

**Foreign Banks' Operation in Bangladesh:
Trends and Operational Insights**
(January-June, 2026)



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 67 branches and 6 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.

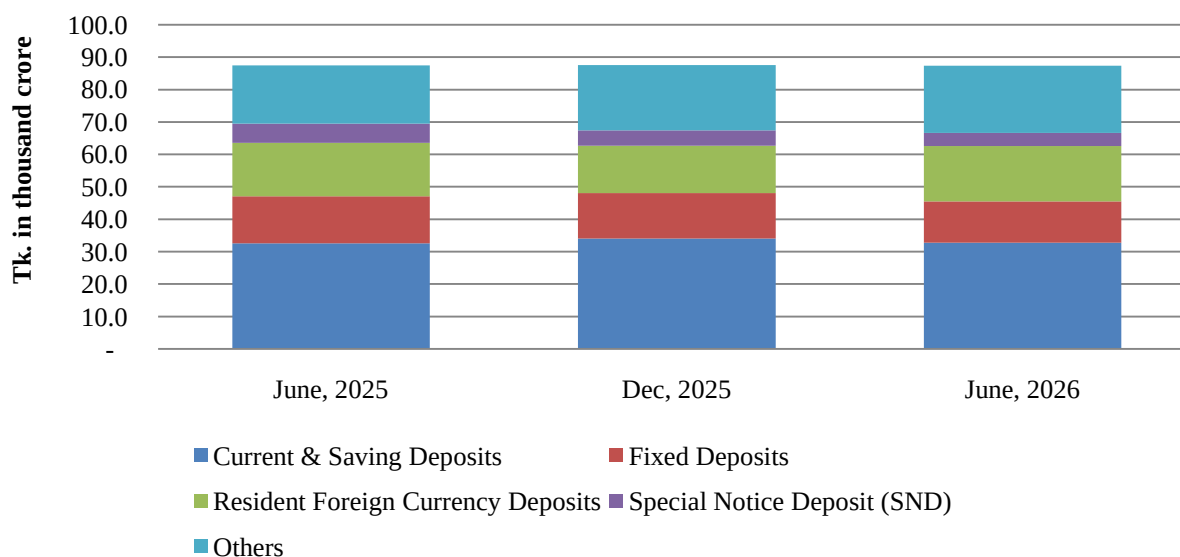
I. Deposit and Loan Scenario

The deposit profile of foreign banks reflects a stable yet structurally distinctive funding base. Total deposits of foreign banks were Tk 87,378.5 crore at end-June 2026, virtually unchanged from December 2025 (– 0.2 percent) and June 2025 (– 0.1 percent). The stability of the total conceals a marked change in composition.

Table 1: Deposits Distributed by Types of Accounts (Foreign Banks)

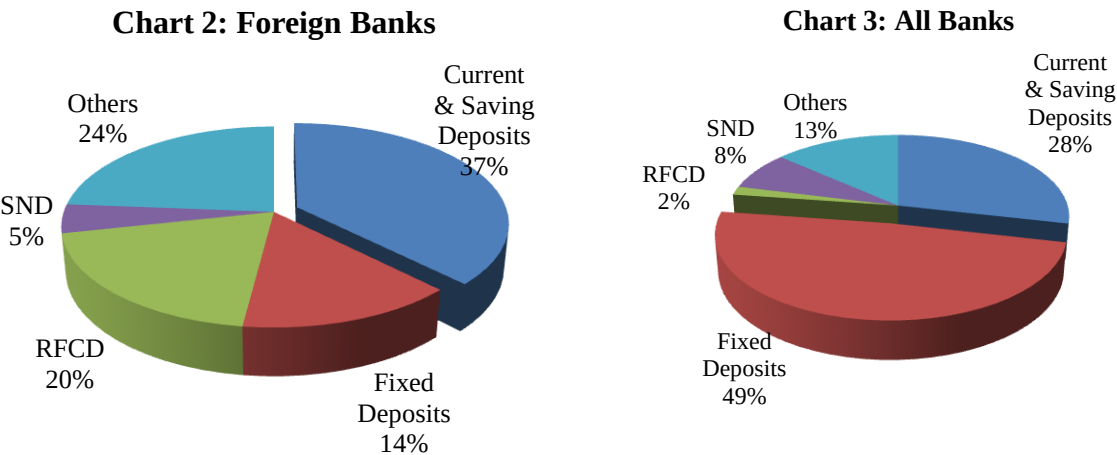
Product Type	June, 2025	Dec, 2025	June, 2026	(amount Tk. in crore)	
	1	2	3	Growth rate (%) 3 over 1	(%) Share for June 2026
Current & Saving Deposits	32,547.5	34,038.4	32,800.9	0.8	37.5
Fixed Deposits	14,542.0	14,028.1	12,664.5	-12.9	14.5
Resident Foreign Currency Deposits	16,491.0	14,587.7	17,088.3	3.6	19.6
Special Notice Deposit (SND)	5,922.6	4,796.2	4,060.2	-31.4	4.6
Others	17,987.1	20,117.5	20,764.6	15.4	23.8
Total	87,490.1	87,567.9	87,378.5	-0.1	100.0
Foreign banks' deposit as a percentage of total bank deposits	4.4%	4.2%	4.0%		

Chart 1: Composition of Foreign Banks' Deposits



At the end of June 2026, the composition of foreign banks’ deposits was dominated by current & saving deposits (37.5 percent), followed by RFCDs (19.6 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.

Types of Deposits (Amount): June, 2026



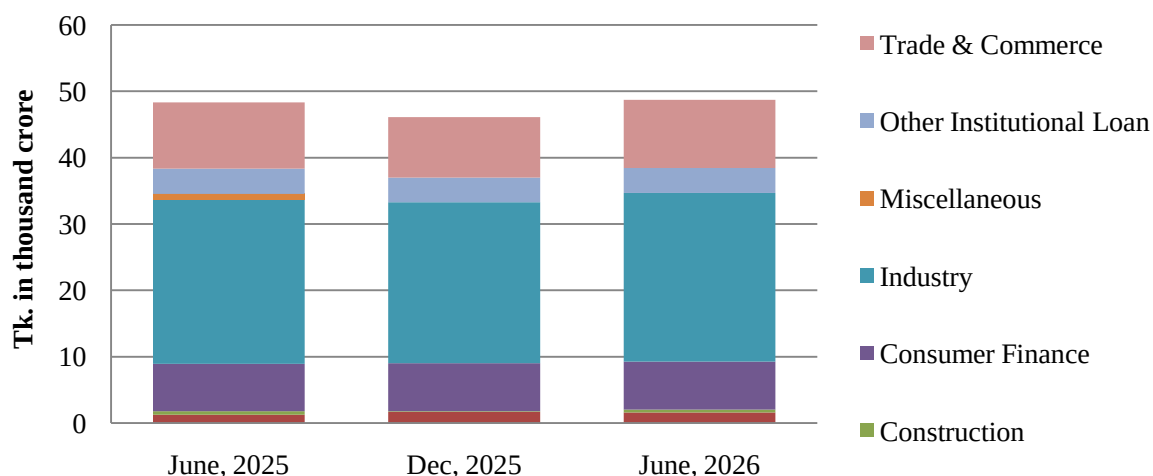
Foreign banks consistently hold around 4.0-4.4 percent of total banking sector deposits, exceeding their credit share, which implies a net liquidity surplus and conservative intermediation stance. Compared with the overall banking sector, foreign banks maintain a relatively higher proportion of current 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 2 and 3 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.

Loans and advances of foreign banks stood at Tk 48,704.2 crore at end-June 2026. Following a contraction of 4.6% in the second half of 2025 (to Tk 46,122.5 crore), lending recovered in the first half of 2026. Foreign banks’ share of total banks’ loans and advances was 2.7%, compared with 2.6% in December 2025 and 2.8% in June 2025 (Table 2).

Table 2: Loans & Advances through Economic Purposes (Foreign Banks)

(amount Tk. in crore)

Major Industry Group	June, 2025	Dec, 2025	June, 2026	Growth rate (%)	(%) Share for June 2026
	1	2	3	3 over 1	
Agriculture, Fishing and Forestry	1,267.2	1,668.5	1,575.7	24.3	3.2
Construction	498.9	119.6	428.5	-14.1	0.9
Consumer Finance	7,144.8	7,213.6	7,271.3	1.8	14.9
Industry	24,685.1	24,264.8	25,402.6	2.9	52.2
Miscellaneous	934.5	-	-		
Other Institutional Loan	3,799.2	3,732.7	3,742.5	-1.5	7.7
Trade & Commerce	10,005.2	9,110.5	10,273.6	2.7	21.1
Transport	20.3	12.7	10.1	-50.5	0.0
Total	48,355.2	46,122.5	48,704.2	0.7	100.0
% of Non-Performing Loan	6.1%	5.9%	6.5%		
Share of Foreign Banks in Total Bank Loans & Advances (%)	2.8%	2.6%	2.7%		

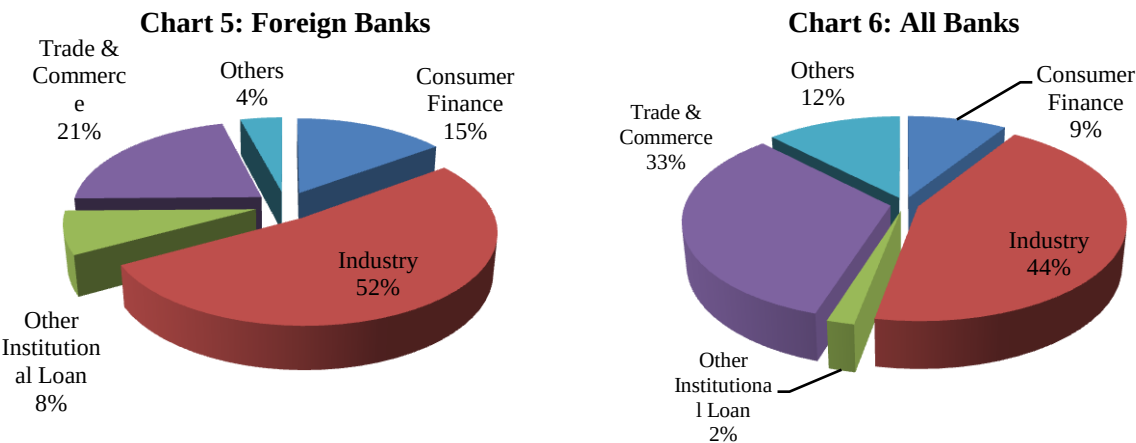
Chart 4: Loans and Advances by Major Industry Group

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. 24,685.1 crore in June 2025 to Tk. 25,402.6 crore by June 2026 underscores foreign banks' continued role in supporting export-oriented manufacturing, particularly in sectors integrated into global value chains. Similarly, loans to trade and commerce significantly from 10.0 thousand crore to 10.3 thousand crore, suggesting steady trade financing activities amid changing economic condition. An encouraging development was observed in lending to agriculture, fishing and forestry, with 24.3% growth from Tk. 1,267.2 crore in June 2025 to Tk.

1,575.7 crore in June 2026. 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 6.1 percent (June 2025) to 6.5 percent (June 2026). 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: June, 2026



As like overall banking sector, foreign banks have higher exposure to industrial loans and foreign trade oriented corporate (Chart 5 & 6). 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 FY 2025-26; 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 3.95 billion (Jan-June, 2026). Their share of national export receipts remained stable at around 18.6 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

(amount in million USD)

Items	Jan-June, 2025	July-Dec, 2025	Jan-June, 2026	Growth rate (%)	(%) Share for June 2026
	1	2	3	3 over 1	
Woven Garments	1,763.1	1,908.6	1,818.1	3.1	46.0
Knitwear	1,268.1	1,401.6	1,345.9	6.1	34.1
Leather & Leather Manufactures	164.5	184.9	169.1	2.8	4.3
Others	615.8	625.4	615.4	-0.1	15.6
Total of all foreign banks	3,811.5	4,120.5	3,948.5	3.6	
% of total export receipts	17.3%	18.8%	18.6%		

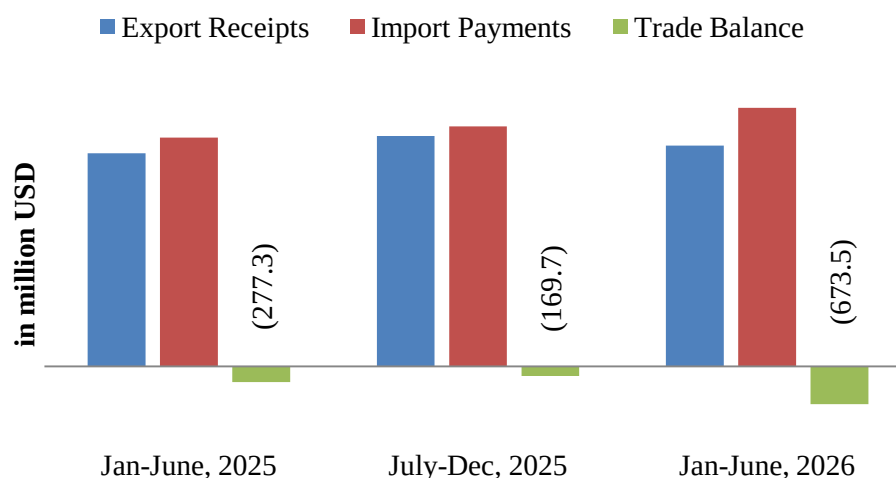
Table 4: Import Payments through Foreign Banks

(amount in million USD)

Items	Jan-June, 2025	July-Dec, 2025	Jan-June, 2026	Growth rate (%)	(%) Share for June 2026
	1	2	3	3 over 1	
Crude Petroleum and Petroleum Oil Lubricant	216.6	247.5	303.4	40.1	6.6
Chemicals	271.4	304.0	318.1	17.2	6.9
Plastics and Rubber articles	226.9	234.4	263.1	16.0	5.7
Raw Cotton	235.3	216.8	221.7	-5.8	4.8
Yarn	208.7	198.4	204.6	-2.0	4.4
Textiles and Articles thereof	908.1	861.3	922.2	1.6	20.0
Iron, Steel and Other Base Metal	237.6	242.0	233.2	-1.9	5.0
Capital Machineries	191.2	177.1	173.2	-9.4	3.7
Other Machineries	260.8	306.2	375.1	43.8	8.1
Others	1,332.2	1,502.5	1,607.4	20.7	34.8
Total of all foreign banks	4,088.8	4,290.2	4,622.0	13.0	
% of total import payments	11.8%	13.1%	13.3%		

Import payments through foreign banks rose to USD 4.62 billion, with a stable 13.3 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.

Chart 7: Export, Import, Trade Balance



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)		
	Jan-June, 2025	July-Dec, 2025	Jan-June, 2026
Workers' Remittance Received	36.3	47.4	48.1
% of total workers' remittance received	0.2%	0.3%	0.2%

III. Profitability, Reinvestment and Outward Remittances

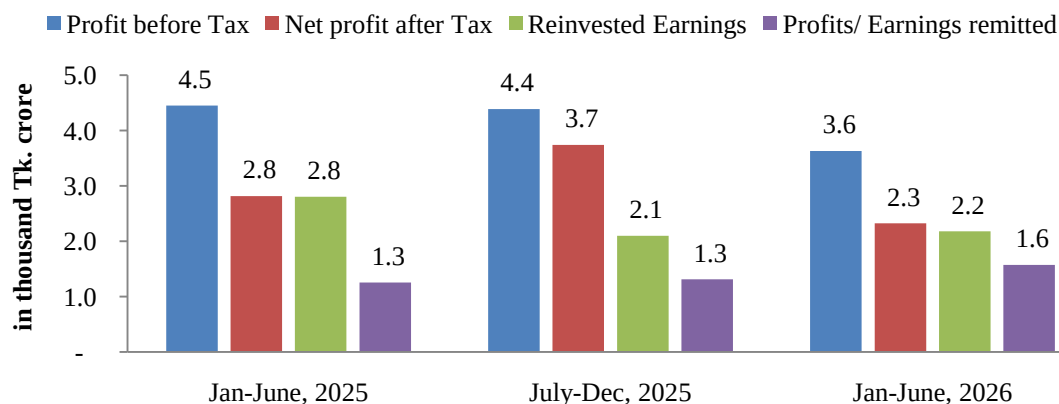
Foreign banks earnings weakened in the first half of 2026. Profit before tax fell to Tk. 3632.0 crore, 18.4 percent lower than in January-June 2025 and 17.3 percent lower than in the processing half-year. Tax on profit fell faster, so the ratio of tax to pre-tax profit declined from 36.8 percent to 33.5 percent and then to 32.1 percent. Reported net profit after tax was Tk. 2,321.5 crore which is 17.5 percent lower than January-June 2025, the latter comparison being against an unusually high July-December 2025 figure (Table 6). Reinvestment earnings were Tk, 2,180.1 crore in January-June 2026, 22.2 percent below compare to January-June 2025. A provision for dividend of Tk. 132.7 crore appears. Outward remittance of profits and earnings rose to Tk. 1,570.1 crore, which is 25.3 percent higher than a year earlier. No dividend remittance is recorded during January-June, 2026 (Table 6).

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

(amount Tk. in crore)

		Jan-June, 2025	July-Dec, 2025	Jan-June, 2026
Operating Profit and Net Income	Profit before Tax	4,452.6	4,390.1	3,632.0
	Tax on profit	1,637.0	1,469.9	1,165.2
	Net profit after Tax	2,815.6	3,738.7	2,321.5
	Provision for Dividend	-	-	132.7
	Provision for others	1.1	5.4	8.8
	Reinvested Earnings	2,803.1	2,096.4	2,180.1
Outward Remittances	Profits/ Earnings	1,252.7	1,314.6	1,570.1
	Dividends	-	562.7	-
	Repayment of loan principal	-	-	-

Chart 8: Profit, retained earnings and profit remittances



IV. Balance Sheet Structure

At the end of fiscal year 2025-26, foreign banks' total assets reached Tk. 310,621 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 23.8 percent of total assets and claims on government constituting 12.4 percent. Foreign assets decreased to Tk. 17,367.7 crore, representing 6.0 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. 12,113.7 crore and represented 4.2 percent of total liabilities. Capital and reserves remained strong at Tk. 17,201.0 crore, representing 6.0 percent of total liabilities and reflecting the robust capitalization of foreign banks. Borrowings from Bangladesh Bank remained limited as represented 0.4 percent of total liability.

Table 7: Major Asset Components and Liability Components

Components	June, 2025		Dec, 2025		June, 2026	
	Amount in crore Tk.	Share (%)	Amount in crore Tk.	Share (%)	Amount in crore Tk.	Share (%)
Total Assets	301,401.9		300,219.3		310,621.3	
Reserves	7,654.8	2.6	8,901.5	3.1	8,127.3	2.8
Non Reserve Assets	5,679.5	2.0	3,862.9	1.3	3,701.4	1.3
Foreign Assets	17,485.0	6.0	17,948.7	6.2	17,367.7	6.0
of which						
Balances With Banks Abroad	15,795.0	5.5	15,931.2	5.5	15,531.5	5.4
Export Bills	1,566.7	0.5	1,921.8	0.7	1,756.3	0.6
Claims On Government	33,987.2	11.8	38,142.2	13.2	35,795.1	12.4
of which: Investment	33,906.9	11.7	38,057.5	13.2	35,691.5	12.3
Claims On Other Public Sector	938.9	0.3	876.8	0.3	826.6	0.3
Claims On Private Sector	65,491.3	22.7	64,465.9	22.3	68,775.4	23.8
Other Assets	170,165.2	58.9	166,021.3	57.4	176,027.8	60.9
Total Liabilities	301,401.9		300,219.3		310,621.3	
Deposits	82,721.5	28.6	82,085.5	28.4	82,143.6	28.4
Foreign Liabilities	9,522.8	3.3	10,760.8	3.7	12,113.7	4.2
Borrowings From Bangladesh Bank	1,238.1	0.4	1,153.9	0.4	1,289.6	0.4
Capital & Reserve	16,668.9	5.8	15,617.6	5.4	17,201.0	6.0
Provision For Loans	3,286.8	1.1	3,140.7	1.1	3,356.5	1.2
Other Liabilities	187,963.8	65.0	187,460.8	64.8	194,516.9	67.3

A significant portion of the balance sheet i) exceeding 60 percent of total assets and ii) 67 percent 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

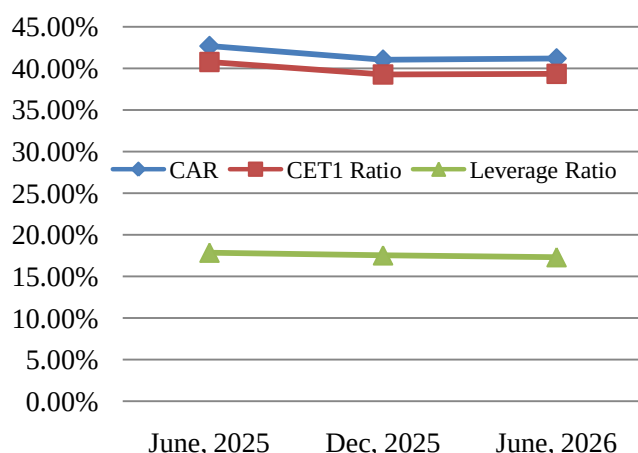
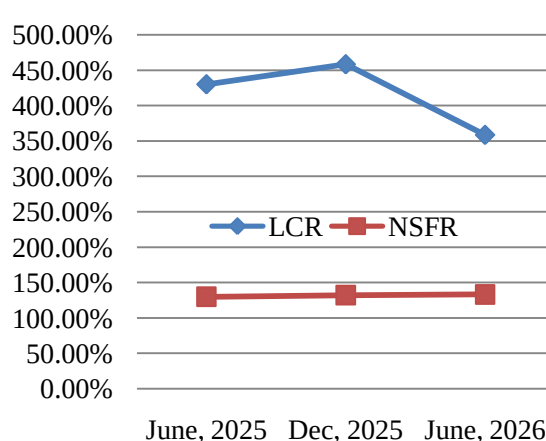
Financial soundness indicators show a segment that is very strongly capitalized and highly liquid, with a softer earnings profile and a gradual increase in foreign currency exposure. Foreign banks continued to exhibit exceptional capital strength during fiscal year 2025-26. The financial soundness indicators 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 41.21 percent at end-June 2026, substantially exceeding regulatory requirements. The Common Equity Tier 1 (CET1) ratio and Tier 1 Capital Ratio also remained elevated at 39.36 percent and 39.42 percent, respectively.

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

Indicator	Jun-25 (%)	Dec-25 (%)	Jun-26 (%)
Capital Adequacy Ratio (CAR)	42.69	41.05	41.21
Common Equity Tier 1 (CET1) Ratio	40.78	39.28	39.36
Tier 1 Capital Ratio	40.84	39.34	39.42
Return on Assets (ROA)	2.09	4.18	1.62
Provision Coverage Ratio (PCR)	67.51	65.03	70.95
Return on Equity (ROE)	8.44	17.12	7.06
Liquid Assets to Total Assets	46.40	47.87	47.48
Liquid Assets to Short-Term Liabilities	197.83	160.65	205.28
Customer Deposits to Gross Loans	127.19	125.86	128.24
Foreign Currency Loans to Gross Loans	39.87	39.19	40.85
Foreign Currency Liabilities to Total Liabilities	44.78	42.55	45.45
Leverage Ratio	17.86	17.53	17.31
Liquidity Coverage Ratio (LCR)	430.25	458.56	358.68
Net Stable Funding Ratio (NSFR)	130.03	132.28	133.40

ROA declined to 1.62 percent and ROE to 7.06 percent, compared with 2.09 percent and 8.44 percent in June 2025, in line with the fall in profit. Liquid assets are 47.48 percent of total assets

Chart 9: Capital Ratios (%)**Chart 10: Liquidity Ratios (%)**

and 205.28 percent of short-term liabilities, and NSFR improved slightly to 133.4 percent. LCR declined sharply, yet remains 3.6 times the minimum. Deposits to gross loans rose 128.24 percent, confirming that lending is well below the deposit base.

Foreign currency loans rose to 40.85 percent of gross loans and foreign currency liabilities to 45.45 percent to total liabilities.

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 FY 2025-26, 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.

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