Foreign Banks’ Operation in Bangladesh: Trends and Operational Insights

(July-December, 2025)

Special Studies and Project Division
Statistics Department

Introduction

Foreign banks have played a distinct yet strategically important role in Bangladesh's financial system since independence. Although their quantitative footprint measured by deposits, loans, or branch networks has remained modest relative to domestic banks, their qualitative impact on trade finance, foreign exchange intermediation, financial innovation, and global integration has been substantial. Historically, foreign banks have acted as conduits between the domestic economy and international financial markets, particularly during periods of structural transformation and external sector stress. The sector now consists of 9 (nine) foreign commercial banks along with 70 branches and 5 sub-branches.

After independence in 1971, the banking sector was nationalized to support reconstruction and state-led development and foreign banks were allowed to operate but under tight regulatory control and with limited expansion. From the 1980s onward, Bangladesh experienced a phase of gradual financial sector liberalization marked by the entry and expansion of private domestic banks and a strengthening of the regulatory and supervisory framework of Bangladesh Bank. During this period, foreign banks assumed greater significance by introducing modern banking practices, including advanced risk management and treasury operations while actively supporting export-oriented industries. They also played a critical role in facilitating foreign currency transactions management.

This report analyzes the role and performance of foreign commercial banks in Bangladesh's financial system, assessing their impact on monetary aggregates, domestic credit dynamics, deposit behavior, and foreign direct investment (FDI) flows. It draws on the latest data available from foreign banks and different divisions of Statistics Department, Bangladesh Bank. The report is structured to support economic policy analysis, financial stability assessment, and central banking decision-making.

I. Deposit and Loan Scenario

The deposit profile of foreign banks reflects a stable yet structurally distinctive funding base. Total deposits increased steadily from December 2024 to December 2025, though growth momentum softened in the latter period (Table 1). However, foreign banks' share in the total banking sector deposits declined to 4.2 percent in December 2025 from 4.6 percent a year earlier. Current and savings deposits form the largest component, indicating a relatively low-cost funding structure supported by corporate and institutional clients. Fixed deposits recorded a modest contraction, reflecting depositors' preference for more liquid instruments amid easing monetary conditions. A notable development is the sharp rise in RFCDs by December 2025. This trend likely reflects sustained demand for foreign currency dominated saving despite moderation from the mid-year peak.

Table 1: Deposits distributed by types of accounts (foreign banks)

(Taka in crore)

Product Type	**Dec, 2024**	**June, 2025**	**Dec, 2025**
Current & Saving Deposits	33,117.0	32,547.5	34,038.4
Fixed Deposits	14,618.2	14,542.0	14,028.1
Resident Foreign Currency Deposits (RFCD)	12,698.4	16,491.0	14,587.7
Special Notice Deposit (SND)	7,298.5	5,922.6	4,796.2
Others	19,745.4	17,987.1	20,117.5
Total	87,477.5	87,490.1	87,567.9
% of total banks' deposits	***4.6%***	***4.4%***	***4.2%***

Types of Deposits (Amount): Dec, 2025

Chart 1: Foreign Banks

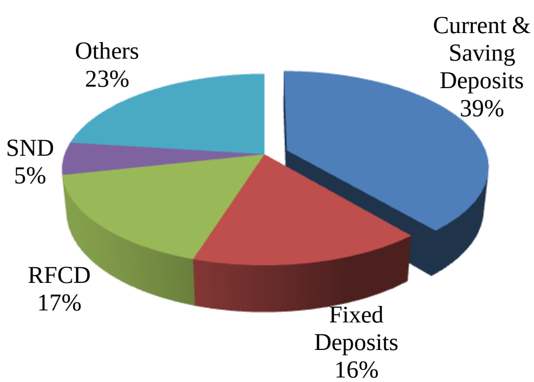
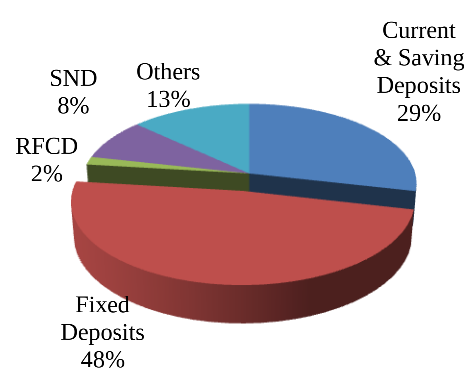


Chart 2: All Banks



Foreign banks consistently hold around 4.2-4.6 percent of total banking sector deposits, exceeding their credit share, which implies a net liquidity surplus and conservative intermediation stance. In December 2025, the composition of foreign banks' deposits was dominated by current & saving deposits (39 percent), followed by RFCDs (17 percent) (chart 1). This scenario reflect that foreign banks function as liquidity anchors rather than aggressive credit creators, contributing to system stability during volatile periods.

Compared with the overall banking sector, foreign banks maintain a relatively higher proportion of current and savings deposits, reflecting a pronounced corporate concentration and strong linkage with trade-related transactions. Given that these categories of deposits generally bear low or no interest, foreign banks are able to sustain a comparatively low-cost funding structure. The comparative position depicted in Charts 1 and 2 suggests that foreign banks operate a lean, corporate-centric, and cost-efficient deposit model. In contrast, the aggregate banking sector is characterized by a broader deposit base, largely driven by retail customers, which supports a more diversified and stability-oriented funding structure.

Foreign banks' credit portfolio continued to contract during 2025. Total loans and advances declined by 11.3 percent to 46,122.5 crore in December 2025 compare to December 2024. Consequently, their share in total banking sector credit decreased from 3.1 percent to 2.6 percent over the same period, indicating a gradual reduction in foreign banks' participation in domestic lending activities (Table 2).

Table 2: Loans & Advances through Economic Purposes (foreign banks)

(Taka in crore)

Major Industry Group	**Dec, 2024**	**June, 2025**	**Dec, 2025**
Agriculture, Fishing and Forestry	726.5	1,267.2	1,668.5
Construction	422.1	498.9	119.6
Consumer Finance	6,958.6	7,144.8	7,213.6
Industry	22,780.7	24,685.1	24,264.8
Miscellaneous	971.4	934.5	-
Other Institutional Loan	4,395.0	3,799.2	3,732.7
Trade & Commerce	15,689.7	10,005.2	9,110.5
Transport	26.3	20.3	12.7
Total	51,970.2	48,355.2	46,122.5
% of Non-Performing Loan	***4.9%***	***6.1%***	***5.9%***
% of total banks' loans & advances	***3.1%***	***2.8%***	***2.6%***

Industry and Trade & Commerce remain the dominant recipients of foreign bank credit, jointly accounting for more than 70 percent of total lending. The steady expansion of industrial credit rising from Tk. 22,780.7 crore in December 2024 to Tk. 24,264.8 crore by December 2025 underscores foreign banks' continued role in supporting export-oriented manufacturing, particularly in sectors integrated into global value chains. In contrast, loans to trade and commerce significantly from 15.7 thousand crore to 9.1 thousand crore, suggesting subdued trade financing activities and possible portfolio adjustments amid changing economic condition. An encouraging development was observed in lending to agriculture, fishing and forestry, which more than doubled from Tk. 726.5 crore in December 2024 to Tk. 1,668.5 crore in December 2025. Although the sector's overall share remained small, the increase indicates greater engagement of foreign banks in financing productive and priority sectors.

The asset quality of foreign banks remained comparatively strong despite some deterioration during the year. The non-performing loan (NPL) ratio rose sharply from 4.9 percent (December 2025) to 5.9 percent (December 2025), after reaching 6.1 percent in June 2025. Although the NPL ratio remained considerably lower than that of several domestic banking segments, the upward movement warrants continued monitoring to ensure prudent risk management and credit discipline.

Loans and Advances: Economic Purposes: December, 2025

Chart 3: Foreign Banks

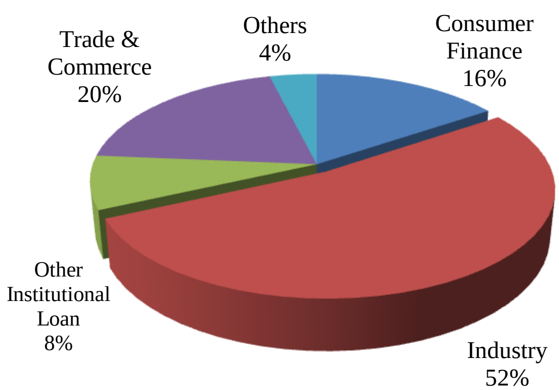
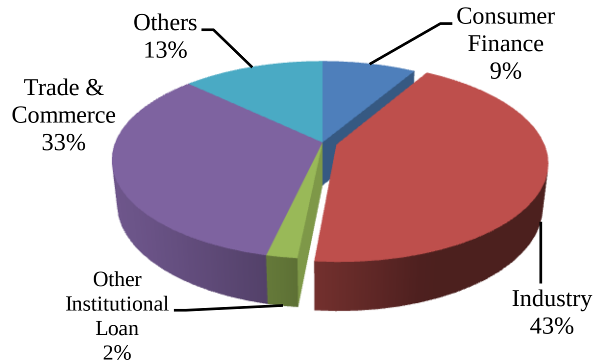


Chart 4: All Banks



As like overall banking sector, foreign banks have higher exposure to industrial loans and foreign trade oriented corporate (Chart 3 & 4). As they prefer export oriented, multinational liked and rated corporate, they have lower credit risk dispersion compare to total banking sector. Such exposures are generally self-liquidating, lower risk, and supported by strong documentation and risk assessment frameworks. This selective credit strategy contributes to comparatively lower non-performing loan (NPL) ratios and reduced provisioning burdens.

The comparative assessment of deposit and loan composition indicates that foreign banks maintained a stable deposit base and relatively sound asset quality during 2025; however, the contraction in their lending activities and declining market shares in both deposits and credit suggest a cautious business strategy and a gradual moderation of their footprint within Bangladesh's banking sector.

II. Foreign Transactions Scenario

Export receipts through foreign banks increased steadily to USD 4.12 billion (July-December 2025). Their share of national export receipts remained stable at around 18.8 percent, underscoring strong presence in readymade garments (woven and knitwear), increasing engagement in leather and diversified exports and continued importance in EPZ-related transactions (Table 3).

Table 3: Export Receipts through Foreign Banks (including EPZ)

(In million USD)

Items	July-Dec, 2024	Jan-June, 2025	July-Dec, 2025
Woven Garments	1,691.8	1,763.1	1,908.6
Knitwear	1,308.6	1,268.1	1,401.6
Leather & Leather Manufactures	144.1	164.5	184.9
Others	583.4	615.8	625.4
Total of all foreign banks	**3,727.9**	**3,811.5**	**4,120.5**
% of total export receipts	***17.3%***	***17.3%***	***18.8%***

Import payments through foreign banks rose to USD 4.29 billion, with a stable 13.1 percent share of national imports. Concentration is evident in textiles and raw materials, supporting export-oriented manufacturing; capital machinery and intermediate goods, indicating facilitation of industrial upgrading (Table 4). This asymmetric role, higher export than import shares implies a net positive contribution to foreign exchange inflows.

Table 4: Import Payments through Foreign Banks (including EPZ)

(In million USD)

Items	July-Dec, 2024	Jan-June, 2025	July-Dec, 2025
Chemicals	316.7	271.4	304.0
Plastics and Rubber articles	214.1	226.9	234.4
Raw Cotton	174.1	235.3	216.8
Yarn	229.1	208.7	198.4
Textiles and Articles thereof	795.4	908.1	861.3
Iron, Steel and Other Base Metal	187.7	237.6	242.0
Capital Machineries	210.6	191.2	177.1
Other Machineries	284.1	260.8	306.2
Others	1,455.4	1,548.8	1,750.0
Total of all foreign banks	**3,867.2**	**4,088.8**	**4,290.2**
% of total import payments	***11.8%***	***11.8%***	***13.1%***

Foreign banks hold a negligible share of the workers' remittance market (0.2% to 0.3%), as they are not major remittance intermediaries, reflecting limited branch networks and retail presence (Table 5).

Table 5: Workers' Remittance Receipts through Foreign Banks

(In million USD)

	July-Dec, 2024	Jan-June, 2025	July-Dec, 2025
Workers' Remittance Received	37.94	36.32	47.42
% of total workers' remittance received	***0.3%***	***0.2%***	***0.3%***

III. Profitability, Reinvestment and Outward Remittances

Foreign banks remained profitable during the review period despite a moderation in pre-tax earnings. Profit before tax declined from Tk. 5,318.0 crore during July-December 2024 to Tk. 4,390.1 crore during July-December 2025. Nevertheless, net profit after tax increased to Tk. 3,738.7 crore from Tk. 3,557.6 crore owing partly to lower tax expenses. Reinvested earnings declined significantly from Tk. 4,594.8 crore to Tk. 2,096.4 crore, while outward remittances of profits and earnings increased from Tk. 577.3 crore to Tk. 1,314.6 crore during the same period. Dividend remittances also resumed and amounted to Tk. 562.7 crore in the second half of 2025 (Table 6). Reinvested earnings exceed dividends and irregular dividend payouts signaling long-term commitment by foreign banks.

Table 6: Operating Profit, Net Income and Outward remittances by Foreign Banks

(Taka in crore)

		July-Dec, 2024	Jan-June, 2025	July-Dec, 2025
Operating Profit and Net Income	Profit before Tax	5,318.0	4,452.6	4,390.1
	Tax on profit	1,760.5	1,637.0	1,469.9
	Net profit after Tax	3,557.6	2,815.6	3,738.7
	Provision for others	1.7	1.1	5.4
	Reinvested Earnings	4,594.8	2,803.1	2,096.4
Outward Remittances	Profits/ Earnings	577.3	1,252.7	1,314.6
	Dividends	476.8	0.0	562.7
	Repayment of loan principal	225.1	0.0	0.0

IV. Balance Sheet Structure

At the end of 2025, foreign banks' total assets reached Tk. 300,219 crore, with balance sheets dominated by private sector claims and other assets (Table 7). The asset composition remained diversified, with claims on the private sector accounting for 22.3 percent of total assets and claims on government constituting 13.2 percent. Foreign assets increased to Tk. 17,948.7 crore, representing 6.2 percent of total assets, primarily driven by higher balances maintained with banks abroad.

On the liabilities side, deposits constituted the largest funding source, accounting for 28.4 percent of total liabilities. Foreign liabilities increased to Tk. 10,760.8 crore and represented 3.7 percent of total liabilities. Capital and reserves remained strong at Tk. 15,617.6 crore, representing 5.4 percent of total liabilities and reflecting the robust capitalization of foreign banks. Borrowings from Bangladesh Bank remained limited and continued to decline during the year.

Table 7: Major Asset Components and Liability Components

Components	**December, 2024**		**June, 2025**		**December, 2025**	
	Amount in crore Tk.	% of share	Amount in crore Tk.	% of share	Amount in crore Tk.	% of share
Total Assets	**296,795.7**		**301,401.9**		**300,219.3**	
Reserves	8,505.7	2.9%	7,654.8	2.6%	8,901.5	3.1%
Non Reserve Assets	4,701.8	1.6%	5,679.5	2.0%	3,862.9	1.3%
Foreign Assets	14,439.7	5.0%	17,485.0	6.0%	17,948.7	6.2%
of which						
Balances With Banks Abroad	12,771.9	4.4%	15,795.0	5.5%	15,931.2	5.5%
Export Bills	1,552.5	0.5%	1,566.7	0.5%	1,921.8	0.7%
Claims On Government	37,998.2	13.1%	33,987.2	11.8%	38,142.2	13.2%
of which: Investment	37,890.2	13.1%	33,906.9	11.7%	38,057.5	13.2%
Claims On Other Public Sector	975.4	0.3%	938.9	0.3%	876.8	0.3%
Claims On Private Sector	63,634.2	22.0%	65,491.3	22.7%	64,465.9	22.3%
Other Assets	166,540.7	57.6%	170,165.2	58.9%	166,021.3	57.4%
Total Liabilities	**296,795.7**		**301,401.9**		**300,219.3**	
Deposits	82,899.0	28.7%	82,721.5	28.6%	82,085.5	28.4%
Foreign Liabilities	9,636.5	3.3%	9,522.8	3.3%	10,760.8	3.7%
Borrowings From Bangladesh Bank	1,553.0	0.5%	1,238.1	0.4%	1,153.9	0.4%
Capital & Reserve	14,334.5	5.0%	16,668.9	5.8%	15,617.6	5.4%
Provision For Loans	3,313.7	1.1%	3,286.8	1.1%	3,140.7	1.1%
Other Assets	185,059.0	64.0%	187,963.8	65.0%	187,460.8	64.8%

A significant portion of the balance sheet i) exceeding 56% of total assets and ii) 62% of total liabilities are classified under "Others". These figures primarily represent contingent assets and contingent liabilities recorded as contra entries. These banks are maintaining high levels of liquidity within these "Other" categories rather than deploying capital into the local credit market.

V. Financial Soundness Indicators

Foreign banks continued to exhibit exceptional capital strength during 2025. The financial soundness indicators suggest that this sector remained resilient during the review period despite some moderation in capital adequacy and profitability. The Capital Adequacy Ratio (CAR) stood at 41.05 percent at end-December 2025, substantially exceeding regulatory requirements. The Common Equity Tier 1 (CET1) ratio and Tier 1 Capital Ratio also remained elevated at 39.28 percent and 39.34 percent, respectively.

Table 8: Financial Soundness Indicators of Foreign Banks across Reporting Periods

Indicator	Dec-24	Jun-25	Dec-25
Capital Adequacy Ratio (CAR)	41.99%	42.69%	41.05%
Common Equity Tier 1 (CET1) Ratio	40.03%	40.78%	39.28%
Tier 1 Capital Ratio	40.10%	40.84%	39.34%
Return on Assets (ROA)	4.38%	2.09%	4.18%
Provision Coverage Ratio (PCR)	72.39%	67.51%	65.03%
Return on Equity (ROE)	20.67%	8.44%	17.12%
Liquid Assets to Total Assets	47.18%	46.40%	47.87%
Liquid Assets to Short-Term Liabilities	182.83%	197.83%	160.65%
Customer Deposits to Gross Loans	127.84%	127.19%	125.86%
Foreign Currency Loans to Gross Loans	42.32%	39.87%	39.19%
Foreign Currency Liabilities to Total Liabilities	40.76%	44.78%	42.55%
Leverage Ratio	17.21%	17.86%	17.53%
Liquidity Coverage Ratio (LCR)	509.40%	430.25%	458.56%
Net Stable Funding Ratio (NSFR)	133.30%	130.03%	132.28%

However, the Provision Coverage Ratio (PCR) decreased to 65.03 percent from 72.39 percent, indicating somewhat lower provisioning buffers against impaired assets.

Profitability indicators remained favorable. Return on Assets (ROA) stood at 4.18 percent and Return on Equity (ROE) at 17.12 percent in December 2025, demonstrating the sector's ability to generate earnings despite reduced lending activities. Liquidity conditions also remained exceptionally strong, with Liquid Assets to Total Assets at 47.87 percent, Liquidity Coverage Ratio (LCR) at 458.56 percent, and Net Stable Funding Ratio (NSFR) at 132.28 percent, all substantially above minimum regulatory requirements. The leverage ratio remained robust at 17.53 percent.

Conclusion

This report highlights that foreign banks in Bangladesh continue to play a strategically important yet quantitatively limited role in the financial system. Their key strength lies in supporting external sector activities particularly trade finance, foreign exchange transactions, and export-oriented industries where they demonstrate operational efficiency, sound risk management practices, and strong links with global markets.

Overall, foreign banks in Bangladesh demonstrated considerable financial resilience during 2025, characterized by exceptionally strong capital adequacy, abundant liquidity, sound profitability, and relatively low levels of non-performing loans. Although their market shares in deposits and credit declined and lending activities contracted, foreign banks maintained stable funding bases and strengthened their exposures to industrial and agricultural sectors. The increase in foreign assets and continued profitability indicate sustained confidence in their business models. Nevertheless, the moderation in credit growth and declining provision coverage warrant continued monitoring to ensure that foreign banks remain adequately positioned to support productive economic activities while preserving their traditionally strong financial soundness and risk management standards.

This report is prepared by Special Studies and Project (SSP) Division, Statistics Department, Bangladesh Bank. Comment and suggestions may be sent to: Director, Statistics Department (e-mail: ssp.statistics@bb.org.bd); Shehan Uddin Khan, Additional Director (e-mail: shehan.khan@bb.org.bd); Mari Biswas, Joint Director (e-mail: mari.biswas@bb.org.bd).