

Sonali, BDBL sign MoU to proceed with merger plan

STAR BUSINESS REPORT

State-owned Sonali Bank and Bangladesh Development Bank PLC (BDBL) signed a memorandum of understanding (MoU) at the Bangladesh Bank yesterday to start merging their operations.

The BDBL got board approval to merge with Sonali Bank last month.

Bangladesh Bank Governor Abdur Rouf Talukder, Sonali Bank Chairman Ziaul Hasan Siddiqui, Managing Director and CEO Md Afzal Karim, BDBL Chairman Shamima Nargis and Managing Director Md Habibur Rahman Gazi were present among others.

Most of them spoke to journalists on the central bank premises after the signing.

Siddiqui said they took the time to scrutinise the MoU thoroughly before signing it.

"We have taken the decision by ourselves and without any influence. We have chosen each other independently. We then approached the Bangladesh Bank governor and informed him that we wanted to merge," he told journalists after the signing.

In 2009, Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha merged to form the BDBL.

The new entity is still creaking under the weight of bad loans. The nonperforming loans (NPLs) of the BDBL



Sonali Bank MD and CEO Md Afzal Karim and Bangladesh Development Bank MD and CEO Md Habibur Rahman Gazi exchange signed documents of an MoU.

stood at Tk 982 crore in December, which accounted for 42.46 percent of the loans it had disbursed.

On the other hand, Sonali had loans of Tk 93,096 crore as of December 2023.

Of the sum, Tk 13,150 crore had turned sour, which was 14.1 percent of the total credit disbursed, BB data showed.

Siddiqui said they considered several issues before signing the MoU.

One of them the considerations was that Sonali Bank as a commercial bank works on short-term lending in the market while BDBL works on long-term

lending.

"When we will work together, it will bring huge success for us," Siddiqui said.

Responding to a question on whether the huge amount of the BDBL's NPLs will cause Sonali Bank to suffer, he said they would be able to recover with the combined strength.

"We have a lot of experience in the field. We will be a much better bank after the merger. And there will be more trust from the customers," he said.

BDBL Chairman Nargis said its sole weak point was defaulted loans. She

added that BDBL has no capital shortfall but it was not possible to overcome the challenges regarding the NPL by doing business with only 50 branches.

They have taken the decision to merge with the stronger Sonali Bank so that they can address the challenges, she said.

Sonali Bank managing director Karim said there was no reason for BDBL employees to be concerned about job security.

Sonali Bank has over 18,000 employees while BDBL has only around 650, he said.

As per Sonali Bank's organogram, around 18,500 posts are still vacant in different positions. "So, we will still have a huge shortage of manpower even after the merger with the BDBL," he said.

Decisions have been taken recently in favour of merging five troubled banks with the same number of financially sound lenders through initiatives of the central bank to restore discipline to the banking sector and bring down the total amount of defaulted loans.

In March, Sharia-based Exim Bank agreed to take over crisis-hit Padma Bank.

The decisions to merge BDBL with Sonali Bank and Rajshahi Krishni Unnayon Bank with Bangladesh Krishni Bank came in April.

Afterwards, the news came that BASIC Bank and National Bank would merge with City Bank and United Commercial Bank respectively.

UK economy exits recession

AFP, London

Britain has emerged from a short-lived recession with better-than-expected growth in the first quarter, official data showed Friday, boosting embattled Prime Minister Rishi Sunak before this year's general election.

Gross domestic product expanded 0.6 percent in the first three months of this year, the Office for National Statistics (ONS) said, with strong growth in services and car manufacturing.

That beat market expectations of 0.4 percent growth and sent London's stock market to a fresh record peak, with sentiment buoyed also by the Bank of England (BoE) on Thursday signalling an interest-rate cut in the summer.

Sunak -- whose governing Conservatives are trailing the main opposition Labour Party in polls

before a general election -- has made growth one of his top priorities.

The economy contracted slightly for two quarters in a row in the second half of 2023, meeting the technical definition of a recession that was caused by elevated inflation that has prolonged a cost-of-living crisis.

"There is no doubt it has been a difficult few years, but today's growth figures are proof that the economy is returning to full health for the first time since the pandemic," said finance minister Jeremy Hunt.

Labour finance spokesperson Rachel Reeves slammed the government's stewardship of the economy.

"From no growth to low growth -- is that really the scale of the Conservatives' ambitions? Food prices are still high, families are paying more on their monthly mortgage bills and working people are worse off," she said.

Richard Carter, head of fixed interest research at wealth manager Quilter Cheviot, said the UK was "clearly entering a more optimistic period".

"The government will be hoping to take advantage of this in the lead up to the general election," he added.

Susannah Streeter, head of money and markets at Hargreaves Lansdown, said that the UK economy "has jogged out of recession" after output shrank 0.3 percent in the final quarter of last year and by 0.1 percent in the prior three months.

She added: "It's clear a corner has been turned, as intense cost-of-living pressures subside, and consumers and companies eye lower borrowing costs on the horizon."

The Bank of England on Thursday left borrowing costs at 5.25 percent, the highest level since the 2008 global financial crisis, hurting borrowers but boosting savers.

maximum lending rate at the private commercial lender is close to 14 percent and the rates will not go up rapidly.

"The lending rate will be fixed on the basis of demand and supply," he said, welcoming the central bank's move.

The CEO said now banks would be able to impose higher interest rates on bad borrowers and lower interest rates on good clients.

"This will encourage good borrowers to repay loans."

Last week, the central bank took three major decisions in line with the International Monetary Fund (IMF) prescription as it announced the market-driven interest rate and a

flexible exchange rate and raised the policy rate to tame higher consumer prices.

Experts criticised the banking regulator, saying the decisions should have been initiated earlier since inflation has stayed above 9 percent for the past 20 months.

They said that the interest rate cap and the subsequent SMART formula made the banking sector volatile.

As per the new exchange rate-setting system known as the crawling peg, banks are permitted to determine the price of the US dollar by considering Tk 117 as the mid-rate.

Yesterday, most banks charged Tk 117.50 per dollar officially while opening LCs.

Retained earnings, or reserves, of low-performing companies are low while good companies are sitting on huge reserves, according to Islam of the Brokers' Association.

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Another reason is the asset management industry has

not thrived in Bangladesh. These companies usually buy sound stocks and make investments for a longer period.

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He said the capacity of the prospective awardee should be considered instead of the amount they bid.

Rabiul Alam, former president of the Manufacturer's Association for Transformer and Switchgear, urged the government to remove disparities between local and foreign companies when it comes to the benefits awarded to them, such as tax facilities.

MS Siddiqui, vice

president of the IBFB, urged the government to impose uniform tax at all levels, including public imports.

He stressed on the need for competitiveness among bidders to make the procurement process sustainable in the long run.

Mohammed Shoheler Rahman Chowdhury, chief executive officer of the Bangladesh Public Procurement Authority (BPPA), said they want

to bring the entire procurement system under the e-GP system.

He said the BPPA has been identifying challenges of procurement and amending them continually.

Rahman also said they will bring down the existing three-step complaint addressing system to one step to make the process simpler.

Humayun Rashid, president of the IBFB, delivered the welcome speech at the seminar.

Banks go slow in raising interest rates

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"We will revise the interest rate after assessing the market."

The private commercial lender plans not to increase the interest rate on industrial, agriculture and SME loans for now, said Rahman.

Some banks are likely to raise the interest rate now, but Rahman expects the cost of funds to come down to the expected level in the upcoming months.

The central bank will actively monitor the market even though banks are allowed to fix interest rates. As a result, banks will not be able to set the rates at will."

Jamuna Bank Managing Director Mirza Elias Uddin Ahmed said the

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Uncertain bets: bad stocks rule the roost

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Saiful Islam, president of the DSE Brokers' Association, blamed the lack of governance in the market for the spike of low-performing stocks and the dip in the value of good shares, including multinationals.

He said when underperforming companies climb abnormally, the regulators should step in and try to identify and punish the persons and companies responsible for the unusual

movement.

"Not only the Bangladesh Securities and Exchange Commission but also the stock exchanges should monitor the market by ramping up their surveillance capacity."

Islam argued that companies on a growth trajectory can see an upward price movement even when their earnings are low, but these firms are not in any growth phase.

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Over 70% public projects not completed on time

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Regarding corruption in Bangladesh, Islam said that if it can be decreased by even 1 percent, the government would be able to finance the construction of 2,200 kilometres of roads each year".

SM Khorshed Alam, an advisor to the Bangladesh Association of Construction Industry, urged the government to abolish the clause of awarding tenders to the lowest bidder.

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