

2HFY23 Monetary Policy Stance		Target
Particulars	2HFY23	
Average Inflation	7.50%	• BB raised the repo rate and reverse repo rate by 25 bps to 6.00% and 4.25% respectively
Repo rate	6.00%	• Raised lending rate cap for consumer's credit to 12.0% from 9.0% and removed floor rate on deposit
Reverse repo rate	4.25%	• Removal of the remaining lending rate cap will be considered once the central bank finds the economic situation to be suited for such action
Domestic Credit Growth	18.50%	• Considering implementation of market based, flexible and unified exchange rate regime (within a 2.00% variation) by end of FY23
Private Sector Credit Growth	14.10%	
Public Sector Credit Growth	37.70%	
Reserve Money Growth	14.00%	
Broad Money (M2) Growth	11.50%	
Net Foreign Assets Growth	-11.90%	

Source: Bangladesh Bank

MAJOR POLICY STANCES AND ANALYST'S OBSERVATION

BB's Hike of Policy Rates and Relaxation in Lending rate Cap

BB raises the repo rate and reverse repo rate by 25bps to 6.00% and 4.25% respectively. BB is focusing on suppressing the inflationary pressure by tackling the demand side by raising policy rates and giving indication to the market regarding BB's stance.

Repo transaction with BB in Bangladesh depends on the discretion of BB and liquidity needs of banks. With existing lending rate cap at 9.0% (12.0% for consumer credit), the impact of raising policy rate is likely to remain muted.

However, BB is showing intent to bring changes in the current interest rate regime through gradual shift from the interest rate cap policy.

Net Foreign Asset Growth and Broad Money Growth Target Curtailed

BB curtailed the net foreign asset growth target to negative 11.9% from negative 2.1% as BoP (Balance of Payments) deficit persists. Broad money growth target has also been reduced to 11.5% from 12.1% as negative growth from net foreign asset continues to put downward pressure.

BB's Intention to Implement Market based, Flexible and Unified Exchange Rate Regime is Welcoming

BB intends to implement market based, flexible and unified exchange rate regime (within a 2.00% variation) by end of FY23. We view that such policy action, if implemented, will bring stability in the currency market.

The central bank is gradually relaxing interest rate cap policy and planning to implement market based exchange rate by June this year. It shows that central bank has the intention to gradually make reforms to tackle current macroeconomic challenges.

MPS 1HFY23: Targets vs Actual

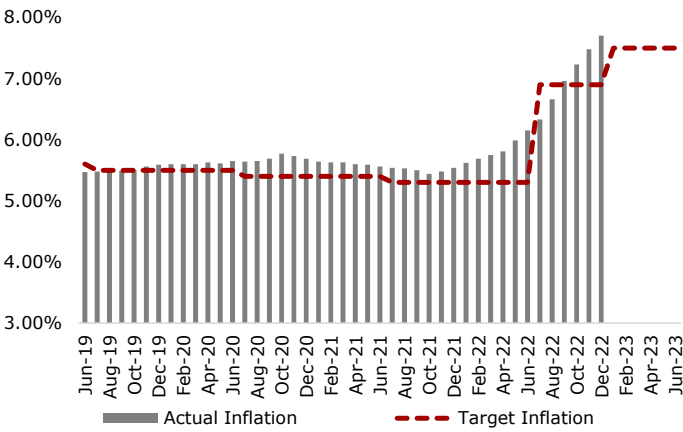
Particulars	Actual	Target
Domestic Credit Growth	15.10%	16.90%
Private Sector Credit Growth	12.80%	13.60%
Public Sector Credit Growth	26.60%	33.30%
Reserve Money Growth	17.40%	9.00%
Broad Money (M2) Growth	8.40%	10.00%
Net Foreign Assets Growth	-22.60%	-10.10%

Source: Bangladesh Bank

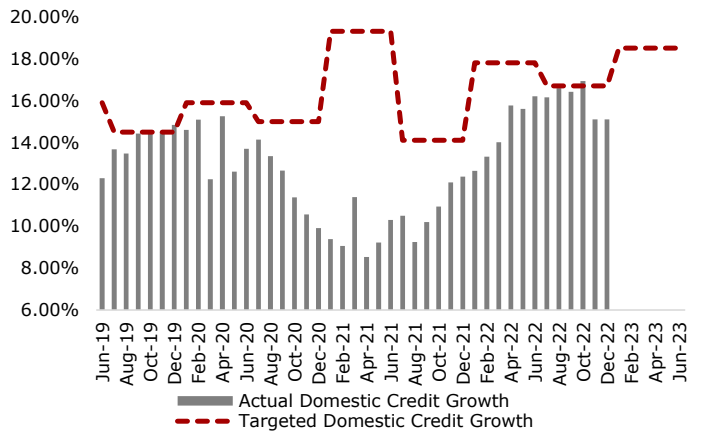
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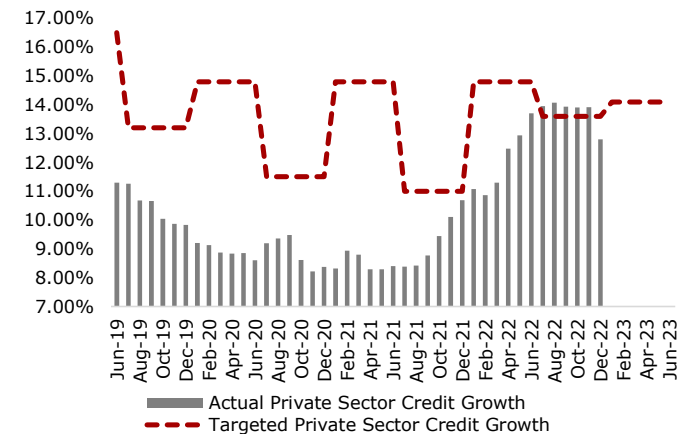
Actual Inflation vs Target Inflation*



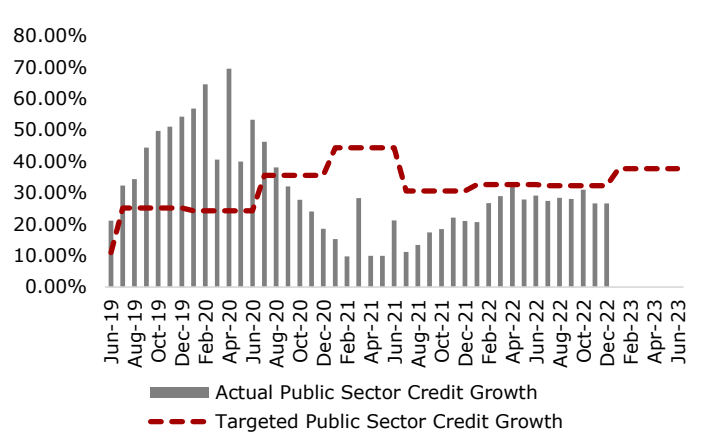
Actual Domestic Credit Growth Vs Target Domestic Credit Growth



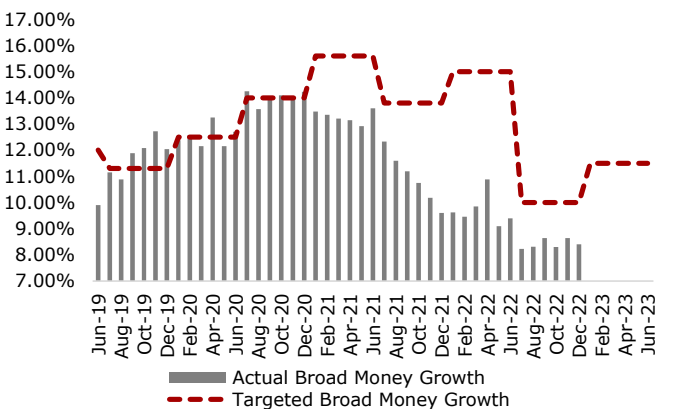
Actual Private Sector Credit Growth Vs Target Private Sector Credit Growth



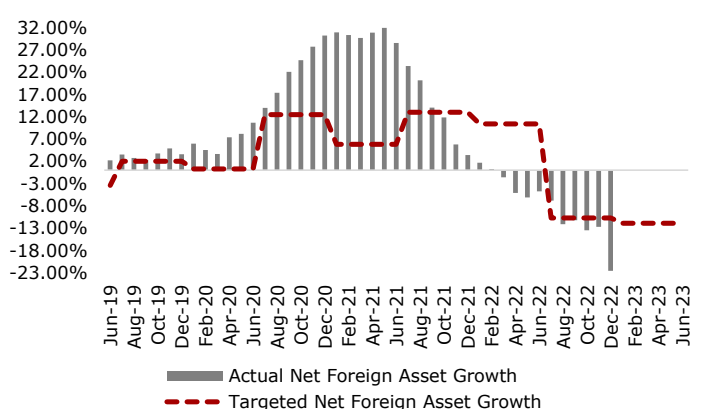
Actual Public Sector Credit Growth Vs Target Public Sector Credit Growth



Actual Broad Money Growth Vs Target Broad Money Growth



Actual Net Foreign Asset Growth Vs Target Net Foreign Asset Growth



Source: Bangladesh Bank & UCBSBL Research

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EQUITY RECOMMENDATION STRUCTURE (ABSOLUTE RATINGS)

We calculate our target price by weighting DCF, DDM, SOTP, asset-based and other relative valuation methods, and applying appropriate premiums/ discounts and/or other relevant adjustments.

Expected absolute returns are calculated as the % of difference between our target price and latest close price. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Please note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between -5% and +15%
Underweight	12 Months	Less than -5%

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