Quarterly

Financial Stability Assessment Report

ISSUE : 21, 2021 (I)
APRIL-JUNE 2021

Bangladesh Bank

Quarterly

Financial Stability Assessment Report

April-June 2021

Financial Stability Department
Bangladesh Bank

Quarterly
Financial Stability Assessment Report
April-June 2021

Advisor

Abu Farah Md. Nasser, Deputy Governor

Coordinator

Mohammad Ahmed Ali, Executive Director

Editor

Sheikh Humayun Kabir, General Manager

Contributors

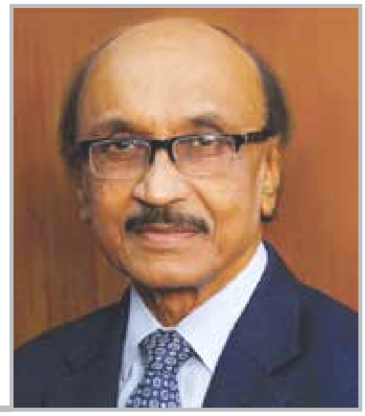
1. Shamsul Arefeen, Deputy General Manager
2. Mohammad Zahir Hussain, Deputy General Manager
3. Md. Ala Uddin, Deputy General Manager
4. Abeda Rahim, Deputy General Manager
5. Kazi Arif Uz Zaman, PhD, Deputy General Manager
6. Bijoy Krishna Deb, Joint Director
7. Md. Masum Haider, Joint Director
8. Samiran Das, Joint Director
9. Kazi Md. Masum, Joint Director
10. Abdullah-Hil-Baki, Joint Director
11. Md. Asaduzzaman Khan, Joint Director
12. A.S.M. Mehedi Hasan, Joint Director
13. M.M. Sohel, Joint Director
14. Milton Biswas, Joint Director
15. Rayhana Wazed Ruma, Joint Director
16. Uttam Chandra Paul, Deputy Director
17. Foyzul Ahmed, Deputy Director
18. Shahnaj Akhter Dipu, Deputy Director
19. Md. Harun Or Rashid, Deputy Director
20. Tanjir Ahmed Emon, Deputy Director
21. Md. Ataur Rahman Chowdhury, Deputy Director
22. Kawser Ahmed Nahid, Deputy Director
23. Md. Abdul Hamid, Deputy Director
24. Al-Amin Sikder, Deputy Director
25. Md. Barkat Ullah, Deputy Director
26. Md. Iftekhar-ul-Islam, Deputy Director
27. Mst. Shahida Kamrun, Deputy Director
28. Md. Hasib, Deputy Director
29. Md. Manirul Islam, Deputy Director

Data/Write-up Support

1. Banking Regulation and Policy Department
2. Department of Financial Institutions and Markets
3. Department of Off-site Supervision
4. Foreign Exchange Policy Department
5. Statistics Department
6. SME & Special Programmes Department
7. Payment Systems Department

This report is based on unaudited and provisional data of banks and financial institutions available up to June 30, 2021 unless stated otherwise.

Weblink of this report: https://www.bb.org.bd/en/index.php/publication/publictn/2/60



MESSAGE FROM THE GOVERNOR

COVID-19 has left deep scars on the global economy as countries have been dealing with a long-drawn-out crisis over the past couple of years. Yet, relentless efforts by authorities, apparent rise in public awareness, gradual adaptation with the new normal, and increase in vaccination rates enabled nations to effectively handle the situation and ushered in a new hope for a faster than expected inclusive recovery since the later part of 2020. However, with the worsening of the global pandemic scenario in the early 2021 and the second wave in Bangladesh with Delta variant, the country has been prompted to adopt an array of containment measures. The mass vaccination strategy will certainly restore public confidence in reopening of economic activities in the coming months.

Amid the different levels of economic recovery among countries around the world, macroeconomic situation of Bangladesh has shown commendable resilience, largely attributable to the prudent measures taken by the Government and Bangladesh Bank. Bangladesh Bank announced its monetary policy statement for FY2021-22 to minimize the adverse impacts of the COVID-19 pandemic through strategizing a good balance between financing of the vulnerable sections of population and providing credit to productive sectors of the economy. Bangladesh Bank has strengthened its regulation and supervision to ensure proper implementation of the diversified stimulus packages totalling BDT 1.35 trillion under different credit and refinance facilities. We also remain vigilant over any adverse developments in the financial system that may create stability issues like breaches in compliance of prudential norms and standards, cyber security, corporate governance requirements etc., taking into consideration domestic macroeconomic events and external sector issues simultaneously.

With the resumption of economic activities following the vaccine rollout, the private-sector credit marked a positive growth trend since the first quarter of 2021. Besides, the stimulus packages for cottage, micro, small and medium enterprises (CMSMEs) worth BDT 200 billion that are already in place have now entered into its second phase while fresh schemes are being offered for agriculture sector amounting BDT 30 billion and also one for the marginalized population worth BDT 5 billion. All scheduled banks have been instructed to disburse stimulus packages prudently which will certainly propel the private credit growth in coming quarters.

Pandemic has driven the corporate sectors towards over-indebtedness. Banks should now be more diligent to review their risk appetite under the current context considering that the credit quality of the hard-hit borrowers may affect their profitability and overall risk profile. Again, the creeping up of global inflationary pressure, emanating from transitory supply-demand mismatches would still be a challenge for Bangladesh to mitigate and stabilize related external shocks. Furthermore, with the rise in poverty and vulnerability of marginalized businesses in Bangladesh, the prolonged COVID-19 pandemic would presumably be pressurizing the implementation of all the SDG targets within the stipulated time. A concerted effort by all stakeholders is thus needed to meet the challenges head on and come out on top.

Finally, I strongly believe that this report will be able to convey the strengths, risks and vulnerabilities of the financial system and would provide adequate inputs for policymakers in devising preemptive and forward-looking strategies. I appreciate the diligent efforts and dedication of the officials of Financial Stability Department in preparing this report in a time befitting manner.

Fazle Kabir
Governor

MESSAGE FROM THE DEPUTY GOVERNOR

The COVID-19 pandemic engulfed the entire world which no one could have predicted ever. The lives and livelihoods in Bangladesh also came under unprecedented challenges necessitating some extraordinary measures to overcome this extraordinary situation. After bottoming out, the Bangladesh economy has entered into a recovery phase supported by the Government's timely and appropriate interventions. BB has also extended a series of refinance facilities and special financing programs to provide strength and resilience in sustaining business operations and safeguarding the job opportunities. With all these policy supports along with an effective vaccination program which has already been rolled-out in the country, we can expect that the economy of Bangladesh will come back to its pre-COVID high growth trajectory very soon.

Global recovery, though remains uneven among the countries, appears to gain upward momentum in the second quarter of 2021 led by notable economic growth in advance economies including the G7 and Euro Area. Meanwhile, a resurgence of COVID-19 Delta variant and slower implementation of vaccination in some Emerging Market and Developing Economies (EMDEs) inhibited expected recovery in some countries. Global inflation is also uprising in line with strong global demand. Input prices went up owing to growing manufacturing demand accompanied by supply disruptions. Prices of key commodities including the oil continued to rise. Despite some volatility, equity prices across the countries remain elevated in 2021Q2.

Notwithstanding the spread of new Delta variant, economic order of Bangladesh remained resilient during April-June, 2021 quarter. Stable inflation, higher remittance growth, improved current account balance and growing foreign exchange reserve contributed to the macroeconomic stability of the country. Remittance inflows remained buoyant and recorded an increase of 39.5 percent from the same quarter of the previous calendar year. Current account deficit recorded shrinkage in the review quarter compared to the preceding quarter backed by the healthy remittance growth. Bangladeshi Taka (BDT) against USD also remained stable over the last few quarters.

The banking sector experienced a considerable asset growth and profitability. In the review quarter, the profitability of the banking sector, measured by Return on Asset (ROA) and Return on Equity (ROE), increased significantly compared to that of the preceding quarter. Banking industry fulfilled the minimum leverage ratio requirement of 3.0 percent on both solo and consolidated basis during this quarter. The overall capital adequacy ratio and core capital ratio of the financial institutions (FIs) also reveal a sound position of this industry as per the regulatory standards. The liquidity position of FIs in line with regulatory requirements portrays a reasonable situation too. Under the capital market, both the bourses of the country experienced bullish trend during April-June 2021 quarter, reflecting the investors' growing confidence towards the market.

I hope this quarterly update of the financial system stability will be helpful and insightful for the stakeholders to comprehend the recent trends and emerging issues of interest. At the end, I would like to express my heartfelt thanks for the efforts put in by the officials of Financial Stability Department (FSD) in bringing out this report.

Abu Farah Md. Nasser
Deputy Governor

CONTENTS

CONTENTS

LIST OF CHARTS

LIST OF CHARTS

LIST OF TABLES

LIST OF APPENDICES

ACRONYMS

ADs	Authorised Dealers
ADR	Advance-to-Deposit Ratio
AIIB	Asian Infrastructure Investment Bank
B/L	Bad and Loss
BB	Bangladesh Bank
BCPs	Basel Core Principles
BDT	Bangladeshi Taka
BRPD	Banking Regulation and Policy Department
CAR	Capital Adequacy Ratio
CCB	Capital Conservation Buffer
CECRFP	COVID-19 Emergency and Crisis Response Facility Project
CMSME	Cottage Micro Small and Medium Enterprise
CRAR	Capital to Risk-weighted Asset Ratio
CRR	Cash Reserve Ratio
CSE	Chittagong Stock Exchange
CSR	Corporate Social Responsibility
CY	Calendar Year
DFIs	Development Finance Institutions
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
EMDEs	Emerging Market and Developing Economies
FCBs	Foreign Commercial Banks
FIs	Financial Institutions
FoB	Free on Board
FPM	Financial Projection Model
FSD	Financial Stability Department
FSV	Forced Sale Value
FX	Foreign Exchange
FY	Fiscal Year
GCRM	Guidelines on Country Risk Management
GDP	Gross Domestic Product
GFET	Guidelines for Foreign Exchange Transactions
GoB	Government of Bangladesh
IDR	Investment to Deposit Ratio
IRRBB	Interest Rate Risk on Banking Book
LIBOR	London Inter-bank Offered Rate
MFS	Mobile Financial Services
NBFI	Non Bank Financial Institutions
NPL	Non-performing Loan
PCBs	Private Commercial Banks
P/E Ratio	Price-Earnings Ratio
PIF	Post-Import Financing
PSD	Payment System Department
PSO	Payment System Operator
PSP	Payment Service Providers
ROA	Return on Assets
ROE	Return on Equity
RWA	Risk-weighted Assets
SCBs	State-owned Commercial Banks
SDBs	Specialized Development Banks
SLA	Subsidiary Loan Agreement
SLR	Statutory Liquidity Requirement
SME	Small and Medium Enterprise
US	United States
USD	US Dollar
UK	United Kingdom

EXECUTIVE SUMMARY

This report conveys assessment of Bangladesh Bank on the resilience of the financial system of Bangladesh to risks and vulnerabilities, both endogenous and exogenous, during the April-June quarter of the calendar year 2021 (CY21). The report also discusses different financial sector issues having implications for the stability of the Bangladesh financial system.

Global economic growth started to recover from the second half of CY20. Even though some Emerging Market and Developing Economies (EMDEs) struggled to regain their expected recovery due to the outbreak of COVID-19's Delta variant and lagging behind implementation of vaccination, in the reviewed quarter, advanced economies such as G7 and Euro Area managed to continue their growth due to their ongoing fiscal support. Global inflation also picked up along with the global growth due to the rise of input prices like oil prices. Higher manufacturing demand accompanied by supply disruption caused trading of most of the commodities at prices above the pre-pandemic level. Financial condition remained accommodative with ongoing policy support from central banks. The future expectation of growth and rising inflation resulted in a rise in global borrowing and an increasing trend in equity prices with some volatility across countries. Disruption in the supply channel impeded the trading process hence resulting in a remarkable decline in global trade growth.

The domestic macroeconomic situation was broadly stable during the review quarter. Annual average inflation at the end of the review quarter remained almost the same as that of the previous quarter. During the review period, both import payments and export receipts increased marginally and wage earners' remittances recorded a noticeable rise compared to those of the preceding period. Shrinkage of the deficit in the current account balance was noticed due to a healthy remittance growth. In addition, an overall balance as a percentage of GDP improved in the review quarter. Gross foreign exchange reserves stood at USD 46.4 billion at end-June 2021, which is equivalent to cover more than six months' import payments. The exchange rate of USD to BDT was mostly stable during the period. Though the weighted average lending and deposit rates maintained a declining trend, their spread demonstrated a rising trend. Government borrowing from the banking system maintained the uptrend at the end of the review quarter.

Assets of the banking sector recorded a moderate growth in the review quarter, while asset quality, in terms of gross NPL ratio, deteriorated marginally compared to previous quarter. The subdued 1.4 percent growth in total assets in March 2021 quarter was largely compensated in June 2021 quarter with 4.6 percent growth. Higher investment by banks in govt. securities and balance with BB and its agent bank led to such asset growth. Meanwhile, the profitability of the banking sector increased significantly compared to that of the preceding quarter as Return on Assets (ROA) and Return on Equity (ROE) stood at 0.50 percent and 8.26 percent respectively, which were 0.42 percent and 6.70 percent respectively at the end of the preceding quarter. On the other hand, the gross NPL ratio increased by 0.11 percentage point at end-June 2021 from the previous quarter. Besides, net NPL remained negative at the end of both March 2021 and June 2021 quarters.

The FI sector exhibited a mixed performance with a rise in the total asset, while classified loans and leases declined slightly and though negative, the profitability in the end-June 2021 improved compared to end-March 2021. Total assets exhibited 1.56 percent growth in the reviewed quarter compared to the end-March 2021 while classified loans and leases of FIs decreased by 0.25 percent from the previous quarter, binding the ratio of classified loans and leases to 15.39 percent at end-June 2021 from 15.46 percent at end-March 2021. On the other hand, the annualized Return on Assets (ROA) and Return on Equity (ROE) at end-June 2021 stood at -0.91 percent and -9.59 percent respectively. These figures were -1.86 percent and -17.99 percent respectively at end-March 2021 and 0.35 percent and 3.30 percent respectively at end-June 2020.

In the reviewed quarter, the overall capital position of the banking sector as measured by the Capital to Risk-weighted Assets Ratio (CRAR) declined compared to preceding quarter. At end-June 2021, CRAR of the banking sector decreased by 10 basis points from the last quarter to post at 11.57 percent. Forty nine (49) banks out of 60 had CRAR of 10.0 percent or higher. The Tier 1 capital ratio also increased by 5 basis points from the preceding quarter. In addition, Advance-to-Deposit Ratio (ADR) stood at 71.6 percent which is 1.3 and 4.7 percentage points lower than those of end-March 2021 and end-June 2020 respectively.

Both the capital adequacy ratio (CAR) and core capital (Tier 1) ratio of FIs fell in the review quarter compared to the preceding quarter. CAR of the sector stood at 13.33 percent against the minimum requirement of 10.0 percent while core capital ratio reached to 11.40 percent against the minimum requirement of 5.0 percent in the reviewed quarter. These figures were 13.82 percent and 11.85 percent respectively in the preceding quarter. Besides, 27 out of 34 FIs were able to maintain minimum required CAR and core capital ratio in the review quarter.

Stress test results based on end-June 2021 data exhibited a reasonable level of resilience of banks. Among the broad risk factors, credit risk remained to be the most prominent factor for the banks' capital adequacy. Stress scenarios defined by default of top 03 large borrowers would have the most adverse effect on banks' capital position in which case minor shock would result in CRAR of whole industry below the minimum requirement. In terms of market risk factor, the banking industry appeared to be resilient to exchange rate and equity price shocks but slightly vulnerable to interest rate shocks. Though CRAR would lie above minimum requirement at any level of the shock of these categories of market risk factor individually, the CRAR would come down to 6.16 percent if the combined shock materialize.

The domestic capital market was bullish during the review quarter. Compared to the preceding quarter, notable improvements were observed in major indices, market turnover and market capitalization of both bourses-Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) during the review quarter. The Price-Earnings (P/E) ratio also increased during the same period. Analysis of sectoral turnover revealed that vibrant trading of the financial sector (Bank, FI, and Insurance) shares played a major role in improving the market scenario. However, capital market exposure of the banking sector itself remained much below the regulatory maximum limit, thereby the possibility of any adverse stability concern from the capital market appears to be low.

Bangladesh Bank (BB) took several initiatives during the review quarter, which have implications to domestic financial system stability. To facilitate FX transactions, BB has decided that Authorized Dealers (ADs) may use international card channels as an alternative to traditional banking channels to effect outward remittances in accordance with the Guidelines for Foreign Exchange Transaction (GFET) and its relevant circulars. BB has also decided that ADs may allow annual remittance facilities of USD 10,000 or its equivalent to a member firm of the e-Commerce Association of Bangladesh (e-CAB) for meeting bonafide current expenses abroad through traditional banking channels or card channels. To bring flexibility in a wider scope for short term export financing in foreign currency at post-shipment stages, it has been decided that besides LIBOR, alternative reference/benchmark rate in the currency of financing, declared by the competent bodies, may be applied with the prescribed mark up of 3.50 percent per annum for discounting/early payment of export bills.

BB also has decided to continue the relaxation of foreign exchange regulations for trade transactions till the end of December 2021 given the ongoing situation due to COVID-19 pandemic. In pursuance of the Subsidiary Loan Agreement (SLA) signed between Finance Division of the Ministry of Finance and Bangladesh Bank (BB), BB has been assigned the responsibility to carry out “COVID-19 Emergency and Crisis Response Facility Project (CECRFP)” which is aligned with the stimulus package for CMSMEs announced by the GoB amounting to BDT 200 billion and with BB’s refinance scheme amounting to BDT100 billion to support credit expansion and reduce liquidity constraints of CMSMEs brought on by the COVID-19 pandemic.

To establish a refinance fund titled Start-up Fund, BB has instructed all the scheduled banks to form their own start-up fund by transferring 1.0 percent of their annual net profits since the end-December 2020 to provide loans to the start-up entrepreneurs where the interest rate would not exceed 4.0 percent. BB published Guidelines for trust fund management in payment and settlement services to ensure the safety of the fund and protect the interest of stakeholders. BB also published fund release policy for digital commerce enterprises to protect customers’ interests and retain customers’ confidence in the fast-growing e-commerce industry. Guidelines on Country Risk Management (GCRM) for Banks and Guidelines on Interest Rate Risk in the Banking Book (IRRBB), in line with Basel Core Principles for Effective Banking Supervision 2021, were prepared to keep the banking industry more resilient towards shocks and manage the IRRBB issue.

To facilitate importers to pay the cost of imported items within the stipulated time BB also issued a detailed policy guideline on Post-Import Financing (PIF) whereby all the scheduled banks were advised to set up a special "PIF Monitoring Unit" to oversee loan disbursement and recovery under PIF. Again, to boost up the agriculture sector amidst the ongoing economic slowdown caused by the COVID-19 pandemic BB has issued circulars on special loan rescheduling facilities for short-term agricultural credit and revised the maximum interest rate from nine percent to eight percent.

To help the pandemic-hit communities BB published a circular for Special CSR activities to allocate additional 1.0 percent of their net profit from the CY2020 with the existing CSR allocation for the CY2021 under Corporate Social Responsibility (CSR) of banks with a view to mitigating the COVID-19 crisis. BB also modified related clauses of circular letter no. 19 dated 27 October 2013 regarding the appointment of director, contractual advisor and consultant to ensure unbiasedness, professionalism, and good governance in management and administration of a banking company.

Chapter-1

MACROECONOMIC DEVELOPMENTS

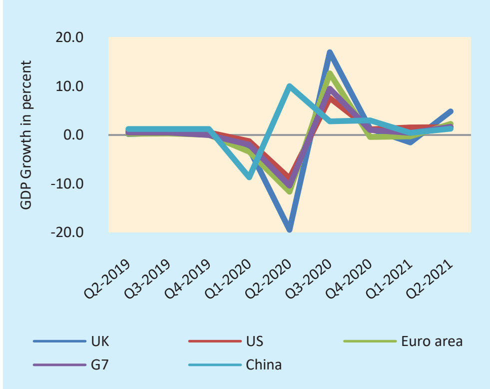
1.1 Global Macro-Financial Situation

Economic growth of advance economies experienced an uptick, supported by strengthening of global demand. Some Emerging Market and Developing Economies (EMDEs) remained in strain because of resurgence of COVID-19 Delta variant and lagging implementation of vaccination. Accompanied by gain in global growth, inflation also picked up. Financial condition remained accommodative with ongoing policy support from central banks. However, as some emerging economies raised the policy rates, borrowing cost began rising. Global trade and production activities slowed compared to the previous quarter.

1.1.1 Global GDP Growth

Global recovery appears to have gained momentum in the second quarter of 2021, led by notable economic growth in advanced economies. However, growth was uneven across countries. Growth in G7 and Euro Area picked up notably in the review quarter compared to 2021Q1 (Chart 1.1). Among G7 countries, UK achieved the strongest growth while US continued its growth momentum with ongoing fiscal support. China also recorded a modest recovery. Renewed outbreak of COVID-19 and limited access to vaccination in some EMDEs constrained their expected recovery.

Chart 1. 1: Quarter-to-Quarter GDP Growth

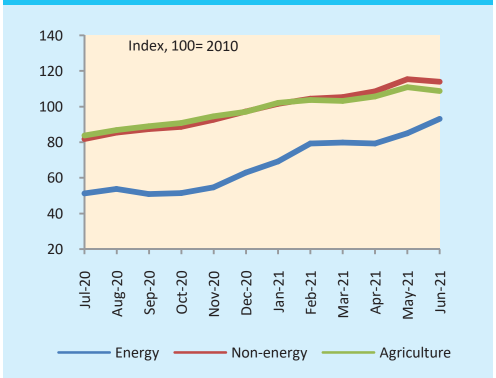


Source: OECD Stat.

1.1.2 Global Inflation Outlook

Global inflation rose in line with strong global demand. Input prices went up owing to growing manufacturing demand accompanied by supply disruptions. Prices of commodities continued to rally and many of them traded above their pre-pandemic level. Oil price also recorded a significant rise in tandem with strengthening of economic activities (Chart 1.2)

Chart 1.2: Commodity Price Index

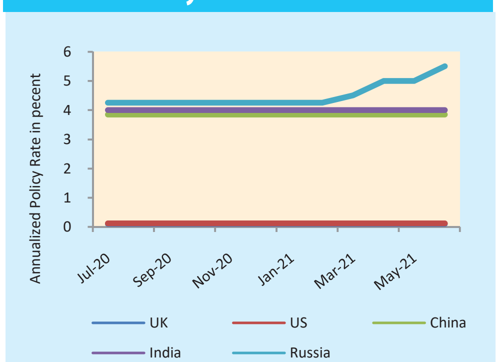


Source: World Bank

1.1.3 Global Financial Condition

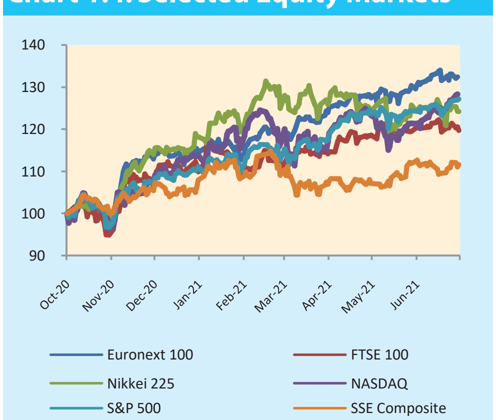
Global financial condition, especially in advance economies, remained broadly accommodative. Policy rates of many central banks were kept same since the last revision except few countries. Chart 1.3 shows that policy rates in UK, US, China and India remained unchanged in the review period. Meanwhile, Russia, Brazil and Mexico raised the policy rates. However, with future growth expectation and increasing inflation, global borrowing cost started to rise. Despite some volatility, equity prices across countries remained elevated (Chart 1.4).

Chart 1.3: Policy rates of Central Banks



Source: BIS.

Chart 1.4: Selected Equity Markets

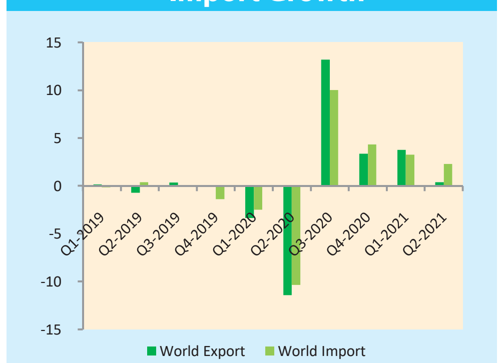


Note: Index base is at 01 October, 2020
Source: Yahoo Finance, The Wall Street Journal.

1.1.4 Global Trade and Production

Growth of global trade decreased remarkably in the review quarter compared to the impressive growth in the preceding three quarters. Due to supply bottlenecks, trading process of manufacturing goods became slow. Global export growth declined to 0.4 percent in 2021Q2 from 3.8 percent in 2021Q1 and import growth declined to 2.3 percent from 3.2 percent in the same period (Chart 1.5). In tandem with global trade, global production activities also slowed.

Chart 1.5: Global Export and Import Growth



Source: CPB World trade monitor.

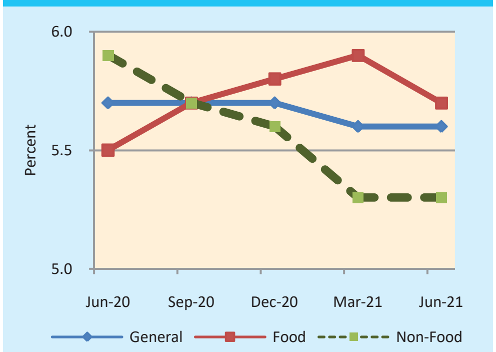
1.2 Domestic Macro-economic Situation

Despite growing tension of new Delta variant, economic condition of Bangladesh remained resilient during April-June, 2021 quarter. Stable inflation, higher remittance growth, improved current account balance and growing foreign exchange reserve position contributed to the macroeconomic stability of the country.

1.2.1 Inflation

At end-June 2021, annual average general inflation (base 2005-06=100) remained unchanged at 5.6 percent, compared to that of the previous quarter. On a point-to-point basis, the inflation was also 5.6 percent. Annual average food inflation decreased to 5.7 percent from 5.9 percent of the preceding quarter, while non-food inflation remained same at 5.3 percent in the review quarter. (Chart 1.6)

Chart 1.6: Annual Average Inflation

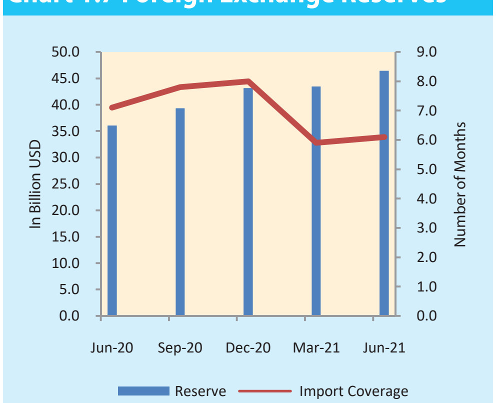


Note: Base 2005-06=100.
Source: Monthly Economic Trend, BB.

1.2.2 Foreign Exchange Reserve and its Import Coverage

At end-June 2021, the gross foreign exchange reserves reached to USD 46.4 billion, recording 6.8 percent increase from USD 43.44 billion at end-March 2021 and 28.8 percent increase from end-June 2020. The reserve position was equivalent to 6.1 months' imports of goods and services (Chart 1.7).

Chart 1.7 Foreign Exchange Reserves

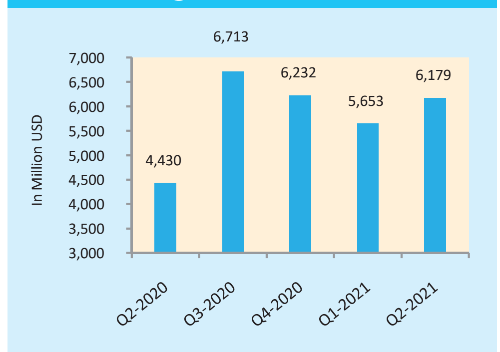


Source: Statistics Department, BB.

1.2.3 Wage Earners' Remittance

Remittance from Bangladeshi nationals working abroad remained buoyant. It posted at USD 6179.48 million during the review quarter, recording an increase of 39.5 percent from the same period of the previous calendar year. However, compared to the March quarter of 2021, increase in remittance inflow was 9.3 percent (Chart 1.8).

Chart 1.8: Wage Earners' Remittance



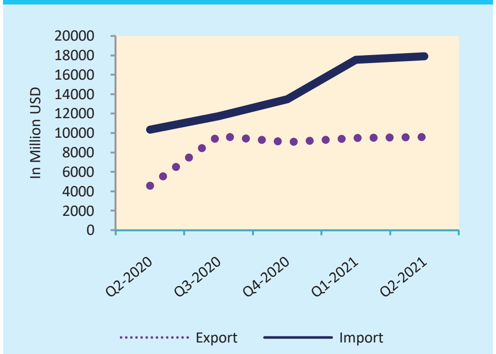
Source: Monthly Economic Trends, BB (various issues).

1.2.4 Imports and Exports

In the review quarter, both export and import grew slightly compared to the previous quarter. Export receipts stood at USD 9,612 million, increased by 1.1 percent from USD 9,509 million in the preceding quarter. On the other hand, aggregate import payment[1] increased by 2.1 percent from USD 17,541 million in the preceding quarter. However, in comparison with the same quarter of the previous year, both export receipts and import payments remarkably increased by 110 percent and 72.9 percent respectively (Chart 1.9).

[1] On FOB basis.

Chart 1.9: Exports and Imports (FOB)

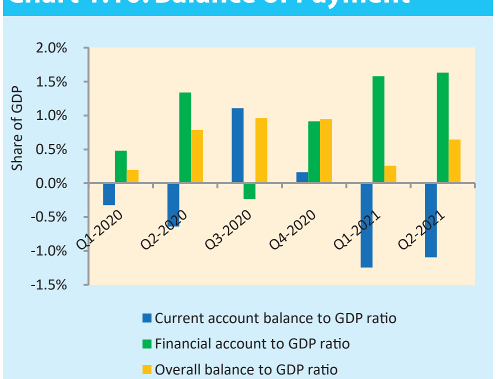


Source: Statistics Department, BB.

1.2.5 Balance of Payment

Current account deficit recorded shrinkage in the review quarter compared to the preceding quarter on the back of healthy remittance growth. Financial account experienced a strong surplus, largely attributable to greater medium and long-term foreign borrowings. Current account balance and financial account as shares of GDP stood at -1.1 percent and 1.63 percent in April-June, 2021 quarter. Overall balance as percentage of GDP increased because of the improvement in current account balance and financial account (Chart 1.10).

Chart 1.10: Balance of Payment

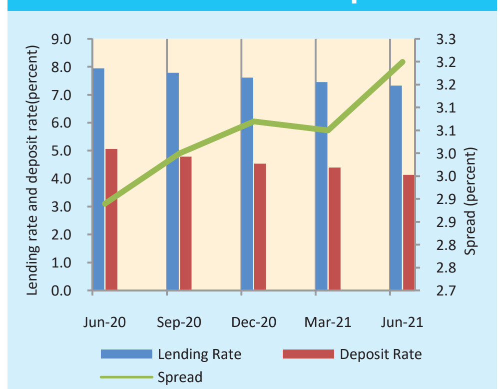


Note: Current account balance, financial account balance and overall balance represent quarterly figures, compared with latest GDP available at the end of respective quarter.
Source: Bangladesh Bank Quarterly, April-June, 2021.

1.2.6 Interest Rate

Both the weighted average lending and deposit rate have been on a declining trend during the last couple of quarters, while the spread between these two rates were in increasing trend. The weighted average lending and deposit rates stood at 7.3 percent and 4.1 percent respectively in June 2021 whereas both of these rates were 8.0 percent and 5.1 percent in June 2020 (Chart 1.11).

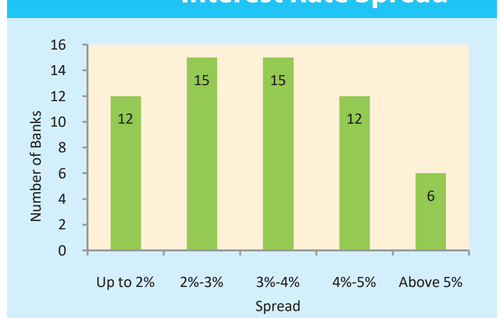
Chart 1. 11: Interest Rate Spread



Source: Statistics Department, BB.

The spread between weighted average lending and deposit rates stood at 3.2 percent in June 2021, inched up from 3.1 percent in March, 2021. Out of 60 banks, spreads of 6 banks consisting of 4 PCBs and 2 FCBs were above 5.0 percent (Chart 1.12).

Chart 1.12: Number of Banks by Interest Rate Spread

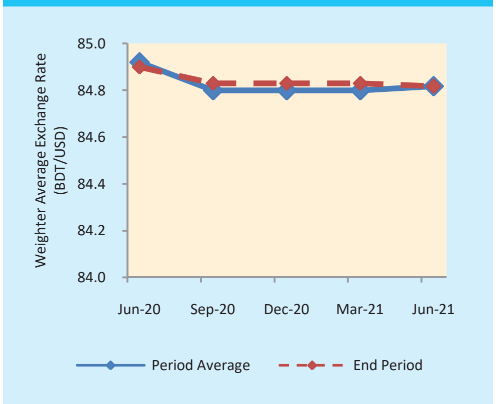


Source: Statistics Department, BB.

1.2.7 Exchange Rate[2]

Bangladeshi Taka (BDT) against USD remained mostly stable in the last few quarters attributable largely to BB's net purchase of US dollar (USD) from the market. Exchange rate of BDT per USD stood at 84.8 at end-June 2021, which was 84.9 in June 2020 Quarter (Chart 1.13).

Chart 1.13: Exchange Rate

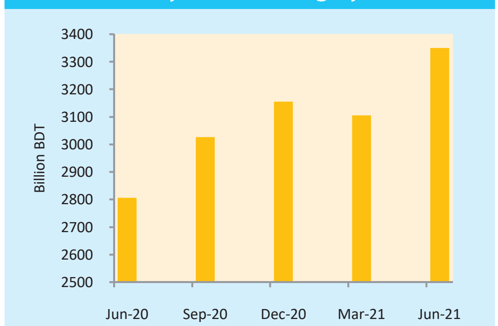


Source: Monthly Economic Trends, BB.

1.2.8 Credit to the Government (gross) by the Banking System

Credit to the Government (gross) by the banking system exhibited an increasing trend. It increased by 7.9 percent at end-June 2021 in comparison with the same at end-March 2021 and stood at BDT 3,350.20 billion. However, it increased by 19.4 percent at end-June 2021 from end-June 2020 (Chart 1.14).

Chart 1.14: Credit to the Govt. (Gross) by the Banking System



Source: Monthly Economic Trends, BB.

2 BDT per USD on weighted average basis.

Chapter-2

BANKING SECTOR PERFORMANCE

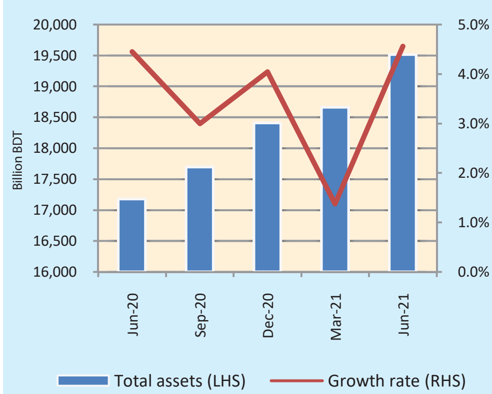
The banking sector[3] experienced a considerable asset growth and profitability in the review quarter of June 2021 compared to those of March 2021. However, asset quality as measured by gross NPL ratio, slightly deteriorated at end-June 2021 compared to the preceding period.

2.1 Assets Structure

The asset size[4] of the banking sector increased by 4.6 percent in the review quarter compared to 1.4 percent in March 2021 quarter and 4.0 percent in December 2020 quarter (Chart 2.1). The aggregate assets reached BDT 19,513.12 billion at end-June 2021. Higher asset growth in the review period could be largely attributable to large investment by banks in govt. securities as well as balance with BB and its agent bank. Thus, the assets-to-GDP ratio stood at 64.8 percent at end-June 2021[5], which was 62.0 percent at end-March 2021.

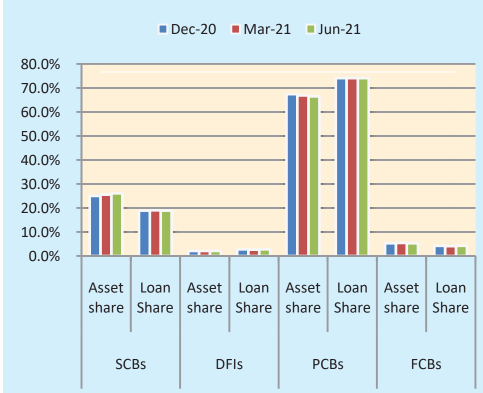
Larger portion of the banking sector's assets (66.5 percent) as well as loans and advances (74.1 percent) were occupied by the PCBs (Chart 2.2). During the review quarter, PCBs' percentage of asset share declined marginally while their loan share increased slightly compared to those of the preceding period. Holding the second largest market share, SCBs' asset share registered an increase while their loan share recorded a slight decrease during the same period.

Chart 2.1: Asset Size of the Banking Industry



Source: Financial Projection Model (FPM), FSD, BB.

Chart 2.2: Group-wise Share of Banking Sector Assets and Loans/ Advances



Source: FPM, FSD, BB.

---

3 Probashi Kallyan Bank (PKB) is excluded from the analyses of asset structure (section 2.1) and profitability (section 2.3) due to unavailability of data; however, it is included in the analysis of asset quality (section 2.2).

4 Only scheduled banks are taken into account.

5 GDP at current market price (provisional) for the financial year 2020-21 is taken into account.

Loans and advances, the largest segment among the asset items, constituted 62.8 percent of total assets in the review quarter which is a little bit lower than the previous quarter (Table 2.1).

Table 2. 1: Asset Structure of the Banking Industry

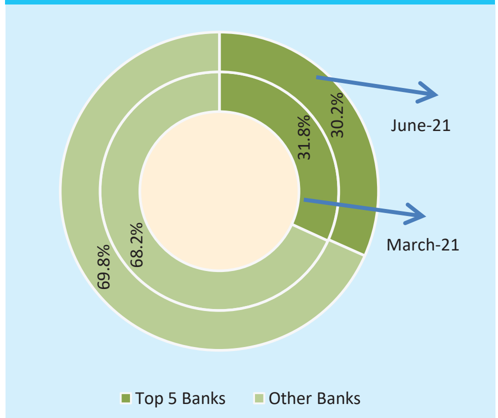
Component of Assets	% of Total asset (as on Mar'21)	% of Total asset (as on Jun'21)	Change (PP)
Cash in hand	1.0%	0.9%	-0.1
Balance with BB and its Agent Bank	6.1%	7.0%	0.9
Balance with other banks and FIs	4.5%	4.6%	0.1
Investment	18.1%	18.5%	0.4
Loans and Advances	63.9%	62.8%	-1.1
Fixed Assets	1.5%	1.4%	-0.1
Other Assets	4.9%	4.7%	-0.2
Non-banking Assets	0.0%	0.0%	0.0
Total Assets	100.0%	100.0%	

Note: PP-Percentage Point
Source: FPM, FSD, BB.

However, loans and advances of the banking sector have been decreasing on Q-o-Q basis since end-June 2020. Though the share of investment increased marginally in the review quarter but it is almost stable since September 2020.

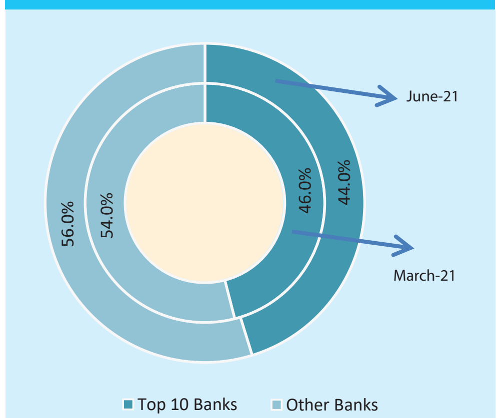
The asset concentration ratios of the top 5 and top 10 banks[6] increased slightly in the June 2021 quarter. The ratios stood at 30.2 percent and 46.2 percent at end-June 2021 which were 31.8 percent and 46.0 percent respectively at end-March 2021 (Chart 2.3 and 2.4).

Chart 2.3: Top 5 banks based on Assets Size



Source: FPM, FSD, BB.

Chart 2.4: Top 10 banks based on Assets Size



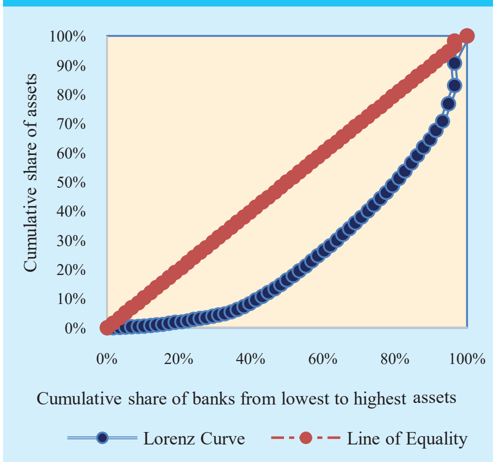
Source: FPM, FSD, BB.

Banking sector asset concentration has also been demonstrated using Gini Coefficient calculated based on the Lorenz Curve (Chart 2.5). As the calculated Gini coefficient[7] is 0.49, the Lorenz Curve indicates the moderate concentration of assets in some of PCBs and SCBs of the banking industry.

6 Asset concentration ratio of top 5/10 banks is defined as the ratio of total assets of top 5/10 banks over the total assets of the banking industry.

7 A value of zero expresses perfect equality whereas a value of one refers to perfect inequality.

Chart 2.5: Banking Sector Asset Concentrations: Lorenz Curve

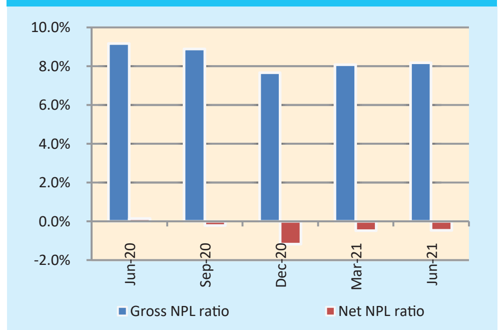


Source: FSD calculation.

2.2 Asset Quality

Gross non-performing loan (NPL) ratio[8] of the banking sector increased slightly to 8.18 percent at end-June 2021 compared to 8.07 percent at end-March 2021 while the ratio significantly decreased from 9.2 percent at the end-June 2020 (Chart 2.6). This minor rise in NPL ratio during the review quarter could partially be attributed to high NPL ratio of SCBs, FCBs and DFIs. On the other hand, non-performing loans, net of loan loss provisions and interest suspense, to total loans (net NPL) remained negative at both March 2021 and June 2021 quarters. Net NPL ratio of the banking industry became negative due to booking of actual provision and maintenance of higher amount of interest suspense. The rising NPLs may have impact on banks profitability and capital adequacy. In that case, the recovery drive of NPLs may reduce the loan default culture accumulated since long.

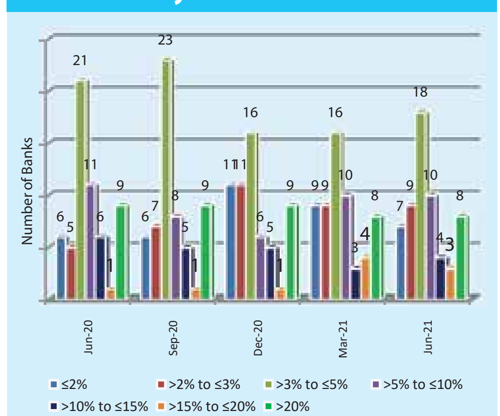
Chart 2.6: NPL Ratio of the Banking Industry



Source: BRPD, BB.

Chart 2.7 illustrates that the number of banks having gross NPL ratio of 10 percent or higher remains stable in June 2021 quarter compared to March 2021 quarter.

Chart 2.7: Distribution of banks by NPL ratio

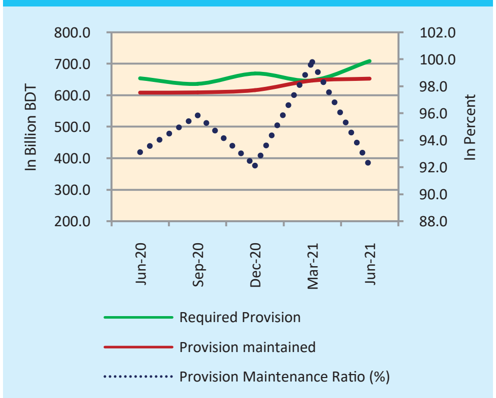


Source: BRPD, Compilation: FSD, BB.

The provision maintenance ratio, at end-June 2021, considerably decreased to 92.1 percent from 99.8 percent at end-March 2021 (Chart 2.8). The required provision increased by BDT 61.5 billion in the review period, whereas the actual provision increased by BDT 6.9 billion only.

8 Ratio of nonperforming loans to total loans.

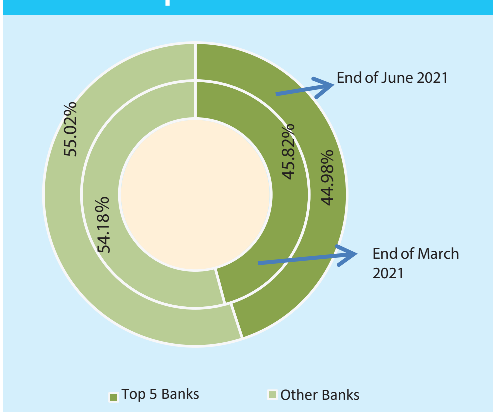
Chart 2.8: Banking Sector Loan Loss Provision



Source: BRPD, BB.

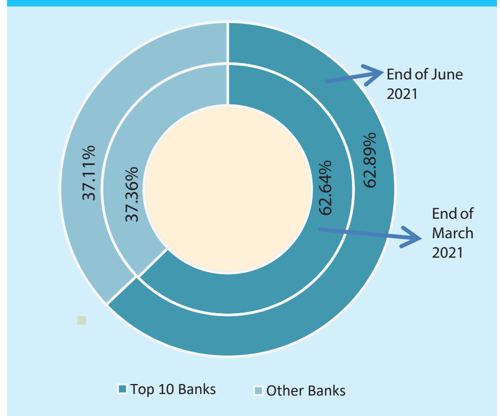
NPL concentration in Top 5 banks slightly decreased and Top 10 banks slightly increased in June 2021 quarter. Based on gross NPL volume, 44.98 percent and 62.89 percent of the NPLs were concentrated in the Top 5 and Top 10 banks respectively at end-June 2021 compared to the corresponding figures of 45.82 percent and 62.64 percent at end-March 2021 (Chart 2.9 and 2.10).

Chart 2.9: Top 5 Banks based on NPL



Source: BRPD, Compilation: FSD, BB.

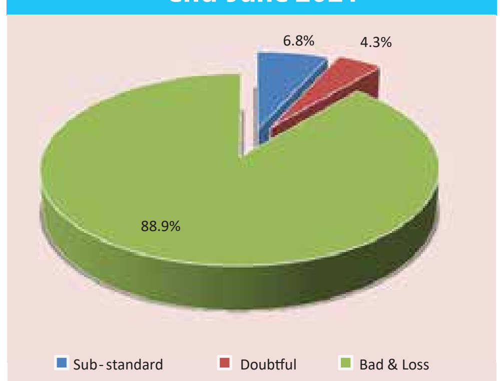
Chart 2.10: Top 10 Banks based on NPL



Source: BRPD, Compilation: FSD, BB.

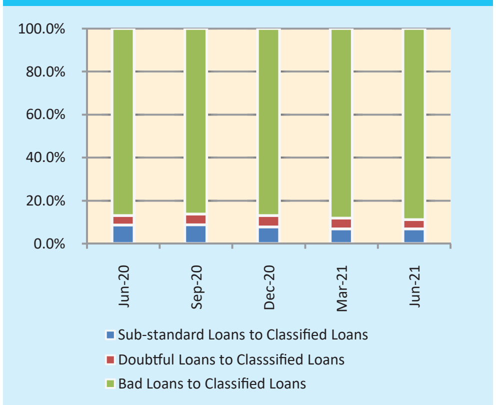
During the review quarter, the ratio of bad and loss loans to total classified loans accounted for 88.9 percent while the share of sub-standard and doubtful loans constituted 6.8 percent and 4.3 percent respectively (Chart 2.11). The consistent high proportion of bad and loss loans in recent quarters is shown in Chart 2.12.

Chart 2.11: NPL Composition at end-June 2021



Source: BRPD, BB.

Chart 2.12: NPL Composition over the Quarters

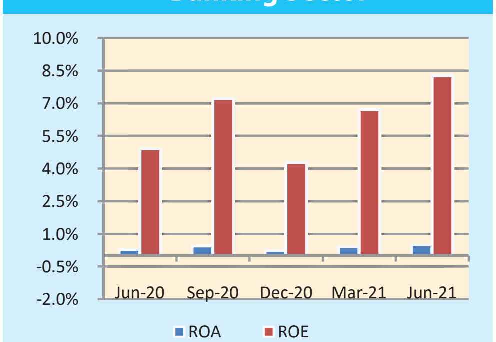


Source: BRPD, BB.

2.3 Profitability

In the review quarter, the profitability, both Return on Asset (ROA) and Return on Equity (ROE), of the banking sector increased significantly compared to that of the preceding quarter (Chart 2.13).

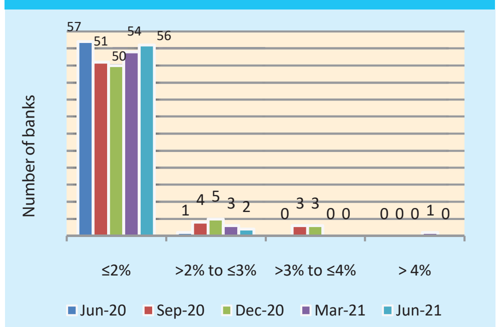
Chart 2.13: ROA and ROE of the Banking Sector



Source: Bangladesh Bank Quarterly, April-June, 2021

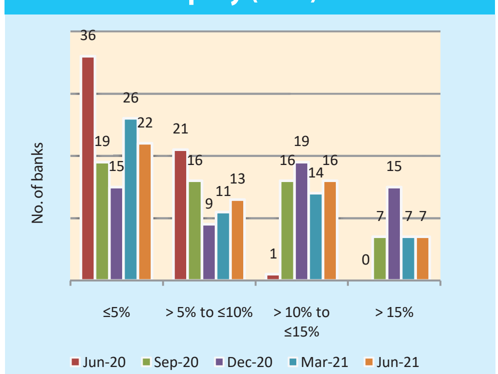
In the review quarter, ROA in the banking sector stood at 0.50 percent, which was 0.42 percent at the end of the preceding quarter. Besides, ROE stood at 8.26 percent, which was 6.70 percent in the preceding quarter. The distributions of ROA (Chart 2.14) and ROE (Chart 2.15) of the banks show that ROA of most of the banks remained below 2 percent while ROE remained below 5 percent for a large number of banks. In order to achieve substantial improvement in profitability, banks need to work relentlessly to improve their asset quality as well as diversify the business and products at affordable cost with customer satisfaction. Meanwhile, Bangladesh Bank has been intensifying its supervision activities to recover banks' NPL.

Chart 2.14: Distribution of Banking Sector Return on Assets (ROA)



Source: FPM, FSD, BB.

Chart 2.15: Distribution of Banking Sector Return on Equity (ROE)



Source: FPM, FSD, BB.

Chapter-3

FINANCIAL INSTITUTIONS' PERFORMANCE

The key financial soundness indicators manifest the mixed performance of FIs in this quarter. Profitability indicators improved compared to previous quarter. In comparison with March 2021, the share of borrowing recorded an increase whereas deposit, capital and other liabilities slightly declined. Their asset quality slightly improved compared to last quarter.

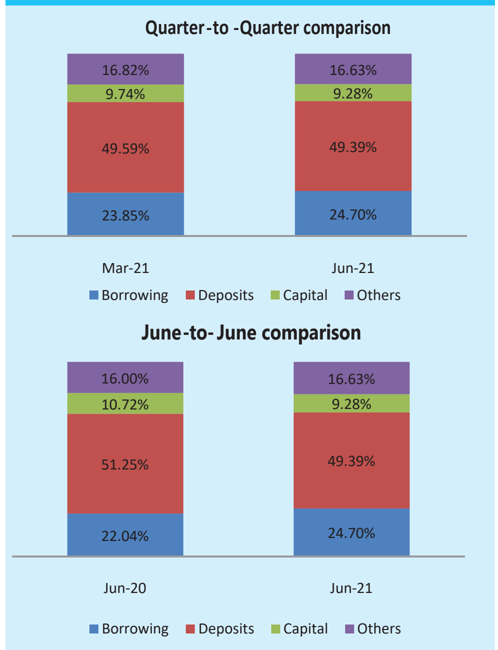
3.1 Growth of Assets and Liabilities

At end-June 2021, total assets amounted to BDT 916.53 billion, exhibiting 1.56 percent growth compared to the end-March 2021 amount of BDT 902.48 billion. At end-June 2020, total assets stood at BDT 859.94 billion. Hence, the size of the industry has experienced an overall growth of 6.58 percent on a June-to-June basis. During this period, assets of 25 FIs were increased while the assets of 09 FIs were declined.

3.2 Source of Fund: Composition and contribution

At end-June 2021, borrowings, deposits, capital, and other liabilities respectively constituted 24.70 percent, 49.39 percent, 9.28 percent and 16.63 percent of the sources of funds for the FIs (Chart 3.1). In comparison with the previous quarter, the share of borrowing increased by 0.85 percentage point whereas deposit, capital and other liabilities decreased by 0.20, 0.47, and 0.19 percentage points respectively. On a June-to-June basis, the share of borrowing and other liabilities increased by 2.66 and 0.63 percentage points respectively, while the shares of deposits and capital decreased by 1.86 and 1.44 percentage points respectively.

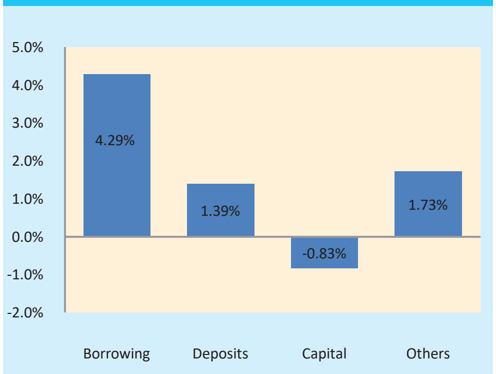
Chart 3.1: Compositions of Sources of Fund



Source: FIs; Compilation: FSD, BB.

The increase in total liabilities on June-to-June is largely attributed to an increase in borrowing and other liabilities by 4.29 percent and 1.73 percent respectively. Deposits also contributed 1.39 percent whereas capital negatively contributed by 0.83 percent (Chart 3.2).

Chart 3.2: Contributions of components in Liability growth (June 2020- June 2021)



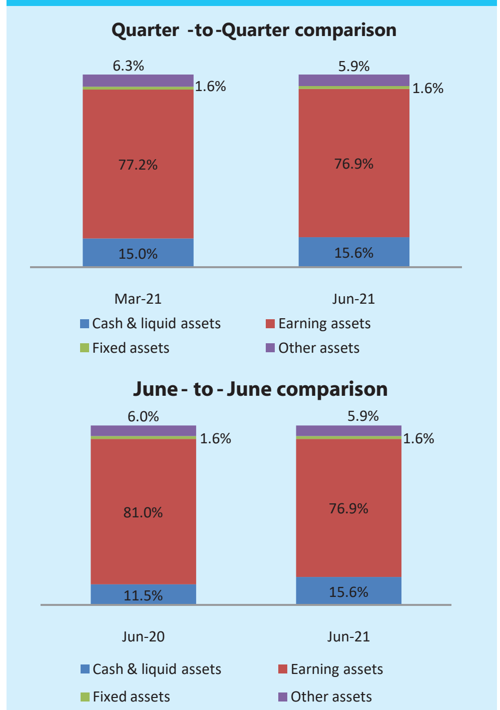
Source: FIs; Compilation: FSD, BB.

3.3 Assets: Composition and Contribution

Total earning assets (i.e., loans, leases, and investment) of FIs constituted 76.9 percent of total assets at end-June 2021. The rest of total assets composed of cash and liquid assets, fixed assets, and other assets; shares of these components are 15.6 percent, 1.6 percent, and 5.9 percent respectively (Chart 3.3).

When compared with end-March 2021 positions, the share of cash and liquid assets increased by 0.7 percentage point whereas other assets and earning assets decreased by 0.4 and 0.3 percentage points respectively. On a June-to-June basis, the share of cash and liquid asset increased by 4.1 percentage points while the shares of earning asset decreased by 4.1 percentage points (Chart 3.3).

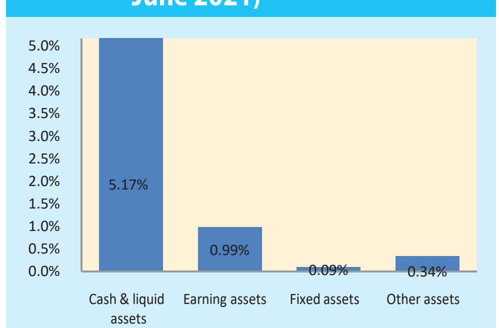
Chart 3.3: Composition of Assets



Source: FIs; Compilation: FSD, BB

The increase in total assets on a June-to-June basis is largely attributed to 5.17 percent increase in cash and liquid assets. The earning assets' growth positively contributed to 0.99 percent in total assets' growth while fixed assets' growth and other assets' growth contributed to 0.09 and 0.34 percent respectively (Chart 3.4).

Chart 3.4: Contributions of components in Assets growth (June 2020- June 2021)



Source: FIs; Compilation: FSD, BB

3.4 Changes in the Components of Liabilities and Assets

Table 3.1 shows that, the amount of deposit increased in 17 FIs during June 2020-June 2021 period, and it decreased for exactly the same number of FIs in the mentioned period. However, 20 FIs were able to increase their capital base during this period. 22 FIs have increased their dependency on borrowing to achieve their business targets.

Table 3. 1: Changes in Components of Liability (June 2020 -June 2021) (Number of FIs)

	Borrowing	Deposits	Capital	Other Liab.	Total Liab.
Increase	22	17	20	24	25
Decrease	12	17	14	10	09

Table 3.2 reveals that cash and liquid assets have increased in 27 FIs; indicating that a liquidity situation in this sector is improving day by day.

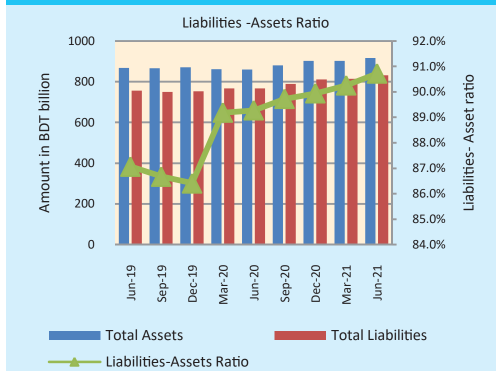
Table 3.2: Changes in Components of Asset in FIs (June 2020 - June 2021) (Number of FIs)

	Cash & liquid assets	Earning assets	Fixed assets	Others assets	Total Assets
Increase	27	18	15	22	25
Decrease	7	16	19	12	09

3.5 Liabilities-Assets Ratio

The liabilities to assets ratio stood at 90.72 percent at the end-June 2021 which is 46 basis points higher than the previous quarter (Chart 3.5). The marked increase in borrowing and other liabilities mainly resulted in this rise of liabilities-to-assets ratio.

Chart 3.5: FIs' Liabilities-Assets Ratio

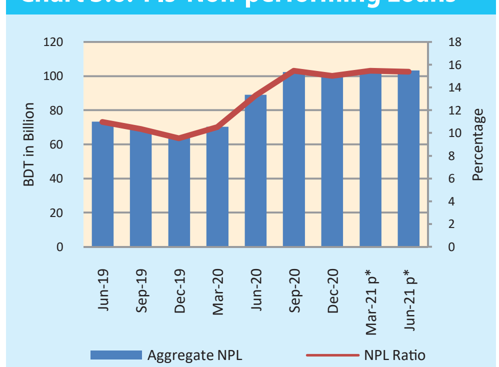


Source: FIs; Compilation: FSD, BB.

3.6 Asset Quality

FIs' classified loans and leases slightly decreased by 0.25 percent from the previous quarter. It stood at BDT 103.28 billion at end-June 2021 from BDT 103.54 billion at end-March 2021. The ratio of classified loans and leases decreased to 15.39 percent at end-June 2021, which is 0.07 percentage point lower than the previous quarter but 2.1 percentage points higher than June 2020 (Chart 3.6).

Chart 3.6: FIs' Non-performing Loans



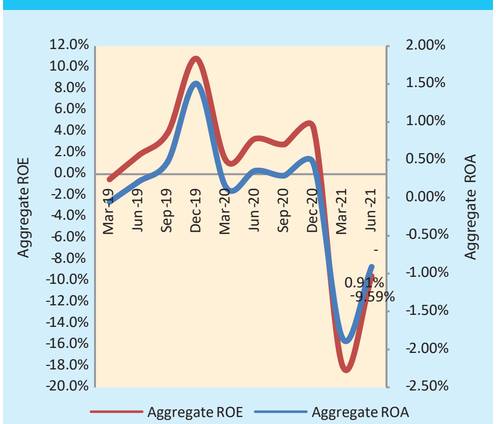
Source: DFIM, BB.
P=provisional data.*

Net NPL ratio (after netting off interest suspense and actual provisions) was 4.34 percent at end-June 2021, which is 0.36 percentage point lower than previous quarter, and 3.82 percentage points lower than June 2020. Adequacy of provision was 89.22 percent at end-June 2021 which is 1.43 percentage points lower than the end-March 2021. Eight FIs have provision short falls in the reviewed quarter.

3.7 Profitability

The Return on Assets (ROA) and Return on Equity (ROE) up to the end-June 2021 stood at -0.91 percent and -9.59 percent respectively compared to -1.86 percent and -17.99 percent respectively recorded in the last quarter and 0.35 percent and 3.3 percent in the same quarter of 2020[9] (Chart 3.7).

Chart 3.7: FIs' ROA and ROE

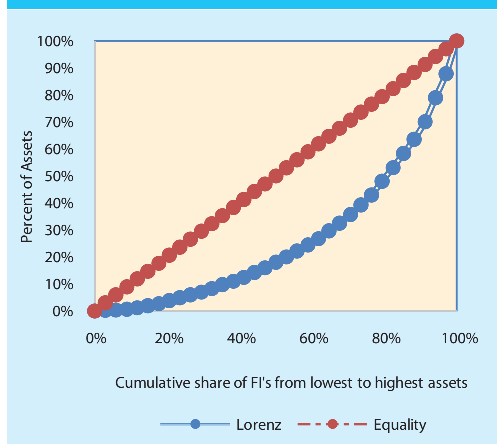


Source: FIs; Compilation: FSD, BB.

3.8 FI Sector's Asset Concentration

FI sector's asset concentration has been illustrated using the Lorenz curve and Gini Coefficient. As depicted in Chart 3.8, the position of the Lorenz Curve implies the presence of a moderate concentration in the assets of the FI sector. The calculated Gini coefficient at end-June 2021 is 0.524.

Chart 3.8: FIs' asset concentration: Lorenz Curve



Source: FIs; Compilation: FSD, BB

9 Here profitability indicators, ROA and ROE, are annualized from quarterly ratios.

BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

Banking sector's Capital to Risk-weighted Assets Ratio (CRAR) decreased by 10 basis points at end-June 2021 than that of the previous quarter. In addition, Advance-to-Deposit Ratio (ADR) decreased by 1.3 percentage points during the period.

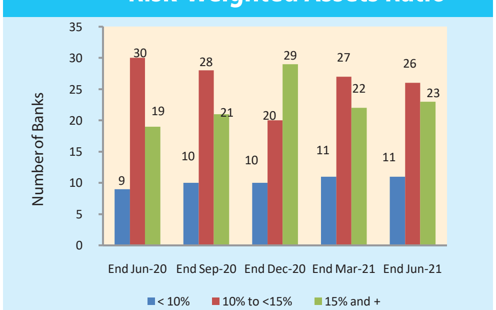
4.1 Capital Adequacy

In the review quarter, the total regulatory capital maintained by the industry exceeded the minimum capital requirement by BDT 160.3 billion (Appendix XXVI).

49 banks out of 60 maintained at least 10.0 percent or higher CRAR (Chart 4.1) and the asset share of these compliant banks constitutes 69.5 percent of total assets of the banking industry at end-June 2021 (Chart 4.2).

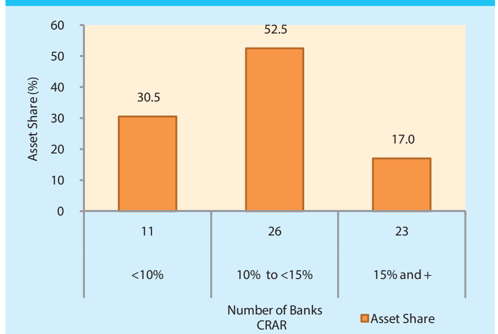
The aggregate CRAR of the industry stood at 11.57 percent[10], which is 10 and 6 basis points lower than the ratios recorded at end-March 2021 and end-June 2020 respectively.

Chart 4.1: Banking Sectors' Capital to Risk-Weighted Assets Ratio



Source: DOS; Compilation FSD, BB.

Chart 4.2: Assets Share of Banks based on CRAR at End-June 2021

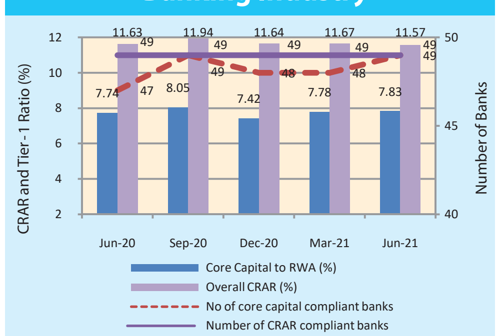


Source: DOS; Compilation FSD, BB.

Tier-1 capital ratio[11] demonstrated 5 and 9 basis points increase compared to the same of end-March 2021 and end-June 2020 respectively (Chart 4.3). Moreover, this ratio remained considerably higher than the minimum regulatory requirement of 6.0 percent.

Among the industry clusters FCBs continued maintaining highest CRAR (28.46 percent) while SDBs continued maintaining the lowest as well as negative CRAR (-32.16 percent) in the review quarter (Chart-4.4).

Chart 4.3: Tier-1 Capital Ratio and Overall CRAR of the Banking Industry

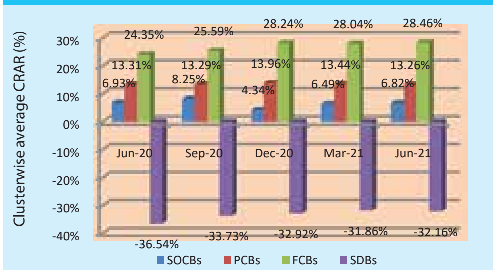


Source: DOS; Compilation FSD, BB.

10 In the review quarter, minimum required CRAR was 10 percent in line with Pillar 1 of the Basel III capital framework.

11 Tier-1 capital ratio is calculated as a percentage of core capital to RWA.

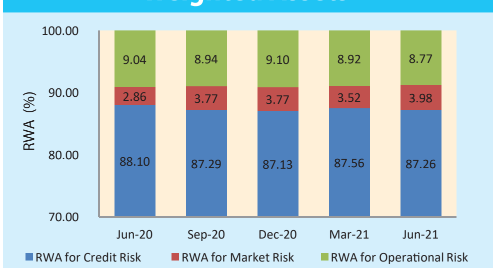
Chart 4.4: Bank Cluster-wise CRAR at End-June 2021



Source: DOS; Compilation FSD, BB.

At end-June 2021, risk weighted assets (RWA) associated with credit risk accounted for 87.26 percent of total risk-weighted assets of the industry (Chart 4.5). However, percentage of RWA for credit risk had decreased by 30 and 84 basis points in June 2021 than those of March, 2021 and June 2020 quarters respectively.

Chart 4.5: Distribution of Risk Weighted Assets



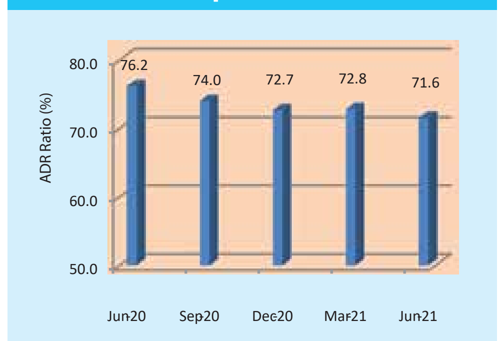
Source: DOS; Compilation FSD, BB.

In the review quarter, against the regulatory requirement of 2.50 percent, 42 out of 60 banks have been able to maintain the minimum required capital conservation buffer (CCB) on solo basis[12]. However, in case of consolidated basis, 27 out of 38 banks fulfilled this regulatory requirement. The aggregate figure of CCB of the banking sector, in the stated quarter, was 1.57 and 1.97 percent on solo and consolidated basis respectively (Appendix XXIX).

4.2 Liquidity

During the review quarter, Advance-to-Deposit Ratio (ADR) of the banking industry stood at 71.6 percent which is 1.3 and 4.7 percentage points lower than those of end-March 2021 and end-June 2020 respectively (Chart 4.6).

Chart 4.6: Banking Sector Advance-to-Deposit Ratio



Source: DOS; Compilation FSD, BB.

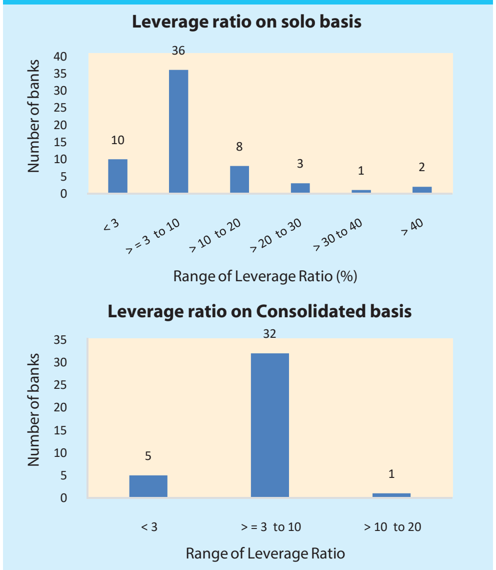
4.3 Leverage ratio

In the review quarter, banking industry stayed above the minimum leverage ratio requirement of 3.0 percent on both solo and consolidated basis[13]. At end-June 2021, the industry leverage ratio was 4.41 percent on solo basis; 50 out of 60 banks maintained a leverage ratio of 3.0 percent or higher (Chart 4.7). In case of consolidated basis, 33 out of 38 banks were able to fulfill the regulatory requirement. FCBs maintained significantly higher leverage ratio compared to other banking clusters (Chart 4.8).

[12] As per Guidelines on Risk Based Capital Adequacy, Bangladesh Bank, 2014, 'Solo Basis' refers to all banks while 'Consolidated Basis' refers to all banks and their subsidiaries (excluding insurance).

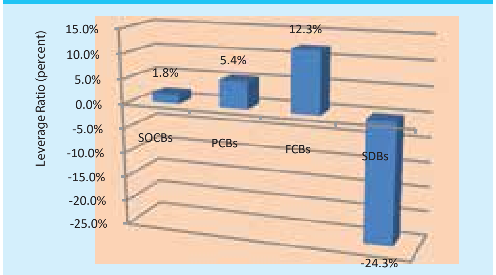
[13] In line with Basel III guidelines issued by Bangladesh Bank vide BRPD Circular No. 18 dated December 21, 2014.

Chart 4.7: Leverage ratio of banks at End-June 2021



Source: DOS; Compilation FSD, BB.

Chart 4.8: Bank Cluster-wise Leverage ratio at End-June 2021 (Solo basis)



Source: DOS; Compilation FSD, BB.

Chapter-5

FINANCIAL INSTITUTIONS' CAPITAL ADEQUACY AND LIQUIDITY

During the quarter under review, the Capital Adequacy Ratio (CAR) and core capital ratio of the Financial Institutions (FIs) stood at 13.33 percent and 11.40 percent respectively. Both the ratios slightly declined compared to that of the previous quarter mainly due to the decline of capital and increase in risk-weighted assets. The overall CAR and core capital ratio of the FIs, however, reveal a sound position as per regulatory standards, despite the subdued status of some FIs still remains the challenge. The liquidity position of FIs in line with regulatory requirements also portrays a reasonable situation. Both the Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) maintained by FIs increased compared to that of the previous quarter.

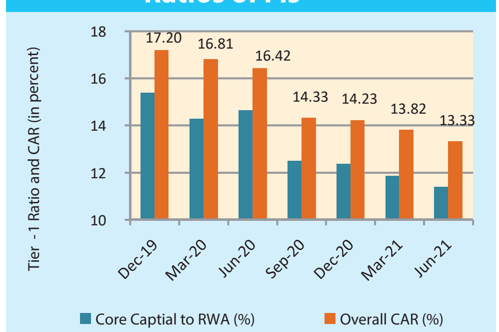
5.1 Capital Adequacy

FIs are required to maintain capital adequacy in line with the Basel II standards as instructed by Bangladesh Bank[14]. In the reviewed quarter, 27 out of 34 FIs were able to maintain required level of core capital ratio and CAR.

In the reviewed quarter, both the Capital Adequacy Ratio (CAR) and core capital ratio of the FIs declined marginally compared to those of the preceding period. The capital adequacy ratio (CAR) decreased from 13.82 percent of end-March 2021 to 13.33 percent at end-June 2021. The ratio of core (Tier-1) capital to Risk-Weighted Asset (RWA) decreased to 11.40 percent which is 0.45 percentage points lower compared to the previous quarter. In the reviewed quarter, both the core and total capital declined by 3.62 percent and 3.33 percent respectively while total risk-weighted asset increased by 0.18 percent compared to the previous quarter. This eventually led both the CAR and core capital ratios to decline. However, both the ratios were well above the minimum regulatory requirement of the Basel II framework. Chart 5.1 shows the trend in core capital to RWA ratio and CAR since December 2019.

[14] FIs are required to maintain a capital adequacy ratio (CAR) of 10.0 percent with at least 5.0 percent as core capital ratio in the form of Tier-1 as per the Basel II framework.

Chart 5.1: Capital Adequacy Ratios of FIs

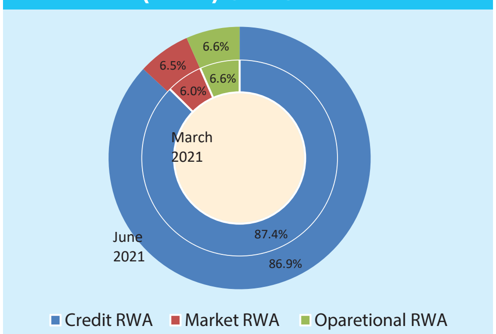


Source: DFIM, BB.

Risk Weighted Assets (RWA)

Total risk weighted asset (RWA) increased from BDT 722.12 billion at end-March, 2021 to BDT 723.44 billion at end-June, 2021. During the reviewed quarter, RWA for credit, market and operational risks respectively constituted 86.9 percent, 6.5 percent and 6.6 percent of the overall RWA of this FIs industry. While comparing with the positions of the previous quarter, the share of RWA derived from market risk increased by 0.5 percentage points while the share of credit RWA decreased by 0.5 percentage points. Shares of operational RWA remained same during the end of both quarters. Chart 5.2 shows the different components of the overall risk-weighted assets (RWA) of the FIs in Bangladesh.

Chart 5.2: Different components of Risk Weighted Asset (RWA) of FIs

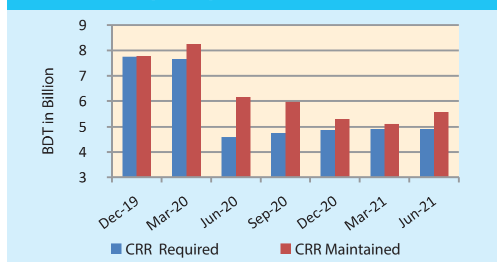


Source: DFIM, BB.

5. 2 Liquidity

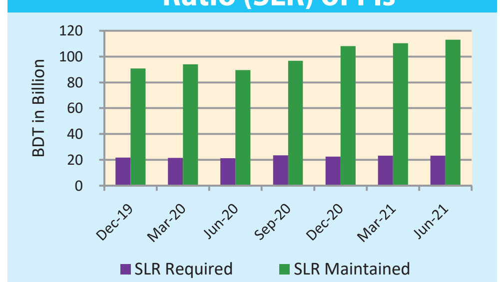
As of end-June 2021, the aggregate amount of maintained CRR of the FIs was BDT 5.56 billion as compared to BDT 5.11 billion at end-March 2021, recording an increase of 8.8 percent. In addition, a surplus of BDT 0.68 billion was observed in CRR maintained against the requirement. The amount of SLR maintained was BDT 113.14 billion at end-June 2021 against the required amount of BDT 23.30 billion. The amount of SLR maintained increased by 2.58 percent compared to the amount maintained in the previous quarter. Chart 5.3 and Chart 5.4 demonstrate the trend in CRR and SLR position of the FIs since December 2019.

Chart 5.3: Cash Reserve Ratio (CRR) of FIs



Source: DFIM, BB.

Chart 5.4: Statutory Liquidity Ratio (SLR) of FIs



Source: DFIM, BB.

Chapter-6

STRESS TEST AND RESILIENCE OF THE BANKING SECTOR

6.1 Stress Tests

Bangladesh Bank performs stress test on Banks and Financial Institutions (FIs) on quarterly basis to find out their resilience under different plausible shock scenarios. This chapter contains the results of minor stress tests on individual banks as well as banking industry based on the data of end-June 2021.

6.2 Stress Test on Banks

Stress tests on banks are carried out through sensitivity analysis, incorporating the impacts of the shock scenarios for credit risk, market risk and liquidity risk. Under each scenario, the after-shock Capital to Risk-Weighted Assets Ratio (CRAR) is compared with the minimum regulatory requirement of 10 (ten) percent[15] . However, particular attention is given to credit risk, which is the major risk in the banking sector. Table 6.1 shows the minor shock results on the Banking Sector as of end-June 2021.

6.2.1 Individual Shocks

Out of 59 banks, 11 banks' pre-shock CRARs were below the minimum regulatory requirement of 10%. Therefore, remaining 48 banks were considered for the analysis based on end-June 2021 data. Chart 6.1 and chart 6.2 represent the banking sector CRAR and number of non-compliant banks respectively in case of minor shock scenario. However, the following sub-sections describe the details of the shocks and the associated outcomes as a part of supervisory concern.

6.2.1.1 Credit Risk

A variety of sensitivity tests for credit risk have been conducted to assess the impact of different shocks on banks' capital adequacy. Generally, the ratio of gross NPL to total gross loans is considered as the main measure of credit risk based on the assumption that credit risk is associated with the quality of loan portfolio of the banking industry.

a) **Increase in Non-performing Loans (NPL):** This test evaluates the impact of downgrading a portion of the total performing loans directly to bad & loss (B/L) category with maintaining 100% provisioning requirement. In this case, if NPLs increased by 3 percent then 3 banks would fail to maintain the minimum required CRAR of 10%.

b) **Increase in NPL due to Default of Top Large Borrowers:** This test is based on the assumption that a number of top borrowers of a bank may become defaulter due to various reasons. The performing loans of the respective

[15] This hypothetical test is an early alert tool used by Bangladesh Bank to instruct banks the severity of risk dimensions in adverse economic & financial conditions.

borrowers are assumed to be directly downgraded to bad/loss category with maintaining 100% provision. In the stated scenario, if 3 top borrowers of each bank default, then 16 banks would have become non-compliant in maintaining the minimum required CRAR.

c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** This test assesses the stress on capital if the value decreases in case of forced sale of mortgage collateral. In this regard, if FSV of mortgaged collateral declines by 10 percent, then no bank would have become non-compliant in maintaining the minimum required CRAR of 10%.

d) **Negative Shift in the NPL Categories:** This scenario is constituted by assuming that negative shifts in the existing NPLs categories take place due to some unfavorable events in the country or outside the country creating shocking events for the bank which results in some more provision requirements to maintain. If NPL categories shift downward by 5 percent, then no bank would become non-compliant in maintaining the minimum required CRAR.

e) **Increase in NPL in Highest Outstanding Sector:** This shock measures the concentration risk in 2 sectors where the bank has the highest investment or exposures. If 3 percent of performing loan of highest outstanding sector is directly downgraded to B/L category, then 3 banks would fall below the minimum regulatory requirement.

6.2.1.2 Market Risk

The banking industry is found to be stable enough to withstand any exchange rate shock or equity price shock, but slightly vulnerable to interest rate shock.

a) **Interest Rate Risk:** In the event of deposit interest rate increase by 1 percent, then 1 bank would fail to maintain the minimum required CRAR of 10%.

b) **Exchange Rate Risk:** In the event of currency depreciation by 5 percent, no bank would fail to maintain the minimum required CRAR.

c) **Equity Price Risk:** In the event of equity price shock of 10 percent, no bank would fail to maintain the minimum required CRAR.

6.2.2 Combined Shock

This test assesses the bank's performance by aggregating the results of different credit shocks, exchange rate shock, equity price shock and interest rate shock. In the event of combined shock, most of the banks would fall below the minimum regulatory capital requirement.

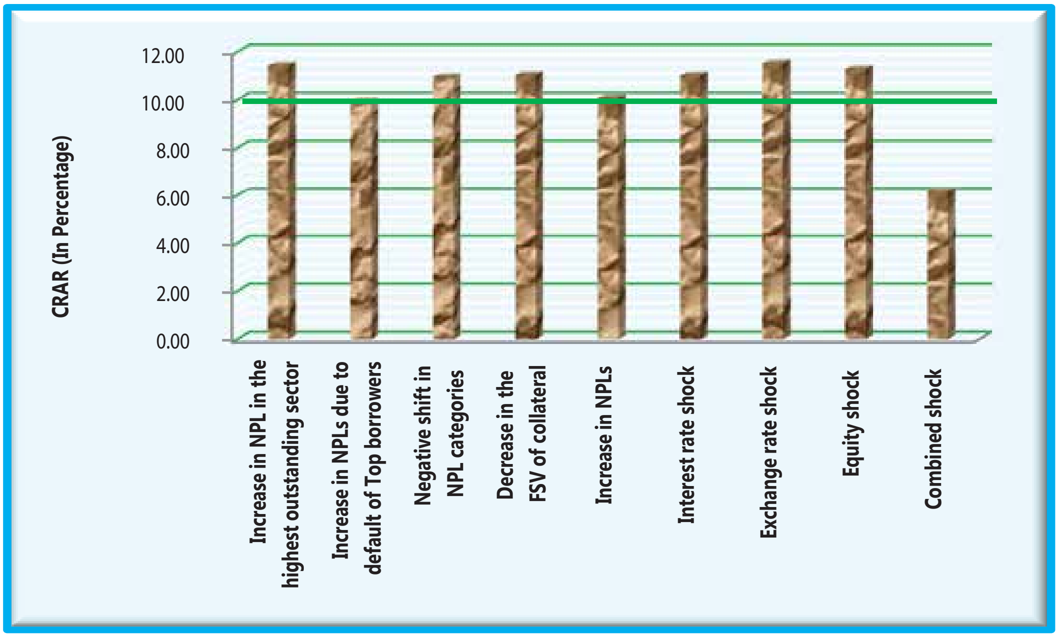
Table 6.1: The result of different Minor Shock Scenarios on the Banking Sector: End-June 2021

(In percent)

Pre-shock scenario	Required minimum CRAR	Pre-shock CRAR
Banking System	**10.00**	**11.57**
Minor Shock Scenarios		**After-Shock CRAR**
Credit Risks		
Increase in NPLs by 3%		**10.06**
Default of top 3 large borrowers		**9.92**
10% fall in the forced sale value (FSV) of mortgaged collateral		**11.03**
5% negative shift in the NPLs categories		**10.94**
3% of performing loans of highest exposed sector directly downgraded to bad/loss		**11.42**
Market Risks		
1% increase in deposit interest rate		**11.01**
Currency appreciation/depreciation by 5%		**11.52**
Fall in the equity prices by 10%		**11.27**
Combined Shock		**6.16**

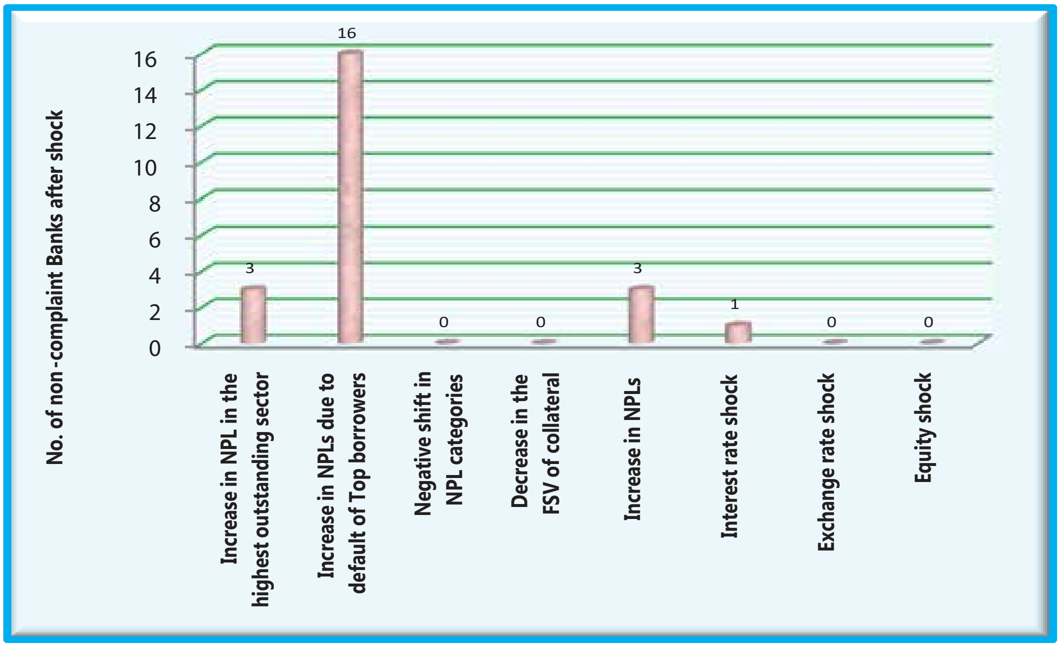
Source: Data from Banks, Calculation: FSD, BB.

Chart 6.1 Banking Sector CRAR in case of different Shock Scenarios: End-June 2021



Source: Data from Banks, Calculation: FSD, BB.

Chart 6. 2 Number of Non-compliant Banks in case of different Shock Scenarios: June 2021



Source: Data from Banks, Calculation: FSD, BB.

6.2.3 Liquidity Shock

The liquidity test shows how many days a bank would be able to survive for 2% of withdrawal in excess of bank's normal withdrawal. This shock considers excessive withdrawal of demand and time deposits both in local and foreign currency. Table 6.2 shows liquidity stress scenario in the Banking Sector as on end-June 2021. The table shows that the banking system as a whole seemed to remain resilient against liquidity stress scenario.

Table 6.2 Liquidity Risk in the Banking Sector: End-June 2021

Liquidity Stress*	Minor Stress Result
Day 1	1
Day 2	1
Day 3	1
Day 4	1
Day 5	1

Source: Data from Banks, Calculation: FSD, BB.

*Consecutive 5 working days.

Note: '1' indicates that the system is liquid and '0' not liquid.

Chapter-7

CAPITAL MARKET DEVELOPMENT

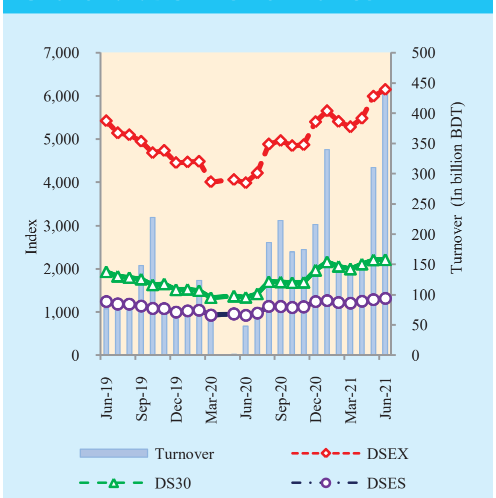
Both the bourses of the country experienced bullish trend during April-June 2021 quarter, reflected by higher indices, turnover and market capitalization.

7.1 Dhaka Stock Exchange (DSE)

7.1.1 DSE Performance

At end-June 2021, the main index of DSE, DSEX[16] increased by 16.5 percent whereas two other key indices- DS30[17] and DSES[18] increased by 10.7 percent and 9.2 percent respectively compared to those of end-March 2021. The higher DSE indices might be attributed to the investors' growing confidence towards the market. Chart 7.1 illustrates the performance of DSE for the period of June 2019 to June 2021.

Chart 7.1: DSE Performance



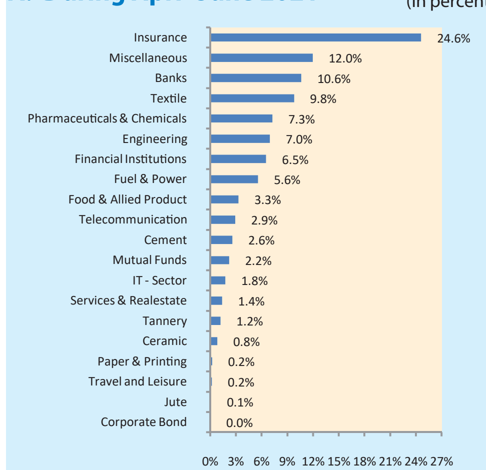
Source: DSE

DSE turnover observed a 41.4 percent increase and reached to BDT 889.0 billion during April-June, 2021 from BDT 629.0 billion during the previous quarter. Insurance, textile, banks, engineering and IT sectors were the main drivers of this uptrend during the review quarter.

7.1.2 Sectoral Turnover at DSE

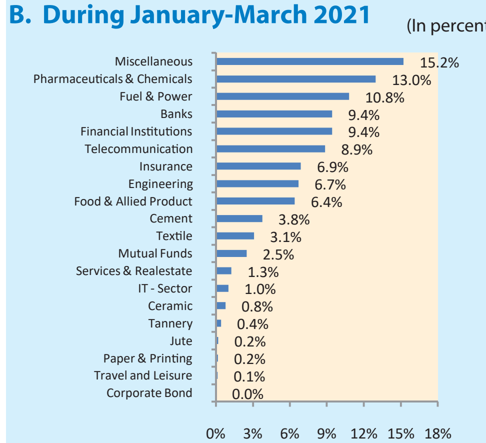
Chart 7. 2: Sectoral Turnover

A. During April-June 2021



Source: DSE

B. During January-March 2021



Source: DSE

16 DSEX= DSE Broad Index

17 DS30 = DSE 30 Index

18 DSES = DSEX Shariah Index

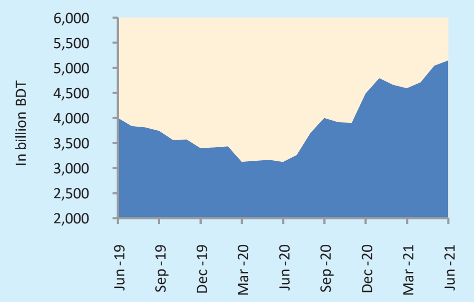
Chart 7.2.A depicts that insurance sector captured the highest share (24.6 percent) of the total turnover of DSE during the review quarter followed by miscellaneous sector (12 percent) and banking sector (10.6 percent). The shares of textiles and pharmaceuticals & chemicals sector were 9.8 percent and 7.3 percent respectively. The dominance of financial sector (Bank, NBFI, and Insurance) in the total turnover of DSE was evident in the review quarter as they collectively shared approximately 42 percent of total turnover of DSE. The share of financial sector in the total turnover of DSE was about 26 percent during the January–March 2021 quarter. (Please see Chart-7.2.B)

Sectorwise growths in turnover value were mixed compared to the previous quarter. Some sectors like insurance, textile, banks, engineering and IT sectors experienced notable growth in turnover values in the review quarter while telecommunication, fuel & power, pharmaceuticals & chemicals and food and allied product sectors observed large decrease in turnover values during April-June 2021 quarter compared to the previous quarter.

7.1.3 Market Capitalization

Chart 7.3 exhibits that market capitalization has been gradually increasing amid some ups and downs after the COVID-19 shock in 2020. Also, DSE market capitalization reached at 17.1 percent of GDP at end-June 2021 compared to that of 11.4 percent at end-June 2020.

Chart 7.3: Market Capitalization Trend of DSE



Source: DSE

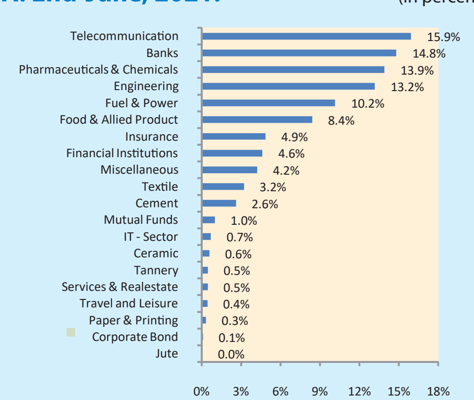
At the end-June 2021, the market capitalization stood at BDT 5,142.8 billion, which was 12.1 percent higher than BDT 4,589.0 billion of end-March 2021.

Chart 7.4.A illustrates that at end-June 2021, the telecommunication sector captured the highest share with 15.9 percent in the total market capitalization. Banks, pharmaceuticals & chemicals, and engineering sector followed with 14.8 percent, 13.9 percent, and 13.2 percent respectively.

At end March 2021, the contributions of the aforementioned sectors were 17.4 percent, 14.0 percent, 14.7 percent, and 13.0 percent respectively. (Chart-7.4.B).

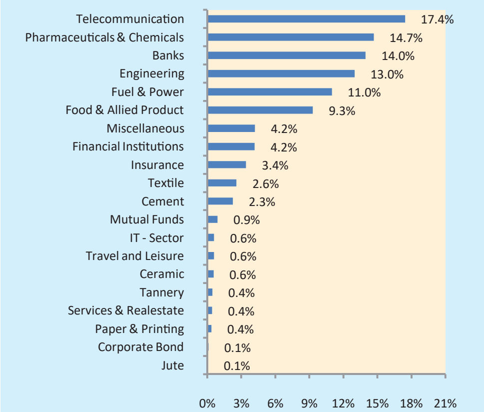
Chart 7.4.: DSE Sectoral Market Capitalization

A: End-June, 2021. (In percent)



Source: DSE

B: End-March, 2021

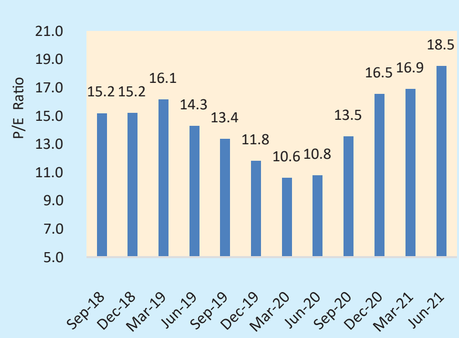


Source: DSE

7.1.4 Price/Earnings (P/E) Ratio

The trend of P/E ratio exhibited in Chart 7.5 shows a gradual rise of P/E ratio in recent quarters since the early period of COVID-19 shock. P/E ratio of DSE's listed companies during the April-June, 2021 quarter stood at 18.5, higher than the previous quarter's P/E ratio of 16.9. As higher P/E ratio, in general, indicates lower earnings relative to stock price, investors should be proactive and calculative under this prevailing context in assessing their respective risk appetites and invest in this market accordingly.

Chart 7.5: DSE P/E Ratio

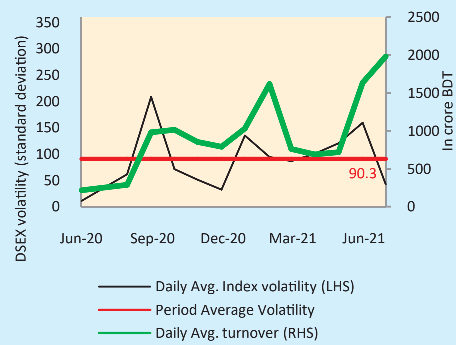


Source: DSE

At end-June of 2021, Jute sector (68.5) experienced the highest P/E ratio followed by the Ceramic (59.8), Travel and Leisure sector (50.4) and Miscellaneous sector (46.0). Conversely, the banking sector recorded the lowest P/E ratio (9.2) followed by Fuel & Power Sector (13.6), and Mutual Funds (14.2).

7.1.5 Index Volatility and Market Liquidity

Chart 7.6: DSEX Volatility and Daily Average DSE Turnover



Source: DSE, Computation: FSD, BB.

Chart 7.6 shows daily average turnover, daily average index volatility, and period average volatility. Notionally, relatively less volatile episodes in DSEX should be associated with the episodes of high market liquidity (i.e., turnover). Between July 2020 and June 2021, the highest volatility in DSEX was observed in August 2020 (with a standard deviation of 208.64) whereas lowest index volatility was recorded in November, 2020 (32.52). The average volatility was 90.3 during the periods referred in the chart.

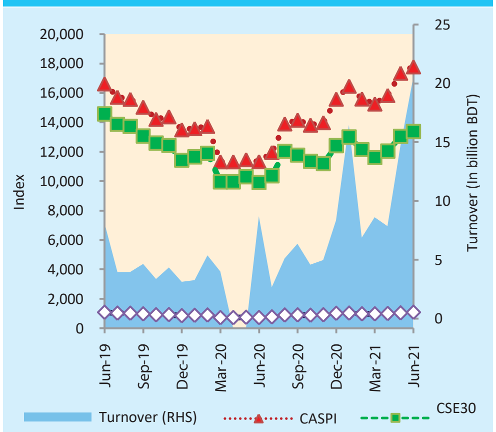
7.2 Chittagong Stock Exchange (CSE)

7.2.1 CSE Performance

Chart 7.7 presents the CSE performance for the period of June-2019 to June 2021.

At end June 2021, the major CSE indices, such as CASPI[19], CSE30[20] & CSI[21] increased by 16.6 percent, 15.2 percent 11.1 percent respectively compared to those of end-March 2021, experienced a bullish trend.

Chart 7.7: CSE Performance



Source: CSE

Similarly, CSE turnover also markedly increased by 32.0 percent to BDT 45.5 billion during April-June 2021 from BDT 34.4 billion in the previous quarter. The increased quarterly turnover may be attributed to higher liquidity and lower interest rate in the banking sector during the review period.

7.2.2 Sectoral Turnover at CSE

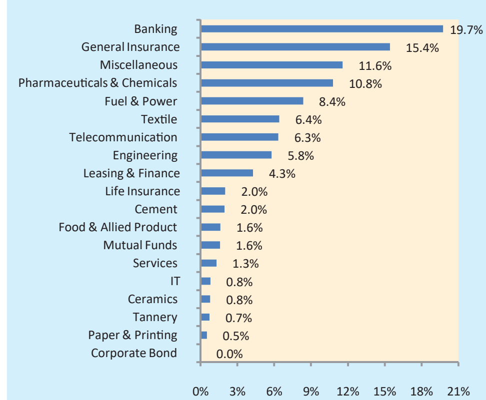
Chart 7.8.A shows the sectoral turnover scenario of April-June, 2021. Banking sector (19.7 percent) have the highest share of total CSE turnover followed by general insurance (15.4 percent), miscellaneous (11.6 percent), pharmaceuticals & chemicals (10.8 percent) and Fuel & Power (8.4 percent) respectively.

During January – March 2021, turnover of the above mentioned sectors captured 17.1 percent, 3.9 percent, 12.4 percent, 10.2 percent and 9.8 percent of the total turnover respectively (See Chart-7.8.B).

Positive growths in turnover values were recorded for all sectors except telecommunication, cement and corporate bond during the review quarter. Substantial growth in general insurance, banking, textile and pharmaceuticals & chemicals sector played the main role behind the notable growth in overall turnover.

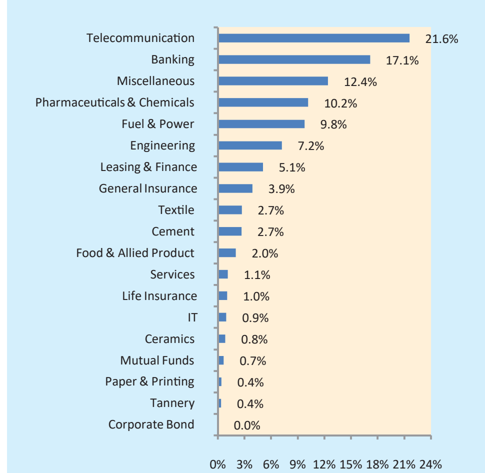
Chart 7. 8. : Sectoral Turnover

A: April-June 2021 (In percent)



Source: CSE

B: January-March 2021 (In percent)



Source: CSE

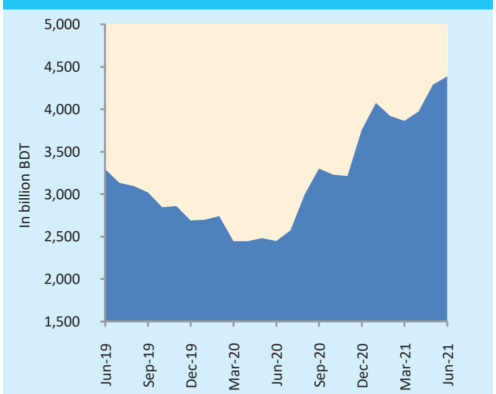
19 CASPI = CSE ALL SHARE PRICE INDEX
20 CSE30 = CSE 30 Index
21 CSI = CSE Shariah Index

7.2.3 Market Capitalization

Chart 7.9 shows trends in market capitalization of CSE since June 2019. Market capitalization of CSE has been gradually rising in the recent quarters.

Moreover, CSE market capitalization to GDP ratio stood at 14.6 percent at end-June 2021 compared to that of 8.9 percent at end-June 2020.

Chart 7.9: Market Capitalization Trend of CSE



Source: CSE

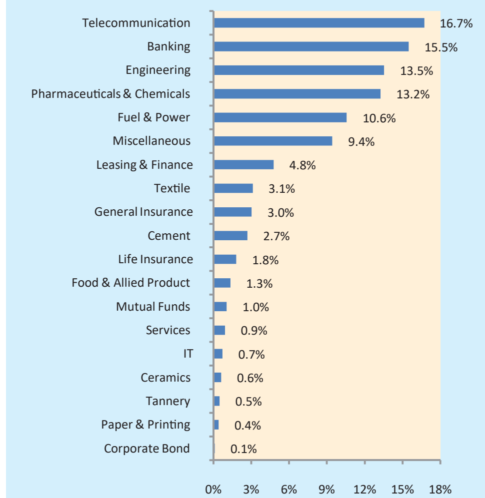
At end-June 2021, the market capitalization at CSE increased to BDT 4,383.6 billion from BDT 3,861.4 billion at end-March 2021, recorded a 13.5 percent growth.

Chart 7.10.A illustrates that at end June 2021, telecommunication sector (16.7 percent) captured the highest share in the total market capitalization followed by Banking (15.5 percent), Engineering (13.5 percent) Pharmaceuticals & Chemicals (13.2 percent), and Fuel & Power (10.6 percent) respectively.

The contributions of the above mentioned sectors were 18.2 percent, 14.6 percent, 13.3 percent, 14.2 percent and 11.4 percent respectively at end-March 2021 (See Chart-7.10.B).

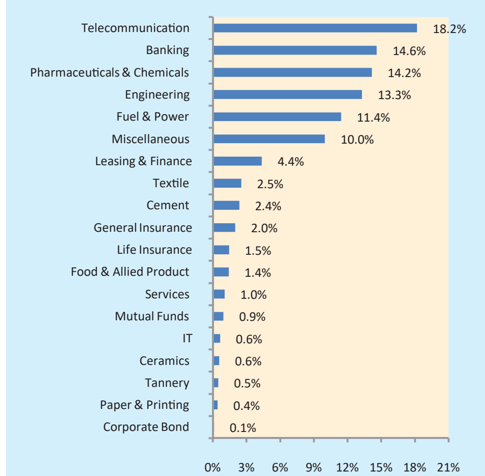
Chart 7.10: CSE Sectoral Market Capitalization

A: End-June, 2021. In percent



Source: CSE

B: End-March, 2021. In percent

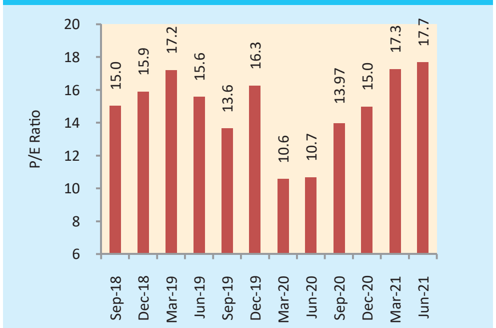


Source: CSE

7.2.4 Price/Earnings (P/E) Ratio

The market P/E ratio of CSE slightly increased to 17.7 at end-June 2021 from 17.3 at end-March 2021 (Chart 7.11).

Chart 7.11: CSE P/E Ratio



Source: CSE

During the review quarter, the highest P/E ratio was registered by ceramics sector (59.52), followed by paper & printing Sector (45.72) and engineering sector (39.93). On the other hand, the lowest P/E ratio was recorded in mutual fund sector (7.40) followed by banking (9.23) and fuel sector (12.68).

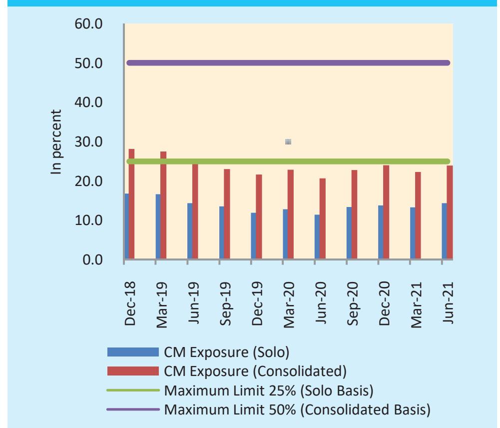
7.3 Capital Market and Financial Stability

A deep and vibrant capital market is crucial for long-term financing which could expedite the economic growth. However, market-capitalization to GDP for both DSE and CSE was lagging behind than that of many of its peer countries.

This situation could create stress on the banking sector of the country for long term finance which, in turn, could increase banks' risk of maturity mismatch.

As the P/E ratios of both bourses are rising, that requires more prudent investment behavior. Some very high sectoral P/E ratio in both market reflects the overstated exuberance of the investors which needs to be closely monitored by the concerned authorities.

Chart 7.12: Trend in Capital Market exposures of Banks



Source: DOS

Chart 7.12 shows the trend in capital market exposures of banks in both solo and consolidated basis.

In the review quarter, banks' aggregate investment in the capital market was much below (14.4 percent in solo basis and 23.9 percent in consolidated basis) than the allowable limit set by Bangladesh Bank[22]. Therefore, it is assumed that adverse shock on stock price individually may not pose any stability threat to the financial sector in the near term. However, stress on the banking sector may cause negative effect on the stock market as banking sector captures considerable share of market capitalization and turnover in both bourses.

[22] Maximum allowable limit to investment in capital market: 25% and 50% of total prescribed capital components on solo and consolidated basis respectively (DOS Circular No.-02/2013 and DOS Circular Letter No.- 07/2014).

Chapter-8

RECENT STABILITY INITIATIVES OF BANGLADESH BANK

Global outbreak of the Covid-19 and its subsequent waves has posed unprecedented shocks to the usual economic activities of the country. With a view to overcome the likely adverse impacts of the pandemic, Bangladesh Bank (BB) has initiated and modified series of policy measures through various departments of the organization. During the second quarter (April-June) of 2021, multifaceted policy initiatives taken by BB to ensure resilient domestic financial system stability are highlighted below:

8.1 Use of International Remittance Cards as alternative payment channel for permissible remittances:

To facilitate transactions, it has been decided that Authorized Dealers (ADs) may use international card channels as alternative to traditional banking channel to effect outward remittances on behalf of customers for permissible payments in accordance with the Guidelines for Foreign Exchange Transaction (GFET) and its relevant circulars.

[Ref: FE Circular No.18, Date: May 31, 2021]

8.2 Remittance facilities to e-commerce traders:

To facilitate e-commerce trade in the country, it has been decided that ADs may allow annual remittance facilities of USD 10,000 or its equivalent to a member firm of e-Commerce Association of Bangladesh (e-CAB) for meeting bonafide current expenses abroad through traditional banking channel or card channel. In this case, ADs may issue refillable international credit/pre-paid card with USD 2,000 to the nominated official of the remitter within the limit. Aggregate refills in cards and remittances by banking channel shall not exceed total limit of USD 10,000 in a calendar year.

[Ref: FE Circular No.17, Date: May 02, 2021]

8.3 Indicative cost for access to short term permissible trade finance in foreign exchange:

To bring flexibility in a wider scope for short term export financing in foreign currency at post shipment stages, it has been decided that: (a) Besides LIBOR, alternative reference/benchmark rate in the currency of financing, declared by the competent bodies, may be applied with prescribed mark up of 3.50 percent per annum for discounting/early payment of export bills; (b) The tenure like 1-month, 3-month and so on will be flexible, depending on the credit period for financing; (c) In absence of tenure-linked rate, the relative rate applied as reference/benchmark rate for financing usance/credit export bills in the form of discounting/early payment including payment guarantee may be compounded in advance to calculate effective interest for the specified tenure. In case of Islamic Shariah-based financing, globally recognized reference/benchmark rate should be applied instead of traditional one, with the prescribed mark up.

[Ref: FE Circular No.22, Date: Jun 21, 2021]

8.4 Relaxation of foreign exchange regulations for trade transactions – extended facilities:

Given the ongoing situation due to COVID-19, it has been decided to continue the policy supports contained at FE Circular No.12/2021 for trade transactions till December 31, 2021.

[FE Circular No.20 Date: Jun 10, 2021]

8.5 Additional Refinance fund for COVID-19 affected Cottage, Micro, Small and Medium Enterprises (CMSME) sector:

A loan agreement was signed by the Government of People's Republic of Bangladesh (GoB) with the Asian Infrastructure Investment Bank (AIIB) on February 26, 2021 to carry out "COVID-19 Emergency and Crisis Response Facility Project (CECRFP)" with a view to support credit expansion and reduce liquidity constraints of CMSMEs brought on by the COVID-19 pandemic. In pursuance of the Subsidiary Loan Agreement (SLA) signed between Finance Division of the Ministry of Finance and Bangladesh Bank (BB), BB has been assigned the responsibility to carry out the said project. The project is aligned with the stimulus package for CMSMEs announced by the GoB amounting to BDT 200 billion (vide SMESPD Circular-01 dated 13 April, 2020), BB's refinance scheme amounting to BDT 100 billion (vide SMESPD Circular-02 dated 26 April, 2020) and also aligned with the subsequent changes as made in different circular letters of SME & SPD regarding Circular No-01/2020 and 02/2020. Alongside the refinance facility from AIIB amounting USD 300 million (BDT 25.2 billion) is also available to provide liquidity support to Banks and FIs parallel to BB's own refinance facility to CMSME stimulus package.

[Ref: SMESPD Circular No. 06, Date: 23 June, 2021]

8.6 Establishment of Refinance Fund titled Start-up Fund:

To provide loans to the start-up entrepreneurs, BB instructed all the scheduled banks to form their own start-up fund. This revolving fund will be formed by banks transferring 1.0 percent of their annual net profits since the end-December 2020 and will continue for the next five years. Besides, the banks are allowed to access BDT 5.0 billion refinancing fund formed by BB. The entrepreneurs aged between 21 to 45 years are eligible to get the credit amounts to maximum BDT 10.0 million from the BB's start- up fund with the interest rate not exceeding to 4.0 percent.

[Ref: SMESPD Circular No. 04, Date: 29 March, 2021; SMESPD Circular Letter No. 04, Date: 19 April, 2021 and SMESPD Circular Letter No. 05, Date: 26 April, 2021]

8.7 Guidelines for trust fund management in payment and settlement services:

To ensure safety of the fund and protecting the interest of stakeholders, the authorized Mobile Financial Services (MFS), Payment Service Providers (PSP) and Payment System Operators (PSO) are instructed to follow the referred guidelines. In case of providing payment and/or settlement services, the mentioned entities are required to maintain a Trust Fund titled as 'Trust cum Settlement Account' with any scheduled bank against the payment and/or settlement obligation created by the entity to its customers and/or participants. The relevant clauses of these guidelines shall also be applicable for scheduled banks that open and maintain 'Trust Cum Settlement Account' for the Trustee.

[Ref: PSD Circular No. 06, Date: 06 May, 2021]

8.8 Fund release policy for digital commerce enterprises:

To protect customer interests and retain customer confidence in the fast-growing e-commerce industry, the banks, mobile financial service providers, payment service providers and payment system operators are instructed to release customers' money followed by the confirmation of product delivery. No payment will be made until a customer receives a product or takes any service. Merchants will not use the proceeds of sales in other purposes except meeting their own liabilities. Moreover, merchants will have to maintain the same amount of money in their accounts with financial service providers equals to the liabilities unpaid. However, payment and/or settlement for digital merchants delivering services like food, grocery and medicine, ride-sharing, mobile recharge, utility, education fee, hotel and ticket booking, or similar daily essentials and emergency goods/services can be done immediately or within five days as on the existing process considering risks, service standards and business relationship. For the entities having trade licenses and operating showrooms as well as e-commerce business, the PSPs are allowed to continue existing settlement process based on their own judgment if such e-commerce platforms deliver products or services immediately/within 7 (seven) days.

[Ref: PSD Circular No. 08, Date: 30 June, 2021]

8.9 Guidelines on Country Risk Management (GCRM) for Banks:

Bangladesh Bank has prepared Guidelines on Country Risk Management (GCRM) for Banks in line with international best practice under principle 21 of Basel Core Principles (BCPs) for Effective Banking Supervision 2012. To comply with the international best practices and to keep the banking industry more resilient towards shocks, all the scheduled banks are directed to take necessary measures and maintain appropriate provisions against the country risk as per the instructions set out in this guidelines. The GCRM sets out the minimum requirements and supervisory perspective of Bangladesh Bank to ensure that banks have adequate policies and processes in place to identify, measure, evaluate, monitor, report, control and mitigate country risk in their placements, lending and investments. The GCRM will make the overall country risk management of banks more appropriate and efficient.

[Ref: BRPD Circular No. 07, Date: 13 April, 2021]

8.10 Guidelines on Interest Rate Risk in the Banking Book (IRRBB):

Effective management of interest rate risk in the banking book (IRRBB) is crucial as the liabilities and assets portfolio of the banking industry are affected by the risks emanating from adverse movements in interest rates. For managing the IRRBB issue, Bangladesh Bank has prepared Guidelines on Interest Rate Risk in the Banking Book (IRRBB) in line with international best practices as per the Basel Core Principles (BCPs) for Effective Banking Supervision 2012. Banks are advised to make adequate and reliable arrangements for adoption of the Guidelines by developing and formulating IRRBB policy, processes, and procedures; determining the impact of interest rates, both earnings and economic value perspective on the balance sheet structure. Since excessive IRRBB, if not managed appropriately, may pose a notable threat to a bank's capital base and/or future earnings, this guideline advises banks to ensure overall risk management of the banks in a more appropriate and efficient manner.

[Ref: BRPD Circular No. 06, Date: 13 April, 2021]

8.11 Policy for Post-Import Financing (PIF):

Bangladesh Bank issued a detailed policy guideline on Post-Import Financing (PIF) facilitating importers to pay the cost of imported items within the stipulated time. Importers are given facilities to repay the loans after selling their imported products, within 90 (ninety) days for consumer products and 180 (one hundred and eighty) days for industrial raw materials. Under the new policy, all the scheduled banks shall set up a special 'PIF Monitoring Unit' to oversee loan disbursement and recovery under PIF. Under PIF facility, the banks shall follow BB's credit risk management guidelines, internal credit risk rating system guidelines along with compliance of specific guidelines on sanction of such loans approved by the board of directors.

[Ref: BRPD Circular No. 12, Date: 13 June, 2021]

8.12 Rescheduling of Short-Term Agricultural Credit:

As the farmers are unable to repay the bank loans regularly due to the ongoing COVID-19 pandemic, Bangladesh Bank has issued a circular on special loan rescheduling facility for short-term agricultural credit. Under this facility, banks are allowed to reschedule the short-term agricultural loans for a period of maximum two years by relaxing the down payment obligations on the basis of bank-customer relationship. Banks are also allowed to issue new loans to the farmers even after rescheduling existing one and there will be no requirement of down payment in disbursement of new loans. Besides, if there are any certificate cases, banks are allowed to reschedule loans by withdrawing or settling the cases upon mutual understanding.

[Ref: BRPD Circular No. 10, Date: 01 June, 2021]

8.13 Re-fixation of interest rate of agricultural and rural credit:

To boost up the agriculture sector amidst the ongoing economic slowdown caused by the COVID-19 pandemic, BB has revised the maximum interest rate from 9 percent to 8 percent for agricultural credit and instructed the banks accordingly. This will help farmers to access secure fund at a lower cost and increase the productivity in this sector.

[Ref: BRPD Circular No. 08, Date: 22 April, 2021]

8.14 Special CSR activities under Corporate Social Responsibility (CSR) of banks to mitigate COVID-19 crisis:

As the COVID-19 pandemic pushed the poverty level up, the use of CSR fund for the distressed communities has become crucial. BB instructed the banks for the allocation of additional funds in CSR activities to help pandemic-hit communities. To implement this special CSR program, banks are advised to allocate additional 1.0 percent of their net profit from the CY2020 with the existing CSR allocation for the CY2021. Additional CSR funding for the CY2021 would be adjustable in the next three years. The allocated amount must be spent for the people living in slums, the unemployed and homeless people for their daily needs including health expenses. Banks have to ensure that allocation of CSR fund is not concentrated in any particular area.

[Ref: BRPD Circular No. 09, Date: 26 April, 2021]

8.15 Appointment of director, contractual advisor and consultant for a bank company:

In order to ensure unbiasedness, professionalism and good governance in management and administration of a bank company, Bangladesh Bank has brought modifications in clauses A(6) and B(6) of circular letter no.19 issued on 27 October, 2013, for appointment of contractual advisor and consultant. As per revised directives former director, chief executive or managing director and officials two rank immediate next to the post of chief executive are not eligible to be appointed as an advisor/consultant in the same bank before the end of 5 (five) years from their retirement, termination or expiration of previous contract. On the other hand, regular or contractual employee will never be qualified as a director of the same bank after his/her retirement or termination or/end of contract.

[Ref: BRPD Circular Letter No. 27, Date: 12 May, 2021]

APPENDICES

Appendix I : CPI Inflation (12-month Average)

(Percent)

Month	Inflation (General)	Inflation (Food)	Inflation (Non-Food)
Sep-19	5.5	5.4	5.7
Dec-19	5.6	5.6	5.6
Mar-20	5.6	5.4	5.9
Jun-20	5.7	5.5	5.9
Sep-20	5.7	5.7	5.7
Dec-20	5.7	5.8	5.6
Mar-21	5.6	5.9	5.3
Jun-21	5.6	5.7	5.3

Base: 2005-06=100

Appendix II: Foreign Exchange Reserve

(Amount in million USD)

Month-end	International Reserve
Sep-19	31,830.0
Dec-19	32,690.0
Mar-20	32,570.0
Jun-20	36,040.0
Sep-20	39,310.0
Dec-20	43,170.0
Mar-21	43,440.0
Jun-21	46,391.0

Appendix III: Wage Earners' Remittance

(Amount in million USD)

Quarter	Amount
Jun-19	4,550.7
Sep-19	4,514.6
Dec-19	4,888.6
Mar-20	4,366.9
Jun-20	4,430.2
Sep-20	6,713.2
Dec-20	6,231.5
Mar-21	5,653.5
Jun-21	6,179.5

Appendix IV: Exports and Imports

(Amount in million USD)

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Jun-19	9,506.0	13,072.0
Sep-19	9,535.0	13,252.0
Dec-19	9360.0	13814.0
Mar-20	9408.0	13264.0
Jun-20	4578.0	10361.0
Sep-20	9697.0	11736.0
Dec-20	9064.0	13490.0
Mar-21	9509.0	17541.0
Jun-21	9612.0	17914.0

Appendix V: Interest Rate (Weighted Average) Spread

(In Percent)

Period	Lending Rate	Deposit Rate	Spread
Sep-19	9.6	5.7	3.9
Dec-19	9.7	5.7	4.0
Mar-20	9.6	5.5	4.1
Jun-20	8.0	5.1	2.9
Sep-20	7.8	4.8	3.0
Dec-20	7.6	4.5	3.1
Mar-21	7.5	4.4	3.1
Jun-21	7.3	4.1	3.2

Appendix VI: Weighted Average Exchange Rate

(BDT/USD)

Quarter	Period Average	End Period
Dec-18	83.90	83.90
Mar-19	84.21	84.25
Jun-19	84.50	84.50
Sep-19	84.50	84.50
Dec-19	84.90	84.90
Mar-20	85.00	85.00
Jun-20	84.92	84.90
Sep-20	84.80	84.80
Dec-20	84.80	84.80
Mar-21	84.80	84.80
Jun-21	84.80	84.80

Appendix VII: Credit to the Government (Gross) by the Banking System

(Amount in billion BDT)

Period	Amount
Jun-19	2,049.9
Sep-19	2,292.0
Dec-19	2542.27
Mar-20	2325.35
Jun-20	2806.20
Sep-20	3026.79
Dec-20	3155.65
Mar-21	3105.71
Jun-21	3350.20

Appendix VIII: Asset Structure of the Banking Industry

(Amount in billion BDT)

Property and Assets	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Cash in hand	164.2	170.98	164.43	182.16	180.65
Balance with Bangladesh Bank and its Agent Bank	930.8	905.51	1,160.32	1,133.58	1,365.98
Balance with other banks and financial Institutions	799.8	811.83	793.22	833.86	888.76
Investment	2,815.5	3,178.35	3,397.97	3,381.25	3,618.02
Loans and Advances	11,271.4	11,423.88	11,722.94	11,925.83	12,258.64
Fixed Assets	258.2	259.82	277.91	280.48	282.77
Other Assets	933.6	938.53	887.60	920.54	913.91
Non-banking assets	4.6	4.40	4.38	4.32	4.40
Total Assets	**17,177.9**[R]	**17,693.31**	**18,408.77**	**18,662.01**	**19,513.12**

Note: R-revised

Appendix IX: Banking Sector Assets & NPL Concentration (Jun-2021)

(Amount in billion BDT)

Assets	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	6,311.5	13,201.6	9,016.4	10,496.7
Share (%)	32.35%	67.65%	46.21%	53.8%
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	44,618.98	54,586.19	62,394.30	36,810.87
Share (%)	44.98%	55.02%	62.89%	37.11%

Appendix X: Banking Sector NPL Ratio

(Amount in billion BDT)

Quarter	Aggregate NPL	Gross NPL Ratio (NPL/TL) (%)	Net NPL (Net of LLP and IS) Ratio (%)
Jun-19	1,124.25	11.69%	2.53%
Sep-19	1,162.88	11.99%	3.66%
Dec-19	943.30	9.32%	1.02%
Mar-20	925.11	9.03%	0.39%
Jun-20	961.17	9.16%	0.15%
Sep-20	944.40	8.88%	-0.22%
Dec-20	887.34	7.66%	-1.18%
Mar-21	950.85	8.07%	-0.48%
Jun-21	992.05	8.18%	-0.47%

Appendix XI: Distribution of Banks by NPL Ratio

Range	Number of Banks as at end				
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Up to 2.0%	6	6	11	9	7
2.0% to <3.0%	5	7	11	9	9
3.0% to <5.0%	21	23	16	16	18
5.0% to <10.0%	11	8	6	10	10
10.0% to <15.0%	6	5	5	3	4
15.0% to <20.0%	1	1	1	4	3
20.0% & above	9	9	9	8	8
Total	**59**	**59**	**59**	**59**	**59**

Appendix XII: Banking Sector Loan Loss Provisions

(Amount in billion BDT)

Period	Required Provision	Provision Maintained	Provision Maintenance Ratio (%)
Jun-19	712.4	620.2	87.1
Sep-19	624.6	543.3	87.0
Dec-19	613.1	546.6	89.2
Mar-20	604.9	568.8	94.0
Jun-20	654.0	609.0	93.1
Sep-20	636.4	610.0	95.8
Dec-20	669.8	617.1	92.1
Mar-21	648.0	646.8	99.8
Jun-21	709.5	653.7	92.1

Appendix XIII: Banking Sector Classified Loans Ratios

(In percent)

Period	Classified Loans To Total Loans	Sub-Standard Loans To Classified Loans	Doubtful Loans To Classified Loans	Bad Loans To Classified Loans
Jun-19	11.7	9.3	3.6	87.1
Sep-19	12.0	9.7	3.8	86.5
Dec-19	9.3	9.1	4.1	86.8
Mar-20	9.0	8.5	4.2	87.3
Jun-20	9.2	8.6	4.4	87.0
Sep-20	8.9	8.7	5.0	86.3
Dec-20	7.7	7.7	5.3	87.0
Mar-21	8.1	6.8	5.0	88.2
Jun-21	8.2	6.8	4.3	88.9

Appendix XIV: Classified Loan Composition (End-June 2021)

(Amount in billion BDT)

Particulars	Amount	Percent Of Total
Sub-Standard	67.3	6.8%
Doubtful	42.5	4.3%
Bad & Loss	882.3	88.9%
Total	**992.1**	**100.0%**

Appendix XV: Banking Sector ROA Range

Quarter	ROA Range			
	Up to 2.0%	> 2.0% to ≤ 3.0%	> 3.0% to ≤ 4.0%	> 4.0%
Jun-19	52	2	2	1
Sep-19	53	1	1	2
Dec-19	54	1	1	2
Mar-20	53	3	1	1
Jun-20	57	1	0	0
Sep-20	51	4	3	0
Dec-20	50	5	3	0
Mar-21	54	3	0	1
Jun-21	56	2	0	0

Note: ROAs have been annualized from respective quarterly ratios.

Appendix XVI: Banking Sector ROE Range

Quarter	ROE Range			
	Up to 5.0%	> 5.0% to ≤ 10.0%	> 10.0% to ≤ 15.0%	> 15.0%
Jun-19	22	10	17	8
Sep-19	24	8	20	5
Dec-19	18	11	19	10
Mar-20	20	12	19	7
Jun-20	36	21	1	0
Sep-20	19	16	16	7
Dec-20	15	9	19	15
Mar-21	26	11	14	7
Jun-21	22	13	16	7

Notes: ROEs have been annualized from respective quarterly ratios .

Appendix XVII: Banking Sector ROA and ROE

Ratio	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
ROA	0.30	0.45	0.25	0.42	0.50
ROE	4.91	7.22	4.28	6.70	8.26

Notes: The figures are annualized from respective quarterly ratios; e.g.

(a) annualized ROA of 1st quarter of 2021= (Profit in 1st quarter of 2021 x 4/Total asset at the end of 1st quarter of 2021) x 100.

(b) annualized ROA of 2nd quarter of 2021 = ((Profit in 1st quarter of 2021+Profit in 2nd quarter of 2021) x 2/Average of assets at the end of 1st and 2nd quarters of 2021) x 100.

(c) ROA of 2020 =Profits in 2020/Assets at end-December 2020) x100.

(d) Similar method applied for annualizing quarterly ROE.

Appendix XVIII: FIs' Borrowing, Deposit and Capital

(Amount in billion BDT)

Particulars	June-20	June-21
Borrowings	189.5	226.4
Deposits	440.7	452.8
Capital	92.2	85.0
Other Liabilities	137.61	152.5
Total	**859.9**	**916.5**

Appendix XIX: FIs' Asset Composition

(Amount in billion BDT)

Particulars	June-20	June-21
Cash & liquid assets	98.96	143.40
Earning assets	696.14	704.62
Fixed assets	13.57	14.33
Other assets	51.27	54.19
Total	**859.94**	**916.53**

Appendix XX: FIs' Classified Loans and Leases

(Amount in billion BDT)

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Dec-18	54.6	7.9
Mar-19	72.2	10.3
Jun-19	73.2	11.0
Sep-19	68.4	10.4
Dec-19	64.0	9.5
Mar-20	70.3	10.5
Jun-20	89.1	13.3
Sep-20	102.5	15.5
Dec-20	100.6	15.0
Mar-21	103.5	15.5
Jun-21	103.3	15.4

Appendix XXI: FIs' ROA & ROE

(In percent)

Quarter	Aggregate ROA	Aggregate ROE
Jun-19	0.21%	1.75%
Sep-19	0.48%	3.89%
Dec-19	1.50%	10.80%
Mar-20	0.14%	1.25%
Jun-20	0.35%R	3.30% R
Sep-20	0.29%	2.77%
Dec-20	0.45%	4.34%
Mar-21	-1.86%	-17.99%
Jun-21	-0.91%	-9.59%

Note: The displayed ratios are annualized figures from respective quarterly ratios.

R- Revised

Appendix XXII: Banking Sector CRAR Distribution

CAR	Number Of Banks (At End Period)						
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
< 10%	10	11	9	10	10	11	11
10% to ≤15%	26	26	30	28	20	27	26
15% +	22	21	19	21	29	22	23
Total Banks	58	58	58	59	59	60	60
Compliant Banks	48	47	49	49	49	49	49

Appendix XXIII: Banking Sector Asset Share based on CRAR as at end-June 2021

CRAR	Number of banks & their asset size		Asset share (%)
	Number of banks	Asset size (in billion BDT)	
<10%	11	5957.5	30.5
10% to ≤15%	26	10239.9	52.5
15% +	23	3315.7	17.0
Total	**60**	**19513.1**	**100.00**

Appendix XXIV: Tier-1 Capital Ratio and Overall CRAR of the Banking Industry

Particulars	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Core Capital to RWA (%)	7.9	7.7	7.4	7.7	8.1	7.4	7.8	7.8
Number of core capital compliant banks	46	47	47	47	49	48	48	49
Overall CRAR (%)	11.6	11.6	11.4	11.6	11.9	11.6	11.7	11.6
Number of CRAR compliant banks	47	48	47	49	49	49	49	49
No. of banks in the industry	57	58	58	58	59	59	60	60

Appendix XXV: Distribution of Risk Weighted Assets of the Banking Industry

(Amount in billion BDT)

Particulars	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
RWA for Credit Risk	88.1	87.3	87.1	87.6	87.2
RWA for Market Risk	2.9	3.8	3.8	3.5	4.0
RWA for Operational Risk	9.0	8.9	9.1	8.9	8.8
Total RWA	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Appendix XXVI: Banking Sector Regulatory Capital Position (Solo Basis)

(Amount in billion BDT)

Period	Minimum Capital Requirement	Total Regulatory Capital
Jun-19	1030.7	1183.7
Sep-19	1046.7	1189.2
Dec-19	1073.0	1211.3
Mar-20	1110.4	1232.1
Jun-20	1114.0	1267.1
Sep-20	1132.9	1319.8
Dec-20	1159.0	1318.3
Mar-21	1188.4	1354.1
Jun-21	1220.7	1381.1

Appendix XXVII: Banking Sector Advance-to-Deposit Ratio (ADR)

Period	ADR (%)
Dec-18	77.6
Mar-19	78.3
Jun-19	77.5
Sep-19	76.6
Dec-19	77.3
Mar-20	77.8
Jun-20	76.2
Sep-20	74.0
Dec-20	72.7
Mar-21	72.8
Jun-21	71.6

Appendix XXVIII: Bank Cluster-wise CRAR at end-June 2021

Bank wise	CRAR (%)
SCBs	6.8
PCBs	13.3
FCBs	28.5
SDBs	-32.2

Appendix XXIX: Capital Conservation Buffer (CCB) at end-June 2021

	Capital Conservation Buffer (CCB)		
	Number of Compliant Banks	Number of banks considered	Aggregate CCB (%)
Solo	42	60	1.57%
Consolidated	27	38	1.97%

Appendix XXX: Banking Sector Leverage Ratio (%) - Solo Basis

Range of Ratio (%)	Number of Banks (at end Period)				
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
< 3	9	9	10	10	10
> = 3 to 10	35	37	36	36	36
> 10 to 20	9	10	11	11	8
> 20 to 30	2	4	3	3	3
> 30 to 40	3	1	1	1	1
> 40	0	1	1	2	2

Appendix XXXI: Banking Sector Leverage Ratio (in percent) - Consolidated Basis

Range of Ratio (%)	Number of Banks (at end Period)				
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
< 3	5	4	6	6	5
> = 3 to 10	28	30	29	30	32
> 10 to 20	3	2	1	2	1

Appendix XXXII: Bank Cluster-wise Leverage Ratio (in percent) - Solo Basis

Bank Clusters	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
SOCBs	1.9%	2.6%	1.0%	1.6%	1.8%
PCBs	5.6%	5.4%	6.0%	5.5%	5.4%
FCBs	12.6%	12.6%	13.0%	12.5%	12.3%
SDBs	-27.7%	-25.3%	-24.0%	-23.9%	-24.3%
System (58 banks)	4.58%	4.65%	4.00%	4.46%	4.41%

Appendix XXXIII: FIs' CRR & SLR

(Amount in billion BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/Shortfall	Required	Maintained	Surplus/Shortfall
Jun-19	7,465.3	7,634.6	169.3	20,997.8	83,144.0	62,146.2
Sep-19	7,583.3	7,608.0	24.7	21,775.7	86,058.3	64,282.6
Dec-19	7,744.3	7,768.3	24.0	21,662.6	90,889.7	69,227.1
Mar-20	7,643.6	8,244.0	600.4	21,403.1	94,000.5	72,597.4
Jun-20	4,582.7	6,148.2	1,565.5	21,387.3	89,661.2	68,273.9
Sep-20	4,740.9	5,967.9	1,227.00	23,496.2	96,808.7	73,312.50
Dec-20	4,863.7	5,286.1	422.40	22,591.7	108,007.5	85,415.80
Mar-21	4,892.3	5,112.6	220.30	23,364.6	110,299.5	86,934.90
Jun-21	4,884.0	5,562.1	678.10	23,298.7	113,141.8	89,843.10

Appendix XXXIV: Capital Adequacy Ratio of FI Sector

Particulars	End Jun-20	End Sep-20	End Dec-20	End Mar-21	End Jun-21
Eligible Capital to RWA (%)	16.4	14.3	14.2	13.8	13.3

Appendix XXXV: Overall Risk-weighted Assets and Tier 1 Capital of FI Sector

(Amount in billion BDT)

Particulars	End Jun-19	End Sep-19	End Dec-19	End Mar-20	End Jun-20	End Sep-20	End Dec-20	End Mar-21	End Jun-21
Risk Weighted Assets (RWA)									
Credit RWA	631.6	635.3	631.1	638.9	639.0	615.6	628.8	631.1	628.4
Market RWA	48.23	51.6	54.7	50.9	54.1	35.7	44.6	43.4	47.1
Operational RWA	50.11	49.6	49.9	51.5	50.2	51.4	49.4	47.6	48.0
Total RWA	**729.9**	**736.5**	**735.7**	**741.3**	**743.3**	**702.7**	**722.8**	**722.1**	**723.4**
Core Capital (Tier -1)	109.5	113.5	113.2	111.1	108.7	87.7	89.4	85.6	82.5
Supplementary Capital	13.21	13.7	13.4	13.5	13.3	12.8	13.4	14.2	14.0
Eligible Capital	122.7	127.2	126.6	124.6	122.0	100.7	102.8	99.8	96.4

Appendix XXXVI: Banking Sector's After Shock CRAR at Minor Shock Scenario

(Based on data as of end-June 2021)

Shocks	CRAR after Shock
Increase in NPL in the highest outstanding sector	11.42
Increase in NPLs due to default of Top borrowers	9.92
Negative shift in NPL categories	10.94
Decrease in the FSV of collateral	11.03
Increase in NPLs	10.06
Interest rate shock	11.01
Exchange rate shock	11.52
Equity shock	11.27
Combined shock	6.16

Appendix XXXVII: Number of Non-complaint Banks at Minor Shock Scenario

(Based on data as of end-June 2021)

Different Shock Scenarios	After-Shock CRAR
Increase in NPL in the highest outstanding sector	3
Increase in NPLs due to default of Top borrowers	16
Negative shift in NPL categories	0
Decrease in the FSV of collateral	0
Increase in NPLs	3
Interest rate shock	1
Exchange rate shock	0
Equity shock	0

Appendix XXXVIII: DSE Performance

Month	(In billion BDT)		Index		
	Turnover	Market Capitalization	DSEX	DSE 30	DSES
Jan-20	80.72	3408.93	4469.66	1524.04	1028.29
Feb-20	124.28	3429.83	4480.23	1492.37	1044.91
Mar-20	66.46	3122.35	4008.29	1330.83	920.69
Apr-20*					
May-20	1.43	3,161.80	4060.45	1365.37	951.60
Jun-20	47.80	3119.67	3989.09	1340.98	925.08
Jul-20	60.01	3,257.33	4,214.43	1,420.64	976.50
Aug-20	186.18	3,698.34	4,879.15	1,699.55	1,132.85
Sep-20	222.58	3,996.42	4,963.29	1,696.00	1,120.39
Oct-20	170.40	3,912.51	4,846.10	1,680.13	1,098.80
Nov-20	174.07	3,899.79	4,866.84	1,687.40	1,113.98
Dec-20	215.88	4,482.30	5,402.07	1,963.96	1,242.11
Jan-21	339.59	4,790.28	5,649.86	2,160.39	1,265.37
Feb-21	144.49	4,657.36	5,404.80	2,056.83	1,222.84
Mar-21	144.80	4,589.02	5,278.16	1,994.40	1,204.18
Apr-21	143.77	4,707.12	5,479.62	2,110.91	1,249.82
May-21	310.10	5,038.68	5,990.99	2,205.82	1,286.20
Jun-21	435.09	5,142.82	6,150.48	2,208.38	1,314.76

*No transaction took place.

Appendix XXXIX: CSE Performance

Month	(In billion BDT)		Index		
	Turnover	Market Capitalization	CASPI	CSE 30	CSI
Jan-20	4.10	2,698.44	13,586.41	11,676.85	882.72
Feb-20	6.20	2,741.10	13,742.96	11,912.38	901.18
Mar-20	4.84	2,445.71	11,328.00	9,975.51	729.30
Apr-20*					
May-20	0.03	2,481.50	11,469.02	10,320.39	750.34
Jun-20	9.53	2,447.56	11,332.59	9,925.12	733.27
Jul-20	3.50	2,572.76	11,957.06	10,389.29	777.28
Aug-20	5.94	2,996.99	13,908.14	12,052.96	902.97
Sep-20	7.19	3,300.77	14,167.23	11,790.99	912.64
Oct-20	5.41	3,227.92	13,824.13	11,370.18	888.07
Nov-20	5.80	3,212.32	13,991.43	11,207.94	919.67
Dec-20	9.18	3,754.94	15,592.92	12,426.52	1,018.85
Jan-21	17.28	4,072.71	16,474.97	13,013.79	1,031.29
Feb-21	7.71	3,919.44	15,603.80	12,156.81	983.85
Mar-21	9.44	3,861.42	15,264.62	11,614.50	982.59
Apr-21	8.69	3,973.51	15,844.80	12,062.49	1,003.67
May-21	15.46	4,288.28	17,359.57	13,066.25	1,044.59
Jun-21	21.30	4,383.65	17,795.04	13,382.78	1,091.85

Appendix XL: Sectoral Turnover of DSE

Broad Sector	SECTOR	% of Total Turnover	
		2021Q1	**2021Q2**
Financial Sector	Banks	9.4	10.6
	Financial Institutions	9.4	6.5
	Insurance	6.9	24.6
Manufacturing	Food & Allied Product	6.4	3.3
	Pharmaceuticals & Chemicals	13.0	7.3
	Textile	3.1	9.8
	Engineering	6.7	7.0
	Ceramic	0.8	0.8
	Tannery	0.4	1.2
	Paper & Printing	0.2	0.2
	Jute	0.2	0.1
	Cement	3.8	2.6
Service & Miscellaneous	Mutual Funds	2.5	2.2
	Fuel & Power	10.8	5.6
	Services & Real estate	1.3	1.4
	IT Sector	1.0	1.8
	Telecommunication	8.9	2.9
	Travel and Leisure	0.1	0.2
	Miscellaneous	15.2	12.0
Bond	Corporate Bond	0.01	0.01
	Total	**100.0**	**100.0**

Note: 2021Q1 = March quarter 2021, 2021Q2 = June quarter 2021.

Appendix XLI: Sectoral Turnover of CSE

Broad Sector	SECTOR	% of Total Turnover	
		2021Q1	2021Q2
Financial Sector	Banks	17.1%	19.7%
	Leasing & Finance	5.1%	4.3%
	Life Insurance	1.0%	2.0%
	General Insurance	3.9%	15.4%
Manufacturing	Food & Allied Product	2.0%	1.6%
	Pharmaceuticals & Chemicals	10.2%	10.8%
	Textile	2.7%	6.4%
	Engineering	7.2%	5.8%
	Ceramic	0.8%	0.8%
	Tannery	0.4%	0.7%
	Paper & Printing	0.4%	0.5%
	Cement	2.7%	2.0%
Service & Miscellaneous	Fuel & Power	9.8%	8.4%
	Services	1.1%	1.3%
	IT	0.9%	0.8%
	Telecommunication	21.6%	6.3%
	Mutual Funds	0.7%	1.6%
	Miscellaneous	12.4%	11.6%
Bond	Corporate Bond	0.005%	0.003%
Total	**100.00**	**100.0%**	

Note: 2021Q1 ≡ March quarter 2021, 2021Q2 ≡ June quarter 2021.

Appendix XLII: Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
Sep-18	15.2	15.0
Dec-18	15.2	15.9
Mar-19	16.1	17.2
Jun-19	14.3	15.6
Sep-19	13.4	13.6
Dec-19	11.8	16.3
Mar-20	10.6	10.6
Jun-20	10.8	10.7
Sep-20	13.5	14.0
Dec-20	16.5	15.0
Mar-21	16.9	17.3
Jun-21	18.5	17.7

Appendix XLIII: DSE Broad Index (DSEX) Volatility and DSE Turnover

Month	Daily Average Index Volatility[23]	Daily Average DSE Turnover (In crore BDT)
Jun-20	10.78	217.28
Jul-20	61.12	285.78
Aug-20	208.64	979.88
Sep-20	71.17	1011.72
Oct-20	51.22	851.99
Nov-20	32.52	791.24
Dec-20	135.21	1028.00
Jan-21	94.28	1617.08
Feb-21	86.42	760.48
Mar-21	100.32	689.54
Apr-21	120.33	719.31
May-21	159.36	1632.00
Jun-21	42.63	1978.00

[23] Measured by average of daily standard deviation of DSEX during each month.

Published by G.M. Abul Kalam Azad, General Manager, Department of Communications and Publications, Bangladesh Bank, Head Office, Motijheel, Dhaka-1000, Bangladesh.
website : www.bb.org.bd, Printed by Al-Kawser Printers, 167 Motijheel C/A, Dhaka-1000

DCP-02-2022-250