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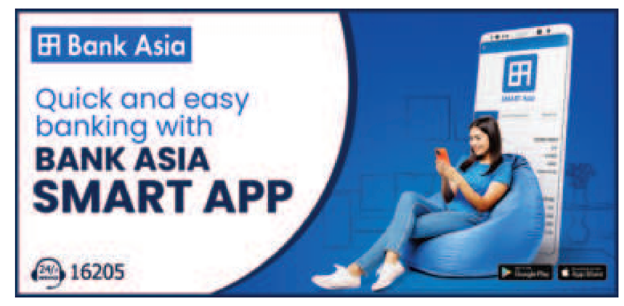
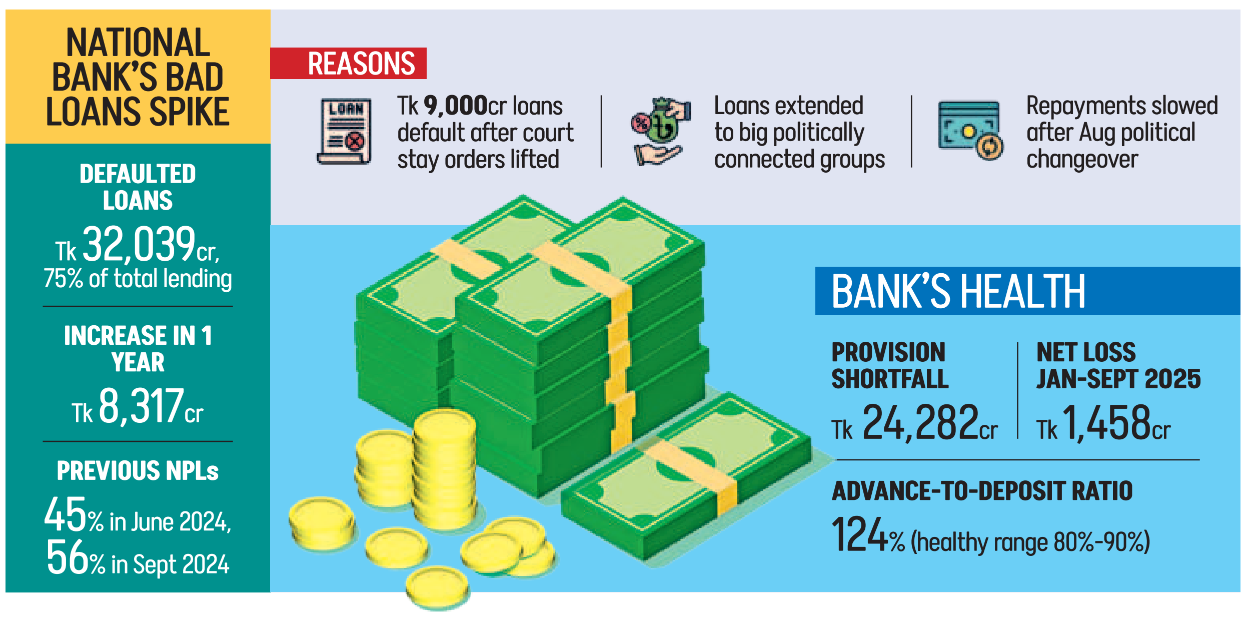


National Bank's bad loans climb to 75%

Tk 32,039cr in bad debts are now exposed after stay orders on politically connected borrowers are vacated



MD MEHEDI HASAN

Nearly three out of every four taka lent by National Bank has now gone unpaid, according to the central bank, after stay orders that had long protected several large borrowers were lifted in recent months.

As of September this year, defaulted loans at the once-reputed private lender stood at Tk 32,039 crore, accounting for 75.46 percent of its total lending, according to Bangladesh Bank (BB) data.

Meanwhile, senior National Bank officials said the sharp increase did not happen because the bank suddenly made bad lending decisions. Rather, about Tk 9,000 crore in loans that had remained protected under court stay orders were finally classified as defaults once those legal shields were vacated in recent months.

They said many of the loans were extended to influential and politically connected business groups during the previous government. As long as the stay orders were in place, the bank could not treat the loans as non-performing (NPLs), hiding the true scale of the problem.

The officials said that repayments slowed further after the political changeover in August last year, and several large borrowers stopped paying altogether.

Now the exposure of these bad debts has added to the National Bank's long-running financial troubles. The lender has been reporting losses since 2022 and continues to struggle to stabilise its balance sheet.

During the January-September period of this year, the bank posted a net loss of Tk 1,458 crore -- up from Tk 1,360 crore in the same period last year, according to the lender's financial statement.

Due to the high volume of bad debts, the bank also faces a provision shortfall of Tk 24,282 crore, meaning it does not have enough funds set aside to cover potential loan losses.

The bank's basic financial structure is also under pressure. By the end of September this year, its total loans and advances stood at Tk 42,461 crore, while deposits were Tk 34,091 crore.

This means the bank has lent out far more money than it has received from depositors, leaving it vulnerable during periods of stress.

Depositors have responded by pulling back their funds.

In the January-September period of this year, National Bank lost Tk 2,907 crore in deposits, even as new deposits continued to come in. Bank officials said withdrawals remain high, causing liquidity pressure.

To stop the balance sheet bleeding, the Bangladesh Bank provided Tk 8,500 crore to National Bank in liquidity support since the formation of the interim government last year. Despite the fund injection, the commercial lender is still struggling to repay older deposits smoothly.

According to the bank's top management, new depositors are able to withdraw their funds fully, while older depositors are being paid back gradually.

National Bank's decline accelerated during the period when it was controlled by the Sikder family, marked by loan irregularities, weak governance and fraud allegations, including credit card scams.

In May 2024, the Sikder family apparently lost control of the bank as a new board took over. However, after the fall of the Awami League-led government in August 2024, the bank board was restructured again by the central bank.

The central bank formed a new seven-member board comprising three shareholder-directors and four independent directors. BNP Vice-Chairman Abdul Awal Mintoo was one of the three shareholder-directors. Now the businessman is the chairman of the bank board.

Despite the leadership changes, the scale of bad loans accumulated over the years continues to weigh heavily on the bank. In July, National Bank appointed Adil Chowdhury, an experienced banker, as the managing director.

Chowdhury acknowledged that the lifting of court stay orders pushed up headline NPL figures. He, however, said the bank has begun rescheduling large loans and recovering cash.

"We have already rescheduled Tk 3,500 crore in non-performing loans, and another Tk 10,000 crore is in the pipeline," he told The Daily Star. "Since I joined, we have recovered more than Tk 700 crore in cash."

He said the bank targets bringing down its NPL ratio to 30 percent to 40 percent by the end of this year, though industry insiders say such a turnaround will take time, given the depth of the problem.

For now, the bank has limited its lending activity and is focusing on trade finance, remittances, cards, and small and medium-sized loans.

Data show that large borrowers of National Bank include Maisha Group, Beximco LPG, FMC Group, Bashundhara Group (Bashundhara Infrastructure, Development, Paper & Multi Paper Industry Ltd; Bloom Success International Ltd; Bashundhara Oil & Gas Company Ltd; Radium Composite Textile Mills Ltd; Manha Precast Technology Ltd), Karnaphuli Group (Total Karnaphuli and Desh TV), Opex Group, Broadway & Prokritee, Nassa Group, Saad Musa Group and Western Marine Shipyard Ltd.

Bank officials said the lender has set a recovery target of around Tk 14,000 crore by December.

According to them, loans to several large clients are being rescheduled, Bashundhara has repaid a portion of its dues, and plans are underway to sell a power plant owned by Maisha Group to recover funds.

Revised budget targets record-low deficit

REJAUL KARIM BYRON

The revised budget for the current fiscal year could see the deficit fall to a record low of 3.3 percent of GDP due mainly to ambitious revenue collection targets and cuts in development spending.

The finance ministry presented the plan on Monday at a high-level meeting with Chief Adviser Muhammad Yunus.

Finance ministry officials said the revised budget is likely to be placed before the Advisory Council meeting this week for approval. The government will publish it once the council approves it.

Usually, the new budget for the next fiscal year and the revised budget for the outgoing year are announced in June.

This time, the interim government is finalising the revised budget earlier because the national election is scheduled for February next year, a finance ministry official said.

The government generally aims to keep the budget deficit within 5 percent of GDP. Although after actual implementation, the deficit tends to decrease further.

During the last years of the previous Awami League government, original budget deficits exceeded 6 percent of GDP. As a result, the International Monetary Fund (IMF) set limits on the deficit to maintain fiscal discipline when it began its loan programme in January 2023.

In its first budget, the interim government fixed the deficit target at 3.6 percent for the current fiscal year 2025-26. In the previous fiscal year, the actual deficit also stood at 3.6 percent of GDP, mainly because development spending fell short of the allocation.

Breaking with usual practice, the revised budget now reduces the deficit further. Because revenue collection is projected to grow by around 35 percent, while the annual development programme (ADP) is being cut by 13 percent from the original allocation.

The overall deficit is being reduced by Tk 26,000 crore to Tk 2 lakh crore. Domestic borrowing will rise from Tk 1.25 lakh crore to Tk 1.39 lakh crore, while foreign financing falls from Tk 1.01 lakh crore to Tk 61,000 crore.

Revenue targets have been increased by 5 percent, or Tk 24,000 crore, to Tk 5.88 lakh crore from the original Tk 5.64 lakh crore, a finance ministry official told The Daily Star on condition of anonymity.

Revenue authorities usually miss their initial targets, forcing the government to lower them near the end of the fiscal year. Even then, reduced targets are often missed, largely due to sluggish performance by the National Board of Revenue (NBR), which accounts for about 90 percent of state revenue.

Under the revised plan, non-NBR tax targets have been increased to Tk 20,000 crore from Tk 19,000 crore. Non-tax revenue has been raised to Tk 65,000 crore from Tk 46,000 crore.

The NBR has increased its target to Tk 5.03 lakh crore, up from Tk 5.02 lakh crore.

An NBR official said collections from customs, income tax and value-added tax (VAT) rose notably in the first quarter, prompting the revision.

In the first five months of FY26, NBR's revenue grew by 15 percent, compared with just 1.9 percent growth last year, said the official.

A senior NBR official cited seven factors behind the revised target's achievability.

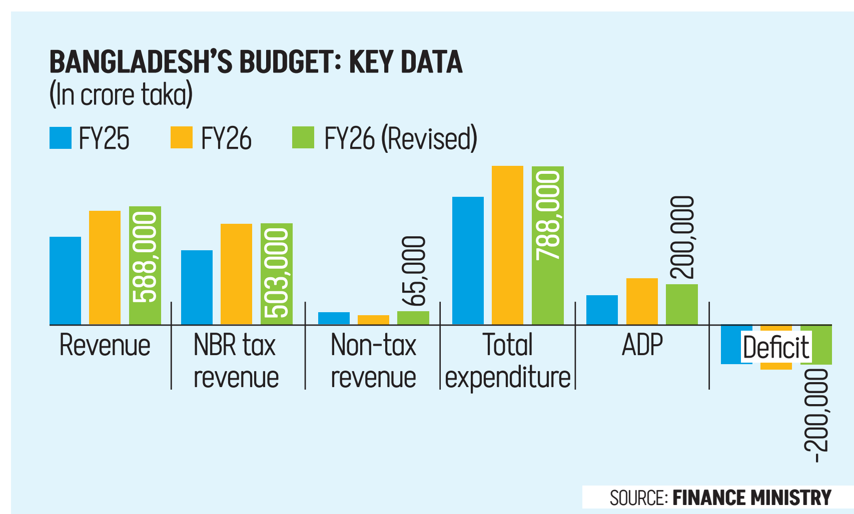
Chief among them is the mandatory online submission of individual tax returns. The e-return system also allows automated data collection from institutions through API links, enabling different databases to share information directly with the NBR.

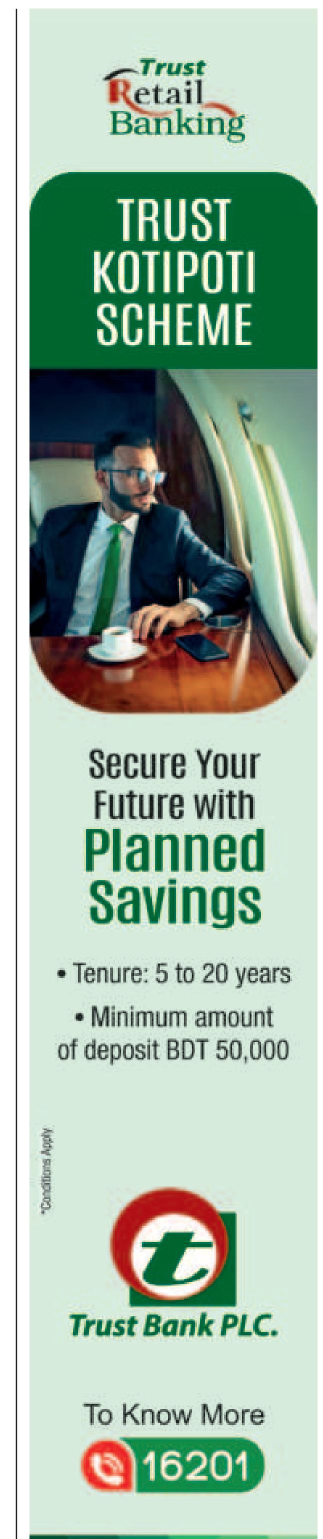
Banks, employers, government agencies and utility service providers can transmit taxpayer information straight to the tax authority's server, which officials expect will curb evasion and boost compliance.

The NBR has also launched a medium and long-term revenue strategy. To raise VAT receipts, the enlistment threshold has been cut from Tk 50 lakh to Tk 30 lakh, and the registration threshold from Tk 3 crore to Tk 50 lakh. VAT on many items has been standardised at 15 percent.

Another important reform is the split of the NBR into the Revenue Policy Division and the Revenue Administration Division through an ordinance.

The government has also adopted a Tax Expenditure Policy and Management Framework to rationalise exemptions and strengthen control over tax spending.





Ensure good governance for better business climate: DCCI

STAR BUSINESS REPORT

Good governance, strong political will, and timely policies with effective implementation are essential to ensure a business- and investment-conducive environment, the Dhaka Chamber of Commerce & Industry (DCCI) said yesterday.

The chamber noted that the economy faced several challenges in 2025, including geopolitical tensions, rising tariff rates, the absence of a supportive revenue management system, a contractionary monetary policy, stagnant investment, prolonged inflation, domestic political instability, a declining law-and-order situation, and an ongoing energy crisis.

"Although some positive trends have recently emerged following measures taken by the interim government, there is no alternative to good governance, political will, and timely policies with effective implementation to ensure a business-conducive environment," Taskeen Ahmed, president of DCCI, said at the chamber's 64th annual general meeting held at its Dhaka office.

During the meeting, DCCI members stressed the need for political consensus to support the private sector and highlighted reforms in trade and investment policies, the removal of complications in revenue management, and the introduction of automation.

They also highlighted the importance of developing the logistics sector, providing easier access to low-interest loans with simplified procedures for entrepreneurs, ensuring uninterrupted energy supply to industries, and stabilising the overall law-and-order situation.

External debt falls slightly in Jul-Sept quarter

STAR BUSINESS REPORT

KEY POINTS

- Higher repayments and lower borrowing drove the quarterly fall
- Suspended mega projects slowed new foreign loans
- Public sector held over four-fifths of total external debt
- Govt bonds fell to $614.81m, extending a year-long decline
- Private sector debt eased to $19.58b as short-term borrowing fell

Bangladesh's gross external debt fell slightly at the end of July-September quarter as both public and private sector borrowing declined.

By the end of September 2025, the country's external debt stock stood at $112.12 billion, down from $113.56 billion at the end of June, according to the latest data from Bangladesh Bank.

However, compared to a year earlier, debt rose by 7 percent, or $7.75 billion, from $104.37 billion at the end of September 2024.

"Generally, there are two reasons why external debt declines -- higher repayments and reduced borrowing," said Fahmida Khatun, executive director at the Centre for Policy Dialogue.

"External debt had been rising earlier due to the implementation of numerous mega projects. However, during the tenure of the interim government, work on many mega projects has been suspended, and the government is not taking up any new projects. This is why external debt is now declining," she added.

The public sector remained the largest borrower, accounting for $92.54 billion, or more than four-fifths of Bangladesh's total external debt as of September 2025, data showed.

Within the public sector, general government borrowing reached $80.48 billion, most of it long-term debt. Government loans alone stood at $79.87 billion, while government bonds fell to $614.81 million, continuing a year-long decline, according to Bangladesh Bank.

Borrowing by other government corporations, including state-owned enterprises, was $12.06 billion, down from $13.22 billion in June 2025. Short-term liabilities in this category dropped sharply to $3.21 billion, easing some immediate repayment pressure.

The private sector's external debt stood at $19.58 billion in September, slightly lower than in June. Short-term private sector debt fell to $9.62 billion, mainly due to a drop in trade credit and buyer's credit, reflecting weaker import demand or tighter external financing.

Bangladesh Bank data also shows that offshore banking units continued to be an important source of external borrowing for the private sector, especially for short-term and trade-related financing.

"Our external debt-to-GDP ratio is still within a manageable range and is not very high," said Mati Ul Hasan, managing director of Mercantile Bank.

"However, external debt is increasing. Since there is no elected government, there are not many development projects, and as a result, the pace of growth in foreign borrowing has slowed," he added.