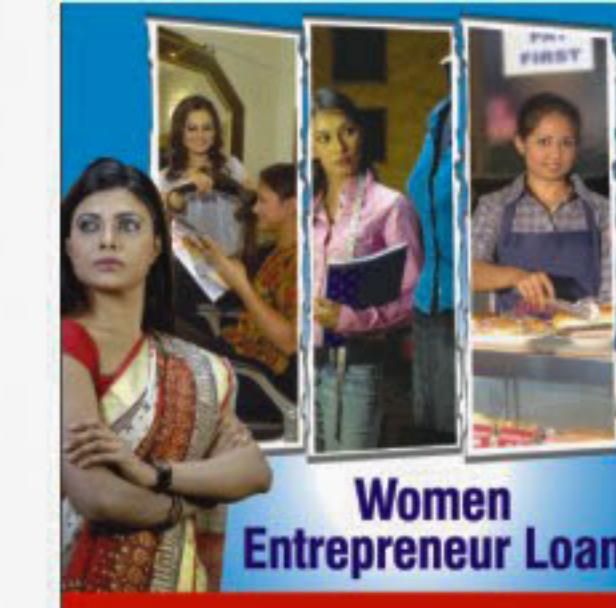


DHAKA TUESDAY FEBRUARY 15, 2011, e-mail:business@thedailystar.net



Govt changes mind on state shares

SAJJADUR RAHMAN

The finance minister has admitted that the decision to offload shares of state enterprises was not a timely step and some sections tried to cash in on it by reducing stock prices.

But the decision has already led the General Index of Dhaka Stock Exchange (DGEN) to lose almost 950 points within two days, putting thousands of investors into despair.

In the wake of the current stockmarket debacle, the government yesterday shelved its plan, for

now, to offload shares of all state enterprises.

The Securities and Exchange Commission offered no explanation for the delay, but analysts said investors have no appetite for new shares. They said newcomers would drive down the prices of the existing shares.

Analysts and bankers blamed a lack of coordination in the government for the free fall and said everybody understands that the problem is not with supply, but with confidence.

"Offloading state shares in a declining market was a wrong decision,"

said Mafizuddin Sarker, managing director of LankaBangla Finance.

Finance Minister AMA Muhib on Thursday announced a roadmap for offloading shares of 21 SoEs starting this month, and ruled out any negative impact of the decision.

"I am clueless why the government chose such a bad time to offload shares. Even a naïve understands that it will affect the market badly," said a top banker requesting anonymity.

"The minister did it without fixing prices for SoE shares, so investors

went into desperate sales fearing a downfall in prices," said the banker.

The finance ministry throughout 2010 had tried to offload shares of 26 SoEs against the backdrop of a severe supply crunch in the stockmarket. The minister also mentioned the initiative in his budget speech in June last year.

The ministry set several deadlines for share release. The first deadline was set for June 2010 and the second was October 2010.

As a consequence, over 30 lakh investors were running after fewer

than 250 stocks that made the market severely overpriced. A section of large investors -- individuals and institutions -- took the chance and made hefty profits.

However, now that the finance ministry has been able to convince the SoEs to offload shares, the market has lost its capacity to consume new supplies.

Yawer Sayeed, a financial analyst, said different quarters had been urging to increase the supply to reduce the prices of stocks at an over-heated market.

"The government will be deprived of getting due prices of its shares. Ultimately, it will be a national loss," said Sayeed. "It should have been done at least six months before."

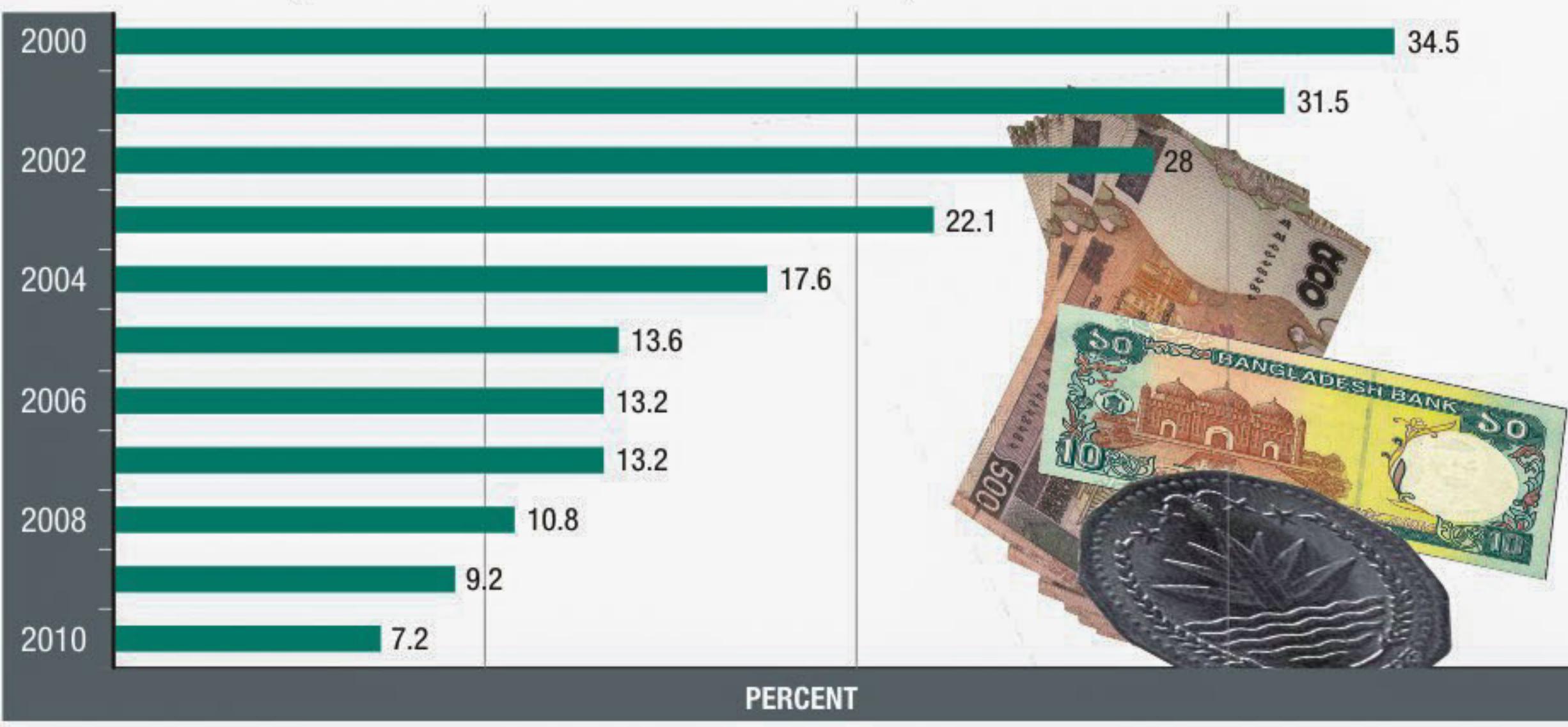
He also observed a serious lack of coordination among the government high-ups, including the ministers, chairmen of parliamentary standing committees, lawmakers and the regulators.

"This lack of coordination is dampening investor confidence," he added.

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Banks' loan default rates in decline

DEFAULT RATES (COMPARED TO TOTAL OUTSTANDING LOAN)



REJAUL KARIM BYRON

Default rates declined compared to outstanding loans last year, but showed a slight rise in volume, as some banks could not rein in their bad loans.

According to Bangladesh Bank statistics, state banks succeeded in cutting their loan default rates, but private, foreign and specialised banks saw their bad loans shoot up.

In the overall banking sector, the defaulted loan situation has improved because of continuous monitoring by the central bank, said a BB official. However, in some banks, defaulted loans went up, resulting in a little increase in volume.

On December 31, 2010, the defaulted loans of the banks were Tk 22,709 crore or 7.27 percent of the outstanding loans. A year ago, it was Tk 22,482 crore or 9.21 percent of the outstanding loans.

The volume of total defaulted loans increased by Tk 227 crore or 1 percent last year compared to the previous year.

The central bank evaluates the loan default situation on a quarterly basis. The situation improved substantially on December 31, 2010 over

the third quarter.

In the third quarter, the defaulted loans reached Tk 24,088 crore but the banks brought down the figure by around Tk 2,000 crore at the end of the year. The amount of bad loans in the banking sector is still huge if the loans being written off are taken into account.

According to the statistics updated until June last year, the banks wrote off bad loans worth about Tk 17,400 crore since June 2004. Of the amount, Tk 2,100 crore was written off in the last fiscal year. Following a central bank guideline, the banks for the first time introduced a system of writing off loans in 2003.

A BB official said the central bank is going to take various reform programmes in the banks which will further improve the default loan scenario.

The bank company act is going to be amended further to tighten monitoring of the commercial banks' activities, change the default loan definition, and further streamline the size and tenure of the banks' boards.

In the state banks, the percentage of the defaulted loans of their out-

standing loans has come down to 15.66 percent on December 31, 2010, which was 21.38 percent a year ago. In amount, their defaulted loans decreased by about Tk 990 crore during the one year period.

An official of Sonali Bank said the government has formed a committee headed by Chairman of the bank Kazi Baharul Islam. The official said the four state banks have functioned on the basis of a common approach which had a positive impact on their performances.

In the private commercial banks, the defaulted loans came down to 3.15 percent of their outstanding loans in December 2010, which was 3.92 percent a year ago, but the volume of their defaulted loans increased by Tk 254 crore in the same year.

In volume, the defaulted loans of the foreign banks increased by Tk 205 crore, and in the specialised banks, the amount went up by Tk 758 crore.

A BB official said the defaulted loans of most of the banks went down, but the total bad loans increased as the amount of such loans was high in some banks.



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১৫ ফেব্রুয়ারি ২০১১ : মুপ্ত ১২.০০-সম্মত ৭.০০
১৬ ফেব্রুয়ারি ২০১১ : সকাল ১০.০০-সম্মত ৬.০০
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SEC approves Tk 500cr special purpose fund

STAR BUSINESS REPORT

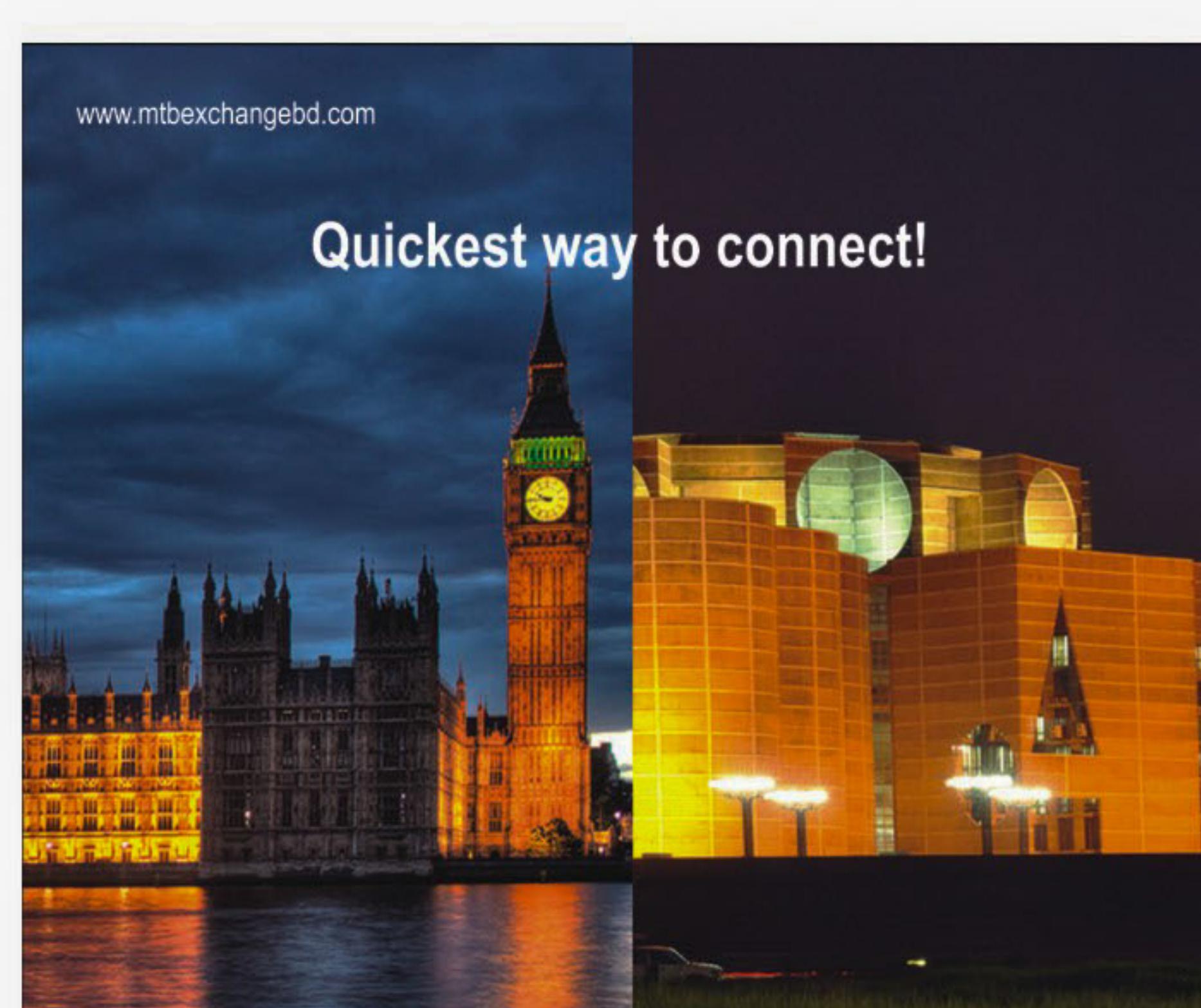
The stockmarket regulator yesterday approved a trust deed and registration of a Tk 500 crore special purpose fund.

The Securities and Exchange Commission (SEC) gave the nod at a meeting, chaired by the commission's chief Ziaul Haque Khondker.

Sonali Bank, Janata Bank, Eastern Bank Ltd and Investment Corporation of Bangladesh are sponsoring the First Bangladesh Fixed Income Fund, said an SEC spokesman.

The sponsors will finance Tk 200 crore, while the rest will be raised through an initial public offering.

While approving the fund, the SEC however attached a condition that the sponsors' portion of the fund will have to be utilised immediately in the stockmarket, which is now on the waning curve and suffering from a liquidity crisis.



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