

# Annual Report

## 2014-2015



**Bangladesh Bank**

# Annual Report

(July 2014-June 2015)



**BANGLADESH BANK**  
(The Central Bank of Bangladesh)

Letter of Transmittal  
**BANGLADESH BANK**

Dhaka  
27 January 2016

The Secretary  
Bank and Financial Institutions Division  
Ministry of Finance  
Government of the People's Republic of Bangladesh  
Dhaka.

Dear Sir,

In terms of Article 40 (2) of the Bangladesh Bank Order, 1972 (P. O Number 127) I have the honour to submit to the Government of the People's Republic of Bangladesh the Annual Report of the Bangladesh Bank for the financial year 2014-2015. Audited Accounts of the Bank for the financial year was forwarded earlier on 30 August 2015.

Yours faithfully,



(Dr. Atiur Rahman)  
Governor

## Board of Directors

Dr. Atiur Rahman	Chairman
Mr. Md. Abul Quasem	Director
Dr. Mustafa Kamal Mujeri	Director
Prof. Sanat Kumar Saha	Director
Dr. Sadiq Ahmed	Director
Prof. Hannana Begum	Director
Mr. Md. Ghulam Hussain	Director
Dr. M. Aslam Alam	Director
Mr. Mahbub Ahmed*	Director
Mr. Md. Nojibur Rahman**	Director
Mr. Ahmed Jamal	Secretary

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\* Mr. Mahbub Ahmed was appointed as Director of the Board in place of Mr. Fazle Kabir with effect from 27 July 2014.

\*\* Mr. Md. Nojibur Rahman was appointed as Director of the Board in place of Mr. Md. Ghulam Hussain with effect from 25 January 2015.

## Governor

Dr. Atiur Rahman

## Deputy Governors

Md. Abul Quasem

Abu Hena Mohd. Razee Hassan

Shitangshu Kumar Sur Chowdhury

Nazneen Sultana

## Change Management Adviser

Md. Allah Malik Kazemi

## Chief Economist

Dr. Biru Paksha Paul

## Executive Directors/Economic Adviser

Md. Ahsan Ullah

Md. Mahfuzur Rahman

Dr. Md. Akhtaruzzaman

S.M. Moniruzzaman

Mohammad Naushad Ali Chowdhury

Ahmed Jamal

Nirmal Chandra Bhakta

Subhankar Saha

Mohammad Masum Kamal Bhuiyan

Md. Abdur Rahim

Md. Adbus Sattar Miah

Jinnatul Bakeya

Muhammad Mijanur Rahman Joddar

Md. Nazimuddin

Md. Mozibar Rahman

Md. Saiful Islam

Qazi Nasir Ahmed

Md. Humayun Kabir

## Departments\* of the Head Office and Department Heads\*\*

Accounts & Budgeting Department	Badrul Haque Khan, General Manager@
Agricultural Credit & Financial Inclusion Department	Provash Chandra Mallick, General Manager
Bangladesh Bank Training Academy	Sheikh Azizul Haque, General Manager
	Md. Golam Mostafa, General Manager
	Md. Abdul Hamid, General Manager
	Nurun Nahar, General Manager
	Md. Bozlar Rahman Mollah, General Manager
	Md. Mosharraf Hossain Khan, General Manager
	Rokeya Akhter, General Manager
	Mohammad Matiur Rahman, System Manager
	Rokeya Begum, General Manager
	Md. Nasiruzzaman, General Manager
Bangladesh Financial Intelligence Unit	Chowdhury Md. Feroz Bin Alam, General Manager
Banking Regulation & Policy Department	Joarder Israil Hossain, General Manager
Central Bank Strengthening Project Cell	Begum Sultana Razia, General Manager
Chief Economist Unit	Ranendra Narayan Choudhury, General Manager
Common Services Department-1	A.K.M. Fazlur Rahman, General Manager
Common Services Department-2	Monsura Khatun, General Manager
Credit Information Bureau	Ashok Kumar Dey, General Manager
Department of Banking Inspection-1	Sultan Ahmed, General Manager
Department of Banking Inspection-2	Mohd. Humayun Kabir, General Manager
Department of Banking Inspection-3	Mohammad Golam Haider, General Manager
Department of Banking Inspection-4	Md. Muslem Uddin, General Manager
Department of Currency Management	F.M. Mokammel Huq, General Manager
Department of Communications and Publications	Md. Eskandar Mian, General Manager
Department of Foreign Exchange Inspection	Md. Shah Alam, General Manager
Department of Financial Institutions & Market	Mahfuza Khanam, General Manager
Deposit Insurance Department	Bishnu Pada Saha, General Manager
Debt Management Department	S.M. Rabiul Hassan, General Manager
Department of Off-site Supervision	Md. Sohrawardy, General Manager
Expenditure Management Department	A.N.M. Abul Kashem, General Manager
Foreign Exchange Investment Department	Syed Tariquzzaman, General Manager
Foreign Exchange Operation Department	Md. Masud Biswas, General Manager
Foreign Exchange Policy Department	A.K.M. Amjad Hussain, General Manager
Financial Integrity and Customer Services Department	Kazi Sayedur Rahman, General Manager
Forex Reserve & Treasury Management Department	Debashish Chakraborty, General Manager
Financial Stability Department	Manoj Kumar Biswas, General Manager
Green Banking & CSR Department	A.F.M. Asaduzzaman, General Manager
Governor's Secretariat	Dr. Md. Habibur Rahman, General Manager
	Abu Farah Md. Nasser, General Manager
Human Resources Department-1	Md. Azizur Rahman, General Manager
Human Resources Department-2	Md. Sadrul Huda, General Manager@
Internal Audit Department	Md. Nurul Amin Bhuiyan, Systems Manager
Information Systems Development Department	Md. Rizwanul Hoque, Systems Manager
IT Operation & Communication Department	A.K.M. Mohiuddin Azad, General Manager
Law Department	Md. Abdur Rouf, General Manager
Monetary Policy Department	K.M. Abdul Wadood, General Manager
Payment Systems Department	Mohammed Shahidul Alam, General Manager
Research Department	Bilkis Sultana, General Manager
	Md. Abdul Awwal Sarker, General Manager
	Asish Kumar Das Gupta, General Manager
Secretary's Department	Dr. Abul Kalam Azad, General Manager
Statistics Department	A. K. M. Fazlul Haque Mia, General Manager
	Md. Mizanur Rahman, General Manager
	Lt. Col. (Retd.) Md. Mahmudul Haque Khan Chowdhury, General Manager@
	Swapan Kumar Roy, General Manager
Security Management Department	Md. Elias Sikder, General Manager
SME & Special Programmes Department	
Special Studies Cell	

\*As per alphabetical arrangement. \*\* As of 30 June 2015.

@ Contractual Basis.

Note: 1) Md. Serajul Islam, General Manager, Sheikh Mozaffar Hossain, General Manager, Md. Abdus Sattar, General Manager, Md. Sultan Masud Ahmed, General Manager and Laila Bilkis Ara, General Manager are on deputation with EEF Unit, Bangladesh Institute of Bank Management, Institute of Bankers Bangladesh, Housing Fund and Microcredit Regulatory Authority respectively.  
2) Md. Abdur Rashid, General Manager is attached with HRD-1.

## Branch Offices\* and Office Heads\*\*

Barisal	Nurul Alam Kazi, General Manager
Bogra	Manoj Kanti Bairagi, General Manager
Chittagong	Muhammad Mijanur Rahman Joddar, Executive Director
Khulna	Md. Nazimuddin, Executive Director Prokash Chandra Bhadra, General Manager
Motijheel	Md. Mozibar Rahman, Executive Director Md. Masum Patwary, General Manager Md. Shahidur Rahman, General Manager*** Dr. Mihir Kanti Chakroborty, Chief Medical Officer@
Mymensingh	Md. Shafiqul Islam, General Manager
Rajshahi	Jinnatul Bakeya, Executive Director Sheikh Abdullah, General Manager
Rangpur	Md. Khurshid Alam, General Manager
Sadarghat	Qazi Enayet Hussain, General Manager
Sylhet	Mohammad Mobarak Hossain, General Manager

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\*As per alphabetical arrangement.

\*\* As of 30 June 2015.

\*\*\* Currency Officer (CO).

@ Contractual Basis.

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## List of Abbreviations

A/C	Account	BTMA	Bangladesh Textile Mills Association
ACC	Anti-Corruption Commission	BTMC	Bangladesh Textile Mills Corporation
A&BD	Accounts & Budgeting Department	BTRC	Bangladesh Telecommunication Regulatory Commission
ACU	Asian Clearing Union	BWG	BIMSTEC Working Group
ACUD	Asian Clearing Union Dollar	CAAB	Civil Aviation Authority, Bangladesh
ADB	Asian Development Bank	CAMD	Capital Adequacy and Market Discipline
ADP	Annual Development Programme	CAMEL	Capital Adequacy, Asset Quality, Management, Earnings and Liquidity
ADR	Advance Deposit Ratio	CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
ADs	Authorised Dealers	CAMLCO	Chief Anti Money Laundering Compliance Officer
AML	Anti Money Laundering	CAPM	Capital Asset Pricing Model
ASEAN	Association of South East Asian Nations	CAR	Capital Adequacy Ratio
ATA	Anti-Terrorism Act	CBSP	Central Bank Strengthening Project
ATDTL	Average Total Demand and Time Liabilities	CCB	Countercyclical Capital Buffer
ATDP	Agro- based Industries and Technology Development Project	CDA	Chittagong Development Authority
ATM	Automated Teller Machine	CET1	Common Equity Tier-1
BAB	Bangladesh Accreditation Board	CFI	Cost of Funds Index
BACH	Bangladesh Automated Clearing House	CFT	Combating the Financing of Terrorism
BACPS	Bangladesh Automated Cheque Processing Systems	CIB	Credit Information Bureau
BASIS	Bangladesh Association of Software and Information Services	CID	Criminal Investigation Department
BB	Bangladesh Bank	CIPC	Customers' Interests Protection Centre
BBS	Bangladesh Bureau of Statistics	CIT	Cheque Imaging and Transaction
BBTA	Bangladesh Bank Training Academy	CPI	Consumer Price Index
BCBL	Bangladesh Commerce Bank Ltd.	CRAR	Capital to Risk-weighted Asset Ratio
BDBL	Bangladesh Development Bank Limited	CRM	Comprehensive Risk Management Report
BEFTN	Bangladesh Electronic Fund Transfer Network	CRO	Chief Risk Officer
BFIU	Bangladesh Financial Intelligence Unit	CRR	Cash Reserve Requirement
BGAPMEA	Bangladesh Accessories & Packaging Manufacturers & Exporters Association	CSE	Chittagong Stock Exchange
BGIIB	Bangladesh Government Islamic Investment Bond	CSR	Corporate Social Responsibility
BGMEA	Bangladesh Garment Manufactures & Exporters Association	CTRs	Cash Transaction Reports
BGTBs	Bangladesh Government Treasury Bonds	DBI-1	Department of Banking Inspection-1
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	DBI-2	Department of Banking Inspection-2
BJMC	Bangladesh Jute Mills Corporation	DBI-3	Department of Banking Inspection-3
BLFCA	Bangladesh Leasing and Finance Companies Association	DBI-4	Department of Banking Inspection-4
BIRP	Bank Intervention Resolution Plan	DC	Data Centre
BIC	Basel Implementation Cell	DFEI	Department of Foreign Exchange Inspection
BKB	Bangladesh Krishi Bank	DFIM	Department of Financial Institutions & Market
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association	DFIs	Development Finance Institutions
BoP	Balance of Payments	DIS	Deposit Insurance Scheme
BPC	Bangladesh Petroleum Corporation	DITF	Deposit Insurance Trust Fund
BPO	Bangladesh Post Office	DMD	Debt Management Department
BPSSR	Bangladesh Payment and Settlement Systems Regulations	DMS	Document Management System
BRDB	Bangladesh Rural Development Board	DSE	Dhaka Stock Exchange
BRPD	Banking Regulation & Policy Department	DSEX	DSE Broad Index
BSBL	Bangladesh Samabaya Bank Limited	DSIB	Domestic Systematically Important Bank
BSEC	Bangladesh Securities and Exchange Commission	DOF	Directorate of Fisheries
BSS	Banking Supervision Specialists	DOS	Department of Off-site Supervision
		DRR	Diagnostic Review Report
		DRS	Disaster Recovery Site
		DTIS	Diagnostic Trade Integration Study
		D&T	Demand and Time
		EC	Election Commission
		ECF	Extended Credit Facility

EDD	Environmental Due Diligence	IASB	International Accounting Standards Board
EDF	Export Development Fund	ICAAP	Internal Capital Adequacy Assessment Process
EDW	Enterprise Data Warehouse	ICB	Investment Corporation of Bangladesh
EEF	Equity and Entrepreneurship Fund	ICML	ICB Capital Management Ltd
EFT	Electronic Fund Transfer	ICT	Information and Communication Technology
EGBMP	Enterprises Growth and Bank Modernisation Programme	IDA	International Development Agency
EI	Expenditure-Income	IDCOL	Infrastructure Development Company Limited
EIF	Enhanced Integrated Framework	IFC-BICF	International Finance Corporation-Bangladesh Investment Climate Fund
EMT	Executive Management Team	IFRSs	International Financial Reporting Standards
EPB	Export Promotion Bureau	IFS	International Financial Statistics
EPZ	Export Processing Zone	IIFM	Islami Interbank Fund Market
ERM	Environmental Risk Management	IMF	International Monetary Fund
ERP	Enterprise Resource Planning	IPFF	Investment Promotion & Financing Facility
ERR	Environmental Risk Rating	IPO	Initial Public Offering
ERQs	Exporters Retention Quotas	IR	Insolvency Ratio
ETP	Effluent Treatment Plant	ISS	Integrated Supervision System
EU	European Union	ISTCL	ICB Securities Trading Company Ltd.
EWS	Early Warning System	IT	Information Technology
FAO	Food and Agriculture Organisation	ITC	International Trade Centre
FCBs	Foreign Commercial Banks	ITM	Inter-bank Transaction Matrix
FCK	Fixed Chimney Kiln	JCS	Joint Cooperation Strategy
FDI	Foreign Direct Investment	JICA	Japan International Cooperation Agency
FIs	Financial Institutions	JPY	Japanese Yen
FICSD	Financial Integrity and Customer Service Department	KSA	Kingdom of Saudi Arabia
FoB	Free on Board	KYC	Know Your Customer
FPM	Financial Projection Model	L/C	Letter of Credit
FRTMD	Forex Reserve & Treasury Management Department	LAN	Local Area Network
FSD	Financial Stability Department	LCR	Liquidity Coverage Ratio
FSPDSME	Financial Sector Project for the Development of Small and Medium-sized Enterprise	LDCs	Least Developed Countries
FSSP	Financial Sector Support Programme	LIBOR	London Interbank Offered Rate
FTA	Free Trade Agreement	LOLR	Lender of Last Resort
FY	Financial Year (July- June)	LPG	Liquefied Petroleum Gas
GDE	Gross Domestic Expenditure	LSF	Liquidity Support Facility
GDP	Gross Domestic Product	M2	Broad Money
GDS	Gross Domestic Savings	MANCOM	Management Committee
GFET	Guideline for Foreign Exchange Transaction	MCR	Minimum Capital Requirements
GFSR	Global Financial Stability Report	MFI	Microfinance Institutions
GHG	Green House Gas	MFS	Mobile Financial Services
GNI	Gross National Income	ML	Money Laundering
GNS	Gross National Savings	MLT	Medium and Long Term
GoB	Government of Bangladesh	MMT	Million Metric Tons
GVA	Gross Value Added	MoF	Ministry of Finance
H1	First Half	MoU	Memorandum of Understanding
H2	Second Half	MPD	Monetary Policy Department
HBFC	House Building Finance Corporation	MPS	Monetary Policy Statement
HFT	Held for Trade	MRA	Microcredit Regulatory Authority
HHI	Herfindahl-Hirschman Index	MSFSCIP	Marginal and Small Farm System Crop Intensification Project
HHK	Hybrid Hoffman Kiln	MSME	Micro Small and Medium Enterprise
HRD-1	Human Resources Department-1	MTMF	Medium Term Macroeconomic Framework
HRD-2	Human Resources Department-2	NAFTA	North American Free Trade Agreement
HTM	Held to Maturity	NBFIs	Non-bank Financial Institutions
IAD	Internal Audit Department	NBR	National Board of Revenue
IADI	International Association of Deposit Insurance	NCC	National Coordination Committee
IAMCL	ICB Asset Management Company Ltd	NCDP	Northwest Crop Diversification Project
		NCT	Net Current Transfer
		NDA	Net Domestic Assets

NEER	Nominal Effective Exchange Rate	SAARC	South Asian Association for Regional Cooperation
NFA	Net Foreign Assets	SC	Steering Committee
NFAs	No-Frill Accounts	SCBs	State -owned Commercial Banks
NGOs	Non-Governmental Organisations	SCDP	Second Crop Diversification Project
NII	Net Interest Income	SDC	Swiss Agency for Development and Cooperation
NIM	Net Interest Margin	SDR	Special Drawing Rights
NITA	Non-resident Investor Taka Account	SEC	Securities and Exchange Commission
NNPL	Net Non-performing Loans	SEF	Small Enterprise Fund
NOC	No Objection Certificate	SEIP	Skills for Employment Investment Programme
NRTA	Non-resident Taka Accounts	SEZ	Special Economic Zone
NOC	No Objection Certificate	SHOGORIP	Shashya Gudam Rin Prokalpa
NPLs	Non-performing Loans	SIM	Subscriber Identity Module
NPO	Non-profit organisation	SLR	Statutory Liquidity Ratio
NPS	National Payment Switch	SMEs	Small and Medium-sized Enterprises
NPSB	National Payment Switch Bangladesh	SMEDP	Small and Medium-sized Enterprise Development Project
NRB	Non-resident Bangladeshi	SMESDP	Small and Medium-sized Enterprise Sector Development Project
NSD	National Saving Directorate	SME&SPD	SME & Special Programmes Department
NSFR	Net Stable Funding Ratio	SPCBL	Security Printing Corporation (Bangladesh) Ltd.
OECD	Organisation for Economic Co-operation and Development	SPM	Suspended Particulate Matter
OMO	Open Market Operation	SREP	Supervisory Review Evaluation Process
OMS	Order Management System	SRP	Supervisory Review Process
OPGSPs	Online Payment Gateway Service Providers	STRs	Suspicious Transaction Reports
PCBs	Private Commercial Banks	SWIFT	Society for Worldwide Interbank Financial Telecommunication
PDs	Primary Dealers	TA	Technical Assistance
PFDS	Public Food Distribution System	TDTL	Total Demand and Time Liabilities
PFI	Participating Financial Institution	TF	Terrorist Financing
PKSF	Palli Karma Sahayak Foundation	TMSS	Thengamara Mohila Sabuj Sangha
POL	Petroleum, Oil and Lubricants	TSL	Two Step Loan
POs	Partner Organisations	TVCs	Television Commercials
POS	Point of Sale	UAE	United Arab Emirates
PPP	Public Private Partnership	UK	United Kingdom
PRGF	Poverty Reduction and Growth Facility	UNCTAD	United Nations Conference on Trade and Development
PSD	Payment Systems Department	US	United States
QIIP	Quantum Index of Industrial Production	USA	United States of America
QRR	Quick Review Report	USD	US Dollar
RAJUK	Rajdhani Unnayan Kartripakkha	VAT	Value Added Tax
RAKUB	Rajshahi Krishi Unnayan Bank	VPN	Virtual Private Network
RBCA	Risk Based Capital Adequacy	VSBK	Vertical Shaft Brick Kiln
REER	Real Effective Exchange Rate	WAN	Wide Area Network
Repo	Repurchase Agreement	WAR	Weighted Average Resilience
RM	Reserve Money	WAR-WIR	Weighted Average Resilience-Weighted Insolvency Ratio
RMD	Risk Management Department	WASA	Water Supply & Sewerage Authority
RMG	Ready Made Garments	WEO	World Economic Outlook
RMP	Risk Management Paper	WFE	World Federation of Exchanges
RMU	Risk Management Unit	WG	Working Group
ROA	Return on Assets	WIR	Weighted Insolvency Ratio
ROE	Return on Equity	WTO	World Trade Organisation
RR	Regional Representative		
RTGS	Real Time Gross Settlement		
RWA	Risk Weighted Assets		
S&P	Standard and Poor's		

## Macroeconomic Performance and Prospects

### Global Economic Outlook

1.1 The global economic growth for 2015 is projected to be 3.1 percent, slightly lower than the actual 3.4 percent growth in 2014 (latest World Economic Outlook, October 2015). However, global economic growth in 2016 is expected to increase to 3.6 percent in light of the modest recovery in advanced economies and higher growth prospects for emerging markets and developing economies. In the advanced economies, growth is expected to be 2.0 percent in 2015 and increase to 2.2 percent in 2016. However, growth in emerging markets and developing economies is projected for 2015 at 4.0 percent, 0.6 percentage point lower than in 2014, but expected to increase to 4.5 percent in 2016.

1.2. The forecast of modest economic growth in advanced economies reflects the gradual acceleration of economic activity in the US as well as the euro area supported by lower fuel prices, higher employment, monetary easing, higher investment, etc. and the restoration of the Japanese economy towards a positive growth path. Growth rate of the United States is expected to increase to 2.6 percent in 2015 and 2.8 percent in 2016 from 2.4 percent in 2014. The prospect of economic recovery in the euro area seems reasonable with the increase in domestic demand and growth is projected to be 1.5

**Table 1.1 Overview of the World Economic Outlook projections**

(annual percentage change)				
	2013	2014	Projections	
			2015	2016
<b>World output</b>	<b>3.3</b>	<b>3.4</b>	<b>3.1</b>	<b>3.6</b>
Advanced economies	1.1	1.8	2.0	2.2
United States	1.5	2.4	2.6	2.8
Euro area	-0.3	0.9	1.5	1.6
Germany	0.4	1.6	1.5	1.6
France	0.7	0.2	1.2	1.5
Italy	-1.7	-0.4	0.8	1.3
Spain	-1.2	1.4	3.1	2.5
United Kingdom	1.7	3.0	2.5	2.2
Japan	1.6	-0.1	0.6	1.0
Canada	2.0	2.4	1.0	1.7
Other advanced economies	2.2	2.8	2.3	2.7
Emerging market and developing economies	5.0	4.6	4.0	4.5
Emerging and developing Asia	7.0	6.8	6.5	6.4
China	7.7	7.3	6.8	6.3
ASEAN-5	5.1	4.6	4.6	4.9
South Asia				
Bangladesh	6.0	6.3	6.5	6.8
India	6.9	7.3	7.3	7.5
Pakistan	3.7	4.0	4.2	4.5
Sri Lanka	7.3	7.4	6.5	6.5
<b>World trade volume (goods and services)</b>	<b>3.3</b>	<b>3.3</b>	<b>3.2</b>	<b>4.1</b>
<b>Imports</b>				
Advanced economies	2.0	3.4	4.0	4.2
Emerging and developing economies	5.2	3.6	1.3	4.4
<b>Exports</b>				
Advanced economies	2.9	3.4	3.1	3.4
Emerging and developing economies	4.4	2.9	3.9	4.8
<b>Commodity prices (U.S. dollars)</b>				
Oil	-0.9	-7.5	-46.4	-2.4
Nonfuel	-1.2	-4.0	-16.9	-5.1
<b>Consumer prices</b>				
Advanced economies	1.4	1.4	0.3	1.2
Emerging market and developing economies	5.8	5.1	5.6	5.1
South Asia				
Bangladesh	7.5	7.0	6.4	6.6
India	10.0	5.9	5.4	5.5
Pakistan	7.4	8.6	4.5	4.7
Sri Lanka	6.9	3.3	1.7	3.4

Source: World Economic Outlook, October 2015, IMF.

percent in 2015 and 1.6 percent in 2016. The economic growth in Japan is projected to be 0.6 percent in 2015, and 1.0 percent in 2016 from negative 0.1 percent growth in 2014.

1.3 The growth in emerging market and developing economies in 2015 is expected to decline as a result of lower commodity prices, slower capital inflows, embargoes and conflicts



in a number of countries and the gradual fall in growth in China. However, the growth is projected to rebound in some countries in 2016. Growth rate of China is forecast to decrease to 6.8 percent in 2015 and 6.3 percent in 2016 from 7.3 percent in 2014. India's economic growth is expected to remain unchanged in 2015 and projected to be 7.5 percent in 2016 taking advantage of the recent policy reforms and gradual increase in investment.

1.4 Consumer prices in advanced economies are expected to decline to 0.3 percent in 2015 from 1.4 percent in 2014 and then increase to 1.2 percent in 2016. In contrast, consumer prices in emerging markets and developing economies are expected to increase to 5.6 percent in 2015 from 5.1 percent in 2014. However, it is expected that the declining oil and other commodities prices will reduce the overall consumer prices by 0.5 percentage points restoring it to 5.1 percent again in 2016. The headline inflation in advanced economies decreased in 2014 as a result of low oil and other commodity prices.

1.5 World trade volume growth is projected to decrease from 3.3 percent in 2014 to 3.2 percent in 2015 and then increase to 4.1 percent in 2016. The balance of trade in advanced economies is expected to deteriorate in 2015 and 2016, since export growth is projected to be weaker than import growth. The growth rate of imports for advanced economies is expected to increase from 3.4 percent in 2014 to 4.0 percent in 2015 and further to 4.2 percent in 2016. However, the balance of trade in emerging markets and developing economies is

expected to improve in 2015 and 2016, since export growth is projected to be stronger than import growth. In emerging markets and developing economies, growth rate of imports is projected to decline from 3.6 percent in 2014 to 1.3 percent in 2015, and then rise to 4.4 percent in 2016. Exports of advanced economies are expected to grow by 3.1 percent and 3.4 percent in 2015 and 2016 respectively while the same in emerging markets and developing economies are expected to grow by 3.9 percent and 4.8 percent during the same years.

1.6 According to Global Financial Stability Report (GFSR) of October 2015, the financial stability has improved in advanced economies reflecting a strong macro-financial environment in those which coincided with broadening of economic recovery, augmented confidence in monetary policies, and abated deflation risks. Although resilience to external shocks has increased in many emerging market economies, several key economies face substantial domestic imbalances and lower growth. Some of the emerging market economies relied on rapid credit creation to side step the worst impacts of the global crisis. As a result, banks in emerging market economies have thinner capital cushions, while nonperforming loans are set to rise as corporate earnings and asset quality deteriorated. These developments in emerging market banking systems stand in contrast to those in advanced economies, where banks have spent the past few years deleveraging and repairing balance sheets, raising capital, and strengthening funding arrangements. Against a challenging backdrop of falling commodity prices and

weaker growth, several emerging market sovereigns are at greater risk of losing investment-grade ratings in the medium term.

1.7 According to World Economic Outlook (WEO) of October 2015, the balance of risks is still tilted to the downside. Vulnerabilities and financial stability risks in emerging market economies have likely increased amid lower growth, recent commodity price declines, and increased leverage after years of rapid credit growth. Increased financial market volatility can pose financial stability challenges in advanced economies, with substantial spillovers onto emerging markets, including through tighter financial conditions and a reversal of capital flows. The main medium-term risk for advanced economies is a further decline of already-low growth into near stagnation, particularly if global demand falters further as prospects weaken for emerging market and developing economies. In emerging markets, medium-term risks come from spillovers from much slower potential growth in China, or lower potential growth more generally.

### **Developments in the Bangladesh Economy**

1.8 Over the last decade, the Bangladesh economy secured an average of 6.2 percent growth rate well above the global economic growth. Despite political doldrums, structural constraints and global volatility, the Bangladesh economy maintained its macroeconomic stability and high growth trajectory. In FY15, Bangladesh graduated to the status of a lower middle income country from the low income country, and to OECD Export Credit Eligibility group 5, which is just below India but ahead of all other South Asian neighbours. The recurrence of political problems in January 2015 took toll on

economic activity, particularly in services sector, agriculture, exports, and non-formal sector businesses. Domestic supply chain was disrupted due to disruptions of inter-district transportation. Yet, Bangladesh economy remained resilient and recorded a 6.5 percent growth of GDP in FY15. Higher growth of industry sector along with satisfactory growth of services sector helped to achieve this satisfactory growth of the overall economy. The growth of agriculture sector was lower in FY15 compared to the preceding fiscal year due to the lower growth in crops and horticulture sub-sector. During FY15, the average inflation showed a downward trend due to favorable international commodity price movements and sound macroeconomic management.

1.9. A cautious yet growth and investment friendly monetary policy stance was implemented during FY15. Bangladesh Bank maintained policy continuity by keeping the policy rates unchanged to dispel the inflationary pressure and support economic growth. Broad money (M2) registered a 12.4 percent growth in FY15 against the target set at 16.5 percent and the actual growth of 16.1 percent in FY14. Total domestic credit decreased from 11.6 percent in FY14 to 10.1 percent in FY15. Private sector credit growth was 13.2 percent in FY15 which was slightly higher compared to the preceding fiscal year but remained lower against the targeted growth rate of 15.5 percent. On the other hand, the growth of credit to the public sector registered a negative growth rate at 2.5 percent in FY15 against the target set at a 25.3 percent increase. But a good amount of resources through selling National Savings Certificates and a higher amount of NBR tax revenue was collected.



1.10 Due to a steady appreciation of the Real Effective Exchange Rate (REER), export has suffered to some extent. The growth of export fell from 12.1 percent in FY14 to 3.3 percent in FY15 but the growth of imports increased from 8.9 to 11.3 percent during the same period. The higher growth of imports compared to exports led to an increase in trade deficit to the tune of USD 9917 million in FY15 from USD 6794 million in FY14. Workers' remittances growth stood at 7.5 percent in FY15 compared to 1.5 percent negative growth in FY14. A surplus in the overall balance of payments was maintained despite a deficit in current account balance. The foreign exchange reserves reached USD 205021 million at the end of FY15, at a comfortable level to meet over seven months of imports of goods and services. Bangladesh Bank continued its interventions in the domestic foreign exchange market by purchasing foreign currencies as and when deemed appropriate. As a result, nominal Taka-USD exchange rate remained stable during FY15.

### Growth Performance

1.11 The growth of agriculture sector decreased to 3.0 percent in FY15 from 4.4 percent in FY14 due to the lower growth in crops and horticulture sub-sector. The growth rates of different sectors of GDP are presented in Table 1.2.

1.12 Industry sector growth increased to 9.6 percent in FY15 from 8.2 percent in FY14. In fact, the rate of growth of all sub-sectors of industry sector increased in FY15 compared to FY14. The most notable increase was in the case of small scale manufacturing sub-sector.

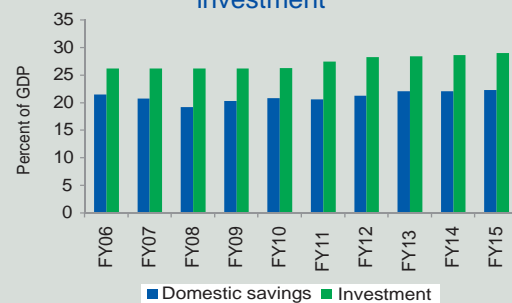
**Table 1.2 Sectoral GDP growth rates**

(at FY06 constant prices)			
	FY06-FY13 (Average)	FY14 <sup>R</sup>	FY15 <sup>P</sup>
<b>1. Agriculture</b>	<b>4.4</b>	<b>4.4</b>	<b>3.0</b>
a) Agriculture and forestry	3.9	3.8	2.1
i) Crops and horticulture	3.9	3.8	1.3
ii) Animal farming	2.5	2.8	3.1
iii) Forest and related services	5.4	5.0	5.1
b) Fishing	6.3	6.4	6.4
<b>2. Industry</b>	<b>8.6</b>	<b>8.2</b>	<b>9.6</b>
a) Mining and quarrying	7.0	4.7	7.5
b) Manufacturing	9.1	8.8	10.3
i) Large and medium scale	9.4	9.3	10.2
ii) Small scale	7.9	6.3	10.7
c) Power, gas and water supply	8.2	4.5	7.0
d) Construction	7.5	8.1	8.6
<b>3. Services</b>	<b>5.9</b>	<b>5.6</b>	<b>5.8</b>
a) Wholesale and retail trade, repair of motor vehicles, motorcycles, and personal and household goods	6.7	6.7	6.6
b) Hotel and restaurants	6.1	6.7	6.9
c) Transport, storage and communication	7.8	6.1	6.0
d) Financial intermediations	9.5	7.3	8.8
e) Real estate, renting and other business activities	4.0	4.3	4.7
f) Public administration and defence	7.9	6.9	7.5
g) Education	7.1	7.3	7.6
h) Health and social works	5.1	5.1	5.7
i) Community, social and personal services	3.1	3.3	3.4
<b>GDP (at FY06 constant market prices)</b>	<b>6.2</b>	<b>6.1</b>	<b>6.5</b>

R = Revised, P = Provisional.

Source: Bangladesh Bureau of Statistics.

**Chart 1.1 Domestic savings and investment**



1.13 Services sector growth increased slightly to 5.8 percent in FY15 from 5.6 percent in FY14. This was driven by the higher growth of financial intermediations; public administration and defence; health and social works; real estate, renting and other business activities; education; hotel and restaurants; and community, social and personal services sub-sectors. However, growth of wholesale and retail trade, repair of

motor vehicles, motorcycles, and personal and household goods and transport, storage and communication sub-sectors was lower than the preceding fiscal year. Financial intermediations sub-sector performed well registering a growth of 8.8 percent in FY15 compared with 7.3 percent in FY14 (Table 1.2).

### Savings and Investment

1.14 Gross fixed investment as a percentage of GDP increased marginally to 29.0 percent in FY15 from 28.6 percent in FY14 (Chart 1.1). Within gross fixed investment, public investment grew faster than the private investment. As a result, the share of public investment in GDP increased from 6.6 percent in FY14 to 6.9 percent in FY15, the share of private investment increased slightly from 22.0 to 22.1 percent of GDP over the same period. The national savings as a percentage of GDP decreased slightly from 29.2 percent in FY14 to 29.1 percent in FY15. Domestic savings as a percentage of GDP increased from 22.1 percent in FY14 to 22.3 percent in FY15. The domestic savings-investment gap as a percentage of GDP increased to 6.7 percent in FY15 from 6.5 percent in FY14.

### Price Developments

1.15 The average inflation rate (base: FY06=100) decreased to 6.4 percent at the end of FY15 from 7.4 percent at the end of FY14. This was driven by decrease in food inflation from 8.6 percent at the end of FY14 to 6.7 percent at the end of FY15. On the other hand, non-food inflation showed a gradual increase and stood at 6.0 percent in June 2015 compared with 5.5 percent in June 2014. Point-to-point inflation also decreased to 6.3 percent in FY15 from 7.0 percent in FY14.

Chart 1.2 National CPI inflation (12 month average : base FY06=100)

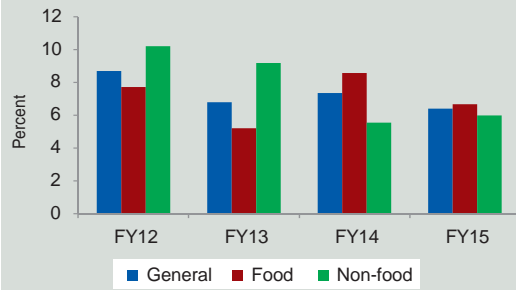


Chart 1.3 Monetary aggregates

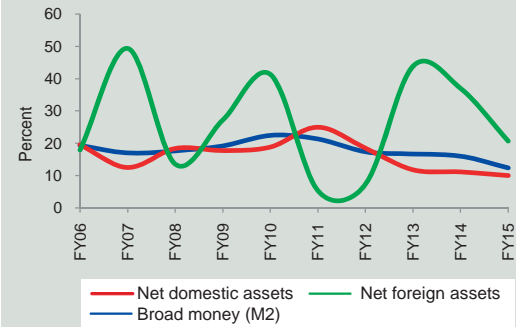
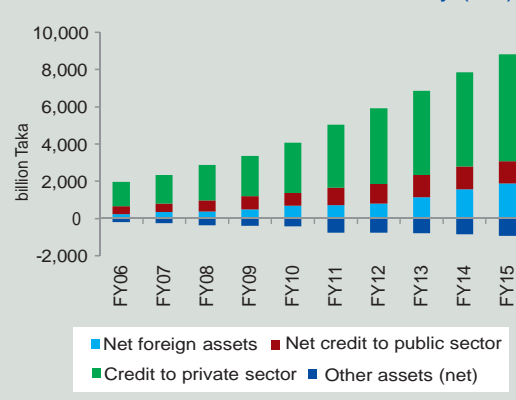


Chart 1.4 Sources of broad money (M2)



### Money and Credit Developments

1.16 In FY15, Bangladesh Bank pursued a cautious but growth supportive monetary policy. The policy stance for FY15 was designed in line with the target of 7.3 percent real GDP growth in a scenario of 6.5 percent annual average CPI inflation. To keep the

inflation at target level, BB continued to pursue a restrained policy stance in both H1 and H2 of FY15 and policy rates namely repo and reverse repo rates were kept unchanged at 7.25 and 5.25 percent respectively.

1.17 Broad money (M2) recorded lower growth of 12.4 percent in FY15 against the target growth of 16.5 percent and 16.1 percent actual growth in FY14. The lower growth in broad money was attributed mainly to the lower growth in domestic credit. The growth of domestic credit from the banking system declined to 10.1 percent against the target growth of 17.4 percent for FY15 and the actual 11.6 percent growth in FY14. The lower growth in domestic credit resulted from the lower investment demand for several reasons. The credit to public sector recorded a negative growth of 2.5 percent in FY15, which was much low compared with the target growth of 25.3 percent for FY15 and 8.8 percent actual growth in FY14. The growth rate of the credit to private sector increased moderately from 12.3 percent in FY14 to 13.2 percent in FY15 against the target growth of 15.5 percent. Accordingly, the growth rate of net domestic assets (NDA) declined to 10.0 percent in FY15 against the target growth of 20.2 percent and actual growth of 11.0 percent in FY14. The net foreign assets (NFA) of the banking system grew by 20.7 percent in FY15 which remained high against the target growth of 3.6 percent but low compared with 38.6 percent actual growth in the preceding fiscal year. The lower growth of NFA in FY15 compared to FY14 was due to weak export growth compared to high import growth. Reserve Money (RM) grew at a rate of 14.3 percent in FY15 which was lower than the projected growth rate of 15.8 percent and actual growth of 15.4 percent in FY14.

Chart 1.5 Revenue receipt, revenue expenditure, revenue surplus and budget deficit

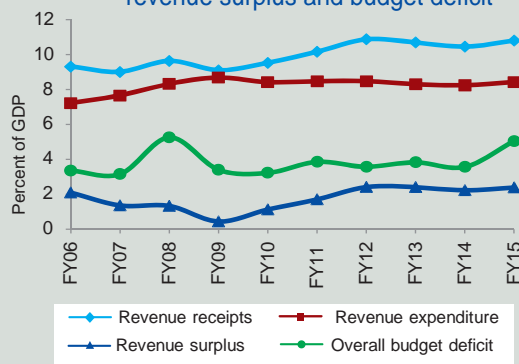
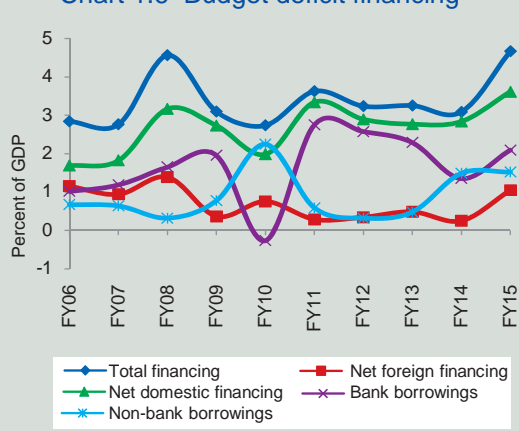


Chart 1.6 Budget deficit financing



1.18 The income velocity of money decreased slightly to 1.92 in FY15 from 1.93 in FY14, indicating increased financial deepening in the economy.

1.19 The weighted average interest rate on bank advances and deposits declined to 11.7 percent and 6.8 percent respectively at the end of FY15 from 13.1 percent and 7.8 percent respectively at the end of FY14. The spread between them also narrowed slightly to 4.9 percent from 5.3 percent over the same period as lending rates declined more than deposit rates. Lending rates declined due to sluggish domestic credit demand and part of which was met by overseas loans.

## Public Finance

1.20 The Government has undertaken a range of regulatory and structural fiscal measures to strengthen revenue collection and widen fiscal space through public expenditure control.

1.21 The overall budget deficit (excluding grants) to GDP ratio increased from 3.6 percent in FY14 to 5.0 percent in FY15. However, domestic financing of the budget deficit increased to 3.6 percent of GDP in FY15 from 2.8 percent of GDP in FY14.

1.22 The growth of total revenue increased from 9.6 percent in FY14 to 16.4 percent in FY15. Consequently, revenue-GDP ratio increased from 10.5 percent to 10.8 percent over the same period.

1.23 Public expenditure as a percentage of GDP increased from 14.0 percent in FY14 to 15.8 percent in FY15. It grew by 27.3 percent in FY15 compared to 8.2 percent in FY14. Current expenditure in FY15 accounted for 8.4 percent of GDP which was 8.2 percent in FY14.

## External Sector

1.24 The export earnings (including EPZ) continued to increase; from USD 29777 million in FY14 to USD 30768 million in FY15. During the same time total import payments increased from USD 36571 million to USD 40685 million. Trade deficit increased to USD 9917 million in FY15 from USD 6794 million in FY14. The services and income account including primary income and secondary income registered a surplus of USD 8271 million. Current account balance registered a deficit of USD 1645 million in FY15, which

Chart 1.7 Export and import growth

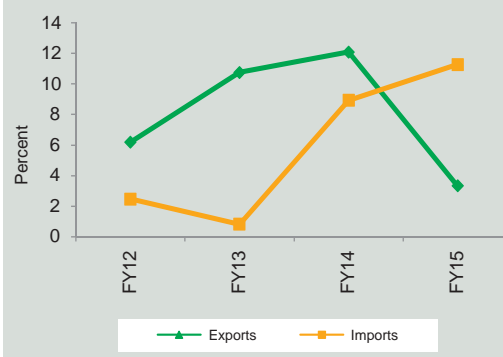


Chart 1.8 NEER, REER & Exchange rate

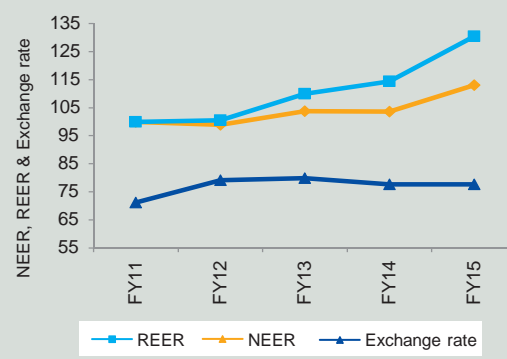
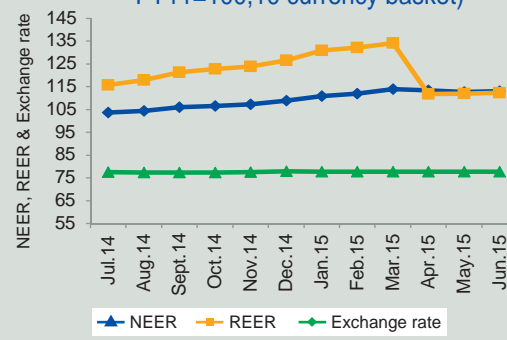


Chart 1.9 Recent movements in NEER, REER & Taka-Dollar exchange rate (base : FY11=100,10 currency basket)



was a surplus of USD 1406 million in FY14. The capital and financial account continued to register surplus and rose to USD 5791 million in FY15 from USD 3453 million in FY14. The overall balance of payments registered a surplus of USD 4373 million in FY15, which

was USD 5483 million in FY14. Gross international foreign exchange reserves stood at USD 25021 million at the end of FY15 representing 7.4 months of import cover.

1.25 The growth of export earnings was lower from 12.1 percent in FY14 to 3.3 percent in FY15. Total export earnings as a percentage of GDP also decreased from 17.2 to 15.8 percent over the same period. While tobacco, chemical products, plastic products, jute goods, knitwear, woven garments, home textile, footwear and engineering products experienced a positive growth; some of the export items like fish, shrimps, vegetables, cut flower, fruits, petroleum by-products, leather, cotton & cotton products, raw jute, and specialised textiles experienced a negative growth.

1.26 Import payments as a percentage of GDP decreased from 21.2 percent in FY14 to 20.9 percent in FY15. Imports grew at a rate of 11.3 percent in FY15 compared with 8.9 percent growth in FY14. Total import bills for all items except milk & cream, oil seeds, edible oil, sugar, pharmaceutical products and raw cotton increased in FY15 compared to FY14.

1.27 The workers' remittance inflows experienced a moderate growth of 7.5 percent in FY15 compared to 1.5 percent negative growth in FY14.

1.28 Active foreign exchange intervention by BB continued in FY15 to keep the nominal Taka/USD exchange rate stable. As a result, the exchange rate of Taka against USD remained almost stable throughout the whole FY15. The nominal exchange rate of USD depreciated by 0.22 percent in FY15. It stood at Taka 77.80 as of end June 2015 compared

with Taka 77.63 as of end June 2014. The nominal effective exchange rate (NEER) of Taka, calculated against a trade weighted 10 currency basket (base: FY11=100), appreciated by 9.16 percent in FY15. The real effective exchange rate (REER) of Taka also appreciated by 14.03 percent in FY15.

1.29 Outstanding external debt of Bangladesh decreased to USD 23488.6 million as of end of FY15 from USD 24387.9 million as of end of FY14. However, the outstanding debt-GDP ratio declined to 12.05 from 14.11 over the same period.

### **Near and Medium Term Outlook for Bangladesh Economy**

1.30 GDP growth in Bangladesh will continue to grow at a stable rate, averaging annually 7 percent in the near to medium term. Moderate recovery in the euro area and USA will have positive effect on growth provided that domestic private investment picked up. The increase in the public consumption from the implementation of new pay scale, large infrastructure spending on power, road communication, transportation and establishment of Special Economic Zones (SEZ) will bring about a momentum of the GDP growth in the near to medium term.

CPI inflation will remain low in the short term. Moreover, low inflation is supported by supply factors and the declining import prices. Over the medium term the impact of these factors on inflation will gradually fade away, yet inflation is expected to remain below the Government projection (around 6 percent) made in the 7th Five Year Plan.

BB's monetary policy stance will support the momentum of inclusive, equitable and

environmentally sustainable growth, further consolidating inflation moderation and macroeconomic stability. Banks and financial institutions are drawing on low cost refinance windows of BB against their financing of Micro Small and Medium Enterprise (MSME) output initiatives and environmentally benign green projects. Bangladesh Bank's supervisory oversight on credit disbursement and loan recovery disciplines in banks and financial institutions will intensify; with particular emphasis on risk management, internal audit and internal controls, accountability and transparency. The FY16 monetary programs projects 16.5 percent domestic credit growth against preceding year's 10.4 percent actual; to accommodate 7.0 percent real GDP growth with 6.2 percent inflation. The domestic demand growth is expected to pick up steadily in the near and medium term as a result of improvements in business environments. Moreover rapid growth in gross fixed capital formation in the public sector will continue to have a positive impact on growth of corporate capital expenditure. Investment will also be fuelled by the expected continuation of good financial standing of enterprises, allowing them to finance investment with their own funds.

BB remains active in support of a market-based exchange rate regime while seeking to avoid high exchange rate volatility. Low cost financial support from Export Development Fund (EDF) and other funds will be provided to the exporters to expand productive capacity in textiles, apparels and leather sectors in order to accelerate exports. Besides, recent sustained pick up in investment and consumption imports will ease appreciation pressures on Taka in the near future, enhancing its export competitiveness. The ongoing Government's efforts to boost overseas employment in Middle and Eastern Asian countries will accelerate inflow of remittances. BB expects 14 percent growth in imports, 7.5 percent growth in exports and 10 percent growth in remittances in FY16. The foreign reserves are projected to keep rising to reach USD 26 billion in FY16 from USD 25 billion in FY15. However, Bangladesh's aspiration to become an upper middle income country by 2030 might be realistic if its economy is going ahead overcoming difficulties supply side disruptions due to political and non-political factors, financial scams, and cumbersome overseas employment process, etc.



## The Real Economy

### Economic Growth

2.1 Bangladesh economy achieved reasonably satisfactory growth during the FY15 in spite of the prolonged political problems at home and slower growth in both developed and emerging markets abroad. Provisional estimates of the Bangladesh Bureau of Statistics (BBS) indicates that real GDP recorded a growth of 6.5 percent in FY15, which was higher than 6.1 percent recorded in FY14 (Table 2.1). Measured at current market prices, the GDP of Bangladesh in FY15 was estimated at Taka 15136 billion which was about 12.7 percent higher than that of FY14. In FY15, per capita real GDP and GNI estimated at Taka 52222 and Taka 55579 respectively. In the same year, per capita nominal GDP and GNI estimated at Taka 95864 and Taka 102026 respectively. The growth of per capita nominal GDP was the same as in the previous year, but the growth of per capita real GDP was higher than that in the previous year indicating fall in rate of inflation (Chart 2.1).

2.2 In absence of high agricultural growth, the 6.5 percent GDP growth was mainly contributed by the industry and services sectors. The industry sector grew by 9.6 percent, followed by services sector (5.8 percent) while the agriculture sector grew by a moderate rate of 3.0 percent. Out of the overall GDP growth of 6.5 percent in FY15,

**Table 2.1 Sectoral GDP growth**

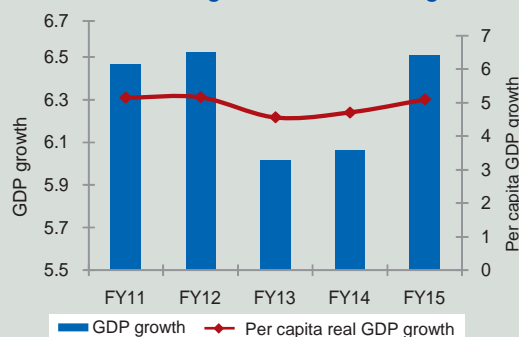
(at FY06 constant prices: percent)

	FY12	FY13	FY14	FY15 <sup>P</sup>
<b>1. Agriculture</b>	<b>3.0</b>	<b>2.5</b>	<b>4.4</b>	<b>3.0</b>
a) Agriculture and forestry	2.4	1.5	3.8	2.1
i) Crops and horticulture	1.8	0.6	3.8	1.3
ii) Animal farming	2.7	2.7	2.8	3.1
iii) Forest and related services	6.0	5.0	5.0	5.1
b) Fishing	5.3	6.2	6.4	6.4
<b>2. Industry</b>	<b>9.4</b>	<b>9.6</b>	<b>8.2</b>	<b>9.6</b>
a) Mining and quarrying	6.9	9.4	4.7	7.5
b) Manufacturing	10.0	10.3	8.8	10.3
i) Large and medium scale	10.8	10.7	9.3	10.2
ii) Small scale	6.6	8.8	6.3	10.7
c) Power, gas and water supply	10.6	9.0	4.5	7.0
d) Construction	8.4	8.0	8.1	8.6
<b>3. Services</b>	<b>6.6</b>	<b>5.5</b>	<b>5.6</b>	<b>5.8</b>
a) Wholesale and retail trade, repair of motor vehicles, motorcycles, and personal and household goods	6.7	6.2	6.7	6.6
b) Hotel and restaurants	6.4	6.5	6.7	6.9
c) Transport, storage and communication	9.2	6.3	6.1	6.0
d) Financial intermediations	14.8	9.1	7.3	8.8
i) Monetary intermediation (banks)	17.6	10.9	8.3	9.8
ii) Insurance	4.4	0.6	1.6	3.6
iii) Other financial intermediation	2.3	3.1	3.6	4.7
e) Real estate, renting and business activities	3.9	4.0	4.3	4.7
f) Public administration and defence	7.5	6.5	6.9	7.5
g) Education	7.8	6.3	7.3	7.6
h) Health and social work	3.8	4.8	5.1	5.7
i) Community, social and personal services	3.3	3.3	3.3	3.4
<b>Total GVA at constant basic price</b>	<b>6.7</b>	<b>6.1</b>	<b>6.2</b>	<b>6.5</b>
<b>GDP (at constant market price)</b>	<b>6.5</b>	<b>6.0</b>	<b>6.1</b>	<b>6.5</b>

P = Provisional.

Source: Bangladesh Bureau of Statistics.

**Chart 2.1 Bangladesh real GDP growth**



3.1 percentage points was contributed by the services sector, followed by the industry sector (2.9 percentage points) and the agriculture sector (0.5 percentage point).

### Agriculture Sector

2.3 The growth of agriculture sector declined by 1.4 percentage points in FY15 from 4.4 percent in FY14. This was mainly due to fall in growth of crops and horticulture sub-sector. Moreover, this sector's share also decreased to 16.0 percent of total GDP in FY15 from 16.5 percent of total GDP in FY14.

Within agriculture sector, crops and horticulture sub-sector registered a growth of 1.3 percent in FY15 against 3.8 percent in FY14. Forest and related services sub-sector registered a growth of 5.1 percent in FY15, which was 5.0 percent in FY14. Animal farming sub-sector grew by 3.1 percent in FY15 registering a 0.3 percentage point increase of growth rate from FY14. Fishing sub-sector grew by 6.4 percent in FY15 which was the same as in FY14.

2.4 Overall output of food grains (Aus, Aman, Boro and Wheat) increased by 0.4 percent from 35.66 million metric tons (MMT) in FY14 to 35.79 MMT in FY15. Amongst other factors, up-scaled agricultural credits played a role in this case. The production of Aus, a relatively minor crop of the year, did not change much from the previous year, which amounted 2.33 MMT in both years. Aman, the second largest crop of the year, increased by 1.3 percent from 13.02 MMT in FY14 to 13.19 MMT in FY15. Boro, the largest crop of the year, amounted to be 18.94 MMT in FY15. Wheat production increased by 2.3 percent from 1.30 MMT in FY14 to 1.33 MMT in FY15.

**Table 2.2 Sectoral GDP shares**

(at FY06 constant prices: percent)				
	FY12	FY13	FY14	FY15 <sup>P</sup>
<b>I. Agriculture</b>	<b>17.4</b>	<b>16.8</b>	<b>16.5</b>	<b>16.0</b>
a) Agriculture and forestry	13.7	13.1	12.8	12.3
i) Crop and horticulture	10.0	9.5	9.3	8.8
ii) Animal farming	1.9	1.8	1.8	1.7
iii) Forest and related services	1.8	1.8	1.7	1.7
b) Fishing	3.7	3.7	3.7	3.7
<b>2. Industry</b>	<b>28.1</b>	<b>29.0</b>	<b>29.6</b>	<b>30.4</b>
a) Mining and quarrying	1.6	1.7	1.6	1.7
b) Manufacturing	18.3	19.0	19.5	20.2
i) Large and medium scale	14.9	15.5	16.0	16.5
ii) Small scale	3.4	3.5	3.5	3.7
c) Power, gas and water supply	1.4	1.5	1.4	1.4
d) Construction	6.8	6.9	7.0	7.2
<b>3. Services</b>	<b>54.5</b>	<b>54.2</b>	<b>54.0</b>	<b>53.6</b>
a) Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	14.0	14.0	14.1	14.1
b) Hotel and restaurants	0.7	0.8	0.8	0.8
c) Transport, storage and communication	11.5	11.5	11.5	11.4
d) Financial intermediations	3.2	3.3	3.3	3.4
i) Monetary intermediation (banks)	2.6	2.7	2.8	2.9
ii) Insurance	0.4	0.4	0.4	0.4
iii) Other financial intermediation	0.2	0.2	0.2	0.2
e) Real estate, renting and business activities	7.2	7.1	7.0	6.8
f) Public administration and defence	3.4	3.4	3.4	3.4
g) Education	2.2	2.2	2.3	2.3
h) Health and social work	1.9	1.9	1.9	1.8
i) Community, social and personal services	10.4	10.1	9.8	9.5
<b>Total GVA at constant basic price</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

P = Provisional.

Source: Bangladesh Bureau of Statistics.

### Industry Sector

2.5 The growth of the industry sector increased by 1.4 percentage points in FY15 vis-à-vis FY14. Despite the political problems spanned over the second half of the fiscal year, performance of all sub-sectors within industry sector picked up eventually to register a 9.6 percent growth at the end. Growth of mining and quarrying, and power, gas and water supply sub-sectors increased substantially to 7.5 and 7.0 percent in FY15 from 4.7 and 4.5 percent in FY14 respectively. Despite the initial bumps, the construction sub-sector grew by 8.6 percent in FY15 compared to 8.1 percent in FY14.



Manufacturing growth increased to 10.3 percent from 8.8 percent over the same period as a result of better performance of the large & medium and small scale manufacturing subsectors. The sectors grew by 10.2 and 10.7 percent respectively in FY15 compared to 9.3 and 6.3 percent respectively in FY14. The large and medium scale manufacturing, and small scale manufacturing sub-sectors contributed about 81.7 and 18.3 percent respectively of the total output of the manufacturing sector. Production of other transport equipments grew significantly (122.47 percent) in FY15.

Quantum Index of Industrial Production (QIP) which has been estimated for computing value added of large and medium scale industries showed a growth of 10.7 percent in FY15 (Appendix-3, Table-VIII). Manufacture of computer, electronic and optical products, food products, other non-metallic mineral products, pharmaceuticals and medicinal chemical, electrical equipment and basic metal registered higher growth in FY15 compared to FY14. The woven garments and knitwear, country's two key export items, showed 4.1 percent growth in FY15. However, manufacturing of motor vehicles, trailers and semi trailers, textile, beverages, leather and related products, chemicals and chemical products and tobacco products experienced negative growth in FY15.

### Services Sector

2.6 The services sector registered a 5.8 percent growth in FY15 which was slightly higher than the preceding fiscal year. The growth of all sub-sectors of services sector was upward in FY15 except wholesale and retail trade, repair of motor vehicles,

**Table 2.3 GDP by expenditure groups**

(at current market prices: billion Taka)

Particulars	FY12	FY13	FY14	FY15 <sup>P</sup>
Domestic demand (1+2)	11294.8	12751.0	14308.5	16144.5
Consumption (1)	8312.5	9347.3	10468.6	11760.2
Private	7780.8	8733.9	9751.4	10936.2
Government	531.7	613.4	717.2	824.0
Investment (2)	2982.2	3403.7	3839.9	4384.3
Private	2374.2	2607.5	2960.0	3340.1
Public	608.0	796.2	879.9	1044.2
Resource balance (3-4)	-821.7	-865.7	-878.1	-1297.5
Exports (3)	2127.5	2342.4	2551.6	2603.4
Imports (4)	2949.2	3208.1	3429.7	3900.9
Gross domestic expenditure	10473.0	11885.3	13430.5	14847.0
Gross domestic product	10552.0	11989.2	13436.7	15136
Statistical discrepancy	79.1	104.0	6.3	289.0

P = Provisional.  
Source: Bangladesh Bureau of Statistics.

**Table 2.4 Domestic savings and investment**

(as percent of GDP)

Particulars	FY12	FY13	FY14	FY15 <sup>P</sup>
<b>Public</b>				
Investment	5.8	6.6	6.6	6.9
Domestic savings	1.4	1.5	1.5	1.6
Domestic savings-investment gap	-4.4	-5.1	-5.1	-5.3
<b>Private</b>				
Investment	22.5	21.8	22.0	22.1
Domestic savings	19.9	20.6	20.6	20.7
Domestic savings-investment gap	-2.6	-1.2	-1.4	-1.4
<b>Total</b>				
Investment	28.3	28.4	28.6	29.0
Domestic savings	21.2	22.0	22.1	22.3
Total savings-investment gap	-7.1	-6.4	-6.5	-6.7
<b>National Savings</b>	<b>29.9</b>	<b>30.5</b>	<b>29.2</b>	<b>29.1</b>

P = Provisional.  
Source: Bangladesh Bureau of Statistics.

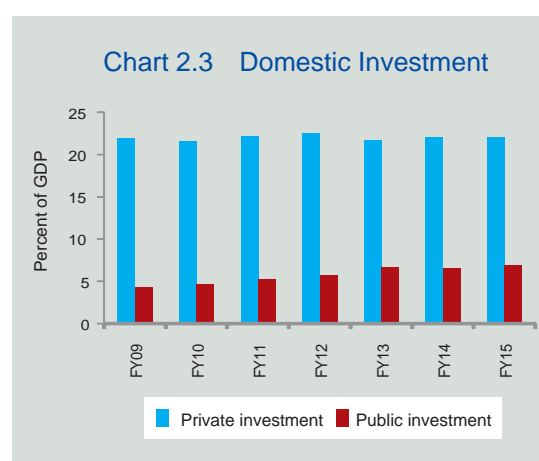
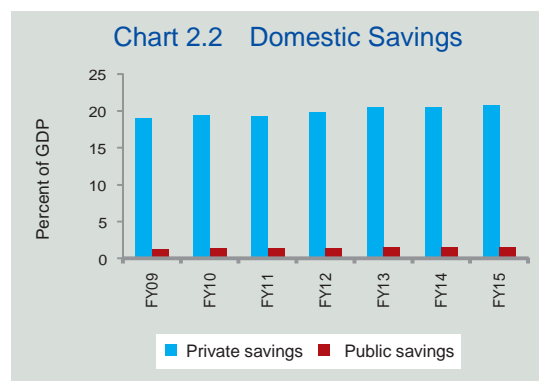
motorcycles and personal and household goods; and transport, storage and communication sub-sectors. Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; and transport, storage and

communication sub-sectors grew by 6.6 and 6.0 percent respectively in FY15 compared to 6.7 and 6.1 percent respectively in FY14. Financial intermediations sub-sector registered a growth of 8.8 percent in FY15 which was 7.3 percent in FY14. Besides, public administration and defence, health and social work, real estate, renting and business activities, education, hotel and restaurants, and community, social and personal services sub-sectors grew by 7.5, 5.7, 4.7, 7.6, 6.9 and 3.4 percent respectively in FY15 compared with 6.9, 5.1, 4.3, 7.3, 6.7 and 3.3 percent respectively in FY14.

### Sectoral Composition of GDP

2.7 The contribution of both industry and services sector to the GDP has been increasing gradually indicating an in-road of Bangladesh's economy towards a modern developing economy. The percentage share of the agriculture sector in GDP declined from 16.5 in FY14 to 16.0 in FY15. Similarly, the share of services sector reduced to 53.6 percent from 54.0 percent during the same period. Consequently, the share of the industry sector increased from 29.6 percent in FY14 to 30.5 percent in FY15.

2.8 The compositional change of GDP is well aligned with standard in patterns observed elsewhere. The share of agriculture was decreasing mainly due to decline in relative share of the crops and horticulture sub-sector (comprising of 55.3 percent in the overall agriculture) which fell from 9.3 percent in FY14 to 8.8 percent in FY15 (Table 2.2). The increased relative share of the industry sector in FY15 (by 0.8 percentage point) was driven by the higher share of large and medium



scale manufacturing. The share of mining and quarrying and construction also increased slightly from 1.6 and 7.0 percent in FY14 to 1.7 and 7.2 percent in FY15 respectively. The share of power, gas and water supply sub-sector remained unchanged. Most of the sub-sectors of the services sector (Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotel and restaurants; public administration and defence; and education) remained unchanged. However, the financial intermediation services improved slightly. The share of the transport, storage and communication; real estate, renting and business activities; health & social work; and community, social and personal services sub-sectors slightly declined in FY15 (Table 2.2).

### GDP by Expenditure

2.9 In FY15, expenditure based GDP was Taka 15136.0 billion, showing a nominal increase of 12.7 percent over FY14 (Table 2.3). Gross Domestic Expenditure (GDE), a measure of the sum of consumption and investment expenditure of the private and public sector and the resource balance of the economy, stood at Taka 16144.5 billion at current market prices in FY15, showing an increase of 12.8 percent over FY14.

2.10 Total consumption expenditure accounted for 79.2 percent while investment expenditure accounted for 29.5 percent and resource balance (i.e. trade deficit) accounted for 8.7 percent of GDE in FY15. The investment expenditure increased by 14.2 percent in nominal terms whereas consumption expenditure increased by 12.3 percent in FY15.

### Savings and Investment

2.11 Domestic and national savings increased moderately. Gross Domestic Savings (GDS) at current market prices grew by 13.7 percent in FY15 from 12.3 percent in

FY14. The GDS as percentage of GDP also increased to 22.3 in FY15 from 22.1 in FY14 (Table 2.4, Chart 2.2).

The ratio of private savings to GDP increased to 20.7 percent in FY15 from 20.6 percent in FY14. The ratio of public savings to GDP increased to 1.6 percent in FY15 from 1.5 percent in FY14. The ratio of Gross National Savings (GNS) to GDP declined slightly to 29.1 percent in FY15 from 29.2 percent in FY14. Net Factor Income (NFI) grew by 6.8 percent over the previous year. However, the net current transfer (NCT) declined by 8.0 percent in FY15 compared to FY14.

2.12 Investment as a percentage of GDP increased to 29.0 in FY15 from 28.6 in FY14 (Table 2.4, Chart 2.3). The ratio of private investment to GDP increased from 22.0 in FY14 to 22.1 in FY15; the ratio of public investment to GDP increased to 6.9 in FY15 from 6.6 in FY14.

2.13 The domestic savings-investment gap as a percentage of GDP increased from 6.5 in FY14 to 6.7 in FY15 (Table 2.4). The domestic savings-investment gap was met with the help of the net factor income from abroad.

## Price and Inflation

### Global Inflation Scenario

3.1 Global inflation remained contained. Headline inflation declined in advanced economies, mostly reflecting the decline in oil and other prices, while core inflation remained stable. Similarly, lower oil and other prices contributed to reductions in inflation in emerging markets, with the notable exception of countries suffering from sizable exchange rate depreciation, such as Russia.

### Consumer Prices in Bangladesh

3.2 Annual average CPI inflation (base: FY06=100) in Bangladesh declined in FY15. It stood at 6.40 percent in June 2015 against the target of 6.50 percent set in the Monetary Policy Statement (January-June 2015) while it was 7.35 percent in FY14 (Table 3.2, Chart 3.1). Inflationary pressure started easing since June 2014 (7.35 percent) and continued its decline through FY15 due to falling food inflation resulting from sufficient food supply. Lower fuel price, coupled with accommodative money growth rate and stable exchange rate contributed to decline in inflation rate. The twelve month point-to-point CPI inflation declined to 6.25 percent in June 2015 from 6.97 percent in June 2014.

The annual average food inflation declined while point-to-point food inflation showed

Chart 3.1 National CPI inflation  
(12-month average : base FY06=100)

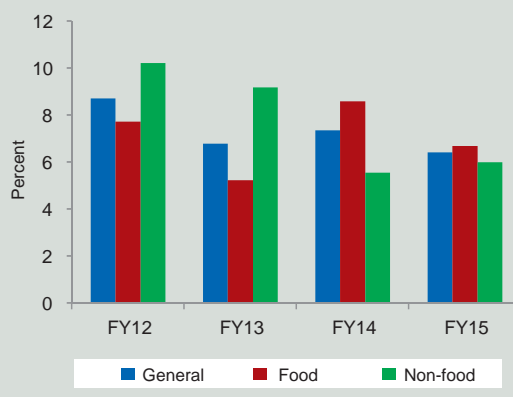


Table 3.1 Monthly inflation (%)

Months	General	Food	Non-food
Jul 14	1.56	2.18	0.63
Aug 14	1.30	1.83	0.50
Sep 14	1.41	1.83	0.77
Oct 14	0.69	0.71	0.67
Nov 14	0.02	-0.19	0.36
Dec 14	0.44	0.17	0.80
Jan 15	1.13	1.07	1.26
Feb 15	0.30	0.28	0.32
Mar 15	0.27	0.38	0.10
Apr 15	0.09	0.12	0.05
May 15	-1.30	-2.20	0.11
Jun 15	0.19	0.03	0.43

Source: Bangladesh Bureau of Statistics (BBS).

mixed trend in FY15. The annual average food inflation declined from 8.55 percent in July 2014 to 6.68 percent in June 2015. On the other hand, the point-to-point food inflation stood at 7.94 percent in July 2014 and

gradually decreased to 6.07 percent in January 2015. For the following few months, the point-to-point food inflation kept rising until April 2015 with an inflation rate of 6.48 percent. Finally, in June 2015, the point-to-point food inflation stood at 6.32 percent. Good harvests and improved supply chain due to easing of political unrest together contributed to decrease in food inflation.

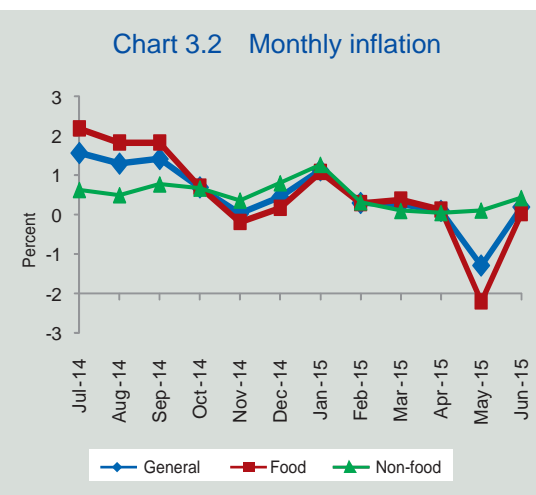
The annual average and point-to-point non-food inflation also depicted mixed movement throughout FY15. The annual average non-food inflation declined from 5.41 percent in July 2014 to 5.34 percent in September 2014. It started increasing from the following month and ended up 5.99 percent in June 2015. Similarly, the point-to-point non-food inflation was characterised by ups and downs throughout FY15. At the beginning of FY15, the point-to-point non-food inflation was 5.71 percent in July 2014, which increased to 6.15 percent in June 2015, while the highest rate (6.48 percent) prevailed in December 2014 (Table 3.5). It increased during FY15 mainly as a result of increase of prices of clothing and footwear; furniture furnishing; medical care and health related expenses; transport and communication and other non food items.

Core inflation (non-food, non-fuel) showed a mixed behaviour throughout FY15 and reached at 6.74 percent in June 2015 which was 5.76 percent in August 2014. Monthly general, food and non-food inflation also showed a mixed behaviour in FY15 (Table 3.1, Chart 3.2).

**Table 3.2 Annual average CPI based inflation**

(base:FY06=100)					
Group	Weight	FY12	FY13	FY14	FY15
<b>a. National level</b>					
General Index	100.00	170.19 (8.69)	181.73 (6.78)	195.08 (7.35)	207.58 (6.40)
Food	56.18	183.65 (7.72)	193.24 (5.22)	209.79 (8.57)	223.80 (6.68)
Non-food	43.82	152.94 (10.21)	166.97 (9.17)	176.22 (5.54)	186.79 (5.99)
<b>b. Rural</b>					
General index	100.00	173.26 (8.69)	183.90 (6.14)	196.90 (7.07)	209.10 (6.20)
Food	61.41	183.62 (7.50)	192.14 (4.64)	207.72 (8.11)	221.02 (6.40)
Non-food	38.59	156.77 (10.96)	170.79 (8.94)	179.69 (5.21)	190.13 (5.81)
<b>c. Urban</b>					
General Index	100.00	164.53 (8.70)	177.71 (8.01)	191.72 (7.89)	204.76 (6.80)
Food	46.52	183.71 (8.27)	195.91 (6.64)	214.85 (9.66)	230.56 (7.32)
Non-food	53.48	147.84 (9.16)	161.88 (9.49)	171.61 (6.01)	182.32 (6.24)

Figures in parentheses represent annual inflation  
Source: Bangladesh Bureau of Statistics (BBS).



3.3 In FY15, inflation in the urban areas was higher than that in the rural areas. In rural areas, average inflation was 6.20 percent while it was 6.80 percent in urban areas. Annual average inflation in the rural areas decreased to 6.20 percent in June 2015 from

7.07 percent in June 2014 (Table 3.2, Chart 3.3). In the same areas, the food inflation fell to 6.40 percent in June 2015 from 8.11 percent in June 2014 while non-food inflation increased slightly to 5.81 percent from 5.21 percent over the same period.

3.4 Annual average inflation in the urban areas decreased to 6.80 percent in June 2015 from 7.89 percent in June 2014 (Table 3.2, Chart 3.4). In the same areas, the food inflation decreased to 7.32 percent from 9.66 percent but the non-food inflation increased to 6.24 percent from 6.01 percent over the same period.

Total food-grain production in Bangladesh increased in FY15. Total domestic food production recorded as 36.06 million metric tons (MMT) in FY15 compared with 35.67 MMT in FY14. Total government procurement of food-grain in FY15 was 1.68 MMT.

The government undertook various measures including open market sale of food-grain and food for work programme to contain food inflation in FY15.

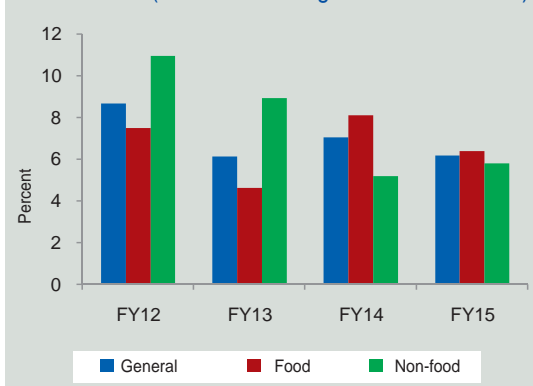
To reduce the hardship of poor households, the government distributed food grain through monetised and non-monetised channels among the poor and marginal households. Total distribution by the government amounted to be 1.84 MMT of food-grain against the target of 2.74 million tons in FY15 through open market sales, fair price card, and test relief and vulnerable group feeding channels under the Public Food Distribution System (PFDS).

**Table 3.3 Changes in international prices of major commodities**

Commodity	(percentages)				
	2011	2012	2013	2014	2015(August)
Petroleum	35.8	2.7	-3.2	-8.3	-42.4
Rice	6.0	5.2	-10.6	-17.8	-8.3
Wheat	41.4	-0.9	-0.3	-8.8	-23.6
Palm oil	25.2	-12.7	-18.7	-3.2	-19.8
Soybean oil	31.5	-5.3	-12.2	-19.6	-14.5
Cotton	49.3	-42.3	1.3	-8.1	-14.6
Sugar	25.6	-18.5	-17.2	-3.3	-25.0

Source: International Financial Statistics, September, 2015.

**Chart 3.3 Rural CPI inflation**  
(12-month average : base FY06=100)



**Table 3.4 Inflation in SAARC and other Asian countries#**

Countries	2011	2012	2013	2014	2015 (July)
1. Bangladesh@	8.8*	8.69	6.78	7.35	6.35
2. India	8.9	9.3	10.9	6.4	6.1 (June)
3. Pakistan	11.9	9.7	7.7	7.2	1.8
4. Nepal	9.3	9.5	9.0	8.4	7.6
5. Bhutan*	8.8	10.9	7.0	8.2	4.7 (Feb.)
6. Sri Lanka	6.7	7.5	6.9	3.3	-0.2
7. Maldives	12.8	12.1	2.3	2.1	0.9
Other Asian countries					
8. Thailand	3.8	3.0	2.2	1.9	-1.0
9. Singapore	5.3	4.5	2.4	1.0	-0.4
10. Malaysia	3.2	1.7	2.1	3.1	3.3
11. Indonesia	5.4	4.3	6.4	6.4	7.3
12. Korea	4.0	2.2	1.3	1.3	0.7
13. Myanmar	5.0	1.5	5.5	5.5	-

# IFS, October, 2015 CPI (Base: 2000=100).

\* (base: FY96=100)

@ Source: BBS, Consumer Price Index (Base: FY06=100) and figures relate to financial year (July-June).

**Table 3.5 Annual average national level CPI by consumption basket sub-groups**

(base:FY06=100)						
Group/sub-group	Weight	FY13	FY14	FY15	% Change FY14	% Change FY15
1	2	3	4	5	6	7
General index	100.00	181.73	195.08	207.58	7.35	6.41
1. Food, beverage and tobacco	56.18	193.24	209.79	223.8	8.56	6.68
2. Non-food of which	43.82	166.97	176.23	186.79	5.55	5.99
i) Clothing & footwear	6.84	179.66	194.77	209.45	8.41	7.54
ii) Gross rent, fuel & lighting	14.88	155.61	163.47	171.8	5.05	5.10
iii) Furniture, furnishing, household equipment & operation	4.73	195.33	206.14	214.44	5.53	4.03
iv) Medical care & health expenses	3.47	159.66	164.06	181.09	2.76	10.38
v) Transport and communications	5.80	159.34	167.2	181.78	4.93	8.72
vi) Recreation, entertainment, education & cultural services	4.28	157.23	164.38	168.02	4.55	2.21
vii) Miscellaneous goods and services	3.82	182.54	193.75	204.21	6.14	5.40

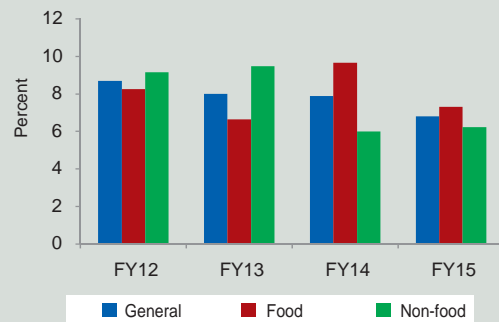
Source: Bangladesh Bureau of Statistics.

Bangladesh Bank adopted a cautious Monetary Policy Stance (June 2015) with a view to bringing inflation down to an annual 6.50 percent in FY15. It also continued encouraging commercial banks to provide credit only for productive sectors and not for speculative purposes.

3.5 Among the SAARC countries, Nepal had the highest inflation of 7.6 percent recorded in July 2015. Other countries in this region like India (6.1 percent, June 2015), Bhutan (4.7 percent, February 2015) and Bangladesh (6.4 percent, July 2015) experienced a moderately high inflation. On the contrary, Thailand and Singapore experienced deflation in FY15 (Table 3.4, Chart 3.6).

### Wage Rate Trends

3.6 Wage rate indices for all sectors of Bangladesh experienced lower growth in FY15 compared to FY14 (Table 3.6, Chart 3.7). The growth of general wage rate (base:

**Chart 3.4 Urban CPI inflation**  
(12-month average : base FY06=100)**Table 3.6 Trends of wage rate indices**

(base: FY11=100)				
	FY12	FY13	FY14	FY15
General	106.24 (6.24)	112.62 (6.01)	118.82 (5.50)	124.69 (4.94)
Agriculture	105.96 (5.96)	112.08 (5.78)	118.44 (5.68)	124.51 (5.12)
Agriculture	105.97 (5.97)	112.08 (5.76)	118.40 (5.64)	124.46 (5.12)
Fish	105.01 (5.01)	111.89 (6.55)	120.81 (7.97)	126.85 (5.00)
Industry	106.92 (6.92)	113.43 (6.08)	119.07 (4.97)	124.38 (4.47)
Construction	107.33 (7.33)	114.70 (6.87)	119.93 (4.56)	124.84 (4.09)
Production	106.03 (6.03)	111.53 (5.19)	121.86 (9.27)	127.28 (4.44)
Services	106.23 (6.23)	113.63 (6.96)	120.16 (5.75)	126.15 (4.98)

Figures in parentheses are annual percentage changes.  
Source: Bangladesh Bureau of Statistics.



FY11=100) declined to 4.94 percent in FY15 from 5.50 percent in FY14. Wages in industrial production sector recorded the lowest growth rate of 4.47 percent in FY15.

### Near Term Inflation Outlook

3.7 The near-term outlook for overall global commodity prices is projected to decline. Oil prices are projected to decline consistent with expanding oil supply and tepid demand. It is projected to decline somewhat around USD 51.62 a barrel in 2015 and USD 50.36 a barrel in 2016.

World rice production is forecasted to increase in 2015 mainly due to anticipated favourable weather condition. International trade in rice is anticipated to dip in 2015 driven mainly by falling demand by countries in the Far East. Global wheat production is also forecasted to come down in 2015. It is expected that global markets are likely to face more stable situation in FY15.

The FAO food price index averaged 171 points in April 2015, nearly 40.5 points, or 19.2 percent lower than April 2014 because of sharp decline of dairy, cereals, sugar and vegetable oil prices. The FAO forecasts that global food prices are expected to fall due to good harvest in the coming months. Global rice prices are expected to remain stable at least over 2015 due to good harvest owing to favourable weather.

According to World Economic Outlook (WEO), inflation is projected to decline to 0.3 percent in 2015, and increase to 1.2 percent in 2016

Chart 3.5 Changes in international commodity prices

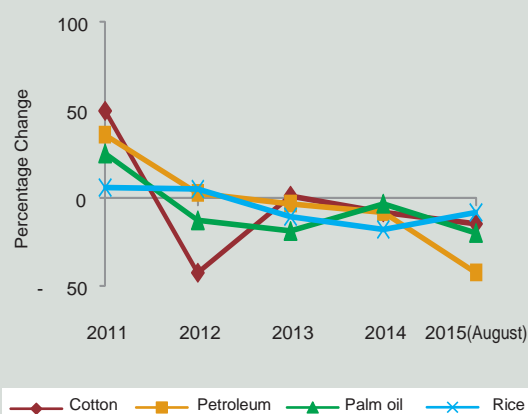


Chart 3.6 South Asian inflationary situation

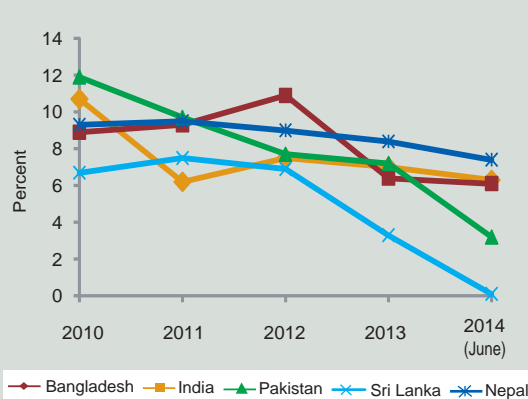


Table 3.7 Global inflationary situation

	(percentage change)			
	2013	2014	2015 <sup>P</sup>	2016 <sup>P</sup>
Advanced economies	1.4	1.4	0.3	1.2
United States	1.5	1.6	0.1	1.1
Euro area	1.3	0.4	0.2	1.0
Emerging & developing economies	5.8	5.1	5.6	5.1
Developing Asia	4.8	3.5	3.0	3.2
Bangladesh	7.5	7.0	6.4	6.6
India	10.0	5.9	5.4	5.5
Sri Lanka	6.9	3.3	1.7	3.4
Pakistan	7.4	8.6	4.5	4.7

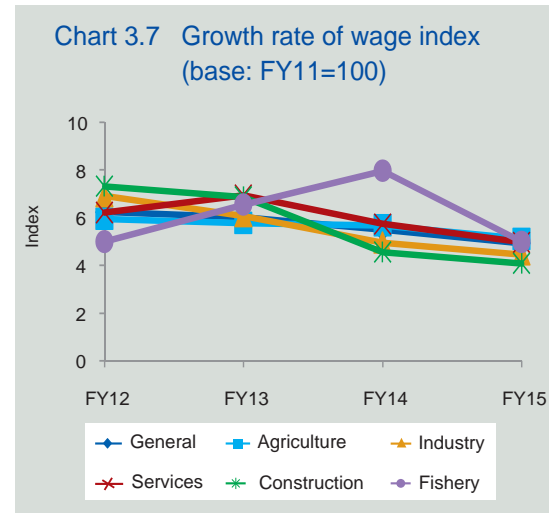
P = Projection.

Source: World Economic Outlook, October 2015.



in advanced economies. In emerging and developing economies, inflation is projected to come down to 5.6 percent in 2015, and then continued declining to 5.1 percent in 2016 (Table 3.7).

3.8 Bangladesh faces some challenges to control inflation at the target level. Implementation of the new pay scale may increase the aggregate demand fuelling the increase of inflation. Historically, weather related risk factors may affect agriculture production. The accomplishment of the objective to keep inflation at 6.20 percent crucially depends on domestic good food

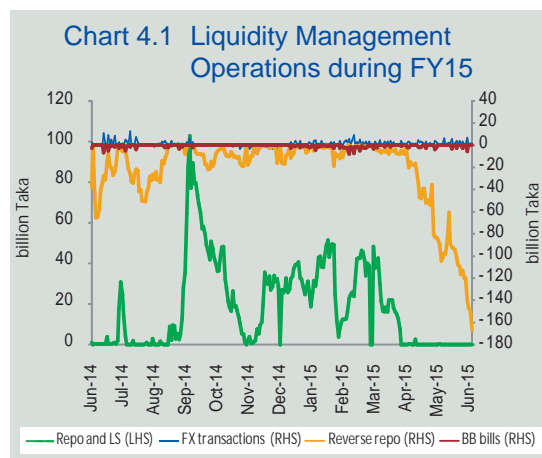


production, which in turn depends on weather as well as absence of supply side disruption.

## Money and Credit

### Stance of Monetary and Credit Policy

4.1 Bangladesh Bank pursued a cautious yet growth friendly monetary policy stance for FY15. The objective of the monetary policy was to attain the target growth as well as to maintain price and macroeconomic stability. Bangladesh Bank took the domestic economic development and global economic outlook into consideration while setting the monetary growth targets. Bangladesh Bank engaged the country's financial sector in promotion of inclusive and environmentally sustainable financing of economic activities. The objective of bringing down 12-month average CPI inflation to 6.5 percent attained in May 2015, further edging down to 6.4 percent in June 2015. However, point-to-point headline CPI inflation stood at 6.25 percent in June 2015. GDP growth registered 6.51 percent in FY15, which was substantially higher than 6.06 percent growth in FY14, and within the range of 6.5,-6.8 percent of BB's projections; although lower than the initial target mentioned in FY15 national budget. Sustained GDP growth for several years at rates well above the global output growth rates enabled Bangladesh to cross two important milestones in FY15. The first one is the graduation to the status of lower middle income country from the low income country group, and the second one is the improvement in OECD Export credit eligibility ranking to group 5, one notch below India but ahead of all other South Asian neighbours.



Bangladesh achieved Ba3 (Moody's) and BB- (Standard and Poor's) with stable outlook for the 6th consecutive years. Stable real GDP growth and strong external balances helped Bangladesh to achieve BB- rating with stable outlook from Fitch Ratings for the first time. Besides these new attainments, consolidation of macroeconomic stability, foreign exchange reserve growth and poverty decline maintained pace in FY15, setting the stage for transition to a higher growth trajectory.

4.2 Bangladesh Bank's monetary and financial policies provide proactive policy support for financing of all types of productive activities. The export sector is accessing low cost foreign exchange financing from BB's USD 2.0 billion Export Development Fund (EDF). Single borrower limit for garments accessories exporters has been enhanced from USD 1 million to USD 2 million as well as import of raw cotton and other fibre from USD

10 million to USD 15 million under the facility of EDF loan. Besides deferred import payments under buyer's credit for terms not exceeding six months has been enhanced from USD 500,000 to USD 1,000,000. As an investment incentive, foreign investors has been allowed to source term loans from local banks and access working capital as an interest free loan from their parent company. Non exporter manufacturing undertakings are also being allowed access to low cost long and short term external financing for import of capital equipment and production inputs. Banks and financial institutions are drawing on low cost refinance windows of BB against their financing of MSME output initiatives and environmentally benign green projects. The World Bank supported Investment Promotion & Financing Facility (IPFF) window of BB is providing low cost refinance against long term infrastructure sector lending.

In order to refinance Islamic banks and financial institutions against financing to agro-processing industries, small entrepreneurs and renewable energy and environment friendly initiatives an "Islamic Refinance Fund Account" has been opened at Bangladesh Bank. With a view to manage liquidity of Islamic banks, according to profit sharing ratio 3-month Islamic Investment Bond and 6-month Islamic Investment Bond has been issued since 1 January 2015.

In order to enhance the effectiveness of the financial markets as transmission channels for monetary policy, Bangladesh Bank's supervisory oversight on credit disbursement and loan recovery disciplines in banks and financial institutions has been strengthened

Table 4.1 Money and credit situation

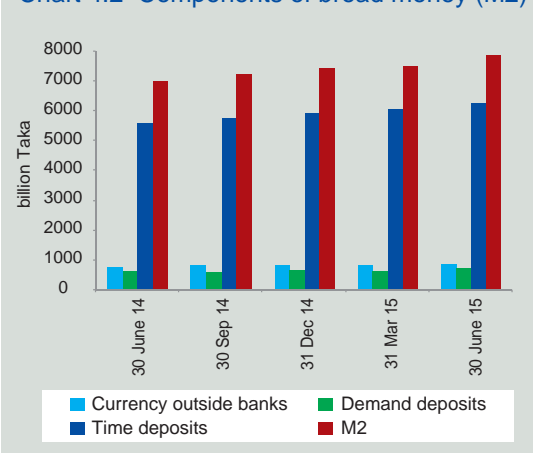
	(billion Taka)		
	End June	End June	
	Actual	Programme	Actual
1. Net foreign assets	1552.9 (38.6)	1608.8 (3.6)	1874.3 (20.7)
2. Net domestic assets (a+b)	5449.4 (11.0)	6548.9 (20.2)	5997.0 (10.0)
a) Domestic credit (i+ii)	6311.7 (11.6)	7410.7 (17.4)	6950.3 (10.1)
i) Credit to public sector <sup>1/</sup>	1235.3 (8.8)	1547.5 (25.3)	1204.3 (-2.5)
ii) Credit to private sector	5076.4 (12.3)	5863.2 (15.5)	5746.0 (13.2)
b) Other items (net)	-862.3	-861.8	-953.4
3. Narrow money (i+ii)	1412.5 (14.6)		1603.2 (13.5)
i) Currency outside banks	769.1 (13.8)		879.4 (14.3)
ii) Demand deposits <sup>2/</sup>	643.4 (15.4)		723.8 (12.5)
4. Time deposits	5589.8 (16.5)		6268.0 (12.1)
5. Broad money (1+2)or(3+4)	7002.3 (16.1)	8157.7 (16.5)	7871.2 (12.4)

Figures in the parentheses indicate y-o-y percentage changes.

<sup>1/</sup> "Govt. lending fund" is treated as deposit in calculating claims on Govt. (net).

<sup>2/</sup> Demand deposits of monetary authority are excluded.

Chart 4.2 Components of broad money (M2)



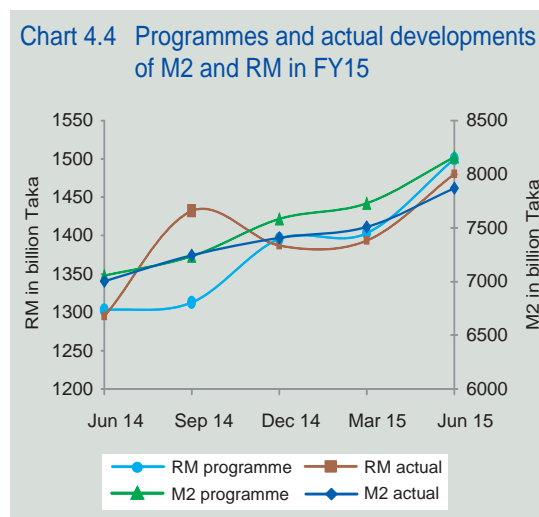
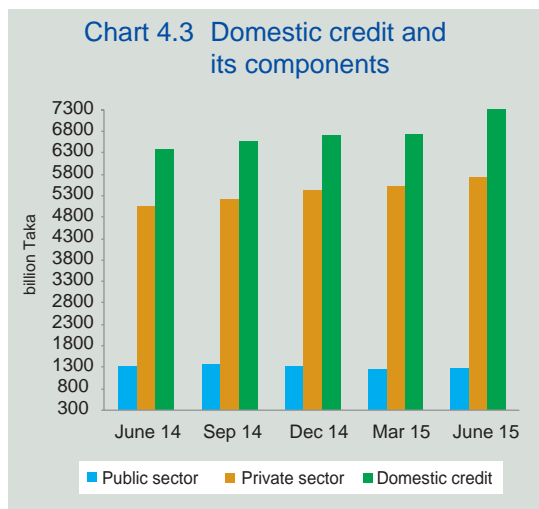
with particular emphasis on risk management, internal audit and internal controls, accountability and transparency.

Deposit and lending interest rates of banks and financial institutions have been coming down in line with the decline in CPI inflation; spreads between weighted average deposit and lending interest rates of banks and financial institutions have also come down

below five percentage points. Competitive lending interest rate setting behaviour has not yet been fostered well in the local financial market. Bangladesh Bank has resorted to setting ceilings on lending interest rates in two priority areas, viz., pre-shipment export credit and agricultural credit. In the context of general declining trend in interest rates, Bangladesh Bank has revised the lending rate ceiling for agriculture downward from 13 to 11 percent. Bangladesh Bank has continued to pursue ways of fostering of competitive price setting, rate setting attitudes and practices in financial markets.

The monetary policy stance has also aimed at preserving country's external sector competitiveness. In FY15, export growth slowed down to 3.39 percent for a number of domestic and external factors including weak demand in the European Union. Import recovered from sluggish growth of the past couple of years for pick up due mainly to imports of capital machinery and production inputs. Remittance maintained moderate growth of 7.65 percent. Thus, current account balance of BOP turned from surplus to deficit. The overall balance remained a surplus of USD 4.37 billion in FY15 less than USD 5.48 billion in FY14.

Bangladesh Banks' foreign exchange reserves reached at a new height of USD 25.02 billion in June 2015. Bangladesh Bank bought USD 3.76 billion from the foreign exchange market during FY15 to protect external competitiveness of Taka by easing appreciation pressure. This policy stance helped maintain stability in the exchange rate for the last two years.



Bangladesh Bank's initiatives for strengthening financial inclusion and diversification and environmentally sustainable financing continued in FY15 to extend outreach of financial services into remaining pockets of exclusion in underserved areas and people. As such, initiatives have been taken to bring third gender entrepreneurs, under privileged entrepreneurs, physically challenged people and all tribal including Rakhain community under SME network in order to reaching out financial inclusion benefit to the marginalised

entrepreneurs. Policy has been taken to train at least 3 women under every branch area of all banks and non banks institutions those did not avail any loan from bank or non bank institutions. Moreover, at least one trained woman under every branch area shall be provided loan in cottage, micro or small industry sectors. Mobile phone financial services grew with 28.64 million registered customer in June 2015. 15.32 million "no-frill accounts" were opened by the end of June 2015. Bangladesh Bank has also set up a Taka 2 billion refinancing facility via micro finance institutions to provide small loans to the lower income rural households those who set up '10 taka' accounts.

Bangladesh Bank's attention in support of capital market stability also continued in FY15. Bangladesh Bank has the statutory responsibility of enforcing bank for compliance of the legal limits on their capital market exposures. Further, Bangladesh Bank has continued liquidity support for capital market transactions in volumes permissible within Bangladesh Bank monetary programmes. It played an instrumental role in structuring the refinancing programme supporting capital market activities and continued to play supportive role in capital market development to the feasible within laws and regulations.

4.3 Broad Money (M2) grew by 12.4 percent in FY15 against 16.5 percent targeted growth under the programme and 16.1 percent actual growth in FY14. The monetary programme vis-à-vis actual outcomes are presented in Table 4.1.

The lower growth in domestic credit in the banking system contributed to slow down the

**Table 4.2 Reserve money position**

	(billion Taka)		
	End June 14	End June 15	
	Actual	Programme	Actual
Net foreign assets <sup>1/@</sup>	1400.2	-	1695.1
Net foreign assets <sup>2/@</sup>	1352.5	1400.2	1677.1
Net domestic assets <sup>1/</sup>	-105.3	-	-215.2
Net domestic assets <sup>2/</sup>	-57.7	99.9	-197.2
Domestic credit	156.9	186.9	143.6
	(-54.4)	(19.1)	(-8.4)
Credit to the public sector <sup>3/</sup>	102.3	132.3	95.4
	(-63.7)	(29.3)	(-6.7)
Credit to deposit money banks <sup>4/</sup>	54.6	54.6	48.2
	(-13.1)	(0.0)	(-11.6)
Other items (net)	-214.6	-87.0	-340.8
Reserve money	1294.8	1500.1	1479.9
	(15.4)	(15.8)	(14.3)
Currency issued	854.9	992.6	981.5
	(13.4)	(16.1)	(14.8)
Deposits of banks with BB <sup>5/</sup>	440.0	507.5	498.4
	(19.5)	(15.3)	(13.3)
Money multiplier	5.41	5.44	5.32

@ Excluding foreign currency clearing account balance and offshore bank account.  
<sup>1/</sup> Calculated from monetary survey using end of period exchange rates.  
<sup>2/</sup> Calculated using constant exchange rates of end June 2011.  
<sup>3/</sup> Govt. lending fund is treated as deposit in calculating net credit to Govt  
<sup>4/</sup> Considers only loans and advances to DMBs.  
<sup>5/</sup> Excluding foreign currency clearing account balance and non-bank deposits.  
 Note : Figures in the parentheses indicate y-o-y percentage changes.

**Table 4.3 Income velocity of money**

Year	(billion Taka)		
	GDP at current market prices	Broad Money (M2) (end June position)	Income velocity of money
FY09	7050.72	2964.99	2.38
FY10	7975.39	3630.31	(-5.93)
FY11	9158.29	4405.20	2.20
FY12	10552.04	5171.10	(-7.56)
FY13	11989.23	6035.06	2.08
FY14	13436.74	7006.24	(-5.45)
FY15	15136.00	7871.2	2.04
			(-1.92)
			1.99
			(-2.45)
			1.93
			(-3.02)
			1.92
			(-0.52)

Note: Figures in parentheses indicate percentage changes over previous fiscal year.

growth in broad money (M2) in FY15. Domestic credit growth from banking system slowed down to 10.1 percent against the targeted growth of 17.4 percent for FY15 and the actual 11.6 percent growth in FY14.

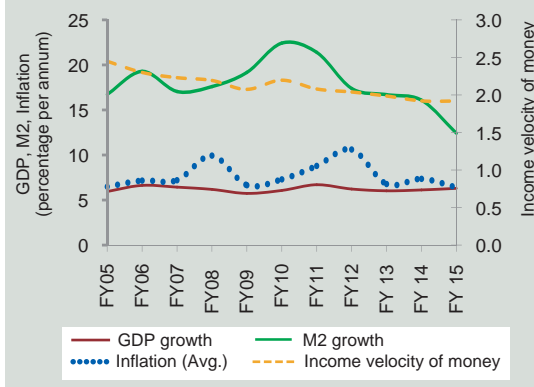
Domestic credit growth declined due to lower investment demand by the private sector for a number of reasons. Credit to the public sector declined significantly due mainly to higher net sale of saving certificates by government and slower implementation of ADP. The growth in public sector credit stood negative at 2.5 percent against the targeted 25.3 percent growth under the programme in FY15 and 8.8 percent actual growth in FY14. However, private sector credit growth increased in FY15 compared to previous year but remained lower against the targeted level. The growth in private sector credit stood at 13.2 percent in FY15 against the targeted growth of 15.5 percent and the actual growth of 12.3 percent in FY14. As a result, net domestic assets registered 10.0 percent growth in FY15 compared to the targeted growth of 20.2 percent for FY15 and 11.0 percent actual growth in FY14.

On the other hand, growth in net foreign assets (NFA) stood at 20.7 percent against the targeted 3.6 percent growth for FY15. Though net foreign assets increased against the targeted level, but it was lower than 38.6 percent actual growth in FY14. However, in the pace of moderate remittance growth (7.65 percent) in the external sector, growth in net foreign assets (NFA) declined owing to weak export growth and strong demand in imports of capital machinery and production inputs which eventually caused the trade account deficit in FY15. Trends of broad money and its components are shown in chart 4.2.

### Reserve Money Developments

4.4 Reserve money (RM) has been used as an operating target to modulate liquidity

**Chart 4.5 Movement of GDP growth, M2 growth, rate of inflation and income velocity of money**



**Table 4.4 Bank Credit\*- FY15 quarterly positions**

(billion Taka)			
Outstanding as of	Advances	Bills	Total
30 June 14	4854.00 (96.17)	193.49 (3.83)	5047.49
30 Sep 14	5020.61 (95.44)	185.27 (3.56)	5205.88
31 Dec 14	5273.56 (96.76)	176.86 (3.24)	5450.42
31 Mar 15	5335.72 (96.55)	190.79 (3.45)	5526.51
30 June 15	5528.69 (96.50)	200.30 (3.50)	5728.98

Figure in parentheses indicate percentage shares of total bank credit.  
\* Excluding foreign bills and inter bank credit.

consistent with the overall monetary projection. The weekly auctions of Govt. treasury bills and bonds are usually influenced the level of RM, while repo and reverse repo operations are applied for smoothening the money market.

4.5 In line with the projected broad money growth, the monetary programme set at 15.8 percent growth of RM for FY15 but the actual growth was 14.3 percent. The lower than projected growth of RM during the year was due mainly to the substantially lower level of

net domestic assets of BB compared to the programme level. Net domestic assets stood negative at Taka 197.2 billion against the programme level of Taka 99.9 billion. Domestic credit of BB registered negative 8.4 percent growth associated with its components; public sector credit recorded negative 6.7 percent growth compared to 29.3 percent growth targeted under the programme due to lower than expected growth of government borrowing from banking system. Government borrowing from banking system declined due mainly to substantial increase in non-bank borrowing from net sale of NSD certificates during FY15. Credit to the deposit money banks stood at Taka 48.2 billion in FY15 against the targeted amount of Taka 54.6 billion as banks had sufficient liquidity to meet the required demand. On the other hand, net foreign assets of BB, however, substantially increased by Taka 324.6 billion and stood at Taka 1677.1 billion against the actual level of Taka 1352.5 billion in FY14 (Table 4.2).

4.6 Money multiplier decreased to 5.32 in FY15 as compared to 5.41 in FY14. Reserve-deposit ratio increased to 0.085 in FY15 from 0.084 in FY14 and currency-deposit ratio also increased to 0.1258 in FY15 as compared to 0.1233 in FY14. Net changes of both reserve-deposit ratio and currency-deposit ratio led to decrease in money multiplier. Both money multiplier and reserve money growth explain the growth in broad money. Movement of domestic credit and its components in FY15 are shown in Chart 4.3.

Actual development of M2 and RM against their respective programme path is shown in Chart 4.4.

**Table 4.5 Bank deposits\*- FY15 quarterly positions**

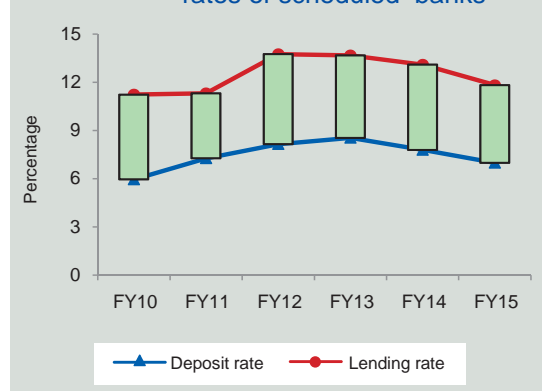
Balances as of	(billion Taka)			
	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 June 14	643.44	5589.78	392.18	6625.40
30 Sep 14	620.25	5752.39	387.26	6759.90
31 Dec 14	656.36	5932.16	456.97	7045.49
31 Mar 15	642.02	6045.65	446.85	7134.52
30 June 15	723.84	6268.00	471.17	7463.01

\*Excluding inter bank and restricted deposits.

**Table: 4.6 weighted average interest rates of scheduled banks**

Items	as of end June (in %)					
	FY10	FY11	FY12	FY13	FY14	FY15
Deposit rate	5.96	7.27	8.15	8.54	7.79	6.80
Lending rate	11.23	12.42	13.75	13.67	13.10	11.67
Spread	5.27	5.15	5.60	5.13	5.31	4.87

**Chart 4.6 Weighted average interest rates of scheduled banks**



### Income Velocity of Money

4.7 The income velocity of money decreased by 0.52 percent to 1.92 in FY15 from 1.93 in FY14 (Table 4.3). It was declined by 3.02 percent in FY14. Income velocity of money was on a declining trend



over the past several years indicating increased speed of transactions as a result of among other factors, rapid commercial bank branch expansion and financial inclusion drives in the financial system. Movement of GDP growth, M2 growth, inflation and income velocity of money during FY05-FY15 are shown in Chart 4.5.

### Bank Credit

4.8 Outstanding bank credit (excluding foreign bills and inter-bank items) during FY15 rose by Taka 681.49 billion or 13.50 percent to Taka 5728.98 billion as against an increase of 12.61 percent in FY14. The rise in the bank credit during FY15 was driven by both the increase in bills and advances.

Advances increased by Taka 674.69 billion or 13.90 percent in FY15 as against an increase of 13.33 percent during FY14. Bills purchased and discounted increased by Taka 6.81 billion or 3.52 percent in FY15 as compared to the decrease of 2.77 percent in FY14. The quarterly position of bank credit and its components is presented at Table 4.4.

### Bank Deposits

4.9 Bank deposits (excluding inter-bank items) increased by Taka 837.61 billion or 12.64 percent to Taka 7463.01 billion during FY15 against 15.65 percent increase in FY14. The rise in total bank deposits was contributed by all kinds of deposits. Time deposits increased by Taka 678.22 billion or 12.13 percent and stood at Taka 6268.00 billion in FY15 against growth of 16.48 percent during FY14. Demand deposits increased by Taka 80.4 billion or 12.50

percent in FY15 to Taka 723.84 billion against 15.44 percent decrease in FY14. Government deposits increased by Taka 78.99 billion or 20.14 percent to Taka 471.17 billion in FY15 against 5.28 percent increase in FY14. Quarterly position of bank deposits in FY15 is presented at Table 4.5.

### Credit/Deposit Ratio

4.10 The credit/deposit ratio of the scheduled banks, excluding the specialised banks was 0.77 at the end of June 2015. It was 0.76 at the end of June 2014. Increasing credit to deposit ratio in FY15 indicates credit growth is higher than the deposit growth.

### Scheduled Banks' Borrowing from Bangladesh Bank

4.11 Scheduled banks' borrowings from the Bangladesh Bank decreased by Taka 7.03 billion or 12.72 percent to Taka 48.24 billion at the end of June 2015 against the decrease of 41.46 percent at the end of June 2014.

### Balances of Scheduled Banks with the BB and their Cash in Tills

4.12 Balances of scheduled banks with the BB increased by Taka 58.41 billion or 13.28 percent to Taka 498.39 billion at the end of June 2015 compared to the increase by 19.55 percent to Taka 439.98 billion at the end of June 2014. Cash in tills of scheduled banks increased by Taka 16.36 billion or 19.08 percent to Taka 102.13 billion at the end of June 2015 against the increase of 9.69 percent to Taka 85.77 billion as of end of June 2014.



### **Cash Reserve Requirement (CRR)**

4.13 The Cash Reserve Requirement (CRR) for the scheduled banks with the Bangladesh Bank remained unchanged at 6.50 percent of their total demand and time liabilities for implementing the objectives of Monetary Policy. It may be noted that banks are required to maintain CRR at the rate of 6.50 percent on average on bi-weekly basis provided that the CRR would not be less than 6.00 percent in any day with effect from 24 June 2014.

### **Statutory Liquidity Ratio (SLR)**

4.14 According to the amendment of subsection (2) under section 33 of Bank Company Act, 1991, banks should have maintained statutory liquidity ratio separately as follows, (a) for the conventional banks, the statutory liquid assets inside Bangladesh which also includes excess reserves with Bangladesh Bank shall not be less than 13.0 percent of their total demand and time liabilities, and (b) for the shariah based Islami banks, this rate shall not be less than 5.5

percent. This has been effective from 1 February, 2014.

### **Bank Rate**

4.15 The bank rate remained unchanged at 5.0 percent in FY15. This rate has been in effect from 6 November 2003.

### **Interest Rates on Deposits and Lending**

4.16 The weighted average interest rates on deposits increased during FY10-FY13 (Table 4.6) and then started decreasing from FY14 and reached at 6.80 percent in FY15. Similarly, the weighted average interest rates on lending increased during the period of FY10 to FY12 and started declining thereafter and reached at 11.67 percent in FY15. Though policy rates remained unchanged, lending rates declined due to lower cost of funds for banks, lower demand for credit as well as increasing competition from overseas lenders whose lending rates are in single digit. The spreads between lending rates and deposit rates were above 5 percent from FY10 to FY14 which decreased to 4.87 percent in FY15 from 5.31 percent in FY14.

## Banking Sector Performance, Regulation and Bank Supervision

5.1 The world financial system became susceptible to escalate vulnerability and instability in the recent past. Yet the banking sector of Bangladesh underwent a moderate level of resilience in FY15. With a view to maintaining a sound, efficient and stable financial system, Bangladesh Bank (BB) has initiated a number of policy measures giving augmented emphasis on (i) risk management and corporate governance in the banks, (ii) periodic review of stability of the individual bank as well as the whole banking system, (iii) exercise of stress testing, (iv) inclusion of underserved productive economic sectors and population segments in financial system, (v) monitoring of fraud-forgeries and strengthening internal control and (vi) compliance through self assessment of anti-

fraud internal controls, etc. Monitoring of investment in stock market by the scheduled banks has been stringent. Risk Management Committee at the board level has been made mandatory to ensure proper risk management practice in the banks. Presently, the banks are being rated for their overall risk management performance. Focus has also been given on Corporate Social Responsibility (CSR) and green banking activities and a distinguished department has been working to monitor the initiatives being undertaken by banks. BB is shifting from a compliance-based approach to a forward-looking risk-based approach in regulation and supervision. Basel-III, the revised regulatory capital framework, has been implemented to improve the resilience of individual banking institutions during the

**Table 5.1 Banking systems structure**

(billion Taka)

Bank types	2013						2014					
	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits
SCBs	4	3520	2108.5	26.4	1631.2	26.0	5	3553	2517.1	27.5	1952.1	28.0
DFIs	4	1494	454.8	5.7	343.0	5.5	3	1500	333.8	3.7	237.6	3.4
PCBs	39	3602	4948.2	61.8	3939.3	62.8	39	3917	5787.1	63.3	4449.4	63.9
FCBs	9	69	488.7	6.1	359.5	5.7	9	70	505.0	5.5	326.0	4.7
<b>Total</b>	<b>56</b>	<b>8685</b>	<b>8000.2</b>	<b>100</b>	<b>6273.0</b>	<b>100</b>	<b>56</b>	<b>9040</b>	<b>9143.0</b>	<b>100</b>	<b>6965.1</b>	<b>100</b>

Note: Banks prepare their balance sheet on calendar year basis, and are obliged to submit their audited balance sheet at the end of every calendar year. That is why banks' performance-related figures are stated in calendar year basis.

periods of stress, while addressing system-wide risks that arise across the banking sector. Two new tools namely the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) have been introduced

for measuring liquidity under Basel-III to ensure stronger and more targeted liquidity management of banks. A Basel-III Compliance Unit has been established by each bank as per instruction of BB, and steps have been

Chart 5.1 Aggregate industry assets (Dec, 2013)  
(billion Taka)

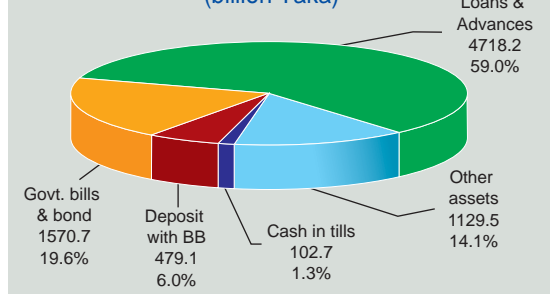
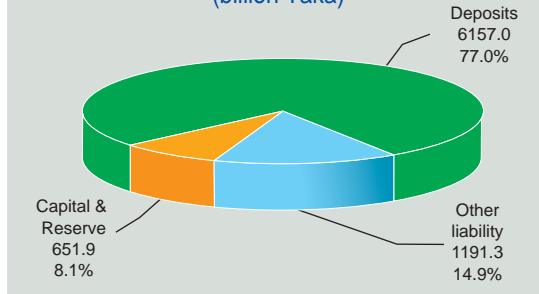
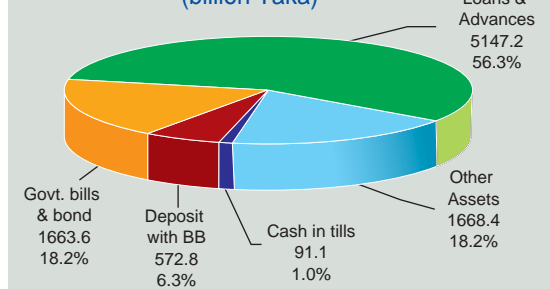


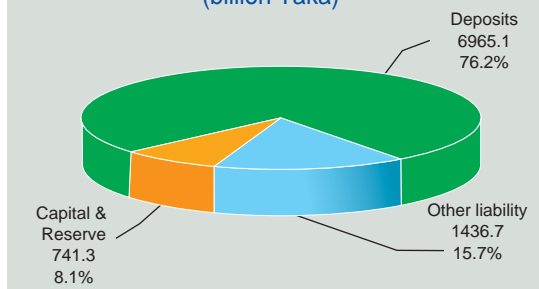
Chart 5.2 Aggregate industry liabilities (Dec, 2013)  
(billion Taka)



Aggregate industry assets (Dec, 2014)  
(billion Taka)



Aggregate industry liabilities (Dec, 2014)  
(billion Taka)



taken to increase board awareness through arranging meetings with the boards of non-compliant banks.

### A. Banking Sector Performance

5.2 The banking sector of Bangladesh comprises four categories of scheduled banks- State-owned Commercial Banks (SCBs), State-owned Development Financial Institutions (DFIs), Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs). Recently, BASIC bank has become an SCB instead of DFI. The scheduled banks had a total number of 9040 branches as of December 2014 which increased from 8685 of 2013 mainly due to opening of new branches during the year. At the end of June 2015, the total number of bank branches increased further to 9131 with total number of banks

remained unchanged at 56 (Appendix 4, Table I). Structure of the banking sector with breakdown by type of banks is shown in Table 5.1.

5.3 In 2014, the SCBs held 27.5 percent of the total industry assets against 26.4 percent in 2013. PCBs' share in total assets was showing persistent trend and it increased slightly from 61.8 percent in 2013 to 63.3 percent in 2014. The FCBs held 5.5 percent of the industry assets in 2014, showing a decrease by 0.6 percentage points over the previous year. The DFIs' share of assets decreased to 3.7 percent in 2014 from 5.7 percent in 2013 as one bank of this group was categorised as SCB.

5.4 Total deposits of the banks in 2014 increased to Taka 6965.1 billion from Taka 6273.0 billion in 2013, showing an overall

increase by 11.0 percent. The SCBs' share in deposits increased slightly from 26.0 percent in 2013 to 28.0 percent in 2014. PCBs' deposits in 2014 amounted to Taka 4449.4 billion or 63.9 percent of the total industry deposit against Taka 3939.3 billion or 62.8 percent in 2013. FCBs' deposits in 2014 decreased by 9.3 percent to Taka 326.0 billion from Taka 359.5 billion in 2013. The DFIs' deposits decreased by 30.7 percent to Taka 237.6 billion in 2014 from Taka 343.0 billion in 2013.

### A.1. Aggregate Balance Sheet

5.5 Total industry assets in 2014 showed an overall increase of 14.3 percent over 2013. During this period, the SCBs' assets increased by 19.4 percent and those of the PCBs' increased by 17.0 percent. Loans and advances of Taka 5147.2 billion constituted the most significant portion (56.3 percent) of the sector's total assets of Taka 9143.0 billion. Cash in hand including foreign currencies was Taka 91.1 billion; deposits with BB was Taka 572.8 billion; other assets was Taka 1668.4 billion and investment in government bills & bonds was Taka 1663.6 billion (Chart 5.1).

5.6 Deposits continued to be the main sources of funds of the banking industry and constituted 76.2 percent (Taka 6965.1 billion) of total liability in 2014. Capital and reserves of the banks were Taka 741.3 billion (8.1 percent) in 2014 compared to Taka 651.9 billion (8.1 percent) in 2013 (Chart 5.2).

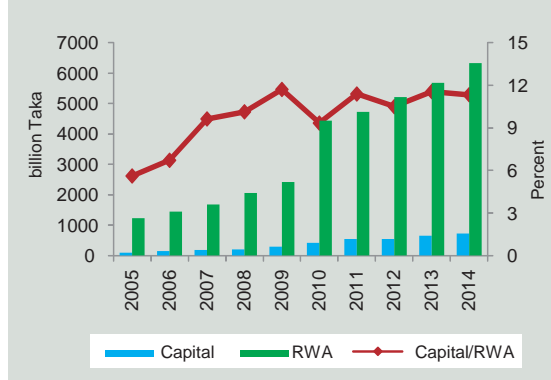
### A.2. Capital Adequacy

5.7 Capital adequacy ratio (CAR) focuses on the total position of banks' capital and the

**Table 5.2 Capital to risk weighted assets ratio by type of banks**

Bank types	(percent)								
	2007	2008	2009	2010	2011	2012	2013	2014	End June 2015
SCBs	7.9	6.9	9.0	8.9	11.7	8.1	10.8	8.3	4.9
DFIs	-5.5	-5.3	0.4	-7.3	-4.5	-7.8	-9.7	-17.3	-18.1
PCBs	10.6	11.4	12.1	10.1	11.5	11.4	12.6	12.5	11.8
FCBs	22.7	24.0	28.1	15.6	21.0	20.6	20.2	22.6	24.1
<b>Total</b>	<b>9.6</b>	<b>10.1</b>	<b>11.6</b>	<b>9.3</b>	<b>11.4</b>	<b>10.5</b>	<b>11.5</b>	<b>11.3</b>	<b>10.3</b>

**Chart 5.3 Aggregate capital adequacy position**



protection of depositors and other creditors from the potential losses that a bank might incur. It helps absorbing all possible financial risks related to credit, market, operation, interest rate, liquidity, reputation, settlement, strategy, environmental and climate change, etc. Under Basel-II, banks in Bangladesh are instructed to maintain the Minimum Capital Requirement (MCR) at 10.0 percent of the Risk Weighted Assets (RWA) or Taka 4.0 billion, whichever is higher. Under the Supervisory Review Process (SRP), banks are instructed to maintain a level of "adequate" capital which is higher than the minimum required capital and sufficient to cover for all possible risks in their business. This higher level of capital for the banks is usually determined and finalised through SRP-SREP (Supervisory Review Evaluation

Process, the central bank's assessment) dialogue. The amount of capital was Taka 717.5 billion at the end of December 2014.

5.8 On 31 December 2014, the SCBs, DFIs, PCBs and FCBs maintained CAR of 8.3, -17.3, 12.5 and 22.6 percent respectively as a group. But individually, two SCBs (Sonali, BASIC), two PCBs (BCBL, ICB) and two DFIs (BKB, RAKUB) did not maintain the minimum required CAR due to the increase in classified loans. The CAR of the banking industry as a whole was 11.3 percent at end of December 2014 as against 11.5 percent at the end of 2013. Implementation of revised policy on loans was the main reason of the increase in CAR in 2013 and 2014. The CAR of the industry was 10.3 percent at end of June 2015.

### A.3. Asset Quality

5.9 Loans and advances are the major components of the asset composition of all commercial banks. The high concentration of loans and advances increases the vulnerability of assets to credit risk.

5.10 The most important indicator to identify the asset quality in the loan portfolio is the ratio of gross non-performing loans (NPLs) to total loans and net NPLs to net total loans. At the end of December 2014, PCBs had the lowest and DFIs had the highest ratio of gross NPLs to total loans. PCBs' gross NPLs to total loans ratio was 5.0 percent, whereas that of SCBs, FCBs and DFIs were 22.2, 7.3 and 32.8 percent respectively in 2014 (Table 5.3). The gross NPL ratios to total loans for the SCBs, PCBs, FCBs and DFIs were recorded as 21.9, 5.7, 8.2 and 25.5 percent respectively at end of June 2015.

Chart 5.4 Aggregate position of NPLs to total loans

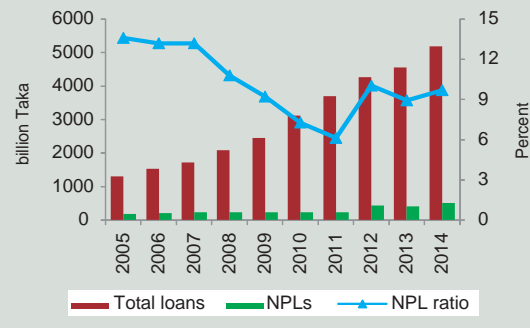


Table 5.3 NPL ratios by type of banks

Bank types	NPL ratios by type of banks (percent)								End June 2015
	2007	2008	2009	2010	2011	2012	2013	2014	
SCBs	29.9	25.4	21.4	15.7	11.3	23.9	19.8	22.2	21.9
DFIs	28.6	25.5	25.9	24.2	24.6	26.8	26.8	32.8	25.5
PCBs	5.0	4.4	3.9	3.2	2.9	4.6	4.5	5.0	5.7
FCBs	1.4	1.9	2.3	3.0	3.0	3.5	5.5	7.3	8.2
<b>Total</b>	<b>13.2</b>	<b>10.8</b>	<b>9.2</b>	<b>7.3</b>	<b>6.1</b>	<b>10.0</b>	<b>8.9</b>	<b>10.0</b>	<b>9.7</b>

Table 5.3 (a) Ratio of net NPL to total loans by type of banks

Bank types	Ratio of net NPL to total loans by type of banks								End June 2015
	2007	2008	2009	2010	2011	2012	2013	2014	
SCBs	12.9	5.9	1.9	1.9	-0.3	12.8	1.7	6.1	9.4
DFIs	19.0	17.0	18.3	16.0	17.0	20.4	19.7	25.5	9.2
PCBs	1.4	0.9	0.5	0.0	0.2	0.9	0.6	0.8	1.1
FCBs	-1.9	-2.0	-2.3	-1.7	-1.8	-0.9	-0.4	-0.9	-0.4
<b>Total</b>	<b>5.1</b>	<b>2.8</b>	<b>1.7</b>	<b>1.3</b>	<b>0.7</b>	<b>4.4</b>	<b>2.0</b>	<b>2.7</b>	<b>2.8</b>

5.11 The ratio of NPL to total loans of all the banks showed an overall declining trend from its peak (34.9 percent) in 2000 up to 2011 (6.1 percent). But the ratio increased in 2012 (10.0 percent), decreased again in 2013 (8.9 percent), then increased again (9.7 percent) in 2014. The decline in NPLs to total loans ratio in recent years till 2011 (Table 5.3) can be attributed partly to some progress in recovery of long outstanding loans and partly

to write-off of loans classified as 'bad' or 'loss'. But it went up again in 2012 and 2014 due to new loan classification policy and some scams in the banking industry.

5.12 The SCBs and DFIs continued to have high level of NPLs due mainly to poor appraisal, inadequate follow-up and supervision of the loans disbursed. Furthermore, these banks were reluctant to write-off the historically accumulated bad loans because of poor quality of underlying collaterals. Recovery of NPLs, however, witnessed some signs of improvement has mainly because of the steps taken with regard to internal restructuring of these banks to strengthen their loan recovery mechanism, and write-off measures initiated in recent years.

5.13 Table 5.3 (a) and Chart 5.4 show that in 2014, the ratio of net NPLs (net of provisions and interest suspense) to net total loans (net of provisions and interest suspense) was 2.7 percent for the banking sector. But it was 25.5 percent for DFIs. DFIs' nonperforming portfolios were still high after adjustment of actual provision and interest suspense, whereas SCBs, FCBs, and PCBs had excess provision against their NPLs. The net NPLs to net total loan ratios were 6.1, 0.8, and -0.9 percent for the SCBs, PCBs and FCBs respectively at the end of December 2014. The ratios were 9.4, 9.2, 1.1 and -0.4 percent for SCBs, DFIs, PCBs and FCBs respectively at the end of June 2015.

5.14. Table 5.3(b) shows the amount of NPLs of the four types of banks from 2000 to 2015 (end of June). The amount of NPLs of the SCBs increased from Taka 137.9 billion in

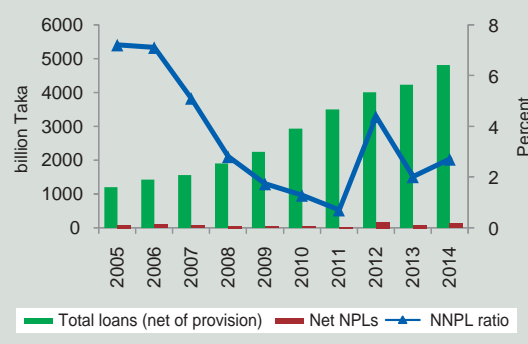
**Table 5.3 (b) Amount of NPLs**

(billion Taka)									
Bank types	2007	2008	2009	2010	2011	2012	2013	2014	End June 2015
SCBs	137.9	127.6	117.5	107.6	91.7	215.2	166.1	227.6	224.0
DFIs	37.2	37.3	42.1	49.7	56.5	73.3	83.6	72.6	58.3
PCBs	49.2	57.0	61.7	64.3	72.0	130.4	143.1	184.3	223.5
FCBs	1.9	2.9	3.5	5.5	6.3	8.5	13.0	17.1	19.4
<b>Total</b>	<b>226.2</b>	<b>224.8</b>	<b>224.8</b>	<b>227.1</b>	<b>226.5</b>	<b>427.3</b>	<b>405.8</b>	<b>501.6</b>	<b>525.2</b>

**Table 5.4 Required provision and provision maintained -all banks**

(billion Taka)									
All banks	2007	2008	2009	2010	2011	2012	2013	2014	End June 2015
Amount of NPLs	226.2	224.8	224.8	227.1	226.4	427.3	405.8	501.6	525.2
Required Provision	127.2	136.1	134.8	149.2	148.2	242.4	252.4	289.6	300.4
Provision maintained	97.1	126.2	137.9	142.3	152.7	189.8	249.8	281.6	275.6
Excess(+)/shortfall(-)	-30.1	-9.9	3.1	-6.9	4.6	-52.6	-2.6	-7.9	-24.8
Provision maintenance ratio (%)	76.3	92.7	102.3	95.4	103.0	78.3	99.0	97.2	91.7

**Chart 5.4 (a) Aggregate position of NNPL to total loans (net of provision)**



2007 to Taka 227.6 billion in 2014. The PCBs recorded a total increase of Taka 135.1 billion in their NPL accounts, which stood at Taka 184.3 billion in 2014 against Taka 49.2 billion in 2007. The amount of NPLs of the DFIs increased to Taka 72.6 billion in 2014 from Taka 37.2 billion in 2007. The amount of NPLs of the FCBs increased from Taka 1.9



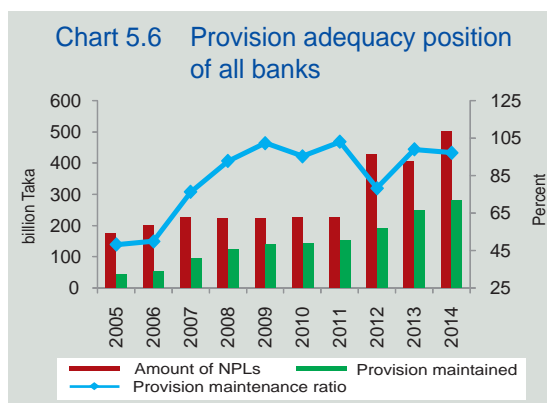
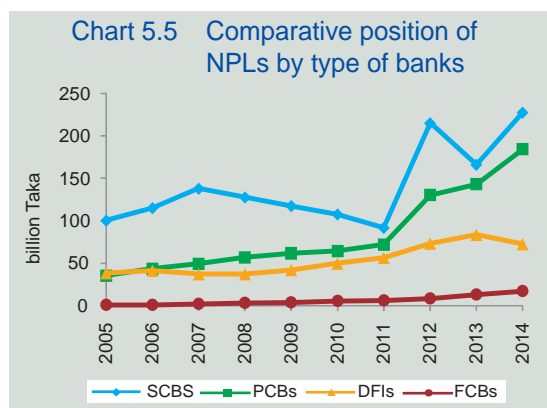
billion in 2007 to Taka 17.1 billion in 2014. The amount of NPLs of SCBs, DFIs, PCBs and FCBs stood at Taka 224.0, 58.3, 223.5 and 19.4 billion respectively at the end of June 2015.

5.15 Table 5.4 shows the aggregate amount of NPLs, the required loan loss provision and the actual provision maintained by the banks from 2007 to end of June 2015. Table 5.4 and Chart 5.6 show that in aggregate, the banks continuously failed to maintain the required level of provision against their NPLs from 2007 to 2014 except the year 2009 and 2011 when the banking sector was able to maintain more of the required provisions. Banks maintained 76.3 percent of the required provisions in 2007 which increased thereafter to 103.0 percent in 2011, then declined to 99.0 percent in 2013 and 91.7 percent in June 2015.

The main reason for the shortfall in provision was the inability of some SCBs, DFIs and PCBs including those in the problem bank category, due to inadequate profits and provision transfer for write-offs. Notably, the FCBs were in a much better position as they were able to make adequate provisions. A comparative position of loan loss provisions as of end 2013, 2014 and 2015 (end June) is shown in Table 5.5.

5.16 37 out of 39 PCBs were able to maintain the required provision at the end of December 2014, but the remaining two failed due to their poor asset portfolios and earning levels.

5.17 To correct an unnecessarily and artificially inflated size of the balance sheet,



**Table 5.5 Comparative position of provision adequacy**

		(billion Taka)			
Year	Items	SCBs	DFIs	PCBs	FCBs
2013	Required provision	107.8	38.3	94.8	11.6
	Provision maintained	122.3	17.4	97.8	12.3
	Provision maintenance ratio (%)	113.5	45.5	103.2	106.0
2014	Required provision	128.6	37.1	108.7	15.3
	Provision maintained	135.3	14.7	115.4	16.2
	Provision maintenance ratio (%)	105.2	39.6	106.2	105.9
2015 June	Required provision	126.2	31.2	126.5	16.2
	Provision maintained	96.7	31.2	130.6	17.2
	Provision maintenance ratio (%)	76.6	100	103.2	106.2

uniform guidelines for write-offs were introduced in 2003. According to the policy, banks may, at any time, write off bad/loss loans. The loans classified as bad/loss for the last 5 years or more with 100 percent provisions embarked are written-off. The total amount of written-off bad debts from June 2008 to June 2015 in different bank categories is given in Table 5.6.

#### A.4. Management Soundness

5.18 It is difficult to draw any conclusion regarding management soundness based on quantitative indicators as characteristics of a good management are rather qualitative in nature. Nevertheless, the total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee, and interest rate spread are generally used to portray management soundness. Technical competence and leadership of mid and senior level management, compliance to plan and respond to changing circumstances, etc. are also taken into consideration in evaluating the quality of management.

5.19 As evident from Table 5.7, in 2014, the expenditure-income (EI) ratio of the DFIs was the highest among bank clusters. The EI ratio of the SCBs was 84.1 percent the second highest, which was mainly attributable to high administrative and operating expenses. The EI ratio of DFIs increased from 94.8 percent in 2013 to 99.5 percent in 2014. The EI ratio of PCBs and FCBs declined to 75.8 and 46.8 percent respectively compared to the previous year. At end of June 2015, the EI ratio of SCBs, DFIs, and FCBs increased to 85.9, 120.4, and 49.6 percent respectively and remained almost unchanged for PCBs.

#### A.5. Earnings and Profitability

5.20 There are various indicators of earnings and profitability, but the most representative and widely used one is Return on Assets (ROA) which is supplemented by Return on Equity (ROE) and Net Interest Margin (NIM).

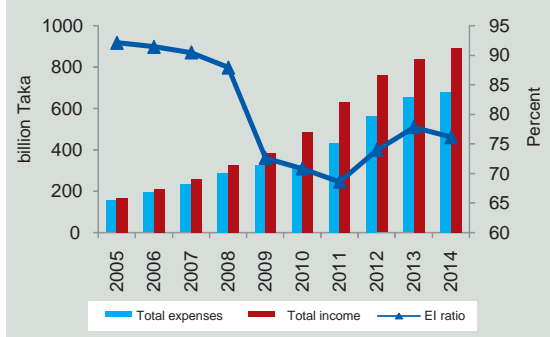
**Table 5.6 Writing-off bad debts in different bank categories**

		(billion Taka)									
Bank types	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13	30 June 14	30 June 15			
SCBs	48.4	64.5	70.5	82.4	72.9	107.2	154.8	210.3			
DFIs	31.0	31.8	31.8	32.0	24.5	32.6	34.2	5.6			
PCBs	49.4	54.7	69.6	77.1	64.9	109.7	127.7	155.5			
FCBs	1.7	2.0	2.1	2.4	2.6	3.7	4.4	5.1			
<b>Total</b>	<b>130.5</b>	<b>153.0</b>	<b>174.0</b>	<b>193.9</b>	<b>164.9</b>	<b>253.3</b>	<b>321.1</b>	<b>376.5</b>			

**Table 5.7 Expenditure-income ratio by type of banks**

		(percent)									
Bank types	2007	2008	2009	2010	2011	2012	2013	2014	2015 June		
SCBs	100.0	89.6	75.6	80.7	62.7	73.2	84.1	84.1	85.9		
DFIs	107.7	103.7	112.1	87.8	88.6	91.2	94.8	99.5	120.4		
PCBs	88.8	88.4	72.6	67.6	71.7	76.0	77.9	75.8	75.5		
FCBs	72.9	75.8	59.0	64.7	47.3	49.6	50.4	46.8	49.6		
<b>Total</b>	<b>90.4</b>	<b>87.9</b>	<b>72.6</b>	<b>70.8</b>	<b>68.6</b>	<b>74.0</b>	<b>77.8</b>	<b>76.1</b>	<b>78.3</b>		

**Chart 5.7 Aggregate position of income and expenditure - all banks**



5.21 Earnings as measured by ROA and ROE differ greatly within the industry. Table 5.8 shows ROA and ROE by type of banks. Analysis of these indicators reveals that the ROA of the SCBs was less than the industry average. The ROA of SCBs was gradually increasing up to 2011, but it dropped down to



**Table 5.8 Profitability ratios by type of banks**

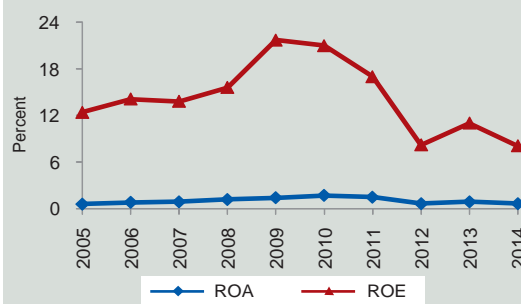
(percent)

Bank types	Return on assets (ROA)										Return on equity (ROE)								
	2007	2008	2009	2010	2011	2012	2013	2014	2015 June	2007	2008	2009	2010	2011	2012	2013	2014	2015 June	
SCBs	0.0	0.7	1.0	1.1	1.3	-0.6	0.6	-0.6	-0.6	0.0	22.5	26.2	18.4	19.7	-11.9	10.9	-13.5	-22.5	
DFIs	-0.3	-0.6	0.4	0.2	0.1	0.1	-0.4	-0.7	-1.5	-3.4	-6.9	-171.7	-3.2	-0.9	-1.1	-5.8	-6.0	-8.2	
PCBs	1.3	1.4	1.6	2.1	1.6	0.9	1.0	1.0	0.9	16.7	16.4	21.0	20.9	15.7	10.2	9.8	10.3	9.7	
FCBs	3.1	2.9	3.2	2.9	3.2	3.3	3.0	3.4	3.1	20.4	17.8	22.4	17.0	16.6	17.3	16.9	17.7	15.7	
<b>Total</b>	<b>0.9</b>	<b>1.2</b>	<b>1.4</b>	<b>1.8</b>	<b>1.5</b>	<b>0.6</b>	<b>0.9</b>	<b>0.6</b>	<b>0.5</b>	<b>13.8</b>	<b>15.6</b>	<b>21.7</b>	<b>21.0</b>	<b>17.0</b>	<b>8.2</b>	<b>11.0</b>	<b>8.1</b>	<b>6.6</b>	

negative (-0.6 percent) in 2012 due to a huge net loss. In 2013, it increased and became positive but eventually turned into negative (-0.6 percent) at the end of 2014. The DFIs' situation is not getting better due to persistent operating losses incurred by BKB and RAKUB. The ROA of DFIs' deteriorated more, scoring negative (-0.7 percent) in 2014. PCBs' ROA showed a consistently strong position up to 2010, but it was in a decreasing trend during 2011 to 2014 due to the decrease of net profit. Though FCBs' ROA was continuously strong, it decreased slightly in 2013, increased in 2014 and dropped again in June 2015.

5.22 ROE of SCBs showed negative in 2014. It dropped from 10.9 percent in 2013 to negative 13.5 percent in 2014 due to huge loss incurred by BASIC Bank and further declined to negative 22.5 percent in June 2015. DFIs' ROE was negative 6.0 percent in 2014 compared to negative 5.8 percent in 2013. ROE of PCBs increased to 10.3 percent in 2014 from 9.8 percent in 2013 and decreased again to 9.7 percent in June 2015. The ROE of FCBs stood at 17.7 percent in 2014 which was 16.9 percent in 2013 and fell to 15.7 percent in June 2015.

5.23 Aggregate net interest income (NII) of the industry in 2014 increased sharply and

**Chart 5.8 Aggregate profitability-all banks****Table 5.9 Net interest income by type of bank**

(billion Taka)

Bank types	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	7.4	7.9	12.1	19.8	34.3	14.9	-5.4	39.7	19.4
DFIs	1.4	1.9	1.9	6.2	4.9	4.7	3.8	2.1	1.9
PCBs	36.1	48.5	56.7	82.8	91.4	114.7	118.2	205.8	105.0
FCBs	9.9	12.6	10.7	13.0	16.1	19.6	15.8	26.6	14.1
<b>Total</b>	<b>54.8</b>	<b>70.9</b>	<b>81.5</b>	<b>121.9</b>	<b>146.7</b>	<b>153.8</b>	<b>132.3</b>	<b>274.2</b>	<b>140.3</b>

stood at Taka 274.2 billion from Taka 132.3 billion in 2013. After falling down to Taka 5.4 billion (negative) in 2013, SCBs were able to regain positive NII at Taka 39.7 billion in 2014. Major portion of the industry's NII comes from PCBs. Their contribution was 75.1 percent of the banking industry in 2014. PCBs showed an increasing trend from 2007 to 2014 whereas NII of DFIs and FCBs were fluctuating moderately.

Table 5.10 Liquidity ratio by type of banks

Bank types	Liquid assets									Excess liquidity								
	2007	2008	2009	2010	2011	2012	2013	2014	2015 June	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	24.9	32.9	25.1	27.2	31.3	29.2	44.3	42.0	39.3	6.9	14.9	17.6	8.2	12.3	10.2	25.3	23.9	26.4
DFIs	14.2	13.7	9.6	21.3	6.9	12.0	15.3	6.6	0.0	5.6	4.9	7.1	2.3	1.3	1.0	4.2	6.6	0.0
PCBs	22.2	20.7	18.2	21.5	23.5	26.3	28.0	28.2	20.8	6.4	4.7	5.3	4.6	6.6	9.5	11.3	11.0	11.9
FCBs	29.2	31.3	31.8	32.1	34.1	37.5	46.2	56.9	51.1	11.2	13.3	21.8	13.2	15.3	18.7	27.4	37.6	38.9
<b>Total</b>	<b>23.2</b>	<b>24.8</b>	<b>20.6</b>	<b>23.0</b>	<b>25.4</b>	<b>27.1</b>	<b>32.5</b>	<b>32.7</b>	<b>26.8</b>	<b>6.9</b>	<b>8.4</b>	<b>9.0</b>	<b>6.0</b>	<b>8.4</b>	<b>9.9</b>	<b>15.4</b>	<b>15.7</b>	<b>16.9</b>

5.24 SCBs were able to increase their net interest income (NII) by reducing their cost of funds during 2007 to 2011. In 2012, the NII of SCBs dropped and alarming situation occurred in 2013 due to higher interest expenses which grew faster than interest earnings. Sonali Bank Limited experienced a sharp fall of net interest income (NII) of Taka 10.5 billion. The NII of the PCBs was significantly high during 2007 to 2014. Overall industry NII showed a continuously upward trend from 2007 to 2014 except 2013 due to the lackluster performance of SCBs. The trend of NII indicates that the interest spreads of PCBs and FCBs were higher than that of SCBs and DFIs.

#### A.6. Liquidity

5.25 Currently, the scheduled commercial banks have to maintain a CRR averaging 6.5 percent daily on bi-weekly basis against Average Total Demand and Time Liabilities (ATDTL) of the 2nd preceding month, with an obligation to maintain daily minimum 6 percent cash against the same ATDTL held by the bank. The current rate of Statutory Liquidity Reserve (SLR) for conventional banks is 13 percent of time and demand liabilities. In case of Islamic Shariah-based commercial banks, the rate of SLR is 5.5

Chart 5.9 Aggregate NII of the industry (billion Taka)

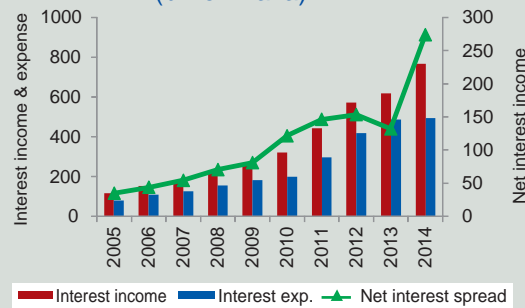
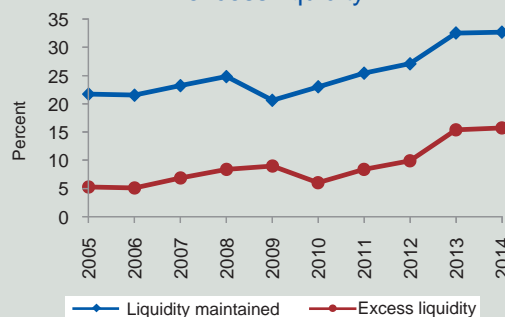


Chart 5.10 Aggregate position of excess liquidity



percent of their total time and demand liabilities. The specialised banks/DFIs are exempted from maintenance of SLR, but they have to maintain the CRR at the stated rate. The banks maintain CRR in cash with BB. However, they are allowed to hold government approved securities (unencumbered portion) for maintenance of the SLR.

5.26 Table 5.10 shows that the FCBs had the highest liquidity ratios followed by the SCBs in 2014. There was an overall steady trend in the percentage of liquid assets in total assets of the banks during the last year although the ratio for FCBs had an increasing trend.

### A.7. CAMELS Rating

5.27 CAMELS rating is a supervisory tool to identify banks with problems and require increased supervision. The previous CAMELS rating guideline has been reviewed by the Department of Off-site Supervision with a view to adapting international best practices, upgrading with modern banking activities and assessing the banks' soundness more accurately. The updated CAMELS rating guideline has been followed since December 2013.

The revised CAMELS rating guideline has brought not only major changes in ratios or indicators but also modifications in the qualitative evaluation questionnaire. Basel-III principles related to capital adequacy have been considered, and some related issues have been included while reviewing the guideline. Along with emphasising best quality capital, investments in the capital market, the amount of off-balance sheet items in comparison to the capital of the banks, large loan exposures to capital, etc. are considered to calculate capital adequacy. Herfindahl-Hirschman Index (HHI) has been incorporated in the updated CAMELS rating guideline to analyse loan portfolio concentration, as a complement to percentages of classified loans and provisioning in the evaluation of asset quality. The disbursed loan amount to risk-associated different sectors has been

included as well. Under this rating system, banking companies are assigned two sets of ratings- (i) performance ratings, based on six individual ratings that address six components of CAMELS (capital, assets, management, earnings, liquidity and sensitivity to market risk) and (ii) an overall composite rating, based on a comprehensive assessment of the overall condition of the banks. Both the ratings are expressed by using a numerical scale of "1" to "5" in ascending order of supervisory concern, "1" representing the best rating, while "5" indicating the worst. Any bank rated "4" or "5", i.e., 'Marginal' or 'Unsatisfactory' under the composite CAMELS rating is generally identified as a problem bank and their activities are closely monitored by the BB.

5.28 BB has introduced the Early Warning System (EWS) of supervision from March 2005 to address the difficulties faced by the banks in any of the areas of CAMELS. Any bank found to have difficulty in any areas of operation, is brought under the early warning category and monitored very closely to help improving its performance. Presently, no banks are monitored under EWS.

5.29 No banks were qualified for CAMELS "1" or "Strong" in 2014; the rating of 39 banks was "2" or "Satisfactory"; rating of 10 banks was "3" or "Fair"; five banks were rated "4" or "Marginal" and two banks received "5" or "Unsatisfactory" rating.

### A.8. Operations of Banks in Urban and Rural Areas

5.30 The number of rural branches stood at 5150.0 (57.0 percent of total branches) at

**Table 5.11 Comparative position of the Islamic banking sector (as of end December 2014)**

Particulars	(billion Taka)							
	Islamic banks		Dual banking <sup>@</sup> (Conventional+ Islamic)		Islamic banking sector		All banking sector	
	2014	2013	2014	2013	2014	2013	2014	2013
1	2		3		4=2+3		5	
Number of banks	8	8	16	16	24	24	56	56
Deposits	1349.7	1117.9	67.6	61.0	1417.3	1178.9	6965.1	6273.0
Credits	1137.6	951.3	57.7	52.5	1195.4	1003.7	5147.2	4638.7
Credit deposit ratio	84.3	85.1	85.4	68.1	84.3	85.2	73.9	73.9
Liquidity: excess(+)/shortfall(-)	127.5	91.2	0.1	3.1	128.2	94.3	1142.2	955.8

<sup>@</sup> Conventional banks which have Islamic banking branches do not maintain SLR individually. The head offices of the respective banks maintain a combined SLR and liquidity position.

the end of December 2014 (Appendix 4, Table XIII). The number of branches in urban areas increased to 3890 (43.0 percent of total branches) during the same period. Total deposits of rural branches increased to Taka 1326.0 billion (19.1 percent of total deposits) at the end of December 2014 and the amount of urban deposits increased to Taka 5605.2 billion (80.9 percent of total deposits) at the end of December 2014. The amount of advances in rural and urban areas increased to Taka 505.1 billion (10.0 percent of total advances) and Taka 4571.2 billion (90.0 percent of total advances) respectively as on 30 December 2014.

### A.9. Islamic Banking

5.31 Islamic banking system has been introduced in Bangladesh since 1983. In FY15, out of 56 banks in Bangladesh, eight PCBs operated as full-fledged Islamic banks and 16 conventional banks (including three FCBs) were involved in Islamic banking through Islamic banking branches. The Islamic banks have continued to show strong growth since its inception, as reflected by the increased market share of the Islamic banking in terms of assets, financing and deposits of

the total banking system. A brief picture of the performance of Islamic banks is given in Table 5.11. Total deposits of the Islamic banks and Islamic banking branches of the conventional banks stood at Taka 1417.3 billion at the end of December 2014 which accounted for 20.3 percent of total deposits. Total credit of the Islamic banks and the Islamic banking branches of the conventional banks stood at Taka 1195.4 billion at the end of December 2014 which accounted for 22.2 percent of total credit of the banking system of the country.

## B. Legal Framework and Prudential Regulations

### B.1. Risk Based Capital Adequacy (RBCA) for Banks

5.32 BB has introduced the Risk Based Capital Adequacy (RBCA) framework for banks from January 2010 as regulatory compliance. Moreover, BB reviewed the minimum regulatory CAR and MCR of the banks in 2010 through revising the existing RBCA policy and banks' past capital adequacy reporting. Banks are required to maintain the CAR at greater than or equal to

10 percent of Risk Weighted Assets (RWA) from July 2011. According to Pillar-1 of Basel-II, RWA of banks is calculated against credit risk, market risk and operational risk. Banks are instructed to submit their capital adequacy statement at the end of each quarter to BB. BB is now on the move to implement the Supervisory Review Process (SRP) of RBCA framework. The key principle of the SRP is that banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level. Banks are required to form an SRP team, where the Risk Management Unit is an integral part, and to develop a process document called Internal Capital Adequacy Assessment Process (ICAAP) for assessing their overall risk profile.

BB has also declared the roadmap and action plan of the phase-in arrangements for Basel-III implementation. These instructions will be adopted in a phased manner and the initial phase is already being implemented from January 2015. Full implementation is expected to be completed by December 2019.

Under the new capital adequacy framework, all banks will be required to maintain the following ratios on an ongoing basis:

- i. Common Equity Tier-1 (CET1) of at least 4.5 percent of the total RWA.
- ii. Tier-1 capital will be at least 6.0 percent of the total RWA which means that additional Tier-1 capital can be admitted maximum up to 1.5 percent of the total RWA or 33.3 percent of CET-1, whichever is higher.
- iii. Minimum Capital to Risk-weighted Asset Ratio (CRAR) of 10 percent of the total

RWA i.e. Tier-2 capital can be admitted maximum up to 4.0 percent of the total RWA or 88.9 percent of CET-1, whichever is higher.

- iv. In addition to minimum CRAR, Capital Conservation Buffer (CCB) of 2.5 percent of the total RWA is being introduced which will be maintained in the form of CET-1.

5.33 The Supervisory Review Evaluation Process (SREP) of BB includes dialogue between BB and the bank's SRP team, followed by findings/evaluation of the bank's ICAAP. During the SRP-SREP dialogue, BB reviews and determines any additional capital that would be required for banks on the basis of quantitative as well as qualitative judgment. The first SREP dialogue was initiated in 2011. Afterwards, to facilitate the dialogue, BB prepared a revised evaluation process document in May 2013. Under the process document, BB provided guidance to calculate required capital against residual risk, credit concentration risk, interest rate risk, liquidity risk, reputational risk, settlement risk, strategic risk, appraisal of core risk management practice, environmental & climate change risk and other material risks in a specified format and submit the same by the banks to BB. Information of banks' ICAAP is counter checked with the information available from both on-site inspection and off-site supervisory departments of BB. During the SRP-SREP dialogue, if a bank fails to produce their own ICAAP backed by proper evidence and rigorous review regarding risk management, the SREP team of BB applies their prudence and the available information

from the inspection departments in determining the level of adequate capital. The process document further revised in May 2014. On the basis of the revised process document and return format, all (56) banks have submitted their ICAAP report based on 31 December 2013 and one to one meeting with BRPD and SRP team of 40 banks have already been completed by June 2015.

## **B.2 Loan Classification and Loan-Loss Provisions**

5.34 BB changed its policies on loan classification and loan-loss provisions in FY13. BB also introduced and clarified the difference between a "defaulted loan", which is a legal concept granting the bank the right to take certain actions against the borrower, and a "classified loan", which is an accounting concept that implies a certain required level of provisioning for expected losses.

## **B.3. Corporate Governance in Banks**

5.35 BB has taken several measures in the recent past to put in place good corporate governance in banks. These include a "fit and proper" test for appointment of chief executive officers of PCBs, specifying the constitution of audit committee of the board, enhanced disclosure requirements, etc. In continuation of the above reforms, the roles and functions of the board and management have been redefined and clarified with a view to specifying the powers of the management and restricting the intervention of directors in day-to-day management of the bank. In this connection, related clauses of Bank Company Act 1991 have already been amended.

## **C. Supervision of Banks**

5.36 With a view to promoting and maintaining soundness, solvency and systematic stability of the financial sector as well as protecting the interest of depositors, BB carries out two types of supervision namely (i) off-site supervision and (ii) on-site supervision. Department of Off-site Supervision (DOS) is vigilant to conduct off-site supervision on banks. Recently DOS has made an innovation regarding banking supervision.

### **C.1. Off-site Monitoring of Banks**

5.37 Off-site monitoring continued as a necessary compliment to on-site inspection in FY15, with its various tools and procedures for intensive and rapid analysis.

### **Banking Supervision Specialists (BSSs)**

5.38 In order to strengthen and intensify current banking supervision, BB has recently formed six Banking Supervision Specialist Sections in the Department of Off-site Supervision. Each section is headed by a Banking Supervision Specialist (BSS), at the Deputy General Manager level. Banking Supervision Specialist emphasises more on analytical works. BSSs work as early signal providers of the banks they are assigned to. They maintain extensive familiarity with condition, performance, risks, corporate governance and corporate structure of portfolio banks. They collect executive summary reports of comprehensive inspections carried out by Departments of Banking Inspection and take actions accordingly. They maintain regular co-ordination with inspection departments to get



update on recent supervisory developments. Junior Banking Supervision Specialists monitor treasury functions, capital adequacy, ADR, etc. of portfolio banks. They prepare Diagnostic Review Report (DRR) on audited financial statements and Quick Review Report (QRR) at the required frequency which focus on major risks existing in the banks and provide possible solutions to problems. They also examine the meeting minutes of the Board of Directors and Executive/Audit Committee of the banks to detect the irregularities and violation of banking laws, circulars, etc. and accordingly, advise the banks to regularise the same so that major financial indicators as well as the internal control systems of the banks become regular and can achieve shock-resilient capacity.

BSSs monitor the progress of Memorandum of Understanding (MoU) with the SCBs and specialised banks and report immediately to the concern senior management. BASIC Bank Ltd. and Bangladesh Development Bank Ltd. (BDBL) were categorised as SCBs in December 2014 and May 2015 respectively. Monitoring of SCBs (except BDBL) under MoU is going on. To enhance the standard of credit management and internal control system, a special inspection on internal control & compliance system of four state-owned commercial banks (Sonali Bank Ltd., Janata Bank Ltd., Agrani Bank Ltd. and Rupali Bank Ltd.) is being conducted by Bangladesh Bank. Meanwhile, Government has injected Taka 0.71 billion and Taka 0.79 billion to Sonali Bank Ltd. and BASIC Bank Ltd. respectively in December 2014 as recapitalisation. On the other hand, BKB and RAKUB are also being monitored and

reviewed under the MoUs of FY15. Preparation of MoUs for BKB and RAKUB for FY16 is currently under process.

### **Risk Management Activities of Banks**

5.39 BB has issued six core risk management guidelines, risk based capital adequacy guideline and stress testing guideline to ensure robustness, efficiency and effectiveness of risk management systems for the banking sector. On 15 February 2012, BB issued another guideline called Risk Management Guideline for banks. This guideline promotes an integrated, bank-wide approach to risk management which will facilitate banks in adopting contemporary methods to identify, measure, monitor and control risks throughout their institutions.

5.40 Each scheduled bank was instructed to establish an independent Risk Management Unit (RMU) in June 2009 for better risk management practices. Banks were also instructed to prepare a Risk Management Paper (RMP) containing the analysis of all types of existing and probable risks that might occur in future, place the same in their regular monthly meeting of the RMU and submit the RMP along with the decisions of the meetings to the Department of Off-site Supervision. Recently, BB has introduced a new reporting format in the name of Comprehensive Risk Management Report (CRMR) for banks in place of the previous format (RMP). To make the risk management activities more effective, various types of contemporary risk issues and a questionnaire (related to risk management structure, credit policies & procedures, evaluation process of credit proposals, post sanction process, follow up & monitoring of loans, operation level risk

verifications, liquidity risk, etc.) are included in the new format.

5.41 Banks have been instructed to establish Risk Management Division (RMD) in place of Risk Management Unit and to appoint a Chief Risk Officer (CRO) from a senior management position (at least from the Deputy Managing Director level) to give more emphasis on risk management practices. BB has instructed the banks to form a risk management committee whose members will be nominated by the board of directors from themselves and the company secretary of the bank will be the secretary of the Risk Management Committee. Based on the RMP, DOS regularly evaluates the risk management activities of each bank and provides constructive recommendations to improve their conditions. Banks have to execute all the recommendations and submit their compliance reports within a specified time frame.

5.42 A risk rating procedure has been developed to quantify all possible risks based on available information in the CRMR, minutes of RMD and board risk management committee meetings, compliance status of previous quarters submitted by banks and other sources. This risk rating is done on half yearly basis and carries 15 percent weight in the management component of CAMELS rating. Therefore, a bank's risk management practices will have a significant effect on its CAMELS rating. According to the rating of December 2014, out of 56 scheduled banks, 23 banks were rated as low risk, 25 as moderate and the rest eight as high risk category bank.

5.43 Banks are now bound to submit a self-assessment report on internal control systems. The objective of this self-assessment process is to keep the operational risk at a minimum level by strengthening the internal control and compliance system of a bank. In this regard, BB has formulated a reporting format with 53 questionnaires on anti-fraud internal controls and a statement of fraud and forgeries that have taken place during a period along with the action taken against those incidences. BB is analysing these reports on quarterly basis and providing proper instructions to the banks. The information provided in that report is sent to the on-site supervision departments for verification through on-site inspection also.

The details of on-site supervision are given below:

### **C.2. On-site Inspection of Banks**

5.44 As part of bank's statutory function, currently seven departments of BB namely Department of Banking Inspection-1 (DBI-1), Department of Banking Inspection-2 (DBI-2), Department of Banking Inspection-3 (DBI-3), Department of Banking Inspection-4 (DBI-4), Department of Foreign Exchange Inspection (DFEI), Financial Integrity and Customer Services Department and Bangladesh Financial Intelligence Unit (BFIU) are conducting inspection activities. These seven departments conduct on-site inspection on SCBs, DFIs, PCBs (including banks under Islamic Shariah), FCBs and other institutions including Investment Corporation of Bangladesh (ICB) and money changers. These departments conduct different types of inspection which may be summarised in three



major categories like (i) comprehensive/regular/ traditional inspection; (ii) risk based/system check inspection, and (iii) special/surprise inspection.

5.45 The overall performance of the banks (such as capital adequacy, asset quality, liquidity, earnings, management competence, etc.) is evaluated in a comprehensive inspection. Based on their performance, banks are rated from "1" to "5" grades in ascending order. The on-site inspection departments also monitor implementation of the suggestions or recommendations made in the inspection reports. Risk based inspection is conducted to examine the compliance of the core risk management guidelines. Special inspections are conducted to investigate complaints received from the depositors, public or institutions.

5.46 Commercial banks having CAMELS rating between "3" and "5" are inspected every year. Banks rated "1" or "2" are inspected once in every two years. Based on the findings about provisions, income and expenditure entries, banks will be asked to correct their final accounts. This system has been adopted to enhance the effectiveness of on-site inspection and reduce the time gap between on-site and off-site supervision.

5.47 During FY15, DBI-1 conducted inspection on 1288 branches of 28 banks including head offices. At the same time, core risk inspections were conducted on 28 banks under the jurisdiction of DBI-1 to review the progress of implementation of the core risk guidelines (asset-liability management, credit risk management, information system security

and internal control & compliance) issued by Bangladesh Bank. Head/Country offices of the bank as well as one branch of each bank have been taken under the purview of the core risk inspection. In terms of core risk inspection, a total of 191 branches including head office of one bank were inspected. The banks are directed to sit in a tri-partite meeting with their Management Committee (MANCOM), inspectors of Bangladesh Bank and external auditors before finalisation of the annual financial statements of the banks. DBI-1 has arranged 11 in house training sessions in four working days.

5.48 During FY15, DBI-2 conducted comprehensive inspection on 928 bank branches including seven head offices, 293 big branches and 628 small branches. At the same time, a total number of 69 special inspections were conducted on SCBs and DFIs including one head office and 14 risk based inspections including six head offices of the banks. The department also conducted comprehensive inspection on five branches and the Head office of ICB.

5.49 During FY15, DBI-3 conducted a total of 726 comprehensive inspections on banks including four head offices, 92 big branches, 630 small branches and 182 SME service centres, SME/agriculture branches (including inspection on some of the branches of different banks involved in SME activities). At the same time, a total number of 192 special inspections were conducted on two banks (including SME) and 60 risk-based inspections on five banks.

5.50 During FY15, DBI-4 conducted 237 inspections on banks' head offices and

**Box 5.1****Liquidity Management by Islamic Banks in Bangladesh**

Liquidity management is a fundamental component in the safe and sound management of all financial institutions including Islamic banks. Customer's confidence mostly depends on how efficiently a bank handle liquidity crisis. For this, a planned way of safety, liquidity and return framework is necessary to manage the overall liquidity of a bank. Islamic banks are committed to conduct all banking and investment activities on the basis of Islamic Sharia'h. In Bangladesh, Islamic banks are allowed to maintain their Statutory Liquidity Requirement (SLR) at a concessional rate compared with the conventional banks in the absence of enough Sharia'h-compliant SLR eligible instruments in the market place. At present, Islamic banks have to maintain 6.5 percent as CRR with Bangladesh Bank and 5.5 percent as SLR of their total time and demand liabilities prescribed by Bangladesh Bank. The conventional commercial banks having Islamic bank branches/windows shall maintain SLR/CRR for its Islamic branches/windows at the same rate through maintaining a separate Current Account with Bangladesh Bank.

Islamic banks in Bangladesh have been facing excess liquidity problem since long as they do not invest in Government Treasury Bills and Bonds because of interest bearing nature of those monetary instruments. Considering the excess liquidity problem of the Islamic banks, Government of Bangladesh introduced 'Bangladesh Government Islamic Investment Bond (BGIIIB)' in 2004 with the objectives to develop a sound foundation for the Islamic bond market and also to provide a space to convert excess liquidity into investment through BGIIIB. Islamic banks' investment in BGIIIB was showing upward trend during last three years as they had no other alternative to invest their surplus liquidity (Table 1). Recently, the BGIIIB has been made more short-term in tenor-three months. On the other hand, in case of liquidity crisis, the Islamic banks/branches may overcome the crisis by availing of investment facilities from Islamic Bond Fund against lien of their over purchased Islamic Bonds, introducing Repo system for the Islamic Bonds, opening reciprocal Mudaraba current accounts maintaining with each other. However, to meet the liquidity crisis, if any, of the Islamic branches of the conventional commercial banks, they may collect fund from sources which will comply with Islamic Sharia'h.

**Table 1 : All Islamic Banks' Investment, Borrowing and Profit Rate of BGIIIB (Islamic Bond)**

	June 2013	June 2014	June 2015
Investment (billion Taka)	9681.4	15051.2	21316.5
Borrowing (billion Taka)	15906.0	6785.0	5110.0
Profit rate			
Investment	4.6	3.4	1.0
Borrowing (weighted average)	5.0	4.6	4.5

Source: Securities Department, Motijheel Office, Bangladesh Bank.

branches. Within this timeline, the department conducted core risk inspections in 20 branches and 20 head offices of banks under the jurisdiction of DBI-4 to review the implementation advancements of core risk management guidelines as well as to evaluate and monitor risk management systems and to control environment of the banks. During the period, DBI-4 also carried out comprehensive inspection in 119 branches and 20 head offices of banks. DBI-4 conducted 58 special inspections on 37 branches and 20 head offices of banks. During the financial year all banks listed in the local stock exchange were inspected. For the first time, DBI-4 conducted SRP inspections on 20 head offices and 20 branches of banks. 20 banks were also inspected before finalisation of their annual financial statements at close of business on 31 December 2014.

5.51 DFEI conducts inspection on foreign trade financing, treasury functions and foreign exchange risk management of banks, foreign exchange transactions of banks and money changers. In FY15, the department conducted a total of 483 comprehensive inspections on banks including 11 head offices and 483 authorised dealer branches. The department also conducted 45 inspections on foreign exchange risk management, 85 special inspections, 115 inspections on money changers and a good number of special inspections on foreign trade and foreign exchange related irregularities.

5.52 Customers' Interests Protection Centre (CIPC) was reconstituted as a department named Financial Integrity and Customer Services Department (FICSD) on 26 July 2012. FICSD is acting as a watchdog

for spotting the early warning signs of internal and external fraud at banks and NBFIs, investigating frauds and making criminal referrals when necessary. This department is also continuing its efforts to promote security, efficiency, effectiveness, transparency and risk management of the information and communication technology (ICT) structures of banks and NBFIs.

5.53 During FY15, the department received a total of 14,920 complaints through the dedicated hot line numbers, emails and traditional letters. The department is working to investigate and resolve the complain within the shortest possible time. The rate of compliance resolved has been increased notably.

The department conducted 127 special inspections on banks and financial institutions operating in Bangladesh. Apart from the Customer Service Division of Head Office, the CIPCs were established in 10 offices of Bangladesh Bank to deal with the complaints received from the bank customers of their respective areas.

5.54 A number of activities on AML/CFT for the banking sector were taken during FY15. BFIU has issued circulars for the scheduled banks and financial institutions for proper compliance of the instructions regarding prevention of Money Laundering (ML) & Terrorist Financing (TF); circulated money laundering and terrorist financing risk assessment guidelines for banking sector to assess the associated risk of ML/TF of the respective banks and started to use the national ID card database of Election Commission (EC), database of Credit Information Bureau (CIB), Bangladesh

Automated Clearing House (BACH) and Dash Board of Bangladesh Bank in its analysis process. BFIU has been receiving CTR and STR from all scheduled banks through goAML software since January 2014. In FY15, this department conducted system check inspections under core risk programme in 57 head offices and 44 branches of 56 banks and carried out special inspection in 19 branches of 12 banks to examine whether banks are submitting STR/CTRs properly and regularly. It also carried out some other special inspections in one head office and 24 branches of 17 banks for further analysis of some STRs and in two head offices and 45 branches of 22 banks to look into the allegation/complaints received from different media, individuals and other organisations. In order to create awareness among bank officials, BB has encouraged the banks to conduct a number of training programmes for their officials on AML/CFT in 56 districts and provided its support to make the programme successful. Separate annual conferences for Chief Anti-Money Laundering Compliance Officer (CAMLCO) of banks, financial institutions and capital market intermediaries were held during the year.

### **C.3 Financial Stability and Macro prudential Supervision**

5.55 The Financial Stability Department (FSD) has been working actively to strengthen the macro prudential framework of the country. Since inception, this department has published Financial Stability Report (annual and quarterly) to evaluate overall financial stability which will give comprehensive analysis of the major trends.

5.56 The department primarily has designed macro stress tests to quantify the

impact of possible changes in economic environment on the financial system. The Financial Projection Model (FPM) has been implemented with the technical assistance of the World Bank. Inter-bank Transaction Matrix (ITM) tool has been introduced and is used to observe liquidity management of banks and NBFIs. This matrix will help to find out the institutions which may potentially face any crisis and give early warning signals for safeguarding financial institutions.

5.57 The department has developed the framework for identifying and dealing with the Domestic Systemically Important Banks (DSIB) in its jurisdiction due to the underlying assumption that the impact of the failure of DSIBs will be significantly greater than that of a non-systemic institution. The formulation and implementation plan of Counter-cyclical Capital Buffer (CCB) in the time of crisis is under process to resist the pro-cyclicality of financial system. The department has prepared the bank intervention and resolution framework, comprising a Bank Intervention Resolution Plan (BIRP) and a contingency plan to have more effective tools, information in order to enable the orderly resolution of banks without any resort to taxpayers' fund.

5.58 The Department has prepared the Lender of Last Resort (LOLR) framework documents and corporate 'watch list'. Development of a "Coordinated Supervision Framework" is under process.

## **D. Banking Sector Infrastructure for Financial Stability and Risk Management**

### **D.1. Deposit Insurance Scheme**

5.59 The Deposit Insurance Scheme (DIS) is introduced to minimise or eliminate the risk

of loss of depositors' funds with banks that subsequently fail. The direct rationale for deposit insurance is customer protection. The indirect rationale for deposit insurance is that it reduces the risk of a systemic crisis involving, for example, panic withdrawals of deposits from sound banks and breakdown of the payments system. From a global point of view, deposit insurance provides many benefits and over the long term, appears to be an essential component of a viable modern banking system.

5.60 In Bangladesh, DIS was first introduced in August 1984, in terms of "The Bank Deposit Insurance Ordinance 1984", which was repealed by "The Bank Deposit Insurance Act 2000" in July 2000. DIS in Bangladesh is now being administered by the said Act. In accordance with the Act, Bangladesh Bank (BB) is authorised to administer a fund called the Deposit Insurance Trust Fund (DITF) for providing limited protection (Taka 0.10 million) to a small depositor in case of winding up of any bank. The Board of Directors of BB acts as the Trustee Board for DITF. The DITF is now being administered and managed under the guidance of the Trustee Board. In addition, Bangladesh Bank is a member of the International Association of Deposit Insurers (IADI).

5.61 In accordance with "The Bank Deposit Insurance Act 2000," the main function of DITF is collecting premium from all scheduled banks on a half yearly basis (end of June and December) and investing the proceeds in Government securities. The income derived from such investments is also credited to the DITF account for further investment.

**Table 5.12 The recent position of DITF**

Particulars	Unaudited figure (as on 30 June 2013)	Premium rate*
Total fund	4.05 billion Taka	-
Total investment	3.90 billion Taka	-
Covered deposit of total insurable deposit	27.54%	-
Insurable deposit to total D&T liabilities	81.20%	-
Fully insured deposit	87.98%	-
Sound bank categories	-	0.08%
Early warning bank categories	-	0.09%
Problem bank categories	-	0.10%

\* Effective from 2013

5.62 To enhance the effectiveness of market discipline, BB has adopted a system of risk based deposit insurance premium rates applicable for all the banks effective from the period of January-June 2007. Very recently the premium rate has been increased, with effect from the period of January-June 2013. Along with the scheduled banks, BB has also taken the initiative to bring the NBFIs under the coverage of DIS, an initiative which is now under the consideration of the Ministry of Finance (MoF).

5.63 The effectiveness of DIS in reducing systemic risk will surely increase if the public become well aware of its existence and scope. With this in mind, BB has already issued a circular regarding public awareness about DIS and more information and updates are available in the Bangladesh Bank website so that the general public can be informed about the benefits and capabilities of the DIS.

## **D.2. Activities of Credit Information Bureau**

5.64 The Credit Information Bureau (CIB) was set up in BB on 18 August 1992 with the objective of minimising the extent of potential default loans. The CIB has been providing its online services since 19 July 2011. The online

system of CIB developed by an Italian company CRIF is playing an important role to maintain a risk free lending procedure in banking industry. With the adoption of highly sophisticated ICT facilities, the performance of the CIB services has been improved significantly in terms of efficiency and quality. It has also reduced the time and physical movement for the banks/NBFIs to submit credit information and CIB report generation process which ultimately makes the loan processing faster. The system has gone through a major change over the last year aiming at developing a new CIB online solution. The new CIB online solution will eliminate the vendor dependency as well as

reduce huge cost which is incurred by maintaining the existing online system.

5.65 The CIB database consists of detailed credit information in respect of borrowers, co-borrowers and guarantors. CIB database includes credit information of borrowers having outstanding amount of Taka 50000 & above and classified credit card information having outstanding amount of Taka 10000 and above. Total number of borrowers increased by 6.0 percent to 905112 at the end of June 2015 as compared to 853851 at the same month of the previous year. The number of classified borrowers in Banks and NBFIs increased by 7.15 percent during June 2015 over June 2014.



## Sustainable Banking

6.1 Sustainable banking is a banking approach that creates long-term resilient and sustainable economic, social and environmental value by having a 'green', 'responsible' and 'inclusive' strategy and taking into consideration the every dimension of how a business operates in the environmental, social and economic environment. It also formulates strategies to build a company that fosters longevity, resilience and sustainability of economy, society, environment and itself through transparency and efficient utilisation of resources. The main objective of sustainable banking is economic benefit and social benefit which turn into financial stability as well as social stability. Bangladesh Bank (BB) has been integrating 'sustainability' into core banking practices through green banking, corporate social responsibility, financial inclusion and financial education. These society and environment oriented banking practices gradually create the concept of sustainable banking. Thus BB has been pursuing policy and instructions in all possible areas of sustainable banking for banks and Non-Bank Financial Institutions (NBFIs) to sustainable banking activities. Sustainable banking mainly focuses on three broad categories named green banking, corporate social responsibility and financial inclusion.

### A. Green Banking

6.2 Bangladesh Bank has set examples for others by pioneering green banking initiatives

while BB has been proactively guiding the banks and NBFIs for diverse sustainable banking initiatives since 2011. In such aspect, green banking initiatives of BB broadly categorised into the following aspects: policy initiatives, monitoring of green banking activities of banks and NBFIs, refinance support from BB in diverse green products/sectors, and BB's own initiatives for environmental management.

### A.1. Policy Initiatives

6.3 In January 2011, guidelines on Environmental Risk Management (ERM) was issued to all banks and NBFIs which was first policy instruction of BB regarding green banking. Policy guidelines for green banking was issued to the scheduled banks in February 2011. Policy guidelines for green banking was issued to NBFIs in August 2013 and to the new banks (scheduled in 2013) in September 2013. BB aligned the phase out plan to implementing policy guidelines for all banks in December 2013. It issued a circular in September 2014 to expedite the ongoing initiatives of banks and NBFIs at faster pace for sustaining the environment compatible to climate change risk, minimum target of direct green finance as certain percentage of total funded loan to be disbursed/ invested in each year effective from January 2015 onwards. For banks scheduled before 2013, target will be 5 percent of the total disbursement/

investment of funded loan in 2015. For new banks scheduled in 2013 and NBFIs, target will be 3 percent and 4 percent respectively of the total disbursement/ investment of funded loan in 2015. This target will be 5 percent of the total loan disbursement /investment from January 2016 onwards for all banks and NBFIs.

## A.2. Green Finance

6.4 A total amount of Taka 465.9 billion was disbursed during FY15 by 46 banks involved in green finance. The relative contributions of different institutions were as follows; PCBs (78.6 percent) followed by FCBs (15.4 percent), NBFIs (5.1 percent), SCBs (0.9 percent) and DFIs (0.1 percent). Product-wise and direct & indirect green finance by banks are given in Table 6.1 and Table 6.2 respectively.

## A.3. Environmental Risk Management (ERM)

6.5 Environmental risk management taken into account in disbursing credit. A environmental risk rating is estimated and a threshold level is applied in taking a decision to disburse loan following the guidelines on ERM for banks and NBFIs. ERR is applicable for the projects as well as the credit facility that fall above the threshold limit. All banks conducted environmental risk rating in FY15. The number of projects applicable for Environmental Due Diligence (EDD) during the year was 55881. Total amount of Taka 1500.1 billion disbursed in 39613 rated projects out of 47926 rated projects in FY15 (Table 6.3).

## A.4. Climate Risk Fund and Green Marketing

6.6 In FY15 total amount utilised from climate risk fund by 22 banks and for green

**Table 6.1 Green finance in different products: FY15**

(million Taka)

Category of green finance	SCBs	DFIs	PCBs	FCBs	NBFIs	Total
Renewable energy	107.4	5.8	2284.2	554.5	6249.3	<b>9201.3</b>
Energy efficiency	92.0	0.0	1400.7	0.0	81.7	<b>1574.4</b>
Solid waste management	14.9	0.0	2112.7	0.0	0.0	<b>2127.6</b>
Liquid waste management	22.0	0.0	1755.5	52.5	202.0	<b>2032.0</b>
Alternative energy	17.3	0.0	0.0	0.0	0.0	<b>17.3</b>
Fire burnt brick	1797.3	34.0	5292.3	0.0	59.0	<b>7182.5</b>
Non fire block brick	0.0	0.0	20.5	0.0	0.0	<b>20.5</b>
Recycling & recyclable product	0.0	8.9	2376.8	26.8	124.3	<b>2536.8</b>
Green industry	420.0	0.0	831.1	2638.3	80.0	<b>3969.5</b>
Safety and security of factory	0.0	0.0	236.4	1.5	24.7	<b>262.6</b>
Others	596.3	37.4	3788.4	0.0	43.2	<b>4465.2</b>
<b>Total</b>	<b>3067.2</b>	<b>86.1</b>	<b>20098.6</b>	<b>32733.6</b>	<b>6864.2</b>	<b>33389.7</b>

Source: Sustainable Finance Department, BB.

**Table 6.2 Direct and indirect green finance: FY15**

(million Taka)

Type of banks/NBFIs	Direct green finance	Indirect green finance	Total green finance	Sector wise contribution
SCBs	3067.2	910.6	3977.7	0.9
DFIs	86.1	263.0	349.0	0.1
PCBs	20098.6	346134.7	366233.2	78.6
FCBs	3273.6	68240.7	71514.3	15.4
NBFIs	8320.7	15493.0	23813.6	5.1
<b>Total</b>	<b>34846.0</b>	<b>431041.9</b>	<b>465887.9</b>	<b>100.0</b>

Source: Sustainable Finance Department, BB.

**Table 6.3 Environmental risk rating of banks and NBFIs: FY15**

Type of banks/NBFIs	No. of projects applicable for EDD	No. of projects rated	No. of rated projects financed	Amount disbursed in rated projects (million Taka)
SCBs	2224	1804	1718	28896.8
DFIs	225	225	225	3824.3
PCBs	47316	40575	33897	1281527.1
FCBs	3765	2855	1375	109230.5
NBFIs	2351	2467	2398	76578.3
<b>Total</b>	<b>55881</b>	<b>47926</b>	<b>39613</b>	<b>1500057.0</b>

Source: Sustainable Finance Department, BB.



marketing by 29 banks were Taka 564.3 million and Taka 168.7 million respectively. For the NBFIs, total amount disbursed from climate risk fund was Taka 4.3 million and total expenditure for green marketing was Taka 4.9 million in FY15.

### A.5. Online Banking and Energy Efficiency

6.7 55 banks out of 56 banks had online branches at the end of FY15 whereas the number was 54 at the end of FY14. Online branches were 51.9 percent of total branches at the end of FY14 which stood at 68.1 percent at end of FY15. Green banking policy encourages the banks to establish branches powered by solar energy. Following the principle of green banking, the number of branches powered by solar energy was 315 at the end of FY14 which stood at 416 at the end of FY15.

### A.6. BB's in House Environmental Management

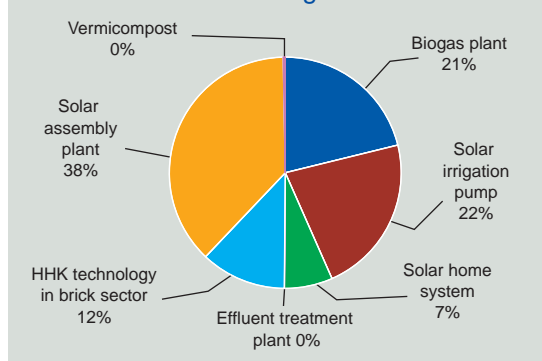
6.8 BB installed solar power system on its rooftop for energy efficiency and chiller based central air conditioning system for reducing CFC emission. BB initiated the process to measure the carbon footprint of its own. E-recruitment, documentation management system, leave management system, online salary and account statement, personal file update system, online office orders, electronic pass for visitors and many have been introduced through BB intranet. All the departments of BB's head office and its nine branch offices have already been brought under a computer network (LAN/WAN), connecting more than 3500 PCs. BB has introduced open data initiative for all through its interactive website which is updated at all time. Most of the regulatory reporting from banks and NBFIs are collected through web

**Table 6.4 Disbursement trend of BB refinance scheme for green products**

(million Taka)					
Green product category	FY11	FY12	FY13	FY14	FY15
Bio gas	50.2	133.2	113.6	212.8	83.3
Solar home system	59.4	10.5	40.2	32.2	87.5
Solar irrigation pump	12.4	8.4	0.0	17.9	26.5
Effluent treatment plant	10.8	22.2	57.4	10.0	0.0
HHK technology in brick kiln	0.0	55.0	172.2	59.0	47.0
Solar assembly plant	0.0	248.8	122.7	49.6	148.1
Vermicompost	0.0	0.0	0.0	0.0	1.1
<b>Total</b>	<b>132.8</b>	<b>478.1</b>	<b>506.1</b>	<b>381.5</b>	<b>393.5</b>

Source: Sustainable Finance Department, BB.

**Chart 6.1 Shares of green products in refinancing: FY15**



upload and Enterprise Data Warehouse (EDW) system. Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Online Credit Information Bureau and Enterprise Resources Planning (ERP) have been started in operation. Bangladesh Bank has also started e-procurement.

### A.7. BB's Refinance Schemes for Green Products/Sectors

6.9 To promote renewable energy and environment friendly financial activity of Bangladesh, BB formulated a Revolving Refinance Scheme from its own source amounting Taka 2.0 billion in 2009. Refinance facilities are extended to the Participating Financial Institutions (PFIs) in this purpose. To

avail refinance facility till 30 June 2015, 37 banks and 15 NBFIs signed participation agreement with BB. Initially only five products were eligible for refinance. BB increased the green product lines under the scheme to 47 in FY15. BB segregated these products into 11 categories which are: renewable energy, energy efficiency, solid waste management, liquid waste management, alternative energy, fire burnt brick, non fire block brick, recycling & recyclable product, green industry, ensuring safety and work environment of factories and miscellaneous. The cumulative refinanced amounts of the scheme up to June 2015 stood at Taka 1909.2 million. Total disbursement of refinance scheme for green products through BB increased by 3.1 percent to Taka 393.5 million in FY15 which was Taka 381.5 million in FY14. Product-wise total disbursement for green products under refinance scheme increased in FY15 except effluent treatment plant. The disbursement trend of this fund is given in Table 6.4 and Chart 6.1. In September 2014, BB introduced a refinance scheme funded by liquidity of Shariah based banks and NBFIs in excess of their requirement which will be explicitly utilised for direct green finance of the said banks and NBFIs. These banks and NBFIs can utilise this fund for financing in the 47 products identified under BB refinance scheme.

#### A.8. ADB Supported 'Financing Brick Kiln Efficiency Improvement Project'

6.10 To improve the efficiency of the brick kiln through efficient use of technology and energy including reducing Green House Gas (GHG) and Suspended Particulate Matter (SPM) on lending facilities namely "Financing Brick Kiln Efficiency Improvement Project",

**Table 6.5 Expenditure details of the BB disaster management & corporate social responsibility fund**

(million Taka)	
Sectors	Amount
Education	22.2
Health	6.0
Environment	3.2
Human resources development/ capacity building	7.5
Financial inclusion/ women empowerment	9.4
Others	3.0
<b>Total</b>	<b>51.3</b>
Source: Sustainable Finance Department, BB.	

was established in BB financed by Asian Development Bank (ADB) in 2012. In this disbursement process, total amount of loan from ADB was about USD 50.0 million or equivalent Taka. It has two parts: Part-A: USD 30.0 million (approximately)/equivalent Taka will be provided for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part-B: about USD 20.0 million/ equivalent Taka for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. On lending facilities are extended to the PFIs in this purpose. Till 30 June 2015, 35 banks and 18 NBFIs signed participation agreement with BB. Up to December 2014, USD 4.6 million was disbursed under this project. During April-June 2015 period, total USD 2.74 million was disbursed under this project. In FY15, the cumulative disbursement was USD 7.4 million.

#### B. Corporate Social Responsibility

6.11 A new indicative guideline for allocation and end use monitoring of CSR engagements of the financial sector was issued by BB on 22 December 2014. The guideline clearly states the administrative setup, budgetary allocation, expected range/coverage of CSR activities

and end use monitoring process of CSR expenditures and activities.

### B.1. BB's Own CSR Activities

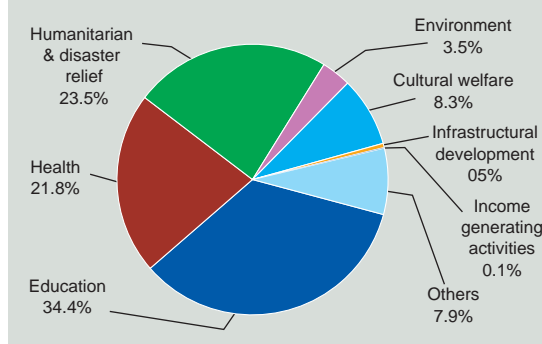
6.12 BB sanctioned Taka 51.3 million (contribution from BB profit + bank interest) in FY15 from the 'Bangladesh Bank Disaster Management & Corporate Social Responsibility Fund' which was Taka 50.2 million in F14 for different projects addressing health, education, environment and human resources development/ capacity building, financial inclusion and women empowerment, etc. Total disbursed amount from this fund is reported as Table 6.5.

### B.2. CSR Activities of Banks and NBFIs

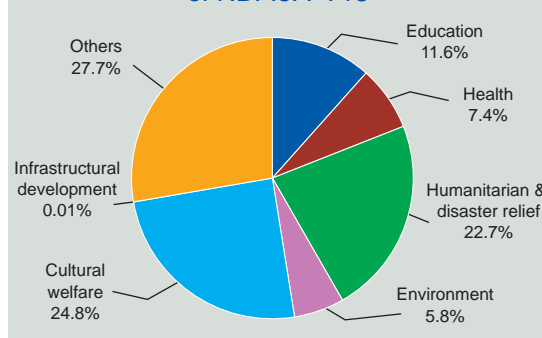
6.13 CSR activities of banks' and NBFIs' are concentrated on i) financial inclusion of less privileged population segments and underserved economic sectors, ii) promotion of health, education and cultural/recreational activities for advancement and well-being of underprivileged population segments, iii) promotion of environment friendly projects, iv) adoption of energy efficient, carbon footprint reducing internal processes and practices in own offices and establishments are in progress. Total amount of CSR expenditure by Banks and NBFIs in FY15 was Taka 5400.7 million. The sector-wise expenditure scenario of banks and NBFIs in FY15 are stated in Table 6.6.

6.14 Banks continued to maintain major share in education, health and humanitarian & disaster relief. Education, health, humanitarian & disaster relief contributed to 34.5, 21.8 and 23.5 percent respectively of the total CSR activities. Expenditure on cultural welfare which includes sports and art & culture was 8.3 percent and on environment 3.5 percent.

**Chart 6.2 Sector-wise CSR expenditure of banks: FY15**



**Chart 6.3 Sector-wise CSR expenditure of NBFIs: FY15**



**Table 6.6 CSR expenditure of banks and NBFIs**

Sectors	Banks		NBFIs	
	FY15	Sectoral share	FY15	Sectoral share
Education	1845.2	34.4	5.1	11.6
Health	1165.3	21.8	3.3	7.4
Humanitarian & disaster relief	1257.2	23.5	10.0	22.7
Environment	189.6	3.5	2.6	5.8
Cultural welfare	445.0	8.3	11.0	24.8
Infrastructural development	27.0	0.5	0.01	0.01
Income generating activities	4.0	0.1	0.0	0.0
Others	423.2	7.9	12.2	27.7
<b>Total</b>	<b>5356.5</b>	<b>100</b>	<b>44.2</b>	<b>100</b>

Source: Sustainable Finance Department, BB.

As infrastructural development in underprivileged area and income generating activities for poor are relatively new concept, banks expenditure in those areas was not significant. Notable specific share of

expenditure in CSR programmes of banks in FY15 are shown in Chart 6.2.

6.15 NBFIs reported direct CSR expenditure of Taka 44.2 million in FY15. NBFIs also concentrated more in the cultural welfare 24.8 percent, humanitarian & disaster relief 22.7 percent and other sector 27.7 percent. Education, health and environment got less priority as they spent on these sector 11.6, 7.4 and 5.8 percent in FY15. NBFIs also concentrated less on infrastructural development in underprivileged area and income generating activities for poor. Sectoral shares of CSR expenditure by NBFIs in FY15 are stated in Chart 6.3.

### C. Financial Inclusion

6.16 BB has taken various significant initiatives to provide access to financial services to financially excluded people. In particular, it has extended formal banking services to less privileged people in urban and rural areas. BB has identified the target group of people (farmers, hardcore poor, beneficiary under the social security programme, freedom fighters, small life insurance policy holder (Taka 100 A/C), city corporation cleaning workers, food & livelihood security programme, national service programme, physically challenged persons, distressed rehabilitation, RMG workers, street working children and school students) and advised banks for opening No-Frill Accounts (NFAs).

#### C. 1. NFAs for Farmers and other than Farmers

6.17 BB instructed the SCBs and DFIs to open NFAs for farmers in January 2010. Up to FY15 BB has gradually issued instructions to these banks for opening nine categories of

**Table 6.7 Total No. of NFAs for farmers and other than farmers as of June 2015**

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	4130114	3973815	486947	0	<b>8590876</b>
Beneficiaries under social safety net programme	2725389	802400	20	0	<b>3527809</b>
Freedom fighters	156661	2709	377	0	<b>159747</b>
Small life insurance policy holder (Taka 100 A/C)	30153	6085	1570	0	<b>37808</b>
National service programme	3436	11431	914	0	<b>15781</b>
Hardcore poor	1159726	735194	10703	0	<b>1905623</b>
City corporation cleaning workers	9703	0	9	0	<b>9712</b>
Distressed rehabilitation	28608	1	0	0	<b>28609</b>
Food & livelihood security	16036	344	23	0	<b>16403</b>
Physically challenged persons	61006	22861	30	0	<b>83897</b>
RMG workers	30267	563	168767	210	<b>199807</b>
LSBPC-Shoe & Leather Worker	41	32	3767	0	<b>3840</b>
Others	709064	26136	1746	0	<b>736946</b>
<b>Total</b>	<b>9060204</b>	<b>5581571</b>	<b>674873</b>	<b>210</b>	<b>15316858</b>

Source: Financial Inclusion Department, BB.

**Table 6.8 Total outstanding balance of NFAs for farmers and other than farmers as of June 2015**  
(million Taka)

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	308.3	423.7	987.0	0.0	<b>1719.0</b>
Beneficiaries under social safety net programme	973.3	1119.7	12.0	0.0	<b>2105.0</b>
Freedom fighters	296.6	1.8	1.7	0.0	<b>300.1</b>
Small life insurance policy holder (Taka 100 A/C)	45.1	26.9	6.9	0.0	<b>78.9</b>
National service programme	50.7	11.6	1.1	0.0	<b>63.4</b>
Hardcore poor	283.5	584.1	1026.3	0.0	<b>1893.9</b>
City corporation cleaning workers	2.0	0.0	0.2	0.0	<b>2.2</b>
Distressed rehabilitation	1.9	0.0	0.0	0.0	<b>1.9</b>
Food & livelihood security	7.7	0.1	0.0	0.0	<b>7.8</b>
Physically challenged persons	29.3	22.7	0.1	0.0	<b>52.1</b>
RMG workers	486.4	3.6	727.1	0.2	<b>1217.3</b>
LSBPC-Shoe & Leather Worker	0.0	0.0	14.2	0.0	<b>14.2</b>
Others	504.7	9.6	2.9	0.0	<b>517.2</b>
<b>Total</b>	<b>2989.5</b>	<b>2203.8</b>	<b>2779.5</b>	<b>0.2</b>	<b>7973.0</b>

Source: Financial Inclusion Department, BB.

NFAs other than farmer's account. BB has also provided instruction to all banks to open NFAs for readymade garment workers and workers of small footwear & leather product industries. In FY15 all banks were instructed to open NFAs for physically challenged persons.

6.18 As of end of June 2015, sector-wise distribution of NFAs showed that SCBs, DFIs, PCBs and FCBs had opened 8590876 farmer's account, followed by beneficiaries under social safety net programme (3527809 accounts), freedom fighters (159747 accounts), small life insurance policy holder Taka 100 account (37808 accounts), national service programme (15781 accounts), hardcore poor (1905623 accounts), city corporation cleaning workers (9712 accounts), distressed rehabilitation (28609 accounts), food & livelihood security (16403 accounts), physically challenged persons (83897 accounts), RMG workers (199807 accounts), and others Taka 10 account (736946 accounts). The total number of all categories of accounts stood at 15316858. Total outstanding balance of NFAs of all type of banks for farmers against this accounts stood at Taka 1719 million, whereas the total balance of all categories of account reached at Taka 7973.0 million. Total number of NFAs and outstanding balance for farmers and non-farmers as of end of June 2015 are reported in Table 6.7 and 6.8.

### C.2. School Banking

6.19 In order to broaden and deepen the financial inclusion through including the students under the age of 18, BB advised the scheduled banks to introduce school banking activities in 2010. Since then, banks have started to provide banking services to students through savings account and deposit scheme. The main objective of school banking is to promote savings behaviour among school goers and to orientate them with banking literacy and modern banking technology. To enhance the school banking activities of the banks, BB issued a

**Table 6.9 School banking account and outstanding as of end June 2015**

Type of banks	Number of accounts	Outstanding (million Taka)
SCBs	206856	337.4
DFIs	139780	207.3
PCBs	556233	6320.9
FCBs	1224	14.3
<b>Total</b>	<b>904652</b>	<b>6879.9</b>

Source: Financial Inclusion Department, BB.

comprehensive guideline in October 2013. Under this guideline, any school student of 6-18 years age can open school banking account through parents or legal guardian by depositing a minimum of Taka 100. Total outstanding balance of school banking stood at Taka 6879.9 million against 904652 accounts at the end of June 2015. The update status as of June 2015 of school banking is reported in Table 6.9.

### C.3. Banking for Working/Street Children

6.20 After introducing various types of banking services for farmers and some other underprivileged people, BB advised all scheduled banks to bring street children under institutional financial support on 9 March 2014 through opening custodial account with NGOs by Taka 10 as minimum opening balance and no service charge/fee for working/street children. These initiatives would help street children to develop their savings habits and eventually help them step towards better future. Concerned NGOs will be fully responsible for the operation of the children accounts and the well-being of the account holders. Till June 2015, 12 banks signed bi-lateral agreement with different registered NGOs for offering the services. The progress statement of working/street children programme of banks as of June 2015 is reported in Table 6.10.



### C.4. Agent Banking

6.21 Bangladesh Bank issued agent banking guidelines in December 2013 for the banks with a view to safety, security and soundness of the proposed alternative delivery channel for banking services for non-privileged, underserved population and the poor segment of the society, especially from geographically remote location. Agent banking has opened doorway to provide banking services through an outlet by banks where branch establishment is extremely difficult or not feasible. To facilitate the agent banking activities, a guidance note for approval and operation of agent banking activities of banks was issued in June 2014. Till June 2015, nine banks got approval from BB for agent banking services and four banks started operation. Till June 2015, number of agents stood at 107 and number of outlets was 118.

### C.5. BB Refinance Scheme for Taka 10 Account Holders

6.22 With a view to bring the financially deprived grass root population under formal financial services and to gear up the banking activities of Taka 10 accounts, BB constructed a Revolving Refinance Fund in May 2014. The size of fund is Taka 2.0 billion. Highest limit of refinance facility is Taka 50000 under this scheme and participating banks will be provided interest subsidy under certain conditions. To avail refinance facility, till 30 June 2015, 31 banks signed participation agreement with Bangladesh Bank and disbursed amounts stood at Taka 65.5 million in FY15.

### C.6. NRB Database

6.23 Foreign remittance sent by NRBs has significant contribution to the economic

**Table 6.10 Working/street children account and outstanding as of end June 2015**

Name of Banks	Name of listed NGO	Number of accounts	Total (million Taka)
Rupali Bank Ltd	Manab Sheba & Samajik Unnayan		
	Sangostha, SUF	900	0.61
Agrani Bank Ltd.	Uddipon	300	0.03
Bangladesh			
	Krishi Bank	135	0.16
Pubali Bank Ltd	Uddipon		
	Oporajayo Bangla, BRAC, Nari Maytri	511	0.72
City Bank Ltd	Prodipon	131	0.10
One Bank Ltd	Shajeda Foundation	224	0.11
Marcantile Bank Ltd	Oporajayo Bangladesh	113	0.06
Bank Asia Ltd	Prodipon	123	0.16
Mutual Trust Bank Ltd	Assistance for Slum Dwellers (ASD)	34	0.00
National Bank Ltd	Community Participation and Development (CPD)	19	0.01
Al-Arafah Islami Bank Ltd	Assistance for Slum Dwellers (ASD)	38	0.00
Trust Bank Ltd.	Manab Sheba & Samajik Unnayan Sangostha	253	0.04
<b>Total</b>		<b>2781</b>	<b>2.00</b>

Source: Financial Inclusion Department, BB.

development of Bangladesh. Gross remittance earning increased by 7.7 percent to USD 15316.9 million in FY15 compared to USD 14228.3 million in FY14. In order to document the remittance senders, BB has taken an initiative to collect the information of NRBs and maintain that in a dynamic, interactive and online database. Any NRB can open an account in this database through BB website and upload his/her information. This database will play as a communication platform for BB and NRBs as well. For Bangladesh Bank, this database helps to promote and uphold investment information arranged for NRBs by government and to create awareness on proper remittance channel & method and important financial or economic moves of government in which NRBs can participate.

**Box 6.1****Financial Literacy and Bangladesh Bank's Initiatives**

Financial literacy can benefit anyone, regardless of age, income or background; create demand for financial products and services by accelerating financial inclusion; ensure consumer protection by applying transparency. Everyone associated with the financial system needs to be financially literate. This includes all users of financial services i.e. children, financially excluded resource-poor, the lower and middle income groups or the high net worth individuals and also the providers of services. But to start with, BB will remain focused on children up to the age of 18 years and vulnerable adults.

**Bangladesh Bank's Initiatives**

A webpage has been developed and linked with Bangladesh Bank website (<http://finedu.bb.org.bd>). This includes the basic financial literacy topics, financial calculator, financial games, etc. The key objective is to make financially literate school going children as well as adults. It is also used for creating awareness among people regarding savings, advances and other financial services. Two visuals and ten audio commercials are made and are being broadcasted through TV and radio channels. Posters and advertisements on financial literacy are being published on news papers. Financial literacy campaign among school going children are being conducted throughout the country.

**Guidelines for Banks on Financial Literacy**

In the aftermath of the global financial crisis, financial education issues have reached a momentum and financial literacy has gained international recognition as a critical life skill for individuals. In this respect, many countries are developing national financial education strategies and guidelines for different sectors. Bangladesh Bank has also started by preparing a guideline on financial literacy for banks containing instructions for: i) designating focal point/contact person in each bank for financial literacy issues; ii) developing descriptions of bank's products and services in simple language; iii) interest calculator; iv) cautionary notices about fraudulent activities; iv) separate tab for children (up to 18 year age) including school banking account, financial games, stories on banking concept, etc; and v) a page containing FAQs and option for query & complaints.

To promote financial literacy, the Financial Inclusion Department (FID) of BB is taking steps to mainstream financial literacy in our education system by including a chapter regarding financial literacy into the text book, which may start from grade-3 and onwards. It will enable teachers to teach financial responsibility through fun and experiential learning. To introduce as well as to enhance financial literacy among mass people - slogans, jingles, pictures, symbols about financial literacy may be printed on ATMs, bill-boards, opposite side of check books, deposit slips and various publications of banks.

They can submit complaint, query or feedback through this database. They also use this database to link between themselves and search other NRBs according to country, profession, etc. 359 NRBs were registered till June 2015 in the NRB Database of BB. To recognise and encourage the contribution of NRBs towards sending remittance through banking channel, BB has introduced "Bangladesh Bank Remittance Award" in each year. In 2014, 31 individuals and two NRBs

owned exchange houses were awarded for highest remittance and investment in bonds.

**C.7. Financial Education**

6.24 Bangladesh Bank has taken various initiatives to bring the larger portion of financially excluded population under formal financial services. BB has developed a web-link titled "Financial Literacy" in BB webpage to undertake diverse financial education initiatives from FY14 in a rigorous manner (Box 6.1).



## Performance, Regulation and Supervision of NBFIs

7.1 Non Bank Financial Institutions (NBFIs) are playing a crucial role by providing additional financial services that cannot be always provided by the banks. The NBFIs, with more multifaceted products and services have taken their place in the competitive financial market to satisfy the changing demands of customers. NBFIs also play an important role in the capital market as well as in real estate sector of Bangladesh. Like the banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities. NBFIs are supervised by Bangladesh Bank following a risk-based supervisory system.

7.2 NBFIs have been given license and regulated under the Financial Institution Act, 1993. At present, the minimum paid up capital for NBFIs is Taka 1.0 billion as per the Financial Institution Regulation, 1994. NBFIs' business line is narrow in comparison with banks in Bangladesh. NBFIs are allowed to take term deposit for three months from 2 December 2013.

7.3 Presently, out of 32 NBFIs, 3 are Government-owned, 10 are joint venture and the rest 19 are locally private-owned. Meanwhile, the branch network increased to 198 as on 30 June 2015. The Structure of NBFIs is shown in Table 7.1.

### A. 1. Assets

7.4 The asset of NBFIs increased substantially by 18.6 percent to Taka 517.6

**Table 7.1 Structure of NBFIs**

	2009	2010	2011	2012	2013	2014	2015*
No. of NBFIs	29	29	31	31	31	31	32
Government-owned	1	1	2	3	3	3	3
Joint-venture	8	8	8	10	10	10	10
Private	20	20	20	18	18	18	19
New branches	20	20	53	8	7	7	15
Total branches	88	108	161	169	176	183	198

\*As on 30 June 2015.  
Source: Department of Financial Institutions and Markets.

billion in 2014 from Taka 436.3 billion in 2013. At the end of June 2015, assets of NBFIs increased to Taka 563.8 billion.

### A.2. Investment

7.5 NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in industrial sector. Sector wise composition of NBFIs' investment at the end of June 2015 was as follows: industry 44.9 percent, real estate 17.4 percent, margin loan 3.2 percent, trade and commerce 16.0 percent, merchant banking 4.0 percent, agriculture 1.7 percent and others 12.9 percent (Chart 7.1).

7.6 NBFIs are allowed to invest in the capital market to the extent indicated in the Financial Institution Act, 1993. In 2014, all NBFIs' total investment in capital market was Taka 18.4 billion compared to Taka 10.7 billion in 2013. Investment in capital market accounted for 3.5 percent of the total assets of all NBFIs. At the end of June 2015, NBFIs total investment in capital market stood at Taka 14.8 billion.

### A.3. Deposits

7.7 Total deposits of the NBFIs in 2014 rose to Taka 245.7 billion (58.1 percent of total liabilities) from Taka 198.3 billion (56.6 percent of total liabilities) in 2013 showing an overall increase of 23.9 percent. At the end of June 2015, total deposit of NBFIs increased to Taka 271.8 billion.

### A. 4. Other Liabilities and Equity

7.8 The aggregate liability of the industry increased to Taka 423.1 billion in 2014 from Taka 350.4 billion in 2013, while equity increased to Taka 94.4 billion from Taka 85.9 billion during the same period showing an overall increase by 20.7 and 9.9 percent respectively. At the end of June 2015, aggregate liability and equity increased to Taka 465.5 and 98.3 billion respectively.

### A. 5. Bond and Securitisation Activity

7.9 The bond market in Bangladesh is yet to be modernised. There are few players with a limited number of instruments. NBFIs play a significant role for the development of bond market through issuing zero coupon bonds and asset-backed securitised bonds. By taking NOC from BB, Taka 1.5 billion non-convertible zero coupon bonds were issued by IDLC Finance Limited and Taka 3.0 billion by Lanka Bangla Finance Limited as of June 2015. It can be mentioned here that an NOC has recently been issued from BB to IDLC Finance Limited for "IDLC Infrastructure and SME Zero Coupon Bond" amounting to Taka 5.0 billion.

## B. Performance and Rating of NBFIs

7.10 Like banks, the performance of NBFIs is evaluated through the CAMELS rating which involves analysis and evaluation of the

Chart 7.1 Investment pattern of NBFIs as of 31 June 2015

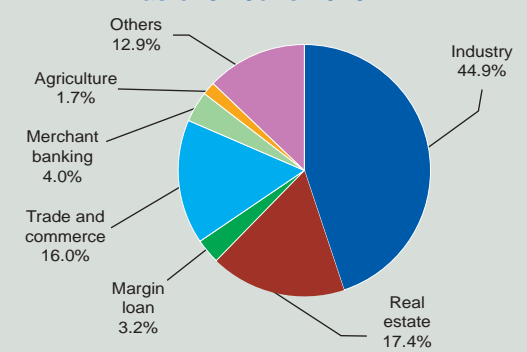
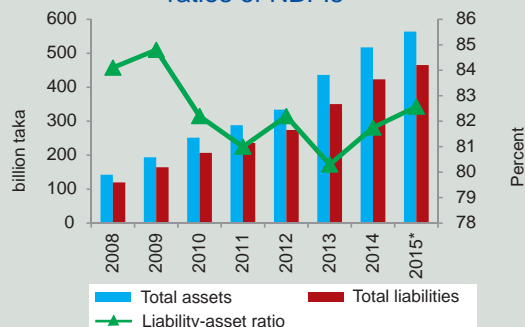


Chart 7.2 Assets, liabilities and their ratios of NBFIs



\*As on 30 June 2015.

Table 7.2 Assets, liabilities and deposits of NBFIs

	(billion Taka)						
	2009	2010	2011	2012	2013	2014	2015*
Total assets	193.8	251.5	288.4	333.9	436.3	517.6	563.8
Total liabilities	164.4	206.8	235.7	274.3	350.4	423.1	465.5
Liabilities-assets ratio	84.8	82.2	81.7	82.2	80.3	81.7	82.6
Total deposit	80.8	94.4	112.6	145.4	198.3	245.7	271.8
Deposit as % of total liabilities	49.2	45.7	47.8	53.0	56.6	58.1	58.4

\*As on 30 June 2015.

Source: Department of Financial Institutions and Markets, BB.

six crucial dimensions. The six indicators used in the rating system are capital adequacy, asset quality, management efficiency, earnings, liquidity and sensitivity to market risk.

### B. 1. Capital Adequacy

7.11 Capital adequacy focuses on the total

position of NBFIs' capital and protects the depositors from the potential shocks of losses that a NBFi might incur. It helps absorb major financial risks related to credit, market, interest rate, etc. NBFIs in Bangladesh have been instructed under the Basel Accord to maintain capital adequacy ratio (CAR) of not less than 10.0 percent with at least 5.0 percent in core capital. At the end of June 2015, out of 32 NBFIs, one NBFi is yet to come under this operation, two were evaluated as "1 or Strong", 18 were "2 or Satisfactory", 10 were "3 or Fair" and the remaining one was "4 or Marginal" in the capital adequacy component of the CAMELS rating.

## B. 2. Asset Quality

7.12 The most important indicator intends to identify problems with asset quality in the loan portfolio is the ratio of gross non-performing loan/lease to total loan/lease. At the end of June 2015, the NPL for NBFIs was 7.7 percent. In the total asset composition of all NBFIs, the concentration of loans, lease and advances was 72.6 percent. At the end of June 2015, out of 32 NBFIs, seven were evaluated as "2 or Satisfactory", 14 were "3 or Fair" and 10 were "4 or Marginal" in the asset quality component of the CAMELS rating (The remaining one NBFi is yet to come under this operation).

## B. 3. Management Efficiency

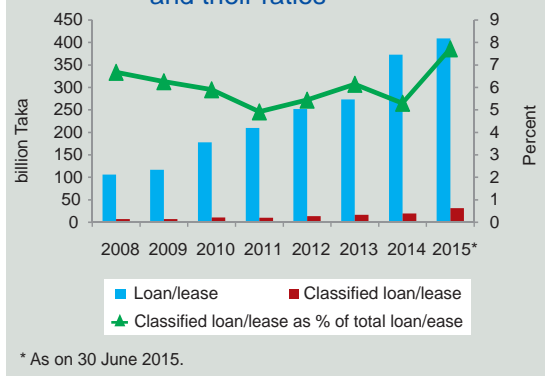
7.13 Sound management is the most important prerequisite for the growth of any NBFi. The total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee and interest rate spread are generally used to gauge management efficiency. At the end of June 2015, out of 32

**Table 7.3 Total loan/lease and classified loan/leases**

	(billion Taka)						
	2009	2010	2011	2012	2013	2014	2015*
Loan/lease	116.7	178.1	209.7	252.1	273.6	372.8	409.2
Classified loan/lease	7.3	10.5	10.3	13.7	16.8	19.7	31.6
Classified loan/ lease as % of total	6.3	5.9	4.9	5.4	6.1	5.3	7.7

\*As on 30 June 2015.  
Source: Department of Financial Institutions and Markets, BB.

**Chart 7.3 NBFIs total, classified loan/lease and their ratios**



NBFIs, two were evaluated as "1 or Strong", 18 were "2 or Satisfactory", eight were "3 or Fair" and three were "4 or Marginal" in the management capacity component of the CAMELS rating (The remaining one NBFi is yet to come under this operation).

## B. 4. Earnings and Profitability

7.14 Earnings and profitability of an NBFi reflects its efficiency in managing resources and its long term sustainability. Among various measures of earnings and profitability, the best and widely used indicator is the return on assets. (ROA) which is supplemented by return on equity (ROE). ROA and ROE of all the NBFIs in June 2015 were 1.3 and 7.6 respectively. At the end of June 2015, out of 32 NBFIs, two were evaluated as "1 or

Strong", 17 were "2 or Satisfactory", 11 were "3 or Fair" and one was "4 or Marginal" in the earnings and profitability component of the CAMELS rating (The remaining one NBFIs is yet to come under this operation).

### B.5. Liquidity

7.15 NBFIs are allowed to mobilise term deposit only. At present, term liabilities are subject to a statutory liquidity requirement (SLR) of 5.0 percent inclusive of average 2.5 percent (at least 2.0 percent in each day) cash reserve ratio (CRR) on bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5 percent. The Infrastructure Development Company Limited (IDCOL) established by the Government of Bangladesh is exempted from maintaining the SLR. At the end of June 2015, out of 32 NBFIs, 20 were evaluated as "2 or Satisfactory", nine were "3 or Fair" and two were "4 or Marginal" in the liquidity position component of the CAMELS rating (The remaining one NBFIs is yet to come under this operation).

### B. 6. Sensitivity to Market Risk

7.16 The sensitivity to market risk reflects the degree to which changes in interest rates or equity prices can adversely affect an NBFIs asset-liability position, earnings and capital. When evaluating this sensitivity component, consideration should be given to management's ability to identify, measure, and control market risk via the implementation of effective core risk management system. Vulnerability of the NBFIs in a stressed situation from either an interest rate or equity price shock (or both) should be taken under consideration to evaluate sensitivity. For many NBFIs, the primary source of market

**Table 7.4 Profitability of NBFIs**

	(percent)								
	2008	2009	2010	2011	2012	2013	2014	2015*	
Return on equity (ROE)	12.9	20.9	24.4	11.7	10.4	7.5	9.9	7.6	
Return on asset (ROA)	2.1	3.2	4.3	2.1	1.9	1.5	1.8	1.3	

\*As on 30 June, 2015 (Annualised).  
Source: Department of Financial Institutions and Markets, BB.

risk arises from non-trading positions and their sensitivity to changes in interest rates. At the end of June 2015, out of 32 NBFIs, six were evaluated as "2 or Satisfactory", 18 were "3 or Fair" and seven were "4 or Marginal" in the sensitivity to market risk component of the CAMELS rating (The remaining one NBFIs is yet to come under this operation).

### B. 7. Composite CAMELS Rating

7.17 As of June 2015, out of 32 NBFIs, the composite CAMELS rating one was evaluated "1 or Strong", 14 were "2 or Satisfactory", 15 were "3 or Fair" and one was "4 or Marginal" (The remaining one NBFIs is yet to come under this operation).

## C. Legal Reform and Prudential Regulations

7.18 As part of the ongoing efforts to strengthen the NBFIs through the adoption of policies aimed at both improving the financial strength as well as bringing about greater transparency in their operations, some legal and regulatory policy measures continued in FY15.

### C. 1. Capital Adequacy and Progress of BASEL Accord Implementation in NBFIs

7.19 Basel-II has been implemented in the NBFIs since 1 January 2012. Prudential guidelines on capital adequacy and market discipline (CAMD) has been issued to promote international best practices and to make the capital of NBFIs more risk-based as

well as more shock resilient. NBFIs have to follow the guidelines as statutory compliance. In this regard, a high-level Steering Committee (SC) headed by a Deputy Governor of BB comprising NBFIs' Chief Executive Officers has been formed for working on policy decisions. Furthermore, a Working Group (WG) headed by an Executive Director of BB has been assisting the SC in decision-making. Basel Implementation Cell (BIC) under DFIM has been formed to assist and carry out the instructions of SC and WG on Basel accord implementation.

### C. 2. Corporate Governance in NBFIs

7.20 BB has taken some policy measures in order to put in place good corporate governance in NBFIs. BB has specified clearly the authority responsibility and functions of the Board of Directors, Executive Committees, Audit Committees, Management and Chief Executive Officer of NBFIs. In addition, BB has defined duties, responsibilities and organogram of the audit committee and arrangement of the meeting. The number of Directors in the Board is ranged from 9 to 11. The Board sets and approves the vision/mission, annual strategic planning, key performance indicators, core risk management guidelines, etc. Chief Executive Officer is responsible to conduct day to day functions and materialisation of the strategic business plan.

### C. 3. Asset Classification and Provisioning

7.21 NBFIs are required to maintain provision for expected losses on loans, advances, leases, investments on an aging analysis. Aging analysis of overdue loan/lease classifies them to standards, special mention accounts, sub-standards, doubtful and bad/losses, requiring the NBFIs to keep

1, 5, 20, 50 and 100 percent provision respectively. At the end of June 2015, the total outstanding of loan/lease was Taka 409.2 billion of which NPL was Taka 31.6 billion (7.7 percent).

### C. 4. Loan Rescheduling Policy

7.22 Rescheduling of loan/lease is allowed under the policy of receipt of down payment. The minimum receipt of a down payment for reschedule is 15, 30 and 50 percent of overdue or 10, 20, 30 percent of outstanding, whichever is lower for 1st, 2nd and thereafter instances of restructuring respectively.

### C. 5. Core Risk Management

7.23 Guidelines on five core risk areas, namely, credit risk management, internal control and compliance, asset-liability management, prevention of money laundering and terrorist financing and information and communication technology (ICT) security have been issued for NBFIs. NBFIs have customised their guidelines in monitoring and minimising these risks in the light of the guideline provided by Bangladesh Bank.

### C. 6. Stress Testing

7.24 NBFIs have been conducting stress testing on quarterly basis since 2010. A new financial position indicator, insolvency ratio (IR), artificial intelligence to auto-generate recommended action plan, rating scale of 1 to 5, zonal positioning (Green, Yellow & Red) through weighted average resilience-weighted insolvency ratio (WAR-WIR) matrix have been included in the revised guideline for NBFIs. As per the new guideline, NBFIs carry out stress testing on quarterly basis i.e. at the end of March, June, September and December. As of June 2015, out of 31 NBFIs

four were in Green Zone, 13 were in Yellow Zone and the other 14 were in the Red Zone.

## **D. Consumer Protection Regulations**

### **D. 1. Schedule of Charges**

7.25 BB has rationalised the charges of some services to ensure the interest of depositors/investors/customers and advised all NBFIs to display the complete schedule of charges in suitable places in their branches and head offices so that the current and potential clients can easily see them. They are also instructed to post the same information in their websites. BB monitors this issue and NBFIs are required to submit semi-annual statements in this regard. No charge/commission like commitment fee, supervision fee and cheque dishonour fee can be charged.

### **D. 2. Guidelines on Products and Services of Financial Institutions in Bangladesh**

7.26 Along with the banks, the financial institutions with their customised products and services have emerged as the competitive financial intermediaries to meet the growing and changing demands of customers. The 'Guidelines on Products and Services of Financial Institutions in Bangladesh' has outlined the different characteristics of existing and new products. These guidelines protect clients' interest as well as provide greater flexibility to financial institutions to

cope up with changing environment. This also helps promotion of sound risk management system and brings discipline in launching new products and services.

### **E. Cost of Funds Index for NBFIs**

7.27 NBFIs are regularly submitting their monthly statements of base rate and cost of funds to BB as per guideline published in 2013. On the basis of these statements, BB prepares an aggregate cost of funds index, uploads that in the BB website and updates it in its website on a monthly basis. It can be mentioned that base rate is the minimum interest rate below which it is not viable for an NBFIs to lend in the market. As there was no specific guideline before December 2013, the NBFIs calculated the interest rate in different ways from their own perspective. Some NBFIs provided loan using floating interest rate. In that case, they imposed the rate based on the deviation among their own cost of funds. As a result, their efficiency or inefficiency to manage the liquidity directly affected the clients. The cost of funds index is used as an acceptable reference rate. The base rate system facilitates the interest rate determining process and ensures more transparency and accountability in the NBFIs. It is used in different countries including India, Nepal and Bhutan. In Bangladesh, for the first time, this base rate system for NBFIs has been initiated to introduce cost of fund index in the system.



## Financial Markets

8.1 Bangladesh Bank continued its effort to develop a well-functioning financial market and maintaining its stability during FY15.

### Money Market

#### Call Money Market FY15

8.2 The banks including financial institutions maintained steady path in terms of interest rate throughout the year. BB provided repo, special repo and liquidity support facility (LSF) to the primary dealers (PDs) and non-PD banks against the eligible holding of treasury bills and bonds. BB's prudential policy measures resulted stable weighted average interest rate in the call money market ranging from 5.8 percent to 8.6 percent during FY15 (Table 8.1 and Chart 8.1.). During the same year the average volume of trade in the call money market decreased by Taka 271.41 billion which was 18.9 percent lower than that in FY14. Both the volume of transaction and the weighted average interest rate in the call money market remained within the reasonable band with a declining trend in the 4th quarter of the year.

#### Repo Auctions - FY15

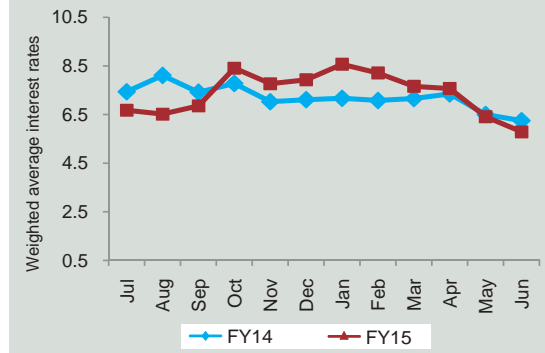
8.3 A repo deal is one where Primary Dealers (PDs) and non-PDs make a contract to borrow money usually overnight at a pre-determined policy rate of BB against the collateral face value of government treasury bills and bonds. The repo injects money in the system and provides banks necessary funds

**Table 8.1 Volume of trade and weighted average interest rates in call money market**

Periods	Volume of trade (billion Taka)	Weighted average interest rates (%)	Volume of trade (billion Taka)	Weighted average interest rates (%)
	FY14		FY15	
July	1640.98	7.44	1166.50	6.68
August	1066.39	8.11	1255.90	6.52
Sept.	1654.45	7.42	1569.31	6.86
Oct.	1532.19	7.78	1354.42	8.41
Nov.	1620.51	7.03	1381.52	7.77
Dec.	1565.09	7.11	1164.82	7.93
Jan.	1497.71	7.17	1242.59	8.57
Feb.	1477.28	7.08	1164.49	8.21
March	1403.11	7.16	1030.09	7.66
April	1362.92	7.35	859.14	7.57
May	1015.98	6.50	846.34	6.41
June	1408.72	6.25	953.3	5.79
<b>Average</b>	<b>1437.11</b>	<b>7.20</b>	<b>1165.70</b>	<b>7.37</b>

Source: Debt Management Department, Bangladesh Bank.

**Chart 8.1 Call money rate**



to maintain their very short term exposure. The rate of interest for repo, special repo and Liquidity Support Facility (LSF) remained unchanged at 7.25 percent, 10.25 percent and 7.25 percent respectively for 1-2 day tenor in FY15. Special repo rate is higher due to particular need of liquidity of the banks. In this



**Table 8.2 Repo auctions-FY15**

Total No. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
182	1-Day/2-Day	2304	3487.13	2304	3484.53	7.25-10.25
	3-Day/7-Day	679	1110.07	679	1108.87	7.25-10.25
	<b>Total</b>	<b>2983</b>	<b>4597.20</b>	<b>2983</b>	<b>4593.40</b>	<b>7.25-10.25*</b>

\* Overall interest rates of different tenors.  
Source: Monetary Policy Department, Bangladesh Bank.

regard, banks apply for funds late hour usually after 2.0 PM in a business day. BB keeps this window open for the banks to maintain the liquidity at a desired level and to maintain a cautious stance of monetary policy.

It, therefore, encourages borrowing from the market first with a view to maintaining its lender of last resort (LOLR) stance. In FY15, the banks were provided a reasonable amount of repo funds through daily repo auctions.

8.4 A total of 182 repo auctions (including special repo and LSF auctions) were held during FY15. In all 2983 bids for Taka 4597.20 billion were received of which Taka 4593.40 billion were accepted. During FY14 a total 2102 bids for Taka 4352.95 billion were received, of which Taka 4258.33 billion were accepted. The volume of accepted bids increased by 7.87 percent during the FY15 (Table 8.2). The range of interest rate against the accepted bids was 7.25-10.25 percent per

annum in FY15, which was 7.25-10.75 percent per annum in the previous year too.

### Reverse Repo Auctions - FY15

8.5 In the operation of reverse repo deal, money is mopped up from the banks to BB. In case of reverse repo, BB does not provide any collateral to the banks. It applies the reverse repo to maintain intended level of liquidity in the market and to keep up reserve money and money multiplier on track. A total of 229 daily reverse repo auctions were held in FY15. In all 1027 bids of 1-2 day and 273 bids of 3-7 day tenors for a total of Taka 5477.62 billion were received and all the bids were accepted. During FY14, bids for 2444.36 billion were received and all the bids were accepted. The interest rate against the accepted bids was 5.25 percent per annum during FY15 (Table 8.3).

### Bangladesh Bank Bill

8.6 Operations of Bangladesh Bank Bill continued in FY15 as a tool of Open Market

**Table 8.3 Reverse repo auctions-FY15**

Total no. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
229	1-Day/2 Day	1027	4380.24	1027	4380.24	5.25
	3-Day/7 Day	273	1097.38	273	1097.38	5.25
	<b>Total</b>	<b>1300</b>	<b>5477.62</b>	<b>1300</b>	<b>5477.62</b>	<b>5.25*</b>

\* Overall rates of different tenors.  
Source: Monetary Policy Department, Bangladesh Bank.

**Table 8.4 Auctions of Bangladesh Bank Bill - FY15**

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June, 15 (billion Taka)	Weighted average yield (WAR) range* (%)	
	No.	Face value (billion Taka)	No.	Face value (billion Taka)		FY14	FY15
30-Day	194	168.63	194	168.63	14.43	5.30-7.70	5.24-6.00
<b>Total</b>	<b>194</b>	<b>168.63</b>	<b>194</b>	<b>168.63</b>	<b>14.43</b>	<b>5.30-7.70</b>	<b>5.24-6.00</b>

\* Range of the weighted average annual yield of the accepted bids.  
Source: Monetary Policy Department, Bangladesh Bank.

Operation (OMO) to sterilise and maintain liquidity of the banking system effectively. With a view to maintain stable interest rate and exchange rate position, BB prudently applies this instrument as and when required. The results of Bangladesh Bank bill auctions in FY15 are shown at Table 8.4.

### Government Securities Market

#### Government Treasury Bills Auctions

8.7 Treasury bills and bonds are short-term and long term obligations issued by Bangladesh Bank on behalf of the government of Bangladesh. These are the indirect monetary instruments that the BB uses mainly for debt management purposes. The securities are issued through an auction process where the allotments are awarded to the bids which fill the notified issue amount ranging from the lowest to highest yield. Pro-rata partial allotments are made for bids at the cut-off-yield. The objectives of issuing these securities are two-fold. The first is to provide a mechanism for financing government deficit and secondly managing excess liquidity prevailing in the market. In FY15, among 15 Primary Dealers (PDs), three non banks financial institutions did not act as PD. 12 PDs acted as underwriters and market makers with commitments to bid in auctions. Effective from August 2012 BB introduces new underwriting obligations and mandatory allocation for 12 PD banks and 25 non PD banks in auction of

government treasury bills and bonds. According to the revised auction procedure 12 PD banks will accept 60 percent and 25 non PD banks will accept 40 percent of the unsubscribed amount of auction considering their total demand and time liabilities (TDTL). Among 60 percent of the notified amount, 50 percent will be distributed among 12 PD banks according to TDTL and rest 50 percent will be distributed equally. In addition to the 12 PDs, eight new banks are also now acting as PD assuming fixed underwriting obligation.

8.8 Weekly auctions of 91-day, 182-day and 364-day treasury bills were also continued as main instruments for debt management of the Government during the year under report. The results of these treasury bills auctions in FY15 are summarised in Table 8.5. The auctions of 91-day, 182-day and 364-day's tenor bills were under-subscribed. Subsequently, devolvement amount to PDs and non PDs/ Bangladesh Bank decreased as compared to FY14. The weighted average yield of most of the treasury bills decreased during FY15.

8.9 Depending on the liquidity conditions in the money market, the weighted average yields of treasury bills of different maturities varied within modest ranges. The yields for various tenors as of end of June 2015 depicted somewhat a minimum range than the yields as of end of June 2014.

**Table 8.5 Auctions of Government Treasury Bills - FY15**

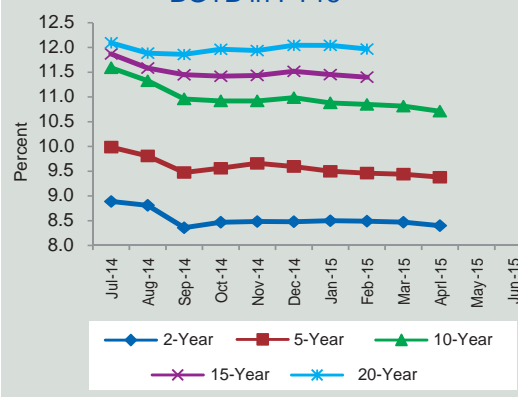
Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 15 (billion Taka)	Weighted average yield (WAR) range* (%)	
	No.	Face value (billion Taka)	No.	Face value (billion Taka)		FY14	FY15
91-Day	1527	778.47	487	346.33	78.13	6.82-8.68	5.37-7.77
182-Day	1074	412.01	432	166.40	79.00	7.43-10.24	6.31-8.08
364-Day	999	410.65	381	161.12	173.83	7.68-10.60	6.53-8.31
Devolvement to BB/PDs and non PDs				68.10			
<b>Total</b>	<b>3600</b>	<b>1601.13</b>	<b>1300</b>	<b>741.95</b>	<b>330.96</b>	<b>6.82-10.60</b>	<b>5.37-8.31</b>

\* Range of the weighted average annual yield of the accepted bids.  
Source: Monetary Policy Department, Bangladesh Bank.

8.10 During FY15, a total of 3600 bids amounting to Taka 1601.13 billion were received, of which 1300 bids amounting to Taka 741.95 billion (including Taka 68.10 billion as devolved amount) were accepted. The weighted average yield-to-maturity against the accepted bids ranged from 5.37 to 8.31 percent. In FY14, a total of 3784 bids amounting to Taka 1755.84 billion were received, of which Taka 865.77 billion was accepted.

### Bangladesh Government Treasury Bonds (BGTBs) Auctions

8.11 Treasury Bonds, bearing half yearly interest coupons with tenors of 2-year, 5-year, 10-year, 15-year and 20-year are auctioned in every month following preannounced auction calendar prepared by BB and Ministry of Finance considering liquidity and macroeconomic indicators. In order to improve liquidity and assets- liabilities matching, auction of 2-year BGTB has been started auction as new instrument since 28 May 2013. The BGTB auction committee determined cut-off coupon rate which is used for bond pricing. The lowest yield rate bidders are needed to deposit premium amount to the BB in view of face value. Banks are eligible to use government treasury bills and BGTBs for statutory liquidity requirement (SLR) purpose in the form of held to maturity (HTM) and held

**Chart 8.2 Weighted average yield of BGTB in FY15**

for trade (HFT). HTM securities amortised at the end of the year to converge face value and HFT securities values are amortised weekly following marking to market method. These bills and bonds are eligible for secondary trading. 46 auctions of these instruments were held in FY15. A total of 1586 bids for Taka 414.81 billion were received and 480 bids for Taka 170.26 billion were accepted, of which Taka 20.87 billion was devolved on BB/PDs and non PDs. The amount of outstanding bonds increased by 12.32 percent from Taka 1026.27 billion at the end of June 2014 to Taka 1152.73 billion at the end of June 2015.

8.12 The weighted average yield-to-maturity for the treasury bonds ranged from 8.3594 percent to 12.0938 percent in FY15. The

**Table 8.6 Auctions of Bangladesh Government Treasury Bonds - FY15**

Tenor of bonds	Bids offered		Bids accepted		Outstanding bonds as of end June, 15 (billion Taka)	Yield range *(%)
	Number	Face value (billion Taka)	Number	Face value (billion Taka)		
2-Year Devolvement to BB/PDs and non PDs	300	85.35	88	34.99 5.07	97.06	8.3594-8.8896
5-Year Devolvement to BB/PDs and non PDs	378	116.71	151	49.40 6.80	324.20	9.3801-9.9871
10-Year Devolvement to BB/PDs and non PDs	440	131.70	141	40.28 0.12	440.44	10.7128-11.5898
15-Year Devolvement to BB/PDs and non PDs	225	41.27	44	12.82 3.98	157.16	11.4000-11.8700
20-Year Devolvement to BB/PDs and non PDs	243	39.78	56	11.90 4.90	133.87	11.8608-12.0938
<b>Total</b>	<b>1586</b>	<b>414.81</b>	<b>480</b>	<b>170.26</b>	<b>1152.73</b>	<b>8.3594-12.0938@</b>

\* Range of the weighted average annual yield of the accepted bids.  
 @ Weighted average annual yield of treasury bonds of different terms.  
 Source: Monetary Policy Department, Bangladesh Bank.

weighted average yield of treasury bonds decreased during the period (Table 8.6). The movements of the weighted average yield-to-maturity of all the treasury bonds are depicted in the chart 8.2.

8.13 It is mentionable that in FY14, bids for a total of Taka 461.87 billion were received and Taka 221.50 billion was accepted of which Taka 46.43 billion was devolved on BB/PDs and non PDs. The overall weighted average yield-to-maturity ranged from 8.5206 percent to 12.4800 percent in FY14.

### Bangladesh Government Islamic Investment Bond (Islamic Bond)

8.14 Government issues bond as guarantee against the pool of funds formed by the Islamic banks and individuals in order to develop money market in Islamic banking sector. Virtually government does not borrow money from this sector. The return of the bonds depends on profit or loss in line with the Islamic Shariah, savings rate and related factors reflected in the balance sheet of the Islamic bank. The operations of 6-month, 1-year and 2-year Bangladesh Government

**Table 8.7 Bangladesh Government Islamic Investment Bond**

Particulars	(billion Taka)		
	FY13	FY14	FY15
i. Sale	107.13	121.34	135.84
ii. Financing	67.78	24.37	25.40
iii. Net outstanding	39.35	96.97	110.44

Source: Motijheel Office, Bangladesh Bank.

**Table 8.8 Disbursement & recovery of industrial term loans of banks and financial institutions**

Particulars	(billion Taka)		
	FY14	FY15	% Change
Disbursement	423.1	597.8	41.3
Recovery	418.0	475.4	13.7
Outstanding (end June)	841.1	1073.2	27.6

Source: SME and Special Programmes Department, BB.

Islamic Investment Bond (Islamic Bond) were introduced in FY05. It may be noted that 3-month Bangladesh Government Islamic Investment Bond has been introduced since 1 January 2015. This Government Bond is being operated in accordance with the rules of Islamic Shariah. As per the rules, Bangladeshi institutions, individuals and non-resident Bangladeshis who agree to share profit or loss in accordance to Islami Shariah may buy this bond. As of end of June 2015, the total

sale against this bond amounted to Taka 135.84 billion while balance of total amount of financing stood at Taka 25.40 billion and the net outstanding against the bond stood at Taka 110.44 billion. As of end of June 2014, the total sale against this bond was Taka 121.34 billion while the balance of total financing of Taka 24.37 billion and the net outstanding of Taka 96.97 billion. The overall transaction of this bond is summarised in Table 8.7.

### Capital Market

#### Investment Financing in Bangladesh

8.15 The dominance of term loans in investment financing implies low equity stake and risk exposure of the owners, with disproportionately high incidence of risk on the lending banks and financial institutions, including liquidity risk arising from the funding of these long-term loans with typically shorter-term deposits.

8.16 The amount of industrial term loans disbursed by banks and financial institutions stood at Taka 597.8 billion (Table 8.8), many-fold higher than the amount of Taka 7.3 billion raised by new capital issues through private placements and public offerings in the capital market in FY15. This indicates an overwhelming preference of bank finance in industrial investment financing.

8.17 The DSE broad index and the market capitalisation of Dhaka Stock Exchange Limited (DSE) were quite stable during July 2014 to February 2015.

The market behaviour was hampered during the second and third quarter of FY15 for a short period of time due to political unrest in the country. The DSEX and the market

capitalisation declined to Taka 4047.29 billion and Taka 2973.47 billion respectively at the end of April 2015 from Taka 4864.96 billion and Taka 3259.25 billion in December 2014. However, the market became stable at the end of FY15 as a result of some effective measures taken on the capital market. Bangladesh Bank proactively played a role to stabilise the capital market since the major debacle of 2010.

8.18 DSE launched the new trading system X-stream INET Matching Engine and DSE FlexTP Order Management System (OMS) on 11 December 2014. It inaugurated the Demonstration Programme of New Book Building Software and Data Transmission Software for New Public Issue Application Processes on 12 March 2015. DSE became an Affiliated Member of the World Federation of Exchanges (WFE) on 3 March 2015. Dhaka Stock Exchange (Listing) Regulations, 2015 was approved by the Bangladesh Securities and Exchange Commission on 30 June 2015 and the gazette was published on 12 July 2015. Market lot of shares have been converted to same number, 1 (one) for all listed companies in DSE from various market lots on 11 December 2014. So, now investors can buy or sell any number of shares in the secondary market of DSE & CSE.

#### Capital Market Activities in FY15

##### Primary Issuance

8.19 21 companies raised new equity of Taka 7.3 billion in the capital market in FY15, higher than Taka of 6.6 billion raised by 12 companies in FY14. Of the new equity issued, Taka 1.7 billion rose through private placements and Taka 5.6 billion raised

through public placements. In FY14, equity issued through private and public placements were Taka 2.4 billion and Taka 4.2 billion respectively.

8.20 The volume of public offerings in FY15 was oversubscribed more than two times indicating a shortage of new securities in the primary market. Bonus shares worth of Taka 26.6 billion were issued by 130 companies against retained profits in FY15. This was lower than Taka 31.1 billion issued by 137 companies in FY14. On the other hand, right shares worth of Taka 6.0 billion were issued by five companies in FY15 which was higher than Taka 4.3 billion issued by six companies in FY14.

### Secondary Market Activities

8.21 As a percent of total market capitalisation, the manufacturing sector dominated the secondary market with 40.70 percent share, followed by the services and miscellaneous sector (36.08 percent), financial sector (23.0 percent) and corporate bonds (0.02 percent) at the end of FY15. In the DSE, market capitalisation inclusive of new issues increased by 10.3 percent to Taka 3247.3 billion or 21.5 percent of GDP (at current market price) at the end of FY15 from Taka 2943.2 billion at the end of FY14 (Chart 8.3). In the CSE, it increased by 13.2 percent to Taka 2588.1 billion or 17.1 percent of GDP at the end of FY15. However, the amount of turnovers in the secondary market decreased by 0.2 and 5.6 percent respectively in DSE and CSE in FY14. DSE broad index (DSEX) and CSE all-share price index also increased by 2.3 and 2.4 percent to 4583.1 and 14097.2 respectively in FY15 (Table 8.9 and 8.10).

Chart 8.3 Trends in market behaviour of DSE

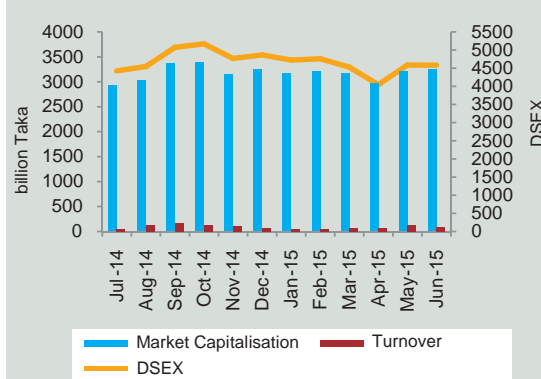


Table 8.9 Dhaka Stock Exchange (DSE) activities

Particulars	End June		
	FY13	FY14	FY15
No. of listed securities*	525	536	555
Issued equity and debt* (billion Taka)	983.6	1032.1	1092.0
Equity through private placement & IPOs (billion Taka)	12.2	6.6	7.3
Market capitalisation (billion Taka)	2530.2	2943.2	3247.3
Turnover in value (billion Taka)	857.1	1125.4	1123.5
Turnover in volume (no. in billion)	21.6	24.3	26.6
General Index / DSE Broad Index (DSEX) <sup>@</sup>	4104.7	4480.5	4583.1

\* = including companies, mutual funds, debentures and Government Treasury Bonds.  
<sup>@</sup> = DSE introduced the benchmark DSE broad index (DSEX) designed & developed by S&P Dow Jones from 28 January 2013. DSE general index has been phase out from the market on 1 August 2013.  
 Source: Dhaka Stock Exchange.

Table 8.10 Chittagong Stock Exchange (CSE) activities

Particulars	End June		
	FY13	FY14	FY15
No. of listed securities*	266	276	292
Issued equity and debt* (billion Taka)	428.6	470.7	529.8
Market capitalisation (billion Taka)	1919.9	2286.7	2588.1
Turnover in value (billion Taka)	102.0	102.2	96.5
Turnover in volume (no. in billion)	2.8	2.7	2.7
All-share Price Index	12738.2	13766.2	14097.2

\* = including companies, mutual funds and debentures.  
 Source: Chittagong Stock Exchange.



### Non-resident Portfolio Investment

8.22 Gross investment inflow in shares and securities of the stock exchanges by non-residents through Non-resident Investor Taka Account (NITA) increased to Taka 47.8 billion in FY15 from Taka 41.3 billion in FY14. Gross investment outflow as repatriation of sale proceeds also increased to Taka 28.6 billion in FY15 from Taka 14.5 billion in FY14. From the beginning (April 1992) to June 2015, the gross investment inflow stood at Taka 176.5 billion against gross outflow as repatriation of sale proceeds of Taka 116.7 billion.

### Activities of the Investment Corporation of Bangladesh

8.23 The Investment Corporation of Bangladesh (ICB) has been established with the aim of accelerating the pace of industrialisation and developing a well organised & vibrant capital market particularly securities market in Bangladesh. ICB's capital market development programme activities have been expanded through the formation and operation of the three subsidiaries of ICB namely the ICB Capital Management Ltd. (ICML), the ICB Asset Management Company Ltd. (IAMCL) and the ICB Securities Trading Company Ltd. (ISTCL). During FY15, total investment made against the investors' accounts stood at Taka 8.0 billion while deposit stood at Taka 0.6 billion. The IAMCL emerged as one of the fast expanding asset management company of the country. Up to end June 2015, the company floated 10 closed-end and five open-end mutual funds. Besides, the company floated various regular and special types of mutual funds. The net investment in portfolios of 15 mutual funds of the company stood at Taka 34.9 billion and the market value stood at Taka 27.3 billion. The ISTCL emerged as the largest stockbroker in the country handling total

turnover worth Taka 119.8 billion in FY15 which was 9.8 percent of total turnover of both DSE and CSE. The parent ICB itself sold unit certificates amounting Taka 1.9 billion against repurchase of unit certificates amounting Taka 0.3 billion in FY15. ICB received deposits of Taka 0.9 billion and approved loans of Taka 11.6 billion in investment accounts of investors in FY15. Total commitments for investment made by the ICB in FY15 stood at Taka 28.5 billion of which investment in equity was Taka 0.5 billion and purchase of debentures was Taka 0.1 billion. The total amount of commitments was Taka 28.8 billion in FY14.

### Scheduled Banks Investments in Capital Market Securities

8.24 Holdings of capital market assets (equities, debenture) excluding investment on Bangladesh Government Islamic Investment Bond (BGIIIB) by scheduled banks stood at Taka 202.1 billion as of end of June 2015 as against Taka 169.0 billion as of end of June 2014. Outstanding advances of scheduled banks against shares and securities amounted to Taka 30.4 billion as of end of June 2015, which was Taka 30.7 billion as of end of June 2014.

### Measures Supporting Capital Market Development

8.25 The Securities and Exchange Commission (SEC) undertook several measures to protect investor's interest and strengthen the capital market during FY15. Some important measures are as follows:

- 156 market intermediary institutions have been given registration certificates (with renew).
- An order was issued regarding maintaining of provision against the unrecovered



losses due to revaluation in the portfolios of stock broker/stock dealer and merchant bankers on 12 January 2015.

- Ten percent gain tax on profit from the investment in capital market by foreign institutions and non-resident Bangladeshi has been withdrawn.
- The rate of source income tax as brokerage commission on the traded value of buying and selling shares has been reduced to 0.05 percent from 0.10 percent.
- A report has been finalised in order to develop the risk management regarding Risk Based Supervision and Risk Based Capital of market intermediaries.
- With a view to ensuring more transparency of the audit activities of the enlisted companies, a guideline has been formulated to include in the panel of auditors.

8.26 The measures declared in the national budget of FY16 in support of further development of the capital market include:

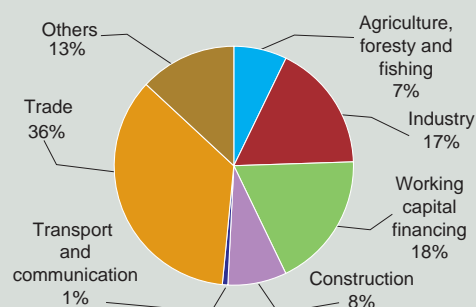
- With a view to attract more companies in the capital market for its continual expansion and strengthening, government has proposed to decrease tax rate from 42.5 percent to 40.0 percent for publicly traded banks, insurance and financial institutions.
- At the same time, the government has also proposed to decrease tax rate from 27.5 percent to 25.0 percent for publicly traded companies.
- Government has proposed to fix the threshold of tax exemption of dividend income distributed only by listed

**Table 8.11 Advances of scheduled banks by economic purposes** (billion Taka)

Sector	End June		
	FY14	FY15 <sup>P</sup>	% change
1. Agriculture, forestry and fishing	259.5	398.1	53.4
2. Industry	793.9	959.3	20.8
3. Working capital financing	859.7	1018.6	18.5
4. Construction	407.3	440.4	8.1
5. Transport & communication	53.1	41.2	-22.4
6. Trade	1849.2	1961.3	6.1
7. Others	473	725.4	53.4
<b>Grand Total</b>	<b>4695.7</b>	<b>5544.3</b>	<b>18.1</b>

Source: Statistics Department, Bangladesh Bank. P = Provisional

**Chart 8.4 Sectoral shares of total advances: FY15**



companies to Taka 25 thousand instead of existing provision of Taka 20 thousand by any company.

- Withdrawal of the existing provision of 10 percent deduction at source on income from share market by any company or partnership firm.
- It is proposed to withdraw the provision of deducting the tax at source at the rate of 5 percent on the interest of Treasury Bond and Treasury Bill at the time of purchasing the same under section 51 for the development of Bond Market.
- Besides, under section 46B, tax holiday in some cases has been extended up to

**Table 8.12 Industrial term loans of banks and financial institutions**

Lender	(billion Taka)									
	Disbursement		Recovery		Outstanding		Overdue		Overdue as % of outstanding	
	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15	FY14	FY15
SCBs	13.9	30.8	29.6	23.0	194.7	225.6	31.6	37.5	16.2	16.6
PCBs	325.2	462.9	316.1	357.7	593.6	774.0	50.5	68.5	8.5	8.9
Foreign banks	12.8	16.3	14.8	18.8	21.9	17.8	1.7	2.3	7.8	13.2
Specialised banks/DFIs* (BDBL, BKB, RAKUB, BASIC)	13.2	10.5	9.0	23.8	53.9	49.8	17.2	27.9	31.9	56.0
Financial institutions	58.0	77.3	48.5	52.1	139.8	164.3	8.2	12.0	5.9	7.3
<b>Total</b>	<b>423.1</b>	<b>597.8</b>	<b>418.0</b>	<b>475.4</b>	<b>1003.9</b>	<b>1231.4</b>	<b>109.2</b>	<b>148.2</b>	<b>10.9</b>	<b>12.0</b>

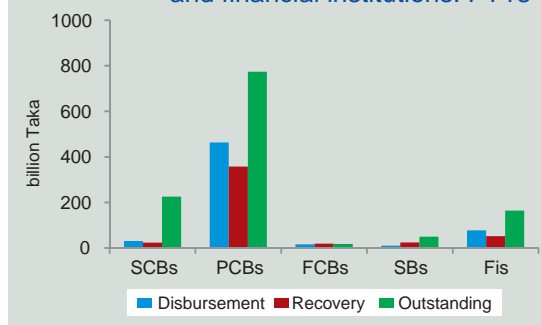
\* BDBL & BASIC are categorised as SCBs in FY15.  
Source: SME and Special Programmes Department, Bangladesh Bank.

June 2019 and [para 33, Part-A, Sixth Schedule], tax exemption applicable to ICT company has been extended from June 2019 to June 2024.

### Credit Market

#### Advances of Scheduled Banks by Economic Purposes

8.27 Most of the advances of scheduled banks by economic purposes showed an upward trend during FY15 (Table 8.11). Total advances of scheduled banks by economic purposes stood at Taka 5544.3 billion at the end of June 2015 which was 18.1 percent higher than the total advances of Taka 4695.7 billion at the end of June 2014. In recent years, significant changes have been taken place in the trends in total bank advances classified by economic purposes. Of the total advances, agriculture, fishing and forestry sector increased significantly (53.4 percent) followed by industry sector (20.8 percent), working capital financing sector (18.5 percent), construction sector (8.1 percent), trade sector (6.1 percent), and other sector (53.4 percent), while advances to transports and communication sector decreased by 22.4 percent in FY15 compared to FY14. Sector-wise contribution of total advances shows that

**Chart 8.5 Industrial term loans of banks and financial institutions: FY15**

the trade sector played the main role (36.0 percent) followed by working capital financing sector (18.0 percent), advances for industry sector (17.0 percent), construction sector (8.0 percent), agriculture, fishing and forestry sector (7.0 percent), transport and communication sector (1.0 percent) and other sectors (13.0 percent) in FY15. Sector-wise contribution of total advances is reported in Chart 8.4.

#### Industrial Term Loans of Banks and Financial Institutions

8.28 Disbursement of industrial term loans by banks and financial institutions increased by 41.3 percent to Taka 597.8 billion. However, the recoveries increased by 13.7 percent to Taka 475.4 billion in FY15. The

outstanding loans showed a positive growth of 22.7 percent and stood at Taka 1231.4 billion as of end of June 2015. However, the overdue loan increased by 35.7 percent in FY15 and it as a percent of outstanding loan increased to 12.0 as of end of June 2015 (Table 8.12).

8.29 Private commercial banks (PCBs) had the major shares (62.9 percent) of the total Taka 1231.4 billion outstanding loans as of end of June 2015, making them major players in industrial term lending (Table 8.12 and Chart 8.5). Though six SCBs and two specialised banks together had 22.4 percent shares of outstanding loans, but with a very high level of overdue loans, their actual role in current lending was quite minor, as they disbursed only Taka 41.3 billion (6.9 percent) out of total Taka 597.8 billion in FY15. In case of disbursement, PCBs had the major share holders (Taka 462.9 billion) in FY15, followed by financial institutions (Taka 77.3 billion), SCBs (Taka 30.8 billion), foreign banks (Taka 16.3 billion) and two specialised banks (Taka 10.5 billion).

8.30 The NBFIs had very low overdue loans (7.3 percent of outstanding loans) as of end of June 2015. Overdue loans were also low for private commercial banks (8.9 percent) and foreign banks (13.2 percent). Overdue loans of the specialised banks and the SCBs were very high (56.0 and 16.6 percent respectively) as of end of June 2015.

8.31 Since BKB and RAKUB are agriculture sector lenders, they have insignificant role in industrial term lending.

### **Investment Promotion and Financing Facility (IPFF)**

8.32 "Investment Promotion and Financing Facility (IPFF) Project" is an on-lending

based Technical Assistance (TA) project which is formed to supplement the resource of the Bangladesh financial markets to provide long term finance for infrastructure and other investment projects and to promote the role of private sector entrepreneurs in the development of capital projects, specially infrastructure. The project with two phases has been implemented so far by BB. Under IPFF, Government approved private infrastructure development projects implementing on Public-Private Partnership (PPP) basis have been financed through selected participating financial institutions (PFIs). Infrastructure development projects, power, services, industry and social sectors are considered eligible for IPFF financing. At least 25 percent of cost of any approved project is to be borne by the entrepreneurs' own sources as equity and at least 15 percent of the project cost is to be borne by the PFI in the second phase. The remaining 60 percent may be financed by IPFF. The PFIs are supposed to bear all the commercial risks associated with debt financing. As per agreement, total cost of the project, was USD 60.00 million with a 5 year tenure starting from January 2007 to December 2011. IPFF disbursed 100 percent of its on-lending component within 4th year of the project. Resultantly additional fund of USD 307.00 million (IDA USD 257.0 million and GoB USD 50.0 million) was sanctioned extending the tenure of the project up to December 2015.

It is worth mentioning here that IPFF has been able to disburse 100 percent (Taka 4.2 billion equivalent to USD 57.5 million) of its on-lending component to 7 small power plants having capacity of 178 MW within 4th year of the project tenure in the first phase. All the power plants are contributing power to the national grid.

Under the second phase of IPFF, USD 171.1 million was disbursed for three central water treatment plants, an inland container depot, a nationwide fibre optic cable installation project and four power generation projects having capacity of 356 MW till June 2015.

### Equity and Entrepreneurship Fund (EEF)

8.33 Equity and Entrepreneurship Fund (EEF) was formed by the Government with budgetary allocation of Taka 1.0 billion in FY01 to encourage investments in the risky but prospective agro-based/food processing and IT sector projects. A sub agency agreement regarding the transfer of operational activities of EEF was signed on 1 June 2009 between Bangladesh Bank (BB) and ICB. Under this agreement ICB is now performing the operational activities of EEF while EEF Unit of Bangladesh Bank is doing the activities relating to policy making, fund management and performance monitoring. So far, Taka 18.3 billion has been released to the fund out of total budgetary allocation of Taka 30.0 billion in different fiscal years. Up to 30 June 2015 with the project cost of Taka 66.8 billion, a total of 1726 projects (including 1621 agro-based/food processing projects and 105 IT projects) got EEF sanction at different stages of disbursement. Cumulative equity disbursement stood at Taka 11.5 billion at the end of FY15 against total fund disbursement of Taka 18.3 billion from the Government. Till now, 127 EEF supported companies have availed share buy-back facilities partially or fully to the tune of Taka 1.8 billion. Employment opportunity has been created for 40,600 people in the EEF assisted projects. World class softwares developed under EEF assisted ICT projects are being used in the

**Table 8.13 Outstanding housing loans**

Lenders	Outstanding as of end June (billion Taka)		
	FY13	FY14	FY15 <sup>P</sup>
<b>a. Specialised housing</b>			
<b>finance providers</b>	55.2	59.4	63.6
i) HBFC	28.0	29.7	30.3
ii) Delta-Brac Housing			
Finance	24.4	26.4	28.7
iii) National Housing			
Finance	2.8	3.3	4.6
<b>b. Banks</b>	349.0	358.0	395.5
i) PCBs	229.8	231.8	266.0
ii) SCBs	73.1	95.6	108.5
iii) Other banks (foreign and specialised)	46.1	30.6	21.0
<b>c. Other financial institutions</b>	16.7	23.2	30.8
<b>d. Micro-credit lenders</b>			
Grameen Bank	0.04	0.04	0.02
<b>Total</b>	<b>420.9</b>	<b>440.6</b>	<b>489.9</b>

P= provisional.  
Sources: Department of Financial Institutions and Markets, Statistics Department, Bangladesh Bank, and Grameen Bank.

domestic market and these are being exported also.

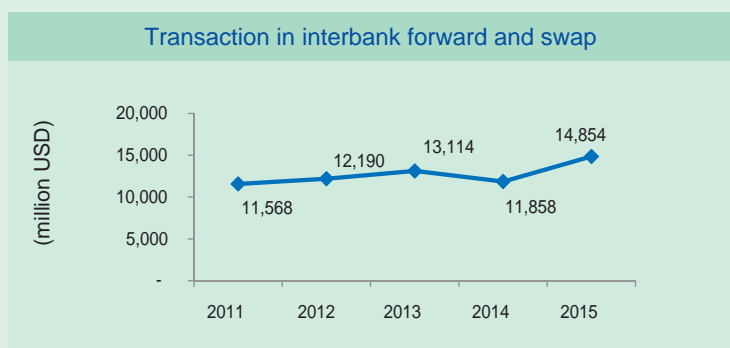
### Housing Finance

8.34 Total outstanding housing loans from banks and financial institutions as of end of June 2015 amounted to Taka 489.9 billion (Table 8.13), which was 8.8 percent of total credit to the private sector.

8.35 In recent years, significant changes have taken place in total housing loan portfolios. Of the total, private sector banks with ample deposit resources have been expanding their housing loan portfolios and now have the dominant market position (Table 8.13) with the largest amount of Taka 266.0 billion in outstanding housing loans as of end of June 2015. The SCBs had the second largest amount of Taka 108.5 billion and other banks had Taka 21.0 billion in outstanding

**Box 8.1****Financial Derivative Market of Bangladesh**

Financial market of Bangladesh is still in its nascent stage. In fact, no derivative security has been developed for the capital market. There are very few derivatives for the money/foreign exchange market. These are currency forward and swap, mainly, to hedge exchange rate risk and fund management respectively. However, interest rate swap and commodity hedging from abroad are also allowed subject to prior Bangladesh Bank permission against specific underlying transactions. Derivative transactions in foreign exchange are guided by country's foreign exchange regulations. Though a large number of deregulatory measures have been taken, capital account transactions are yet to be made convertible. Gradual and cautious steps for opening the external sector have benefitted us so far. Our foreign exchange and money market were unaffected during the last financial crisis due mainly to their limited integration with international market. The figure presented below depicts a very small volume with modest and stable growth of interbank derivative transactions (swap and forward) in USD over the last five calendar years (Source : FRTMD, BB).



Derivatives if well managed can contribute to a country's economic development by making various risks at minimal level. Due to the recent debacle in capital market, slow growing FDI, volatile international commodity market, scarcity of investment opportunities due to underdeveloped equity market, investors/other businessmen of Bangladesh are interested for innovative and versatile financial products such as derivatives for hedging and market expansion. Some studies have suggested that derivative securities can strengthen capital market of an emerging country like Bangladesh, both in terms of risk mitigation and creating alternative investment vehicles by reducing exchange rate and commodity price volatility. However, there are some prerequisites for setting up a derivative markets in Bangladesh. These include development of financial system, legal framework, customer awareness, stable exchange rate, foreign exchange liberalisation, efficient payment system with credibility and transparency, etc. Besides, a coordinated effort of Government and regulatory bodies (central bank, securities and exchange commission, tax authorities, etc.) is essential to develop a derivative market in Bangladesh.

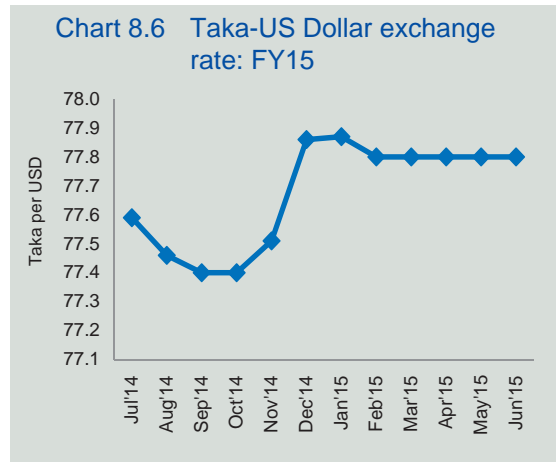
housing loans as of end of June 2015. Besides, two private sector specialised housing finance companies also provide a significant amount of loan. They supply fund for their operations by taking long term deposits including some contractual deposit schemes.

8.36 The state-owned House Building Finance Corporation (HBFC) had Taka 30.3 billion in outstanding housing loans as of end of June 2015. The sources of Corporation's fund are paid-up capital by the Government and the proceeds as received by selling Government guaranteed interest bearing

debentures to different organisations. The second mode of funding has been unavailable in recent years. In the past, the HBFC funded its housing loans by issuing low interest debentures bought by the SCBs and the BB. The HBFC has been constrained to rely on recoveries of past loans for new lending after defraying operating and debt servicing costs. Consequently, its new lending amount has declined. In FY14 and FY15, Taka 3.9 and 2.7 billion were disbursed out of recoveries of Taka 4.6 billion and Taka 4.8 billion respectively.

8.37 Grihayan Tahbil created by the Government of Bangladesh, provide housing loan to the NGOs at the rate of 2.0 percent simple interest who in turn provides housing credit to the rural poor at the rate of 6.0 percent for a recovery period up to 10 years. Up to June 2015, the Grihayan Tahbil released Taka 1.9 billion against allocation of Taka 2.9 billion through 513 NGOs for rural housing programme which covered 450 upazilas of 64 districts of the country and 61614 houses were constructed. As on end of June 2015, Tahbil recovered Taka 1.2 billion against the total recoverable amount of Taka 1.3 billion and recovery rate was 91.9 percent.

In addition, a dormitory/women hostel for the poor female workers is being constructed at Ashulia of Savar Upzilla under the supervision



of the Department of Women Affairs at the cost of Taka 0.2 billion financed by Grihayan Tahabil where a total of 744 women workers will get the residence facility.

### Foreign Exchange Market

8.38 Bangladesh Bank closely monitors the foreign exchange market to avoid undue volatility in the exchange rate. BB engages in market interventions if it deems necessary.

8.39 In FY15, Taka experienced a depreciation of 0.22 percent against US dollar compared to 0.18 percent appreciation in FY14 due mainly to BB's interventions in the foreign exchange market to maintain stability. The weighted average inter-bank rate stood at Taka 77.80 per USD as on 30 June 2015 against Taka 77.63 per USD as on 30 June 2014 (Chart 8.6).



## Agricultural and Rural Finance

### Annual Agricultural Credit Programme

9.1 Agriculture sector is the main source of food for the people of Bangladesh and about half of the population directly or indirectly depends upon this sector. The agriculture sector accounted for 16.0 percent of GDP and grew by 3.0 percent in FY15 compare to 4.4 percent of FY14. Although growth rate has declined compared to the previous year, the agricultural sector still remains very important for the country.

Acknowledging the importance of this sector, Bangladesh Bank (BB) has been pursuing some policy measures in the recent years to support this sector. BB regularly formulates annual agricultural credit policy which helps to increase the supply of credit in the rural areas and reviving the rural economy. This attempt has been leading to vast expansion of employment generating activities and promoting financial inclusion. This policy support accelerates the agricultural production and helps to reduce rural poverty through increasing flow of funds. BB declared its annual agricultural and rural credit policy and programme for FY15 with a disbursement target of Taka 155.5 billion, which was 6.5 percent higher than the disbursement target of Taka 146.0 billion in FY14. The achievement against this target was 102.8 percent marked by the significant participation of private sector banks through their branches as well as through linkages with Microfinance

Institutions (MFIs). Moreover, an amount of Taka 4.5 billion has been disbursed to the sharecroppers through the BRAC under the refinance scheme of BB to facilitate usage of agri-technology. Several surveys recently conducted show that this special credit programme improves the living standard of the sharecroppers'.

### Implementation of Some Important Initiatives of Agricultural Credit Programme in FY15

- Around 3.2 million farmers availed agricultural and rural credit of which 0.3 million women got Taka 9.0 billion as agricultural and rural credit from different banks.
- Around Taka 6.2 billion was disbursed among about 0.2 million farmers through 15489 open credit disbursement programmes arranged by different banks.
- Around 2.5 million small and marginal farmers got Taka 112.03 billion agricultural loans from different banks.
- About Taka 506.3 million of agricultural and rural credit was disbursed among about 9773 farmers living in the less developed area like *haor*, *char*, etc.
- Around 9.9 million bank accounts were opened by the farmers in the state owned commercial banks with an initial deposit of Taka 10 only.



- An amount of Taka 0.8 billion was disbursed at 4.0 percent concessional rate for the production of certain crops like pulse, oilseed, spices, and maize for which the country relies on import.
- In the 3 Hill Tract districts, more than Taka 0.5 billion was disbursed among 18340 tribal farmers only at 5.0 percent interest rate.

It is to be noted that, BB has announced its annual agricultural and rural credit policy and programme for FY16. The target for disbursement of agricultural credit has been fixed at Taka 164 billion which is 5.5 percent higher than the disbursement target of Taka 155.5 billion in FY15.

### Disbursement

9.2 The actual disbursement of agricultural credit under Annual Agricultural Credit Programme by the participating banks/NBFIs in FY15 stood at Taka 159.8 billion which was 0.4 percent lower than the actual disbursement of Taka 160.4 billion in FY14. Table 9.1 shows the comparative position of overall disbursement and recovery of agricultural loan and Charts 9.1 and 9.2 show targets and actual disbursement of agricultural loan respectively in FY15.

About 79.8 percent of disbursement was short term lending and the rest was long-term loans to purchase irrigation equipments, agricultural machinery, livestock, etc. The credit for production of crops and poverty alleviation programmes constituted 59.6 and 11.6 percent respectively of the total short term loans (Table 9.1).

**Table 9.1 Comparative statement of disbursement & recovery of agricultural loan**

(billion Taka)			
Disbursement	FY13*	FY14*	FY15*
1	2	3	4
<b>I. Disbursement (target)</b>	<b>141.30</b>	<b>145.95</b>	<b>155.50</b>
a) Crops loan (other than tea)	65.38	69.38	75.69
b) Purchase and installation of irrigation equipment	4.34	3.68	3.39
c) Livestock	13.55	15.26	16.70
d) Marketing of agricultural goods	3.32	2.57	1.91
e) Fisheries	12.68	12.68	15.36
f) Poverty alleviation	12.63	11.16	11.37
g) Other agricultural activities	29.40	31.22	31.08
<b>II. Actual disbursement</b>	<b>146.67</b>	<b>160.37</b>	<b>159.78</b>
a) Crops loan (other than tea)	64.34	71.31	76.04
b) Purchase and installation of irrigation equipment	2.79	2.39	2.38
c) Livestock	18.03	19.96	20.57
d) Marketing of agricultural goods	2.26	1.67	1.54
e) Fisheries	13.21	13.78	16.53
f) Poverty alleviation	16.58	18.64	14.81
g) Other agricultural activities	29.46	32.62	27.91
<b>III. Term structure of loan disbursed</b>			
Short term	106.12	118.85	127.48
Longer term	40.55	41.52	32.30
IV. Recovery	143.62	170.46	154.07
V. Due for recovery	195.46	248.13	220.34
VI. Total outstanding loan	310.58	346.33	329.37
VII. Overdue	52.09	76.12	67.29
VIII. Overdue as percent of outstanding	16.77	21.98	20.43

\* Excluding BRDB and BSBL  
Source: Agricultural Credit Department, Bangladesh Bank.

The total outstanding loan in the agricultural sector (including all banks) decreased by Taka 16.9 billion or 4.9 percent to Taka 329.4 billion in FY15 from Taka 346.3 billion in FY14 (Table 9.2).

Two specialised banks- BKB, RAKUB and six SCBs have played key role in the disbursement of agricultural and rural finance while the contribution of foreign and private commercial banks is also increasing. However, the SCBs and RAKUB fell short of targets by 9.2 and 4.0 percent respectively.

On the other hand, BKB, FCBs and PCBs exceeded the disbursement target by 0.1, 13.3 and 11.8 percent respectively in FY15 (Table 9.2). Apart from this, BRDB and BSBL disbursed Taka 7.2 billion from their own fund which raised total disbursement to Taka 167.0 billion (including all banks) during FY15.

### Recovery

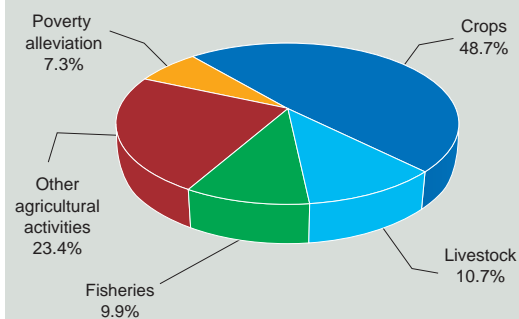
9.3 Total recovery of agricultural credit decreased by 9.6 percent to Taka 154.1 billion in FY15 from Taka 170.5 billion in FY14 due to some policy initiatives like loan rescheduling, bad loan write off and political unrest. In spite of this, rate of recovery (with due for recovery) of agricultural credit was 69.9 percent during FY15 which was higher than the rate of recovery (with due for recovery) of agricultural credit (68.5 percent) in FY14 (Table 9.1).

The overdue as percentage of outstanding agricultural loan decreased from 22.0 percent to 20.4 percent at the end of June 2015 (Table 9.2). It is important that banks should set up their recovery drive matching with the harvesting seasons and strengthen incentive measures ensuring appropriate dissemination of information so that the recovery of agricultural loan improves further in the years ahead.

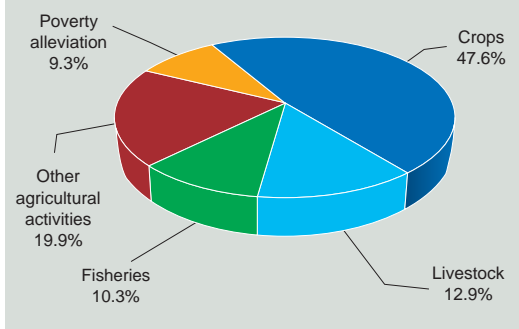
### Sources of Agricultural Finance

9.4 State-owned banks are still playing the major role for sources of finance in agriculture. PCBs had the largest share in the annual disbursement of agricultural loan. In FY15, PCBs disbursed 41.2 percent of the total disbursement, followed by BKB (30.1 percent), SCBs (16.1 percent), RAKUB (9.6 percent) and FCBs (3.0 percent). The

**Chart 9.1** Targets for agricultural credit disbursement in FY15



**Chart 9.2** Actual agricultural credit disbursement in FY15



SCBs' overdue loan as percent of their outstanding loan stood at 31.2 percent at the end of FY15, while the overdue of RAKUB and BKB were recorded to 33.7 and 18.1 percent respectively of their outstanding loan (Table 9.2). The private commercial banks play a crucial role in agricultural lending which is increasing remarkably. The contribution of PCBs was Taka 61.0 billion in FY14 which increased by 7.9 percent and stood at Taka 65.8 billion in FY15. The PCBs' overdue loan as percent of their outstanding loan stood at 3.2 percent at the end of FY15.

### Bangladesh Bank's Refinance against Agricultural Loans

9.5 Only BKB, RAKUB and BRAC have enjoyed refinance facilities to the tune of Taka

Table 9.2 Agricultural credit performance by lenders - FY15

(billion Taka)						
Lender	Disbursement Target	Actual disbursement	Recovery	Overdue	Outstanding	Overdue as % of outstanding
1	2	3	4	5	6	7
SCBs	28.40	25.79	25.30	26.21	84.04	31.19
BKB	48.00	48.03	48.56	23.98	132.71	18.07
RAKUB	16.00	15.36	18.27	14.96	44.38	33.71
<b>Sub Total</b>	<b>92.40</b>	<b>89.18</b>	<b>92.13</b>	<b>65.15</b>	<b>261.13</b>	<b>24.95</b>
FCBs	4.20	4.76	7.07	0.00	2.13	0.17
PCBs	58.90	65.84	54.87	2.14	66.11	3.24
<b>Sub Total</b>	<b>63.10</b>	<b>70.60</b>	<b>61.94</b>	<b>2.14</b>	<b>68.24</b>	<b>3.14</b>
<b>Grand Total</b>	<b>155.50</b>	<b>159.78</b>	<b>154.07</b>	<b>67.29</b>	<b>329.37</b>	<b>20.43</b>
<b>Summary</b>						
FY15 <sup>@</sup>	155.50	159.78	154.07	67.29	329.37	20.43
FY14 <sup>@</sup>	145.95	160.37	170.46	76.12	346.33	21.98
FY13 <sup>@</sup>	141.30	146.67	143.62	52.09	310.58	16.77
FY12 <sup>@</sup>	138.00	131.32	123.59	60.52	259.75	23.30
FY11	126.17	121.84	121.48	60.97	254.92	23.92

<sup>@</sup> excluding BRDB and BSBL.  
Source : Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.

11.1 billion from Bangladesh Bank during FY15. An amount of Taka 18.4 billion (including interest) was recovered against refinance loan due from different banks and institutions leaving an outstanding balance of Taka 43.6 billion (including interest) as of end June 2015 for future recovery. Details of Bangladesh Bank's refinance to different institutions are shown in Table 9.3.

Bangladesh Bank undertook a special refinance scheme of Taka 2.0 billion to purchase raw jute from jute producers to provide working capital to jute goods manufacturing companies and jute exporters in FY15. A total of 11 banks availed of this window and disbursed Taka 1.5 billion in FY15.

### Agricultural Credit Projects/Programmes under Bangladesh Bank Supervision

9.6 Some on-going self and donor financed agricultural projects/programmes disbursed a

total amount of Taka 1.1 billion and Taka 0.6 billion was recovered under close monitoring and supervision of Bangladesh Bank in FY15. These includes the agro based industries and Technology Development Project (ATDP), Marginal and Small Farm System Crop Intensification Project (MSFSCIP), Shashya Gudam Rin Prokolpo (SHOGORIP), Northwest Crop Diversification Project (NCDP) and Second Crop Diversification Project (SCDP). The ADB financed NCDP Project was launched in December 2001 and completed in June 2009. It had a credit component of Taka 1.8 billion for financing production and marketing of high value crop in sixteen north western district. After completion of the project the credit fund is converted into a revolving fund and will continue up to June 2019. The revolving fund will be provided to RAKUB for distribution of loans among the farmers and agro-based enterprises through four NGOs/MFIs on a

**Table 9.3 Bangladesh Bank's refinance against agricultural loans**

(billion Taka)

Particulars	FY13			FY14			FY15		
	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding
BKB	5.00	2.20	33.42	0.00	3.42	31.13	5.00	9.06	28.34
RAKUB	0.18	1.76	16.14	6.00	9.12	13.00	2.00	4.79	11.11
BRAC	4.49	2.46	4.49	4.50	4.49	4.50	4.11	4.50	4.11
BSBL	-	0.04	0.13	-	0.04	0.085	-	0.04	0.043
BRDB	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9.67</b>	<b>6.46</b>	<b>54.18</b>	<b>10.50</b>	<b>17.07</b>	<b>48.71</b>	<b>11.11</b>	<b>18.39</b>	<b>43.60</b>

Source : Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.

reimbursement basis. A total amount of Taka 0.5 billion was disbursed to RAKUB under the project in FY15. On the other hand, a total amount of Taka 0.6 billion was disbursed under SCDP, another ADB funded project in FY15.

### Financing of Small and Medium Scale Enterprises

9.7 An emerging SME sector is playing a key role for the development of the economy of Bangladesh which encourages private ownership and entrepreneurial skills, generates employment, diversifies economic activities and makes a significant contribution to overall economic growth.

BB has undertaken different programmes to provide relatively cheaper funds to SME financing banks and NBFIs. Special emphasis has been given to bring the women entrepreneurs in the mainstream of development process of the country. BB has reserved 15.0 percent of total SME financing fund for women entrepreneurs at a maximum annual interest of 10.0 percent in an attempt to enhance more female participation in the productive sectors. SME & Special Programmes Department (SME&SPD) of BB

is working to facilitate this and monitoring the SME financing activities and development. To expand and develop this sector, Bangladesh Bank continued refinancing facilities to banks and NBFIs for SMEs during FY15.

At the end of June 2015, a total amount of Taka 48.2 billion was provided to different banks and NBFIs under refinance schemes against 47988 enterprises. Bangladesh Bank's refinance facility to banks under some special schemes and programmes during FY15 are illustrated below:

#### A. Refinance for Small Enterprises

Bangladesh Bank, with the help of Government and different development partners, has been implementing eight different revolving refinance facilities for banks and NBFIs. Recently, BB has constituted a refinance fund of Taka 1.0 billion for new cottage, micro and small enterprises. Different special schemes and programmes for SME development are described below:

**A.1. Bangladesh Bank Fund (BB Fund):** Bangladesh Bank has launched a refinance scheme named Small Enterprise Fund (SEF) of Taka 6.0 billion at bank rate to support the

development of small enterprises in the country which is being used as a revolving fund. An amount of Taka 23.3 billion (including women fund) was refinanced to 22 banks and 22 NBFIs at the end of June 15 to support 25115 enterprises.

**A.2. Enterprise Growth and Bank Modernisation Programme (EGBMP) Fund:**

With the objective of financing and development of small enterprise sector in the country, the World Bank provided an additional amount of USD 10 million to EGBMP fund in 2004, under a development credit agreement signed with the Government of Bangladesh. Furthermore, the Government of Bangladesh allocated an amount of Taka 0.6 billion under the said agreement. An amount of Taka 1.2 billion has been received combining the IDA credit fund and Government of Bangladesh fund for refinancing. Out of this fund, an amount of Taka 3.1 billion was been provided to 32 banks and NBFIs against 3160 enterprises on revolving basis. Disbursement from this fund was completed in June 2011.

**A.3. Small and Medium Enterprise Sector Development Project (SMESDP):**

Asian Development Bank initially provided an amount of USD 30 million to SMESDP to strengthen the SME sector in Bangladesh. An amount of Taka 3.4 billion was disbursed through banks and NBFIs till September 2009 against 3264 enterprises. The total disbursed amount was recovered from NBFIs by the end of June 2015.

**A.4. Small and Medium-Sized Enterprise Development Project (SMEDP):**

The objective of SMED project was to provide credit facility for enhancing access to medium

to long term financing to eligible SMEs. The total fund of the SMEDP (ADB-2) was USD 95.0 million. Out of that, ADB provided USD 76.0 million from its special fund and BB provided USD 19.0 million on behalf of GoB which was transferred from the balance of the earlier ADB-1 (SMESDP) fund. Disbursement from this fund was completed in December 2013 and Taka 7.5 billion was provided to banks and NBFIs against their financing to 13645 enterprises.

**A.5. JICA Two Step Loan Fund:**

Small and Medium-scale Enterprises (SMEs) have been considered as the thrust sector in the economic development of the country. As per loan agreement between JICA, Japan and Government of Bangladesh, a project named "Financial Sector Project for the Development of Small and Medium-Sized Enterprise (FSPDSME)-BD-P67" has been implementing by Bangladesh Bank. The objective of the project is to create a medium to long term financing market for SMEs specially for the productive investments. The size of the fund is JPY 5000 million, including a technical assistance component. The principal component of the fund is Two Step Loan (TSL) of JPY 4787.5 million. Refinancing or pre-refinancing facilities are being provided to participating NBFIs at the bank rate for lending to SME sub-projects of productive investment for medium to long term duration at the market rate. As of end of June 2015, an amount of Taka 3.2 billion was refinanced against 436 enterprises.

In the backdrop of tragic incidence of Rana Plaza collapse and recent crisis in the RMG and knitwear sector, a special initiative has taken under the JICA assisted FSPDSME

project to finance the improvement of safe working environment of RMG sectors. A RMG factory which is a member of BGMEA or BKMEA with workers of 100-2000 can avail a loan up to Taka 100 million for the purpose of retrofitting, rebuilding and relocating its factory buildings, provided that the factory building is owned by the applicant entrepreneur.

**A.6. Refinance Scheme for Agro-based Product Processing Industries:** In order to boost up agro-based product-processing industries in the areas outside divisional head quarters and Narayanganj town, Bangladesh Bank provides refinancing facilities to banks and NBFIs at the bank rate. An amount of Taka 74.1 billion was disbursed under this scheme by the end of June 2015 among 2110 enterprises on revolving basis.

**A.7. Refinance Fund for New Entrepreneurs under Cottage, Micro and Small Category:** Bangladesh Bank has created a fund of Taka 1.0 billion to provide start-up capital to new cottage, micro and small enterprises where the prospective entrepreneurs will get financing facilities at 10.0 percent interest rate (bank rate + 5 percent). At the end of June 2015, Taka 5.3 million was refinanced to banks and NBFIs against eight new enterprises.

**A.8. Islamic Shariah Based Refinance Scheme:** Bangladesh Bank launched a special refinance fund under Islamic Shariah mode on 18 September 2014 to increase the involvement of Islamic banks and NBFIs in financing SMEs. Under this fund, Islamic banks and NBFIs will get refinance against their financing to agro-based industries, small enterprises (including women led SMEs) and

new entrepreneurs in cottage, micro and small sector. At the end of June 2015, Taka 0.5 billion was refinanced to banks and NBFIs against 131 enterprises.

## B. Refinance to Women Entrepreneurs

Bangladesh Bank is encouraging all banks and NBFIs to provide loan to women entrepreneurs at 10.0 percent interest rate. A dedicated women entrepreneurs desk has been established in the SME&SPD of BB. All banks and NBFIs have been directed to do the same. They have also been instructed to reserve 15.0 percent of total SME funds exclusively for women entrepreneurs. An amount of Taka 11.7 billion was refinanced to women entrepreneurs at the end of June 2015 against 12834 enterprises.

## C. New Entrepreneurs Creation and Entrepreneurs' Development

To promote skills of young workers and new entrants in the labour market, the Government of Bangladesh has taken a project titled "Skills for Employment Investment Programme (SEIP)" with the assistance of Asian Development Bank (ADB) and Swiss Agency for Development and Cooperation (SDC). Aligned with this initiative BB has also taken steps for creation and development of new entrepreneurs. To this end, BB will provide market oriented job training to 10200 people in the next three years to start their own SME business or be employed in the SME sector.

## Microcredit Operations of Grameen Bank and the Large MFIs

9.8 Now-a-days microfinance has drawn attention rigorously of the world communities. Microfinance has considered as a tool for



poverty alleviation and creation of economic opportunities for the world's poorest section of the people. Microcredit operators have been providing various social and financial services to the poor with the objectives of helping them to be self-employed and increasing financial inclusion throughout the country. In addition, it contributes a constructive role in the country's overall investment by increasing savings collection from remote area.

More than a thousand of NGO-MFIs are operating their activities in Bangladesh in which Grameen Bank as well as top four licensed MFIs (BRAC, ASA, TMSS, Buro Bangladesh) hold the maximum share of the total loan outstanding and savings of the sector. BRAC topped the list for loan disbursement (Taka 172.6 billion) which followed by ASA (Taka 146.4 billion) and Grameen Bank (Taka 139.18 billion) in FY15. In FY15, the share of loan disbursement of these top four MFIs among all the licensed (697) MFIs reached about 36.0 percent.

Overall MFI sector's loan disbursement increased by 28.3 percent in FY15, compared to 7.7 percent of FY14. Recovery increased by 15.1 percent in FY15 as compared to 12.9 percent in FY14. Their overdue as a percentage of outstanding loans decreased from 2.4 percent in FY14 to 1.4 percent in FY15.

Since inception in May 1990, the Palli Karma Sahayak Foundation (PKSF) has been

**Table 9.4 Microcredit operations of the Grameen Bank and large MFIs**

	(billion Taka)		
	FY13	FY14	FY15
<b>1. Disbursement</b>	<b>367.60</b>	<b>395.98</b>	<b>507.92</b>
i) Grameen Bank	122.01	117.23	139.18
ii) BRAC	112.65	133.87	172.57
iii) ASA	96.18	102.60	146.39
iv) TMSS	14.64	18.64	23.48
v) BURO Bangladesh	22.11	23.63	26.30
<b>2. Recovery</b>	<b>345.58</b>	<b>390.04</b>	<b>448.87</b>
i) Grameen Bank	117.61	113.68	135.63
ii) BRAC	103.34	138.39	150.82
iii) ASA	95.45	99.04	117.95
iv) TMSS	13.18	16.02	20.92
v) BURO Bangladesh	16.00	22.90	23.56
<b>3. Outstanding Loans</b>	<b>227.30</b>	<b>252.48</b>	<b>479.79</b>
i) Grameen Bank	84.18	87.73	91.29
ii) BRAC	66.45	81.17	193.46
iii) ASA	55.73	59.29	153.57
iv) TMSS	7.95	10.57	25.01
v) BURO Bangladesh	13.00	13.72	16.47
<b>4. Loans Overdue</b>	<b>6.92</b>	<b>6.16</b>	<b>6.91</b>
i) Grameen Bank	1.54	1.68	1.34
ii) BRAC	3.80	2.12	2.96
iii) ASA	1.18	1.70	1.89
iv) TMSS	0.24	0.33	0.35
v) BURO Bangladesh	0.16	0.32	0.38
<b>5. Overdue as percentage of outstanding</b>	<b>3.04</b>	<b>2.43</b>	<b>1.44</b>
i) Grameen Bank	1.83	1.91	1.47
ii) BRAC	5.72	2.61	1.53
iii) ASA	2.11	2.87	1.23
iv) TMSS	3.01	3.17	1.39
v) BURO Bangladesh	1.24	2.36	2.28

Source: Microcredit Regulatory Authority (MRA).

working as an apex microcredit funding and capacity building organisation for alleviating poverty by providing microcredit to the poor through its Partner Organisations (POs). The loan given by PKSF to 274 POs was Taka 216.6 billion in FY15 compared with Taka 188.3 billion to 273 POs in FY14.



## Public Finance

10.1 The Government budget for FY15 was formulated with the prime objective to maintain the current macroeconomic stability and promote growth. The policies and strategies were adopted in the budget in order to support inclusive growth and transform Bangladesh into a middle-income country by 2021. Assuming private sector investment growth, the GDP growth target for FY15 was set at 7.3 percent. The total expenditure and the total revenue in the revised FY15 budget fell short of the initial projection. The budget deficit (excluding grants) as percentage of GDP was 5.0 percent, which was same as the initial target (Table 10.1).

The revenue collection in the revised budget for FY15 increased by 16.4 percent compared to the actual collection in FY14. The current expenditure in the revised budget for FY15 was higher than the actual current expenditure by 15.2 percent in FY14. On the other hand, the Annual Development Programme (ADP) of Taka 750.0 billion in the revised budget for FY15 turned out 35.6 percent higher than the actual ADP in FY14. The fiscal deficit (excluding grants) of 5.0 percent of GDP in the revised budget for FY15 was higher than the actual fiscal deficit by 0.9 percentage point in FY14 (Table 10.1).

### A. FY15 Budget and Fiscal Outcome

#### A.1. Revenue Receipts

10.2 The revised total revenue receipts in FY15 was Taka 1633.7 billion, which was 10.7

**Table 10.1 Bangladesh Government revenue and expenditure**

	(billion Taka)					
	FY14 <sup>#</sup>	FY14 as % of GDP*	FY15*	FY15 as % of GDP*	FY16	FY16 as % of GDP
<b>Total revenue</b>	<b>1403.7</b>	<b>11.9</b>	<b>1633.7</b>	<b>10.8</b>	<b>2084.4</b>	<b>12.1</b>
a) Tax	1160.3	9.8	1406.8	9.3	1822.4	10.6
b) Non-tax	243.4	2.1	226.9	1.5	262.0	1.5
<b>Total expenditure</b>	<b>1882.1</b>	<b>15.9</b>	<b>2396.7</b>	<b>15.8</b>	<b>2951.0</b>	<b>17.2</b>
a) Current	1105.7	9.4	1273.7	8.4	1645.7	9.6
b) ADP	553.3	4.7	750.0	5.0	970.0	5.7
c) Others	223.1	1.9	373.0	2.5	335.3	2.0
<b>Budget deficit</b>	<b>478.4</b>	<b>4.1</b>	<b>763.0</b>	<b>5.0</b>	<b>866.6</b>	<b>5.0</b>

# Actual, \* Revised budget  
Source : Budget in Brief 2015-16, Ministry of Finance.

percent lower than initial target. It was higher than the actual total revenue receipts by 16.4 percent in FY14. The tax revenue which constituted 86.1 percent of the total revenue receipts increased by 21.2 percent compared to 8.0 percent growth in FY14 (Table 10.1).

The non-tax revenue displayed 6.7 percent decrease in FY15 compared to 17.7 percent increase in the preceding fiscal year. The total revenue receipts as percentage of GDP declined to 10.8 percent in FY15 compared to 11.9 percent in FY14. The total tax revenue receipts as percentage of GDP was 9.3 percent in FY15 compared to 9.8 percent in the preceding fiscal year. Similarly, the total non-tax revenue receipts as percentage of GDP decreased to 1.5 percent in FY15 compared to 2.1 percent in FY14.

The major revenue measures in FY15 budget:

- Tax exempted income limit for individual taxpayers was unchanged to Taka 220,000. The limit for female taxpayers and aged taxpayers (65 years of age and above) was increased to Taka 275,000 from Taka 250,000. The limit for physically challenged individuals was raised to Taka 350,000 from Taka 300,000. The limit for war wounded gazetted freedom fighters was raised to Taka 400,000 from Taka 220,000.
- Corporate tax rate was reduced for non-listed companies from 37.5 percent to 35.0 percent.
- Turnover tax of both companies and partnership firms was reduced from 0.5 percent to 0.3 percent.
- Income Tax Law was amended to define house rent as both rent and service charges and to ensure payment of monthly house rent amounting more than Taka 25 thousand through banks.
- *Katha*<sup>1</sup> based advance tax replacing existing 3 percent tax at source on registration value of sale of land in the posh residential and commercially important areas of Dhaka and Chittagong was introduced when specific tax was imposed in the same manner based on per-square-foot in case of transfer of important residential/ commercial and other structures in Dhaka, Chittagong, and Narayangonj city corporations. The rate of tax at source was increased from 3 percent to 4 percent on the deed value

<sup>1</sup> katha = 720 sft

Chart 10.1 Composition of Tax Revenue : FY15 (revised)

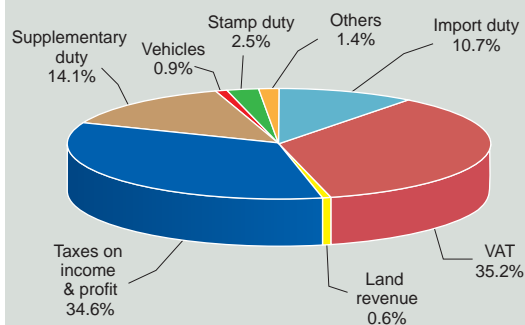
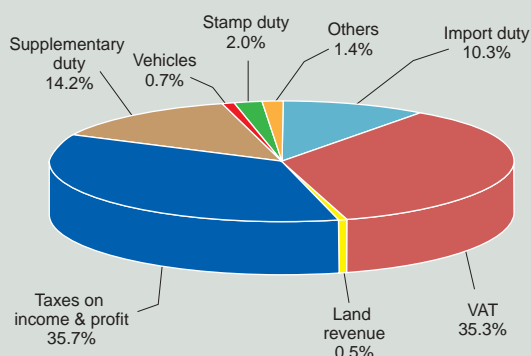


Chart 10.2 Composition of Tax Revenue : FY16 (estimated)



of land in areas other than the important commercial and posh areas within the jurisdiction of RAJUK and CDA. Tax at source at 3 percent on registration value was introduced in other City Corporations and municipalities at district headquarters and 2 percent in other municipalities and 1 percent in all other areas outside municipalities.

- Tax facility was extended on contribution to any fund created and approved by the government to help victims of natural disaster and accidents as CSR.

- The expenditure limit in CSR was extended from Taka 80 million to Taka 120 million keeping unchanged the existing condition of allowable limit at 20 percent of total income of any company.
- Tax exemption facility was given for 5 years in graduated rate for demutualised stock exchange. Limit of tax exempted dividend income was increased to Taka 15000 from Taka 10000.
- Tax exemption was given to all donations through banking channels to girls' schools or colleges and vocational and technical institutions.
- Total tax exemption was given to all donations through banking channels to national level research institutions established under any law engaged in research work in the field of agriculture, industry, science and technology.
- To create investment-friendly atmosphere the existing tax holiday facilities were extended from June 2015 to June 2019. Aside from the tax holiday, the facilities of accelerated depreciation alternative to tax holiday were reinstated for the new industrial entrepreneurs.
- Tax exemption limit for agriculture sector was also enhanced from Taka 50000 to Taka 200000.
- Tax holiday-facilities were given for pollution-free Hybrid Hoffman Kiln (HHK) brickfields.
- The rate of tax was reduced from 37.5 percent to 25.0 percent on income of all autonomous bodies including Dhaka

Table 10.2 Composition of revenue receipts

	(billion Taka)		
	FY14 <sup>#</sup>	FY15*	FY16
<b>Tax revenue</b>	<b>1160.3</b>	<b>1406.8</b>	<b>1822.4</b>
Value Added Tax (VAT)	410.8	495.7	642.6
Import duty	131.3	151.0	187.5
Export duty	0.0	0.3	0.4
Supplementary duty	179.3	198.5	258.8
Taxes on income and profit	378.3	486.1	649.7
Stamp duty (non judicial)	28.8	35.1	36.5
Excise duty	8.2	9.4	12.4
Land revenue	6.9	8.0	8.3
Taxes on vehicles	9.7	12.5	13.0
Narcotics and liquor duty	0.7	1.0	1.0
Other taxes and duties	6.3	9.2	12.3
<b>Non-tax revenue</b>	<b>243.4</b>	<b>226.9</b>	<b>262.1</b>
Administrative fees and charges	30.3	46.4	52.1
Dividend and profit	44.9	31.0	52.0
Interest	6.7	7.3	7.6
Capital revenue	0.8	1.3	1.4
Receipts for services rendered	7.8	4.8	5.0
Non-commercial sales	4.1	5.1	5.3
Rents, leases and recoveries	1.1	1.6	1.7
Defence receipts	9.3	24.5	25.5
Tolls and levies	3.1	5.0	5.2
Fines, penalties and forfeiture	3.4	2.4	2.5
Railway	8.0	11.0	11.4
Post offices	2.6	2.7	2.9
Other non-tax revenue and receipts	121.3	83.8	89.5
<b>Total</b>	<b>1403.7</b>	<b>1633.7</b>	<b>2084.6</b>

# Actual, \* revised budget.  
Source : Budget in Brief 2015-16, Ministry of Finance.

WASA, Chittagong WASA, Khulna WASA, Rajshahi WASA, RAJUK, BTRC and CAAB.

- Deduction-rate at source was reduced from existing 5 percent to 3 percent on local LC valuing more than Taka 500000. Besides, tax rate was reduced from 5 percent to 3 percent on deemed commissions.
- Tax exemption was given over interest income from investment on pensioner

savings certificate and wage earners' bond up to Taka 500000.

- The rate of deduction of tax at source on cash incentive was reduced from 5 percent to 3 percent for export sector.
- 10 percent VAT facilities on crude and refined palm oil, soybean oil and sunflower at the import stage were extended from 30 June 2013 to 30 June 2015.
- Import duty on LPG cylinder import was raised to 25 percent from 5 percent.
- A fixed tax of Taka 100 on the single piece of replacement SIM was introduced.
- The customs duties on 14 items used as raw materials in the manufacture of anti-cancer drugs and medicines were fully exempted.
- The import duties applicable to infusion pump used for the treatment of Thalassamia were fully exempted.
- The existing 10 to 25 percent duties applicable for 41 items used as essential raw materials in the manufacture of Ayurvedic medicines were reduced to 5 percent.
- The duties and taxes on some new raw materials for the poultry and cattle subsector recommended by the Ministry of Livestock and Fishery were fully exempted.
- Existing customs duties of 10 and 25 percent on the raw materials used in

**Table 10.3 Composition of revenue expenditure**

	(billion Taka)		
	FY14 <sup>#</sup>	FY15*	FY16
Social sector	327.9	385.8	424.9
Public services	85.1	130.9	401.1
Interest on domestic debt	266.0	281.9	334.0
Defence	98.7	118.2	124.4
Public order and safety	99.6	111.8	110.3
Interest on foreign debt	16.0	16.8	17.1
Agriculture sector	133.6	137.3	139.1
Transport and communication	42.3	48.7	51.8
Local government and rural development	23.3	26.1	27.9
Housing	8.7	9.9	9.7
Others	4.6	6.3	5.6
<b>Total :</b>	<b>1105.7</b>	<b>1273.7</b>	<b>1645.7</b>

# Actual, \* Revised budget.  
Source : Budget in Brief 2015-16, Ministry of Finance.

domestic paper, glass and ceramics, rubber, furniture, paint, electrical, plastic industries that were gradually evolving under duty and tax exemption, concession and protection, were refixed at 5 and 10 percent respectively.

- To protect the interest of the local 15" to 16" rim sized tyre industry, in addition to the other existing duty and taxes, 5 percent regulatory duty were imposed on it.
- The existing 10 percent duty on bicycle tube was increased to 25 percent.
- The tariff value at USD 32 per barrel on crude petroleum oil was increased to USD 40 per barrel. Likewise, tariff values on other refined petroleum products were increased from present 31 cent per litre to 40 cent per litre.

- The existing duties on navigation light, broadcasting equipment and fire extinguishers were fixed at 5 percent only.
- Dump truck was allowed to enjoy the concessionary benefit that presently being enjoyed by the capital goods instead of current 10 percent customs duty.
- The export-oriented readymade garments sector (RMG) was allowed to import the raw materials necessary for the manufacture of prefabricated buildings without duties on certain conditions.
- The existing duties on fire resistant door, emergency light, sprinkler system, etc. were fully exempted from duties.
- Custom duty on multiplexer, grand master clock, etc. used in high speed internet connection was reduced to 5 percent from 25 percent custom duty and 5 percent regulatory duty.
- 15 percent VAT was imposed on mobile phones at the import stage.
- Customs duty was fixed at 25 percent on energy saving bulbs and electric fan motors.
- 1 percent 'Environment Protection Surcharge' or 'Green Tax' on ad-valorem basis was imposed on all kinds of products manufactured in Bangladesh by the industries which pollute the environment.
- 1 percent 'Health Development Surcharge' was imposed on all imported and domestically produced tobacco products.

**Table 10.4 Composition of social sector revenue expenditure**

	(billion Taka)		
	FY14 <sup>#</sup>	FY15*	FY16
Education & technology	175.8	199.6	215.9
Health	57.2	67.8	71.9
Recreation, culture and religious affairs	6.7	8.1	8.4
Labour and employment	0.4	0.6	0.8
Social security and welfare	87.8	109.7	127.9
<b>Total :</b>	<b>327.9</b>	<b>385.8</b>	<b>424.9</b>

# Actual, \* Revised budget.  
Source : Budget in Brief 2015-16, Ministry of Finance.

**Table 10.5 Sectoral shares in ADP expenditure**

	(percent)		
	FY14*	FY15*	FY16
Agriculture	5.9	5.8	5.2
Rural development & institutions	11.6	10.5	9.0
Water resources	3.2	2.8	3.0
Industries	4.6	2.1	1.5
Power	13.4	8.8	17.0
Oil, gas & natural resources	3.2	1.6	2.1
Transport	17.2	27.5	22.5
Communication	1.3	1.3	1.9
Physical planning, water supply & housing	9.0	8.2	11.5
Education & religious affairs	13.3	14.4	10.7
Health, nutrition, population & family welfare	7.0	4.5	6.3
Others	10.3	12.5	9.3
<b>Total :</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* Revised  
Source : Annual Development Programme 2014-2015 and 2015-2016, Ministry of Planning.

10.3 In the revised budget for FY15, direct taxes on income and profit increased at the rate of 28.5 percent to Taka 486.1 billion increasing its share in the total tax revenue to 34.6 percent from 32.6 percent in FY14. Receipts from other taxes and duties, narcotics and liquor duty, taxes on vehicle, stamp duty (non judicial), value added tax (VAT), land revenue, import duty, excise duty

and supplementary duty rose by 46.0, 42.9, 28.9, 21.9, 20.7, 15.9, 15.0, 14.6 and 10.7 percent respectively compared to those in FY14. A total of Taka 0.3 billion was recorded as export duty receipts in revised budget for FY15 (Table 10.2).

10.4 Under the non-tax revenue head, defence, receipts from capital revenue, tolls and levies, administrative fees and charges and rents, leases and recoveries sharply increased by 163.4, 62.5, 61.3, 53.1 and 45.5 percent respectively compared to those in FY14. Other sub-sectors showing increases included railway 37.5 percent, non-commercial sales 24.4 percent, interest 9.0 percent and post offices 3.8 percent. On the contrary, receipts for services rendered, dividend and profit, other non-tax revenue and receipts, and fines, penalties and forfeiture fell by 38.5, 31.0, 30.9, and 29.4 percent respectively.

## A.2. Expenditure

10.5 The total public expenditure in the revised budget for FY15 amounted to Taka 2396.7 billion. This was 4.5 percent lower than the initial estimation of Taka 2505.1 billion but 27.3 percent higher than the expenditure of Taka 1882.1 billion in FY14. The revised current expenditure of Taka 1273.4 billion in FY15 was 0.7 percent lower than the initial projection of Taka 1282.3 billion (Table 10.1).

10.6 The revised current expenditure in FY15 surpassed initial allocations for some of the accounts, namely public order and safety, agriculture sector, local government and rural development, housing and others (Table

Chart 10.3: Budget deficit financing: FY15 (revised)  
(percent of GDP)

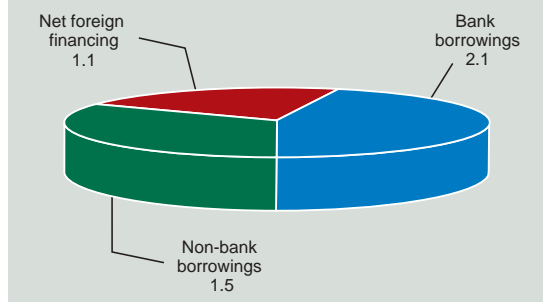
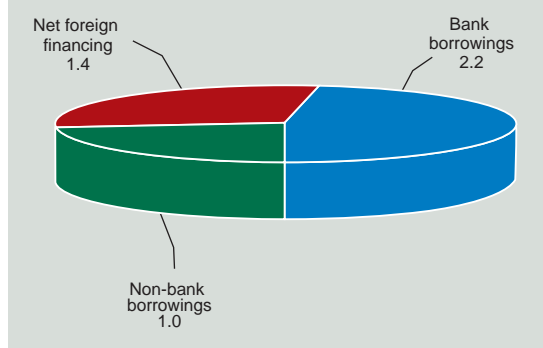


Chart 10.4: Budget deficit financing: FY16 (estimated)  
(Percent of GDP)



10.3). The proposed non-development current expenditure in FY15 had the following revisions:

- An additional amount of Taka 6.4 billion was allocated for salary and allowances.
- An additional amount of Taka 12.1 billion was allocated for acquisition of assets and works.
- An additional amount of Taka 10.2 billion as compared to the original budget was allocated for goods and services.

10.7 The Annual Development Programme in FY15 was revised upward by about 35.6 percent from Taka 553.3 billion to Taka 750.0



## Box 10.1

## Financing of Budget Deficit in Bangladesh

Fiscal deficits are usual for developing countries like Bangladesh because government revenue collections fall short of the country's development and non-development expenditure. The economy needs public investments in physical and social infrastructure to make up for shortfall of private investments to achieve the target GDP growth. Revenue collections are improving in recent years along with expenditure. The overall fiscal deficit contained within manageable limit of 5 percent of GDP except for FY08 where it rose up to 5.3 percent (Chart 1).

The Government of Bangladesh prefers the financing of fiscal deficits by using concessional foreign borrowing. The cost of foreign financing is sensitive to the external factors relating to the exchange rate volatility which may lead to external debt crisis. On the other hand, borrowing from domestic sources (the central bank, commercial banks and sale of national savings certificates) are considered to have potential crowding out effects including inflationary pressures. Chart 2 illustrates the trend of domestic financing.

Although and risks, the criteria for choosing a particular method should aim at minimising costs and risks on the overall economy. There is not single optimal method of financing that fit for all circumstances. The economic situation of a country, the availability of funds, domestic financial market and the institutional frameworks, etc. play important roles in determining the optimal way of deficit financing.

Finally, it is important that the Government monitors the country's total outstanding debt and its repayment capacity as these two variables are important indicators for the debt sustainability of a country. Chart 3 represents government outstanding debt as percent of GDP from FY06 to FY15. It may be noted that total outstanding debt (as percent of GDP) has been declining consistently from 40.2 percent of GDP in FY06 to 27.3 percent of GDP in FY15. However, domestic debt remained stable at around 15.0 percent of GDP.

Chart 1 : Trends in budget deficits

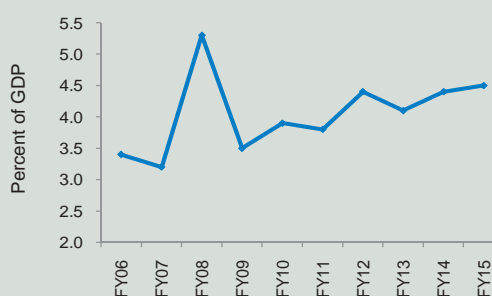


Chart 2 : Pattern of domestic borrowing

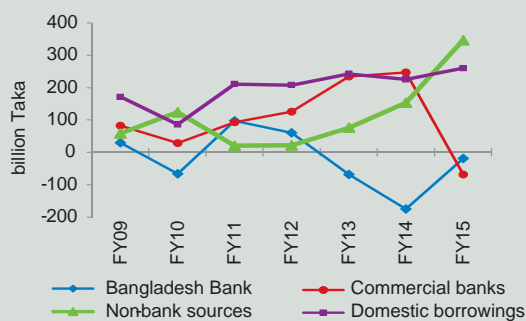
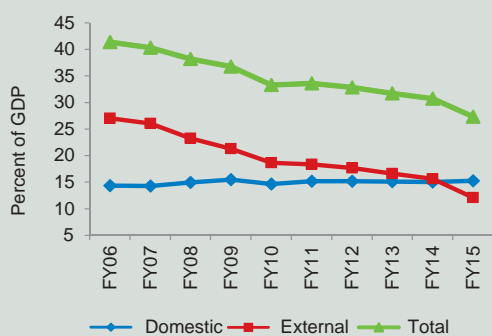


Chart 3 : Government outstanding debt



billion. Consistent with the growth and poverty reduction objectives, 39.2 percent of the total ADP was spent on the infrastructure sector (power, oil, gas & natural resources, transport and communication), and 18.9 percent on the social sector (education & religious affairs, and health, nutrition, population & family welfare) (Table 10.5).

### A.3. Financing FY15 Budget Deficit

10.8 The deficit (excluding grants) in the revised budget for FY15 stood at Taka 763.0 billion (5.0 percent of the GDP). This ratio was same as the initial projection. The domestic borrowing component of the deficit financing in FY15 was Taka 547.1 billion (3.6 percent of the GDP). Of this component, Taka 317.1 billion (2.1 percent of the GDP) was bank borrowing and Taka 230.0 billion (1.5 percent of the GDP) was non-bank borrowing, mainly National Savings Schemes (Chart 10.3). The foreign financing component (including grants) of the budget deficit was Taka 215.8 billion (1.4 percent of the GDP).

### B. FY16 Budget

10.9 The budget for FY16 was proposed on 4 June 2015 and was passed by the National Parliament on 30 June 2015. The budget for FY16 has been formulated to chalk out the way towards achieving higher growth for the country. The budget also aims to continuation of a growth-supportive monetary policy that includes, inter alia, targeted credit supply to productive sectors including agriculture, lower interest rate and market sensitive exchange rate to create the environment for higher economic activities and higher GDP growth. The GDP growth target for FY16 has been set at 7.0 percent. However, it has been assumed

that the budget deficit will be contained within 5 percent of GDP as in the past. Taking all these into account the inflation target has been set at 6.2 percent for FY16.

The total size of the budget for FY16 stands at Taka 2951.0 billion, which is 17.2 percent of the GDP and 23.1 percent higher than the revised budget for FY15. The estimated non-development and development outlays are Taka 1845.6 billion and Taka 1025.6 billion respectively. The budget provides Taka 6.3 billion from revenue budget for development programmes, Taka 33.4 billion for non-ADP project and Taka 15.9 billion for non-ADP Food-for-Work and transfer. The total outlay can be classified into three broad categories such as social infrastructure, physical infrastructure and general services. In the budget, about 23.4 percent of the total outlay has been allocated for social infrastructure, of which 20.4 percent has been allocated for human resources sector (education, health, science and technology and other related sectors). About 30.6 percent of the total outlay has been allocated for physical infrastructure, of which 13.9 percent goes to wider agriculture and rural development, 8.9 percent to overall communication sector and 6.3 percent to power and energy. About 28.0 percent of the total outlay has been allocated for general service sector. An allocation of 2.2 percent of the total outlay has been made for PPP projects, financial assistance for different industries, subsidies and equity investment in state-owned commercial and financial institutions. Apart from these three major categories, 11.9 percent of the total outlay has been allocated for interest payment and the rest 3.8 percent has been allocated for net

lending and other expenditures. Like the preceding FY's ADP, the large size of the ADP has been designed keeping in mind the commitment to regional parity, improved infrastructure and quality of expenditure.

The total developmental expenditure target for FY16 stands at Taka 1025.6 billion, which is about 6.0 percent of the GDP. This developmental expenditure turns out 27.4 percent higher than that of the revised budget of the previous fiscal year.

### B.1. Revenue Receipts

10.10 The revenue receipts in FY16 has been targeted to grow by 27.6 percent to Taka 2084.4 billion compared to that of the previous year's revised budget. The tax and non-tax revenue receipts are expected to increase by 29.5 percent and 15.4 percent respectively against the increase of 21.2 percent and the decrease of 6.8 percent respectively in the revised FY15 budget. Total revenue-GDP ratio is projected to increase to 12.1 percent in the FY16 compared to 11.9 percent in the FY14 (Table 10.1). A higher 33.7 percent increase in receipts from the direct taxes on income and profits has been projected while 28.8 percent growth projected for indirect taxes (VAT, import duty, supplementary duty, and export duty) (Table 10.2).

Among non-tax revenue sources, dividend and profit has been projected to increase by 67.7 percent compared to 31.0 percent decrease in the preceding fiscal year. Receipts from administrative fees and charges, capital revenue, post offices, other non-tax revenue and receipts, rents, leases and recoveries, fines, penalties and forfeiture, and services rendered are expected to rise by

12.3, 7.7, 7.4, 6.7, 6.3, 4.2 and 4.2 percent respectively in FY16. Receipts from interest, defence receipts, tolls and levies, non-commercial sales, and railway are expected to rise at 4.1, 4.1, 4.0, 3.9 and 3.6 percent against the corresponding receipts (revised) of preceding year (Table 10.2).

### B.2. Expenditure

10.11 The total public expenditure in FY16 is expected to increase by 23.1 percent to Taka 2951.0 billion over the revised figure of FY15. The current expenditure is expected to grow by 29.2 percent and the ADP by 29.3 percent when the other expenditure is expected to fall by 10.2 percent over the revised budget for FY15. The ratio of total expenditure to GDP is predicted to increase to 17.2 percent in FY16 from 15.8 percent in the revised budget for FY15 (Table 10.1).

10.12 The projected current expenditure for FY16 budget stands at Taka 1645.7 billion (Table 10.1 & 10.3). About one fourth of the total current expenditure has been allocated for the social sector, in which the major shares go to the education and technology, social security and welfare programmes, health promoting human resources development, and widening social safety net (Table 10.4).

A total of Taka 199.8 billion (development and non-development) has been allocated for the agriculture sector, which is 10.3 percent higher than that of the revised budget of the preceding fiscal year. Taka 90.0 billion has been allocated as subsidy for this sector.

Human resources development is an integral part of the overall development efforts. Taka

600.7 billion (development and non-development) has been allocated for the human resources development sector. This is 20.4 percent of the total development and non-development budget.

10.13 The Annual Development Programme (ADP) for FY16 has been projected at Taka 970.0 billion, 29.3 percent higher than the revised ADP of Taka 750.0 billion in FY15. About 43.5 percent of the total ADP has been allocated for infrastructure sector. On the other hand, social sector will get 17.0 percent of the total ADP (Table 10.5).

### **B.3. Deficit in FY16 Budget and its Financing**

10.14 The FY16 budget deficit (excluding

grant) is estimated at Taka 866.6 billion, higher by Taka 103.6 billion than the revised budget for FY15. The projected budget deficit-GDP ratio for the FY16 is 5.0 percent which equal to that in FY15. The deficit is expected to be financed with domestic banks and non-bank borrowing to the extent of Taka 565.2 billion (3.3 percent of GDP) against Taka 547.1 billion (3.6 percent of GDP) in the revised budget for FY15, and with external financing to the tune of Taka 243.3 billion (1.4 percent of GDP) in FY16 against Taka 159.1 billion (1.1 percent of GDP) in FY15 (Charts 10.3 and 10.4). In total domestic borrowing of Taka 565.2 billion, borrowing from the banking system is projected to be Taka 385.2 billion.

## External Sector

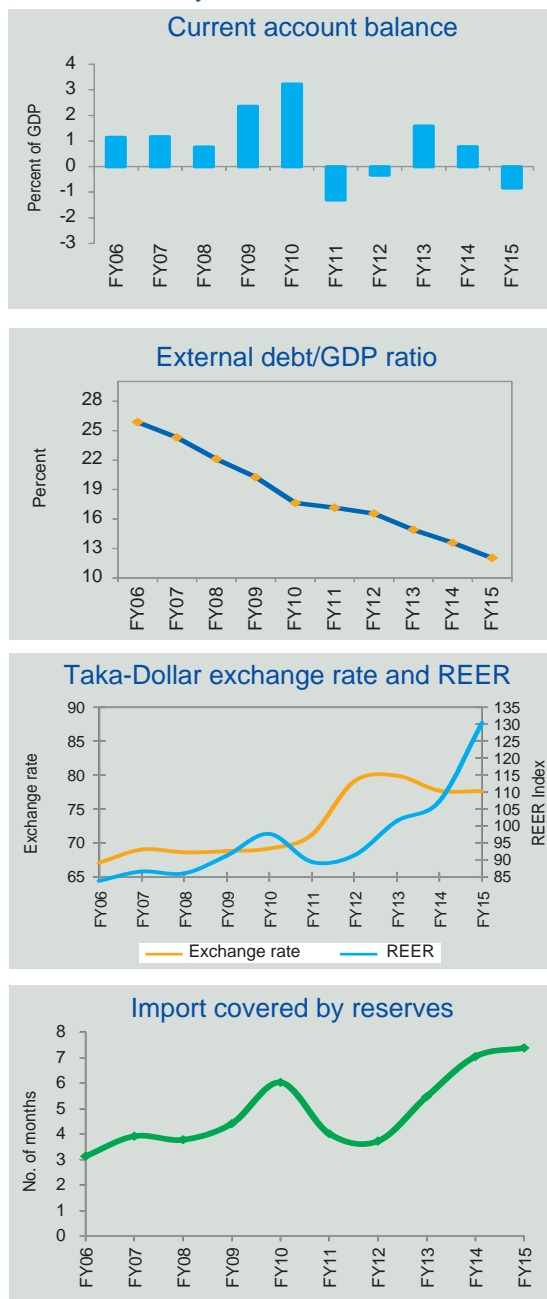
### External Trade and the Balance of Payments - the Overall Situation

11.1 The current account surpluses as observed in FY13 and FY14 changed into deficit in FY15. To be more precise, the current account deficit in FY15 was USD 1645 million whereas the current account surpluses were USD 1406 million in FY14 and USD 2388 million in FY13. The shift of current account balance from a surplus to a deficit was attributable chiefly to an increase in the trade deficit, with a lesser contribution of balance of service account.

The capital and financial accounts recorded respective surpluses of USD 483 million and USD 5308 million in FY15. Within the financial account, FDI inflows of USD 1830 million and portfolio investment of USD 618 million complemented the inflow of USD 2860 million for other investments. In FY15, overall balance recorded a surplus of USD 4373 million in FY15 compared to USD 5483 million in FY14 and USD 5128 million in FY13. Foreign exchange reserve as of end of FY15 stood at USD 25 billion. Trends of some major external sector indicators are shown in Chart 11.1.

11.2 Merchandise exports (fob) increased by USD 991 million (or 3.3 percent) in FY15 to USD 30768.0 million (Appendix 3, Table XVI). Despite negative growth of petroleum by-product, tea, leather and leather products, raw jute and frozen shrimp & fish, exports of

Chart 11.1 Key indicators of external sector



footwear, engineering products and chemical products contributed significantly to increase the growth of merchandise exports in FY15 over FY14. The export of miscellaneous products, subsumed under the "others" category showed a negative growth of 0.6 percent in value terms during FY15. However, as a percentage of GDP, exports decreased by 1.4 percentage point from 17.2 percent in FY14 to 15.8 percent in FY15.

11.3 Merchandise imports (fob) increased by USD 4114 million (11.3 percent) in FY15 to USD 40685 million (Appendix 3, Table XVI). Imports of food grain, spices, pulses, crude petroleum, fertiliser, etc. grew significantly while imports of pharmaceutical products, oil seeds and sugar, etc. declined in FY15. Imports (fob) as a percentage of GDP decreased by 0.3 percentage point from 21.2 percent in FY14 to 20.9 percent in FY15.

11.4 Significant growth of gross imports along with slight export growth led to a higher trade deficit during FY15 compared with FY14. Trade deficit widened from USD 6794 million in FY14 to USD 9917 million in FY15. The deficit on the services account, however, widened significantly by USD 529.0 million (12.9 percent) to USD 4628.0 million in FY15 from USD 4099 million in FY14. The deficit of primary income accounts also widened significantly by 13.7 percent to USD 2995.0 million in FY15 from USD 2635 million in FY14. Secondary income increased (6.4 percent) from USD 14934 million in FY14 to USD 15894 million in FY15. Workers' remittances recorded 7.5 percent increase in FY15. The net outcome of all these was a current account deficit in FY15 as mentioned earlier. Current account balance as a

percentage of GDP stood at -0.84 in FY15 against 0.81 in FY14. Table XVI of Appendix-3 of this Report shows the balance of payments statement from FY09 to FY15. Chart 11.2 portrays the trends of trade, current account and overall balances as a percentage of GDP in recent years.

11.5 As a potential source of foreign exchange reserves, foreign direct investment (FDI) has been emphasised by the Government. Due to a number of perennial problems including political unrest, a notable success in this regard is yet to be seen. According to the primary estimation, net FDI inflow in Bangladesh increased by 24.1 percent to USD 1830 million in FY15 from USD 1474 million in FY14.

## Exports

11.6 Table 11.1 shows that total exports in FY15 had a low growth over FY14. Aggregate exports increased by 3.4 percent in FY15 to USD 31208.9 million from USD 30186.6 million in FY14. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (above four fifths) share of the export basket in FY15.

## Destination

11.7 The destination pattern of exports excluding those from EPZs in FY15 showed the continued heavy dependence on the markets in Europe, 54.6 percent of exports were destined for the EU bloc while another 22.3 percent entered into the NAFTA bloc. Export to the ASEAN countries was 1.5 percent, SAARC and other regions constituted 2.1 and 19.5 percent respectively of total exports in FY15 (Chart 11.3).



## Composition

11.8 **Readymade garments** (woven and knitwear): Woven and knitwear products, which fetch about 81.7 percent of total export earnings, registered a high increase in receipts from USD 24491.9 million in FY14 to USD 25491.4 million in FY15. Woven and Knitwear products showed the growth of 5.0 percent and 3.1 percent respectively in FY15 compared to FY14.

11.9 **Leather:** Export earnings from leather and leather products decreased by 13.3 percent to USD 646.7 million in FY15 from USD 745.6 million in FY14.

11.10 **Frozen food:** The frozen foods sector comprising mainly of shrimps registered a decrease in earnings during FY15. Receipt from export of shrimp and fish decreased by 7.3 percent from USD 602.6 million in FY14 to USD 558.8 million in FY15.

11.11 **Footwear:** Export earnings from footwear products increased by 22.4 percent to USD 673.3 million in FY15 from USD 550.1 million in FY14.

11.12 **Jute goods (excluding carpets):** In FY15, jute products valued at USD 757.0 million was exported against USD 698.1 million in FY14.

11.13 **Raw jute:** In FY15, raw jute valued at USD 111.6 million was exported against USD 126.4 million in FY14.

11.14 **Chemical products:** Export earnings from chemical products increased by 20.1 percent to USD 111.9 million in FY15 against USD 93.2 million in FY14.

Chart 11.2 Trends of trade, current account and overall balances

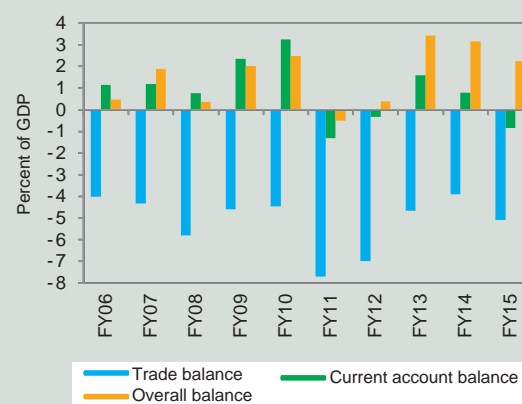


Chart-11.3 Destinal pattern of exports in FY15

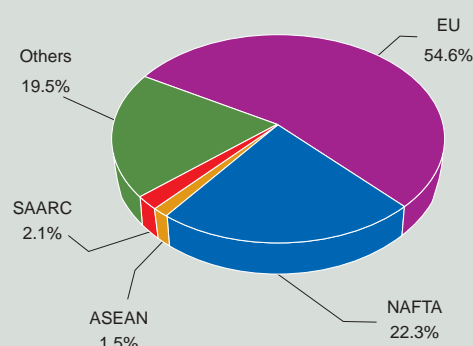


Table 11.1 Composition of merchandise exports

Items	(million US Dollar)		
	FY14	FY15	% change
1) Raw jute	126.4	111.6	-11.7
2) Jute goods	698.1	757.0	8.4
3) Tea	3.7	2.6	-29.1
4) Leather and leather products	745.6	646.7	-13.3
5) Frozen shrimps and fish	602.6	558.8	-7.3
6) Woven garments	12442.1	13064.6	5.0
7) Knitwear products	12049.8	12426.8	3.1
8) Chemical products	93.2	111.9	20.1
9) Petroleum by-product	162.3	77.6	-52.2
10) Engineering products	366.6	447.0	21.9
11) Specialised textiles	108.8	107.0	-1.6
12) Footwear	550.1	673.3	22.4
13) Others	2237.3	2224.0	-0.6
<b>Total:</b>	<b>30186.6</b>	<b>31208.9</b>	<b>3.4</b>

Source: Export promotion bureau.

11.15 **Tea:** Tea valued at USD 2.6 million was exported in FY15 against USD 3.7 million in FY14.

### Export Development Fund

11.16 The Export Development Fund (EDF) commenced its operation in 1989 with the participation of International Development Association (IDA) and Government of Bangladesh (GOB) having an initial fund amounting to USD 30.16 million to provide foreign exchange refinance facilities to boost up export sector. As export posted a significant growth, the volume of the EDF fund was enhanced by Bangladesh Bank from time to time. In May 2015, the fund was enhanced to USD 2000 million from USD 1500 million to meet the growing demand of the exporters. Out of this total amount of USD 2000 million, USD 1800 million will be used for short term refinancing and the rest USD 200 million is set aside for long term financing programme which will be used with the proposed funding facilities extended by the IDA under Financial Sector Support Programme (FSSP).

The exporters avail of EDF loan for input imports against export LC/firm export contract/inland back to back L/C through Authorised Dealer (AD) banks. The EDF refinancing does not have any sort of restriction to a particular sector rather it is allowed to almost all sectors of exports. At present, exporters of textile, garments, accessories/packaging materials, plastic goods, leather goods & footwear, ceramic wares, dyed yarn, agro-food processing, bicycle, etc. are availing of EDF refinancing facilities.

A borrower-wise maximum exposure limit is followed to streamline the credit discipline. At

present, maximum USD 15.00 million is allowed to a single party except accessories & packaging and plastic goods manufacturer exporter. However, this limit is maximum USD 2.00 million for accessories and packaging and 1.00 million for plastic goods manufacturers.

The interest rate on EDF financing facilities is six month LIBOR+2.5 percent. Out of that, Bangladesh Bank's portion is LIBOR+ 1 percent and the rest of 1.5 percent is shared by commercial banks.

In general, the reimbursement from the EDF is initially made for a tenor of 180 days with a provision for further extension of 90 days, if required for delay in repatriation of related export proceeds of the exporter concerned.

On revolving basis, the total disbursement from EDF in FY15 stood at USD 3.55 billion compared to USD 2.49 billion in FY14. The outstanding balance at the end of June 2015 stood at USD 1.64 billion which was USD 1.35 billion in the previous year.

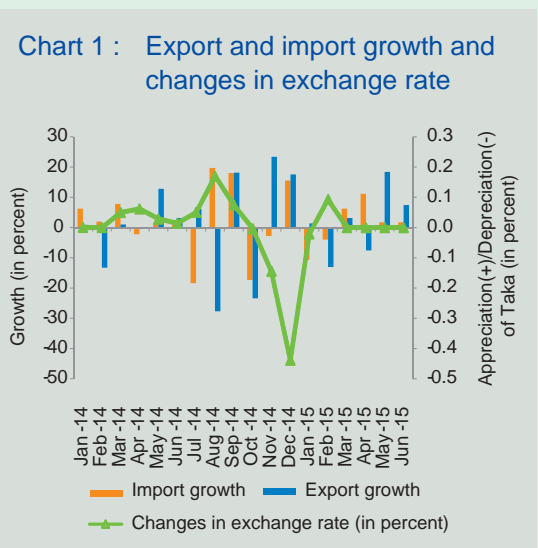
### Imports

11.17 Import payments (fob) in FY15 stood at USD 40685 million (Table 11.2) registering a positive growth of 11.2 percent compared to USD 36571 million in FY14. Except raw cotton, oil seeds, sugar and milk & cream, all other importable items indulge varying degrees of increase in the aggregate imports during FY15 over FY14. Import of food grain recorded significant growth of 64.5 percent in FY15 mainly due to rise in rice import. Import payment for food grains stood at USD 1490.7 million in FY15 compared to USD 906.2 million in FY14 (rice 394.3 percent and wheat 22.3 percent). Import of other food items'

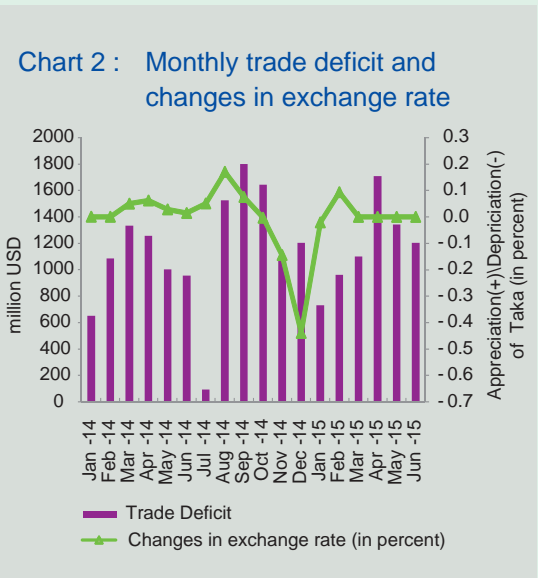
**Box 11.1**

**Appreciation Pressure of Taka and Its Impact on Trade**

Exchange rate in Bangladesh has been determined through the demand and supply of the foreign currency since 30 May 2003. An appreciation of exchange rate accelerates imports, deteriorates exports and thus widens trade deficits. Recently in Bangladesh, exchange rate was somewhat an appreciating trend from January 2014 to September 2014, thereafter depreciating trend up to January 2015 and remained stable from March 2015 to June 2015 with a further appreciation in February 2015 (Chart 1).



During this period balance of trade responded negatively with the variations in exchange rate. It was found that trade deficit was widening over the months while exchange rate was appreciating and reached its highest level-USD 1801 million in September 2014 from a lower level-USD 652 million in January 2014 (Chart 2). Trade deficit was narrowing thereafter as exchange rate was depreciating and being stable and it stood at USD 1205 million in June 2015. In FY15, current account remained negative due mainly to the wider trade deficit originated from fluctuations in exchange rate. Therefore, stabilisation of exchange rate is essential in Bangladesh in order to boost exports and reduce trade deficit. But, exchange rate alone cannot be considered as a main factor in determination of international trade; other factors like external competitiveness, damping policies by external competitors, multilateral agreements on trade, disturbances at internal and external sectors, etc. should be considered as well.



decreased by 3.2 percent to USD 4800.1 million in FY15 from USD 4958.0 million in FY14. Except positive growth of spices (70.5 percent) and pulses (36.3 percent) all other items showed the negative growth. Consumer and intermediate goods increased by 13.6 percent to USD 22514.4 million in FY15 from USD 19823.3 million in FY14 (crude petroleum 337.1 percent, fertiliser 42.3, POL 40.7 percent, plastic & rubber article thereof 12.6 percent, tanning and dyeing extracts 10.3 percent, etc.). All the items of capital goods and others category registered growth of 9.8 percent to USD 16385.0 million in FY15 from USD 14928.9 million in FY14 (capital machinery 17.8 percent, iron, steel & other base metal 12.6 percent and others 6.4 percent). Imports by EPZ increased by 2.0 percent to USD 3138.1 million in FY15 compared to USD 3077.0 million in FY14.

### Terms of Trade

11.18 The terms of trade was 86.05 in FY15 compared to 85.89 in FY14 (base year FY06=100). Both the export price index and import price index increased by 6.0 percent and 5.8 percent respectively during the year (Chart 11.5).

### Bilateral and Multilateral Relations

11.19 Bangladesh continued strengthening its foreign trade ties in FY15 through bilateral, regional and multilateral negotiations and agreements. Bangladesh participated in a number of key negotiations with a view to protecting the country's trade and economic interests.

11.20 The 144<sup>th</sup> BIMSTEC Working Group (BWG) Meeting was held at BIMSTEC Secretariat, Dhaka, on 14 September 2015.

Chart 11.4 Import growth

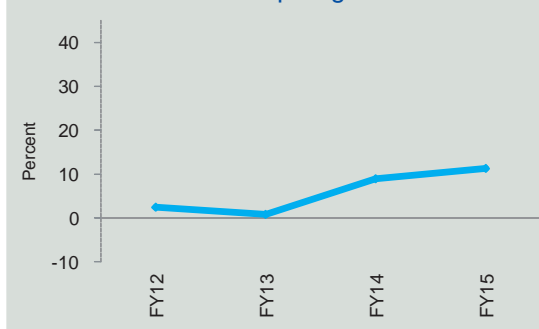


Table 11.2 Composition of merchandise imports payment  
(million US Dollar)

Items	FY14	FY15 <sup>P</sup>	% change
<b>A. Food grains</b>	<b>906.2</b>	<b>1490.7</b>	<b>64.5</b>
1. Rice	102.8	508.1	394.3
2. Wheat	803.4	982.6	22.3
<b>B. Other food items</b>	<b>4958.0</b>	<b>4800.1</b>	<b>-3.2</b>
1. Milk & cream	280.3	277.2	-1.1
2. Spices	107.0	182.4	70.5
3. Oil seeds	453.6	374.0	-17.5
4. Edible oil	2946.3	2743.5	-6.9
5. Pulses (all sorts)	318.6	434.3	36.3
6. Sugar	852.2	788.7	-7.5
<b>C. Consumer and intermediate goods</b>	<b>19823.3</b>	<b>22514.4</b>	<b>13.6</b>
1. Clinker	633.2	638.4	0.8
2. Crude petroleum	72.3	316.0	337.1
3. POL	3371.5	4742.5	40.7
4. Chemical	1577.5	1723.7	9.3
5. Pharmaceutical products	210.8	136.9	-35.1
6. Fertiliser	940.9	1338.9	42.3
7. Tanning & dyeing extracts	543.1	599.0	10.3
8. Plastics & rubber articles thereof	1822.2	2052.3	12.6
9. Raw cotton	2464.3	2295.5	-6.8
10. Yarn	1816.9	1851.2	1.9
11. Textile & articles thereof	5360.5	5742.0	7.1
12. Staple fibre	1010.1	1078.0	6.7
<b>D. Capital goods and others</b>	<b>14928.9</b>	<b>16385.0</b>	<b>9.8</b>
1. Iron, steel & other base metal	2899.4	3265.0	12.6
2. Capital machinery	2819.1	3320.5	17.8
3. Others	9210.4	9799.5	6.4
<b>E. Imports by EPZ</b>	<b>3077.0</b>	<b>3138.1</b>	<b>2.0</b>
<b>Total import (cif)</b>	<b>40616.4</b>	<b>45190.2</b>	<b>11.3</b>
<b>Total import (fob)</b>	<b>36571.0</b>	<b>40685.0</b>	<b>11.2</b>

P = Provisional.

Source : Compiled by Statistics Department, BB using data of NBR.

Delegations led by respective High Commissioners/Ambassadors in Dhaka from Myanmar, Nepal, Sri Lanka and Thailand as well as the Secretary General of BIMSTEC participated at the meeting. The intra-regional trade and investment under the BIMSTEC FTA would be a concrete benchmark.

### Workers' Remittances

11.21 The flow of inward remittances from Bangladeshi nationals working abroad regained its growth in FY15 and played an important role to increase foreign exchange reserve and strengthening the current account balance of the country. Receipts from this sector increased by 7.7 percent from USD 14228.31 million in FY14 to USD 15316.92 million in FY15 (Appendix-3 Table-XXII). Bangladesh Bank has been trying continuously to simplify the remittance distribution networks including easing approval policy of drawing arrangements between foreign exchange houses abroad and domestic banks. As a result, 39 banks have been granted permission to establish more than 1200 drawing arrangements with more than 320 exchange houses all over the world for collecting remittances. Some banks have already established 34 exchange houses/ subsidiaries abroad to collect remittances by their own.

Some Micro Finance Institutions (MFIs) have been involved for smooth delivery of inward remittances. Till 30 June 2015, 27 MFIs were allowed to perform the job of remittance distribution through their branches in remote areas.

To increase the competition among the money transmitters, commercial banks are always instructed to make the contracts with

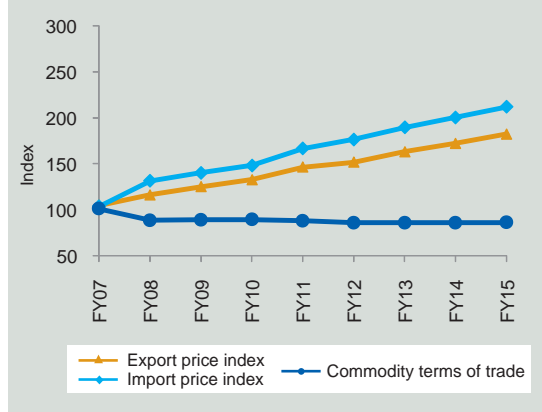
**Table 11.3 Terms of trade of Bangladesh**

(Base: FY06=100)

Year	Export price index	Import price index	Commodity terms of trade
FY07	104.85	103.64	101.17
FY08	116.34	131.42	88.53
FY09	125.13	140.35	89.16
FY10	132.64	148.32	89.43
FY11	146.41	166.51	87.93
FY12	151.71	176.44	85.98
FY13	163.04	189.62	85.98
FY14	172.09	200.37	85.89
FY15	182.34	211.91	86.05

Source: Bangladesh Bureau of Statistics.

**Chart 11.5 Terms of trade**



Multinational Money Remitters/ Exchange Houses to avoid "Pay Cash Exclusivity Clause" or any other such clauses. The share of major source countries in the remittance receipt of FY14 and FY15 are given in Chart 11.6a and 11.6b.

### Foreign Aid

11.22 Total official foreign aid disbursement decreased by 3.62 percent to USD 3009 million in FY15 from USD 3122 million in FY14 (Table 11.4). Food aid disbursements

stood at USD 38 million in FY15 which was the same in FY14. The disbursement of project assistance stood at USD 2972 million in FY15, which was USD 3047 million in FY14. It is mentionable that no commodity aid was received in FY15 as in the preceding year. Total outstanding official external debt as of 30 June 2015 was USD 23489 million (12.1 percent of GDP in FY15) against USD 24388 million as on 30 June 2014 (14.1 percent of GDP in FY14). Repayment of official external debt was USD 1106 million (excluding repurchases from the IMF) in FY15, which was USD 188 million or 14.53 percent less than the repayment of USD 1294 million in FY14. Out of the total repayments, principal payments amounted to USD 924 million while interest payments was USD 182 million in FY15, against USD 1088 million and USD 206 million respectively during FY14. The debt-service ratio as percentage of exports was 3.6 percent in FY15.

### Foreign Exchange Market Operations

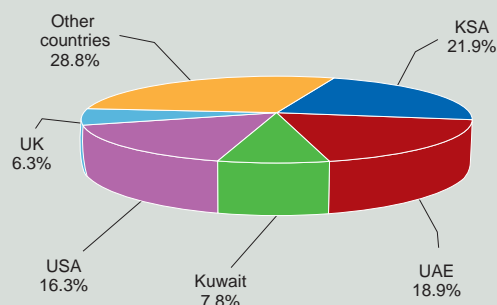
11.23 Bangladesh Bank introduced floating exchange rate in May 2003 allowing the market to determine the exchange rate for inter-bank and customer transactions. The local foreign exchange market of the country remained fairly liquid throughout FY15 mainly because of growth of export receipts and wage earners remittances for the said period. At the end of June 2015, exchange rate of Bangladesh Taka against US dollar stood at Taka 77.80, which posted a depreciation of 0.22 percentage point from Taka 77.63 at the end of June of 2014, indicating a reasonably stable exchange rate.

**Table 11.4 Foreign aid receipts and debt repayments\***

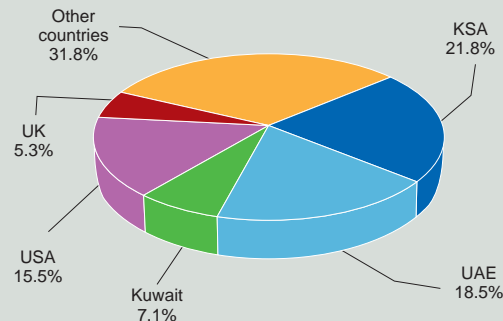
Particulars	(million US Dollar)		
	FY13	FY14 <sup>R</sup>	FY15 <sup>P</sup>
1. Receipts	<b>2811</b>	<b>3122</b>	<b>3009</b>
i) Food aid	50	38	38
ii) Commodity aid	-	-	-
iii) Project aid	2761	3047	2972
2. Repayments (MLT)	<b>1102</b>	<b>1294</b>	<b>1106</b>
i) Principal	906	1088	924
ii) Interest	196	206	182
3. Outstanding external debt as of end June	22381	24388	23489
4. Outstanding debt as percentage of GDP	14.9	14.1	12.1
5. External debt services (MLT) as percentage of exports	4.2	4.1	3.6

P=Provisional, R=Revised.  
\*Excluding transactions with the IMF.  
Source: Ministry of Finance.

**Chart 11.6a Wage earners' remittances in FY14**



**Chart 11.6b Wage earners' remittances in FY15**





In FY15, the volume of inter-bank foreign exchange transactions was amounting to equivalent USD 19.5 billion including spot, forward, swap transactions, which was around 13.37 percent higher than USD 17.2 billion in FY14. Bangladesh Bank purchased a total of USD 3.4 billion from local inter-bank foreign exchange market to absorb excess liquidity as well as keeping the foreign exchange market stable against USD 5.2 billion in the preceding fiscal year.

### Foreign Exchange Reserves

11.24 The gross foreign exchange reserves held by Bangladesh Bank comprises foreign exchange, holdings of gold, and Special Drawing Rights (SDR). Foreign exchange reserves grew steadily over FY15, which crossed USD 25 billion mark on 25 June 2015. At the end of FY15, reserves stood at USD 25.02 billion. Bangladesh Bank affords best efforts to maintain optimum return from foreign exchange reserve investment by diversifying the foreign asset portfolio in bonds (issued by sovereign, supranational and highly reputed foreign commercial banks), Treasury Bills and Treasury Notes of US Government and in short term deposits with internationally reputed foreign commercial banks.

### Reserve Management Strategy

11.25 Bangladesh Bank's reserve management strategy and operational procedures are influenced strongly by developments in both the domestic & international financial markets as well as various key aspects of the macroeconomic policy stances. The most relevant elements of

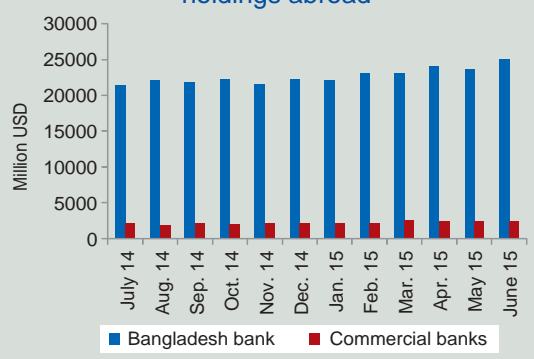
**Table 11.5 Gross foreign exchange reserves of the Bangladesh Bank**

(End month, million USD)

Months	FY11	FY12	FY13	FY14	FY15
July	10749	10381	10570	15534	21384
August	10992	10914	11435	16252	22070
September	10834	9884	11252	16155	21837
October	11160	10338	12340	17346	22313
November	10700	9285	11754	17106	21590
December	11174	9635	12751	18095	22310
January	10382	9386	13077	18119	22042
February	11159	10067	13848	19151	23032
March	10731	9579	13971	19295	23053
April	11316	10193	14829	20370	24072
May	10431	9520	14531	20268	23708
June	10912	10364	15315	21508	25026

Source: Accounts and Budgeting Department, BB.

**Chart 11.7 Liquid foreign exchange holdings abroad**



policy framework are: monetary policy, the exchange rate policy regime and external debt position. After introduction of the floating exchange rate regime in May 2003, BB has brought about significant changes in the monetary management in relation to its reserve management mechanism, which are aligned with the best international practices. Currently reserve management operations are carried out following the Reserve

Management Guidelines approved by the Board of Directors of Bangladesh Bank. Main objectives of the BB for holding foreign exchange reserves are to ensure adequate level of reserves to cover imbalances in the balance of payment, to maintain confidence in the external value of Taka, and also as a store of value to protect the economic well-being of the country. Other integral parts of reserve management are: to meet foreign debt obligations, ensuring liquidity of reserves for the purpose of exchange rate management, stimulating exports and growth, minimising exchange rate volatility and finally, managing risks prudently to preserve the nominal value of the reserves and ensuring optimum return. To contain counter party risk at minimum, BB has invested its reserves with a number of internationally reputed central and commercial banks having strong credit ratings assigned by the international rating agencies (Standard and Poor's, Moody's & Fitch). With a view to minimising exchange rate risk and ensuring the value of reserves, currency composition has been diversified among the major currencies and is being reviewed periodically to keep pace with the developments in the monetary and exchange rate policy of international arena. Investment duration and currency benchmark as set out in the Reserve Management Guidelines are carefully followed to minimise interest rate risks, while reserve management and investment functions have been segregated among three independent reporting units viz., Front Office, Middle Office and Back Office to mitigate operational risks. However, in keeping with the stipulated liquidity restrictions and market

**Table 11.6 Receipts and payments of Bangladesh under the ACU**

(million US Dollar)				
Head of transaction	FY13	FY14	FY15	% change
1. Receipts (Export)	161.10 (12.53)	79.74 (6.19)	115.46 (8.99)	44.83
2. Payments (Import)	4419.54 (343.66)	5706.90 (443.03)	5748.87 (442.76)	0.73
Net: Surplus (+)/ Deficit (-)	-4258.44 (-331.13)	-5627.16 (-436.84)	-5633.38 (-438.28)	0.11

Note: Figures in parentheses indicate Taka in billion.  
1 ACUD = 1 USD; 1 USD = 77.80 Taka.

**Table 11.7 Outstanding principal liabilities against the facilities received from the IMF**

(million SDR)				
Facility	Amount drawn/ purchased up to June 2015	Outstanding principal liability as of end June 2014	Instalment repayment in FY15	Outstanding principal liability as of end June 2015
PRGF June 2003	316.73	68.86	38.60	30.25
ECF April 2012	457.11	457.11	--	457.11
<b>Total :</b>	<b>773.84</b>	<b>525.97</b>	<b>38.60</b>	<b>487.36</b>

Source: Forex Reserve and Treasury Management Department, BB.

& credit risk limits, BB has diversified its portfolio investments into gold, T-bills, repos, short-term deposits, and high-rated sovereign, supranational, and corporate bonds. Bangladesh Bank has been maintaining a prudent and vigilant approach regarding placement of funds in banks and investments in securities of countries affected by Euro debt crisis.

### Transactions under Asian Clearing Union (ACU)

11.26 Total transactions of Bangladesh under the Asian Clearing Union (ACU) during

FY15 increased slightly in terms of net volume compared with the preceding year. Receipts significantly increased from ACUD 79.7 million (Taka 6.19 billion) to ACUD 115.5 million (Taka 8.99 billion) and import payments slightly increased from ACUD 5706.9 million (Taka 443.03 billion) to ACUD 5748.9 million (Taka 447.26 billion) with the ACU member countries during FY15. The ACU transaction scenario shows that the overall position of Bangladesh remained a net debtor during FY15. The debtor position of Bangladesh increased by ACUD 6.2 million or 0.11 percent to ACUD 5633.4 million (Taka 438.28 billion) in FY15 compared to ACUD 5627.2 million (Taka 436.84 billion) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in Table 11.6.

### Transactions with the IMF

11.27 The IMF Executive Board approved a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) in April 2012. A total amount of SDR 640.0 million is to be disbursed in seven equal installments under the facility. However, the IMF did not release any installment of ECF in FY15 while the outstanding principal liabilities of ECF stood at SDR 457.11 million as on 30 June 2015. Under the PRGF loan facility, Bangladesh repaid a total amount of SDR 38.60 million in FY15 and the outstanding principal liabilities to the IMF under PRGF stood at SDR 30.25 million at the end of FY15. The total service charges paid to the IMF during FY15 amounted to SDR 0.32 million (Table 11.7).

### Changes in Foreign Exchange Regulations

11.28 Bangladesh Bank in its ongoing endeavor to ease the foreign exchange regulations embarked upon the following notable changes on exchange arrangements during FY15.

- **Remittance against purchase of software through e-Delivery:** To ease purchase of software from abroad through e-Delivery, it has been decided that ADs may be affected remittance against purchase of software through e-Delivery subject to observance of some conditions including obtaining certificate issued by Bangladesh Association of Software and Information Services (BASIS) to the effect that the purchase of software is genuine and sourced from reliable supplier, payment to duties/taxes as per assessment of National Board of Revenue, observing due diligence and complying with AML/CFT regulations in respect of the transactions, etc.
- **Releasable foreign currency amount in cash USD:** Releasable foreign currency amount in cash USD for outgoing Bangladeshi residents has been increased from USD 3,000 to USD 5,000 per person per trip from their annual entitlement applicable for personal travel quota/business travel quota/ treatment abroad/ immigration/ higher education or other special or general approved purposes. The remainder or full amount of quota can be released in other freely convertible foreign currencies in cash or in international cards.

- **Submission of return to Bangladesh Bank:** In order to bring about further ease in the routine reporting to Bangladesh Bank under the broad spectrum of foreign exchange liberalisation, it has now been decided that ADs are no longer required to submit documents in support of outward remittances that have been approved earlier by Bangladesh Bank [in terms of paragraph 1(i), chapter 5 of GFET, Vol-1]. ADs shall quote approval numbers on TM forms and submit the same with relevant schedules.
- **Repatriation of sales proceeds of non-resident owned equity in unlisted companies purchased by residents:** For the purpose of repatriation of sales proceeds on non-resident owned equity in unlisted companies, BB would accept fair value of the share as on the date based on appropriate combination of three valuation methods: net asset value approach, market value approach, and discounted cash flow approach depending on the nature of the company. Earlier, the decisions were based on only fair value approach.
- **Transactions in non-resident Taka accounts:** Subject to approval/reporting requirements [in form A-7], BB has allowed debits to balances in Non-resident Taka Accounts (NRTA) for outward remittances towards (i) subsistence expenses of individual account holders and their family member in their country of residence and (ii) current payment abroad by institutional

account holders for permissible procurement of goods and services from abroad.

### Anti-money Laundering Surveillance

11.29 Bangladesh Financial Intelligence Unit (BFIU) took various initiatives and steps to prevent money laundering and financing of terrorism throughout the country in FY15.

### Reporting Agencies and their Regulatory Regime

- BFIU issued circulars for the scheduled banks and financial institutions for proper compliance of the instructions regarding prevention of Money Laundering (ML) & Terrorist Financing (TF) on 28/12/2014 and 29/06/2015 respectively.
- BFIU circulated Money Laundering and Terrorist Financing Risk Assessment Guidelines for Banking Sector on 08/01/2015 instructing all the banks to assess the associated risk of ML/TF regarding their respective banks. Meanwhile all the scheduled banks submitted their own risk assessment report and BFIU vetted the same.

### Receiving Suspicious Transaction Report (STR) and dissemination of the same

- BFIU received 1182 Suspicious Transaction Reports (STRs) during FY15. After analysing them, BFIU disseminated 67 reports to Anti-Corruption Commission (ACC) and Criminal Investigation Department (CID), Bangladesh Police for their necessary actions. BFIU has been monitoring the status of these cases from time to time.

### Initiatives Taken for Strengthening BFIU

- BFIU has started to use the National ID card database of Election Commission (EC) to verify the authenticity of the ID card in its analysis process. Currently BFIU has taken initiatives to get access to birth and death registration database, and passport database.
- BFIU has started to use the database of Credit Information Bureau (CIB), Bangladesh Automated Clearing House (BACH) and Dash Board of Bangladesh Bank (import, export, travel and miscellaneous and inward remittance) in its analysis process.

### National Initiatives

- A high level committee headed by the Head of BFIU and Deputy Governor of Bangladesh Bank has formulated the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017 which has been approved by the National Coordination Committee (NCC) on AML/CFT.
- BFIU, NGO Affairs Bureau, Microcredit Regulatory Authority and Department of Social Services, Government of Bangladesh are currently working on the ML/TF risk assessment regarding the

NGO/NPO sector. The detailed report is currently under review process and will be made public very soon.

### International Cooperation and Initiatives

- Bangladesh Financial Intelligence Unit has signed 35 (till June 2015) Memorandum of Understanding (MoU) so far to exchange of information related to ML/TF with other FIUs, among them nine MoU were signed in FY15 (Vietnam, Morocco, Bahrain, Brunei-Darus Salam, Russia, Fizi, Kyrgyzstan, Panama and Barbados).
- BFIU has been nominated as the Regional Representative (RR) for 25 countries in Asia Pacific Region of EGMONT Group on 29 January 2015. The decision was taken at the meeting of Egmont Committee (EC) and Working Group (WG) Meetings and Regional Meetings and Head of FIUs and Observers Intercessional Meeting held during 25-30 January 2015 in Berlin, Germany. BFIU will perform the role of RR for the term of January 2015 to June 2017. As the RR of the Asia Pacific Region, BFIU will coordinate the respective issues of Egmont Committee (EC) and Working Group (WG) with the member FIUs of the region.

## Payment and Settlement Systems

12.1 Payment and settlement system consists of a set of physical & electronic infrastructures with associated procedures for the transfer and settlement of financial obligations arising from the exchange of goods and services. It facilitates the central bank for conducting efficient monetary policy by using market-based instruments to achieve its objectives.

12.2 Bangladesh, Payment Systems Department (PSD) of Bangladesh Bank (BB) has been working to develop payment systems strategy, automated cheque processing system, electronic funds transfer, national payment switch, mobile financial services, agent banking, e-commerce, m-commerce and legal & regulatory framework. It aspires to modernise country's payment system to make it safe and efficient matching the international standards enabling faster economic growth and access to financial service to all citizens of Bangladesh.

12.3 The traditional paper based payment system was semi-automated, time consuming and prone to many risks. The system was not at par with international best practices. Four payment and settlement systems were in operation in Bangladesh prior to 7 October 2010. The instruments like cheques, bank drafts, pay orders, dividend & refund warrants, etc. were being cleared through the manual clearing houses. Apart from such non-

cash payment instruments, credit and debit cards, and ATM transactions have already become popular in Bangladesh, especially in the urban areas.

### **Bangladesh Automated Cheque Processing System (BACPS)**

12.4 Bangladesh Automated Cheque Processing System (BACPS) started its live operation on 7 October 2010 for developing an electronic payment system in the country. Later, electronic funds transfer, e-commerce, mobile financial services and m-commerce joined the system for further modernisation of the payment and settlement systems as set in the strategy. These payment platforms are briefly described in the following sections.

12.5 Bangladesh Automated Clearing House (BACH) has two components-the automated cheque processing system and the electronic funds transfer system. Both systems operate in batch processing mode- transactions received from the banks during the day are processed at a pre-fixed time and settled through a single multilateral netting figure on each individual bank's respective books maintained with the Bangladesh Bank. A virtual private network (VPN) has been established between the participating commercial banks and Data Centre (DC) and Disaster Recovery Site (DRS) for



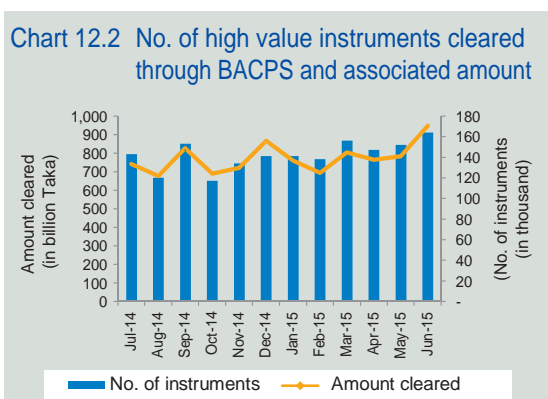
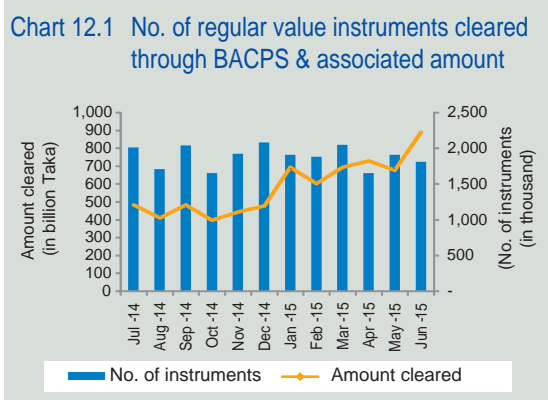
communicating necessary information related to BACH. Digital Certificate has also been formulated in Bangladesh for secured data communication.

12.6 BACPS uses the Cheque Imaging and Truncation (CIT) technology for electronic clearing of the paper-based instruments, i.e. cheque, pay order, dividend & refund warrant, etc. The system supports both intra-regional and inter-regional clearing and is based on a centralised processing centre located in Dhaka and in designated clearing regions. The system conforms to the international best practices and also represents the most cost effective solution for cheque processing throughout the country.

12.7 At present around 1.90 million regular and around 0.143 million high value cheques and other instruments are cleared per month through BACPS. Total amount of regular value instruments cleared is approximately Taka 582 billion per month and for high value instruments, the amount is approximately Taka 774 billion per month. The clearing cycle has been brought down to t+0 for high value cheques and t+1 for regular value cheques throughout the country. Chart 12.1 and Chart 12.2 show the trends of instruments cleared and associated amount of the regular and high value cheques respectively in FY15.

**Bangladesh Electronic Funds Transfer Network (BEFTN)**

12.8 BEFTN started its 'Live Operation' on 28 February 2011 with the objective to encourage paper less electronic payment methods for secured, faster and cost-effective transactions specially at the corporate levels.



BEFTN becomes the faster and efficient means of inter-bank clearing over the existing paper-based system i.e. BACPS. A wide variety of credit transfers such as payroll, foreign and domestic remittances, social security, company dividends, retirement, expense reimbursement, bill payments, corporate payments, Government tax payments, veterans payments, Government licence fees and person to person payments as well as debit transfers such as mortgage payments, membership dues, loan payments, insurance premiums, utility bill payments, company cash concentration are settled under the network. At present, 55 Government agencies including Cabinet Ministers' salaries are being distributed through EFT.

12.9 Approximately 1.0 million EFT credit transactions and debit transactions are processed per month with an increasing trend. The amount of EFT credit and debit transactions are approximately Taka 62.75 billion per month. Chart 12.3 shows the trends of EFT credit and debit entries and associated amount respectively in FY15.

### Mobile Financial Services (MFS)

12.10 The rapid growth of mobile phone users and countrywide coverage of mobile operator's network have made their delivery channel an important tool-of-the-trade for extending banking services to the unbanked/banked population, specially to expedite faster delivery of remittances across the country.

From legal and regulatory perspective, only the bank-led model is allowed to operate in Bangladesh. Table 12.1 lists the prevailing status of MFS in Bangladesh. The approved mobile financial services (in broad categories) are as follows:

- Disbursement of inward foreign remittances.
- Cash in/out using mobile account through agents/bank branches/ ATMs/mobile operator's outlets.
- Person to business payments e.g. utility bill payments, merchant payments, etc.
- Business to person payments e.g. salary disbursement, dividend and refund warrant payments, vendor payments, etc.
- Government to person payments e.g. elderly allowances, freedom fighter allowances, subsidies, etc.

Chart 12.3 No. of EFT entries & associated amount

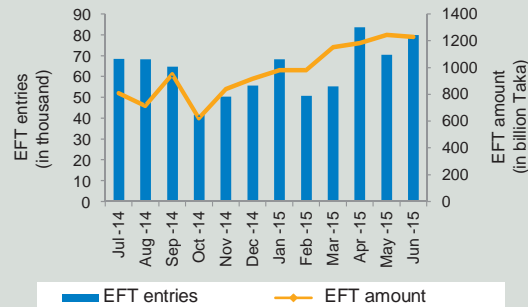
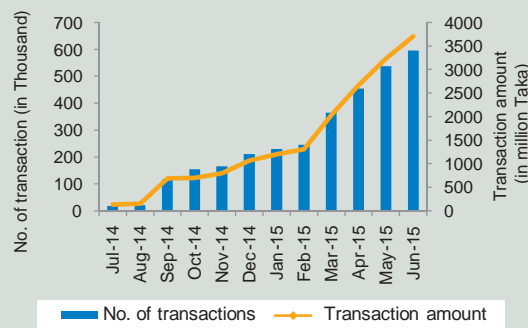


Chart 12.4 Trends of inter-bank transactions through ATM



- Person to Government payments e.g. tax, levy payments, etc.
- Person to person payments (one registered mobile account to another registered mobile account).
- Other payments like microfinance, overdrawn facility, insurance premium, DPS, etc.

12.11 Bangladesh Bank has fixed limits for cash in and cash out minimum Taka 25000 and maximum Taka 150000 respectively per month as well as for P2P transaction limit is Taka 10000 per day and Taka 25000 per month. Bangladesh Post Office (BPO) introduced the 'post e-pay' service from 5 September 2011 with 1968 branches which

**Box 12.1****Electronic Money**

Electronic money is a digital equivalence of cash, stored on an electronic device or remotely at a server. One common type of e-money is the 'electronic wallet', where users store relatively small amounts of money on their payment cards or other smart cards, to use for making small payments. But e-money can also be stored on (and used via) mobile phones or in a payment account on the internet.

E-money is first introduced in Bangladesh for transport service with a card named Xpass. Even with huge opportunity it was not successful due to lack of enough public awareness. Later commercial banks introduced prepaid cards with stored value for certain brands/super shops. But the real thrust came with the introduction of mobile financial services. DBBL mobile services and bKash changed the e-money landscape of the country. Now 12.2 million account holders transact Taka 460.38 crore everyday through 3.2 million transactions.

Bangladesh Bank encourages private sector to generate innovative idea to popularise electronic money. i-Pay Limited and Aamra Boloro Bangladesh Limited are awarded licences to work as payment systems operators. Hopefully these two electronic money providers will be in operation by the end of this year.

BB is very keen to enable new, innovative and secure electronic money services to be designed, to provide market access to new companies and to foster real and effective competition among all market participants.

will gradually be launched in all branches (9,886) of the post office in phases with the help of the mobile operators' countrywide networks. Clients have to register themselves with the post office to get the service.

**e-Commerce**

12.12 BB has issued directives for the banks for starting e-commerce activities. Permitted transactions are-

- Online payment of utility bills from clients' accounts to recipients' accounts,
- Transfer of money within different accounts of a client in the same bank, payment/collection of money from/to buyer's bank account to seller's bank account for buy/sale of products,

**Table 12.1 MFS status (as on June 2015)**

No. of banks permitted	28
Started MFS operation	20
Registered customers	28.64 million
Number of agents	0.53 million
Transactions (BDT) per day	4.32 billion

- Transactions via internet using credit cards in local currency.

Since 11 March 2011, permission has been given to transfer less than Taka 500,000 from one client's account to another client's account within the same bank using internet/online facilities subject to the fact that it will fully comply with prevailing money laundering prevention legislations and related circulars.

### Online Payment Gateway Service Providers (OPGSPs)

12.13 In view of the growing role of the services provided by OPGSPs, authorised dealers (ADs) are now allowed to offer the facility of repatriation of remittances against small value service exports in non-physical form such as data entry/data process, off-shore IT service, business process outsourcing, etc. The exporters of the above services will be able to receive their overseas payments through the OPGSPs such as Paypal, Money Bookers, Best Payment Gateway and Virtual Pay online platforms.

### New Payment Systems Initiatives

12.14 In order to fulfill the ever growing demand for faster and efficient payment Bangladesh Bank has taken a number of new initiatives like National Payment Switch (NPSB), Real Time Gross Settlement (RTGS).

12.15 Implementation of National Payment Switch (NPS) has been started in order to facilitate inter-bank electronic payments originating from different delivery channels e.g. Automated Teller Machines (ATM), Point of Sales (POS), internet, mobile applications, etc. The main objective of NPSB is to facilitate the expansion of the retail payment networks substantially and promote e-commerce throughout the country.

Online payment of Government dues through internet will greatly be enhanced using NPSB. NPSB has been launched as "soft go-live" since 27 December 2012 and now inter-bank ATM transactions among 46 banks are being routed through NPSB. Other banks are also

likely to join to NPSB. The number and volume of the interbank ATM transaction through NPSB are growing rapidly. PSD is also drafting some operating rules regarding NPSB system. Chart 12.4 shows the trends of NPSB interbank ATM transaction number and associated amount till 30 June 2015. Bangladesh Bank is expecting bring POS transaction through NPSB very shortly.

12.16 Bangladesh Bank has taken initiative to establish Real Time Gross Settlement (RTGS) with the financial support of Asian Development Bank (ADB) which will enable instant settlement of high value local currency transactions as well as government securities and foreign currency based transactions. Bangladesh Bank expects to launch RTGS within 2015.

### Legal & Regulatory Framework

12.17 BB has published a number of legal and regulatory documents to provide legal and regulatory support for electronic transfer of funds. Existing legal and regulatory framework of payment and settlement systems of Bangladesh are mentioned below:

- "Bangladesh Automated Cheque Processing Systems (BACPS) Operating Rules and Procedures" was published on 11 January 2010.
- "Guidelines on Mobile Financial Services for the Banks" was published on September 2011.
- "Bangladesh Payment and Settlement Systems Regulations (BPSSR), 2014" was published on 15 May 2014.

- "Bangladesh Electronic Funds Transfer Network (BEFTN) Operating Rules" was published on 15 May 2014.
- "Guidelines on Agent Banking for the Banks" was published on 09 December 2013.

12.18 In cooperation with World Bank (IFC-BICF) BB has drafted Payment Systems Act and its finalisation is in process.

### **Awareness Raising Campaign**

12.19 Bangladesh Bank has taken a number of initiatives for raising awareness on the new electronic payment systems like automated cheque processing, electronic funds transfer and mobile financial services. BB has organised seminars and workshops for officials of all commercial banks, Government offices and industry alliances. Besides, BB has been working to popularise electronic funds transfer network among the stakeholders like Chambers of Commerce, Stock Exchanges, Bangladesh Security and

Exchange Commission, Central Depository Bangladesh Limited, National Board of Revenue, etc.

12.20 Electronic payment and settlement systems have already proved their potential by offering fast, secure and cost-effective financial services. Specially, papers less EFT transactions are gaining increasing popularity among the corporate bodies, stock exchange members and industry alliances. The mobile financial services, m-commerce and e-commerce are significantly changing the financial services landscape of the country. NPSB will increase end-user centric electronic payments and broaden the landscape for financial transactions in the country. These electronic modes of payment have already improved operational efficiency, increased transaction frequency and brought stability and flexibility in all spheres of the financial market. Implementation of RTGS will result in an effective and efficient 'National Payment and Settlement System' consistent with international standard.

## Administration

### Appointment of New Directors in the Board

13.1 Mr. Mahbub Ahmed and Mr. Md. Nojibur Rahman were appointed as Director of the Board in place of Mr. Fazle Kabir and Mr. Md. Ghulam Hussain with effect from 27 July 2014 and 25 January 2015 respectively.

A total of eight meetings of the Board of Directors were held during FY15.

### Executive Committee

13.2 Under section 12(1) of Bangladesh Bank Order 1972 (President's Order No. 127 of 1972), the Executive Committee during FY15 was as follows:

Dr. Atiur Rahman	Chairman
Mr. Md. Abul Quasem	Member
Prof. Hannana Begum	Member
Dr. M Aslam Alam	Member
Mr. Ahmed Jamal	Secretary

During FY15, 6 (six) meetings of the Executive Committee were held.

### Audit Committee of the Board

13.3 According to the international best practices for strengthening good governance, an Audit Committee was formed by the Board of Directors on 12 August 2002 comprising four non-executive Directors to assist the Board in discharging its oversight responsibilities on financial reporting, internal control and compliance and the auditing process. The composition of the current Audit Committee is as follows:

Dr. Mustafa Kamal Mujeri	Convener
Prof. Hannana Begum	Member
Mr. Md. Ghulam Hussain	Member
Dr. M Aslam Alam	Member
Mr. Md. Nojibur Rahman*	Member

\*= Mr. Md. Nojibur Rahman was appointed as member of the Audit Committee in place of Mr. Md. Ghulam Hussain with effect from 5 March 2015.

Mr. Aminur Rahman Chowdhury, FCA was appointed as a non-executive financial advisor to the Audit Committee on 9 June 2015 in place of Dr. Jamaluddin Ahmed, FCA to assist the Committee on issues related to accounting and financial reporting.

A total of 8 (eight) meetings of the Audit Committee were held during FY15.

In accordance with the Internal Audit Department Charter approved by the Audit Committee of the Board of Directors of the BB, the Internal Audit Department (IAD) identified 52 auditable units (departments/offices/units/cells) and constructed the audit plan for FY15. Audits that identified as high risk were conducted twice a year in 21 auditable units and the rest of 31 auditable units were identified as medium risk or low risk and audits were conducted once a year. The audit reports were placed before the Governor and the Audit Committee of the Board. The guidance/ directives/ recommendations received by the IAD from the Governor and the Audit Committee were conveyed to the relevant auditable units for implementation. Progress reports on implementation of these guidance/ directives/recommendations were placed before the meeting of the Audit Committee.



### Executive Management Team

13.4 The Executive Management Team (EMT) consists of Governor, 4 Deputy Governors, Economic Advisor and all Executive Directors. This team reviews the implementation status of Bank's overall activities.

A total of 5 (five) meetings of the EMT were held during FY15.

### New Appointment in Different Posts

13.5 A total of 886 officials/ staff were appointed in different posts during FY15. New appointment during FY15 was as follows:

Assistant Director (General)	398
Assistant Director (Statistics)	1
Assistant Director (Ex Cadre-Publication)	3
Assistant Director (Ex Cadre-Library)	1
Assistant Director (Ex Cadre-Law)	1
Assistant Director (Engineering-Civil)	2
Assistant Director (Engineering-Electrical)	1
Assistant Director (Engineering-Mechanical)	1
Assistant Programmer	5
Assistant Maintenance Engineer	14
Officer (Ex Cadre-Publication)	2
Officer (Ex Cadre-Nurse)	1
Medical Officer	4
Cash Officer	1
Staff	451
<b>Total</b>	<b>886</b>

### Retirement, Voluntary Retirement, Compulsory Retirement, Resignation, Removal, Suspension and Death

13.6 The number of officials/ staff of the Bank under retirement/ voluntary retirement/ resignation/ removal/ suspension/ death during FY15 was as under:

Retirement	166
Voluntary Retirement	2
Resignation	10
Death	10
Compulsory Retirement	2
Suspension	6
<b>Total :</b>	<b>196</b>

### Creation/ Abolition of Posts

13.7 In FY15, 78 new posts of officials and 12 posts of staff were created. Considering the importance of the job, 60 posts of officials and 22 posts of staff were upgraded by abolishing these posts during this period. Three posts of officials were also abolished in FY15. At the end of the year, the total number of sanctioned posts stood at 8124 compared to 8037 of the previous year.

### Sanctioned and Working Strength of Officials and Staff

13.8 The sanctioned and working strength of the Bank as on 30 June 2015 were as follows:

Category	Sanctioned strength	Working strength	Vacant
Class-I	4851	4120	731
Class-II	1016	310	706
Class-III	1817	1387	430
Class-IV	440	250	190
<b>Total</b>	<b>8124</b>	<b>6067</b>	<b>2057</b>

During FY15, working strength of officials (Class-I & Class-II) increased by 4.70 percent to 4430 from 4231 and that of staff (Class-III & Class-IV) increased by 32.34 percent to 1637 from 1237. At the end of the year, the ratio of officials to staff remained about 2.71:1. About 25.32 percent of the sanctioned posts remained vacant on 30 June 2015.

### Promotion

13.9 During the year, 670 officials and 116 staffs were promoted to their next higher grade. In FY15, 15.12 percent of the officials and 7.09 percent of the staffs working in the Bank were awarded promotion.

### Number of Officers on Deputation/ Lien

13.10 At the end of FY15, 65 officials of the Bank were on deputation in different institutions of the country and abroad. 44

officials were on lien, of which 30 were working within the country and 14 abroad.

### **Reorganisation/ Newly Established Departments of the Bank**

13.11 During FY15, a cell named "Integrated Supervision Management Cell" was established in Bangladesh Bank, Head office. A cell named "ICT Cell" and an unit named "Women Entrepreneur Development Unit" were established in Chittagong, Khulna, Rajshahi, Bogra, Rangpur, Sylhet, Barisal and Mymensingh offices. A cell named "Vigilance Cell" under Department of Financial Institutions and Market was also established. Information Systems Audit & Compliance Division and Website & Intranet Division in ITOCD were established too.

### **Welfare Activities and Approval of Scholarship**

13.12 During FY15, an amount of Taka 0.40 million was given as medical assistance from the Karmachary/ Karmakarta Kallyan Tahbil, established under the auspicious of the Governor. Besides, an amount of Taka 58.75 million was allotted to Bangladesh Bank Schools, Mosques, Clubs, Day Care, Freedom Fighters' Welfare Units, etc. to carry out their recreation and welfare activities.

### **Foreign Training and Study**

13.13 A number of 435 officials of the Bank participated in different training courses/ seminars/ workshops in abroad during FY15. Moreover, 35 officials were approved of deputation and/or study leave.

### **Domestic Training and Study**

13.14 During FY15, a total of 2892 officials of the Bank participated in different training courses/seminars/workshops within the country organised by different institutions

(other than the BBTA). Moreover, nine officials were allowed leave for higher study within the country during FY15.

### **Step towards Automation and Paperless Environment**

13.15 Document Management System (DMS) has been implemented successfully. It is the beginning of e-noting system. All kind of documents which are moving inward or outward can be searched through Document Management System (DMS). The process of implementing e-noting system is going on. In order to create a central archive for all the documents, document archive process has been initiated. E-attendance system has been introduced. Automated system for ordinary leave has been incorporated under leave management system. Employees can now apply for ordinary leave through this system. These steps make day to day operational services more comfortable for the employees as well as help the bank to create a paperless environment.

### **Reward and Recognition**

13.16 In FY15, 10 individual and/or team were awarded with Bangladesh Bank Employees Recognition Award for 2013 according to 'Bangladesh Bank Employees Recognition & Reward Policy-2013'. Among them five officials were honoured by gold medal (individually) and 18 officials (18 individuals in five teams) by silver medal for their outstanding performance.

### **Training Courses, Workshops, and Seminars Conducted by the Bangladesh Bank Training Academy (BBTA)**

13.17 Bangladesh Bank Training Academy (BBTA) conducts a wide range of activities to attain objectives of transforming itself into a world-class center of excellence for imparting

**Table 13.1 Statement on different training courses, workshops and seminars organised by the Bangladesh Bank Training Academy during FY15**

Sl. no	Subjects	Number of courses	Number of participants
1	2	3	4
<b>1. Foundation Course</b>		<b>2</b>	<b>107</b>
a) Foundation Course (AD) - 2014		1	47
b) Foundation Course (AD) - 2015		1	60
<b>2. Other Training Courses</b>		<b>120</b>	<b>3999</b>
<b>a) For Officials of the Bangladesh Bank</b>		<b>69</b>	<b>1627</b>
I) Techniques of Bank & NBF Supervision & Inspection Report Writing.		4	94
II) Financial Instruments & Derivatives		1	26
III) Agriculture Financing & Rural Development		3	68
IV) Human Resources Management In BB		2	47
V) Leadership, Team Building & Negotiation Skill		1	24
VI) Integrity & Anticorruption		3	80
VII) Safety, Security & Disaster Management		2	62
VIII) Stress Management		1	25
IX) Modernisation of Cash Management		2	51
X) ICT Security Policy & ICT Guideline		1	31
XI) Assessment of Capital Adequacy In Banks		1	17
XII) Training Course on EDW		1	19
XIII) Micro & SME Financing		3	59
XIV) Determination of CAMELS Rating		1	33
XV) Financial Stability Analysis		1	27
XVI) Financial Statement Analysis		4	85
XVII) UCP-600 & Related Issues		3	65
XXVIII) Supervisory Process & Legal Framework of Bank Supervision		1	22
XIX) Basel Core Principles of Effective Bank Supervision Practice		1	23
XX) ICT Risk Management		3	80
XXI) Training Course on Enterprise Resources Planning (ERP) HR/MM/FICO Module		4	97
XXII) Risk Based Capital Adequacy according to Basel II		1	21
XXIII) International Trade Financing		2	55
XXIV) Trade Services of OBU & Companies in EPZ		1	27
XXV) How National Budget affects Central Banking Policies		1	25
XXVI) Prevention of Fraud/Forgery in Credit Card/internet Banking/Mobile Banking		1	30
XXVII) Banking Laws & Regulations		1	20
XXVIII) Currency Management, Payment & Settlement Systems in Bangladesh		1	25
XXIX) Core Risk Management		2	48
XXX) Supervisory Risk Assessment and Early Warning Systems		1	23
XXXI) Monetary Policy Formulation and Implementation Process in BB		1	25
XXXII) Risk Based Supervision		2	45
XXXIII) Foreign Exchange Inspection Procedure on AD Branches		1	18

XXXIV) Supervisory Process & Legal Framework of SME	1	15
XXXV) Understanding Economic Indicators	2	48
XXXVI) Public Debt Management & Securities Market in BD	1	23
XXXVII) Understanding Financial Reports	1	20
XXXVIII) Foreign Exchange & Foreign Trade	1	22
XXXIX) Procurement Procedure of BB	1	22
XL) Research Methodology for Central Bankers	1	17
XLI) Financial Inclusion, CSR & Green Banking Activities	1	18
XLII) Forex & Money Market Products	1	20
XLIII) Foreign Exchange Risk Management	1	25
<b>b) For the Officials of Commercial Banks</b>	<b>66</b>	<b>3141</b>
I) Islamic Banking & Finance	2	62
II) Money & Banking Data Reporting	6	227
III) Detection, Disposal of Forged & Mutilated Notes & Malpractices in Banks	9	535
IV) Risk Based Capital Adequacy according to Basel II	1	30
V) Prevention of Money Laundering & Terrorist Financing	3	99
VI) Loan Classification, Provisioning & Re-scheduling	4	159
VII) SME Lending Practices & Regulatory Framework	1	23
VIII) Financial Stability & Prudential Regulation for Banks/NBFIs	3	86
IX) Risk Management with Specific Focus on SME Business Line & Credit Institution	2	34
X) BB Compliance Issues for Banks	1	33
XI) Anti Money Laundering & Combating Financing in Terrorism	1	93
XII) Legal Issues of E-Banking	1	34
XIII) Risk Based Capital Adequacy according to Basel II	1	30
XIV) Risk Management for SME Banking	1	35
XV) Integrated Supervision System Reporting	7	411
XVI) Ratio Analysis for Supervisors With Specific Focus on SME Business Line	1	28
XXVII) Credit Risk Management	1	29
XXVIII) Corporate Governance in Banks	1	28
XXIX) Online Foreign Exchange & Transaction Reporting for Money Changers	2	189
XX) Reporting of Capital Assessment and Leverage Ratio of Banks Under BASEL-III Accords in Bangladesh	1	76
XXI) International Credit Card	1	91
XXII) Online Foreign Exchange & Transaction Reporting	1	40
<b>3. Workshops/ Seminars/ Lecture Sessions</b>	<b>28</b>	<b>1798</b>
I) Foreign Exchange & Foreign Trade	5	190
II) How to Write a Research Paper	2	46
III) Green Banking and Environmental Risk Management	1	171
IV) Key Activities and Current Issues of BB	2	64
v) Public Debt Management	1	122
VI) CIB Business rules and Online Systems	8	729
VII) Executive Development Seminar	2	136
VIII) Understanding Economic Indicators	2	51
IX) Financial Inclusion, CSR & Green Banking Activities	2	140
X) SME Banking Policy & Loan Origination	1	88
XI) Green Banking: Opportunities & Initiatives in Bangladesh	1	31
XII) SME Financing and Its Importance in Bangladesh	1	30
<b>Grand total (1+2+3)</b>	<b>150</b>	<b>5904</b>

quality training to the officials of Bangladesh Bank as well as commercial banks, financial institutions, Government and non-government organisations. To add values to knowledge management process, apart from training, different types of seminars, workshops are also arranged by BBTA. In view of enhancing the capacity of the faculty members and updating them with the changing knowledge frontiers in various fields relating to economics, finance and banking, BBTA also arranges various programmes for the trainers with the help of trained personnel of advanced and specialised institutions at home and abroad. Keeping these in mind, BBTA conducted a total of 150 training courses, workshops and seminars during FY15 of which 116 of them were held at the BBTA premises and 34 were held at other offices of Bangladesh Bank. A total of 5904 participants participated in the above mentioned courses. Besides these activities, INSPIRED Project Component-3 also conducted 32 training programme during FY15 and 703 participants participated in these courses. The courses conducted by the BBTA during FY15 are shown in Table 13.1.

### **Central Bank Strengthening Project**

13.18 The Central Bank Strengthening Project (CBSP) was designed in early 2003 to address the functional reorganisation and modernisation of BB with the financial and technical assistance of the World Bank and successfully completed on 31 December 2012. The main intention of CBSP was to transform Bangladesh Bank as a modern and dynamic central bank that regulating and supervising the financial sector of the country more effectively and efficiently.

At present, the maintenance and other post operative functions of various components are being performed by CBSP utilising BB fund. CBSP has executed various initiatives under several project components.

CBSP has successfully introduced massive automation of all business functionalities of Bangladesh Bank and the improvement of the supervision system of the Bank with the objective of ensuring a stable and disciplined financial system in the country.

On completion of Central Bank Strengthening Project, initiatives have been taken to adopt a new project named "Financial Sector Support Project (FSSP)" which was approved on 29 June 2015 by the Government to augment the success of the earlier project and to take the financial market infrastructure to the next level of excellence. FSSP will also take initiatives to improve the regulatory and oversight capacity of Bangladesh Bank and access to long term financing for manufacturing firms in Bangladesh with a view to enhance investment in the country. The total project cost is USD 350.0 million, of which IDA will provide USD 300.0 million and Bangladesh Bank will provide USD 50.0 million. The project will commence on 1 July 2015 and end on 31 March 2021.

The project will provide long term funds to manufacturing enterprises for procurement of capital machineries, equipments and other costs related to set up of new firm, expansion and/or up-gradation of existing firms which will make them enable to remain competitive and to grab the emerging business opportunities. It will also help to facilitate output in the country, boost up the local investment, job creation and economic growth in turn.

## Bangladesh Bank's Accounts for 2014-2015

14.1 Financial results of Bangladesh Bank for FY15 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). Executive summary of Accounts of Bangladesh Bank (excluding SPCBL) is represented below.

### Income

14.2 The total operating income of the Bank (excluding foreign currency revaluation gain/loss) for FY15 decreased by Taka 9.19 billion (24.67 percent) to Taka 28.07 billion compared with Taka 37.26 billion in FY14. With foreign currency revaluation, BB incurred a loss of Taka 8.55 billion in FY15 against a income of Taka 50.40 billion in FY14. The sources of income are set out in Table 14.1.

### Income from Foreign Currency Financial Assets

14.3 During FY15, Bank's income from the foreign currency financial assets increased by Taka 2.17 billion (21.51 percent) to Taka 12.26 billion compared with Taka 10.09 billion in FY14 due to combined impact of increase in weighted average interest rate on investment of foreign currency.

### Income from Local Currency Financial Assets

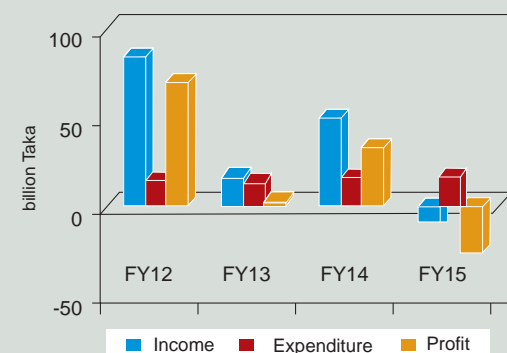
14.4 Bank's income from local currency financial assets decreased by Taka 11.36 billion (41.81 percent) to Taka 15.81 billion in FY15 compared with Taka 27.17 billion in FY14.

**Table 14.1 Sources of income** (billion Taka)

	FY15	FY14
<b>Operating Income</b>		
<b>A. Income from foreign</b>		
<b>currency financial assets</b>	<b>12.26</b>	<b>10.09</b>
Interest income	11.93	10.06
Commission and discounts	0.33	0.03
<b>B. Income from local</b>		
<b>currency financial assets</b>	<b>15.81</b>	<b>27.17</b>
Interest income	14.09	25.79
Commission & discounts	1.38	1.19
Dividend income & misc.	0.02	0.02
Other income	0.32	0.17
<b>Total : (A+B)</b>	<b>28.07</b>	<b>37.26</b>
<b>C. Foreign exchange</b>		
<b>revaluation gain (loss)</b>	<b>(36.62)</b>	<b>13.14</b>
Realised gain/(loss)	(.10)	2.00
Unrealised gain/(loss)	(36.52)	11.14
<b>Total : (A+B+C)</b>	<b>(8.55)</b>	<b>50.40</b>

Note : Parenthesis indicate negative/loss.

**Chart 14.1 Bank's income, expenditure and profit**



This was mainly the combined impact of efficient receipt of revenue income & efficient credit management of the Government and efficient liquidity management of Bangladesh Bank.

### Foreign Currency Revaluation Gain

14.5 During FY15, BB made a loss of Taka 36.62 billion on foreign currency revaluation. This was due to major foreign currencies held by the Bank became weaker against the Bangladeshi Taka. This revaluation loss was transferred to reserve account.

### Expenditure

14.6 Total expenditure of the Bank increased by Taka 0.80 billion (4.74 percent) to Taka 17.68 billion in FY15 compared with Taka 16.88 billion in FY14. The increase in expenditure was mainly due to increase in general and administrative costs. The details of expenditure are shown in the Table 14.2.

### Financial Cost

14.7 Financial cost decreased by Taka 0.51 billion (8.57 percent) to Taka 5.44 billion in FY15 compared with Taka 5.95 billion in FY14. This decrease was mainly due to decrease in interest payments on foreign and local currency financial liabilities.

### Other Expenses

14.8 Other expenses increased by Taka 1.31 billion (11.99 percent) to Taka 12.24 billion in FY15 compared with Taka 10.93 billion in FY14. This increase was mainly due to increase in general and administrative costs.

### Profit for the Year

14.9 Operating profit of the Bank (excluding foreign currency revaluation gain/loss) is Taka

**Table 14.2 Bank's expenditure** (billion Taka)

Particulars	FY15	FY14
<b>A. Financial cost</b>	<b>5.44</b>	<b>5.95</b>
<b>Expenses on foreign currency financial liabilities</b>	<b>0.42</b>	<b>0.24</b>
Interest on foreign currency financial liabilities	0.16	0.19
Commission & other expenses on foreign currency financial liabilities	0.26	0.05
<b>Expenses on local currency financial liabilities</b>	<b>5.02</b>	<b>5.71</b>
Interest expense on local currency financial liabilities	1.87	2.86
Commission & other local currency financial liabilities	3.15	2.85
<b>B. Other expenses</b>	<b>12.24</b>	<b>10.93</b>
Note printing	3.82	3.89
General & administrative expenses	8.42	7.04
<b>Total expenditure (A+B)</b>	<b>17.68</b>	<b>16.88</b>

10.39 billion in FY15 compared to operating profit amounting Taka 20.38 billion in FY14. Operating loss of the Bank (including foreign currency revaluation gain/loss) is Taka 26.23 billion in FY15 compared to operating profit amounting Taka 33.52 billion in FY14.

### Other Comprehensive Income

14.10 During the year, the Bank made revaluation loss amounting to Taka 0.39 billion on gold, silver and financial instruments. This revaluation loss was taken into other comprehensive income and subsequently transferred to the reserve account. Revaluation loss arose due to decrease in value of gold and silver in the international market after revaluation.

### Profit Appropriation

14.11 Out of Taka 10.39 billion profit, an amount of Taka 0.55 billion were transferred to statutory funds, Taka 0.10 billion to



Bangladesh Bank Disaster Management and Social Responsibility Fund and Taka 0.29 billion to asset renewal & replacement reserve. After adjusting of Taka 0.12 billion of interest reserve, Taka 9.57 billion was transferred to the Government account which was Taka 6.06 billion less from FY14.

### Combined Balance Sheet of Banking and Issue Department

#### Assets

14.12 Foreign currency financial assets increased by Taka 273.84 billion (15.76 percent) to Taka 2011.58 billion in FY15 compared with Taka 1737.74 billion in FY14 due to increase in foreign reserves.

14.13 Local currency financial assets decreased by Taka 50.46 billion (17.58 percent) to Taka 236.49 billion in FY15 compared with Taka 286.95 billion in FY14 due mainly to decrease in loans to Government and investment in repo.

14.14 Non financial assets of the Bank decreased by Taka 0.07 billion to Taka 43.11 billion in FY15 from Taka 43.18 billion in FY14.

#### Liabilities

14.15 Foreign currency financial liabilities decreased by Taka 21.59 billion (6.38 percent) to Taka 316.64 billion in FY15 from Taka 338.23 billion in FY14 due to decrease in liabilities with IMF and decrease in deposits from banks and financial institutions in the foreign currency clearing account.

Local currency financial liabilities increased by Taka 287.26 billion (18.64 percent) to Taka 1828.70 billion in FY15 compared with Taka

1541.44 billion in FY14 due to increase in notes in circulation, short term borrowings and deposits from banks and financial institution in local currency.

#### Notes in Circulation

14.16 Notes in circulation increased by Taka 126.46 billion (14.93 percent) to Taka 973.63 billion in FY15 compared with Taka 847.17 billion in FY14. For the liabilities of notes in circulation (amounting to Taka 973.63 billion), Taka 6.41 billion was backed by gold and silver, Taka 870.00 billion by approved foreign currency (balance held outside Bangladesh), Taka 67.04 billion by Government securities, Taka 0.30 billion by Bangladesh Taka coins and Taka 29.88 billion by other domestic assets.

#### Equity

14.17 Total equity of the Bank decreased by Taka 42.36 billion to Taka 145.84 billion in FY15 compared with Taka 188.20 billion in the previous year. The equity of the bank is enumerated below:

- i. Capital of the bank remained unchanged at Taka 0.03 billion;
- ii. Retained earnings decreased by Taka 6.07 billion to Taka 9.57 billion in FY15 compared with Taka 15.64 billion in FY14;
- iii. Revaluation reserve decreased by Taka 36.92 billion to Taka 64.20 billion in FY15 compared with Taka 101.12 billion in FY14;
- iv. Currency fluctuation reserve decreased by Taka 0.10 billion to Taka 26.66 billion in FY15 compared with Taka 26.76 billion in FY14;

- v. Balance of statutory fund increased by Taka 0.55 billion to Taka 15.57 billion in FY15 compared with Taka 15.02 billion in FY14;
- vi. Non statutory fund remained approximately unchanged to Taka 14.22 billion from FY14 to FY15.
- vii. Other reserves increased to Taka 11.34 billion from Taka 11.16 billion;
- viii. General reserve remained unchanged to Taka 4.25 billion.

#### **Foreign Currency Reserve**

14.18 Foreign currency reserve increased by Taka 277.30 billion (16.60 percent) to Taka

1946.97 billion in FY15 compared with Taka 1669.67 billion in FY14.

#### **Consolidation**

14.19 During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCBL), a 100 percent owned subsidiary of Bangladesh Bank has been consolidated with the accounts of Bangladesh Bank.

#### **Auditors**

14.20 The financial statements of Bangladesh Bank for FY15 were audited as per International Standards on Auditing (ISA) by A Qasem & Co. & Rahman Rahman Huq, Bangladesh, Chartered Accountants.

# **BANGLADESH BANK**

AUDITED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015

## **Report of the Independent Auditors To the Government of the People's Republic of Bangladesh**

### **Report on the Financial Statements**

We have audited the accompanying separate and consolidated financial statements (together referred to as "financial statements") of Bangladesh Bank ("the Bank") and its subsidiary ("the Group"), which comprise the separate and consolidated statements of financial position as at 30 June 2015, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Rahman Rahman Huq**

Chartered Accountants, Bangladesh

30 August 2015

**A. Qasem & Co.**

Chartered Accountants, Bangladesh

**Bangladesh Bank**  
**Consolidated Statement of Financial Position as at 30 June 2015**

Assets	Notes	2015 Taka '000	2014 Taka '000
<b>Foreign currency financial assets</b>			
Foreign currency accounts	4	21,015,860	17,792,227
Foreign investments	5	1,684,393,258	1,416,960,021
Assets held with International Monetary Fund	6.01	131,148,185	148,468,110
Gold and silver	7	6,414,663	25,283,678
Claims from gold transactions	8	34,181,082	19,451,963
Foreign currency loans to banks	9	127,742,085	105,186,763
Other foreign currency financial assets	10	6,680,465	4,595,253
<b>Total foreign currency financial assets</b>		<b>2,011,575,598</b>	<b>1,737,738,015</b>
<b>Local currency financial assets</b>			
Taka coin and cash balances	11	14,483,987	1,356,424
Securities purchased under agreement to resell	12	-	980,000
Loans to the Government of Bangladesh	13	112,289,585	168,861,943
Local currency investments	14	6,269,086	8,385,472
Local currency loans to banks, financial institutions and employees	15	107,040,212	109,704,694
Other local currency financial assets	16	531,648	1,145,214
<b>Total local currency financial assets</b>		<b>240,614,518</b>	<b>290,433,747</b>
<b>Total financial assets</b>		<b>2,252,190,116</b>	<b>2,028,171,762</b>
<b>Non-financial assets</b>			
Property, plant and equipment	17	46,150,428	46,440,822
Intangible assets	18	445,179	678,242
Other non-financial assets	19	9,137,878	6,407,845
<b>Total non-financial assets</b>		<b>55,733,485</b>	<b>53,526,909</b>
<b>Total assets</b>		<b>2,307,923,601</b>	<b>2,081,698,671</b>
<b>Liabilities &amp; Equity</b>			
<b>Liabilities</b>			
<b>Foreign currency financial liabilities</b>			
Deposits from banks and financial institutions	20	149,159,932	149,897,535
Liabilities with International Monetary Fund	6.02	167,475,874	188,331,836
<b>Total foreign currency financial liabilities</b>		<b>316,635,806</b>	<b>338,229,371</b>
<b>Local currency financial liabilities</b>			
Notes in circulation	21	973,633,449	847,170,600
Deposits from banks and financial institutions	22	503,017,274	443,782,003
Short term borrowings	23	180,721,995	57,664,690
Other local currency financial liabilities	24	173,881,247	193,316,773
<b>Total local currency financial liabilities</b>		<b>1,831,253,965</b>	<b>1,541,934,066</b>
<b>Total liabilities</b>		<b>2,147,889,771</b>	<b>1,880,163,437</b>
<b>Equity</b>			
Capital	25	30,000	30,000
Retained earnings	32	17,210,947	22,525,327
Revaluation reserves	26	70,204,248	107,116,613
Currency fluctuation reserve	27	26,663,944	26,760,236
Statutory funds	28	15,567,046	15,017,046
Non statutory funds	29	14,219,468	14,222,452
Other reserves	30	11,337,677	11,163,059
General reserve	31	4,800,500	4,700,500
<b>Total equity</b>		<b>160,033,830</b>	<b>201,535,233</b>
<b>Total liabilities and equity</b>		<b>2,307,923,601</b>	<b>2,081,698,671</b>

The accompanying notes from 1 to 55 form an integral part of these financial statements.

Badrul Haque Khan  
General Manager  
Accounts & Budgeting Department

Nazneen Sultana  
Deputy Governor

Dr. Atiur Rahman  
Governor

**Bangladesh Bank**  
**Separate Statement of Financial Position as at 30 June 2015**

Assets	Notes	2015 Taka '000	2014 Taka '000
<b>Foreign currency financial assets</b>			
Foreign currency accounts	4	21,015,860	17,792,227
Foreign investments	5	1,684,393,258	1,416,960,021
Assets held with International Monetary Fund	6.01	131,148,185	148,468,110
Gold and silver	7	6,414,663	25,283,678
Claims from gold transactions	8	34,181,082	19,451,963
Foreign currency loans to banks	9	127,742,085	105,186,763
Other foreign currency financial assets	10	6,680,465	4,595,253
<b>Total foreign currency financial assets</b>		<b>2,011,575,598</b>	<b>1,737,738,015</b>
<b>Local currency financial assets</b>			
Taka coin and cash balances	11.01	321,706	546,240
Securities purchased under agreement to resell	12	-	980,000
Loans to the Government of Bangladesh	13	112,289,585	168,861,943
Local currency investments	14.01	17,795,000	7,005,000
Local currency loans to banks, financial institutions and employees	15.01	105,913,487	108,628,077
Other local currency financial assets	16.01	169,283	929,682
<b>Total local currency financial assets</b>		<b>236,489,061</b>	<b>286,950,942</b>
<b>Total financial assets</b>		<b>2,248,064,659</b>	<b>2,024,688,957</b>
<b>Non-financial assets</b>			
Property, plant and equipment	17.01	38,508,515	38,700,785
Intangible assets	18	445,179	678,242
Other non-financial assets	19.01	4,158,581	3,800,104
<b>Total non-financial assets</b>		<b>43,112,275</b>	<b>43,179,131</b>
<b>Total assets</b>		<b>2,291,176,934</b>	<b>2,067,868,088</b>
<b>Liabilities &amp; Equity</b>			
<b>Liabilities</b>			
<b>Foreign currency financial liabilities</b>			
Deposits from banks and financial institutions	20	149,159,932	149,897,535
Liabilities with International Monetary Fund	6.02	167,475,874	188,331,836
<b>Total foreign currency financial liabilities</b>		<b>316,635,806</b>	<b>338,229,371</b>
<b>Local currency financial liabilities</b>			
Notes in circulation	21	973,633,449	847,170,600
Deposits from banks and financial institutions	22	503,017,274	443,782,003
Short term borrowings	23	180,721,995	57,664,690
Other local currency financial liabilities	24.01	171,327,094	192,817,857
<b>Total local currency financial liabilities</b>		<b>1,828,699,812</b>	<b>1,541,435,150</b>
<b>Total liabilities</b>		<b>2,145,335,618</b>	<b>1,879,664,521</b>
<b>Equity</b>			
Capital	25	30,000	30,000
Retained earnings	32.01	9,568,603	15,643,831
Revaluation reserves	26.01	64,204,078	101,116,443
Currency fluctuation reserve	27	26,663,944	26,760,236
Statutory funds	28	15,567,046	15,017,046
Non statutory funds	29	14,219,468	14,222,452
Other reserves	30	11,337,677	11,163,059
General reserve	31.01	4,250,500	4,250,500
<b>Total equity</b>		<b>145,841,316</b>	<b>188,203,567</b>
<b>Total liabilities and equity</b>		<b>2,291,176,934</b>	<b>2,067,868,088</b>

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan  
General Manager  
Accounts & Budgeting Department

Nazneen Sultana  
Deputy Governor

Dr. Atiur Rahman  
Governor



**Bangladesh Bank**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the year ended 30 June 2015

Income	Notes	2015 Taka '000	2014 Taka '000
<b>Income on foreign currency financial assets</b>			
Interest income	33	11,925,063	10,059,966
Commission and discounts	34	333,593	34,023
<b>Total income on foreign currency financial assets</b>		<b>12,258,656</b>	<b>10,093,989</b>
<b>Income from local currency financial assets</b>			
Interest income	36	15,043,034	26,119,080
Commission and discounts	37	1,382,469	1,191,498
Sales to other parties by subsidiary		1,931,237	2,017,634
Other income		347,606	184,838
<b>Total income from local currency financial assets</b>		<b>18,704,346</b>	<b>29,513,050</b>
<b>Total income</b>		<b>30,963,002</b>	<b>39,607,039</b>
<b>Expenses</b>			
<b>Expenses on foreign currency financial liabilities</b>			
Interest expense	35	(163,563)	(195,267)
Commission and other expenses		(256,150)	(47,784)
<b>Total expenses on foreign currency financial liabilities</b>		<b>(419,713)</b>	<b>(243,051)</b>
<b>Expenses on local currency financial liabilities</b>			
Interest expense	38	(1,873,588)	(2,862,738)
Commission and other expenses	39	(3,153,009)	(2,854,002)
<b>Total expenses on local currency financial liabilities</b>		<b>(5,026,597)</b>	<b>(5,716,740)</b>
<b>Other expenses</b>			
General and administrative expenses	40	(14,267,927)	(12,245,517)
<b>Total other expenses</b>		<b>(14,267,927)</b>	<b>(12,245,517)</b>
<b>Total expenses</b>		<b>(19,714,237)</b>	<b>(18,205,308)</b>
Foreign currency revaluation gain/(loss) - unrealised		(36,521,334)	11,139,987
Foreign currency revaluation gain/(loss) - realised		(96,292)	2,000,957
<b>Profit/(loss) for the year</b>		<b>(25,368,861)</b>	<b>34,542,675</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
<b>Other comprehensive income</b>			
Gold revaluation gain/(loss)		(4,823,824)	4,099,233
Silver revaluation gain/(loss)		(74,807)	21,698
Revaluation gain on property, plant and equipment		-	17,161,372
Revaluation gain/(loss) on financial instruments		4,507,599	-
<b>Total other comprehensive income</b>		<b>(391,032)</b>	<b>21,282,303</b>
<b>Total comprehensive income for the year</b>		<b>(25,759,893)</b>	<b>55,824,978</b>

The accompanying notes from 1 to 55 form an integral part of these financial statements.

Badrul Haque Khan  
General Manager  
Accounts & Budgeting Department

Nazneen Sultana  
Deputy Governor

Dr. Atiur Rahman  
Governor

**Bangladesh Bank**  
**Separate Statement of Profit or Loss and Other Comprehensive Income**  
For the year ended 30 June 2015

Income	Notes	2015 Taka '000	2014 Taka '000
<b>Income on foreign currency financial assets</b>			
Interest income	33	11,925,063	10,059,966
Commission and discounts	34	333,593	34,023
<b>Total income on foreign currency financial assets</b>		<b>12,258,656</b>	<b>10,093,989</b>
<b>Income from local currency financial assets</b>			
Interest income	36.01	14,084,803	25,789,022
Commission and discounts	37	1,382,469	1,191,498
Dividend income		25,000	25,000
Other income	37.a	323,836	165,889
<b>Total income from local currency financial assets</b>		<b>15,816,108</b>	<b>27,171,409</b>
<b>Total income</b>		<b>28,074,764</b>	<b>37,265,398</b>
<b>Expenses</b>			
<b>Expenses on foreign currency financial liabilities</b>			
Interest expense	35	(163,563)	(195,267)
Commission and other expenses		(256,150)	(47,784)
<b>Total expenses on foreign currency financial liabilities</b>		<b>(419,713)</b>	<b>(243,051)</b>
<b>Expenses on local currency financial liabilities</b>			
Interest expense	38	(1,873,588)	(2,862,738)
Commission and other expenses	39	(3,153,009)	(2,854,002)
<b>Total expenses on local currency financial liabilities</b>		<b>(5,026,597)</b>	<b>(5,716,740)</b>
<b>Other expenses</b>			
Note printing expenses		(3,817,289)	(3,885,924)
General and Administrative expenses	40.01	(8,423,247)	(7,042,372)
<b>Total other expenses</b>		<b>(12,240,536)</b>	<b>(10,928,296)</b>
<b>Total expenses</b>		<b>(17,686,846)</b>	<b>(16,888,087)</b>
Foreign currency revaluation gain/(loss) - unrealised		(36,521,334)	11,139,987
Foreign currency revaluation gain/(loss) - realised		(96,292)	2,000,957
<b>Profit/(Loss) for the year</b>		<b>(26,229,708)</b>	<b>33,518,255</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
<b>Other comprehensive income</b>			
Gold revaluation gain/(loss)		(4,823,824)	4,099,233
Silver revaluation gain/(loss)		(74,807)	21,698
Revaluation gain on Property, plant and equipment		-	12,311,838
Revaluation gain/(loss) on Financial Instruments		4,507,599	-
<b>Total other comprehensive income</b>		<b>(391,032)</b>	<b>16,432,769</b>
<b>Total comprehensive income for the year</b>		<b>(26,620,740)</b>	<b>49,951,024</b>

The accompanying notes from 1 to 55 form an integral part of these financial statements.

Badrul Haque Khan  
General Manager  
Accounts & Budgeting Department

Nazneen Sultana  
Deputy Governor

Dr. Atiur Rahman  
Governor

**Bangladesh Bank**  
**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2015

Taka '000

Particulars	Non - distributable											Distributable	Equity
	Capital	Revaluation reserve				Currency fluctuation reserve	Statutory fund	Non-statutory funds	Other reserves		General reserve	Retained earnings	
		Gold and silver	Foreign currency accounts	Financial instruments	Property, plant & equipment				Asset renewal & replacement reserve	Interest reserve			
<b>Balance as at 1 July 2013</b>	30,000	11,429,710	39,951,542	-	23,521,843	24,759,279	14,467,046	14,226,290	2,743,468	8,320,428	4,600,500	46,493,169	190,543,275
Dividend paid for 2012-2013	-	-	-	-	-	-	-	-	-	-	-	(36,302,026)	(36,302,026)
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(4,368,179)	(4,368,179)
Transfer to general reserve	-	-	-	-	-	-	-	-	-	-	100,000	(100,000)	-
Transfer to other funds	-	-	-	-	(197,161)	-	-	-	-	-	-	147,161	(50,000)
Total comprehensive income for the year	-	4,120,931	11,139,987	-	17,161,372	2,000,957	550,000	50,000	279,000	(191,855)	-	20,714,584	55,824,977
Adjustment against revaluation	-	-	-	-	(11,611)	-	-	(53,838)	12,018	-	-	(20,775)	(74,206)
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	(4,038,607)	(4,038,607)
<b>Balance as at 30 June 2014</b>	30,000	15,550,641	51,091,529	-	40,474,443	26,760,236	15,017,046	14,222,452	3,034,486	8,128,573	4,700,500	22,525,327	201,535,233
Adjustment against due from government <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	(16,050)	(16,050)
Dividend paid for 2013-2014	-	-	-	-	-	-	-	-	-	-	-	(15,627,781)	(15,627,781)
Total comprehensive income for the year	-	(4,898,630)	(36,521,334)	4,507,599	-	(96,292)	-	-	-	-	-	11,248,766	(25,759,892)
Utilisation of funds <sup>2</sup>	-	-	-	-	-	-	-	(102,984)	-	-	-	-	(102,984)
Prior year adjustment <sup>3</sup>	-	-	-	-	-	-	-	-	-	-	-	5,303	5,303
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	291,500	(116,883)	-	(824,617)	-
Transfer to general reserve	-	-	-	-	-	-	-	-	-	-	100,000	(100,000)	-
<b>Balance as at 30 June 2015</b>	30,000	10,652,011	14,570,195	4,507,599	40,474,443	26,663,944	15,567,046	14,219,468	3,325,986	8,011,690	4,800,500	17,210,947	160,033,828

<sup>1</sup> The amount of Taka 16,050 thousand under retained earnings represents adjustment against payments made by the Bank on behalf of the Government.

<sup>2</sup> Taka 102,984 thousands represent appropriation against funds. Please refer to note no. 29.

<sup>3</sup> This amount represents income from derecognition of property, plant and equipment which were not recorded in the prior year.

**Bangladesh Bank**  
**Separate Statement of Changes in Equity**  
For the year ended 30 June 2015

Taka '000

Particulars	Non - distributable											Distributable	Equity
	Capital	Revaluation reserve				Currency fluctuation reserve	Statutory fund	Non-statutory funds	Other reserves		General reserve	Retained earnings	
		Gold and silver	Foreign currency accounts	Financial instruments	Property, plant & equipment				Asset renewal & replacement reserve	Interest reserve			
<b>Balance as at 1 July 2013</b>	30,000	11,429,710	39,951,542	-	22,174,046	24,759,279	14,467,046	14,226,290	2,743,468	8,320,428	4,250,500	40,733,254	183,085,563
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(4,368,179)	(4,368,179)
Transferred to other funds	-	-	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)
Dividend paid for 2012-2013	-	-	-	-	-	-	-	-	-	-	-	(36,302,026)	(36,302,026)
Total comprehensive income for the year	-	4,120,931	11,139,987	-	12,311,838	2,000,957	550,000	50,000	279,000	(191,855)	-	19,690,164	49,951,022
Adjustment against revaluation	-	-	-	-	(11,611)	-	-	(53,838)	12,018	-	-	(20,775)	(74,206)
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	(4,038,607)	(4,038,607)
<b>Balance as at 30 June 2014</b>	30,000	15,550,641	51,091,529	-	34,474,273	26,760,236	15,017,046	14,222,452	3,034,486	8,128,573	4,250,500	15,643,831	188,203,567
Adjustment against due from government <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	(16,050)	(16,050)
Dividend paid for 2013-2014	-	-	-	-	-	-	-	-	-	-	-	(15,627,781)	(15,627,781)
Total comprehensive income for the year	-	(4,898,630)	(36,521,334)	4,507,599	-	(96,292)	-	-	-	-	-	10,387,918	(26,620,740)
Utilisation of funds <sup>2</sup>	-	-	-	-	-	-	-	(102,984)	-	-	-	-	(102,984)
Prior year adjustment <sup>3</sup>	-	-	-	-	-	-	-	-	-	-	-	5,303	5,303
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	291,500	(116,883)	-	(824,617)	-
<b>Balance as at 30 June 2015</b>	30,000	10,652,011	14,570,195	4,507,599	34,474,273	26,663,944	15,567,046	14,219,468	3,325,986	8,011,690	4,250,500	9,568,603	145,841,315

<sup>1</sup> The amount of Taka 16,050 thousand under retained earnings represents adjustment against payments made by the Bank on behalf of the Government.

<sup>2</sup> Taka 102,984 thousands represent appropriation against funds. Please refer to note no. 29.

<sup>3</sup> This amount represents income from derecognition of property, plant and equipment which were not recorded in the prior year.

**Bangladesh Bank**  
**Consolidated Statement of Cash Flows**  
For the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>Cash flows from operating activities</b>		
Interest received	17,320,021	28,892,992
Interest paid	(2,037,150)	(3,058,005)
Received from customer	1,515,822	2,017,634
Fees, commission and other income received	1,873,282	1,435,347
Commission and discounts paid	(3,456,192)	(2,901,786)
Payments to employees and suppliers	(12,868,135)	(12,526,798)
Funds advanced from/(to) banks and employees	3,445,120	8,070,164
(Increase)/decrease in other assets	(358,475)	282,926
Currency issued	126,462,849	100,787,983
Increase/(decrease) in other liabilities	(21,364,483)	93,439,392
<b>Net cash from operating activities</b>	<b>110,532,659</b>	<b>216,439,849</b>
<b>Cash flows from investing activities</b>		
Investment income received	6,764,070	5,800,645
(Increase)/decrease in foreign treasury bills and bonds	(277,059,508)	(194,751,026)
(Increase)/decrease in other investments	(20,829,203)	(41,700,679)
(Increase)/decrease in Government securities	56,569,155	135,815,043
(Increase)/decrease in foreign currency investment	(38,524,845)	13,140,944
(Increase)/decrease in investments in debenture	1,958,132	33,333
Additions to property, plant and equipment	(564,289)	(899,806)
Settlement of liabilities with IMF	(3,536,036)	668,964
<b>Net cash used in investing activities</b>	<b>(275,222,523)</b>	<b>(81,892,582)</b>
<b>Cash flows from financing activities</b>		
Dividend paid to the Government of Bangladesh	(15,627,781)	(36,302,026)
<b>Net cash (used in)/from financing activities</b>	<b>(15,627,781)</b>	<b>(36,302,026)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(180,317,645)</b>	<b>98,245,240</b>
Cash and cash equivalents as at 1 July	332,605,866	234,360,626
<b>Cash and cash equivalents as at 30 June</b>	<b>152,288,221</b>	<b>332,605,866</b>
<b>Cash and cash equivalents include</b>		
Foreign currency accounts	21,015,860	501,735,055
Foreign investments with maturity of three months or less	949,687,576	479,878,616
Taka coin and cash balances	14,483,987	1,356,424
Securities purchased under agreement to resell	-	980,000
Foreign currency deposits from banks and financial institutions	(149,159,932)	(149,897,536)
Short term borrowings	(180,721,995)	(57,664,690)
Deposits from banks and financial institutions	(503,017,274)	(443,782,003)
<b>Cash and cash equivalents as at 30 June</b>	<b>152,288,221</b>	<b>332,605,866</b>

**Bangladesh Bank**  
**Separate Statement of Cash Flow**  
For the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>Cash flows from operating activities</b>		
Interest received	16,508,623	28,640,420
Interest paid	(2,037,150)	(3,058,005)
Fees, commission and other income received	1,850,124	1,416,398
Commission and discounts paid	(3,456,192)	(2,901,786)
Payments to employees and suppliers	(11,249,458)	(9,802,448)
Funds advanced from/(to) banks and employees	3,495,228	8,177,733
(Increase)/decrease in other assets	(358,475)	479,392
Currency issued	126,462,849	100,787,983
Increase/(decrease) in other liabilities	(21,364,483)	92,149,220
<b>Net cash from operating activities</b>	<b>109,851,066</b>	<b>215,888,908</b>
<b>Cash flows from investing activities</b>		
Dividends received	25,000	25,000
Investment income received	6,764,070	5,800,645
(Increase)/decrease in foreign treasury bills and bonds	(277,059,508)	(194,751,026)
(Increase)/decrease in other investments	(20,829,203)	(41,503,629)
(Increase)/decrease in Government securities	56,569,155	135,815,043
(Increase)/decrease in foreign currency investment	(38,524,845)	13,140,944
(Increase)/decrease in investments in debenture	(10,790,000)	35,000
Additions to property, plant and equipment	(511,660)	(857,729)
Settlement of liabilities with IMF	(3,536,036)	668,964
<b>Net cash used in investing activities</b>	<b>(287,893,026)</b>	<b>(81,626,788)</b>
<b>Cash flows from financing activities</b>		
Dividend paid to the Government of Bangladesh	(15,627,781)	(36,302,026)
<b>Net cash (used in)/from financing activities</b>	<b>(15,627,781)</b>	<b>(36,302,026)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(193,669,741)</b>	<b>97,960,093</b>
Cash and cash equivalents as at 1 July	331,795,682	233,835,589
<b>Cash and cash equivalents as at 30 June</b>	<b>138,125,940</b>	<b>331,795,682</b>
<b>Cash and cash equivalents include</b>		
Foreign currency accounts	21,015,860	501,735,055
Foreign investments with maturity of three months or less	949,687,576	479,878,616
Taka coin and cash balances	321,706	546,240
Securities purchased under agreement to resell	-	980,000
Foreign currency deposits from banks and financial institutions	(149,159,932)	(149,897,536)
Short term borrowings	(180,721,995)	(57,664,690)
Deposits from banks and financial institutions	(503,017,274)	(443,782,003)
<b>Cash and cash equivalents as at 30 June</b>	<b>138,125,940</b>	<b>331,795,682</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### 1. Reporting entity

Bangladesh Bank ("the Bank"), a body corporate, is the Central Bank of Bangladesh, established on the 16th day of December, 1971 under the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972). The Bank is domiciled in Bangladesh and the head office of the Bank is situated at Motijheel C/A, Dhaka-1000.

The Bank has 10 (ten) branch offices situated at the following locations:

Location	Address
Motijheel Office	Motijheel C/A, Dhaka-1000
Chittagong Office	Notun/617, Shahid Sohrawardi Road, Chittagong
Rajshahi Office	Natore Road, Majhi Hata, Boalia, Rajshahi-6000
Bogra Office	Holding - 1683, Thonthonia, Bogra-5800
Rangpur Office	Bangladesh Bank Rangpur Office, Rangpur-5400
Khulna Office	1, Ratan Sen Road, Khulna-9100
Barishal Office	Deen Bondhu Sen Road, Barishal-8200
Sylhet Office	VIP Road, Taltola, Sylhet-3100
Sadarghat Office	Bahadurshah Road, Sadarghat, Dhaka-1000
Mymensing Office	29, Durgabari Road, Mymensingh-2200

The Bank has exclusive agency arrangement with Sonali Bank Limited for carrying out certain specific treasury related functions across the country. As at 30th June, 2015, 589 Branches of Sonali Bank Limited were engaged in daily treasury functions under the referred agency arrangement with the Bank.

As per the Article 7A of the Bangladesh Bank Order, 1972, functions of the Bank among others include:

- to formulate and implement monetary policy;
- to formulate and implement intervention policies in the foreign exchange market;
- to give advice to the Government on the interaction of monetary policy with fiscal and exchange rate policy, on the impact of various policy measures on the economy and to propose legislative measures it considers necessary or appropriate to attain these.
- to hold and manage the official foreign reserves of Bangladesh;
- to promote, regulate and ensure a secure and efficient payment system, including the issue of bank notes; and
- to regulate and supervise banking companies and financial institutions.

The Bank also acts as the banker to the Government as per Article 16(18) of the Bangladesh Bank Order, 1972.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

The entire Capital of the Bank had been allotted to the Government of Bangladesh as per Article 4(2) of the Bangladesh Bank Order, 1972.

The Bank has a fully owned subsidiary company named The Securities Printing Corporation (Bangladesh) Ltd. ("SPCBL" or "the subsidiary") which was formed on 22nd April, 1992 for the purpose of printing and supplying of currency notes. The Bank and its subsidiary are collectively referred to as "the Group". Refer to note 3.01(a) and 14.02.

### 2. Basis of preparation of the financial statements

#### 2.01 Statement of compliance

The consolidated and separate financial statements (financial statements) of the Group and the Bank respectively have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The compliance status of these IFRSs is as follows:

	Compliance status
IAS 1: Presentation of Financial Statements	Complied
IAS 2: Inventories	Complied
IAS 7: Statement of Cash Flows	Complied
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Complied
IAS 10: Events after the Reporting Period	Complied
IAS 11: Construction Contracts	Not applicable
IAS 12: Income Taxes	Complied
IAS 16: Property, Plant & Equipment	Complied
IAS 17: Leases	Complied
IAS 18: Revenue	Complied
IAS 19: Employee Benefits	Complied
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	Complied
IAS 21: The Effects of Changes in Foreign Exchange Rates	Complied
IAS 23: Borrowing Costs	Complied
IAS 24: Related Party Disclosures	Complied
IAS 26: Accounting and Reporting by Retirement Benefit Plans	Not applicable
IAS 27: Separate Financial Statements	Complied
IAS 28: Investment in Associates and Joint Ventures	Not applicable
IAS 32: Financial Instruments: Presentation	Complied
IAS 33: Earnings Per Share	Not applicable
IAS 34: Interim Financial Reporting	Not applicable
IAS 36: Impairment of Assets	Complied
IAS 37: Provisions, Contingent Liabilities and Contingent Assets	Complied

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

	Compliance status
IAS 38: Intangible Assets	Complied
IAS 39: Financial Instruments: Recognition and Measurement	Complied
IAS 40: Investment Property	Not applicable
IAS 41: Agriculture	Not applicable
IFRS 1: First Time Adoption of International Financial Reporting Standards	Not applicable
IFRS 2: Share Based Payment	Not applicable
IFRS 3: Business Combination	Complied
IFRS 4: Insurance Contracts	Not applicable
IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations	Not applicable
IFRS 6: Exploration for and Evaluation of Mineral Resources	Not applicable
IFRS 7: Financial Instruments: Disclosures	Complied
IFRS 8: Operating Segments	Not applicable
IFRS 10: Consolidated Financial Statements	Complied
IFRS 11: Joint Arrangements	Not applicable
IFRS 12: Disclosure of Interests in Other Entries	Complied
IFRS 13: Fair Value Measurement	Complied

#### 2.02 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following material items in the consolidated and separate statements of financial position ("the statement of financial position"):

Basis of measurement	Material items
"Fair Value (FV)"	- Gold and claims from Gold transactions
	- Silver
	- Property, plant and equipment
	US dollar treasury bills, foreign bonds Government treasury bills and bonds; Bangladesh House Building Finance Corporation (BHBFC) debentures; ICB Islamic Bank Limited shares.
Present value (PV)	Liability for the defined benefit obligation

#### 2.03 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the Group's functional and presentation currency. Except as indicated, financial information presented in Bangladesh Taka has been rounded off to the nearest thousand.

## **Bangladesh Bank : Notes to the Financial Statements**

### **As at and for the year ended 30 June 2015**

#### **2.04 Relationship between Issue Department and Banking Department**

Under the Bangladesh Bank Order, 1972, issue of bank notes shall be conducted by the Bank in an Issue Department, which shall be separated and kept wholly distinct from the Banking Department. Accordingly, the Issue Department is solely concerned with the note issue and the assets backing the issue. The Banking Department comprises all other activities of the Bank. The separation into departments is made within the Bank and reports on both the Banking and Issue Departments (together referred as "statement of affairs") are made internally and submitted to the Ministry of Finance throughout the year at weekly interval. The annual financial statements are prepared on a combined basis to include all the assets and liabilities of the Bank. The assets backing the note issue as at the year end are disclosed in note 21.

#### **2.05 Use of estimates and judgments**

Preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on going concern basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Estimates, judgements and assumptions are made for impairments of loans, fair value of securities, assessment of fair value hierarchy, fair valuation of property, plant and equipment, economic lives of assets for calculation of depreciation and for calculation of provision for post retirement benefits like pension, gratuity and leave encashment and assumptions used in the actuarial valuations of defined benefit plans.

#### **2.06 Comparatives**

IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to correct material prior period errors retrospectively by restating the comparatives amounts for prior period presented in which the error occurred. While preparing financial statements as at 30 June 2015, no such material prior period errors were identified.

### **3 Significant accounting policies**

Accounting policies set out below have been applied consistently to all periods presented in these financial statements by Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 3.01 Basis of consolidation

#### (a) *Subsidiary*

SPCBL is the wholly owned subsidiary of the Bank. It is responsible for printing and supplying the Bank with currency notes based on the requirements from time to time. SPCBL sells these notes to the Bank at a specified mark-up agreed beforehand between the Bank and SPCBL. SPCBL is also engaged in printing of security products for other parties besides the Bank.

#### (b) *Transactions eliminated on consolidation*

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the subsidiary are eliminated to the extent of the Group's interest in the subsidiary. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.02 Foreign currency transactions

Transactions in foreign currencies are translated to Taka at the exchange rate ruling at the dates of the transactions in compliance with IAS 21 : The Effects of Changes in Foreign Exchange Rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Taka at the exchange rate ruling at that date. Foreign exchange difference arising on translation are recognised in the statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Taka at foreign exchange rates ruling at the dates the fair values were determined and exchange difference are recognised in other comprehensive income. At the reporting date the exchange rate of Taka against major foreign currencies held by the Group used in preparing the financial statements were as follows:

Foreign currency	Exchange rates	
	2015 Taka	2014 Taka
US Dollar	77.8004	77.6300
Australian Dollar	59.9686	73.1973
Canadian Dollar	62.2652	72.7827
EURO	86.6152	106.3065
Pound Sterling	122.2556	132.8249
CNY	12.5414	12.5107
JPY	0.6355	0.7663
SDR	109.4185	120.0082

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

### **3.03 Foreign exchange gain/loss**

Realised foreign exchange gain/loss is calculated using average cost methodology. At the end of each month, the change in the average cost balance is calculated on a currency by currency basis by applying (a) where there is a net increase in the currency position, the increase to the average value is the average rate for the month multiplied by the currency amount of the increase and (b) where there is a net decrease in the currency position, the decrease to the average value is calculated by the applying the opening average rate to the carrying amount of the decrease. The difference between the book value at the period end exchange rate and the average value by currency is determined. The balance is considered as unrealised revaluation reserve.

The difference between unrealised revaluation reserve account and the ledger balance is accounted as realised exchange gain/loss for the period and is recognised in the statement of profit or loss for the year. Subsequently the gain/loss has been transferred to currency fluctuation reserve in the statement of financial position.

### **3.04 Financial assets and liabilities**

Financial assets comprise among others foreign currency accounts, foreign investments, assets held with International Monetary Fund (IMF), gold and silver, claims on gold transactions, foreign currency loans to banks, other foreign currency financial assets, Taka coin and cash balances, securities purchased under agreement to resell, loans to Government of Bangladesh, local currency investments, local currency loans to banks, financial institutions and advances to employees and other local currency financial assets.

Financial liabilities comprise deposits from banks and financial institutions, liabilities with IMF, notes in circulation, short term borrowings and other local currency financial liabilities.

#### *(a) Recognition and initial measurement*

Loans and advances are initially recognised in the Statement of Financial Position on the date they are originated. Regular way purchases or sales of financial assets are recognised or derecognised, as applicable, on the settlement date at which the assets are received or, as the case may be, delivered by the Group. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### (b) *Classification and subsequent measurement*

Classification of financial assets and liabilities for purposes of measurement subsequent to initial recognition in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are made in the following manner:

#### (1) Financial assets and financial liabilities at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss are either:

- classified as held for trading; or
- designated by the Group as at fair value through profit or loss upon initial recognition.

Financial assets or financial liabilities are classified as held for trading if:

- they are acquired or incurred principally for the purpose of selling or purchasing them in the near term;
- on initial recognition they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- they are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- assets or liabilities contains an embedded derivative that significantly modifies the cash flow that would otherwise be required under the contract.

#### (2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than:

- those that are upon initial recognition designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

A sale or reclassification of a more than an insignificant amount of held-to-maturity investments would result in their classification of all held-to-maturity investments

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassification that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassification after the Group has collected substantially all of the asset's original principal; and
- sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Treasury bills and bonds of the Government of Bangladesh, foreign bonds, US dollar treasury bills and investment in debentures are classified as held to maturity investments unless the reclassification as available-for-sale is required in the circumstances described above.

### (3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- those that the Group intends to sell immediately or in near term, which are classified as held for trading, and those that the Group has, upon initial recognition, designated as at fair value through profit or loss;
- those that the Group has, upon initial recognition, designated as available for sale; or
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Loans and receivables are initially measured at fair value plus transaction cost directly attributable to the acquisition of the financial assets, and subsequently measured at their amortised cost using the effective interest method.

Taka coin and cash balances, foreign currency accounts, short term investments with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, ways and means advances, overdraft block and current loans to Government of Bangladesh, securities purchased under agreement to resell, local currency loans to banks, financial institutions and employees and other local currency financial assets are classified as loans and receivables.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### (4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that the Group has designated as available for sale or has not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss or (d) trading assets and liabilities.

Swift shares, gold and silver, claims from gold transactions and shares of ICB Islamic Bank Limited are classified as available-for-sale financial assets. Swift shares are measured at cost as there is no quoted market price for these shares.

Shares of The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) are measured at cost in the separate financial statement of the Bank in accordance with IAS 27 Separate Financial Statements.

### (5) Financial liabilities carried at amortised cost

Short-term borrowings, notes in circulation, deposits from banks and financial institutions and liabilities with IMF are classified as financial liabilities carried at amortised cost.

### *(c) Amortised cost measurement principles*

Amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, minus any reduction for impairment or uncollectibility.

Effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial instruments, and any revisions to these estimates are recognised in profit or loss. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums and discounts.

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

### *(d) Fair value measurement principles*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(e) *Gains and losses on subsequent measurement*

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in other comprehensive income (OCI). When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in OCI is transferred to the statement of profit or loss. Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in the statement of profit or loss. Gains and losses on subsequent measurement of loans and receivables and held to maturity financial instruments are recognised in the statement of profit or loss.

(f) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of profit or loss.

Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, claims from gold transactions and repurchase transactions. Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Available-for-sale financial assets and financial assets held for trading are derecognised when sold and corresponding receivables from the buyer for the payment

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

are recognised when the asset is delivered to the buyer. Held-to-maturity instruments and loans and receivables are de-recognised on the day they are repaid in full by the debtor or are deemed to be completely uncollectible.

### *(g) Identification and measurement of impairment*

Financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is objective evidence of impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has an impact on the future cash flows that can be estimated reliably.

Evidence of impairment is considered at both a specific asset level and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of the borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the statement of profit or loss.

### *(h) Off-setting*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when the Group has a legal right to set off the amounts and it intends to settle on a net basis.

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

### **3.05 Foreign currency accounts**

Foreign currency accounts comprise balances held in the current accounts maintained with different central banks and foreign commercial banks in the designated foreign currency. These are measured at each reporting date by translating to the functional currency at the exchange rates prevailing on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve (refer to note 3.03 for accounting policy on foreign exchange gain/loss).

### **3.06 Foreign investments**

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks for periods ranging from 1 to 3 months in designated foreign currencies, overnight investment, foreign currency treasury bills purchased at a discount and interest bearing foreign bonds. The carrying amount of these investments in foreign currency at each reporting date is translated to the functional currency at the exchange rate on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred to revaluation reserve - foreign currency accounts.

### **3.07 Other foreign currency financial assets**

Other foreign currency financial assets comprise Swift shares and accrued interest and dividend thereof. Swift shares have no quoted market price, and are measured at cost.

### **3.08 Taka coin and cash balances**

Taka coin and cash balances represents the face value of unissued one and two Taka coins and notes held by the Bank purchased from the Government at respective face values, cash and cash equivalents held with SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

### **3.09 Loans to the Government of Bangladesh**

Loans to the Government of Bangladesh (the Government) consist of "Ways and Means" advances, as well as credit facilities in the form of overdraft (block and current), and Government treasury bills and bonds.

## **Bangladesh Bank : Notes to the Financial Statements**

### **As at and for the year ended 30 June 2015**

#### *Ways and Means Advance (WMA)*

When total payments to the Government exceed total deposits from the Government, the excess of payment over receipt, with a limit not exceeding Taka 40,000 million (2014: Taka 40,000 million), is treated as WMA with interest being charged thereon at the repo rate. WMA is realised only after realisation of Government overdraft-current account balance in full.

#### *Overdraft - current and block*

Government borrowing in excess of the Taka 40,000 million limit set for WMA are recognised as overdraft-current with a limit not exceeding Taka 40,000 million (2014: Taka 40,000 million). Interest is charged thereon at a rate one percent higher than the repo rate. Any recovery or surplus realised by the Bank from the Government is first applied to the overdraft-current account balance. Any surplus remaining after adjustment of the overdraft-current balance in full then applied to the WMA.

Overdraft block was formerly known as Government treasury bills. At the beginning of the financial year 2006-2007 the balance of Government treasury bills was transferred to overdraft-block account. From the financial year 2007 and onwards an amount of Taka 15,000 million has been repaid every year by the Government. Interest is charged thereon at the rate of 91 day treasury bill.

#### *Treasury bills and bonds*

Government treasury bills and bonds are the securities which are purchased and held by the Bank when commercial banks and financial institutions do not purchase those from the Government. These are measured at fair value at each statement of financial position date.

### **3.10 Local currency investments**

Group investment comprises investment in debenture of BHBFC, shares of the ICB Islamic Bank Ltd and short term deposit with local commercial banks. Investment in debentures and shares are measured at fair value.

### **3.11 Local currency loans to banks, financial institutions and employees**

These comprise loans to nationalised commercial and specialised banks, other scheduled banks and financial institutions and loans to the Bank employees. These are reported net of allowances for loan impairment losses if any.

## **Bangladesh Bank : Notes to the Financial Statements**

### **As at and for the year ended 30 June 2015**

#### **3.12 Gold and silver**

Physical gold and silver are stored at Motijheel branch of the Bank. These are stated at market value. Valuation gains and losses are recognised in OCI and are reported under gold and silver revaluation reserves in the statement of changes in equity.

In managing its investment portfolio, the Bank lends part of its gold holdings to first-class foreign financial institutions. It receives interest in return. Gold lending transactions are effected on a secured basis. The gold price risk remains with the Bank. Gold investments are entered in the statement of financial position under 'claims from gold transactions' and measured at market value. The interest accrual is recognised under 'Interest income - foreign currency operations'.

#### **3.13 Property, plant and equipment**

##### *(a) Recognition and measurement*

Items of PPE are initially recognised at cost and subsequently carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and impairment losses if any.

Land and buildings, appearing as items of PPE are used for its operating, administrative and staff's residence purposes.

##### *(b) Revaluation*

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in OCI and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in OCI reduces the amount accumulated in equity under the heading of revaluation surplus.

The Bank revalued its land as at 30 June 2014 and other items of PPE were revalued as at 1 July 2009 by an independent valuer. The Bank has a policy to revalue all items of property, plant and equipment every five years. As the policy on measurement and recognition of PPE is under review, no revaluation has been performed in this respect since 2009.



## **Bangladesh Bank : Notes to the Financial Statements**

### **As at and for the year ended 30 June 2015**

The Subsidiary's property, plant and equipment were revalued as at 1 July 2013 by an independent valuer. The revalued property, plant and equipment reflecting the fair values of the assets are incorporated in the consolidated financial statements.

Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

- (i) Land was revalued on a reasonable approximation basis. The valuer applied their knowledge of recorded land sales in the respective areas to land measurement established at last valuation;
- (ii) Buildings, capital work in progress, electrical installation and gas installation were revalued on the basis of fair values of materials, labour and direct overheads used in construction and installation; and
- (iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued on the basis of replacement costs.

#### *(c) Subsequent costs*

Cost of replacing a part of PPE is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of PPE are recognised in the statement of profit or loss as incurred.

#### *(d) Capital work in progress*

Capital work in progress is recognised when it is incurred and depreciated after the completion of the project.

#### *(e) Depreciation*

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to allocate the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the cost of another asset. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

<u>Class of PPE</u>	<u>Bank</u>	<u>Subsidiary (SPCL)</u>
Building and other construction	5%	2.5% - 20%
Mechanical and office equipment	10%	5% - 20%
Computer and networking	20%	-
Fixture and fittings	10%	10%
Motor vehicles	20%	20%
Electrical installation	20%	-
Gas installation	20%	-

### (f) *Borrowing cost capitalisation*

The Bank capitalises borrowing costs in accordance with the provision of IAS 23 as part of the cost of assets that are directly attributable to the acquisition, construction, or production of a qualifying asset if following conditions are met:

- It is probable that they will result in future economic benefits to the entity;
- The costs can be measured reliably.

If borrowing costs do not meet both the criteria, they are recognised as expenses. For the purpose of capitalisation, a qualifying assets is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

### (g) *Impairment*

The carrying value of the Bank's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit and loss account. For the assets that have indefinite useful life, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of asset is the greater of net selling price and value in use. The estimated future cash flows are discounted to their present value using discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.14 Intangible assets and their amortisation**

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses if any.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use.

The estimated useful life of software for the current and comparative periods is five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **3.15 Securities borrowing, lending business and repurchase transactions**

In course of its financial market operations, the Bank engages in repurchase agreements involving Government treasury bills and bonds (which is used as a collateral for repurchase transactions). When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the financial statements. Similarly, when commercial banks sell a financial asset to the Bank and simultaneously enter into an agreement to repurchase the asset at a fixed price on a future date, the agreement is accounted for as a loan, and the underlying asset is not recognised in the financial statements.

### **3.16 Employee benefits**

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by an employee. Employee benefits are recognised as:

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

- (a) a liability (accrued expense) when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

### 3.17 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, medical allowances or any others are charged as expenses in the statement of profit or loss.

### 3.18 Post employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. The Group operates a number of post-employment benefit plans and recognises expenses for these plans in the statement of profit or loss.

#### (a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

##### (i) Contributory provident fund

Bank and employees contribute to the fund, which invests in various securities. The Bank commits a return of 13% on the balance of the contributed amount. In the event that the return from securities is lower than the committed return of 13%, the shortfall, if any, would be paid by the Bank and is recognised in the statement of profit or loss. Bank's obligations for contributions to the above fund are recognised as an expense in the statement of profit or loss as incurred.

#### (b) *Defined benefit plans*

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### (i) General provident fund

Employees contribute at various rates of their basic salaries to the fund. No contributions are made by the Bank for the above fund. The provident fund invests in various securities and the Bank has committed a return of 13% (2014: 13%). Any shortfall in the return from investments is funded by the Bank by charging in its statement of profit or loss.

## **Bangladesh Bank : Notes to the Financial Statements**

### **As at and for the year ended 30 June 2015**

(ii) Pension scheme

Employees are entitled to pension amounting to maximum of 80% of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Taka 230 (2014: Taka 230) per Taka 1 surrendered from the pension. Employees may choose to surrender the remaining 50% for a lump sum payment computed at the rate of Taka 115 (2014: Taka 115) per Taka 1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to medical allowance in cash (Taka 700 per month upto age 65 years and Taka 1,000 after 65 years) even after retirement as prescribed by the government.

The Bank actuarially valued its pension liabilities as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income. However, Bank did not make any actuarial valuation this year in view of the declaration of the national pay scale which will necessitate changes in the salary structures and it was considered prudent to do the actuarial valuation based on the new pay scale.

(iii) Gratuity scheme

On retirement the employees are entitled to receive two months of final basic salary for every year of service. The Bank actuarially valued its gratuity scheme and measured its liability for defined benefit obligation as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of profit or loss when the plan amendment or curtailment occurs.

(iv) Leave encashment

Those employees who have unutilised leave up to one year or more at the time of retirement age of 59 are allowed to leave with salary for one year. The remaining unutilised leave is encashed (maximum twelve months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

### **3.19 Other long-term employee benefits**

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service. All employees after retirement are entitled a maximum of Taka 1,000 per year in the form of medicine.

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

### **3.20 Provisions**

Provisions are recognised in respect of restructuring, redundancy and legal claims arising from past events where it is probable that an outflow of resources will be required to settle the obligations and the amount can be reliably estimated.

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations a reliable estimate can be made of the amount of the obligation.

A legal obligation is an obligation that derives from a contract, legislation or other operation of law. A constructive obligation is an obligation that derives from an entity's actions such as by an established pattern of past practice, published policies etc. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and any changes in the estimates are applied prospectively.

### **3.21 Notes in circulation**

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in the financial statements.

### **3.22 Government grants**

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the statement of profit or loss over the useful lives of the related assets.

### **3.23 Interest income and expenses**

Interest income and expenses are recognised in the statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

### **3.24 Commission and discounts**

Commission income arises on instruments issued by the Group, long outstanding entries of the sundry accounts, sale proceeds of sundry items, car and bus fares realised from the staff and other miscellaneous items.

### **3.25 Dividend income**

Dividend income is recognised in the separate financial statements of the Bank when the right to receipt of income is established.

### **3.26 Income tax**

#### *(a) Bangladesh Bank*

The Bank is not subject to income taxes on any of its income, stamp duties, and customs duties on gold, silver, coins, currency notes, security papers and any other goods that may be specified by the Government as per Article 73, 74 and 75 of Bangladesh Bank Order, 1972.

#### *(b) Subsidiary*

The Subsidiary is subject to income tax. Income tax on the profit or loss for the year comprises of current tax and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Present applicable income tax rate is 35%.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 3.27 Subsequent events

Events after the reporting date that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes when material in compliance with IAS 10 Events after the Reporting Period. Up to the date the financial statements were authorised for issue, no events have occurred which require to disclosure in the financial statements.

4	<b>Foreign currency accounts</b>	<b>2015</b> <b>Taka '000</b>	<b>2014</b> <b>Taka '000</b>
	The accounts represent the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.		
	<b>Balance held with</b>		
	Other Central Banks	19,546,523	16,829,772
	Foreign commercial banks	1,469,337	962,455
	<b>Total</b>	<b>21,015,860</b>	<b>17,792,227</b>
<b>5</b>	<b>Foreign investments</b>		
	Overnight Investment	247,393,553	483,942,828
	Short term deposits with overseas commercial banks	674,465,879	492,050,716
	US Dollar treasury bills	83,279,606	83,075,584
	Foreign bonds	679,254,220	357,890,893
	<b>Total</b>	<b>1,684,393,258</b>	<b>1,416,960,021</b>
<b>6</b>	<b>International monetary fund (IMF) related assets and liabilities</b>		
<b>6.01</b>	<b>Assets held with International Monetary Fund</b>		
	Quota	58,352,886	64,000,373
	SDR holding	72,789,125	84,454,866
	Interest receivable on SDR holding	6,174	12,871
	<b>Total</b>	<b>131,148,185</b>	<b>148,468,110</b>
<b>6.02</b>	<b>Liabilities with International Monetary Fund</b>		
	IMF Securities	56,675,010	62,320,401
	IMF-1 and IMF-2 account	1,617,261	1,624,626
	SDR allocation	55,847,748	61,252,784
	IMF extended credit facility	50,016,838	54,857,548
	Loan under the Poverty Reduction and Growth Facility	3,314,286	8,266,285
	Interest payable	4,732	10,192
	<b>Total</b>	<b>167,475,874</b>	<b>188,331,836</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

Bangladesh has been a member of the International Monetary Fund ("IMF") since 1972. The Bank also acts as both the fiscal agent and the depository for the IMF. As fiscal agent, Bangladesh Bank is authorised to carry out all operations and transactions with the IMF. As depository, Bangladesh Bank maintains the IMF's currency holdings and ensures that the assets and liabilities of IMF membership are properly reflected in its accounts and presented in its financial statements.

The quota of Bangladesh is its membership subscription. Quota is the amount of money that each IMF member country is required to contribute to the IMF. A member must pay its subscription in full upon joining the fund; up to 25 percent must be paid in SDRs or widely accepted currencies such as the US dollar, euro, yen or pound sterling, while the rest is paid in the member's own currency. The subscription is granted mainly by the issue of promissory notes in favor of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the IMF account maintained with the Bank.

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

IMF has revalued SDR against Bangladesh currency (Taka) on 30 April 2015. Accordingly, IMF related assets and liabilities were translated to Taka at the exchange rate ruling at 30 June 2015 (converted at the rate of Taka 0.00913 per one SDR).

	2015 Taka '000	2014 Taka '000
<b>7 Gold and silver</b>		
Gold	6,188,335	24,982,543
Silver	226,328	301,135
<b>Total</b>	<b>6,414,663</b>	<b>25,283,678</b>

The Bank has in total 443,112.24 troy ounce of Gold and 185,115.91 troy ounce of Silver under its holding.

<b>8 Claims from gold transactions</b>	<b>34,181,082</b>	<b>19,451,963</b>
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These represent claims against gold loan to Standard Chartered Bank, London and HSBC, London for 3 to 12 months. The physical gold are held on site by Bank of England, London.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

9 Foreign currency loans to banks	2015 Taka '000	2014 Taka '000
Export Development Fund (EDF) Dollar investment	127,742,085	105,186,763
Central Bank of Iraq	-	296,164
Rupali Bank Karachi	10,735	11,040
	<u>127,752,820</u>	<u>105,493,967</u>
Provision for loan losses	(10,735)	(307,204)
<b>Total</b>	<b><u>127,742,085</u></b>	<b><u>105,186,763</u></b>

This non-convertible account was created in 1979 on request of Bangladesh Bank. The purpose of creating the account is to adjust some unadjusted export bills prior to our independence. The principal amount of this account can not be remitted, transferred and converted. But the interest can be transferred after paying tax and complying with the rules of the State Bank of Pakistan.

### 10 Other foreign currency financial assets

Swift shares	80	80
Interest receivable	6,680,385	4,595,173
<b>Total</b>	<b><u>6,680,465</u></b>	<b><u>4,595,253</u></b>

**10.a** Bank has bought one share of SWIFT as part of membership of the said organisation. Face value of the share is equivalent to Taka 80,474.57.

**10.b** Interest receivable represents interest on account of short term deposits with foreign banks, foreign bonds, EDF investment and gold investment.

### 11 Consolidated Taka coin and cash balances

Taka coin	303,316	516,415
Cash balances (SPCBL)	14,162,281	810,184
Cash balances (separate)	18,390	29,825
<b>Total</b>	<b><u>14,483,987</u></b>	<b><u>1,356,424</u></b>

#### 11.01 Taka coin and cash balances

Taka coin	303,316	516,415
Cash balances	18,390	29,825
<b>Total</b>	<b><u>321,706</u></b>	<b><u>546,240</u></b>

Taka coin and cash balances represent the face value of unissued one and two taka coins and notes held by the Bank purchased from the Government at respective face values, cash and cash equivalents held with SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>12 Securities purchased under agreement to resell</b>	-	980,000

When commercial banks sell a financial asset to the Bank and simultaneously enter into an agreement to repurchase the asset at a fixed price on a future date, the agreement is accounted for as a loan, and the underlying asset is not recognized in the financial statements. On the reporting date, there is no securities purchased under agreement to resell.

### 13 Loans to the Government of Bangladesh

Ways and means advance (WMA)	24,354,400	-
Overdraft - block (ODB)	86,850,000	131,510,000
Overdraft - current (ODC)	-	-
Treasury bills	-	2,327,168
Treasury bonds	1,085,185	35,024,775
<b>Total</b>	<b>112,289,585</b>	<b>168,861,943</b>

On 7 September 2014, the Government adjusted Tk. 44,660.00 million worth overdraft block balance. However, yearly scheduled amount of Tk. 15,000 million was not offset during the current year.

Applicable interest rates for the WMA, ODB and ODC during the year were:

WMA	5.25%	5.25%
ODC	6.25%	6.25%
ODB	5.39%	6.85%

### 14 Consolidated local currency investments

Debenture - BHBFC (Note - 14.c)	5,795,000	6,505,000
Short term money market investments (Note - 14.a)	462,501	1,868,910
Shares- ICB Islamic Bank Ltd. (Note - 14.d)	7,452	7,452
Others	4,134	4,110
<b>Total</b>	<b>6,269,086</b>	<b>8,385,472</b>

#### 14.01 Local currency investments

Debenture - BHBFC (Note - 14.c)	5,795,000	6,505,000
Investment in subsidiary (Note 14.b)	12,000,000	500,000
<b>Total</b>	<b>17,795,000</b>	<b>7,005,000</b>

**14.a** These represent the total amount of term deposits by SPCBL with different local commercial banks.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
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### 14.b Investment in subsidiary

SPCBL is the wholly owned subsidiary of the Bank. Total paid up capital of SPCBL stood at Tk. 12,000,000 thousand after subscription of further Tk. 11,500,000 thousand on 12 November 2014 by the Bank. For the year ended 30 June 2014, SPCBL declared and paid Tk. 25 million as dividend.

14.c Debenture - BHBFC represents subscription by the Bank of debentures issued by BHBFC from time to time.

Rate of interest	Balance as on 30 June 2015
4.5%	2,680,000
5%	3,015,000
2.75%	100,000
<b>Total</b>	<b>5,795,000</b>

14.d SPCBL holds 7,45,200 shares of Tk. 10 of ICB Islamic Bank Ltd. (Formerly the Oriental Bank Ltd.) as per Bangladesh Bank Circular No - BRPD (R-1) 651/9(10)/2007-446 dated 2 August 2007.

## 15 Consolidated local currency loans to banks, financial institutions and employees

### (i) Local currency loans to banks, financial institutions

State owned banks:

Commercial Banks	4,963,167	4,105,182
Specialised Banks*	33,362,448	39,719,785
	<b>38,325,615</b>	<b>43,824,967</b>
Provision for impairment (Note 15.a)	(140,426)	(206,952)
	<b>38,185,188</b>	<b>43,618,015</b>

Other banks and financial institutions:

Private banks	3,019,500	2,634,900
Other loans and advances	26,172,779	28,601,184
	<b>29,192,279</b>	<b>31,236,084</b>
Interest receivable	8,429,740	7,595,016

<b>Total (i)</b>	<b>75,807,208</b>	<b>82,449,115</b>
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### (ii) Local currency loans and advances to employees

Loans and advances to employees	31,782,362	27,750,850
Provision for loan losses (Note 15.b)	(549,357)	(495,271)
<b>Total (ii)</b>	<b>31,233,004</b>	<b>27,255,579</b>
<b>Total loans (i + ii)</b>	<b>107,040,212</b>	<b>109,704,694</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>15.01 Local currency loans to banks, financial institutions and employees</b>		
<b>(i) Local currency loans to banks, financial institutions</b>		
State owned banks:		
Commercial Banks	4,963,167	4,105,182
Specialised Banks *	33,362,448	39,719,785
	<b>38,325,615</b>	<b>43,824,967</b>
Provision for impairment (Note 15.a)	(140,426)	(206,952)
	<b>38,185,188</b>	<b>43,618,015</b>
Other banks and financial institutions:		
Private banks	3,019,500	2,634,900
Other loans and advances	26,172,779	28,601,184
	<b>29,192,279</b>	<b>31,236,084</b>
Interest receivable	8,429,740	7,595,016
<b>Total (i)</b>	<b>75,807,208</b>	<b>82,449,115</b>
<b>(ii) Local currency loans and advances to employees</b>		
Loans and advances to employees	30,655,637	26,674,233
Provision for loan losses (Note 15.b)	(549,357)	(495,271)
<b>Total (ii)</b>	<b>30,106,279</b>	<b>26,178,962</b>
<b>Total loans (i + ii)</b>	<b>105,913,487</b>	<b>108,628,077</b>

\*Specialised banks include banks catering the specific needs of different economic sectors as described below:

<b>Banks</b>	<b>Specialized Sectors</b>
Bangladesh Krishi Bank	Agricultural
Rajshahi Krishi Unnayan Bank	Agricultural
Bangladesh Samabay Bank Limited	Agricultural

### 15.a Provision for impairment

Opening balance	206,952	226,117
Charged during the year	-	140,426
Released during the year	(66,525)	(159,591)
<b>Total</b>	<b>140,427</b>	<b>206,952</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>15.b Provision for loan losses</b>		
Opening balance	495,271	264,099
Charged during the year	54,086	231,172
<b>Total</b>	<b>549,357</b>	<b>495,271</b>

Provision for impairment is an asset type account which is kept for reducing loss on interest from non-interest bearing loans. The released amount is due to write back of provision of rescheduled Demand Loan.

Provision for loan losses is also an asset type account maintained for adjusting bad debt staff advance interest of employees staff advance.

### 16 Consolidated other local currency financial assets

Interest receivables (Bangladesh bank)	169,283	929,682
Interest receivables (SPCBL)	362,365	215,532
<b>Total</b>	<b>531,648</b>	<b>1,145,214</b>

#### 16.01 Other local currency financial assets

Interest receivables	169,283	929,682
<b>Total</b>	<b>169,283</b>	<b>929,682</b>

Interest receivables include interest receivable on Government Treasury Bonds, interest receivable on Debenture-HBFC and debtors adjusting account of Debt Management Department and Expenditure Management Department.



## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### 17 Consolidated Property Plant & Equipment

##### i) 2015

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
<b>Cost</b>										
As at 1 July 2014	36,551,304	4,829,898	4,103,203	1,681,243	158,129	241,289	216,021	811	1,580,747	<b>49,362,645</b>
Addition during the year	-	10,296	98,642	118,830	18,489	3,586	16,053	1,205	340,454	<b>607,555</b>
Transfers during the year	-	228,753	28,838	-	-	-	37,020	-	(294,611)	<b>-</b>
Disposals during the year	-	(5,102)	(419)	(2,128)	(165)	(1,847)	(114)	-	-	<b>(9,775)</b>
<b>As at 30 June 2015</b>	<b>36,551,304</b>	<b>5,063,845</b>	<b>4,230,264</b>	<b>1,797,945</b>	<b>176,453</b>	<b>243,028</b>	<b>268,980</b>	<b>2,016</b>	<b>1,626,590</b>	<b>49,960,425</b>
		4257227								
<b>Accumulated depreciation</b>										
As at 1 July 2014	-	938,987	688,352	989,711	75,411	134,134	94,432	796	-	<b>2,921,823</b>
Charge for the year	-	253,445	219,034	333,895	13,894	36,905	35,884	202	-	<b>893,259</b>
Disposals during the year	-	(1,314)	(391)	(1,343)	(78)	(1,847)	(112)	-	-	<b>(5,085)</b>
<b>As at 30 June 2015</b>	<b>-</b>	<b>1,191,118</b>	<b>906,995</b>	<b>1,322,263</b>	<b>89,227</b>	<b>169,192</b>	<b>130,204</b>	<b>998</b>	<b>-</b>	<b>3,809,997</b>
<b>Net book value</b>										
As at 30 June 2015	36,551,304	3,872,727	3,323,269	475,682	87,226	73,836	138,776	1,018	1,626,590	<b>46,150,428</b>
As at 30 June 2014	36,551,304	3,890,911	3,414,851	691,532	82,718	107,155	121,589	15	1,580,747	<b>46,440,822</b>

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer. The Subsidiary's property, plant and equipment were revalued on 1 July 2013. Refer to note 3.13 (b).

Land includes Taka 27,539 million of leasehold land, all on standard terms of thirty to ninety-nine years.

As the Bank's policy on measurement and recognition of property, plant and equipment is currently under review, no revaluation for assets other than land has been carried out since 2009.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### ii) 2014

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
<b>Cost</b>										
As at 1 July 2013	21,369,423	4,213,240	3,740,394	1,571,693	153,163	231,548	122,370	811	1,513,391	<b>32,916,033</b>
Addition during the year	189,673	37,438	191,007	109,729	15,717	28,546	69,403	-	360,979	<b>1,002,492</b>
Valuation gain/(loss)	14,992,208	427,038	135,039							<b>15,554,285</b>
Transfers during the year	-	155,426	36,763	77,185	-	-	24,249	-	(293,623)	-
Disposals during the year	-	(3,244)	-	(77,364)	(10,751)	(18,805)	(1)	-	-	<b>(110,165)</b>
<b>As at 30 June 2014</b>	<b>36,551,304</b>	<b>4,829,898</b>	<b>4,103,203</b>	<b>1,681,243</b>	<b>158,129</b>	<b>241,289</b>	<b>216,021</b>	<b>811</b>	<b>1,580,747</b>	<b>49,362,645</b>
<b>Accumulated depreciation</b>										
As at 1 July 2013	-	1,160,200	1,624,978	664,772	67,454	92,075	65,315	634	-	<b>3,675,428</b>
Charge for the year	-	241,230	207,958	324,939	12,510	43,414	29,117	162	-	<b>859,330</b>
Disposals during the year	-	(462,443)	(1,144,584)	-	(4,553)	(1,355)	-	-	-	<b>(1,612,935)</b>
<b>As at 30 June 2014</b>	<b>-</b>	<b>938,987</b>	<b>688,352</b>	<b>989,711</b>	<b>75,411</b>	<b>134,134</b>	<b>94,432</b>	<b>796</b>	<b>-</b>	<b>2,921,823</b>
<b>Net book value</b>										
As at 30 June 2014	36,551,304	3,890,911	3,414,851	691,532	82,718	107,155	121,589	15	1,580,747	<b>46,440,822</b>
As at 30 June 2013	21,369,423	3,053,040	2,115,416	906,921	85,709	139,473	57,055	177	1,513,391	<b>29,240,605</b>

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer.

Land includes Taka 17,080 million of lease hold land, all on standard terms of ninety-nine years.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 17.01 Property, plant and equipment

#### i) 2015

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
<b>Cost</b>										
As at 1 July 2014	32,892,704	3,621,579	1,032,518	1,681,243	119,475	216,702	216,021	811	1,578,493	41,359,546
Addition during the year		6,606	51,397	118,830	18,436	3,586	16,053	1,205	288,281	504,394
Transfers during the year		228,753	26,584				37,020		(292,357)	-
Disposals during the year		(5,102)	(419)	(2,128)	(165)		(114)			(7,928)
<b>As at 30 June 2015</b>	<b>32,892,704</b>	<b>3,851,836</b>	<b>1,110,080</b>	<b>1,797,945</b>	<b>137,746</b>	<b>220,288</b>	<b>268,980</b>	<b>2,016</b>	<b>1,574,417</b>	<b>41,856,012</b>
<b>Accumulated depreciation</b>										
As at 1 July 2014	-	881,406	534,073	989,711	42,157	116,186	94,432	796	-	2,658,761
Charge for the year	-	195,495	78,219	333,896	12,850	35,427	35,886	203	-	691,977
Disposals during the year	-	(1,314)	(392)	(1,344)	(78)	-	(113)	-	-	(3,241)
<b>As at 30 June 2015</b>	<b>-</b>	<b>1,075,587</b>	<b>611,900</b>	<b>1,322,263</b>	<b>54,930</b>	<b>151,613</b>	<b>130,204</b>	<b>999</b>	<b>-</b>	<b>3,347,497</b>
<b>Net book value</b>										
As at 30 June 2015	32,892,704	2,776,249	498,180	475,682	82,816	68,675	138,776	1,017	1,574,417	38,508,515
As at 30 June 2014	32,892,704	2,740,173	498,445	691,532	77,318	100,516	121,589	15	1,578,493	38,700,785

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer.

Land includes Taka 27,539 million of leasehold land, all on standard terms of thirty to ninety-nine years.

As the Bank's policy on measurement and recognition of property, plant and equipment is currently under review, no revaluation for assets other than land has been carried out since 2009.

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2015

## ii) 2014

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
<b>Cost</b>										
As at 1 July 2013	20,391,193	3,433,198	836,902	1,571,693	114,802	214,337	122,370	811	1,512,152	<b>28,197,458</b>
Addition during the year	189,673	37,438	158,853	109,729	15,424	21,170	69,403	-	358,725	<b>960,415</b>
Valuation gain/(loss)	12,311,838	-	-	-	-	-	-	-	-	<b>12,311,838</b>
Transfers during the year	-	154,187	36,763	77,185	-	-	24,249	-	(292,384)	<b>-</b>
Disposals during the year	-	(3,244)	-	(77,364)	(10,751)	(18,805)	(1)	-	-	<b>(110,165)</b>
<b>As at 30 June 2014</b>	<b>32,892,704</b>	<b>3,621,579</b>	<b>1,032,518</b>	<b>1,681,243</b>	<b>119,475</b>	<b>216,702</b>	<b>216,021</b>	<b>811</b>	<b>1,578,493</b>	<b>41,359,546</b>
<b>Accumulated depreciation</b>										
As at 1 July 2013	-	698,937	465,232	664,772	35,234	75,112	65,315	634	-	<b>2,005,236</b>
Charge for the year	-	183,649	68,841	324,939	11,476	42,429	29,117	162	-	<b>660,613</b>
Disposals during the year	-	(1,180)	-	-	(4,553)	(1,355)	-	-	-	<b>(7,088)</b>
<b>As at 30 June 2014</b>	<b>-</b>	<b>881,406</b>	<b>534,073</b>	<b>989,711</b>	<b>42,157</b>	<b>116,186</b>	<b>94,432</b>	<b>796</b>	<b>-</b>	<b>2,658,761</b>
<b>Net book value</b>										
As at 30 June 2014	32,892,704	2,740,173	498,445	691,532	77,318	100,516	121,589	15	1,578,493	<b>38,700,785</b>
As at 30 June 2013	20,391,193	2,734,261	371,670	906,921	79,568	139,225	57,055	177	1,512,152	<b>26,192,222</b>

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer.

Land includes Taka 17,080 million of leasehold land, all on standard terms of thirty to ninety-nine years.

As the Bank's policy on measurement and recognition of property, plant and equipment is currently under review, no revaluation for assets other than land has been carried out since 2009.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

18 Intangible assets	2015 Taka '000	2014 Taka '000
Intangible asset at cost	1,183,974	1,178,358
Accumulated amortisation	(865,368)	(623,255)
Capital work in progress	126,573	123,139
<b>Total</b>	<b>445,179</b>	<b>678,242</b>

Balance represents the accumulated value of Enterprise Resources Planning (ERP), Core Banking Solutions (CBS), Enterprise Data Warehouse (EDW), Bangladesh Automated Clearing House (BACH), Bangladesh Electronic Fund Transfers Network (BEFTN), Credit Information Bureau (CIB) and Bank's in-house built softwares.

19 Consolidated other non financial assets		
Prepayments and advances	1,144,229	924,283
Stock	6,986,234	4,891,562
Sundry debtors	1,007,415	592,000
<b>Total</b>	<b>9,137,878</b>	<b>6,407,845</b>

### 19.01 Other non-financial assets

Prepayments and advances	4,127,278	3,772,413
Stock (Printed books, forms and papers, office supplies and stock of medicine)	31,303	27,692
<b>Total</b>	<b>4,158,581</b>	<b>3,800,104</b>

20 Deposits from banks and financial institutions		
Foreign currency deposits from commercial banks (Foreign currency clearing)	78,892,716	74,802,048
Asian Clearing Union (ACU)	70,261,285	75,093,095
Interest payable to ACU	5,930	2,393
<b>Total</b>	<b>149,159,932</b>	<b>149,897,535</b>

21 Notes in circulation		
Notes in circulation	973,633,537	847,170,638
Cash in hand	(88)	(38)
<b>Total</b>	<b>973,633,449</b>	<b>847,170,600</b>

Notes in circulation represent currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June 2015 was as follows:

Denomination	Number in pieces	2015		2014	
		Value in Taka '000	Value in Taka '000	Value in Taka '000	Value in Taka '000
5 Taka coin	795,587,204	3,977,936	3,803,145		
5 Taka note	773,856,189	3,869,281	3,547,743		
10 Taka note	1,262,478,936	12,624,789	12,743,266		
20 Taka note	415,286,916	8,305,738	7,159,252		
50 Taka note	179,632,928	8,981,646	8,400,687		
100 Taka note	707,500,119	70,750,012	68,930,841		
500 Taka note	886,746,888	443,373,444	424,240,371		
1000 Taka note	421,750,690	421,750,690	318,345,333		
<b>Total</b>	<b>5,442,839,870</b>	<b>973,633,537</b>	<b>847,170,638</b>		

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<p>Liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with Article 30 of Bangladesh Bank Order, 1972, these liabilities are supported by the following assets:</p>		
Gold	6,188,335	6,134,183
Silver	226,328	301,135
Approved Foreign Exchange	870,000,000	800,000,000
Bangladesh Government securities	67,036,120	10,214,848
Taka coin	303,316	516,415
Other loans and advances	29,879,438	30,004,057
<b>Total</b>	<b>973,633,537</b>	<b>847,170,638</b>

### 22 Deposits from banks and financial institutions

State owned commercial banks	123,192,501	102,556,236
Government specialised banks	15,436,474	22,205,015
Private banks	333,584,536	288,472,651
Foreign banks	26,183,067	26,743,289
Financial institutions	4,620,696	3,804,812
<b>Total</b>	<b>503,017,274</b>	<b>443,782,003</b>

Deposits from banks and financial institutions comprise required reserve deposits such as Cash Reserve Ratio (CRR), calculated at a rate of 6.5% (2014: 6.5%) on the bank's liability base, together with balances held for settlement purposes.

### 23 Short term borrowings

Securities sold under agreement to repurchase	166,350,000	37,930,000
Bangladesh Bank bills	14,371,995	19,734,690
<b>Total</b>	<b>180,721,995</b>	<b>57,664,690</b>

Securities sold under agreement to repurchase and Bangladesh Bank bills are instruments used by the Bank to withdraw liquidity from the market. The balances at the year end reflect market conditions at that date.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	Restated 2014 Taka '000
<b>24 Consolidated other local currency financial liabilities</b>		
Government deposits	5,033	41,199,148
Other deposits (Note 24.02)	121,568,330	104,206,158
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	4,222,001	2,983,413
Interest suspense account	732	715
Deposits from donor agencies	22,337,551	21,422,994
Inter-branch adjustments (suspense)	(211,897)	437,732
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	6,618,747	5,738,714
Provision for gratuity*	1,470,184	1,553,726
Provision for leave encashment	1,534,606	1,664,214
Small and medium enterprise fund - Government	1,772,064	1,772,064
Loan from Govt of Bangladesh - Central bank strengthening project(Note-24.03)	2,721,734	2,764,580
DFID -RPP Project	137,029	391,272
Small and medium enterprise fund ADB-2	7,332,907	6,667,569
Deferred tax liability	1,133,504	594,810
Miscellaneous	521,144	456,806
Others - subsidiary	1,421,567	1,210,821
Fund for small investor affected in capital market	1,043,971	-
<b>Total</b>	<b>173,881,247</b>	<b>193,316,773</b>

### 24.01 Other local currency financial liabilities

Government deposits	5,033	41,199,148
Other deposits (Note 24.a)	121,568,330	104,206,158
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	4,222,919	4,290,128
Interest suspense account	732	715
Deposits from donor agencies	22,337,551	21,422,994
Inter-branch adjustments (suspense)	(211,897)	437,732
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	6,618,747	5,738,714
Provision for gratuity*	1,470,184	1,553,726
Provision for leave encashment	1,534,606	1,664,214
Small and medium enterprise fund - Government	1,772,064	1,772,064
Loan from Govt of Bangladesh - Central bank strengthening project (Note-24.b)	2,721,734	2,764,580
DFID -RPP Project	137,029	391,272
Small and medium enterprise fund ADB-2	7,332,907	6,667,569
Miscellaneous	521,144	456,806
Fund for small investor affected in capital market	1,043,971	-
<b>Total</b>	<b>171,327,094</b>	<b>192,817,857</b>

\*Refer to note 51 for details.



## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

		2015 Taka '000	2014 Taka '000
<b>24.a</b>	Other deposits comprise Bangladesh Government special islamic bonds fund deposit, employees provident fund deposit, liquidator bank deposit, scheduled bank's insurance fund deposit, security deposit, employees co-operative societies deposits and other sundry deposits.		

#### **24.b Unutilised Central Bank Strengthening Project (CBSP) fund**

Government of Bangladesh (GOB) signed a credit agreement with the International Development Agency (IDA) for a project named Central Bank Strengthening Project (CBSP). The related credit reference is IDA 3792 BD and the project was meant for "Improvement of efficiency of the Bank through functional reforms and large scale automation of its' business process". Subsequent to this agreement, a subsidiary Loan Agreement was signed between GOB and Bangladesh Bank to this effect for execution of the Project. The total cost of the project was Taka 3,892 million (USD 55.60 million), of which IDA provided Taka 3,060 million (USD 43.71 million) through the Government and the rest Taka 832 million (USD 11.88 million) was funded by the Bank. The project started in late 2003 and was completed on 30 April 2013.

The Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 30 years. In the year end 2014-15 total dues against the project was Taka 2,721.73 million on account of the Government. The repayments will initiate after the schedules and process are finalised by the Government of Bangladesh. Till 30 June 2015, total outstanding stood at Taka 100.22 million and accrued provision stood at Taka 110.89 million.

## **25 Capital**

At 30 June 2015 the authorised and subscribed capital as per Bangladesh Bank Order 1972, was Taka 30 million (30 June 2014: Taka 30 million). The entire capital of the Bank stands vested in and allocated to the Government as per Article 4(1) and 4(2) of the Order.

## **26 Consolidated revaluation reserves**

Revaluation reserve - gold and silver (Note 26.a)	10,652,011	15,550,641
Revaluation reserve - foreign currency accounts (Note 26.b)	14,570,195	51,091,529
Revaluation reserve - property, plant and equipment (Note 26.04)	40,474,443	40,474,443
Revaluation Reserve-Financial Instrument (Note 26.05)	4,507,599	-
<b>Total</b>	<b>70,204,248</b>	<b>107,116,613</b>

### **26.01 Revaluation reserves**

Revaluation reserve - gold and silver (Note 26.a)	10,652,011	15,550,641
Revaluation reserve - foreign currency accounts (Note 26.b)	14,570,195	51,091,529
Revaluation reserve - property, plant and equipment (Note 26.c)	34,474,273	34,474,273
Revaluation reserve-financial instruments (Note 26.d)	4,507,599	-
<b>Total</b>	<b>64,204,078</b>	<b>101,116,443</b>

#### **26.a Revaluation reserve - gold and silver**

The Bank accounts for the gain/loss on revaluation of gold and silver in the statement of other comprehensive income and subsequently transferred to a separate account, revaluation reserve-gold and silver, which forms part of equity.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>26.b Revaluation reserve - foreign currency accounts</b>		
<p>The Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of profit or loss and subsequently transferred to a separate account, revaluation reserve-foreign currency, which forms part of equity.</p>		
<b>26.c Revaluation reserve - property, plant and equipment</b>		
<p>The Bank accounts for the gain/loss on revaluation of property, plant and equipment in the statement of other comprehensive income and subsequently transferred to a separate account, revaluation reserve - property, plant and equipment, which forms part of equity.</p>		
<b>26.d Revaluation reserve - financial instruments</b>		
<p>The Bank accounts for the gain/loss on revaluation of financial instruments in the statement of other comprehensive income and subsequently transferred to a separate account, revaluation reserve - financial instruments, which forms part of equity.</p>		
<b>27 Currency fluctuation reserve</b>	<b>26,663,944</b>	<b>26,760,236</b>
<p>The Bank credited the realised gain on revaluation of foreign currencies to the statement of profit or loss and other comprehensive income and transferred the same to a separate account - currency fluctuation reserve, which forms part of equity.</p>		
<b>28 Statutory funds</b>		
Rural credit fund (Note 28.a)	5,600,000	5,400,000
Agricultural credit stabilisation fund (Note 28.b)	5,600,000	5,400,000
Export credit fund (Note 28.c)	1,300,000	1,300,000
Industrial credit fund (Note 28.d)	2,187,852	2,037,852
Credit guarantee fund (Note 28.e)	879,194	879,194
<b>Total</b>	<b>15,567,046</b>	<b>15,017,046</b>
<p>Statutory funds were created and maintained as per provisions of the Bangladesh Bank Order, 1972 and appropriations from profits are made in consultation with the Government of Bangladesh.</p>		
<b>28.a Rural credit fund</b>		
<p>This fund was created as per Article 60(1) of Bangladesh Bank Order, 1972 for providing short term, medium term and long term loans and advances to co-operative bank, scheduled bank and rural credit agencies. An appropriation of Taka 200 million was made for this fund during the year.</p>		
<b>28.b Agricultural credit stabilisation fund</b>		
<p>This fund was created as per Article 61 of Bangladesh Bank Order, 1972 for providing loans and advances to apex co-operative banks. An appropriation of Taka 200 million was made for this fund during the year.</p>		

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
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**28.c Export credit fund**

As per Article 63 of Bangladesh Bank Order, 1972 this fund was created for providing medium term and short term loans and advances to scheduled banks and other credit institutions for financing export from Bangladesh. No appropriation was made for this fund during the year.

**28.d Industrial credit fund**

As per Article 62 of Bangladesh Bank Order, 1972 the fund was created for providing short term and medium term loans and advances to co-operative banks. An appropriation of Taka 150 million was made for this fund during the year.

**28.e Credit guarantee fund**

As per clause 24 of Article 16 of Bangladesh Bank Order, 1972 the Fund was created by appropriating profit every year as per decision of the Board of Directors to cover the loss sustained by scheduled banks for making small loans to cottage industries. No appropriation was made for this fund during the year.

**29 Non statutory funds**

Small and medium enterprise fund (Note 29.a)	6,000,000	6,000,000
Housing refinance fund	6,570,000	6,570,000
Human resources development fund (Note 29.b)	349,468	402,452
Monetary management fund (Note 29.c)	200,000	200,000
Rural agri product processing industries refinance fund (Note 29.d)	1,000,000	1,000,000
Disaster management and social responsibility fund (Note 29.e)	100,000	50,000
<b>Total</b>	<b>14,219,468</b>	<b>14,222,452</b>

**29.a Small and medium enterprise fund**

This fund was created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for providing refinancing facilities to the schedule banks and financial institutions against loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to these funds are made as per decision of the Board.

**29.b Human resources development fund**

Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order, 1972 and decision taken by the board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. at home and abroad. Appropriation of this fund was made from the dividend payable to Government for the year 2010-2011.

**29.c Monetary management fund**

Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation of this fund was made from the dividend payable to Government for the year 2010-2011.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>29.d Rural agri product processing industries refinance fund</b>		
<p>This fund was created in 2001 for the purpose of financing rural agri product processing industries. Under this scheme, there are 37 agri product processing industries sectors. This fund plays an important role for developing the agri product sectors in Bangladesh. Government of The People's Republic of Bangladesh declared this sector as "Thrust sector" in "National Industry Policy 2010" by giving priority for development and expansion of agri based industries.</p>		
<b>29.e Disaster management and social responsibility fund</b>		
<p>This fund was created by the approval of Board of Directors (6th meeting of 2013) , Minutes no. -BD-341(2013-06)/50 on 17 June, 2013. Primarily, the fund, Taka 50 million as donation, was collected from Bangladesh Bank's 2012-2013 profit and subsequently Taka 50 million will be deducted from each year's profit transferring the amount to this fund. In 2014-2015, Taka 100 million has been deducted from the current year's profit.</p>		
<b>30 Other reserves</b>		
Asset renewal and replacement reserve (Note 30.a)	3,325,985	3,034,485
Interest reserve (Note 30.b)	8,011,692	8,128,574
<b>Total</b>	<b>11,337,677</b>	<b>11,163,059</b>
<b>30.a Asset renewal and replacement reserve</b>		
<p>Every year an amount equivalent to depreciation charge against buildings and installations are transferred to this fund during profit appropriation.</p>		
<b>30.b Interest reserve</b>		
<p>This was introduced in the financial year 2006-2007 as per decision of the Board, and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank.</p>		
<b>31 Consolidated general reserve</b>		
Bangladesh Bank (Note 31.01)	4,250,500	4,250,500
SPCBL	550,000	450,000
<b>Total</b>	<b>4,800,500</b>	<b>4,700,500</b>
<b>31.01 General reserve</b>	<b>4,250,500</b>	<b>4,250,500</b>

As per Article 59 of Bangladesh Bank Order, 1972 securities of the value of Taka 30 million was allocated by the Government and held by the Bank as the general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision over the years.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>32 Consolidated retained earnings</b>		
Opening balance	22,525,327	46,493,169
Adjustment against due from Government	(16,050)	(11,829)
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	-	(4,356,350)
Appropriation of profit to other funds	(824,617)	147,161
Dividend paid for 2013-2014	(15,627,781)	(36,302,026)
Prior year adjustment	5,303	(4,038,607)
Transferred to general reserve	(100,000)	(100,000)
Adjustment against revaluation	-	(20,775)
Profit for the year after appropriation	11,248,766	20,714,584
<b>Closing balance</b>	<b>17,210,947</b>	<b>22,525,327</b>
<b>32.01 Retained earnings</b>		
Opening balance	15,643,831	40,733,254
Adjustment against due from Government	(16,050)	(11,829)
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	-	(4,356,350)
Appropriation of profit to other funds	(824,617)	(50,000)
Dividend paid for 2013-2014	(15,627,781)	(36,302,026)
Prior year adjustment	5,303	(4,038,607)
Adjustment against revaluation	-	(20,775)
Profit for the year after appropriation	10,387,918	19,690,164
<b>Closing balance</b>	<b>9,568,603</b>	<b>15,643,831</b>
<b>33 Interest income</b>		
Loans to banks	1,603,486	906,507
Short term deposits with commercial banks	3,729,054	4,251,326
Bonds	6,359,498	4,708,983
US Dollar treasury bills	63,883	70,084
Claims from gold transactions	129,213	49,415
Others (SDR - investment)	39,928	73,651
<b>Total</b>	<b>11,925,063</b>	<b>10,059,966</b>
<b>34 Commission and discounts</b>		
Commission on foreign currency operations	214,918	33,788
Others (trading profit on USD bond investment)	118,675	235
<b>Total</b>	<b>333,593</b>	<b>34,023</b>
<b>35 Interest expense</b>		
Deposits	91,558	75,507
Asian Clearing Union (ACU)	20,230	28,425
IMF	30,887	62,688
Interest on central bank, strengthening project	20,887	28,647
<b>Total</b>	<b>163,563</b>	<b>195,267</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>36 Interest income</b>		
Securities purchased under agreement to resell	1,473,884	1,427,784
Government securities	1,050,143	6,762,343
Loans and advance to the Government	6,830,530	12,738,650
Debentures	311,388	318,881
Loans to banks, financial institution and employees	4,478,140	4,597,680
Short term money market deposits	898,949	273,742
<b>Total</b>	<b>15,043,034</b>	<b>26,119,080</b>
<b>36.01 Interest income</b>		
Securities purchased under agreement to resell	1,473,884	1,427,784
Government securities	1,050,143	6,762,343
Loans and advance to the Government	6,830,530	12,738,650
Debentures	311,388	318,881
Loans to banks, financial institution and employees	4,418,858	4,541,364
<b>Total</b>	<b>14,084,803</b>	<b>25,789,022</b>
<b>37 Commission and discounts</b>		
Commission income from Government	5,749	3,639
Miscellaneous commission income	586,458	486,384
Gain/(loss) on sale of treasury bonds	790,263	321,928
<b>Total</b>	<b>1,382,469</b>	<b>811,951</b>
<b>37.a Other income</b>		
Exchange A/C (local income)	82	133
Exchange A/C - remittance sold (local)	41	15
Exchange A/C - TT discount (local)	2,347	3,543
Exchange - miscellaneous (local)	-	1
Gain on asset sale or derecognition	599	2,606
Interest income - miscellaneous -write back of provision	66,525	159,592
Grant income	254,242	379,547
<b>Total</b>	<b>323,836</b>	<b>545,436</b>
Other income includes exchange earnings, gain on asset derecognition and interest provision write-back.		
<b>38 Interest expense</b>		
Bangladesh Bank bills	736,118	2,354,814
Securities sold under agreement to repurchase	1,137,470	507,924
<b>Total</b>	<b>1,873,588</b>	<b>2,862,738</b>
<b>39 Commission and other expenses</b>		
Agency charges (Note 39.a)	2,642,465	2,409,580
Under writing commission on treasury bills & bonds (Note 39.b)	488,067	415,000
Interest on deposit from Undisbursed Agri Credit (Note 39.c)	22,477	29,422
<b>Total</b>	<b>3,153,009</b>	<b>2,854,002</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>39.a Agency charges</b>		
Agency charge paid to Sonali Bank Limited for acting as agent of Bangladesh Bank.		
<b>39.b Underwriting commission on treasury bills and bonds</b>		
Underwriting commission paid to primary dealers for issuing Govt. treasury bill and bond.		
<b>39.c Interest on deposit from Undisbursed Agri Credit</b>		
This is paid to commercial banks against their undisbursed agri-credit.		
<b>40 Consolidated general and administrative expenses</b>		
Staff costs (Note 40.a)	6,164,947	4,318,603
Depreciation	893,262	859,329
Amortisation (intangible assets)	242,113	241,152
Directors' fees	720	741
Audit fees	8,337	12,350
Stationery	104,629	89,234
Rent, electricity etc.	309,294	292,347
Remittance of treasure	44,130	53,287
Donations	120,626	116,178
Telephone	93,962	89,265
Repairs and maintenance	425,922	401,983
Materials	3,206,419	3,126,660
Provision for Workers' Profit Participation Fund	115,931	76,152
Income tax and value added tax	778,138	1,267,741
Deferred tax	538,693	(105,840)
Miscellaneous	1,220,803	1,406,334
<b>Total</b>	<b>14,267,927</b>	<b>12,245,517</b>
<b>40.a Staff costs</b>		
Salary	1,759,589	1,694,105
House rent	540,646	499,839
Contribution to contributory provident fund	(95,219)	(6,632)
Pension and gratuity	1,595,850	157,834
Leave encashment	2,013	11,301
General and incentive bonus	1,085,931	804,973
Income tax paid to Government	(4,319)	6,055
Medical expenses	266,931	247,982
Training	154,327	140,144
Travel expenses	206,888	166,062
Lunch	304,225	300,183
Other staff costs	348,084	296,757
<b>Total</b>	<b>6,164,947</b>	<b>4,318,603</b>



**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2015

	2015 Taka '000	2014 Taka '000
<b>40.01 General and administrative expenses</b>		
Staff costs (Note 40.01.a)	5,745,212	3,827,842
Depreciation	691,977	660,613
Amortisation	242,113	241,152
Directors' fee	481	523
Audit fee	8,294	12,075
Stationery	102,716	89,234
Rent	227,251	215,528
Remittance of treasure	44,130	53,287
Donations	120,626	116,178
Telephone	93,784	89,265
Repairs	386,731	389,274
Miscellaneous	759,933	1,347,400
<b>Total</b>	<b>8,423,247</b>	<b>7,042,372</b>
<b>40.01.a Staff costs</b>		
Salary	1,577,827	1,479,790
House rent	540,646	499,839
Contribution to contributory provident fund	(95,219)	(6,632)
Pension and gratuity	1,566,700	-
General and incentive bonus	1,012,128	739,321
Income tax paid to Government	(4,319)	6,055
Medical expenses	258,201	239,678
Training	153,483	140,144
Travel expenses	206,888	166,062
Lunch	271,267	266,828
Other staff costs	257,609	296,757
<b>Total</b>	<b>5,745,212</b>	<b>3,827,842</b>

**41 Consolidated credit exposures by credit rating**

Following tables represents the Group's financial assets based on Moody's credit rating of the issuer (or equivalent moody's rating in case of rating by other agencies). For long term deposits Aaa is the highest quality rating possible and indicates that the entity has an exceptional credit quality and have the smallest degree of risk; Aa is excellent credit quality but are rated lower than Aaa. Aa1 indicates the higher end of Aa category, Aa2 indicates mid range ranking of Aa category and Aa3 indicates lower end of Aa category. For short term deposits P-1 indicates banks rated prime -1 for deposits, and offers superior credit quality and a very strong capacity for timely payment of short -term deposit obligations; ST-1 indicates the highest capacity for timely repayment of obligations; ST-2 indicates a strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	2015		2014		
	Credit Rating	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets
<b>i) Foreign currency financial assets</b>					
Foreign currency accounts	P-1	21,015,860	0.94%	17,792,227	0.89%
Overnight Investment	P-1	247,393,553	11.02%	483,942,828	24.16%
Short term deposits with overseas commercial banks	P-1	674,465,879	30.03%	492,050,716	24.57%
US Dollar treasury bills	P-1	83,279,606	3.71%	83,075,584	4.15%
Foreign bonds	Aaa	487,878,147	21.72%	238,757,503	11.92%
Foreign bonds	Aa1, Aa2	66,104,229	2.94%	13,181,747	0.66%
Foreign bonds	Aa3	30,244,944	1.35%	8,197,165	0.41%
Foreign bonds	Aa, A1, A2	15,613,757	0.70%	48,078,469	2.40%
Foreign bonds	A3, A+	13,706,400	0.61%	24,486,189	1.22%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	65,706,743	2.93%	25,189,820	1.26%
Foreign currency loans to banks	A	1,327,493	0.06%	8,975,614	0.45%
Foreign currency loans to banks	Aaa to Aa	92,993,790	4.14%	93,963,942	4.69%
Foreign currency loans to banks	Baa	1,364,649	0.06%	2,247,207	0.11%
Foreign currency loans to banks	Unrated	32,056,154	1.43%	-	0.00%
Claims from gold transactions	Aa2	34,181,082	1.52%	19,451,963	0.97%
Assets held with International Monetary Fund	Unrated	131,148,185	5.84%	148,468,110	7.41%
Other foreign currency financial assets	Unrated	6,680,465	0.30%	4,595,253	0.23%
<b>Total</b>		<b>2,005,160,934</b>	<b>89.29%</b>	<b>1,712,454,337</b>	<b>85.50%</b>
<b>ii) Local currency financial assets</b>					
Loans to the Government of Bangladesh	Ba3	112,289,585	5.00%	168,861,943	8.43%
Securities purchased under agreement to resell	Unrated	-	0.00%	980,000	0.05%
Local currency investments	Unrated	6,269,086	0.28%	8,385,472	0.42%
Loans to banks, financial institutions	A	50,042	0.00%	3,359,856	0.17%
Loans to banks, financial institutions	Aaa to Aa	7,110,357	0.32%	9,257,438	0.46%
Loans to banks, financial institutions	Ba to B	14,010	0.00%	-	0.00%
Loans to banks, financial institutions	Baa	284,714	0.01%	17,410,752	0.87%
Loans to banks, financial institutions	Unrated	68,348,084	3.04%	52,421,069	2.62%
Loans to employees	Unrated	31,233,004	1.39%	27,255,579	1.36%
Other local currency financial assets	Unrated	531,648	0.02%	1,145,214	0.06%
Taka coin and cash balances	Ba3	14,483,987	0.64%	1,356,424	0.07%
<b>Total</b>		<b>240,614,519</b>	<b>10.71%</b>	<b>290,433,747</b>	<b>14.50%</b>
<b>Total financial assets (i+ii)</b>		<b>2,245,775,453</b>	<b>100.00%</b>	<b>2,002,888,084</b>	<b>100.00%</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 41.01 Separate credit exposures by credit rating -

	2015		2014		
	Credit Rating	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets
<b>i) Foreign currency financial assets</b>					
Foreign currency accounts	P-1	21,015,860	0.94%	17,792,227	0.89%
Overnight Investment	P-1	247,393,553	11.04%	483,942,828	24.20%
Short term deposits with overseas commercial banks	P-1	674,465,879	30.09%	492,050,716	24.61%
US Dollar treasury bills	P-1	83,279,606	3.72%	83,075,584	4.16%
Foreign bonds	Aaa	487,878,147	21.76%	238,757,503	11.94%
Foreign bonds	Aa1, Aa2	66,104,229	2.95%	13,181,747	0.66%
Foreign bonds	Aa3	30,244,944	1.35%	8,197,165	0.41%
Foreign bonds	Aa, A1, A2	15,613,757	0.70%	48,078,469	2.40%
Foreign bonds	A3, A+	13,706,400	0.61%	24,486,189	1.22%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	65,706,743	2.93%	25,189,820	1.26%
Foreign currency loans to banks	A	1,327,493	0.06%	8,975,614	0.45%
Foreign currency loans to banks	Aaa to Aa	92,993,790	4.15%	93,963,942	4.70%
Foreign currency loans to banks	Baa	1,364,649	0.06%	2,247,207	0.11%
Foreign currency loans to banks	Unrated	32,056,154	1.43%	-	0.00%
Claims from gold transactions	Aa2	34,181,082	1.52%	19,451,963	0.97%
Assets held with International Monetary Fund	Unrated	131,148,185	5.85%	148,468,110	7.43%
Other foreign currency financial assets	Unrated	6,680,465	0.30%	4,595,253	0.23%
<b>Total</b>		<b>2,005,160,934</b>	<b>89.45%</b>	<b>1,712,454,337</b>	<b>85.65%</b>
<b>ii) Local currency financial assets</b>					
Loans to the Government of Bangladesh	Ba3	112,289,585	5.01%	168,861,943	8.45%
Securities purchased under agreement to resell	-	-	0.00%	980,000	0.05%
Local currency investments	-	17,795,000	0.79%	7,005,000	0.35%
Loans to banks, financial institutions	A	50,042	0.00%	3,359,856	0.17%
Loans to banks, financial institutions	Aaa to Aa	7,110,357	0.32%	9,257,438	0.46%
Loans to banks, financial institutions	Ba to B	14,010	0.00%	-	0.00%
Loans to banks, financial institutions	Baa	284,714	0.01%	17,410,752	0.87%
Loans to banks, financial institutions	Unrated	68,348,084	3.05%	52,421,069	2.62%
Loans to employees	Unrated	30,106,279	1.34%	26,178,962	1.31%
Other local currency financial assets	Unrated	169,283	0.01%	929,682	0.05%
Taka coin and cash balances	Ba3	321,706	0.01%	546,240	0.03%
<b>Total</b>		<b>236,489,061</b>	<b>10.55%</b>	<b>286,950,942</b>	<b>14.35%</b>
<b>Total financial assets (i+ii)</b>		<b>2,241,649,995</b>	<b>100%</b>	<b>1,999,405,280</b>	<b>100%</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 41.02 Collateral held and other credit enhancements, and their financial effect

The Group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

2015		2014	
Amount (Taka '000)	Principal type of Collateral	Amount (Taka '000)	Principal type of Collateral

#### i) Foreign currency financial assets

Foreign currency loans to banks	127,742,085	None	105,186,763	None
Claims from gold transactions	34,181,082	None	19,451,963	None
Assets held with International Monetary Fund	131,148,185	None	148,468,110	None

#### ii) Local currency financial assets

Loans to the Government of Bangladesh	112,289,585	None	168,861,943	None
Securities purchased under agreement to resell	-	N/A	980,000	Marketable securities
Local currency loans to banks, financial institutions and employees	107,040,212	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property	109,704,694	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property

### 42 Consolidated interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that it is going to use in order to achieve and maintain price stability. Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2015 is presented below. It includes the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates. Assets and liabilities will mature or re-price within the following period:

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 42 Consolidated interest rate risk

#### i) As at 30 June 2015

Taka '000

Particulars	Balance as at 30 June 2015	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	

#### Assets

##### Foreign currency financial assets

Foreign currency accounts	21,015,860	21,015,860	-	-	-	0.08%
Foreign investments	1,684,393,258	949,687,576	129,939,874	604,765,809	-	0.71%
Assets held with International Monetary Fund	131,148,185	72,789,125	6,174	-	58,352,886	0.03%
Gold and silver	6,414,663	6,414,663	-	-	-	n/a
Claims from gold transactions	34,181,082	-	34,181,082	-	-	0.38%
Foreign currency loans to banks	127,742,085	53,699,480	74,042,606	-	-	1.10%
Other foreign currency financial assets	6,680,465	-	6,680,465	-	-	n/a
<b>Total Foreign currency financial assets</b>	<b>2,011,575,597</b>	<b>1,103,606,703</b>	<b>244,850,200</b>	<b>604,765,809</b>	<b>58,352,886</b>	
% of each type of financial asset with total financial assets	89.32%	96.30%	89.07%	87.40%	42.02%	

##### Local currency financial assets

Taka coin and cash balances	14,483,987	14,483,987	-	-	-	n/a
Loans to the Government of Bangladesh	112,289,585	24,354,400	15,000,000	61,002,991	11,932,194	6.08%
Local currency investments	6,269,086	789,086	765,000	3,700,000	1,015,000	5.37%
Local currency loans to banks, financial institutions and employees	107,040,212	2,732,034	14,275,197	22,458,470	67,574,511	4.20%
Other local currency financial assets	531,648	-	-	-	-	n/a
<b>Total Local currency financial assets</b>	<b>240,614,519</b>	<b>42,359,507</b>	<b>30,040,197</b>	<b>87,161,461</b>	<b>80,521,705</b>	
% of each type of financial asset with total financial assets	10.68%	3.70%	10.93%	12.60%	57.98%	
<b>Total financial assets</b>	<b>2,252,190,115</b>	<b>1,145,966,210</b>	<b>274,890,397</b>	<b>691,927,270</b>	<b>138,874,591</b>	

#### Liabilities

##### Foreign currency financial liabilities

Deposits from banks and financial institutions	149,159,932	149,159,931	-	-	-	0.08%
Liabilities with International Monetary Fund	167,475,874	1,621,992	-	3,314,286	162,539,596	0.04%
<b>Total foreign currency financial liabilities</b>	<b>316,635,806</b>	<b>150,781,923</b>	<b>-</b>	<b>3,314,286</b>	<b>162,539,596</b>	
% of each type of financial liabilities with total financial liabilities	14.74%	23.06%	-	100.00%	100.00%	

##### Local currency financial liabilities

Notes in circulation	973,633,449	-	-	-	-	n/a
Deposits from banks and financial institutions	503,017,274	503,017,274	-	-	-	n/a
Short term borrowings	180,721,995	-	-	-	-	5.67%
Other local currency financial liabilities	173,881,247	-	-	-	-	n/a
<b>Total local currency financial liabilities</b>	<b>1,831,253,965</b>	<b>503,017,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	
% of each type financial liabilities with total financial liabilities	85.26%	76.94%	0.00%	0.00%	0.00%	
<b>Total financial liabilities</b>	<b>2,147,889,771</b>	<b>653,799,197</b>	<b>-</b>	<b>3,314,286</b>	<b>162,539,596</b>	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 42 Consolidated interest rate risk

#### ii) As at 30 June 2014

Taka '000

Particulars	Balance as at 30 June 2014	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	

#### Assets

##### Foreign currency financial assets

Foreign currency accounts	501,735,055	501,735,055	-	-	-	0.02%
Foreign investments	933,017,193	479,878,616	146,197,324	306,941,253	-	1.52%
Assets held with International Monetary Fund	148,468,110	84,454,866	12,871	-	64,000,373	0.06%
Gold and silver	25,283,678	25,283,678	-	-	-	n/a
Claims from gold transactions	19,451,963	-	19,451,963	-	-	0.36%
Foreign currency loans to banks	105,186,763	-	105,186,763	-	-	1.09%
Other foreign currency financial assets	4,595,253	-	4,595,253	-	-	n/a
<b>Total Foreign currency financial assets</b>	<b>1,737,738,015</b>	<b>1,091,352,215</b>	<b>275,444,174</b>	<b>306,941,253</b>	<b>64,000,373</b>	
% of each type of financial asset with total financial assets	<b>85.68%</b>	<b>99.09%</b>	<b>88.78%</b>	<b>65.62%</b>	<b>43.34%</b>	

##### Local currency financial assets

Taka coin and cash balances	1,356,424	1,356,424	-	-	-	n/a
Securities purchased under agreement to resell	980,000	980,000	-	-	-	11.86%
Loans to the Government of Bangladesh	168,861,943	4,500,000	18,084,206	122,271,208	24,006,529	8.92%
Local currency investments	8,385,472	250,000	4,050,472	3,280,000	805,000	7.09%
Local currency loans to banks, financial institutions and employees	109,704,694	2,934,320	12,673,653	35,245,395	58,851,326	4.03%
Other local currency financial assets	1,145,214	-	-	-	-	n/a
<b>Total Local currency financial assets</b>	<b>290,433,747</b>	<b>10,020,744</b>	<b>34,808,331</b>	<b>160,796,603</b>	<b>83,662,855</b>	
% of each type of financial asset with total financial assets	<b>14.32%</b>	<b>0.91%</b>	<b>11.22%</b>	<b>34.38%</b>	<b>56.66%</b>	
<b>Total financial assets</b>	<b>2,028,171,762</b>	<b>1,101,372,959</b>	<b>310,252,505</b>	<b>467,737,856</b>	<b>147,663,228</b>	

#### Liabilities

##### Foreign currency financial liabilities

Deposits from banks and financial institutions	149,897,536	149,897,536	-	-	-	0.08%
Liabilities with International Monetary Fund	188,331,836	3,833,497	2,496,600	14,048,010	167,953,729	0.04%
<b>Total foreign currency financial liabilities</b>	<b>338,229,372</b>	<b>153,731,033</b>	<b>2,496,600</b>	<b>14,048,010</b>	<b>167,953,729</b>	
% of each type of financial liabilities with total financial liabilities	<b>17.99%</b>	<b>72.72%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	

##### Local currency financial liabilities

Notes in circulation	847,170,600	-	-	-	-	n/a
Deposits from banks and financial institutions	57,664,690	57,664,690	-	-	-	5.67%
Short term borrowings	443,782,003	-	-	-	-	n/a
Other local currency financial liabilities	193,316,773	-	-	-	-	n/a
<b>Total local currency financial liabilities</b>	<b>1,541,934,067</b>	<b>57,664,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	
% of each type financial liabilities with total financial liabilities	<b>82.01%</b>	<b>27.28%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	
<b>Total financial liabilities</b>	<b>1,880,163,439</b>	<b>211,395,723</b>	<b>2,496,600</b>	<b>14,048,010</b>	<b>167,953,729</b>	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 42.01 Separate Interest rate risk

#### i) As at 30 June 2015

Taka '000

Particulars	Balance as at 30 June 2015	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	

#### Assets

##### Foreign currency financial assets

Foreign currency accounts	21,015,860	21,015,860	-	-	-	0.08%
Foreign investments	1,684,393,258	949,687,576	129,939,874	604,765,809	-	0.71%
Assets held with International Monetary Fund	131,148,185	72,789,125.20	6,174	-	58,352,886	0.03%
Gold and silver	6,414,663	6,414,663	-	-	-	n/a
Claims from gold transactions	34,181,082	16,821,198	17,359,884	-	-	0.38%
Foreign currency loans to banks	127,742,085	53,699,480	74,042,606	-	-	1.10%
Other foreign currency financial assets	6,680,465	-	6,680,465	-	-	n/a
<b>Total Foreign currency financial assets</b>	<b>2,011,575,597</b>	<b>1,120,427,901</b>	<b>228,029,002</b>	<b>604,765,809</b>	<b>58,352,886</b>	
% of each type of financial asset with total financial assets	89.48%	97.59%	88.30%	87.40%	38.97%	

##### Local currency financial assets

Taka coin and cash balances	321,706	321,706	-	-	-	n/a
Loans to the Government of Bangladesh	112,289,585	24,354,400	15,000,000	61,002,991	11,932,194	6.08%
Local currency investments	17,795,000	315,000	765,000	3,700,000.00	13,015,000	5.37%
Local currency loans to banks, financial institutions and employees	105,913,487	2,732,034	14,275,197	22,458,470	66,447,785	4.17%
Other local currency financial assets	169,283	-	169,283	-	-	n/a
<b>Total Local currency financial assets</b>	<b>236,489,061</b>	<b>27,723,140</b>	<b>30,209,480</b>	<b>87,161,461</b>	<b>91,394,979</b>	
% of each type of financial asset with total financial assets	10.52%	2.41%	11.70%	12.60%	61.03%	
<b>Total financial assets</b>	<b>2,248,064,658</b>	<b>1,148,151,041</b>	<b>258,238,482</b>	<b>691,927,270</b>	<b>149,747,865</b>	

#### Liabilities

##### Foreign currency financial liabilities

Deposits from banks and financial institutions	149,159,932	149,159,931	-	-	-	0.07%
Liabilities with International Monetary Fund	167,475,874	1,621,992	-	3,314,286	162,539,596	0.06%
<b>Total foreign currency financial liabilities</b>	<b>316,635,806</b>	<b>150,781,923</b>	<b>0</b>	<b>3,314,286</b>	<b>162,539,596</b>	
% of each type of financial liabilities with total financial liabilities	14.76%	45.48%	-	100.00%	100.00%	

##### Local currency financial liabilities

Notes in circulation	973,633,449	-	-	-	-	n/a
Deposits from banks and financial institutions	180,721,995	180,721,995	-	-	-	5.67%
Short term borrowings	503,017,274	-	-	-	-	n/a
Other local currency financial liabilities	171,327,094	-	-	-	-	n/a
<b>Total local currency financial liabilities</b>	<b>1,828,699,812</b>	<b>180,721,995</b>	<b>-</b>	<b>-</b>	<b>-</b>	
% of each type financial liabilities with total financial liabilities	85.24%	54.52%	-	0.00%	0.00%	
<b>Total financial liabilities</b>	<b>2,145,335,618</b>	<b>331,503,918</b>	<b>-</b>	<b>3,314,286</b>	<b>162,539,596</b>	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 42.01 Separate Interest rate risk

#### ii) As at 30 June 2014

Taka '000

Particulars	Balance as at 30 June 2014	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	

#### Assets

##### Foreign currency financial assets

Foreign currency accounts	17,792,227	501,735,055	-	-	-	0.02%
Foreign investments	1,416,960,021	479,878,616	146,197,324	306,941,253	-	1.52%
Assets held with International Monetary Fund	148,468,110	84,454,866	12,871	-	64,000,373	0.06%
Gold and silver	25,283,678	25,283,678	-	-	-	n/a
Claims from gold transactions	19,451,963	-	19,451,963	-	-	0.36%
Foreign currency loans to banks	105,186,763	-	105,186,763	-	-	1.09%
Other foreign currency financial assets	4,595,253	-	-	-	-	n/a
<b>Total Foreign currency financial assets</b>	<b>1,737,738,015</b>	<b>1,091,352,215</b>	<b>270,848,921</b>	<b>306,941,253</b>	<b>64,000,373</b>	
% of each type of financial asset with total financial assets	<b>85.83%</b>	<b>99.16%</b>	<b>89.16%</b>	<b>65.62%</b>	<b>43.51%</b>	

##### Local currency financial assets

Taka coin and cash balances	546,240	546,240	-	-	-	n/a
Securities purchased under agreement to resell	980,000	980,000	-	-	-	11.86%
Loans to the Government of Bangladesh	168,861,943	4,500,000	18,084,206	122,271,208	24,006,529	8.92%
Local currency investments	7,005,000	250,000.00	2,170,000	3,280,000	1,305,000	4.89%
Local currency loans to banks, financial institutions and employees	108,628,077	2,934,320	12,673,653	35,245,395	57,774,709	4.01%
Other local currency financial assets	929,682	-	-	-	-	n/a
<b>Total Local currency financial assets</b>	<b>286,950,942</b>	<b>9,210,560</b>	<b>32,927,859</b>	<b>160,796,603</b>	<b>83,086,238</b>	
% of each type of financial asset with total financial assets	<b>14.17%</b>	<b>0.84%</b>	<b>10.84%</b>	<b>34.38%</b>	<b>56.49%</b>	
<b>Total financial assets</b>	<b>2,024,688,958</b>	<b>1,100,562,775</b>	<b>303,776,780</b>	<b>467,737,856</b>	<b>147,086,611</b>	

#### Liabilities

##### Foreign currency financial liabilities

Deposits from banks and financial institutions	149,897,535	149,897,536	-	-	-	0.08%
Liabilities with International Monetary Fund	188,331,836	3,833,497	2,496,600	14,048,010	167,953,729	0.04%
<b>Total foreign currency financial liabilities</b>	<b>338,229,371</b>	<b>153,731,033</b>	<b>2,496,600</b>	<b>14,048,010</b>	<b>167,953,729</b>	
% of each type of financial liabilities with total financial liabilities	<b>17.99%</b>	<b>72.72%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	

##### Local currency financial liabilities

Notes in circulation	847,170,600	-	-	-	-	n/a
Short term borrowings	57,664,690	57,664,690	-	-	-	5.67%
Local currency Deposits from banks and financial institutions	443,782,003	-	-	-	-	n/a
Other local currency financial liabilities	192,817,857	-	-	-	-	n/a
<b>Total local currency financial liabilities</b>	<b>1,541,435,151</b>	<b>57,664,690</b>	<b>-</b>	<b>-</b>	<b>-</b>	
% of each type financial liabilities with total financial liabilities	<b>82.01%</b>	<b>27.28%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	
<b>Total financial liabilities</b>	<b>1,879,664,522</b>	<b>211,395,723</b>	<b>2,496,600</b>	<b>14,048,010</b>	<b>167,953,729</b>	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 43 Consolidated liquidity risk

The table below summarises the maturity profile of the Group's financial assets and liabilities based on the contractual repayment date determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date.

Assets and liabilities will mature within the following periods:

#### i) As at 30 June 2015

Taka '000

Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
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#### Foreign currency financial assets

Foreign currency accounts	21,015,860	-	-	-	-
Foreign investments	554,652,038	399,923,459	139,913,581	614,504,078	-
Assets held with International Monetary Fund	72,789,125	-	6,174	-	58,352,886
Gold and silver	6,414,663	-	-	-	-
Claims from gold transactions	16,874,920	-	17,438,800	-	-
Foreign currency loans to banks	10,858,252	42,841,228	74,042,606	-	-
<b>Total</b>	<b>682,604,858</b>	<b>442,764,686</b>	<b>231,401,160</b>	<b>614,504,078</b>	<b>58,352,886</b>

#### Local currency financial assets

Taka coin and cash balances	14,483,987	-	-	-	-
Loans to the Government of Bangladesh	24,354,400	-	15,000,000	61,000,000	11,922,800
Local currency investments	315,000	-	1,239,086	3,700,000	1,015,000
Local currency loans to banks, financial institutions and employees	1,872,484	7,043,445	20,964,276	39,691,518	72,669,324
<b>Total</b>	<b>41,025,871</b>	<b>7,043,445</b>	<b>37,203,362</b>	<b>104,391,518</b>	<b>85,607,124</b>
<b>Total financial assets</b>	<b>723,630,729</b>	<b>449,808,131</b>	<b>268,604,522</b>	<b>718,895,596</b>	<b>143,960,010</b>

#### Foreign currency financial liabilities

Deposits from banks and financial institutions	149,159,931	-	-	-	-
Liabilities with International Monetary Fund	1,621,992	-	-	3,314,286	162,539,596
<b>Total</b>	<b>150,781,923</b>	<b>-</b>	<b>-</b>	<b>3,314,286</b>	<b>162,539,596</b>

#### Local currency financial liabilities

Notes in circulation	973,633,449	-	-	-	-
Deposits from banks and financial institutions	180,721,995	-	-	-	-
Short term borrowings	503,017,274	-	-	-	-
Other local currency financial liabilities	-	62,538,213	111,488,171	-	-
<b>Total</b>	<b>1,657,372,718</b>	<b>62,538,213</b>	<b>111,488,171</b>	<b>-</b>	<b>-</b>
<b>Total financial assets</b>	<b>1,808,154,641</b>	<b>62,538,213</b>	<b>111,488,171</b>	<b>3,314,286</b>	<b>162,539,596</b>
<b>Maturity gap</b>	<b>(1,084,523,912)</b>	<b>387,269,919</b>	<b>157,116,351</b>	<b>715,581,310</b>	<b>(18,579,586)</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 43 Consolidated liquidity risk

#### ii) As at 30 June 2014

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Foreign currency financial assets</b>					
Foreign currency accounts	501,735,055	-	-	-	-
Foreign investments	32,802	479,845,814	146,197,324	306,941,253	-
Assets held with International Monetary Fund	84,454,866	-	12,871	-	64,000,373
Gold and silver	25,283,678	-	-	-	-
Claims from gold transactions	-	-	19,451,963	-	-
Foreign currency loans to banks	-	-	105,186,763	-	-
Other foreign currency financial assets	-	-	4,595,253	-	-
<b>Total</b>	<b>611,506,401</b>	<b>479,845,814</b>	<b>275,444,174</b>	<b>306,941,253</b>	<b>64,000,373</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	1,356,424	-	-	-	-
Securities purchased under agreement to resell	980,000	-	-	-	-
Loans to the Government of Bangladesh	-	4,500,000	18,084,206	122,271,208	24,006,529
Local currency investments	-	250,000	4,050,472	3,280,000	805,000
Local currency loans to banks, financial institutions and employees	-	2,934,320	12,673,653	35,245,395	58,851,326
Other local currency financial assets	-	-	1,145,214	-	-
<b>Total</b>	<b>2,336,424</b>	<b>7,684,320</b>	<b>35,953,545</b>	<b>160,796,603</b>	<b>83,662,855</b>
<b>Total financial assets</b>	<b>613,842,825</b>	<b>487,530,134</b>	<b>311,397,719</b>	<b>467,737,856</b>	<b>147,663,228</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	149,897,536	-	-	-	-
Liabilities with International Monetary Fund	2,432,041	1,401,456	2,496,600	14,048,010	167,953,729
<b>Total</b>	<b>152,329,577</b>	<b>1,401,456</b>	<b>2,496,600</b>	<b>14,048,010</b>	<b>167,953,729</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	847,170,600	-	-	-	-
Short term borrowings	57,664,690	-	-	-	-
Deposits from banks and financial institutions	443,782,003.2	-	-	-	-
Other local currency financial liabilities	41,199,148	-	109,432,934	42,684,694	-
<b>Total</b>	<b>1,389,816,441</b>	<b>-</b>	<b>109,432,934</b>	<b>42,684,694</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>1,542,146,018</b>	<b>1,401,456</b>	<b>111,929,534</b>	<b>56,732,704</b>	<b>167,953,729</b>
<b>Maturity gap</b>	<b>(928,303,194)</b>	<b>486,128,678</b>	<b>199,468,185</b>	<b>411,005,153</b>	<b>(20,290,501)</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 43.01 Separate liquidity risk

Taka '000

i) **As at 30 June 2015**

Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
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#### Foreign currency financial assets

Foreign currency accounts	21,015,860	-	-	-	-
Foreign investments	554,652,038	399,923,459	139,913,581	614,504,078	-
Assets held with International Monetary Fund	72,789,125	-	6,174	-	58,352,886
Gold and silver	6,414,663	-	-	-	-
Claims from gold transactions	16,874,920	-	17,438,800	-	-
Foreign currency loans to banks	10,858,252	42,841,228	74,042,606	-	-
<b>Total</b>	<b>682,604,858</b>	<b>442,764,686</b>	<b>231,401,160</b>	<b>614,504,078</b>	<b>58,352,886</b>

#### Local currency financial assets

Taka coin and cash balances	321,706	-	-	-	-
Loans to the Government of Bangladesh	24,354,400	-	15,000,000	61,000,000	11,922,800
Local currency investments	145,000	170,000	765,000	3,700,000	13,015,000
Local currency loans to banks, financial institutions and employees	1,872,484	7,043,445	20,964,276	39,564,793	71,669,324
<b>Total</b>	<b>26,693,590</b>	<b>7,213,445</b>	<b>36,729,276</b>	<b>104,264,793</b>	<b>96,607,124</b>
<b>Total financial assets</b>	<b>709,298,448</b>	<b>449,978,131</b>	<b>268,130,436</b>	<b>718,768,871</b>	<b>154,960,010</b>

#### Foreign currency financial liabilities

Deposits from banks and financial institutions	149,159,931	-	-	-	-
Liabilities with International Monetary Fund	1,621,992	-	-	3,314,286	162,539,596
<b>Total</b>	<b>150,781,923</b>	<b>-</b>	<b>-</b>	<b>3,314,286</b>	<b>162,539,596</b>

#### Local currency financial liabilities

Notes in circulation	973,633,449	-	-	-	-
Deposits from banks and financial institutions	180,721,995	-	-	-	-
Short term borrowings	503,017,274	-	-	-	-
Other local currency financial liabilities	-	62,538,213	108,934,018	-	-
<b>Total</b>	<b>1,657,372,718</b>	<b>62,538,213</b>	<b>108,934,018</b>	<b>-</b>	<b>-</b>
<b>Total financial assets</b>	<b>1,808,154,641</b>	<b>62,538,213</b>	<b>108,934,018</b>	<b>3,314,286</b>	<b>162,539,596</b>
<b>Maturity gap</b>	<b>(1,098,856,193)</b>	<b>387,439,919</b>	<b>159,196,418</b>	<b>715,454,585</b>	<b>(7,579,586)</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 43.01 Separate liquidity risk

#### ii) As at 30 June 2014

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Foreign currency financial assets</b>					
Foreign currency accounts	501,735,055	-	-	-	-
Foreign investments	32,802	479,845,814	146,197,324	306,941,253	-
Assets held with International Monetary Fund	84,454,866	-	12,871	-	64,000,373
Gold and silver	25,283,678	-	-	-	-
Claims from gold transactions	-	-	19,451,963	-	-
Foreign currency loans to banks	-	-	105,186,763	-	-
Other foreign currency financial assets	-	-	4,595,253	-	-
<b>Total</b>	<b>611,506,401</b>	<b>479,845,814</b>	<b>275,444,174</b>	<b>306,941,253</b>	<b>64,000,373</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	546,240	-	-	-	-
Securities purchased under agreement to resell	980,000	-	-	-	-
Loans to the Government of Bangladesh	-	4,500,000	18,084,206	122,271,208	24,006,529
Local currency investments	250,000	-	2,170,000	3,280,000	1,305,000
Local currency loans to banks, financial institutions and employees	-	2,934,320	12,673,653	35,245,395	57,774,709
Other local currency financial assets	-	-	929,682	-	-
<b>Total</b>	<b>1,776,240</b>	<b>7,434,320</b>	<b>33,857,541</b>	<b>160,796,603</b>	<b>83,086,238</b>
<b>Total financial assets</b>	<b>613,282,641</b>	<b>487,280,134</b>	<b>309,301,715</b>	<b>467,737,856</b>	<b>147,086,611</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	149,897,536	-	-	-	-
Liabilities with International Monetary Fund	1,624,626	2,208,871	2,496,600	14,048,010	167,953,729
<b>Total</b>	<b>151,522,162</b>	<b>2,208,871</b>	<b>2,496,600</b>	<b>14,048,010</b>	<b>167,953,729</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	847,170,600	-	-	-	-
Short term borrowings	57,664,690	-	-	-	-
Deposits from banks and financial institutions	443,782,003	-	-	-	-
Other local currency financial liabilities	41,199,148.2	-	108,934,018	42,684,691	-
<b>Total</b>	<b>1,389,816,441</b>	<b>-</b>	<b>108,934,018</b>	<b>42,684,691</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>1,541,338,603</b>	<b>2,208,871</b>	<b>111,430,618</b>	<b>56,732,701</b>	<b>167,953,729</b>
<b>Maturity gap</b>	<b>(928,055,963)</b>	<b>485,071,263</b>	<b>197,871,097</b>	<b>411,005,155</b>	<b>(20,867,118)</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### 44 Currency risk

##### Foreign currency monetary assets and liabilities

##### i) As at 30 June 2015

Taka '000

Particulars	USD equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
<b>Assets</b>										
Held in other Central Banks and cash deposit abroad	456,204	-	6,576,637	2,294,103	9,162,609	581,064	716,823	938,753	-	289,666
Overnight Investment	244,402,177	-	2,991,376	-	-	-	-	-	-	-
Short term deposits in overseas commercial banks	516,728,208	-	4,331,991	79,055,301	-	27,628,702	32,905,057	12,312,831	-	1,503,789
Treasury bills	83,279,606	-	-	-	-	-	-	-	-	-
Foreign bonds	570,457,535	-	86,313,413	7,434,308	-	2,561,816	8,210,537	4,276,691	-	-
Loan to other banks	127,742,085	-	-	-	-	-	-	-	-	-
Interest receivable	4,987,491	89,138	1,080,017	121,090	-	56,313	305,877	38,573	-	1,886
Asset held with IMF	-	-	-	-	-	-	-	-	131,148,185	-
<b>Total</b>	<b>1,548,053,305</b>	<b>89,138</b>	<b>101,293,434</b>	<b>88,904,803</b>	<b>9,162,609</b>	<b>30,827,894</b>	<b>42,138,294</b>	<b>17,566,849</b>	<b>131,148,185</b>	<b>1,795,341</b>
<b>Liabilities</b>										
Deposits from other banks	147,778,657	-	972,876	397,554	7,558	3,286	-	-	-	-
<b>Liabilities to IMF</b>										
Securities	-	-	-	-	-	-	-	-	56,675,010	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	3,314,286	-
SDR allocation	-	-	-	-	-	-	-	-	55,847,748	-
Extended credit facility	-	-	-	-	-	-	-	-	50,016,838	-
Others	-	-	-	-	-	-	-	-	1,621,992	-
<b>Total</b>	<b>147,778,657</b>	<b>-</b>	<b>972,876</b>	<b>397,554</b>	<b>7,558</b>	<b>3,286</b>	<b>-</b>	<b>-</b>	<b>167,475,874</b>	<b>-</b>
<b>Net</b>	<b>1,400,274,649</b>	<b>89,138</b>	<b>100,320,558</b>	<b>88,507,249</b>	<b>9,155,051</b>	<b>30,824,609</b>	<b>42,138,294</b>	<b>17,566,849</b>	<b>(36,327,690)</b>	<b>1,795,341</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### 44 Currency risk

##### ii) As at 30 June 2014

Taka '000

Particulars	USD equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
<b>Assets</b>										
Held in other Central Banks and cash deposit abroad	449,191,353	-	41,371,602	1,779,970	7,208,389	923,089	146,192	843,123	-	271,338
Short term deposits in overseas commercial banks	338,244,163	-	26,577,179	53,811,550	-	23,688,692	32,671,149	1,504,615	-	15,553,368
Treasury bills	83,075,583	-	-	-	-	-	-	-	-	-
Foreign bonds	261,786,922	-	57,253,584	18,022,727	-	3,636,843	11,702,732	5,488,084	-	-
Loan to other banks	105,186,763	-	-	-	-	-	-	-	-	-
Interest receivable	3,104,213	-	897,789	147,713	-	72,602	332,462	18,048	-	22,346
Asset held with IMF	-	-	-	-	-	-	-	-	148,468,110	-
Other foreign assets	-	-	-	-	-	-	-	-	-	80
<b>Total</b>	<b>1,240,588,997</b>	<b>-</b>	<b>126,100,154</b>	<b>73,761,960</b>	<b>7,208,389</b>	<b>28,321,226</b>	<b>44,852,535</b>	<b>7,853,870</b>	<b>148,468,110</b>	<b>15,847,132</b>
<b>Liabilities</b>										
Deposits from other banks	148,615,380	-	763,722	505,776	8,851	3,806	-	-	-	-
<b>Liabilities to IMF</b>										
Securities & Emergency Natural Disaster Assistance	-	-	-	-	-	-	-	-	62,320,401	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	8,266,285	-
SDR allocation	-	-	-	-	-	-	-	-	61,252,784	-
Extended credit facility	-	-	-	-	-	-	-	-	54,857,548	-
Others	-	-	-	-	-	-	-	-	1,634,818	-
<b>Total</b>	<b>148,615,380</b>	<b>-</b>	<b>763,722</b>	<b>505,776</b>	<b>8,851</b>	<b>3,806</b>	<b>-</b>	<b>-</b>	<b>188,331,836</b>	<b>-</b>
<b>Net</b>	<b>1,091,973,617</b>	<b>-</b>	<b>125,336,432</b>	<b>73,256,184</b>	<b>7,199,538</b>	<b>28,317,420</b>	<b>44,852,535</b>	<b>7,853,870</b>	<b>(39,863,726)</b>	<b>15,847,132</b>



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 45 Sensitivity Analysis

- i) At 30 June 2015, if interest rates had been 100 basis points lower with all other variables constant, loss for the year would have been Taka 10,093 million higher (2014: Taka 18,666 million), arising mainly as a result of lower interest income on financial assets. Conversely, if interest rates had been 100 basis point higher with all other variables held constant, loss for the year would have been Taka 10,093 million lower (2014: Taka 18,666 million) arising mainly as a result of higher interest income on financial assets. Profit is very sensitive to changes in interest rates as interest is the principal source of income of the bank.

At 30 June 2015 if the Taka had weakened 10 per cent against the principal currencies in its foreign reserves portfolio with all other variables held constant, loss for the year would have been Taka 3,662 million lower, (2014: Taka 1,314 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a decrease in profit for the year of Taka 3,662 million, (2014: Taka 1,314 million). At 30 June 2015 if the Taka had weakened 10 per cent against the gold in its foreign reserves portfolio with all other variables held constant, other comprehensive income for the year would have been Taka 482 million higher, (2014: Taka 410 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a decrease in other comprehensive income for the year of Taka 482 million, (2014: Taka 410 million). Thus the profit and other comprehensive income are sensitive to the changes in exchange rate movements.

### ii) a. Consolidated fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). Fair value have been based on management assumptions according to the portfolio of the asset and liability base. IFRS requires that the fair value of the financial assets and liabilities are disclosed according to IFRS 13 - Fair Value Measurement. The following tables summarise the carrying amounts and fair values of those financial assets and liabilities carried at fair value and not carried at fair value.

	Carrying value		Fair value	
	2015	2014	2015	2014
<b>Financial assets at fair value</b>				
US Dollar treasury bills	83,279,606	83,075,584	83,279,606	83,075,584
Foreign bonds	679,254,220	357,890,893	679,254,220	357,890,893
Gold and silver	6,414,663	25,283,678	6,414,663	25,283,678
Claims from gold transactions	34,181,082	19,451,963	34,181,082	19,451,963
Loans to the Government of Bangladesh	1,085,185	37,351,943	1,085,185	37,351,943
Local currency investments	6,269,088	8,385,472	6,269,088	8,385,472

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2015

	Carrying value		Fair value	
	2015	2014	2015	2014
<b>Financial assets - at amortised cost</b>				
Foreign currency accounts	21,015,860	17,792,227	21,015,860	17,792,227
Overnight Investment	247,393,553	483,942,828	247,393,553	483,942,828
Short term deposits with overseas				
commercial banks	674,465,879	492,050,716	674,465,879	492,050,716
Assets held with International Monetary Fund	131,148,185	148,468,110	131,148,185	148,468,110
Foreign currency loans to banks	127,742,085	105,186,763	127,742,085	105,186,763
Other foreign currency financial assets	6,680,465	4,595,253	6,680,465	4,595,253
Loans to the Government of Bangladesh	111,204,400	131,510,000	111,204,400	131,510,000
Securities purchased under agreement to resell	-	980,000	-	980,000
Local currency loans to banks, financial				
institutions and employees	107,040,213	109,704,694	107,040,213	109,704,694
Other local currency financial assets	531,648	1,145,214	531,648	1,145,214
Taka coin and cash balances	14,483,987	1,356,424	14,483,987	1,356,424
<b>Financial liabilities - at amortised cost</b>				
Liabilities with International Monetary Fund	167,475,874	188,331,836	167,475,874	188,331,836
Deposits from banks and financial institutions	652,177,206	743,577,076	652,177,206	743,577,076
Notes in circulation	973,633,449	847,170,600	973,633,449	847,170,600
Short term borrowings	180,721,995	57,664,690	180,721,995	57,664,690
Other local currency financial liabilities	174,121,257	193,316,773	174,121,257	193,316,773

ii) **b. Separate fair value**

	Carrying value		Fair value	
	2015	2014	2015	2014
<b>Financial assets at fair value</b>				
US Dollar treasury bills	83,279,606	83,075,584	83,279,606	83,075,584
Foreign bonds	679,254,220	357,890,893	679,254,220	357,890,893
Gold and silver	6,414,663	25,283,678	6,414,663	25,283,678
Loans to the Government of Bangladesh	1,085,185	37,351,943	1,085,185	37,351,943
Local currency investments	17,795,000	7,005,000	17,795,000	7,005,000

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

	Carrying value		Fair value	
	2015	2014	2015	2014
<b>Financial assets - at amortised cost</b>				
Foreign currency accounts	21,015,860	17,792,227	21,015,860	17,792,227
Overnight Investment	247,393,553	483,942,828	247,393,553	483,942,828
Assets held with International Monetary Fund	131,148,185	148,468,110	131,148,185	148,468,110
Claims from gold transactions	34,181,082	19,451,963	34,181,082	19,451,963
Foreign currency loans to banks	127,742,085	105,186,763	127,742,085	105,186,763
Other foreign currency financial assets	6,680,465	4,595,253	6,680,465	4,595,253
Loans to the Government of Bangladesh	111,204,400	131,510,000	111,204,400	131,510,000
Securities purchased under agreement to resell	-	980,000	-	980,000
Local currency loans to banks, financial institutions and employees	105,913,487	108,628,077	105,913,487	108,628,077
Other local currency financial assets	169,283	929,682	169,283	929,682
Taka coin and cash balances	321,706	546,240	321,706	546,240
<b>Financial liabilities</b>				
Liabilities with International Monetary Fund	167,475,874	188,331,836	167,475,874	188,331,836
Deposits from banks and financial institutions	503,017,274	593,679,541	503,017,274	593,679,541
Notes in circulation	973,633,449	847,170,600	973,633,449	847,170,600
Short term borrowings	180,721,995	57,664,690	180,721,995	57,664,690
Other local currency financial liabilities	171,567,104	192,817,857	171,567,104	192,817,857

### Determination of fair value of financial assets

As per IFRS 13, fair value of foreign securities classified as available-for-sale is based on quoted market prices, at the statement of financial position date (2014: foreign securities available-for-sale at fair value). Local currency financial investments includes shares in SPCBL with a value of BDT 12,000,000,000 (2014: BDT 500,000,000) and debentures of BHBFC with a value of BDT 5,795,000,000 (2014: BDT 6,500,000,000) for which fair value cannot be reliably determined as they are not traded in the active market and there are no similar instruments with similar characteristics. Management believes that the fair value of these shares are their carrying value.

Loans to the Government i.e. WMA, ODB and ODC are carried at cost as the interest accrued is recovered on a daily basis. Government securities (treasury bills and bonds) classified as available-for-sale are carried at fair value (2014: Government securities (treasury bills and bonds) as available-for-sale measured at fair value). Loans to banks, financial institutions and employees are carried at amortized cost and are net of provisions for impairment. The fair value of these loans approximates their carrying value.

### 46 Consolidated classification of financial instruments

As per IAS 39, financial assets are classified into four categories i.e. financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investments while financial liabilities are categorised as financial liabilities at fair value through profit or loss and at amortised cost. These categories are used to determine how a particular financial asset is recognised and measured in the financial statements.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### i) As at 30 June 2015

#### Financial Assets

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale
Taka coin and cash balances	14,483,987	-	-	-
Foreign currency accounts	268,409,412	-	-	-
<b>Foreign investments:</b>				
Short term deposits with overseas commercial banks	674,465,879	-	-	-
US Dollar Treasury Bills	-	-	-	83,279,606
Foreign Bonds	-	-	-	678,881,294
Asset held with IMF	131,148,185	-	-	-
Gold and silver	-	-	-	6,414,663
Claims from gold transaction	-	-	-	34,181,082
Foreign currency loans to banks	127,742,085	-	-	-
<b>Other foreign assets:</b>				
Swift shares	-	-	-	80
Interest receivable	6,680,385	-	-	-
<b>Loans to the Government:</b>				
Ways and means advance	24,354,400	-	-	-
Overdraft - block	86,850,000	-	-	-
Overdraft - current	-	-	-	-
Treasury bills	-	-	-	-
Treasury bonds	-	-	-	1,085,185
<b>Investments:</b>				
Debenture - BHBFC	-	-	-	5,795,000
Short term money market investments	462,501	-	-	-
Share of ICB Islamic Bank Limited	-	-	-	7,452
<b>Local currency loans to banks, financial institutions and employees:</b>				
Loan to Commercial banks	4,963,167	-	-	-
Loan to Specialised banks	33,222,021	-	-	-
Loan to Private banks	3,019,500	-	-	-
Other loans and advances	26,172,779	-	-	-
Interest receivable	8,429,740	-	-	-
Loans and advances to employees	31,233,004	-	-	-
Other local currency financial assets	531,648	-	-	-
<b>Total</b>	<b>1,442,168,694</b>	<b>-</b>	<b>-</b>	<b>809,644,362</b>

#### Financial liabilities

Taka '000

Items	Carried at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities with IMF	167,475,874	-	167,475,874
<b>Deposits from banks and financial institutions:</b>			
Foreign currency deposits by commercial banks	78,892,716	-	78,892,716
Asian Clearing Union (ACU)	70,261,285	-	70,261,285
Notes in circulation	973,633,449	-	973,633,449
Local currency deposits from banks and financial institution	503,017,274	-	503,017,274
Short term borrowings	180,721,995	-	180,721,995
<b>Total</b>	<b>1,974,002,593</b>	<b>-</b>	<b>1,974,002,593</b>

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### ii) As at 30 June 2014

Financial Assets					Taka '000
Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale	
Taka coin and cash balances	1,356,424	-	-	-	
Foreign currency accounts	501,735,055	-	-	-	
<b>Foreign investments:</b>					
Short term deposits with overseas commercial banks	492,050,716	-	-	-	
US Dollar Treasury Bills	-	-	-	83,075,584	
Foreign Bonds*	-	-	-	357,890,893	
Asset held with IMF	148,468,110	-	-	-	
Gold and silver	-	-	-	25,283,678	
Claims from gold transaction	-	-	-	19,451,963	
Foreign currency loans to banks	105,186,763	-	-	-	
<b>Other foreign assets:</b>					
Swift shares	-	-	-	80	
Interest receivable	4,595,173	-	-	-	
<b>Loans to the Government</b>					
Overdraft - block (Government treasury bills)	131,510,000	-	-	-	
Overdraft - current	-	-	-	-	
Treasury bills	-	-	-	2,327,168	
Treasury bonds	-	-	-	35,024,775	
Securities purchased under agreement to resell	980,000	-	-	-	
<b>Investments in shares and debentures:</b>					
Debenture-House Building Finance Corporation	-	-	-	6,505,000	
Short term money market investments	-	-	-	1,873,020	
Share of ICB Islamic Bank Limited	-	-	-	7,452	
<b>Local currency loans to banks, financial institutions and employees:</b>					
Loan to Commercial banks	4,105,182	-	-	-	
Loan to Specialised banks	39,512,833	-	-	-	
Loan to Private banks	2,634,900	-	-	-	
Other loans and advances	28,601,184	-	-	-	
Interest receivable	7,595,016	-	-	-	
Loans and advances to employees	27,255,579	-	-	-	
Other local currency financial assets	1,145,214	-	-	-	
<b>Total</b>	<b>1,496,732,149</b>	<b>-</b>	<b>-</b>	<b>531,439,613</b>	

### Financial liabilities

Financial liabilities				Taka '000
Items	Carried at amortised cost	Liabilities at fair value through profit or loss	Total	
Liabilities with IMF	188,331,836	-	188,331,836	
<b>Deposits from banks and financial institutions:</b>				
Foreign currency deposits by commercial banks	74,804,441	-	74,804,441	
Asian Clearing Union (ACU)	75,093,095	-	75,093,095	
Notes in circulation	847,170,600	-	847,170,600	
Deposits from banks and financial institution	443,782,003	-	443,782,003	
Short term borrowings	57,664,690	-	-	
<b>Total</b>	<b>1,686,846,665</b>	<b>-</b>	<b>1,686,846,665</b>	

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2015

**46.01 Classification of financial instruments (Separate)**

**ii) As at 30 June 2015**

**Financial Assets**

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale	Total
Taka coin and cash balances	321,706	-	-	-	321,706
Foreign currency accounts	268,409,412	-	-	-	268,409,412
<b>Foreign investments:</b>					
Short term deposits with overseas commercial banks	674,465,879	-	-	-	674,465,879
US Dollar Treasury Bills	-	-	-	83,279,606	83,279,606
Foreign Bonds	-	-	-	678,881,294	678,881,294
Assets held with International Monetary Fund	131,148,185	-	-	-	131,148,185
Gold and silver	-	-	-	6,414,663	6,414,663
Claims from gold transactions	-	-	-	34,181,082	34,181,082
Foreign currency loans to banks	127,742,085	-	-	-	127,742,085
<b>Other foreign assets:</b>					
Swift share	-	-	-	80	80
Interest receivable	6,680,385	-	-	-	6,680,385
<b>Loans to the Government:</b>					
Ways and means advance	24,354,400	-	-	-	24,354,400
Overdraft - block	86,850,000	-	-	-	86,850,000
Overdraft - current	-	-	-	-	-
Treasury bills	-	-	-	-	-
Treasury bonds	-	-	-	1,085,185	1,085,185
<b>Local currency investments</b>					
Debenture - HBFC	-	-	-	5,795,000.00	5,795,000
Investment in subsidiary	-	-	-	12,000,000.00	12,000,000
<b>Local currency loans to banks, financial institutions and employees</b>					
Loan to Commercial banks	4,963,167	-	-	-	4,963,167
Loan to Specialised banks	33,222,021	-	-	-	33,222,021
Loan to Private banks	3,019,500	-	-	-	3,019,500
Other loans and advances	26,172,779	-	-	-	26,172,779
Interest receivable	8,429,740	-	-	-	8,429,740
Loans and advances to employees	30,106,279	-	-	-	30,106,279
Other local currency financial assets	169,283	-	-	-	169,283
<b>Total</b>	<b>1,426,054,822</b>	<b>-</b>	<b>-</b>	<b>821,636,910</b>	<b>2,247,691,732</b>

**Financial liabilities**

Taka '000

Items	Carried at amortised cost	Liabilities at fair value through profit or loss	Total
Liabilities with IMF	167,475,874	-	167,475,874
<b>Deposits from banks and financial institutions:</b>			
Deposits from banks and financial institutions	78,892,716	-	78,892,716
Asian Clearing Union (ACU)	70,261,285	-	70,261,285
Notes in circulation	973,633,449	-	973,633,449
Deposits from banks and financial institutions	503,017,274	-	503,017,274
Short term borrowings	180,721,995	-	180,721,995
<b>Total</b>	<b>1,974,002,593</b>	<b>-</b>	<b>1,974,002,593</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### ii) As at 30 June 2014

Financial Assets						Taka '000
Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale	Total	
Taka coin and cash balances	546,241	-	-	-	546,241	
Foreign currency accounts	501,735,055	-	-	-	501,735,055	
<b>Foreign investments:</b>						
Short term deposits with overseas commercial banks	492,050,716	-	-	-	492,050,716	
US Dollar Treasury Bills	-	-	-	83,075,583	83,075,583	
Foreign Bonds	-	-	-	357,890,893	357,890,893	
Asset held with IMF	148,468,110	-	-	-	148,468,110	
Gold and silver	-	-	-	25,283,678	25,283,678	
Claims from gold transactions	-	-	-	19,451,963	19,451,963	
Foreign currency loans to banks	105,186,762	-	-	-	105,186,762	
<b>Other foreign assets:</b>						
Swift share	-	-	-	80	80	
Interest receivable	4,595,173	-	-	-	4,595,173	
<b>Loans to the Government:</b>						
Ways and means advance	-	-	-	-	-	
Overdraft - block (Govt. treasury bills)	131,510,000	-	-	-	131,510,000	
Overdraft - current	-	-	-	-	-	
Treasury bills	-	-	-	2,327,168	2,327,168	
Treasury bonds	-	-	-	35,024,775	35,024,775	
Securities purchased under agreement to resell	980,000	-	-	-	980,000	
<b>Local currency investments</b>						
Debenture - HBFC	-	-	-	6,505,000	6,505,000	
Investment in subsidiary	-	-	-	500,000	500,000	
<b>Local currency loans to banks, financial institutions and employees</b>						
Loan to Commercial banks	4,105,182	-	-	-	4,105,182	
Loan to Specialised banks	39,512,833	-	-	-	39,512,833	
Loan to Private banks	2,634,900	-	-	-	2,634,900	
Other loans and advances	28,601,184	-	-	-	28,601,184	
Interest receivable	7,595,016	-	-	-	7,595,016	
Loans and advances to employees	26,178,962	-	-	-	26,178,962	
Other local currency financial assets	929,682	-	-	-	929,682	
<b>Total</b>	<b>1,494,629,817</b>	<b>-</b>	<b>-</b>	<b>530,059,140</b>	<b>2,024,688,957</b>	

#### Financial liabilities

Financial liabilities				Taka '000
Items	Carried at amortised cost	Liabilities at fair value through profit or loss	Total	
Liabilities with IMF	188,331,836	-	188,331,836	
<b>Deposits from banks and financial institutions:</b>				
Foreign currency deposits by commercial banks	74,804,441	-	74,804,441	
Asian Clearing Union (ACU)	75,093,095	-	75,093,095	
Notes in circulation	847,170,600	-	847,170,600	
Short term borrowings	57,664,690	-	57,664,690	
Short term borrowings	443,782,003	-	443,782,003	
<b>Total</b>	<b>1,686,846,665</b>	<b>-</b>	<b>1,686,846,665</b>	



## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### 47 Consolidated classification of financial instrument

#### Analysis of financial assets and liabilities by fair value hierarchy

As per IFRS-13, the Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

**Level 1:** quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions.

**Level 2:** inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and includes: quoted prices for similar assets or liabilities in active markets quoted prices for identical or similar assets or liabilities in markets that are not active inputs other than quoted prices that are observable for the asset or liability.

**Level 3:** Valuation techniques using significant non-observable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### Financial instruments measured at fair value - fair value hierarchy

#### i) As at 30 June 2015

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

#### Financial Assets

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
<b>Foreign investments:</b>					-
US Dollar Treasury Bills	5	83,279,606	-	-	83,279,606
Foreign Bonds	5	678,881,294	-	-	678,881,294
Gold and silver	7	6,414,663	-	-	6,414,663
Claims from gold transaction	8	34,181,082	-	-	34,181,082
<b>Other foreign assets:</b>					-
Swift shares	10	-	-	80	80
<b>Loans to the Government:</b>					-
Treasury bonds	13	-	1,085,185	-	1,085,185
<b>Local currency investments:</b>					-
Short term money market investments	14	-	462,501	-	462,501
Debentures-BHBFC	14	-	5,795,000	-	5,795,000
Share of ICB Islamic Bank Limited	14	7,452	-	-	7,452
<b>Total</b>		<b>802,764,097</b>	<b>7,342,686</b>	<b>80</b>	<b>810,106,863</b>

#### ii) As at 30 June 2014

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
<b>Foreign investments:</b>					-
US Dollar Treasury Bills	5	83,075,584	-	-	83,075,584
Foreign Bonds	5	357,890,893	-	-	357,890,893
Gold and silver	7	25,283,678	-	-	25,283,678
Claims from gold transaction	8	19,451,963	-	-	19,451,963
<b>Other foreign assets:</b>					-
Swift shares	10	-	-	80	80
<b>Loans to the Government:</b>					-
Treasury bills	13	-	2,327,168	-	2,327,168
Treasury bonds	13	-	35,024,775	-	35,024,775
<b>Local currency investments:</b>					-
Short term money market investments	14	-	1,873,020	-	1,873,020
Share of ICB Islamic Bank Limited	14	7,452	-	-	7,452
<b>Total</b>		<b>485,709,570</b>	<b>39,224,963</b>	<b>80</b>	<b>524,934,613</b>

#### Level 3 fair value measurements

As at 30 June 2015 and 30 June 2014, the Group holds level 3 financial instruments only on Swift shares. The management believes that the fair value of these shares is equal to its carrying amount. A level 3 reconciliation table have not been disclosed as no change in fair value of investment from last year.

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### Financial instruments not measured at fair value

These include taka coins and cash balances, foreign currency accounts, short term deposits with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, loans to government, securities purchased under agreement to resell, short term money market investments, local currency financial assets and local currency loans to banks, financial institutions and employees. These are measured under level 2 of fair value hierarchy, as the management believes that the fair value of those instruments are equal to their carrying amounts.

#### i) As at 30 June 2015

##### Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	14,483,987	-	14,483,987	14,483,987
Foreign currency accounts	-	268,409,412	-	268,409,412	268,409,412
<b>Foreign investments:</b>					
Short term deposits with overseas commercial banks	-	674,465,879	-	674,465,879	674,465,879
Asset held with IMF	-	131,148,185	-	131,148,185	131,148,185
Foreign currency loans to banks	-	127,742,085	-	127,742,085	127,742,085
Interest receivable	-	6,680,385	-	6,680,385	6,680,385
<b>Loans to the government</b>					
Loans and advances to Govt.	-	24,354,400	-	24,354,400	24,354,400
Overdraft - Block	-	86,850,000	-	86,850,000	86,850,000
<b>Local currency loans to banks, financial institutions and employees:</b>					
Loan to commercial banks	-	4,963,167	-	4,963,167	4,963,167
Loan to specialised banks	-	33,222,021	-	33,222,021	33,222,021
Loan to private banks	-	3,019,500	-	3,019,500	3,019,500
Other loans and advances	-	26,172,779	-	26,172,779	26,172,779
Interest receivable	-	8,429,740	-	8,429,740	8,429,740
Loans and advances to employees	-	30,106,279	-	30,106,279	30,106,279
Other local currency financial assets	-	169,283	-	169,283	169,283
<b>Total</b>	<b>-</b>	<b>1,440,217,103</b>	<b>-</b>	<b>1,440,217,103</b>	<b>1,440,217,103</b>

##### Financial liabilities

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	167,475,874	-	167,475,874	167,475,874
<b>Deposits from banks and financial institutions:</b>					
Foreign currency deposits by commercial banks	-	78,892,716	-	78,892,716	78,892,716
Asian Clearing Union (ACU)	-	70,261,285	-	70,261,285	70,261,285
Notes in circulation	-	973,633,449	-	973,633,449	973,633,449
Local currency deposits from banks and financial institutions	-	503,017,274	-	503,017,274	503,017,274
Short term borrowings	-	180,721,995	-	180,721,995	180,721,995
<b>Total</b>	<b>-</b>	<b>1,974,002,593</b>	<b>-</b>	<b>1,974,002,593</b>	<b>1,974,002,593</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### ii) As at 30 June 2014

##### Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	1,356,424	-	1,356,424	1,356,424
Foreign currency accounts	-	501,735,055	-	501,735,055	501,735,055
<b>Foreign investments:</b>					
Short term deposits with overseas commercial banks	-	492,050,716	-	492,050,716	492,050,716
Asset held with IMF	-	148,468,110	-	148,468,110	148,468,110
Foreign currency loans to banks	-	105,186,763	-	105,186,763	105,186,763
Interest receivable	-	4,595,173	-	4,595,173	4,595,173
<b>Loans to the government:</b>					
Overdraft - block (Government treasury bills)	-	-	-	-	-
Overdraft - current	-	-	-	-	-
Securities purchased under agreement to resell	-	980,000	-	980,000	980,000
<b>Investments:</b>					
Debentures in House Building Finance Corporation	-	6,505,000	-	6,505,000	6,505,000
Short term money market investments	-	1,868,910	-	1,868,910	1,868,910
<b>Local currency loans to banks, financial institutions and employees:</b>					
Loan to commercial banks	-	4,105,182	-	4,105,182	4,105,182
Loan to specialised banks	-	39,512,833	-	39,512,833	39,512,833
Loan to private banks	-	2,634,900	-	2,634,900	2,634,900
Other loans and advances	-	28,601,184	-	28,601,184	28,601,184
Interest receivable	-	1,145,214	-	1,145,214	1,145,214
Loans and advances to employees	-	27,255,579	-	27,255,579	27,255,579
Other local currency financial assets	-	1,145,214	-	1,145,214	1,145,214
<b>Total</b>	<b>-</b>	<b>1,367,146,257</b>	<b>-</b>	<b>1,367,146,257</b>	<b>1,367,146,257</b>

##### Financial liabilities

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	188,331,836	-	188,331,836	188,331,836
<b>Deposits from banks and financial institutions:</b>					
Foreign currency deposits by commercial banks	-	74,804,441	-	74,804,441	74,804,441
Asian Clearing Union (ACU)	-	75,093,095	-	75,093,095	75,093,095
Notes in circulation	-	847,170,600	-	847,170,600	847,170,600
Local currency deposits from banks and financial institution	-	443,782,003	-	443,782,003	443,782,003
Short term borrowings	-	57,664,690	-	57,664,690	57,664,690
<b>Total</b>	<b>-</b>	<b>1,686,846,665</b>	<b>-</b>	<b>1,686,846,665</b>	<b>1,686,846,665</b>

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### 47.01 Classification of financial instrument (separate)

##### Financial instruments measured at fair value - fair value hierarchy

##### i) As at 30 June 2015

##### Financial assets

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
<b>Foreign investments:</b>					
US Dollar Treasury Bills	5	83,279,606	-	-	83,279,606
Foreign Bonds	5	678,881,294	-	-	678,881,294
Gold and silver	7	6,414,663	-	-	6,414,663
Claims from gold transaction	8	34,181,082	-	-	34,181,082
<b>Other foreign assets:</b>					
Swift shares	10	-	-	80	80
<b>Loans to the Government:</b>					
Treasury bonds	13	-	1,085,185	-	1,085,185
<b>Local currency investments:</b>					
Investment in subsidiary	14.02	-	-	12,000,000	12,000,000
Debentures-HBFC	14.02	-	5,795,000	-	5,795,000
<b>Total</b>		<b>802,756,645</b>	<b>6,880,185</b>	<b>12,000,080</b>	<b>815,841,910</b>

##### ii) As at 30 June 2014

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
<b>Foreign investments:</b>					
US Dollar Treasury Bills	5	83,075,584	-	-	83,075,584
Foreign Bonds	5	357,890,893	-	-	357,890,893
Gold and silver	7	25,283,678	-	-	25,283,678
Claims from gold transaction	8	19,451,963	-	-	19,451,963
<b>Other foreign assets:</b>					
Swift shares	10	-	-	80	80
<b>Loans to the Government:</b>					
Treasury bills	13	-	2,327,168	-	2,327,168
Treasury bonds	13	-	35,024,775	-	35,024,775
<b>Local currency investments:</b>					
Investment in subsidiary	14.02	-	-	500,000	500,000
<b>Total</b>		<b>485,702,118</b>	<b>37,351,943</b>	<b>500,080</b>	<b>523,554,141</b>

##### Level 3 fair value measurements

As at 30 June 2015 and 30 June 2014, the Bank holds level 3 financial instruments on shares in the Subsidiary & debenture-HBFC. Management believes that the fair value of these shares is equal to its carrying amount.

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### Financial instruments not measured at fair value

These include taka coins and cash balances, foreign currency accounts, short term deposits with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, loans to government, securities purchased under agreement to resell, short term money market investments, local currency financial assets and local currency loans to banks, financial institutions and employees. These are measured under level 2 of fair value hierarchy, since management believes that the fair value of those instruments are equal to their carrying amounts.

#### i) As at 30 June 2015

##### Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	321,706	-	321,706	321,706
Foreign currency accounts	-	268,409,412	-	268,409,412	268,409,412
<b>Foreign investments:</b>					
Short term deposits with overseas commercial banks	-	674,465,879	-	674,465,879	674,465,879
Asset held with IMF	-	131,148,185	-	131,148,185	131,148,185
Foreign currency loans to banks	-	127,742,085	-	127,742,085	127,742,085
Interest receivable	-	6,680,385	-	6,680,385	6,680,385
<b>Loans to the government:</b>					
Treasury bills	-	24,354,400	-	24,354,400	24,354,400
Treasury bonds	-	86,850,000	-	86,850,000	
<b>Local currency loans to banks, financial institutions and employees:</b>					
Loan to commercial banks	-	4,963,167	-	4,963,167	4,963,167
Loan to specialised banks	-	33,222,021	-	33,222,021	33,222,021
Loan to private banks	-	3,019,500	-	3,019,500	3,019,500
Other loans and advances	-	26,172,779	-	26,172,779	26,172,779
Interest receivable	-	8,429,740	-	8,429,740	8,429,740
Loans and advances to employees	-	30,106,279	-	30,106,279	30,106,279
Other local currency financial assets	-	169,283	-	169,283	169,283
<b>Total</b>	-	<b>1,426,054,822</b>	-	<b>1,426,054,822</b>	<b>1,426,054,822</b>

##### Financial liabilities

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	167,475,874	-	167,475,874	167,475,874
<b>Deposits from banks and financial institutions:</b>					
Foreign currency deposits by commercial banks	-	78,892,716	-	78,892,716	78,892,716
Asian Clearing Union (ACU)	-	70,261,285	-	70,261,285	70,261,285
Notes in circulation	-	973,633,449	-	973,633,449	973,633,449
Local currency deposits from banks and financial institution	-	503,017,274	-	503,017,274	503,017,274
Short term borrowings	-	180,721,995	-	180,721,995	180,721,995
<b>Total</b>	-	<b>1,974,002,593</b>	-	<b>1,974,002,593</b>	<b>1,974,002,593</b>

**Bangladesh Bank : Notes to the Financial Statements**  
As at and for the year ended 30 June 2015

## ii) As at 30 June 2014

**Financial assets**

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	546,240	-	546,240	546,240
Foreign currency accounts	-	501,735,055	-	501,735,055	501,735,055
<b>Foreign investments:</b>				-	-
Short term deposits with overseas commercial banks	-	492,050,716	-	492,050,716	492,050,716
Asset held with IMF	-	148,468,110	-	148,468,110	148,468,110
Foreign currency loans to banks	-	105,186,763	-	105,186,763	105,186,763
Interest receivable	-	4,595,173	-	4,595,173	4,595,173
<b>Loans to the government:</b>					
Overdraft - current	-	-	-	-	-
Securities purchased under agreement to resell	-	980,000	-	980,000	980,000
<b>Investments:</b>					
Debentures in House Building Finance Corporation	-	6,505,000	-	6,505,000	6,505,000
<b>Local currency loans to banks, financial institutions and employees:</b>					
Loan to commercial banks	-	4,105,182	-	4,105,182	4,105,182
Loan to specialised banks	-	39,512,833	-	39,512,833	39,512,833
Loan to private banks	-	2,634,900	-	2,634,900	2,634,900
Other loans and advances	-	28,601,184	-	28,601,184	28,601,184
Interest receivable	-	7,595,016	-	7,595,016	7,595,016
Loans and advances to employees	-	26,178,962	-	26,178,962	26,178,962
Other local currency financial assets	-	929,682	-	929,682	929,682
<b>Total</b>	<b>-</b>	<b>1,369,624,816</b>	<b>-</b>	<b>1,369,624,816</b>	<b>1,369,624,816</b>

**Financial liabilities**

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	188,331,836	-	188,331,836	188,331,836
<b>Deposits from banks and financial institutions:</b>					
Foreign currency deposits by commercial banks	-	74,804,441	-	74,804,441	74,804,441
Asian Clearing Union (ACU)	-	75,093,095	-	75,093,095	75,093,095
Notes in circulation	-	847,170,600	-	847,170,600	847,170,600
Local currency deposits from banks and financial institutions	-	443,782,003	-	443,782,003	443,782,003
Short term borrowings	-	57,664,690	-	57,664,690	57,664,690
<b>Total</b>	<b>-</b>	<b>1,686,846,665</b>	<b>-</b>	<b>1,686,846,665</b>	<b>1,686,846,665</b>



## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

### **48 Risk management**

#### **(i) Financial risk management**

International Financial Reporting Standard "IFRS 7 - Financial Instruments: Disclosures" requires disclosure of information relating to both recognised and unrecognised financial instruments, their significance and performance, accounting policies, terms and conditions, net fair values and risk information- the Group's policies for controlling risks and exposures.

Bank is involved in policy-oriented activities. Therefore, the Bank's risk management framework differs from the risk management framework for most other financial institutions. The main financial risks to which the Bank is exposed include credit risk, foreign exchange risk and interest rate risk. In the management of foreign reserves, minimising liquidity risk is the prime consideration in order to ensure the availability of currency as required. Like most central banks, the nature of the Bank's operations creates exposure to a range of operational and reputational risks also.

Bank's management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Experienced staff conducts the Bank's local currency, foreign currency reserves management, and foreign exchange dealing operations in accordance with a clearly defined risk management framework, including limits and delegated authorities set by the Governor.

Bank is subject to an annual audit by two external auditors who are appointed by the Government as prescribed in Article 65 (1) of the Bangladesh Bank Order, 1972. Auditing arrangements are overseen by the Audit Committee of the Board to monitor the financial reporting and audit functions within the Bank and the Committee reviews the internal audit functions as well. Audit Committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risk. The Bank seeks to ensure the risk management framework consistent with financial market best practices. Risk tables in this note are all based on the Bangladesh Bank portfolio as reported in its statement of financial position.

#### **(ii) Operational risk**

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems. Managing operational risk is seen as an integral part of the day to day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes Bank-wide corporate policies that describe the standard required of staff and specific internal control systems designed around the particular characteristics of various Bank activities. Compliance with corporate policies and departmental internal control systems are managed by departmental management and an active internal audit function.

## Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2015

### (iii) Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. Credit risk is monitored and managed regularly. Bangladesh Bank's maximum exposure to credit risk in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position. Bangladesh Bank's exposure is to highly rated counter-parties and its credit risk is very low, with mitigants to credit risk including both the Bank's rigorous monitoring activities and, in many cases, guarantees from the government.

Bank's significant end-of-year concentrations of credit exposure, based on the country/region in which the issuers' parent was located, were as follows:

<b>Consolidated</b>	<b>2015</b>	<b>2014</b>
Bangladesh	383,214,010	402,266,602
Other Asian countries	351,138,303	334,189,781
United States of America	673,787,180	698,182,076
Europe	478,108,449	324,018,757
Australia	80,433,234	17,653,619
Others	285,508,941	251,860,927
<b>Total</b>	<b>2,252,190,116</b>	<b>2,028,171,762</b>
<b>Bank</b>		
Bangladesh	379,088,552	398,783,797
Other Asian countries	351,138,303	334,189,781
United States of America	673,787,180	698,182,076
Europe	478,108,449	324,018,757
Australia	80,433,234	17,653,619
Others	285,508,941	251,860,927
<b>Total</b>	<b>2,248,064,658</b>	<b>2,024,688,957</b>

### (iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

#### Management of liquidity risk

Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind.

## **Bangladesh Bank : Notes to the Financial Statements**

As at and for the year ended 30 June 2015

### **(v) Currency risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. Decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for Bangladesh Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within a band. Dealers/portfolio managers afford best to comply with this benchmark and continually rebalance the investment portfolio to follow the benchmark daily/weekly as approved by the Investment Committee.

### **49 Contingent liabilities**

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2015 amounting to Taka 70,020.36 million (2014: Taka 106,819 million) in favour of International Islamic Trade Finance Corporation which is secured by counter guarantees from the Government of Bangladesh.

The Bank had two pending litigations against which the estimated possible liability was Taka 1.86 million as at the reporting date. No provisions have been made in the financial statements in respect of these as it was not possible to determine the outcome of these cases with reasonable assurance.

### **50 Operating segments**

The Bank's operation is concentrated in one geographical area - Bangladesh and as such comprise a single operating segment for the purpose of IFRS 8, the relevant standard for such segmentation. While the Bank is required by the Bangladesh Bank Order to report revenue and expenses by references to the functions carried out by the Bank viz. Issue and Banking department, these activities do not constitute separate operating segments for the purpose of IFRS 8.

### **51 Actuarial valuation of defined benefit plans**

Most recent actuarial valuation was performed in the year 2011-12 by an independent actuarial firm. According to the valuation report, the estimated obligation of the pension fund as at 30 June 2012 was Taka 4,745,764 thousand and for gratuity fund was Taka 1,069,800 thousand. For the years 2013, 2014 and 2015, the obligations were calculated based on the recommendation made by the actuarial firm.

As at 30 June 2015 the obligation for pension fund and gratuity fund was calculated to Taka 6,618,746.93 thousand and Taka 1,453,800.00 thousand respectively. The balance of the funds is as under:

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

Particulars	Taka '000			
	Pension plans		Gratuity plans	
	2015	2014	2015	2014
<b>Amounts recognised in the reporting date</b>				
Balance at the beginning of the year	5,738,714	5,710,641	1,553,726	1,774,885
Paid during the year	(696,667)	(150,627)	(83,542)	(42,459)
Current year's contribution/transfer	1,576,700	178,700	-	(178,700)
<b>Balance of the fund</b>	<b>6,618,747</b>	<b>5,738,714</b>	<b>1,470,184</b>	<b>1,553,726</b>
<b>Actuarial assumptions</b>				
Particulars	Pension plans		Gratuity plans	
	2015	2014	2015	2014
Discount rate	11.50%	11.50%	11.50%	11.50%
Salary growth rate	8%	8%	8%	8%

The assumptions regarding future mortality rate are based on the published statistics and mortality tables of the FA 1975-78 (based on experience collected from UK insurers).

#### Sensitivity

If the discount rate had been 100 basis points lower with all other variables constant, contribution for pension fund and gratuity fund for the year would have been Taka 57.38 million and Taka 12.69 million higher respectively, arising mainly as a result of lower discount income. Conversely, if discount rate had been 100 basis point higher with all other variables held constant, contribution for the same during the year would have been Taka 57.38 million and Taka 12.69 million lower arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

#### 52 Capital commitments

As at 30 June 2015, the Bank had outstanding capital commitments of Taka. 4.85 million with respect to different Air Conditioner purchase and installation along with security instrument and generator purchase. (2014: 36.75 million)

#### 53 Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Bank, related parties, as defined in IAS 24 : Related Parties Disclosure, include directors and officers of the Bank, and companies of whom they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions on an arms length basis.

Bank is fully owned by the Government of Bangladesh. Government has interests in various entities such as state owned banks, specialised banks and corporations. Bank deals with these entities on the directives of the government in line with the its monetary policy objectives.

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

The outstanding as at the reporting date and average balances during the year with respect to related parties included in the statement of financial position are as follows:

Taka '000

2015		2014	
Outstanding	Average	Outstanding	Average

#### Outstanding balances with the government of Bangladesh

Ways and means advance	24,354,400	12,177,200	-	10,000,000
Overdraft - block (refer note 13)	86,850,000	109,180,000	131,510,000	138,887,155
Overdraft - current	-	-	-	36,022,500
Treasury bills	-	1,163,584	2,327,168	2,847,150
Treasury bonds	1,085,185	18,054,980	35,024,775	49,012,660
Other assets (interest receivable)	29,491	405,312	781,134	1,284,140
	<b>112,319,076</b>	<b>140,981,076</b>	<b>169,643,077</b>	<b>238,053,604</b>

#### Other liabilities:

Deposits	5,033	20,602,091	41,199,148	20,602,078
Loan from government of Bangladesh	2,721,734	2,743,157	2,764,580	2,800,919
	<b>2,726,767</b>	<b>23,345,248</b>	<b>43,963,728</b>	<b>23,402,996</b>

#### Balances related to subsidiary (SPCBL)

Other assets (Prepayments and advances)	4,127,278	3,713,199	3,299,119	3,574,366
Other liabilities (sundry creditors)	1,335,120	1,513,596	1,692,073	1,483,314

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

2015 Taka'000	2014 Taka'000
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#### Income and expenses related to government

Interest income	7,880,673	19,500,993
Commission received	5,749	3,639
	<b>7,886,421</b>	<b>19,504,632</b>

#### Expenses

Agency charges	2,642,465	2,409,580
Under writing commission on treasury bills and bonds	488,067	415,000
	<b>3,130,532</b>	<b>2,824,580</b>

#### Income and expenses related to subsidiary

Dividend income	25,000	25,000
Note printing expenses	3,817,289	3,885,924

#### Key management personnel

Salaries, wages and other benefits (refer note 54.06)	3,969	3,969
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## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### 53.01 Transactions with the Government and Government controlled enterprises

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Bangladesh; as ultimate owner of the Bank, various Government departments, and Government controlled enterprises/entities. All transactions are carried out with reference to market rates. Transactions entered into include:

- (a) Acting as the fiscal agent, banker and financial advisor of the Government; the Bank is the depository of the Government and or its agents or institutions and provides banking services to Government and Government departments and corporations;
- (b) Acting as the agent of the Government or its agencies and institutions, provide guarantees, participate in loans to Government or related institutions and foreign reserve;
- (c) The Bank does not ordinarily collect any commission, fees, or other charges for services which it renders to the Government and related entities;
- (d) Acting as the agent of the Government, the Bank issues securities of Government, purchases any unsubscribed portion of any issue and amounts set aside for the Bank; and
- (e) As the agent of the Government manages public debt and foreign reserves.

During the year, the Bank received an amount of Taka 2,800,540.00 million (in 2014 : Taka 2,731,440.00 million) and paid Taka 2,866,080.00 million (in 2014: 2,598,210.00 million) on behalf of the Government. As at 30 June 2015, total outstanding balance was Taka 111,210.00 million.

- (f) Assets under management:

Japan Debt Relief Grant

2015 Taka'000	2014 Taka'000
918,989	1,106,605

The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

#### 53.02 Transactions with entities in which the Bank has significant investments

During the year, the Bank received debenture interest amounting to Taka 311.39 million included in the interest income.

#### 53.03 Transactions with controlled entities

During the year, as a part of its business operations the Bank incurred expense of Taka 3,817.29 million (2014: Taka 3,885.92 million) as note printing cost was paid to SPCBL which is included in the statement of profit or loss of the Bank. These transactions are eliminated in preparing consolidated financial statements. During the year, SPCBL paid dividend amounting to Taka 25 million (2014: 25 million) as per decision of their Board.

## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

#### 53.04 Transactions with retirement benefit plans

During the year, the Group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 52.

#### 53.05 Board of Directors of Bangladesh Bank and Key Management Personnel

During the year, the Group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 52.

	Members of Board Directors	Executive Committee Members	Audit Committee Members
<b>Dr. Atiur Rahman</b> - appointed as the Chairman of the Board of Directors and also as the Governor of the Bangladesh Bank for a period of four years from 1 May 2009. Further he reappointed on 1 May 2013 for a period up to 2 August 2016.	Member of Board of Directors	Member of Executive Committee	
<b>Mr. Md. Abul Quasem</b> - appointed as a Director of the Board of Bangladesh Bank on 13 February 2012 for a period upto 6 July, 2015 and also holds the post of Deputy Governor, Bangladesh Bank.	Member of Board of Directors	Member of Executive Committee	
<b>Dr. Mustafa Kamal Mujeri</b> - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years and holds the post of Executive Director, Bangladesh Institute of Development Studies, Sher-E-Bangla nagar, Dhaka. Further reappointed on 11 March 2013 for a period up to 10 March 2016.	Member of Board of Directors		Member of Board Audit Committee
<b>Prof. Sanat Kumar Saha</b> - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-professor, Rajshahi University, Rajshahi.	Member of Board of Directors		
<b>Dr. Sadiq Ahmed</b> - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-Director, World Bank, USA & Vice Chairman, Policy Research Institute, Banani, Dhaka.	Member of Board of Directors		



## Bangladesh Bank : Notes to the Financial Statements

### As at and for the year ended 30 June 2015

	Members of Board Directors	Executive Committee Members	Audit Committee Members
<b>Prof. Hannana Begum</b> - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. She is an Ex-Principal, Eden College, Dhaka.	Member of Board of Directors	Member of Executive Committee	Member of Board Audit Committee
<b>Dr. M Aslam Alam</b> - appointed as a Director of the Board of Bangladesh Bank on 13 November 2012 for a period until further order and holds the post of Secretary, Banking and Financial Institution Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.	Member of Board of Directors	Member of Executive Committee	Member of Board Audit Committee
<b>Mr. Nojibur Rahman</b> - appointed as a Director of the Board of Bangladesh Bank on 25 January, 2015 for a period until further order and holds the post of Secretary, Internal Resource Department, and Chairman of National Board of Revenue, Government of the People's Republic of Bangladesh.	Member of Board of Directors		Member of Board Audit Committee
<b>Mr. Mahub Ahmed</b> - appointed as a Director of the Board of Bangladesh Bank on 27 July, 2014 for a period until further order and holds the post of Senior Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.	Member of Board of Directors		
<b>Number of meetings held during the year</b>	<b>8</b>	<b>6</b>	<b>8</b>

#### 53.06 Remuneration of members of the Board of Directors and Key management personnel

Members of the Board of Directors received remuneration totaling Taka 523,392 (2014: Taka 523,392) and the Governor received salary totaling Taka 590,400 (2014: Taka 590,400). In addition, the Governor availed a free furnished house for his residence and full time transport facility. Other key management personnel of the Bank received salary totaling Taka 2,855,520 (2014: Taka 2,855,520) and in addition, they availed official residence as well as transport.

#### 54 Events after the reporting date

There were no material events that occurred between the end of the reporting period and the date of authorisation of the financial statements for issue that require adjustments to or disclosures in the financial statements.

#### 55 Directors' responsibility for financial reporting

The Board of Directors approved the financial statement on 30 August 2015.

## **Appendix–1**

Chronology of Major Policy Announcements: FY15

## Chronology of Major Policy Announcements: FY15

### A. Policy Announcements on Banking and Financial Sector Development

- August 2014
- With a view to enhancing the coverage of Bangladesh Bank's (BB's) refinance scheme for renewable energy and green products, three more products have been added to the existing 44 green products which are (1) surface water purification plant through solar pump with maximum limit of Taka 30 million; (2) green industry with maximum limit of Taka 200 million; and (3) ensuring work environment as well as safety of RMG factory with maximum limit of Taka 10 million.
- September 2014
- All the scheduled banks and non-bank financial institutions (NBFIs) have been advised to establish e-tendering system within December 2015 for reducing the usage of paper and enhancing transparency, accountability, efficiency and promoting the process of procurement/tendering system.
- November 2014
- Deposit insurance trust fund has been allowed to invest in the inter-bank repo alongside the Government treasury bonds.
- November 2014
- All scheduled banks have been advised to take necessary steps to discontinue all activities related to the issuance of Taka 10 & Taka 50 prize bonds from 31 January 2015.
- November 2014
- With a view to encouraging participation of the banks in disbursing agricultural and micro-credits, all scheduled banks have been instructed to make provisions for all unclassified credits (irregular and regular) at 2.5 percent, classified as 'sub-standard' and 'doubtful' at 5 percent; and classified as 'bad/loss' at 100 percent.
- December 2014
- The upper limit of interest rate of agricultural and rural credit has been re-determined at 11 percent instead of 13 percent considering the downward trend of interest rate on deposits and advances.
- December 2014
- The provisions [of section ACID of the BRPD circular letter no. 18 dated 27 October 2013] on the appointment of CEO of banks and financial institutions have been amended replaced as follows:  
  
'Any decision of Bangladesh Bank regarding appointment of CEO will be treated as final and such appointed CEO cannot be dismissed, released or removed from his office without prior approval from BB. However, (a) if any CEO desires to terminate the contract before expiry of his/her tenure or resign from his/her office voluntarily, the CEO shall serve at least one-month notice to

the chairman of the board stating the actual reason for such resignation, and, at the same time a copy of such notice will have to be forwarded to Bangladesh Bank; (b) in case the board of the bank desires to terminate the contract before expiry or asks the CEO to tender resignation from his/her post, the board shall serve at least one-month notice stating the reasons for such action and at the same time a copy of such notice will have to be forwarded for obtaining approval from BB; (c) when the position of a CEO falls vacant due to resignation, expiry of contract, or any other reasons, the bank shall immediately appoint a 'CEO In-charge' (for maximum 3 months) among the officials next to the CEO and notify the same to Bangladesh Bank with details'.

- December 2014 • 3 and 6 months Islami bonds are being issued through open bidding from 1 January 2015 based on profit sharing ratio (PSR).
- January 2015 • BB has declared the road map for implementation of the revised regulatory capital framework for banks in line with Basel-III in Bangladesh starting from 2015. According to the revised road map, banks have to maintain the minimum standard 'Liquidity Coverage Ratio (LCR)' and 'Net Stable Funding Ratio (NSFR)' from January 2015. The minimum standard for LCR will have to be greater than or equal to 100 and for NSFR it shall be greater than 100.
- January 2015 • Because of price hike of construction materials for housing and real estate sector, the guideline for prudential regulations for consumer financing has been amended. According to the new guideline, the maximum per party limit in respect of housing finance by the banks has been fixed at Taka 12 (twelve) million and maximum debt-equity ratio has been fixed at 70:30 for the housing finance facility.
- January 2015 • Banks have been advised to mitigate risks of outsourcing by taking steps to drawing up comprehensive and clear outsourcing policies, analysing the financial and infrastructure resources of the service providers, negotiating for appropriate outsourcing contracts, ensuring required contingency planning by the outsourcing firm, and establishing effective risk management programmes.
- January 2015 • Bank borrowers in general have been experiencing some difficulties in running business smoothly in recent past resulting in default with respect to debt servicing in particular due to the prevalent economic scenario emanating from various external and domestic factors which were beyond their control. This phenomenon augmented a situation whereby present policy was needed to be liberalised specially with respect to large borrowers having multiple bank exposures. Hence, considering the significant importance of the affected large borrowers from the socio-economic and employment generation perspective and for supporting their recovery efforts, the Board of Directors of Bangladesh Bank has given due cognizance of the situation and recommended necessary policy support for the said borrowers. Accordingly, some set of instructions

have been issued in line with international best practices for restructuring of such affected large loans.

- February 2015
- BB directed to establish a "Women Entrepreneur Development Unit" in all scheduled banks and financial institutions for allowing all sorts of services to the women entrepreneurs, providing loans to small and cottage women entrepreneurs in manufacturing and service sectors on priority basis and performing development activities along with fostering inclusion of the cluster of women entrepreneurs to loan activities precisely and more effectively. The proposed unit has been advised to monitor the branch level activities of women entrepreneur dedicated desk/help desk. Appointment of women officials in "Women Entrepreneur Development Unit" has been given priority. All scheduled banks and financial institutions have been advised to form the said unit in their respective banks/institutions within 15 days of the issuance of the circular and to inform BB accordingly.
- February 2015
- Considering the great importance of the agricultural sector to the growth and stability of Bangladesh economy and to implement the government's farmer-friendly policy to boosting up agricultural production and recovering the agricultural credit the following decisions have been taken for rescheduling such loans:
    - (1) In case of rescheduling short term agricultural credit, the condition of required down payment can be relaxed on the basis of banker-customer relationship. In special cases, such credits can be rescheduled without down payment.
    - (2) New short-term agricultural credit can be disbursed after rescheduling. In this case, new credit facility can be given without depositing any amount of money.
    - (3) If any certificate case is already filed during the trial period, credit can be rescheduled after withdrawing or settling the certificate cases through mutual agreement (solenama) with the customer.
- February 2015
- Banks have been informed that 'Local Chief Executive Officer' post of any foreign bank working in Bangladesh is not allowed to remain vacant for more than three months. Besides, in case of appointing foreign nationals to the post of 'Local Chief Executive Officer', the foreign banks will have to take approval from BB by providing his/her necessary information along with the work permit of Board of Investment, Bangladesh.
- March 2015
- All scheduled banks have been instructed to apply maximum possible profit/interest rate to their existing different savings accounts for all sorts of Taka 10, Taka 50 and Taka 100 accounts including bank accounts for farmers, school students and child labourers.

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- March 2015
- Considering the overall market status, it has been decided to bring systematic changes in maintaining provision against investment in mutual fund units. In the changed guidelines, banks are ordered for maintaining provision against investment in mutual fund units.
- March 2015
- A uniform account opening form and Know Your Customer (KYC) form have been prepared for all financial institutions working in Bangladesh.
- March 2015
- A guideline has been issued for contractual appointment of advisor and consultant in financial institutions. Key features of the guideline for appointing advisor include (1) experience and eligibility; (2) responsibilities; (3) approval from BB; (4) policy for salary and allowances; (5) tenure; and (6) recruitment of former employee. On the other hand, key features of the guideline for appointing consultant include (1) responsibilities; (2) approval from BB; (3) tenure; (4) policy for salary and allowances; and (5) recruitment of former employee.
- March 2015
- In order to strengthening monetary condition and gaining confidence of the depositors, financial institutions have been advised to follow and specify the following criteria for appointing an honest, skilled, experienced and appropriate chief executive in their respective institution: (1) character credentials; (2) experience and eligibility; (3) transparency and financial credentials; (4) age limit; (5) tenure; (6) re-appointment; (7) policy for salary and allowance; (8) incentive bonus; (9) honorarium for attending general meetings; (10) approval from BB; (11) cancellation of appointment; and (12) demission/exemption/removal and resignation.
- April 2015
- Bangladesh Bank has taken initiative to introduce real time gross settlement system (BB-RTGS) in the country. All the schedule banks have been advised to take necessary preparation(s) to perform live transaction over BB-RTGS system from 8 October 2015. It will use MX (ISO 20022) message format for data exchange between central bank's system and participating bank's system through existing virtual private network (VPN). The SWIFT network may be included as a redundant communication channel in the next phase.
- April 2015
- External auditors are appointed by NBFIs on annual basis for auditing all of their activities. In order to ensure transparency and accountability of their activities, NBFIs have been advised to comply with the following instructions:
    - (1) Approval of BB must be taken before appointing external auditors in the annual general meeting;
    - (2) NBFIs must comply the instructions of the "guidelines on appointing external auditors in financial institutions" before appointing external auditors;

- (3) NBFIs must provide a copy of the given guidelines to the external auditors along with the appointment letter;
- (4) NBFIs will present the comments and recommendations of the auditors' report before the board of directors and take necessary actions accordingly.
- (5) A declaration of NBFIs specifying that any owner/partner of the concerned audit firm is not related to ownership/business with that NBFIs, must be attached with the proposal sent to BB for approval. This declaration must be signed by the CEO of the concerned NBFIs.
- (6) The audit report prepared by the external auditor must be scrutinised to ensure its compliance with the 'Financial Institutions Act, 1993', the 'Company Act, 1994' and other instructions given by BB. The NBFIs have been advised to inform BB immediately if any deviation is observed in this regard.

- May 2015
- NBFIs have been instructed to comply with guideline regarding the maintenance of provision against unrealised losses arising from investment in mutual fund units.
- May 2015
- BB has adopted the guideline titled 'NPSB Switch Operating Rules & User Manual: Dispute Management Rules' to ensure the development, safety, efficiency and regulation of the country's payment system. Hence, all scheduled banks connected to the National Payment Switch Bangladesh (NPSB) have been advised to follow the procedure depicted in the said guideline while managing disputes related to NPSB.
- May 2015
- Recently it has been observed that the bank employees particularly the female staff are being forced to stay at bank at the end of working day after banking office hours. Besides, several allegations are being raised by the bank officials regarding resignation, unlawful termination, dismissal from service, harassment in getting post retirement financial benefits and others. As a result, different types of complications are arising which are impeding proper human resources management. Therefore, after reviewing the general norms regarding the issues, it has been decided that banks are not allowed to force their employees particularly the female staff to stay at bank at the end of working day after banking office hours, i.e., 6.00 pm. The banks will have to ensure proper security and pay compensation to any female staff if she has to stay at bank after office hours due to special official responsibilities.

Further, banks advised to stop arbitrary dismissal of their employees and to maintain professionalism while recruiting employees. The recruited employees must be provided proper training to make them fit. In this regards, banks will have to amend their service rules regarding resignation, termination or



dismissal, post retirement financial benefits in line with the International Labour Organisation Conventions, Bangladesh Labour Law, 2006 and the directives given by Bangladesh Bank from time to time.

## **B. Policy Announcements on External Sector Development**

- July 2014 • The limit of bullet repayment, against external import financing for eligible deferred payment imports for terms not exceeding six months, has been enhanced from USD 0.5 million to USD 1.0 million.
- July 2014 • The Government has decided to provide export subsidy/cash incentive for listed 14 major categories of export items for the FY15.
- July 2014 • The maximum time limit for delivery of non-resident Bangladeshi (NRB) remittances to the beneficiaries has been revised to two working days instead of 72 hours.
- July 2014 • In case of bulk import of raw materials against inland back to back L/C, maximum single borrower exposure limit for the members of the Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association (BGAPMEA) has been enhanced from USD 1.0 million to USD 2.0 million under the facility of export development fund (EDF) loan.
- September 2014 • In case of bulk import of raw materials against inland back to back L/C, maximum single borrower exposure limit for the members of the Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) has been enhanced from USD 0.5 million to USD 1.0 million under the facility of EDF loan.
- September 2014 • In case of bulk import of raw cotton and other fibers against inland back to back L/C, maximum single borrower exposure limit has been enhanced from USD 10.0 million to USD 15.0 million under the facility of EDF loan.
- October 2014 • The importers of petroleum bi-products have to take license from Bangladesh Energy Regulatory Commission under Bangladesh Energy Regulatory Commission Act, 2003. In this context, all authorised dealer (AD) banks have been advised to properly abide by the directions stated in Import Policy Order, 2012-2015 and Bangladesh Energy Regulatory Commission Act, 2003 in case of L/C opening for import of petroleum bi-products.
- October 2014 • It has been decided that all institutions engaged in RMG export along with those established outside EPZ & taking excise bond/duty draw-back incentives will be entitled to avail 0.25 percent cash incentive upon their export value on free on board (FoB) basis.
- January 2015 • Shipping lines/air lines/licensed freight forwarders have been allowed to open and maintain foreign currency accounts. It has been clarified that foreign

currency deposited in foreign currency accounts of shipping lines/airlines against freight charges on free on board (FoB) exports from licensed freight forwarders may be used for outward remittances on account of surplus earnings. In this regard balances held in foreign currency accounts shall first be used for outward remittances before use of local currency fund. However, AD banks shall get themselves ensured of the encashment of adequate foreign currency by the shipping lines/airlines to meet local expenses in case of shortfall in local currency funds and submit the encashment certificates with the statements.

Outward remittance supported by encashment certificates against free on board (FoB) exports shall not be allowed with effect from April 2015.

- February 2015
- The sale of Bangladeshi goods or raw materials to the enterprises in export processing zone (EPZ) against payment in foreign currency is treated as exports from Bangladesh and normal foreign exchange regulations concerning declaration of exports on EXP forms and repatriation of proceeds is applicable to these exports to the EPZ enterprises. This export to EPZ areas is considered as import by EPZ enterprises. In order to bring ease in reporting for permissible imports by enterprises of EPZ areas from non-EPZs, it has been decided that ADs of EPZ enterprises may report import transactions to Bangladesh Bank. This procedure of mentioning EXP numbers will also be applicable for transactions between EPZ enterprises and intra EPZ enterprises.
- May 2015
- It has been decided to relax and enhance the upper limit of L/C up to USD 10000 from USD 7500 for import of coal through land without using SWIFT.
- May 2015
- The existing guidelines permit exporters to retain specified parts of their export earnings in foreign exchange for utilisation without prior Bangladesh Bank's approval for bonafide business expenses abroad including maintenance of offices abroad, import of raw materials, machineries and spares, etc. It has been decided to further expand this facility by enhancing the exporters retention quotas (ERQs) as under:
    - (a) ERQ for exports of high domestic value added merchandise shall stand enhanced to 60 percent from existing 50 percent.
    - (b) ERQ for merchandise exports of high import contents (like apparels using woven fabric) shall stand enhanced to 15 percent from existing 10 percent.
    - (c) ERQ for export of services shall stand enhanced to 60 percent from existing 50 percent of repatriated export receipts.

**Appendix-2**  
Bangladesh Bank's Research in FY15

## **A Summary of Recent Research Activities in Bangladesh Bank and a Near/Medium Term Agenda**

Some of the key outputs of the Research Department (RD), Monetary Policy Department (MPD) and Chief Economists Unit (CEU) are summarised here. Besides, some other analytical/research work on-going in other parts of BB are also touched briefly. All are grouped under the following categories (i) synthesis analysis of overall and topic-specific developments in the Bangladesh economy (ii) empirical research on specific economic/financial sector issues and (iii) development of new analytical tools and capacity building.

### **Synthesis analysis/reports related to the Bangladesh economy and their frequency**

- (i) BB Annual Report : First draft prepared by the Research Department with inputs from other departments and edited by an external Editing Adviser.
- (ii) Monetary Policy Review (MPR) : An annual publication focused on monetary policy development and associated analytical work on specific themes produced by CEU.
- (iii) Monetary Policy Statement (MPS) : A bi-annual announcement of policy stance along with an update of half yearly economic developments - Jointly prepared by CEU and MPD.
- (iv) Bangladesh Bank Quarterly (BBQ) : An analysis of the past quarters economic developments along with a near term outlook - prepared by CEU.
- (v) Quarterly reviews on RMG sector; Remittances Trends and Islamic Banking prepared by Research Department.
- (vi) Monthly Economic Indicators (MEI) : A monthly update on key macroeconomic indicators prepared by MPD.
- (vii) A manuscript of the book titled "Activities of the Banks, Insurances and Financial Institutions" prepared by Research Department and published by the MoF (yearly).
- (viii) Background papers for National Budget document and 'Economic Review of Bangladesh', an annual publication of Ministry of Finance prepared by Research Department.
- (ix) Quarterly Financial Stability Assessment Report : An analysis of the past quarters financial change/development prepared by FSD.
- (x) Vibrant Bangladesh: A Stable and Potential Economy - An illustrative time series approach: Jointly contributed by CEU, MPD, RD, Foreign Exchange Policy Department and Statistics Department.

**Empirical analysis of specific economic / financial sector issues in FY15 and on-going**

## (i) Monetary policy / inflation related

- "Sources of Exchange Rate Fluctuations in Bangladesh" (prepared by RD, MPD and CEU, published in BBTA Journal, Thoughts on Banking and Finance, Volume 3, Issue 2)
- "Real Exchange Rate and its Impact on Export, Import and Trade Balance: Is there any J-curve effect in Bangladesh?" (prepared by MPD and RD, published as Working Paper on BB Website)
- "Forecasting Output Growth of Bangladesh" (working paper in progress, CEU)
- "Will the Growth of Remittances to Bangladesh Rebound in 2015?" (working paper in progress, CEU)
- "Forecasting Bangladesh's Inflation Using Seasonal ARIMA Models" (working paper in progress, CEU)
- "Determinants of Inflation in Bangladesh: Evidence from Bayesian Vector Auto Regression" (working paper in progress, CEU)
- "Exchange Rate policy in Bangladesh: An overview" (research work in progress, RD)
- "Balance of Payment Constrained Economic Growth: Evidence from Bangladesh" (research work in progress, CEU and Statistics Department)
- "Real or Nominal Shock- What Drives the Exchange Rate Movements in Bangladesh?" (research work in progress, RD)
- "The Effectiveness of Monetary Policy in Bangladesh: A VAR Approach" (research work in progress, Policy Support Unit)
- "Does Public Investment Crowd-out Private Investment? Evidence from Bangladesh" ( research work in progress, CEU)
- "Real Effective Exchange Rate and Its impact on Export Earnings in Bangladesh" ( research work in progress, RD and MPD)
- "Inflation and Economic Growth: Determining the Threshold Level of Inflation in Bangladesh" (working paper in progress, RD)
- "Goods foster Manufacturing Output Growth in Bangladesh?" Evidence from Time Series Analysis (working paper in progress, RD)

- "Budget Deficit and Inflation: The impact of Budget Deficit on Inflation When Monetary Variables Are the Channel" (working paper in progress, RD and MPD)
- "Impact of Money Supply on Interest Rate" (working paper in progress, RD)
- "Inflation and Inflation Uncertainty in Bangladesh: Time Series Analysis" (working paper in progress, RD)
- "Foreign Exchange (FX) Market Dynamics in Bangladesh with Floating Exchange Rate Regime" (working paper in progress, FSD)

(iv) Financial sector related

- "Designing a Sustainable Financial System in Bangladesh" UNEP's Country Report on Bangladesh, jointly prepared by Bangladesh Bank, UNEP's Inquiry into Design of Sustainable Financial System and International Institute for Sustainable Development
- "Workers' remittances and the Dutch disease in South Asian countries" (prepared by Policy Support Unit and published in Applied Economics Letters)
- "Trade-offs between Real Economic Activity and Bank Profitability for Implementing New Regulatory Standards: South Asian Perspective" (prepared by Policy Support Unit and presented in 2nd International Conference on Economics and Finance of Nepal Rastra Bank at Kathmandu, Nepal)
- "Revisiting the Gravity Model of Remittances: Implications for Bangladesh" (prepared by CEU as well as Policy Support Unit and presented in 2nd International Conference on Economics and Finance of Nepal Rastra Bank at Kathmandu, Nepal)
- "Impact Assessment of Bangladesh Bank's Re-finance Scheme for Financing Agricultural & Non-farm Rural Borrowers of Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB)" (prepared by RD and published as special research work in BB website)
- "Common Currency in SAARC Countries: Problems and Prospects" (prepared by RD and presented on 19th bi-annual conference of Bangladesh Economic Association)
- "Does Financial Development Spur Growth? Time Series Evidence from Bangladesh" (prepared by RD and presented in 2nd International Conference on Economics and Finance of Nepal Rastra Bank at Kathmandu, Nepal)
- "The Impact of State Ownership and Political Ownership on Efficiency of Banks- Evidence from Bangladesh" (working paper in progress, CEU)

- "Foreign Borrowing Worsening Domestic Credit Demand" (working paper in progress, CEU)
- "Changes of loan classification, rescheduling, provisioning and write off policies and its impact analysis: An Overview" (working paper in progress, CEU)
- "Interaction between public and private investment in Bangladesh" (working paper in progress, CEU)
- "Is Capital Market of Bangladesh Efficient?: A Non-parametric Approach" (working paper in progress, CEU)
- "Is inflow of foreign Loans in Bangladesh Sensitive to Interest Rate Differentials?" (working paper in progress, RD)
- "Nexus between Bank's Liquidity and Profitability in Bangladesh: An Overview" (Research Work in progress, RD)
- "Revisiting Marshall-Lerner Condition in the Economy of Bangladesh - A Cointegration Approach" (Research Work in progress, MPD)
- "Elasticity of Imports in Bangladesh: ARDL Bounds test Approach" (working paper in progress, MPD)
- "Worsening Domestic Credit Demand" (working paper in progress, CEU)
- "What matters to the profitability measures of banks in Bangladesh?" (working paper in progress, Policy Support Unit)
- "Effects on the RMG sector of Bangladesh due to Recurrent Strike, Political Unrest: An Empirical Study" (working paper in progress, RD)
- "Islamic Microfinance in Bangladesh: Performance, Potentials and Challenges" (working paper in progress, RD)
- "Measuring Systemic Liquidity Risk for Bangladesh" (working paper in progress, FSD)

(v) Financial Inclusion

- "Role of Banks in Promoting Women Entrepreneurship in Bangladesh" (prepared by RD and MPD, published as Special Research Work on BB Website)
- "Measuring Financial Inclusion Index of Bangladesh: An Assessment of inclusive finance" (working paper in progress, CEU)



- "Measuring Financial Inclusion in South Asia: An Index Based Approach" (working paper in progress, CEU)
- "Financial Inclusion, Priority Sector Lending, and Rural Poverty-Bangladesh Perspective" (working paper in progress, RD)
- "Utilisation of Remittances in Bangladesh" (survey report in progress, RD)

#### **Development of new analytical tools and capacity building**

- BBTA Journal on 'Thoughts on Banking and Finance' has been published since 2012. Till date, volume-3, issue-2 of the Journal has been published whose Executive Editor is a Research Department staff deputed to Bangladesh Bank Training Academy.
- In-house seminars disseminating work by external academics and in-house research included topics such as selected macroeconomic & fiscal sector issues- Monetary Policy in a Developing Income Country: The Case of Bangladesh; Monetary Policy Statement of Bangladesh Bank, January-June 2015; Coincident Indicators of the Business Cycle; Interest Rate Spread in the Banking System; Budget FY16: Challenges and Issues, etc.
- E-views training level-2 was provided to research officials of Bangladesh Bank by the visiting US academic scholars.

**Appendix-3**  
Bangladesh: Some Selected Statistics

Table-I : Trends of Major Macroeconomic Indicators

Indicators	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14 <sup>R</sup>	FY15 <sup>P</sup>
1	2	3	4	5	6	7	8	9	10	11
1. GDP growth (at FY06 constant market prices)	6.7	7.1	6.0	5.1	5.6	6.5	6.5	6.0	6.1	6.5
2. Growth of broad money (M2)	19.3	17.1	17.6	19.2	22.4	21.3	17.4	16.7	16.1	12.4
3. GDP deflator (percentage change) <sup>@</sup>	--	6.5	7.9	6.8	7.1	7.9	8.2	7.2	5.7	5.8
4. CPI inflation (base: FY96=100)	7.2	7.2	9.9	6.7	7.3	8.8	8.7 <sup>@</sup>	6.8 <sup>@</sup>	7.4 <sup>@</sup>	6.4 <sup>@</sup>
5. Foreign exchange reserves (million US Dollar)	3484	5077	6149	7471	10750	10912	10364	15315	21508	25021
6. Net foreign assets (billion Taka)	220.1	328.7	373.2	474.6	670.7	695.3	742.8	1120.7	1552.9	1874.3
7. Exchange rate (Taka/Dollar)	67.1	69.0	68.6	68.8	69.2	71.2	79.1	79.9	77.7	77.7
8. REER index as of end June (base: FY01=100)	83.9	86.6	86.0	91.3	97.7	100.0 <sup>***</sup>	100.6 <sup>***</sup>	110.1 <sup>***</sup>	114.4 <sup>***</sup>	130.4 <sup>***</sup>
9. Per capita GDP in Taka (at current market prices)	34502	38773	43719	48359	53961	61198	69614	78009	86266	95864
	(As percentage of GDP) <sup>@</sup>									
10. Domestic savings	21.4	20.8	19.2	20.3	20.8	20.6	21.2	22.0	22.1	22.3
11. Investment	26.1	26.2	26.2	26.2	26.3	27.4	28.3	28.4	28.6	29.0
12. Revenue income	9.3	9.0	9.6	9.1	9.5	10.2	10.9	10.7	10.5	10.8
13. Revenue expenditures	7.2	7.7	8.3	8.7	8.4	8.5	8.5	8.3	8.2	8.4
14. Revenue surplus (+) / Revenue deficit (-)	2.1	1.3	1.3	0.4	1.1	1.7	2.4	2.4	2.2	2.4
15. Annual Development Programme (ADP)	4.5	3.9	3.6	2.8	3.2	3.6	3.6	4.1	4.1	5.0
16. Other expenditures	1.0	0.6	3.0	1.1	1.1	1.9	2.4	2.1	1.7	2.5
17. Total expenditures	12.7	12.2	14.9	12.5	12.7	14.0	14.5	14.5	14.0	15.8
18. Overall budget deficit (excluding grants)	3.4	3.2	5.3	3.4	3.2	3.9	3.6	3.8	3.6	5.0
19. Overall budget deficit (including grants)	2.8	2.8	4.6	3.1	2.8	3.6	3.2	3.3	3.1	4.7
20. Financing of overall budget deficit (a+b)*	2.8	2.8	4.6	3.1	2.8	3.6	3.2	3.3	3.1	4.7
a. Net foreign financing	1.1	0.9	1.4	0.4	0.8	0.3	0.3	0.5	0.3	1.1
b. Net domestic financing (i+ii)	1.7	1.8	3.2*	2.7	2.0	3.3	2.9	2.8	2.8	3.6
i. Bank borrowings	1.0	1.2	1.7	1.9	-0.3	2.7	2.6	2.3	1.3	2.1
ii. Non-bank borrowings	0.7	0.6	0.3	0.8	2.3	0.6	0.3	0.5	1.5	1.5
21. Government debt outstanding (i+ii)	40.2	38.6	37.1	35.9	32.3	32.4	31.8	30.0	29.1	27.3
i. Domestic debt	14.3	14.3	15.0	15.5	14.7	15.2	15.2	15.1	15.0	15.2
ii. External debt**	25.9	24.3	22.1	20.4	17.6	17.2	16.6	14.9	14.1	12.1
22. Current account balance : surplus(+)/deficit(-)	1.2	1.2	0.8	2.4	3.2	-1.3	-0.3	1.6	0.8	-0.8

\*Including non-cash bond (liabilities of BPC) of Taka 75.23 billion.

\*\* Excluding IMF loan.

\*\*\* Base: 2010-11= 100 & 10 currency basket.

@= Base 2005-06

P= Provisional. R=Revised.

Source: Bangladesh Bank, Bangladesh Bureau of Statistics, Bangladesh Economic Review, 2015 and Budget in Brief 2015-16.

Table-II : Medium-Term Macroeconomic Framework: Key Indicators

Indicators	Actual				Estimated (Revised)	Projection		
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1	2	3	4	5	6	7	8	9
<b>Real Sector</b>								
Real GDP Growth (%)	6.5	6.5	6.0	6.1	6.5	7.0	7.2	7.4
CPI inflation (%)	10.9	8.7	6.8	7.4	6.5	6.2	6.0	6.0
Gross investment (% of GDP)	27.4	28.3	28.4	28.6	29.0	30.1	31.0	31.8
<b>Fiscal Sector (% of GDP)</b>								
Total revenue	10.2	10.8	10.7	10.4	10.8	12.1	12.7	13.1
Tax revenue	8.7	9.0	9.0	8.6	9.3	10.6	11.1	11.4
Non-tax revenue	1.5	1.8	1.7	1.8	1.5	1.5	1.7	1.7
Total expenditure	14.0	14.2	14.7	14.0	15.8	17.2	17.4	17.6
Overall balance	-3.9	-3.4	-4.0	-3.6	-5.0	-5.0	-4.7	-4.6
<b>Financing</b>								
Domestic financing	3.3	2.9	2.9	2.8	3.6	3.3	2.8	2.7
External financing (net)	0.6	0.6	1.1	0.7	1.4	1.8	1.8	1.8
<b>Monetary sector (% change)</b>								
Domestic credit	30.8	18.8	11.0	11.6	17.3	17.9	17.1	16.3
Credit to the private sector	25.8	19.7	10.8	12.3	15.5	16.0	16.0	16.0
Broad money (M2)	21.4	17.4	16.7	16.0	16.2	16.5	16.6	16.7
<b>External sector</b>								
Exports (% change)	39.2	6.2	10.7	12.0	5.0	12.0	12.0	12.0
Imports (% change)	52.1	2.4	0.8	8.9	12.0	11.5	11.5	11.0
Remittances (% change)	4.8	11.6	11.6	-1.6	7.0	10.0	11.0	11.0
Current account balance (% of GDP)	-1.3	-0.3	1.5	0.9	-1.0	-1.2	-1.2	-1.1
GDP (at current market prices) (billion Taka)	9158	10552	11989	13437	15136	17167	19463	22085

Source: Bangladesh Economic Review, 2015.

Table-III : Gross Domestic Product (GDP), Investment and Savings

(Billion Taka)								
Items/Sectors	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15 <sup>P</sup>
1	2	3	4	5	6	7	8	9
1. GDP (at FY06 current market prices)	6286.8	7050.7	7975.4	9158.3	10552.0	11989.2	13436.7	15136.0
2. Gross investment at current prices	1647.3	1847.7	2093.3	2511.3	2982.2	3403.7	3839.9	4384.3
a) Private	1364.5	1543.3	1720.5	2029.8	2374.2	2607.5	2960.0	3340.1
b) Public	282.8	304.4	372.8	481.5	608.0	796.2	879.9	1044.2
3. Gross domestic savings at current prices	1206.4	1433.5	1659.7	1888.4	2239.1	2642.4	2968.2	3375.3
a) Private	1129.1	1341.8	1553.6	1767.6	2096.7	2468.6	2765.3	3139.2
b) Public	77.3	91.7	106.1	120.8	143.5	173.8	202.9	236.1
<b>4. Sectoral Share of GDP (at FY06 constant prices)</b>								
<b>i. Agriculture</b>	<b>969.8</b>	<b>1003.4</b>	<b>1065.1</b>	<b>1112.6</b>	<b>1146.1</b>	<b>1174.4</b>	<b>1225.7</b>	<b>1262.9</b>
a) Agriculture and forestry	772.9	796.8	849.0	882.1	903.3	916.6	951.5	971.2
1. Crops and horticulture	564.9	580.9	624.9	649.0	660.4	664.3	689.4	698.3
2. Animal farming	113.5	116.2	119.1	122.2	125.5	128.9	132.6	136.7
3. Forest and related services	94.5	99.7	105.0	110.8	117.5	123.4	129.6	136.2
b) Fishing	196.9	206.6	216.1	230.5	242.8	257.8	274.2	291.8
<b>ii. Industry</b>	<b>1356.3</b>	<b>1450.0</b>	<b>1552.0</b>	<b>1692.0</b>	<b>1851.6</b>	<b>2030.1</b>	<b>2195.7</b>	<b>2406.6</b>
a) Mining and quarrying	80.0	88.4	95.6	99.1	105.9	115.8	121.3	130.3
b) Manufacturing	876.0	934.6	996.7	1096.5	1205.7	1329.9	1446.5	1595.8
i) Large and medium scale	703.3	749.3	796.3	884.8	980.0	1084.4	1185.4	1306.8
ii) Small scale	172.6	185.3	200.4	211.8	225.7	245.6	261.1	289.1
c) Power, gas and water supply	62.8	67.4	74.1	84.0	92.9	101.3	105.9	113.3
d) Construction	337.4	359.6	385.5	412.4	447.1	483.0	522.1	567.2
<b>iii. Services</b>	<b>2865.2</b>	<b>3010.7</b>	<b>3177.2</b>	<b>3374.7</b>	<b>3596.6</b>	<b>3794.9</b>	<b>4008.4</b>	<b>4242.3</b>
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	724.8	767.3	812.2	866.5	924.6	981.7	1047.8	1116.8
b) Hotel and restaurants	38.7	40.9	43.4	46.1	49.0	52.2	55.7	59.5
c) Transport, storage and communication	550.8	595.1	640.1	694.1	757.6	805.1	853.8	905.0
d) Financial intermediations	157.3	157.3	167.1	184.6	211.8	231.1	247.9	269.8
e) Real estate, renting and business activities	408.8	424.4	440.8	457.9	475.9	495.1	516.2	540.2
f) Public administration and defence	162.9	174.5	188.8	205.5	221.0	235.4	251.7	270.5
g) Education	116.1	122.9	129.3	136.6	147.2	156.5	167.8	180.6
h) Health and social work	103.2	106.3	113.6	120.8	125.4	131.4	138.0	145.9
i) Community, social and personal services	602.6	621.9	641.9	662.6	684.2	706.4	729.6	754.0
<b>Total GVA at constant basic price</b>	<b>5191.2</b>	<b>5464.1</b>	<b>5794.3</b>	<b>6179.2</b>	<b>6594.3</b>	<b>6999.4</b>	<b>7429.8</b>	<b>7911.8</b>
Tax less subsidy	283.2	286.5	276.7	284.2	290.6	299.6	311.6	333.6
<b>GDP (at FY06 constant market prices)</b>	<b>5474.4</b>	<b>5750.6</b>	<b>6071.0</b>	<b>6463.4</b>	<b>6884.9</b>	<b>7299.0</b>	<b>7741.4</b>	<b>8245.3</b>

P = Provisional.

Source: Bangladesh Bureau of Statistics.

Table-IV : Growth and Sectoral Share of GDP (at FY06 constant prices)

Sectors	FY09	FY10	FY11	FY12	FY13	FY14	FY15 <sup>P</sup>
1	2	3	4	5	6	7	8
	Growth in percent						
i. Agriculture	3.5	6.2	4.5	3.0	2.5	4.4	3.0
a) Agriculture and forestry	3.1	6.6	3.9	2.4	1.5	3.8	2.1
1. Crops and horticulture	2.8	7.6	3.9	1.8	0.6	3.8	1.3
2. Animal farming	2.4	2.5	2.6	2.7	2.7	2.8	3.1
3. Forest and related services	5.5	5.3	5.6	6.0	5.0	5.0	5.1
b) Fishing	4.9	4.6	6.7	5.3	6.2	6.4	6.4
ii. Industry	6.9	7.0	9.0	9.4	9.6	8.2	9.6
a) Mining and quarrying	10.5	8.2	3.6	6.9	9.4	4.7	7.5
b) Manufacturing	6.7	6.7	10.0	10.0	10.3	8.8	10.3
i) Large and medium scale	6.5	6.3	11.1	10.8	10.7	9.3	10.2
ii) Small scale	7.3	8.2	5.7	6.6	8.8	6.3	10.7
c) Power, gas and water supply	7.3	10.0	13.4	10.6	9.0	4.5	7.0
d) Construction	6.6	7.2	7.0	8.4	8.0	8.1	8.6
iii. Services	5.1	5.5	6.2	6.6	5.5	5.6	5.8
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	5.9	5.9	6.7	6.7	6.2	6.7	6.6
b) Hotel and restaurant	5.9	6.0	6.2	6.4	6.5	6.7	6.9
c) Transport, storage and communication	8.1	7.6	8.4	9.2	6.3	6.1	6.0
d) Financial intermediations	-0.03	6.3	10.4	14.8	9.1	7.3	8.8
e) Real estate, renting and other business activities	3.8	3.9	3.9	3.9	4.0	4.3	4.7
f) Public administration and defence	7.1	8.2	8.8	7.5	6.5	6.9	7.5
g) Education	5.9	5.2	5.6	7.8	6.3	7.3	7.6
h) Health and social work	3.0	6.8	6.3	3.8	4.8	5.1	5.7
i) Community, social and personal services	3.2	3.2	3.2	3.3	3.3	3.3	3.4
<b>GDP (at constant market prices)</b>	<b>5.1</b>	<b>5.6</b>	<b>6.5</b>	<b>6.5</b>	<b>6.0</b>	<b>6.1</b>	<b>6.5</b>
	Sectoral share (percent of GDP)						
i. Agriculture	18.4	18.4	18.0	17.4	16.8	16.5	16.0
a) Agriculture and forestry	14.6	14.7	14.3	13.7	13.1	12.8	12.3
1. Crops and horticulture	10.6	10.8	10.5	10.0	9.5	9.3	8.8
2. Animal farming	2.1	2.1	2.0	1.9	1.8	1.8	1.7
3. Forest and related services	1.8	1.8	1.8	1.8	1.8	1.7	1.7
b) Fishing	3.8	3.7	3.7	3.7	3.7	3.7	3.7
ii. Industry	26.5	26.8	27.4	28.1	29.0	29.6	30.4
a) Mining and quarrying	1.6	1.7	1.6	1.6	1.7	1.6	1.7
b) Manufacturing	17.1	17.2	17.8	18.3	19.0	19.5	20.2
i) Large and medium scale	13.7	13.7	14.3	14.9	15.5	16.0	16.5
ii) Small scale	3.4	3.5	3.4	3.4	3.5	3.5	3.7
c) Power, gas and water supply	1.2	1.3	1.4	1.4	1.5	1.4	1.4
d) Construction	6.6	6.7	6.7	6.8	6.9	7.0	7.2
iii. Services	55.1	54.8	54.6	54.5	54.2	54.0	53.6
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	14.0	14.0	14.0	14.0	14.0	14.1	14.1
b) Hotel and restaurant	0.8	0.8	0.8	0.7	0.8	0.8	0.8
c) Transport, storage and communication	10.9	11.1	11.2	11.5	11.5	11.5	11.4
d) Financial intermediations	2.9	2.9	3.0	3.2	3.3	3.3	3.4
e) Real estate, renting and other business activities	7.8	7.6	7.4	7.2	7.1	7.0	6.8
f) Public administration and defence	3.2	3.3	3.3	3.4	3.4	3.4	3.4
g) Education	2.3	2.2	2.2	2.2	2.2	2.3	2.3
h) Health and social work	2.0	2.0	2.0	1.9	1.9	1.9	1.8
i) Community, social and personal services	11.4	11.1	10.7	10.4	10.1	9.8	9.5
<b>Total GVA at constant basic price</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

P = Provisional.

Source: Bangladesh Bureau of Statistics.

Table-V : Development of Government Budgetary Operation

(Billion Taka)							
Description	FY10	FY11	FY12	FY13	FY14	FY15 <sup>R</sup>	FY16 (Budget)
1	2	3	4	5	6	7	8
A. Revenue and foreign grants	791.2	950.5	1182.6	1350.1	1467.3	1690.5	2142.4
i. Revenues	759.1	929.9	1146.9	1281.3	1403.8	1633.7	2084.4
a) Tax revenue	624.9	795.5	952.3	1074.5	1160.3	1406.8	1822.4
b) Non-tax revenue	134.2	134.4	194.7	206.8	243.4	227.0	262.0
ii. Foreign grants	32.2	20.6	35.7	68.8	63.6	56.7	58.0
B. Expenditures	1016.1	1282.7	1524.3	1740.1	1882.1	2396.7	2951.0
i. Non-development revenue expenditure	670.1	774.7	893.0	993.8	1105.7	1273.7	1645.7
ii. Non-development capital expenditure	61.6	53.9	71.6	49.4	104.4	220.3	199.9
iii. Loans & advances (net)	9.3	72.5	140.6	169.6	77.2	96.4	77.6
iv. Annual Development Programme	255.5	332.8	375.1	494.7	553.3	750.0	970.0
v. Other expenditures	19.6	48.8	44.0	32.6	41.5	56.3	57.8
C. Overall deficit (excluding grants)	257.0	352.8	377.4	458.9	478.3	763.0	866.6
D. Overall deficit (including grants)	224.9	332.2	341.7	390.0	414.8	706.2	808.6
E. Financing	218.6	332.2	341.7	390.0	414.8	706.2	808.6
i. Foreign borrowing - net	60.4	26.3	36.3	58.1	33.5	159.1	243.3
Foreign borrowing	110.0	80.6	95.1	133.0	119.4	238.7	322.4
Amortisation	-49.7	-54.3	-58.9	-74.9	-85.9	-79.6	-79.1
ii. Domestic borrowing - net	158.2	305.9	305.4	331.9	381.4	547.1	565.2
Borrowing from banking system (net)	-20.9	252.1	271.9	274.6	181.7	317.1	385.2
Non-bank borrowing (net)	179.1	53.8	33.5	57.3	199.7	230.0	180.0
Memorandum item : GDP (at current market prices)*	6905.7	7875.0	9147.8	10379.9	11810.0	15136.0	17167.0

R= Revised.

Source : Budget in brief 2010-11, 2011-2012, 2013-14, 2014-15 and 2015-16.



Table-VI: Money and Credit

(Billion Taka)								
Particulars	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15 <sup>P</sup>
1	2	3	4	5	6	7	8	9
1. Broad money (M2) <sup>@</sup>	2487.9	2965.0	3630.3	4405.2	5171.1	6035.1	7006.2	7876.1
2. Total domestic credit <sup>@</sup>	2470.5	2868.5	3378.3	4308.9	5149.7	5717.4	6379.1	7015.3
A) Government sector	569.1	689.3	670.7	901.8	1070.7	1195.8	1302.7	1269.3
i) Government (net) <sup>@@</sup>	467.5	580.1	542.5	732.3	917.3	1101.2	1175.3	1102.6
ii) Other public sector	101.6	109.2	128.1	169.5	153.4	94.6	127.4	166.7
B) Private sector	1901.4	2179.3	2707.6	3407.1	4079.0	4521.6	5076.4	5746.0
3. Broad money as % of GDP* (at current market prices)	45.6	48.2	52.3	48.1	49.0	50.3	52.1 <sup>R</sup>	52.0 <sup>P</sup>
Growth in percent								
1. Broad money (M2) <sup>@</sup>	17.6	19.2	22.4	21.3	17.4	16.7	16.1	12.4
2. Total domestic credit <sup>@</sup>	20.1	16.1	17.8	27.5	19.5	11.0	11.6	10.0
A) Government sector	6.4	21.1	-2.7	34.5	18.7	11.7	8.9	-2.6
i) Government (net) <sup>@@</sup>	29.7	24.1	-6.5	35.0	25.3	20.1	6.7	-6.2
ii) Other public sector	-41.8	7.5	17.3	32.3	-9.5	-38.4	34.7	30.9
B) Private sector	24.9	14.6	24.2	25.8	19.7	10.8	12.3	13.2

@ Figures correspond to end June.

@@ Includes adjustment of bonds issued by the Government.

Notes : (1) Government securities and treasury bills are shown at cost price from June 2002 on wards.

P = Provisional, R = Revised.

Sources: (1) Statistics Department, Bangladesh Bank.

(2) Bangladesh Bureau of Statistics.

Table - VII : Consumer Price Index (CPI) and Rate of Inflation - National (base : FY96=100)

Period	Twelve-month average basis						Twelve-month point to point basis					
	General		Food		Non-food		General		Food		Non-food	
	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation
Weight	100.00		58.84		41.16		100.00		58.84		41.16	
FY06	164.21	7.16	170.35	7.76	156.56	6.40	169.32	7.54	176.82	8.81	159.86	5.73
FY07	176.04	7.20	184.16	8.11	165.79	5.90	184.89	9.20	194.19	9.82	173.19	8.34
FY08	193.54	9.94	206.78	12.28	176.26	6.32	203.45	10.04	221.57	14.10	179.32	3.54
FY09	206.43	6.66	221.64	7.19	186.67	5.91	208.02	2.25	222.13	0.25	189.98	5.94
FY10	221.53	7.31	240.55	8.53	196.84	5.45	226.11	8.70	246.29	10.88	199.94	5.24
FY11	241.02	8.80	267.83	11.34	205.01	4.15	249.11	10.17	277.11	12.51	211.39	5.73
FY12*	170.19	8.69	183.65	7.72	152.94	10.21	170.33	5.55	179.74	2.56	158.27	10.21
FY13*	181.73	6.78	193.24	5.22	166.97	9.17	184.04	8.05	194.58	8.26	170.53	7.75
FY14*	195.08	7.35	209.79	8.57	176.22	5.54	196.86	6.97	210.15	8.00	179.82	5.45
FY15*	207.58	6.40	223.80	6.68	186.79	5.99	209.17	6.25	223.43	6.32	190.88	6.15
<u>FY15*</u>												
Jul-14	196.18	7.28	211.11	8.55	177.04	5.41	199.94	7.04	214.74	7.94	180.95	5.71
Aug-14	197.27	7.24	212.40	8.51	177.86	5.37	202.53	6.91	218.66	7.67	181.85	5.76
Sep-14	198.37	7.22	213.72	8.48	178.68	5.34	205.39	6.84	222.66	7.63	183.25	5.63
Oct-14	199.43	7.18	214.97	8.37	179.51	5.40	206.81	6.60	224.23	7.16	184.47	5.74
Nov-14	200.44	7.10	216.10	8.18	180.36	5.47	206.86	6.21	223.81	6.44	185.14	5.84
Dec-14	201.44	6.99	217.13	7.91	181.31	5.60	207.78	6.11	224.20	5.86	186.62	6.48
Jan-15	202.43	6.87	218.21	7.68	182.20	5.64	210.12	6.04	226.61	6.07	188.98	6.01
Feb-15	203.45	6.76	219.30	7.45	183.13	5.71	210.74	6.14	227.25	6.11	189.58	6.20
Mar-15	204.49	6.66	220.44	7.24	184.04	5.78	211.31	6.27	228.12	6.37	189.77	6.12
Apr-15	205.54	6.57	221.60	7.04	184.95	5.85	211.51	6.32	228.39	6.48	189.86	6.08
May-15	206.55	6.46	222.69	6.81	185.86	5.94	208.77	6.19	223.36	6.23	190.07	6.14
Jun-15	207.58	6.40	223.80	6.68	186.79	5.99	209.17	6.25	223.43	6.32	190.88	6.15

\*= New Base FY06=100 with weights (food 56.18 and non-food 43.82).

Source: Bangladesh Bureau of Statistics.

Table-VIII : Quantum Index of Medium and Large-scale Manufacturing Industry (base: FY06=100)

SL.	Major industry group	Weight	FY13	FY14	FY15
1.	General index of manufacturing	100.00	195.19	213.22	236.11
2.	Manufacture of food products	10.84	219.10	241.52	333.07
3.	Manufacture of beverages	0.34	189.81	243.19	230.06
4.	Manufacture of tobacco products	2.92	144.66	149.65	147.37
5.	Manufacture of textile	14.07	142.41	139.68	122.81
6.	Manufacture of wearing apparels	34.84	265.83	293.70	304.76
7.	Manufacture of leather and related products	4.40	139.76	147.83	140.48
8.	Manufacture of wood and products of wood and cork	0.33	238.81	243.39	269.88
9.	Manufacture of paper and paper products	0.33	160.43	151.95	174.68
10.	Printing and reproduction of recorded media	1.83	124.36	127.73	140.91
11.	Manufacture of coke and refined petroleum products	1.25	101.54	92.76	96.79
12.	Manufacture of chemicals and chemical products	3.67	84.62	80.41	77.49
13.	Manufacture of pharmaceuticals and medicinal chemicals	8.23	178.79	230.60	290.98
14.	Manufacture of rubber and plastic products	1.56	244.87	263.84	292.69
15.	Manufacture of other non-metallic mineral products	7.12	139.51	144.18	182.78
16.	Manufacture of basic metals	3.15	136.41	150.20	187.13
17.	Manufacture of fabricated metal products except machinery	2.32	149.03	164.33	182.30
18.	Manufacture of computer, electronic and optical products	0.15	99.00	105.46	148.37
19.	Manufacture of electrical equipment	0.73	128.53	132.06	164.56
20.	Manufacture of machinery and equipment n.e.c	0.18	155.86	172.68	204.89
21.	Manufacture of motor vehicles, trailers and semi trailers	0.13	186.62	205.84	178.83
22.	Manufacture of other transport equipment	0.73	138.21	152.88	340.12
23.	Manufacture of furniture	0.88	109.14	101.12	116.35

Source: Bangladesh Bureau of Statistics.

Table-IX : Reserve Money and Its Components

(Billion Taka)

Year (End June)	Currency notes and coins with the public	Cash in tills of the scheduled banks	Balances of scheduled banks with the Bangladesh Bank*	Balances of other financial institutions with the Bangladesh Bank	Reserve money
1	2	3	4	5	6=(2+3+4+5)
1999	86.9	10.3	50.3	-	147.5
2000	101.8	10.9	58.0	-	170.7
2001	114.8	13.5	61.0	-	189.3
2002	125.3	13.5	66.8	0.1	205.7
2003	139.0	14.4	60.8	0.1	214.3
2004	158.1	14.8	65.6	0.2	238.7
2005	185.2	18.1	70.4	0.4	274.1
2006	228.6	20.3	90.1	0.5	339.5
2007	266.4	21.4	105.7	0.7	394.2
2008	326.9	29.6	118.1	1.1	475.6
2009	360.5	34.0	231.6	1.4	627.5
2009	461.6	43.1	234.7	2.1	741.4
2011	548.0	57.3	290.1	2.0	897.3
2012	584.2	64.8	326.6	2.4	978.0
2013	675.5	78.2	368.0	3.1	1124.9
2014	769.1	85.8	440.0	3.9	1298.8
2015	879.4	102.1	498.4	4.9	1484.8

\* Balances of DMBs with BB excluding foreign currency cleaning account balances since June'2002 and Reserve Money has been revised accordingly.

Source: Statistics Department, Bangladesh Bank.

Table-X : Reserve Money and Its Sources

(Billion Taka)

Year (End June)	Bangladesh Bank's claims on					Net foreign assets	Other assets (net)	Reserve money
	Government (net)	Scheduled banks	Other official entities and financial institutions	Private sectors	Total			
1	2	3	4	5	6=(2+3+4+5)	7	8	9=(6+7+8)
1999	63.6	46.2	13.7	8.1	131.6	46.2	-30.3	147.5
2000	81.0	42.9	13.2	9.0	146.1	56.7	-32.1	170.7
2001	101.1	43.7	13.0	9.9	167.7	48.1	-26.5	189.3
2002	128.3	47.3	12.8	10.1	198.5	72.3	-65.1	205.7
2003	73.5	48.5	12.8	11.4	146.2	118.1	-49.9	214.4
2004	118.5	58.5	12.4	12.4	201.8	135.4	-98.5	238.7
2005	156.7	61.3	11.1	13.4	242.5	146.9	-115.3	274.1
2006	249.8	63.4	10.1	14.3	337.6	186.4	-184.5	339.5
2007	259.3	64.4	9.9	15.8	349.4	287.7	-242.9	394.2
2008	259.3	73.3	9.5	17.0	359.1	328.1	-211.6	475.6
2009	284.7	68.5	8.5	20.2	381.9	432.3	-186.7	627.5
2010	214.7	66.1	8.3	25.9	315.0	611.8	-185.4	741.4
2011	317.1	186.1	7.8	31.4	542.4	613.4	-258.5	897.3
2012	378.5	226.3	11.8	36.0	652.6	689.3	-363.9	978.0
2013	270.7	102.2	13.5	41.8	428.2	1032.5	-335.8	1124.9
2014	38.4	62.8	12.0	42.7	156.0	1475.0	-332.2	1298.8
2015	8.1	56.6	21.6	46.4	132.7	1774.0	-421.9	1484.8

Source: Statistics Department, Bangladesh Bank.

Table-XI : Deposits of Public and Private Sector

(Billion Taka)

Year (End June)	Demand deposits <sup>1/</sup>			Time deposits <sup>1/</sup>		
	Public <sup>2/</sup>	Private	Total	Public <sup>2/</sup>	Private <sup>3/</sup>	Total
1	2	3	4	5	6	7
1999	20.5	79.4	99.9	106.3	386.2	492.5
2000	23.7	89.7	113.4	117.3	471.3	588.6
2001	26.4	100.9	127.3	131.8	557.0	688.8
2002	23.7	108.2	131.9	134.9	653.3	788.2
2003	26.5	118.1	144.6	157.3	763.9	921.2
2004	27.1	136.0	163.1	184.2	865.9	1050.1
2005	35.2	158.9	194.1	223.3	1008.4	1231.7
2006	38.1	183.9	222.0	255.1	1212.9	1468.0
2007	42.2	218.8	261.0	298.7	1409.8	1708.5
2008	49.5	254.9	304.4	364.8	1647.6	2012.4
2009	57.5	280.3	337.8	442.7	2005.6	2448.3
2010	61.8	393.0	454.8	537.1	2374.5	2911.6
2011	87.8	439.3	527.1	677.0	2900.4	3577.4
2012	103.4	471.0	574.4	845.1	3480.7	4325.8
2013	112.1	517.8	629.9	954.8	4144.2	5099.0
2014	115.3	600.2	715.5	1080.9	4828.4	5909.3
2015	119.2	683.6	802.8	1376.5	5283.7	6660.2
	Share in Percent					
1999	20.5	79.5	100	21.6	78.4	100
2000	20.9	79.1	100	19.9	80.1	100
2001	20.7	79.3	100	19.1	80.9	100
2002	18.0	82.0	100	17.1	82.9	100
2003	18.3	81.7	100	17.1	82.9	100
2004	16.6	83.4	100	17.5	82.5	100
2005	18.1	81.9	100	18.1	81.9	100
2006	17.1	82.9	100	17.4	82.6	100
2007	16.2	83.8	100	17.5	82.5	100
2008	16.3	83.7	100	18.1	81.9	100
2009	17.0	83.0	100	18.1	81.9	100
2010	13.6	86.4	100	18.4	81.6	100
2011	16.7	83.3	100	18.9	81.1	100
2012	18.0	82.0	100	19.5	80.5	100
2013	17.8	82.2	100	18.7	81.3	100
2014	16.1	83.9	100	18.3	81.7	100
2015	14.8	85.2	100	20.7	79.3	100

1/ Exclude inter-bank items.

2/ Include government deposit.

3/ Include wage earners' deposits.

Source: Statistics Department, Bangladesh Bank.

Table-XII : Selected Statistics of Scheduled Banks

(Billion Taka)

Particulars	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
1	2	3	4	5	6	7	8	
<b>1. Bank deposits (exclude inter-bank items)</b>	<b>2317.3</b>	<b>2786.8</b>	<b>3368.7</b>	<b>4104.8</b>	<b>4900.4</b>	<b>5729.7</b>	<b>6625.7</b>	<b>7463.4</b>
(A) Demand deposits	265.2	302.3	416.2	481.1	510.6	557.4	643.4	723.8
(B) Time deposits	1894.8	2300.7	2750.4	3374.2	4073.8	4799.0	5589.8	6268.0
(C) Restricted deposits	0.5	0.7	0.3	0.3	0.2	0.8	0.3	0.4
(D) Government deposits	156.8	183.1	201.8	249.2	315.7	372.5	392.2	471.2
2. Borrowings from the Bangladesh Bank	66.8	61.0	58.5	178.3	216.6	94.4	55.3	48.2
3. Cash in tills	29.6	34.0	43.1	57.3	64.8	78.2	85.8	102.1
4. Balances with the Bangladesh Bank including FCD	167.1	287.7	294.2	384.0	472.4	453.4	558.5	568.5
5. Balances with other banks in Bangladesh	55.9	74.4	94.1	104.3	120.2	159.4	168.8	159.3
6. Money at call and short notice	22.3	20.8	36.5	29.4	57.4	53.0	49.9	25.3
<b>7. Total investment<sup>@</sup></b>	<b>385.4</b>	<b>480.8</b>	<b>552.2</b>	<b>754.3</b>	<b>967.3</b>	<b>1361.1</b>	<b>1698.8</b>	<b>1744.3</b>
(A) Government securities & treasury bills*	357.0	442.8	487.9	639.1	831.7	1208.1	1493.3	1524.2
(B) Others	28.4	38.0	64.3	115.3	135.5	153.0	205.5	220.1
<b>8. Bank credit (exclude inter-bank items and foreign bills)</b>	<b>1926.2</b>	<b>2198.4</b>	<b>2720.6</b>	<b>3409.3</b>	<b>4056.6</b>	<b>4372.0</b>	<b>4882.2</b>	<b>5533.4</b>
(A) Advances in Bangladesh **	1791.0	2081.3	2579.9	3198.9	3818.1	4172.9	4688.7	5333.1
(B) Inland bills purchased and discounted	135.3	117.2	140.7	210.4	238.5	199.0	193.5	200.3
9. Credit/deposit ratio (excluding specialised banks)	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7

<sup>@</sup> Include T bills/bonds issued by the government and all other investment (share/debenture, reverse repo, etc.)

\* Government securities and treasury bills are shown at cost price.

\*\* Advances are on gross basis.

Source: Statistics Department, Bangladesh Bank.



Table-XIII : Movements in Selected Interest Rates\* (end period)

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
1	2	3	4	5	6	7	8	9
Bank rate	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
<b>Treasury bill rates</b>								
28-day	73	-	-	-	-	-	-	-
91-day	7.6	6.8	2.2	5.6	5.7	8.4	6.9	5.4
182-day	7.9	7.8	3.6	5.5	6.2	10.2	7.5	6.4
364-day	8.5	8.3	4.6	6.2	6.2	10.4	8.0	6.8
<b>Call money rates</b>								
Borrowing	9.7	1.7	6.6	10.9	15.0	7.2	6.3	5.8
Lending	9.7	1.7	6.6	10.9	15.0	7.2	6.3	5.8
<b>Scheduled banks rates</b>								
Deposits	7.0	7.0	6.0	7.3	8.2	8.5	7.8	6.8
Advances	12.3	11.9	11.3	12.4	13.8	13.7	13.1	11.7

\*= Weighted average, except bank rate.

Source: 1) Monetary Policy Department, Bangladesh Bank.

2) Statistics Department, Bangladesh Bank.

Table-XIV : Government Borrowing Position from the Banking System

(Billion Taka)				
Sl. No.	Particulars	Objective	Outstanding as on 30 June 2014 <sup>R</sup>	Outstanding as on 30 June 2015 <sup>P</sup>
1	2	3	4	5
<b>Bangladesh Bank</b>				
1.	Ways and Means Advances	To increase Government cash balance	0.0	24.4
2.	Overdraft		0.0	0.0
3.	Overdraft Block		131.5	86.9
4.	Devolvement		38.3	1.1
	a) Treasury Bills		3.6	0.0
	b) Treasury Bonds		34.7	1.1
5.	Government Currency Liabilities		8.2	8.2
6.	Advances to Autonomous and Semi-autonomous Bodies		0.0	0.0
7.	Accrued Interest <sup>R</sup>		0.8	0.03
8.	Government Deposits@/(-)		-41.4	-1.4
<b>A. Total : (1 +...+ 8)</b>			<b>137.4</b>	<b>119.2</b>
<b>B. Deposit Money Banks (DMBs)</b>				
<b>1. Government Treasury Bills</b>			<b>403.5</b>	<b>305.4</b>
i)	Treasury Bills (Less than 1 year)	To increase Government cash balance	403.5	305.4
<b>2. Bangladesh Govt. Treasury Bonds (BGTB)</b>			<b>816.1</b>	<b>924.8</b>
i)	2-years Bangladesh Govt. Treasury Bonds <sup>1/</sup>		58.1	87.4
ii)	5-years Bangladesh Govt. Treasury Bonds	To increase long-term investment of	245.0	265.5
iii)	10-years Bangladesh Govt. Treasury Bonds	different banks, non-bank financial	326.8	352.3
iv)	15-years Bangladesh Govt. Treasury Bonds	institutions and employees GF of	111.5	128.6
v)	20-years Bangladesh Govt. Treasury Bonds	different companies	74.7	91.0
<b>3. Other Special Treasury Bonds (a+b)</b>			<b>150.9</b>	<b>143.3</b>
<b>a) 1 Year and above but less than 5 years (Specialised Bonds)</b>			<b>4.1</b>	<b>2.0</b>
i)	3-Years interest free Frozen Food Treasury Bond 2014 <sup>6/</sup>	To repay the loan of Frozen Food Industries	0.1	0.0
ii)	3-Years and 4-years (BPC) Treasury Bond bearing 7.0 percent interest <sup>2/</sup>	To repay the loan of Bangladesh Petroleum Corporation	4.0	2.0
<b>b) 5 Years and above (Specialised Bonds)</b>			<b>146.8</b>	<b>141.3</b>
i)	6, 7 & 10-years (BJMC&BTMC) interest free Treasury Bond-2016, 2017 & 2020	To repay the loan of BJMC & BTMC	6.8	6.8
ii)	25-years (Jute) Treasury Bond-2018 bearing 5.0 percent interest <sup>7/</sup>	To compensate for the liquidation of jute sector credit	1.0	0.8
iii)	25-years (Jute) Treasury Bond-2019 bearing 5.0 percent interest <sup>8/</sup>	To compensate for the liquidation of jute sector credit	0.7	0.5

Table-XIV (Contd.) : Government Borrowing (net) from the Banking System

(Billion Taka)				
Sl. No.	Particulars	Objective	Outstanding as on 30 June 2014 <sup>R</sup>	Outstanding as on 30 June 2015 <sup>P</sup>
1	2	3	4	5
iv)	25-years (Jute) Treasury Bond-2020 bearing 5.0 percent interest <sup>3/</sup>	To reimburse one-third of the debt due to jute mills' loan write-off by the private banks.	0.2	0.1
v)	7-years to 15-years (BPC) Treasury Bond bearing 5.0 percent interest <sup>4/</sup>	To repay the loan of Bangladesh Petroleum Corporation	36.2	31.2
vi)	5-years and 6-years (BPC) Treasury Bond bearing 7.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	21.0	21.0
vii)	5-years to 13-years BJMC Treasury Bond bearing 5.0 percent interest	To repay the loan of BJMC	21.5	21.5
viii)	7-years SPTB-2020 bearing 7.0 percent interest		20.0	20.0
ix)	8-years SPTB-2021 bearing 7.0 percent interest	To increase Government cash balance	20.0	20.0
x)	10-years SPTB-2023 bearing 7.0 percent interest		19.4	19.4
<b>4.</b>	<b>Sub-Total : (1+2+3)</b>		<b>1370.5</b>	<b>1373.5</b>
5.	Prize Bond/Income Tax Bond		0.3	0.3
6.	Government's other Securities		0.02	0.03
7.	Advances to Food Ministry		6.1	5.9
8.	Advances to Other Ministries		10.6	11.8
9.	Advances to Auto./Semi-Autonomous Bodies		10.9	15.7
10.	Accrued Interest		31.7	33.4
11.	Deposits of Ministries and Departments (-)		-148.9	-176.2
12.	Deposits of Auto./Semi-Autonomous Bodies (-)		-243.3	-295.0
<b>B.</b>	<b>Total : (4+...+12)</b>		<b>1037.9</b>	<b>969.4</b>
	<b>Grand Total : A+B</b>		<b>1175.2</b>	<b>1088.6</b>

Notes: @/ Including other deposits.

1/ 2 year Bangladesh Government Treasury Bond was introduced in May 2013.

2/ 3 year (BPC) Treasury Bond matured on 5 October, 2014; an amount of Taka 2.00 billion.

3/ An amount of Taka 0.027 billion was paid in July 2014 against the outstanding of Taka 0.171 billion in June 2014.

4/ An amount of Taka 5 billion was paid in September 2014 against the outstanding of 36.2 billion in June 2014.

6/ 3 year interest free Frozen Food Treasury Bond matured on 5 October, 2014; an amount of Taka 0.045 billion.

7/ An amount of Taka 0.237 billion was paid in November 2014 against the outstanding of Taka 1.005 billion in June 2014.

8/ An amount of Taka 0.164 billion was paid in June 2015 against the outstanding of Taka 0.697 billion in June 2014.

R = Revised, P=Provisinal.

Source: Debt Management Department, Statistics Department, Bangladesh Bank (Figures of Treasury Bills and Bonds (Including Special Bonds) are collected from DMD).



Table-XVI : Balance of Payments\*

(Million US Dollar)							
Items	FY09	FY10	FY11	FY12	FY13	FY14 <sup>R</sup>	FY15 <sup>P</sup>
1	2	3	4	5	6	7	8
<b>Trade balance</b>	<b>-4710</b>	<b>-5155</b>	<b>-9935</b>	<b>-9320</b>	<b>-7009</b>	<b>-6794</b>	<b>-9917</b>
Export f.o.b.(including EPZ)	15581	16233	22592	23989	26567	29777	30768
Of which : Readymade garments (RMG)	12348	12497	17914	19090	21516	24492	25491
Import f.o.b (including EPZ)	20291	21388	32527	33309	33576	36571	40685
<b>Services</b>	<b>-1616</b>	<b>-1233</b>	<b>-2612</b>	<b>-3001</b>	<b>-3162</b>	<b>-4099</b>	<b>-4628</b>
Credit	1832	2478	2573	2694	2830	3115	3017
Debit	3448	3711	5185	5695	5992	7214	7645
<b>Primary income</b>	<b>-1484</b>	<b>-1484</b>	<b>-1454</b>	<b>-1549</b>	<b>-2369</b>	<b>-2635</b>	<b>-2995</b>
Credit	95	52	124	193	120	131	74
Debit	1579	1536	1578	1742	2489	2766	3069
Of which : Official interest payments	238	215	345	373	476	427	404
<b>Secondary Income</b>	<b>10226</b>	<b>11596</b>	<b>12315</b>	<b>13423</b>	<b>14928</b>	<b>14934</b>	<b>15894</b>
Official transfers	72	127	103	106	97	83	74
Private transfers	10154	11469	12212	13317	14831	14851	15820
of which: Workers' remittances	9689	10987	11513	12734	14338	14116	15170
<b>Current account balance</b>	<b>2416</b>	<b>3724</b>	<b>-1686</b>	<b>-447</b>	<b>2388</b>	<b>1406</b>	<b>-1645</b>
<b>Capital account</b>	<b>451</b>	<b>512</b>	<b>642</b>	<b>482</b>	<b>629</b>	<b>598</b>	<b>483</b>
Capital transfers	451	512	642	482	629	598	483
<b>Financial account</b>	<b>-825</b>	<b>-651</b>	<b>651</b>	<b>1436</b>	<b>2770</b>	<b>2855</b>	<b>5308</b>
Foreign direct investment (net)	961	913	775	1191	1726	1474	1830
Portfolio investment	-159	-117	109	240	368	937	618
Other investment	-1627	-1447	-233	5	676	444	2860
MLT loans (excluding suppliers credit)	1204	1589	1032	1539	2085	2404	2472
MLT amortization payments	641	687	739	789	906	1018	910
Other long term loans (net)	-70	-151	-101	79	-150	477	-33
Other short term loans (net)	-169	62	531	242	-193	-838	-161
Other assets	-650	-902	-661	---	---	---	---
Trade credit (net)	-1277	-1043	-135	-1118	-250	-340	690
Commercial Bank	-24	-315	-160	52	90	-241	802
Assets	129	410	452	443	396	898	86
Liabilities	105	95	292	495	486	657	888
<b>Errors and omissions</b>	<b>16</b>	<b>-720</b>	<b>-263</b>	<b>-977</b>	<b>-659</b>	<b>624</b>	<b>228</b>
<b>Overall balance</b>	<b>2058</b>	<b>2865</b>	<b>-656</b>	<b>494</b>	<b>5128</b>	<b>5483</b>	<b>4373</b>
<b>Reserve assets</b>	<b>-2058</b>	<b>-2865</b>	<b>656</b>	<b>-494</b>	<b>-5128</b>	<b>-5483</b>	<b>-4373</b>
Bangladesh Bank	-2058	-2865	656	-494	-5128	-5483	-4373
Assets	1883	3616	-481	293	5196	5933	4249
Liabilities	-175	751	175	-201	68	450	-124

R = Revised, P = Provisional.

\* This classification is based on BPM6 manual.

--- Other assets has been discontinued from FY12 and onwards as per recommendation of IMF.

Note: Customs record is used to calculate Import f.o.b from FY11 and onwards. Banking channel data was used for calculating Import f.o.b. for FY10 and backwards.

Source: Statistics Department, Bangladesh Bank.

Table-XVII : Category-wise Exports

(Million US Dollar)

Items	FY08	FY09	FY10	FY11	FY12	FY13	FY14 <sup>R</sup>	FY15 <sup>P</sup>
1	2	3	4	5	6	7	8	9
<b>A. Frozen food</b>	<b>534.1</b>	<b>454.5</b>	<b>445.2</b>	<b>625.0</b>	<b>598.4</b>	<b>543.8</b>	<b>638.2</b>	<b>568.1</b>
1. Fish	88.7	101.4	89.1	133.5	108.1	58.0	52.5	49.1
2. Shrimps	445.4	353.1	348.3	477.8	471.7	454.9	550.1	509.7
3. Others	0.0	0.0	7.8	13.7	18.6	30.9	35.6	9.3
<b>B. Agricultural products</b>	<b>176.1</b>	<b>267.4</b>	<b>242.4</b>	<b>333.9</b>	<b>402.7</b>	<b>535.7</b>	<b>615.1</b>	<b>586.1</b>
1. Vegetables	60.5	44.7	46.8	71.7	77.4	110.3	147.6	103.2
2. Tobacco	22.4	40.5	52.3	70.9	68.7	60.2	58.7	68.5
3. Cut flower	56.0	32.5	39.8	42.9	50.5	41.4	39.3	11.4
4. Fruits	---	6.0	17.4	37.7	57.2	71.9	61.8	38.5
5. Others	37.2	143.7	86.1	110.7	148.9	251.9	307.7	364.5
<b>C. Manufactured products</b>	<b>13400.6</b>	<b>14843.3</b>	<b>15517.1</b>	<b>21969.3</b>	<b>23300.8</b>	<b>25947.8</b>	<b>25923.3</b>	<b>30054.7</b>
1. Petroleum bi-products	185.1	142.0	301.2	260.7	275.4	314.0	162.3	77.6
2. Chemical products	215.8	237.1	102.9	104.8	103.0	93.0	93.2	111.9
3. Plastic products	---	37.4	50.6	68.8	88.7	84.5	85.7	100.6
4. Leather	284.4	178.2	226.1	297.8	330.2	399.7	505.5	397.5
5. Cotton & cotton products	---	55.2	95.2	135.0	113.0	125.0	115.6	107.0
6. Raw jute	165.1	148.2	196.3	357.3	266.3	229.9	126.4	111.6
7. Jute goods	318.3	324.9	591.7	757.7	701.1	800.7	698.1	757.0
8. Specialised textiles	179.5	208.9	186.0	164.6	138.8	124.5	108.8	107.0
9. Knitwear	5532.5	6427.3	6483.3	9482.1	9486.4	10475.9	12049.8	12426.8
10. Woven garments	5167.3	5918.5	6013.4	8432.4	9603.3	11039.9	12442.1	13064.6
11. Home textile	291.4	313.5	539.3	788.8	906.1	791.5	792.5	804.3
12. Footwear	169.6	186.9	204.1	297.8	335.5	419.3	171.6	189.5
13. Engineering products	219.7	181.3	311.1	309.6	375.5	367.5	366.6	447.0
14. Others	671.9	483.9	215.9	512.0	577.5	676.7	1215.1	1352.3
<b>Total (A+B+C)</b>	<b>14110.8</b>	<b>15565.2</b>	<b>16204.7</b>	<b>22928.2</b>	<b>24301.9</b>	<b>27027.4</b>	<b>30186.6</b>	<b>31208.9</b>
Of which exports from EPZ	1729.5	1900.3	2150.5	2800.9	3425.5	3828.8	4480.3	4957.8

R = Revised, P = Provisional.

Source : Export Promotion Bureau.

Table-XVIII : Category-wise Imports

(Million US Dollar)					
Items	FY11	FY12	FY13	FY14 <sup>R</sup>	FY15 <sup>P</sup>
1	2	3	4	5	6
<b>A. Food Grains</b>	<b>2058.2</b>	<b>822.0</b>	<b>576.6</b>	<b>906.2</b>	<b>1490.7</b>
1. Rice	867.5	226.8	15.7	102.8	508.1
2. Wheat	1190.7	595.2	560.9	803.4	982.6
<b>B. Other Commodities</b>	<b>34034.2</b>	<b>36162.8</b>	<b>36713.2</b>	<b>39710.2</b>	<b>43699.5</b>
1. Milk & cream	216.6	224.1	230.1	280.3	277.2
2. Spices	101.0	87.5	78.8	107.0	182.4
3. Oil seeds	96.2	258.6	358.0	453.6	374.0
4. Edible oil	2598.3	3526.8	3016.9	2946.3	2743.5
5. Pulses (all sorts)	234.4	275.7	485.9	318.6	434.3
6. Sugar	723.0	1349.1	779.5	852.2	788.7
7. Clinker	530.6	532.0	569.3	633.2	638.4
8. Crude petroleum	289.3	304.0	60.7	72.3	316.0
9. POL	2445.5	2972.9	3005.5	3371.5	4742.5
10. Chemicals	1225.7	1334.8	1411.6	1577.5	1723.7
11. Pharmaceutical products	199.9	185.0	197.5	210.8	136.9
12. Fertiliser	1530.7	1370.0	1265.2	940.9	1338.9
13. Dyeing and tanning materials	351.0	378.1	445.3	543.1	599.0
14. Plastics and rubber articles thereof	1359.9	1508.8	1577.3	1822.2	2052.3
15. Raw cotton	2589.3	1966.2	2255.4	2464.3	2295.5
16. Yarn	2065.3	1495.5	1675.4	1816.9	1851.2
17. Textile & textile articles thereof	3942.7	4382.3	5071.1	5360.5	5742.0
18. Staple fibre	700.2	779.4	877.9	1010.1	1078.0
19. Iron, steel & other base metals	2184.7	2586.4	2865.2	2899.4	3265.0
20. Capital machinery	3085.0	2394.3	2250.0	2819.1	3320.5
21. Others	7564.9	8251.3	8236.6	9210.4	9799.5
<b>Total Imports c.i.f.</b>	<b>36092.4</b>	<b>36984.8</b>	<b>37289.8</b>	<b>40616.4</b>	<b>45190.2</b>
<b>Total Imports f.o.b.</b>	<b>32527.0</b>	<b>33309.0</b>	<b>33576.0</b>	<b>36571.0</b>	<b>40685.0</b>
Of Which Import by EPZ	1985.1	2115.7	2444.7	3077.0	3138.1

R = Revised, P = Provisional

Source: Compiled by Statistics Department of Bangladesh Bank using the data of National Board of Revenue (NBR).



Table-XIX : Sector-wise Comparative Statement of Opening, Settlement and Outstanding of Import LCs

(Million US Dollar)

Sectors/ Commodities	FY14			FY15			% Changes during FY15 over FY14		
	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year
1	2	3	4	5	6	7	8	9	10
A. Consumer goods	4597.8	4586.6	1614.5	5168.1	4749.6	1712.2	12.4	3.6	6.1
(% of Total)	(11.0)	(12.3)	(7.6)	(12.0)	(12.4)	(7.7)			
a) Food grains (rice & wheat)	1317.1	1409.8	242.0	1736.9	1498.0	373.4	31.9	6.3	54.3
b) Other than food grain	3280.7	3176.8	1372.5	3431.1	3251.6	1338.7	4.6	2.4	-2.5
B. Intermediate goods	3054.4	2836.3	1302.3	3690.0	3354.3	1472.5	20.8	18.3	13.1
(% of Total)	(7.3)	(7.6)	(6.1)	(8.6)	(8.7)	(6.6)			
C. Industrial raw materials	15548.3	14724.6	7260.0	16144.6	15181.3	7017.8	3.8	3.1	-3.3
(% of Total)	(37.3)	(40.9)	(36.8)	(37.3)	(39.8)	(35.1)			
D. Capital machinery	3878.2	2518.3	4184.6	4354.8	3096.8	5131.7	12.3	23.0	22.6
(% of Total)	(9.3)	(6.8)	(19.7)	(10.1)	(8.1)	(23.1)			
E. Machinery for miscellaneous industry	4609.2	3522.4	2603.3	4057.2	3772.0	2069.1	-12.0	7.1	-20.5
(% of Total)	(11.0)	(9.5)	(12.3)	(9.4)	(9.8)	(9.3)			
F. Petroleum and Petroleum products	5023.6	4577.4	1489.1	3372.8	3462.4	1111.0			
(% of Total)	(12.0)	(12.3)	(7.0)	(7.8)	(9.0)	(5.0)	-32.9	-24.4	-25.4
G. Others	5107.1	4423.3	2781.4	6281.3	4838.8	3679.0	23.0	9.4	32.3
% of Total	(12.2)	(11.9)	(13.1)	(14.6)	(12.6)	(16.6)			
<b>Total</b>	<b>41818.6</b>	<b>37188.9</b>	<b>21235.1</b>	<b>43068.8</b>	<b>38455.0</b>	<b>22193.3</b>	<b>3.0</b>	<b>3.4</b>	<b>4.5</b>
Of which, back to back	6237.7	6152.1	3032.2	6830.8	6201.8	3026.1	9.5	0.8	-0.2

Source: Foreign Exchange Operation Department, Bangladesh Bank.

Table-XX : Foreign Exchange Reserves

Year (End June)	Total reserves	
	Million Taka	Million US Dollar
1	2	3
1998	80,266	1,739
1999	73,650	1,523
2000	81,466	1,602
2001	73,831	1,307
2002	90,858	1,583
2003	141,753	2,470
2004	163,241	2,705
2005	186,769	2,930
2006	242,914	3,484
2007	349,314	5,077
2008	421,377	6,149
2009	515,945	7,471
2010	747,121	10,750
2011	809,996	10,912
2012	848,071	10,364
2013	1190,896	15,315
2014	1669,665	21,508
2015	1946,601	25,021

Source : Accounts & Budgeting Department, Bangladesh Bank.

Table-XXI : Period Average Taka-US Dollar Exchange Rates

Year	Taka per US Dollar
1	2
FY98	45.46
FY99	48.06
FY00	50.31
FY01	53.96
FY02	57.43
FY03	57.90
FY04	58.94
FY05	61.39
FY06	67.08
FY07	69.03
FY08	68.60
FY09	68.80
FY10	69.18
FY11	71.17
FY12	79.10
FY13	79.93
FY14	77.72
FY15	77.68

Source: Statistics Department, Bangladesh Bank.

Table-XXII : Country-wise Workers` Remittances

(Million US Dollar)

Countries	FY09	FY10	FY11	FY12	FY13	FY14	FY15
1	2	3	4	5	6	7	8
Saudi Arabia	2859.09	3427.05	3290.03	3684.36	3829.45	3118.88	3345.23
UAE	1754.92	1890.31	2002.63	2404.78	2829.40	2684.86	2823.77
UK	789.65	827.51	889.60	987.46	991.59	901.23	812.34
Kuwait	970.75	1019.18	1075.75	1190.14	1186.93	1106.88	1077.78
USA	1575.22	1451.89	1848.51	1498.46	1859.76	2323.32	2380.19
Italy	186.90	182.19	215.58	244.75	233.23	269.59	260.16
Qatar	343.36	360.91	319.36	335.26	286.89	257.53	310.15
Oman	290.06	349.08	334.31	400.93	610.11	701.08	915.26
Singapore	165.13	193.46	202.33	311.46	498.79	429.11	443.44
Germany	19.32	16.50	25.64	34.99	25.81	26.94	21.16
Bahrain	157.43	170.14	185.93	298.46	361.70	459.39	554.34
Japan	14.12	14.74	15.21	22.16	21.18	17.06	16.30
Malaysia	282.22	587.09	703.73	847.49	997.43	1064.68	1381.53
Other countries	281.09	497.35	541.71	582.72	728.87	867.76	975.27
<b>Total :</b>	<b>9689.26</b>	<b>10987.40</b>	<b>11650.32</b>	<b>12843.42</b>	<b>14461.14</b>	<b>14228.31</b>	<b>15316.92</b>

Source : Foreign Exchange Policy Department, Bangladesh Bank.

**Table-XXIII : List of Scheduled Banks**  
(As on 30 June 2015)

**State owned/government controlled banks (6+2=8)**

**State owned commercial banks (6)**

Sonali Bank Limited  
Janata Bank Limited  
Agrani Bank Limited  
Rupali Bank Limited  
Bangladesh Small Industries and Commerce Bank Limited  
Bangladesh Development Bank Limited

**Specialised banks DFIs (2)**

Bangladesh Krishi Bank  
Rajshahi Krishi Unnayan Bank

**Private commercial banks (39)**

AB Bank Limited  
Al-Arafah Islami Bank Limited  
Bangladesh Commerce Bank Limited  
Bank Asia Limited  
BRAC Bank Limited  
Dhaka Bank Limited  
Dutch-Bangla Bank Limited  
Eastern Bank Limited  
Export Import (EXIM) Bank of Bangladesh Limited  
First Security Islami Bank Limited  
International Finance Investment and Commerce (IFIC) Bank Limited  
Islami Bank Bangladesh Limited  
ICB Islamic Bank Limited  
Jamuna Bank Limited  
Mercantile Bank Limited  
Meghna Bank Limited  
Midland Bank Limited  
Modhumoti Bank Limited  
Mutual Trust Bank Limited  
National Bank Limited  
National Credit and Commerce Bank Limited  
NRB Bank Limited  
NRB Commercial Bank Limited  
NRB Global Bank Limited

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\* In December 1986, it was decided to transform Rupali Bank into a Public Limited Company, keeping 51 percent ownership in the government sector. Subsequently, the above bank's ownership in the government sector was raised to 90 percent as on 30 June 2015.

**Table-XXIII (contd.) : List of Scheduled Banks**  
(As on 30 June 2015)

One Bank Limited  
Prime Bank Limited  
Pubali Bank Limited  
Shahjalal Islami Bank Limited  
Social Islami Bank Limited  
South Bangla Agriculture and Commerce Bank Limited  
Southeast Bank Limited  
Standard Bank Limited  
The City Bank Limited  
The Premier Bank Limited  
The Farmer's Bank Limited  
Trust Bank Limited  
United Commercial Bank Limited  
Uttara Bank Limited  
Union Bank Limited

**Foreign commercial banks (9)**

Bank Alfalah Limited  
Citibank N.A  
Commercial Bank of Ceylon PLC  
Habib Bank Limited  
National Bank of Pakistan  
Standard Chartered Bank  
State Bank of India  
The Hongkong and Shanghai Banking Corporation (HSBC) Limited  
Woori Bank

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**Table-XXIV : List of Financial Institutions\***  
(As on 30 June 2015)

Agrani SME Financing Company Limited  
 Bangladesh Finance and Investment Company Limited  
 Bangladesh Industrial Finance Company Limited  
 Bangladesh Infrastructure Finance Fund Limited  
 Bay Leasing and Investment Limited  
 Delta Brac Housing Finance Corporation Limited  
 Fareast Finance & Investment Limited  
 FAS Finance & Investment Limited  
 First Finance Limited  
 GSP Finance Company (Bangladesh) Limited  
 Hajj Finance Company Limited  
 IDLC Finance Limited  
 Industrial and Infrastructure Development Finance Company Limited  
 Industrial Promotion and Development Company of Bangladesh Limited  
 Infrastructure Development Company Limited  
 International Leasing and Financial Services Limited  
 Islamic Finance and Investment Limited  
 Lanka Bangla Finance Limited  
 Meridian Finance and Investments Limited\*\*  
 MIDAS Financing Limited  
 National Finance Limited  
 National Housing Finance and Investment Limited  
 People's Leasing and Financial Services Limited  
 Phoenix Finance and Investments Limited  
 Premier Leasing & Finance Limited  
 Prime Finance & Investment Limited  
 Reliance Finance Limited  
 Saudi-Bangladesh Industrial and Agricultural Investment Company  
 UAE-Bangladesh Investment Company Limited  
 Union Capital Limited  
 United Finance Limited  
 Uttara Finance and Investments Limited

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\* Licensed by the Bangladesh Bank under Financial Institutions Act, 1993.

\*\* Newly licensed FI, not yet in operation.



**Table-XXV : List of Major Publications****ANNUAL**

1. Annual Report
2. Export receipts
3. Import payments
4. Balance of payments

**HALF YEARLY**

1. Financial Sector Review
2. Monetary Policy Review
3. Foreign Direct Investment in Bangladesh
4. Monetary Policy Statement (MPS)
5. Financial Stability Report

**QUARTERLY**

1. Scheduled Bank Statistics
2. Bangladesh Bank Quarterly

**MONTHLY**

1. Economic Trends
2. Bangladesh Bank Parikroma

**Appendix-4**  
Banking Performance Indicators  
(Table: I-XIII)

Table I: Structure of Banking System Structure

(billion Taka)

Bank type	2015 (June)					
	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits
SCBs	6	3669	2755.7	28.4	2105.4	28.4
DFIs	2	1405	289.4	2.9	226.1	3.1
PCBs	39	3982	6130.5	63.3	4743.5	64.1
FCBs	9	75	518.2	5.4	331.5	4.4
<b>Total</b>	<b>56</b>	<b>9131</b>	<b>9693.8</b>	<b>100</b>	<b>7406.5</b>	<b>100</b>

Table II: Capital to Risk Weighted Assets Ratio by Type of Banks

(Percent)

Bank type	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	7.9	6.9	9.0	8.9	11.7	8.1	10.8	8.3	4.9
DFIs	-5.5	-5.3	0.4	-7.3	-4.5	-7.8	-9.7	-17.3	-18.1
PCBs	10.6	11.4	12.1	10.1	11.5	11.4	12.6	12.5	11.8
FCBs	22.7	24.0	28.1	15.6	21.0	20.6	20.2	22.6	24.1
<b>Total</b>	<b>9.6</b>	<b>10.1</b>	<b>11.6</b>	<b>9.3</b>	<b>11.4</b>	<b>10.5</b>	<b>11.5</b>	<b>11.3</b>	<b>10.3</b>

Table III: NPL Ratios by Type of Banks

(Percent)

Bank type	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	29.9	25.4	21.4	15.7	11.3	23.9	19.8	22.2	21.9
DFIs	28.6	25.5	25.9	24.2	24.6	26.8	26.8	32.8	25.5
PCBs	5.0	4.4	3.9	3.2	2.9	4.6	4.5	4.9	5.7
FCBs	1.4	1.9	2.3	3.0	3.0	3.5	5.5	7.3	8.2
<b>Total</b>	<b>13.2</b>	<b>10.8</b>	<b>9.2</b>	<b>7.3</b>	<b>6.1</b>	<b>10.0</b>	<b>8.9</b>	<b>10.0</b>	<b>9.7</b>

Table IV: Ratio of Net NPL to Total Loans by Type of Banks

(Percent)									
Bank type	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	12.9	5.9	1.9	1.9	-0.3	12.8	1.7	6.1	9.4
DFIs	19.0	17.0	18.3	16.0	17.0	20.4	19.7	25.5	9.2
PCBs	1.4	0.9	0.5	0.0	0.2	0.9	0.6	0.8	1.1
FCBs	-1.9	-2.0	-2.3	-1.7	-1.8	-0.9	-0.4	-0.9	-0.4
<b>Total</b>	<b>5.1</b>	<b>2.8</b>	<b>1.7</b>	<b>1.3</b>	<b>0.7</b>	<b>4.4</b>	<b>2.0</b>	<b>2.7</b>	<b>2.8</b>

Table V: Amount of NPLs

(billion Taka)									
Bank type	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	137.9	127.6	117.5	107.6	91.7	215.2	166.1	227.6	224.0
DFIs	37.2	37.3	42.1	49.7	56.5	73.3	83.6	72.6	58.3
PCBs	49.2	57.0	61.7	64.3	72.0	130.4	143.1	184.3	223.5
FCBs	1.9	2.9	3.5	5.5	6.3	8.5	13.0	17.1	19.4
<b>Total</b>	<b>226.2</b>	<b>224.8</b>	<b>224.8</b>	<b>227.1</b>	<b>226.5</b>	<b>427.3</b>	<b>405.8</b>	<b>501.6</b>	<b>525.2</b>

Table VI: Required Provision and Provision Maintained-all Banks

(billion Taka)									
All banks	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
Amount of NPLs	226.2	224.8	224.8	227.1	226.4	427.3	405.8	501.5	525.2
Required provision	127.2	136.1	134.8	149.2	148.2	242.4	252.4	289.6	300.4
Provision maintained	97.1	126.2	137.9	142.3	152.7	189.8	249.8	281.7	275.6
Excess (+)/ shortfall(-)	-30.1	-9.9	3.1	-6.9	4.6	-52.6	-2.6	-7.9	-24.8
Provision maintenance ratio (%)	76.3	92.7	102.3	95.4	103.04	78.3	99.0	97.2	91.7

Table VII: Comparative Position of Provision Adequacy

(billion Taka)						
Year	Items	SCBs	SBs	PCBs	FCBs	
2012	Required provision	119.2	29.8	84.4	8.9	
	Provision maintained	81.9	13.6	84.9	9.3	
	Provision maintenance ratio (%)	68.7	45.7	100.6	104.3	
2013	Required provision	107.8	38.3	94.8	11.6	
	Provision maintained	122.3	17.4	97.8	12.3	
	Provision maintenance ratio (%)	113.5	45.5	103.2	106.0	
2014	Required provision	128.6	37.1	108.7	15.3	
	Provision maintained	135.3	14.7	115.4	16.2	
	Provision maintenance ratio (%)	105.2	39.6	106.2	105.9	
2015 June	Required provision	126.2	31.2	126.5	16.2	
	Provision maintained	96.7	31.2	130.6	17.2	
	Provision maintenance ratio (%)	76.6	100	103.2	106.2	

Table VIII: Writing-off Bad Debts in Bank Categories

(billion Taka)

Bank type	30 June 07	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13	30 June 14	30 June 15
SCBs	42.8	48.4	64.5	70.5	82.4	72.9	107.2	154.8	210.3
SBs	30.4	31.0	31.8	31.8	32.0	24.5	32.6	34.2	5.6
PCBs	45.5	49.4	54.7	69.6	77.1	64.9	109.7	127.7	155.5
FCBs	1.6	1.7	2.0	2.1	2.4	2.6	3.7	4.4	5.1
<b>Total</b>	<b>120.3</b>	<b>130.5</b>	<b>153.0</b>	<b>174.0</b>	<b>193.9</b>	<b>164.9</b>	<b>253.3</b>	<b>321.1</b>	<b>376.5</b>

Table IX: Expenditure-Income Ratio by Type of Banks

(Percent)

Bank type	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	100.0	89.6	75.6	80.7	62.7	73.2	84.1	84.1	85.9
DFIs	107.7	103.7	112.1	87.8	88.6	91.2	94.8	99.5	120.4
PCBs	88.8	88.4	72.6	67.6	71.7	76.0	77.9	75.8	75.5
FCBs	72.9	75.8	59.0	64.7	47.3	49.6	50.4	46.8	49.6
<b>Total</b>	<b>90.4</b>	<b>87.9</b>	<b>72.6</b>	<b>70.8</b>	<b>68.6</b>	<b>74.0</b>	<b>77.8</b>	<b>76.1</b>	<b>78.3</b>

Table X: Profitability Ratios by Types of Banks

(Percent)

Bank types	Return on assets (ROA)										Return on equity (ROE)									
	2007	2008	2009	2010	2011	2012	2013	2014	2015 June	2007	2008	2009	2010	2011	2012	2013	2014	2015 June		
SCBs	0.0	0.7	1.0	1.1	1.3	-0.6	0.6	-0.6	-0.6	0.0	22.5	26.2	18.4	19.7	-11.9	10.9	-13.6	-22.5		
DFIs	-0.3	-0.6	0.4	0.2	0.1	0.1	-0.4	-0.7	-1.5	-3.4	-6.9	-171.7	-3.2	-0.9	-1.1	5.8	-5.97	-8.2		
PCBs	1.3	1.4	1.6	2.1	1.6	0.9	1.0	1.0	0.9	16.7	16.4	21.0	20.9	15.7	10.2	9.8	10.3	9.7		
FCBs	3.1	2.9	3.2	2.9	3.2	3.3	3.0	3.4	3.1	20.4	17.8	22.4	17.0	16.6	17.3	16.9	17.7	15.7		
<b>Total</b>	<b>0.9</b>	<b>1.2</b>	<b>1.4</b>	<b>1.8</b>	<b>1.5</b>	<b>0.6</b>	<b>0.9</b>	<b>0.6</b>	<b>0.5</b>	<b>13.8</b>	<b>15.6</b>	<b>21.7</b>	<b>21.0</b>	<b>17.0</b>	<b>8.2</b>	<b>11.0</b>	<b>8.1</b>	<b>6.6</b>		

Table XI: Net Interest Income by Types of Banks

(billion Taka)

Bank type	2007	2008	2009	2010	2011	2012	2013	2014	2015 June
SCBs	7.4	7.9	12.1	19.8	34.3	14.9	-5.4	39.7	19.4
DFIs	1.4	1.9	1.9	6.2	4.9	4.7	3.8	2.1	1.9
PCBs	36.1	48.5	56.7	82.8	91.4	114.7	118.2	205.8	105.0
FCBs	9.9	12.6	10.7	13.0	16.1	19.6	15.8	26.6	14.1
<b>Total</b>	<b>54.8</b>	<b>70.9</b>	<b>81.5</b>	<b>121.9</b>	<b>146.7</b>	<b>153.8</b>	<b>132.3</b>	<b>274.2</b>	<b>140.3</b>

Table XII: Liquidity Ratio by Type of Banks

(Percent)

Bank type	Liquid assets										Excess liquidity									
	2007	2008	2009	2010	2011	2012	2013	2014	2015 June	2007	2008	2009	2010	2011	2012	2013	2014	2015 June		
SCBs	24.9	32.9	25.1	27.2	31.3	29.2	44.3	42.0	39.3	6.9	14.9	17.6	8.2	12.3	10.2	25.3	23.9	26.4		
DFIs	14.2	13.7	9.6	21.3	6.9	11.5	15.3	6.6	0.0	5.6	4.9	7.1	2.3	1.3	1.4	4.2	6.6	0.0		
PCBs	22.2	20.7	18.2	21.5	23.5	26.3	28.0	28.2	20.8	6.4	4.7	5.3	4.6	6.6	9.5	11.3	11.0	11.9		
FCBs	29.2	31.3	31.8	32.1	34.1	37.5	46.2	56.9	51.1	11.2	13.3	21.8	13.2	15.3	18.7	27.4	37.6	38.9		
<b>Total</b>	<b>23.2</b>	<b>24.8</b>	<b>20.6</b>	<b>23.0</b>	<b>25.4</b>	<b>27.1</b>	<b>32.5</b>	<b>32.7</b>	<b>26.8</b>	<b>6.9</b>	<b>8.4</b>	<b>9.0</b>	<b>6.0</b>	<b>8.4</b>	<b>9.9</b>	<b>15.4</b>	<b>15.7</b>	<b>16.9</b>		

Table XIII: Branch, Deposit and Advance in The Banking System-Rural and Urban

(billion Taka)

Year	Number of branch*			Deposit**			Advance**		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
2000	3659	2460	6119	160.6	549.2	709.8	100.1	493.5	593.6
2001	3680	2502	6182	160.2	656.3	816.5	97.2	590.6	687.8
2002	3693	2538	6231	177.6	753.2	930.8	100.0	667.7	767.7
2003	3694	2526	6220	190.8	883.3	1074.1	102.5	744.8	847.3
2004	3724	2579	6303	192.0	1023.8	1215.8	103.4	847.9	951.3
2005	3764	2638	6402	218.3	1197.6	1415.9	117.6	999.7	1117.3
2006	3834	2728	6562	241.5	1445.8	1687.3	128.4	1163.3	1291.7
2007	3894	2823	6717	263.0	1689.1	1952.1	130.1	1335.6	1465.7
2008	3981	2905	6886	306.2	2009.8	2316.0	148.5	1667.0	1815.5
2009	4136	3051	7187	369.9	2424.0	2793.9	169.6	1920.9	2090.5
2010	4393	3265	7658	436.9	2942.3	3379.2	206.9	2367.5	2574.4
2011	4551	3410	7961	536.0	3579.9	4115.9	254.5	2958.3	3212.8
2012	4760	3562	8322	853.1	4011.0	4864.1	405.6	3453.7	3859.3
2013	4962	3723	8685	1117.1	4988.2	6105.3	450.6	3987.8	4438.4
2014	5150	3890	9040	1326.0	5605.2	6931.1	505.1	4571.2	5076.3
2015**	5187	3944	9131	1452.0	6004.0	7456.0	536.2	4825.2	5361.4

Note: \*As of end December, \*\*As of end June.

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