

DHAKA MONDAY JULY 27, 2015

## Bad loans cut into banks' profits in 2014

BB releases Financial Stability Report

STAR BUSINESS REPORT

High nonperforming loans (NPLs) eroded banks' earnings last year, the central bank said in a report yesterday.

Subsequently in 2014, return on asset and return on equity, the two major indicators to measure a bank's profitability, decreased by 20 and 260 basis points to 0.7 and 8.1 percent respectively from a year ago.

The rise in NPLs last year forced banks to set aside a major portion of their profits for provisioning, said SK Sur Chowdhury, deputy governor of Bangladesh Bank, at the unveiling of the Financial Stability Report 2014.

Chowdhury blamed the high NPL of state banks for the overall profit decline in the banking industry.

Non-interest income has increased the banking sector's operating profits 14.3 percent year-on-year to Tk 21,270 crore in 2014, according to the report.

Yet, the net profit of the industry has declined 17.3 percent to Tk 6,000 crore last year, mainly due to the extensive growth in bad debt provisions.

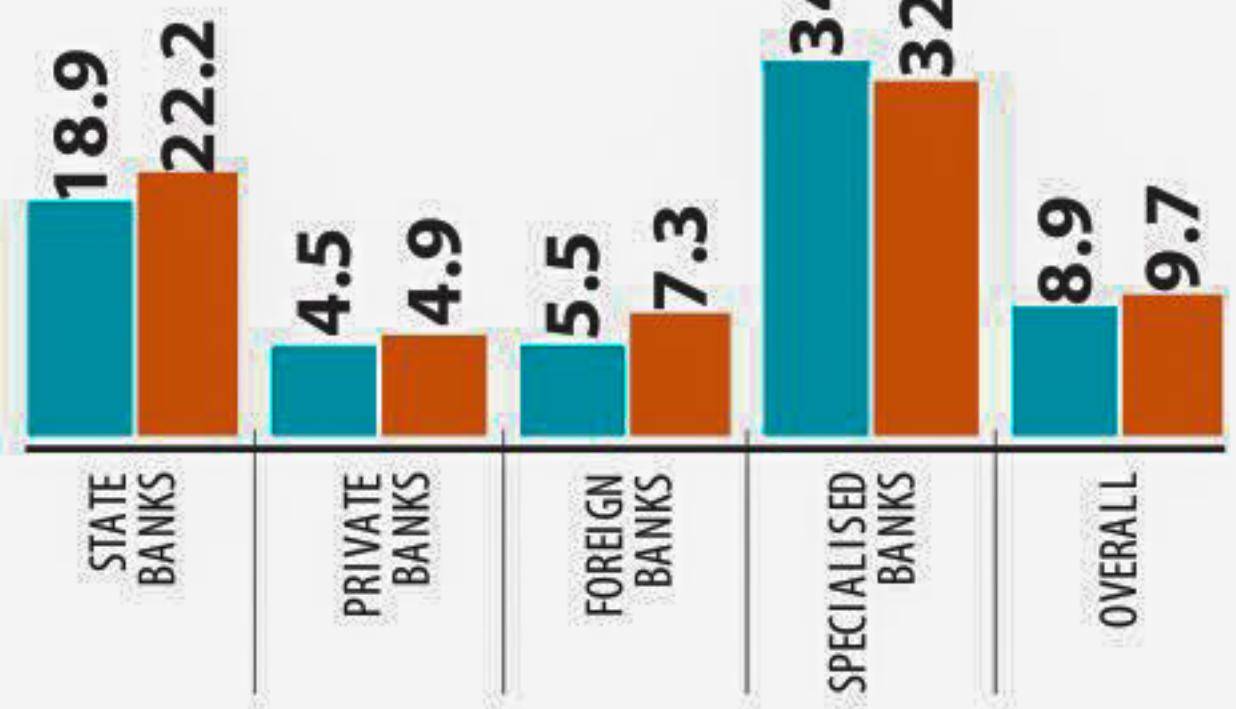
The amount of provisions almost doubled to Tk 8,430 crore last year from Tk 4,610 crore a year ago, according to data from the BB.

Governor Atiur Rahman, while unveiling the report in the presence of chief executives of banks and non-banks, warned the lenders not to give loans to borrowers who do not pay back.

"Be careful about bad debts. Don't give fresh loans to

### NONPERFORMING LOANS IN BANKS

In %



2013 2014

the borrowers who do not pay back their existing loans."

As of December 2014, the banking sector's overall classified loans rose to 9.7 percent against 8.9 percent in December 2013.

The Financial Stability Report 2014, which is the fifth of its kind in Bangladesh, looks into the key risks to the sector.

The report reviewed macroeconomic developments and analysed the financial performance of banks and non-banks, the

money and capital markets.

The latest report, for the first time, has included microfinance institutes.

The report found the banking sector's capital adequacy ratio (CAR) to be 11.4 percent at the end of 2014, which is slightly higher than the minimum requirement of 10 percent.

Banks having CARs within the range of 10 to 16 percent hold 79 percent of the overall banking assets, which according to the BB indicates financial stability.

Liquidity stress remained at an acceptable level in 2014 due to the stable call money rate and the desired level of loan-deposit ratio of 70.98 percent. The call money rate was within the 6-8 percent range.

Term deposits accounted for 56.4 percent of total deposits, which shows the banking sector's greater reliance on term deposits and contributes to the stability of the financial system.

READ MORE ON B3



Workers of Swan Garments stage a sit-in outside the National Press Club in Dhaka as the demonstration entered the 15th day yesterday over their demand for due payments.

## Power generation to go up by 12,853MW in five years

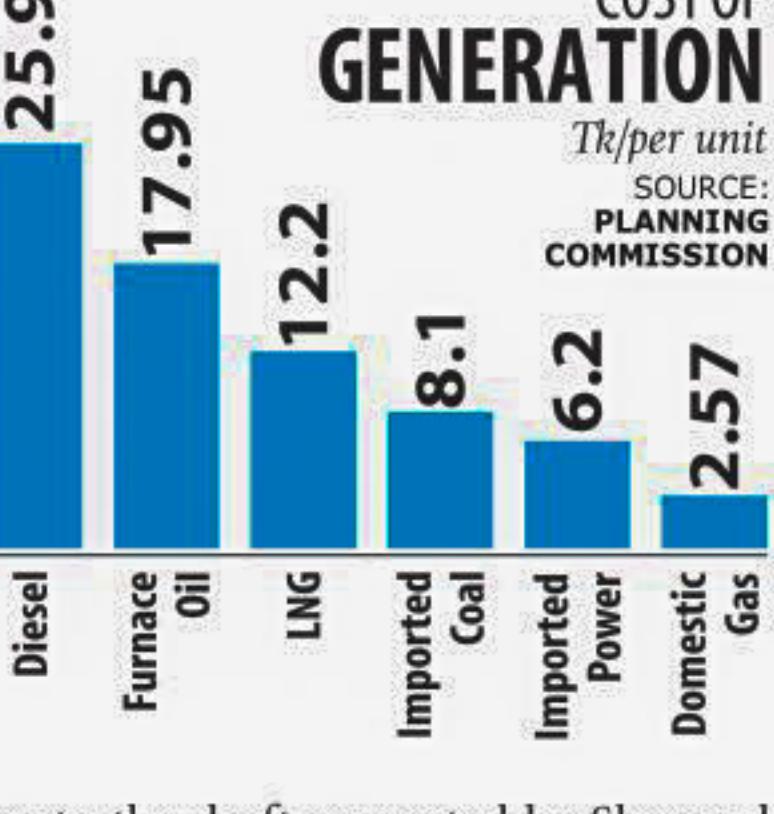
REJAUL KARIM BYRON

The government plans to increase power generation by 12,853 megawatts over the next five years, 40 percent of which will be provided by the private sector.

However, much of the private investment in power production will be relatively large-scale, with no additional rental power contracts, according to the draft of the seventh five-year plan.

The draft plan was placed at a consultative meeting yesterday at the National Economic Council with Planning Minister AHM Mustafa Kamal in the chair.

The power sector will require investments of Tk 165,500 crore over the next five years, 50 percent of which will come from the private sector, accord-



In the last two years of the five-year plan, around 6,000MW of fresh power will be added to the national grid, most of which will be from imported coal and liquefied natural gas or LNG.

On an average, Bangladesh now produces 7,500 MW of electricity against the country's installed capacity of 11,500MW, according to the Power Division. Although the power generation doubled in the last six years, about 40 percent of the population does not have electricity connection yet.

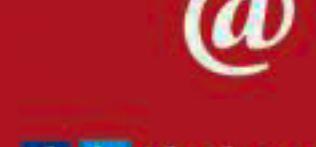
During the 2016-2020 plan period, domestic gas will be replaced as the primary source of energy, as its reserves are drying.

The plan said the first nuclear-based power plant, Rooppur power project, will be commissioned during the seventh five-year plan.

READ MORE ON B3

**THE BEST CEMENT.**  
MADE FROM SPECIAL IRON SLAG. BASHUNDHARA CEMENT BONDING GENERATIONS

like us



f /dailystarnews

## Apps launched to ensure easy access to govt services

STAR BUSINESS REPORT

The government yesterday launched 500 mobile applications for android users to help people get government services easily.

Sajeeb Wazed Joy, ICT adviser to Prime Minister Sheikh Hasina, launched the apps at a programme at the office of the ICT Division in Agargaon, Dhaka.

Ethics Advanced Technology Ltd (EATL) developed the apps under a Tk 9-crore project of the ICT Division. Anyone can download the applications free.

Officials of EATL said three apps that will help customers know about their utility bills are the most useful ones.

The applications will help the government reach its goal of building a "digital Bangladesh" by 2021, Joy said.

Some of the apps will have mobile phone numbers and e-mail addresses of the contact persons of different government agencies.

The apps will be available on Google's Play Store and on Bangladeshi ICTD apps store, an online store developed by the ICT Division.

The apps will reduce time, hassle and costs of receiving various services, Joy said.

Under the project, the government has also trained 3,500 students on mobile application development.

Three hundred of the applications will provide services related to the government offices and institutions, said G Fakhrudin Ahmed Chowdhury, a director of the app development project.

The rest of the apps are innovative in nature, the ideas of which have been collected from 17 public and private universities, Chowdhury said.

The government plans to set up at least seven IT research institutes in divisional headquarters, establish high-speed internet connectivity and reach more than 4,500 unions, Joy said.

In September last year, the government launched 100 applications.

### NOTABLE APPS

#### UTILITY BILLS

Separate applications will enable people to know about their bills to be paid to Wasa, Desco and PDB

#### EDUCATION

Apps will help kids learn alphabets of different languages, practise maths and enrich vocabulary. Apps: BD University; Idioms and Phrases; Books of Bangladesh; Word Book.

#### HEALTHCARE

Apps will highlight issues on pregnancy, maternity and child care, heart attack and will also work as medicine reminder. Apps: Doctors Hub; Maa O Shishu; Pocket Yoga; Ebola Virus

#### FOOD

Apps will highlight famous restaurants, foods and nutrition. Apps: BD Foods; Food and Nutrition

#### TRAIN LOCATOR

An app will help passengers know how far the train is and how long it will take to reach station

#### TAX

Taxpayers will be able to see their tax payment updates by accessing NBR's server through an app

#### JOINT STOCK COMPANY

An app will help businesses check any company's name, register new name for a joint stock company and calculate relevant fees

#### EKATORER CHITHI

National daily Prothom Alo and mobile operator Grameenphone published a book that contains letters written during the Liberation War in 1971

#### EMBASSIES

An app lists important contact numbers and information of foreign embassies in Bangladesh

## Listed banks show strength despite chaos in first quarter

STAR BUSINESS REPORT

Two listed banks saw healthy earnings growth in the first half of 2015 despite political unrest in the first quarter and a cut in lending rates.

Islami Bank's net profits more than trebled, while Prime Bank's net profits more than doubled between January and June, compared to the same period a year ago.

Islami Bank logged in Tk 339.52 crore in net profits, up from Tk 97.41 crore a year earlier, the bank said in a filing to Dhaka Stock Exchange yesterday.

But the rise in profits failed to strengthen investor confidence enough to chase after the bank's securities, which brought down its share prices by 2.62 percent.

On the premier bourse, each share of the bank traded between Tk 21.3 and Tk 25.1, before closing at Tk 22.9.

Prime Bank's net profits stood at Tk 21.99 crore at the end of June, up from Tk 101.19 crore a year ago.

The declaration also impressed the investors and led them to take positions in the bank's securities, leading to a 9.71 percent rise in its share prices.

The bank's shares traded between Tk 17.5 and Tk 19.2 each, before closing at Tk 19.2.

Although the lending rate has been cut, export-import started gaining momentum as political stability has been restored and the private sector credit growth is also on a gradual rise, analysts said.

The average lending rate was 11.82 percent in May, down from 13.23 percent in the same month last year, according to Bangladesh Bank.

On the other hand, private sector credit growth rose to 13.27 percent at the end of April from 12.27 percent in June last year.

BEXIMCO PHARMA

Beximco Pharmaceuticals' net profits rose 39.34 percent year-on-year in the first half of the year.

The listed drug manufacturer logged in Tk 100.91 crore in profits between January and June, up from Tk 72.42 crore in the same period a year ago.

The sharp earnings growth is attributable to a one-off tax adjustment in the second quarter. Last month, the government lowered the corporate tax rate for all listed companies, except telecoms and tobacco, to 25 percent from 27.5 percent.

Since the tax filing for last year is made in July 2015, there is a one-off retrospective tax adjustment for all previous quarters (Jan-Mar of 2015) during which the company was charged higher tax, said Brac-EPL Stock Brokerage, a security analyst.

## Export target set 7pc higher

STAR BUSINESS REPORT

The government yesterday set the export target for the current fiscal year at \$33.5 billion, the amount being 7.38 percent higher than the earnings last year.

Exports rose 3.35 percent year-on-year to \$31.2 billion last fiscal year, but fell short of the target at \$33.2 billion.

"We have set a realistic export target this year, taking into consideration the global financial scenario. I hope we can achieve the target," Commerce Minister Tofail Ahmed said at a programme at the office of the Export Promotion Bureau in Dhaka.

Ahmed said Bangladesh's exports will

grow further once the Garment Palli in Munshiganj, an economic zone for apparel manufacturers, comes into being within the next three years.

"We expect exports worth \$3 billion to \$5 billion a year from the factories at the Garment Palli," he said. "This will also help us achieve the \$50 billion apparel export target by 2021."

The government plans to diversify both export products and markets, and give incentives not only to the garment sector, but also to other potential areas such as pharmaceuticals, shipbuilding, leather and leather goods, and jute and jute goods, the minister said.

READ MORE ON B3

## Stocks break 9-day rally on selling pressure

STAR BUSINESS REPORT

Stocks broke a nine-day rally slipping on the investors' selling spree yesterday, as patrons sought quick profits on the week's first trading day.

DSEX, the benchmark index of Dhaka Stock Exchange, lost 21.9 points or 0.45 percent before closing at 4,786.49 points.

As the index crossed the psychological resistance level of 4,800 points last week, a profit-booking pressure emerged, especially

in scrips that showed recent gains, IDLC Investments said in its regular analysis.