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Star BUSINESS

Banking sector posted Tk 1.36 lakh crore net loss last year

MD MEHEDI HASAN

The country's banking sector recorded a net loss of Tk 1.36 lakh crore in 2025, as a surge in bad loans wiped out income across much of the industry, according to a Bangladesh Bank report.

Industry insiders said this marks the first time in more than a decade that the sector has posted an overall net loss. By contrast, banks reported a net profit of Tk 12,158 crore in 2024.

Officials and bankers attributed the downturn to a sharp rise in non-performing loans (NPLs), driven by years of lending irregularities, financial fraud and political interference in the sector.

They said the overall sector incurred a net loss despite several strong-performing banks posting hefty profits, while other lenders, including state-owned and shariah-based banks, were hit by heavy write-offs and increased provisioning pressures.

First Security Islami Bank posted the largest loss, with a net deficit of Tk 66,386 crore in 2025, compared with a net profit of Tk 135 crore a year earlier.

First Security Islami Bank, along with four other troubled lenders, is now being merged into a large Islamic bank. The process was initiated by the interim government after the fall of the Awami League-led administration in August 2024.

The other banks in the merger process are Social Islami Bank, which recorded a net loss of Tk 31,000 crore; EXIM Bank, with a loss of Tk 28,908 crore; Global Islami Bank, which posted a loss of Tk 13,144 crore; and Union Bank, which reported a loss of Tk 4,685 crore, according to official data.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, said the overall banking sector is now in a very poor state, with limited income generation and virtually no profits.

"When more than 30 percent of loans are non-performing and distressed assets exceed 50 percent, losses are inevitable," he told The Daily Star yesterday.

By the end of 2025, defaulted loans stood at Tk 5,57,217 crore. Unclassified rescheduled loans totalled Tk 2,68,733 crore, while loans under stay orders reached Tk 1,82,419 crore and written-off loans amounted to Tk 83,479 crore, according to Bangladesh Bank data.

KEY POINTS

- Banking sector records first overall loss in over a decade
- Surging bad loans, distressed assets push banks into the red
- A few deeply troubled lenders account for most losses
- Loan income shrinks as asset quality deteriorates

The shariah-based lender was previously hit by large-scale irregularities and scams during a period when its board was dominated by members linked to the controversial conglomerate S Alam Group. Mohammed Saiful Alam, chairman of the group, also served as the chairman of the commercial lender.

Rahman, also a former chairman of the Association of Bankers, Bangladesh (ABB), said a large portion of recently rescheduled loans had been granted grace

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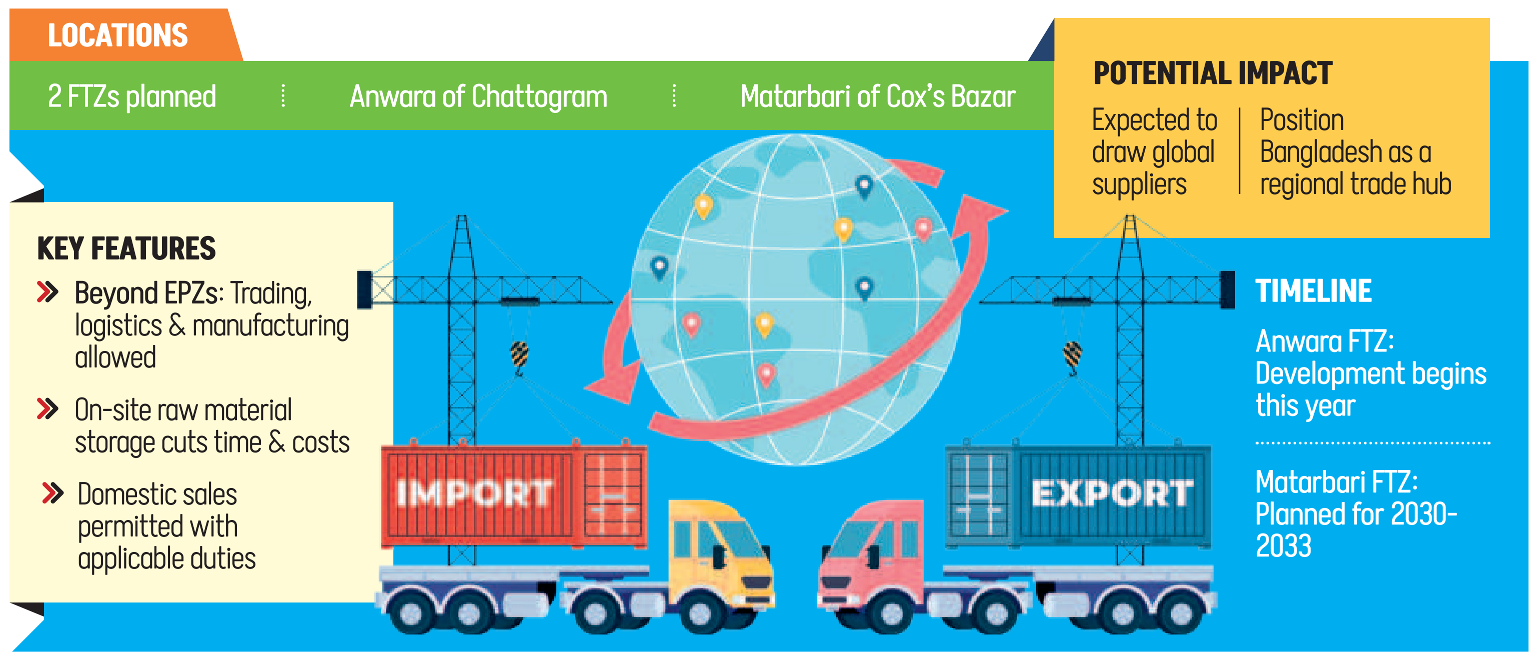
Govt clears path for first free trade zones

Foreign suppliers will be able to stock duty-free raw materials in the zones and sell them to exporters at home and abroad



MOHAMMAD SUMAN *and* JAGARAN CHAKMA

Bangladesh is planning to establish its first free trade zones (FTZs), with the government positioning the initiative as a transformative trade strategy that could slash export lead times, attract foreign suppliers and turn the country into a regional logistics hub.

The Cabinet Committee on Economic Affairs yesterday gave in-principle approval to the establishment of FTZs near the Matarbari deep-sea port in Cox's Bazar and in Anwara, near Chattogram Port, Cabinet Secretary Md Nasimul Gani said.

According to officials familiar with the matter, the zones will cover around 600 acres. Development of the Anwara zone is expected to begin this year. The Matarbari FTZ is slated for 2030–2033, alongside expansion of the deep-sea port.

Gani said the FTZs are expected to facilitate trade, logistics and manufacturing, attract investment and strengthen Bangladesh's position as a regional trade hub. He added that the initiative was part of a long-term policy effort.

"This is the most successful (trade zone) model yet," said Ashik Chowdhury, executive chairman of the Bangladesh Investment Development Authority (Bida). "Nearly 37 percent of Dubai's trade comes from FTZs. Given our country's geopolitical position, it has become critical for us."

Unlike conventional economic zones or export processing zones (EPZs), the proposed FTZs will allow both local and foreign investors to engage in a broader range of trading, logistics and manufacturing activities.

Chowdhury described the FTZ as an "EPZ++" -- a more advanced evolution of the EPZ model introduced in the 1980s. "Global trade has evolved a lot since then. Under the current global trade structure, FTZs give you a very different proposition," he said, adding that EPZs would continue to operate alongside the new zones.

The core proposition of the FTZ model is that the zones will function outside Bangladesh's customs territory. Investors can import raw materials and machinery duty-free, undertake value addition and re-export finished goods. Products may also enter the domestic market upon payment of applicable duties.

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Higher taxes may raise steel production costs

Manufacturers say

STAR BUSINESS REPORT

Steel manufacturers yesterday urged the government to withdraw proposed increases in VAT and duties in the FY2026-27 national budget, warning that the measures could raise costs by up to Tk 12,000 per tonne, as most mills are operating at less than half capacity.

At a press conference at the National Press Club, Mohammed Jahangir Alam, president of the Bangladesh Steel Manufacturers Association (BSMA), said the industry is already under pressure from rising electricity tariffs, port charges, river dues, transport costs and other operating expenses.

He said electricity price increases alone have pushed production costs up by Tk 1,800 to Tk 2,000 per tonne, while higher logistics and other costs have added another Tk 3,000 to Tk 3,500 per tonne.

Alam added that the proposed budget measures -- including higher value-added tax (VAT) at the sales stage, increased VAT on locally sourced scrap, and additional duties on ferro-alloys, refractory materials and spare parts -- would raise costs by a further Tk 2,000 to Tk 2,500 per tonne.

"As a result, direct production costs could rise by Tk 5,000 to Tk 6,000 per tonne," Alam said.

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NPLs stood at 30.6% as of last year, clarifies BB

STAR BUSINESS REPORT

The central bank yesterday issued a clarification saying that non-performing loans (NPLs) in the banking sector stood at 30.60 percent at the end of last year.

The Bangladesh Bank (BB) statement came after several media outlets reported that distressed loans in the banking sector ranged between 45 percent and 60 percent at the end of 2025. Those reports were based on the Financial Stability Report 2025 recently published by the BB.

The central bank said media outlets had made their "own calculations" in arriving at those higher figures.

It added that there is no universally accepted definition of distressed loans among international banking policy-making organisations.

According to the BB, loans that do not generate income or where borrowers fail to pay instalments are generally treated as distressed. However, it said rescheduled loans that remain unclassified should not be included in that category, as borrowers continue to make repayments under revised terms.

The central bank also said written-off loans should not be counted as distressed loans, as they are no longer part of a bank's balance sheet under international best practice.

The BB said that, based on its definition, NPLs in the banking sector stood at 30.60 percent as of 2025.

It mentioned that including rescheduled loans, written-off loans and other categories alongside classified loans could create a misleading picture of the banking sector. Such reporting could send an incorrect message both at home and abroad.

It urged media outlets to report on the issue responsibly, with due regard to objectivity, sensitivity and national interest.

Budget signals shift to 'new economic model'

Centres on investment and job, Titumir says

STAR BUSINESS REPORT

The proposed national budget for FY2026-27 marks a shift towards a "new economic model" centred on investment, employment and public trust, said Rashed Al Mahmud Titumir, the prime minister's adviser on planning and economic affairs, yesterday.

Outlining the government's broader economic strategy, he said restoring investor confidence, reducing regulatory bottlenecks and ensuring reliable energy supplies are essential measures to revive investment.

Speaking at a post-budget dialogue, Titumir said Bangladesh had overcome previous economic crises through home-grown solutions rather than textbook prescriptions.

Business leaders present at the event identified weaknesses in the banking sector, investor confidence, revenue mobilisation and implementation challenges as key hurdles to achieving the country's growth targets.

The Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka, the Policy Research Institute of Bangladesh (PRI) and Standard Chartered Bangladesh jointly organised the event in Dhaka.

Investors need policy continuity, deregulation, access to finance, energy security and improved connectivity, Titumir said, describing the proposed five-year policy outlook as an important signal to businesses.

The Tk 60,000 crore support package should be performance-based, unlike earlier stimulus programmes that often failed to deliver the intended outcomes, he said.

On energy, he said Bangladesh would pursue a diversified energy mix, including renewable energy and nuclear power, while expanding onshore and offshore gas exploration.

He also called for greater investment in education and healthcare, saying skill mismatches and weak primary healthcare services remain major constraints.

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