

Banking Sector Update

June, 2025

Introduction

The banking sector of Bangladesh plays a pivotal role in driving the country's economic growth, financial inclusion, and industrial development. As the primary source of financing for businesses and individuals, banks remain the backbone of the financial system, accounting for major portion of total financial assets in the economy.

Over the past decade, Bangladesh's banking industry has expanded in terms of both assets and services. The sector now consists of 6 (six) state-owned commercial banks, 3 (three) specialized development banks, 33 (thirty three) private commercial banks including 10 (ten) full fledge Islamic banks, and 9 (nine) foreign commercial banks. Among these, private banks dominate in terms of deposits, lending, and profitability, while state-owned banks continue to serve large-scale government and public-sector enterprises.

After independence in December 1971, the banking system was in disarray: many branches were closed, professionals fled, and capital was scarce. To stabilize the system, the newly formed government nationalized all banks in 1972. Recognizing the limitations of state-owned banking, the government initiated financial reforms with support from the World Bank and IMF. The Financial Sector Reform Program (FSRP) in the 1980s introduced privatization, deregulation, and modernization. Several private commercial banks were established. This era also saw the entry of foreign banks and greater competition. The sector expanded rapidly with the rise of private banks, Islamic banking, and foreign bank branches. Technological innovation transformed the sector with the introduction of ATMs, online banking, mobile banking, agent banking, mobile financial services etc. Banking has become more inclusive, serving millions of rural households and SMEs.

For analytical purposes, private banks in Bangladesh are often categorized into five groups based on their year of establishment, referred to as generation-wise classification.

- First Generation: Includes 10 private banks established between 1972 and 1987.
- Second Generation: Covers 8 banks founded during 1992–1998.
- Third Generation: Refers to 12 banks established between 1999 and 2001.
- Fourth Generation: Consists of 9 commercial banks set up in 2013.
- Fifth Generation: Encompasses all remaining banks established after 2013.

The report is organized into two main sections. After a brief discussion of background issues, the first section examines the development and characteristics of deposits, analyzing trends by bank group, deposit type, sectoral composition, deposit size, and real interest rate movements. The second section focuses on the scenario of advances, covering key dimensions such as bank group distribution, economic purpose, non-performing loans (NPLs), gender classification, advance-to-deposit ratio, and interest rate structure.

I. Deposit Scenario

I.A Overall Scenario

Deposits form the foundation of Bangladesh’s banking system, serving as the primary source of funds for credit creation, investment, and overall financial intermediation. Over the past decade, Bangladesh has witnessed a consistent rise in bank deposits, driven by expanding financial inclusion, digital banking initiatives, and growing participation of both urban and rural savers. In continuation of this, the banking sector demonstrated strong deposit performance, with total outstanding deposits reaching Tk. 1,996.6 thousand crore at the end of FY25, against 1,838.8 thousand crore in FY24 reflecting sustained growth amid economic and policy challenges. Although the annual deposit growth rate slightly below to 8.6 percent in FY25 compared to 9.0 percent in FY24, the continuous expansion in deposit volume underscores enduring depositor confidence in the formal banking system. This upward trend indicates that banks continued to attract new funds even under negative real interest rate conditions, as households increasingly preferred financial security and formal savings channels. Moreover, the steady increase was supported by stable financial intermediation, higher household savings, and consistent remittance inflows. Notably, first-generation private commercial banks and state-owned commercial banks played a leading role in driving this overall deposit growth. Together, these developments highlight the banking sector’s resilience and its continued ability to mobilize deposits despite a moderately tightening macroeconomic environment.

Table 1: Bank group wise Outstanding Deposits

(Amount in thousand crore tk.)

Type Of Banks	2024	2025	2025	% Changes	
	June	March	June	4 over 2	4 over 3
1	2	3	4		
State Owned Commercial Banks	444.8	455.9	477.8	7.4%	4.8%
Specialized Banks	50.5	54.7	56.8	12.5%	3.9%
Private Commercial Banks	1263.0	1325.3	1374.4	8.8%	3.7%
First Generation Banks (1972-1987)	482.3	504.8	531.3	10.2%	5.2%
Second Generation Banks (1992-1998)	265.8	283.3	289.8	9.0%	2.3%
Third Generation Banks (1999-2001)	409.7	434.3	445.6	8.8%	2.6%
Fourth Generation Banks (2013)	93.4	90.7	94.5	1.1%	4.2%
Fifth Generation Banks (2016-2021)	11.8	12.3	13.3	12.5%	8.0%
Full-Fledged Islamic Banks	392.6	376.2	385.9	-1.7%	2.6%
Foreign Banks	80.6	87.6	87.5	8.6%	-0.1%
All Banks	1838.8	1923.5	1996.6	8.6%	3.8%

Chart 1: Growth of Deposits (bank group wise)

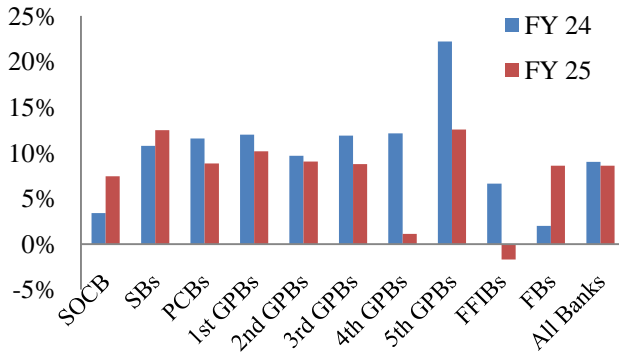
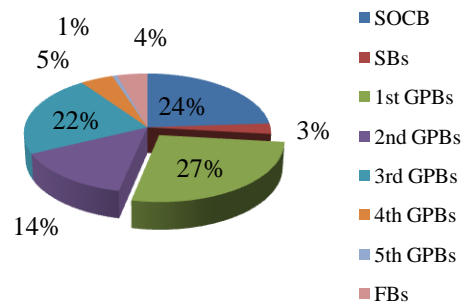


Chart 2: Bank group wise Share of Deposit (June 2025)



Within the private commercial banking segment, deposit growth patterns in FY25 revealed contrasting dynamics between established and emerging institutions. First-generation private commercial banks recorded a notably strong growth rate of 10.2% in FY25, accompanied by the highest market share of 27%, indicating that well-established institutions continue to consolidate and expand their deposit bases. In contrast, fifth-generation banks, despite holding the smallest market share of only 1%, achieved the highest growth rate of 12.5%, reflecting the rapid expansion and growing competitiveness of newer entrants in the banking sector. These divergent performances highlight a dual trend in the sector where mature banks sustain stability and scale, while newer banks drive momentum through aggressive deposit mobilization and market expansion.

LB Deposits by Types of Accounts

In June 2025, the composition of bank deposits in Bangladesh reflected a strong preference for long-term savings instruments, indicating both depositor confidence and evolving

Chart 3: Type of Deposits: June, 2025

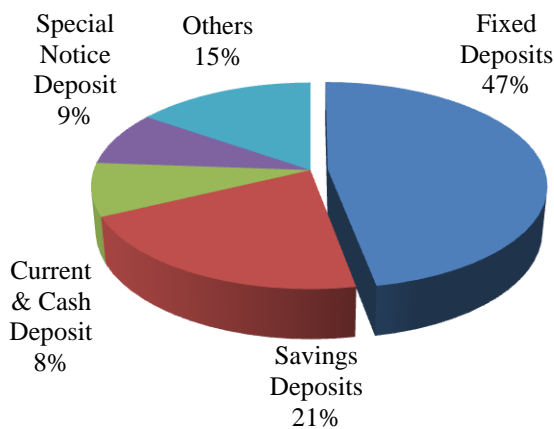
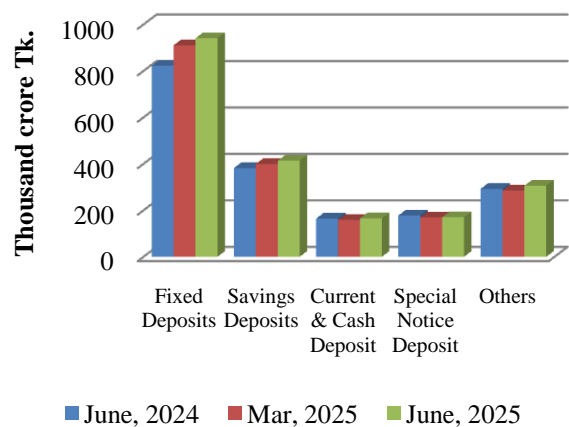


Chart 4: Types of Deposits



portfolio behavior within the banking sector. At the end of FY25, the deposit was dominated by fixed deposits (47%), followed by savings deposits (21%). The structure indicates depositor confidence in the long-term banking system but highlights a potential liquidity

challenge due to a relatively small share of current and SND deposits (Chart 3 & 4). The data shows that, fixed deposits remain the backbone of the banking system, showing depositor preference for long-term, stable investment. Savings deposits also hold a significant portion, reflecting broad household participation in banking. Current/cash and SND deposits are relatively low, suggesting limited short-term liquidity accounts. Overall, the deposit structure suggests that while depositor trust in long-term banking remains strong, the relatively low proportion of short-term funds could pose liquidity management challenges for the banking system.

I.C Sector wise Deposits

At the end of June 2025, the deposit base of Bangladesh’s banking sector remained predominantly concentrated in the private sector, reflecting the central role of households and private institutions in sustaining financial intermediation. Private sector deposits accounted for 83 percent of the total, of which household deposits alone constituted 55 percent - underscoring the dominance of individual savings in the banking system. Other private entities, including private corporations, financial auxiliaries, and non-profit institutions, contributed 28 percent. In contrast, the public sector, comprising both government and other public entities, held the remaining 17 percent (5 percent and 12 percent, respectively). The number of household deposit accounts increased significantly from 14.2 crore in June 2024 to 15.9 crore in June 2025, marking an 11.4 percent rise, while the total household deposit volume grew from Tk. 993.4 thousand crore to Tk. 1,108.7 thousand crore. This expansion demonstrates both quantitative and qualitative growth in the household banking base. The data also reveal that deposits are heavily concentrated in small-value accounts, signifying

Chart 5: Deposits Distributed by Sectors

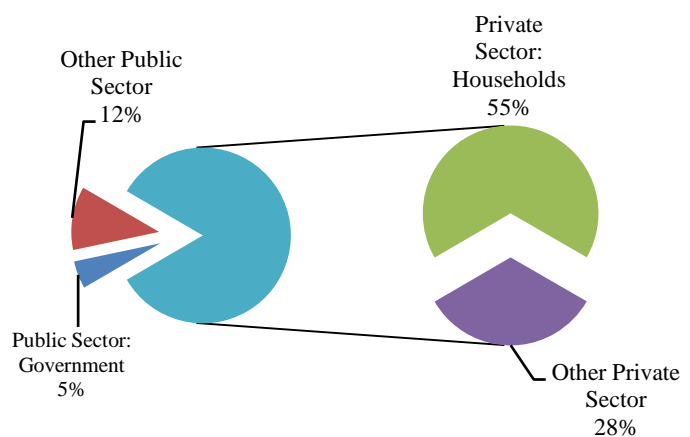


Chart 6: Deposits Distributed by Size (account number) June, 2025

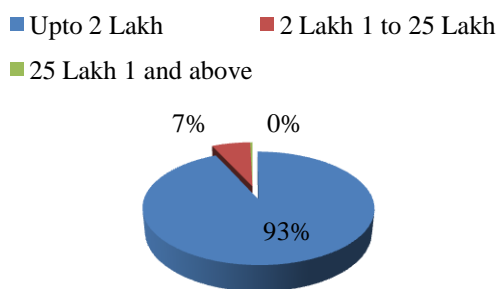
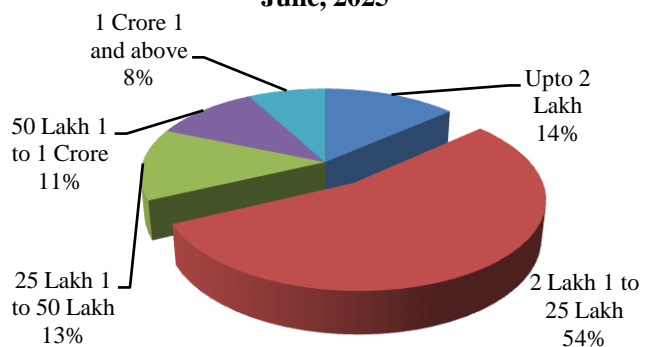


Chart 7: Deposits Distributed by Size (amount) June, 2025



broad-based financial inclusion. Accounts up to Tk. 2 lakh rose from 1.33 million to 1.48 million, while deposits between Tk. 2 lakh and Tk. 25 lakh increased from Tk. 522.3 thousand crore to Tk. 604.0 thousand crore—indicating a rising middle-class saving capacity. Conversely, the number of very large accounts (above Tk. 25 crore) declined, suggesting a redistribution of deposits toward smaller holders and greater diversification of the overall base. Taken together, these trends highlight that Bangladesh’s deposit structure is increasingly driven by retail and middle-tier savers, reflecting the success of inclusive and digital banking initiatives while emphasizing the need for sustained depositor confidence and prudent interest rate management.

Table 2: Households (Individual Customers) Deposits Distributed by Size of Amounts

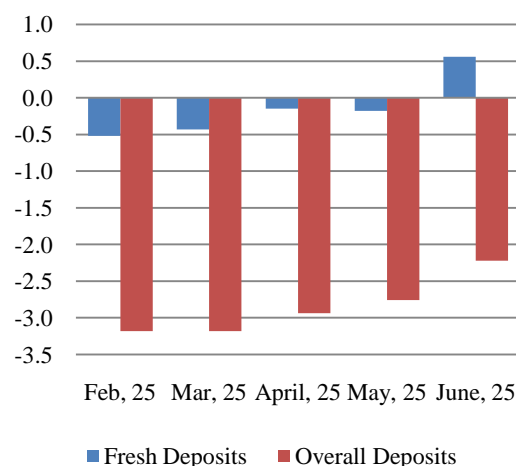
(amount in thousand crore Tk.)

Account Size Range Name	2024		2025		2025	
	June		Mar		June	
	No. of Accounts	Deposit amount	No. of Accounts	Deposit amount	No. of Accounts	Deposit amount
Upto 2 Lakh	132,848,068	137.6	128,673,156	130.3	147,649,456	150.5
2 Lakh 1 to 25 Lakh	8,877,734	522.3	8,304,822	490.3	10,274,452	604.0
25 Lakh 1 to 50 Lakh	364,874	131.2	343,984	122.7	409,455	147.8
50 Lakh 1 to 1 Crore	159,246	110.1	150,827	103.6	172,059	119.4
1 Crore 1 to 25 Crore	34,258	80.2	33,044	73.4	36,932	82.0
25 Crore 1 to 50 Crore	151	5.3	98	3.5	78	2.6
50 Crore 1 and above	72	6.8	26	2.3	26	2.4
Total	142,284,403	993.4	137,505,957	926.2	158,542,458	1,108.7

I.D Real Interest Rate for Deposits

The real interest rate on deposits reflects the actual return on savings after adjusting for inflation. As shown in Chart 8, the real interest rate on deposits remained negative during most of FY25, although the rate on fresh deposits turned slightly positive in June 2025. Despite these low or near-zero real returns, overall deposit growth continued to rise, suggesting that savers prioritized financial safety, accessibility, and remittance-related inflows over purely return-driven motivations. This resilience in deposit behavior indicates strong confidence in the formal banking system even amid limited real gains. Overall, the persistence of deposit growth amid negative real returns underscores the public’s enduring confidence in the formal banking system and highlights the role of non-return factors in shaping saving behavior.

Chart 8: Real Interest Rate for Deposits



II. Advance Scenario

II.A Overall Scenario

The advance scenario of Bangladesh's banking sector reflects the overall credit dynamics that underpin the country's economic performance. Advances, comprising loans and other credit facilities extended by banks, play a pivotal role in financing productive sectors such as industry, trade, construction, and agriculture. The banking sector also has witnessed a consistent upward trend in total outstanding loan as like as deposits. At the end of FY25, bank loans and advances had reached to Tk. 1,734.2 thousand crore against 1,597.1 thousand crore in FY24. Loans and advances recorded a slower growth of 8.6 percent growth in FY25, against 10.4 percent growth in FY24. While the overall growth rate slightly decelerated, a rapid deterioration in asset quality has shown, signaling aggressive lending and insufficient borrower assessment in the past.

Table 3: Bank group-wise Outstanding Loans & Advances

(Amount in thousand crore tk.)

Type Of Banks	2024	2025	2025	% Changes	
	June	March	June	4 over 2	4 over 3
1	2	3	4		
State Owned Commercial Banks	321.9	342.7	342.5	6.4%	-0.1%
Specialized Banks	46.8	47.6	49.5	5.8%	4.0%
Private Commercial Banks	1184.0	1269.0	1293.8	9.3%	2.0%
First Generation Banks (1972-1987)	453.9	493.4	507.8	11.9%	2.9%
Second Generation Banks (1992-1998)	241.1	253.3	254.3	5.5%	0.4%
Third Generation Banks (1999-2001)	384.8	414.3	422.1	9.7%	1.9%
Fourth Generation Banks (2013)	94.6	98.3	99.7	5.4%	1.5%
Fifth Generation Banks (2016-2021)	9.6	9.7	9.9	3.0%	1.5%
Full-Fledged Islamic Banks	427.2	459.2	470.2	10.1%	2.4%
Foreign Banks	44.4	53.3	48.4	8.9%	-9.3%
All Banks	1597.1	1712.6	1734.2	8.6%	1.3%

At the end of FY25, the first-generation private commercial banks exhibited a notable 11.9% growth in their loan portfolios, maintaining a dominant market share of 29%. Although the overall growth of loans and advances for the banking sector decelerated during FY25, the 1st GPBs remained the only group to register positive expansion compared to FY24, reflecting their continued capacity to disburse credit efficiently. In contrast, state-owned commercial banks and specialized banks recorded modest growth rates of 6.4% and 5.8%, respectively, suggesting a more conservative lending stance. Meanwhile, foreign banks, despite their insignificant 3% market share, contracted their loan portfolios by 9.3% relative to March 2025. This contraction indicates the prevalence of tighter credit conditions and heightened risk aversion, as these institutions adopt more cautious lending strategies amid evolving market uncertainties.

Chart 9: Growth of Loans and Advances (bank group wise)

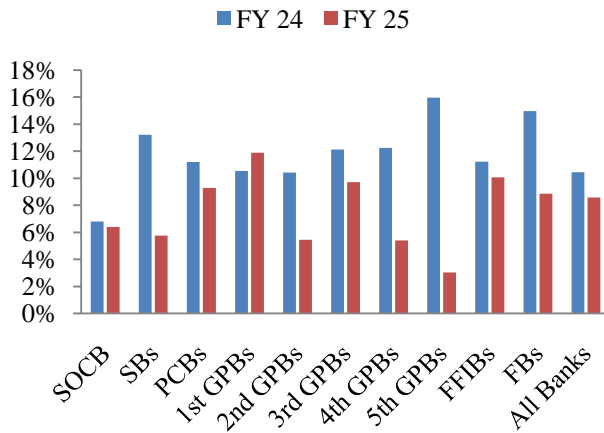
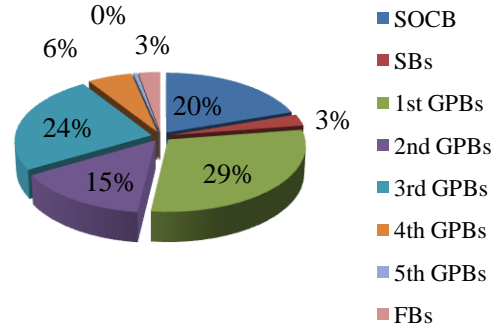


Chart 10: Bank group wise share of Loans and Advances (June 2025)



II.B Economic purpose-wise loans and advances

The economic purpose-wise distribution of bank credit in Bangladesh reveals a strong concentration in industry and trade, reflecting the economy’s production and commerce driven growth pattern. Chart 11 illustrates that industry (42%) and trade & commerce (33%) dominate the allocation of bank credit, jointly accounting for 75% of total loans. Consumer finance (10%) and construction (7%) follow as secondary sectors, while agriculture, forestry, and fishing comprise a marginal 4% share. This composition underscores the industrial and commercial orientation of Bangladesh’s credit portfolio, with limited diversification toward

Chart 11: Economic Purposes: June, 2025

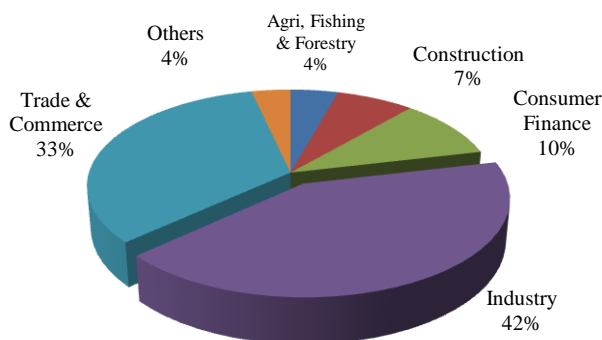
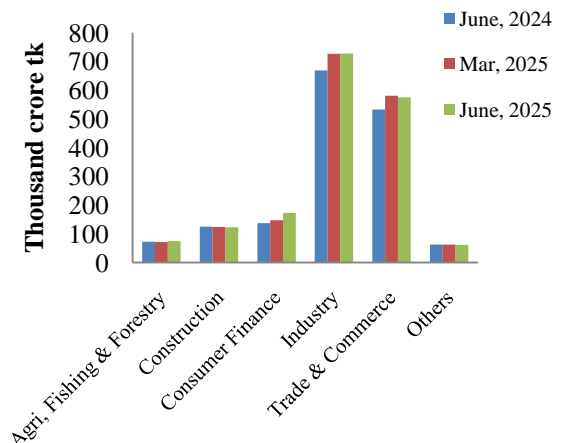


Chart 12: Economic Purposes of Loans and Advances



primary sectors.

Chart 12, depicting the trend of economic purpose-wise loans across June 2024, March 2025, and June 2025, reflects progressive expansion in industrial and trade-related loans, while

consumer finance and construction exhibit moderate fluctuations. The increasing trajectory in both trade and industrial financing aligns with the country’s post-pandemic industrial recovery and trade expansion, albeit raising potential sectoral concentration risk. Overall, the credit composition highlights the banking sector’s pivotal role in supporting industrial and commercial activity, though the heavy concentration in these sectors may heighten exposure to sector specific risks.

II.C Trends of Non-Performing Loans (NPLs)

NPLs indicate deterioration in asset quality and represent credit risk exposure for banks. A high NPL ratio reflects weaknesses in loan management, borrower repayment capacity, or overall economic conditions, while effective control of NPLs is essential for maintaining financial stability and banking sector soundness. The rising NPL ratio in banking sector is alarming: from 12.2% in June 2024 to 24.6% in March 2025 and 34.6% in June 2025 (Table 4). Islamic banks and state-owned banks are particularly vulnerable, signaling weak credit discipline and possible governance issues. Foreign banks, in contrast, maintain very low default levels, reflecting stricter risk management. In case of private commercial generation-wise, first and fourth generation banks show the highest descent, second generation banks show lower; while fifth generation banks and foreign banks maintain stable, low NPL ratios.

Table 4: Bank-wise Outstanding Classified Loans & Advances

Type Of Banks	2024	2025	2025
	June	March	June
1	2	3	4
State Owned Commercial Banks	25.8%	41.4%	44.6%
Specialized Banks	11.8%	13.5%	39.0%
Private Commercial Banks	8.8%	21.3%	32.9%
First Generation Banks (1972-1987)	12.0%	27.6%	40.6%
Second Generation Banks (1992-1998)	6.7%	14.1%	19.3%
Third Generation Banks (1999-2001)	6.2%	13.0%	27.6%
Fourth Generation Banks (2013)	10.0%	44.4%	53.3%
Fifth Generation Banks (2016-2021)	0.5%	5.0%	6.0%
Full-Fledged Islamic Banks	6.0%	29.2%	55.1%
Foreign Banks	5.5%	5.8%	6.1%
All Banks	12.2%	24.6%	34.6%

Classified loan ratios increased across all industries, with trade, agriculture, and industry facing the highest risks. 42% of total loans are accumulated in industry (term loan and working capital) sector with 35.9% classified loans whereas 33.2% of total loans are distributed in trade & commerce sector with 44.7% classified loans. This indicates deep-rooted stress in the real economy, possibly due to global economic challenges, and weak financial discipline.

Table 5: Major Industry-wise Classified Loans & Advances

Major Industry Group	2024		2025		2025	
	June		March		June	
	% of total loan	% of classified Loan	% of total loan	% of classified Loan	% of total loan	% of classified Loan
Agriculture, Fishing and Forestry	4.5%	8.3%	4.2%	13.3%	4.3%	31.6%
Construction	7.8%	7.2%	7.2%	22.5%	7.1%	27.7%
Consumer Finance	8.6%	2.4%	8.6%	5.5%	10.0%	9.4%
Industry	41.8%	14.8%	42.4%	27.4%	42.0%	35.9%
Miscellaneous	1.1%	4.2%	1.0%	7.0%	1.0%	11.3%
Other Institutional Loan	2.1%	6.9%	2.0%	9.1%	1.9%	12.0%
Trade & Commerce	33.4%	13.8%	33.9%	29.3%	33.2%	44.7%
Transport	0.7%	11.2%	0.6%	18.1%	0.6%	22.7%
Total	100.0%	12.2%	100.0%	24.6%	100.0%	34.6%

The classification ratio of loans has increased significantly across all lending ranges from FY24 to FY25, reflecting a growing stress in loan portfolios, particularly for large exposures. Loans above 50 crore experienced a sharp increase in classification from 17.1% to 48.2%, while the 40–50 crore range also saw a surge from 10.4% to 45.7%. Even smaller ranges showed notable deterioration, with the up to 1 crore category rising from 7.4% to 16.0%. The trend across ranges indicates that credit quality issues are widespread but disproportionately higher for large corporate loans. This pattern may suggest weaknesses in credit appraisal and monitoring systems for high-value loans or the impact of sectoral and macroeconomic shocks affecting large borrowers.

Table 6: Classified Loan Disbursed by Size of Loan

Range of Amount	% of Classified Loans		
	June, 2024	March, 2025	June, 2025
Up to 1 crore	7.4%	11.6%	16.0%
1 crore 1 to 10 crore	10.8%	21.8%	26.1%
10 crore 1 to 20 crore	12.7%	25.9%	45.7%
20 crore 1 to 30 crore	13.7%	27.0%	38.0%
30 Crore 1 and 40 Crore	15.2%	26.4%	42.1%
40 Crore 1 to 50 Crore	10.4%	27.5%	45.7%
50 Crore 1 and above	17.1%	35.2%	48.2%
Grand total	12.2%	24.6%	34.6%

II.D Trends of Advance Deposit Ratio

The advance-deposit ratio (ADR) measures how much of deposits are being used for lending, reflecting credit risk and liquidity balance. At the end of FY25, the overall Advance-to-Deposit Ratio (ADR) of Bangladesh’s banking sector remained unchanged from the previous fiscal year (Table 7), indicating a stable but uneven liquidity position across different bank categories. Islamic banks continued to exhibit overexposure, with ADRs exceeding 120 percent, raising concerns about potential liquidity stress and over-lending tendencies.

Table 7: Bank Group wise Advance Deposit Ratio (ADR)

Type Of Banks	2024	2025	2025
	June	March	June
1	2	3	4
State Owned Commercial Banks	72.4	75.2	71.7
Specialized Banks	92.6	87.0	87.0
Private Commercial Banks	93.7	95.8	94.1
First Generation Banks (1972-1987)	94.1	97.7	95.6
Second Generation Banks (1992-1998)	90.7	89.4	87.7
Third Generation Banks (1999-2001)	93.9	95.4	94.7
Fourth Generation Banks (2013)	101.3	108.4	105.6
Fifth Generation Banks (2016-2021)	81.0	78.9	74.1
Full-Fledged Islamic Banks	108.8	122.1	121.8
Foreign Banks	55.1	60.9	55.3
All Banks	86.9	89.0	86.9

Similarly, several fourth-generation banks maintained ADRs above 100 percent, reflecting their aggressive credit expansion strategies aimed at rapid portfolio growth. In contrast, foreign banks adopted a more cautious approach, keeping their ADRs relatively low and thereby sustaining adequate liquidity buffers and risk resilience. Overall, the stable aggregate ADR conceals significant variations among bank types, highlighting the need for closer monitoring of high-exposure institutions to ensure balanced liquidity management and financial stability.

II.E Classification by Gender

Bangladesh, having an inspirational trajectory towards women’s empowerment, has set a precedent for women to become economically independent, reduce gender gap and make substantial contributions to the prosperity of the country. It enables the opportunity for financial services, advances financial literacy, and encourages women to start their businesses. It has been made significant strides in promoting women’s financial inclusion through scheduled banks: one third of deposit portion of market is contributed by women.

Table 8: Gender Statistics: at a Glance

(Account no. in thousand & figure in thousand crore Tk.)

Particulars	June, 2024	March, 2025	June, 2025
Number of deposit accounts (household)	142,284	155,221	158,542
<i>% of women account</i>	37.5%	37.8%	37.1%
Outstanding deposits	993	1,062	1,109
<i>% of women account</i>	33.1%	32.8%	32.1%
Number of loan accounts (household)	10,812	11,575	12,033
<i>% of women account</i>	19.9%	20.0%	19.5%
Outstanding loans and advances	242	245	269
<i>% of women account</i>	19.2%	20.4%	21.4%

On the other hand, lending case is lower but a momentous contribution of women for number of loans accounts and outstanding loan amount with 19.5 percent and 21.4 percent respectively.

II. F Interest Rate Spread

At the end of FY25, overall deposit rate, advance rate and overall spread stable (Chart 13). Fresh deposit rate shows similar rate as overall inflation (point to point basis) while fresh spread (using fresh deposits and fresh loans) shows much lower than overall spread. While

Chart 13a: Interest Rate and inflation

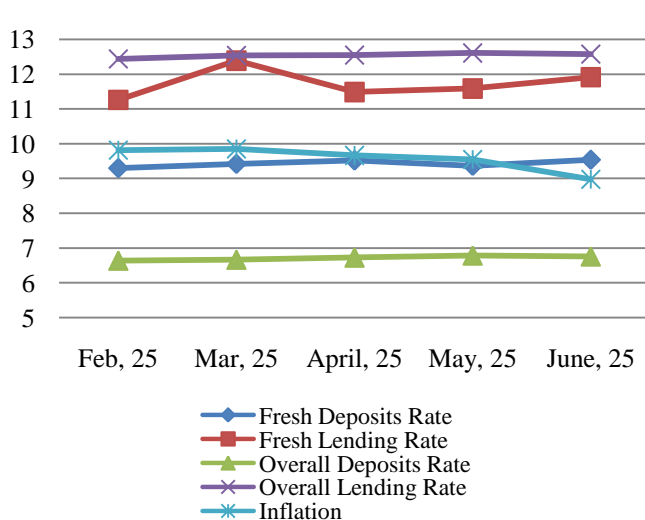
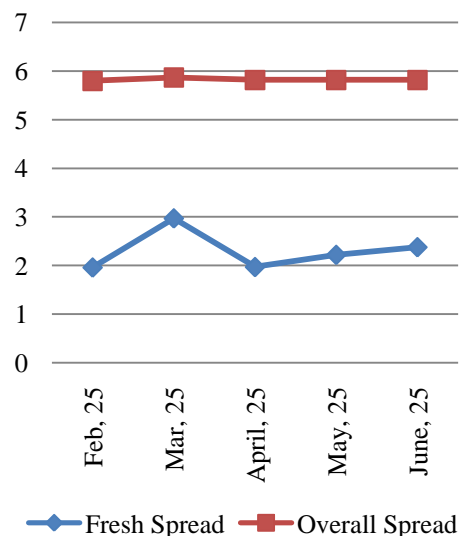


Chart 13b: Fresh and overall spread



the stable spread supports banking sector earnings, low deposit rates compared to inflation discourage savings, and high lending rates create pressure on businesses and households, especially SMEs. Overall spread shows that banks remain profitable, but higher fresh deposit

returns risk with high lending costs may suppress the profit in near future. Also higher rate of lending rate will gradual reduce private sector growth. Balancing profitability with financial inclusion remains a key policy challenge.

Conclusion

The Bangladesh banking sector in June 2025 shows a dual picture:

- **Strengths:** Steady deposit growth, strong household participation, stable overall ADR, and continued profitability through spreads.
- **Weaknesses:** Rapidly rising classified loans, over-lending in Islamic and 4th generation private commercial banks, and low real returns for depositors.

To sustain stability and growth, the sector must urgently address NPLs, enforce ADR discipline, and balance interest rates to protect depositors while promoting affordable credit. Without these corrective measures, current vulnerabilities could evolve into systemic risks, undermining financial stability and economic development.