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Star BUSINESS

BB bars 19 banks from dividend payouts

MD MEHEDI HASAN

The Bangladesh Bank (BB) has barred 19 listed banks from paying dividends, citing their fragile financial health.

Despite repeated appeals from bank directors and top executives over the past month, the central bank held firm.

To the lenders, BB issued letters on May 21 that cited Section 22 of the Bank Company Act, 1991, which prohibits ailing lenders from distributing dividends.

However, the banking regulator has allowed most of these banks to defer provisions against their non-performing loans (NPLs).

Contacted, Areif Hussain Khan, executive director and spokesperson of the central bank, said, "The banking regulator is strict with its decision that the banks that take deferral facilities for meeting their provision shortfall will not be allowed to pay dividends."

This decision has cast uncertainty over the dividend declarations of AB Bank, Al-Arafah Islami Bank, Exim Bank, First Security Islami Bank, Global Islami Bank, Dhaka Bank, IFIC Bank, Islami Bank Bangladesh, Mercantile Bank, NRB Bank, NRB Commercial Bank, Premier Bank, Social Islami Bank, SBAC Bank, Southeast Bank, Standard Bank, Union Bank, United Commercial Bank, and the state-owned Rupali Bank.

Of the 36 banks listed on the stock market, only 17 managed to finalise their annual financial reports for the past year within the stipulated time.

ICB Islamic Bank and National Bank posted losses, while One Bank opted not to issue dividends despite recording a profit.

A letter seen by The Daily Star from the central bank said those banks do not have sufficient profit to fully meet their provision shortfall. As a result, financial statements for the year ending December 31, 2024, are to be prepared without adjusting for these deficits.

To overcome the shortfalls in provisions and capital, the central bank instructed the banks to submit realistic and time-bound action plans approved by their respective boards within a month, according to that central bank letter.

BY THE NUMBERS
As of Dec 2024

Total banks: **61**
Total listed banks: **36**
Total loans: Tk **1,711,401***cr*
Total bad loans: Tk **345,765***cr*
Ratio of bad loans to total loans: **20.20%**
Total provision shortfall: Tk **106,131***cr*
Total capital shortfall: Tk **117,647***cr*

KEY POINTS

- *Dividend declarations of* **19** *listed banks remain uncertain*
- **17** *of* **36** *listed banks finalised annual reports within the original timeframe*
- *Deadline extended until May 31 due to failure to meet provisioning requirements*
- *BAB chairman hopes BB will lift the restriction on declaring dividend*
- *Over a dozen listed banks have declared dividends*

The letters also directed banks to clearly disclose the extent of their provision shortfall in their financial statements and stock market disclosures as of December 31, 2024.

The shortfall must be reflected in areas concerning provision maintenance, profit and loss calculations, and capital adequacy.

The central bank also said that any discrepancies between submitted information and audited financial statements would prompt action under the Bank Company Act.

Speaking on condition of anonymity, a senior official of Social Islami Bank, admitted the bank was not in a position to pay dividends.

"The banking regulator instructed the bank to show the actual provision shortfall in the disclosure for the stock market, but it would not be shown in the bank's balance sheet," he said.

"We will provide a five-year plan to the central bank to reduce the provision and capital shortfall," the official added.

In March this year, the central bank issued new rules for dividend payouts. From 2024, banks that obtain provisioning deferrals are no longer allowed to issue dividends.

From next year, the bar will extend to any bank with NPLs more than 10 percent of its total portfolio.

Abdul Hai Sarkar, chairman of the Bangladesh Association of Banks (BAB), expressed concern over the BB decision.

He said that banks are running with the confidence of depositors, shareholders, and customers, but if they are not able to pay dividends, it will create a confidence crisis.

"We were trying to convince the central bank in various ways to withdraw the restriction, but the regulator did not listen," he added.

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Govt expects gross reserves to reach $34b by June next year

REJAUL KARIM BYRON *and* MD MEHEDI HASAN

The interim government expects the country's gross foreign exchange reserves to rise to $34.4 billion by the end of the fiscal year (FY) 2025-26, buoyed by strong remittance inflows, export performance, and budgetary support from development partners.

This target is set in the upcoming national budget, which is now being prepared and slated for announcement on June 2.

As of May 24, Bangladesh's gross reserves stood at $25.70 billion, up from $24.16 billion on the same date last year, according to the Bangladesh Bank (BB).

The central bank now maintains two figures for forex reserves reporting.

One follows a method recommended by the International Monetary Fund (IMF), known as BPM6. Under this formula, net reserves were $20.47 billion as of May 24.

According to the finance ministry, a stable exchange rate, rising remittances, and higher interest rates across the financial sector will help boost reserves further.

Besides, the government is expected to receive around $3.3 billion in external financing by June this year, from a mix of bilateral and multilateral partners including the IMF, Asian Development Bank, and World Bank.

These inflows are expected to reinforce the foreign reserve position.

The government projected that forex reserves may reach $31.8 billion by June of FY25.

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Ctg port gridlocked as NBR protests cause pile-up

Although the protest by the NBR officials has been called off, the Chattogram port continues to reel from its impact. The waiting time for foreign vessels has increased from two days to as much as seven days while the port's storage yards have been overrun with cargo, reaching 82 percent of its capacity. The photo was taken yesterday. PHOTO: RAJIB RAIHAN

MD NAZRUL ISLAM, *Ctg*

Although the National Board of Revenue (NBR) resumed regular operations yesterday after nearly two weeks of protests and work abstentions, ship and container congestion has once again gripped the Chattogram Port, triggering concern among businesses over potential delays in cargo handling and increased logistics costs.

NBR officials, who had been protesting since May 14, returned to work yesterday following government assurances that their demands over the NBR reform ordinance would be met.

However, the prolonged disruption has already taken a toll on port operations.

The waiting time for foreign vessels at the port's outer anchorage has increased from the usual two days to as much as seven days. Meanwhile, container loading and unloading at the jetties are now taking up to 72 hours, significantly longer than usual.

Port users warn that if the situation is not resolved swiftly, it could hamper supply chains ahead of Eid-ul-Azha, a critical period for trade and consumption.

According to port sources, the foreign vessel MV SOL Promise arrived at the outer anchorage of Chattogram Port on May 19, laden with 1,201 TEUs of containers from Colombo Port.

After a seven-day wait, the ship was finally berthed at the New Mooring Container Terminal on Monday.

Muntasir Rubaiyat, head of operations at GBX Logistics Limited, the local agent of the vessel, told The Daily Star that ships are now having to wait around seven days before berthing.

"Each vessel is incurring additional costs of around $100,000 due to this delay. We are paying extra for both charter hire and berth hire," he said.

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Exporters of India's northeast can use Ctg port

Planning adviser says

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Wahiduddin Mahmud

Planning Adviser Wahiduddin Mahmud yesterday said exporters from India's northeastern states can use the Chattogram port, but it would be better if they process their goods in Bangladesh and export those through the port.

"The Chattogram port is a very valuable asset for us, while the northeastern states of India have a lot of natural assets," the adviser said.

"They have cane, timber and minerals, and we can allow the export of those goods through the Chattogram port. But the best practice would be to allow the export of those goods only if we can process them in Bangladesh and add value before allowing export."

He made the remarks while speaking at a seminar titled "Economic Corridor and Logistics Development in Bangladesh: Investment Opportunities," which was jointly organised by the International Chamber of Commerce-Bangladesh (ICC-B) and the Asian Development Bank (ADB) at Sheraton Dhaka.

Mahmud also said such a move would be mutually beneficial.

He added that Bangladesh's strategic geographic location puts it in a strong position to become a hub for neighbouring countries such as India, Bhutan and Nepal.

"Similarly, when we allow Bhutan and Nepal to use the Mongla port, it will serve as a hinterland for trade and commerce in some areas of West Bengal.

So, if we have the will, we can create a favourable geopolitical environment and also enjoy geoeconomic benefits," the planning adviser said.

The interim government has prioritised only two mega-projects — the Matarbari Deep Seaport and Chattogram Bay Terminal — believing they will position Bangladesh as a key geoeconomic hub in the region.

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RMG exports may drop $2b this year

Bloomberg Economics says

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Bangladesh's RMG exports may suffer this calendar year owing to an increase in tariffs in the US, the possibility of a reduction in shipments to India, and energy shortages, according to a forecast by Bloomberg Economics.

It said the headwinds could lower garment exports by $2 billion in 2025.

The country fetched $38.48 billion from RMG exports in 2024, according to data compiled by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Overall earnings from apparel account for over 80 percent of total exports.

The earnings are critical for Bangladesh's forex reserves, it said, adding that it could cause significant damage.

"The damage could get even worse. Competitors like India could grab market share if they secure a more favourable trade deal with the US," it said.

"There is also a risk that overseas retailers could cancel contracts with suppliers in Bangladesh if there is a delay in delivering orders," it said.

"That could happen due to longer travel routes because of India's transshipment withdrawal or producers halting manufacturing due to fuel shortages," it said.

India on April 8 revoked the transshipment facility for Bangladesh's export cargo to third countries transiting through its land borders to Indian airports and ports, which exporters said would increase the cost of shipment.

Amid demands from local textile millers to reduce losses, the National Board of Revenue (NBR), on April 13, blocked yarn imports through the Benapole, Bhomra, Banglabandha, Burimari, and Sonamasjid land ports.

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