force. According to the latest BSCIC estimates there are currently 55,916 small industries and 511,612 cottage industries excluding handlooms in Bangladesh. The contribution of SME to National exports hovers between 12% to 40%. This is why SME sector has been declared as a priority sector in the Government's Industrial Policy 2005.

The challenges in risk management while lending to SMEs include lack of financial data, intrinsic weakness of the financial structures, absence of sound collateral and the money and market knowledge constraint of the promoters. Earlier the commercial banks of Bangladesh were reluctant in investing in SMEs as high risk and high supervision cost associated with SME financing did not make it a profitable and attractive sector. Despite positive encouragements by Bangladesh Government and several initiatives and directives by Bangladesh Bank, during 1992 and 2007, the relative share of the SME loan offered by the banks was only between 2 to 5% for term loans and 4 to 10% for working capital loans. According to ADB, though the estimated potential market for SME loans is about Tk. 255 billion (in 2006), the total current supply is only Tk. 88.9 billion (in 2009). So the overall supply-demand gap for SME credit is staggering Tk. 165 billion. This means the finance of SMEs in Bangladesh come either through equity or from informal sources like family or friends. However, recently a large number of the commercial banks are offering products or services targeting SMEs only whereas


some have redesigned their existing products as SME products. 139 SME service centers have been opened by the banks (mostly private banks) in 2009 to facilitate SME lending. As of end of June 2009, the share of SME loans to total outstanding bank loans was about 22%, rising from 10.9% in June 2006 showing an annual average growth of 26% during the three year period. During first six months of 2009, Banks and NBFIs disbursed Tk. 12.43 billion to a total of 29014 SMEs. Nearly 60% of the total enterprises funded were trade sector and 25% were industrial establishments. Again, 70% of the refinanced loans were of medium and short-term and only 25% were of long-term duration (ADB, 2009). This clearly indicates that banks prefer quick profit-making short-term working capital lending rather than growth-oriented long-term lending.

Inaugurated by Prime minister Sheikh Hasina, a two-day SME Financing Fair 2009 jointly organized by the SME Foundation and the Dhaka Chamber of Commerce and Industry (DCCI) was held in Pan Pacific Sonargaon Hotel during December 8-9. A client of Mutual Trust Bank, Mrs. Monowara Begum, proprietor of Tulsi Tea was selected as the best SME entrepreneur. The 2nd best entrepreneur was also a Mutual Trust Bank client, Mr. Md. Siddiqur Rahman Mayez.

Because of interest rate liberalization policy, Bangladesh bank does not intervene in reducing the current high interest rate in the SME sector. Though the financing is very important to the SME entrepreneurs, the cost of fund is also a factor for their sustainability and expansion. The banks and financial institutions might consider lowering the interest rate to ensure the profitability of this sector.

# CSR ACTIVITIES

**Prime Bank Opens Free Medical Camp at Ijtema**

Prime Bank Limited opened a medical camp on Bishwa Ijtema premises at Tongi in Gazipur With a view to providing free of cost medical treatment to devotees of Bishwa Ijtema. The treatment facilities were provided to the devotees of the Ijtema for three days long. **(Source: Financial Express)**

**Aktel to Help Cancer Patients**

Aktel is going to launch e-ticketing service in the country for the welfare of the cancer-affected people. This e-ticketing service aims to raise funds for building a full-fledged cancer hospital. A MoU (memorandum of understanding) has been signed in this connection between Aktel and Dhaka Ahsania Mission in the city recently. **(Source: Financial Express)**

**First Security Bank Provides Free Eye Care to Orphans**

As a part of Corporate Social Responsibility Program, First Security Islami Bank Limited (FSIBL) in association with Bankers Forum provided free eye care services to the distressed orphan children. **(Source: Financial Express)**

**Bank Asia Offers Scholarship to Meritorious Students**

As a part of the Corporate Social Responsibility (CSR), Bank Asia Limited has offered higher studies scholarships to the meritorious students at Chatkhil in Noakhali. **(Source: Financial Express)**

**AB Bank Foundation Distributes Warm Clothes in Sylhet**

AB Bank Foundation distributed blankets as warm clothes to help and stand beside the poor and destitute population affected by severe cold.
The foundation distributed blankets in different locations of Sylhet region recently. **(Source: Financial Express)**

**Standard Chartered Bank Provides Financial Support to Kidney Foundation**

Standard Chartered Bank, Bangladesh, has come forward to provide financial support to Kidney Foundation. Standard Chartered Chief Financial Officer Imtiaz Ibne Sattar handed over a sponsorship cheque to Kidney Foundation President Professor Harun-Ur-Rashid in the city recently. **(Source: Financial Express)**

# APPOINTMENTS

## FINANCIAL INSTITUTIONS

| Name | Position | Organization |
|---|---|---|
| M. A. Hashem | Chairman | United Commercial Bank Ltd. |
| Kazi Enamul Haque (Stalin) | Vice Chairman | United Commercial Bank Ltd. |
| Eung Joon Kim | General & Country Manager | Woori Bank |
| Mahbub Mustafizur Rahman | Deputy Managing Director | Pubali Bank Ltd. |
| M.A. Halim Chowdhury | Deputy Managing Director | Pubali Bank Ltd. |
| Safiul Alam Khan Chowdhury | Deputy Managing Director | Pubali Bank Ltd. |
| Md. Fazlur Rahman | Deputy Managing Director | Uttara Bank Ltd. |
| Md. Sayedul Hasan | Deputy Managing Director | Dutch-Bangla Bank Ltd. |
| Md. Abdul Jabbar Chowdhury | Deputy Managing Director | Shahjalal Islami Bank Ltd. |

## NATIONAL APPOINTMENTS

| Name | Position | Organization |
|---|---|---|
| Mohammad Fazlul Karim | Chief Justice | Supreme Court of People's Republic of Bangladesh |



## OTHER INSTITUTIONS

| Name | Position | Organization |
|---|---|---|
| Imtiaz Alam | Chairman of Chittagong Branch | Institute of Cost and Management Accountants of Bangladesh (ICMAB) |
| Fariduddin Khan Siddiqui | Managing Director | Phoenix Insurance Company Ltd. |
| Md. Amanullah | Managing Director & CEO | National Asset Management Ltd. |

# MTB NEWS AND AFFAIRS


MTB organized its 1st Promotions Award Ceremony at Hotel Purbani, Dhaka on January 10, 2010. A total of 111 employees were handed over promotion letters at the event.

MTB signed a lease agreement for 10 years for shifting its corporate head office to RAR center, Gulshan, Dhaka. The signing ceremony was held at the MTB CHO BOD Room on January 22, 2010

MTB organized a Certificate Awards Ceremony for an Orientation Course held at MTB Training Institute on January 28, 2010.

MTB signed a Remittance Disbursement Agreement with Southeast Bank Ltd. at the Southeast Bank Head Office on January 13, 2010.

The 'Annual Business Conference 2010' of Mutual Trust Bank Limited (MTB) was held on January 23, 2010 at the Dhaka Sheraton Hotel, Dhaka. MTB Founding Chairman Syed Manzur Elahi inaugurated the daylong conference as chief guest. Md. Rashed Ahmed Chowdhury, Director and Khawaja Nargis Hossain, Alternate Director of the bank were present as special guests. Amongst others, MTB Managing Director & CEO Anis A. Khan, the bank's senior management team, managers, deputy managers of the branches and In-charge of Brokerage Houses and SME Service Centers were present.

MTB MD & CEO, Anis A. Khan joined the Armonk CEO Conference 2010 at Armonk, New York, USA on February 1, 2010


MTB Human Resource Division joined the Masters in Bank Management (MBM) Job Fair 2010 held at BIBM, Mirpur on February 4, 2010.


MTB distributed MTB Krishi Loan to Soybean Cultivators of Haidergonj in Haidergonj, Laxmipur on February 7, 2010.

MTB DMD, Md. Hashem Chowdhury presented Awards to Bangladesh Cricket team, the Winners of SA Games Cricket Final at Sher-E-Bangla Cricket Stadium, Dhaka on February 7, 2010.

# FINANCIAL GLOSSARY

## Open Offer

An open offer, also known as an entitlement issue, is an offer made by a quoted company to its shareholders inviting them to buy new shares in the company at a set price, which is normally lower than the current market price. The purpose, as with a rights issue, is to raise new capital for the company. Unlike a rights issue, an open offer cannot be traded or sold on by the shareholder usually. So, if one does not take up one's entitlement, it lapses. Because of this, when an open offer is announced, an individual will be allocated sub shares, not nil paid shares.

## Capital Gain

The amount chargeable to capital gains tax (CGT) from gains made on the disposal of an asset. In the case of stocks and shares, the gain is the difference between the proceeds of selling the shares and the amount you paid for them adjusted for indexation. In calculating the acquisition cost, broker commissions and stamp duty can be included. In calculating the disposal proceeds, commissions and other charges incurred in the process of selling can be deducted. The calculation of Capital Gains Tax will depend on the annual exemption, the level of other gains or losses in the tax year, and taper relief.

## Amortization

Amortization is the reduction of principal or debt by regular payments. A repayment mortgage on a house is amortized by making regular payments that cover the loan and the interest. A non-amortized mortgage is one where the borrower pays only the interest during the life of the loan and repays the principal at the end. Amortization can also be achieved via a purchase or sinking fund.

## CMO

Collateralized mortgage obligations are a type of mortgage-backed security (MBS). They are bonds with claims to cash flows from pools of residential mortgages. The payments of principal and interest on the mortgages are allocated to different tranches of the CMO by a complex structure. Each tranche may have different principals, coupon rates and maturity dates.

**Source:**
**www.finance-glossary.com**
**www.allbusiness.com**

# MTB Network

## Dhaka Division

**Principal Branch**
Tel: 02-7113237, 02-7113238

**Panthapath Branch**
Tel: 02-8613807, 02-8629887

**Babu Bazar Branch**
Tel: 02-7314821, 02-7314822

**Sonargaon Branch**
Tel: 02-038959-88105, 02-06723-88105

**Uttara Branch**
Tel: 02-8924379, 02-8951474

**Progati Sarani Branch**
Tel: 02-8411804, 02-8410948

**Sreenagar Branch**
Tel: 02-038942-88222

**Pallabi Branch**
Tel: 02-9016273 , 02-8055630

**Dilkusha Branch**
Tel: 02-7171301, 02-7171002
02-7170137

**Dhanmondi Branch**
Tel: 02-8155607, 02-8158334

**Bashundhara City Branch**
Tel: 02-9124021,02-9120982
02-9111440, 02-8121071

**Chandra Branch**
Tel: 02-06822-51968

**Gulshan Branch**
Tel: 02-8837840, 02-8832343
02-9882473

**Savar Branch**
Tel: 02-741452, 02-7741453

**Fulbaria Branch**
Tel: 02-9559842, 02-9559867

**Madaripur Branch**
Tel: 02-0661-62483, 02-0661-62482

**Dholaikhal Branch**
Tel: 02-7172542, 02-7172602

**Aganagar Branch**
Tel: 02-7762226, 02-7762227

**Narayanganj Branch**
Tel: 02-7648209

**Banani Branch**
Tel: 02-988-3831, 02-988-3861
02-0666-2685833, 02-0666-2629407

**Tongi Branch**
Tel: 02-9816250, 02-9816251

**Shanir Akhra Branch**
Tel: 02-7551169, 02-7551195

**Mohammadpur Branch**
Tel: 02-9127887, 02-9128494

## SME Service Centers

**Kaliganj Center**
Tel: 01718883140

## Rajshahi Division

**Pabna Branch**
Tel: 073151829

**Joypurhat Branch**
Tel: 0571-63584, 0571-63585

**Rangpur Branch**
Tel: 0521-52325, 0521-52326

**Bogra Branch**
Tel: 051-78108

## Brokerage Houses

**Main Office**
Tel: 02-9570563, 02-9568163

**Gulshan Office**
Tel: 02-9895969, 066-62044390

**Pallabi Office**
Tel: 02-9015919, 066-62607136

**Uttara Office**
Tel: 044-76150106

**Narayanganj Office**
Tel: 02-7648210

**Dhanmondi Office**
Tel: 02-8913222

**Progati Sarani Office**
Tel: 02-8840507

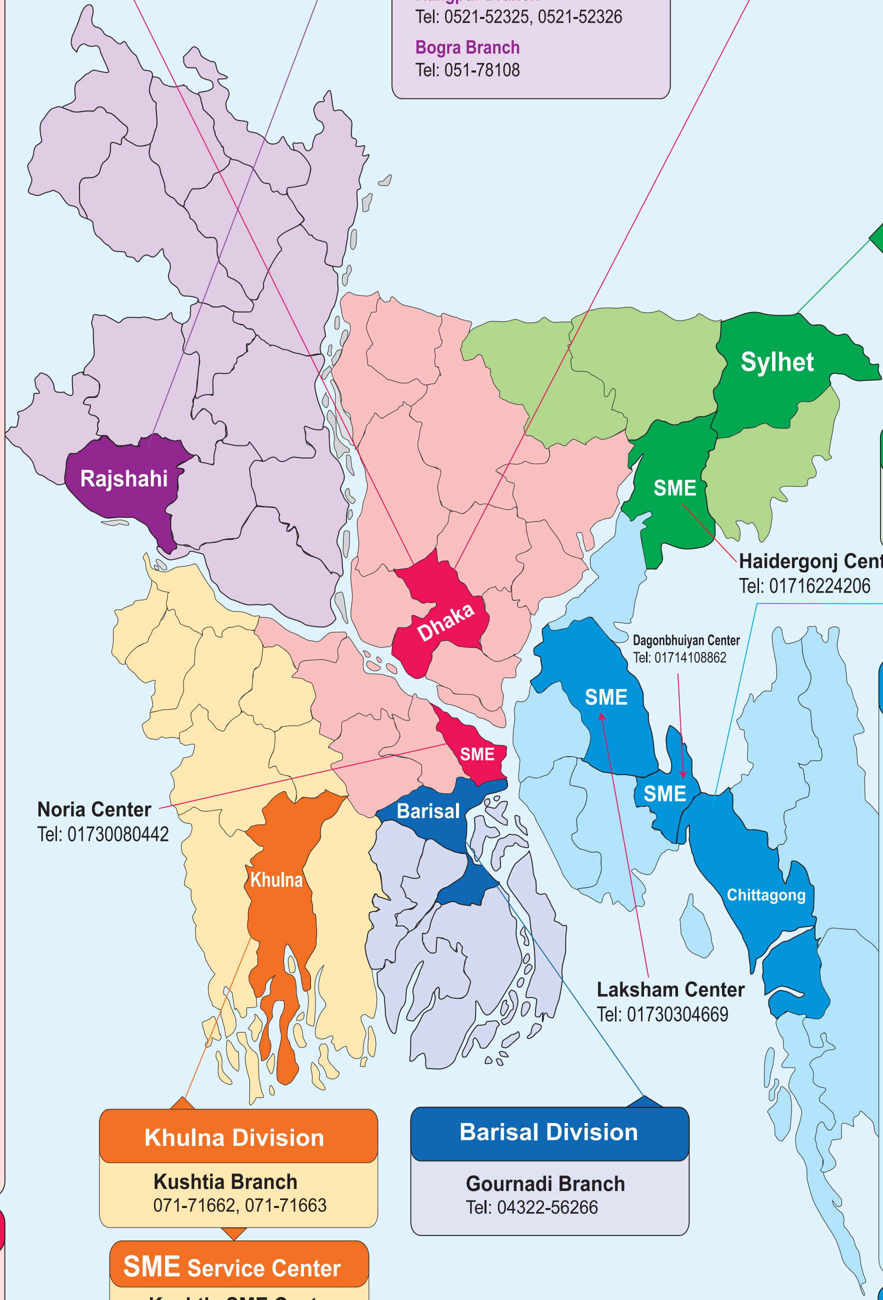
## Sylhet Division

**Sylhet Branch**
0821-2830271, 0821-2830272
0821-716820

**Moulvi Bazar Branch**
0861-62840, 0861-62841

## Brokerage Houses

**Sylhet Office**
Tel: 081-2830319




## Chittagong Division

**Office of the Head of Chittagong Br.**
Tel: 031-2516681; Fax: 880-31-721091

**CDA Avenue Branch**
Tel: 031-623559, 031-625336

**Khatungonj Branch**
Tel: 031-612254, 031-626966

**Jubilee Road Branch**
Tel: 031-624922, 031-627533

**Nazirhat Branch**
0821-4483498, 0443-4483498

**Chakoria Branch**
034-2256502

**Raipur Branch**
038-2256495

**Aman Bazar Branch**
031-681022, 01713106375

**Agrabad Branch**
031-2523287

**Feni Branch**
033-161984

## Brokerage Houses

**Chittagong Office**
Tel: 031-2514797, 037-31000768

## Khulna Division

**Kushtia Branch**
071-71662, 071-71663

## SME Service Center

**Kushtia SME Center**
071-71662, 071-71663

## Barisal Division

**Gournadi Branch**
Tel: 04322-56266

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