



Islami Bank's bad loans surpass Tk 1 lakh crore

Scams and irregularities by S Alam Group pushed the shariah-based bank into crisis, as toxic assets continue to surface

MD MEHEDI HASAN

Non-performing loans (NPLs) at Islami Bank Bangladesh crossed Tk 1,00,000 crore by September after years of loan scams and lending irregularities tied to S Alam Group left the once very profitable commercial lender under severe strain.

At the end of September, total loans disbursed by the bank stood at Tk 1,81,860 crore. Of this, Tk 1,06,000 crore had turned bad, according to Bangladesh Bank (BB).

BB data show that more than half of the bank's portfolio had slipped into non-performing loans.

Bad loans rose by Tk 88,248 crore in just a year. At the end of September last year, the bank's defaults stood at Tk 17,752 crore, which accounted for 11 percent of its loans.

The commercial lender also faces a provision shortfall of Tk 85,886 crore. Banks set aside provisions as a buffer against losses, and such a large shortfall points to the scale of the damage.

Islami Bank officials said S Alam Group took out loans under both official titles and proxy names during the previous regime, when the conglomerate used to dominate the board. Many of these loans later fell into default.

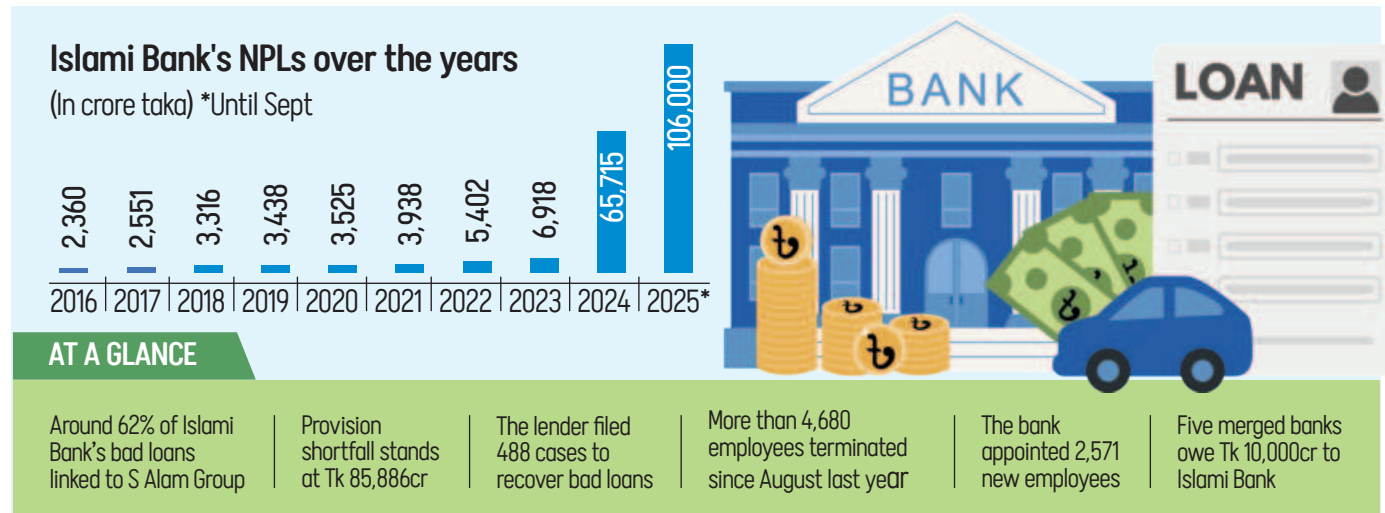
They said misdeeds by one business group have pushed the bank to its current state.

After the fall of the Awami League government in a mass uprising in August last year, the bank was freed from the control of the S Alam Group. The central bank dissolved the bank board dominated by individuals linked to Chattogram-based S Alam Group.

The political changeover also exposed long-buried toxic assets that had piled up over the years. Since then, the shariah-based bank's balance sheet has been deteriorating.

Until June 2024, bad loans at the bank were only Tk 7,724 crore, or 4.42 percent of its loans. But within a month of the government's fall, defaults jumped to Tk 17,752 crore, or 11 percent.

NPLs at the bank rose to Tk 32,817



crore, or 21 percent, by the end of last year and reached Tk 47,618 crore, or 27.38 percent, by the end of March this year.

S ALAM ALONE TOOK OUT TK 70,000CR

S Alam Group maintained its hold over Islami Bank for around seven years. The bank's financial performance had weakened soon after the group began influencing decisions following an ownership takeover in 2017.

Between 2017 and August 2024, the group alone took out around Tk 70,000 crore through its own businesses and a series of shadow firms.

Loans were taken in the names of Mohammed Saiful Alam, chairman of S Alam Group, his family members, and several associates, according to central bank officials.

About Tk 66,507 crore of this amount had defaulted by the end of the September quarter.

Saiful Alam and several senior officials of the group are now on the run. The Daily Star could not reach them for comment.

Nabil Group, a close ally of S Alam Group, borrowed about Tk 13,000 crore under its own name and through anonymous entities. A portion of that amount has been rescheduled recently under a special policy, according to Islami

Bank officials.

Contacted, Md Aminul Islam, managing director of Nabil Group, said, "The loans taken in the name of Nabil Group are regular, but I know nothing about the loans that were taken anonymously. I have never defaulted on any loan."

Other large borrowers of Islami Bank include Nassa Group, Noman Group, Deshbandhu Group, Jamuna Tyre, GMS Group, Murad Enterprise, AJ Trade International, Delta Group, Bashundhara Multifood Group and Mahmud Denims Ltd.

FUNDS STUCK ACROSS TROUBLED LENDERS

Islami Bank lent about Tk 10,000 crore to five banks that are now being merged. The lender has yet to recover the money.

A senior Islami Bank official said the central bank assured them that they would receive shares in the new merged bank instead of cash repayment.

Janata Bank also owes Tk 1,000 crore and has missed repayment, the official added.

Before the political changeover, Islami Bank had faced a severe liquidity crisis and even ran a deficit in its settlement account with the central bank.

Officials said the cash position has since stabilised and depositors are now

able to withdraw funds without difficulty, although the mountain of bad loans remains a cause for concern.

Contacted, Omar Faruk Khan, managing director and CEO of Islami Bank Bangladesh, said the bank's liquidity is now "very strong". He said the bank is stepping up loan recovery efforts through legal action and other means.

The lender has filed 488 cases against defaulters. These include 34 cases at the Artha Rin Adalat involving Tk 66,507 crore, 377 criminal cases, 1,881 involving Tk 19,996 crore, and 10 related to stock disposal worth Tk 28,064 crore.

Khan said they are prioritising cash recovery while allowing genuine businesses to reschedule their loans. "Our target is to bring down non-performing loans from 50 percent to 35 percent," he said.

He added that recovery has slowed as business activity remains sluggish ahead of national elections due next February.

"Besides, we are signing agreements with international legal firms to recover foreign assets. Our main target now is recovery," he told The Daily Star.

In 2023, Islami Bank recorded a net profit of Tk 635 crore, the highest in four years. Next year, net profit fell sharply

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ADB lowers Bangladesh's growth forecast further

STAR BUSINESS REPORT

For the second time, the Asian Development Bank (ADB) yesterday revised down its growth forecast for Bangladesh, citing sluggish investment ahead of the elections and slower growth in export earnings.

The Manila-based lender said GDP growth in the current fiscal year (FY2025-26) may reach 4.7 percent, down from its September forecast of 5 percent. In April, ADB had projected a 5.1 percent growth for the same year.

"The lower forecast reflects weaker than expected export performance and greater investment uncertainty due to the upcoming national elections in February," the ADB said in its report "Economic Forecast for Asia and the Pacific: December".

The agency noted that weaknesses in the financial sector also contributed to the downward revision.

Exports have been hit not only by subdued global demand but also by supply disruptions caused by a major strike at Chattogram Port in October, which handles more than 90 percent of Bangladesh's imports and exports.

Exports grew only 0.62 percent in July-November period of FY26, compared to 11.76 percent during the same period last year, according to the Export Promotion Bureau.

Private sector credit growth slowed to 6.23 percent in October from 6.29 percent in September, marking the slowest pace in at least 20 years. This shows that businesses are holding back on new investment due to high borrowing costs, political uncertainty, and weak consumer demand.

The government has recently lowered the export growth target for FY26 to 9 percent from 10 percent and reduced the GDP growth target by 0.5 percentage points to 5 percent.

In October, the International Monetary Fund (IMF) projected that Bangladesh's economy could grow by 4.9 percent in FY26, up from 3.8 percent in FY25, while the World Bank forecasted a 4.8 percent expansion.



Govt delays blocking of unauthorised handsets by 3 months

STAR BUSINESS REPORT

The government has delayed the blocking of unauthorised mobile handsets by up to three months, a top official said yesterday.

Earlier, the blocking of unofficial handsets under the National Equipment Identity Register (NEIR) system was scheduled to begin on December 16.

Now, the implementation will be delayed by up to three months to allow the government to make the necessary preparations, said Faiz Ahmad Taiyeb, special assistant to the chief adviser on telecom and ICT, while speaking to The Daily Star.

The development comes amid protests from mobile phone sellers against the NEIR system.

Yesterday evening, mobile phone traders and their employees staged a protest at Karwan Bazar in Dhaka, blocking the busy intersection and bringing traffic in the surrounding areas to a standstill.

The demonstration began around 5:45pm, with several hundred traders participating in a sit-in.

Imran Hossain, a mobile phone trader from Bashundhara City Shopping Complex, said the protesters are demanding amendments to the newly introduced NEIR policy.

"Under the NEIR system, we have to pay around 57 percent tax to import

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After a decade of decline, poverty rising again since 2022: Salehuddin

STAR BUSINESS REPORT

Finance Adviser Salehuddin Ahmed said the poverty rate has been rising since 2022, reversing more than ten years of steady decline.

"Bangladesh has a strong record of poverty reduction, particularly since 2010. But since 2022, we have seen a reversal," he said at an event at Pan Pacific Sonargaon in Dhaka yesterday.

After warnings from international agencies and local think tanks in recent months, the government has now publicly acknowledged that the number of people living in poverty is growing.

A World Bank report last month projected that the poverty rate in Bangladesh will rise to 21.2 percent in 2025, up from 20.5 percent the previous year. The bank estimated that more than 30 lakh people fell into poverty in 2024, a sign that the economy is losing its ability to shield vulnerable populations from economic shocks.

In August, the Power and Participation Research Centre, a policy think tank, reported that the poverty rate had surged to 27.93 percent from 18.7 percent in 2022.

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In 2016, the Bangladesh Bureau of Statistics (BBS) estimated the poverty rate at 24.3 percent.

At the event, organised by the Social Development Foundation (SDF), an autonomous organisation under the Financial Institution Division, Ahmed said poverty has two dimensions.

He described these as material poverty and poverty of the mind. Material poverty, he said, reflects present conditions, while the second dimension relates to the process of improvement.

"With such a large population, addressing both simultaneously is a major challenge, and progress naturally takes time. Without setbacks, the reduction would have been greater," he added.

He said inadequate implementation of poverty reduction projects remains a key weakness.

"Our programme designs are strong, but execution is poor due to incompetence, perceived corruption, and slow laws and procedures," he said.

Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development, said the pace of poverty reduction, while

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Export growth hindered by regulatory gaps, weak infrastructure

Business leaders call for reforms



Commerce Adviser Sk Bashir Uddin joins business leaders and top executives at a roundtable on export diversification at the Prothom Alo office in Karwan Bazar yesterday.

PHOTO: COLLECTED

STAR BUSINESS REPORT

Regulatory inefficiencies, weak certification systems, inadequate testing facilities, complex export procedures, and poor logistics remain major obstacles to export growth in Bangladesh, according to business leaders.

"Bangladesh must strengthen its certification, compliance, and logistics systems to boost export competitiveness," said Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce and Industry (FICCI).

She spoke at a roundtable titled "Export Diversification: Challenges and Way Forward," jointly organised by Prothom Alo and Pran-RFL Group at the Prothom Alo office in Karwan Bazar yesterday.

Citing Berger's move to locally produce food-grade cans, Chowdhury said that these products still require certification abroad,

mainly in India or Singapore, highlighting gaps in Bangladesh's testing capacity.

She called for major investment to modernise the Bangladesh Standards and Testing Institution (BSTI) and build essential pharmaceutical testing labs—projects that would cost several billion dollars.

Customs delays, limited automation, and weak compliance frameworks continue to hurt exporters, Chowdhury said. However, she added that trade restrictions in countries like China and Vietnam could create new opportunities for Bangladesh.

DIVERSIFICATION NOT OPTIONAL

Md Mahub ur Rahman, CEO of HSBC Bangladesh, stressed the importance of identifying non-apparel sectors and supporting them with focused policies. "Twenty years ago, our exports were \$9 billion. Now they're close to \$50 billion—but 80 percent still comes from apparel," he said.

Rahman highlighted the potential of SMEs, saying, "But the process is too complex. We need to simplify it and build a strong support mechanism."

He also pointed to untapped markets in the Middle East and Asean countries.

Nahian Rahman Rochi, executive member of Bangladesh Investment Development Authority (Bida), warned that relying solely on RMG, which now brings in around \$48 billion, will not meet the country's long-term goals. "Export diversification is not optional but a mathematical reality for Bangladesh," he said.

Citing Vietnam and Korea's success, he stressed sector-specific strategies, skill transfer, partnerships, and better use of Bida support mechanisms. "We're here to facilitate, not just regulate," he said, promising to raise key issues in the next national budget.

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