Business

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ECONOMIC GLOOM TAKES THE SHINE OFF FURNITURE INDUSTRY

BB clears Tk 3,000cr loan for defaulted City Group firms

Five companies exempted from loan default rules

STAR BUSINESS REPORT

The Bangladesh Bank has exempted five defaulted companies of City Group from a key provision of the banking law, clearing the way for a Tk 3,000 crore working capital facility to be arranged by a syndicate of eight banks.

In a notification issued yesterday, the central bank waived Section 27(KaKa)(3) of the Bank Company Act, 1991, which prohibits banks and financial institutions from extending loan facilities to classified defaulters.

Exercising its authority under Section 121 of the act, the BB said the provision would not apply to the proposed syndicated financing until December 31, 2027.

The beneficiaries of exemption are City Seed Crushing Industries Ltd, City Sugar Industries Ltd, City Edible Oil Ltd, City Dal Mills Ltd and Shampa Flour Mills Ltd. All five are currently classified as defaulters.

City Bank, as lead arranger, and Mutual Trust Bank, as co-arranger, are leading the Tk 3,000 crore facility, City Bank Managing Director Mashrur Arefin told The Daily Star.

citygroup

BY THE NUMBERS

City Group owes **Tk 26,000cr** to over 40 lenders

Five of its defaulted companies exempted from restrictions

8 banks to arrange **Tk 3,000cr** working capital

Of the **Tk 3,000cr, Tk 1,700cr** already arranged

In the first phase, eight banks have committed Tk 1,700 crore. City Bank has pledged Tk 300 crore, while Dutch-Bangla Bank, Mutual Trust Bank, NCC Bank, Prime Bank, Pubali Bank, Southeast Bank and Trust Bank have each committed Tk 200 crore.

The arrangers are confident that the remaining Tk 1,300 crore will be raised as more banks join, Mashrur said.

He said the financing was urgent given City Group's role in the country's food supply chain, particularly in edible oil, sugar, lentils and flour.

"With demand expected to peak before and during Ramadan in 2027, Bangladesh Bank granted a special exemption. This allows the facility to finance raw material imports and keep production running without interruption," he said.

Mashrur said keeping the group's factories operational would help protect food security and stabilise prices of essential commodities. "We need to stand by our customers not only when everything is going well but also when they face dire challenges. This is the first step to ensure this business house thrives again."

Separately, Shamilito Islami Bank, formed through the merger of five crisis-hit shariah-based lenders, has approved

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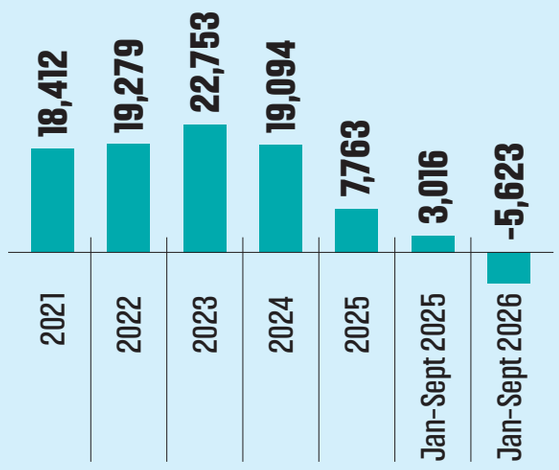
Banks' lending income turns negative for first time in 6 years

Interest income at 27 listed lenders slips into the red, while bond holdings and lower bad-loan provisions prop up profits

Top profit making banks (Jan-Sept)	Net profit	Provision growth
BRAC Bank	Tk 2,120cr	80%
Pubali Bank	Tk 1,584cr	-43%
City Bank	Tk 867cr	-14%
Prime Bank	Tk 684cr	-25%
EBL	Tk 674cr	10%



NET INTEREST INCOME OF 27 BANKS OVER THE YEARS
(In crore taka)



SOURCE: FINANCIAL STATEMENTS OF BANKS

TOP LOSS INCURRING BANKS
(In crore taka)

Islami Bank	-3,286
National Bank	-3,016
AB Bank	-2,823
IFIC Bank	-2,507
Rupali Bank	-995

AHSAN HABIB

Combined net interest income at the country's listed commercial banks turned negative in the first nine months of this year, for the first time in at least six years, as demand for new loans stayed weak and non-performing loans weighed heavily.

Income from investments, especially government bonds, carried much of the load during the period for the banks, according to their financial statements.

A Daily Star analysis shows that 27 listed lenders reported negative net interest income of Tk 5,624 crore in the January-September period this year. In the same period last year, the amount was a positive Tk 3,016 crore.

Interest income should be the bread and butter of banks, since lending is their core business. But private-sector credit demand has fizzled out, and a huge stock of bad loans is straining the balance sheets of many lenders, according to banking experts.

They said banks are putting more money into government bonds because lending has become less attractive.

"The overall business scenario of the banking sector is horrible," said Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management (BIBM).

He said banks now depend heavily on government bonds because their main source of interest income has turned negative.

Of the 27 listed banks, net interest income fell at 20 in the first nine months of this year. The number of banks reporting negative interest income rose to 10 from six a year earlier.

Over the same period, net investment income across the 27 banks rose 21 percent to Tk 32,622 crore.

SEVEN BANKS LOSE MORE THAN 20 BANKS MAKE IN PROFIT

The analysis shows that the 20 profitable banks made combined profits of Tk 9,600 crore in the first nine months. The other seven lost more than Tk 13,000 crore between them.

The losses are concentrated in commercial lenders weighed down by heavy non-performing loans, many of which turned sour under the previous Awami League government.

BRAC Bank, Pubali Bank, City Bank, Prime Bank and Eastern Bank were the five most profitable. Islami Bank, National Bank, AB Bank, IFIC Bank and Rupali Bank posted the biggest losses.

Mashrur Arefin, managing director and CEO of City Bank, said private-sector credit growth has been hovering at the lowest levels on record, mainly because of global economic uncertainty and war. Banks are therefore earning from their older loans and from government securities.

The combined net interest income has turned negative because loan growth was too slow, and some banks held huge non-performing loans that earned no interest, said Mashrur, also chairman of the Association of Bankers Bangladesh (ABB), the apex professional body for top bank executives.

However, BIBM Prof Ahsan said weak credit demand is only part of the problem.

He said, "Banks themselves are wary of lending to many businesses, and regulatory forbearance, which lets banks delay recognising bad loans, has made them reluctant to extend credit."

"It is a dangerous combination," added Prof Ahsan.

Anis A Khan, a former ABB chairman, agreed that most banks have run into trouble after lending generously and are now cautious.

"It is better not to lend at all than to lend indiscriminately, because the funds a bank lends are ultimately the public's money," he said.

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Money changers can now open custodial forex accounts

STAR BUSINESS REPORT

The Bangladesh Bank has allowed licensed money changers to open foreign currency custodial accounts to ensure the safe handling of cash foreign currencies and reduce risks associated with their transportation.

Under the new guidelines, the accounts can be used exclusively for the safe storage, deposit and withdrawal of foreign currency notes, according to a circular issued yesterday.

No interest will be paid on the balances maintained in these accounts. Foreign currencies can be deposited into the accounts irrespective of the prescribed limits, provided that the volume and nature of business transactions are properly documented.

To ensure security, money changers must maintain valid Cash-in-Transit (CIT) insurance coverage for the transportation of cash.

When transporting foreign currencies exceeding the limits set by authorised dealer (AD) banks, licensed CIT service providers or secure transportation arrangements accompanied by security guards must be used.

The central bank has also advised AD banks to maintain secure counters and temporary vault facilities to facilitate foreign currency deposits towards the end of the business day.

Withdrawals from these accounts will be allowed against cheques or withdrawal slips through authorised representatives. However, the amount withdrawn must not exceed the available balance in the respective account.

No overdraft or credit facilities will be allowed against these accounts.

Besides, fund transfers, remittances and transactions in favour of third parties through these accounts have been strictly prohibited. All transactions must be settled exclusively through foreign currency notes.

SPOTLIGHT

BB sells another $100m to stabilise forex market

STAR BUSINESS REPORT

The Bangladesh Bank yesterday sold another $100 million from its foreign exchange reserves through an auction, aiming to stabilise the currency market amid rising import costs, particularly for fuel.

The sale follows a $122 million auction last week, the first of its kind in a long while. In yesterday's auction, banks were asked to bid for at least $500,000 each in a single bid.

The central bank had also called a $100 million auction last Tuesday. Several banks participated, but the auction was cancelled at the last moment.

Before the fall of the Awami League government in 2024, the central bank sold large amounts of dollars from its reserves over three years. Reserves, which had exceeded $48 billion in August 2021, fell to $25.92 billion as a result.

After Ahsan H Mansur took over as governor in August 2024, he made it clear that no dollars would be sold. The present governor has maintained the same position. Reserves rose as a result, crossing $37 billion on June 29 and reaching $37.41 billion on September 1. They have since fallen to $36.43 billion as of Tuesday.

An official of the central bank, seeking anonymity, said hopes of an improvement in the global conflict

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Govt seeks S Korean support for MRT-5

STAR BUSINESS REPORT

Bangladesh has sought South Korea's support for the Dhaka Mass Rapid Transit (MRT) Line-5 Southern Route project and assistance in setting up a $1 billion to $2 billion sovereign fund to attract institutional investment in major infrastructure and technology projects.

The requests were made during meetings on Tuesday, the second working day of an official Bangladesh delegation's visit to Seoul.

Led by Finance and Planning Minister Amir Khosru Mahmud Chowdhury, the delegation met senior officials of South Korea's Ministry of Economy and Finance, the Export-Import Bank of Korea (KEXIM), Korea Investment Corporation (KIC) and leading technology and industrial companies.

The Executive Committee of the National Economic Council (ECNEC) earlier approved the 17.2-kilometre MRT Line-5 Southern Route at an estimated cost of Tk 45,504 crore. The Asian Development Bank (ADB) and South Korea are expected to finance about two-thirds of the project cost.

With ADB already agreeing to provide a major share of the foreign funding, Bangladesh is now seeking South Korean support to cover the remaining amount.

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The country's second-largest seaport is yet to emerge as a major regional logistics hub owing to low navigability of the Pashur Channel and inadequate facilities. PHOTO: HABIBUR RAHMAN

Mongla port gets Tk 4,000cr modernisation push

PM Tarique Rahman to lay foundation stone today

STAR BUSINESS REPORT

Mongla Port, the country's second-largest seaport, is set for a major modernisation drive as the government moves to expand its cargo and container-handling capacity and strengthen its role in regional trade.

The government is going to invest more than Tk 4,000 crore in two container jetties and supporting infrastructure at the port in the southwestern coastal region under a project titled "Expansion and Modernisation of Facilities at Mongla Port".

Prime Minister Tarique Rahman is expected to lay the foundation stone for the project at the port today.

Despite its potential as a regional logistics hub, Mongla has yet to establish itself as a major trade gateway, largely because of poor navigability in the Pashur Channel and inadequate port facilities.

Under the project, the Mongla Port Authority (MPA) will build two modern container-handling jetties for the first time, along with container storage yards. The facilities are expected to increase the port's annual container-handling capacity by around 400,000 twenty-foot equivalent units (TEUs).

The port handled 29,700 TEUs in fiscal year 2025-26, up 38 percent from the previous year, according to MPA data.

The port currently has five bulk cargo-handling jetties, which are also used for container handling.

The shipping ministry said 49

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