



Reazul Islam

# AB Bank pivots to SMEs amid recovery push

Concentration in corporates bred risks, says acting CEO Reazul Islam

AHSAN HABIB and MD MEHEDI HASAN

AB Bank has made a decisive strategic shift toward micro, small and medium enterprises (MSMEs), moving away from its earlier concentration in large corporate lending, said Reazul Islam, acting managing director and CEO.

The move by the oldest private commercial bank of the country is a recalibration amid a weak economic environment marked by subdued private sector demand and geopolitical uncertainties, he told The Daily Star in a recent interview.

"Excessive concentration in large corporate exposures historically created vulnerabilities," Islam said.

By distributing loans across a broader base of smaller borrowers, the bank aims to reduce systemic risk — ensuring that isolated defaults do not significantly undermine overall stability.

"While corporate lending will continue, it will be more selective, with greater emphasis on supporting strong existing clients rather than pursuing aggressive expansion."

Digital transformation sits at the heart of the bank's new direction, according to Islam, a veteran banker with 29 years of experience in regulatory management, banking and professional services, who joined the bank in August 2024 as additional managing director.

He informed that AB Bank is developing fully branchless, digital loan processing systems and plans to introduce nano loans pending regulatory approval.

It is also deploying AI-based credit assessment tools and automated decision-making to minimise human intervention and move toward instant, paperless loan approvals via mobile platforms.

By leveraging alternative data sources, such as transaction behaviour and digital footprints, the bank aims to enhance credit scoring accuracy, reduce operational costs, and mitigate risk.

Over time, this digital lending framework is expected to expand

beyond personal loans into SME financing, Islam said.

He acknowledged that the bank has lagged behind peers in agent banking and sub-branch reach, with 264 and 60 outlets respectively. "This was largely due to earlier strategic decisions and delayed entry into these segments."

Both channels are now prioritised for deposit mobilisation and customer outreach, with new expansion targets set, though regulatory approvals remain a constraint.

Approaching 44 years since its founding in April 1982, it has faced repeated cycles of stress from the 1980s through the 2000s but demonstrated

Islam notes that the deposit situation was particularly strained in 2024, when panic withdrawals amid broader sectoral uncertainty pushed liquidity under pressure. Total deposits fell roughly 9 percent that year to Tk 32,292 crore. The bank responded by ensuring uninterrupted cash availability and reinforcing employee confidence.

The effort paid off. Deposits recovered to Tk 34,465 crore by September 2025, with liquidity pressures easing and customer confidence gradually returning. Support from the central bank was instrumental during the peak of the crisis.

Islam, however, notes that structural

has already achieved around 15 percent savings in recent quarters.

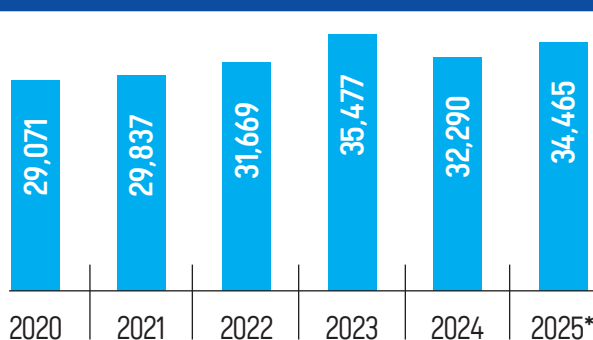
The private bank's overall recovery plan spans three to five years — from 2025 through 2027 and beyond — and a longer-term vision extending up to a decade.

The timeline remains contingent on external economic conditions and policy support, but the direction is clearly focused on rebuilding stability and strengthening fundamentals.

Islam says the strategy is built around digital transformation, SME-focused lending, cost efficiency, deposit growth, and improved governance.

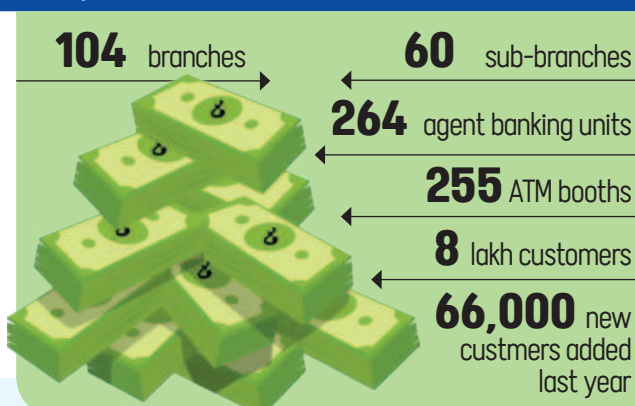
In terms of shareholder returns, he notes that the bank is not in a position

## DEPOSITS OF AB BANK (In crore taka)\*Until Sept



SOURCE: ANNUAL REPORT

## THE BANK HAS



resilience by recovering from setbacks.

"This resilience has largely been driven by strong customer confidence, brand loyalty, institutional trust, and the commitment of its workforce," says Islam.

The bank is currently navigating another difficult phase of high non-performing loans and mounting losses. Yet customers have continued to access their funds without disruption — a factor Islam credits as critical to preserving confidence.

He says, "Liquidity management at the branch level remains relatively stable, and conditions have gradually improved."

challenges persist. Many loans have been rescheduled or placed under moratoriums, with repayment delays stretching up to two years — meaning meaningful cash inflow improvements are unlikely before 2027-2028.

The bank has set targets to reduce NPLs by 20-25 percent in the near term and 30-40 percent over time, and has engaged international asset recovery firms to trace and reclaim overseas assets linked to defaulted loans.

"While this is a time-intensive process, early indications suggest some progress," says the bank's CEO.

On costs, the bank is targeting a 25 percent year-on-year reduction and

to pay dividends in the near term due to its current financial condition.

Management remains focused on restoring profitability and operational stability before resuming dividend payments, he adds.

The managing director described the current board of the bank as professional and supportive, with decision-making processes aligned with management priorities.

While acknowledging that governance issues may have contributed to past challenges, he emphasised that ongoing reforms are focused on strengthening transparency, accountability, and professionalism.

# Good budget in bad times

MAMUN RASHID

A national budget is not merely a financial plan. It reflects political commitment and sets the direction of travel. The FY2026-27 budget arrives at a critical moment, shaped by a global slowdown, geopolitical tensions, trade imbalances, earnings shortfalls and deep domestic structural weaknesses. These realities demand closer scrutiny than usual. A careful reading suggests the budget may fall short of offering a credible roadmap for nurturing national capital. Revenue measures are prominently highlighted, yet several appear arbitrary, akin to "killing the goose that lays the golden eggs". Such an approach is unlikely to ensure a steady economic path.

The proposed outlay of Tk 8.73 trillion is ambitious in current circumstances. The immediate concern is the revenue target of about Tk 6.36 trillion, heavily dependent on the National Board of Revenue (NBR). Over the past four fiscal years, the NBR has repeatedly missed its goals because of administrative inefficiencies, opaque policies and weak taxpayer trust. There is little sign of a firm push to use technology in tax collection or to strengthen transparency. At the same time, greater pressure on the middle class risks eroding purchasing power further. On the expenditure side, more than Tk 2.53 trillion is earmarked for the Annual Development Programme (ADP). Infrastructure matters, but chronic weaknesses in implementation dilute its impact. Execution rates have hovered between 65 percent and 70 percent, and cost transparency remains doubtful. In some instances, the price of a pedestrian bridge rivals that of a four-storey building in upscale Dhaka.

Inflation remains the most acute social strain. Overall inflation has exceeded 9 percent, while food inflation has crossed 12 percent. For lower-middle-income urban households and rural families, living costs continue to tighten. Yet the budget offers no bold response. There is no clear plan for urban rationing, subsidised transport or housing support. Social safety net allocations may rise slightly, but per capita support remains inadequate. Investment and employment receive optimistic rhetoric but limited substance. Tax incentives and a single-window system are being talked about, but core obstacles remain unresolved: land complications, bureaucratic delays, political uncertainty and tight financial sector liquidity. Increased government borrowing from banks could crowd out private entrepreneurs, especially SMEs. Export-oriented sectors gain some tax relief, but dollar shortages and letter of credit constraints continue to deter investors.

The absence of meaningful banking reform is striking. Non-performing loans approach Tk 6 trillion, bank mergers face scrutiny, and governance concerns persist. Yet the budget outlines no concrete remedies. A sound banking system is essential to sustain liquidity and maintain balanced interest rates. External vulnerabilities also endure. Export earnings remain subdued, and foreign exchange reserves hover below \$30 billion. Remittances have improved but still fall short of potential because of structural gaps and informal channels. The Middle East crisis could further disrupt overseas employment for blue-collar workers. This prompts a central question: how will such a large budget be executed? A budget succeeds only when it reflects ground realities. The economy is already weighed down by rising domestic borrowing, weak private credit growth, persistent inflation and a fragile safety net.

At this point, the budget could have marked a turning point by signalling administrative reform, disciplined execution and renewed public trust. Instead, it risks becoming another catalogue of figures and pledges without a clear framework for structural change. Bangladesh now needs a coordinated and inclusive strategy grounded in data and realism. Priority must go to private sector growth, transparent tax administration, efficient project delivery and stronger banking discipline. Reducing poverty ultimately depends on expanding investment and employment. That, in turn, requires broadening the tax base while lowering rates, a task that calls for courage, innovation and firm political leadership.

The writer is an economic analyst and chairman of Financial Excellence Ltd

The writer is an economic analyst and chairman of Financial Excellence Ltd

# Dollar set for biggest weekly drop since Jan

REUTERS, New York

The dollar slipped on Friday, putting it on track for its largest weekly drop since January, as investors sold safe-haven assets on the assumption that oil shipping will resume if a ceasefire holds in the Gulf.

The dollar had tumbled in March as one of the few bastions of safety as the Iran war sent oil prices surging and hit stocks and gold, while inflation worries pressured bonds.

But since a fragile ceasefire was reached on Tuesday, those positions are being unwound.

The euro has rallied 1.8 percent this week to trade at \$1.173, while sterling has gained 2 percent since Monday to \$1.347.

The risk-sensitive Australian and New Zealand dollars are set for weekly rises of nearly 3 percent on the dollar, with the Aussie trading just above 70 cents.

**MARKETS ARE OPTIMISTIC EVEN THOUGH CEASEFIRE IS FRAGILE**

"The market still seems generally optimistic, despite some of the ceasefire fraying," said Marc Chandler, chief market strategist at Bannockburn Global Forex.

Data on Friday showed that US consumer prices rose by the most in nearly four years in March as the Iran war boosted oil prices and the pass-through from tariffs persisted.

The increase was largely in line with expectations and the markets' direction is more likely to hinge on the outcome of weekend peace talks between the US and Iran in Islamabad, analysts said.

READ MORE ON B2

# US inflation surges to 3.3% as war impact bites

AFP, Washington

Inflation in the United States rose sharply in March, government data showed Friday, as higher energy prices due to the war in the Middle East hit Americans hard.

The nationwide sticker shock put pressure on President Donald Trump, who has ordered peace talks with Iran and faces mid-term elections in November.

The rate of inflation rose to 3.3 percent year-on-year in March, the US Bureau of Labor Statistics (BLS). By comparison, this same consumer price index (CPI) was 2.4 percent year-on-year a month earlier.

Gasoline prices surged by 21.2 percent between February and March — the largest monthly increase since the government began publishing a related index in 1967, the US Bureau of Labor Statistics (BLS) said.

Markets had anticipated the surge, according to the consensus published by MarketWatch.

The United States and Israel began bombing Iran on February 28 and Tehran retaliated by blocking traffic in the Strait of Hormuz, a waterway used to carry a fifth of the world's oil and gas deliveries.

Despite being the world's top producer of crude oil, the United States also felt the pain, as prices at the gas pump shot up.

A gallon (3.78 liters) of regular gasoline currently costs an average of \$4.15 in the United States, compared to approximately \$3 just before the war.

The Trump administration — elected in part on a promise to quash inflation — maintains that the war's economic disruptions will be temporary.

**'MORE PAIN AHEAD'**  
Reacting to the data, White House spokesperson Kush Desai said the US economy "remains on a solid trajectory."

READ MORE ON B2

# Asia boosts US LPG imports to replace Middle East supply

REUTERS, New Delhi/New York

Asia's biggest liquefied petroleum gas (LPG) importers, including India and China, are racing to replace disrupted Middle East supplies with cargoes from the Americas, driving spot premiums to record highs, analysts and traders said.

LPG exports from the Middle East, Asia's top supplier of the fuel used for cooking and feedstock for petrochemical plants, have plunged since the US-Israeli war with Iran started in late February.

The supply shock is squeezing Asian petrochemical producers' margins, forcing them to cut output, and raising costs for millions of Asian households, analysts and traders said. India and China are the biggest importers of LPG from the Middle East.

Middle Eastern LPG exports tumbled 73 percent to 419,000 barrels per day (bpd) in March from the previous month, data from analytics firm Kpler showed.

The supply shock drove spot premiums for propane and butane loading in April from the Gulf to record highs of \$250 per metric ton to March Saudi contract price swaps on March 30, according to pricing agency Argus.

Saudi Aramco sharply raised its April official selling prices amid the supply crunch. The April propane price rose by \$205 per ton to \$750, while butane increased by \$260 per ton to \$800.

"Key importers such as India are actively diversifying their sourcing strategies, increasing procurement from the United States, Norway, Canada, and other regions alongside remaining Gulf supplies," said Vasudev Balagopal, global head of petrochemical trading at financial services platform Marex.

**ALTERNATIVE SUPPLY**  
To meet Asia's shortfall, US LPG exports are expected to surge to a record 2.7 million bpd in April, with about 1.8 million bpd headed to Asia, 14 percent higher than March, preliminary Kpler data showed. That drove US Gulf spot terminal fees for propane and butane to a record \$273.525 and \$240.09 per ton, respectively, on March 19, Argus data showed.

"We saw some additional propane still being offered to Asia for May arrivals," said Marex's Vasudev.

However, Greg Bower, a broker at New Stone, said the US cannot replace the Middle East fully, adding that export terminals were already operating close to capacity before the conflict.

According to US Energy Information Administration data, the country had 48.4 million barrels of ready-for-sale propane as of March 27.

Moreover, transit times from the US Gulf Coast to Asia take more than 30 days, significantly longer than a two-week voyage from the Middle East, traders said, adding to supply strains amid uncertainty over when Iran will allow the strategic Strait of Hormuz to reopen as part of a fragile ceasefire deal.

Last year, the Middle East accounted for about 48 percent of total Asian LPG imports at 1.54 million bpd, while the US sent about 39 percent or 1.26 million bpd, Kpler data showed.

**LOSS IN DEMAND**  
Insufficient LPG supply led to demand

destruction in March, analysts said.

Consultancy Rystad Energy estimated LPG demand loss from regional steam crackers at about 135,000 barrels per day in March from February levels, with a further 35,000 bpd decline expected in April and 11,000 bpd in May.

In China, propane dehydrogenation (PDH) plants, already operating at around 60 percent to 65 percent before the conflict because of poor margins, are expected to trim runs by a further five percentage points in April due to feedstock shortages, according to Rystad. Such plants produce propylene, a key building block for plastics and other chemicals.

For cooking gas, India's demand dropped around 205,000 bpd in March.

"The supply situation in India is gradually improving but shortages persist even as long-haul cargoes arrive in India from as far as Argentina and the US," Rystad analyst Manish Sejal said.

Rystad expects Indian LPG demand to recover from April, with losses narrowing by about 70,000 bpd.



People surround a vehicle loaded with LPG cylinders outside a gas agency amid supply disruptions following the US-Israeli war with Iran, in Ahmedabad, India.

PHOTO: REUTERS/FILE