

# Tighter loan classification reveals systemic banking flaws: ICCB

STAR BUSINESS REPORT

Recent regulatory moves forcing banks to more accurately recognise and report defaulted loans have laid bare deep weaknesses in the banking system, underscoring the need for stronger discipline, risk management and governance, the International Chamber of Commerce-Bangladesh (ICCB) has said.

As these vulnerabilities come to light, it is essential to distinguish between wilful default and genuine business distress, the chamber observed in an editorial in the ICCB's latest News Bulletin (October-December 2025) published yesterday.

Viable enterprises should receive

structured support, while deliberate financial misconduct must be addressed firmly and transparently, it also said.

The ICCB said the banking system remains the backbone of Bangladesh's economic journey. It mobilises national savings, finances trade, supports entrepreneurship and underpins employment generation.

As the country moves towards upper-middle income status, the strength, credibility and resilience of the banking sector will play an increasingly decisive role, the ICCB stated.

It noted that the effectiveness of the regulator will also shape future growth prospects and determine the economy's capacity to absorb shocks.

Describing high levels of non-performing loans (NPLs) as one of the most pressing structural challenges for the country, the chamber noted that total NPLs in the banking sector have exceeded Tk 6.44 lakh crore, accounting for about 35.7 percent of outstanding loans.

Such a large volume of bad loans is alarming by international standards, ICCB said, adding that it weakens bank balance sheets, erodes capital, constrains lending, raises borrowing costs and discourages new investment.

At the same time, NPLs increase risks to depositors and overall macroeconomic stability, the chamber further noted.

The editorial points to global experience showing that strong, professional and

independent central banks are critical to safeguarding financial stability.

The Bangladesh Bank plays a pivotal role not only in monetary policy, but also in prudential regulation, crisis management, payment systems oversight and maintaining confidence in the financial sector.

Over the past two years, the central bank has taken extraordinary measures, including liquidity support, guarantees and refinancing facilities, to preserve stability during periods of stress.

While such interventions are appropriate in times of volatility, the ICCB emphasised that emergency funding cannot substitute for robust governance and prudent lending.

## BSEC rejects Tk 2,100cr

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protection, disclosure quality, cash flow, and the issuer's ability to repay bondholders on time, said the banker, preferring anonymity.

He said subordinated bonds are an important tool for banks to strengthen tier-2 capital without diluting equity, improve maturity matching, and reduce reliance on short-term deposits.

"At a time when many banks are undergoing leadership changes, balance sheet clean-ups, and operational restructuring, bond financing can provide breathing space for a sustainable turnaround," he said.

Capital market representatives, however, defended the BSEC's cautious approach.

Saiful Islam, president of the DSE Brokers Association of Bangladesh (DBA), said the recent merger of five banks had heightened risks for bondholders, as merger schemes addressed depositor interests but offered no clear protection for bond investors.

"After the merger of five banks, there is growing fear

that bond subscribers could lose their investments if a bank's financial condition deteriorates," he said.

Islam also criticised credit rating agencies, saying they had failed to reflect the true financial health of banks, leaving bond investors exposed.

"Usually, investors rely on credit ratings when subscribing to bonds. But the rating agencies did not properly capture the risks," he said, adding that bond approvals should therefore be handled with greater scrutiny in the public interest.

He said that banks whose bond proposals were rejected might face short-term pressure, but they should consider raising capital through equity injection instead.

BSEC Spokesperson Abul Kalam said obtaining a no-objection certificate from the BB is only one of several conditions for bond approval.

"It does not mean that if the central bank gives an NOC, the BSEC must approve the bond," he told The Daily Star.

He said the commission approves debt securities in line with its own rules and regulations, and may

reject proposals if a bank's financial performance and cash flow are weak.

"If cash flow is not satisfactory, the bank may face difficulties in repaying bondholders. That risk has to be assessed independently," he added.

Bangladesh Bank Spokesperson Arif Hossain Khan said each regulator has a different perspective and operates within its own mandate. "The decision not to approve some bonds is entirely the BSEC's consideration, and it has the authority to do so," he said.

Contacted, Khwaja Shahriar, chairman of Al-Arafah Islami Bank, whose bond issuance proposal was rejected by the stock market regulator, said the bank had been on a steady recovery path since the board was reconstituted.

He said liquidity conditions have improved, and the bank's overall financial position is strengthening gradually.

"We seek the continued support of the BSEC and firmly believe they will assist us in further strengthening the institution's strength for the sake of national development," he added.

in the system, he said.

"If the government is serious about modernising the tax system, fixing the refund mechanism is a basic reform, not an optional one," he said.

For comment, The Daily Star approached NBR Chairman Md Abdur Rahman Khan. But he could not be reached by phone.

In a press briefing in the first week of January, Khan acknowledged a large amount of pending tax refunds.

"This is the taxpayer's rightful money. They often borrow at high interest to pay taxes, and making them run from office to office for refunds is deeply unjust," said the NBR chairman.

"Worldwide, filing a tax return is a celebration because taxpayers get refunds. Here, refunds

## Online tax

are rare due to the hassle involved. If the process is transparent and excess tax goes automatically to their bank account, compliance will improve, and more people will file returns."

He said the authority currently holds around Tk 4,000 crore in outstanding refund liabilities across taxes and VAT. "We have launched the VAT refund system, and the tax refund process will begin soon," he added.

In January, the NBR introduced an online system allowing VAT refunds to be credited directly to taxpayers' bank accounts.

A senior revenue official said, "The NBR is working to install software to automatically send refunds to taxpayers' accounts. Once it is ready, these difficulties will be resolved soon."

## RMG exporters oppose

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In fiscal year 2022-23, imported yarn from India cost Tk 428.37 per kilogramme, yet the same quantity sold locally at Tk 389.18 per kilogramme. Rahman said spinning mills are running below capacity due to gas shortages, which limit their ability to meet demand.

He warned that withdrawing the bond facility would harm garment shipments. Apparel exports fell by 2.63 percent in July-December this fiscal year, with a 14.23 percent decline in December alone.

Rahman urged local millers to modernise production to diversify yarn types and meet buyer demand.

On Sunday, apparel exporters sent a letter to the finance ministry elaborating on their

concerns and mentioning almost the same demands they made yesterday.

At the press conference, garment manufacturers also proposed a number of alternatives to support the domestic spinning sector.

They suggested a 5 percent cash incentive for using local yarn to protect the \$25 billion invested in the primary textile sector from being undercut by cheaper Indian imports.

The exporters also urged the government to ensure adequate gas and power supply to industrial units, as most spinning mills are running at just 60 percent capacity due to utility shortages.

They called for corporate tax rebates for export-oriented yarn producers and low-interest loans to reduce production costs and improve competitiveness.

## Russia gifts 30,000

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"As a key global producer and supplier of mineral fertilisers, Uralkhem recognises its responsibility to support food security in vulnerable regions," he added.

Mia Sattar, president of the Russian Friendship Society with Bangladesh, said yesterday's handover reflects the enduring friendship between Bangladesh and Russia.

He added that the contribution will strengthen farmers' capacity, improve food security, and deepen trust and partnership between the two countries.

According to official data, compared with the previous three years, rice production rose by 6 percent in fiscal year 2024-25, potato production by 14 percent, onion production by 22 percent, vegetable

production by 3.70 percent, and mustard production by 86 percent.

Alexander G Khozin, Russian ambassador to Bangladesh; David Thomas, acting deputy country director of WFP Bangladesh; and Dimitry Boldyrev, global head of sales at Uralkhem, attended the event. Agriculture Secretary Mohammad Emdad Ullah Mian presided over the programme.

## Stocks rise

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Meanwhile, Khondoker Rashed Maqsood, chairman of Bangladesh Securities and Exchange Commission (BSEC), said the commission will continue to support stakeholders for the welfare and growth of the capital market.

He also stressed

the need for good governance, transparency, accountability, and protection of shareholders and investors.

"Everyone must do the right thing in their roles and fulfil their responsibilities properly to protect the interests of the country," he said.

## Govt to sell Nassa Group

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Islam Mazumder, was arrested in October 2024 over a murder case linked to the July uprising.

Media reports indicate that most of Nassa's operations have remained paralysed since the change

of government in August 2024, with factories shuttered and unpaid bank loans mounting to several thousand crore taka.

Earlier, the Bangladesh Financial Intelligence Unit alleged Mazumder's involvement in trade-

based money laundering worth about Tk 16,000 crore, including Tk 4,717 crore reportedly siphoned from EXIM Bank through 18 shell companies during his tenure as chairman from 2007 to August 2024.

Bangladesh Lamps PLC.									
Head office : House-22, Road-4, Block-F, Banani, Dhaka-1213 2nd Quarterly Financial Statements (October-December 2025) STATEMENT OF FINANCIAL POSITION (UN - AUDITED) AS AT 31 DECEMBER 2025									
	As at 31 December 2025 Taka		As at 30 June 2025 Taka						
<b>ASSETS</b>									
<b>Non-current assets</b>									
Property, plant and equipment	126,705,835		133,737,308						
Intangible asset	41,806,912		44,113,465						
Right-of-use asset (ROU)	68,765,441		75,698,505						
Investment in shares at fair value:	491,235,553		422,449,892						
Investment at cost	88,527,133		88,527,133						
Fair value adjustment	402,708,420		333,922,759						
Loans and deposits	5,346,611		5,063,395						
<b>Total non-current assets</b>	<b>733,860,352</b>		<b>681,062,565</b>						
<b>Current assets</b>									
Inventories	669,495,264		712,553,513						
Trade and other receivables	184,978,318		252,993,482						
Advance, deposit and prepayments	48,527,417		36,554,877						
Advance income tax	504,543,853		486,465,123						
Cash and cash equivalent	111,012,077		26,472,005						
<b>Total current assets</b>	<b>1,518,556,929</b>		<b>1,515,039,000</b>						
<b>TOTAL ASSETS</b>	<b>2,252,417,281</b>		<b>2,196,101,565</b>						
<b>EQUITY &amp; LIABILITIES</b>									
<b>Capital and reserves</b>									
Share capital	105,278,770		105,278,770						
Reserves and surplus:	351,543,336		315,061,637						
Fair value reserve	342,302,158		283,834,345						
Accumulated retained earnings	9,241,178		31,227,292						
<b>Shareholders' equity</b>	<b>456,822,106</b>		<b>420,340,407</b>						
<b>Non-current liabilities</b>									
Deferred liability - gratuity payable	17,945,537		13,930,025						
Deferred tax liability	49,033,142		41,563,517						
Lease liabilities- Net off current portion	68,774,096		75,821,202						
<b>Total non-current liabilities</b>	<b>135,752,775</b>		<b>131,314,744</b>						
<b>Current liabilities</b>									
Lease liabilities- Current portion	13,797,010		13,215,138						
Short term finance	1,146,884,501		1,209,369,991						
Trade and other payables	209,177,347		166,587,875						
Other liabilities	43,043,531		18,557,957						
Unclaimed dividend	931,797		983,175						
Provision for tax	246,008,214		235,732,278						
<b>Total current liabilities</b>	<b>1,659,842,400</b>		<b>1,644,446,414</b>						
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>2,252,417,281</b>		<b>2,196,101,565</b>						
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN - AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2025									
	1 July to 31 December 2025 Taka	1 July to 31 December 2024 Taka	1 October to 31 December 2025 Taka	1 October to 31 December 2024 Taka					
Revenue	1,028,337,066	899,127,419	538,413,564	477,456,491					
Cost of sales	(781,543,700)	(702,414,633)	(408,353,175)	(383,689,707)					
Gross profit	246,793,366	196,712,786	130,060,389	114,766,784					
Other income	1,256,559	5,435,603	1,256,559	5,435,603					
Operating expenses	(173,891,228)	(185,282,171)	(88,551,053)	(86,181,387)					
Profit/(Loss) before net finance cost	72,180,745	17,876,172	42,767,935	40,341,000					
Finance cost	(76,403,814)	(73,324,768)	(84,043,752)	(89,335,717)					
Finance income	130,545	74,773	169,932	37,326					
Net finance cost	(76,211,269)	(73,249,995)	(83,873,820)	(89,298,391)					
Profit/(Loss) before contribution to WPPF & Welfare Fund	(4,030,524)	(56,173,823)	4,889,985	942,609					
Contribution to WPPF & Welfare Fund	-	-	-	-					
Profit/(Loss) before income tax	(4,030,524)	(56,173,823)	4,889,985	942,609					
Income tax	(10,275,937)	(5,394,424)	(5,396,722)	(2,864,799)					
Deferred tax	2,842,224	2,996,223	1,579,085	2,194,012					
Other comprehensive income/(loss)	(11,458,237)	(58,572,424)	1,093,958	271,882					
Changes in fair value of shares available for sale	68,785,662	37,436,548	(48,083,403)	(15,124,664)					
Deferred tax income/(expense)	(10,317,849)	(2,743,694)	7,255,011	1,512,467					
Net other comprehensive income/(loss)	58,467,813	34,692,854	(40,828,392)	(13,612,197)					
Total comprehensive income/(loss)	47,009,576	(33,879,170)	(38,796,344)	(13,340,315)					
Basic earnings per share (par value Tk. 10 each)	(1.09)	(5.50)	0.10	0.63					
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2025									
Particulars	Share Capital		Accumulated retained earnings				Total equity		
	Taka	Fair value Reserve	Capital Reserve/General Reserve	Retained Earnings	Total				
Balance as at 1 July 2025	105,278,770	283,834,345	2,305,187	94,447,863	(63,514,940)	31,227,292	420,340,407		
Distribution of cash dividend	-	-	-	(10,527,937)	(10,527,937)		(10,527,937)		
Transfer from general reserve	-	-	(76,052,823)	76,052,823	-		-		
Net profit/(loss) for the period	-	-	-	(11,458,237)	(11,458,237)		(11,458,237)		
Other comprehensive income/(loss)	-	58,467,813	-	-	-		58,467,813		
Balance as at 31 December 2025	105,278,770	342,302,158	2,305,187	18,394,248	(11,458,237)	9,241,178	456,822,106		
Balance as at 1 July 2024	100,365,590	305,519,335	2,305,187	238,825,386	(134,351,778)	186,779,780	512,563,615		
Distribution of cash dividend	-	-	-	(5,013,275)	(5,013,275)		(5,013,275)		
Transfer from general reserve	-	-	-	(144,178,323)	(144,178,323)		-		
Net profit/(loss) for the period	-	-	-	(58,572,424)	(58,572,424)		(58,572,424)		
Other comprehensive income/(loss)	-	14,680,254	-	-	-		14,680,254		
Balance as at 31 December 2024	100,365,590	319,212,589	2,305,187	94,447,863	(83,559,148)	41,189,815	473,011,170		
STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2025									
	1 July to 31 December 2025 Taka	1 July to 31 December 2024 Taka							
<b>A. Cash flows from operating activities</b>									
Collection from customers	1,253,409,769	1,064,850,768							
Payment to suppliers	(587,303,508)	(786,939,222)							
Payment to employees	(101,159,507)	(108,476,934)							
Payment for services received	(132,406,936)	(120,456,822)							
Cash payment of VAT	(140,290,627)	(147,885,383)							
	272,249,191	(98,907,593)							
Interest paid	(82,571,833)	(75,027,519)							
Income tax paid	(18,078,730)	(30,365,927)							
	171,598,628	(204,301,039)							
<b>B. Cash flows from investing activities</b>									
Dividend received	2,344,625	5,635,603							
Payment for acquisition of property, plant and equipment	(10,278,599)	(58,179,889)							
	(7,933,974)	(52,544,286)							
<b>C. Cash flows from financing activities</b>									
Payment of lease liability- Principal portion	(6,465,234)	(5,931,407)							
Dividend paid	(10,298,554)	(21,840)							
	(16,763,688)	(5,953,247)							
<b>D. Effect of exchange rate changes in cash and cash equivalent</b>									
	124,596	(979,839)							
<b>E. Net cash inflows/(outflows) for the period (A+B+C+D)</b>	<b>147,025,562</b>	<b>(263,778,411)</b>							
<b>F. Opening cash and cash equivalents</b>									
Cash and cash equivalents	(1,182,897,986)	(964,974,416)							
Short term finance	26,472,005	37,956,748							
	(1,209,369,991)	(1,002,931,164)							
<b>G. Closing cash and cash equivalents (E+F)</b>									
Cash and cash equivalents	(1,035,872,424)	(1,228,752,827)							
Short term finance	111,012,077	26,472,005							
	(1,146,884,501)	(1,277,346,810)							
COMPARATIVE STATEMENT FOR INFORMATION OF THE SHAREHOLDERS FOR THE HALF YEAR ENDED 31 DECEMBER 2025									
	2025 Taka	2024 Taka							
Basic earnings per share (EPS)	(1.09)	(5.56)							
Net assets value per share (NAVPS)	43.39	44.99							
Net operating cash flow per share (NOCFPS)	16.30	(19.41)							
Director									
Chief Financial Officer									
Director									
Managing Director & CEO									
The detail of the published quarterly financial statements is available in the website of Bangladesh Lamps PLC. The address of the website is www.blm.com.bd									