

star BUSINESS

Auditor finds Tk 1,373cr unauthorised deals at Uttara Finance

AUDITOR'S FINDINGS

Financial performance is decreasing in terms of interest, profit, capital, etc
Capital shortfall Tk 712cr
Capital adequacy ratio is -0.91% while 10% is required
Due diligence, approval processes not followed in loan disbursement

STAR BUSINESS REPORT

An external auditor has found unauthorised transactions worth Tk 1,373 crore at Uttara Finance and Investments Limited, a listed non-bank financial institution (NBFI).

The Dhaka Stock Exchange (DSE) published the audit report yesterday. The report said the auditor, who was appointed by the Bangladesh Bank, reviewed the company's financial statements for 2020 and issued a qualified opinion after detecting several irregularities.

A qualified opinion is an auditor's statement indicating that a company's financial records contain material misstatements or do not fully comply with accounting standards.

According to the report, "Tk 1,373.31 crore unauthorised transactions were identified in the special audit where established internal procedures, borrower due diligence and prudential guidelines for approving transactions and paying loans were not followed."

The audit also showed that Uttara Finance had provided a loan of Tk 147.34 crore to its subsidiary UFIL Capital Management as of December 2020.

The repayment of that loan was irregular. Instead of repayment through business income, the parent company injected additional equity (share capital) into the subsidiary, which was then used to repay the same loan.

It is a circular movement of funds that masks the true financial position.

"Uttara Finance shows total receivable against unauthorised transactions of Tk 1,654 crore, mostly related to connected parties, which remain unadjusted for at least one year," said the auditor.

The report said that the central bank had instructed the company to record a block liability, a large provision set aside to cover potential losses, of Tk 2,150 crore against these unauthorised transactions.

However, no specific provision has yet been maintained in the company's balance sheet.

The audit also found that some loans had turned classified under central bank rules, meaning they had become non-performing or overdue.

When calculating loan-loss provisions (funds set aside to cover possible defaults), Uttara Finance depended on collateral securities -- assets pledged against loans -- that had not been revalued for a long time.

According to the auditor, this made it impossible to confirm whether their current market value was adequate to cover the risks.

In addition, the auditor found that proper due diligence and approval processes were not followed in several loan disbursements.

The audit also detected significant discrepancies between earlier account balances and the figures published in previous financial statements.



In 2020, Uttara Finance reported a net interest loss of Tk 61 crore, a net loss after tax of Tk 435 crore, and a capital shortfall of Tk 712 crore. These figures indicate a steady deterioration in profitability and financial health. As per Bangladesh Bank regulations,

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Kazi Farms teams up with Indonesian company for modern retailing

STAR BUSINESS REPORT

Indonesian retail giant Alfamart is set to open a chain of scaled down model of supermarkets in Bangladesh.

Kazi Farms Group, a local group with interests in poultry, satellite TV and frozen foods, is partnering in the venture alongside Mitsubishi Corporation of Japan, which is already one of the shareholders of Alfamart.

The initiative aims to bring international standards and cutting edge retail technologies to the local market, said Kazi Zahin Hasan, director of Kazi Farms Group, while speaking to The Daily Star yesterday.

He said a public announcement of the new venture would be made today. One of the key investment partners, Alfa Group, operates approximately 27,000 retail outlets across Indonesia and the Philippines.

The group is publicly traded in Indonesia and is widely recognised for its operational scale and emphasis on inclusionary employment. Around 40 percent of Alfamart's employees are women.

"We hope that Alfamart stores will also create jobs that are attractive for women in Bangladesh," Hasan added.

Mitsubishi Corporation, one of Japan's largest diversified conglomerates and a major stakeholder in the venture, played a pivotal role in connecting the partners.

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Gold price rises past Tk 2 lakh a bhori

STAR BUSINESS REPORT

Gold prices have crossed the Tk 2 lakh mark for the first time in Bangladesh, as jewellers yesterday decided to increase the price by Tk 3,199 per bhori.

With effect from today, each bhori of 22-carat gold will cost Tk 200,775 -- a historic high -- according to the Bangladesh Jewellers Association (Bajus).

Gold prices in Bangladesh have been climbing steadily, setting new records. READ MORE ON B3

MD ASADUZ ZAMAN

Bangladesh's headline inflation rose slightly to 8.36 percent in September from 8.29 percent in August, according to data from the Bangladesh Bureau of Statistics.

The increase was driven mainly by non-food prices, which climbed to 8.98 percent from 8.90 percent, while food inflation moved up to 7.64 percent from 7.60 percent.

Although September's rates were below the previous year's levels, when food prices rose 10.4 percent and non-food prices 9.5

percent, average inflation has stayed above 8 percent so far this fiscal year, exceeding the government's target of 6.5 percent.

The 12-month moving average stands at 9.45 percent, indicating that high prices have persisted over the past year.

Economists say the persistence of inflation is linked to structural factors and policy choices.

"The changes aren't very significant," said Zahid Hussain, a former lead economist at the World Bank's Dhaka office. "Inflation is in a rigid mode, rising one month, falling the next, but staying above eight percent."

"The gap between the current average and the target is substantial. It is worrying," added Hussain, who was also a

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Regulator proposes steep cuts to insurers' management costs

SUKANTA HALDER

The Insurance Development and Regulatory Authority (Idra) has proposed stricter limits on how much life and non-life insurance companies can spend on management costs, aiming to strengthen financial discipline and reduce delays in claim settlements.

Under the new draft, both life and non-life insurers would face deep cuts in allowable management expenses. These expenses include operational costs such as agent commissions, staff salaries and administrative overheads.

For life insurance, the management cost for annual premium policies will be cut from 5 percent to 4 percent, while for

For policies lasting one to five years, the first year cost will drop from 95 percent to 85 percent and renewal costs from 25 percent to 20 percent.

For six to 10-year policies, first-year costs will decline from 94 percent to 84 percent, and renewal costs from 22 percent to 17 percent.

Policies with a term of 10 years or more will see a sliding scale based on

KEY POINTS

- Proposed rules aim to cut excessive spending
- Companies strongly oppose new rules
- Insurers urge enforcement of existing rules first
- Idra says the move is to protect policyholders



INDUSTRY AT A GLANCE

- Outstanding claims reached Tk 9,174cr by mid-2025
- Only Tk 2,246cr of claims have been paid so far
- Over 26 lakh insurance policies lapsed in past 14 years
- Nearly 11 lakh policyholders have not received their dues

A DU TEACHER SAYS ...



Reducing management expenses is necessary but not enough



Insurers must see premiums as liabilities, not funds to spend freely



Stronger regulatory oversight and compliance are needed



Protecting policyholders' rights is key to restoring confidence

The draft proposal, however, has met strong opposition by insurance firms, as they argue that the existing rules should remain in place for a few more years to allow the sector to adjust.

instalment-based policies it will drop from 10 percent to 7 percent.

In group insurance, management costs on annual premiums will fall from 15 percent to 10 percent.

total premium value.

For premiums under Tk 100 crore, first-year costs will fall from 95 percent to 82 percent; for Tk 100-500

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BB buys \$104m more, total nears \$2b

STAR BUSINESS REPORT

The Bangladesh Bank (BB) yesterday purchased \$104 million from commercial banks as part of its efforts to ensure stability in the exchange rate and maintain reserves at a level sufficient to meet external payment obligations.

The central bank said it bought the greenback from eight banks at rates between Tk 121.78 and Tk 121.80 per dollar.

With this transaction, total dollar purchases under the auction method in the current fiscal year (FY) have reached \$1.981 million, reversing the central bank's previous stance of selling from its dollar stocks.

Over the past three years until FY25, the central bank sold more than \$25 billion from its forex reserves to cover imports of fuel, fertiliser, and food

Over the past three years until FY25, the central bank sold more than \$25 billion from its foreign exchange reserves to cover imports of fuel, fertiliser, and food. Since early July, the taka has gained against the dollar.

On July 2, the greenback was traded at Tk 122.85, but yesterday it was sold at Tk 121.80, supported by inflows of foreign currency from remittances and exports, alongside slower import growth.

Following the purchase, the country's foreign exchange reserves stood at \$26.79 billion, up from \$21 billion in early October last year, according to the BB.

Non-food costs fuel inflation to 8.36% in Sept

Inflation staying above 8% is worrying, says economist



SOURCE: BBS

member of the committee that prepared the White Paper on the State of the Bangladesh Economy.

Hussain said the exchange rate is the central bank's key tool for controlling inflation and that Bangladesh Bank is following a risk-balancing approach.

He said, "There was an opportunity to let the exchange rate appreciate, which could have reduced import prices and production costs.

"But they did not allow that, fearing that a lower dollar price would squeeze exporters' margins, already under pressure due to recent US reciprocal tariffs."

He noted that an appreciation of the taka could also reduce remittance inflows and increase import demand.

According to Hussain, Bangladesh Bank is using this period to build reserves. "It even bought dollars today [Monday]."

The economist summarised the logic behind the central bank's stance as threefold: to protect exports, support remittances, and build reserves.

He also argued that allowing the dollar rate to fall could help reduce inflation.

"There's no risk-free option. Whichever way you go, there's a trade-off. Bangladesh Bank should reconsider. Reducing inflation is urgent as it affects ordinary people directly."

If that cannot be achieved, it is a serious concern," he said.

"By keeping the exchange rate fixed, two things happen. First, the economy misses the direct benefit a stronger taka could bring in lowering import and production costs."

Second, he added, liquidity in the market has increased.

When Bangladesh Bank buys dollars, it injects taka into the market, and that money is not sterilised. "As a result, risk-free rates have fallen to single digits, which weakens the contractionary stance of monetary policy."

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