Quarterly
Financial Stability Assessment Report

Bangladesh Bank
Financial Stability Department

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

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

Message from the Governor

Over the past two years COVID-19 continued to wreak havoc and leave the world with qualms over the global economy and financial stability order. As the pandemic is resurging in some parts of the world with a new variant, the global economy still finds itself in a disequilibrium. Limited vaccine access is forcing prolonged lockdowns and deepening the health toll in many countries. Thus, the world is heading to a slower than expected growth in most of the economies. Besides, some inflationary pressure appears to build-up because of the rising transportation costs resulting from a seemingly swelling trend in global fuel and commodity price, shortage of inputs, and supply chain disruptions. All these appear to be the downside risks for a quicker recovery of the global economy.

Nevertheless, with timely implementation of stimulus package and continued fiscal and monetary policy supports, the economy of Bangladesh started rebounding from the COVID-19 fallout. Hefty remittance inflows initially propelled the consumptions while the low-cost finance incentivized the credit flows. These eventually appeared to have helped revitalize the growth momentum outweighing the supply-side disruptions following the nationwide lockdown and restrictions to restrain the spread of delta variant of COVID-19 in the second quarter of the fiscal year FY21.

COVID-19 had pushed down the credit growth in the FY21. However, private credit flows are recovering as the external trade has been picking up since early FY22. We can expect the private-sector credit growth to regain its momentum by the end of this calendar year if the improving trend of the pandemic continues. Meanwhile, with the increase in import of capital machinery, payment for vaccines, and resumption of international travels, US dollar has slightly gained against Bangladeshi taka.

Overall, the country's financial system showed its characteristic resilience till now. Maintaining asset quality may remain a challenging issue for the banking sector once the regulatory relaxations are gone. Besides, a rather downcast performance of the non-bank financial institutions, despite their smaller size, might be exposed as the source of vulnerability for the financial system. Nonetheless, I hope the pace of a broad-based economic recovery is likely to gather momentum in the near future in the backdrop of a low infection rate, extended vaccination program, and pro-growth fiscal and monetary policies. All stakeholders need to work jointly in coherence to close the pockets of vulnerabilities and to make our financial system more resilient in the coming days.

Finally, I believe that this report will be able to provide the stakeholders a comprehensive understanding of the strengths, risks, and vulnerabilities of the financial system of the country and help them devise preemptive and forward-looking measures. I must appreciate the diligent efforts and dedication of the officials of Financial Stability Department in preparing this report in a befitting manner.

Fazle Kabir
Governor

Message from the Deputy Governor

Successful vaccine rollouts, major fiscal and monetary policy supports, and gradual stepping-ups of the demand side have fuelled the global economy towards a fast revival in 2021. However, rapid spread of the Delta variant of COVID-19 has created qualms to persist with this optimistic economic scenario and resulted in a slight decline in quarterly global real GDP in the third quarter of 2021.

On the domestic front, albeit continued concerns about the worldwide emergence of new COVID variant, persistent building up of inflationary pressure, supply chain disruptions, and a fluctuating global energy market, export grew considerably while imports recorded a slight decline compared to the preceding quarter. At end-September 2021, the gross foreign exchange reserve stood at USD 46.2 billion, declined partially from that of the preceding quarter. Importantly, the reserve position remained strong enough to cover 6.3 months imports of goods and services.

The banking sector experienced considerable asset growth and profitability in the review quarter. Higher asset growth was largely attributed to an increase in the investment portfolio by State-Owned Commercial Banks (SOCBs) in the form of bonds and securities. Asset quality of the banking sector, as measured by gross NPL ratio, also improved compared to the preceding period. Capital to Risk-weighted Assets Ratio (CRAR) of the sector decreased by 0.35 percentage points while Advance-to-Deposit Ratio (ADR) increased by 0.5 percentage points during the review period.

The key financial soundness indicators manifest the mixed performance of non-bank Financial Institutions (FIs) in this quarter. Profitability indicators improved compared to the previous quarter while the capital adequacy ratio remain almost unchanged. The share of cash and liquid assets declined while the same of earning assets increased. Asset quality of the FIs slightly declined compared to the last quarter. The Capital Market demonstrated a bullish trend during the quarter, portrayed by respective uptrends in indices, P/E ratio, and market capitalization.

I hope the stakeholders would find this quarterly update of the financial system stability helpful and insightful to understand the recent trends and emerging issues of interest. In the end, I would like to express my 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
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
CMSME	Cottage Micro Small and Medium Enterprise
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
EMDEs	Emerging Market and Developing Economies
FCBs	Foreign Commercial Banks
FIs	Financial Institutions
FoB	Free on Board
FPM	Financial Projection Model
FSD	Financial Stability Department
FSV	Forced Sale Value
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
MFS	Mobile Financial Services
NBFI	Non-Bank Financial Institutions
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
SDBs	Specialized Development Banks
SLR	Statutory Liquidity Requirement
SME	Small and Medium Enterprise
US	United States
USD	US Dollar
UK	United Kingdom

Executive Summary

The purpose of this report is to assess the resilience of the financial system of Bangladesh to risks and vulnerabilities, both endogenous and exogenous, during the July-September quarter of the calendar year 2021 (CY21). The report also discusses a broad range of issues having implications for the stability of the domestic financial system.

Global economic growth slightly declined compared with the third quarter of CY20. The new uncertainties emanated due to the outbreak of the Delta variant of COVID-19 impeded the pace of global economic recovery. In particular, the large economies like the UK, US and Japan experienced a slowed down in GDP growth in the reviewed quarter compared with the previous quarter. Global inflation rate was on a rising trend during the last few quarters; significant output gaps in most of the advanced economies, disrupted supply chains and logistic networks along with economic uncertainties as well as erratic price changes prevailed. Compared to the previous quarter, the energy price index rose 13.7 percent whereas price of non-energy commodity declined slightly. Policy rates of most of the advanced countries were kept the same in the reviewed quarter however central banks of Russia, Brazil and Mexico chose to increase their policy rates gradually. The future expectation of growth and rising inflation resulted in the increase in global borrowing cost and policy rates. Global equity markets demonstrated mixed performance, e.g., Japanese equities market registered a significant rise whereas Chinese equity market declined markedly in the reviewed quarter. China's trade also had a negative growth which appeared to be significant enough to cause a considerable decrease in the growth of global trade compared to that of the previous quarter.

The domestic macroeconomic situation was broadly stable during the review quarter. Annual average general inflation, at the end of the review quarter, declined a bit from the same of the previous quarter. Gross foreign exchange reserves stood at USD 46.2 billion at the end-September 2021. During the review period, export grew extensively whereas imports recorded a slight decline compared to those of the preceding quarter. Besides, wage earners' remittance declined considerably during the period. Overall balance recorded a deficit in the reviewed quarter; in particular, current account deficit narrowed compared to the previous quarter while financial account recorded a surplus. In the review quarter, the weighted average lending and deposit rates along with their spread had a declining trend. The exchange rate of BDT against USD was mostly stable in the last few quarters. Credit to the government (gross) from the banking system showed an uptrend at the end of the review quarter.

A moderate growth in the asset size of the banking sector was observed in the review period. Asset quality, measured by gross NPL ratio, decreased 0.06 percentage point at the end-September 2021 from that of the previous quarter. Besides, net NPL remained negative at both end-June 2021 and end-September 2021 quarters. Profitability of the banking sector also decreased slightly compared to that of the preceding quarter.

The profitability of the FI sector at the end-September 2021 improved compared to end-June 2021. The Return on Assets (ROA) and Return on Equity (ROE) of the FI sector, at end-September 2021, stood at -0.62 percent and -6.56 percent respectively, which were -0.91 percent and -9.59 percent respectively at end-June 2021. However, NPL of FI sector increased by 2.23 percentage points from the previous quarter, binding the ratio of NPL to 17.62 percent at end-September 2021 from 15.39 percent at end-June 2021 quarter.

Banking sector's Capital to Risk-weighted Assets Ratio (CRAR) decreased by 35 basis points from the last quarter to post at 11.22 percent. At end-September 2021, 49 banks out of 60 had CRAR of 10.0 percent or higher in line with Basel III framework. The tier-1 capital ratio also posted a slight decrease of 21 basis points from the preceding quarter. In addition, there was a minor improvement in liquidity position as Advance-to-Deposit Ratio (ADR) stood at 72.1 percent, 0.5 percentage point higher than that of end-June 2021 and 1.9 percentage points lower than that of end-September 2020.

Both the capital adequacy ratio (CAR) and core capital (tier-1) ratio of FIs fell in the review quarter compared to the earlier quarter. CAR of the FI sector, in line with Basel II, was13.30 percent against the minimum requirement of 10.0 percent while core capital ratio was 11.37 percent against the minimum requirement of 5.0 percent in the reviewed quarter. Noteworthy that 27 out of 34 FIs were able to maintain minimum required CAR and core capital ratio in the review quarter. On the other hand, though CRR and SLR of the industry, on a quantitative basis, decreased by 3.11 and 4.81 percent respectively from the end-June 2021 quarter, still the respective ratios remained well above the minimum regulatory requirement.

Stress test results based on end-September 2021 data exhibited a reasonable level of resilience of banks. Among the broad risk factors, credit risk deemed to be the most prominent factor for the banks' capital adequacy. Stress scenarios defined by increase in NPLs by 3 percent and default of top 3 borrowers would have the most adverse effect on banks' capital position in the review quarter. In terms of market risk factor, the banking industry was found to be resilient to exchange rate and equity price shocks but slightly vulnerable to interest rate shocks. However, CRAR would lie above the minimum requirement at any level of the shock of these categories of market risk factor individually.

The domestic capital market was bullish during the review quarter. Compared to the preceding quarter, notable improvements were observed in major indices, price-earnings ratio and market capitalization of both bourses, Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). At end-September 2021, DSE turnover increased by 34 percent while CSE turnover decreased by 1.9 percent compared to preceding period. Besides, DSE and CSE market capitalization increased by 13.1 and 14.9 percent repsectively compared to end-June 2021. Analysis of sectoral turnover revealed that vibrant trading of the financial sector (Bank, FI, and Insurance) shares played a major role in improving the market scenario. However, capital market exposure of the banking sector remained much below the regulatory maximum limit, implying the possibility of no major stability concern from the capital market in the near term.

Bangladesh Bank (BB) took several initiatives during the review quarter, which have implications to domestic financial system stability. To facilitate consumer financing BB has raised the loan margin ratio to 70:30 for purchasing digital devices (laptop/computer/mobile/tab) under consumer finance from the previous ratio of 30:70. For recovering the tourism sector affected by COVID-19 Honorable Prime Minister announced a stimulus package amounting BDT 10.0 billion. Following government’s announcement, BB has issued several instructions for banks to provide loan from their own source at 8.0 percent interest rate of which, Government would provide 4.0 percent as interest subsidy while the rest 4.0 percent would be borne by borrower. The interest subsidy facility will be provided for 01 (one) year.

To prevent the asset-liability mismatch due to the recent declining trend in banks’ deposit rate BB has issued a circular to rationalize the deposit rate of scheduled banks. Banks are instructed to determine the rate of deposit (with period of three months and above) not below the inflation rate to encourage savings and also to maintain the purchasing power of the depositors. BB has also instructed the scheduled banks to increase the leverage ratio gradually to 4.0 percent by 2026 from 3.0 percent. Besides, to combat the adverse impact of second phase of COVID-19 on the economy, BB has relaxed some criteria of loan classification. Loans cannot be classified if minimum 25 percent of the installments payable against the loan from January 2021 to December 2021 is paid by 31 December 2021. In this case the balance of the installments payable till December 2021 will be payable within 1 (one) year after the expiry of the existing term.

Bangladesh Bank has issued a circular regarding non-banking asset policy that describes the assessment of the value of assets, inclusion of non-banking assets into bank account by loan adjustment, inclusion of non-banking assets against write-off loans, discharge of defaulters after adjustment of entire loan, the sale and use of non-banking assets, disclosure, accounting, reporting, etc. BB announced different stimulus packages to revive the productions and activities of the industries since the outbreak of COVID-19 where only “A”, “B”, “C” types of industries were included. Later, BB has instructed all scheduled banks and FIs to include those industries with 100 percent foreign/joint (local and foreign) ownership located outside of BEZA/ BEPZA/ Hi-Tech Park in the financial stimulus packages. Besides, to enhance credit discipline and to reduce non-performing loans, scheduled banks are instructed to verify financial statements of the borrowers.

To increase the investable instruments in capital market, BB has instructed the banks to invest BDT 2.00 billion for investment in 100 percent asset backed green sukuk bond issued by private sectors for renewable power projects. Also, BB has issued a master circular for FIs allowing them to reschedule a loan for a maximum of three times. If a borrower fails to repay loan even after rescheduling loans for three times, he/she will be considered as habitual defaulter.

BB has announced the annual agricultural and rural credit policy and program for the financial year 2021-2022 by widening the target and scope of agricultural and rural credit considering pandemic situation and the rising demand. To boost up the agriculture sector amidst the ongoing economic slowdown caused by the COVID-19 pandemic, a scheme of BDT 30.00 billion has been set up by BB from its own source. In order to encourage women entrepreneurs abreast of agriculture BB has announced “Small Enterprise Refinance Scheme.”

BB has enhanced the size of refinance scheme titled “Refinancing Scheme for Marginal/Landless Farmers, Low Income Professionals, School Banking Account Holders and Small Businesses with accounts of BDT 10/50/100” from BDT 2.00 billion to BDT 5.00 billion to recover and revive the economic activities of the low-income people who are adversely affected by the COVID-19 pandemic.

BB has issued a circular through which resident contracting firms can open bank accounts in the respective countries jointly with non-resident co-partners to receive credit payments against the works so that firms may implement projects awarded by project implementing agencies abroad. Besides, BB has extended the normal tenure of submission of bill of entry up to 60 days as additional time effective till December 31, 2021.

In order to encourage exports BB has issued a circular regarding export subsidy/cash incentive for the fiscal year 2021-2022. Locally produced tea, bicycle and its parts, MS steel products and cement sheet are included along with the 38 export items that got cash incentive last year at different rates from 1.0 percent to the highest 20.0 percent. BB has instructed all scheduled banks not to receive advance payments of digital commerce organizations against goods and services directly to company's account or the accounts of persons involved in the organization. Banks are also instructed to perform due diligence in operating the accounts of such organizations by carefully examining their transactions and risk profiles.

BB has added some component/parameters regarding sustainability ratings methodology to make it more rational, acceptable, and befitting. The components/parameters are Net NPL rate, Core capital (Tier-1) against Risk Weighted Assets, provision maintenance ratio, net CMSME loans and advances outstanding to net loans and advances outstanding ratio, exceeding large loan portfolio ceiling against banks' total loans and advances.

Chapter 1 : Macroeconomic Developments

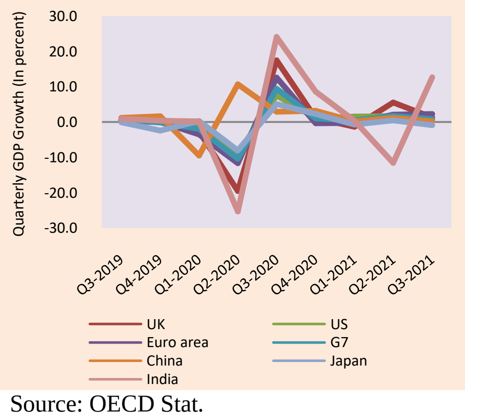
1.1 Global Macroeconomic Situation

Global economy is gaining momentum at a moderate pace, partly attributable to incremental coverage of vaccination and better management of the pandemic. However, the rapid spread of the Delta variant of the COVID-19 has created uncertainties to persist with this optimistic economic scenario and resulted in a slight decline in quarterly global real GDP. Moreover, the rising consumer price (i.e., inflation) seems to pose a further challenge for the quicker revival of economic activities to the full scale. Indeed, the persisting supply chain disruptions are intensifying regional disparities in international trade. Against this backdrop, some emerging market and developing economies (EMDEs) have partially been shifting from monetary policy easing to restrain looming inflation.

1.1.1 Global GDP Growth

The pace of global economic recovery appeared to be impacted by the outbreak of the Delta variant of COVID-19. The new uncertainties have led to a slowdown in both global production and consumer spending. As a result, the world real GDP growth[1] slowed to 2.2 percent in the third quarter of 2021 from a 4.6 percent growth recorded in the previous quarter[2]. Among the large economies, GDP growth has slowed down in the UK, US, and Japan while it rose in India in 2021 Q3.

Chart 1.1: Quarter-to-Quarter GDP Growth



Source: OECD Stat.

1.1.2 Global Inflation Outlook

The global inflation followed an upward trend during the last few quarters. The economic uncertainties have been leading to erratic price changes. Most of the advanced economies are experiencing significant output gaps[3] accompanied

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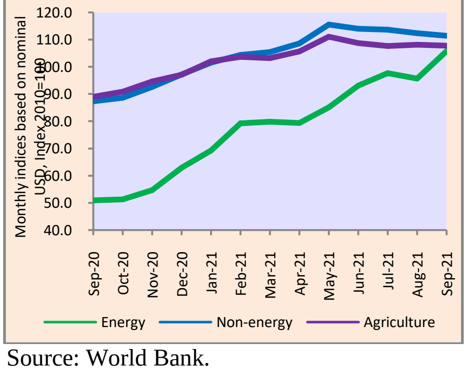
[1] GDP growth rate quarter on quarter annualized rate.

[2] For detrails visit https://ihsmarkit.com/research-analysis/global-economic-growth-inflation-will-slow-in-2022.html.

[3] The International Monetary Fund (IMF) estimated that this would persist for a few years for all of the G7 except the United States. (Global economy watch: September 2021, Price water house Coopers (PwC)).

by disrupted supply chains and logistic networks. The point-to-point change in the overall price of commodities at the end of the review quarter was significantly high while the change from the previous quarter was marginal for almost all commodities. In the review quarter, the energy price index increased by 13.7 percent compared to the preceding quarter along with a slight increase of 1.4 percent in the price of crude oil. The price of non-energy commodity, on the other hand, decreased slightly[4] (Chart 1.2).

Chart 1.2: Commodity Price Index



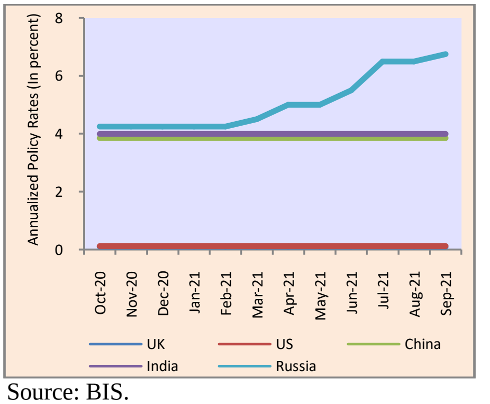
Source: World Bank.

1.1.3 Global Financial Condition

1.1.3.1 Global Monetary Policy Response

The majority of policy rates, especially of the UK, US, China, and India continued to remain unchanged[5] in the review quarter (Chart 1.3). However, central banks of some countries, such as Russia, Brazil, and Mexico opted to increase their policy rates gradually over this mentioned period (Appendix-III). Apparently, the global borrowing cost and policy rate are expected to increase in accordance with the growth potential and inflation.

Chart 1.3: Policy rates of Central Banks



Source: BIS.

1.1.3.2 Global Equity Market

In the review quarter, global equity markets showed mixed performance (Chart 1.4). The movements of selected indices depict that equity market of the UK remained mostly stable while those of the US and Europe exhibited some volatility during the review quarter.

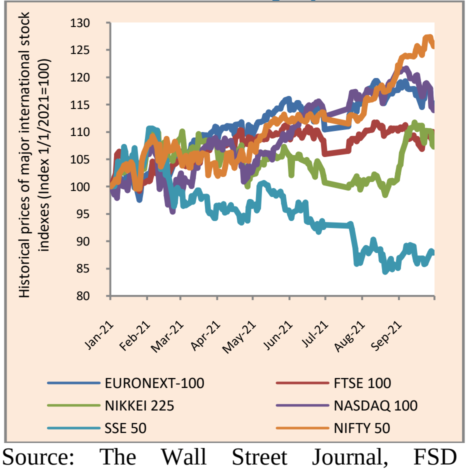
Besides, Japanese equities, represented by Nikkei 225, experienced significant price gain in the latter half of the review quarter. NIFTY 50 also rose notably during this period, reflecting continued buoyancy of Indian stock market

[4] World Bank Commodity Price Data.

[5] An unconventional policy measure by a number of central banks who fixed their policy rates since the beginning of the pandemic to curb the contraction of central bank balance sheets and economies driven by the pandemic.

while the Chinese equity market dropped markedly in this quarter.

Chart 1.4: Selected Equity Markets[6]

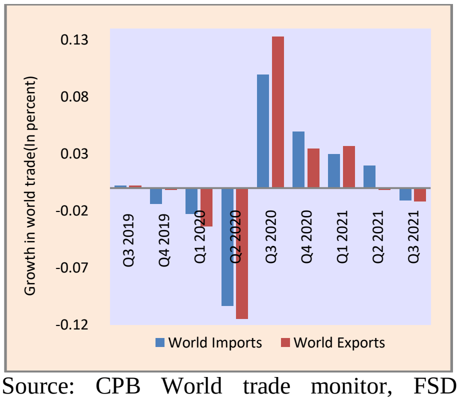


Source: The Wall Street Journal, FSD Calculation.

1.1.4 Global Trade and Production

In the review quarter, the growth of global trade ebbed down by 1.12 percent from the previous quarter driven largely by a negative growth in China' s trade (imports: -7.3 percent; exports: -2.3 percent)[7]. The rate of decline in export is skewer than that of import. In particular, world export and import recorded 1.2 and 1.1 percent negative growths respectively during this period (Chart 1.5). Imports in Japan, Latin America, and the Euro area dropped considerably while exports from the UK, Japan, and Latin America slid down substantially in the review quarter[8].

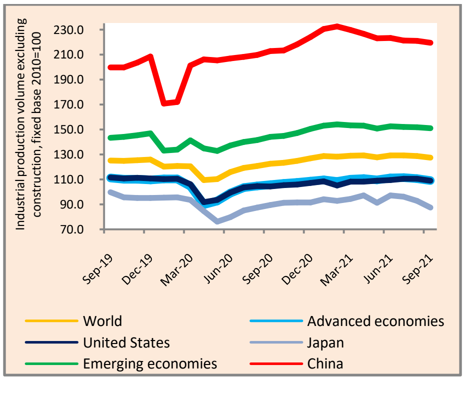
Chart 1.5: Global Export and Import Growth



Source: CPB World trade monitor, FSD calculation.

Despite the potential for a faster recovery of global industrial production, continuing challenge of semiconductor shortage remains a key constraint to attain the optimal outcome in the recent quarters. The global industrial production volume declined by 1.8 index points in the review quarter compared to the same of the previous quarter (Chart 1.6).

Chart 1.6: Global Industrial Production



[6] FTSE 100, EURONEXT-100, NIKKEI 225, NASDAQ 100, SSE 50, NIFTY 50 are stock indices of the largest companies listed on major stock exchanges of the UK, Europe, Japan, US, China and India respectively.

[7] CPB world trade monitor, September update.

[8] CPB World Trade Monitor, Merchandise world trade of selected regions/ countries, Volumes, seasonally adjusted, fixed base 2010=100 (Appendix-VI).

Source: CPB World Trade Monitor.

Most regional industrial production performance continued to demonstrate plateau while Japan's quarter-to-quarter volume of production edged down notably by 9.7 index points in the review quarter (Chart 1.6 and Appendix-VII).

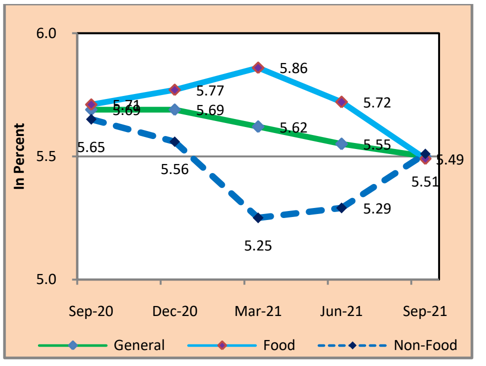
1.2 Domestic Macro-economic Situation

The economy of Bangladesh shows a bit of atypical movement in some indicators in the review quarter. Annual average inflation declined, but point-to-point inflation rose. Foreign exchange reserve fell marginally, yet its adequacy to cover imports of goods and services remained strong. Despite a decline in wage earners' remittance, its impact on the current account balance was offset by a slight negative import growth[9]. Interest rate spread in the banking industry slimmed further in the reference quarter. Bangladeshi Taka (BDT) against USD experienced a sharp depreciation at this time.

1.2.1 Inflation

At the end-September 2021, annual average general inflation (base 2005-06=100) stood at 5.50 percent, recording a decline of 0.05 percentage points from the same of the previous quarter. Annual average food inflation decreased significantly to 5.49 percent from 5.72 percent of the preceding quarter. However, annual average non-food inflation increased to 5.52 percent from 5.29 percent mainly due to elevated energy prices in the international market (Chart 1.7).

Chart 1.7: Inflation

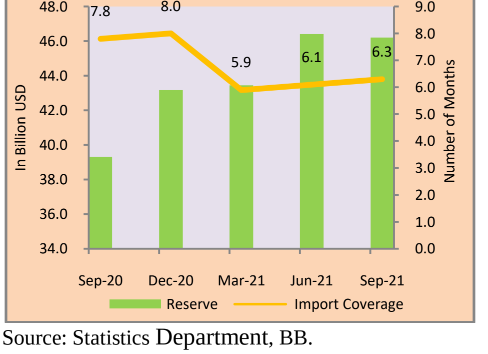


Source: Bangladesh Bureau of Statistics, Base 2005-06=100.

1.2.2 Foreign Exchange Reserve and its Import Coverage

At end-September 2021, the gross foreign exchange reserves decreased marginally to USD 46.2 billion from USD 46.4 billion at end-June 2021. However, the reserve position remained strong enough to cover 6.3 months imports of goods and services, a slight increase from 6.1 months estimated in the preceding quarter (Chart 1.8).

Chart 1.8: Foreign Exchange Reserves



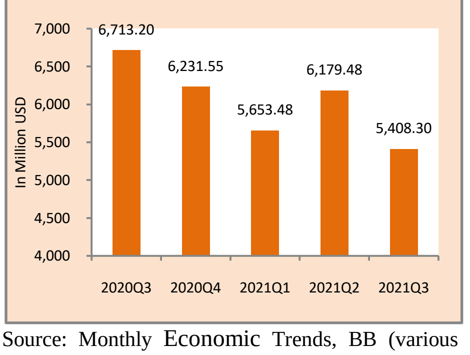
Source: Statistics Department, BB.

[9] With respect to the previous quarter.

1.2.3 Wage Earners' Remittance

Wage earners' remittance decreased considerably in the review quarter. It posted at USD 5408.30 million during 2021Q3[10], recording a decrease of 12.5 percent from USD 6179.48 million received during 2021Q2. Compared to 2020Q3, remittance inflow decreased by 19.4 percent (Chart 1.9).

Chart 1.9 Wage Earners' Remittance

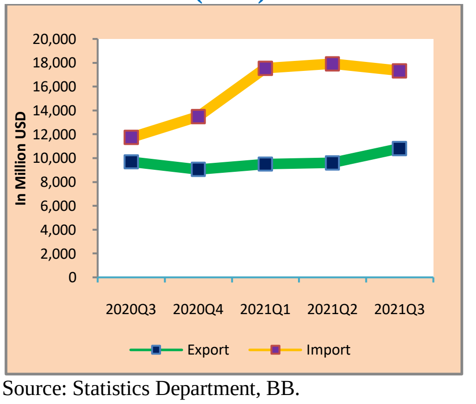


Source: Monthly Economic Trends, BB (various issues).

1.2.4 Exports and Imports

In the review quarter, exports grew extensively, whereas imports slightly decreased. Export receipts stood at USD 10,818 million, increased by 12.6 percent from USD 9,612 million in the preceding quarter. On the other hand, aggregate import payments decreased by 3.3 percent from USD 17,914 million in the preceding quarter and stood at USD 17,321 million. However, in comparison with the same quarter of the previous year, export receipts and import payments increased by 11.6 percent and 47.6 percent respectively (Chart 1.10).

Chart 1.10: Exports and Imports (FOB)



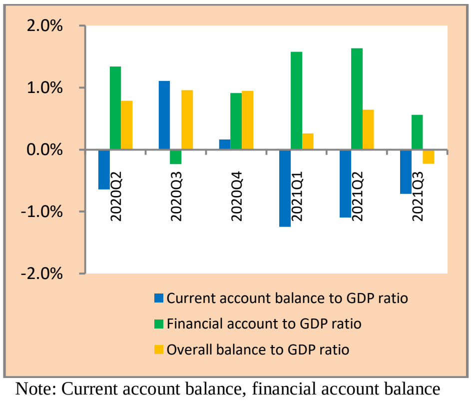
Source: Statistics Department, BB.

1.2.5 Current Account Balance

The current account deficit narrowed in the review quarter as compared to the preceding quarter mainly due to shrinkage of deficit in the trade balance. On the other hand, financial account experienced a surplus; however, it was much lower than the previous quarter. On net, overall balance recorded a deficit in the review quarter. Current account balance and financial account as shares of GDP stood at -0.71 percent and 0.56 percent respectively in July-September, 2021 quarter while overall balance as a percentage of GDP registered at -0.23 percent (Chart 1.11).

[10] 2021Q1, 2021Q2, 2021Q3 indicates the first, second and third quarter of 2021.

Chart 1.11: Current and Financial Account Balance

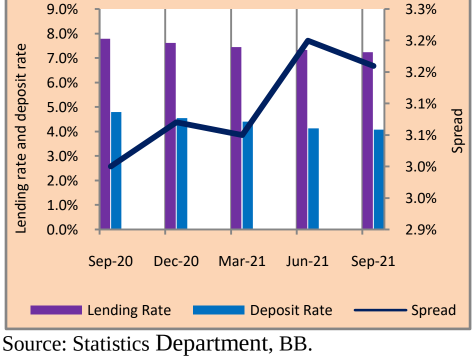


Note: Current account balance, financial account balance and overall balance represent quarterly figures, compared with latest GDP available at the end of respective quarter.
Source: Bangladesh Bank Website.

1.2.6 Interest Rate

In the review quarter, both the weighted average lending and deposit rate continued with declining trends. The weighted average lending and deposit rates stood at 7.24 percent and 4.08 percent respectively in September 2021 whereas these rates were 7.79 percent and 4.79 percent in September 2020 (Chart 1.12).

Chart 1.12 Interest Rate Spread

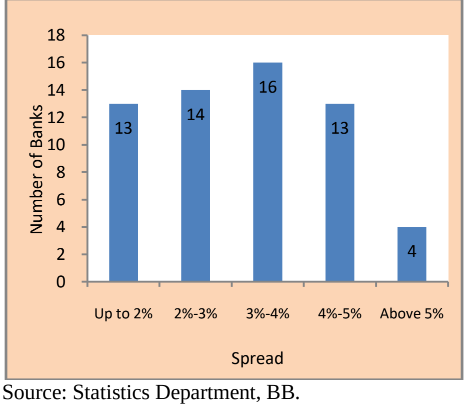


Source: Statistics Department, BB.

The lending rate decreased more than the deposit rate. As a result, the spread (between these two rates) decreased to 3.16 percent at end-September 2021 from 3.20 percent at end-June 2021.

Out of sixty banks, spreads of four banks (consisting of three PCBs and one FCB) were above 5.0 percent (Chart 1.13).

Chart 1.13: Number of Banks by Interest Rate Spread

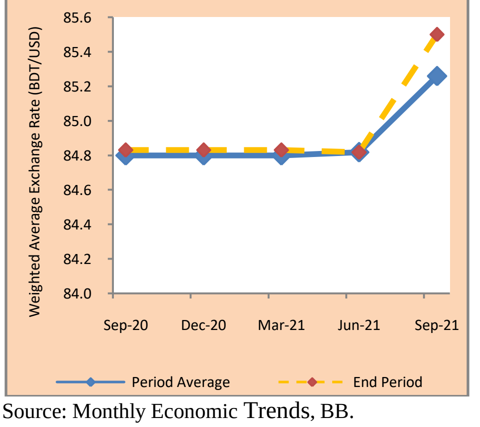


Source: Statistics Department, BB.

1.2.7 Exchange Rate[11]

Bangladeshi Taka (BDT) against USD remained mostly stable in the last few quarters. However, in the review quarter, it has depreciated notably. The exchange rate of BDT per USD stood at 85.5 at the end-September 2021, which was 84.8 at the end-June 2021 Quarter (Chart 1.14).

Chart 1.14: Exchange Rate



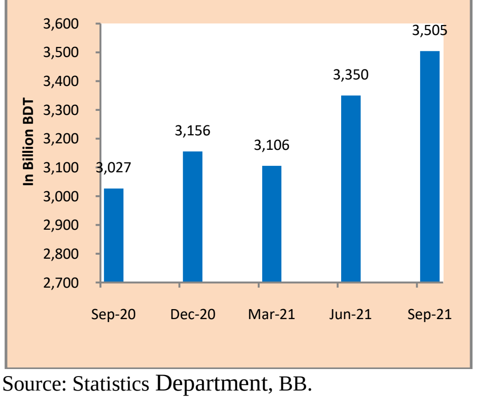
Source: Monthly Economic Trends, BB.

[11] BDT per USD on weighted average basis.

1.2.8 Credit to the Government from the Banking System

Credit to the Government (Gross) from the banking system exhibited an increasing trend. It increased by 4.6 percent at the end-September 2021 compared to end-June 2021 and stood at BDT 3,505 billion. Pertinently, it increased by 15.8 percent at end-September 2021 from end-September 2020 (Chart 1.15).

Chart 1.15: Credit to the Government by the Banking System



Source: Statistics Department, BB.

Chapter 2 : BANKING SECTOR PERFORMANCE

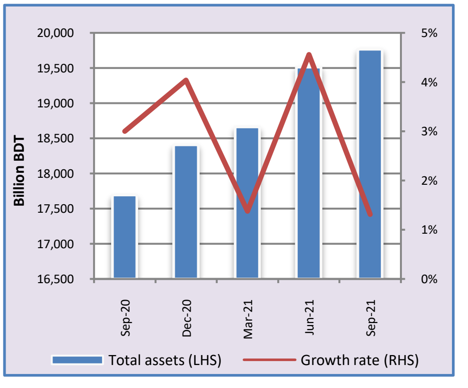
The amount of asset and profit in the banking sector[12] has increased in the review quarter September 2021. However, asset quality as measured by gross NPL ratio improved at end-September 2021 compared to the preceding period.

2.1 Assets Structure

The asset size[13] of the banking sector increased by 1.3 percent in the review quarter compared to 4.6 percent in June 2021 quarter and 1.4 percent in March 2021 quarter (Chart 2.1). The aggregate assets reached BDT 19,768.78 billion at end-September 2021. Higher asset growth in the review period largely attributed to increase the investment portfolio by State Owned Commercial Banks (SOCBs) in the form of bonds and securities. Thus, the assets-to-GDP ratio stood at 65.7 percent at end-September 2021[14], which was 64.8 percent at end-June 2021.

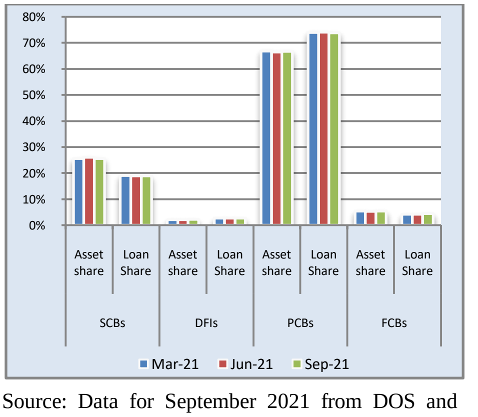
Larger portion of the banking sector's assets (66.8 percent) as well as loans and advances (73.9 percent) were occupied by the PCBs (Chart 2.2). During the review quarter, PCBs' percentage of asset share increased marginally while their loan share decreased slightly compared to those of the preceding period. Holding the second largest market share, SCBs' asset share registered a slight decrease while their Loans and Advances share remains stable during the same period.

Chart 2.1: Asset Size of the Banking Industry



Source: Data for September 2021 from Department of off- site supervision (DOS) and other quarters from Financial Projection Model (FPM), FSD, BB.

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



Source: Data for September 2021 from DOS and other quarters from FPM, FSD, BB.

[12]Bengal Commercial Bank Limited is excluded from the analyses of asset structure (section 2.1) and profitability (section 2.3) due to unavailability of data;
[13] Only scheduled banks are taken into account.
[14] GDP at current market price (provisional) for the financial year 2020-21 is taken into account.

Loans and advances, the largest segment among the asset items, constituted 63.8 percent of total assets in the review quarter which is little bit 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 Jun'21)	% of Total asset (as on Sep'21)	Change (PP)
Cash in hand	0.9%	0.9%	0.0%
Balance with BB and its Agent Bank	7.0%	5.5%	-1.5%
Balance with other banks and FIs	4.6%	4.4%	-0.1%
Investment	18.5%	19.0%	0.5%
Loans and Advances	62.8%	63.8%	0.9%
Fixed Assets	1.4%	1.4%	0.0%
Other Assets	4.7%	5.0%	0.3%
Non-banking Assets	0.0%	0.0%	0.0%
Total Assets	100.0%	100.0%	

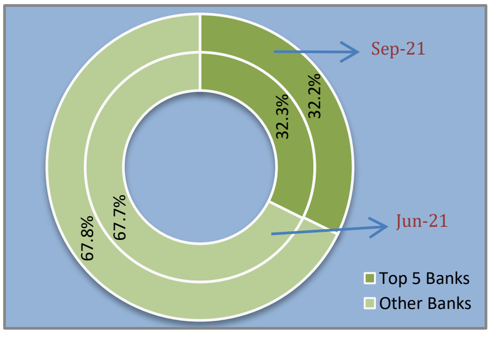
Note: PP-Percentage Point

Source: Data for September 2021 from DOS and June 2021 from FPM, FSD, BB.

However, except June 2021, loans and advances of the banking sector were almost constant since end-December 2020. Though the share of investment increased marginally in the review quarter but it is almost stable since September 2020.

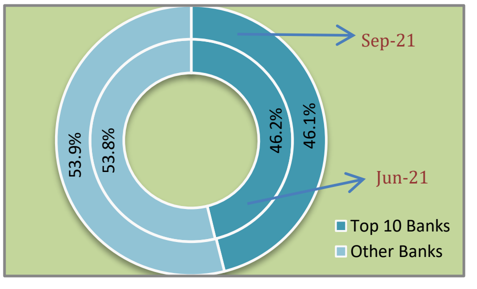
The asset concentration ratios of the top 5 and top 10 banks[15] decreased slightly in the September 2021 quarter. The ratios stood at 32.2 percent and 46.1 percent at end-September 2021 which were 32.3 percent and 46.2 percent respectively at end-June 2021 (Chart 2.3 and 2.4).

Chart 2.3: Top 5 banks based on Assets Size



Source: Data for September 2021 from DOS and June 2021 from FPM, FSD, BB.

Chart 2.4: Top 10 banks based on Assets Size



Source: Data for September 2021 from DOS and June 2021 from FPM, FSD, BB.

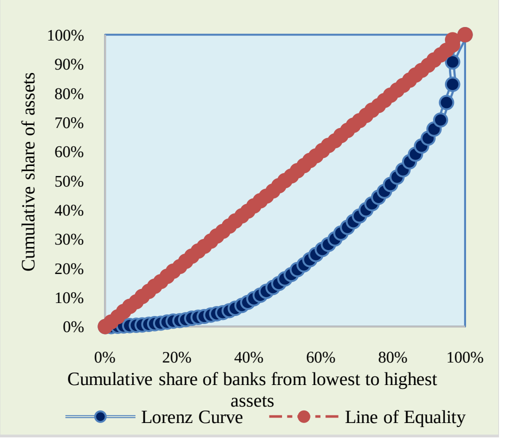
Banking sector asset concentration has also been demonstrated using Gini Coefficient calculated based on the Lorenz Curve (Chart 2.5). As the calculated Gini coefficient[16] is 0.49, the Lorenz Curve indicates the moderate concentration of assets in

[15] 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.

[16] A value of zero expresses perfect equality whereas a value of one refers to perfect inequality.

some of PCB and SCB of the banking industry.

Chart 2.5: Banking Sector Asset Concentrations: Lorenz Curve

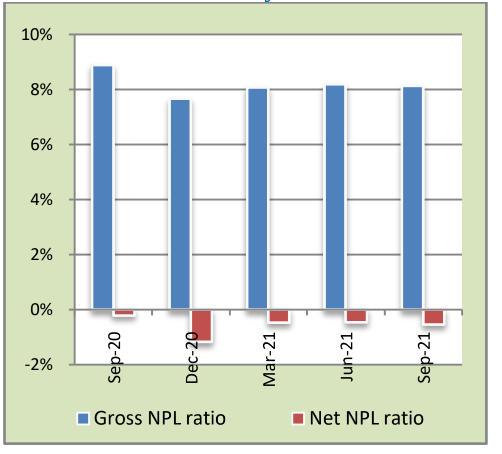


Source: DOS, Compilation: FSD calculation.

2.2 Asset Quality

Gross non-performing loan (NPL) ratio[17] of the banking sector decreased slightly to 8.12 percent at end-September 2021 compared to 8.18 percent at end-June 2021 but the ratio also increased slightly from 8.07 percent at the end-March 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 (-0.55%) at September 2021. 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.

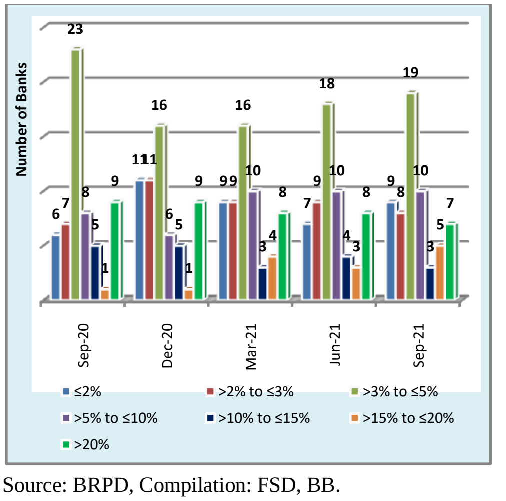
Chart 2.6: NPL Ratio of the Banking Industry



Source: BRPD, BB.

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

Chart 2.7: Distribution of banks by NPL ratio



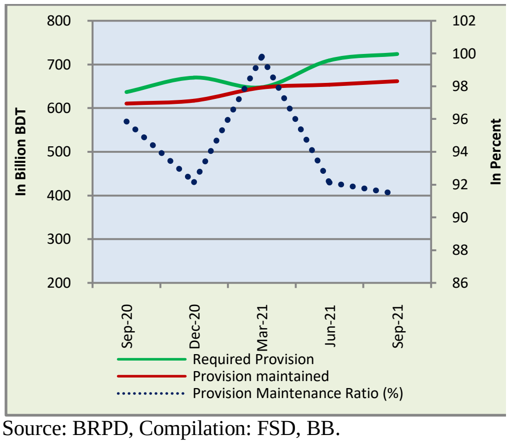
Source: BRPD, Compilation: FSD, BB.

The provision maintenance ratio, at end-September 2021 considerably decreased to 91.42 percent from 92.13 percent at end-June 2021 (Chart 2.8). In the review quarter, the required

[17] Ratio of nonperforming loans to total loans.

provision increased by BDT 13.97 billion whereas actual provision increased by BDT 7.76 billion only. As a result, provision maintenance ratio declined by 0.71 percent at September 2021 compared to June 2021.

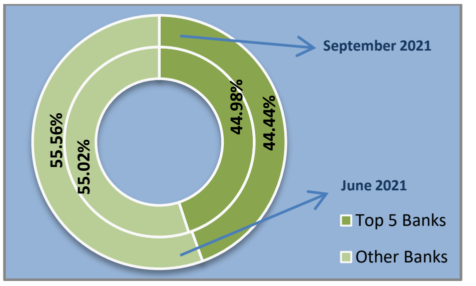
Chart 2.8: Banking Sector Loan Loss Provision



Source: BRPD, Compilation: FSD, BB.

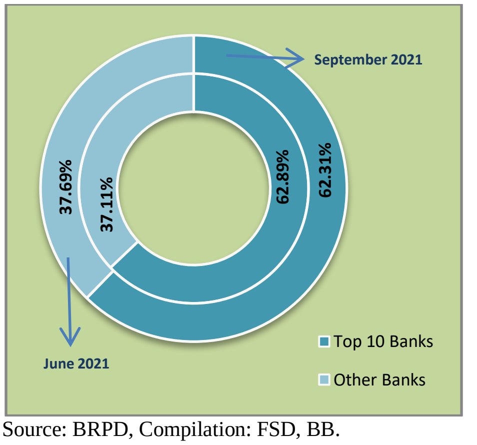
NPL concentration in Top 5 banks slightly decreased to 44.44 percent at end-September 2021 compared to 44.98 percent at end-June 2021 (Chart 2.9). In addition, NPL concentration in Top 10 banks also somewhat decreased to 62.31 percent at end-September 2021 compared to 62.89 percent at end-June 2021 (Chart 2.10). Moreover, NPL concentration other than Top 5 banks and Top 10 banks were 55.56 percent and 37.69 percent respectively at end-September 2021 (Chart 2.9 and 2.10).

Chart 2.9: Top 5 Banks based on NPL volume



Source: BRPD, Compilation: FSD, BB.

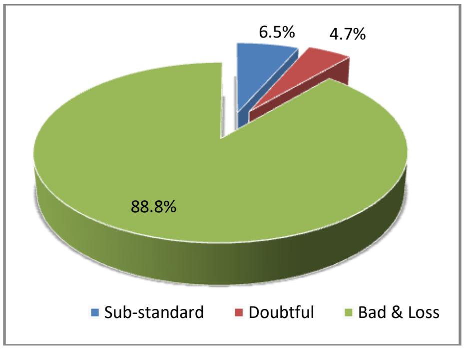
Chart 2.10: Top 10 Banks based on NPL volume



Source: BRPD, Compilation: FSD, BB.

During the review quarter, the ratio of bad and loss loans to total classified loans accounted for 88.82 percent while the share of sub-standard and doubtful loans constituted 6.51 percent and 4.67 percent respectively (Chart 2.11).

Chart 2.11: NPL Composition at end-September 2021

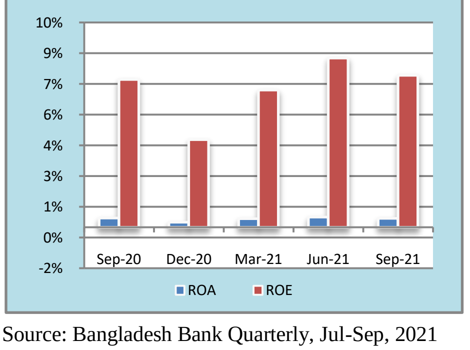


Source: BRPD, Compilation: FSD, BB.

2.3 Profitability

In the review quarter, the profitability, both Return on Assets (ROA) and Return on Equity (ROE) of the banking sector decreased slightly compared to that of the preceding quarter (Chart 2.12).

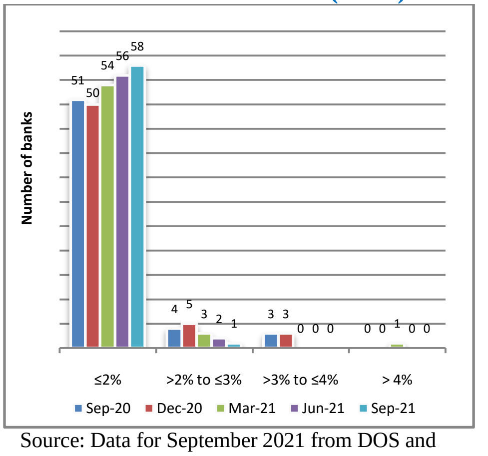
Chart 2.12: ROA and ROE of the Banking Sector



Source: Bangladesh Bank Quarterly, Jul-Sep, 2021

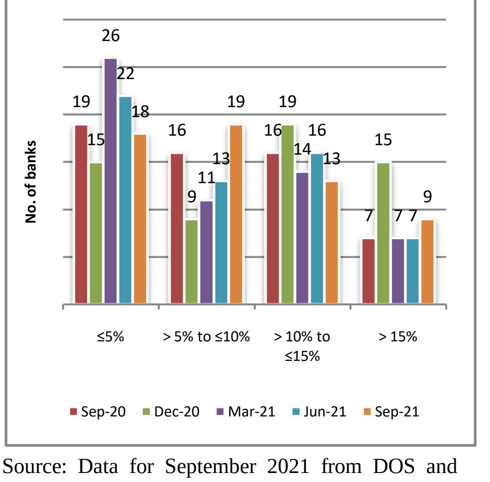
In the review quarter, return on asset (ROA) in the banking sector stood at 0.44 percent, which was 0.50 percent at the end of the preceding quarter. Besides, return on equity (ROE) stood at 7.42 percent, which was 8.26 percent in the preceding quarter. The distributions of ROA (Chart 2.13) and ROE (Chart 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 last couple of quarters. 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: Data for September 2021 from DOS and other quarters from FPM, FSD, BB.

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



Source: Data for September 2021 from DOS and other quarters from FPM, FSD, BB

Chapter 3 : FINANCIAL INSTITUTIONS' PERFORMANCE

The key financial soundness indicators manifest the mixed performance of FIs in this quarter. Profitability indicators improved compare to previous quarter. In comparison with June 2021, the share of borrowing recorded a decrease whereas deposit and other liabilities slightly increased and capital remain unchanged. When compared with June 2021 positions, the share of cash and liquid assets declined, whereas the share of other asset and earning assets increased. Their asset quality slightly declined compared to last quarter.

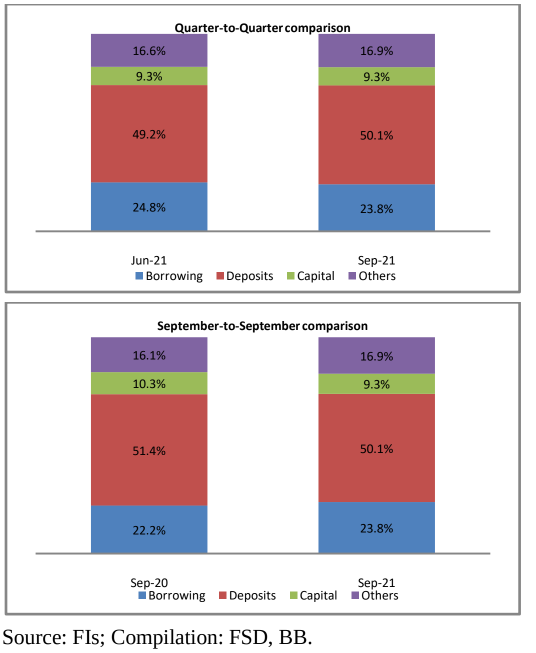
3.1 Growth of Assets and Liabilities

At end-September 2021, total assets of financial institutions amounted to BDT 917.56 billion, exhibiting 0.24 percent decline compared to the end-June 2021 amount of BDT 919.75 billion. On the end-September 2020, total assets stood at BDT 879.92 billion. Hence, the size of the industry has experienced an overall growth of 4.28 percent on a September-to-September basis. During this period, assets of 27 FIs were increased while the assets of 07 FIs were declined.

3.2 Source of Fund: Composition and contribution

At end-September 2021, borrowings, deposits, capital, and other liabilities respectively constituted 23.80 percent, 50.10 percent, 9.30 percent and 16.90 percent of the sources of funds for the FIs (Chart 3.1). In comparison with the previous quarter, the share of borrowing was decreased by 1.10 percentage points whereas deposit increased by 0.9 percent, growth of capital remained unchanged and other liabilities increased by 0.20 percentage points respectively. On a September-to-September basis, the share of borrowing and other liabilities increased by 1.6 and 0.7 percentage points respectively, while the shares of deposits and capital decreased by 1.30 and 1.00 percentage points respectively.

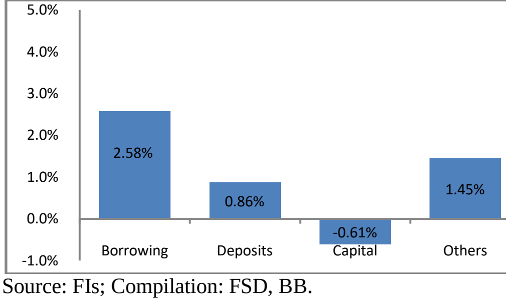
Chart 3.1: Compositions of Sources of Fund



Source: FIs; Compilation: FSD, BB.

The increase in total liabilities on September-to-September is largely attributed to an increase in borrowings and other liabilities by 2.58 percent and 1.45 percent respectively. Deposits also contributed 0.86 percent whereas capital negatively contributed by 0.61 percent (Chart 3.2).

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



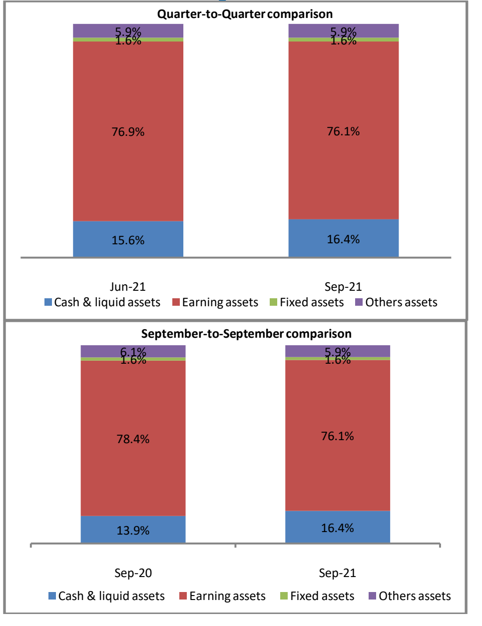
Source: FIs; Compilation: FSD, BB.

3.3 Assets: Composition and Contribution

Total earning assets (i.e., loans, leases, and investment) of FIs constituted 76.10 percent of total assets at end-September 2021. The rest of Total Assets composed of cash and liquid assets, fixed assets, and other assets; shares of these components are 16.40 percent, 1.6 percent, and 5.9 percent respectively (Chart 3.3).

When compared with end-June 2021 positions, the share of cash and liquid assets increased by 0.8 percentage point whereas other asset remained unchanged and earning assets decreased by 0.8 percentage point. On a September-to-September basis, the share of cash and liquid asset increased by 2.5 percentage points while the shares of earning asset decreased by 2.3 percentage points (Chart 3.3).

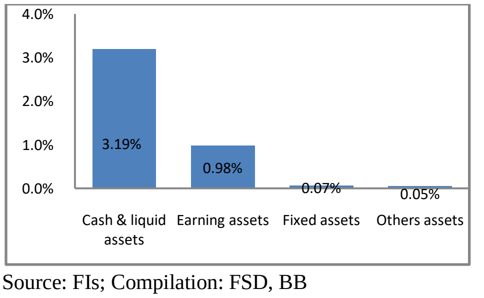
Chart 3.3: Composition of Assets



Source: FIs; Compilation: FSD, BB

The increase in total assets on a September-to-September basis is largely attributed by 3.19 percent increase in cash and liquid assets. The earning assets growth positively contributed with 0.98 percent in total assets growth while fixed assets and other assets growth contributed to 0.07 and 0.05 percent respectively (Chart 3.4).

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



Source: FIs; Compilation: FSD, BB

3.4 Changes in the Components of Liabilities and Assets

Table 3.1 shows that, the amount of deposit increased in 17 FIs during September 2020-September 2021 period, and it decreased for 17 FIs in the mentioned period. However, 24 FIs were able to increase their capital base during this period. 22 FIs have increased their dependency on borrowing to achieve their business targets.

Table 3.1: Changes in Components of Liability (Sep 2020-Sep 2021)

(Number of FIs)

	Borrowing	Deposits	Capital	Other Liab.	Total Liab.
Increase	22	17	24	24	27
Decrease	12	17	10	10	7

Table 3.2 reveals that cash and liquid assets have been increased in 27 FIs.

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

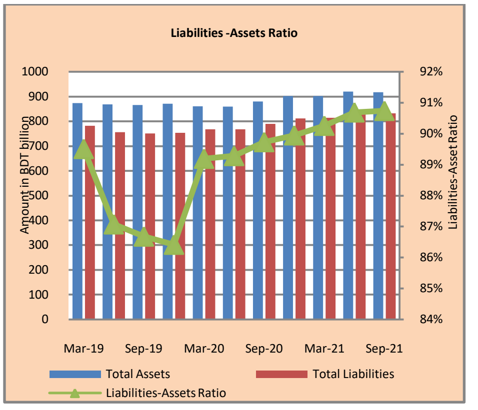
(Number of FIs)

	Cash & liquid assets	Earning assets	Fixed assets	Others assets	Total Asset
Increase	27	17	10	21	27
Decrease	7	17	24	13	7

3.5 Liabilities-Assets Ratio

The liabilities to assets ratio stood at 90.74 percent at the end-September 2021 which is 5 basis points higher than the previous quarter (Chart 3.5). The marked increase in borrowing and other liabilities mainly resulted in this rise of liabilities-to-assets ratio.

Chart 3.5: FIs' Liabilities-Assets Ratio

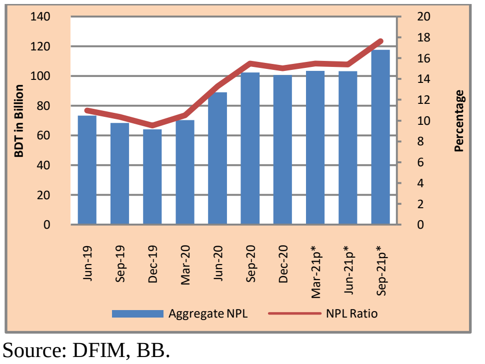


Source: FIs; Compilation: FSD, BB.

3.6 Asset Quality

Aggregate classified loans and leases stood at BDT 117.57 billion at end September 2021 from BDT 103.28 billion at end June 2021. The ratio of classified loans and leases increased to 17.62 percent at end September 2021, which is 2.23 percentage points higher than the previous quarter and 2.15 percentage points higher from September 2020. The ratio of percentage changes of classified loans and leased significantly increased by 14.49 percent which was -0.45% only in last quarter.

Chart 3.6: FIs' Non-performing Loans



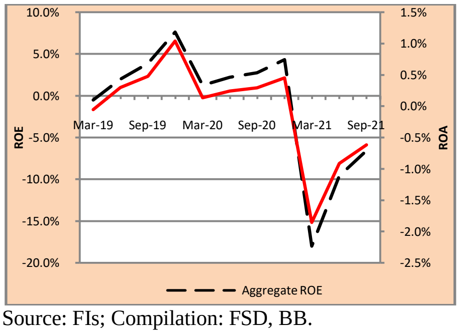
Source: DFIM, BB.
P*=provisional data.

Net NPL ratio (after netting off interest suspense and actual provisions) was 5.47 percent at end-September 2021, which is 1.13 percentage points higher from previous quarter, and -0.34 percentage points lower from September 2020. Adequacy of provision was 80.25 percent at end-September 2021 which is 8.97 percentage points lower than the end-June 2021. 6 FIs have provision short falls in the review quarter.

3.7 Profitability

The Return on Assets (ROA) and Return on Equity (ROE) up to the end September 2021 stood at -0.62 percent and -6.56 percent respectively compared to -0.91 percent and -9.59 percent respectively recorded in the last quarter and 0.29 percent and 2.77 percent in the same quarter of 202018 (Chart 3.7).

Chart 3.7: FIs' ROA and ROE

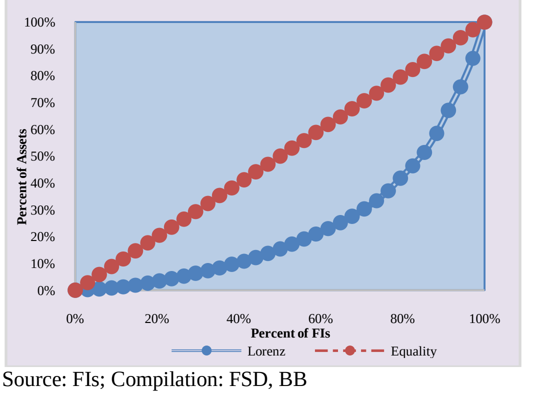


Source: FIs; Compilation: FSD, BB.

3.8 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 implies the presence of a moderate concentration in the assets of the FI sector. The calculated Gini coefficient at end-September 2021 is 0.520.

Chart 3.8: FIs asset concentration: Lorenz Curve



Source: FIs; Compilation: FSD, BB

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

Chapter 4 : BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

Banking sector's Capital to Risk-weighted Assets Ratio (CRAR) decreased by 35 basis points at end-September 2021 than that of the previous quarter. However, Advance-to-Deposit Ratio (ADR) increased by 0.5 percentage points during the review period.

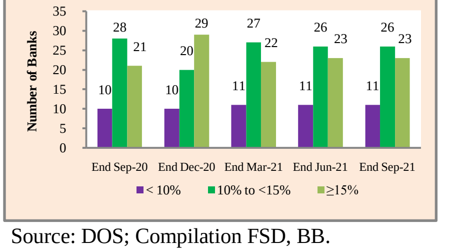
4.1 Capital Adequacy

In the review quarter, the total regulatory capital maintained by the industry exceeded the minimum capital requirement by BDT 124.2 billion (Appendix-XXXIII).

A total of 49 banks out of 60 maintained CRAR of at least 10.0 percent or higher at end-September 2021 (Chart 4.1). Among them, 26 banks, maintaining 10 to less than 15 percent CRAR[19], held nearly 52.72 percent of the total assets of the banking industry (Chart 4.2) while the rest 23 banks, having CRAR of 15 percent or higher, possessed 17.24 percent of the industry assets. It is noteworthy that 11 CRAR non-compliant banks, on an aggregate basis, held more liabilities than assets of the banking industry at end-September 2021.

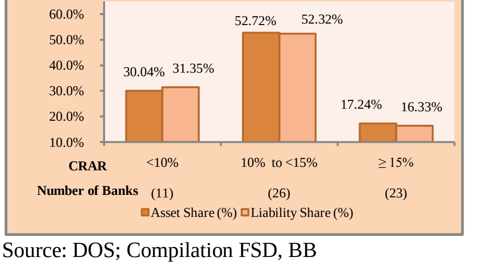
The aggregate CRAR of the industry stood at 11.22 percent[20], which is 35 and 72 basis points lower than the ratios recorded at end-June 2021 and end-September 2020 respectively.

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



Source: DOS; Compilation FSD, BB.

Chart 4.2: Assets and Liability Share of Banks based on CRAR at End-September 2021



Source: DOS; Compilation FSD, BB

Tier-1 capital ratio[21]of the banking industry decreased by 21 and 43 basis points compared to the same of end-June 2021 and end-September 2020 respectively (Chart 4.3). Still, the ratio remained considerably higher than the minimum regulatory requirement of 6.0 percent in line with Basel III capital framework.

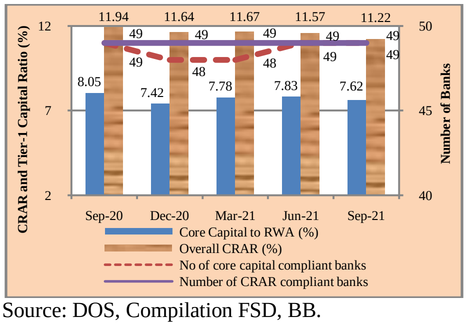
[19] Upper limit exclusive.

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

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

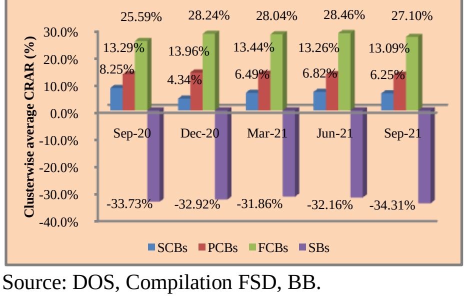
Among the four banking clusters, FCBs continued maintaining highest CRAR (27.10 percent) while SDBs continued maintaining the lowest CRAR (-34.31 percent) in the review quarter (Chart-4.4).

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



Source: DOS, Compilation FSD, BB.

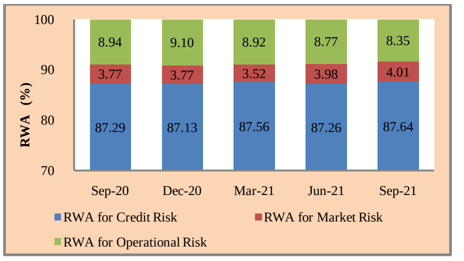
Chart 4.4: Bank Cluster-wise CRAR at End-September 2021



Source: DOS, Compilation FSD, BB.

At end-September 2021, risk weighted assets (RWA) associated with credit risk accounted for 87.64 percent of total risk-weighted assets of the industry (Chart 4.5). However, percentage of RWA for credit risk had increased by 38 and 35 basis points at end-September 2021 than those at end-June 2021 and at end-September 2020 quarters respectively.

Chart 4.5: Distribution of Risk Weighted Assets



Source: DOS, Compilation FSD, BB.

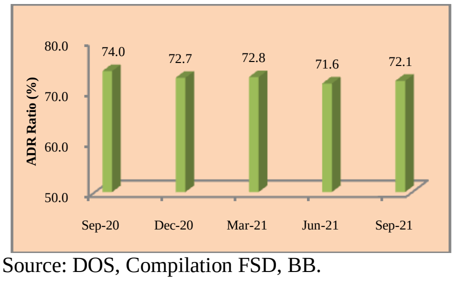
In the review quarter, against the regulatory requirement of 2.50 percent, 41 out of 60 banks have been able to maintain the minimum required capital conservation buffer (CCB) on solo basis[22]. On the other hand, in case of consolidated basis, 25 out of 38 banks fulfilled this regulatory requirement. The aggregate figure of CCB of the banking sector, in the stated quarter, stood at 1.22 and 1.69 percent on solo and consolidated basis respectively (Appendix-XXXVI).

4.2 Liquidity

During the review quarter, Advance-to-Deposit Ratio (ADR) of the banking industry stood at 72.1percent which is 0.5 percentage point higher than that of end-June 2021 and 1.9 percentage points lower than that of end-September 2020 (Chart 4.6).

[22]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, Compilation FSD, BB.

4.3 Leverage ratio

In the review quarter, banking industry stayed above the minimum leverage ratio requirement of 3.0 percent on both solo and consolidated basis[23]. At end-September 2021, the industry leverage ratio was 4.37 percent on solo basis; 50 out of 60 banks maintained a leverage ratio of 3.0 percent or higher (Chart 4.7). On consolidated basis, 32 out of 38 banks were able to maintain this regulatory requirement.

Chart 4.7: Leverage Ratio of Banks at End-September 2021

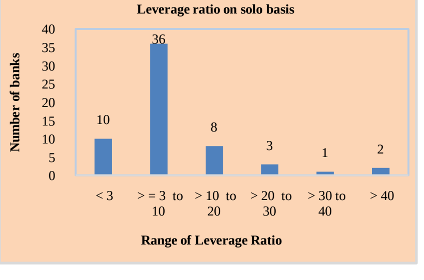
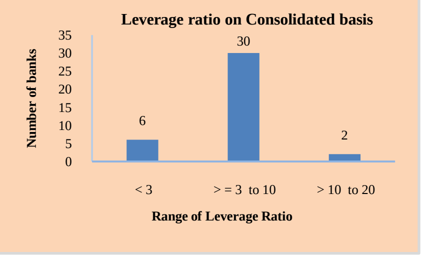
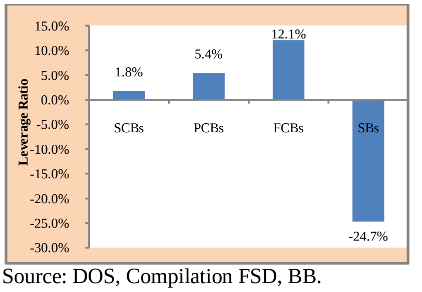


Chart 4.7: Leverage Ratio of Banks at End-September 2021-Contd.



Source: DOS, Compilation FSD, BB.

Chart 4.8: Bank Cluster-wise Leverage Ratio at End-September 2021 (Solo basis)



Source: DOS, Compilation FSD, BB.

Chart 4.8 depicts that FCBs maintained significantly higher leverage ratio compared to other banking clusters.

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

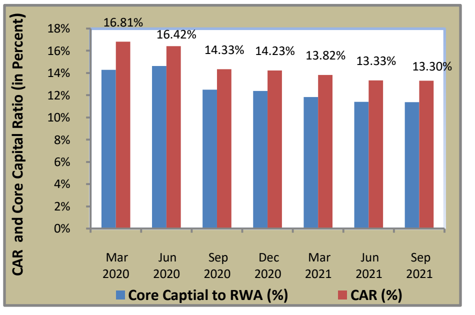
Chapter 5 : FINANCIAL INSTITUTIONS' CAPITAL ADEQUACY AND LIQUIDITY

During the September 2021 quarter, the Capital Adequacy Ratio (CAR) and the core capital ratio of the Financial Institutions (FIs) stood at 13.30 percent and 11.37 percent respectively. Both the ratios remained almost identical compared to that of the previous quarter. The overall CAR and core capital ratio of the FIs, however, reveal a sound position as per regulatory standards, despite the subdued status of some FIs still continues. The liquidity position of FIs in line with regulatory requirements also portrays a reasonable situation. Both the Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR) maintained by FIs remained well above the required level in the review quarter.

5.1 Capital Adequacy

In the review quarter, the Capital Adequacy Ratio (CAR) and the core capital ratio of the FIs stood at 13.30 and 11.37 percent respectively. Both the ratios are 3 basis points lower than the previous quarter. In the review quarter, 27 out of 34 FIs were able to maintain the required level of core capital ratio and CAR. However, both the ratios were well above the minimum regulatory requirement of the Basel II framework[24]. Chart 5.1 shows the trend in core capital to RWA ratio and CAR since March 2020.

Chart 5.1: Capital Adequacy Ratios of FIs



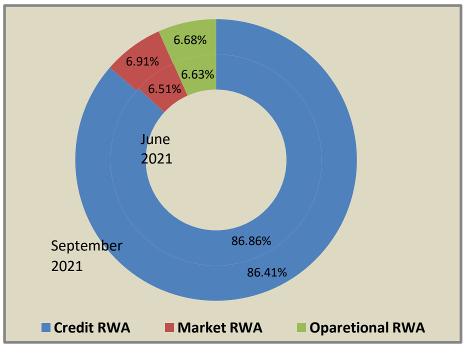
Source: DFIM, BB.

Risk Weighted Assets (RWA)

Total risk-weighted assets (RWA) decreased from BDT 723.44 billion at end-June 2021 to BDT 716.04 billion at end-September 2021. During the review quarter, RWA for credit, market, and operational risks respectively constituted 86.41 percent, 6.91 percent, and 6.68 percent of the overall RWA of this FIs industry. While comparing with the previous quarter positions, the share of RWA derived from market risk and operational risk increased by 0.40 and 0.05 percentage points respectively, whereas credit risk RWA decreased by 0.45 percentage points. Chart 5.2 shows the different components of the overall risk-weighted assets (RWA) of the FIs in Bangladesh.

[24]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

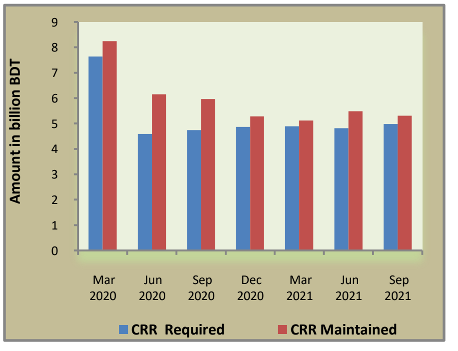


Source: DFIM, BB.

5. 2 Liquidity

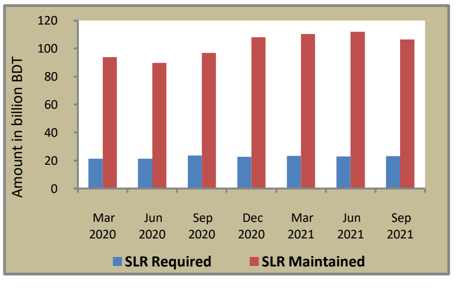
As of end-September 2021, the aggregate amount of Cash Reserve Ratio (CRR) maintained by the FIs was BDT 5.31 billion as compared to BDT 5.48 billion at end-June 2021, recording a decrease of 3.11 percent. A surplus amount of BDT 0.33 billion was observed against the CRR requirement. The amount of Statutory Liquidity Ratio (SLR) maintained was BDT 106.56 billion at end-September 2021 against the requirement of BDT 23.09 billion. The amount of SLR maintained by FIs decreased by 4.81 percent compared to the amount maintained in the previous quarter. Chart 5.3 and Chart 5.4 demonstrate the trend in CRR and SLR position of the FIs since March 2020.

Chart 5.3: Cash Reserve Ratio (CRR) of FIs



Source: DFIM, BB.

Chart 5.4: Statutory Liquidity Ratio (SLR) of FIs



Source: DFIM, BB.

Chapter 6 : Stress Test and Resilience of the Banking Sector

6.1 Stress Test

This chapter contains the results of minor stress tests[25] on individual banks as well as banking industry based on the data of end-September 2021.

6.2 Stress Test on Banks

Stress tests on banks are carried out through sensitivity analysis, incorporating the impacts of the shock scenarios for credit risk, market risk and liquidity risk. Under each scenario, the after-shock Capital to Risk-Weighted Assets Ratio (CRAR) is compared with the minimum regulatory requirement of 10 (ten) percent. 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, 11 banks' pre-shock CRARs were below the minimum regulatory requirement of 10%. Therefore, remaining 48 banks were considered for the analysis based on end-September 2021 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 4 banks would fail to maintain the minimum required CRAR of 10%.

b) **Increase in NPL due to Default of Top Large Borrowers:** If 3 top borrowers of each bank default, then 16 banks would have become non-compliant in maintaining the minimum required CRAR.

c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** If FSV of mortgaged collateral declines by 10 percent, then 1 bank would fail to maintain the minimum required CRAR of 10%.

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%.

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 3 banks would fall below the minimum regulatory requirement.

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

6.2.1.2 Market Risk

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

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

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

6.2.2 Combined Shock

This test 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 sectoral concentration), 11 banks would fall below then the minimum regulatory capital requirement.

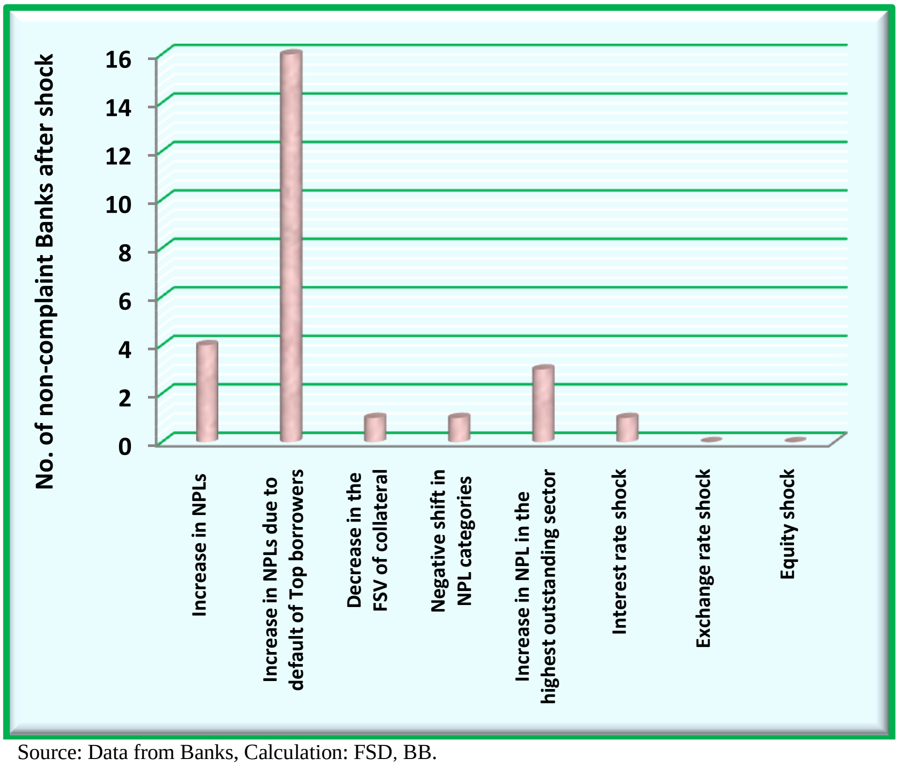
Table 6.1: The result of different Minor Shock Scenarios on the Banking Sector: End-September 2021

(In percent)

Pre-shock scenario	Required minimum CRAR	Pre-shock CRAR
Banking System	**10.00**	**11.22**
Minor Shock Scenarios		**After-Shock CRAR**
Credit Risks		
Increase in NPLs by 3%		**9.65**
Default of top 3 large borrowers		**9.36**
10% fall in the forced sale value (FSV) of mortgaged collateral		**10.70**
5% negative shift in the NPLs categories		**10.61**
3% of performing loans of highest exposed sector directly downgraded to bad/loss		**11.05**
Market Risks		
1% increase in deposit interest rate		**10.60**
Currency depreciation by 5%		**11.17**
Fall in the equity prices by 10%		**10.90**
Combined Shock		**7.54**

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

Chart 6. 1 Number of Non-compliant Banks in case of different Minor Shock Scenarios: September 2021



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 comparing with present situation. Table 6.2 shows liquidity stress scenario in the Banking Sector as on end-September 2021. The table shows that the banking system as a whole seemed to remain resilient against liquidity stress scenario.

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

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

Source: Data from Banks, Calculation: FSD, BB.
*Consecutive 5 working days.
Note: ‘1’ indicates that the system is liquid and ‘0’ not liquid.

Chapter 7 : Capital Market Development

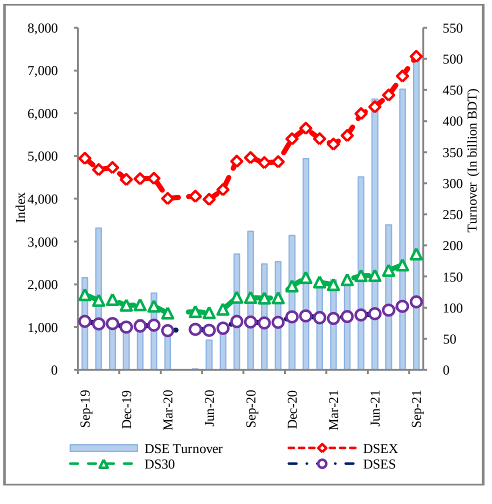
Both the bourses of the country experienced bullish trend during July-September 2021 quarter, portrayed by respective uptrends in indices, P/E ratio and market capitalization.

7.1 Dhaka Stock Exchange (DSE)

7.1.1 DSE Performance

At end-September 2021, the main index of DSE, DSEX[26] increased by 19.2 percent whereas two other key indices- DS30[27] and DSES[28] increased by 22.7 percent and 21.1 percent respectively compared to those of end-June 2021. The higher DSE indices might be attributed to the investors' growing confidence towards the market. Chart 7.1 illustrates the performance of DSE for the period of September 2019 to September 2021.

Chart 7.1: DSE Performance



Source: DSE

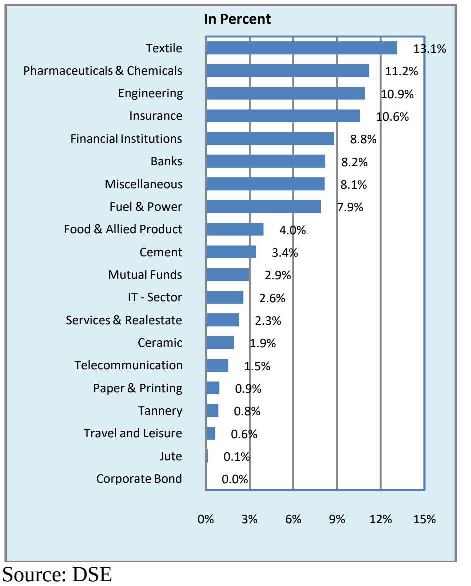
DSE turnover observed a 34.0 percent increase and reached to BDT 1191.28 billion during July-September, 2021 from BDT 889.0 billion during the previous quarter.

7.1.2 Sectoral Turnover at DSE

Chart 7.2.A depicts that textile sector captured the highest share (13.1 percent) of the total turnover of DSE during the review quarter followed by pharmaceuticals & chemicals sector (11.2 percent), engineering sector (10.9 percent), and insurance sector (10.6 percent).

Chart 7. 2: Sectoral Turnover

A. During July-September 2021



Source: DSE

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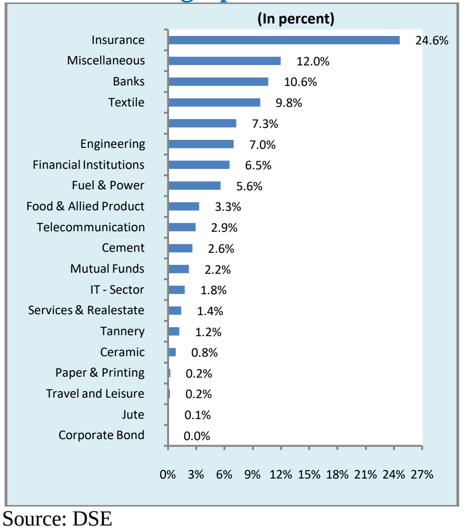
[26] DSEX= DSE Broad Index
[27] DS30 = DSE 30 Index
[28] DSES = DSEX Shariah Index

B. During April-June 2021



Source: DSE

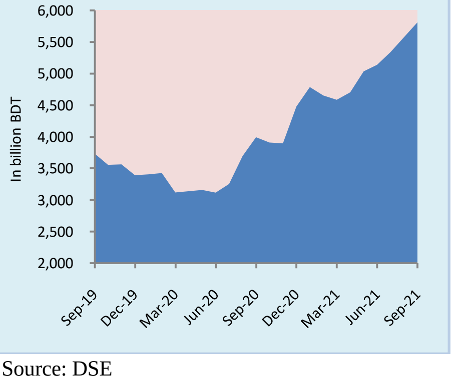
During this review quarter financial sector (Bank, NBFIs, and Insurance) collectively shared approximately 27.6 percent of total turnover of DSE which was about 41.8 percent during the April–June 2021 quarter (Please see Chart-7.2.B).

Patterns of growth in turnover (in value) for various sectors were mixed. Turnovers of some sectors like paper and printing, travel & leisure, ceramic, service & real estate, engineering, and pharmaceuticals & chemicals sectors experienced notable growth while insurance and telecommunication sectors observed substantial decrease during the July-September 2021 quarter while comparing to the previous quarter.

7.1.3 Market Capitalization

Chart 7.3 exhibits that market capitalization has been gradually increasing amid some ups and downs after the initial COVID-19 shock in 2020. DSE market capitalization reached at BDT 5,815.43 billion at end-September 2021, which was 13.1 percent higher than BDT 5,142.82 billion of end-June 2021. It in equivalent to 19.3 percent of GDP of FY21 at end-September 2021 as compared to that of 17.1 percent at end-June 2021.

Chart 7.3: Market Capitalization Trend of DSE



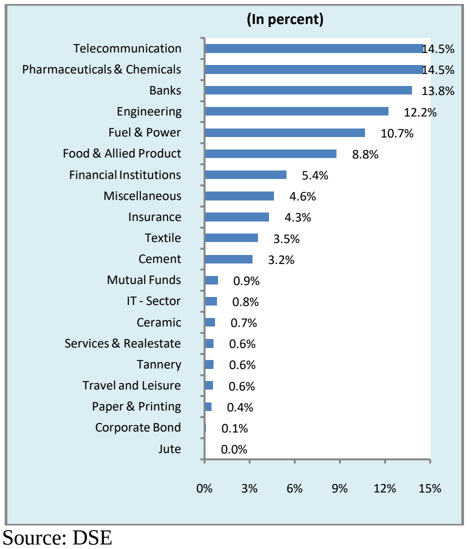
Source: DSE

Chart 7.4.A illustrates that at end-September 2021, the telecommunication and pharmaceuticals & chemicals sector jointly captured the highest share with 14.5 percent each in the total market capitalization followed by banks, and engineering sectors with 13.8 percent, and 12.2 percent respectively.

At end-June 2021, the contributions of the aforementioned sectors were 15.9 percent, 13.9 percent, 14.8 percent, and 13.2 percent respectively. (Chart-7.4.B).

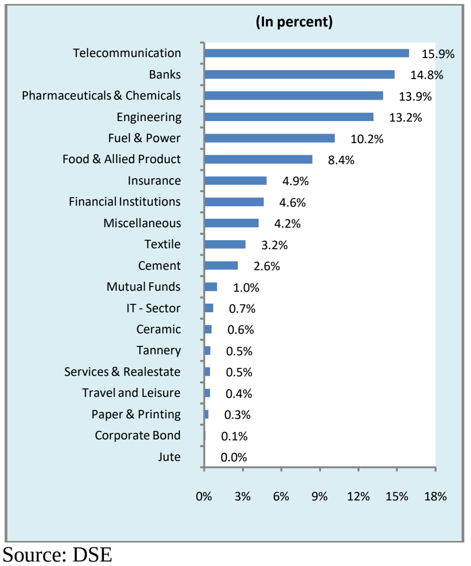
Chart 7. 4: DSE Sectoral Market Capitalization

A: End-September, 2021.



Source: DSE

B: End- June, 2021.



Source: DSE

7.1.4 Price/Earnings (P/E) Ratio

The trend of P/E ratio exhibited in Chart 7.5 shows a gradual rise of P/E ratio since the early period of COVID-19 shock. Weighted average market P/E of DSE's listed companies during the July-September, 2021 quarter stood at 20.1, higher than the previous quarter's P/E of 18.5. As higher P/E ratio, in general, indicates lower earnings relative to the stock price, investors should be proactive and calculative under this prevailing context in assessing their respective risk appetites and investing into this market accordingly.

Chart 7.5: DSE P/E Ratio

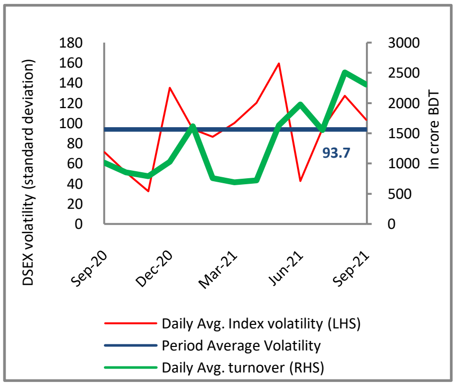
Source: DSE

At end-September 2021, Tannery sector experienced the highest P/E ratio of 87.4 followed by the Ceramic (81.5), Jute (79.7), Travel and Leisure sector (79.1) and Paper & Printing sector (62.7). Conversely, the Mutual Fund sector recorded the lowest P/E ratio (7.7) followed by banks (9.7) and Fuel & Power Sector (16.1).

7.1.5 Index Volatility and Market Liquidity

Chart 7.6 shows month-wise daily average turnover, volatility in daily index, and 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.

Between September 2020 and September 2021, the highest volatility in daily DSEX was observed in the month of May 2021 (with a standard deviation of 159.4) whereas the least volatility was recorded in November, 2020 (with a standard deviation of 32.5). The average volatility was 93.7 over the period as referred in the chart.

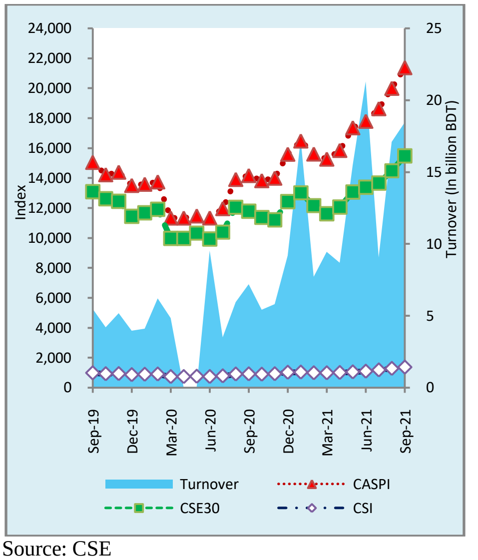
7.2 Chittagong Stock Exchange (CSE)

7.2.1 CSE Performance

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

At end-September 2021, the major CSE indices, such as CASPI[29], CSE30[30] & CSI[31] increased by 20.1 percent, 15.7 percent and 25.2 percent respectively compared to those of end-June 2021, experienced a bullish trend.

Chart 7.7: CSE Performance



Source: CSE

On the contrary, CSE turnover decreased by 1.9 percent to BDT 44.6 billion during July-September 2021 from BDT 45.5 billion in the previous quarter.

7.2.2 Sectoral Turnover at CSE

Chart 7.8.A shows the sectoral turnover scenario at CSE during July-September, 2021. Pharmaceuticals & Chemicals sector have the highest share of total CSE turnover with 12.0 percent followed by textile (11.5 percent), banking (11.0 percent), engineering (10.0 percent) and leasing & finance (9.4 percent) respectively.

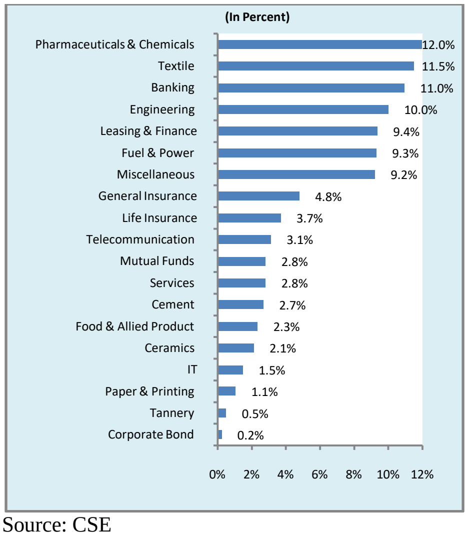
During April-June 2021, shares in turnover of the above mentioned sectors were 10.8 percent, 6.4 percent,

[29] CASPI = CSE ALL SHARE PRICE INDEX
[30] CSE30= CSE 30 Index
[31] CSI= CSE Shariah Index

19.7 percent, 5.8 percent and 4.3 percent of the total turnover respectively (See Chart-7.8.B).

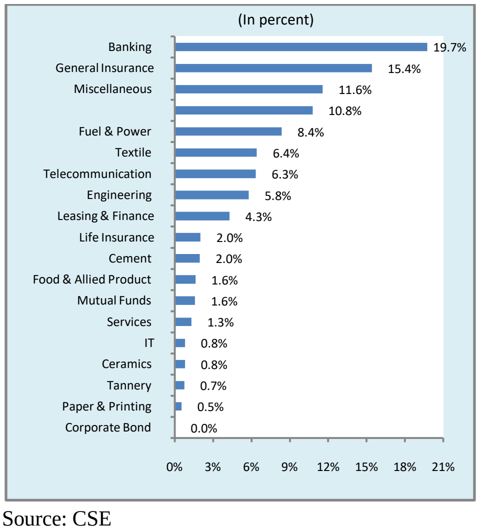
Chart 7. 8. : Sectoral Turnover

A: July-September 2021



Source: CSE

B: April-June 2021



Source: CSE

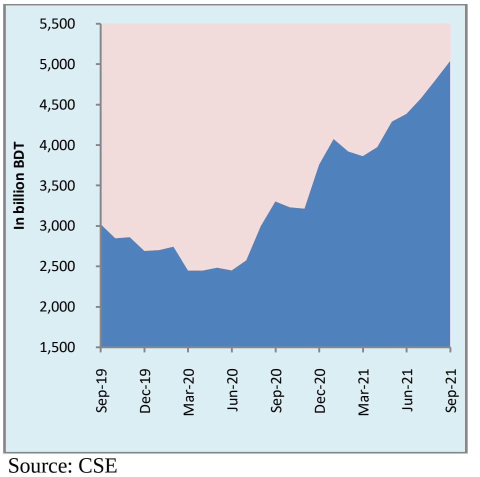
During the review quarter, substantial decrease in turnover values were recorded for general insurance, telecommunication, banking, tannery, and miscellaneous sector that pushed the overall turnover down from the previous quarter. Substantial growths were, however, recorded in life insurance, leasing & finance, textile, and engineering sector during this July-September 2021 quarter.

7.2.3 Market Capitalization

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

Moreover, CSE market capitalization to GDP ratio stood at 16.7 percent at end- September 2021 compared to that of 14.6 percent in the previous quarter.

Chart 7. 9: Market Capitalization Trend of CSE

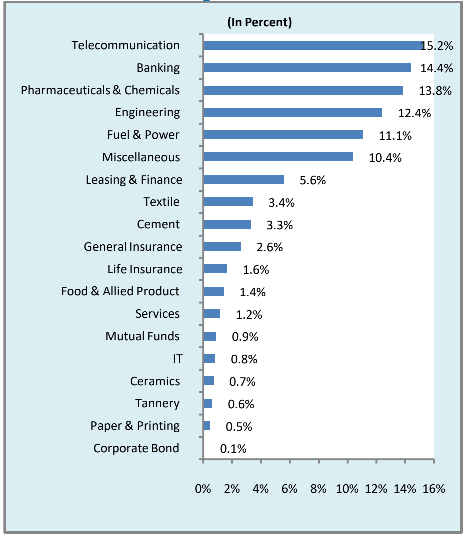


Source: CSE

At end-September 2021, the market capitalization at CSE increased to BDT 5,037.4 billion from BDT 4,383.6 billion at end-June 2021, recorded a 14.9 percent growth.

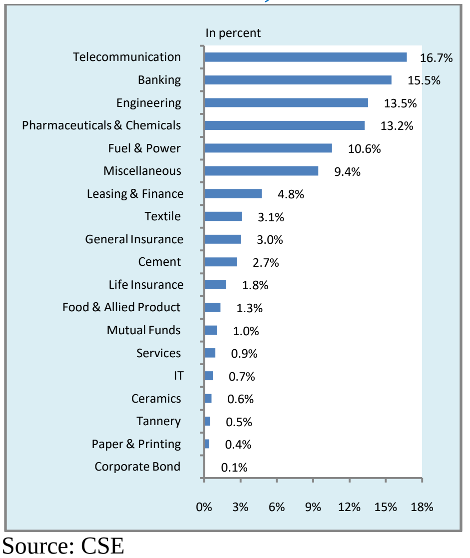
Chart 7.10: CSE Sectoral Market Capitalization

A: End-September, 2021.



Source: CSE

B: End-June, 2021.



Source: CSE

Chart 7.10.A illustrates that at end-September 2021, telecommunication sector (15.2 percent) captured the highest share in the total market capitalization at CSE followed by banking (14.4 percent), pharmaceuticals & chemicals (13.8 percent), engineering (12.4 percent) and fuel & power (11.1 percent) respectively.

The shares of the above mentioned sectors were 16.7 percent, 15.5 percent, 13.2 percent, 13.5 percent and 10.6 percent respectively at end-June 2021 (See Chart-7.10.B).

7.2.4 Price/Earnings (P/E) Ratio

The market weighted average P/E ratio of CSE moderately increased from 17.68 at end-June 2021 to 19.97 at end- September 2021 (Chart 7.11).

Chart 7.11: CSE P/E Ratio

Source: CSE

During the review quarter, the highest P/E ratio was registered by tannery sector (87.2), followed by ceramics sector (81.7) and paper & printing sector (57.9). On the other hand, the lowest P/E ratio was recorded in mutual fund sector (6.7) followed by banking (9.7) and fuel & power sector (14.5).

7.3 Capital Market and Financial Stability

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

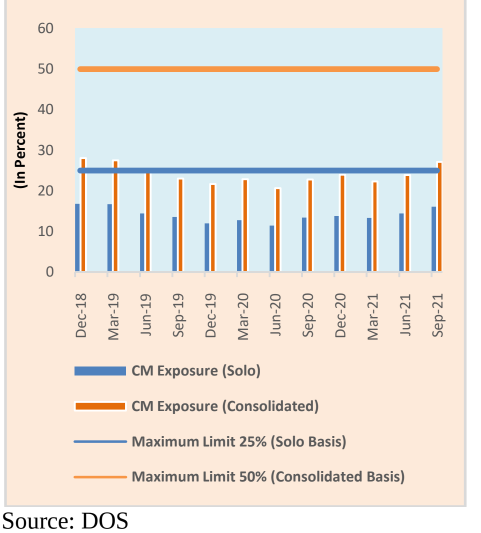
This situation could create stress on the banking sector of the country for long term finance which, in turn, could increase banks' risk of maturity mismatch.

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

In the review quarter, banks' aggregate investment in the capital market was much below (16.05 percent in solo basis and 27.09 percent in consolidated basis) than the allowable limit set by Bangladesh Bank[32].

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

Chart 7.12: Trend in Capital Market exposures of Banks



Source: DOS

Therefore, it is assumed that adverse shock on stock price individually may not pose notable stability threat to the financial sector in the near term. However, stress on the banking sector may cause negative effect on the stock market as banking sector captures considerable share of market capitalization and turnover in both bourses.

[32] 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

Bangladesh Bank (BB) has taken several policy initiatives during the third quarter (July- September) of 2021 for strengthening the resilience of the financial system and ensuring its stability. Some of the key initiatives are stated below:

8.1 Prudential Regulations for Consumer Financing:

Bangladesh Bank has raised the loan margin ratio to 70:30 for purchasing digital devices (laptop/ computer/ mobile/ tab) under consumer finance from the previous ratio of 30:70. This would be conducive for accelerating "*Digital Bangladesh*" agenda through encouraging reliable digital access at mass scale. Besides, this would also be beneficial for pandemic-disrupted education system through facilitating online classes for the teachers and the students.

[Ref.: BRPD Circular No. 14, Date: 12 July, 2021]

8.2 Stimulus package as working capital loans/ investments to pay salaries – allowances for the workers of hotel/motel/theme-park of tourism sector:

On 13 July 2021, Honorable Prime Minister announced a stimulus package amounting BDT 10.0 billion for the pandemic-affected tourism sector to pay salaries and allowances of the workers and staffs of hotel/motel/theme-park through the banking channel. In line with the government's announcement, Bangladesh Bank has issued several instructions for banks to provide loan from their own source at 8.0 percent interest rate. Out of the 8.0 percent interest rate, government would provide 4.0 percent as interest subsidy while the rest 4.0 percent would be borne by borrower. The tenure of the facility is 01 (one) year.

[Ref: BRPD Circular No. 16, Date: 15 July, 2021]

8.3 Rationalization of Rate of Interest/Profit on Deposit:

BB has issued a circular regarding the rationalization of deposit rate of scheduled banks because of the recent declining trend in bank's deposit rate. If the interest rate declines to a very low level, it may adversely affect the deposit collections which may result in an asset- liability mismatch of the banks. In this connection, banks are instructed to determine the rate of deposit (with period of three months and above) not below the inflation rate to encourage savings and also to maintain the purchasing power of the depositors.

[Ref.: BRPD circular no. 17, Date: 08 August, 2021]

8.4 Implementation of Basel III in Bangladesh:

To implement BASEL III, BB has instructed scheduled banks to increase the leverage ratio gradually to 4.0 percent by 2026 from current 3.0

percent level. This increased leverage ratio will enhance the quality capital and thus improve the stability of the overall financial sector since banks will have higher risk absorbing capacity against unexpected losses with this implementation.

[Ref.: BRPD Circular No. 18, Date: 18 August, 2021]

8.5 Loan Classification:

Considering the adverse impact of second phase of COVID-19 on the economy, BB has relaxed some criteria of loan classification. Loans cannot be classified if minimum 25 percent of the installments payable against the loan from January 2021 to December 2021 is repaid by 31 December, 2021. In this case the balance of the installments payable till December 2021 will be payable within 1 (one) year after the expiry of the existing term. However, other installments have to be paid on time. All other instructions regarding loan classification will remain unchanged.

[Ref: BRPD Circular No. 19, Date: 26 August, 2021]

8.6 Policy for Non-Banking Asset (NBA):

Bangladesh Bank has issued a circular regarding non-banking asset policy. The policy describes the assessment of the value of assets, inclusion of non-banking assets into bank account by loan adjustment, inclusion of non-banking assets against write-off loans, discharge of defaulters after adjustment of entire loan, the sale and use of non banking assets, disclosure, accounting, reporting, etc. The scheduled banks are instructed to assess the value of the non-banking assets very meticulously. This policy would help bringing better discipline in management of banks' non-banking assets.

[Ref.: BRPD Circular No. 22, Date: 20 September, 2021]

8.7 Inclusion of industries located outside BEZA/BEPZA/ Hi-Tech Park under stimulus packages:

Since the onset of the covid outbreak, different stimulus packages were announced to revive the productions and activities of the industries. Earlier, only type “A”, “B”, “C” industries of BEZA/BEPZA/Hi-Tech Park were eligible to avail the facilities. Now BB has instructed all scheduled banks and NBFIs to include those industries with 100 percent foreign/joint (local & foreign) ownership located outside of BEZA/ BEPZA/ Hi-Tech Park in the financial stimulus packages.

[Ref.: BRPD circular letter no. 36, Date: 12 July, 2021]

8.8 Verification of Financial Statements submitted by borrowers:

To enhance credit discipline and check nonperforming loans, scheduled banks are instructed to verify financial statements of the borrowers using the

Document Verification System (DVS) of the Institute of Chartered Accountants of Bangladesh (ICAB).

[Ref.: BRPD Circular letter No. 35, Date: 06 July, 2021]

8.9 Constitution of Special Fund for Capital Market and Investment Policy:

To increase the investable elements in capital market, BB has issued a circular in reference to the previous DOS circular 01/2020 where some additional issues are included. Earlier BB instructed all the scheduled banks to form a special fund of BDT 2.00 billion each to invest in the capital market. Now the new circular allows the use of this fund for investment in 100% asset backed green sukuk bond issued by private sectors for renewable power projects. The type of investable Sukuk bonds and other conditions of usage of Sukuk funds have been specified in the circular. Addition of Sukuk bond as an investment option will bring diversity in investment and in turn, will reduce the overall investment risk.

[Ref.: DOS circular letter no. 39, Date: 27 September, 2021]

8.10 Loan/Lease/Investment Rescheduling for Financial Institutions:

Bangladesh Bank has issued a master circular with a view to tightening loan rescheduling rules for Non-Bank Financial Institutions (NBFIs) while aiming to ensure better transparency and effectiveness in rescheduling activities. NBFIs are allowed to reschedule a loan for a maximum of three times. If a borrower fails to repay loan even after rescheduling loans for three times, will be considered as habitual defaulter. BB has also tightened rules for booking interest income and provisioning of the rescheduled loan/lease/investment of NBFIs.

[Ref: DFIM Circular No. 09, Date: 14 September, 2021]

8.11 Agricultural & Rural Credit Policy and Program for the FY 2021-2022:

Bangladesh Bank (BB) has announced the annual agricultural and rural credit policy and program for the financial year 2021-2022 to ensure proper credit flow to the agricultural sector which, in turn, will help to achieve the prime objectives of sustainable development goals (SDGs) i.e. eradication of poverty, ensure safe and nutritious food and develop rural economy. In this policy, BB has widened the target and scope of agricultural and rural credit considering pandemic situation and the rising demand. Agri-credit target for the scheduled banks is set at BDT 283.91 billion for 2021-2022 fiscal year which is 7.98 percent higher than the previous year’s target. Besides, interest rate on agricultural credit has kept to maximum 8 percent similar to the previous year.

[Ref.: ACD Circular No. 01, Date: 29 July, 2021]

8.12 Refinance scheme for agriculture sector:

To boost up the agriculture sector amidst the ongoing economic slowdown caused by the COVID-19 pandemic, a scheme of BDT 30.00 billion has been set up by BB from its own source. Farmers/Borrowers will get credit at a maximum 4.0 percent interest rate from the banks, whereas banks will get refinance at 1.0 percent interest rate from BB under this scheme. Banks can sanction loans amounting up to BDT 2.00 lac to each grass- root level farmer without any collateral. Maturity of the crop-loan to the farmers will be maximum 12 months and for other loans it will be 18 months (with 3 months grace period).

[Ref.: ACD Circular No. 02, Date: 14 September, 2021]

8.13 CMSME loans/ advances for women entrepreneurs:

BB has set the target for the banks and Non-Bank Financial Institutions (NBFIs) to provide at least 15 percent of CMSME loans/ advances to women entrepreneurs within 2024. In order to encourage women entrepreneurs for taking CMSME initiatives, refinance facility named "Small Enterprise Refinance Scheme" has been dedicated for women entrepreneurs. BB has reduced its interest rate to facilitate the achievement of target by 2024. Banks and NBFIs can avail the refinance facility at 0.5 percent interest rate (which was earlier 3.0 percent) from Bangladesh Bank and customer can get the same at 5.0 percent interest rate (which was earlier 7.0 percent). Furthermore, to encourage the recovery of CMSME loan provided to women entrepreneurs on due time, BB has declared 2.0 percent cash incentive for both banks/ NBFIs and women entrepreneurs for the loans disbursed within 1st July 2021 to 31st December 2024. If the properly used loans/ advances are repaid within the stipulated time, each bank/NBFI and entrepreneur will get 1.0 percent cash incentives on the principle amount of the loan.

[Ref: SMESPD Circular Letter No.-09, Date: 04 August 2021; SMESPD Circular No. 08, Date: 17 August, 2021]

8.14 BDT 5.00 billion refinance scheme for 10/50/100 Tk. Account holders:

In order to recover and revive the economic activities of the low income people who are adversely affected by the COVID- 19 pandemic, BB has enhanced the size of refinance scheme titled "Refinancing Scheme for Marginal/ Landless Farmers, Low Income Professionals, School Banking Account Holders and Small Businesses with accounts of BDT 10/

50 / 100” from BDT 2.00 billion to BDT 5.00 billion. The tenure of the scheme is 5 years. Borrowers can avail loans from banks at a maximum of 7.0 percent interest rate and participating banks get refinance from BB at 1.0 percent interest rate under this scheme. Loans from this scheme is free of collateral. Banks can avail the BB’s credit guarantee scheme facility against the loan amounting BDT 3.0 lakh and above by paying guarantee fee from their own source. Banks are also allowed to accept personal guarantee from maximum two persons including the borrower against the loan.

[Ref: FID Circular No. 01, Date: 05 September, 2021]

8.15 Opening of bank accounts abroad by resident contracting firms jointly with non-resident co-partners:

With a view to facilitating resident contracting firms to implement projects awarded by project implementing agencies abroad, it has been decided that they may open bank accounts in the respective countries jointly with non-resident co-partners to credit payments received against the works. Short-term loan proceeds against the project works from external sources may be credited in the account. For availing such loans, collaterals from Bangladesh are not admissible. Balances held in these accounts are useable for settlement of projects-related bonafide payments abroad.

[Ref: FE Circular No.26, Date: 27 July, 2021]

8.16 Time extension of Bill of entry matching:

With reference to FE Circular No. 13, dated 19 March, 2020 and FE Circular No. 30, dated 23 July, 2020, BB has extended the normal tenure of submission of bill of entry up to 60 days as additional time effective till December 31, 2021 considering the ongoing adverse situation caused by the COVID-19 pandemic.

[Ref: FE Circular Letter No. 25, Date: 13 September, 2021]

8.17 Export subsidy/ cash incentive for the financial year 2021-2022:

BB has issued a circular regarding export subsidy/ cash incentive for the fiscal year 2021-2022 with an aim to encouraging exports. In the fiscal year 2020-21, 38 export items got cash incentive at different rates from 1.0 percent to the highest 20.0 percent which would continue for the fiscal year 2021-2022. Locally produced tea, bicycle & its parts, MS steel products and cement sheet are included to get cash incentive at the rate of 4.0 percent. Type “A” and Type “B” industries located in the specialized zones get 4.0 percent cash incentive against export of agro- processing products. All types of industries in the specialized zones are eligible to receive 1.0 percent cash incentive against exports of other products. Freelancers are entitled to get 4.0 percent export subsidy. Besides, float glass sheets, opal glassware, cast iron, aluminium, compressor and HCFC-free refrigerator are considered for export subsidy. At least 30 percent local value addition is mandatory for all products to avail this facility.

[Ref: FE Circular No. 29, Date: 20 September, 2021]

8.18 Prohibition of receiving customers' money directly to the digital commerce enterprises' bank account:

Some digital commerce organizations, by averting government's "Digital Commerce Operation Guidelines-2021" and BB'S directives, had been receiving advance of payments against goods and services at their own accounts. In such a situation, BB has instructed all scheduled banks not to receive advance payments against goods and services directly to company's account or the accounts of persons involved in the organization. Banks are also instructed to perform due diligence in operating the accounts of such organizations by carefully examining their transactions and risk profiles.

[Ref: PSD Circular Letter No. 13, Date: 29 August, 2021]

8.19 Sustainability Rating Methodology for Banks and NBFIs:

With reference to SFD Circular no-06 dated 31 December, 2020 regarding sustainability ratings methodology for banks and non-bank financial institutions, Bangladesh Bank has added some component/parameters to update the previous methodology to make it more rational, acceptable and befitting. The components/parameters are Net NPL rate, Core capital (Tier-1) against Risk Weighted Assets, provision maintenance ratio, net CMSME loans and advances outstanding to net loans and advances outstanding ratio, exceeding large loan portfolio ceiling against bank's total loans & advances. Some sub-components have also been included under Banking Services Coverage component.

[Ref: SFD Circular Letter No. 05, Date: 17 August, 2021]

APPENDICES

Appendix I: Quarter-over-Quarter GDP Growth

(In percent)

Period	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021	Q2-2021	Q3-2021
United Kingdom	0.5	-0.0	-2.7	-19.6	17.4	1.1	-1.4	5.5	1.3
United States	0.7	0.5	-1.3	-8.9	7.5	1.1	1.5	1.6	0.5
Euro area	0.3	-0.0	-3.5	-11.7	12.6	-0.4	-0.3	2.1	2.2
G7	0.5	-0.1	-2.0	-10.4	9.5	1.0	0.4	1.8	0.9
China	1.3	1.6	-9.5	10.7	2.9	3.2	0.2	1.2	0.2
Japan	-0.1	-2.4	0.3	-8	5.1	2.3	-0.7	0.5	-0.9
India	0.9	0.4	0.2	-25.3	24.1	8.6	0.4	-11.6	12.7

Source: OECD.Stat (2021), Dataset: Quarterly National Accounts: Gross domestic product - expenditure approach, Measure: GPSA: Growth rate based on seasonally adjusted volume data, percentage change from previous quarter. (Extracted on 29 November 2021)

Appendix II: Commodity Price Index

End-quarter	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Energy	54.7	62.9	69.3	79.3	79.8	79.4	85.1	93.1	97.7
Non-energy	92.6	97.3	101.6	104.4	105.4	108.6	115.6	114.0	113.7
Agriculture	94.6	97.1	102.1	103.7	103.2	105.7	111.1	108.7	107.6

Source: World Bank Commodity Price Data (The Pink Sheet), Updated on 02 November 2021(Extracted on 23 November 2021).

Appendix III: Policy Rates of Central Banks

End-Period / Country	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
UK	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
US	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
China	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
India	4	4	4	4	4	4	4	4	4	4	4	4
Russia	4.25	4.25	4.25	4.25	4.25	4.5	5	5	5.5	6.5	6.5	6.75
Brazil	2	2	2	2	2	2.75	2.75	3.5	4.25	4.25	5.25	6.25
Mexico	4.25	4.25	4.25	4.25	4	4	4	4	4.25	4.25	4.5	4.5

Source: BIS, Central bank policy rates (Extracted on 23 November 2021)

Appendix IV: Month-end Closing Price of Selected Equity Market Indices

Month	EURONEXT-100 (Europe)	FTSE 100 (UK)	NIKKEI 225 (Japan)	NASDAQ 100 (US)	SSE 50 (China)	NIFTY 50 (India)
Jan-21	1085.4	6407.5	27663.4	12925.4	3713.3	13634.6
Feb-21	1123.1	6483.4	28966.0	12909.4	3756.9	14529.2
Mar-21	1188.0	6736.2	29176.7	12965.7	3537.7	14507.3
Apr-21	1228.4	6969.8	28812.6	13860.8	3491.2	14631.1
May-21	1248.9	7022.6	28860.0	13686.5	3650.2	15582.8
Jun-21	1264.6	7037.5	28791.5	14554.8	3498.7	15721.5
Jul-21	1281.2	7032.3	27283.6	14959.9	3132.8	15763.1
Aug-21	1309.0	7119.7	28089.5	15582.5	3097.1	17132.2
Sep-21	1282.1	7086.4	29452.7	14689.6	3197.0	17618.2

Source: Wall Street Journal, Historical prices of major stock exchanges.

Appendix V: Global Export and Import Growth Rate (Quarter-over-Quarter)

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
World trade Growth	0.20 %	-0.78 %	-2.84 %	-10.92 %	11.58 %	4.21 %	3.32 %	0.87 %	-1.12 %
Export Growth	0.20 %	-0.19 %	-3.39 %	-11.50 %	13.27 %	3.47 %	3.67 %	-0.19 %	-1.15 %
Import Growth	0.21 %	-1.37 %	-2.29%	-10.33 %	9.93 %	4.97 %	2.97 %	1.94 %	-1.09 %

Source: CPB World Trade Monitor, Merchandise world trade. (Extracted on 23 November 2021)

Appendix VI: Region-wise Export and Import Growth (Quarter-over-Quarter)

Selected Regions/ Countries	Growth in Export			Growth in Import		
(Quarters)	**Q3 2020**	**Q2 2021**	**Q3 2021**	**Q3 2020**	**Q2 2021**	**Q3 2021**
World	13.27%	-0.19%	-1.15%	9.93%	1.94%	-1.09%
Advanced economies	16.10%	0.33%	-0.93%	11.90%	1.82%	-0.62%
Euro Area	20.65%	0.57%	-0.50%	14.99%	2.77%	-0.73%
United States	19.80%	1.36%	-1.89%	13.84%	0.60%	0.04%
United Kingdom	-2.40%	13.40%	-5.78%	20.32%	2.91%	3.45%
Japan	13.64%	3.43%	-2.90%	-6.33%	3.68%	-1.79%
Advanced Asia except Japan	8.71%	-3.68%	-0.33%	2.26%	1.61%	-0.87%
Other advanced economies	16.23%	-0.20%	-0.14%	18.27%	0.74%	-1.53%
Emerging economies	8.33%	-1.14%	-1.56%	5.69%	2.19%	-2.07%
China	8.82%	-6.45%	-2.33%	3.95%	0.96%	-7.29%
Emerging Asia except China	14.07%	4.27%	-0.46%	11.61%	1.47%	2.30%
Eastern Europe / CIS	-4.86%	-2.05%	-1.76%	3.46%	10.49%	4.47%
Latin America	18.45%	4.06%	-3.51%	8.09%	3.36%	-0.95%
Africa and Middle East	-1.29%	1.76%	1.81%	-0.38%	1.13%	-0.80%

Source: CPB World Trade Monitor, Merchandise world trade of selected regions/countries. (Extracted on 23 November 2021)

Appendix VII: Global Industrial Production Index

Location	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021	Q2-2021	Q3-2021
World	125.2	125.9	120.5	115.8	122.4	126.8	129.0	129.2	127.4
Advanced economies	111.1	109.7	104.4	99.2	105.6	108.5	110.2	111.1	109.2
Emerging economies	143.4	146.8	141.2	137.2	144.1	150.5	153.2	152.6	150.9
United States	111.6	110.8	106.2	99.4	104.2	107.2	108.1	109.5	109.0
Japan	99.7	95.1	93.7	79.9	89.5	91.5	94.5	97.1	87.4
China	199.6	208.4	201.2	206.8	212.9	224.1	229.7	223.3	219.3

Source: CPB World Trade Monitor, Industrial production volume excluding construction, fixed base 2010=100 (Extracted on 23 November 2021).

Appendix VIII: CPI Inflation (12-month Average)

(In Percent)

Month	Inflation (General)	Inflation (Food)	Inflation (Non-Food)
Dec-19	5.6	5.6	5.6
Mar-20	5.6	5.4	5.9
Jun-20	5.7	5.5	5.9
Sep-20	5.7	5.7	5.7
Dec-20	5.7	5.8	5.6
Mar-21	5.6	5.9	5.3
Jun-21	5.6	5.7	5.3
Sep-21	5.5	5.49	5.51

Base: 2005-06=100

Appendix IX: Foreign Exchange Reserve

(Amount in million USD)

Quarter-End	International Reserve
Dec-19	32,690.0
Mar-20	32,570.0
Jun-20	36,040.0
Sep-20	39,310.0
Dec-20	43,170.0
Mar-21	43,440.0
Jun-21	46,391.0
Sep-21	46,200.0

Appendix X: Wage Earners' Remittance

(Amount in million USD)

Quarter	Amount
Jul-Sep 2019	4,514.6
Oct-Dec 2019	4,888.6
Jan-Mar 2020	4,366.9
Apr-Jun 2020	4,430.2
Jul-Sep 2020	6,713.2
Oct-Dec 2020	6,231.5
Jan-Mar 2021	5,653.5
Apr-Jun 2021	6,179.5
Jul-Sep 2021	5408.3

Appendix XI: Exports and Imports

(Amount in million USD)

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Jul-Sep 2019	9,535.0	13,252.0
Oct-Dec 2019	9,360.0	13,814.0
Jan-Mar 2020	9,408.0	13,264.0
Apr-Jun 2020	4,578.0	10,361.0
Jul-Sep 2020	9,697.0	11,736.0
Oct-Dec 2020	9,064.0	13,490.0
Jan-Mar 2021	9,509.0	17,541.0
Apr-Jun 2021	9,612.0	17,914.0
Jul-Sep 2021	10,818.0	17,321.0

Appendix XII: Interest Rate (Weighted Average) Spread

(In percent)

Month	Lending Rate	Deposit Rate	Spread
Dec-19	9.7	5.7	4.0
Mar-20	9.6	5.5	4.1
Jun-20	8.0	5.1	2.9
Sep-20	7.8	4.8	3.0
Dec-20	7.6	4.5	3.1
Mar-21	7.5	4.4	3.1
Jun-21	7.3	4.1	3.2
Sep-21	7.2	4.1	3.1

Appendix XIII: Weighted Average Exchange Rate

(BDT/USD)

Month	Period Average	End Period
Mar-19	84.21	84.25
Jun-19	84.50	84.50
Sep-19	84.50	84.50
Dec-19	84.90	84.90
Mar-20	85.00	85.00
Jun-20	84.92	84.90
Sep-20	84.80	84.80
Dec-20	84.80	84.80
Mar-21	84.80	84.80
Jun-21	84.80	84.80
Sep-21	85.30	85.50

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

(Amount in billion BDT)

End-Qaurter	Amount
Sep-19	2,292.00
Dec-19	2,542.27
Mar-20	2,325.35
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

Appendix XV: Asset Structure of the Banking Industry

(Amount in billion BDT)

Property and Assets	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Cash in hand	170.98	164.43	182.16	180.65	185.56
Balance with Bangladesh Bank and its Agent Bank	905.51	1,160.32	1,133.58	1,365.98	1,081.29
Balance with other banks and financial Institutions	811.83	793.22	833.86	888.76	876.24
Investment	3,178.35	3,397.97	3,381.25	3,618.02	3,755.10
Loans and Advances	11,423.88	11,722.94	11,925.83	12,258.64	12,604.53
Fixed Assets	259.82	277.91	280.48	282.77	277.88
Other Assets	938.53	887.60	920.54	913.91	984.25
Non-banking assets	4.40	4.38	4.32	4.40	3.93
Total Assets	**17,693.31**	**18,408.77**	**18,662.01**	**19,513.12**	**19,768.78**

Appendix XVI: Banking Sector Assets & NPL Concentration (September-2021)

(Amount in billion BDT)

ASSETS	***TOP 5 BANKS***	***OTHER BANKS***	***TOP 10 BANKS***	***OTHER BANKS***
Amount	6,366.68	13,402.10	9,103.79	10,664.99
Share (%)	32.21%	67.79%	46.05%	53.9%
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	44,955.35	56,194.96	63,027.45	38,122.86
Share (%)	44.44%	55.56%	62.31%	37.69%

Appendix XVII: Banking Sector NPL Ratio

(Amount in billion BDT)

Quarter	Aggregate NPL	Gross NPL Ratio (NPL/TL) (%)	Net NPL (net of LLP and IS) Ratio (%)
Sep-19	1,162.88	11.99%	3.66%
Dec-19	943.30	9.32%	1.02%
Mar-20	925.11	9.03%	0.39%
Jun-20	961.17	9.16%	0.15%
Sep-20	944.40	8.88%	-0.22%
Dec-20	887.34	7.66%	-1.18%
Mar-21	950.85	8.07%	-0.48%
Jun-21	992.05	8.18%	-0.47%
Sep-21	1,011.50	8.12%	-0.55%

Appendix XVIII: Distribution of Banks by NPL Ratio

Range	Number of Banks as at end						
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
≤2%	10	6	6	11	9	7	9
>2% to ≤3%	2	5	7	11	9	9	8
>3% to ≤5%	20	21	23	16	16	18	19
>5% to ≤10%	12	11	8	6	10	10	10
>10% to ≤15%	6	6	5	5	3	4	3
>15% to ≤20%	1	1	1	1	4	3	5
>20%	8	9	9	9	8	8	7
Total	59	59	59	59	59	59	61

Appendix XIX: Banking Sector Loan Loss Provisions

(Amount in billion BDT)

PERIOD	*REQUIRED PROVISION*	*PROVISION MAINTAINED*	*PROVISION MAINTENANCE RATIO (%)*
Sep-19	624.6	543.3	87.0
Dec-19	613.1	546.6	89.2
Mar-20	604.9	568.8	94.0
Jun-20	654.0	609.0	93.1
Sep-20	636.44	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

Appendix XX: Banking Sector Classified Loans Ratios

(In percent)

PERIOD	CLASSIFIED LOANS TO TOTAL LOANS	SUB-STANDARD LOANS TO CLASSIFIED LOANS	DOUBTFUL LOANS TO CLASSIFIED LOANS	BAD LOANS TO CLASSIFIED LOANS
Sep-19	11.99%	9.7%	3.8%	86.5%
Dec-19	9.32%	9.1%	4.1%	86.8%
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%

Appendix XXI: Classified Loan Composition (End-September 2021)

(Amount in billion BDT)

PARTICULARS	AMOUNT	PERCENT OF TOTAL
Substandard (SS)	6,580.09	6.5%
Doubtful (DF)	4,726.26	4.7%
Bad/Loss (BL)	89,843.96	88.8%
Total Classified Loan	101,150.30	100.0%

Appendix XXII: Banking Sector ROA Range

Quarter	ROA Range			
	Up to 2.0%	>2% to ≤3%	>3% to ≤4%	> 4%
Sep-19	53	1	1	2
Dec-19	54	1	1	2
Mar-20	53	3	1	1
Jun-20	57	1	0	0
Sep-20	51	4	3	0
Dec-20	50	5	3	0
Mar-21	54	3	0	1
Jun-21	56	2	0	0
Sep-21	58	1	0	0

Notes: ROAs have been annualized from respective quarterly ratios.

Appendix XXIII: Banking Sector ROE Range

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

Notes: ROEs have been annualized from respective quarterly ratios.

Appendix XXIV: Banking Sector ROA and ROE

Ratio	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
ROA	0.45%	0.25%	0.42%	0.50%	0.44%
ROE	7.22%	4.28%	6.70%	8.26%	7.42%

Notes: The figures are annualized from respective quarterly ratios; e.g.
(a) annualized ROA of 1st quarter of 2021= (Profit in 1st quarter of 2021 x 4/Total asset at the end of 1st quarter of 2021) x 100.
(b) annualized ROA of 2nd quarter of 2021 = ((Profit in 1st quarter of 2021+Profit in 2nd quarter of 2021) x 2/Average of assets at the end of 1st and 2nd quarters of 2021) x 100.
(c) ROA of 2020 =Profits in 2020/Assets at end-December 2020) x100.
(d) Similar method applied for annualizing quarterly ROE.

Appendix XXV: FIs' Borrowing, Deposit and Capital

(Amount in billion BDT)

Particulars	Sep-20	Sep-21
Borrowing	195.49	218.16
Deposits	452.09	459.68
Capital	90.35	84.99
Others	141.99	154.75
Total	**879.92**	**917.56**

Appendix XXVI: FIs' Asset Composition

(Amount in billion BDT)

Particulars	Sep-20	Sep-21
Cash & liquid assets	122.63	150.69
Earning assets	689.76	698.35
Fixed assets	13.78	14.36
Others assets	53.74	54.17
Total	**879.92**	**917.56**

Appendix XXVII: FIs' Classified Loans and Leases

(Amount in billion BDT)

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Mar-19	72.21	10.33
Jun-19	73.24	10.97
Sep-19	68.38	10.35
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 [P]	15.46 [P]
Jun-21	103.28 [P]	15.39 [P]
Sep-21	117.57 [P]	17.62 [P]

[P]=Provisional

Appendix XXVIII: FIs' ROA & ROE

(In percent)

Quarter	Aggregate ROA	Aggregate ROE
Jun-19	0.30%	2.00%
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%[R]	-9.59%[R]
Sep-21	-0.62%	-6.56%

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

Appendix XXIX: Banking Sector CRAR Distribution

CRAR	*NUMBER OF BANKS (AT END PERIOD)*						
	Mar-20	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**
< 10%	11	9	10	10	11	11	11
10% to ≤15%	26	30	28	20	27	26	26
15% +	21	19	21	29	22	23	23
Total Banks	58	58	59	59	60	60	60
Compliant Banks	47	49	49	49	49	49	49

Appendix XXX: Banking Sector Asset and Liabilities Share based on CRAR as at end-September 2021

CRAR	Number of banks	Asset size (In Crore BDT)	Asset Share (%)	Liability size (In Crore BDT)	Liability Share (%)
<10%	11	594,052.50	30.04%	583,519.61	31.35%
10% to <15%	26	1,042,607.19	52.72%	973,925.97	52.32%
15% and +	23	340,994.77	17.24%	304,032.41	16.33%
Total	60	1,977,654.46	100.00%	1,861,477.99	100.00%

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

Particulars	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Core Capital to RWA (%)	8.05	7.42	7.78	7.83	7.62
No of core capital compliant banks	49	48	48	49	49
Overall CRAR (%)	11.94	11.64	11.67	11.57	11.22
Number of CRAR compliant banks	49	49	49	49	49
Number of banks in the industry	59	59	60	60	60

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

(Amount in billion BDT)

Particulars	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
RWA for Credit Risk	87.29	87.13	87.56	87.26	87.64
RWA for Market Risk	3.77	3.77	3.52	3.98	4.01
RWA for Operational Risk	8.94	9.10	8.92	8.77	8.35
Total RWA					

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

(Amount in billion BDT)

Period	Minimum Capital Requirement	Total Regulatory Capital
Sep-19	1046.7	1189.2
Dec-19	1073.0	1211.3
Mar-20	1110.4	1232.1
Jun-20	1114.0	1267.1
Sep-20	1132.8	1319.8
Dec-20	1159.0	1318.3
Mar-21	1188.4	1354.0
Jun-21	1220.7	1381.0
Sep-21	1263.9	1388.1

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

Period	ADR (%)
Jun-19	77.5
Sep-19	76.6
Dec-19	77.3
Mar-20	77.8
Jun-20	76.2
Sep-20	74.0
Dec-20	72.7
Mar-21	72.8
Jun-21	71.6
Sep-21	72.1

Appendix XXXV: Bank Cluster-wise CRAR

	CRAR (in percent)				
Bank Clusters	**Sep-20**	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**
SCB	8.25%	4.34%	6.49%	6.82%	6.25%
PCB	13.29%	13.96%	13.44%	13.26%	13.09%
FCB	25.59%	28.24%	28.04%	28.46%	27.1%
SDB	-33.73%	-32.92%	-31.86%	-32.16%	-34.31%
Grand Total	11.94%	11.64%	11.67%	11.57%	11.22%

Appendix XXXVI: Capital Conservation Buffer (CCB) at end-September 2021

Capital Conservation Buffer (CCB)			
	Number of Compliant Banks	**Number of banks considered**	**Aggregate CCB (%)**
Solo	41	60	1.22%
Consolidated	25	38	1.69%

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

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

Appendix XXXVIII: Banking Sector Leverage Ratio (in percent) – Consolidated Basis

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

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

Bank Clusters	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
SOCBs	2.6%	1.0%	1.6%	1.8%	1.78%
PCBs	5.4%	6.0%	5.5%	5.4%	5.42%
FCBs	12.6%	13.0%	12.5%	12.3%	12.1%
SDBs	-25.3%	-24.0%	-23.9%	-24.3%	-24.7%
System (60 banks)	4.65%	4.00%	4.46%	4.41%	4.37%

Appendix XL: FIs' CRR & SLR

(Amount in million BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/ Shortfall	Required	Maintained	Surplus/ Shortfall
Jun-19	7,465.3	7,634.6	169.3	20,997.8	83,144.0	62,146.2
Sep-19	7,583.3	7,608.0	24.7	21,775.7	86,058.3	64,282.6
Dec-19	7,744.3	7,768.3	24.0	21,662.6	90,889.7	69,227.1
Mar-20	7,643.6	8,244.0	600.4	21,403.1	94,000.5	72,597.4
Jun-20	4,582.7	6,148.2	1,565.5	21,387.3	89,661.2	68,273.9
Sep-20	4,740.9	5,967.9	1,227.00	23,496.2	96,808.7	73,312.5
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[R]	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

[R]=Revised

Appendix XLI: Capital Adequacy Ratio of FI Sector

Particulars	End Dec-19	End Mar-20	End Jun-20	End Sep-20	End Dec-20	End Mar-21	End Jun-21	End Sep-21
Eligible Capital to RWA (%)	17.2	16.8	16.4	14.33	14.23	13.82	13.33	13.30%

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

(Amount in billion BDT)

Particulars	End Sep-19	End Dec-19	End Mar-20	End Jun-20	End Sep-20	End Dec-20	End Mar-21	End Jun-21	End Sep-21
Credit RWA	635.3	631.1	638.9	639.0	615.6	628.8	631.1	628.4	618.7
Market RWA	51.6	54.7	50.9	54.1	35.7	44.6	43.4	47.1	49.4
Operational RWA	49.6	49.9	51.5	50.2	51.4	49.4	47.6	48.0	47.8
Total RWA	**736.5**	**735.7**	**741.3**	**743.3**	**702.7**	**722.8**	**722.1**	**723.4**	**716.0**
Core Capital (Tier -1)	113.5	113.2	111.1	108.7	87.7	89.4	85.6	82.5	81.4
Supplementary Capital	13.7	13.4	13.5	13.3	12.8	13.4	14.2	14.0	13.8
Eligible Capital	**127.2**	**126.6**	**124.6**	**122.0**	**100.7**	**102.8**	**99.8**	**96.4**	**95.2**

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

(Based on data as of end-September-2021)

Different Shock Scenarios	After-Shock CRAR
Increase in NPL in the highest outstanding sector	3
Increase in NPLs due to default of Top borrowers	16
Negative shift in NPL categories	1
Decrease in the FSV of collateral	1
Increase in NPLs	4
Interest rate shock	1
Exchange rate shock	0
Equity shock	0

Appendix XLIV: DSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	DSEX	DS30	DSES
Jan-20	80.72	3408.93	4469.66	1524.04	1028.29
Feb-20	124.28	3429.83	4480.23	1492.37	1044.91
Mar-20	66.46	3122.35	4008.29	1330.83	920.69
Apr-20*					
May-20	1.43	3,161.80	4060.45	1365.37	951.60
Jun-20	47.80	3119.67	3989.09	1340.98	925.08
Jul-20	60.01	3,257.33	4,214.43	1,420.64	976.50
Aug-20	186.18	3,698.34	4,879.15	1,699.55	1,132.85
Sep-20	222.58	3,996.42	4,963.29	1,696.00	1,120.39
Oct-20	170.40	3,912.51	4,846.10	1,680.13	1,098.80
Nov-20	174.07	3,899.79	4,866.84	1,687.40	1,113.98
Dec-20	215.88	4,482.30	5,402.07	1,963.96	1,242.11
Jan-21	339.59	4,790.28	5,649.86	2,160.39	1,265.37
Feb-21	144.49	4,657.36	5,404.80	2,056.83	1,222.84
Mar-21	144.80	4,589.02	5,278.16	1,994.40	1,204.18
Apr-21	143.77	4,707.12	5,479.62	2,110.91	1,249.82
May-21	310.10	5,038.68	5,990.99	2,205.82	1,286.20
Jun-21	435.09	5,142.82	6,150.48	2,208.38	1,314.76
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

*No transaction took place.

Appendix XLV: CSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	**Market Capitalization**	**CASPI**	**CSE30**	**CSI**
Jan-20	4.10	2,698.44	13,586.41	11,676.85	882.72
Feb-20	6.20	2,741.10	13,742.96	11,912.38	901.18
Mar-20	4.84	2,445.71	11,328.00	9,975.51	729.30
Apr-20*					
May-20	0.03	2,481.50	11,469.02	10,320.39	750.34
Jun-20	9.53	2,447.56	11,332.59	9,925.12	733.27
Jul-20	3.50	2,572.76	11,957.06	10,389.29	777.28
Aug-20	5.94	2,996.99	13,908.14	12,052.96	902.97
Sep-20	7.19	3,300.77	14,167.23	11,790.99	912.64
Oct-20	5.41	3,227.92	13,824.13	11,370.18	888.07
Nov-20	5.80	3,212.32	13,991.43	11,207.94	919.67
Dec-20	9.18	3,754.94	15,592.92	12,426.52	1,018.85
Jan-21	17.28	4,072.71	16,474.97	13,013.79	1,031.29
Feb-21	7.71	3,919.44	15,603.80	12,156.81	983.85
Mar-21	9.44	3,861.42	15,264.62	11,614.50	982.59
Apr-21	8.69	3,973.51	15,844.80	12,062.49	1,003.67
May-21	15.46	4,288.28	17,359.57	13,066.25	1,044.59
Jun-21	21.30	4,383.65	17,795.04	13,382.78	1,091.85
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

*No transaction took place.

Appendix XLVI: Sectoral Turnover of DSE

BROAD SECTOR	SECTOR	% OF TOTAL TURNOVER	
		2021Q2	2021Q3
Financial Sector	Banks	10.6	8.2
	Financial Institutions	6.5	8.8
	Insurance	24.6	10.6
Manufacturing	Food & Allied Product	3.3	4.0
	Pharmaceuticals & Chemicals	7.3	11.2
	Textile	9.8	13.1
	Engineering	7.0	10.9
	Ceramic	0.8	1.9
	Tannery	1.2	0.9
	Paper & Printing	0.2	0.9
	Jute	0.1	0.1
	Cement	2.6	3.4
Service & Miscellaneous	Mutual Funds	2.2	2.9
	Fuel & Power	5.6	7.9
	Services & Real estate	1.4	2.3
	IT Sector	1.8	2.7
	Telecommunication	2.9	1.5
	Travel and Leisure	0.2	0.6
	Miscellaneous	12.0	8.1
Bond	Corporate Bond	0.01	0.01
Total		**100.0**	**100.0**

Note: 2021Q3≡ September quarter 2021, 2021Q2≡ June quarter 2021.

Appendix XLVII: Sectoral Turnover of CSE

BROAD SECTOR	SECTOR	% OF TOTAL TURNOVER	
		2021Q2	2021Q3
Financial Sector	Banks	19.7	11.0
	Leasing &Finance	4.3	9.4
	Life Insurance	2.0	3.7
	General Insurance	15.4	4.8
Manufacturing	Food & Allied Product	1.6	2.3
	Pharmaceuticals & Chemicals	10.8	12.0
	Textile	6.4	11.5
	Engineering	5.8	10.0
	Ceramic	0.8	2.1
	Tannery	0.7	0.5
	Paper & Printing	0.5	1.1
	Cement	2.0	2.7
Service & Miscellaneous	Fuel & Power	8.4	9.3
	Services	1.3	2.8
	IT	0.8	1.5
	Telecommunication	6.3	3.1
	Mutual Funds	1.6	2.8
	Miscellaneous	11.6	9.2
Bond	Corporate Bond	0.003	0.2
Total		**100.00**	**100.00**

Note: 2021Q3≡ September quarter 2021, 2021Q2≡ June quarter 2021.

Appendix XLVIII: Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
Sep-18	15.2	15.0
Dec-18	15.2	15.9
Mar-19	16.1	17.2
Jun-19	14.3	15.6
Sep-19	13.4	13.6
Dec-19	11.8	16.3
Mar-20	10.6	10.6
Jun-20	10.8	10.7
Sep-20	13.5	14.0
Dec-20	16.5	15.0
Mar-21	16.9	17.3
Jun-21	18.5	17.7
Sep-21	20.1	20.0

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

Month	Daily Average Index Volatility[33]	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	103.3	2304.08

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