

# star BUSINESS



## 21 banks bucked rising bad loan trend in 2024

Effective risk checks helped them keep bad debt below 5% despite turmoil

### Part 4 INSIDE BANKING

AHSAN HABIB

Twenty-one banks managed to keep their bad loan ratios under 5 percent of their total lending, even amid turbulence last year that rattled the sector and eventually pushed up the industry average of bad loans to 16.8 percent.

Banking experts say this outcome was due mainly to sound governance, effective risk controls, early warning systems, and a strong focus on loan recovery. Multinational banks and several local lenders have been following these practices.

Excluding newer banks, Citibank NA, State Bank of India, and Commercial Bank of Ceylon kept their bad loan ratios below 1 percent in 2024, although their lending volumes remain small.

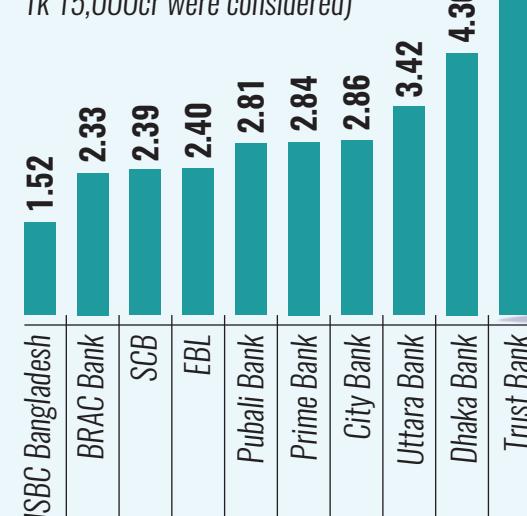
HSBC Bangladesh and Bank Al-Falah both recorded bad loan ratios under 2 percent.

Among banks with a loan portfolio over Tk 20,000 crore, the top performers were BRAC Bank, Standard Chartered Bank, Eastern Bank, Pubali Bank, Prime Bank, and City Bank, each maintaining bad loans below 3 percent of their total disbursements.

"Good governance is the key to keeping bad loan ratios low," said Mashrur Arefin, chairman of the Association of Bankers Bangladesh (ABB), a platform of the managing directors and CEOs of banks.

#### BAD LOANS IN % OF TOTAL LOANS

(Banks with loans over Tk 15,000cr were considered)



SOURCE: THE DAILY STAR'S CALCULATION

#### BANKS WITH HIGHEST BAD LOAN RATIO (In % of loans)



He said that in a well-managed bank, the management team must work independently, and board members should not interfere with or push for loan approvals.

Arefin added that the credit risk department should also work independently from the business team to assess loans objectively.

"If the credit risk team can work freely, it reduces the risk of a loan turning sour," said Arefin, who is also the managing director and CEO of City Bank.

Woori Bank, Uttara Bank, and Dhaka Bank each reported bad loans between 3 and 5 percent of their total lending.

Trust Bank, Dutch-Bangla Bank, Jamuna Bank, Mutual Trust Bank, Habib Bank, Shahjalal Islami Bank, NCC Bank, and Bank Asia all reported ratios

under 10 percent, well below the industry average of 16.8 percent in 2024.

Referring to his experience at Eastern Bank PLC (EBL), where the bad loan ratio stayed under 3 percent, EBL Managing Director and CEO Ali Reza Iftekhar said, "We always prioritise recovery by building an efficient and dedicated recovery team."

"Facing a difficult year like 2024, we tightened client screening and strengthened our recovery setup by bringing in capable people," he said.

EBL has focused equally on expanding its business and reducing bad loans, the CEO said, adding that many successful strategies have been applied to cut non-performing assets.

"When we take on new clients, we follow a professional approach. Most bad loans come from reference clients," added Iftekhar, a former ABB chairman.

Among the newer banks, Shimanto Bank, Community Bank, Modhumoti Bank, Midland Bank, Meghna Bank,

Bengal Commercial Bank, and Citizens Bank reported bad debt ratios between 0 and 5 percent.

Of the 50 banks that have released financial reports for 2024, nine reported bad loan ratios between 10 and 20 percent, while 11 fell into the 20 to 40 percent range.

Mamun Rashid, former CEO of Citibank NA Bangladesh, said foreign banks maintained a structured approach to credit risk, including protocols for early warnings, portfolio monitoring, and distressed asset management.

"Foreign banks follow rigorous early alert systems and continuous loan reviews," said Rashid, who also worked with Standard Chartered Bank and ANZ Grindlays Bank.

He commented that special committees meet regularly to identify emerging risks before loans fall overdue. These reviews often lead to quick measures to limit exposure.

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Smuggled cosmetics threaten local industry

Say manufacturers

STAR BUSINESS REPORT

Local cosmetics makers have warned that the industry faces an uncertain future unless stricter controls are introduced to stop smuggling and misdeclared imports.

Despite growing production capacity, they said the steady influx of grey market goods is undermining progress, deterring investment, and damaging domestic productivity. If left unchecked, this could push the sector back into import dependence.

At a seminar in Dhaka yesterday, Jamal Uddin, secretary of the Association of Skin Care and Beauty Products Manufacturers and Exporters of Bangladesh, said, "Tax evasion and consumer deception are now open secrets. Consumers are being cheated with these counterfeit products and facing serious health risks."

The association hosted the event, titled "Export Potential of the Cosmetics and Skincare Industry: No More Fake and Substandard Products", at the office of the Directorate of National Consumers Right Protection (DNCRP).

Speakers said some dishonest cosmetics and skincare item traders are resisting the National Board of Revenue's new customs policies, which aim to intensify measures against false declarations, under-invoicing, tax evasion, and the sale of expired or substandard goods.

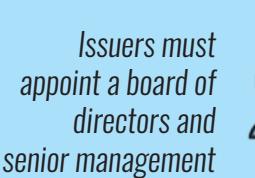
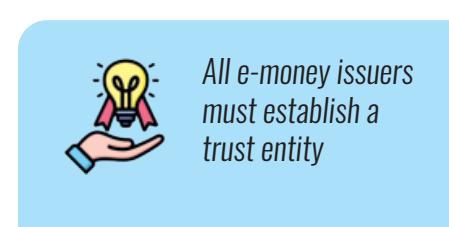
At the programme, Uddin called for policy support to help local producers grow and offer quality products at affordable prices.

He also urged the government to encourage global brands to manufacture in Bangladesh by improving access to raw materials and raising tariffs on finished imported cosmetics.

Official figures from the NBR show that colour cosmetics imports were worth around Tk 500 crore in the last fiscal year.

But the association estimates the true figure is closer to Tk 1,600 crore when under-invoicing and weight manipulation are excluded.

## New regulations in the offing to tackle e-money fraud



### MARKET ENTRY & CAPITAL REQUIREMENTS



MD MEHEDI HASAN

The banking regulator is expected to soon introduce new regulations to ensure transparency and discipline in the issuance of e-money and tackle fraud using virtual money, according to officials familiar with the matter.

Titled 'Regulation for E-Money Issuers in Bangladesh 2025', the new rules are set to come in the backdrop of reports of embezzlement by mobile financial services (MFS) provider Nagad through the fraudulent issuance of Tk 645 crore in e-money without maintaining the required currency reserve.

Currently, banks, MFS providers, and payment service providers (PSPs) are allowed to issue e-money, provided it is backed by adequate cash funds.

Under the new regulations, an e-money issuer must establish a trust entity under the Trusts Act, 1882, according to a draft seen by The Daily Star, prepared by a committee of the Payment Systems Department. The trust entity will be the custodian of trust and settlement accounts, which hold

the balances against which e-money is created.

At present, e-money issuers like MFSs and PSPs maintain trust and settlement accounts with different banks but do not have a trust entity.

Under the proposed regulations, such accounts will hold only the money paid for e-money by e-money account holders and will not be blended with the capital, working capital, or operating funds of the issuer, a senior official of Bangladesh Bank explained to The Daily Star.

"The funds held in the trust settlement account may earn interest or be invested in government securities at a certain percentage."

"This would generate interest income, and at least 80 percent of this interest income must be spent on the operations of the e-money system, with the aim of reducing operational costs," the official, speaking on condition of anonymity, said.

This money cannot be used for bonuses, marketing campaigns, or any similar expenses, they added.

Currently, only banks and government

enterprises are able to set up e-money issuers, such as bKash, Nagad, and Rocket.

But in the new regulations, barriers to entry into the e-money business have been removed from the previous bank-led or government enterprise model.

Any local or international firm, subject to compliance with the criteria in the guideline, can apply to the central bank for an e-money issuer licence, as per the draft regulations.

The BB official said the new regulations would encourage the integration of innovation by fintech firms in the e-money business to pave the way for a cashless Bangladesh.

"This is expected to increase competition, expand e-money services to all possible use cases, and reduce costs through expansion of the ecosystem. It will also help tackle fraud," they added.

Furthermore, under the new regulations, e-money issuers can operate in three modes. First, PSP (Payment Service Provider), which presently provides e-wallet services except for cash-in and cash-out services.

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## Banks allowed to use offshore deposits as collateral

STAR BUSINESS REPORT

Domestic banks can now use foreign currency deposits held in offshore banking units as collateral for lending to resident companies, firms, and individuals.

In a notice issued Thursday, Bangladesh Bank said that offshore banking units, or OBUs, may accept foreign currency deposits from non-resident Bangladeshi nationals, persons of Bangladeshi origin, foreign nationals, overseas companies and institutions, and foreign investors.

From now on, banks can offer loans in local currency against these deposits.

In doing so, commercial lenders must verify a legitimate link between the account holder and the borrower.

This could include, for example, non-resident Bangladeshi and their relatives or beneficiaries, or foreign investors and their Bangladeshi ventures.

According to the circular, non-resident Bangladeshi may also get loans by pledging their foreign currency deposits.

Banks may use these deposits to provide short-term working capital loans in local currency Taka and will not be allowed to charge any fees for the use of such collateral.

However, they may maintain a margin, if required, to cover potential exchange rate risks.

In the event of a default, banks may liquidate the collateral, provided they follow due procedure, according to the notification.

The central bank also said that balances held in private foreign currency accounts and non-resident foreign currency deposit accounts are eligible for use as collateral. However, funds kept in international banking accounts maintained with OBUs cannot be used for this purpose.

Industry insiders said foreign-owned firms often struggle to secure collateral locally when seeking credit from Bangladeshi banks.

The new policy will support these companies to avail Taka loans against the collateral of foreign currency deposits maintained in Bangladesh by their shareholders or parent companies.

They said this will encourage foreign investment in Bangladesh.

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## PGCB, Railway allowed to expand optical fibre networks

MAHMUDUL HASAN

The telecom regulator has decided to permit the Power Grid Company of Bangladesh (PGCB) and Bangladesh Railway to extend their optical fibre networks beyond their respective grid lines and railway tracks in a bid to improve internet connectivity across the country.

The Bangladesh Telecommunication Regulatory Commission (BTRC) made the decision recently, according to relevant documents seen by The Daily Star.

The move marks a reversal of a decade-old restrictive policy by the regulator, which in 2014 prohibited the two state-owned transmission infrastructure providers from connecting telecom operators' towers using their existing fibre optic cables laid along power grids and railway tracks.

The directive had effectively restricted their ability to expand, paving the way for other Nationwide Telecommunication Transmission Network (NTTN) licence holders to get additional benefits and dominate the market.

Abu Nazam M Tanveer Hossain, a telecom expert, said such restrictions seemed more focused on facilitating other NTTN licensees than the access network operators.

"On top of that, this restriction also slows down the whole process of connectivity by making it more complex and expensive. Every licensee in the transmission sector should be given equal opportunity to compete in the market," he added.

Shahid Alam, chief corporate and regulatory officer at Robi Axiata PLC, echoed a similar sentiment.

"We believe that all licensees operating under a specific category should be treated equally and fairly to ensure a level playing field. It is therefore deeply concerning that Bangladesh Railway

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