Quarterly Financial Stability Assessment Report

Issue: 23, 2022 (I)
January-March 2022

Bangladesh Bank

Quarterly

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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 March 31, 2022 unless stated otherwise.

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

Message from the Governor

The ongoing Russia-Ukraine crisis, along with the adverse impact of the COVID-19 pandemic, is having a worldwide spillover effect on commodity and financial markets, trade flows, price, and exchange rates. Many countries do not have enough fiscal space to cushion their economies from these unfavorable developments. As such, the major central banks across the globe have gradually started to tighten their monetary policy stances. Several countries are concerned about stagflation, the coexistence of high inflation and high unemployment. During stagflation, unemployment rises, and consumer spending declines, further aggravating the economic condition. Meanwhile, the World Bank expressed concern that the global economy is moving towards a prolonged period of stagflation with lower economic growth. It may exert some pressure again on international trade and the global financial system if such apprehension persists.

Even though the global economy demonstrated notable resilience in 2021 through appropriate monetary and fiscal measures, some challenges and uncertainties are still reflected in spiraling inflation and exchange rate pressures. As forecasted by the IMF, global growth would be substantially slower in 2022 and 2023 than in 2021. The latest decision of the US Federal Reserve to raise the policy interest rate may have far-reaching international ramifications putting increased pressure on all central banks to raise policy rates further to respond to the inflationary upsurge.

Albeit the devastating impact of COVID-19, Bangladesh has largely been able to maintain a well-balanced GDP growth in the fiscal year (FY) 2020-21. Economic activities continued to recover, aided by well-supportive monetary and fiscal policies. As a result of extensive coverage of the COVID-19 vaccination program, business confidence and economic activities remained upbeat in FY2021.

The external sector faced some adversity during the last three quarters, reflected in widened Current Account deficit resulting from high import growth over export earnings and remittance inflows. Likewise, to reduce the excessive volatility of BDT's exchange rate, Bangladesh Bank took a series of measures as and when required.

The strong growth momentum in economic activities is expected to prevail during the rest of the current fiscal year, led by robust agriculture, industry, and service sector activities. However, this growth prospect is subjected to some uncertainties in the form of pass-through effects of higher global commodity and energy prices caused by the Russia-Ukraine war-driven supply chain disruptions on top of the expected global economic slowdown. The steady appreciation of the US dollar may make imports more costly in the future. The capital market witnessed some moderation in recent times, reflected in a downturn in market capitalization, price-earnings ratio, and market turnover.

Last but not least, I believe this report will help stakeholders understand the strengths, risks, and fluctuations of the country's financial system and apply due diligence in adopting forward-looking measures. I appreciate the diligent efforts and dedication of the officials of the Financial Stability Department in preparing this report in a befitting manner.

Abdur Rouf Talukder
Governor

Message from the Deputy Governor

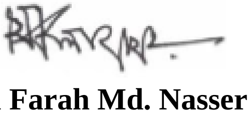
Starting with the optimism of economic recovery from the prolonged COVID-19 pandemic, the first quarter of 2022 experienced a massive turnaround with the Russian-Ukraine war in the month of February. As a consequence of disruptions in global food and energy supply chains, the concern spread all over the world, eventually, leading to a surge in inflation in most countries. To tackle the challenges, the central banks have stepped into revisiting their rather expansionary strategies during the pandemic period towards a cautious and tight monetary regime.

Though Bangladesh economy was on the trajectory of reviving from 2020's downward state, supported by the Government's timely and prudent interventions coupled with Bangladesh Bank's supportive and expansionary policy initiatives, the recent Monetary Policy Statement endeavoured to restraint the upsetting inflation while managing the substantial growth target for FY2022-23. Alongside, Bangladesh Bank is relentlessly working to stabilize the external sector's pressure originating from the unusual high import demands and higher global prices of commodities and energies, in particular.

The banking sector continued persistent asset growth. The profitability of the banking sector, measured by return on assets and return on equity, increased slightly compared to the preceding quarter. Capital to risk weighted assets ratio also increased. Besides, the banking industry fulfilled the minimum leverage ratio requirement on both solo and consolidated basis during this quarter. Likewise, despite turn down from the previous quarter, the overall capital adequacy ratio and core capital ratio of the financial institutions (FIs) reveal a passable position of this industry as per the regulatory standards.

The global geopolitical tension, rise in energy prices, and neighbouring countries' macroeconomic uncertainty might have affected the investors' outlook on the market.

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



Abu Farah Md. Nasser
Deputy Governor

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Acronyms

ADR	Advance-to-Deposit Ratio
ADs	Authorized Dealers
B/L	Bad and Loss
BB	Bangladesh Bank
BDT	Bangladeshi Taka
BRPD	Banking Regulation and Policy Department
CAR	Capital Adequacy Ratio
CCB	Capital Conservation Buffer
CIB	Credit Information Bureau
CRAR	Capital to Risk-weighted Asset Ratio
CRR	Cash Reserve Ratio
CSE	Chittagong Stock Exchange
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
FCBs	Foreign Commercial Banks
FER	Foreign Exchange Regulation
FIs	Financial Institutions
FID	Financial Inclusion Department
FoB	Free on Board
FPM	Financial Projection Model
FSD	Financial Stability Department
FSV	Forced Sale Value
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GFET	Guidelines for Foreign Exchange Transaction
ICRRS	Internal Credit Risk Rating System
ICTD	Information and Communication Technology Department
L/C	Letter of Credit
MFS	Mobile Financial Services
NBFI	Non-Bank Financial Institutions
NFC	Near Field Communication
NPL	Non-performing Loan
PCBs	Private Commercial Banks
P/E Ratio	Price-Earnings Ratio
PSD	Payment System Department
ROA	Return on Assets
ROE	Return on Equity
RWA	Risk-weighted Assets
SCBs	State-owned Commercial Banks
SBs	Specialized Banks
SLR	Statutory Liquidity Requirement
US	United States
USD	US Dollar
UK	United Kingdom

Executive Summary

The purpose of this report is to reveal the assessment of Bangladesh Bank about the resilience of the financial system of Bangladesh to risks and vulnerabilities, both endogenous and exogenous, during the January-March 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.

The global macro-financial situation was not very smooth during the review quarter due to the escalation of geopolitical tension and remaining impact of the COVID-19 pandemic. In the review quarter, pace of the global economic activities remained slow while inflation was soaring. This situation could be largely attributed to the repercussion effect of ongoing geopolitical tension between Russia and Ukraine. Global supply chain disruption and heightened energy price due to the war slowed down the global trade and increased the worldwide economic uncertainty. Consequently, global financial condition remained less accommodative in the face of rising policy rates both in advanced and emerging market economies.

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. Average inflation increased in the review quarter to 5.75 percent. Current account deficit widened compared to the preceding quarter largely due to the growth of deficit in trade balance. Moreover, at end-March 2022, the gross foreign exchange reserves moderately decreased to USD 44.15 billion from USD 46.15 billion at end-December 2021. Also, Bangladeshi Taka (BDT) against the USD depreciated in this quarter and stood at 86.2 at end-March 2022 from 85.8 at end-December 2021.

Banking sector experienced a mixed performance in the review quarter as asset growth continued and profitability improved while gross NPL ratio rose. The aggregate asset size of the banking sector increased by 1.4 percent in the review quarter and reached to BDT 20,711.21 billion at end-March 2022. The assets-to-GDP ratio stood at 52.1 percent at end-March 2022. However, asset quality of the banking sector slightly decreased in this review quarter. Gross non-performing loan (NPL) ratio of the banking sector increased to 8.53 percent compared to 7.93 percent at end-December 2021. However, banking sector experienced enhanced profitability in this quarter. At end-March 2022, banking sector's ROA and ROE increased to 0.29

percent and 5.03 percent respectively compare to 0.25 percent and 4.44 percent of the preceding quarter.

Overall capital position of the banking sector improved during the review quarter as indicated by the increased Capital to Risk-weighted Assets Ratio (CRAR). At end-March 2022, CRAR of the banking sector stood at 11.41 percent, 33 basis points higher than that of the previous quarter. Fifty (50) banks out of 60 had CRAR above the minimum regulatory requirement of 10.0 percent or higher. The Tier-1 capital ratio also increased by 47 basis points from the preceding quarter. Moreover, Advance-to-Deposit Ratio (ADR) stood at 74.17 percent at end-March 2022 which was 1.02 and 1.35 percentage points higher than those of end-December 2021 and end-March 2021 respectively.

Financial Institutions (FIs) manifested declining performance in the review quarter indicated by the sector's aggregate asset contraction, higher non-performing loans and lower profitability. At end-March 2022, total assets of financial institutions amounted to BDT 785.74 billion, exhibiting 12.36 percent decline compared to the previous quarter. Similarly, aggregate source of fund of FIs went down as deposits, capital and borrowings fell together. Moreover, FIs' classified loans and leases ratio increased by 1.30 percentage points from the previous quarter and reached to 20.63 percent at end- March 2022. Consequently, FIs' profitability decreased sharply during the review quarter compared to that of the preceding quarter. At end March 2022, FIs' Return on Assets (ROA) and Return on Equity (ROE) stood at -0.93 percent and -12.03 percent respectively compared to -0.23 percent and -2.79 percent of the preceding quarter.

Both capital adequacy and Cash Reserve Ratio of the FIs deteriorated during the review quarter. During the March 2022 quarter, the capital adequacy ratio (CAR) and the core capital ratio of the Financial Institutions (FIs) stood at 11.27 percent and 9.40 percent respectively, lower compared to those of the previous quarter. However, overall, both the ratios were well above the minimum regulatory requirement of the Basel II framework. On the other hand, on an aggregate basis, FIs' maintained cash reserve ratio (CRR) was marginally below the required CRR during the review quarter while their maintained Statutory Liquidity Ratio (SLR) was significantly (more than four times) higher than the regulatory requirement.

The banking sector demonstrated a reasonable level of resilience under different stressed scenarios during the review quarter. 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 them, 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 any shock scenarios under credit risks. During the period, individual banks and the banking system, as a whole, appeared to be resilient against the liquidity shocks.

The domestic capital market demonstrated a dejected scenario during the review quarter. At end-March 2022, the DSEX and CASPI, main index of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) respectively, remained unvarying compared to those of end-December 2021. Moreover, DSE and CSE turnover recorded a decrease of about 11.70 and 29.30 percent respectively over the previous quarter. Market capitalization and price-earnings (P/E) ratio also decreased during the review period. This development can be partly attributed to the ongoing global geopolitical tension, rise in energy prices, and neighboring countries' macroeconomic uncertainty. Analysis of sectoral market capitalization revealed the dominance of 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 from the capital market in the near- term.

During the review quarter, a number of initiatives have been taken at the end of Bangladesh Bank having implications to stability of the financial system. To strengthen credit risk management of banks, Bangladesh Bank has issued a circular on "Single borrower and large loan exposure limit" which will limit concentrated exposures and thereby improve the stability of the banking sector further.

To maintain the external sector stability, BB has issued various circulars during the review quarter. For example, circulars on L/C margin and commission on import financing for essential consumer goods, retention of export proceeds in foreign exchange, payment in foreign currency against local supply of goods under international tender, export incentive against the export of Software/ITES/Hardware, cash incentive against wage earners' remittance through the legal channel .

Moreover, to facilitate the COVID-19 stricken business activities as well as improve the economic condition, Bangladesh Bank has relaxed a few conditions of the internal credit risk rating system so that the business entities may continue their business activities smoothly. Considering the adverse impact of the second phase of COVID-19 on the economy, Bangladesh Bank has announced a scheme of BDT 5 billion to create employment and eliminate poverty, especially for the people who have returned to the village.

Apart from these, to protect customers' interest, Bangladesh Bank has issued a circular instructing the banks that before activation of a credit card no bank will impose any non-transactional fee/charge on customers. Also, Bangladesh Bank has issued a guideline for banks and financial institutions to extend their umbrella of financial inclusion by providing sufficient information and knowledge about their products and services to the mass people.

Bangladesh Bank has also issued a circular to guide the banks to develop Recovery Plan for preparing their respective responses to the potential shocks in advance so that they can act promptly and effectively in the event of a stress situation.

Chapter 1 : MACROECONOMIC DEVELOPMENTS

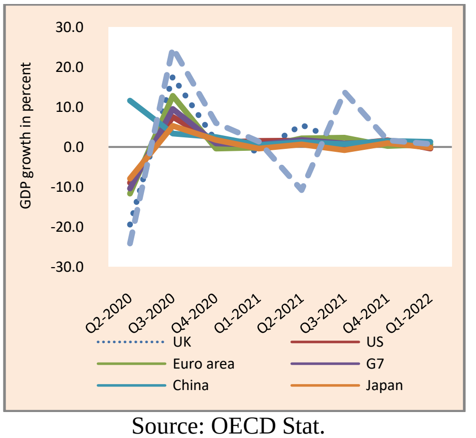
1.1 Global Macroeconomic Situation

In the review quarter, economic activities moderated and the pace of recovery of the global economy remained slow. The global supply disruption that resulted from the COVID-19 pandemic has eventually led to a strain on global inflation. Besides, the situation was largely aggravated by the Russia-Ukraine war, reflecting surges in energy and commodity prices as the global trade faced added obstacles. The rise of inflations in the countries is pressing the respective productions and investments into uncertainties and disquiet state in the near future. As a result, global financial policies remained less accommodative in the face of rising policy rates both in advanced and emerging market economies.

1.1.1 Global GDP Growth

Renewed concern of rising omicron caseloads accompanied by the Russia-Ukraine tension appeared to have taken a notable impact on global economic activities and has been inducing a gloomier sentiment. Dampened by the continued supply bottleneck, global inflation spiral attained a new pace amid heightened energy prices in the wake of the war. All these resulted in slowing or negative GDP growth of the major economies in the world. G7 economies, as a group, including the US and Japan underwent a negative quarterly growth while the UK, China, India, and Euro area experienced moderate positive growth in the first quarter of 2022.

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

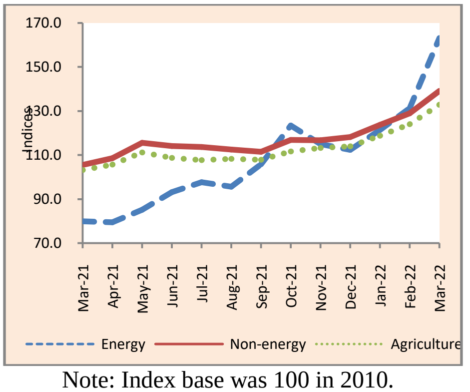


Source: OECD Stat.

1.1.2 Global Inflation Outlook

Energy prices precipitated sharply due to geopolitical discontent over the Ukraine-Russia war, recording a 10-year high. The war also inflicted commodity prices, especially goods exported from Russia and Ukraine. Global inflation continued to soar amid rising energy and commodity prices. In 2022Q1, the energy price surged more than double compared to that of 2021Q1 while the price of non-energy and agricultural products increased by 31.9 and 28.7 percent respectively over the same period (Chart 1.2).

Chart 1.2:Commodity Price Index



Note: Index base was 100 in 2010.
Source: World Bank.

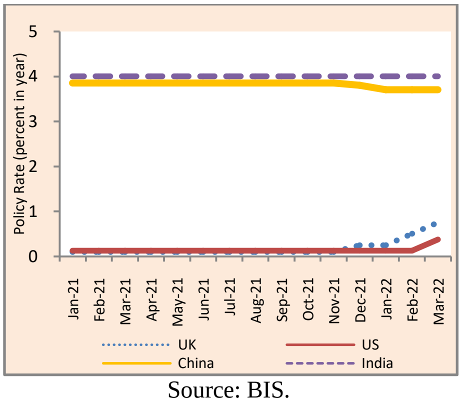
1.1.3 Global Financial Condition

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

Policy rates in most countries were observed rising at end quarter of 2022Q1. US policy rate stood at 0.375 percent and the UK policy rate posted at 0.75 percent while China's policy rate was reduced to 3.7 percent from 3.8 percent in the review quarter (Chart 1.3). Emerging market economies also increased their policy rates in line with those of advanced economies.

Chart 1. 3: Policy rates of Central Banks

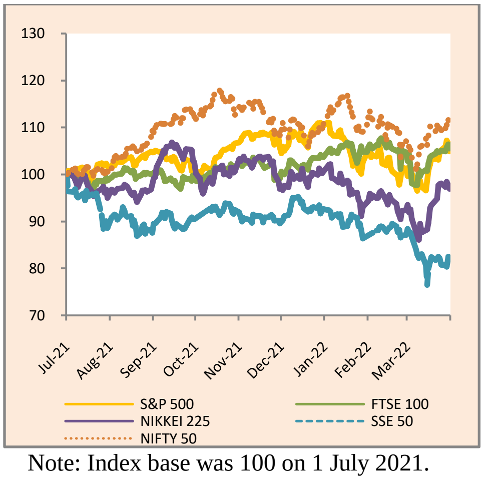


Source: BIS.

1.1.3.2 Global Equity Market

In the review quarter, global equity prices slashed and exhibited increased volatility. Major equity indices across the world displayed a similar trend. They fell during the review quarter but turned to rise in the latter part of March 2022 (Chart 1.4).

Chart 1.4: Selected Equity Markets[1]



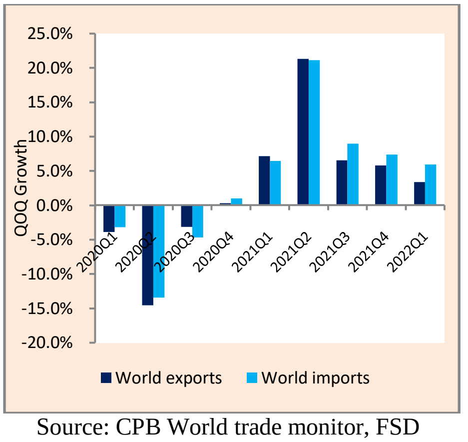
Note: Index base was 100 on 1 July 2021.
Source: The Wall Street Journal, FSD Calculation.

[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.

1.1.4 Global Trade and Production

Global trade growth has been slowing with the continued supply chain disruptions and logistic challenges. The Russia-Ukraine war added a new face of challenge to the global trade with disrupted trade flows, especially, across this region. Export and import grew by 3.4 and 5.9 percent respectively in the review quarter compared to the same quarter of last year (Chart 1.5).

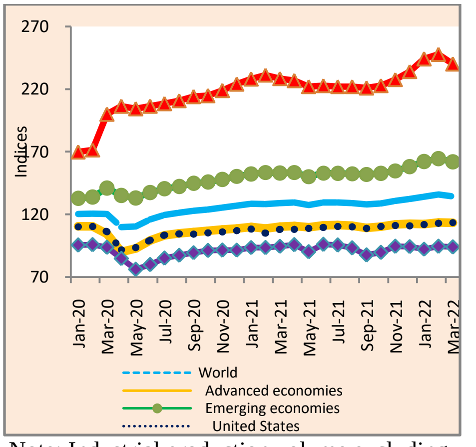
Chart 1. 5: Global Export and Import Growth (Quarter-on-Quarter)



Source: CPB World trade monitor, FSD calculation.

Global production also faced uncertainties over the costly value chains and the protracted war. However, the production of the US, Japan, and China increased in the review quarter (Chart 1.6).

Chart 1.6: Global Industrial Production



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

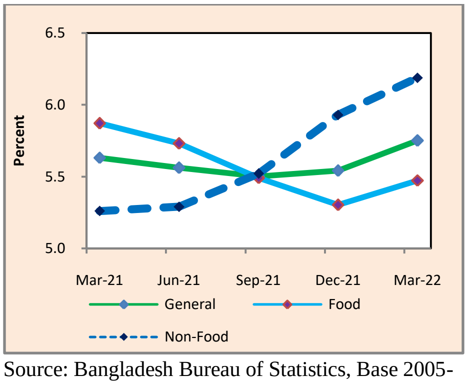
1.2 Domestic Macroeconomic Situation

Domestic economy is facing some challenges from growing inflation and a weakening external sector. Annual average inflation increased in the review quarter. The foreign exchange reserve declined marginally and its adequacy to cover imports of goods and services was also reduced. Despite an increase in wage earners' remittance, the current account deficit increased due to an increase in imports to a greater extent than exports. Interest rate spread in the banking industry slimmed further. Bangladeshi Taka (BDT) against the US Dollar (USD) saw depreciation in the review quarter.

1.2.1 Inflation

At end-March 2022, annual average general inflation (base 2005-06=100) stood at 5.75 percent, recording an increase of 0.21 percentage points from the previous quarter. Annual average food inflation increased significantly to 5.47 percent from 5.30 percent of the preceding quarter. Annual average non-food inflation also increased notably to 6.19 percent, compared to 5.93 percent observed in the preceding quarter (Chart 1.7).

Chart 1.7: Inflation

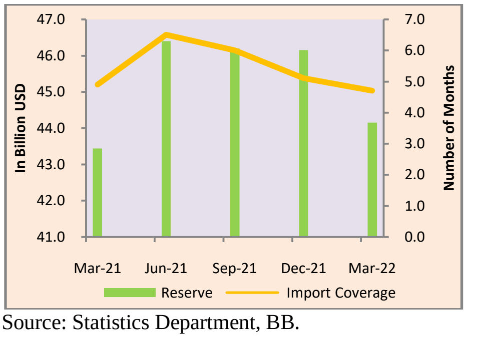


Source: Bangladesh Bureau of Statistics, Base 2005-06=100.

1.2.2 Foreign Exchange Reserve and its Import Coverage

At end-March 2022, the gross foreign exchange reserves decreased to USD 44.15 billion from USD 46.15 billion at end-December 2021. The reserve position may cover 4.7 months imports of goods and services, a slight decrease from 5.1 months in the preceding quarter (Chart 1.8)[2].

Chart 1.8: Foreign Exchange Reserves

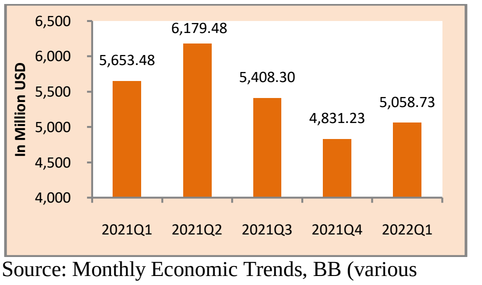


Source: Statistics Department, BB.

1.2.3 Wage Earners' Remittance

Wage earners' remittance increased in the review quarter. It posted at USD 5058.73 million during 2022Q1[3], recording an increase of 4.71 percent from USD 4831.23 million received during 2021Q4. However, remittance inflows decreased compared to 2021Q1 by 10.5 percent (Chart 1.9).

Chart 1.9 Wage Earners' Remittance



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

1.2.4 Exports (FOB) and Imports (FOB)

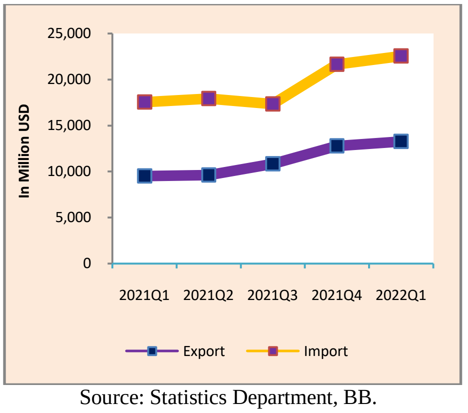
In the review quarter, exports and imports increased compared to the previous quarter. Exports stood at USD 13,263 million, an increase by 3.9 percent from USD 12,763 million in the preceding quarter. On the other

[2] Reserve adequacy in months of prospective imports basis.

[3] Q1, Q2, Q3, Q4 indicates the first, second, third and fourth quarter respectively.

hand, aggregate imports increased by 4.2 percent from USD 21,650 million in the preceding quarter and stood at USD 22,553 million. In comparison with the same quarter of the previous year, exports and imports increased by 39.5 percent and 28.6 percent respectively (Chart 1.10).

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

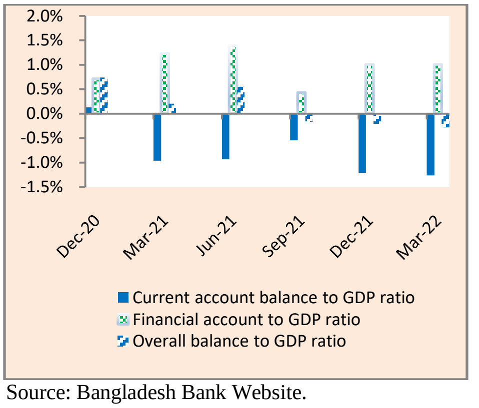


Source: Statistics Department, BB.

1.2.5 Current Account Balance

Current account deficit widened in the review quarter compared to the preceding quarter mainly due to the growth of the deficit in trade balance. On the other hand, financial account experienced a surplus position. 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 -1.26 percent and 1.0 percent in January-March, 2022 quarter while overall balance as a percentage of GDP registered at -0.28 percent (Chart 1.11).

Chart 1.11: Current and Financial Account Balance

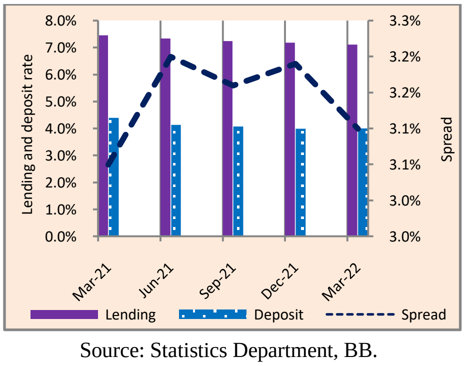


Source: Bangladesh Bank Website.

1.2.6 Interest Rate

In the review quarter, the weighted average lending rate continued its declining trend; however, the deposit rate demonstrated a small increase. The weighted average lending and deposit rates stood at 7.11 percent and 4.01 percent respectively in March 2022 whereas these rates were 7.18 percent and 3.99 percent in December 2021 (Chart 1.12).

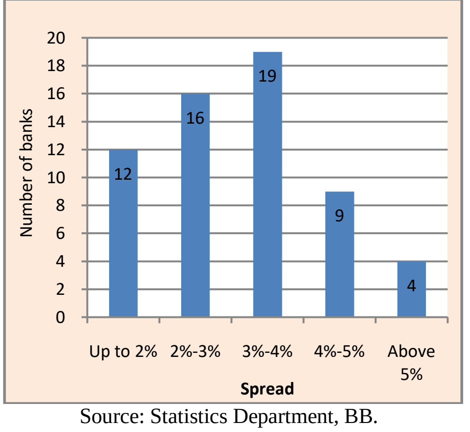
Chart 1.12: Interest Rate Spread



Source: Statistics Department, BB.

As the lending rate decreased and the deposit rate exhibited a flimsy increase, the spread between these two rates narrowed down, registering at 3.10 percent in March 2022 from 3.19 percent in December 2021. 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

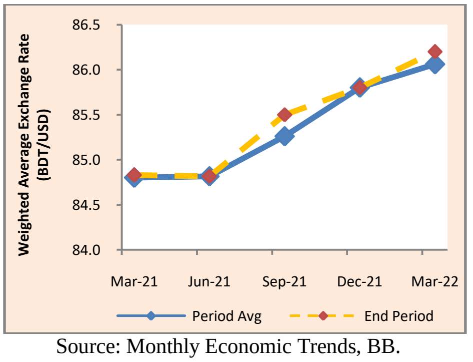


Source: Statistics Department, BB.

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 86.2 at end-March 2022, which was 85.8 at end-December 2021 Quarter (Chart 1.14).

Chart 1.14: Exchange Rate

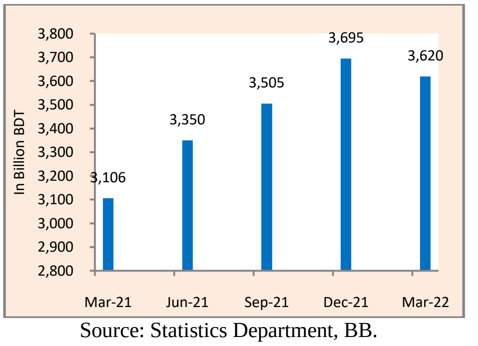


Source: Monthly Economic Trends, BB.

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

Credit to the Government (gross) by the banking system decreased. It decreased by 2.0 percent at end-March 2022 compared to the end-December 2021 and stood at BDT 3,620 billion. However, compared to the end-March 2021, it increased by 16.6 percent (Chart 1.15).

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



Source: Statistics Department, BB.

[4] BDT per USD on weighted average basis.

FORMATTING

Chapter 2 : BANKING SECTOR PERFORMANCE

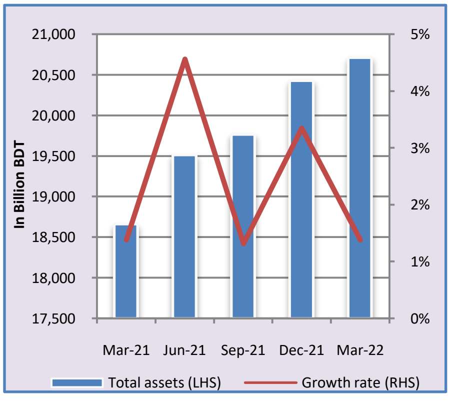
The banking sector[5] experienced a pickup in profitability in the review quarter March 2022 compared to December 2021. However, asset quality as measured by gross NPL ratio deteriorated at end-March 2022 compared to the preceding period.

2.1 Assets Structure

The asset size[6] of the banking sector increased by 1.4 percent in the review quarter compared to 3.3 percent in December 2021 quarter and 1.3 percent in September 2021 quarter (Chart 2.1). The aggregate assets reached BDT 20,711.21 billion at end-March 2022. Higher asset growth in the review period was largely attributed to increased loans and advances by the banking sector. Thus, the assets-to-GDP ratio stood at 52.1 percent at end-March 2022[7] which was 51.4 percent at end-December 2021.

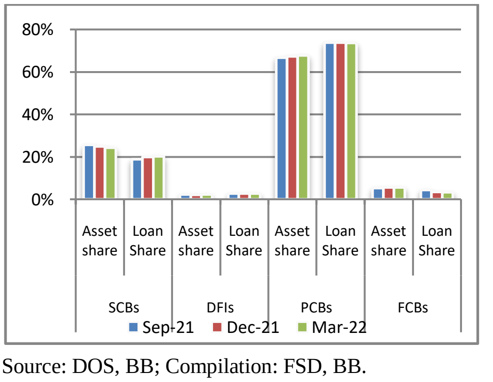
Larger portion of the banking sector's assets (67.82 percent) as well as loans and advances (73.63 percent) were occupied by the PCBs (Chart 2.2). During the review quarter, PCBs' percentage of asset share increased marginally while their loan share decreased slightly compared to those of the preceding period. Holding the second largest market share, SCBs' asset share registered a slight decrease while their loans and advances share slightly increased during the same period.

Chart 2.1: Asset Size of the Banking Industry



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

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



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

Loans and advances, the largest segment among the asset items, constituted 65.42 percent of total

5 Citizens Bank Limited is excluded from the analyses of asset structure (section 2.1) and profitability (section 2.3) 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.

assets in the review quarter which is 0.59 percentage points higher than the previous quarter (Table 2.1).

Table 2.1: Asset Structure of the Banking Industry

Component of Assets	% of Total asset (as on December'21)	% of Total asset (as on March'22)	Change (PP)
Cash in hand	0.93%	0.95%	0.02%
Balance with BB and its Agent Bank	5.10%	4.74%	(0.36%)
Balance with other banks and FIs	4.22%	4.45%	0.23%
Investment	18.83%	18.16%	(0.66%)
Loans and Advances	64.83%	65.42%	0.59%
Fixed Assets	1.37%	1.37%	0.00%
Other Assets	4.70%	4.88%	0.18%
Non-banking Assets	0.02%	0.02%	0.00%
Total Assets	100.00%	100.00%	

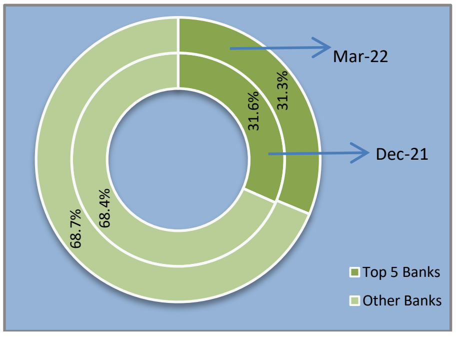
Note: PP-Percentage Point

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

Except end-December 21, loans and advances of the banking sector increased gradually since end-September 2020. On the other hand, the share of investment decreased marginally in the last two consecutive quarters.

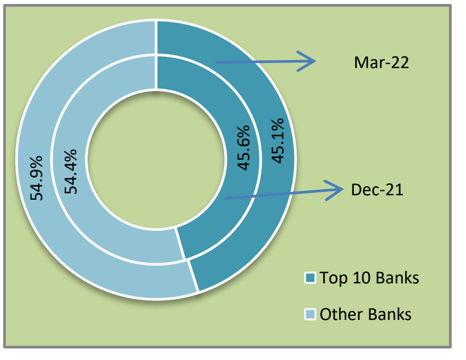
The asset concentration ratios of the top 5 and top 10 banks[8] decreased slightly in March 2022 quarter. The ratios stood at 31.3 percent and 45.1 percent at end-March 2022 which were 31.6 percent and 45.6 percent respectively at end-December 2021 (Chart 2.3 and 2.4).

Chart 2.3: Asset Concentration of Top 5 banks



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

Chart 2.4: Asset Concentration of Top 10 banks



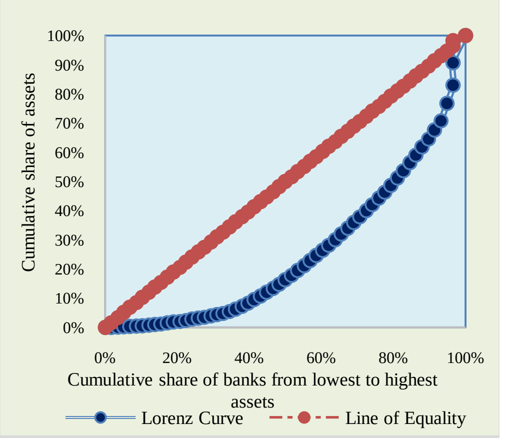
Source: DOS, BB; Compilation: FSD, BB.

Banking sector asset concentration has also been demonstrated using Gini Coefficient calculated based on the Lorenz Curve (Chart 2.5). As the calculated Gini coefficient[9] is 0.50, the Lorenz Curve indicates the moderate concentration of assets in the banking industry.

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

[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

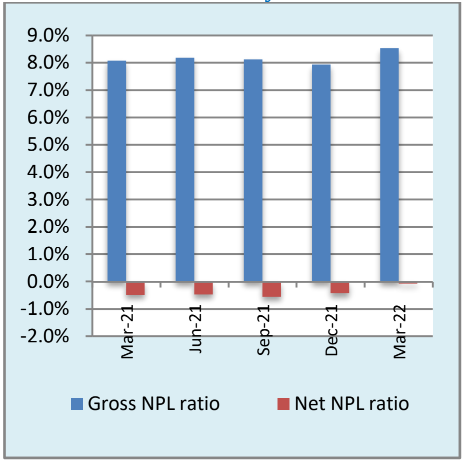


Source: DOS, BB; Compilation: FSD, BB.

2.2 Asset Quality

Gross non-performing loan (NPL) ratio[10] of the banking sector increased to 8.53 percent at end-March 2022 compared to 7.93 percent at end-December 2021 (Chart 2.6). On the other hand, net non-performing loans, net of loan loss provisions and interest suspense to total loans (net NPL) was negative since September 2020. The ratio became negative due to maintenance of loan loss provision and accumulation of higher amount of interest suspense. However, there is a room to elevate the profitability and capital position of banks by increasing the recovery drive of classified loans.

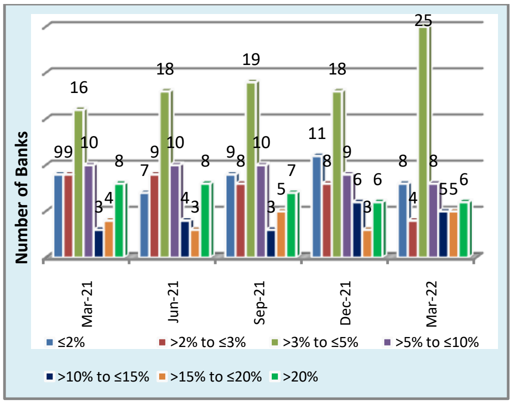
Chart 2.6: NPL Ratio of the Banking Industry



Source: BRPD, BB.

Chart 2.7 illustrates that the number of banks having gross NPL ratio higher than 10 percent increased in March 2022 quarter compared to December 2021 quarter.

Chart 2.7: Distribution of banks by NPL ratio



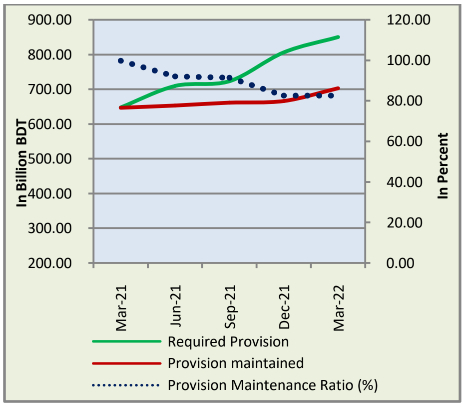
Source: BRPD, BB; Compilation: FSD, BB.

The provision maintenance ratio at end-March 2022 increased slightly to 82.67 percent from 82.63 percent at end-December 2021 (Chart 2.8). In the review quarter, the required provision increased by BDT 44.14

[10] Ratio of nonperforming loans to total loans.

billion whereas actual provision increased by BDT 36.75 billion only.

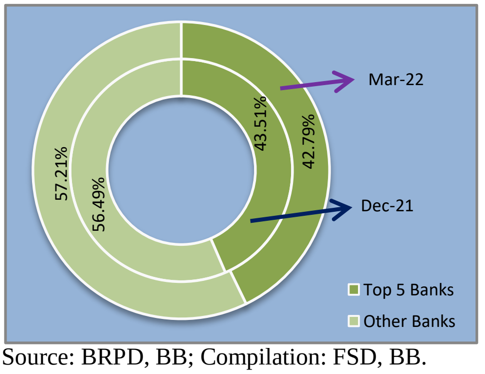
Chart 2.8: Banking Sector Loan Loss Provision



Source: BRPD, BB.

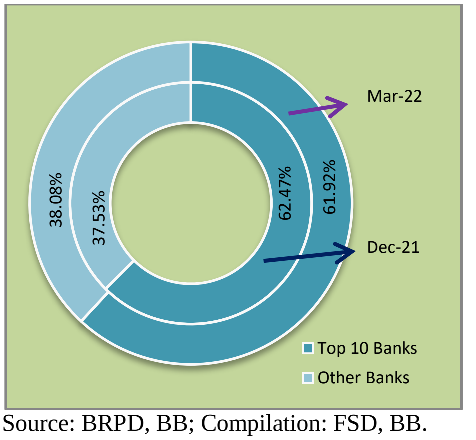
NPL concentration in top 5 banks slightly decreased to 42.79 percent at end-March 2022 compared to 43.51 percent at end-December 2021 (Chart 2.9). Similarly, NPL concentration in top 10 banks also decreased to 61.92 percent at end-March 2022 compared to 62.47 percent at end-December 2021 (Chart 2.10). Moreover, NPL concentration other than top 5 banks and top 10 banks were 57.21 percent and 38.08 percent respectively at end-March 2022 (Chart 2.9 and 2.10).

Chart 2.9: NPL Concentration of Top 5 Banks



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

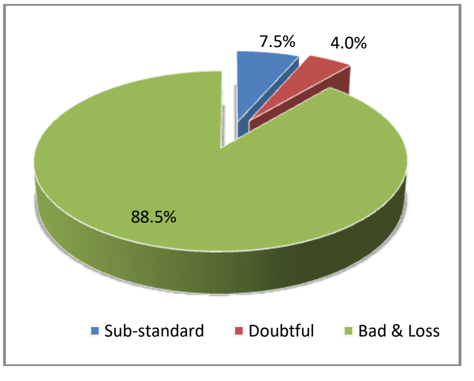
Chart 2.10: NPL Concentration of Top 5 Banks



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

During the review quarter, the ratio of bad and loss loans to total classified loans accounted for 88.5 percent while the share of sub-standard and doubtful loans constituted 7.5 percent and 4.0 percent respectively (Chart 2.11).

Chart 2.11: NPL Composition at end-March 2022

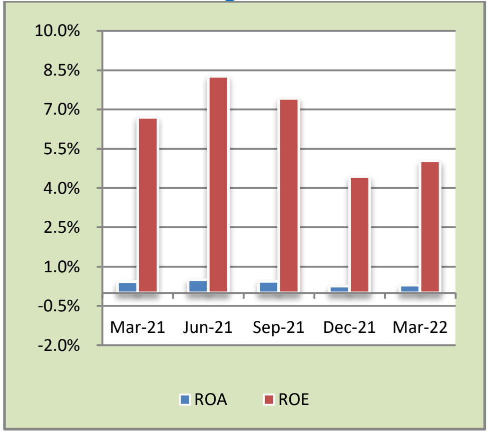


Source: BRPD, BB.

2.3 Profitability

In the review quarter, the profitability indicators both return on asset (ROA) and return on equity (ROE) of the banking sector slightly increased compared to those of the preceding quarter (Chart 2.12).

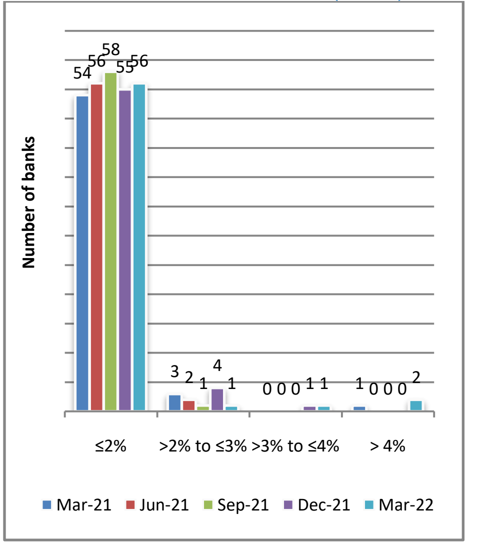
Chart 2.12: ROA and ROE of the Banking Sector



Source: Bangladesh Bank Quarterly and DOS, BB.

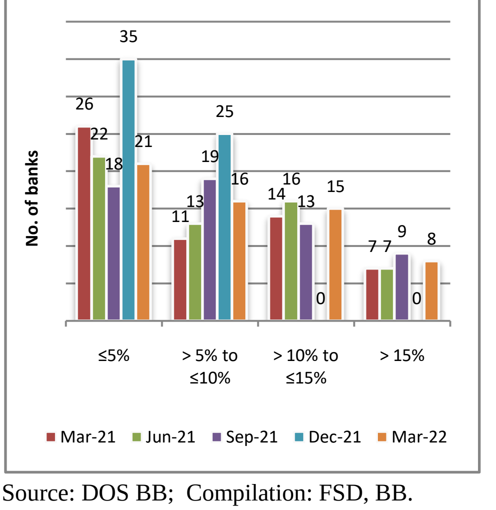
In the review quarter, return on asset (ROA) in the banking sector stood at 0.29 percent, which was 0.25 percent at the end of the preceding quarter. Besides, return on equity (ROE) stood at 5.03 percent, which was 4.44 percent at end-December 2021. The distributions of ROA (Chart 2.13) and ROE (Chart 2.14) of the banks show that ROA of most of the banks remained below 2 percent while ROE remained below 5 percent for a large number of banks in the review quarter. In order to achieve substantial improvement in profitability, banks need to work relentlessly to improve their asset quality as well as diversify the business and product with customer satisfaction.

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



Source: DOS BB; Compilation: FSD, BB.

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



Source: DOS BB; Compilation: FSD, BB.

Chapter 3 : FINANCIAL INSTITUTIONS' PERFORMANCE

The key financial indicators manifested a declining performance of FIs in March, 2022 quarter. Profitability indicators decreased compared to the previous quarter. Similarly, total assets including earning assets, fixed assets and cash & liquid assets of FIs contracted compared to the previous quarter. Moreover, NPL of FIs increased compared to the previous quarter.

3.1 Growth of Liabilities & Equities and Assets

Total liabilities & equities of FIs decreased as borrowings, deposits and capital went down by BDT 95.8 billion, BDT 13.4 billion and BDT 12.10 billion respectively compared to December, 2021quarter.

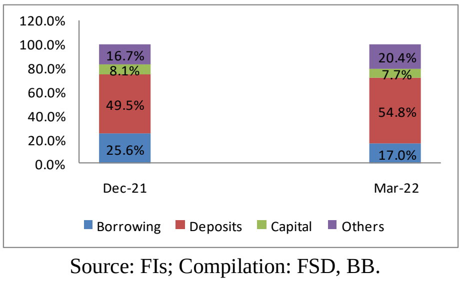
At end-March 2022, total assets of financial institutions reached to BDT 785.74 billion[11], exhibiting 12.36 percent decline compared to the amount of BDT 896.56 billion at end-December 2021. Cash and liquid assets as well as earning assets contracted by BDT 52.1 billion and BDT 60.5 billion respectively.

[11] Financial Statements on March, 2022 and December, 2021 quarter of 3 (three) FIs' are not available yet. So, information of September, 2021 based Financial Statements is used.

3.1.1 Source of Fund: Composition and Contribution

At end-March 2022, borrowings, deposits, capital, and other liabilities constituted to 17.0 percent, 54.8 percent, 7.7 percent and 20.4 percent respectively of the sources of funds of the FIs. In comparison with the previous quarter, the share of borrowing and capital decreased by 8.6 and 0.4 percentage points respectively. On the other hand, deposits and other liabilities increased by 5.3 and 3.7 percentage points respectively (Chart 3.1).

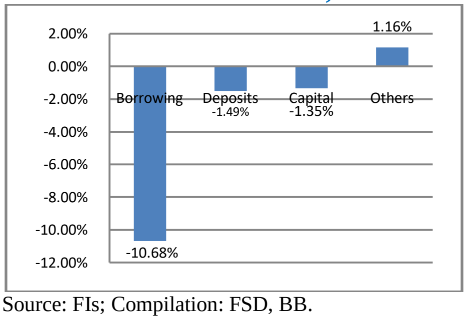
Chart 3.1: Compositions of Sources of Fund at End- March, 2022



Source: FIs; Compilation: FSD, BB.

During the review period, total liabilities & equities decreased by 12.36 percent compared to the preceding period which is largely attributed to a decrease in borrowings, capital and deposits by 10.68 percent, 1.35 percent and 1.49 percent respectively. However, other liabilities contributed positively by 1.16 percent. The contributions of different components in liability growth are illustrated in Chart 3.2.

Chart 3.2: Contributions of Components in Liabilities & equities Growth at End- March, 2022



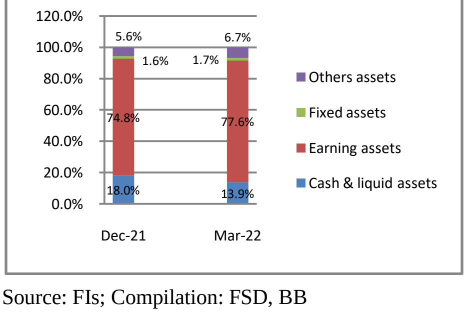
Source: FIs; Compilation: FSD, BB.

3.1.2 Assets: Composition and Contribution

Total earning assets (i.e., loans, leases, and investment) of FIs constituted 77.6 percent of total assets at end-March 2022. The rest of total assets composed of cash and liquid assets, fixed assets, and other assets; shares of these components are 13.9 percent, 1.7 percent and 6.7 percent respectively (Chart 3.3).

When compared with end-December 2021 positions, the share of cash and liquid assets decreased by 4.1 percentage points whereas earning assets, fixed assets and other assets increased by 2.8, 0.1 and 1.1 percentage points respectively during the review period.

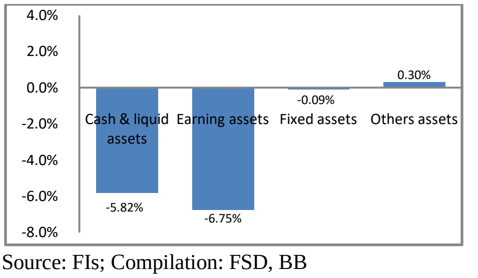
Chart 3.3: Composition of Assets



Source: FIs; Compilation: FSD, BB

The 12.36 percent decrease in total assets during the review period compared to the preceding period is largely attributed to decrease in cash and liquid assets, earning assets and fixed assets by 5.82 percent, 6.75 percent and 0.09 percent respectively. However, other assets contributed positively by 0.3 percent. The contributions of different components in assets growth are illustrated in Chart 3.4.

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

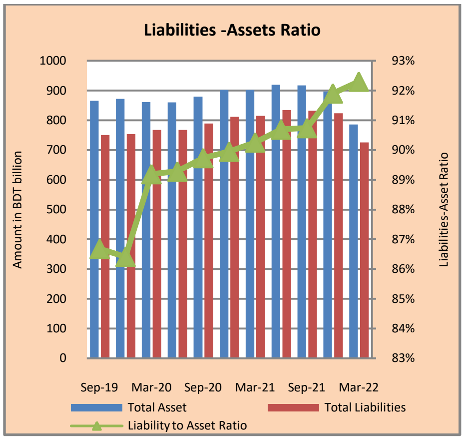


Source: FIs; Compilation: FSD, BB

3.1.3 Liabilities-Assets Ratio

The liabilities to assets ratio stood at 92.3 percent at end-March 2022 which is 40 basis points higher than the previous quarter (Chart 3.5). The increase in other liabilities mainly resulted in the rise of liabilities-to-assets ratio.

Chart 3.5: FIs' Liabilities-Assets Ratio

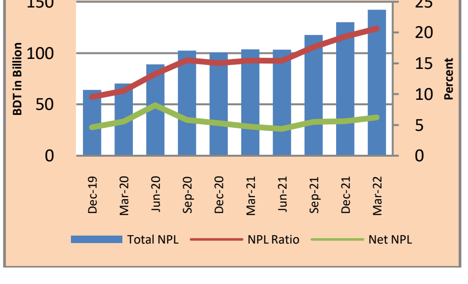


Source: FIs; Compilation: FSD, BB.

3.2 Asset Quality

Aggregate classified loans and leases stood at BDT 142.32 billion at end March 2022 from BDT 130.17 billion at end December 2021. The ratio of classified loans and leases increased to 20.63 percent at end-March 2022 which is 1.30 percentage points higher than that of the previous quarter and 5.17 percentage points higher than that of end-March 2021 (Chart 3.6).

Chart 3.6: FIs' Non-performing Loans



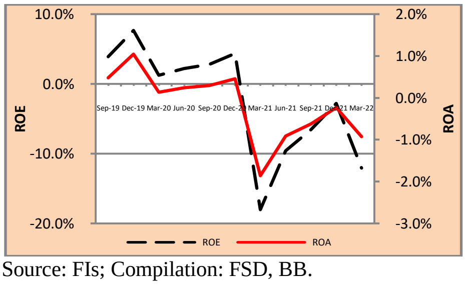
Source: DFIM, BB.

Net NPL ratio (after netting off interest suspense and actual provisions maintained) was 6.19 percent at end-March 2022, which is 0.60 percentage points and 1.49 percentage points higher respectively than that of the previous quarter and March 2021 quarter.

3.3 Profitability

During the review period, the return on assets (ROA) and return on equity (ROE) stood at -0.93 percent and -12.03 percent respectively compared to -0.23 percent and -2.79 percent respectively recorded in the previous quarter. It is worthy to note that ROA and ROE were -1.86 percent and -17.99 percent respectively in March 2021[12] (Chart 3.7).

Chart 3.7: FIs' ROA and ROE



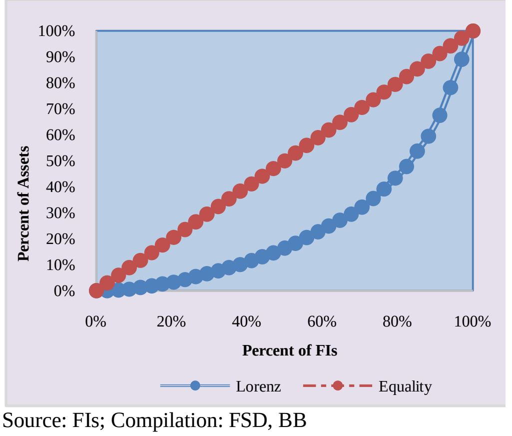
Source: FIs; Compilation: FSD, BB.

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% of FIs hold around 60% of assets which implies the presence of a high concentration in the assets of FIs sector. The calculated Gini coefficient at end-March 2022 is 0.502 which suggests that distribution of assets among FIs is significantly unequal.

[12]Here profitability indicators, ROA and ROE, are annualized from quarterly ratios.

Chart 3.8: FIs asset concentration-Lorenz Curve



Source: FIs; Compilation: FSD, BB

Chapter 4 : BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

Banking sector's capital to risk-weighted assets ratio (CRAR) increased by 33 basis points at end-March 2022 than that of the previous quarter. Advance-to-deposit ratio (ADR) increased by 1.02 percentage points during the review period.

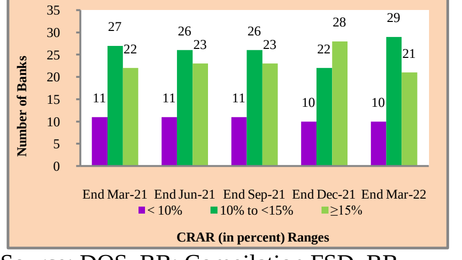
4.1 Capital Adequacy

In the review quarter, the total regulatory capital maintained by the industry exceeded the minimum capital requirement by BDT 158.11 billion.

A total of 50 banks out of 60 maintained CRAR of at least 10.0 percent or higher at end-March 2022 in line with Basel III capital framework (Chart 4.1). Among them, 29 banks, maintaining 10 to less than 15 percent CRAR[13], held nearly 59.45 percent of total assets of the banking industry (Chart 4.2) while 21 banks, having CRAR of 15 percent or higher, possessed 13.53 percent of the industry assets. It is noteworthy that the 10 CRAR non-compliant banks, on an aggregate basis, held more liabilities than assets of the industry at end-March 2022.

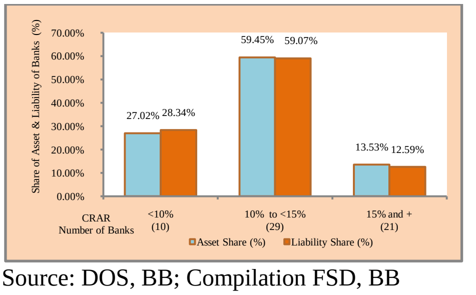
The aggregate CRAR of the industry stood at 11.41 percent[14] which is 33 basis points higher than that of end-December 2021 and 26 basis points lower than that of March 2021 respectively.

Chart 4.1: Banking Sector Capital to Risk-Weighted Assets Ratio



Source: DOS, BB; Compilation FSD, BB.

Chart 4.2: Assets and Liability Share of Banks based on CRAR at End-March 2022



Source: DOS, BB; Compilation FSD, BB

Tier-1 capital ratio[15] of the banking industry increased by 47 and 13 basis points compared to the same of end-December 2021 and end-March 2021 respectively (Chart 4.3). Still, the ratio (7.91 percent) remained considerably higher than the minimum regulatory requirement of 6.0 percent.

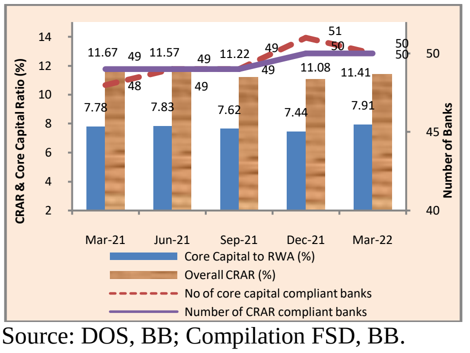
[13] Upper limit exclusive.

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

[15] Tier-1 capital ratio is calculated as a percentage of core capital to RWA.

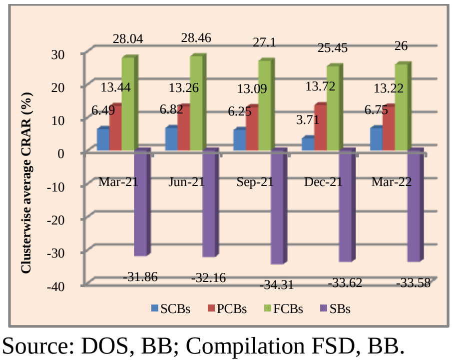
Among the four banking clusters, FCBs continued maintaining highest CRAR (26 percent) while SBs continued maintaining the lowest CRAR (-33.58 percent) in the review quarter (Chart4.4).

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



Source: DOS, BB; Compilation FSD, BB.

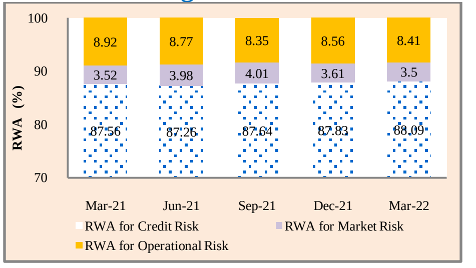
Chart 4.4: Bank Cluster-wise CRAR at End-March 2022



Source: DOS, BB; Compilation FSD, BB.

At end-March 2022, risk weighted assets (RWA) associated with credit risk accounted for 88.09 percent of total risk-weighted assets of the banking industry (Chart 4.5). However, percentage of RWA for credit risk had increased by 26 and 53 basis points at end-March 2022 than those at end-December 2021 and end-March 2021 quarters respectively.

Chart 4.5: Distribution of Risk Weighted Assets



Source: DOS, BB; Compilation FSD, BB.

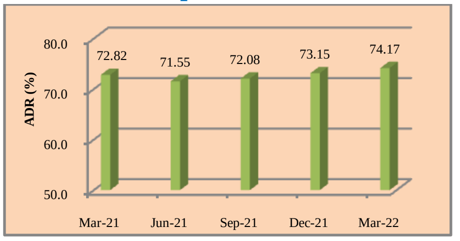
In the review quarter, against the regulatory requirement of 2.50 percent, 41 out of 60 banks maintained the minimum required capital conservation buffer (CCB) on solo basis[16] while 27 out of 39 banks fulfilled this regulatory requirement on consolidated basis. The aggregate figure of CCB of the banking sector, in the stated quarter, stood at 1.41 and 2.08 percent on solo and consolidated basis respectively.

4.2 Liquidity

During the review quarter, advance-to-deposit ratio (ADR) of the banking industry stood at 74.17 percent, which is 1.02 and 1.35 percentage points higher than those of end-December 2021 and end-March 2021 respectively (Chart 4.6).

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

Chart 4.6: Banking Sector Advance-to-Deposit Ratio

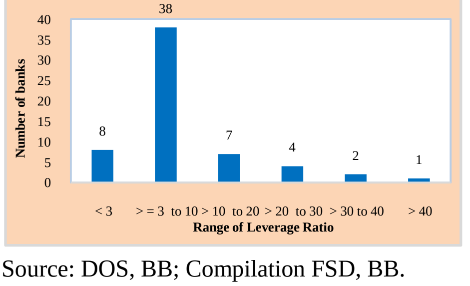


Source: DOS, BB; Compilation FSD, BB.

4.3 Leverage ratio

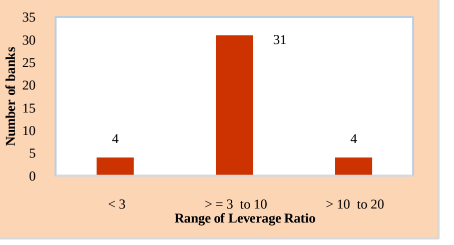
In the review quarter, leverage ratio requirement of banking industry was above the minimum requirement of 3.0 percent on both solo and consolidated basis[17]. At end-March 2022, the industry leverage ratio was 4.53 percent on solo basis; 52 out of 60 banks maintained a leverage ratio of 3.0 percent or higher (Chart 4.7). On the other hand, 35 out of 39 banks were able to maintain this regulatory requirement on consolidated basis (Chart 4.8).

Chart 4.7: Leverage Ratio (solo basis) of Banks at End-March 2022



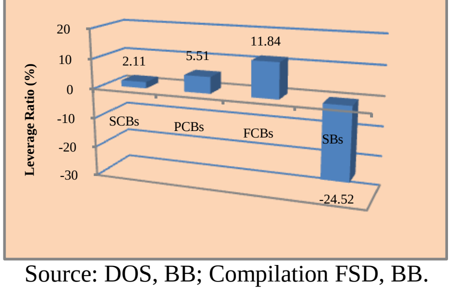
Source: DOS, BB; Compilation FSD, BB.

Chart 4.8: Leverage Ratios (Consolidated Basis) of Banks at End-March 2022



Source: DOS, BB; Compilation FSD, BB.

Chart 4.9: Bank Cluster-wise Leverage Ratio at End-March 2022 (Solo basis)



Source: DOS, BB; Compilation FSD, BB.

FCBs continued maintaining significantly higher leverage ratio among the four banking clusters while SDBs posted the lowest (Chart 4.9).

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

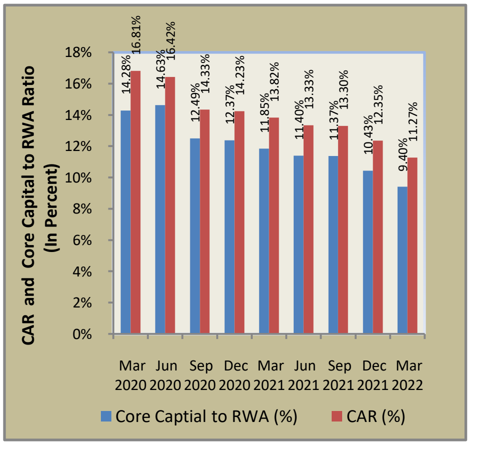
Chapter 5 : FINANCIAL INSTITUTIONS' CAPITAL ADEQUACY AND LIQUIDITY

During the March 2022 quarter, the Capital Adequacy Ratio (CAR) and the core capital ratio of the Financial Institutions (FIs) stood at 11.27 percent and 9.40 percent respectively. Both the ratios decreased compared to those of the previous quarter. However, despite the subdued status of some FIs, the overall CAR and core capital ratio of the FIs reveal compliance of the regulatory standard. In aggregate, FI's maintained CRR was marginally below the required CRR.. 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 Core Capital Ratio of the FIs stood at 11.27 percent and 9.40 percent respectively. CAR decreased by 1.08 percentage points whereas Core Capital Ratio decreased by 1.03 percentage points. In the review quarter, 26 out of 34 FIs were able to maintain the required level of core capital ratio and CAR. However, overall both the ratios were well above the minimum regulatory requirement of the Basel II framework[18]. Chart 5.1 shows the trend in core capital to risk weighted asset (RWA) ratio and CAR since March 2020.

Chart 5.1: Capital Adequacy Ratios of FIs



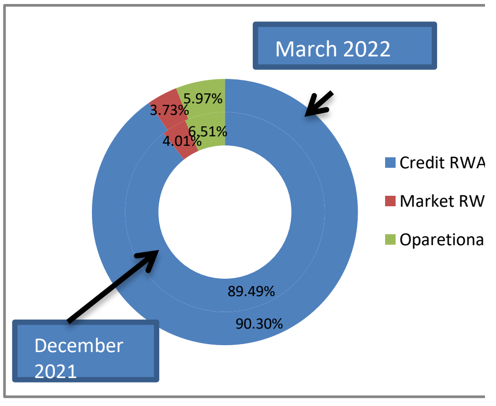
Source: DFIM, BB.

Risk-Weighted Assets (RWA)

Total risk-weighted assets (RWA) increased from BDT 677.16 billion at end-December 2021 to BDT 703.80 billion at end-March 2022. During the review quarter, RWA for credit, market, and operational risks respectively constituted 90.30 percent, 3.73 percent, and 5.97 percent of the overall RWA of this industry. While comparing with the previous quarter's positions, the share of RWA derived from market risk and operational risk decreased by 0.28 and 0.54 percentage points respectively, whereas credit RWA increased by 0.81 percentage points. Chart 5.2 shows the different components of the overall risk-weighted assets (RWA) of the FIs in Bangladesh.

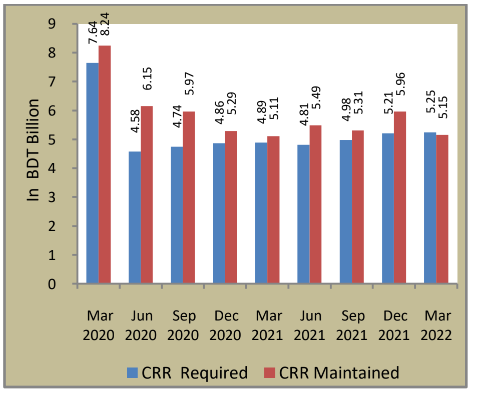
[18]FIs are required to maintain a capital adequacy ratio (CAR) of 10.0 percent with at least 5.0 percent as core capital ratio in the form of Tier-1 as per the Basel II framework.

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



Source: DFIM, BB.

Chart 5.3: Cash Reserve Ratio (CRR) of FIs

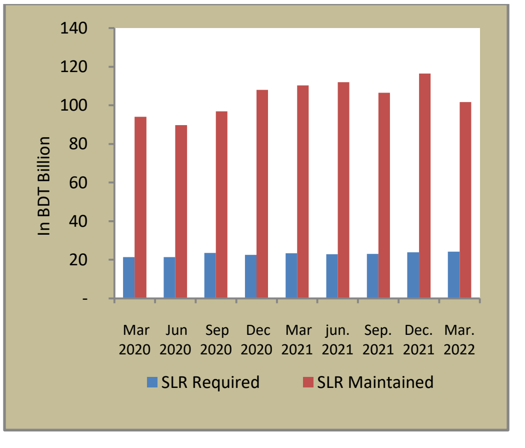


Source: DFIM, BB.

5. 2 Liquidity

As of end-March 2022, the aggregate amount of Cash Reserve Ratio (CRR) maintained by the FIs was BDT 5.15 billion as 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 was BDT 101.64 billion at end-March 2022 against the requirement of BDT 24.28 billion. The amount of SLR maintained by FIs decreased by 12.7 percent compared to that of the previous quarter. Chart 5.3 and Chart 5.4 demonstrate the trend in CRR and SLR position of the FIs since March 2020.

Chart 5.4: Statutory Liquidity Ratio (SLR) of FIs



Source: DFIM, BB.

Chapter 6 : STRESS TEST AND RESILIENCE OF THE BANKING SECTOR

6.1 Stress Test

This chapter contains the results of minor stress tests[19] on individual banks as well as banking industry based on the data of end-March 2022.

6.2 Stress Test on Banks

Stress tests on banks are carried out through sensitivity analysis, incorporating the impacts of the shock scenarios for credit risk, market risk and liquidity risk. Under each scenario, the after-shock Capital to Risk-Weighted Assets Ratio (CRAR) is compared with the minimum regulatory requirement of 10 (ten) percent. However, particular attention is concentrated to credit risk which is the major risk in the banking sector.

6.2.1 Individual Shocks

Table 6.1 shows that out of 59 banks, 10 banks' pre-shock CRARs were below the minimum regulatory requirement of 10 percent. Therefore, remaining 49 banks were considered for the analysis based on end-March 2022 data. Table 6.1 and Chart 6.1 represent the banking sector CRAR and number of non-compliant banks respectively in case of minor shock scenario. However, the following sub-sections describe the details of the shocks and the associated results as a part of supervisory concern.

6.2.1.1 Credit Risk

a) **Increase in Non-performing Loans (NPL):** If NPLs increased by 3 percent, then 6 banks would fail to maintain the minimum required CRAR of 10 percent.

b) **Increase in NPL due to Default of Top Large Borrowers:** If 3 top borrowers of each bank default, then 15 banks would have become non-compliant in maintaining 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 1 bank would fail to maintain the minimum required CRAR of 10 percent.

d) **Negative Shift in the NPL Categories:** If NPL categories shift downward by 5 percent, then 1 bank would fail to maintain the minimum required CRAR of 10 percent.

e) **Increase in NPL in Highest Outstanding Sector:** If 3 percent of performing loan of highest outstanding sector directly downgraded to B/L category, then 2 banks would fall below the minimum regulatory requirement.

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

6.2.1.2 Market Risk

a) **Interest Rate Risk:** In the event of deposit interest rate increase by 1 percent, no bank would fail to maintain the minimum required CRAR.

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

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

6.2.2 Combined Shock

This test evaluates the bank's performance by aggregating the results of different credit shocks, exchange rate shock, equity price shock and interest rate shock. In the event of combined shock (excluding top large borrowers and exposure in highest sector), 13 banks would fall below than the minimum regulatory capital requirement.

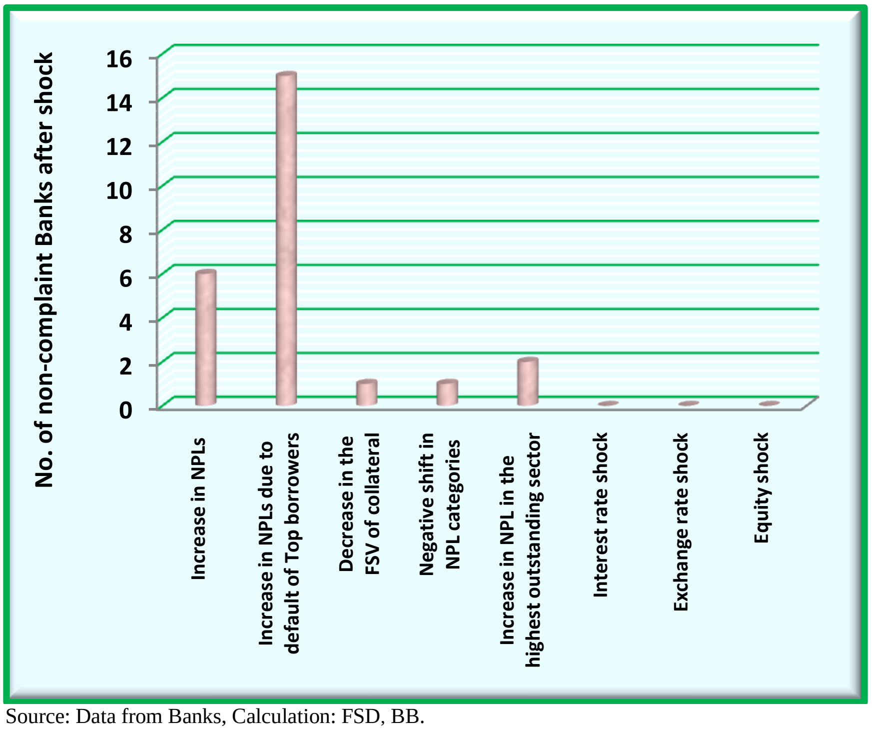
Table 6.1:The results of different Minor Shock Scenarios on the Banking Sector at end-March 2022

(In percent)

Pre-shock scenario	Required minimum CRAR	Pre-shock CRAR
Banking System	**10.00**	**11.34**
Minor Shock Scenarios		**After-Shock CRAR**
Credit Risks		
Increase in NPLs by 3%		**9.57**
Default of top 3 large borrowers		**9.91**
10% fall in the forced sale value (FSV) of mortgaged collateral		**10.76**
5% negative shift in the NPLs categories		**10.65**
3% of performing loans of highest exposed sector directly downgraded to bad/loss		**11.18**
Market Risks		
1% increase in deposit interest rate		**10.75**
Currency depreciation by 5%		**11.32**
Fall in the equity prices by 10%		**10.98**
Combined Shock		**7.35**

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

Chart 6.1 : Number of Non-compliant Banks in case of different Minor Shock Scenarios at end-March 2022



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

6.2.3 Liquidity Shock

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

Table 6.2: Liquidity Risk in the Banking Sector at end-March 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

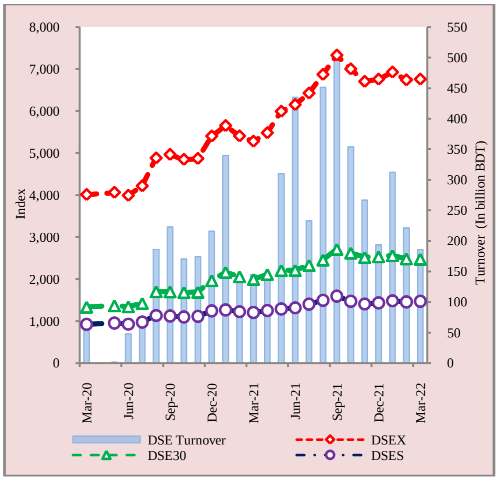
Both the bourses of the country (DSE & CSE) were dejected during the January-March 2022 quarter, portrayed by unvarying indices and declining trends in turnover, P/E ratio, and market capitalization.

7.1 Dhaka Stock Exchange (DSE)

7.1.1 DSE Performance

At end-March 2022, the main index of DSE, DSEX[20] remained almost the same whereas DS30[21] decreased by 2.3 percent and DSES[22] increased by 2.6 percent compared to those of end-December 2021. The global geopolitical tension, rise in energy prices, and neighbouring countries' macroeconomic uncertainty might have affected the investors' outlook on the market.

Chart 7.1: DSE Performance



Source: DSE

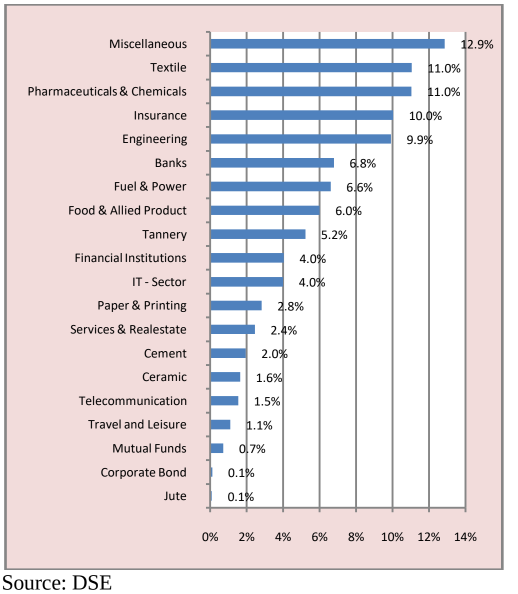
Chart 7.1 illustrates the performance of DSE for the period of March 2020 to March 2022. DSE turnover observed 11.70 percent decrease and reached to BDT 719.04 billion during January-March, 2022 from BDT 814.28 billion during the previous quarter.

7.1.2 Sectoral Turnover at DSE

Chart 7.2.A depicts that the miscellaneous sector captured the highest share (12.9 percent) of the total turnover of DSE during the review quarter followed by the textile (11.0 percent), pharmaceuticals & chemicals (11.0 percent), insurance (10.0 percent) and engineering sector (9.9 percent).

Chart 7.2: Sectoral Turnover

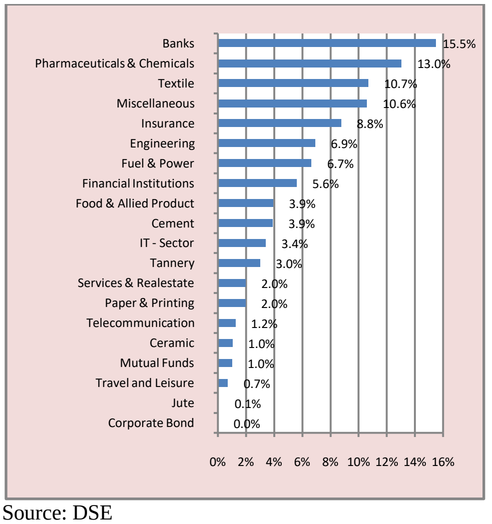
A. During January-March 2022



Source: DSE

[20] DSEX= DSE Broad Index
[21] DS30 = DSE 30 Index
[22] DSES = DSEX Shariah Index

B. During October-December 2021



Source: DSE

During this review quarter, the financial sector (i.e., Bank, NBFIs, and Insurance) collectively shared approximately 20.9 percent of the total turnover of DSE which was about 29.9 percent during the October-December 2021 quarter (Chart-7.2.B).

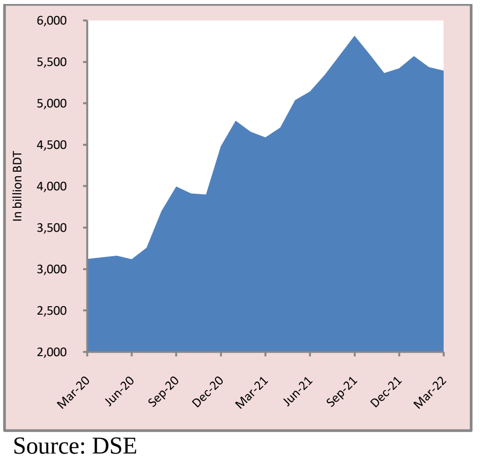
Growth in turnover (in value) for various sectors shows a mixed movement. Turnovers of some sectors like tannery, ceramic, travel & leisure, food & allied product, paper and printing, and engineering experienced notable growth while banks, cement, NBFIs, mutual funds and pharmaceuticals & chemicals sectors observed substantial decreases during the January-March 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 0.51 percent in March 2022 compared to December 2021.

At end-March 2022, DSE market capitalization reached BDT 5394.15 billion which is equivalent to 17.9 percent of the GDP of FY2022[23].

Chart 7.3: Market Capitalization Trend of DSE



Source: DSE

Chart 7.4.A illustrates that at end-March 2022, the pharmaceuticals & chemicals sector captured the highest share with 15.23 percent in the total market capitalization followed by banks, telecommunication and engineering sectors with 14.84 percent, 13.67 percent and 11.56 percent respectively.

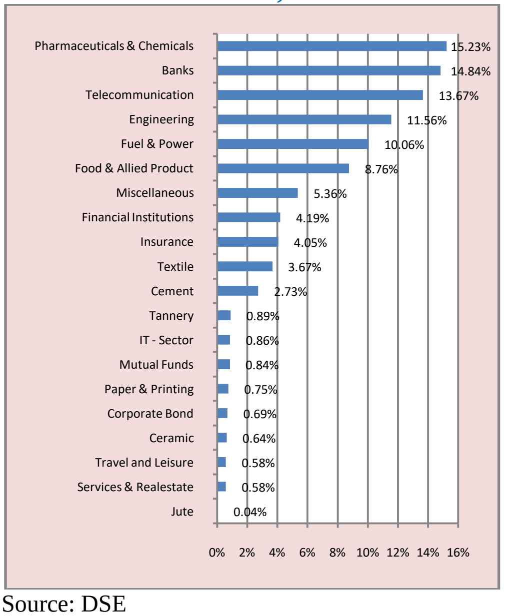
At end-December 2021, the contributions of the aforementioned

[23] GDP base year is 2005-2006.

sectors were 14.82 percent, 15.04 percent, 14.23 percent, and 11.70 percent respectively (Chart-7.4.B).

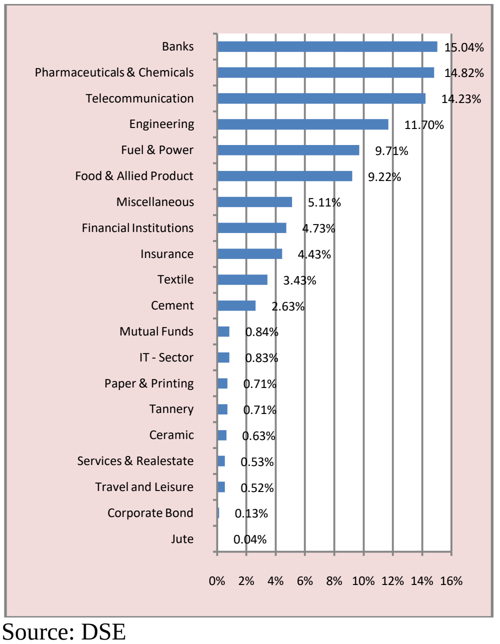
Chart 7. 4: DSE Sectoral Market Capitalization

A: End-March, 2022.



Source: DSE

B: End-December 2021.

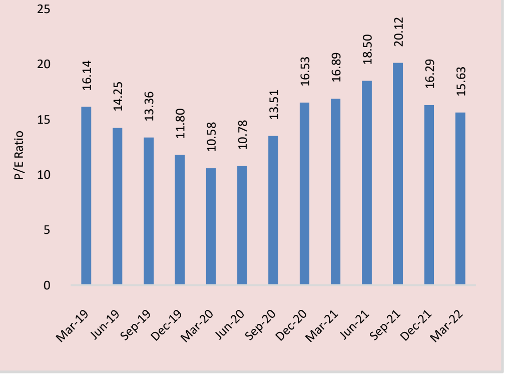


Source: DSE

7.1.4 Price/Earnings (P/E) Ratio

The weighted average market P/E of DSE's listed companies was 15.63 at end-March 2022, which was 16.29 at end-December 2021. The market P/E ratio exhibited in Chart 7.5 shows a gradual rise of the P/E ratio since March 2020 but experienced a declining trend after September 2021.

Chart 7.5:DSE P/E Ratio



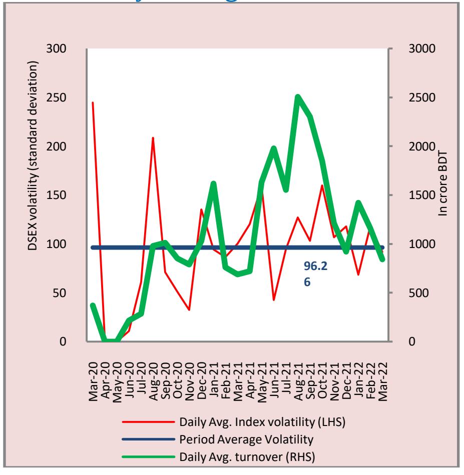
Source: DSE

At end-March 2022, the tannery sector experienced the highest P/E ratio of 84.04 followed by the travel and leisure sector (81.63), jute sector (68.48), and paper & printing sector (65.24). Conversely, the mutual fund sector recorded the lowest P/E ratio (4.01) followed by banks (9.47) and the fuel & power sector (12.18).

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 (March 2021 to March 2022), the highest volatility in daily DSEX was observed in October 2021 (with a standard deviation of 159.88) whereas the least volatility was recorded in June 2021 (with a standard deviation of 42.63). The average volatility was 96.26 over the period as referred to the chart.

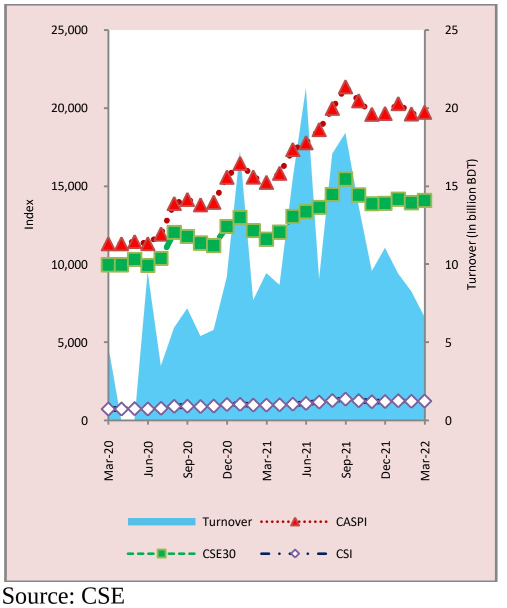
7.2 Chittagong Stock Exchange (CSE)

7.2.1 CSE Performance

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

At end-March 2022, the major CSE indices, such as CASPI[24], CSE30[25] and CSI[26] increased marginally by 0.4 percent, 1.4 percent, and 2.8 percent respectively compared to those of end-December 2021.

Chart 7.7: CSE Performance



Source: CSE

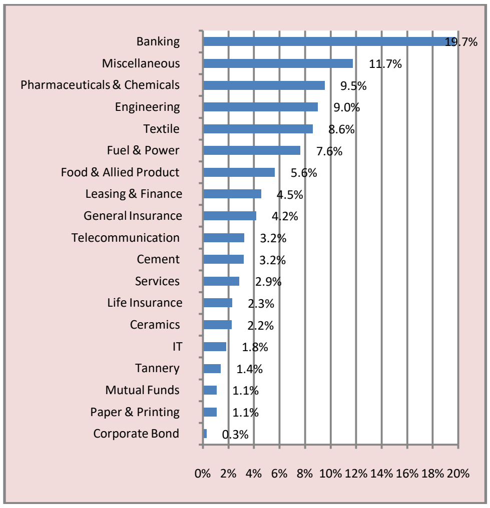
On the contrary, CSE turnover decreased sharply by 29.3 percent to BDT 24.32 billion during January-March 2022 from BDT 34.39 billion in the previous quarter.

7.2.2 Sectoral Turnover at CSE

Chart 7.8 shows the sectoral turnover scenario at CSE from January-March 2022. The banking sector has the highest share of total CSE turnover with 19.7 percent followed by the miscellaneous (11.7 percent), pharmaceuticals & chemicals sector (9.5 percent), and engineering sector (9.0 percent) respectively.

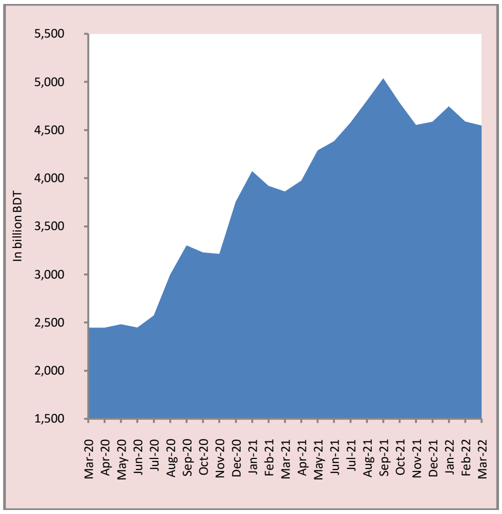
[24] CASPI = CSE ALL SHARE PRICE INDEX
[25] CSE30= CSE 30 Index
[26] CSI= CSE Shariah Index

Chart 7.8.: Sectoral TurnoverJanuary-March 2022



Source: CSE

Chart 7.9: Market Capitalization Trend of CSE



Source: CSE

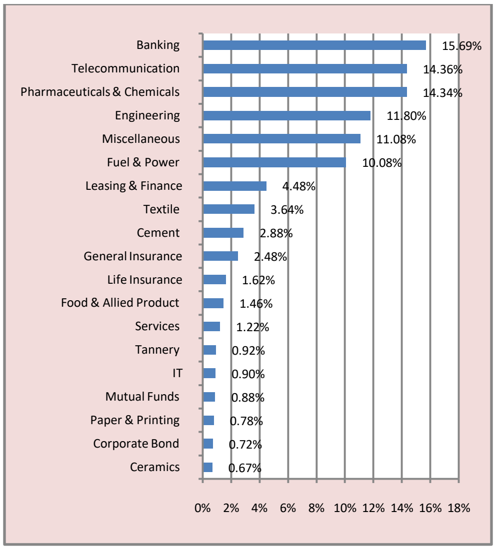
7.2.3 Market Capitalization

Chart 7.9 shows trends in the market capitalization of CSE since March 2020. The market capitalization of CSE was in decreasing trend during the review quarter. At end-March 2022, the market capitalization at CSE decreased to BDT 4,545.99 billion from BDT 4,585.54 billion at end-December 2021.

Moreover, the CSE market capitalization to GDP[27] ratio stood at 15.1 percent at end-March 2022 compared to that of 15.23 percent in the previous quarter.

Chart 7.10: CSE Sectoral Market Capitalization

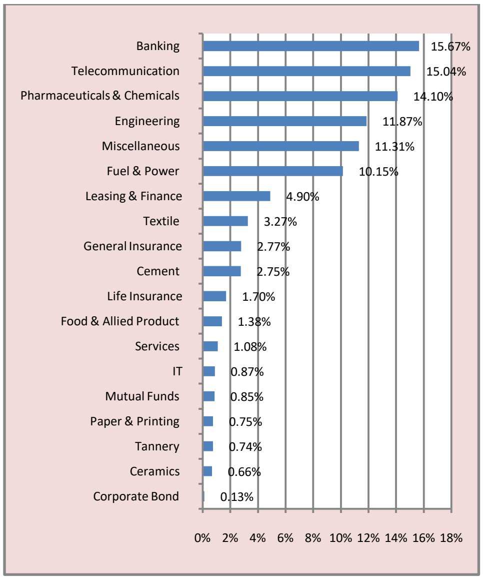
A: End-March, 2022.



Source: CSE

[27]GDP base year is 2005-2006.

B: End-December, 2021.



Source: CSE

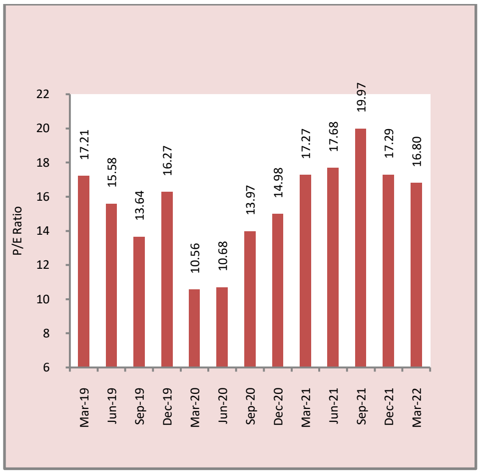
Chart 7.10.A illustrates that at end-March 2022, the banking sector (15.69 percent) captured the highest share in the total market capitalization at CSE followed by telecommunication (14.36 percent), pharmaceuticals & chemicals (14.34 percent), engineering (11.80 percent), and miscellaneous (11.08 percent) respectively.

The shares of the above-mentioned sectors were 15.67 percent, 15.04 percent, 14.10 percent, 11.87 percent and 11.31 percent respectively at end-December 2021 (Chart-7.10.B).

7.2.4 Price/Earnings (P/E) Ratio

The market-weighted average P/E ratio of CSE experienced a declining trend after September 2021. At end-September 2021, the weighted average market P/E of CSE's listed companies was 19.97, which declined to 17.29 at end-December 2021 and finally reached to 16.80 at end-March 2022 (Chart 7.11).

Chart 7.11: CSE P/E Ratio



Source: CSE

During the review quarter, the highest P/E ratio was registered by the tannery sector (103.51), followed by the paper & printing sector (61.74) and service sector (36.09). On the other hand, the lowest P/E ratio was recorded in the banking sector (9.7) followed by fuel & power (12.10) and the general insurance sector (15.34).

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 enhance/promote financial stability. However, in Bangladesh market-capitalization to GDP for both DSE and CSE was lagging than many of its peer countries.

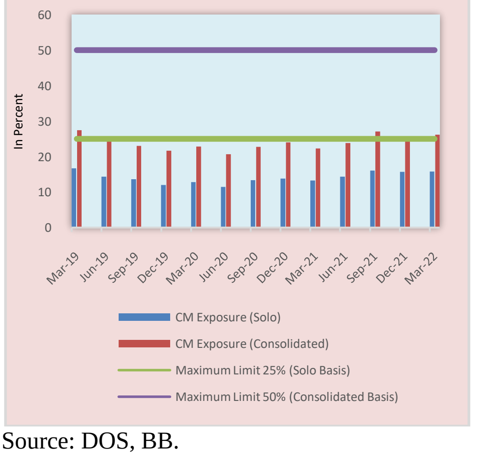
This situation could pose some stresses on the banking sector of the country for long-term finance which, in turn, could increase banks' risk of maturity mismatch.

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

In the review quarter, banks' aggregate investment in the capital market was much below (15.8 percent on a solo basis and 26.2 percent on a consolidated basis) than the allowable limit set by Bangladesh Bank[28].

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.

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

Chapter 8 : Recent Stability Initiatives of Bangladesh Bank

8.1 Refinance scheme of BDT 5 billion to create employment and to eliminate poverty for the people who have got back home due to the COVID-19 pandemic

Considering the adverse impact of the second phase of COVID-19 on the economy, Bangladesh Bank has announced a scheme of BDT 5 billion to create employment and eliminate poverty, especially for the people who have returned to the villages. The tenure of the scheme is up to 31st December, 2024.The activities that accelerate the rural economy while creating employment for the physically-challenged people and poor women such as low capital-based local business, fisheries, livestock, purchase of agricultural machineries, small business activities etc. Under the scheme, the interest rate will be a maximum of 6 percent (simple interest rate) at the borrower level and banks will get refinance facility from the Bangladesh Bank at 5 percent interest rate.

[Ref: ACD Circular No.01, Date: 03 January, 2022]

8.2 Single borrower and large loan exposure limit

To strengthen credit risk management of banks by limiting concentrated exposures and thereby further improving the stability of the banking sector, Bangladesh Bank has issued a circular on “Single borrower and large loan exposure limit”.

[Ref: BRPD Circular No.1, Date: 16 January, 2022]

8.3 Application and recovery of non-transactional fee/charges on credit card

It has been observed that after issuing a credit card in favor of a client, banks are imposing a non-transaction fee/charge before the activation of the credit card. To protect customers interest, Bangladesh Bank has issued a circular instructing the banks that before activation of the credit card, a bank will not impose any non-transactional fee/charges on customers. Besides, CIB status of the customers, who were adversely classified due to non-repayment of non-transactional fee/charges by banks, should be reversed.

[BRPD Circular Letter No. 06, Date: 15 February, 2022]

8.4 Guidelines on Internal Credit Risk Rating System (ICRRS)

The adverse impact of COVID-19 is yet to fade away from the economy. To recover from the shock, Bangladesh Bank has announced a series of stimulus packages. But the business environment is seemingly not strong enough till now for lending new loans following the business-asusual rating standard. To facilitate business activities as well as improve the economic condition, Bangladesh Bank has relaxed a few conditions of the internal credit risk rating system so that the business entities may continue their business activities smoothly.

[Ref: BRPD Circular Letter no 07, Date: 23 February 2022]

8.5 Regarding recovery plans for banks

Severe stress events often threaten the financial and operational potency and viability of a bank. To cope up with such stressful events, Bangladesh Bank has issued a circular to guide the banks to develop recovery plan for preparing their respective responses to the potential shocks in advance so that they can act promptly and effectively in the event of a stress situation. Stress could be an isolated event, market-wide, systemic event, or all three. Banks will submit their recovery plan according to the prescribed guideline to Bangladesh Bank.

[Ref: BRPD Circular No. 03, Date: 24 February 2022]

8.6 L/C margin and commission on import financing for essential consumer goods

Due to the adverse impact of the second phase of COVID-19 and the Eid-ul Fitr the prices of necessary consumable goods were unusually high. To control the price hike of necessary consumable goods, Bangladesh Bank has instructed the banks to open L/C considering banker-customer relationship in favor of importing necessary goods at minimum or zero margins, and L/C commission of the respective should be at a minimum.

[Ref: BRPD Circular Letter no 08, Date: 10 March, 2022]

8.7 Components of capital market investment of financial institutions

In Financial Institutions Act 1993, section 16 stated about the maximum limit of holding other companies' shares/debentures by a financial institution. But which factors should be considered as the capital market investment is not clearly stated in the Act. To clarify the ambiguity, Bangladesh Bank has issued a circular stating specific factors that should be considered in calculating the approved limit of capital market investment.

[DFIM Circular No.03, Date: 15 February 2022]

8.8 Special policy on loan repayment through one-time exit

Due to the unfavorable impact of COVID-19 and other unmanageable issues, borrowers were affected which, in turn, hindered the loan recovery activities of financial institutions. To improve loan recovery activities while increasing liquidity flow and accelerating financial conditions, Bangladesh Bank has instructed that those who are not inclined to continue their business can repay the loan within one year by paying a nominal amount of money as a down payment initially.

[Ref: DFIM Circular No.4, Date: 15 February 2022]

8.9 Financial literacy guidelines for banks and financial institutions

Financial literacy of mass people is pivotal to implement the Government's Vision-2041 and sustainable development target announced by the United Nations (UN) as well as the national financial inclusion strategy. If the mass people can be well-informed about the financial products and services, then it will help to achieve the financial inclusion target. In that perspective, Bangladesh Bank has issued a guideline for banks and financial institutions to extend their umbrella of financial inclusion by providing sufficient information and knowledge about their products and services to the mass people.

[Ref: FID Circular No.01, Date: 27 March 2022]

8.10 Retention of export proceeds in foreign exchange

To facilitate trade as well as to stabilize the foreign currency exchange rate, Bangladesh Bank has issued a circular mentioning that export proceeds received in advance as declared on Advance Received Voucher (ARV) following paragraph 20, chapter 8 of GFET may be retained in foreign exchange as per paragraph 41 or 42 of chapter 7 ibid depending on the nature of import bills.

[Ref: FE Circular No. 04, Date: 14 March 2022]

8.11 Payment in foreign currency against local supply of goods under international tender

To keep the foreign currencies flow uninterrupted and to hold the exchange rate stable, Bangladesh Bank has issued a circular modifying paragraph 35 of chapter 7 of GFET-2018 of volume-1 mentioning that Authorized Dealers (ADs) may establish letter of credits (L/Cs) in foreign currency favoring local contractors to execute work orders provided under the international tender. Such L/Cs established in foreign currencies shall be settled through FC clearing accounts of the bank concerned maintained with Bangladesh Bank. Besides, foreign exchange thus received may be retained for up to thirty days to settle import payment obligations of the clients as mentioned in paragraph 42(ii).

[Ref: FE Circular Letter no 09, Date: 02 March 2022]

8.12 Export incentive against the export of Software, ITES and Hardware

Bangladesh Bank has issued a circular accepting the instructions of "Information and Communication

Technology Department" (ICTD) of the Government for export incentives against the export of software ITES, and hardware. Any earnings by exporting software or hardware-related products with the help of selected 55 online marketplaces by any individual or institutions will be considered for export incentive.

[FE Circular Letter No.07, Date: 30 January 2022]

8.13 Cash incentive against wage earners' remittance through the legal channel

According to the Government's decision to encourage the repatriation of the earnings like retirement benefits in forms of pension funds, provident Fund, leave salary, bonus and other gratuities paid by employer and retirement benefits of non-resident Bangladeshis residing lawfully, Bangladesh Bank has issued a circular to provide stimulus/cash incentive.

[FE Circular Letter No.04, Date: 20 January 2022]

8.14 Sales of foreign digital items through local e-Commerce market places/platforms

Bangladesh Bank has issued a circular regarding payments against legitimate purchases of goods and services under current account transactions within the prescribed entitlements and limits. It is to be mentioned that digital items that are on display at e-Commerce market places/platforms for sales to the residents against payments in local currency shall contravene the provisions of the Foreign Exchange Regulation (FER) Act, 1947 unless settlement of payments against the procurement for commercial trading from external sources has been made by outward remittance through banking channel under general authorization. The procurements are subject to payment of applicable duties, taxes, and other levies. Besides, authorized dealers are advised to guide their e-Commerce customers for meticulous compliance following stipulations outlined in the guideline.

[FE Circular Letter No. 02, Date; 06 January 2022]

8.15 To increase the rate of cash incentive against wage earners' remittance through legal channel

Considering the importance of foreign remittance sent by non-resident workers in the overall development of lifestyle, increasing foreign currency reserve, generating employment and economic development of Bangladesh, the government has announced cash incentive of 2.5 percent instead of 2 percent to stimulate the non-resident workers to send their remittance through the legal channels.

[FE Circular Letter No.01, Date: 02 January 2022]

8.16 Providing permission for card-based payments through contactless payment service using NFC technology

Due to the Near Field Communication (NFC) technology transactions have become easy and dynamic. As a result, Contactless payment services through credit card have become popular now a day. Considering the customers' demand, it can be expected that electronic transactions will increase if contactless payment can be introduced in debit and pre-paid cards as well. To introduce digital financial transactions, Bangladesh Bank has issued a circular introducing NFC technology for debit and pre-paid cards limiting BDT 3000 per transaction.

[PSD Circular Letter No.01, Date: 22 March 2022]

8.17 Bangladesh Mobile Financial Services (MFS) Regulations, 2022

As per Section 7A(e) and section 82 of the Bangladesh Bank Order, 1972 and Section 26 (cha) of the Bank Companies Act, 1991 Bangladesh Bank has issued a revised regulation titled "Bangladesh Mobile Financial Services (MFS) Regulations, 2022". The new regulations will replace the previously issued "Bangladesh Mobile Financial Services (MFS) Regulations, 2018" and shall come into effect immediately.

[PSD Circular No.04, Date: 15 February 2022]

8.18 Regarding credit guarantee facility for marginal/landless farmers, low-income professionals, school banking account holders, and small traders who have accounts of TK. 10/50/100

Due to the COVID-19 income-generating activities of marginal people have been affected. Besides, the second wave of the pandemic has stymied the recovery of economic activities. In this backdrop, to facilitate and continue the economic activities of low-income/ marginal people along with the account holders of 10 taka, Bangladesh Bank has issued a circular. The objective of this circular is to broaden the area of loan facilities and ease the regulations of borrowing for the marginal people.

[SMESPD Circular No.01, Date: 23 January 2022]

8.19 Policy guidelines on corporate social responsibility for banks and financial institutions

Bangladesh Bank has prepared a guideline for banks and financial institutions (FIs) on corporate social responsibility. The guideline was issued with a view to equitable and sustainable development by maintaining consistent higher growth of the economy and narrow down the inequality of society as well as preventing environmental degradation.

[SFD Circular No. 01, Date: 9 January 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

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

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

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[P]
Mar-22	13,263.0	22,553.0 [P]

P=Provisional

Appendix V: Interest Rate (Weighted Average) Spread

(In percent)

Period	Lending Rate	Deposit Rate	Spread
Jun-20	8.0	5.1	2.9
Sep-20	7.8	4.8	3.0
Dec-20	7.6	4.5	3.1
Mar-21	7.5	4.4	3.1
Jun-21	7.3	4.1	3.2
Sep-21	7.2	4.1	3.1
Dec-21	7.2	4.0	3.2
Mar-22	7.1	4.0	3.1

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

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

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

(Amount in billion BDT)

Property and Assets	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Cash in hand	182.16	180.65	185.56	189.52	195.78
Balance with Bangladesh Bank and its Agent Bank	1,133.58	1,365.98	1,081.29	1,042.28	982.53
Balance with other banks and financial Institutions	833.86	888.76	876.24	862.91	921.97
Investment	3,381.25	3,618.02	3,755.10	3,846.13	3,761.98
Loans and Advances	11,925.83	12,258.64	12,604.53	13,244.12	13,550.26
Fixed Assets	280.48	282.77	277.88	280.59	284.74
Other Assets	920.54	913.91	984.25	959.89	1,010.10
Non-banking assets	4.32	4.40	3.93	3.85	3.85
Total Assets	**18,662.01**	**19,513.12**	**19,768.78**	**20,429.29**	**20,711.21**

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

(Amount in billion BDT)

Assets	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	6,472.78	14,238.43	9,337.80	11,373.41
Share (%)	31.25%	68.75%	45.09%	54.9%
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	48,545.07	64,895.78	70,238.47	43,202.39
Share (%)	42.79%	57.21%	61.92%	38.08%

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-20	925.11	9.03%	0.39%
Jun-20	961.17	9.16%	0.15%
Sep-20	944.40	8.88%	-0.22%
Dec-20	887.34	7.66%	-1.18%
Mar-21	950.85	8.07%	-0.48%
Jun-21	992.05	8.18%	-0.47%
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%

Appendix XI: Distribution of Banks by NPL Ratio

Range	Number of Banks as at end						
	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
≤2%	6	11	9	7	9	11	8
>2% to ≤3%	7	11	9	9	8	8	4
>3% to ≤5%	23	16	16	18	19	18	25
>5% to ≤10%	8	6	10	10	10	9	8
>10% to ≤15%	5	5	3	4	3	6	5
>15% to ≤20%	1	1	4	3	5	3	5
>20%	9	9	8	8	7	6	6
Total	59	59	59	59	61	61	61

Appendix XII: Banking Sector Loan Loss Provisions

(Amount in billion BDT)

PERIOD	REQUIRED PROVISION	PROVISION MAINTAINED	PROVISION MAINTENANCE RATIO (%)
Mar-20	604.9	568.8	94.0
Jun-20	654.0	609.0	93.1
Sep-20	636.44	610.01	95.8
Dec-20	669.76	617.11	92.1
Mar-21	648.02	646.78	99.8
Jun-21	709.51	653.69	92.1
Sep-21	723.49	661.44	91.4
Dec-21	806.54	666.47	82.63
Mar-22	850.68	703.22	82.67

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
Mar-20	9.03%	8.5%	4.2%	87.3%
Jun-20	9.16%	8.6%	4.4%	87.0%
Sep-20	8.88%	8.7%	5.0%	86.3%
Dec-20	7.66%	7.7%	5.3%	87.0%
Mar-21	8.07%	6.8%	5.0%	88.2%
Jun-21	8.18%	6.8%	4.3%	88.9%
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%

Appendix XIV: Classified Loan Composition (March 2022)

(Amount in crore BDT)

PARTICULARS	AMOUNT	PERCENT OF TOTAL
Substandard (SS)	8,475.18	7.5%
Doubtful (DF)	4,590.87	4.0%
Bad/Loss (BL)	100,374.81	88.5%
Total Classified Loan	113,440.86	100.0%

Appendix XV: Banking Sector ROA Range

Quarter	ROA Range			
	Up to 2.0%	>2% to ≤3%	>3% to ≤4%	> 4%
Mar-20	53	3	1	1
Jun-20	57	1	0	0
Sep-20	51	4	3	0
Dec-20	50	5	3	0
Mar-21	54	3	0	1
Jun-21	56	2	0	0
Sep-21	58	1	0	0
Dec-21	55	4	1	0
Mar-22	56	1	1	2

Notes: ROAs have been annualized from respective quarterly ratios.

Appendix XVI: Banking Sector ROE Range

Quarter	ROE Range			
	≤5%	> 5% to ≤10%	> 10% to ≤15%	> 15%
Mar-20	20	12	19	7
Jun-20	36	21	1	0
Sep-20	19	16	16	7
Dec-20	15	9	19	15
Mar-21	26	11	14	7
Jun-21	22	13	16	7
Sep-21	18	19	13	9
Dec-21	35	25	0	0
Mar-22	21	16	15	8

Notes: ROEs have been annualized from respective quarterly ratios.

Appendix XVII: Banking Sector ROA and ROE

Ratio	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
ROA	-0.11%	0.30%	0.45%	0.25%	0.42%	0.50%	0.44%	0.25%	0.29%
ROE	-1.69%	4.91%	7.22%	4.28%	6.70%	8.26%	7.42%	4.44%	5.03%

Appendix XVIII: FIs' Borrowing, Deposit and Capital

(Amount in billion BDT)

Particulars	Dec-21	Mar-22
Borrowing	229.64	133.87
Deposits	444.20	430.84
Capital	72.60	60.52
Others	150.11	160.51
Total	**896.56**	**785.74**

Appendix XIX: FIs' Asset Composition

(Amount in billion BDT)

Particulars	Dec-21	Mar-22
Cash & liquid assets	161.56	109.42
Earning assets	670.26	609.76
Fixed assets	14.45	13.62
Others assets	50.29	52.94
Total	**896.56**	**785.74**

Appendix XX: FIs' Classified Loans and Leases

(Amount in billion BDT)

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Dec-19	63.99	9.53
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

Appendix XXI: FIs' ROA & ROE

(In percent)

Quarter	Aggregate ROA	Aggregate ROE
Sep-19	0.48%	3.89%
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	-0.93%	-12.03%

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

Appendix XXII: Banking Sector Regulatory Capital Position- Solo Basis (amount in billion BDT)

Period	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Minimum Capital Requirement	1188.4	1220.7	1263.9	1276.19	1330.12
Total Regulatory Capital	1354	1381	1388.1	1384.62	1488.24

Appendix XXIII: Banking Sector CRAR Distribution

CRAR (%) Ranges	Number of Banks (at End Period)				
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
< 10%	11	11	11	10	10
10% to <15%	27	26	26	22	29
15% and +	22	23	23	28	21
Compliant Banks	49	49	49	50	50

- Total Banks 60.

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

CRAR	No. of Banks	Asset size (B. BDT)	Asset Share (%)	Liability size (B. BDT)	Liability Share (%)
<10%	10	559,581.1	27	553,143.7	28.3
10% to <15%	29	1,231,379.6	59.5	1,152,860.8	59.1
15% and +	21	280,160.8	13.5	245,654.4	12.6
Total	60	2,071,121.5	100	1,951,658.89	100

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

Particulars	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Core Capital to RWA (%)	7.8	7.8	7.6	7.4	7.9
No. of Core Capital compliant banks	48	49	49	51	50
Overall CRAR (%)	11.7	11.6	11.2	11.1	11.4
No. of CRAR compliant banks	49	49	49	50	50

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

	CRAR (in percent)				
Bank Clusters	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
SCB	6.5	6.8	6.3	**3.7**	6.8
PCB	13.4	13.3	13.1	13.7	13.2
FCB	28.0	28.5	27.1%	25.5	26
SB	-31.9	-32.2	-34.3	-33.6	-33.6
Grand Total	11.7	11.6	11.2	11.1	11.4

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

RWA (in percent)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
RWA for Credit Risk	87.6	87.3	87.6	87.8	88.1
RWA for Market Risk	3.5	4	4.0	3.6	3.5
RWA for Operational Risk	8.9	8.8	8.4	8.6	8.4

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

Particulars	No. of Compliant Banks	No. of banks considered	Aggregate CCB (%)
Solo	41	60	1.4
Consolidated	27	39	2.1

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

Period	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
ADR (in percent)	72.8	71.6	72.1	73.2	74.2

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

Range of Ratio (%)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
< 3	10	10	10	9	8
> = 3 to 10	36	36	36	37	38
> 10 to 20	11	8	8	8	7
> 20 to 30	3	3	3	2	4
> 30 to 40	1	1	1	2	2
> 40	2	2	2	2	1

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

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

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

Bank Clusters	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
SCBs	1.6	1.8	1.8	0.4	2.1
PCBs	5.5	5.4	5.4	5.6	5.5
FCBs	12.5	12.3	12.1	11.5	11.8
SBs	-23.9	-24.3	-24.7	-24.5	-24.5
Industry (60 banks)	4.5	4.4	4.4	4.2	4.5

Appendix XXXIII: 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 (Revised)	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 XXXIV: 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
Capital Adequacy Ratio (%)	14.33	14.23	13.82	13.33	13.30%	12.35%	11.27%

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

(Amount in billion BDT)

Particulars	End Mar-20	End Jun-20	End Sep-20	End Dec-20	End Mar-21	End Jun-21	End Sep-21	End Dec-21	End Mar -22
Credit RWA	638.9	639.0	615.6	628.8	631.1	628.4	618.7	605.97	635.54
Market RWA	50.9	54.1	35.7	44.6	43.4	47.1	49.4	27.13	26.24
Operational RWA	51.5	50.2	51.4	49.4	47.6	48.0	47.8	44.07	42.03
Total RWA	741.3	743.3	702.7	722.8	722.1	723.4	716.0	677.17	703.81
Core Capital (Tier -1)	111.1	108.7	87.7	89.4	85.6	82.5	81.4	70.60	66.14
Supplementary Capital	13.5	13.3	12.8	13.4	14.2	14.0	13.8	13.04	13.19
Eligible Capital	124.6	122.0	100.7	102.8	99.8	96.4	95.2	83.64	79.33

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

(Based on data as of end-March 2022)

Minor Shock Scenarios	After-Shock CRAR
Increase in NPLs	6
Increase in NPLs due to default of Top borrowers	15
Negative shift in NPL categories	1
Decrease in the FSV of collateral	1
Increase in NPL in the highest outstanding sector	2
Interest rate shock	0
Exchange rate shock	0
Equity shock	0

Appendix XXXVII: DSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	DSEX	DS30	DSES
Mar-20	66.46	3122.35	4008.29	1330.83	920.69
Apr-20*					
May-20	1.43	3,161.80	4060.45	1365.37	951.60
Jun-20	47.80	3119.67	3989.09	1340.98	925.08
Jul-20	60.01	3,257.33	4,214.43	1,420.64	976.50
Aug-20	186.18	3,698.34	4,879.15	1,699.55	1,132.85
Sep-20	222.58	3,996.42	4,963.29	1,696.00	1,120.39
Oct-20	170.40	3,912.51	4,846.10	1,680.13	1,098.80
Nov-20	174.07	3,899.79	4,866.84	1,687.40	1,113.98
Dec-20	215.88	4,482.30	5,402.07	1,963.96	1,242.11
Jan-21	339.59	4,790.28	5,649.86	2,160.39	1,265.37
Feb-21	144.49	4,657.36	5,404.80	2,056.83	1,222.84
Mar-21	144.80	4,589.02	5,278.16	1,994.40	1,204.18
Apr-21	143.77	4,707.12	5,479.62	2,110.91	1,249.82
May-21	310.10	5,038.68	5,990.99	2,205.82	1,286.20
Jun-21	435.09	5,142.82	6,150.48	2,208.38	1,314.76
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

*No transaction took place.

Appendix XXXVIII: CSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	CASPI	CSE30	CSI
Mar-20	4.84	2,445.71	11,328.00	9,975.51	729.30
Apr-20*					
May-20	0.03	2,481.50	11,469.02	10,320.39	750.34
Jun-20	9.53	2,447.56	11,332.59	9,925.12	733.27
Jul-20	3.50	2,572.76	11,957.06	10,389.29	777.28
Aug-20	5.94	2,996.99	13,908.14	12,052.96	902.97
Sep-20	7.19	3,300.77	14,167.23	11,790.99	912.64
Oct-20	5.41	3,227.92	13,824.13	11,370.18	888.07
Nov-20	5.80	3,212.32	13,991.43	11,207.94	919.67
Dec-20	9.18	3,754.94	15,592.92	12,426.52	1,018.85
Jan-21	17.28	4,072.71	16,474.97	13,013.79	1,031.29
Feb-21	7.71	3,919.44	15,603.80	12,156.81	983.85
Mar-21	9.44	3,861.42	15,264.62	11,614.50	982.59
Apr-21	8.69	3,973.51	15,844.80	12,062.49	1,003.67
May-21	15.46	4,288.28	17,359.57	13,066.25	1,044.59
Jun-21	21.30	4,383.65	17,795.04	13,382.78	1,091.85
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

*No transaction took place.

Appendix XXXIX: Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
Mar-19	16.1	17.2
Jun-19	14.3	15.6
Sep-19	13.4	13.6
Dec-19	11.8	16.3
Mar-20	10.6	10.6
Jun-20	10.8	10.7
Sep-20	13.5	14.0
Dec-20	16.5	15.0
Mar-21	16.9	17.3
Jun-21	18.5	17.7
Sep-21	20.1	20.0
Dec-21	16.29	17.29
Mar-22	15.63	16.80

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

Month	Daily Average Index Volatility[29]	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

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