Quarterly

Financial Stability Assessment Report

April - June 2022

Financial Stability Department
Bangladesh Bank

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This report is based on unaudited and provisional data of banks and financial institutions available up to June 30, 2022 unless stated otherwise.

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

Message from the Governor

Following the COVID-19 outbreak, global geopolitical tensions disrupted the economic recovery, eventually leading to rising inflationary and exchange rate pressures and subsequent tightening monetary policies. Market sensitivity to political risk kept rising due to the prolonged Russia-Ukraine war, which, in turn, intensified the set of uncertainties disrupting the financial stability across the globe. Furthermore, turmoil in the global energy market and its soaring cost led to a significant rise in inflation expectations with economic contraction - fearing global stagflation. Overall, the global economy is in a dilemma between taming the inflationary pressure and increasing the output. The central banks worldwide are also reviewing how to safeguard the economic recovery by keeping inflation within target.

The recent socio-economic situation in a few Asian countries alongside the China-Taiwan tension may generate some spillover effect on Bangladesh's economy, which is already being subjected to external shocks. Considering the global challenges and domestic macroeconomic settings, Bangladesh Bank (BB) took a cautious monetary policy stance with a tightening bias to contain the inflationary pressure and exchange rate pressures while supporting the necessary flow of funds to investment and employment-enhancing activities. BB also took decisive actions by tightening the import of luxurious goods, easing remittance inflows, and monitoring the exchange market to lessen the pressure on the balance of payment.

As the financial system of Bangladesh is bank-dominated, BB enhanced its surveillance to run the economy meticulously and remain vigilant to any stability issues. BB works very diligently with other financial system regulators to safeguard the system from being fragmented. Besides, ongoing stimulus packages and supportive fiscal and monetary measures should help Bangladesh towards faster economic recovery to attain its target growth.

I believe this quarterly Financial Stability Assessment Report will help the stakeholders understand the global and domestic macroeconomic interconnectedness and comprehend the strengths and vulnerabilities of the country's financial system, allowing them to apply due diligence in adopting forward-looking actions. I appreciate the efforts and dedication of the officials of the Financial Stability Department in preparing this report.

Abdur Rouf Talukder
Governor

Message from the Deputy Governor

Global economy has been thriving for the last several quarters to get rid of the spiraling impact of COVID-19. It has also been undergoing another big challenge, namely geo-political tensions triggered by the Russia-Ukraine war, which largely led to supply chain disruptions, especially, in foods and energies. One significant outcome of this geopolitical tension has been the unusual rise in price level in most of the advanced and emerging economies. Taming inflation has thus emerged as a paramount agenda for most of the countries around the world tempting them to adopt the stance of monetary tightening. However, such tightening appeared to have put pressure on international reserves of emerging and developing countries as well as led to sharp depreciation of domestic currencies in a number of those countries. These may have contractionary impact on global economy including economic activities of Bangladesh in the near future. Pertinently, IMF has recently made downward revision in global growth forecast for 2022 and 2023.

Against the stated backdrop, Bangladesh economy has largely been able to maintain a well-balanced GDP growth in FY22. Wage earners' remittance recorded a notable increase while trade deficits narrowed down during April-June 2022 compared to those of the preceding quarter. Also, foreign exchange reserve remained at a reasonable position though there has been a minor decline compared to the preceding quarter. It is worth noting that the current reserve position may cover 5 months of imports payments. However, growing inflation and a steep rise in exchange rate have put some pressure on domestic economy which need to be addressed prudently.

During the review quarter, both the capital adequacy and liquidity parameters of the banking sector remained well above the respective regulatory requirements albeit slight deterioration in asset quality. Importantly, the banking sector remained broadly resilient from stress testing standpoint, except the case of loan concentration to top large borrowers and increase in NPL. On the contrary, the asset quality of the FIs slightly declined leading to overall capital adequacy ratio of the sector to fall below the minimum regulatory threshold.

Considering the current situations and the upcoming challenges, Bangladesh Bank has already adopted a cautious monetary policy stance to contain inflation and exchange rate pressure while supporting the economic recovery process. For instance, to ease the pressure on foreign currency, L/C margin on importable goods except the necessary ones has been made stringent. Besides, disbursement of cash incentives against wage earners' remittance has been simplified. Moreover, with an aim of maintaining momentum in overall economic activities and normalizing the flow of credit to the private sector, the terms of payment of loan installments in the large, CMSME, and agricultural sector have been relaxed under certain conditions. A number of refinancing schemes have been placed on board by the authorities, for example, refinance scheme of BDT 50 billion for pre-shipment credit, refinance schemes of BDT 20 billion for ship building industry, and BDT one (01) billion for digital nano loans.

I hope this quarterly update on the financial system stability of Bangladesh 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 to the officials of Financial Stability Department (FSD) for making diligent efforts in bringing this report to light.

Abu Farah Md. Nasser
Deputy Governor

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Acronyms

ACD	Agricultural Credit Department
ADR	Advance-to-Deposit Ratio
ADs	Authorized Dealers
AEs	Advanced Economies
B/L	Bad and Loss
BB	Bangladesh Bank
BDT	Bangladeshi Taka
BRPD	Banking Regulation and Policy Department
CAR	Capital Adequacy Ratio
CASPI	CSE ALL Share Price Index
CCB	Capital Conservation Buffer
CMSME	Cottage Micro Small & Medium Enterprises
CRAR	Capital to Risk-weighted Asset Ratio
CRR	Cash Reserve Ratio
CSE	Chittagong Stock Exchange
CSE30	CSE 30 Index
CSI	CSE Shariah Index
CY	Calendar Year
DF	Doubtful
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
DSES	DSEX Shariah Index
DS30	DSE 30 Index
DSEX	DSE Broad Index
EDF	Export Development Fund
EMDEs	Emerging Market and Developing Economies
FCBs	Foreign Commercial Banks
FIs	Financial Institutions
FoB	Free on Board
FSD	Financial Stability Department
FSV	Forced Sale Value
FY	Fiscal Year
G7	The Group of Seven
GDP	Gross Domestic Product
IBFT	Internet Banking Fund Transfer
L/C	Letter of Credit
LCR	Liquidity Coverage Ratio
MCR	Minimum Capital Requirement
MFS	Mobile Financial Services
NBFIs	Non-Bank Financial Institutions
NPL	Non-performing Loan
NSFR	Net Stable Funding Ratio
PCBs	Private Commercial Banks
P/E Ratio	Price-Earnings Ratio
PIF	Post Import Financing
PSD	Payment System Department
ROA	Return on Assets
ROE	Return on Equity

RWA	Risk-weighted Assets
SCBs	State-owned Commercial Banks
SDB	Specialized Development Bank
SLR	Statutory Liquidity Requirement
SS	Sub-Standard
TRC	Total Regulatory Capital
USA	United States of America
USD	US Dollar
UK	United Kingdom

Executive Summary

This report conveys the assessment of Bangladesh Bank about the resilience of the financial system of Bangladesh to notable risks and vulnerabilities during the April-June quarter of the calendar year 2022 (CY22). The report also discusses a range of issues having implications for the stability of the domestic financial system.

E***conomic activities across the world slowed owing largely to persistent inflation, tightening global financial condition, deteriorating market sentiment and significant supply constraints of energy triggered by Russia-Ukraine war.*** Economic activities in advanced economies (AEs) weakened with falling consumer spending and diminishing means of energy supplies while emerging market and developing economies (EMDEs) faced tight capital condition stemmed from higher interest rate and capital outflow. Energy prices, registering an upward rally that pushed the inflation further up, appears to be a major challenge for global economic growth. Financial condition experienced further tightening with rising policy rate. Continued trade disruption in the face of the war and softened demand also caused a slowdown in trade and production.

Though domestic economy remained broadly stable during the review quarter, it started to feel some challenges emanated from the global macro-financial uncertainty. Rising energy prices in international market and supply chain disruptions due to the ongoing Russia-Ukraine war put pressure on macroeconomic resilience of the domestic economy during the review quarter. Annual average inflation increased to 6.15 percent. Current account deficit narrowed, compared to that of the preceding quarter, mainly due to reduced trade deficit. At end-June 2022, the gross foreign exchange reserves decreased to USD 41.83 billion from USD 44.15 billion at end-March 2022. Bangladeshi Taka (BDT) against the USD recorded depreciation in the review quarter and stood at 93.45 at end-June 2022 from 86.2 at end-March 2022.

Banking sector demonstrated a mixed trend in the review quarter compared to the previous quarter as asset size and profitability increased, while asset quality, measured by gross NPL ratio, deteriorated. Banks' aggregate asset size increased by 4.0 percent and reached to BDT 21,546.4 billion. Banking sector's assets to GDP ratio stood at 54.2 percent registering an increase of 2.1 percentage points. Asset quality of the banking sector slightly decreased as non-performing loan (NPL) ratio increased to 8.96 percent compared to 8.53 percent at end- March 2022. However, provision maintenance ratio increased to 84.68 percent from 82.67 percent compared to the previous quarter. Profitability of the sector, measured by return on assets (ROA) and return on equity (ROE), improved considerably and reached to 0.46

percent and 8.20 percent respectively compared to 0.24 and 4.48 percent of the preceding quarter.

During the review quarter, overall capital position of the banking sector, as indicated by the capital to risk-weighted assets ratio (CRAR), decreased slightly compared to the preceding quarter. At end-June 2022, CRAR of the banking sector stood at 11.15 percent, 26 basis points lower than that of the previous quarter. During the period, Tier-1 capital ratio decreased by 16 basis points and stood at 7.75 percent. However, both the ratios were above the minimum regulatory requirement as per Basel III capital framework. Moreover, the banking system liquidity situation was compliant in terms of advance-to-deposit ratio (ADR), cash reserve ratio (CRR), statutory liquidity ratio (SLR), liquidity coverage ratio (LCR), and net stable funding ratio (NSFR).

Financial Institutions (FIs) showed mixed performance in the review quarter manifested by the sector's aggregate asset expansion and improving profitability but deteriorating asset quality. At end-June 2022, total assets of financial institutions amounted to BDT 948.00 billion, exhibiting an increase of 6.88 percent compared to the previous quarter. Likewise, aggregate source of fund of FIs expanded as borrowings, deposits and capital increased. FIs' profitability increased marginally during the review quarter compared to that of the preceding quarter. FIs' return on assets (ROA) and return on equity (ROE) stood at -0.61 percent and -7.85 percent respectively at end-June 2022, compared to -0.63 percent and -7.93 percent of the preceding quarter. However, FIs' classified loans and leases ratio increased by 2.36 percentage points from the previous quarter and reached to 22.99 percent at end-June 2022.

The capital adequacy ratio (CAR) and the core capital ratio of the Financial Institutions (FIs) decreased during the June 2022 quarter. CAR stood at 9.53 percent which is 0.47 percentage point lower than the minimum regulatory requirement of 10 percent. On the contrary, core capital ratio was 7.70 percent against the minimum requirement of 5 percent.

The banking sector demonstrated a reasonable level of resilience under different stressed scenarios. During the review quarter, stress tests on banks revealed that credit risks remained the most dominant risk factor for banks under different level of shock scenarios. Among the various types of credit risks, increase in NPLs and default of top borrowers would have major adverse impacts on the capital adequacy of the banking sector. The market risks would have put stress on the aggregate CRAR; still these impacts would be less severe than most of the shock scenarios under credit risks. During the period, the banking system, as a whole, appeared to be resilient against the liquidity shocks.

The domestic capital market demonstrated a bearish scenario during the review quarter. At end-June 2022, the main indices of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) were in downward trend compared to those of end-March 2022. Turnover, market capitalization and price-earnings (P/E) ratio of DSE and CSE decreased during the review period compared to the previous quarter. This scenario could be partly attributed to depreciation of BDT against major currencies, geopolitical tensions, rise in energy prices, and neighboring countries' macroeconomic uncertainty. Analysis of sectoral market capitalization revealed the dominance of Pharmaceuticals and Chemicals, and banking sector in the capital markets. However, capital market exposure of the banking sector remained much below the regulatory maximum limit, implying the possibility of no major stability concern for the banking sector arising from the volatility in the capital market in the near-term.

Bangladesh Bank has taken several initiatives having implications for financial system stability of the country. During the review quarter, Bangladesh Bank has taken a broad range of initiatives aiming to boost up the agriculture and selected industrial sectors, bring credit discipline in the banking sector, enhance digitalization, and alleviate external sector shocks. Some notable initiatives are as follows:

i) Instructed the banks to give emphasis on disbursing agricultural credit at 4 percent concessional interest rate for cultivating import substitute goods, new credit to the flood affected people without realizing the previously disbursed loans, rescheduling of short-term agricultural credit by relaxing the conditions of down payments;

ii) Directed the schedule banks to increase the existing working capital limit to a reasonable level for the interim period in favour of the customers to improve their financial capacity subject to bank-customer relationship;

iii) Instructed the banks to follow its directives issued time to time in regard to waive of all types of interest on loans in the banking sector by creating awareness among the customers to pay the banks' dues within the stipulated time as well as maintaining the overall credit chain and preserving the customers' interests;

iv) Updated "Post-Import Financing-(PIF)" policies. Also, revised the cash margin requirement against import of various goods with an aim to alleviate pressure on the foreign exchange reserve;

v) Formed a number of refinance schemes namely, (a) refinance scheme worth BDT 50 billion for Pre-Shipment Credit to export-oriented industries; (b) refinance scheme worth BDT 20 billion for the development and expansion of the shipbuilding industry; and (c) refinance scheme worth BDT one (01) billion for Digital Nano Loan with the objective of making digital micro credit available to disadvantaged and marginalized communities at a lower cost;

vi) Increased the limits of transactions through mobile financial services. Also, instructed the banks to set limit of online money transfer according to their own risk guidelines and transaction profile of the customers;

vii) Issued circulars regarding reporting requirement of shipment information against export of goods, export incentive/cash subsidy against export of agricultural and agro-processed products, interest charges for financing during interim period against input procurements under Export Development Fund, insurance coverage against financing to exporters, retention of inward remittances in foreign currency, easing disbursement of cash incentive against wage earners' remittance through legal channel, encashment of value added portion of repatriated export proceeds, settlement of loans against Export Development Fund etc.

viii) Issued a circular to encourage the women entrepreneurs by providing loans/advances at a subsidized rate of 5 percent under refinancing facility.

Chapter 1 : Macroeconomic Developments

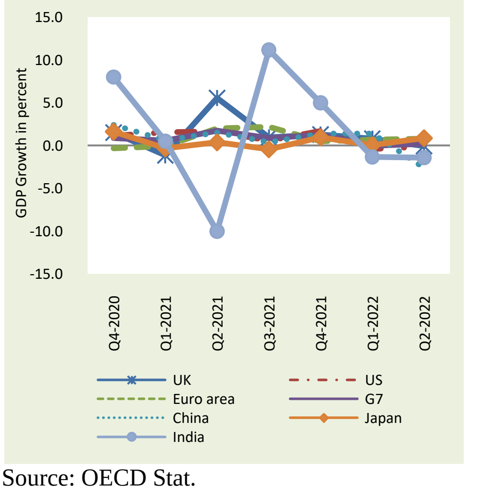
1.1 Global Macroeconomic Situation

In the review quarter, economic activities across the world slowed owing largely to persistent inflation, tightening global financial condition, deteriorating market sentiment and significant supply constraints of energy triggered by Russia-Ukraine war. Economic activities in advanced economies (AEs) weakened with falling consumer spending and diminishing means of energy supplies while emerging market and developing economies (EMDEs) faced tight capital condition stemmed from higher interest rate and capital outflow. Energy prices, registering an upward rally, pushed the inflation further up, which appears to be a major challenge for global economic growth. Financial condition experienced further tightening with rising policy rate. Continued trade disruption in the face of the war and softened demand also caused a slowdown in trade and production.

1.1.1 Global GDP Growth

Ongoing Russia-Ukraine war made a knock-on effect on global economic activities. Besides, soaring inflation, slowing demand, tightening financial condition led to a weakening global growth. Falling consumer spending and investment in USA and uncertainty over future energy supply and diminishing consumer confidence among countries of Euro area slowed the momentum. USA and UK quarterly GDP growth recorded a negative mark, and euro area and G7 as a whole experienced sluggish growth. Spillovers of war also impacted the growth of emerging market and developing economies (EMDEs). China registered a deep fall in GDP growth to -2.6 percent in the second quarter of 2022, partially due to reappearance of COVID-19 outbreaks.

Chart 1.1: Quarterly GDP Growth

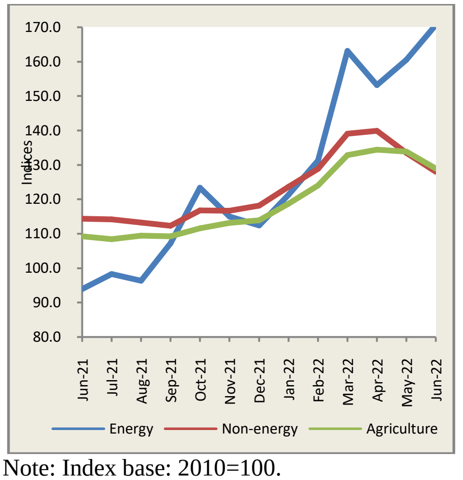


Source: OECD Stat.

1.1.2 Global Inflation Outlook

Disruption to energy supply, exacerbated by geopolitical tension between Russia and some EU countries that was triggered by Russia-Ukraine war, made the energy costlier. Brent crude oil price remained elevated throughout the Q2 of 2022 and lifted to a multi-year high in June. The oil price impact reflected in accelerated inflation. However, agricultural prices eased down moderately. In 2022Q2, energy prices increased by 4.6 percent and agricultural price declined by 2.9 percent compared to the previous quarter.

Chart 1.2: Commodity Price Index



Note: Index base: 2010=100.
Source: World Bank.

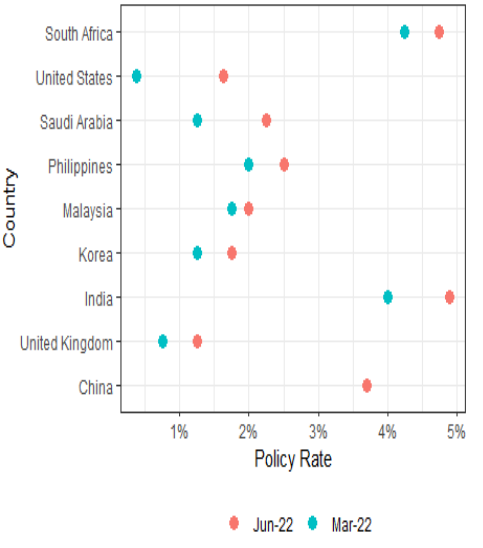
1.1.3 Global Financial Condition

Global financial condition is mostly driven by the tight monetary and fiscal policies amid rising inflation and geopolitical tension. The global equity market experienced falling prices and increased volatility.

1.1.3.1 Global Monetary Policy Response

Monetary policies across the world were tightened in the face of rising inflation. Policy rates in most of the economies were elevated during the review quarter and government bond yields in AEs rose. EMDEs experienced a net capital outflow while USD continued to strengthen persistently against currencies of EMDEs.

Chart 1.3: Policy rates of Central Banks

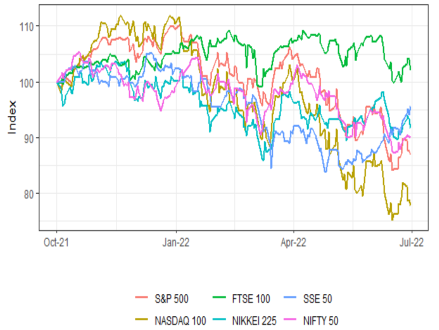


Source: BIS.

1.1.3.2 Global Equity Market

Withdrawal of policy support and uncertainties stemmed from the war put strain on investor confidence. Concern of weak economic activity led to rising risk aversion, reflecting the price decline in equity market. Major equity markets ended up with fall in price in 2022Q2 even though they recovered some value in April 2022 (Chart 1.4). Equity markets of EMDEs also faced a decline as foreign investors withdrew capital through selling equities.

Chart 1.4: Selected Equity Markets[1]

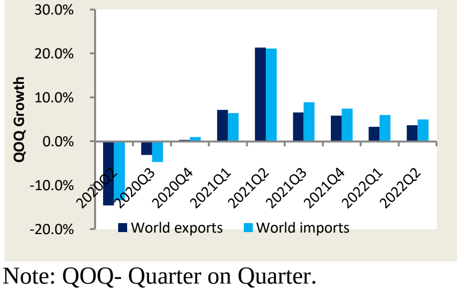


Note: Index base was 100 on 1 October 2021.
Source: The Wall Street Journal, FSD Calculation.

1.1.4 Global Trade and Production

Global trade remained softened in the review quarter owing to continued effect of prolonged pandemic and supply chain constraints associated with the Russia-Ukraine war. Moreover, disruptions in some Asian ports and renewed lockdown also affected the goods flow. Export and import grew by 3.7 and 5.0 percent respectively in the review quarter compared to the same quarter of the last year (Chart 1.5).

Chart 1.5: Global Export and Import Growth (Quarter-on-Quarter)

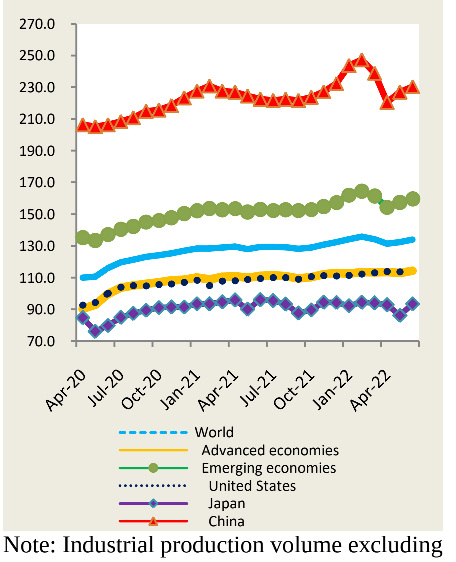


Note: QOQ- Quarter on Quarter.
Source: CPB World trade monitor, FSD calculation.

[1]S&P 500, FTSE 100, NIKKEI 225, SSE 50, NIFTY 50 are stock indices listed on major stock exchanges of the US,UK, Japan, China and India respectively.

With lower demand of industrial goods across the world and weakening economic activities, global production also slowed. Production of emerging economies was affected most, largely led by declining production in China (Chart 1.6).

Chart 1.6: Global Industrial Production



Note: Industrial production volume excluding construction, fixed base 2010=100.
Source: CPB World Trade Monitor.

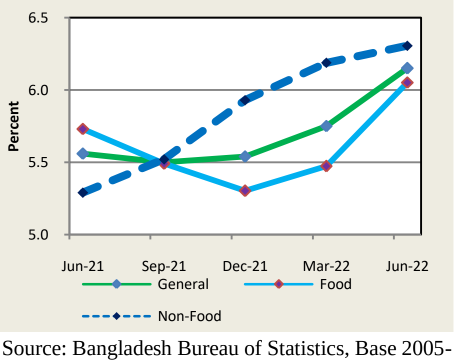
1.2 Domestic Macroeconomic Situation

Growing inflation and steep rise in exchange rate put some pressure on domestic economy. Increase in annual average inflation continued in the review quarter. The foreign exchange reserve declined; however, its adequacy to cover import payments increased marginally. As a consequence of reduction in import and an increase in wage earners' remittance, the current account deficit decreased in the review quarter. Interest rate spread in the banking industry increased slightly. Bangladeshi Taka (BDT) against the US Dollar (USD) saw depreciation in the review quarter.

1.2.1 Inflation

At end-June 2022, annual average inflation (base 2005-06=100) stood at 6.15 percent, recording an increase of 0.40 percentage point from the previous quarter. Annual average food inflation increased significantly to 6.05 percent from 5.47 percent of the preceding quarter. Annual average non-food inflation also increased notably to 6.31 percent compared to 6.19 percent observed in the preceding quarter (Chart 1.7).

Chart 1.7: Inflation

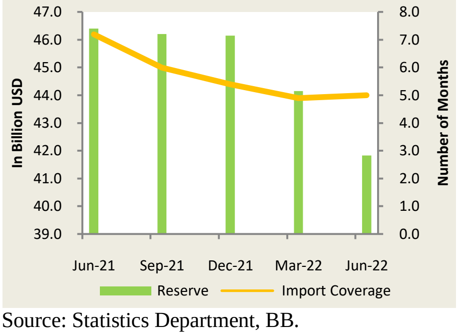


Source: Bangladesh Bureau of Statistics, Base 2005-06=100.

1.2.2 Foreign Exchange Reserve and its Import Coverage

At end-June 2022, the gross foreign exchange reserves decreased to USD 41.83 billion from USD 44.15 billion at end-March 2022. The reserve position may cover 5 months import payments, a slight increase from 4.9 months in the preceding quarter[2] (Chart 1.8).

Chart 1.8: Foreign Exchange Reserves

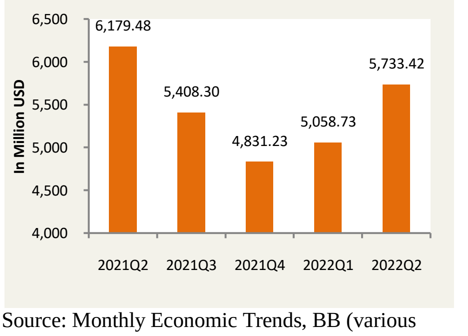


Source: Statistics Department, BB.

1.2.3 Wage Earners' Remittance

Wage earners' remittance increased in the review quarter. It posted at USD 5733.42 million during 2022Q2[3], recording an increase of 13.34 percent from USD 5058.73 million received during 2022Q1. However, remittance inflows decreased compared to 2021Q2 by 7.22 percent (Chart 1.9).

Chart 1.9 Wage Earners' Remittance



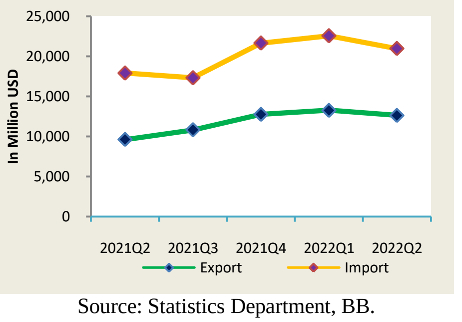
Source: Monthly Economic Trends, BB (various issues).

[2]Reserve adequacy in months of prospective imports basis.
[3]Q1, Q2, Q3, Q4 indicates the first, second, third and fourth quarter respectively.

1.2.4 Exports (FOB) and Imports (FOB)

In the review quarter, both exports and imports decreased compared to those of the previous quarter. Exports stood at USD 12,629 million, decreased by 4.8 percent from USD 13,263 million in the preceding quarter. Aggregate imports also decreased by nearly 7.0 percent from USD 22,553 million in the preceding quarter and stood at USD 20,971 million. In comparison with the same quarter of the previous year, exports and imports increased by 31.4 percent and 17.1 percent respectively (Chart 1.10).

Chart 1.10: Exports (FOB) and Imports (FOB)

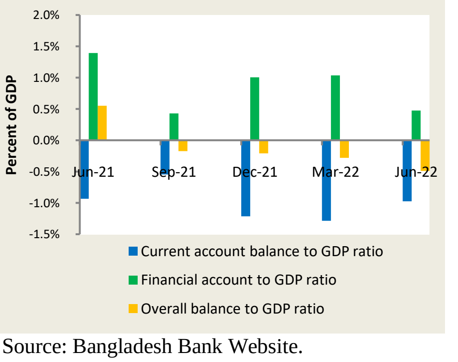


Source: Statistics Department, BB.

1.2.5 Balance of Payment

In contrast to the preceding quarter, current account deficit narrowed in the review quarter mainly due to the reduction of deficit in trade balance. However, financial account experienced a surplus. On net, the overall balance recorded a deficit in the review quarter. Current account balance and financial account as a share of GDP stood at -0.98 percent and 0.47 percent in April-June, 2022 quarter while overall balance as a percentage of GDP registered at -0.49 percent (Chart 1.11).

Chart 1.11: Balance of Payment Position

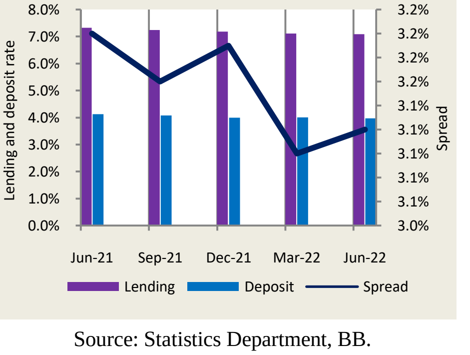


Source: Bangladesh Bank Website.

1.2.6 Interest Rate

In the review quarter, the weighted average lending rate continued its declining trend; besides, the deposit rate also demonstrated a small decrease. The weighted average lending and deposit rates stood at 7.09 percent and 3.97 percent respectively in June 2022 whereas these rates were 7.11 percent and 4.01 percent in March 2022 (Chart 1.12).

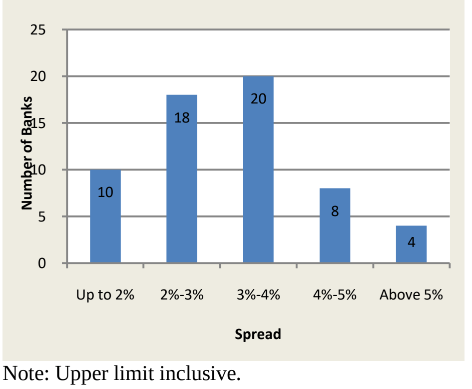
Chart 1.12: Interest Rate Spread



Source: Statistics Department, BB.

Albeit decreases in the lending and deposit rate, the spread between these two widened, registering at 3.12 percent in June 2022 from 3.10 percent in March 2022. Out of sixty banks, interest rate spreads of four banks, consisting of two PCBs and two FCBs, were above 5.0 percent (Chart 1.13).

Chart 1.13: Number of Banks by Interest Rate Spread

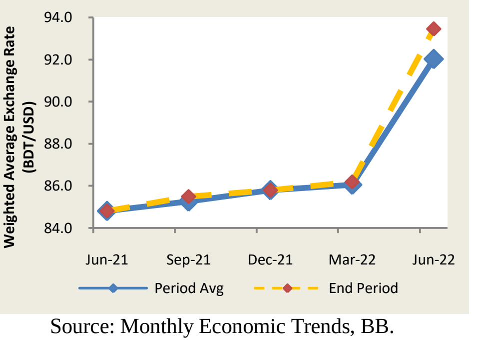


Note: Upper limit inclusive.
Source: Statistics Department, BB.

1.2.7 Exchange Rate

Bangladeshi Taka (BDT) against the USD[4] has gradually been depreciating in the last few quarters including the review quarter. The exchange rate of BDT per USD stood at 93.45 at end-June 2022, which was 86.20 at end-March 2022 (Chart 1.14).

Chart 1.14: Exchange Rate

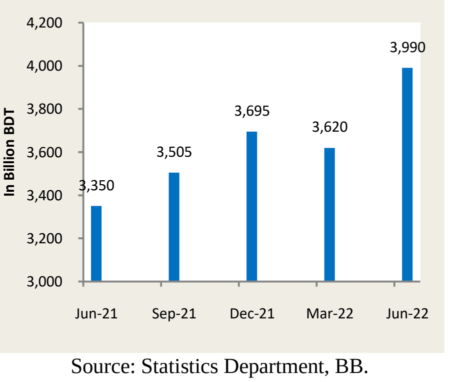


Source: Monthly Economic Trends, BB.

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

Credit to the Government (gross) by the banking system increased. It increased by 10.2 percent at end-June 2022 compared to end-March 2022 and stood at BDT 3,990 billion. Also, compared to end-June 2021, it increased by 19.1 percent (Chart 1.15).

Chart 1.15: Credit to the Government (Gross) by the Banking System



Source: Statistics Department, BB.

[4] BDT per USD on end-period basis.

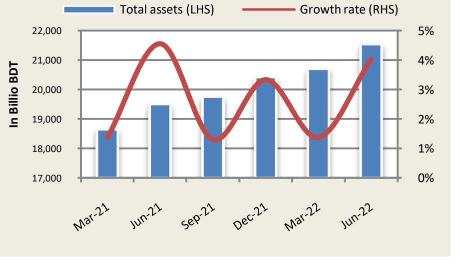
Chapter 2 : BANKING SECTOR PERFORMANCE

In the review quarter, banking sector[5] demonstrated a mixed trend in terms of asset size, asset quality and profitability. Asset size and profitability increased, while asset quality as measured by gross NPL ratio deteriorated at end-June 2022 compared to the preceding period.

2.1 Assets Structure

During the review period the asset size[6] of the banking sector stood at BDT 21,546.4 billion, recording an increase of 4.0 percent from BDT 20,711.2 billion at end-March 2022 (Chart 2.1). This asset growth was largely attributed to increase in loans and advances. The assets-to-GDP[7] ratio stood at 54.2 percent at end-June 2022 which was 52.1 percent at end-March 2022.

Chart 2.1: Asset Size of the Banking Industry



Source: DOS, BB; Compilation: FSD, BB.

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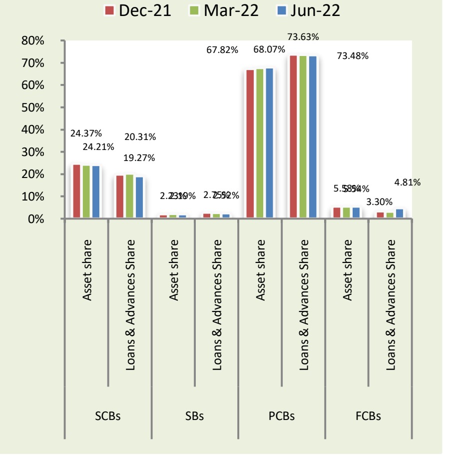
[5] Citizens Bank Limited is excluded from the analyses due to unavailability of data.

[6] Only scheduled banks are taken into account.

[7] GDP at current market price (provisional) for the financial year 2021-22 is taken into account where the base year is 2015-16.

Larger portion of the banking sector's assets (68.1 percent) as well as loans and advances (73.5 percent) were occupied by the PCBs (Chart 2.2). During the review quarter, PCBs' asset share increased while loan share decreased slightly, whereas SCBs' share of asset (24.2 percent), and loans and advances (19.3 percent), second largest market share holder, slightly decreased compared to those of the preceding period.

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



Source: DOS, BB; Compilation: FSD, BB.

Asset structure of the banking industry remained mostly unchanged in the review quarter compared to the preceding period (Table 2.1). Loans and advances, the largest segment among the asset items, constituted 65.99 percent of total assets followed by investment (17.91 percent) at end-June 2022.

Table 2.1: Asset Structure of the Banking Industry

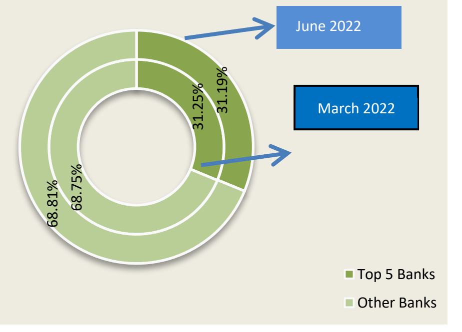
Component of Assets	% of Total asset (End-March'22)	% of Total asset (End-June'22)	Change (PP)
Cash in hand	0.95%	0.93%	(0.02%)
Balance with BB and its Agent Bank	4.74%	4.53%	(0.21%)
Balance with other banks and FIs	4.45%	4.48%	0.23%
Investment	18.16%	17.91%	(0.25%)
Loans & Advances	65.42%	65.99%	0.57%
Fixed Assets	1.37%	1.33%	(0.04%)
Other Assets	4.88%	4.81%	(0.07%)
Non-banking Assets	0.02%	0.02%	0.00%
Total Assets	100.00%	100.00%	N/A

Note: PP-Percentage Point.

Source: DOS, BB; Compilation: FSD, BB.

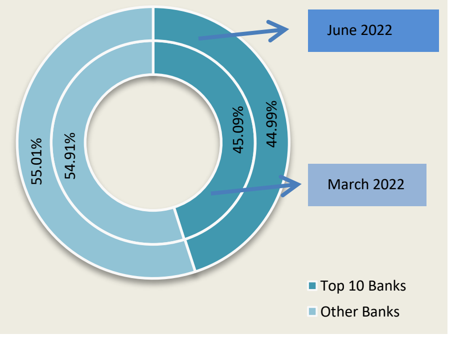
The asset concentration ratios[8] of the top 5 and top 10 banks were 31.19 percent and 44.99 percent respectively at end-June 2022 which were almost same compared to the previous quarter (Chart 2.3 and 2.4).

Chart 2.3: Asset Concentration of Top 5 banks



Source: DOS, BB; Compilation: FSD, BB.

Chart 2.4: Asset Concentration of Top 10 banks



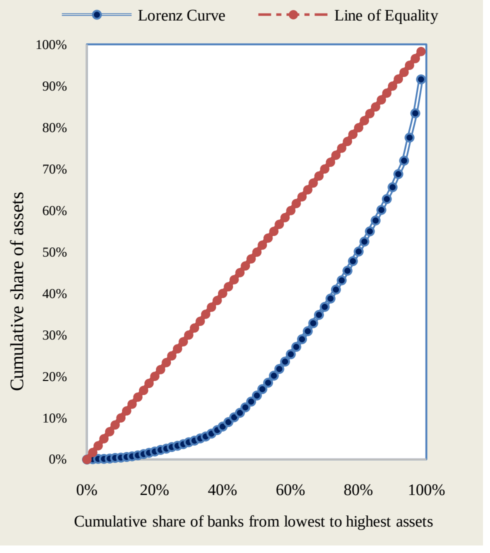
Source: DOS, BB; Compilation: FSD, BB.

Banking sector's asset concentration has also been demonstrated using Gini Coefficient calculated based on the Lorenz Curve (Chart 2.5). The Lorenz Curve indicates the presence of moderate concentration of assets in the banking industry, as the calculated Gini coefficient[9] is 0.494.

[8]Asset concentration ratio of top 5 or 10 banks is defined as the ratio of total assets of top 5 or 10 banks over the total assets of the banking industry.

[9] 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



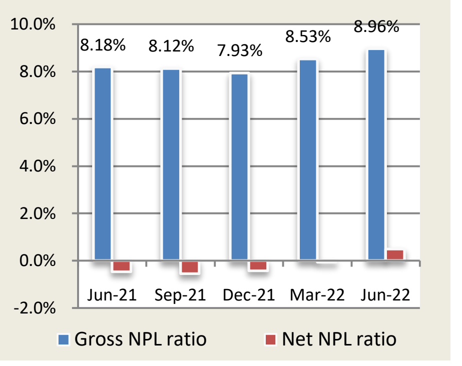
Source: DOS, BB; Compilation: FSD, BB.

2.2 Asset Quality

Gross non-performing loan (NPL) ratio[10] of the banking sector increased to 8.96 percent at end-June 2022 compared to 8.53 percent at end-March 2022 (Chart 2.6). On the other hand, net non-performing loans, net of loan loss provisions and interest suspense, to total loans (net NPL ratio) was 0.49 percent. The ratio became positive in the review quarter, after recording negative net NPL ratio in the last few quarters. The primary reason for this positive net NPL ratio could be attributed to the higher amount of classified loans.

[10] Ratio of non-performing loans to total loans where total loans include both domestic banking unit (DBU) and off- shore banking unit (OBU).

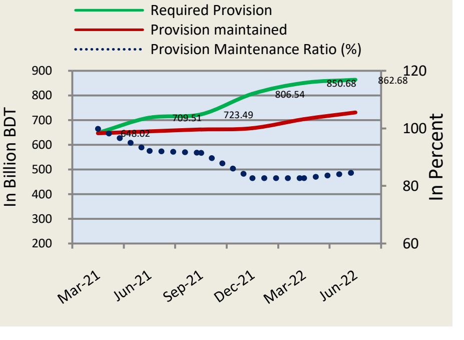
Chart 2.6: NPL Ratio of the Banking Industry



Source: BRPD, BB.

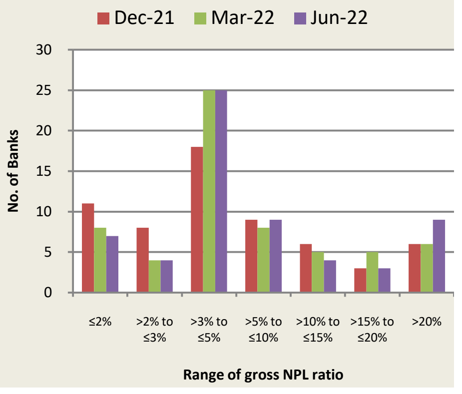
In the review quarter, the required provision increased by BDT 12 billion whereas actual provision increased by BDT 27.26 billion (Chart 2.7). Consequently, provision maintenance ratio increased to 84.68 percent from 82.67 percent at end-March 2022.

Chart 2.7: Banking Sector Loan Loss Provision



Source: BRPD, BB.

Chart 2.8: Distribution of banks by Gross NPL ratio

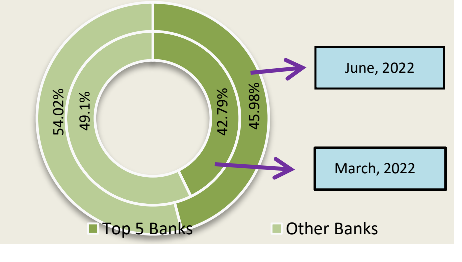


Source: BRPD, BB; Compilation: FSD, BB.

Chart 2.8 presents distribution of banks based on their gross NPL ratios. The distribution shows that NPL ratio of 35 banks was within 5 percent and for 9 banks it was above 20 percent at end- June 2022.

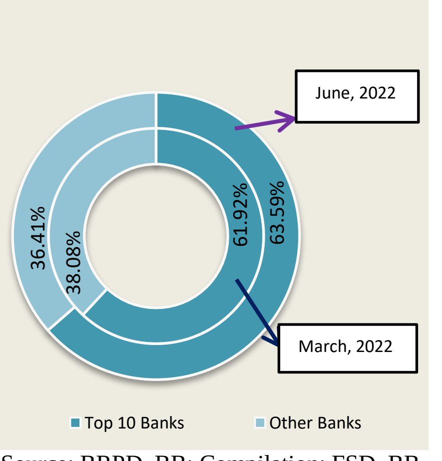
Chart 2.9 and 2.10 show that a handful of banks continue to hold large portion of gross NPL in the review quarter. The gross NPL concentration ratios of the top 5 and top 10 banks were 45.98 and 63.59 percent respectively at end-June 2022 against the corresponding figures of 42.79 and 61.92 percent at end-March 2022.

Chart 2.9: NPL Concentration of Top 5 Banks



Source: BRPD, BB; Compilation: FSD, BB.

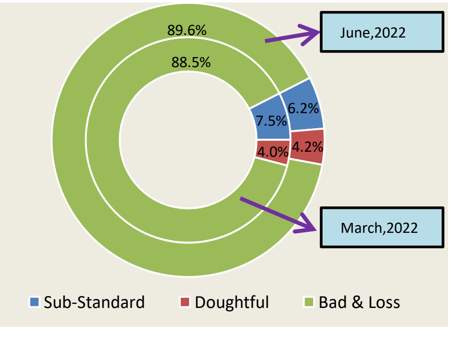
Chart 2.10: NPL Concentration of Top 10 Banks



Source: BRPD, BB; Compilation: FSD, BB.

In the review quarter, proportion of classified loans pertaining to bad/ loss category recorded minor increase (Chart 2.11). The percentage of bad/loss (B/L) portion of total classified loans increased to 89.6 percent at end-June 2022 from 88.5 percent at end-March 2022. The share of other two categories of classified loans—sub-standard (SS) and doubtful (DF)—stood at 6.2 percent and 4.2 percent respectively in the review quarter.

Chart 2.11: NPL Composition

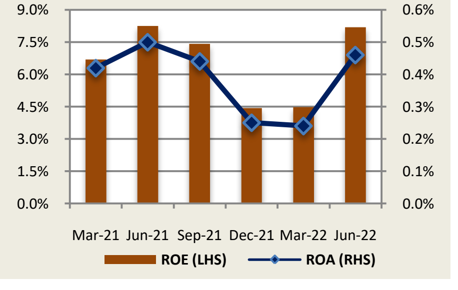


Source: BRPD, BB.

2.3 Profitability

In the review quarter, profitability of the banking sector, measured by return on asset (ROA) and return on equity (ROE), increased to 0.46 percent and 8.20 percent respectively compared to 0.24 percent and 4.48 percent of the respective ratios of the preceding quarter.

Chart 2.12: ROA and ROE of the Banking Sector

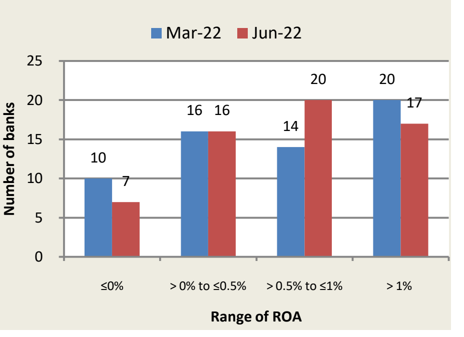


Note: Figures of all quarters are annualized except the quarter ended at December 2021.

Source: From Mar-21 to Dec-21, BB Quarterly; Mar-22 (revised) and June-22 (Provisional) from DOS, BB; calculation FSD, BB.

The distribution of ROA (Chart 2.13) shows that during the review quarter 7 banks were unable to make any profit and ROA of 37 banks was above 0.50 percent while these figures were 10 and 34 respectively in the previous quarter.

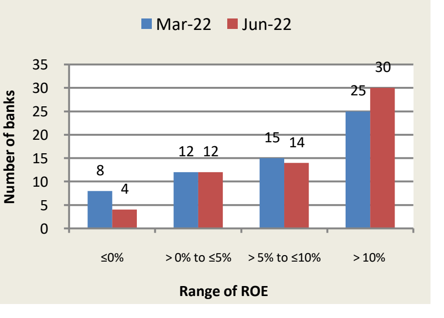
Chart 2.13: Distribution of Banking Sector Return on Assets (ROA)



Note: Mar-22 (Revised), June-22 (Provisional)
Source: DOS BB; Compilation: FSD, BB.

Chart 2.14 depicts that ROE of 16 banks remained below or equal to 5 percent in the review quarter compared to 20 banks under the same range of ROE in the previous quarter. ROE of 30 banks was higher than 10 percent at end-June 2022.

Chart 2.14: Distribution of Banking Sector Return on Equity (ROE)



Note: Mar-22 (Revised), June-22 (Provisional)
Source: DOS BB; Compilation: FSD, BB.

Chapter 3 : FINANCIAL INSTITUTIONS' PERFORMANCE

The key financial soundness indicators of FIs showed a mixed performance in June, 2022 quarter. Total assets including earning assets, fixed assets, and cash and liquid assets of FIs expanded compared to those of the previous quarter. In addition, return on equity as well as return on assets slightly increased compared to the same of the preceding quarter. Also, asset quality moderately declined compared to the previous quarter.

3.1 Growth of Liabilities and Equities and Assets

Total liabilities and equities of FIs expanded as borrowings, deposits and capital increased by BDT 29.64 billion, BDT 18.91 billion and BDT 2.13 billion respectively compared to March, 2022 quarter.

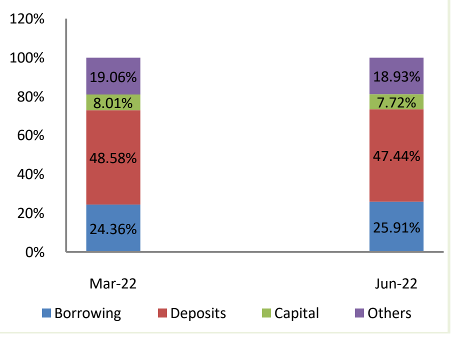
At end-June 2022, total assets of financial institutions reached to BDT 948.00 billion[11], exhibiting an increase of 6.88 percent compared to the amount of BDT 886.96 billion at end-March 2022. Cash and liquid assets, and earning assets expanded by BDT 24.76 billion and BDT 31.37 billion respectively.

[11] Financial Statements of March, 2022 quarter of 1(one) FI and September, 2021 quarter of 3(three) FIs have been used due to the unavailability of June, 2022 based data.

3.1.1 Sources of Fund: Composition and Contribution

At end-June 2022, borrowings, deposits, capital, and other liabilities constituted 25.91 percent, 47.44 percent, 7.72 percent and 18.93 percent of the sources of funds of the FIs respectively. In comparison with the previous quarter, the share of borrowing increased by 1.55 percentage points. On the other hand, deposits, capital and other liabilities decreased by 1.14, 0.29 and 0.13 percentage points respectively (Chart 3.1).

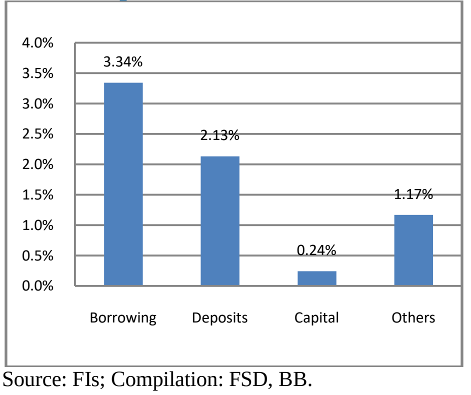
Chart 3.1: Compositions of Sources of Fund at End- June, 2022



Source: FIs; Compilation: FSD, BB.

During the review period, total liabilities and equities increased by 6.88 percent compared to the preceding period which is largely attributed to an increase in borrowings, deposits and other liabilities by 3.34 percent, 2.13 and 1.17 percent respectively. Also, capital increased by 0.24 percent at end-June 2022. The contributions of different components in liability growth are illustrated in Chart 3.2.

Chart 3.2: Contributions of Components in Growth of Liabilities and Equities at End- June, 2022



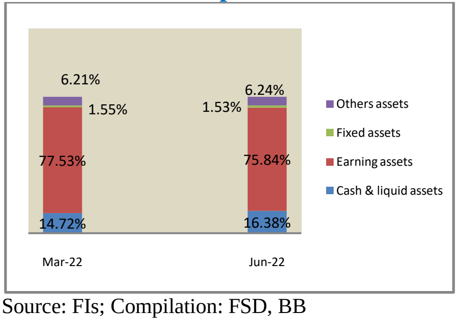
Source: FIs; Compilation: FSD, BB.

3.1.2 Assets: Composition and Contribution

Total earning assets (i.e., loans, leases, and investment) of FIs constituted 75.85 percent of total assets at end-June 2022. The rest of total assets composed of cash and liquid assets, fixed assets, and other assets; shares of these components are 16.38 percent, 1.53 percent and 6.24 percent respectively (Chart 3.3).

When compared with end-March 2022 positions, the share of cash and liquid assets and other assets increased by 1.66 percentage points and 0.03 percentage point, whereas earning assets and fixed assets decreased by 1.68 percentage points, and 0.02 percentage point respectively during the review period.

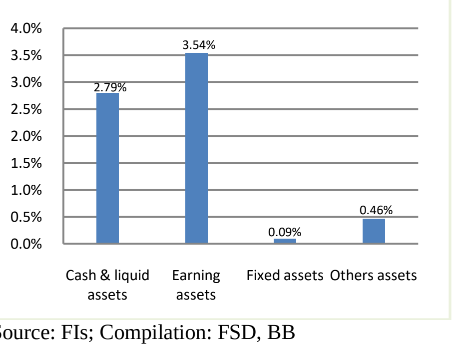
Chart 3.3: Composition of Assets



Source: FIs; Compilation: FSD, BB

The 6.88 percent increase in total assets during the review period, compared to the preceding period, was largely attributed to increase in cash and liquid assets, earning assets and fixed assets by 2.79 percent, 3.54 percent and 0.09 percent respectively. Also, other assets increased by 0.46 percent. The contributions of different components in assets growth are illustrated in Chart 3.4.

Chart 3.4: Contributions of Components in Growth of Assets at End-June, 2022

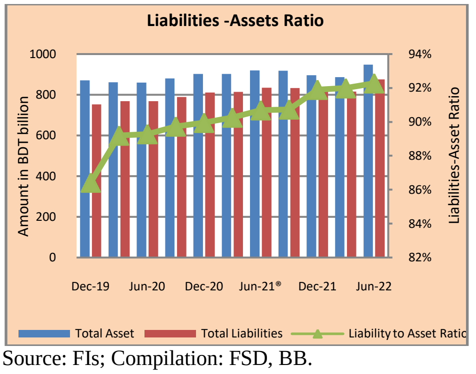


Source: FIs; Compilation: FSD, BB

3.1.3 Liabilities-Assets Ratio

The liabilities to assets ratio stood at 92.28 percent at end-June 2022 which is 29 basis points higher than that of the previous quarter (Chart 3.5).

Chart 3.5: FIs' Liabilities-Assets Ratio

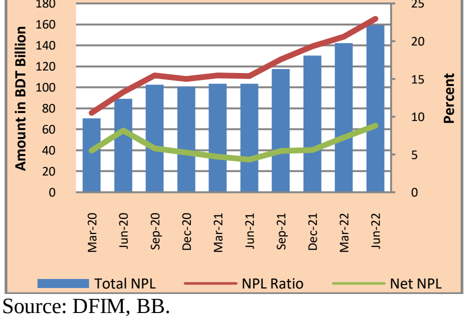


Source: FIs; Compilation: FSD, BB.

3.2 Asset Quality

Aggregate classified loans and leases stood at BDT 159.36 billion at end-June 2022 from BDT 142.32 billion at end-March 2022. The ratio of classified loans and leases increased to 22.99 percent at end-June 2022 which is 2.36 percentage points higher than that of the previous quarter and 7.60 percentage points higher than that of end-June 2021 (Chart 3.6).

Chart 3.6: FIs' Non-performing Loans



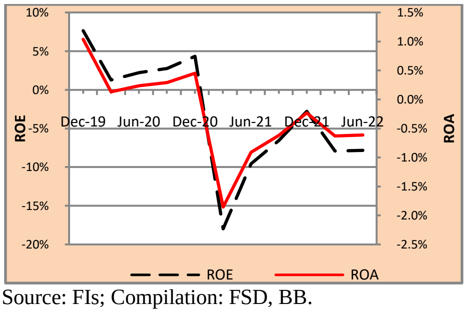
Source: DFIM, BB.

Net NPL ratio (after netting off interest suspense and actual provisions maintained) was 8.81 percent at end-June 2022, which is 1.57[12] percentage points and 4.47 percentage points higher than that of the previous quarter and June 2021 quarter respectively.

3.3 Profitability

Profitability indicators as measured by return on assets (ROA) and return on equity (ROE) were negative since March 2021. Return on assets (ROA) increased to -0.61 percent from -0.63 percent while return on equity (ROE) increased to -7.85 percent from -7.93 percent compared to the preceding period. It is noteworthy that ROA and ROE were -0.91 percent and -9.59 percent respectively in June 2021[13] (Chart 3.7).

Chart 3.7: FIs' ROA and ROE



Source: FIs; Compilation: FSD, BB.

3.4 FIs Sector's Asset Concentration

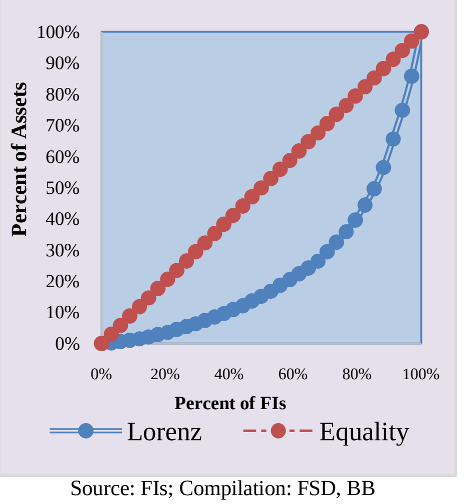
FIs sector's asset concentration has been illustrated using the Lorenz curve and Gini Coefficient. As depicted in Chart 3.8, the position of the Lorenz Curve shows that about 20 percent of FIs hold around 60 percent of assets which implies the presence of a high concentration in the assets of FIs sector. The calculated Gini coefficient at end-June 2022 was

[12] Revised data are used.

[13] Data are annualized except December quarter.

0.53 which suggests that distribution of assets among FIs was significantly unequal.

Chart 3.8: FIs asset concentration-Lorenz Curve



Source: FIs; Compilation: FSD, BB

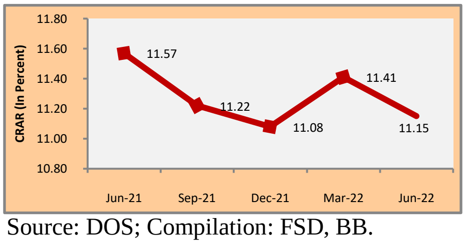
Chapter 4 : BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

In the review quarter, banking sector's CRAR declined by 26 basis points from the previous quarter but remained well above the regulatory requirement. However, the banking system liquidity situation was compliant in terms of ADR, LCR and NSFR.

4.1 Capital Adequacy

In the review quarter, banking system's total regulatory capital (TRC) exceeded the minimum capital requirement (MCR) by BDT 130.47 billion (Appendix 4.1). Quarterly CRAR of the banking sector showed a declined capitalization level after first quarter of 2022. The CRAR was 11.41 percent at the end of March 2022 quarter and stood at 11.15 percent at the end of the review quarter against the regulatory requirement of 10 percent[14] (Chart 4.1).

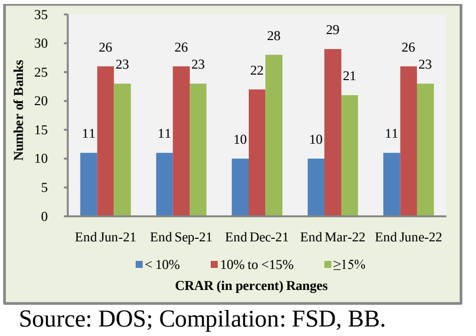
Chart 4.1 Banking Sector Capital to Risk-Weighted Assets Ratio



Source: DOS; Compilation: FSD, BB.

49 banks out of 60 maintained at least 10.0 percent CRAR at the end of the review quarter (Chart 4.2).

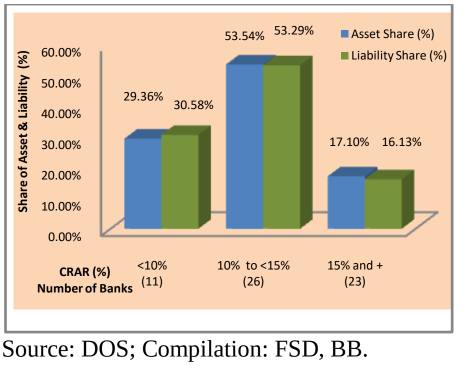
Chart 4.2 Distribution of Banks against Capital to Risk-Weighted Assets Ratio



Source: DOS; Compilation: FSD, BB.

The 26 banks with 10% to <15% CRAR[15] holds maximum asset (53.54 percent) and liability (53.29 percent) share of the industry (Chart 4.3). However, 11 banks with less than 10 percent CRAR hold 29.36 percent asset and 30.58 percent liability of the banking system (Chart 4.3).

Chart 4.3 Assets and Liability Share of Banks based on CRAR at End-June 2022



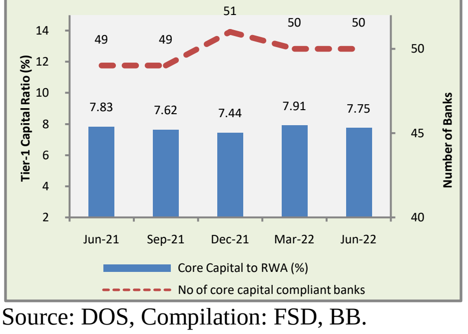
Source: DOS; Compilation: FSD, BB.

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

[15] Upper limit exclusive.

Tier-1 capital ratio[16] of the banking industry decreased by 16 and 8 basis points from the previous quarter end and end-June 2021 respectively (Chart 4.4). However, the ratio, 7.75 percent, remained considerably higher than the regulatory requirement of 6.0 percent[17].

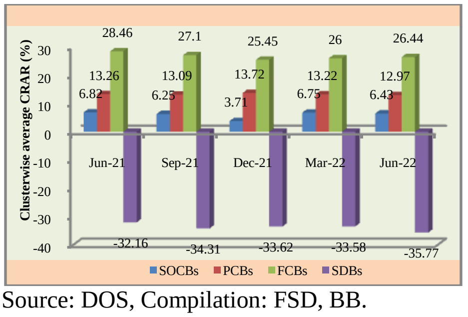
Chart 4.4 Banking Industry's Tier-1 Capital Ratio



Source: DOS, Compilation: FSD, BB.

Cluster-wise capitalization level of the industry remained steady when compared to the previous quarter. During the review quarter FCBs maintained the highest CRAR (26.44 percent) and SDBs maintained the lowest CRAR (-35.77 percent) (Chart 4.5).

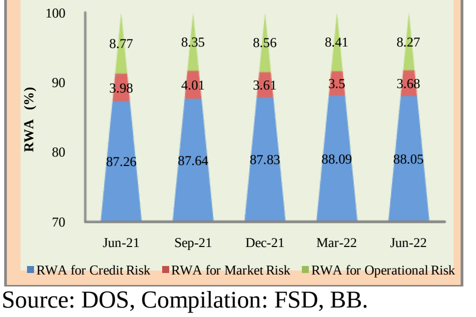
Chart 4.5 Banking Cluster-wise CRAR at End-June 2022



Source: DOS, Compilation: FSD, BB.

Alike previous quarter, risk weighted assets (RWA) for Credit Risk composes the majority of the total RWA. However, the RWA for Credit Risk in end-June 2022 declined by 4 and increased by 79 basis points compared to that of end-March 2022 and end-June 2021 respectively (Chart 4.6).

Chart 4.6 Distribution of Risk Weighted Assets



Source: DOS, Compilation: FSD, BB.

In the review quarter, 41 out of 60 banks and 26 out of 39 banks maintained capital conservation buffer (CCB) on solo and consolidated basis respectively against the regulatory requirement of 2.50 percent (Appendix 4.7). In the review period, aggregate CCB of the industry was 1.15 percent on solo basis and 1.83 percent on consolidated basis.

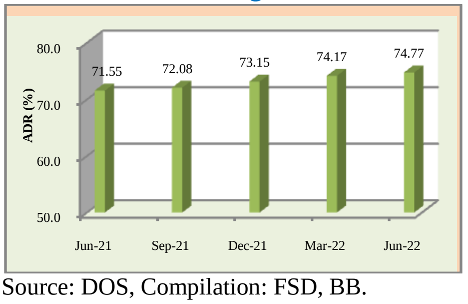
4.2 Liquidity

By the end of June 2022, the banking system met the required CRR on both overall and cluster-wise basis. However, the system maintained 24.02 percent SLR which is 12.93 percentage points higher than the minimum requirement (Appendix 4.8). At end-June 2022, Advance-to-

[16]Tier-1 capital ratio is calculated as a percentage of core capital to RWA.
17 In line with Basel III capital framework.

Deposit Ratio (ADR) of the banking industry stood at 74.77 percent which is 0.60 and 3.22 percentage points higher than those of end-March 2022 and end-June 2021 (Chart 4.7).

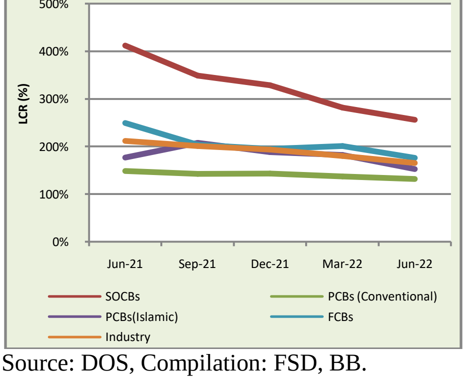
Chart 4.7 Banking Sector ADR



Source: DOS, Compilation: FSD, BB.

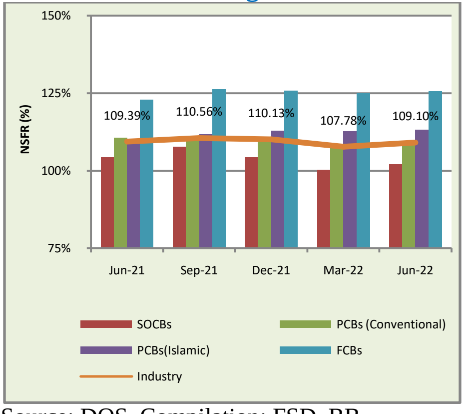
The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of the banking system remained well above the regulatory requirement in the review quarter as well as in the previous quarters. However, LCR experienced a declining trend in all clusters with some minor exceptions from June 2021 to June 2022 (Chart 4.8 and Appendix 4.13). Furthermore, both in the review and previous quarters, the NSFR of SOCBs remained marginally above the regulatory requirement (Chart 4.9).

Chart 4.8 Banking Sector LCR



Source: DOS, Compilation: FSD, BB.

Chart 4.9 Banking Sector NSFR

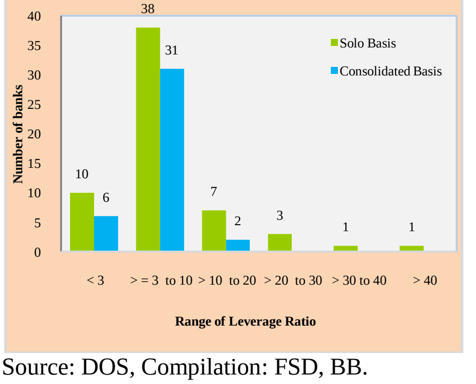


Source: DOS, Compilation: FSD, BB.

4.3 Leverage Ratio

At end-June 2022, the banking system leverage ratio was 4.39 percent on solo basis (Appendix 4.12). In terms of maintaining regulatory minimum leverage ratio of 3.0 percent or higher, 50 out of 60 banks and 33 out of 39 banks were able to meet this on a solo and consolidated[18] basis respectively (Chart 4.10).

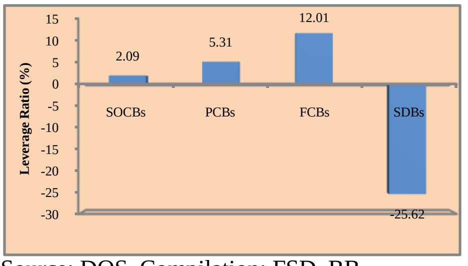
Chart 4.10 Leverage Ratio of Banks at End-June 2022



Source: DOS, Compilation: FSD, BB.

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

Chart 4.11 Leverage Ratio of Bank Clusters at End-June 2022 (Solo basis)



Source: DOS, Compilation: FSD, BB.

FCBs continued maintaining significantly higher leverage ratio while compared to any other banking clusters (Chart 4.11). In contrast, SDBs remained persistent in continuing with the high negative leverage ratio.

Chapter 5 : FINANCIAL INSTITUTIONS' CAPITAL ADEQUACY AND LIQUIDITY

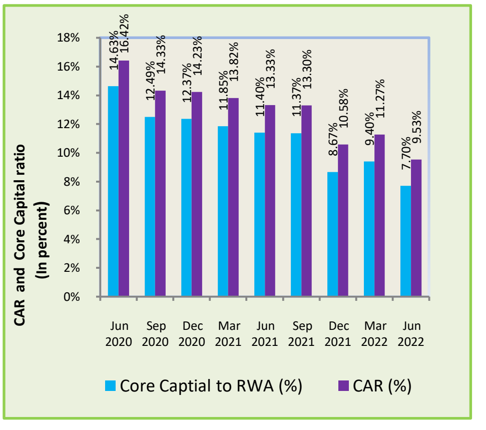
During June 2022 quarter, the capital adequacy ratio (CAR) and the core capital (Tier-1 capital) ratio of the Financial Institutions (FIs) decreased moderately compared to those of the previous quarter. On an aggregate basis, CRR maintained by FIs was marginally below the required CRR in March 2022[19]. On the contrary, SLR maintained by the FIs was significantly higher (more than four-times) than the required level.

5.1 Capital Adequacy

In the review quarter, the capital adequacy ratio (CAR) and the Tier-1 capital ratio of the FIs stood at 9.53 percent and 7.70 percent respectively. Both the ratios decreased by 1.74 and 1.70 percentage points respectively in June 2022 compared to those of end-March 2022. In the review quarter, 25 out of 34 FIs were able to maintain the required level of Tier-1 capital ratio and CAR. However, the maintained CAR was 0.47 percentage point lower against the minimum capital requirement of 10.0 percent in June 2022. On the other hand, the maintained Tier-1 capital ratio was 2.7 percentage points higher than the minimum regulatory requirement of 5.0 percent in the review quarter[20].

Chart 5.1 shows the trend in core capital to risk weighted assets (RWA) ratio (Tier-1 capital ratio) and CAR since June 2020.

Chart 5.1: Capital Adequacy Ratio of FIs



Source: DFIM, BB.

5.2 Risk-Weighted Assets (RWA)

Total risk-weighted assets (RWA) decreased from BDT 703.81 billion at end-March 2022 to BDT 698.33 billion at end-June 2022. During the review quarter, the RWA for credit, market, and operational risks were 90.12 percent, 3.69 percent and 6.19 percent of overall RWA of the FIs respectively. Among the three components of RWA, the RWA associated with market risk and credit risk decreased marginally by 0.04 and 0.18 percentage point respectively, whereas operational risk increased by 0.22 percentage point in the review period. Chart 5.2 demonstrates the

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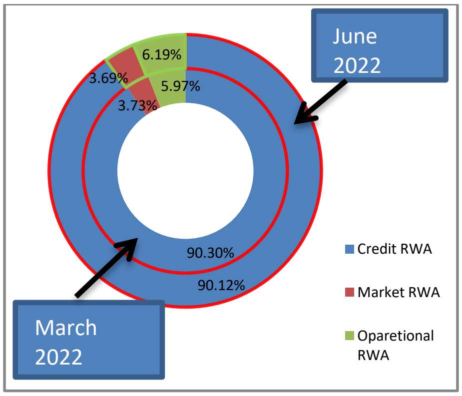
[19] Due to unavailability of June 2022 data, March 2022 quarter data has been used for CRR and SLR.

[20]FIs are required to maintain 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 capital framework.

different components of the overall risk-weighted assets (RWA) of the FIs at the end of June 2022.

Chart 5.2: Different Components of Risk-Weighted Assets (RWA) of FIs

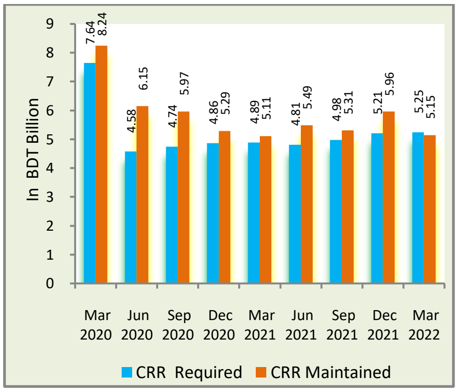


Source: DFIM, BB.

5. 3 Liquidity

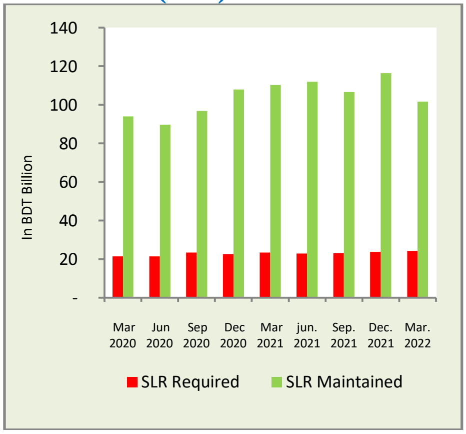
The aggregate amount of cash reserve ratio (CRR) maintained by the FIs was BDT 5.15 billion as of end-March 2022 compared to BDT 5.96 billion at end-December 2021, recording a decrease of 13.59 percent. A shortfall amount of BDT 98.60 million was observed against the CRR requirement. The amount of statutory liquidity ratio (SLR) maintained by FIs stood at BDT 101.64 billion at end-March 2022 against the requirement of BDT 24.28 billion. In March 2022, the amount of SLR maintained by FIs decreased by 12.7 percent compared to that of December 2021. Chart 5.3 and Chart 5.4 illustrate the trend in CRR and SLR position of the FIs since March 2020.

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

Financial Stability Department (FSD) conducts quarterly stress testing on banks to ascertain their resilience under different plausible adverse scenarios[21]*. This hypothetical test is used as a risk management tool for instructing banks to take safety measures in respect of capital maintenance and liquidity management against any probable adverse economic and financial condition. This chapter analyzes the results of stress tests on banks as well as banking sector based on the data as of end-June 2022. Results of the test indicate that the banking sector would remain moderately resilient to different shock scenarios.*

6.1 Credit, Market and Combined Shocks

At end-June 2022, in the pre-shock scenario, 11 scheduled banks out of 60 could not maintain the minimum regulatory requirement of CRAR of 10 percent. Hence, remaining 49 banks were considered for the analysis of this quarter. Chart 6.1 and Table 6.1 represent the number of non-compliant banks and CRAR of the banking sector respectively for different minor shock scenarios, which indicate a slight deterioration in the banking sector resilience. The following sub-sections describe the details of the shocks and the associated results.

6.1.1 Credit Shocks

a) **Increase in Non-performing Loans (NPL):** If NPLs increased by 3 percent, then 7 banks would fail to maintain the minimum required CRAR of 10 percent.

b) **Increase in NPL due to Default of Top Borrowers:** If top 3 borrowers of each bank defaulted, then 16 banks would fail to maintain the minimum required CRAR.

c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** If FSV of mortgaged collateral declined by 10 percent, then one (01) bank would fail to maintain the minimum required CRAR.

d) **Negative Shift in the NPL Categories:** If NPL categories shifted downward by 5 percent, then 2 banks would fail to maintain the minimum required CRAR.

e) **Increase in NPL in Highest Outstanding Sector:** If 3 percent of performing loan of highest outstanding sector directly downgraded to bad/loss category,

[21] 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 in line with Basel III capital framework.

then 2 banks would fail to maintain the minimum required CRAR.

6.1.2 Market Shocks

a) **Interest Rate Risk:** If the deposit interest rate increased by 1 percent, then 2 banks would fail to maintain the minimum required CRAR.

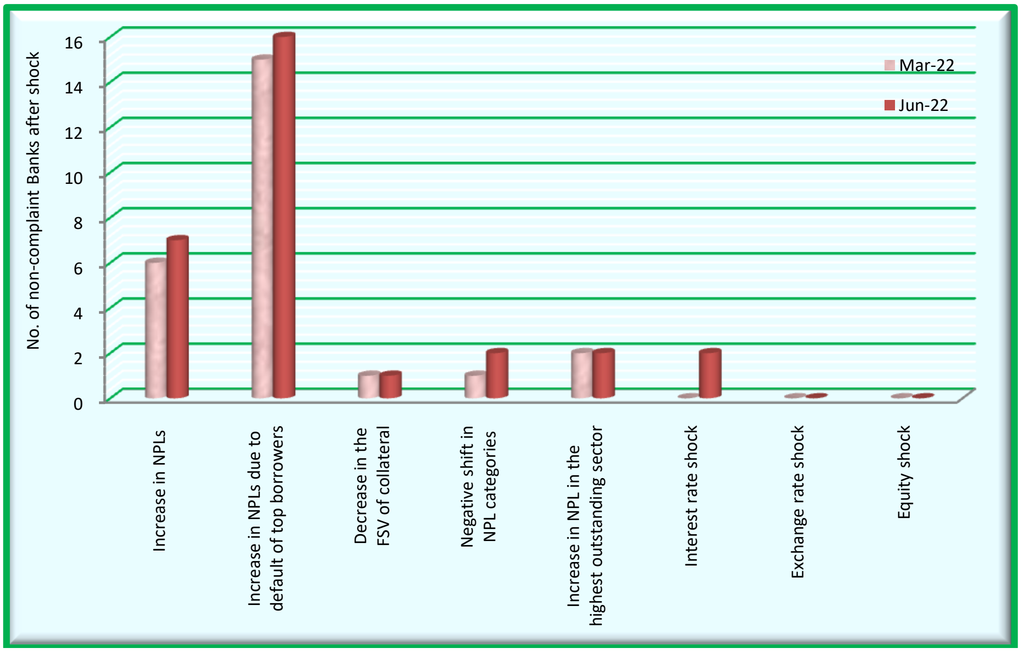
b) **Exchange Rate Risk:** In case of currency depreciation by 5 percent, no bank would fail to maintain the minimum required CRAR.

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

6.1.3 Combined Shock

This test evaluates the banks' 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 (excluding default of top large borrowers and increase in NPLs of highest outstanding sector), 14 banks would fail to maintain the minimum required CRAR.

Chart 6.1 : Number of Non-compliant Banks in case of different Minor Shock Scenarios



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

Table 6.1: The results of different Minor Shock Scenarios in the Banking Sector

(In percent)

Description	March 2022	June 2022
Required minimum CRAR	**10.00**	**10.00**
Pre-shock CRAR	**11.34**	**11.15**
After-Shock CRAR		
Credit Risks		
Increase in NPLs by 3%	**9.57**	**9.33**
Default of top 3 borrowers	**9.91**	**9.46**
10% fall in the forced sale value (FSV) of mortgaged collateral	**10.76**	**10.50**
5% negative shift in the NPLs categories	**10.65**	**10.41**
3% of performing loans of highest exposed sector directly downgraded to bad/loss	**11.18**	**10.97**
Market Risks		
1% increase in interest rate	**10.75**	**10.44**
Currency depreciation by 5%	**11.32**	**11.14**
Fall in the equity prices by 10%	**10.98**	**10.85**
Combined Shock	**7.35**	**6.89**

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

6.2 Liquidity Shock

The liquidity stress test shows the banking sectors' ability to meet up the obligation in case of 2 percent excess cash withdrawal compared with present situation. Table 6.2 shows liquidity stress scenario in the banking sector as on end-June 2022. The table shows that the banking system as a whole would remain resilient against liquidity stress scenario.

Table 6.2: Liquidity Risk in the Banking Sector at End-June 2022

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

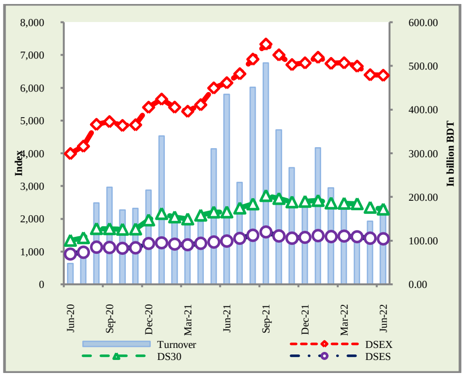
Both the stock markets of the country (DSE and CSE) were in bearish trend during the April-June 2022 quarter, portrayed by declining trends in indices, turnover, P/E ratio, and market capitalization.

7.1 Dhaka Stock Exchange (DSE)

7.1.1 DSE Performance

At end-June 2022, the main indices of DSE, such as DSEX[22], DS30[23] and DSES[24] decreased by 5.64, 7.21 and 5.54 percent respectively compared to those of end-March 2022. The rise of dollar (USD) price, global geopolitical turmoil, rise in energy prices and neighbouring countries' macro-economic uncertainty might have affected the investors' outlook on the market.

Chart 7.1: DSE Performance



Source: DSE

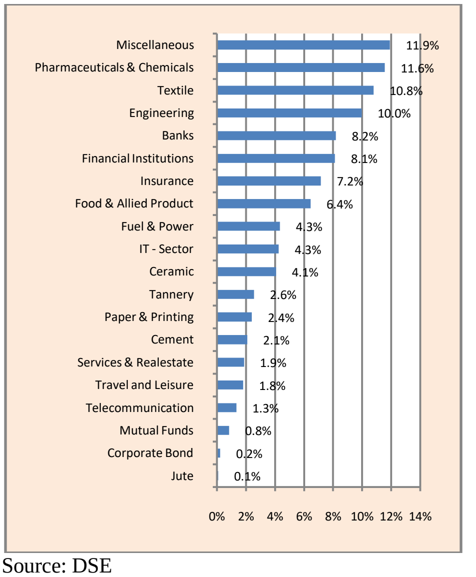
Chart 7.1 illustrates the performance of DSE for the period of June 2020 to June 2022. Total DSE turnover observed 38.10 percent decrease and reached to BDT 445.09 billion during April-June, 2022 from BDT 719.04 billion of the previous quarter.

7.1.2 Sectoral Turnover at DSE

Chart 7.2.A depicts that the miscellaneous sector captured the highest share (11.9 percent) of the total turnover of DSE during the review quarter followed by the Pharmaceuticals and Chemicals (11.6 percent), Textile (10.8 percent), Engineering (10.0 percent) and Banking sector (8.2 percent).

Chart 7.2: Sectoral Turnover

A. During April-June 2022



Source: DSE

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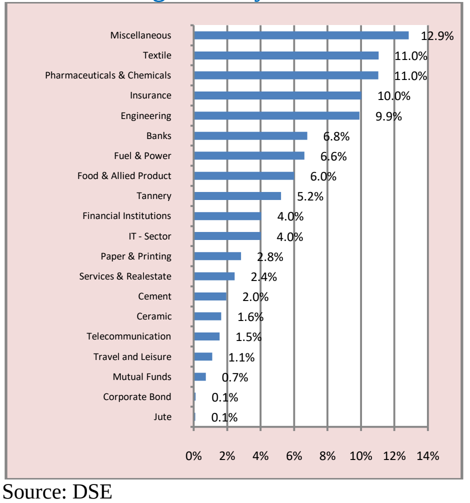
[22] DSEX= DSE Broad Index
[23] DS30 = DSE 30 Index
[24] DSES = DSEX Shariah Index

B. During January-March 2022



Source: DSE

During the review quarter, the financial sector (i.e., Bank, NBFIs, and Insurance) collectively shared approximately 23.5 percent of the total turnover of DSE which was about 20.8 percent during the January-March 2022 quarter (Chart-7.2.B).

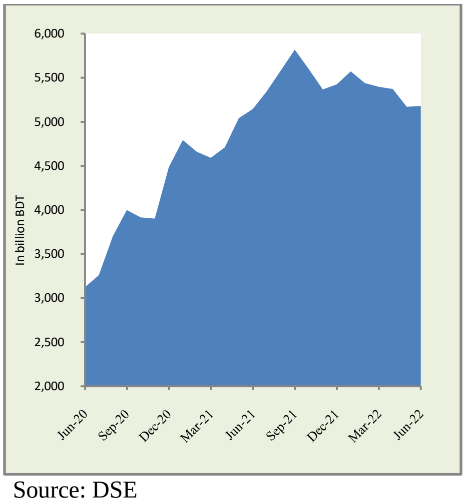
Growth in turnover (in value) for various sectors shows a mixed movement. Turnovers of some sectors like ceramic and NBFIs experienced notable growth while tannery, fuel and power, and insurance sectors observed substantial decreases during the April-June 2022 quarter compared to the previous quarter.

7.1.3 Market Capitalization

Chart 7.3 exhibits that market capitalization experienced a declining trend after September 2021. DSE market capitalization declined by 4.01 percent in June 2022 compared to March 2022.

At end-June 2022, DSE market capitalization reached BDT 5,177.82 billion which was BDT 5,394.15 billion in the previous quarter. The market capitalization of the review quarter is equivalent to 13.02 percent of the GDP (BDT 39,764.62 billion.) of FY-22[25].

Chart 7.3: Market Capitalization Trend of DSE



Source: DSE

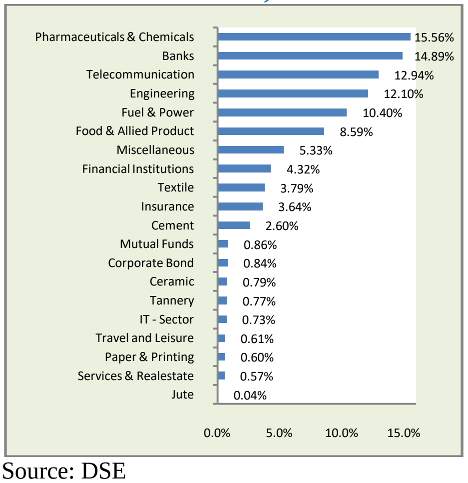
Chart 7.4.A illustrates that at end-June 2022, the pharmaceuticals and chemicals sector captured the highest share with 15.56 percent in the total market capitalization followed by banks, telecommunication and engineering sectors with 14.89 percent, 12.94 percent and 12.10 percent respectively.

At end-March 2022, the contributions of the aforementioned sectors were 15.23 percent, 14.84 percent, 13.67 percent, and 11.56 percent respectively (Chart 7.4.B).

[25] GDP base year is 2015-2016.

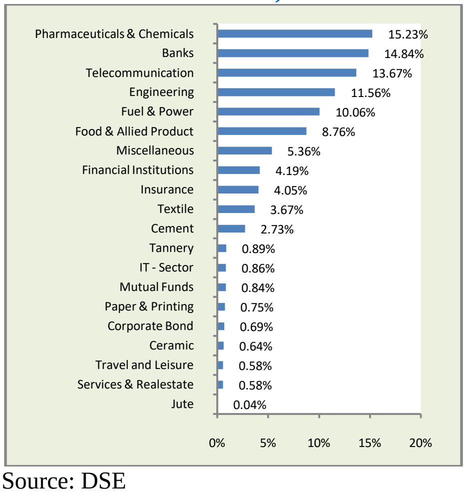
Chart 7. 4: DSE Sectoral Market Capitalization

A. End-June, 2022.



Source: DSE

B. End-March, 2022.

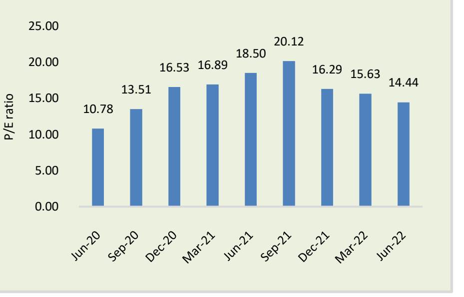


Source: DSE

7.1.4 Price/Earnings (P/E) Ratio

The weighted average market P/E ratio of DSE's listed companies was 14.44 at end-June 2022, which was 15.63 at end-March 2022. The market P/E ratio, exhibited in Chart 7.5, shows a gradual rise of the P/E ratio since June 2020 but experienced a continuous downfall since September 2021.

Chart 7.5: DSE P/E Ratio



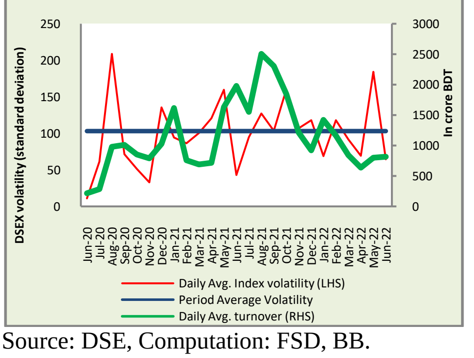
Source: DSE

At end-June 2022, the travel and leisure sector experienced the highest P/E ratio of 72.47 followed by the jute sector (63.18) and tannery sector (61.53). Conversely, the mutual fund sector recorded the lowest P/E ratio (3.99) followed by banks (8.00), and the fuel and power sector (11.70).

7.1.5 Index Volatility and Market Liquidity

Chart 7.6 shows month-wise daily average turnover, volatility in the daily index, and the period average volatility. Notionally, relatively less volatile episodes in DSEX should be associated with the episodes of high market liquidity (i.e., turnover).

Chart 7.6: DSEX Volatility and Month-wise Daily Average DSE Turnover



Source: DSE, Computation: FSD, BB.

In the last year (July 2021 to June 2022), the highest volatility in daily DSEX was observed in May 2022 (with a standard deviation of 183.92) whereas the least volatility was recorded in June 2021 (with a standard deviation of 42.63). The average volatility was 102.85 over the period as referred to the chart.

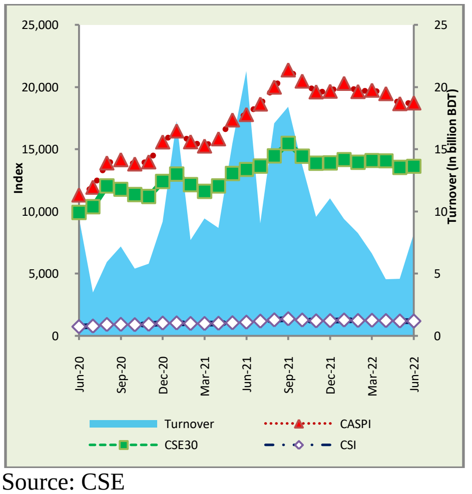
7.2 Chittagong Stock Exchange (CSE)

7.2.1 CSE Performance

Chart 7.7 presents the performance of CSE for the period of June 2020 to June 2022.

At end-June 2022, the major CSE indices, such as CASPI[26], CSE30[27] and CSI[28] decreased by 5.2 percent, 3.3 percent, and 5.0 percent respectively compared to those of end-March 2022.

Chart 7.7: CSE Performance



Source: CSE

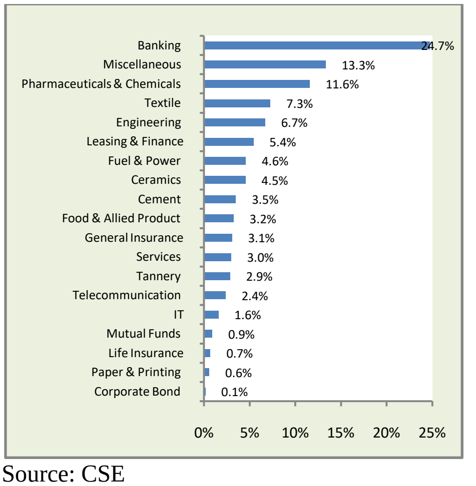
[26] CASPI = CSE all share price index
[27] CSE30= CSE 30 Index
[28] CSI= CSE Shariah Index

Besides, CSE turnover decreased sharply by 28.7 percent to BDT 17.34 billion during April-June 2022 from BDT 24.32 billion in the previous quarter.

7.2.2 Sectoral Turnover at CSE

Chart 7.8 shows the sectoral turnover scenario at CSE from April-June 2022. The banking sector had the highest share of total CSE turnover with 24.7 percent followed by the miscellaneous (13.3 percent), pharmaceuticals and chemicals sector (11.6 percent), and Textile sector (7.3 percent).

Chart 7.8.: Sectoral Turnover April-June 2022



Source: CSE

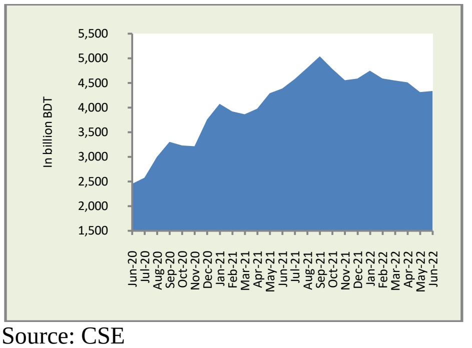
7.2.3 Market Capitalization

Chart 7.9 shows trends in the market capitalization of CSE since June 2020. The market capitalization of CSE was in decreasing trend during the review quarter. At end-June 2022, the market capitalization at CSE decreased to

BDT 4,333.69 billion from BDT 4,545.99 billion at end-March 2022.

Moreover, the CSE market capitalization to GDP[29] ratio stood at 10.90 percent at end-June 2022.

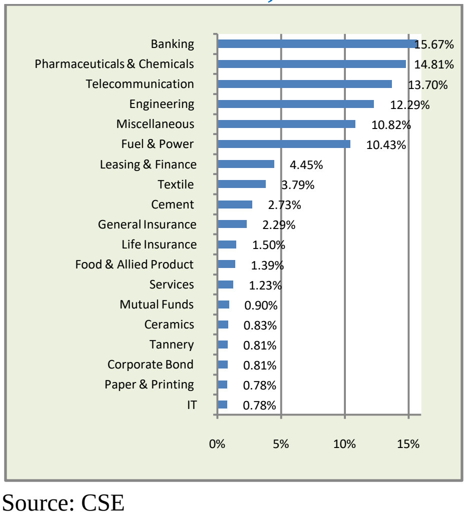
Chart 7.9: Market Capitalization Trend of CSE



Source: CSE

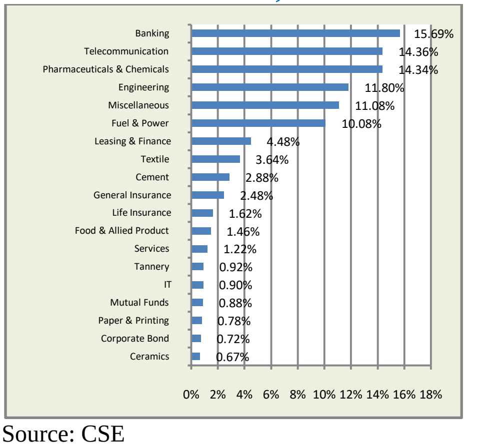
Chart 7.10: CSE Sectoral Market Capitalization

A. End-June, 2022



Source: CSE

B. End-March, 2022.



Source: CSE

Chart 7.10.A illustrates that at end-June 2022, the banking sector captured the highest share (15.67 percent) in the total market capitalization at CSE followed by pharmaceuticals and chemicals (14.81 percent), telecommunication (13.70 percent), engineering (12.29 percent), and miscellaneous (10.82 percent) respectively.

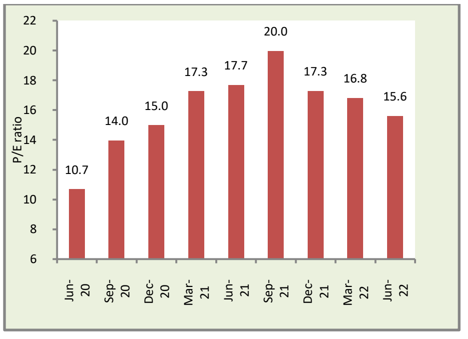
The shares of the above-mentioned sectors were 15.69 percent, 14.34 percent, 14.36 percent, 11.80 percent, and 11.08 percent respectively at end-March 2022 (Chart7.10.B).

7.2.4 Price/Earnings (P/E) Ratio

The market-weighted average P/E ratio of CSE experienced a downfall after September 2021. At end-September 2021, the weighted average market P/E of CSE's listed companies was 20.0, which declined to 15.6 at end-June 2022 (Chart 7.11).

[29] GDP base year is 2015-2016.

Chart 7.11: CSE P/E Ratio



Source: CSE

During the review quarter, the highest P/E ratio was registered by the tannery sector (77.25), followed by the paper and printing sector (58.11) and service sector (34.69). On the other hand, the lowest P/E ratio was recorded in the banking sector (8.36) followed by fuel and power (11.89) and the general insurance sector (13.80).

7.3 Capital Market and Financial Stability

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

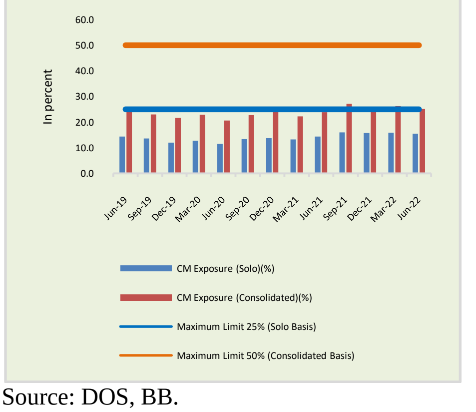
This situation could pose some stresses on the banking sector of the country for long-term financing which, in turn, could increase banks' risk of maturity mismatch.

Although the P/E ratios of both bourses are decreasing after September 2021, still some very high sectoral P/E ratios in both markets need to be closely monitored by the concerned authorities.

In the review quarter, banks' aggregate exposure in the capital market was much below (15.5 percent on a solo basis and 25.2 percent on a consolidated basis) than the allowable limit set by Bangladesh Bank[30].

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

Chart 7.12: Trend in Capital Market exposures of Banks



Source: DOS, BB.

Therefore, it is assumed that an adverse shock in the stock price solely may not pose a notable stability threat to the banking sector in the near term. Nevertheless, any stress on the banking sector may cause a negative effect on the stock market as the banking sector possesses a notable share of market capitalization and turnover in both bourses.

[30]Maximum allowable limit to exposure 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

8.1 Regarding emphasizing on disbursement of agricultural credit at 4 percent concessional interest rate for cultivating import substitute crops (pulses, oilseeds, spices and maize)

Due to the Covid-19 pandemic and recent unrest in global economy, there has been a shortage in the supply of edible oil along with various goods in the domestic market and the price of those goods is increasing. So, to keep the supply of import-dependent edible oil along with other goods in the domestic market normal in the future, Bangladesh Bank instructed banks to emphasize on disbursement of agricultural credit at 4.0 percent for cultivating import substitute crops (pulses, oilseeds, spices and maize) to increase their production locally.

[Ref: ACD circular no.02, Date: 22 May, 2022]

8.2 Agriculture loan facility for the flood affected farmers

Due to sudden flood in north and north-eastern regions of the country, the farmers of those areas were affected severely. So, to deal with the damage faced by the farmers in those areas and to keep them aligned with production, Bangladesh Bank instructed the banks to provide new credit promptly without realizing the previously disbursed loans. In addition, the recovery of agricultural loans from the affected farmers of those areas will be suspended for the next 06 (six) months from the date of issuance of the circular.

[Ref: ACD circular no.03, Date: 05 June, 2022]

8.3 Rescheduling of Short-term Agricultural Credit

In the recent global economic context, the upturn in price of various agricultural inputs and transportation costs has contributed significantly in increasing the overall import expenses. To prevent the increase in the prices of agricultural products in the domestic market by ensuring sufficient supply of those products, banks are instructed to reschedule short-term agricultural loans for a maximum period of 3(three) years with a grace period of 06 (six) months from the date of rescheduling by relaxing the conditions of accepting down payments. After rescheduling, the borrowers of the said sector can be given fresh loans without collecting any money afresh. This facility is also applicable to short-term agricultural credit that has already been rescheduled.

[Ref: BRPD circular no 05, Date: 19 April 2022]

8.4 Policy on Interest Waiver

Recently interest waiver facilities are often being provided by banks in favor of various customers without considering the special circumstances. This interest waiver practice may develop reluctance amongst the borrowers in paying the bank dues within the stipulated period, which will adversely affect the overall credit chain and loan repayment culture in the banking sector. In the stated situation, banks have been instructed to follow the directives issued by Bangladesh Bank in regard to waive of all types of interest applied and unapplied on loans in the banking sector in order to create awareness among the customers to pay the bank's dues within the stipulated time, maintain the overall credit chain and preserve the customer's interests.

[Ref: BRPD circular no. 06, Date: 21 April 2022].

8.5 Policy for Post Import Financing-PIF

In order to consolidate the national economy through the sustainable development of agriculture and other important sectors of the country, "Post-Import Financing-(PIF)" policies have been issued by Bangladesh Bank with the aim of keeping the country's overall import activities stable in the long term.

[BRPD Circular Letter No.12, Date: 26 April 2022]

8.6 Enhancement of Working Capital Limit

In the recent global economic context, the cost of production is increasing due to increase in the price of various materials including raw materials and the increase in transportation costs in the international market which hinders the production process. In the context described, Bangladesh Bank has directed the schedule banks to increase the existing working capital limit to a reasonable limit for the interim period in favour of the customer to improve their financial capacity subject to bank-customer relationship.

[Ref: BRPD circular no.7, Date: 27 April 2022]

8.7 L/C Margin on Import Financing

Considering the global economic instability due to the impact of Covid-19 and the war situation in different parts of the world, Bangladesh Bank has issued a circular with the aim of keeping the currency and credit management of the country sound. According to the guidelines of the circular letter, a minimum cash margin of 75 percent should be maintained in the establishment of import credit for luxury and electronics goods and a minimum of 50 percent cash margin in the establishment of import credit for all products other than essential products imported for use in government priority projects including life-saving medicines and baby food.

[Ref: BRPD Circular letter no.14, Date: 10 May 2022]

8.8 Refinance Scheme for Pre-Shipment Credit to Mitigate the Crisis due to Novel Corona Virus

A policy of BDT 50 billion refinancing fund was issued by Bangladesh Bank with the aim of earning foreign currency and bringing dynamism to the economy by providing pre-shipment loan assistance to export oriented industries affected by the Covid-19 pandemic. Loans will be provided from the fund at a maximum interest rate of 3.5 percent at customer level in favor of any exporter or export-oriented organization as well as interest will be charged at the rate of 0.5 percent on the refinancing facility taken by the banks from Bangladesh Bank. Besides, if three consecutive export prices are unreimbursed, the concerned exporter will not get any new benefit under this fund.

[Ref: BRPD Circular no. 08, Date: 18 May 2022]

8.9 Refinance Scheme for Ship Building Industry

The government has formulated the Shipbuilding Industry Policy-2021 with the goal of sustainable development of the ship industry, increase in export earnings and employment and gradual reduction of import dependency to improve the socio-economic status of the country. In the light of this policy, a refinancing scheme of BDT 2000 crore has been formed by Bangladesh Bank to develop, operate and expand the shipbuilding industry by providing loans/investments at relatively low interest/profits.

[Ref: BRPD Circular no 09, Date: 26 May 2022]

8.10 Refinance Scheme for Digital Nano Loan

In order to support the aim of the Government of People's Republic of Bangladesh of building "Digital Bangladesh", a refinance scheme of BDT 1 billion has been formed by Bangladesh Bank with the objective of making the digital micro credit available to disadvantaged and marginalized communities at a lower cost. The fund under this scheme will be revolving in nature and the tenure of this fund will be 3 (three) years. Initially, BDT 0.5 billion will be disbursed from the scheme and the remaining BDT 0.5 billion will be disbursed subject to ensuring the proper utilization of the loans disbursed in the first phase.

[BRPD Circular No.11, Date: 02 June 2022]

8.11 Regarding involvement of bank directors and their related organizations in the procurement activities of goods, services etc. of Bank Company

In order to avoid the conflict of interest in the management of bank companies and to give priority to the interest of depositors and other customers as well as banks, it is instructed that no director/directors of the board of directors or the organization related to the interest of the director/directors can be involved in the purchase and procurement of any products, services, etc. of the bank.

[BRPD Circular No12, Date: 15 June 2022]

8.12 Loan Classification

Due to the long-term negative impact and recent resurgence of Covid-19, extensive damage due to floods in the north and north-eastern parts of the country, recent war situation in the overseas and the increased prices of various materials including raw materials and transport costs in the international market, borrowers are facing difficulty to repay their full installments against their loans. To address the issues, Bangladesh Bank has relaxed the terms of payment of loan installments in the large, CMSME, and agricultural sector under certain conditions with the aim of maintaining the momentum in the overall economic activities and normalizing the flow of credit in the private sector.

[BRPD Circular No.14, Date; 22 June 2022]

8.13 Loan Rescheduling of Leather Sector for the Purpose of Purchasing Raw Hides

Considering the resurgence in COVID-19 cases, the global war situation and the recent flash floods occurred in some areas of the country, Bangladesh Bank has instructed scheduled banks to allow their borrowers in the leather sector to reschedule their default loans against the down payment of minimum of 2.0 percent of that loans subject to the availability of stock in the godown or subsidiary collateral of the concerned borrower. The objective of this circular is to ensure uninterrupted supply of necessary fund in the leather sector so that valuable raw materials of the leather industry can be preserved and the quality of life of the marginalized people involved in this sector can be improved. However, this facility will be valid till august 31, 2022.

[BRPD Circular No.15, Date: 30 June, 2022]

8.14 Rationalization of Rate of Interest/Profit on Deposit and Loan/Lease/Investment.

In order to create an investment-friendly environment among financial institutions, Bangladesh Bank has rationalized the interest/profit rate on deposits and loans/leases/investments by fixing the maximum interest/profit rates on deposits at 7.0 percent while keeping the effective interest/profit rates on loans/lease/investments not more than 11.0 percent. This directive will be effective from July 1, 2022. However, in the case of deposit collected before the directive comes into effect, the previously announced rate of interest/profit will be determined as per the directive after the expiry of the existing term of the said deposit.

[DFIM Circular No.06, Date: 18 April 2022]

8.15 Loan/Lease/Investment Write-off Policy for Financial Institutions

In order to address the fund diversion of disbursed loans or loans created in the name of non-existent institutions through fake, fraud or deception, Bangladesh Bank brought some changes in loan/lease/investment write off policy for financial institutions. As per the modification, financial institutions are instructed to take appropriate legal action against those types of loans and can write-off those loans only after the settlement of the legal action taken by them.

[DFIM Circular Letter No.08, Date: 7 June 2022]

8.16 Loan/Lease/Investment Classification

Considering the recent surge in Covid-19 cases and the recent flood affecting the North and North-Eastern parts of the country, Bangladesh Bank has instructed the financial institutions not to classify loans/lease/investments, if minimum 50.0 percent of the recoverable amount is collected by the last working day of each quarter in 2022.

[DFIM Circular Letter No.13, Date: 28 June 2022]

8.17 Special Policy on Loan Repayment through One Time Exit

According to the stated policy many customers failed to consolidate their bad classified loan due to the failure of submitting their application on time. To facilitate those customers as well as improve the liquidity condition of financial institutions time to submit application has been extended up to July 31, 2022 under "One Time Exit Policy".

[DFIM Circular Letter no-10, Date: 16 June 2022]

8.18 Conducting banking services in the flood affected areas

Bangladesh Bank has directed the banks to provide necessary banking service to the flood affected areas specially in Sylhet, Sunamganj, Rangpur and Kurigram through nearby branch or sub-branch.

[DOS Circular letter No. 21, Date: 19 June 2022]

8.19 Reporting requirement of shipment information against export of goods from Bangladesh

A circular has been issued by Bangladesh Bank to bring discipline and proper reporting of export of goods from Bangladesh. In order to ensure the reporting requirement of shipment information as per the paragraph 2(a) of FE Circular No. 17/2019 in all cases, Bangladesh Bank advised authorised dealers (ADs) to follow up with exporters so that they can report shipment information immediately on completion of shipment of goods. In case of non-reporting, ADs will complete the reporting formalities on receipt of documents from exporters within 14 days from the date of shipment.

[FE Circular letter No. 11, Date: 18 April 2022]

8.20 Export incentive/cash subsidy against export of agricultural and agro-processed product

In order to get the incentive/cash subsidy against export of agricultural and agro-processed product, exporters are advised to submit the physical verification certificate issued by the concerned customs authority along with the application. This instruction will be applicable for goods shipped from the date of issuance of this circular.

[FE Circular No. 5, Date: 18 April 2022]

8.21 Interest charges for financing during interim period against input procurements under Export Development Fund (EDF)

To maintain smooth support for input procurements from EDF against export trade, it has been decided that ADs may charge additional interest to borrowers not exceeding 1.0 percent per annum for the period between 'import payments from sources of ADs' and 'receipts of refinancing from EDF'. As usual, ADs will be charged by Bangladesh Bank at 1.0 percent per annum against its refinancing from EDF.

[FE Circular No. 6, Date: 19 April 2022]

8.22 Screening of underlying export shipments through vessel/container tracking

To ensure safeguards of export transactions, Bangladesh Bank has instructed the ADs to conduct the tracking of shipments in all cases through tracking system recognized by competent authority for relevant trade transactions.

[FE Circular No. 7, Date: 20 April 2022]

8.23 Insurance coverage against financing to exporters

In order to safeguard their financing against bill discounting on recourse basis, Bangladesh Bank advises the Authorized Dealers (ADs) to take appropriate insurance coverage available from insurance companies locally as an extra comfort subject to consent from exporters in this regard. Appropriate insurance cover may also be adopted against funded or non-funded facilities to exporters at pre-shipment stage. However, financing safeguard by insurance coverage will not give ADs waiver from realization of export proceeds.

[FE Circular letter No. 12, Date: 24 April 2022]

8.24 Retention of inward remittances in foreign currency

Bangladesh Bank advised (ADs) not to out-rightly encash inward remittances for credit in taka accounts without the consent of the resident individual beneficiaries who earn inward remittances against ICT services, business services, professional/research and advisory services, etc.

[FE Circular letter No. 13, Date: 16 May 2022]

8.25 Easing disbursement of cash incentive against wage earners' remittance through legal channel

In order to encourage sending remittances in the country by legal means, as per government decision, remittance incentives/cash assistance will be provided at the prevailing rate (2.50 percent) without any documents of the remitter against sending remittances in the country by legal means. This directive shall be deemed to be effective from the date of issuance of this circular letter and will remain in force until further instructions.

[FE Circular letter No. 15, Date: 23 May 2022]

8.26 Encashment of value added portion of repatriated export proceeds

In order to ensure cash support to exporters for meeting working capital needs in BDT, Bangladesh Banks advised ADs to make Taka fund available to exporters through encashment of value added portion within the next business day on receipt of export proceeds in nostro accounts of designated ADs.

[FE Circular letter No. 17, Date: 29 May 2022]

8.27 Settlement of loans against Export Development Fund (EDF)

In order to ensure that EDF loans are settled on receipts of proceeds of the relative exports, Bangladesh Bank instructed authorized dealers to comply with paragraph 3 of FE Circular No. 45, dated December 31, 2017 in settling of EDF loans and refrain from forwarding applications of EDF loans for customers whose liabilities have been settled through funded facilities in the immediate past 180 days.

[FE Circular letter No. 21, Date: 29 June 2022]

8.28 Regarding Refixation of Mobile Financial Services (MFS) Transaction Limit

Currently, mobile financial services are playing an important role in the overall payment system of the country. Due to the spread of Covid-19, MFS has expanded its reach and transaction volume, and its uses have been increased rapidly in various areas such as education, financial assistance under social security benefits. At the same time, the prevalence of MFS use among low-income populations has also increased significantly. Considering the growing demand of MFS and encouraging electronic payment a circular has been issued by re-fixing the transaction limits.

[PSD Circular No. 6, Date: 25 April 2022]

8.29 Redefining the limit of online fund transfer from one bank account to another bank account and cancellation of the maximum number of daily transactions of Internet Banking Fund Transfer (IBFT) through NPSB

Payment or collection of e-commerce products/services through online banking transactions using internet and smart phones are becoming popular day by day among the public. As a result, Bangladesh Bank has instructed the banks to set the limit of online money transfer according to their own risk guidelines and transaction profile of the customers.

[PSD Circular Letter No. 03, Date: 28 April 2022]

8.30 Incentive facility against loans and advances provided to women entrepreneurs of CMSME sector

It was instructed to the banks through the earlier circular (SMESPD Circular-2, date-05/09/2019) to provide loans/investments to women entrepreneurs at a concession rate to repay the loan in time. However, banks fail to play proper role to provide loans to the targeted customers under the refinance scheme. Later, a circular letter has been issued to eliminate the complications caused in indentifying the beneficiary customers saying that only women entrepreneurs will get loan facilities under the scheme of "Refinance scheme for small enterprise". As per the instructions of the said circular only women entrepreneurs will get loan facility at 5 percent interest under refinancing facility. Besides, Bangladesh Bank will one (01) percent incentive facility to the customers for repayment/ consolidation of loan on time and banks and financial institutions responsible for loan management will also get incentive facility at the rate of one (01) percent.

[SMESPD Circular Letter No. 02, Date: 20 June 2022]

APPENDICES

Appendix I: CPI Inflation (12-month Average)

(Percent)

Month	Inflation (General)	Inflation (Food)	Inflation (Non-Food)
Jun-20	5.64	5.52	5.84
Sep-20	5.69	5.71	5.65
Dec-20	5.69	5.77	5.56
Mar-21	5.63	5.87	5.26
Jun-21	5.56	5.73	5.29
Sep-21	5.50	5.49	5.52
Dec-21	5.54	5.30	5.93
Mar-22	5.75	5.47	6.19
Jun-22	6.15	6.05	6.31

Base: 2005-06=100

Appendix II: Foreign Exchange Reserve

(Amount in million USD)

Month-end	International Reserve
Jun-20	36,040.0
Sep-20	39,310.0 [R]
Dec-20	43,170.0 [R]
Mar-21	43,440.0 [R]
Jun-21	46,391.0 [RP]
Sep-21	46,200.0[P]
Dec-21	46,154.0[P]
Mar-22	44,147.0[P]
Jun-22	41,827.0[P]

R=Revised, P=Provisional, RP=Revised but Provisional

Appendix III: Wage Earners' Remittance

(Amount in million USD)

Quarter	Amount
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
Sep-21	5,408.3
Dec-21	4,831.2
Mar-22	5,058.7
Jun-22	5,733.4

Appendix IV: Exports and Imports

(Amount in million USD)

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Jun-20	4,578.0	10,361.0
Sep-20	9,697.0	11,736.0
Dec-20	9,064.0	13,490.0
Mar-21	9,509.0	17,541.0
Jun-21	9,612.0	17,914.0
Sep-21	10,818.0	17,321.0
Dec-21	12,763.0	21,650.0
Mar-22	13,263.0[P]	22,553.0[P]
Jun-22	12,629.0[P]	20,971.0[P]

P=Provisional

Appendix V: Interest Rate (Weighted Average) Spread

(In percent)

Period	Lending Rate	Deposit Rate	Spread
Jun-20	7.95	5.06	2.89
Sep-20	7.79	4.79	3.00
Dec-20	7.61	4.54	3.07
Mar-21	7.45	4.40	3.05
Jun-21	7.33	4.13	3.20
Sep-21	7.24	4.08	3.16
Dec-21	7.18	3.99	3.19
Mar-22	7.11	4.01	3.10
Jun-22	7.09	3.97	3.12

Appendix VI: Weighted Average Exchange Rate

(BDT/USD)

Quarter	Period Average	End Period
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
Sep-21	85.30	85.50
Dec-21	85.80	85.80
Mar-22	86.06	86.20
Jun-22	92.03	93.45

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

(Amount in billion BDT)

Period	Amount
Jun-20	2,806.20
Sep-20	3,026.79
Dec-20	3,155.65
Mar-21	3,105.71
Jun-21	3,350.20
Sep-21	3,505.00
Dec-21	3,695.18
Mar-22	3,620.90
Jun-22	3,990.80

Appendix VIII: Asset Structure of the Banking Industry (June-2022)

(Amount in billion BDT)

PROPERTY AND ASSETS	JUN-21	SEP-21	DEC-21	MAR-22	JUN-22
Cash in hand	180.65	185.56	189.52	195.78	199.77
Balance with Bangladesh Bank and its Agent Bank	1,365.98	1,081.29	1,042.28	982.53	975.88
Balance with other banks and financial Institutions	888.76	876.24	862.91	921.97	71.29
Investment	3,618.02	3,755.10	3,846.13	3,761.98	4,054.52
Loans and Advances	12,258.64	12,604.53	13,244.12	13,550.26	14,219.28
Fixed Assets	282.77	277.88	280.59	284.74	286.19
Other Assets	913.91	984.25	959.89	1,010.10	1,035.61
Non-banking assets	4.40	3.93	3.85	3.85	3.87
Total Assets	**19,513.12**	**19,768.78**	**20,429.29**	**20,711.21**	**21,546.43**

Appendix IX: Banking Sector Assets & NPL Concentration (June-2022)

(Amount in billion BDT)

Assets	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	6,719.6	1,4826.8	9,693.1	11,853.3
Share (%)	31.19%	68.81%	44.99%	55.01%
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	57,589.8	67,667.8	79,655.1	45,602.4
Share (%)	45.98%	54.02%	63.59%	36.41%

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 (%)
Mar-21	950.85	8.07%	-0.48%
Jun-21	992.05	8.18%	-0.47%
Sep-21	1,011.50	8.12%	-0.55%
Dec-21	1,032.74	7.93%	-0.43%
Mar-22	1,134.41	8.53%	-0.07%
Jun-22	1,252.57	8.96%	0.49%

Appendix XI: Distribution of Banks by NPL Ratio

Range	Number of Banks as at end					
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	June-22
≤2%	9	7	8	10	7	6
>2% to ≤3%	9	9	8	8	4	4
>3% to ≤5%	16	18	19	18	25	25
>5% to ≤10%	10	10	10	9	8	9
>10% to ≤15%	3	4	3	6	5	4
>15% to ≤20%	4	3	5	3	5	3
>20%	8	8	7	6	6	9
Total	59	59	60	60	60	60

Note: Revision; 60 banks (excluding Citizen Banks)

Appendix XII: Banking Sector Loan Loss Provisions

Amount in billion BDT)

PERIOD	REQUIRED PROVISION	PROVISION MAINTAINED	PROVISION MAINTENANCE RATIO (%)
Dec-20	669.76	617.11	92.14
Mar-21	648.02	646.78	99.81
Jun-21	709.51	653.69	92.13
Sep-21	723.49	661.44	91.42
Dec-21	806.54	666.47	82.63
Mar-22	850.68	703.22	82.67
June-22	862.68	730.48	84.68

Appendix XIII: Banking Sector Classified Loans Ratios

PERIOD	CLASSIFIED LOANS TO TOTAL LOANS	SUB-STANDARD LOANS TO CLASSIFIED LOANS	DOUBTFUL LOANS TO CLASSIFIED LOANS	BAD LOANS TO CLASSIFIED LOANS
Sep-21	8.12%	6.5%	4.7%	88.8%
Dec-21	7.93%	7.8%	4.1%	88.2%
Mar-22	8.53%	7.5%	4.0%	88.5%
Jun-22	8.96%	6.2%	4.2%	89.6%

Appendix XIV: Classified Loan Composition (June 2022)

(Amount in billion BDT)

PARTICULARS	AMOUNT	PERCENT OF TOTAL
Substandard (SS)	77.36	6.2%
Doubtful (DF)	53.02	4.2%
Bad/Loss (BL)	1,122.20	89.6%
Total Classified Loan	1,252.58	100%

Appendix XV: Banking Sector ROA Range

Quarter	ROA Range			
	≤0%	> 0% to ≤0.5%	> 0.5% to ≤1%	> 1%
Mar-22	10	16	14	20
Jun-22	7	16	20	17

Note: ROAs have been annualized from respective quarterly ratios.

Appendix XVI: Banking Sector ROE Range

Quarter	ROE Range			
	≤0%	> 0% to ≤5%	> 5% to ≤10%	> 10%
Mar-22	8	12	15	25
Jun-22	4	12	14	30

Note: ROEs have been annualized from respective quarterly ratios.

Appendix XVII: Banking Sector ROA and ROE

Ratio	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22 R	Jun-22 P
ROA	0.25%	0.42%	0.50%	0.44%	0.25%	0.24%	0.46%
ROE	4.28%	6.70%	8.26%	7.42%	4.44%	4.48%	8.20%

Note: R-revised, P-provisional

Appendix XVIII: FIs' Liability and Equity Composition

(Amount in Billion BDT)

Particulars	Mar-22 P	Jun-22 P
Borrowing	216.02	245.66
Deposits	430.84	449.75
Capital	71.04	73.17
Others	169.06	179.42
Total	**886.96**	**948.00**

P=Provisional

Appendix XIX: FIs' Asset Composition

(Amount in Billion BDT)

Particulars	Mar-22 P	Jun-22 P
Cash & liquid assets	130.53	155.29
Earning assets	687.63	719.00
Fixed assets	13.73	14.53
Others assets	55.07	59.18
Total	**886.96**	**948.00**

P=Provisional

Appendix XX: FIs' Classified Loans and Leases

(Amount in Billion BDT)

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Mar-20	70.34	10.51
Jun-20	89.06	13.29
Sep-20	102.45	15.47
Dec-20	100.59	15.03
Mar-21	103.54	15.46
Jun-21	103.28	15.39
Sep-21	117.57	17.62
Dec-21	130.17	19.33
Mar-22	142.32	20.63
Jun-22	159.36	22.99

Appendix XXI: FIs' ROA & ROE

(In percent)

Quarter	Aggregate ROA	Aggregate ROE
Dec-19	1.04%	7.64%
Mar-20	0.14%	1.25%
Jun-20	0.24%	2.21%
Sep-20	0.29%	2.77%
Dec-20	0.45%	4.34%
Mar-21	-1.86%	-17.99%
Jun-21	-0.91%	-9.59%
Sep-21	-0.62%	-6.56%
Dec-21	-0.23%	-2.79%
Mar-22 [P]	-0.63%	-7.93%
Jun-22 [P]	-0.61%	-7.85%

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

[P]=Provisional

Source: FIs; Compilation: FSD, BB.

Appendix XXII: Banking Sector Regulatory Capital Position- Solo Basis

(amount in billion BDT)

Period	Jun-21	Sep-21	Dec-21	Mar-22	June-22
Minimum Capital Requirement	1220.7	1263.9	1276.19	1330.12	1363.59
Total Regulatory Capital	1381	1388.1	1384.62	1488.24	1494.06

Appendix XXIII: Banking Sector CRAR Distribution

CRAR (%) Ranges	Number of Banks (at End Period)				
	Jun-21	Sep-21	Dec-21	Mar-22	June-22
< 10%	11	11	10	10	11
10% to <15%	26	26	22	29	26
15% and +	23	23	28	21	23
Compliant Banks	49	49	50	50	49

- Total Banks 60.

Appendix XXIV: Banking Sector Asset and Liability Share based on CRAR as at end-June 2022

CRAR	No. of Banks	Asset size (B. BDT)	Asset Share (%)	Liability size (B. BDT)	Liability Share (%)
<10%	11	632,706.91	29.36	622,239.87	30.58
10% to <15%	26	1,153,542.38	53.54	1,084,547.64	53.29
15% and +	23	368,392.92	17.10	328,301.12	16.13
Total	60	2,154,642.21	100.00	2,035,088.63	100.00

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

Particulars	Jun-21	Sep-21	Dec-21	Mar-22	June-22
Core Capital to RWA (%)	7.8	7.6	7.4	7.9	7.75
No. of Core Capital compliant banks	49	49	51	50	50
Overall CRAR (%)	11.6	11.2	11.1	11.4	11.15
No. of CRAR compliant banks	49	49	50	50	49

Appendix XXVI: Bank Cluster-wise CRAR at end-June 2022

	CRAR (in percent)				
Bank Clusters	Jun-21	Sep-21	Dec-21	Mar-22	June-22
SOCBs	6.82	6.25	3.71	6.76	6.43
PCBs	13.26	13.09	13.72	13.22	12.97
FCBs	28.46	27.10	25.45	26.00	26.44
SDBs	-32.16	-34.31	-33.62	-33.58	-35.77
Grand Total	11.57	11.22	11.08	11.41	11.15

Appendix XXVII: Distribution of Risk Weighted Assets (RWA) of the Banking Industry

RWA (in percent)	Jun-21	Sep-21	Dec-21	Mar-22	June-22
RWA for Credit Risk	87.26	87.64	87.83	88.09	88.05
RWA for Market Risk	3.98	4.01	3.61	3.50	3.68
RWA for Operational Risk	8.77	8.35	8.56	8.41	8.27

Appendix XXVIII: Capital Conservation Buffer (CCB) at end-June 2022

Particulars	No. of Compliant Banks	No. of banks considered	Aggregate CCB (%)
Solo	41	60	1.15
Consolidated	26	39	1.83

Appendix XXIX: CRR and SLR at end-June 2022

	CRR (in percent)		SLR (in percent)	
Bank Clusters	Required	Maintained	Required	Maintained
SOCBs	4.00%	4.00%	12.98%	32.98%
PCBs (Conventional)	3.93%	3.93%	10.26%	19.31%
FCBs	3.50%	3.50%	12.80%	41.42%
SDBs	4.00%	4.00%	-	-
Islamic Shari'ah Banks	3.37%	3.37%	5.50%	11.44%
Industry	3.94%	3.94%	11.09%	24.02%

*SBs are exempted from maintaining SLR.

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

Period	Jun-21	Sep-21	Dec-21	Mar-22	June-22
ADR (in percent)	71.55	72.08	73.15	74.17	74.77

Appendix XXXI: Number of Banks according to Range of Leverage Ratio (%) - Solo Basis

Range of Ratio (%)	Jun-21	Sep-21	Dec-21	Mar-22	June-22
< 3	10	10	9	8	10
> = 3 to 10	36	36	37	38	38
> 10 to 20	8	8	8	7	7
> 20 to 30	3	3	2	4	3
> 30 to 40	1	1	2	2	1
> 40	2	2	2	1	1

Appendix XXXII: Number of Banks according to Range of Leverage Ratio (%) - Consolidated Basis

Range of Ratio (%)	Number of Banks (at end Period)				
	Jun-21	Sep-21	Dec-21	Mar-22	June-22
< 3	5	6	5	4	6
> = 3 to 10	32	30	30	31	31
> 10 to 20	1	2	4	4	2

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

Bank Clusters	Jun-21	Sep-21	Dec-21	Mar-22	June-22
SOCBs	1.8	1.8	0.4	2.1	2.09
PCBs	5.4	5.4	5.6	5.5	5.31
FCBs	12.3	12.1	11.5	11.8	12.01
SDBs	-24.3	-24.7	-24.5	-24.5	-25.62
Industry (60 banks)	4.4	4.4	4.2	4.5	4.39

Appendix XXXIV: Bank Cluster-wise LCR and NSFR (in percent)

	LCR & NSFR									(In Percent)
Bank Clusters	**Jun-21**		**Sep-21**		**Dec-21**		**Mar-22**		**Jun-22**	
	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR
SOCBs	412.08	104.24	348.80	107.65	328.70	104.36	282.04	100.29	256.48	102.02
PCBs (Conventional)	149.07	110.52	142.61	109.98	143.38	110.39	137.30	107.74	132.17	109.35
PCBs(Islamic)	176.71	110.23	208.13	111.72	188.47	112.92	182.04	112.71	152.90	113.17
FCBs	249.23	122.88	204.00	126.24	194.98	125.70	201.27	125.01	176.26	125.56
Industry	211.70	109.39	200.83	110.56	193.60	110.13	180.39	107.78	165.56	109.10

NB: BDBL, BKB, PKB, RAKUB are exempted from maintaining LCR & NFSR.

Appendix XXXV: FIs' CRR & SLR

(Amount in million BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/ Shortfall	Required	Maintained	Surplus/ Shortfall
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	73,312.5
Dec-20	4,863.7	5,286.1	422.40	22,591.7	108,007.5	85,415.8
Mar-21	4,892.3	5,112.6	220.30	23,364.6	110,299.5	86,934.9
Jun-21	4,809.3	5,478.8	669.50	22,854.8	111,939.0	89,084.2
Sep-21	4,975.9	5,308.3	332.4	23,090.2	106,556.2	83,466.2
Dec-21	5,207.70	5,959.20	751.50	23,816.50	116,438.10	92,621.60
Mar-22	5,247.30	5,148.70	(98.60)	24,277.10	101,641.60	77,364.50

Appendix XXXVI: Capital Adequacy Ratio of FI Sector

Particulars	End Sep-20	End Dec-20	End Mar-21	End Jun-21	End Sep-21	End Dec-21	End Mar-22	End June-22
Capital Adequacy Ratio (%)	14.33	14.23	13.82	13.33	13.30%	10.58%	11.27%	9.53%

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

(Amount in billion BDT)

Particulars	End Jun-20	End Sep-20	End Dec-20	End Mar-21	End Jun-21	End Sep-21	End Dec-21	End Mar -22	End June -22
Credit RWA	639.0	615.6	628.8	631.1	628.4	618.7	603.1	635.54	629.34
Market RWA	54.1	35.7	44.6	43.4	47.1	49.4	27.08	26.24	25.74
Operational RWA	50.2	51.4	49.4	47.6	48.0	47.8	44.07	42.03	43.25
Total RWA	**743.3**	**702.7**	**722.8**	**722.1**	**723.4**	**716.0**	**674.27**	**703.81**	**698.33**
Core Capital (Tier -1)	108.7	87.7	89.4	85.6	82.5	81.4	58.43	66.14	53.77
Supplementary Capital	13.3	12.8	13.4	14.2	14.0	13.8	12.88	13.19	12.77
Eligible Capital	122.0	100.7	102.8	99.8	96.4	95.2	71.32	79.32	66.54

Appendix XXXVIII: Number of Non-compliant Banks in case of different Shock Scenarios.

Minor Shock Scenarios	Number of non-compliant banks after shock	
	March 2022	June 2022
Increase in NPLs	6	7
Increase in NPLs due to default of Top borrowers	15	16
Negative shift in NPL categories	1	2
Decrease in the FSV of collateral	1	1
Increase in NPL in the highest outstanding sector	2	2
Interest rate shock	0	2
Exchange rate shock	0	0
Equity shock	0	0

Appendix XXXIX: DSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	DSEX	DS30	DSES
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
Jul-21	233.03	5,344.05	6,425.26	2,327.88	1,401.05
Aug-21	451.19	5,579.72	6,869.25	2,453.95	1,490.30
Sep-21	507.06	5,815.43	7,329.04	2,710.53	1,592.10
Oct-21	353.80	5,595.23	7,000.95	2,620.60	1,470.50
Nov-21	266.83	5,364.95	6,703.26	2,516.28	1,405.55
Dec-21	193.65	5,421.96	6,756.66	2,532.58	1,431.12

Jan-22	312.61	5,569.82	6,926.29	2,559.15	1,481.89
Feb-22	221.00	5,437.19	6,739.45	2,482.36	1,453.48
Mar-22	185.43	5,394.15	6,757.84	2,474.01	1,468.11
Apr-22	121.05	5,369.61	6,655.67	2,460.77	1,446.98
May-22	144.65	5,167.65	6,392.86	2,350.25	1,403.53
Jun-22	179.40	5,177.82	6,376.94	2,295.59	1,386.78

Appendix XL: CSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	CASPI	CSE30	CSI
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
Jul-21	9.05	4,576.74	18,635.39	13,657.11	1,177.70
Aug-21	17.09	4,804.20	19,997.45	14,482.06	1,277.18
Sep-21	18.42	5,037.43	21,377.07	15,478.42	1,367.49
Oct-21	13.75	4,782.45	20,480.31	14,447.93	1,266.48
Nov-21	9.58	4,552.33	19,614.38	13,882.70	1,197.96
Dec-21	11.06	4,585.54	19,666.07	13,913.13	1,211.43
Jan-22	9.41	4,745.74	20,298.59	14,180.92	1,265.70
Feb-22	8.27	4,587.74	19,641.25	13,960.46	1,225.85
Mar-22	6.64	4,545.99	19,748.82	14,103.06	1,245.39
Apr-22	4.56	4,509.39	19,474.46	14,077.10	1,218.28
May-22	4.59	4,310.83	18,667.51	13,540.85	1,186.21
Jun-22	8.19	4,333.69	18,727.52	13,638.35	1,183.44

Appendix XLI: Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
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
Sep-21	20.1	20.0
Dec-21	16.3	17.3
Mar-22	15.6	16.8
Jun-22	14.4	15.6

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

Month	Daily Average Index Volatility[31]	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
Jul-21	94.67	1553.60
Aug-21	127.13	2506.60
Sep-21	103.32	2304.08
Oct-21	159.88	1850.90
Nov-21	106.73	1212.90
Dec-21	117.88	922.10
Jan-22	68.65	1421.00
Feb-22	117.71	1163.10
Mar-22	91.69	842.90
Apr-22	69.29	637.11
May-22	183.92	803.59
Jun-22	64.35	815.44

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