Star BUSINESS

Merger plan for five Islamic banks gets clearance

BB to appoint administrative teams

Five banks to be merged

First Security Islami Bank, Social Islami Bank, Global Islami Bank, Union Bank, and EXIM Bank

THEIR FINANCIAL HEALTH
Until Sep 2024; In crore taka

Banks	Total loans	Bad loans	In % of total loans
SIBL	37,841.80	23,575.40	62.30
EXIM	52,075.80	25,100.54	48.20
UNION	28,287.46	26,490.55	97.80
Global Islami	14,210.40	13,568.88	95.00
FSIBL	60,370.73	58,181.55	96.37

SOURCE: **FORENSIC AUDIT REPORTS BY KPMG, ERNST & YOUNG**

Key points

- BB board approved the merger plan
- BB will appoint administrative teams for the banks
- The boards of the banks will soon become inactive
- Merger process is expected to take two years to complete
- BB may replace or suspend key bank officials if necessary
- The merged entity will require about Tk 35,200cr
- BB had dissolved the previous boards of these banks

STAR BUSINESS REPORT

The Bangladesh Bank (BB) yesterday approved the merger of five struggling Shariah-based banks, in a decisive move to stabilise the financial sector and rescue the lenders from deepening crisis.

The central bank also sanctioned the appointment of temporary administrative teams at these banks—namely First Security Islami Bank, Social Islami Bank, Global Islami Bank, Union Bank, and EXIM Bank—under the Bank Resolution Ordinance, 2025.

The approval came at a special meeting of the BB's board chaired by Governor Ahsan H Mansur.

Speaking at the meeting, Areif Hossain Khan, executive director and spokesperson of the BB, said the five banks are now officially under the merger process, which is expected to take at least two years to complete.

Under the ordinance, the central bank will deploy temporary administrative teams at each bank, Khan said, adding that the teams will not immediately replace the existing management.

"For instance, it should not be assumed that once BB's team enters, the managing directors will immediately be removed," he explained.

"The existing management will continue to operate. At the same time, a team of probably five members will work in each bank, consisting of Bangladesh Bank's administrative representatives, who will always coordinate with the central taskforce," he added.

However, in the long run, the existing boards will gradually become inactive. "Not dissolved but rendered non-functional. Once a bank's merger is complete, its board will automatically be absorbed and abolished. Until then, the boards will remain, though they will not be effective."

The merger, initiated by the interim government, aims to create Bangladesh's largest state-owned Shariah-compliant bank. The new institution, yet to be named, will require an estimated Tk 35,200 crore in capital, of which Tk 20,200 crore will come from the government and Tk 15,000 crore from institutional funds and the conversion of institutional deposits.

READ MORE ON B3

Govt to seek post-LDC trade benefits from key partners

REFAYET ULLAH MIRDHA *and* SUKANTA HALDER

Bangladesh will ask its major trade partners, such as its South Asian neighbours, the UK, Canada and Australia, to continue giving it preferential market access after its scheduled graduation from the least developed country (LDC) club in November next year.

Commerce Secretary Mahbubur Rahman said the benefits would be similar to those promised by the European Union (EU), which has already assured Dhaka of duty-free access until 2029.

Amid local exporters urging a delay in graduation and the government holding to its timetable, Rahman said a transition period would help Bangladesh better prepare for what lies ahead.

"We will write letters to the countries concerned soon seeking the extension of the LDC-induced trade benefit, like the EU, as a preparation period," he told The Daily Star over the phone yesterday.

Rahman said several partners, including Japan, India, Turkey and the US, have opposed any move by Bangladesh to delay the scheduled graduation.

> **Commerce Secretary Mahbubur Rahman said the benefits would be similar to those promised by the European Union**

"If Bangladesh seeks the graduation deferment directly to the UN General Assembly (UNGA), there is a possibility of losing the appeal of extension of time," he added.

For this reason, Dhaka will pursue bilateral extensions of LDC-related trade benefits rather than a formal delay, said the commerce secretary. This approach, he said, would make negotiations easier because they would be held one-on-one.

The EU has already committed to a three-year grace period for Bangladesh and other graduating countries.

This means Bangladesh will enjoy zero-duty access to EU markets until November 2029.

The country remains determined to graduate on schedule, having twice met all three UN criteria for becoming a developing nation, according to assessments by the UN Committee for Development Policy (UN CDP).

Rahman said the commerce ministry would follow any higher-level decision if the government opted to seek a formal delay.

Currently, Bangladesh enjoys zero-duty access to 38 countries and trade blocs under its LDC status. About 73 percent of its exports fall under this category each year.

READ MORE ON B3

NBR imposes 1% source tax on edible oil to collect Tk 600cr

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has imposed a one percent tax at source on the import of edible oil, such as soybean, sunflower, palm, and corn oil, aiming to collect nearly Tk 600 crore in revenue.

The NBR issued a statutory regulatory order (SRO) on Monday, and it will apply to both crude and refined soybean oil as well as other edible oils.

Importers worry the new tax will raise consumer prices, but NBR officials insist it will not affect oil prices since the tax can be adjusted later.

These items, once treated as essentials, were previously exempt from import-stage source tax.

NBR officials said the move aims to curb tax evasion by collecting in advance rather than at the sales or turnover stage.

Md Shafiul Ather Taslim, director of finance and operations at TK Group, said a one percent advance income tax (AIT) at the import stage would raise product costs, which could eventually push up consumer prices.

"This has been tagged as a minimum tax. That means, whether I make a profit or loss, I have to pay it. Since it is fixed, it ultimately becomes a cost. Even if I incur a loss, I still have to pay," he said.

"In the case of profit, I can adjust it, but in the case of loss, I cannot, because payment is mandatory regardless. Ultimately, this 1 percent gets added as a cost if there is a loss," he added.

However, a top official from the NBR, requesting anonymity, told The Daily Star, "Currently, edible oil companies pay one percent tax on turnover. If the tax

READ MORE ON B3

Fresh loan rescheduling policy for troubled businesses

STAR BUSINESS REPORT

Bangladesh Bank has launched a guideline for banks to provide loan rescheduling facilities to businesses impacted before last July's movement due to foreign exchange losses, energy shortages, and repression by the previous government.

Recently, the central bank approved a mega loan rescheduling facility for some 250 companies, including some of the country's biggest corporate defaulters, in an attempt to boost business activity amid slowing economic growth.

After that, many other entrepreneurs rushed to the BB to get the same rescheduling benefits.

From this perspective, the regulator issued the guideline so that commercial banks could provide the benefits upon fulfilment of certain requirements.

Under the benefits, banks can allow repayment tenures of classified loans to be extended to 10 years, with a down payment of at least 2 percent of the existing outstanding amount on the basis of the banker–client relationship.

If the loans were rescheduled three or more times before, the down payment would be 1 percentage point higher, according to the new circular that was issued yesterday.

A preferential interest rate can be set so that the rate would be one percentage point lower than the lowest interest rate for the respective sector. The loan instalments can be on a quarterly or monthly basis.

These rescheduled loans will have to be categorised into "special mentioned accounts," and banks will have to keep general provisioning against the loans.

If a borrower fails to pay three monthly instalments or one quarterly instalment even after availing the benefit, the loan will have to be classified.

To get the special benefits, borrowers will have to apply to the lenders before December 31 this year.

READ MORE ON B3

Traders say prices of hilsa were already high this year due to a supply shortage. PHOTO: MOKAMMEL SHUVO

Bangladesh risks $1.25b export loss to US over tariffs

RAPID study show

STAR BUSINESS REPORT

Bangladesh's exports to the US market could fall by up to 14 percent, or nearly $1.25 billion, over the next year due to the recently imposed 20 percent reciprocal tariff, according to study by the Research and Policy Integration for Development (RAPID).

Of the total, apparel exports alone could lose around $1.08 billion, RAPID Chairman Mohammad Abdur Razzaque said during a presentation at a workshop for journalists on the implications of US reciprocal tariffs and LDC graduation, held yesterday at the CIRDAP in Dhaka.

Razzaque noted that Bangladesh's export losses are expected to be smaller than those of some other countries. "Overall, US imports of apparel will fall by $10 billion, and this shrinking market will make any export growth very difficult," he said.

He added that although Bangladesh faces lower tariffs than major competitors such as India and China, expanding exports remains challenging.

"Bangladesh finds itself in a tricky situation. While the country may gain market share in the US apparel sector, this may not translate into an overall increase in exports, as the total market size is contracting," he explained.

Exports from other nations are also projected to drop because of additional tariffs imposed by the Trump administration. China's exports to the US could fall by 58 percent, India's by 48 percent, Vietnam's by 28 percent, and Indonesia's by 27 percent, Razzaque said.

The equation could shift further against Bangladesh if India manages to secure a trade deal that reduces its reciprocal tariff by 20 percent. "In that case, Bangladesh's export decline could deepen to 17.46 percent, while India's would ease to 18.33 percent," he warned.

The US is Bangladesh's largest single export destination, with garments

READ MORE ON B3

Hilsa prices jump as govt gives export approval

SUKANTA HALDER *and* SOHRAB HOSSAIN

Hilsa prices have surged in local markets following the interim government's approval for the export of over 12,000 tonnes of the national fish to India and the Middle East in recent days.

Traders say prices were already high this year due to a supply shortage. The export decision has pushed them up further, especially for large hilsa, by as much as Tk 600 per kilogramme (kg) at the wholesale level and Tk 200 at the retail level.

Monirul Islam, owner of Cox's Bazar Fish at Mohipur Fish Landing Centre in Kalapara, said on average, prices of export-quality hilsa, weighing over one kg, increased by Tk 500-Tk 600 after the export announcements.

"Prices of large hilsa increased to Tk 100,000-Tk 105,000 per maund (just over 37 kg) from Tk 80,000-Tk 85,000 in recent days," he said.

He added that traders from Barishal, Bhola, and Chandpur usually buy the larger fish here for export.

At the retail level, prices jumped by Tk 100-Tk 200.

"Before the export nod, 700-gramme hilsa sold for Tk 1,500 a kg. Prices have since risen to Tk 1,600-Tk 1,700. The 800-gramme variety has gone from Tk 1,700 to Tk 1,800," said Sukkur Ali, a fish trader at Karwan Bazar in Dhaka with 30 years' experience, told The Daily Star recently.

Barishal has also seen a jump, though not as high as Dhaka. Mohammad Arif, manager of Shakil Enterprise in Barishal, said the one-kg hilsa price rose from Tk 1,980 to Tk 2,210 after the announcement.

"Just a few days ago, 700-800 gramme hilsa was Tk 1,900. Now it's Tk 1,960," he also said, warning prices could rise by 50 percent once exports begin.

Speaking at an event recently, Farida Akhter, adviser to the Ministry of Fisheries and Livestock, said the government was sending 1,200 tonnes of hilsa to India ahead of Durga Puja, the biggest religious festival of the Hindu community, following a request from the neighbouring country.

"The approval to send hilsa to India was granted as a gesture of religious courtesy and in response to a request. This quantity is less than half of that sent last year," the adviser said on Sunday amid reports that the export was being made "under pressure."

Akhter also disclosed that, in response to demands from expatriate Bangladeshis, approval was given to export 11,000 tonnes of hilsa to countries in the Middle East.

The announcements came amid falling hilsa harvests. Due to widespread killing of immature hilsa and other factors, including environmental pollution and climate change, catches this July and August dropped by 37 percent and 47 percent respectively compared to the same period last year.

Department of Fisheries data show national hilsa output rose from 2003 to 2023 but fell by 42,000 tonnes in 2024.

READ MORE ON B3