

Star BUSINESS



Bond boom contributes half of bank income

Lenders raked in Tk 12,332cr more from govt securities in 2024

Part 1

INSIDE BANKING

AHSAN HABIB

Fifty banks saw a 45 percent, or Tk 12,332 crore, surge in income from treasury bonds last year, as they turned to risk-free, high-yield investments and stepped back from core lending amid economic headwinds, a review of their financial statements shows.

The 50 banks collectively earned Tk 39,958 crore from treasury bonds in 2024, up from Tk 27,626 crore in the previous year, according to an analysis of their audited financial statements.

Treasury bonds, issued by the government, are considered a safe investment option that now appears to be a mainstay in bank portfolios.

The analysis by The Daily Star covers 50 out of the 62 scheduled banks, as some are yet to publish their financial reports for 2024. Islami Bank Bangladesh, the largest Shariah-based lender in the country, was among those not included.

The total income of these banks from interest, investments, and commissions stood at Tk 78,663 crore in 2024. Of this, 51 percent came from investment income, mostly through treasury bonds and bills.

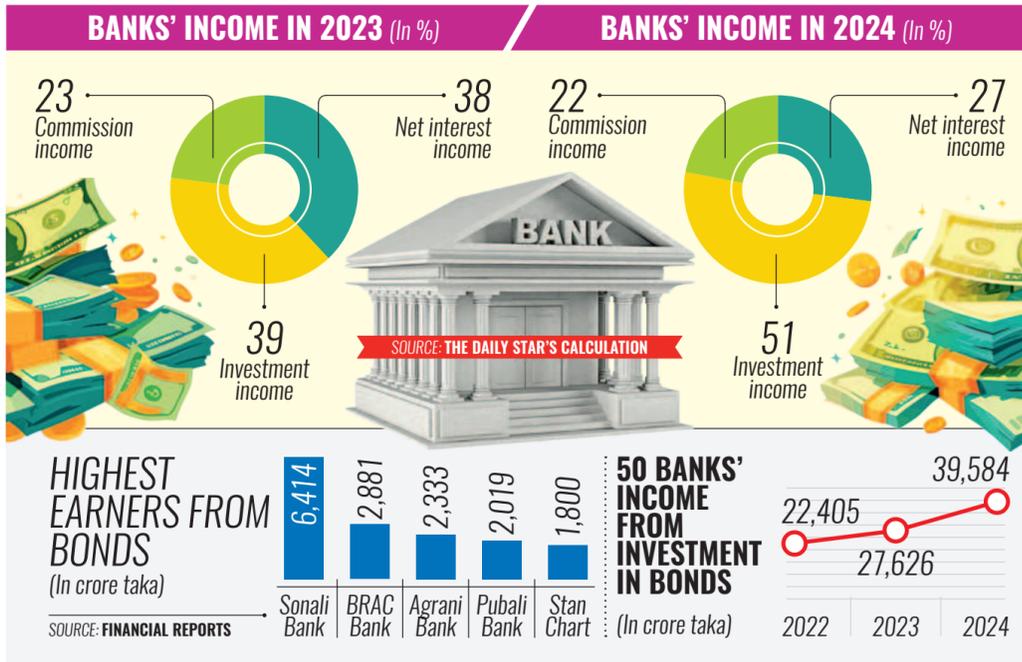
Senior bankers and investment analysts say the shift towards government securities indicates a cautious approach, prioritising guaranteed returns over traditional lending.

Banks do invest in the stock market as well, but most of them recorded no income from that avenue last year.

Instead, many had to set aside provisions to cover unrealised losses from a lacklustre equity market. Without those losses, their investment income could have been even higher.

Although the central bank removed the cap on interest rates, net interest income by the 50 banks dropped by 20 percent year-on-year to Tk 21,723 crore in 2024.

It accounted for 27 percent of their total income. Meanwhile, commission



earnings edged up 6.5 percent to Tk 16,982 crore.

Commenting on the trend, Anis A Khan, former chairman of the Association of Bankers Bangladesh (ABB), said the shift in banks' income sources shows the broader economic stress following the political changeover last year.

"Many firms shut down. Many entrepreneurs fled the country, and the rest of the people went into 'hibernation', resulting in a decline in investment demand," he said.

Khan added that banks, being profit-driven, have naturally turned to government bonds to sustain growth.

"On the other hand, the government's tax collection is low amid the business and economic situation, so it needs a higher amount of budgetary support," he commented.

Well-capitalised banks, he said, are stepping in to fill that gap.

Over the past year,

bank investments in treasury bonds and bills grew by nearly 32 percent, reaching Tk 98,948 crore. With the yield on such instruments touching 12 percent during the year, 12 banks each earned more than Tk 1,000 crore from bonds.

Leading the pack was Sonali Bank, which made Tk 6,414 crore, followed by BRAC Bank at Tk 2,881 crore, Agrani Bank at Tk 2,333 crore, Pubali Bank at Tk 2,019 crore, and Standard Chartered Bank with around Tk 1,800 crore.

The former ABB chairman said that banks have to maintain a 1 percent provision against loans but need not do so for treasury bonds. "So, the investment in government treasury is most profitable for them," he said, adding that lending also incurs higher operating costs.

Asif Khan, president of CFA Society Bangladesh, a platform for investment professionals, said, "Banks bought treasury bonds, which is logical, and it was expected by the central bank's contractionary monetary policy."

According to Khan, who is also

chairman of EDGE AMC Limited, this approach carries multiple implications. "It would contribute to making higher profits, and higher profits will contribute to strengthening the capital base of the banks," he said.

Some banks, he said, are struggling with a large volume of hidden non-performing loans (NPLs). The increased income from bonds allows them to cover provisions for these distressed assets more comfortably.

He, however, said that the current "abnormal" spread between deposit rates and treasury yields will not continue forever.

Already, the foreign exchange reserves have started to rise. Last week, they surpassed the \$25 billion mark, according to the BPM-6 count, marking a much-anticipated development for the first time in over 2.5 years.

"This could mean that the central bank's tight monetary stance may ease before long, and with that, treasury bond rates may begin to fall," he added.

Bangladesh needs more time for fully flexible exchange rate, says IMF

STAR BUSINESS REPORT

Bangladesh is currently going through a transition towards a fully flexible exchange rate regime, and the process may take time, said the International Monetary Fund (IMF).

But both the authorities and the market must brace for the change, said the multilateral lender at a virtual press briefing yesterday.

Chris Papageorgiou, IMF mission chief for Bangladesh, said the country had entered a transitional phase as part of its economic reform commitments under the IMF credit programme.

In May, the Bangladesh Bank introduced a more flexible exchange rate system to meet conditions tied to the IMF's \$5.5 billion loan package. However, an unofficial band continues to run in the foreign currency market.

"The design of this crawling peg with a band aims to provide the flexibility that is needed right now," said Papageorgiou.

Chris Papageorgiou, IMF mission chief for Bangladesh, said the country entered a transitional phase as part of its economic reform commitments under the IMF credit programme

The IMF arranged the briefing following the Executive Board's completion of the combined third and fourth reviews of Bangladesh's reform programme.

The support comes under three arrangements – the Extended Fund Facility, the Extended Credit Facility, and the Resilience and Sustainability Facility.

Asked about the new exchange rate mechanism, Papageorgiou described the crawling peg with a band as a stopgap measure.

"It is not a fully flexible exchange rate; it is a system designed to gradually achieve full flexibility in the future," he said.

"The reason for designing the reform this way is that we recognise Bangladesh is at a stage in its development where a transitional regime is beneficial."

He said the end goal is to achieve a fully flexible exchange rate as the economy continues to mature.

"Of course, all of this needs to be part of a strategy that we will support, but which must ultimately be owned by the Bangladesh Bank," he added.

Regarding inflation, Papageorgiou said taming rising prices had been a key focus since the beginning of the IMF programme, as consumer inflation had remained stubbornly high.

"We saw food inflation reach 14.5 percent and overall inflation near 12 percent."

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Trade halts as customs shutdown paralyses sea, land ports



PHOTO: RAJIB RATHAN

Activities at Chattogram port came to a complete standstill yesterday as customs officials suspended operations during their shutdown. The photo was taken from the CPAR gate of the premier seaport yesterday.

STAFF CORRESPONDENT, Ctg

Export and import activities at sea and land ports across the country ground to a near halt, as a nationwide shutdown by revenue officials entered its second day yesterday.

Under the banner of the NBR Reform Unity Council, customs officials suspended assessment, inspection, and clearance of goods across all ports, leaving external trade in limbo.

Chittagong port, the country's main maritime gateway handling 80 percent of foreign trade, saw no container movement in or out for a second consecutive day.

Container transport between the port and 19 private inland container depots (ICDs), along with deliveries from port yards, remained suspended due to the absence of customs approvals.

At least three vessels deferred their scheduled departure after a large chunk of export boxes failed to reach the port from ICDs. More than 3,500 TEUs (twenty-foot equivalent units) of export containers were scheduled to be shipped on those vessels yesterday.

One of them, the Singapore-bound MV Hong Da Xin-68, had bookings for over 1,600 TEUs.

Md Saiful Islam, head of the

Chattogram branch of the vessel's local agent Sea Consortium Ltd, said the departure of the ship was postponed as 636 TEUs failed to arrive by Saturday night.

Shipping agents fear these delays may cause feeder vessels to miss mother ships at transshipment ports, jeopardising shipments bound for the US and Europe.

Md Omar Faruk, secretary of the Chittagong Port Authority (CPA), said cargo delivery has come to a complete standstill as customs officials abstained from examination, scanning, container unstuffing, and issuing exit approvals.

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The Emerging Credit Rating Ltd. (ECRL) has rated Dhaka Bank PLC. based on the Audited Financial Statements of 2024, valid up to April 07, 2026. A brief information of the rating is presented here:

Credit Rating		INTERPRETATION
Year 2024	Year 2023	
Long Term AA+	Long Term AA+	The rating "AA+" in the long-term category indicates below strongest credit quality to assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of the Bank's debt.
Short Term ST-2	Short Term ST-2	The rating "ST-2" in the short-term category is characterized with more than average ability to meet short-term financial commitments and to assess the likelihood of timely repayment of principal & payment of interest within one year of maturity of the Bank's specific debt instruments.
Outlook Stable	Outlook Stable	"Stable" indicates that a rating is likely to remain unchanged.

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