

NATIONAL BUDGET ANALYSIS

Fiscal Year 2026-27

A Reform-Anchored, Investment-Led Budget

Assessing the macro framework, fiscal arithmetic and stock-level implications of Bangladesh's 55th national budget

BDT 9.38tn

Total Outlay (USD 76.3bn)

6.5%

GDP Growth Target

3.6%

Deficit / GDP

+50%

ADP Increase

14 June 2026

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17 exhibits including budget aggregates, revenue and financing composition, expenditure shifts, tax schedules, the capital-market reform scorecard and the PBIL sector impact matrix.

1. Executive Summary

The FY2026-27 national budget is the 55th in Bangladesh’s history and the first to be presented by BNP government-led Finance Minister Amir Khosru Mahmud Chowdhury tabling the proposals in parliament on 11 June 2026 under Prime Minister Tarique Rahman. Sized at BDT 9,380 billion (USD 76.3 billion), equivalent to roughly 13.7% of target GDP. It is the largest budget the country has ever announced. Beyond the headline number, the budget carries a distinct strategic signature: a deliberate pivot away from a debt-driven, bank-centric growth model toward an investment-led, formalised and productivity-oriented economy.

The government frames its approach around a three-stage “3R” strategy such as *Recovery & Stabilisation, Restoration, and Reconstruction for Acceleration*, intended to restore macroeconomic stability in the near term while building the foundations for durable, higher-quality growth. The FY27 real GDP growth target is set at 6.5% with inflation projected to ease to 7.5%; over the medium term the authorities aspire to lift real growth to 8.5%, raise total investment to 40% of GDP and increase FDI to 2.7% of GDP by FY2030-31.

In our reading, the budget is materially more expansionary than FY26, with a visible reallocation toward education, healthcare, social protection, ICT and digital infrastructure, and capital-market deepening. Development spending rises sharply. The Annual Development Programme (ADP) is lifted by 50% to BDT 3,000 billion, while the fiscal stance retains a measure of discipline, with the deficit held at 3.6% of GDP and planned bank borrowing trimmed down to BDT 1,120 billion, slightly below the revised FY26 level. The central tension, in our view, is execution: the policy intent is coherent and broadly investor-friendly, but the revenue base remains thin and several flagship reforms depend on administrative capacity that has historically been the binding constraint.

Budget at a Glance

Indicator	FY2025A	FY2026R	FY2027B	Chg. vs FY26R
Total Expenditure	6,313	7,880	9,380	+19.0%
Total Revenue	4,370	5,880	6,950	+18.2%
of which NBR Tax	3,695	5,030	6,040	+20.1%
Budget Deficit	1,942	2,000	2,430	+21.5%
ADP	1,423	2,000	3,000	+50.0%
Deficit (% of GDP)	3.5%	3.3%	3.6%	—
GDP Growth Target	—	—	6.5%	—

Figure 1. Headline budget aggregates, BDT billion unless stated. Source: Ministry of Finance; PBIL Research.

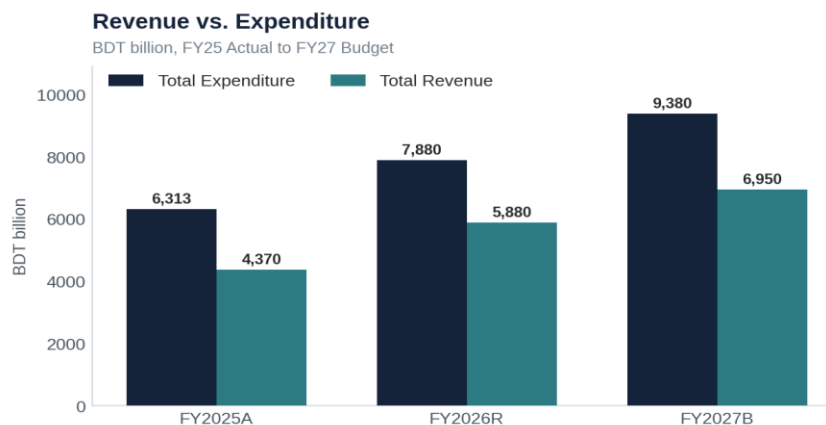


Figure 2. Revenue and expenditure both grow ~18-19%, leaving the deficit broadly stable as a share of GDP.

What We Would Flag to Investors

- **Capital-market reform agenda is the most direct in years.** A T+1 (and eventually T+0) settlement roadmap, applicable corporate tax on corporate dividend income instead of 20%, restructured retained-earnings tax, and a stated shift toward bond, sukuk and infrastructure-fund financing are collectively supportive of market structure and listed-financial intermediaries.
- **Withholding tax reclassified from “minimum” to “advance” tax.** Excess withholding becomes refundable. This is a structural positive for cash-flow-sensitive sectors and ends a long-standing liquidity drag on brokerage houses in particular.
- **Pro-formalisation tilt.** Wider VAT documentation, BIN/TIN linkage, eVAT and risk-based audit should broaden the tax net over time, but raise near-term compliance costs for informal SMEs.
- **Sectoral winners skew toward telecom, pharma, power, EV/autos and local electronics. Steel is the clearest relative loser, while tobacco is finely balanced — higher input costs offset by tighter enforcement against the illicit trade.**
- **Execution and the IMF programme remain the key swing factors** for whether the budget’s reform intent translates into investable growth.

2. Macroeconomic Framework & Targets

The macro framework underpinning FY27 is best understood as stabilisation-with-ambition. The near-term targets are calibrated to a still-fragile recovery — elevated energy costs, Middle East-related commodity volatility, weak banking-sector asset quality and tight private credit — while the medium-term targets articulate the direction of travel the government wants markets and investors to price in.

Metric	FY27 Target	Medium-Term (by FY31)
Real GDP growth	6.5%	8.5%
Inflation (CPI)	7.5%	5.0%
Total investment (% of GDP)	~33%	40.0%
FDI (% of GDP)	rising	2.7%
Budget deficit (% of GDP)	3.6%	consolidating

Figure 3. Near-term and medium-term macro targets. Source: Budget Speech FY2026-27; PBIL Research.

We view the 6.5% growth target as ambitious but not implausible if private investment responds to the deregulation and refinancing measures. The inflation glide-path to 5.0% is the more demanding commitment, given imported energy and food exposure and the currency’s sensitivity to external financing. The shift toward development spending — development expenditure rises to 33.7% of the total from 27.3% in FY26R — is the budget’s clearest expression of a growth-oriented, rather than purely stabilisation-oriented, stance.

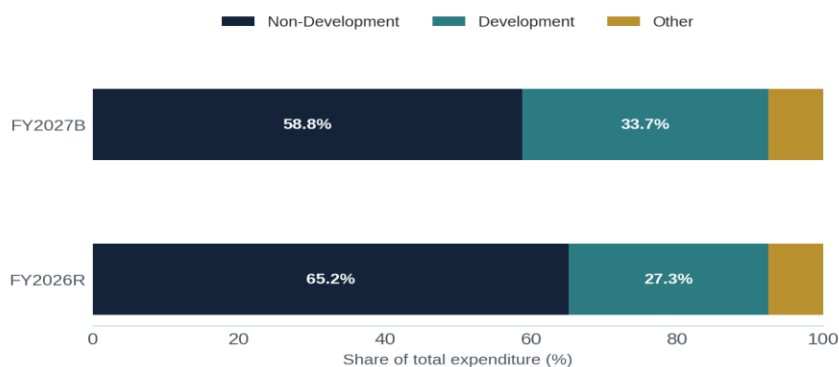


Figure 4. The composition of spending tilts toward development outlays in FY27, reversing the austerity bias of FY26R.

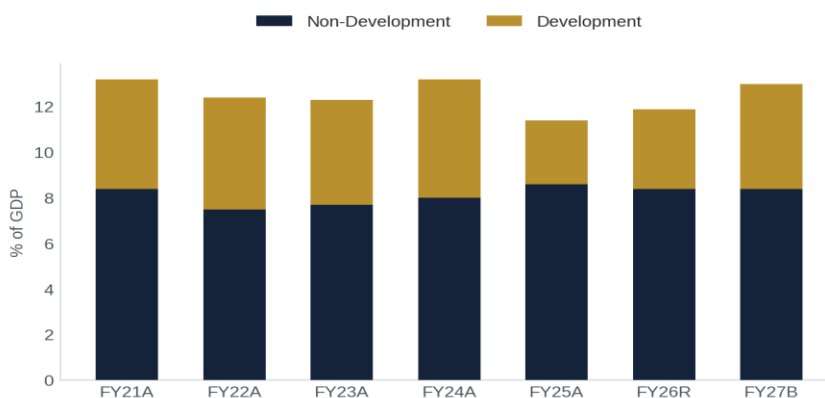


Figure 5. Development spending as a share of GDP recovers toward pre-stress levels after the FY25 compression.

2.1 Where the Money Goes

Functionally, the budget remains weighed down by non-discretionary commitments. Human resources (28%), general services (26%), interest payments (14%) etc. together absorb a major portion of the total outlay, leaving limited room for discretionary growth spending. The encouraging signal is the lift in education and healthcare. Huge interest payments underscore why the government is so focused on shifting financing toward cheaper, longer-tenor sources: debt service is now structurally large enough to crowd out development priorities if left unmanaged.

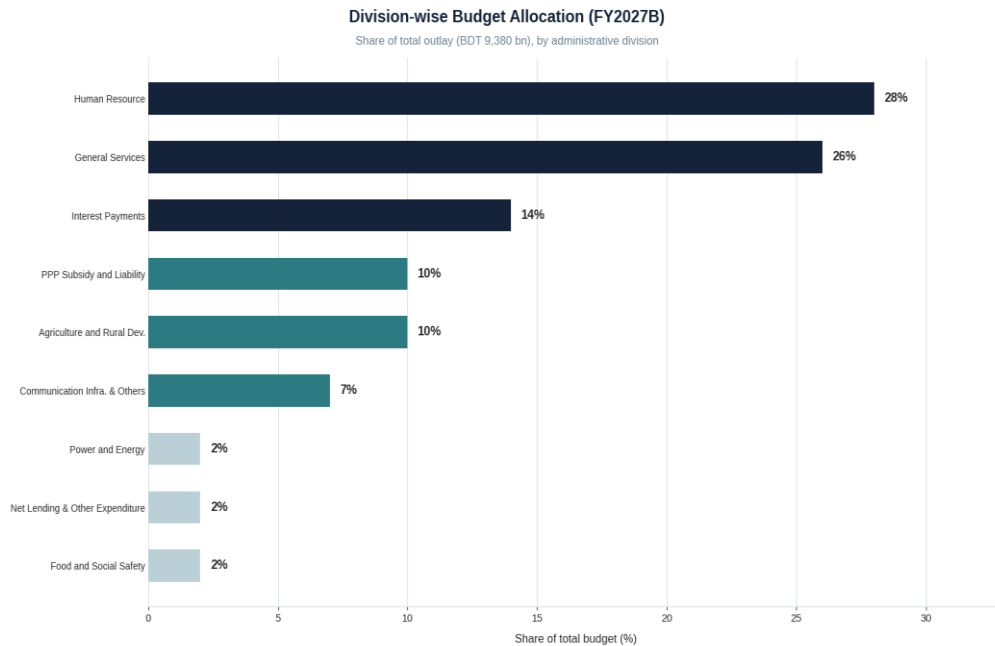


Figure 6. Functional allocation of the BDT 9,380bn outlay.
Source: Ministry of Finance (operating & development budget); PBIL Research.

PBiL view — the credibility test is on the financing side

A larger, more development-heavy budget is only as good as its financing. The decisive change this year is the planned near-doubling of net foreign borrowing and grants to roughly BDT 1.16 trillion, which eases pressure on the domestic banking system but increases sensitivity to external conditions, disbursement timing and the IMF programme. We would treat the foreign-financing assumption as the single most important variable to monitor through the year.

3. Revenue Mobilisation & Deficit Financing

3.1 Where the Money Comes From

Total revenue is targeted at BDT 6,950 billion, up 18.2% over FY26R, equivalent to about 10.2% of GDP. The National Board of Revenue (NBR) carries the bulk of the burden, with an NBR tax target of BDT 6,040 billion (+20.1%). Value Added Tax and income/profit/capital-gains tax remain the twin pillars of the revenue base, together accounting for roughly two-thirds of total receipts.

Revenue Source	FY27B	% of Total	Chg. vs FY26R
Value Added Tax	2,289	33%	+24%
Income, Profits & Capital Gains	2,198	32%	+21%
Supplementary Tax	823	12%	+13%
Import & Export Duty	620	9%	+19%
Non-Tax Revenue	660	9%	+2%
Non-NBR Tax	250	4%	+25%
Excise & Other NBR	109	1%	-2%
Total Revenue	6,950	100%	+18%

Figure 7. Revenue composition, BDT billion. Source: Ministry of Finance; PBIL Research.

Sources of Revenue (FY2027B)

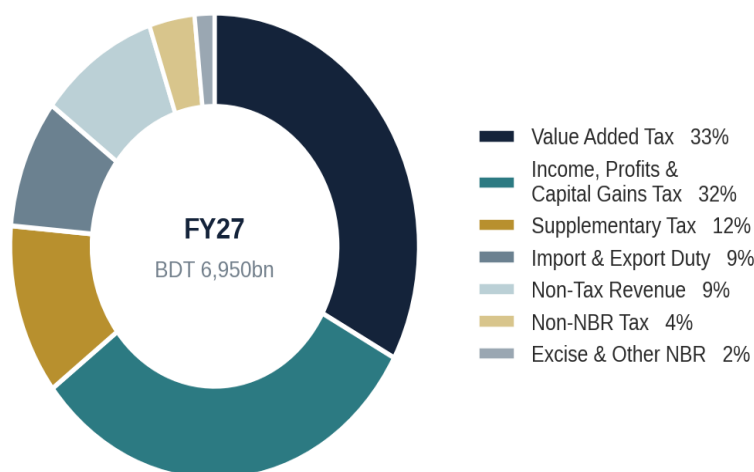


Figure 8. VAT and direct taxes dominate the FY27 revenue mix.

Our reservation here is familiar: an 18-20% revenue jump is demanding against a tax-to-GDP ratio that remains among the lowest in the region. The budget leans heavily on formalisation and administrative tightening such as eVAT, BIN-linked transactions, risk-based audit and integrated databases to deliver the uplift. These are the right structural levers, but they typically yield gradually rather than in a single year, which is why we regard the revenue target as the most optimistic line in the arithmetic.

3.2 How the Deficit Is Financed

The overall deficit of BDT 2,430 billion (3.6% of GDP) is to be met through a notably different financing mix than in recent years. The standout shift is toward external sources: external financing and grants are projected to rise to around BDT 1,160 billion from BDT 630 billion in FY26R, while domestic borrowing falls. Within the domestic envelope, bank borrowing is trimmed to BDT 1,120 billion from BDT 1,180 billion — a deliberate, if modest, attempt to ease crowding-out of private credit.

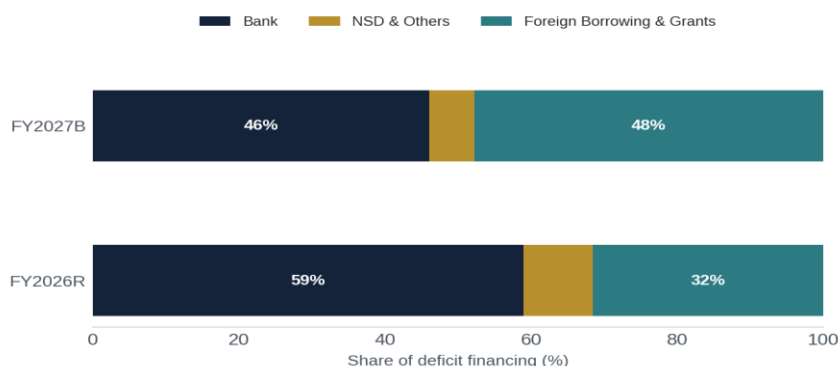


Figure 9. Financing mix pivots toward foreign sources, reducing the domestic bank-funding share from 59% to 46%.

Financing Item	FY26R	FY27B	Chg.	% of Deficit
External (gross)	630	1,160	+84%	48%
Domestic	1,370	1,270	-7%	52%
of which: Bank	1,180	1,120	-5%	46%
of which: NSC & Non-bank	190	150	-21%	6%
Total Deficit	2,000	2,430	+21.5%	100%

Figure 10. Deficit financing, BDT billion. Source: Ministry of Finance; PBIL Research.

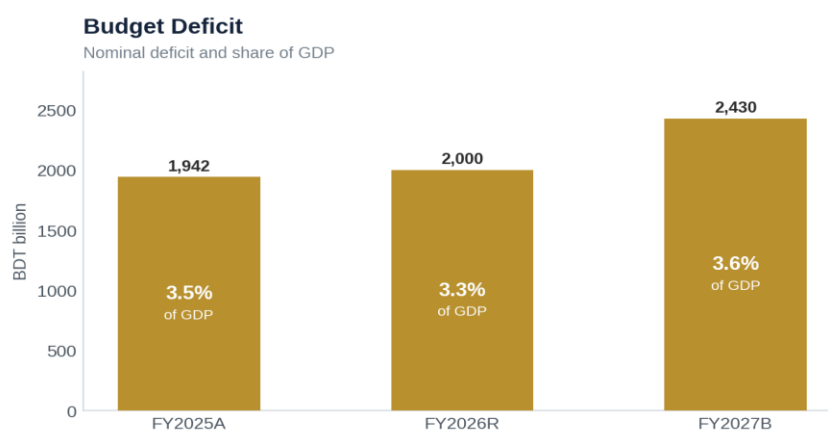


Figure 11. The nominal deficit rises but stays near 3.6% of GDP, consistent with the stated discipline objective.

Implication for listed banks

Lower government bank borrowing is, at the margin, supportive of private-sector credit availability and equity-market liquidity. The benefit is incremental rather than transformative — BDT 60 billion is small relative to the system — but the directional signal matters: the government is trying to make room for private credit rather than absorb it.

4. Tax Structure: Corporate & Individual

4.1 Corporate Tax — Stability with a Listing Incentive

The government has introduced a five-year corporate tax roadmap that keeps core rates broadly unchanged through assessment year FY31, prioritising predictability. The structure preserves a tax advantage for well-governed, properly listed companies: the gap between qualifying listed and non-listed firms is maintained, and a reduced rate applies where all income is transacted through banking channels — a continued nudge toward documented, formalised income.

Company Type	Tax Rate	Reduced Rate*
Publicly traded (≥10% free-float via IPO/listing)	22.5%	20.0%
Publicly traded (others)	27.5%	25.0%
Non-publicly traded company	27.5%	n/a
Publicly traded bank, insurance, NBFi	37.5%	n/a
Non-publicly traded bank, insurance, NBFi	40.0%	n/a
Publicly traded mobile operator	40.0%	n/a
Non-publicly traded mobile operator	45.0%	n/a
Tobacco manufacturers	45.0% + 2.5% surcharge	n/a
Private higher-education institutions	10.0%	n/a
Cooperative society	20.0%	n/a

Figure 12. Corporate tax schedule, AY2026-27 to AY2030-31. *Reduced rate applies where all income is transacted through banking channels. Source: Finance Bill 2026; PBIL Research.

Two changes carry direct capital-market relevance. First, the **20% tax on corporate dividend income has been withdrawn**; dividends will now be taxed at the applicable corporate rate, removing a layer of double taxation that had weighed on holding structures. Second, the **retained-earnings tax has been restructured** so that the 10% charge applies only to the unpaid portion required to meet a 30% dividend-payout threshold, rather than the full retained amount — a meaningful softening for listed companies that retain earnings for reinvestment (listed banks, insurers and NBFIs remain exempt). The investment tax-rebate rate, however, is trimmed from 15% to 10% with a lower ceiling, a mild negative for high-net-worth individual investors.

4.2 Individual Tax — A Five-Year Roadmap

The budget unveils a prospective five-year individual tax structure intended to improve household planning certainty. Slabs for FY27 and FY28 are held unchanged from FY26, with the general tax-free threshold at BDT 375,000 and a top marginal rate of 30%. From FY29, the general threshold rises and a new 35% top marginal rate is introduced for very high-income taxpayers.

Income Slab	FY27-FY28	FY29-FY30	FY31
Tax-free threshold (general)	BDT 375k	BDT 400k	BDT 450k
Next BDT 300k	10%	10%	10%
Next BDT 400k	15%	15%	15%
Next BDT 500k	20%	20%	20%

Income Slab	FY27-FY28	FY29-FY30	FY31
Next BDT 2,000k	25%	25%	25%
Higher bands	30%	30% / 35%	30% / 35%

Figure 13. Indicative individual tax roadmap. Women/senior citizens enjoy a higher threshold (BDT 425k in FY27-28). Source: Finance Bill 2026; PBIL Research.

Notably, the tax exemption previously confined to IT-freelancing income is extended to all categories of freelancing and content-creation income, conditional on earnings being routed through formal banking channels, a small but symbolically important step toward formalising the digital economy.

5. Capital Market Implications

For equity investors, FY27 is the most reform-forward budget in several cycles. While direct listed-equity tax cuts are limited, the structural agenda, market microstructure, financing architecture and intermediary economics is unusually concrete.

5.1 Market Structure & Process

- **Settlement cycle compression.** The cycle is to move from T+2 toward T+1, with groundwork laid for eventual T+0/same-day settlement, a structural positive for turnover and capital efficiency.
- **Faster foreign-investor repatriation.** NITA proceeds from share and securities sales are to be credited and repatriated or reinvested within one working day, with the auditor’s certificate requirement scrapped.
- **Digital, time-bound IPOs.** Application, document submission, verification, fee payment and approvals are to move online via an integrated platform linking issuers, issue managers, exchanges, CDBL and regulators.
- **Unlisted-share relaxation.** No valuation report for deal values up to BDT 10 million, and repatriation up to BDT 1.0 billion without prior Bangladesh Bank approval, supportive of private-equity and venture activity.

5.2 Financing Architecture

The budget explicitly prioritises shifting financing away from a bank-centric model toward equity, corporate bonds, sukuk, green bonds, municipal bonds and infrastructure funds. A municipal-bond issuance framework is proposed for the first time, potentially creating a new fixed-income asset class. The BDT 600 billion “Stimulus Package-2026” — BDT 410 billion of refinancing plus BDT 190 billion of Bangladesh Bank own-fund support — targets large industry, agriculture, CMSME and export diversification, and should benefit listed banks with strong SME, agriculture and export-linked books.

The brokerage liquidity-trap fix

The single most important micro-change for the sell-side is the transition of tax-at-source (TDS) from a “minimum tax” settlement to an “advance tax” system. Brokerage houses were explicitly identified as a sector trapped by non-refundable final tax that depleted operating capital. Making excess withholding refundable directly improves broker cash flows and is unambiguously positive for brokers, merchant banks, AMCs, CDBL and the exchanges over the medium term.

Reform	Status	PBiL Read
T+1 → T+0 settlement	Phased	Positive
Dividend double-tax removed	Proposed	Positive
TDS → advance (refundable)	Proposed	Positive
Retained-earnings tax eased	Proposed	Positive
Bond / sukuk / muni framework	Developing	Positive
Investment rebate cut 15%→10%	Proposed	Negative
Stock-dividend tax scope widened	Proposed	Neutral

Figure 14. Capital-market reform scorecard. Source: Finance Bill 2026; PBiL Research.

6. Sector-by-Sector Analysis

Below we translate the budget's tax, duty and policy measures into a stock-level view. Our impact scorecard reflects PBIL Research's assessment of the net direction and magnitude of effect; it is a directional house view rather than a formal rating change.

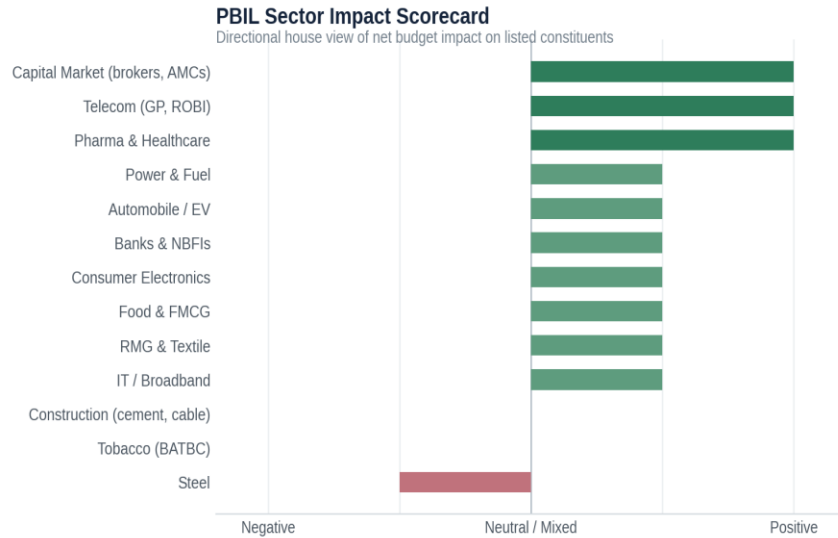


Figure 15. PBIL sector impact scorecard, FY27 budget. Source: PBIL Research.

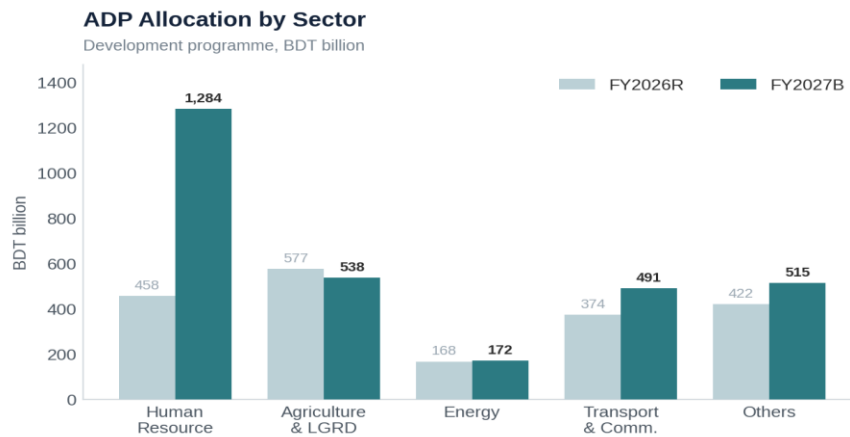


Figure 16. The ADP reallocation toward Human Resource (+180%) underpins the social-infrastructure thrust of the budget.

6.1 Telecommunication & IT

This sector receives the most visible near-term relief. The BDT 300 specific SIM tax is fully withdrawn, mobile-network-service withholding tax is cut to 10% from 12%, and the 20% withholding on BTRC revenue-share/license fees is removed. Local handset and technology-product manufacturing keep VAT exemptions to June 2030, and the start-up fund is raised five-fold to BDT 5.0 billion.

Measure	Detail	Impact
SIM specific tax	BDT 300 → withdrawn	Positive
Mobile network service WHT	12% → 10%	Positive
BTRC revenue-share WHT	20% → withdrawn	Positive
Handset raw-material AIT	5%/2% → 1%	Positive

Beneficiaries: GP and ROBI on the operator side; AAMRANET, ADNTEL, BDCOM and BSCPLC on connectivity/IT, though direct listed exposure to the IT theme remains limited.

6.2 Banks, Financial Institutions & MFS

The budget foregrounds banking-sector clean-up: governance restoration, weak-bank recapitalisation, depositor protection and reduced political interference. The BDT 600 billion stimulus package and lower government bank borrowing support credit growth, while the excise-duty exemption threshold on deposits rises to BDT 400,000 from BDT 300,000. The offsetting risks are NPL recognition and the recapitalisation overhang at weaker banks.

Beneficiaries: banks with strong CMSME, agriculture and corporate distribution — BRACBANK, CITYBANK, EBL, PREMIERBANK, PRIMEBANK and PUBALIBANK. MFS should benefit from the One Citizen-One Wallet and digital-payment push.

6.3 Pharmaceuticals & Healthcare

Health allocation almost doubles BDT 268 billion from BDT 31 billion in FY26R, signalling stronger public procurement. Duty and VAT are exempted on multiple raw materials for cancer medicine, API production and pharma exports; import duty on biological safety cabinets and sandwich-panel cleanrooms is slashed to 1%. The measures are broadly margin-supportive and consistent with LDC-graduation-era localisation of API.

Beneficiaries: SQURPHARMA, BXPBARMA, RENATA, BEACONPHAR, ACME LAB, and device makers JMISMDL and JHRML — with company-level benefit dependent on product mix and procurement participation.

6.4 Power, Fuel & Energy

Withholding tax on electricity purchase falls to 3% from 4%, and on refinery fuel-oil supply to 1% from 1.5%, improving cash conversion across the generation and fuel-distribution chain. Solar power is proposed for zero tax until 2035 plus a 5% consumer rebate, and the first 1,200MW Rooppur unit is targeted for the grid by January 2027. Energy policy also flags capacity-charge/PPA review and least-cost generation.

Beneficiaries: SUMITPOWER, UPGDCL, KPCL, BARKAPOWER, DOREENPWR, GBBPOWER and EPGL; fuel distributors MJLBD, PADMAOIL, JAMUNAOIL, MPETROLEUM and SPCL; TITASGAS indirectly via domestic gas focus.

6.5 Consumer Electronics & Durables

Local manufacturing is protected and incentivised: VAT on locally made refrigerators, freezers, ACs and compressors is cut to 7.5% from 15%, supplementary duty on float glass is withdrawn, and a new 20% SD is imposed on imported household washing machines. Raw-material duty exemptions for local consumer-electronics manufacturing are extended to June 2030, and lithium-/sodium-ion battery inputs receive duty relief.

Beneficiaries: WALTONHIL and SINGERBD most directly; EPGL, BDLAMPS and battery-linked RUNNERAUTO/SAIFPOWER at the margin. Importers of finished appliances face margin pressure.

6.6 Automobile & EV

The budget is decisively pro-EV and pro-local-assembly. VAT exemption on locally manufactured hybrids, plug-in hybrids, electric three/four-wheelers, buses and trucks is extended to 2030; AIT on EV registration/renewal is cut from a flat BDT 200,000 to a KW-banded BDT 25,000-100,000; and withholding tax on imported electric buses, trucks and charging stations falls to 0% from 5%.

Beneficiaries: RUNNERAUTO, IFADAUTOS, AFTABAUTO, ACI and ATLASBANG as the EV/hybrid value chain scales.

6.7 Food, FMCG & Personal Care

Source tax on 60 essential commodities is rationalised to a uniform 0.5%, easing working-capital and supply-chain tax burden for food manufacturers. Fertiliser VAT and pesticide advance tax are exempted. Offsetting this, import duty on cashew nuts and maize starch rises sharply, raising input costs for biscuit and ice-cream makers, while skincare/detergent raw-material duties are cut.

Mixed read: net positive for OLYMPIC, AMCL(PRAN), GHAIL, ACI and BPML on essential-commodity relief; cashew/maize-starch duties are a partial offset. MARICO and KOHINOOR benefit from lower personal-care input duties; MARICO/UNILEVERCL impact is mixed on imported-input exposure.

6.8 RMG, Textile & Tannery

Bonded-warehouse reform is the centrepiece: bond facility extended to all export-oriented sectors, annual-audit exemption for compliant 100% export RMG units, three-year bond tenure for leather/footwear/home textiles, removal of the one-time raw-material stock limit, and faster utilisation permission. Ten new sectors gain duty-free import via bank guarantee. A 5% polyester-staple-fibre duty helps local PSF but raises synthetic-input costs.

Beneficiaries: SQUARETEXT, ENVOYTEX, PARAMOUNT, MATINSPINN and footwear names APEXFOOT and BATASHOE on easier bond/export processes.

6.9 Construction Materials & Steel

This is the budget's clearest relative loser among heavy industries: specific VAT on MS/steel products at the production stage is raised, a negative for steel makers if the hike cannot be passed through. Cable manufacturers benefit from higher copper-wire/tube duties, float-glass and paint input duties are cut, and a regulatory duty is added on imported cold-rolled coil.

Read: Negative for BSRMSTEEL, BSRMLTD, GPHISPAT and RSRMSTEEL; positive for cable names BBSCABLES, ECABLES, COPPERTECH, glass maker USMANIAGL and paint maker BERGERPBL.

6.10 Tobacco

The tobacco measures cut both ways. On the cost side, minimum cigarette prices rise across all segments, acetate tow and filter rods face a new 300% supplementary duty, and nicotine granules/pouches a 350% SD — a clear input-cost and volume headwind for BATBC, particularly given recent inflation-driven down-trading and market-share erosion. On the supportive side, the planned Track-and-Trace system and the formalisation of emerging tobacco categories (nicotine pouches, heated tobacco) under explicit MRP/SD frameworks tighten the screws on the illicit trade that has long undercut the legal, tax-paying industry. If enforcement is effective, curbing illicit volumes could recapture demand for compliant players and partially offset the price-led pressure on legal volumes.

Read: Mixed for BATBC. Higher filter-input costs and price-led volume risk are real near-term negatives, but tighter control of illicit cigarettes and a regulated framework for emerging products are genuine offsets and a structural positive for the legal industry.

7. Summarised Capital-Market Impact

The table below consolidates our stock-level read across the budget's principal measures. It is intended as a quick-reference companion to the sector discussion in Section 6.

Sector	Key Names	Impact	Principal Driver
Capital Market	Brokers, AMCs, CDBL	Benefit	Digital IPO, T+1/T+0, TDS refundable
Banks / NBFIs	BRACBANK, CITYBANK, EBL, PUBALIBANK	Benefit	Stimulus, lower govt borrowing
Telecom	GP, ROBI	Benefit	SIM tax & WHT cuts
IT / Broadband	AAMRANET, ADNTEL, BDCOM	Benefit	5G, start-up fund
Pharma / Health	SQURPHARMA, BXPHARMA, RENATA	Benefit	Health spend, API/duty relief
Power & Fuel	SUMITPOWER, UPGDCL, MJLBD	Benefit	WHT cuts, energy reform
Auto / EV	RUNNERAUTO, IFADAUTOS, ACI	Benefit	EV VAT exemption, AIT cut
Electronics	WALTONHIL, SINGERBD	Benefit	VAT cut, local protection
Food / FMCG	OLYMPIC, ACI, MARICO	Mixed	Essential WHT cut vs input duties
RMG / Textile	SQUARETEXT, ENVOYTEX, APEXFOOT	Benefit	Bond reform; PSF duty offset
Steel	BSRMSTEEL, BSRMLTD, GPHISPAT	Disadvantage	Higher production-stage VAT
Tobacco	BATBC	Mixed	Illicit-trade curbs vs MRP/filter hikes

Figure 17. Consolidated stock-level impact matrix. Source: PBIL Research; Finance Bill 2026; Ministry of Finance.

Concluding View

The FY27 budget is, on balance, the most reform-oriented and investor-aware fiscal statement Bangladesh has produced in several years. Its strategic logic — formalise the economy, deepen non-bank financing, protect local manufacturing, and de-risk the household and depositor base — is internally consistent and, for listed equities, net constructive. The capital-market and brokerage measures in particular address long-standing structural frictions rather than offering cosmetic relief.

The qualifier, as ever, is execution. An 18-20% revenue uplift, a near-doubling of foreign financing, and a banking-sector clean-up are each individually demanding; delivered together, they leave little margin for slippage. We would therefore position for the clear sectoral winners — capital-market intermediaries, telecom, pharma, power and the EV/electronics value chain — while monitoring revenue realisation, external-financing disbursement and the IMF programme as the key signals on whether the budget's ambition converts into durable, investable growth.

Disclosures & Analyst Certification

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Methodology note. The PBIL Sector Impact Scorecard reflects a directional, qualitative assessment of the net effect of budget measures on each sector's listed constituents; it is not a formal rating or target-price action. Currency conversions assume USD 1.0 = BDT 123.00 where stated.

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