Quarterly

# Financial Stability Assessment Report

**Issue: 28, 2023 (III)**

**July-September 2023**

Bangladesh Bank

# Quarterly

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Financial Stability Department
Bangladesh Bank

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## July-September 2023


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9. Statistics Department
10. Sustainable Finance Department


This report is based on unaudited and provisional data of banks and financial institutions available up to September 30, 2023 unless stated otherwise.


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# Acronyms

| | |
|---|---|
| ACD | Agricultural Credit Department |
| ADR | Advance-to-Deposit Ratio |
| ADs | Authorized Dealers |
| AEs | Advanced Economies |
| B/L | Bad and Loss |
| BB | Bangladesh Bank |
| BDT | Bangladeshi Taka |
| BRICS | Brazil, Russia, India, China and South Africa |
| BRPD | Banking Regulation and Policy Department |
| CAR | Capital Adequacy Ratio |
| CASPI | CSE All Share Price Index |
| CCB | Capital Conservation Buffer |
| CPI | Consumer Price Index |
| CRAR | Capital to Risk-weighted Asset Ratio |
| CRR | Cash Reserve Ratio |
| CSE | Chittagong Stock Exchange |
| CSE30 | CSE 30 Index |
| CSI | CSE Shari'ah Index |
| CY | Calendar Year |
| DAX | Deutscher Aktienindex (German stock index) |
| DF | Doubtful |
| DFIM | Department of Financial Institutions and Markets |
| DMD | Debt Management Department |
| DOS | Department of Off-site Supervision |
| DSE | Dhaka Stock Exchange |
| DSES | DSEX Shari'ah Index |
| DS30 | DSE 30 Index |
| DSEX | DSE Broad Index |
| DJIA | Dow Jones Industrial Average |
| EMDEs | Emerging Markets and Developing Economies |
| ERQ | Exporters' Retention Quota |
| FE | Foreign Exchange |
| FEID | Foreign Exchange Investment Department |
| FCBs | Foreign Commercial Banks |
| FID | Financial Inclusion Department |
| FIs | Financial Institutions |
| FSD | Financial Stability Department |
| FSV | Forced Sale Value |
| FTSE | Financial Times Stock Exchange |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GFET | Guidelines for Foreign Exchange Transactions |
| IMF | International Monetary Fund |
| LCR | Liquidity Coverage Ratio |
| MCR | Minimum Capital Requirement |
| MSCI | Morgan Stanley Capital International |
| MPD | Monetary Policy Department |
| NASDAQ | National Association of Securities Dealers Automated Quotations |

| | |
|---|---|
| NBFIs | Non-Bank Financial Institutions |
| NITAs | Non-resident Investor's Taka Accounts |
| NPL | Non-performing Loan |
| NSFR | Net Stable Funding Ratio |
| OECD | Organization for Economic Co-operation and Development |
| OPGSPs | Online Payment Gateway Service Providers |
| PCBs | Private Commercial Banks |
| P/E Ratio | Price-Earnings Ratio |
| PSD | Payment Systems Department |
| PSPs | Payment Service Providers |
| ROA | Return on Assets |
| ROE | Return on Equity |
| RWA | Risk Weighted Assets |
| SFD | Sustainable Finance Department |
| SOCBs | State-owned Commercial Banks |
| SDBs | Specialized Development Banks |
| SLR | Statutory Liquidity Requirement |
| SS | Sub-Standard |
| TRC | Total Regulatory Capital |
| USA | United States of America |
| USD | US Dollar |
| UK | United Kingdom |

# Executive Summary

***This report conveys the assessment of Bangladesh Bank on the resilience of the financial system of Bangladesh to various risks and vulnerabilities during the July-September quarter of the calendar year 2023 (CY23).*** The report also discusses a range of issues having implications for the stability of the domestic financial system.

***Economic activities across the world during 2023Q3 demonstrated a mixed trend amid geopolitical tensions and tight monetary policies.*** The US and major Asian emerging economies experienced positive growth, while the Euro Area and Japan experienced negative growth. Despite easing, high global inflation is compelling central banks, especially in advanced economies, to keep the policy rates high. During the review quarter, there was a moderate level of volatility in the major stock market indices across the globe. Although world trade is still declining, industrial production remained stable worldwide.

***During the review quarter, the domestic economy faced a number of challenges, including elevated inflation and a decline in foreign exchange reserves.*** At the end of September 2023, annual average inflation increased to 9.29 percent, 0.27 percentage points higher than the preceding quarter. Wage earners' remittance inflow registered a decrease of 11.99 percent from that of the preceding quarter and stood at USD 4.91 billion at the end of the review quarter. At the end of September 2023, the gross foreign exchange reserves stood at USD 26.91 billion (USD 21.06 billion as per BPM6), sufficient to cover nearly 5.3 months of import payments. Bangladeshi Taka (BDT) depreciated further against the USD, and the exchange rate stood at 109.97 at end-September 2023 from 105.92 at end-June 2023.

***At end-September 2023, the banking sector experienced a slight decline in profitability, despite a moderate improvement in asset quality.*** Total assets of the banking industry grew by BDT 314.90 billion at end-September 2023 and reached BDT 23,457.73 billion. However, the quarterly asset growth decreased to 1.36 percent, down from 3.90 percent in the previous quarter. Asset quality improved as the non-performing loan (NPL) ratio decreased to 9.93 percent at end-September 2023 from 10.11 percent at end-June 2023. Nonetheless, the provision maintenance ratio stood at 76.24 percent, recording a decrease of 2.52 percentage points from the previous quarter. In addition, profitability, as measured by Return on Assets (ROA) and Return on Equity (ROE), slightly declined to 0.41 percent and 7.46 percent, respectively, from 0.43 percent and 7.88 percent in the preceding quarter.

***The overall capital position of the banking sector, as indicated by the Capital to Risk-weighted Assets Ratio (CRAR), decreased slightly in the reviewed quarter.*** At end-September 2023, the CRAR of the banking sector stood at 11.08 percent, marginally lower than that of the previous quarter. In addition, the Tier-1 capital ratio decreased by 12 basis points and stood at 7.98 percent. However, both ratios were above the respective minimum regulatory requirements in line with the Basel III capital framework. Moreover, the banking sector was compliant in terms of Basel III liquidity standards - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

***A declining trend was observed in the performance of financial institutions (FIs) at end-September 2023, owing to the decline in asset quality and profitability***. In the review period, the total assets of FIs decreased marginally and stood at BDT 989.27 billion from BDT 996.85 billion in the preceding period. However, the ratio of non-performing loans and leases to total loans and leases outstanding increased by 2.10 percentage points and stood at 29.75 percent. The annualized return on assets (ROA) of FIs decreased to -2.02 percent from -1.43 percent in the previous quarter. In addition, the capital adequacy ratio (CAR) registered a decrease of 2.49 percentage points from the preceding quarter and stood at 2.59 percent at the end of the review quarter. However, FIs liquidity situation, in terms of cash reserve requirement (CRR) and Statutory Liquidity Requirement (SLR), improved in the review quarter compared to those of the previous quarter, and both ratios were above the minimum regulatory requirement.

***Stress test results based on end-September 2023 indicate that the banking sector would remain relatively resilient to different shock scenarios.*** Among the broad risk factors, credit risk remained the major risk factor for the banking sector in terms of its impact on the banks' capital adequacy from a stress testing point of view. Results of the test indicate that the default of the top 03 borrowers is likely to have the highest impact on the banking sector's resilience, followed by an increase in NPLs by 3 percent. For both shocks, the CRAR of the banking sector would fall below the minimum regulatory requirement of 10 percent. In contrast, the CRAR of the banking sector would remain above the minimum requirement for all shock scenarios of market risk.

***In the review quarter, the domestic capital market demonstrated no exception to the overall bearish trend of the global market.*** At end-September 2023, the main indices of the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) displayed a marginally downward trend compared to those of end-June 2023. The market capitalization of both exchanges increased, but turnover decreased during the review period compared to the previous quarter. Importantly, the capital market of Bangladesh appears to have no significant impact on the stability of the banking sector in the near-term as banks' exposure to the capital market is much lower than the regulatory limit.

***Bangladesh Bank (BB) has taken a series of policy initiatives during the review quarter to ensure domestic financial system stability.*** During this period, BB instructed the scheduled banks to implement the sub-section (10) of section 15 of the Bank Company Act, 1991 (amended up to 2023) to ensure good governance in the banking industry. To encourage the country's export trade and expansion of export-oriented industries, BB issued circulars on market-based interest rate system for pre-shipment export credit and export incentives/cash assistance against the export of 43 products shipped within the FY23-2024. Moreover, BB issued directives on permitting licensed Payment Service Providers (PSPs) to bring inward wage remittances, facilitating Non-resident Investor's Taka Accounts (NITAs) through online interactive web platform of authorized dealers by Non-resident Bangladeshis (NRBs), allowing to execute forward sale and purchase in foreign exchange, and reinstating the limits of Exporters' Retention Quota (ERQ) accounts to promote further foreign investment in Bangladesh and maintain stability in the foreign exchange market. In addition, a number of circulars and guidelines have been issued with the aim of enhancing the stability of the financial system and stimulating the economy.

# CHAPTER 1: MACROECONOMIC DEVELOPMENTS

## 1.1 Global Macroeconomic Situation

Economic activities varied across the globe in the review quarter, with negative growth in the Euro Area and Japan and moderate growth in the US and major Asian emerging economies. Global inflation is declining but still remains high, forcing the central banks, especially in advanced economies, to increase the policy rates. Major stock market indices showed a moderate level of volatility in the review quarter. Global industrial production remained relatively stable but world trade continued to decrease.

### 1.1.1 Global GDP Growth

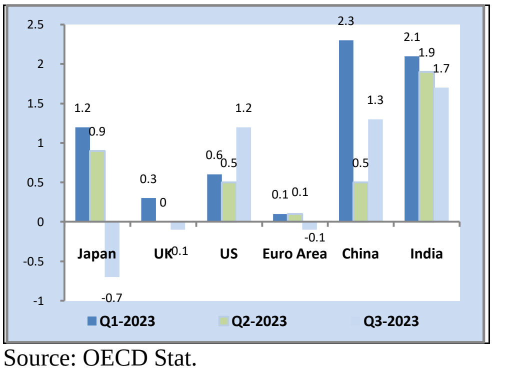
The Euro area, consisting of 20 countries, experienced an economic growth of -0.1 percent in the third quarter after two consecutive quarters with low growth. France and Germany recorded a growth of -0.1 percent each, while Italy and Spain posted positive growth of 0.1 and 0.3 percent respectively.[1] In the review quarter, economic activities on the other side of the Atlantic picked up partially attributable to a growth of 1.2 percent in the USA.

On the other hand, mixed performances were observed in the Asian economies as China and India continued their high growth while Japan registered negative growth in the review quarter after maintaining positive growth in the preceding two consecutive quarters. During the review quarter, China's real estate demand remained weak due to continuing structural challenges. Export growth also remained sluggish due to lack of strong global demand.

The growth of the Indian economy stood strong, although it slowed down somewhat compared to the previous period. Industrial production showed variations in the review quarter.

Japanese economy shrank by 0.7 percent compared to growth of 0.9 percent in the previous quarter. Real wages and household spending were also adversely affected by high inflation. Domestic demand and net export decreased while public demand remained steady like the last quarter.[2]

**Chart 1.1: Quarterly GDP Growth**




Source: OECD Stat.

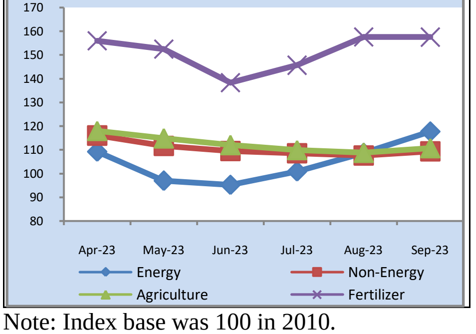
[1] See OECD Stat for details.

[2] Estimate by ESRI, Japan.

### 1.1.2 Global Inflation

Although global inflation slightly eased down during the review quarter, it is lying as a concern. Agricultural and non-energy prices declined moderately, with the price index standing at 110.75 and 109.40 respectively at end-September 2023 compared to 112.01 and 109.54 at end-June 2023. Fertilizer-importing countries were struggling as price index of fertilizer rose to 157.52 from 138.29. Energy prices also increased notably in the review quarter with price index standing at 117.73 at end-September 2023, up from 95.21 at end-June 2023. Energy prices may remain volatile as new crisis emerged in the Middle East. Economies with persistently high and continuous inflation need to approach targets, as pricing and financial stability are necessary for sustainable growth.

**Chart 1.2: Commodity Price Index**




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

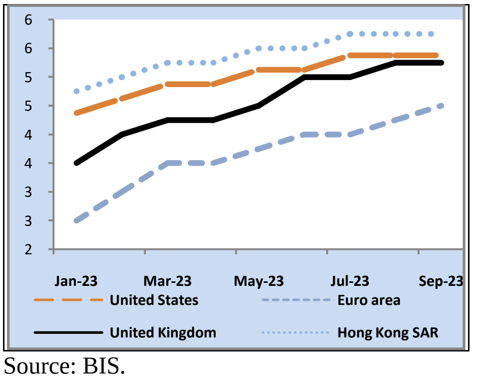
### 1.1.3 Global Financial Condition

The global financial condition remained slightly volatile in the review quarter. Policy rates showed diverse trends across the world with the elevation of the same in advanced economies. Stock indices across the globe also experienced variations in returns, few indices even varied more than others.

#### 1.1.3.1 Global Monetary Policy Response

Policy rates of the US, the Euro Area, the UK and Hong Kong SAR continued to rise in the review quarter. As inflationary pressure resulting from the Russia-Ukraine conflict remained high in Europe and elsewhere, policy rates are unlikely to come down, especially in the advanced economies (Chart 1.3).

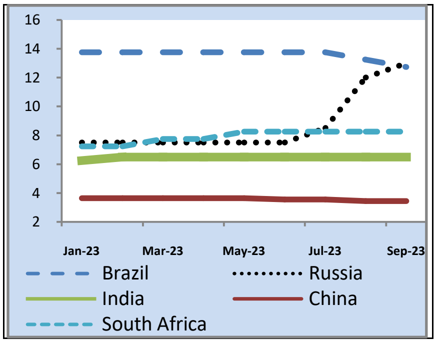
**Chart 1.3: Policy Rates of Advanced Economies' Central Banks**




Source: BIS.

BRICS nations kept their policy rates more or less stable except Russia. Brazil decreased its rates in the review quarter (Chart 1.4). These, uncertainties in the global capital flight subsisted throughout the third quarter of 2023.

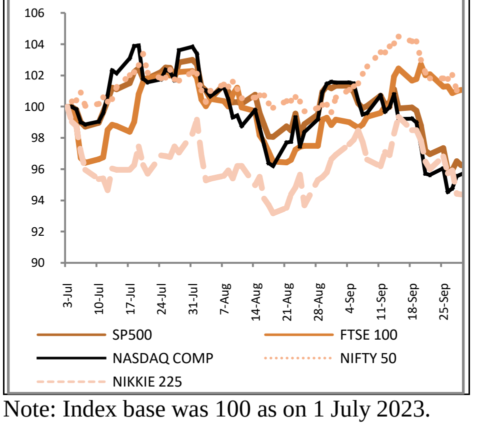
**Chart 1.4: Policy Rates of BRICS Central Banks**




## 1.1.3.2 Global Equity Market

The time period from July to September 2023 was moderately volatile for most of the major stock indices. FTSE 100 and Nifty 50 ended with a rise, whereas SP500, NASDAQ Composite and NIKKIE 225 decreased in the review quarter (Chart 1.5). In addition, NASDAQ Composite and FTSE 100 experienced more variations than other indices.

**Chart 1.5: Selected Equity Markets[3]**



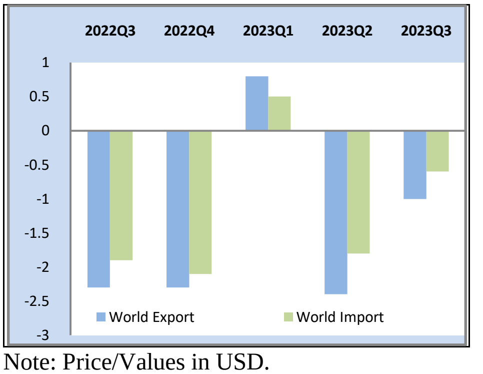

Note: Index base was 100 as on 1 July 2023.
Source: The Wall Street Journal, FSD Calculation.

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

## 1.1.4 Global Trade and Production

The volume of global trade decreased in the review quarter with export and import falling by 1 percent and 0.6 percent respectively compared to those of the preceding quarter. Over 3,000 trade restrictions were imposed worldwide in 2022, up from 1,000 in 2019[4]. Lingering effects of trade restrictions continued to influence world trade (Chart 1.6).

**Chart 1.6: Quarterly Global Merchandise Export and Import Growth**

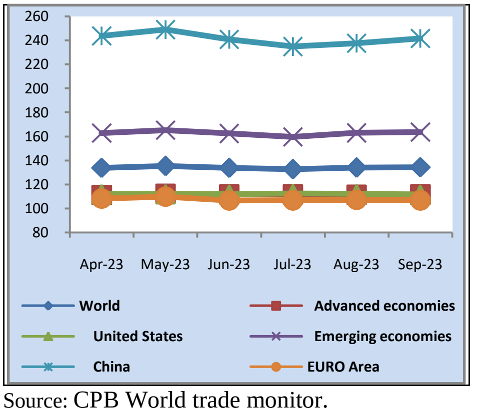



Note: Price/Values in USD.
Source: CPB World trade monitor.

World industrial production increased, mainly led by China with monthly index standing at 242.6, 245.8, and 248.2 in each month of the review quarter compared to 234.9, 237.8, and 241.8 respectively in each month of the previous quarter. In contrast, production decreased in the Euro Area. Overall, combined global production showed marginal growth variations throughout the review quarter (Chart 1.7).

[4]See IMF World Economic Outlook, October 2023 report for details.

**Chart 1.7: Global Industrial Production Indices**




Source: CPB World trade monitor.

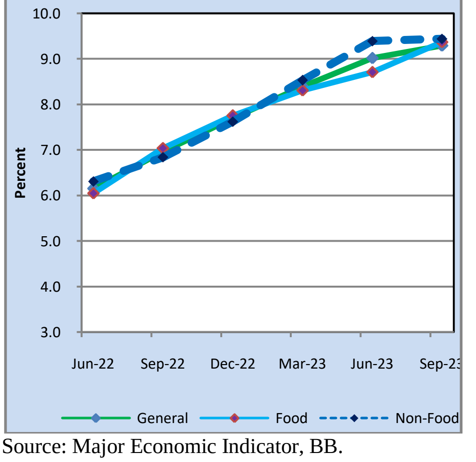
## 1.2 Domestic Macroeconomic Situation

The economy of Bangladesh has been striving with a number of challenges including high inflation and depreciation of domestic currency against the US dollar for the last few quarters. Furthermore, geopolitical tensions and trade uncertainties are impeding external trade activities. Nevertheless, timely initiatives taken by Bangladesh Bank and Government are expected to yield positive outcomes in the forthcoming days. Pertinently, BB took a contractionary monetary policy stance in the review quarter which may lead to gradual decline in headline inflation in the upcoming days. Noteworthy that, the Government's reliance on borrowing from the banking sector decreased.

### 1.2.1 Inflation

Despite the presence of several signs of moderation, inflation scenario continued to exhibit an upward trend in the review quarter. At end-September 2023, the headline inflation rose to 9.29 percent (twelve-month average, base year 2021-2022[5]), 0.27 percentage point higher than that of end-June 2023. Food and non-food inflation increased to 9.37 percent and 9.44 percent respectively, compared to 8.71 percent and 9.39 percent in the preceding quarter. However, in comparison with same quarter of previous year (September-2022), the headline inflation rose by 2.33 percentage points, with an increase of food and non-food inflation by 2.33 percentage points and 2.60 percentage points respectively (Chart 1.8).

**Chart 1.8: Quarterly Inflation**



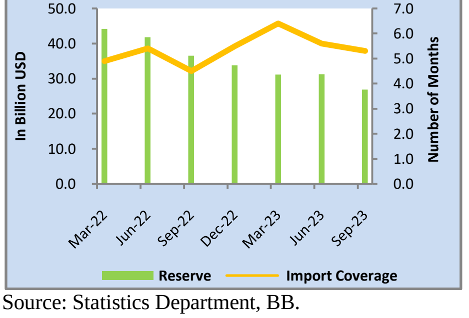

Source: Major Economic Indicator, BB.

[5]Twelve-month average food and non-food indices have been calculated after shifting the base year from FY06 to FY22.

### 1.2.2 Foreign Exchange Reserve and its Import Coverage

The gross foreign exchange reserve and its import coverage declined slightly in the review quarter compared to those of the previous quarter. At end-September 2023, the gross foreign exchange reserve stood at USD 26.91 billion (USD 21.06 billion as per BPM6[6]) from USD 31.20 billion (USD 24.75 billion as per BPM6) at end-June 2023. The gross reserve was adequate to cover 5.3 months' import payments on a prospective basis compared to 5.6 months' coverage of end-June 2023 (Chart 1.9).

**Chart 1.9: Foreign Exchange Reserves**

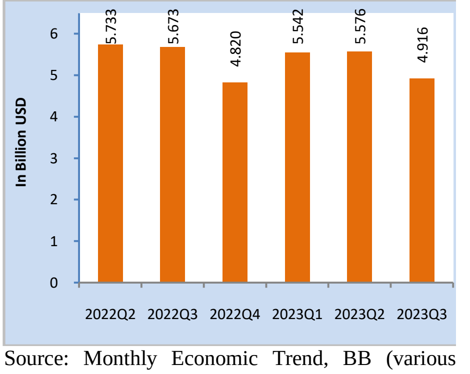



Source: Statistics Department, BB.

### 1.2.3 Wage Earners' Remittance

Wage earners' remittance decreased moderately in the review quarter after recording an increase in the previous two consecutive quarters. Total remittance inflow stood at USD 4.91 billion, 11.99 percent lower than that of the previous quarter. Likewise, in comparison with the same quarter of the year 2022, remittance inflow declined by 13.50 percent in the review quarter (Chart 1.10).

**Chart 1.10: Wage Earners' Remittance**




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

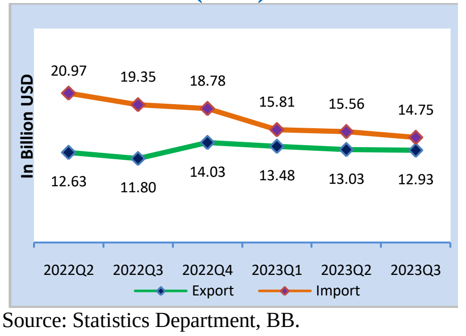
### 1.2.4 Exports (FOB) and Imports (FOB)

External trade recorded some declines and continued to shrink–amid slow global economic growth in the review quarter. Aggregate exports and imports[7] recorded decrease of 0.77 percent and 5.21 percent respectively during the review quarter compared to the previous quarter. When compared with the same quarter of the previous year 2022, exports increased by 9.58 percent, whereas imports declined by 23.77 percent (Chart 1.11). Decreasing aggregate imports may partly be attributed to BB's stringent monitoring as well as policy initiatives to discourage the imports of non-essential and luxurious items.

[6]Calculation according to BPM6 (Balance of Payments and International Investment Position Manual 6).

[7] Both export and import data are on FOB basis.

**Chart 1.11: Exports (FOB) and Imports (FOB)**

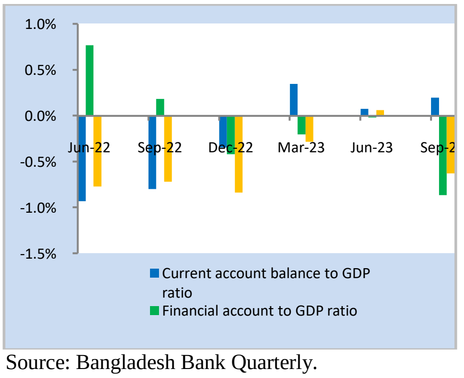



Source: Statistics Department, BB.

## 1.2.5 Balance of Payments

Although there was a surplus current account balance, a substantial deficit in the financial account resulted in a negative overall balance during July-September 2023. The downward trend in imports, along with stable exports, helped current account balance record a surplus in the last three consecutive quarters. Quarterly current account balance, financial account balance, and overall balance as a share of GDP stood at 0.20 percent, -0.87 percent, and -0.63 percent respectively at end-September 2023 (Chart 1.12).

**Chart 1.12: Balance of Payment Position**

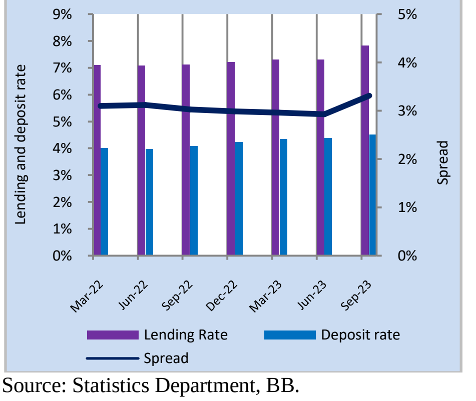



Source: Bangladesh Bank Quarterly.

## 1.2.6 Interest Rate

In the review period, an upward trend in interest rates was observed in the banking system. This increase may partially be induced by a rise in policy rates by the BB. The weighted average lending rate increased notably by 0.52 percentage point at end-September 2023 compared to that of end-June 2023. In the review quarter, the weighted average lending rate was 7.83 percent, whereas the weighted average deposit rate was 4.52 percent. Thus, the spread[8] stood at 3.31 percent (Chart 1.13).

**Chart 1.13: Interest Rate Spread**

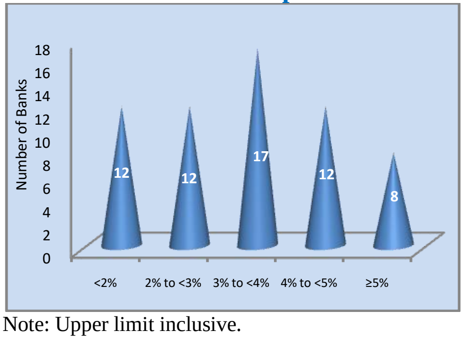



Source: Statistics Department, BB.

Amongst 61 banks, about one-third held a spread of at least 4 percent and above. However, 12 banks ran with a spread below 2 percent, whereas the spread of 8 banks was above 5 percent (Chart 1.14).

[8]Difference between weighted average lending rate and weighted average deposit rate.

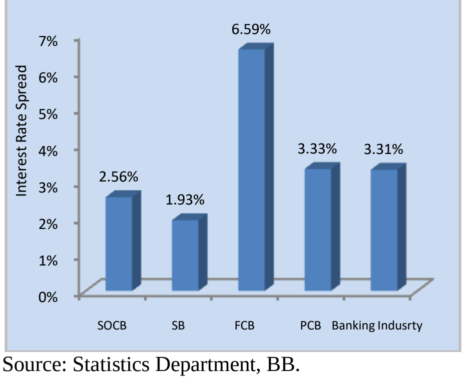
**Chart 1.14: Number of Banks by Interest Rate Spread**




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

In cluster-wise distribution of spread, it is observed that Specialized Banks (SBs) had the lowest spread (1.93 percent), whereas Foreign Commercial Banks (FCBs) maintained the highest (6.59 percent) at end-September 2023 (Chart 1.15).

**Chart 1.15: Cluster-wise Interest Rate Spread**



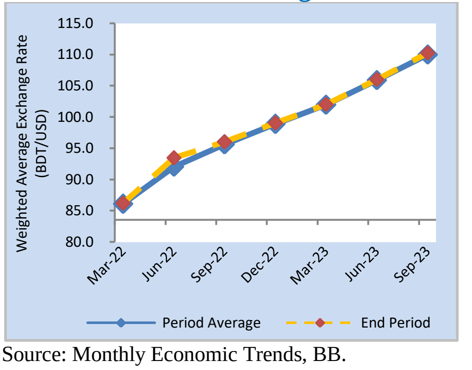

Source: Statistics Department, BB.

## 1.2.7 Exchange Rate

Bangladeshi Taka (BDT) has been experiencing depreciation against the USD for the past few quarters. At end-September 2023, the exchange rate of BDT per USD[9] stood at 109.97 compared to 105.92 at end-June 2023 (Chart 1.16).

[9]BDT per USD on period-average basis.

**Chart 1.16: Exchange Rate**

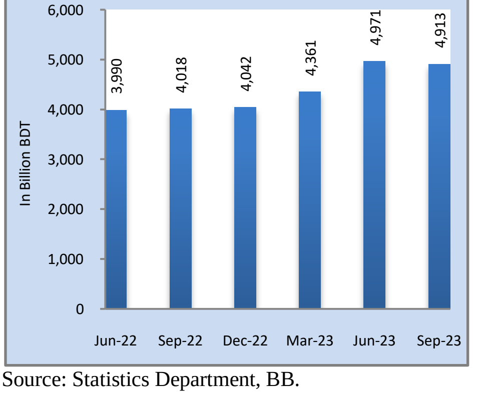



Source: Monthly Economic Trends, BB.

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

Credit to the Government (gross) by the banking system decreased slightly in the review quarter, although a general rising trend was observed till June 2023. At end-September 2023, credit to the Government (gross) by the banking system declined by 1.16 percent compared to that of end-June 2023 and reached at BDT 4,913 billion. However, it increased by 22.28 percent compared to that of the corresponding quarter of the year 2022 (Chart 1.17).

**Chart 1.17: Credit to the Government (Gross) by the Banking System**




Source: Statistics Department, BB.

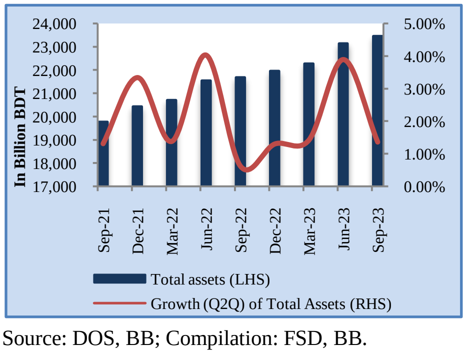
# CHAPTER 2: BANKING SECTOR PERFORMANCE

*In September 2023 quarter, the banking industry experienced reduction in Non-Performing Loan (NPL) ratio and a modest decline in asset growth compared to those of the previous quarter. Additionally, banking sector's Return on Asset (ROA) and Return on Equity (ROE) decreased during the period.*

## 2.1 Assets Structure

During the review quarter, the banking industry witnessed an expansion in total assets despite a decrease in asset growth. At end-September 2023, the total assets of the industry reached at BDT 23,457.73 billion, registering an increase of BDT 314.90 billion from end-June 2023. The asset growth in the review quarter was 1.36 percent, down from the 3.90 percent recorded in the preceding quarter (Chart 2.1).

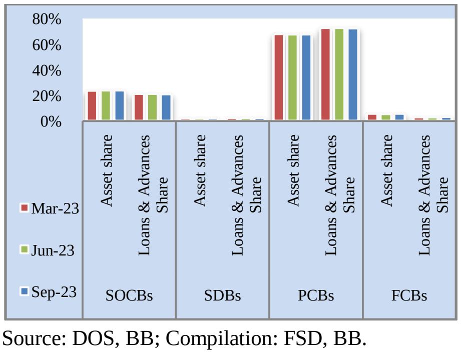
**Chart 2.1: Asset Size of the Banking Industry**




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

This expansion in total assets was mostly related to the increase in key asset categories such as loans and advances, investment in securities and other assets. At end-September 2023, the assets-to-GDP[10] ratio was 52.23 percent, which was higher than that of the previous quarter. In the review quarter, the PCBs held 67.80 percent of the banking sector's assets and 72.71 percent of loans and advances followed by SOCBs with 24.04 percent and 21.24 percent respectively. The share of SOCBs and SDBs in industry's assets decreased during the review period compared to the preceding period, whereas the share of PCBs and FCBs increased nominally. In case of industry's loans and advances, the share of FCBs slightly increased while that of other clusters decreased in the review quarter (Chart 2.2).

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




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

Among the asset categories, loans and advances was the paramount segment holding 64.89 percent of industry total

[10] GDP at current market price for the financial year 2022-23 is taken into account where the base year is 2015-16.

assets at end-September 2023, followed by investments and other assets (Table 2.1).

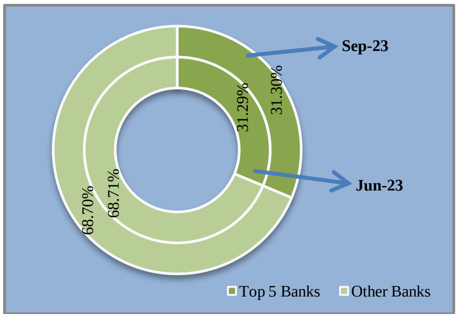
### Table 1: Asset Structure of the Banking Industry

| Component of Assets | % of Total Asset (End June'23) | % of Total Asset (End September'23) | Change (PP) |
|---|---|---|---|
| Cash in hand | 0.85% | 1.03% | 0.18 |
| Balance with Bangladesh Bank and Sonali Bank | 4.04% | 3.59% | -0.45 |
| Balance with other banks and financial Institutions | 3.69% | 3.55% | -0.14 |
| Money at call and short notice | 0.73% | 0.56% | -0.17 |
| Investment at cost | 16.43% | 16.67% | 0.24 |
| Loans and Advances | 64.44% | 64.89% | 0.45 |
| Bill discounted and purchased | 3.41% | 3.06% | -0.35 |
| Fixed Assets | 1.26% | 1.24% | -0.02 |
| Other Assets | 5.13% | 5.39% | 0.26 |
| Non-banking assets | 0.02% | 0.02% | 0.00 |

Note: PP-Percentage Point.
Source: DOS, BB; Compilation: FSD, BB.

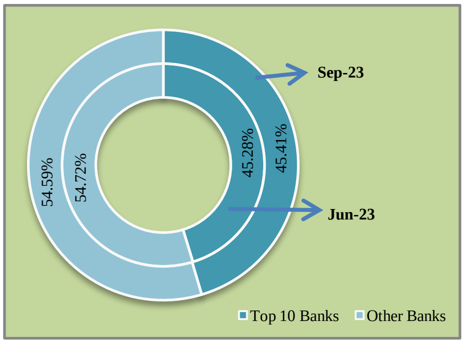
In the review quarter, asset concentration ratio[11] of both the top 10 and the top 5 banks slightly increased. At end-September 2023, the leading five banks collectively possessed 31.30 percents of the banking industry's total assets, a trivial increase from the share of 31.29 percents recorded at end-June 2023. The same ratio for the top 10 banks was 45.41 percent at end-September 2023, which was 0.13 percentage point higher than that of the previous quarter (Charts 2.3 and 2.4).

### Chart 2.3: Asset Concentration of Top 5 banks




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

### Chart 2.4: Asset Concentration of Top 10 banks



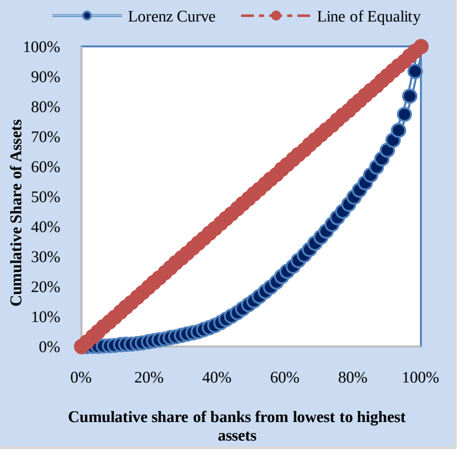

Source: DOS, BB; Compilation: FSD, BB.

In the review quarter, the Gini Coefficient, which is determined based on the Lorenz Curve, has also been used to show the pattern of asset concentration in the banking sector. As shown in Chart 2.5, the Lorenz Curve's position indicates that the 25 percent (Top 15 out of 61) of banks hold about 57.11 percent of total banking assets, indicating a moderate level of concentration in the banking industry's asset structure. At end-September 2023, the computed Gini

[11] Asset concentration ratio of top 5 or 10 banks is defined as the ratio of total assets of top 5 or 10 banks respectively over the total assets of the banking industry. Here, top 5 and top 10 banks are defined based on their asset size.

Coefficient[12] was 0.505, which indicated that the distribution of assets among the banks was moderately unequal.

**Chart 2.5: Banking Sector Asset Concentrations - Lorenz Curve**

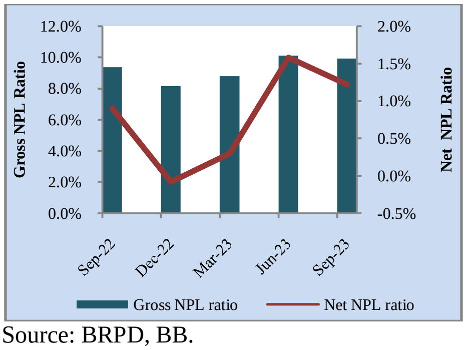



Source: DOS, BB; Compilation: FSD, BB.

## 2.2 Asset Quality

The banking industry's gross Non-Performing Loan (NPL) ratio[13] declined in the reviewed quarter. Banking sector's gross Non-Performing Loan (NPL) ratio decreased by 0.18 percentage point compared to the preceding quarter and reached to 9.93 percent at end-September 2023 (Chart 2.6). On the other hand, net NPL ratio[14] of the industry stood at 1.22 percent at end-September 2023 compared to 1.58 percent in the preceding quarter. This decrease in net NPL ratio in the review quarter was partially attributable to notable rise in actual provision and interest suspense. Furthermore, maintained loan loss provision increased by BDT 15.37 billion, which also contributed to reducing net NPL ratio.

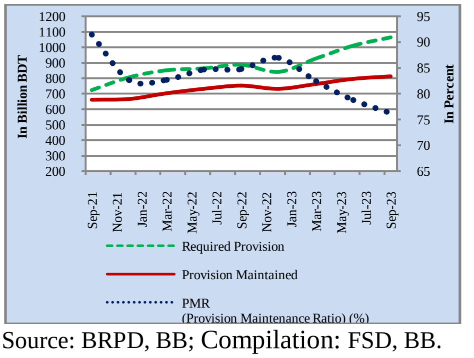
**Chart 2.6: NPL Ratios of the Banking Industry**




Source: BRPD, BB.

In the review quarter, the required provision in the banking industry rose by BDT 53.44 billion or 5.29 percent and stood at BDT 1,063.75 billion. On the other hand, maintained provision increased by 1.93 percent and reached BDT 811.04 billion. As a result, the provision maintenance ratio demonstrated 2.51 percentage points drop to reach 76.24 percent in the review quarter from 78.75 percent in the preceding quarter (Chart 2.7).

**Chart 2.7: Banking Sector Loan Loss Provision**




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

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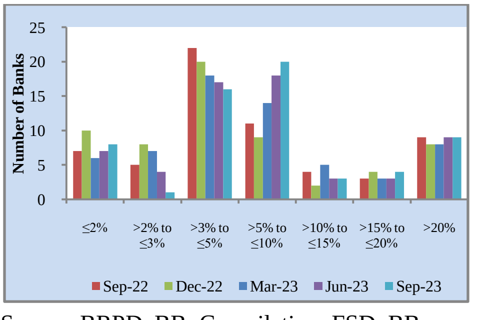
[12] A value of zero expresses perfect equality whereas a value of one refers to perfect inequality.
[13] Ratio of non-performing loans to total loans where total loans include both domestic banking unit (DBU) and off- shore banking unit (OBU).
[14] Net NPL Ratio=Percent of classified loan on outstanding net of interest suspense and actual provision.

The distribution of banks, based on their gross NPL ratios, showed that the number of banks having NPL ratio within 5 percent fell in the review quarter compared to the previous quarter (Chart 2.8). At end-September 2023, 25 banks maintained a non-performing loan (NPL) ratio below 5 percent, showing a slight decrease from the 28 banks within the same NPL range in the previous quarter. Furthermore, at end-September 2023, the number of banks having NPL ratio greater than 20 percent remained at 9.

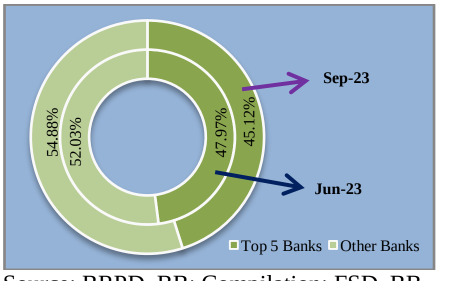
**Chart 2.8: Distribution of Banks by Gross NPL Ratio**




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

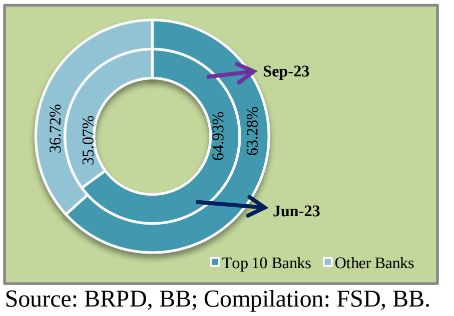
In the review quarter, the NPL concentration[15] among the top 5 and the top 10 banks contracted by 2.85 percentage points and 1.65 percentage points respectively compared to those of the preceding quarter. At end-September 2023, the top 5 and top 10 banks' NPL concentrations were 45.12 percent and 63.28 percent respectively (Chart 2.9 and 2.10). Despite the decline in NPLs concentration among the top 5 and the top 10 banks, it is still a concern for the overall banking industry.

**Chart 2.9: NPL Concentration in Top 5 Banks**




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

**Chart 2.10: NPL Concentration in Top 10 Banks**

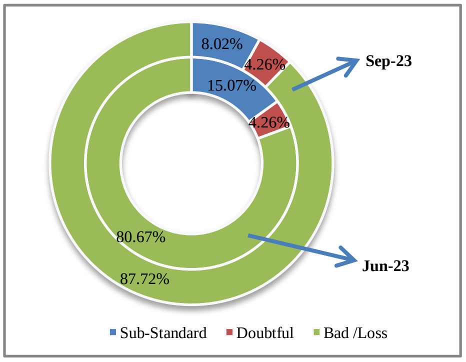



Source: BRPD, BB; Compilation: FSD, BB.

The proportion of Bad and Loss (B/L) category loans within total Non-Performing Loans (NPLs) increased at end-September 2023 and continued to comprise the major portion of total NPLs. The B/L category was 87.72 percent of total classified loans at end-September 2023, while Sub-Standard (SS) and Doubtful (DF) loans were 8.02 percent and 4.26 percent respectively (Chart 2.11). In comparison with the previous quarter, the proportion of B/L loans to total NPLs increased by 7.05 percentage points while the proportion of Sub-Standard (SS) loans decreased by the same extent, and the proportion of Doubtful (DF) loans remained unchanged (Chart 2.12).

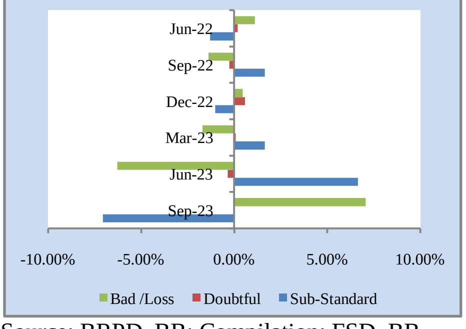
[15] NPL concentration (in percentage) for top 5 and top 10 banks is defined as the NPLs of top 5 and top 10 banks respectively to total NPLs of the banking system. Here, top 5 and top 10 banks are defined based on their NPLs.

## Chart 2.11: NPLs Composition




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

## Chart 2.12: Proportional Shift of NPLs Categories

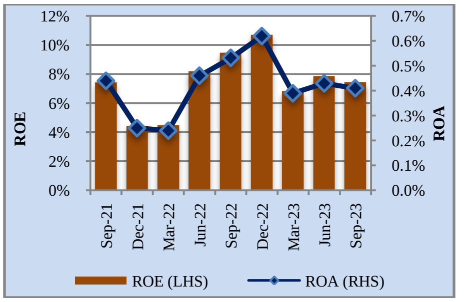



Source: BRPD, BB; Compilation: FSD, BB.

## 2.3 Profitability

In the review quarter, banking sector's key profitability indicators, Return on Asset (ROA) and Return on Equity (ROE), experienced a slight decrease of 0.02 percentage point and 0.42 percentage point respectively, compared to corresponding ratios of the preceding quarter. At end-September 2023, the banking sector's ROA and ROE stood at 0.41 percent and 7.46 percent respectively (Chart 2.13).

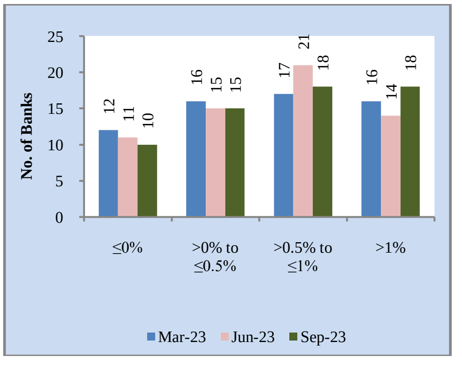
## Chart 2.13: ROA and ROE of the Banking Sector




Note: Figures of all quarters are annualized except December 2021 and December 2022.
Source: DOS, BB; calculation: FSD, BB.

In the review quarter, 25 banks had a ROA within 0.50 percent while the remaining 36 banks surpassed this threshold. This distribution slightly contrasts with the previous quarter when 26 banks were within 0.50 percent, and 35 banks were above it (Chart 2.14).

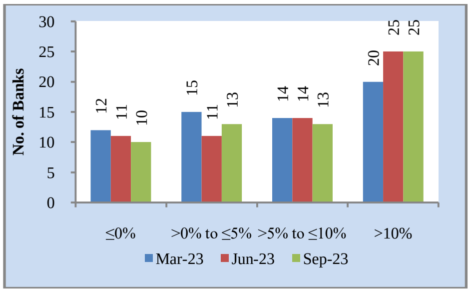
## Chart 2.14: Distribution of Banking Sector Return on Assets (ROA)




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

Chart 2.15 illustrates that, in the review quarter, 23 banks had a Return on Equity (ROE) within 5 percent; a slight increase from the prior quarter where 22 banks recorded same range of ROE. At end-September 2023, 25 banks recorded a ROE exceeding 10 percent. Likewise, 25 banks were found to have ROE in the same extent at end-June 2023.

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




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

# CHAPTER 3: FINANCIAL INSTITUTIONS' PERFORMANCE

*Financial institutions (FIs) faced a decline in total assets during September 2023 quarter. Shrinkage in profitability was observed largely due to decrease in net income after provision and tax mainly owing to deterioration of asset quality during the review period.*

## 3.1 Growth of Liabilities, Equities and Assets

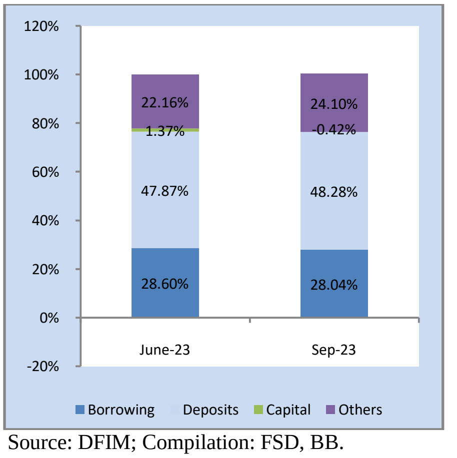
Aggregate liabilities and equities of the industry reduced by 0.76 percent compared to that of the preceding quarter. During the review period, deposit and other liabilities rose by 0.09 percent and 7.94 percent respectively, but borrowing decreased by 2.72 percent. However, capital shrank to 130.41 percent in the review quarter.

At end-September 2023, total assets of the FIs stood at BDT 989.27 billion from BDT 996.85[R] billion at end-June 2023. In the review period, cash and liquid assets, fixed assets and other assets decreased by 6.96 percent, 0.81 percent and 2.02 percent respectively. On the contrary, earning assets grew by 0.68 percent in the review quarter.

### 3.1.1 Sources of Fund: Composition and Contribution

At end-September 2023, borrowings, deposits, capital, and other liabilities consisted of 28.04 percent, 48.28 percent, -0.42 percent and 24.10 percent respectively of total liabilities and equities of FIs (Chart 3.1). In the review quarter, the share of deposits and other liabilities increased by 0.41 percentage point and 1.94 percentage points respectively while borrowings and capital declined by 0.56 percentage point and 1.79 percentage points, respectively compared to that of end-June 2023.

**Chart 3.1: Composition of Sources of Fund**

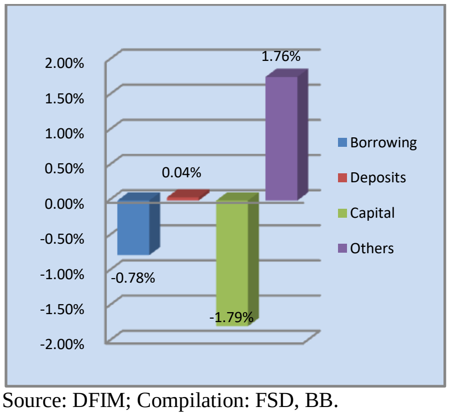



Source: DFIM; Compilation: FSD, BB.

At end-September 2023, total liabilities and shareholders' equity witnessed a drop of 0.76 percent, which was mainly contributed by waning in the capital. In addition, borrowings declined by 0.78 percent. On the other hand, contribution of other liabilities and deposit increased by 1.76 percent and 0.04 percent respectively at end-September 2023 (Chart 3.2).

[R] =Revised

**Chart 3.2: Contribution of Components in Growth of Liabilities and Equities at end-September 2023**

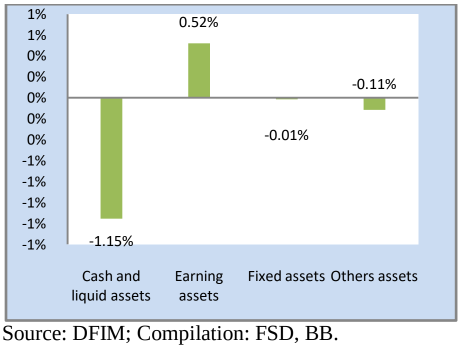



Source: DFIM; Compilation: FSD, BB.

### 3.1.2 Assets: Composition and Contribution

Total assets of the FIs decreased by 0.76 percent at end-September 2023 compared to that of the previous period, mainly attributed to shrinkage of 1.15 percent and 0.11 percent in the cash and liquid assets, and other assets respectively. On the contrary, earning assets experienced an increase of 0.52 percent in the review quarter (Chart 3.3).

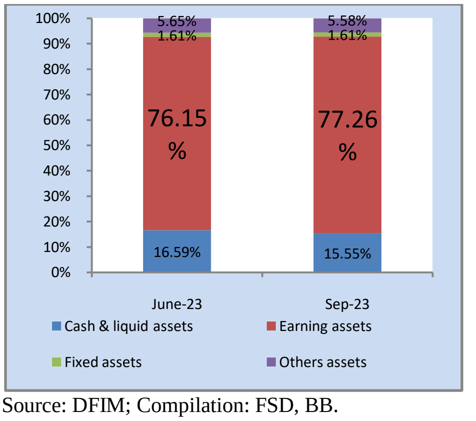
**Chart 3.3: Contribution of Components in Growth of Assets at end-September 2023**




Source: DFIM; Compilation: FSD, BB.

At end-September 2023, total earning assets (i.e., loans, leases, and investments) constituted 77.26 percent of total assets of the FIs. The rest of the total assets comprised of cash and liquid assets, fixed assets, and other assets, containing 15.55 percent, 1.61 percent, and 5.58 percent respectively (Chart 3.4).

**Chart 3.4: Composition of Assets**

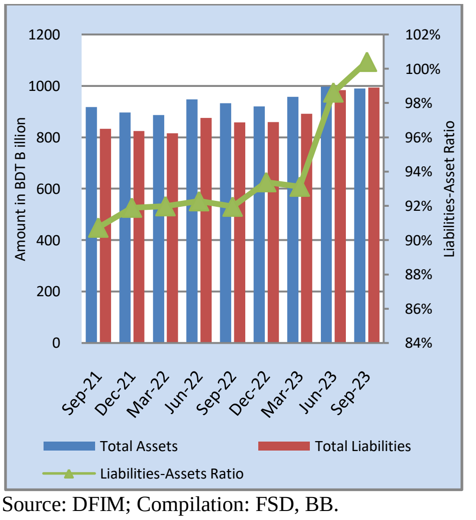



Source: DFIM; Compilation: FSD, BB.

### 3.1.3 Liabilities-Assets Ratio

The liabilities to assets ratio reached to 100.42 percent at end-September 2023, which was 1.79 percentage points higher than that of end-June 2023 (Chart 3.5).

**Chart 3.5: FIs' Liabilities-Assets Ratio**



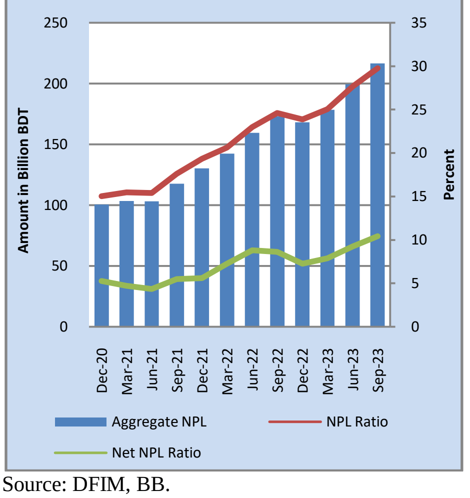

Source: DFIM; Compilation: FSD, BB.

### 3.2 Asset Quality

Aggregate non-performing loans and leases of FIs stood at BDT 216.58 billion at end-September 2023 from BDT 199.51 billion at end-June 2023. The ratio of non-performing loans and leases to total loans and leases outstanding appeared at 29.75 percent at end-September 2023, which was 2.10 percentage points and 5.14 percentage points higher than those stayed at end-June 2023 and end-September 2022 respectively (Chart 3.6).

On the other hand, net NPL ratio (after netting off interest suspense and actual provisions maintained) stood at 10.42 percent at end-September 2023, which was 1.19 percentage points and 1.82 percentage points higher than those remained at end-June 2023 and end-September 2022 respectively.

**Chart 3.6: FIs' Non-performing Loans**

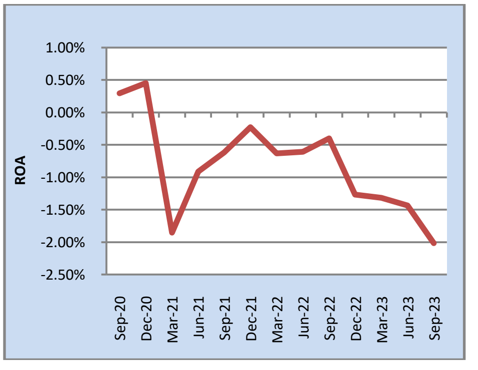



Source: DFIM, BB.

### 3.3 Profitability

Return on Assets (ROA) of the FIs, one of the key profitability indicators, decreased to -2.02 percent in the review period compared to -1.43[R] percent in the previous quarter (Chart 3.7). In addition, total equity and net income after provision and tax stood at BDT -4.15 billion and BDT -14.97 billion respectively.

**Chart 3.7: FIs' ROA**



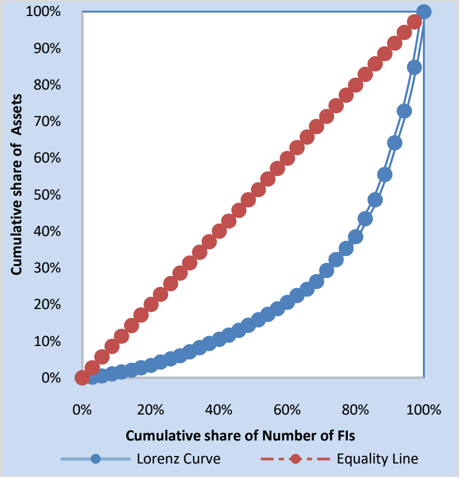

Source: DFIM; Compilation: FSD, BB.

### 3.4 Asset Concentration

Asset concentration of FIs has been demonstrated by using the Lorenz curve and Gini Coefficient (Chart 3.8). According to the Lorenz Curve, the largest 20 percent of FIs held around 60 percent of the FIs' total assets, indicating the presence of a high concentration in the assets structure of FIs sector. The calculated Gini Coefficient at end-September 2023 was 0.54, indicating the unequal distribution of assets among the FIs.

[R] = Revised

**Chart 3.8: FIs' Asset Concentration: Lorenz Curve**




Source: DFIM; Compilation: FSD, BB.

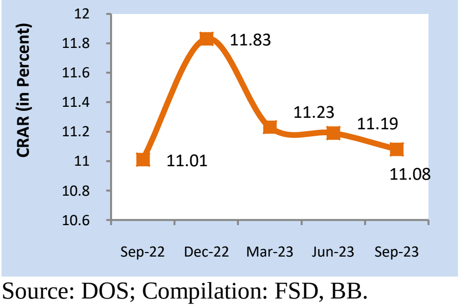
## CHAPTER 4: BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

*The banking sector maintained the required level of capital, though Capital to Risk-Weighted Asset Ratio (CRAR) of the sector slightly declined in the review quarter. The industry also met the regulatory liquidity requirements and standards in terms of ADR, LCR, and NSFR.*

### 4.1 Capital Adequacy

The banking sector's Total Regulatory Capital (TRC) in the review quarter was BDT 1,581.07 billion, against the Minimum Capital Requirement (MCR) of BDT 1,466.24 billion. In the review quarter, the banking sector's CRAR decreased slightly compared to the preceding period. The CRAR stood at 11.19 percent at the end of June 2023, which declined to 11.08 percent at the end of the review quarter. However, the maintained CRAR was above the minimum regulatory requirement of 10.00 percent (Chart 4.1).

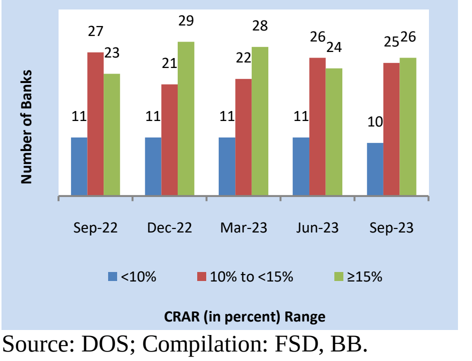
**Chart 4.1: Banking Sector CRAR**




Source: DOS; Compilation: FSD, BB.

Fifty one (51) out of total sixty one (61) banks maintained CRAR of 10.0 percent or higher during the review quarter (Chart 4.2).

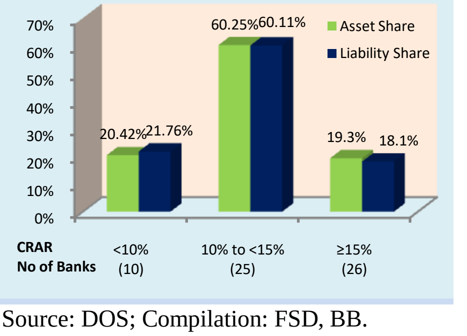
**Chart 4.2: Distribution of Banks based on CRAR**




Source: DOS; Compilation: FSD, BB.

At end-September 2023, 25 banks, holding the CRAR ranging from 10 percent to less than 15 percent, occupied the major part of the banking sector’s total assets (60.25 percent), and total liabilities (60.11 percent) (Chart 4.3). However, 10 banks with less than 10 percent CRAR held 20.42 percent of total assets and 21.76 percent of the total liabilities of the banking sector (Chart 4.3).

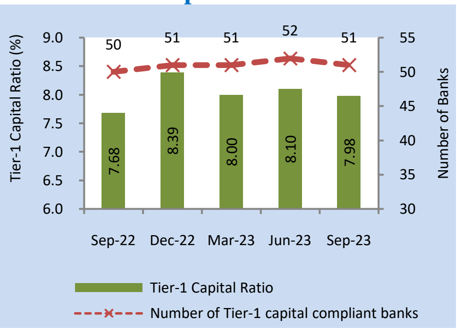
**Chart 4.3: Banks’ shares in Assets, and Liabilities based on CRAR at end-September 2023**




Source: DOS; Compilation: FSD, BB.

The banking sector's Tier-1 capital ratio[16] slightly decreased in the review quarter (Chart 4.4). The maintained Tier-1 capital ratio, however, remained greater than the regulatory minimum threshold of 6.0 percent[17].

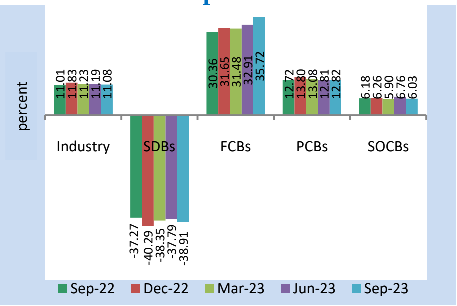
**Chart 4.4: Banking Sector's Tier-1 Capital Ratio**




Source: DOS, Compilation: FSD, BB.

Cluster-wise capitalization in the industry was nearly steady compared to the previous quarter. During the review quarter, the Foreign Commercial Banks (FCBs) had the highest CRAR (35.72 percent) whereas the Specialized Development Banks (SDBs) had the lowest CRAR (-38.91 percent) on a cluster basis (Chart 4.5). In comparison with the previous quarter, the CRAR of the SOCBs cluster slightly declined while that of the FCBs cluster demonstrated a notable increase during the review quarter.

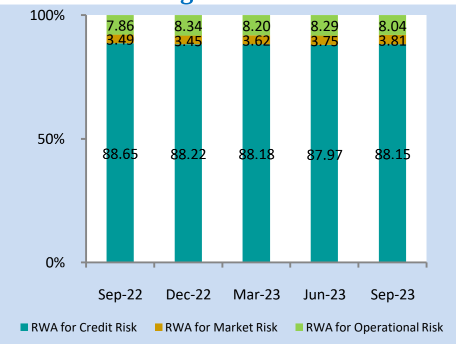
**Chart 4.5: Banks' Cluster-wise CRAR at end-September 2023**




Source: DOS, Compilation: FSD, BB.

Credit risk remained the most dominant factor (88.15 percent) in the banking sector's overall Risk Weighted Assets structure, similar to the previous quarter. At end-September 2023, the percentage of RWA for credit risk was 18 basis points higher than that of the previous quarter (Chart 4.6).

**Chart 4.6: Distribution of Risk Weighted Assets**




Source: DOS, Compilation: FSD, BB.

In the review quarter, 44 out of 61 banks and 25 out of 39 banks met the minimum regulatory Capital Conservation Buffer (CCB) requirement of 2.50 percent on a solo and consolidated basis respectively. During the period, the industry's aggregate CCB was 1.08 percent on

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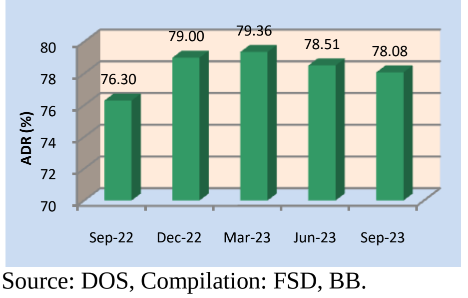
[16]Tier-1 capital ratio is calculated as a percentage of core capital to RWA.
[17]In line with Basel III capital framework.

solo basis and 1.62 percent on consolidated basis, both of which were lower than those of the previous quarter.

## 4.2 Liquidity

At end-September 2023, the banking sector's Advance-to-Deposit Ratio (ADR) stood at 78.08 percent, recording a decline of 0.43 percentage point from that of end-June 2023 (Chart 4.7).

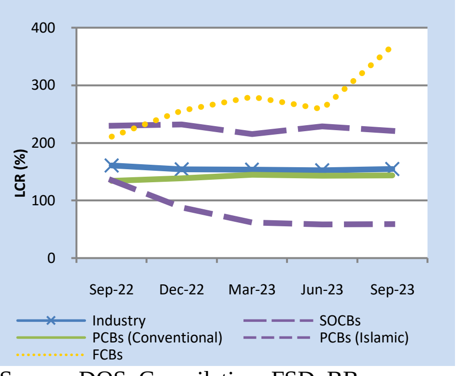
**Chart 4.7: Banking Sector's ADR**




Source: DOS, Compilation: FSD, BB.

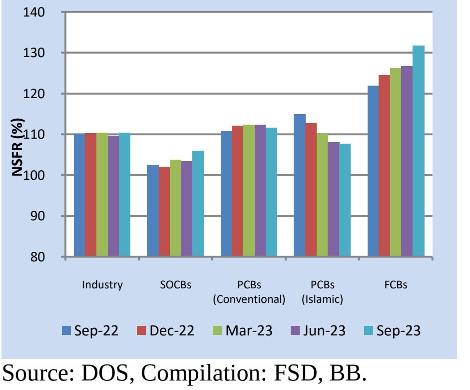
The banking sector's Liquidity Coverage Ratio (LCR) remained well above the minimum regulatory requirement[18] except the case of PCBs (Islamic). Noteworthy that, the industry LCR including PCBs (Islamic) got increased at end-September 2023 compared to the previous period (Chart 4.8). Furthermore, the banking sector's Net Stable Funding Ratio (NSFR) increased marginally and remained compliant in terms of regulatory required level of "above 100 percent" in the review quarter (Chart 4.9).

**Chart 4.8: Banking Sector LCR**




Source: DOS, Compilation: FSD, BB.

**Chart 4.9: Banking Sector NSFR**



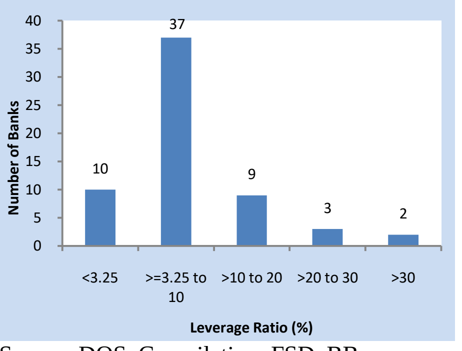

Source: DOS, Compilation: FSD, BB.

## 4.3 Leverage Ratio

At end-September 2023, the banking sector's leverage ratio stood at 4.51 percent on a solo basis. Fifty one (51) out of sixty one (61) banks were able to maintain the minimum regulatory leverage ratio requirement of 3.25 percent in the review period (Chart 4.10).

[18] Minimum requirement is 100 percent or above

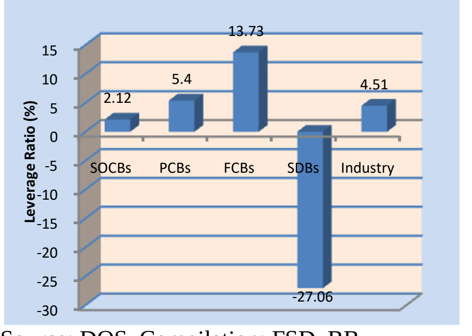
**Chart 4.10: Leverage Ratio of Banks at end-September 2023 (Solo basis)**




Source: DOS, Compilation: FSD, BB.

Like the previous quarter, SDBs could not come out from negative leverage ratio in the review quarter. In contrast, FCBs maintained higher leverage ratio among all the banking clusters at end-September 2023 (Chart 4.11).

**Chart 4.11: Leverage Ratio of Bank Clusters at end-September 2023 (Solo basis)**




Source: DOS, Compilation: FSD, BB.

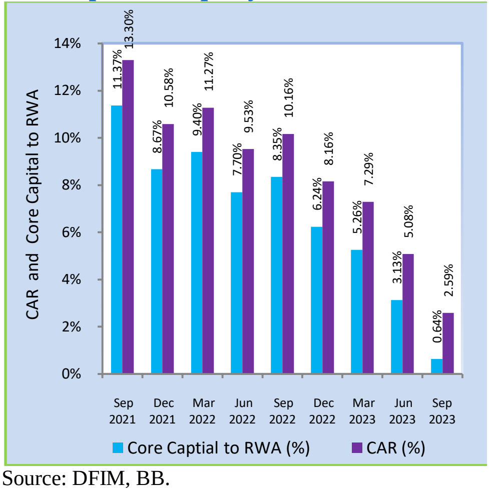
# CHAPTER 5: FINANCIAL INSTITUTIONS' CAPITAL ADEQUACY AND LIQUIDITY

*During the quarter ended September 2023, the Capital Adequacy Ratio (CAR) and the core capital (Tier-1 capital) ratio of the Financial Institutions (FIs) decreased compared to those of the previous quarter. However, CRR maintained by the FIs was higher than the amount required. Also, SLR maintained by the FIs was considerably higher than the required level.*

## 5.1 Capital Adequacy

In September 2023 quarter, the Capital Adequacy Ratio (CAR) and the core capital (Tier-1 capital) ratio of the FIs in line with Basel II, stood at 2.59 percent and 0.64 percent respectively. Both the ratios decreased by the same (2.49) percentage points at end-September 2023 compared to end-June 2023. In the review quarter, 19 out of 35 FIs were able to maintain the required level of CAR and core capital. It is noteworthy that both the CAR and Tier-1 capital ratio were notably lower than the minimum regulatory requirement in the review quarter[19]. Chart 5.1 shows the trend in Tier-1 capital ratio and CAR since September 2021.

Chart 5.1: Core Capital to RWA and Capital Adequacy Ratio of FIs




Source: DFIM, BB.

## 5.2 Risk-Weighted Assets (RWA)

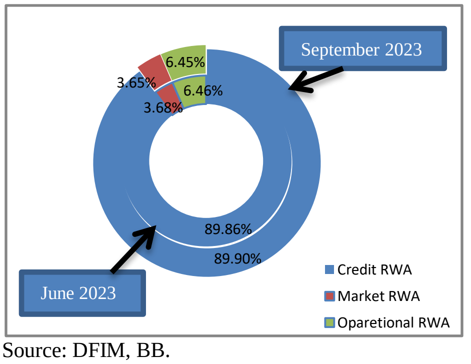
Total risk-weighted assets (RWA) of the FIs decreased to BDT 679.47 billion at end-September 2023 from BDT 682.58[R] billion at end-June 2023. In September 2023 quarter, the RWA for credit, market and operational risks were 89.90 percent, 3.65 percent and 6.45 percent of the overall RWA of the FIs respectively. Among the three components of RWA, the RWA associated with credit risk increased by 0.04 percentage point, whereas RWA associated with market and operational risk decreased by 0.03 and 0.01 percentage point respectively in the review quarter compared to the same in the preceding quarter. Chart 5.2 shows the different components of the overall risk-

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

[R] Revised

weighted assets (RWA) of FIs at end-September 2023 and end-June 2023 respectively.

### Chart 5.2: Component-wise RWA of FIs

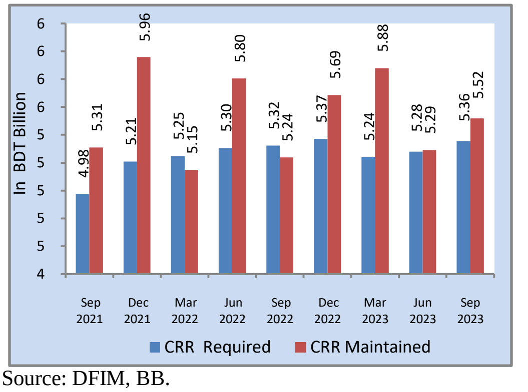



Source: DFIM, BB.

## 5.3 Liquidity

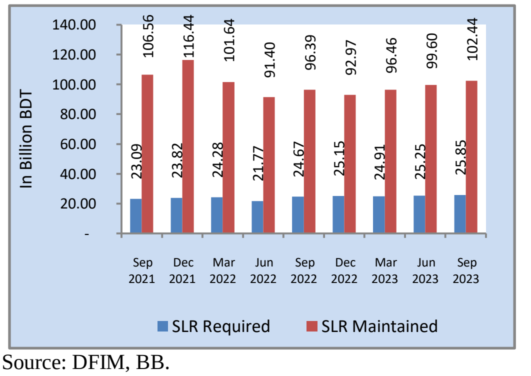
The aggregate amount of Cash Reserve Requirement (CRR) maintained by the FIs was BDT 5.52 billion at end-September 2023 compared to BDT 5.29 billion at end-June 2023, recording an increase of 4.35 percent. The amount of Statutory Liquidity Requirement (SLR) maintained by FIs stood at BDT 102.44 billion against the requirement of BDT 25.85 billion. In end-September 2023, the amount of SLR maintained by FIs increased by 2.85 percent compared to that of June 2023. Chart 5.3 and 5.4 illustrate the trend in CRR and SLR position of FIs since September 2021.

### Chart 5.3: Cash Reserve Requirement (CRR) of FIs




Source: DFIM, BB.

### Chart 5.4: Statutory Liquidity Requirement (SLR) of FIs




Source: DFIM, BB.

# CHAPTER 6: STRESS TEST AND RESILIENCE OF THE BANKING SECTOR

*Financial Stability Department (FSD) conducts stress testing on scheduled banks on a quarterly basis to determine their resilience under different plausible shock scenarios*[20]*. This chapter presents the findings of stress tests conducted on banks as well as banking industry. Stress testing results as of September 2023 indicate that the banking sector would continue to remain moderately resilient to different shock scenarios.*

## 6.1 Credit, Market, and Combined Shocks

According to the pre-shock scenario, 10 out of 61 scheduled banks could not maintain the minimum regulatory requirement of capital to risk-weighted asset ratio (CRAR) of 10 percent at end-September 2023. Therefore, the remaining 51 banks were taken into account for this quarter's analysis. Chart 6.1 depicts the number of non-compliant banks in terms of CRAR for different minor shocks, which indicates that the majority of the banks would be able to maintain the minimum required CRAR against specified adverse shocks during the review quarter. Table 6.1 presents the after-shock CRAR of the banking sector for different minor shock scenarios, showing that the sector would be resilient to all adverse shock scenarios except a 3 percent increase in NPLs and the default of the top 3 borrowers. Moreover, the above-mentioned chart and table indicate a slight deterioration in the banking sector's resilience in terms of maintaining the minimum required CRAR and the number of non-compliant banks. The following subsections describe the details of the different shock scenarios and the associated results.

### 6.1.1 Credit Shocks

a) **Increase in Non-performing Loans (NPLs):** If NPLs increased by 3 percent, then five (05) banks would fail to maintain the minimum required CRAR.

b) **Increase in NPLs due to Default of Top Borrowers:** If top 3 borrowers of each bank defaulted, then nineteen (19) banks would fail to maintain the minimum required CRAR.

c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** In the event of a 10 percent decline in the FSV of mortgaged collateral, two

[20] Stress tests on banks are carried out through sensitivity analysis, incorporating the impacts of the shock scenarios for credit risk, market risk, and liquidity risk. Under each scenario, the after-shock Capital to Risk-weighted Assets Ratio (CRAR) is compared with the minimum regulatory requirement of 10 (ten) percent in line with the Basel III capital framework. This hypothetical test is a useful risk management tool for instructing banks to ensure safety measures in respect of capital maintenance and liquidity management against any probable adverse economic and financial condition.

(02) banks would fail to maintain the minimum required CRAR.

**d) Negative Shift in the NPL Categories:** If existing NPLs shifted to downward categories by 5 percent, then two (02) banks would fail to maintain the minimum required CRAR.

**e) Increase in NPLs in the Highest Outstanding Sector:** If 3 percent of performing loan of the highest outstanding sector downgraded to bad/loss category, then four (04) banks would fail to maintain the minimum required CRAR.

### 6.1.2 Market Shocks

**a) Interest Rate Risk:** In case of a change in interest rate by 1 percent, two (02) banks would fail to maintain the minimum required CRAR.

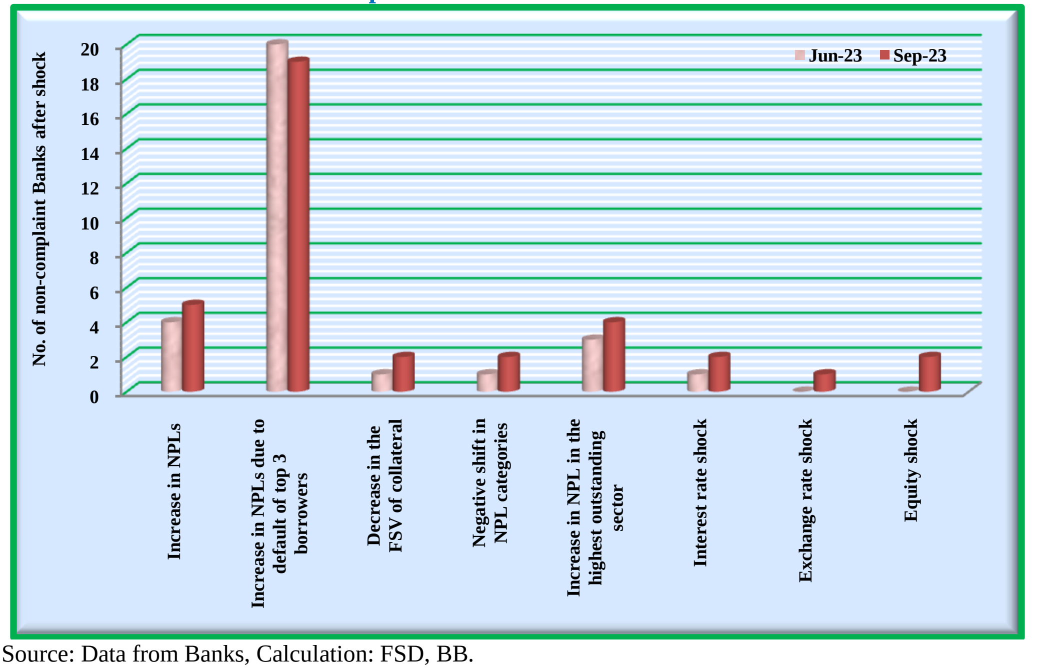
**b) Exchange Rate Risk:** In the event of a currency exchange rate change by 5 percent, one (01) bank would fail to maintain the minimum required CRAR.

**c) Equity Price Risk:** If the equity prices declined by 10 percent, then two (02) banks would fail to maintain the minimum required CRAR.

### 6.1.3 Combined Shock

This test assesses a bank's performance by combining the results of different credit shocks and market shocks. In case of combined shock (except default of top large borrowers and increase in NPLs of the highest outstanding sector), thirteen (13) banks would fail to maintain the minimum required CRAR.

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




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

**Table 6.1:The Results of Different Minor Shock Scenarios in the Banking Sector**

(In Percent)

| Description | June 2023 | September 2023 |
|---|---|---|
| **Required minimum CRAR** | **10.00** | **10.00** |
| **Pre-shock CRAR** | **11.19** | **11.08** |
| **After-Shock CRAR** | | |
| ***Credit Risks*** | | |
| *Increase in NPLs by 3%* | **9.08** | **8.95** |
| *Default of top 3 borrowers* | **6.33[R]** | **5.93** |
| *Fall in the forced sale value (FSV) of mortgaged collateral by 10%* | **10.52** | **10.34** |
| *Negative shift in the NPLs categories by 5%* | **10.15** | **10.15** |
| *Performing loans of the highest exposed sector directly downgraded to bad/loss category by 3%* | **10.78[R]** | **10.66** |
| ***Market Risks*** | | |
| *Change in interest rate by 1%* | **10.52** | **10.44** |
| *Change in exchange rate by 5%* | **11.10** | **11.00** |
| *Fall in equity prices by 10%* | **10.88** | **10.76** |
| ***Combined Shock*** | **6.29** | **6.25** |

R=Revised.
Source: Data from Banks, Calculation: FSD, BB.

## 6.2 Liquidity Shock

This shock assess the ability of a bank to withstand a liquidity run in case of 2 percent excess cash withdrawal compared to the existing situation for consecutive five working days. Table 6.2 presents the liquidity stress scenario in the banking sector at end-September 2023. The table shows that the banking system as a whole would remain resilient against specified liquidity stress scenario.

**Table 6.2: Liquidity Risk in the Banking Sector: End-September 2023**

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

Notes: 1. *- Consecutive 5 working days.
2: ‘1’ indicates that the system is liquid and ‘0’ is not liquid.
Source: Data from banks, Calculation: FSD, BB.

# CHAPTER 7: CAPITAL MARKET DEVELOPMENT

*The global capital market demonstrated a somewhat bearish trend in the review quarter. The capital market of Bangladesh showed a similar trend. At end-September 2023, the main indices of the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited a marginal decline compared to those of end-June 2023. Market capitalization of the two stock exchanges increased during the review quarter; however turnover decreased compared to that of the previous quarter. The capital market of Bangladesh appears to have no significant adverse impact on the stability of the banking sector in the near-term as banks' exposure to the capital market is much lower than the regulatory limit.*

## 7.1 Global Capital Market

Global capital markets demonstrated somewhat bearish trends during July-September, 2023 compared to April-June 2023.  MSCI Emerging Market Index, DJIA (USA), Nikkei 225 (Japan) and DAX (Germany) indices decreased by 3.71 percent, 2.61 percent, 4.01 percent and 4.71 percent respectively. However, FTSE 100 (UK) index increased by 1.02 percent (Chart 7.1).

**Table 7.1: Quarterly Performance of Leading Indices**

| Name of Index | Jun-23 | Sep-23 | Change (%) |
|---|---|---|---|
| MSCI Emerging Markets Index | 989.48 | 952.78 | -3.71% |
| DJIA (USA) | 34,405.99 | 33,507.76 | -2.61% |
| Nikkei 225 (Japan) | 33,189.04 | 31,857.62 | -4.01% |
| DAX (Germany) | 16,147.90 | 15,386.58 | -4.71% |
| FTSE 100 (UK) | 7,531.53 | 7,608.08 | 1.02% |

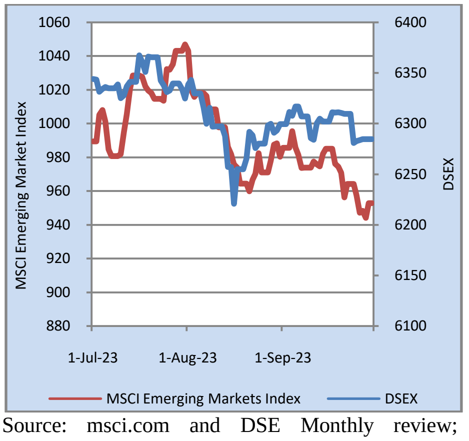
Source: msci.com and DSE Monthly review; Compilation: FSD, BB.

## 7.2 DSEX and MSCI Emerging Markets Index

Both the DSEX and MSCI Emerging Markets Index[21] demonstrated an overall downward trend during the period of July-September 2023. MSCI Emerging Markets Index ended at 952.78 at end-September 2023 compared to 989.48 at end-June 2023. The DSEX Index ended at 6,284.63 at end-September 2023 compared to 6,344.09 at end-June 2023. Between the two stated indices, the MSCI Emerging Markets Index (Standard deviation was approximately 25.60) appeared to be less volatile compared to DSEX (Standard deviation was approximately 29.36) (Chart 7.1).

[21] https://www.msci.com/end-of-day-data-search

**Chart 7.1: Performance of DSEX and MSCI Emerging Market Index**



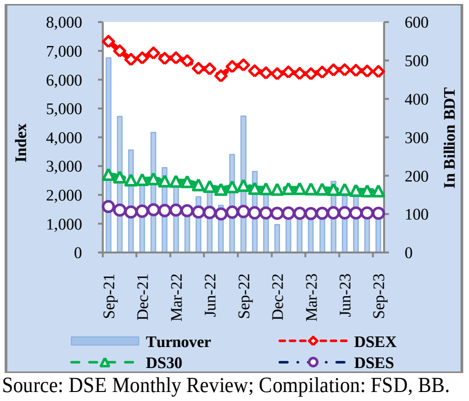

Source: msci.com and DSE Monthly review; Compilation: FSD, BB.

## 7.3 Dhaka Stock Exchange (DSE)

### 7.3.1 DSE Performance

At end-September 2023, the main indices of DSE e.g. DSEX[22], DS30[23] and DSES[24] remained almost stable compared to those of end-June 2023 (Chart 7.2).

**Chart 7.2: DSE Performance**



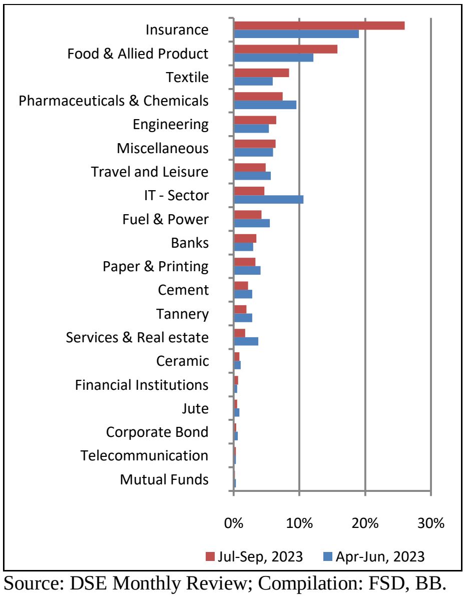

Source: DSE Monthly Review; Compilation: FSD, BB.

During July-September 2023, total DSE turnover was BDT 380.86 billion compared to BDT 434.38 billion during the previous quarter, recording a decrease of 12.32 percent.

### 7.3.2 Sectoral Turnover at DSE

The insurance sector held the highest share (26.02 percent) of the total turnover of DSE during the review quarter followed by the food and allied products and textile with 15.78 percent and 8.41 percent of the total turnover respectively (Chart 7.3).

**Chart 7.3: Sectoral Turnover during April-June and July-September 2023**




Source: DSE Monthly Review; Compilation: FSD, BB.

The financial sector (i.e., Banks, NBFIs and Insurance) collectively retained approximately 30.14 percent of the total turnover of DSE in the review quarter, which was about 22.58 percent in the preceding quarter.

Growth in turnover for various sectors demonstrated a mixed movement. Turnover of textile, insurance, and food & allied sector experienced growth in turnover of 24.37 percent,

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

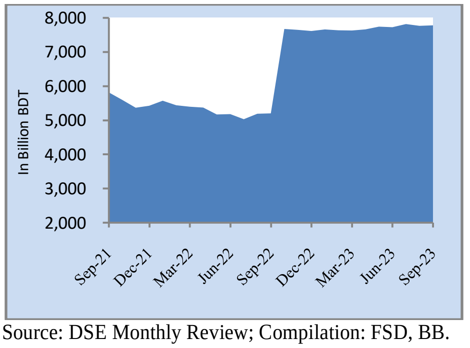
19.89 percent and 14.02 percent respectively. However, turnover of IT, services & real estate and mutual funds decreased 61.44 percent, 59.40 percent and 45.31 percent respectively during the review quarter compared to those of the previous quarter.

### 7.3.3 Market Capitalization

DSE market capitalization experienced marginal growth during the review quarter compared to the previous quarter. DSE market capitalization reached BDT 7,774.76 billion, after an increase of 0.70 percent compared to that of end-June 2023 (Chart 7.4).

The market capitalization in the review quarter was equivalent to 17.31 percent of the GDP (BDT 44,908.42 billion) of FY22-23[25].

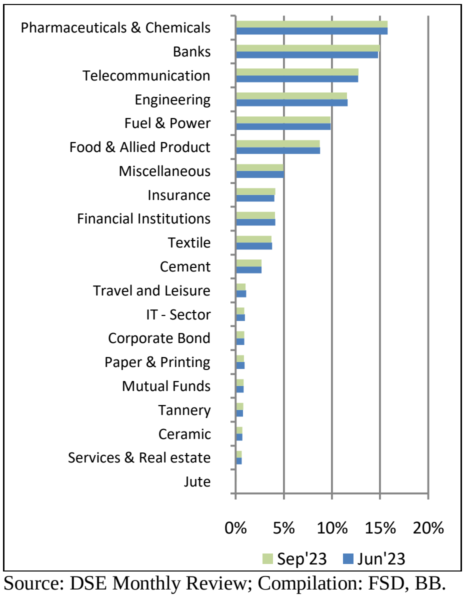
**Chart 7.4: Market Capitalization Trend of DSE**




Source: DSE Monthly Review; Compilation: FSD, BB.

Chart 7.5 demonstrates that at end-September 2023, the Pharmaceuticals & Chemicals sector captured the highest share with 15.78 percent in the total market capitalization followed by the banks, telecommunication, and engineering sectors with 14.97 percent, 12.76 percent and 11.57 percent respectively, which was almost similar to those of end-June 2023. In the preceding quarter, the contributions of the aforementioned sectors were 15.77 percent, 14.79 percent, 12.71 percent, and 11.61 percent respectively.

**Chart 7.5: DSE Sectoral Market Capitalization at end-June 2023 and end-September 2023**



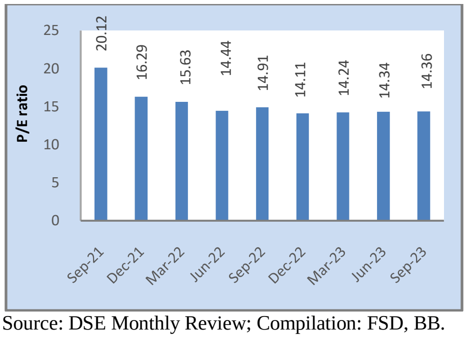

Source: DSE Monthly Review; Compilation: FSD, BB.

### 7.3.4 Price/Earnings (P/E) Ratio

The weighted average market P/E ratio of DSE's listed companies exhibited an increasing trend. The ratio was 14.36 at end-September 2023 compared to 14.34 at end-June 2023 (Chart 7.6).

[25]Gross Domestic Product of Bangladesh at Current Market Prices, Base: 2015-16, (2022-23, Provisional); Source: Bangladesh Bureau of Statistics.

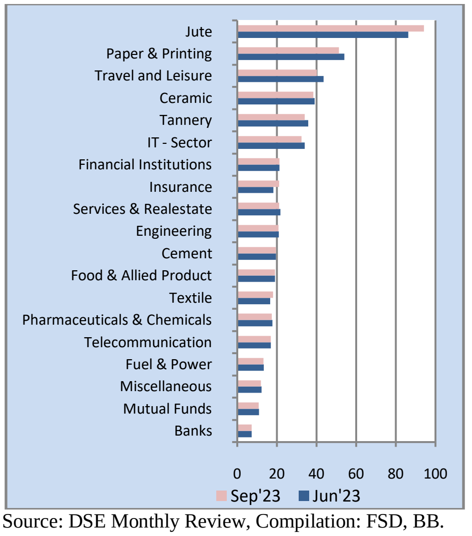
**Chart 7.6: DSE P/E Ratio**




Source: DSE Monthly Review; Compilation: FSD, BB.

At end-June 2023, the Jute sector experienced the highest P/E ratio (94.19) followed by the paper & printing sector (51.22) and the travel and leisure sector (40.09). The P/E ratios of those sectors were 86.25, 54.11, and 43.56 respectively at end-June 2023. Conversely, the Banking sector recorded the lowest P/E ratio (7.27) preceded by Mutual Funds (10.86) and miscellaneous (11.92). Those ratios were 7.24, 10.93 and 12.21 respectively at end-June 2023 (Chart 7.7).

**Chart 7.7: DSE Sectoral P/E Ratio**

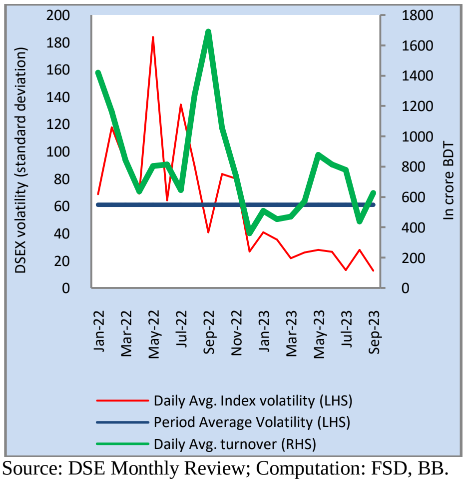



Source: DSE Monthly Review, Compilation: FSD, BB.

### 7.3.5 Index Volatility and Market Liquidity

Chart 7.8 shows month-wise daily average turnover, volatility in the daily index, and the period average volatility. Notionally, no conclusive relation could be found between volatiltiy and market liquidity (i.e. turnover).

**Chart 7.8: DSEX Volatility and Month-wise Daily Average DSE Turnover**




Source: DSE Monthly Review; Computation: FSD, BB.

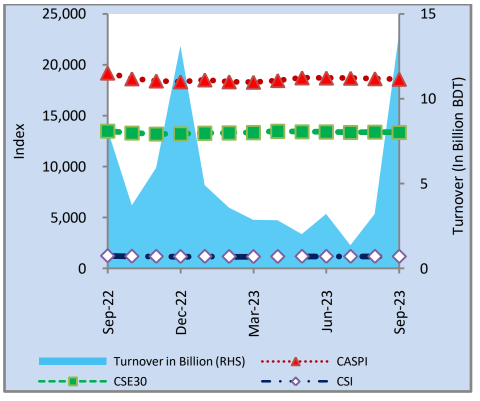
From Jan 2022 to September 2023, the highest volatility in daily DSEX was observed in May 2022 (with a standard deviation of 183.92) whereas the least volatility was recorded in September 2023 (with a standard deviation of 12.75). The average volatility was 61.12 over the period as referred to the chart.

## 7.4 Chittagong Stock Exchange (CSE)

### 7.4.1 CSE Performance

Major CSE indices exhibited declining trend during July-September 2023. Among the major CSE indices, CASPI[26], CSE30[27] and CSI[28] decreased by 0.65 percent and 0.29 percent and 0.73 percent respectively in the review quarter compared to those of the previous quarter (Chart 7.9).

**Chart 7.9: CSE Performance**



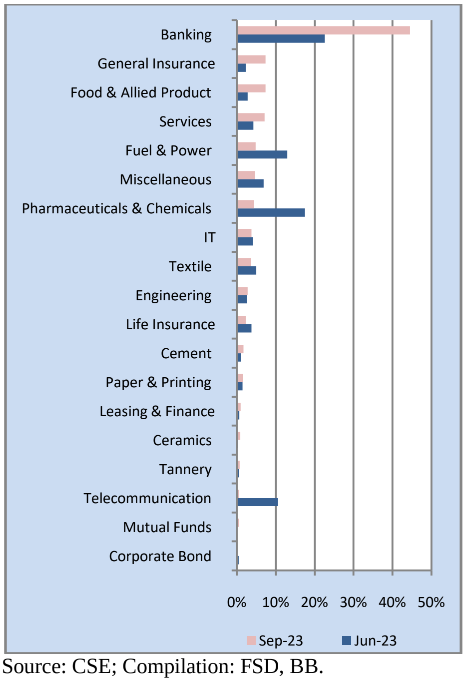

Source: CSE; Compilation: FSD, BB.

Besides, CSE turnover amounting to BDT 13.42 billion during July-September 2023, recorded a decrease of 27.04 percent compared to that of the preceding quarter. Total turnover during April-June 2023 was BDT 18.40 billion.

### 7.4.2 Sectoral Turnover at CSE

Chart 7.10 shows the shares of CSE's sectoral turnover scenarios at end-September 2023 and end-June 2023. During the review quarter, banking sector had the highest share of total CSE turnover with 44.48 percent followed by the general insurance sector (7.40 percent), food and allied product (7.37 percent) and services sector (7.10 percent).

**Chart 7.10: CSE Sectoral Turnover at end-June 2023 and end-September 2023**




Source: CSE; Compilation: FSD, BB.

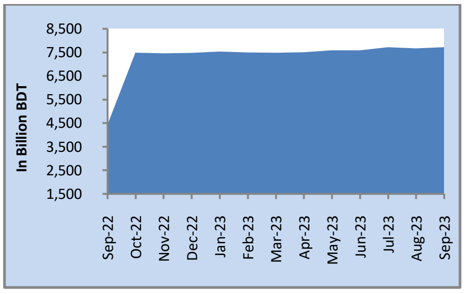
### 7.4.3 Market Capitalization

Chart 7.11 shows the trends in the market capitalization of CSE since September 2022. At end-September 2023, the market capitalization of the listed companies at CSE marginally increased to BDT 7,718.92 billion from BDT 7,585.50 billion at end-June 2023.

Moreover, the CSE market capitalization to GDP ratio stood at 17.19 percent at end-September 2023 which was 17.09 percent at end-June 2023.

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

**Chart 7.11: Market Capitalization Trend of CSE**

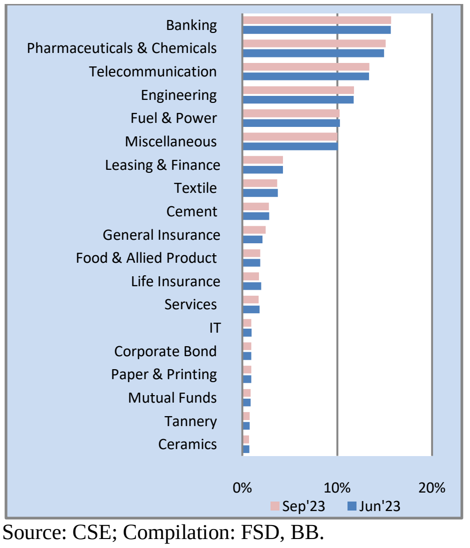



Source: CSE; Compilation: FSD, BB.

Chart 7.12 illustrates that the banking sector held the highest share (15.68 percent) in the total market capitalization at CSE followed by pharmaceuticals and chemicals (15.10 percent), telecommunication (13.40 percent), engineering (11.76 percent) and fuel and power (10.27 percent) respectively at end-September 2023.

The shares of the above-mentioned sectors were 15.66 percent, 14.95 percent, 13.36 percent, 11.72 percent and 10.29 percent respectively at end-June 2023 (Chart 7.12).

**Chart 7.12: CSE Sectoral Market Capitalization**

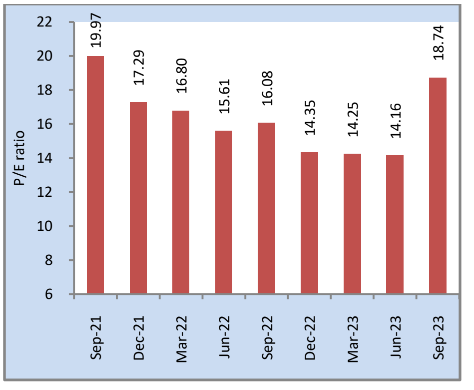



Source: CSE; Compilation: FSD, BB.

### 7.4.4 Price/Earnings (P/E) Ratio

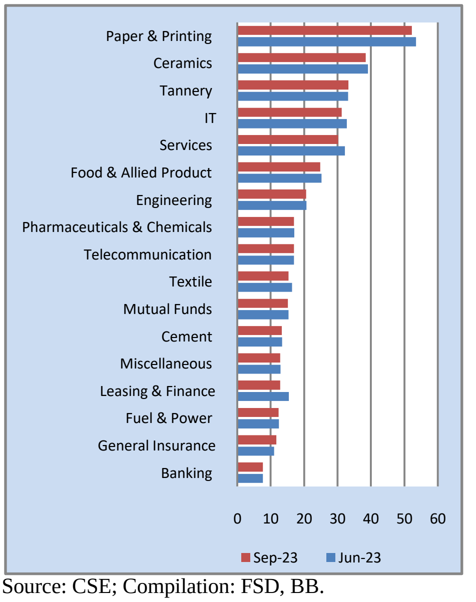
At end-September 2023, the weighted average market P/E of CSE's listed companies stood at 18.74, which was 14.16 at end-June 2023 (Chart 7.13).

**Chart 7.13: CSE P/E Ratio**




Source: CSE; Compilation: FSD, BB.

**Chart 7.14: CSE Sectoral P/E Ratio**




Source: CSE; Compilation: FSD, BB.

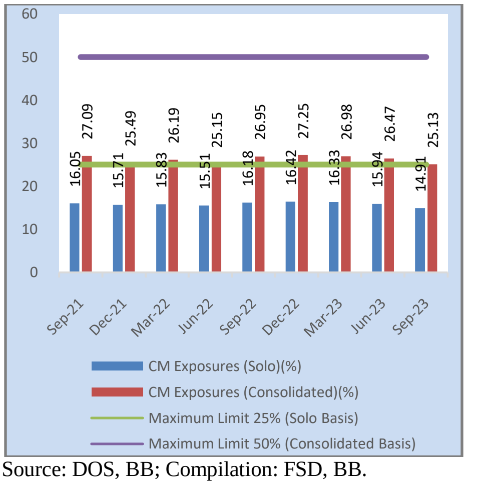
As the Chart 7.14 shows, the highest P/E ratio was registered by the paper and printing sector (52.22), followed by the ceramic (38.45) and tannery (33.24) during the review quarter. On the other hand, the lowest P/E ratio was recorded in the banking sector (7.62) preceded by the general insurance sector (11.72) and the fuel and power (12.40) sector.

## 7.5 Capital Market and Financial Stability

The size of the capital market of Bangladesh is relatively small compared to the banking sector. However, the capital market has the potential to significantly influence the financial sector, particularly the banking industry, given its interconnectedness with the broader financial system. Inter-linkages between the capital market and banks emanate from banks' investment in the capital market on a solo basis (only bank) and consolidated basis (banks along with their subsidiaries). Volatility in the capital market coupled with lower-quality investments by banks will affect earnings of banks, which will eventually worsen the banks' solvency ratios.

Chart 7.15 depicts that capital market exposure on solo and consolidated basis were stable over the last two years. As of September 2023, capital market exposures on solo and consolidated basis were 14.91 percent and 25.13 percent respectively, while those were 15.94 and 26.47 percent respectively in the previous quarter. It is noteworthy that maximum limit for capital market exposures on solo basis is 25 percent of paid-up capital, non-repayable share premium, statutory reserve and retained earnings and for consolidated basis, the exposure limit is 50 percent. The chart below depicts that the banking sector's capital market exposures remained well below the regulatory limit, suggesting that volatility in the capital market may not significantly impact the stability of the banking sector in the near-term.

**Chart 7.15: Trend in Capital Market Exposures of Banks**




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

# CHAPTER 8: RECENT STABILITY INITIATIVES OF BANGLADESH BANK

*Bangladesh has shown remarkable economic resilience, particularly in the face of global unrest created by the prolonged Russia-Ukraine conflict with rising inflation, financial sector vulnerabilities, external pressure, and global economic uncertainty. To enhance stability in such an economically turbulent time in the world, Bangladesh Bank (BB) has resorted to a number of policy measures during July-September 2023. Some of the key initiatives are stated below:*

## 8.1 Implementation of Article 15(10) of Bank-Company (Amendment) Act, 2023

To ensure good governance in the banking industry, Bank Company Act 1991 (amended up to 2018) has been amended in 2023. As per sub-section 15 (10) of the Bank Company (Amendment) Act 2023 a maximum of 3 (three) members of a family can serve at a time as directors in the board of a bank company. *[Ref: BRPD Circular No. 14, Date: July 26, 2023]*

## 8.2 Interest/Profit Rate of Loan/ Investment for export financing

In the context of adverse global economic conditions, to make the export-oriented industrial establishments more resilient to shocks as well as to continue the ongoing trend in the development and expansion of the country's export-oriented industries, the market-based interest rate system for pre-shipment export credit has been introduced. *[Ref: BRPD Circular Letter No. 27, Date: July 27, 2023]*

## 8.3 Policy Regarding Investment in Capital Market by the Scheduled Banks

According to the amendment brought in 2023 in section 26A of the Bank-Company Act, 1991, bonds, debentures and Islamic Shariah-based instruments will not be included in the investment portfolio specified for the exposure limit. *[Ref: DOS Circular No. 02, Date: August 31, 2023]*

## 8.4 Agricultural & Rural Credit Policy and Program for the FY 2023-2024

Considering the importance of adequate credit flow in the agricultural sector to achieve GDP growth through increasing agricultural production and to control inflation caused by global factors, Bangladesh Bank has formulated the annual Agricultural & Rural Credit Policy and Program for the financial year 2023-2024. *[Ref: ACD Circular No. 02, Date: August 06, 2023]*

### 8.5 Guideline on ICT Security, Version 4.0

In relation to DFIM Circular No. 11, dated 09 November 2015, 'Guidelines on ICT Security for Banks and Non-Bank Financial Institutions' had been issued. Now, the document has been revised and expanded into 'Guideline on ICT Security–Version 4.0' and the updated Guidelines are available on the website of Bangladesh Bank www.bb.org.bd. *[Ref: DFIM Circular No. 08, Date: July 13, 2023]*

### 8.6 Export subsidy/Cash incentive for the financial year 2023-2024

To encourage the country's export trade, the government has decided to provide export incentives/cash assistance against the export of 43 products shipped from 01 July 2023 to 30 June 2024 for the financial year 2023-2024. *[Ref: FE Circular No. 13, Date: August 24, 2023]*

### 8.7 Inward wage earners' remittances by licensed Payment Service Providers (PSPs)

Regarding FE Circular No. 34 of November 29, 2022, to bring wider flexibility, licensed Payment Service Providers (PSPs) will be also allowed to repatriate wage earners' remittance in association with internationally recognized online payment gateway service providers (OPGSPs)/ banks/digital wallets/card schemes and/or aggregators abroad (hereinafter referred to as approved/licensed foreign payment service providers, foreign PSPs). *[Ref: FE Circular Letter No. 11, Date: September 19, 2023]*

### 8.8 Reinstatement of limits of Exporters' Retention Quota (ERQ) accounts

Concerning paragraph 27, chapter 13 of the Guidelines for Foreign Exchange Transactions-2018, Vol.1 (GFET), it has been decided to reinstate the retention limit out of realized export proceeds of ERQ to 7.5 percent, 30 percent, and 35 percent from 15 percent, 60 percent, and 70 percent respectively. *[Ref: FE Circular No. 15, Date: September 24, 2023]*

### 8.9 Forward sale and purchase in foreign exchange

On the subject of paragraph 8, chapter 4 of Guidelines for Foreign Exchange Transactions-2018, Vol-1 and its subsequent circular(s), it has been decided that ADs may apply forward premium not exceeding SMART + 5 percent per annum with declared spot rates for forward dealings with customers and/or relevant counterparties. *[Ref: FE Circular No. 16, Date: September 24, 2023]*

### 8.10 Regarding Guidelines for Merchant Acquiring and Escrow Services, 2023

A specific management policy titled "Merchant Acquiring and Escrow

Service Policy, 2023" has been formulated to encourage digital commerce and payment activities in the country as well as ensure greater transparency and accountability of the overall activities related to it, including protecting customer interests. *[Ref: PSD Circular No. 10, Date: September 26, 2023]*

### 8.11 Refinance Scheme for Environment Friendly Products/Projects/Initiatives

Through SFD Circular No-04, dated: 24 July 2022, a Refinance Scheme for Green Products/Projects/Initiatives is launched to accelerate the financing of eco-friendly products/projects/ initiatives. Given the increasing demand for financing environment-friendly products/projects/initiatives, the existing range of refinancing-related products/projects/initiatives of the said scheme has been redefined. *[Ref: SFD Circular No. 02, Date: August 30, 2023]*

### 8.12 Enhancement of Fund under Refinance Scheme for Digital Nano Loan

In connection with BRPD Circular No-11, dated: 02 June 2022 and FID Circular Letter No-02, dated 20 June 2022, the amount of the revolving refinancing scheme fund has been increased from BDT one (01) billion to BDT five (05) billion to accelerate the progress of building a prosperous and smart Bangladesh by increasing the demand for digital microcredit, expanding financial inclusion and encouraging the marginal population to get used to digital transactions. *[Ref: FID Circular Letter No. 01, Date: July 16, 2023]*

### 8.13 Opening and operations of Non-resident Investor's Taka Accounts (NITAs) through online interactive web platform of ADs by Non-resident Bangladeshis (NRBs)

To promote further foreign investment in Bangladesh, referring to paragraph 24, chapter 14 of Guidelines for Foreign Exchange Transactions-2018, Vol-1 (GFET) and other relevant circulars, Bangladesh Bank advised Authorized Dealers (ADs) to develop online interactive web platform for enabling Non-resident Bangladeshis to open Non-resident Investor's Taka Accounts in Bangladesh. *[Ref: FEID Circular Letter No. 05, Date: August 10, 2023]*

# APPENDICES

## Appendix I: CPI Inflation (12-month Average)

(Percent)

| Month | Inflation (General) | Inflation (Food) | Inflation (Non-Food) |
|---|---|---|---|
| Sep-21 | 5.50 | 5.49 | 5.52 |
| Dec-21 | 5.54 | 5.30 | 5.93 |
| Mar-22 | 5.75 | 5.47 | 6.19 |
| Jun-22 | 6.15 | 6.05 | 6.31 |
| Sep-22 | 6.96 | 7.04 | 6.84 |
| Dec-22 | 7.70 | 7.75 | 7.62 |
| Mar-23 | 8.39 | 8.31 | 8.53 |
| Jun-23* | 9.02 | 8.71 | 9.39 |
| Sep-23* | 9.29 | 9.37 | 9.44 |

Base: 2005-06 till March 2023; 2021-2022 in June 2023 and onwards.
*Note: Twelve month average food and non-food indices have been calculated after shifting of base from FY06 to FY22 (from Major Economic Indicator, BB).

## Appendix II: Foreign Exchange Reserve

(Amount in Billion USD)

| Month-end | International Reserve |
|---|---|
| Sep-21 | 46.20 |
| Dec-21 | 46.15 |
| Mar-22 | 44.15 |
| Jun-22 | 41.83 |
| Sep-22 | 36.48 |
| Dec-22 | 33.75 |
| Mar-23 | $31.14^{P}$ |
| Jun-23 | $31.20^{P}$ (24.75 as per BPM6) |
| Sep-23 | $26.91^{P}$ (21.06 as per BPM6) |

P=Provisional.

## Appendix III: Wage Earners' Remittance

(Amount in Billion USD)

| Quarter | Amount |
|---|---|
| Sep-21 | 5.408 |
| Dec-21 | 4.831 |
| Mar-22 | 5.059 |
| Jun-22 | 5.733 |
| Sep-22 | 5.673 |
| Dec-22 | 4.820 |
| Mar-23 | 5.542 |
| Jun-23 | 5.576 |
| Sep-23 | 4.907 |

R=Revised; P=Provisional.

## Appendix IV: Exports and Imports

(Amount in Billion USD)

| Quarter | Aggregate Exports (F.O.B) | Aggregate Imports (F.O.B) |
|---|---|---|
| Sep-21 | 10.82 | 17.32 |
| Dec-21 | 12.76 | 21.65 |
| Mar-22 | 13.26 | 22.55 |
| Jun-22 | 12.63 | 20.97 |
| Sep-22 | 11.80 | 19.35 |
| Dec-22 | 14.03 | 18.78 |
| Mar-23 | 13.48[RP] | 15.81[RP] |
| Jun-23 | 13.03[RP] | 15.56[P] |
| Sep-23 | 12.93[P] | 14.75[P] |

P=Provisional, RP=Revised but Provisional.

## Appendix V: Interest Rate (Weighted Average) Spread

(In Percent)

| Period | Lending Rate | Deposit Rate | Spread |
|---|---|---|---|
| Sep-21 | 7.24 | 4.08 | 3.16 |
| Dec-21 | 7.18 | 3.99 | 3.19 |
| Mar-22 | 7.11 | 4.01 | 3.10 |
| Jun-22 | 7.09 | 3.97 | 3.12 |
| Sep-22 | 7.12 | 4.09 | 3.03 |
| Dec-22 | 7.22 | 4.23 | 2.99 |
| Mar-23 | 7.31 | 4.35 | 2.96 |
| Jun-23 | 7.31 | 4.38 | 2.93 |
| Sep-23 | 7.83 | 4.52 | 3.31 |

## Appendix VI: Weighted Average Exchange Rate

(BDT/USD)

| Quarter | Period Average | End Period |
|---|---|---|
| Sep-21 | 85.26 | 85.50 |
| Dec-21 | 85.80 | 85.80 |
| Mar-22 | 86.06 | 86.20 |
| Jun-22 | 92.03 | 93.45 |
| Sep-22 | 95.62 | 96.00 |
| Dec-22 | 98.85 | 99.00 |
| Mar-23 | 101.96 | 102.00 |
| Jun-23 | 105.92 | 106.00 |
| Sep-23 | 109.97 | 110.25 |

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

(Amount in Billion BDT)

| Period | Amount |
|---|---|
| Sep-21 | 3,505.00 |
| Dec-21 | 3,695.18 |
| Mar-22 | 3,620.90 |
| Jun-22 | 3,990.80 |
| Sep-22 | 4,018.22 |
| Dec-22 | 4,042.00 |
| Mar-23 | 4,361.00 |
| Jun-23 | 4,970.72 |
| Sep-23 | 4,913.37 |

## Appendix VIII: Banking Sector's Asset to GDP Ratio

(Amount in Billion BDT)

| PERIOD | BANKING INDUSTRY'S TOTAL ASSETS | QUARTERLY GROWTH RATE OF TOTAL ASSETS | QUARTERLY CHANGEOF TOTAL ASSETS | YEARLY GDP | QUARTERLY ASSET/GDP |
|---|---|---|---|---|---|
| Jun-21 | 19,513.12 | 4.56% | 851.10 | 35,301.85 | 55.27% |
| Sep-21 | 19,768.78 | 1.31% | 255.66 | - | - |
| Dec-21 | 20,429.29 | 3.34% | 660.51 | - | - |
| Mar-22 | 20,711.21 | 1.38% | 281.93 | - | - |
| Jun-22 | 21,546.42 | 4.03% | 835.21 | 39,717.16 | 54.25% |
| Sep-22 | 21,680.49 | 0.62% | 134.07 | - | - |
| Dec-22 | 21,962.39 | 1.30% | 281.90 | - | - |
| Mar-23 | 22,275.20 | 1.42% | 312.81 | - | - |
| Jun-23 | 23,142.84 | 3.90% | 867.64 | 44,908.42 | 51.53% |
| Sep-23 | 23457.74 | 1.36% | 314.90 | - | - |

Note: GDP at current market price.

Source: GDP - BBS

## Appendix IX: Asset Structure of the Banking Industry

(Amount in Billion BDT)

| PROPERTY AND ASSETS | JUN-22 | SEP-22 | DEC-22 | MAR-23 | JUN-23 | SEP-23 |
|---|---|---|---|---|---|---|
| Cash in hand | 199.77 | 223.06 | 246.38 | 247.19 | 197.22 | 241.28 |
| Balance with Bangladesh Bank and its Agent Bank | 975.88 | 872.42 | 995.79 | 780.65 | 934.96 | 842.11 |
| Balance with other banks and Financial Institutions (including Money at call and short notice) | 966.11 | 898.89 | 888.91 | 957.54 | 1,022.55 | 964.57 |
| Investment | 3859.70 | 3,700.16 | 3,437.78 | 3,610.65 | 3,803.26 | 3,910.27 |
| Loans and Advances (including bill discounted and purchased) | 14,219.28 | 14,596.46 | 15,026.11 | 15,241.29 | 15,702.88 | 15,939.70 |
| Fixed Assets | 286.19 | 287.89 | 289.59 | 290.35 | 291.81 | 291.12 |
| Other Assets | 1,035.61 | 1,097.83 | 1,073.91 | 1,143.62 | 1,186.27 | 1,264.80 |
| Non-banking assets | 3.87 | 3.79 | 3.92 | 3.92 | 3.88 | 3.88 |
| Total Assets | **21,546.41** | **21,680.50** | **21,962.39** | **22,275.21** | **23,142.83** | **23,457.73** |

## Appendix X: Banking Sector Assets & NPL Concentration (Sep-2023)

(Amount in Billion BDT)

| Assets | Top 5 Banks | Other Banks | Top 10 Banks | Other Banks |
|---|---|---|---|---|
| **Amount** | 7,342.76 | 16,114.97 | 10,651.73 | 12,806.00 |
| **Share (%)** | 31.30% | 68.70% | 45.41% | 54.59% |
| **NPL** | **Top 5 Banks** | **Other Banks** | **Top 10 Banks** | **Other Banks** |
| **Amount** | 701.11 | 852.87 | 983.43 | 570.55 |
| **Share (%)** | 45.12% | 54.88% | 63.28% | 36.72% |

## Appendix XI: Banking Sector NPL Ratio

(Amount in Billion BDT)

| Quarter | Aggregate NPL | Gross NPL Ratio (NPL/TL) (%) | Net NPL (net of AP and IS) Ratio (%) |
|---|---|---|---|
| Sep-21 | 1,011.50 | 8.12% | -0.55% |
| Dec-21 | 1,032.74 | 7.93% | -0.43% |
| Mar-22 | 1,134.41 | 8.53% | -0.07% |
| Jun-22 | 1,252.57 | 8.96% | 0.49% |
| Sep-22 | 1,343.96 | 9.36% | 0.90% |
| Dec-22 | 1,206.57 | 8.16% | -0.08% |
| Mar-23 | 1,316.21 | 8.80% | 0.30% |
| Jun-23 | 1560.39 | 10.11% | 1.58% |
| Sep-23 | 1553.98 | 9.93% | 1.22% |

Note: AP- Actual Provision; IS-Interest Suspense.

## Appendix XII: Distribution of Banks by NPL Ratio Range

| Range | Number of Banks as at end period | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Dec-21 | Mar-22 | June-22 | Sep-22 | Dec-22 | Mar-23 | June-23 | Sep-23 |
| ≤2% | 10 | 7 | 6 | 6 | 10 | 6 | 7 | 8 |
| >2% to ≤3% | 8 | 4 | 4 | 5 | 8 | 7 | 4 | 1 |
| >3% to ≤5% | 18 | 25 | 25 | 22 | 20 | 18 | 17 | 16 |
| >5% to ≤10% | 9 | 8 | 9 | 11 | 9 | 14 | 18 | 20 |
| >10% to ≤15% | 6 | 5 | 4 | 4 | 2 | 5 | 3 | 3 |
| >15% to ≤20% | 3 | 5 | 3 | 3 | 4 | 3 | 3 | 4 |
| >20% | 6 | 6 | 9 | 9 | 8 | 8 | 9 | 9 |
| Total | 60 | 60 | 60 | 60 | 61 | 61 | 61 | 61 |

## Appendix XIII: Banking Sector Loan Loss Provisions

(Amount in Billion BDT)

| Period | Required Provision | Provision Maintained | Provision Maintenance Ratio (%) |
|---|---|---|---|
| Sep-21 | 723.49 | 661.44 | 91.42 |
| Dec-21 | 806.54 | 666.47 | 82.63 |
| Mar-22 | 850.68 | 703.22 | 82.67 |
| June-22 | 862.68 | 730.48 | 84.68 |
| Sep-22 | 886.83 | 751.54 | 84.74 |
| Dec-22 | 841.57 | 731.48 | 86.92 |
| Mar-23 | 926.20 | 763.21 | 82.40 |
| June-23 | 1010.31 | 795.67 | 78.76 |
| Sep-23 | 1063.75 | 811.04 | 76.24 |

## Appendix XIV: Banking Sector Classified Loans Ratios

| Period | Classified Loans To Total Loans | Sub-Standard Loans To Classified Loans | Doubtful Loans To Classified Loans | Bad Loans To Classified Loans |
|---|---|---|---|---|
| Sep-21 | 8.12% | 6.5% | 4.7% | 88.8% |
| Dec-21 | 7.93% | 7.8% | 4.1% | 88.1% |
| Mar-22 | 8.53% | 7.5% | 4.0% | 88.5% |
| Jun-22 | 8.96% | 6.2% | 4.2% | 89.6% |
| Sep-22 | 9.36% | 7.81% | 3.97% | 88.22% |
| Dec-22 | 8.16% | 6.79% | 4.54% | 88.67% |
| Mar-23 | 8.80% | 8.43% | 4.62% | 86.95% |
| Jun-23 | 10.11% | 15.07% | 4.26% | 80.67% |
| Sep-23 | 9.93% | 8.02% | 4.26% | 87.72% |

## Appendix XV: Classified Loan Composition (September 2023)

(Amount in Billion BDT)

| Particulars | Amount | Percent Of Total |
|---|---|---|
| Substandard (SS) | 124.59 | 8.02% |
| Doubtful (DF) | 66.22 | 4.26% |
| Bad/Loss (BL) | 1363.17 | 87.72% |
| Total Classified Loan | 1553. 98 | 100.00% |

## Appendix XVI: Distribution of Banks by Banking Sector's ROA Range

| Quarter | ROA Range | | | |
|---|---|---|---|---|
| | ≤0% | > 0% to ≤0.5% | > 0.5% to ≤1% | > 1% |
| Mar-22 | 10 | 16 | 14 | 20 |
| Jun-22 | 7 | 16 | 20 | 17 |
| Sep-22 | 9 | 15 | 20 | 16 |
| Dec-22 | 8 | 11 | 17 | 24 |
| Mar-23 | 12 | 16 | 17 | 16 |
| Jun-23 | 11 | 15 | 21 | 14 |
| Sep-23 | 10 | 15 | 18 | 18 |

Note: ROAs have been annualized from respective quarterly ratios except the quarter of December.

## Appendix XVII: Distribution of Banks by Banking Sector's ROE Range

| Quarter | ROE Range | | | |
|---|---|---|---|---|
| | ≤0% | > 0% to ≤5% | > 5% to ≤10% | > 10% |
| Mar-22 | 8 | 12 | 15 | 25 |
| Jun-22 | 4 | 12 | 14 | 30 |
| Sep-22 | 8 | 10 | 16 | 26 |
| Dec-22 | 8 | 7 | 13 | 32 |
| Mar-23 | 12 | 15 | 14 | 20 |
| Jun-23 | 11 | 11 | 14 | 25 |
| Sep-23 | 10 | 13 | 13 | 25 |

Note: ROEs have been annualized from respective quarterly ratios except the quarter of December.

## Appendix XVIII: Banking Sector ROA and ROE

| Ratio | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23[P] |
|---|---|---|---|---|---|---|---|---|---|
| ROA | 0.44% | 0.25% | 0.24% | 0.46% | 0.53% | 0.62% | 0.39% | 0.43% | 0.41% |
| ROE | 7.42% | 4.44% | 4.48% | 8.20% | 9.48% | 10.70% | 6.83% | 7.88% | 7.46% |

Note: All the figures are annualized except for the quarter ended December. P-provisional.

## Appendix XIX: FIs' Liability and Equity Composition

(Amount in Billion BDT)

| Particulars | June-23[R] | Sep-23 |
|---|---|---|
| Borrowing | 285.12 | 277.37 |
| Deposits | 477.22 | 477.66 |
| Capital | 13.66 | -4.15 |
| Others | 220.85 | 238.39 |
| Total | 996.85 | 989.27 |

Source: DFIM; Compilation: FSD, BB.
Note: R-Revised.

## Appendix XX: FIs' Asset Composition

(Amount in Billion BDT)

| Particulars | Jun-23[R] | Sep-23 |
|---|---|---|
| Cash & liquid assets | 165.34 | 153.83 |
| Earning assets | 759.13 | 764.33 |
| Fixed assets | 16.06 | 15.93 |
| Others assets | 56.32 | 55.18 |
| Total | 996.85 | 989.27 |

Source: DFIM; Compilation: FSD, BB.
Note: R-Revised.

## Appendix XXI: FIs' Classified Loans and Leases

(Amount in Billion BDT)

| Quarter | Aggregate NPL | NPL Ratio (%) |
|---|---|---|
| Sep-21 | 117.57 | 17.62 |
| Dec-21 | 130.17 | 19.33 |
| Mar-22 | 142.32 | 20.63 |
| Jun-22 | 159.36 | 22.99 |
| Sep-22 | 173.27 | 24.61 |
| Dec-22 | 168.21 | 23.88 |
| Mar-23 | 178.54 | 25.05 |
| Jun-23 | 199.51 | 27.65 |
| Sep-23 | 216.58 | 29.75 |

Source: DFIM, BB.

## Appendix XXII: FIs' ROA and ROE

(In percent)

| Quarter | Aggregate ROA | Aggregate ROE |
|---|---|---|
| Sep-21 | -0.62% | -6.56% |
| Dec-21 | -0.23% | -2.79% |
| Mar-22 | -0.66% | -8.51% |
| Jun-22 | -0.54% | -7.41% |
| Sep-22 | -0.40% | -5.95% |
| Dec-22 | -1.27% | -19.26% |
| Mar-23 | -1.32% | -20.67% |
| Jun-23 | -1.43% | -104.69%[R] |
| Sep-23 | -2.02% | - |

Note: The displayed ratios are annualized figures from respective quarterly/half yearly ratios.
Source: ROA and ROE ratio of June and September, 2023 from DFIM and other periods from FIs; Compilation: FSD, BB.

## Appendix XXIII: Banking Sector Regulatory Capital Position-Solo Basis

(Amount in billion BDT)

| Capital | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 |
|---|---|---|---|---|---|
| Minimum Capital Requirement | 1395.72 | 1589.38 | 1564.71 | 1450.46 | 1466.24 |
| Total Capital Requirement | 1506.75 | 1371.39 | 1420.98 | 1578.08 | 1581.07 |

**Appendix XXIV: Banking Sector CRAR Distribution**

| CRAR | Number of Banks (at End Period) | | | | |
|---|---|---|---|---|---|
| | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 |
| < 10% | 11 | 11 | 11 | 11 | 10 |
| 10% to <15% | 27 | 21 | 22 | 26 | 25 |
| 15% and above | 23 | 29 | 28 | 24 | 26 |
| Compliant Banks (i.e CRAR≥10%) | 50 | 50 | 50 | 50 | 51 |

**Appendix XXV: Banking Sector Asset and Liability Share based on CRAR as at end-Sep 2023**

| CRAR | No. of Banks | Asset size (Bn. BDT ) | Asset Share (%) | Liability size (Bn. BDT ) | Liability Share (%) |
|---|---|---|---|---|---|
| <10% | 10 | 4790.91 | 20.42 | 4827.14 | 21.76 |
| 10% to <15% | 25 | 14132.39 | 60.25 | 13334.91 | 60.11 |
| 15% and above | 26 | 4534.43 | 19.33 | 4021.82 | 18.13 |
| Total | 61 | 23457.74 | 100.0 | 22183.86 | 100.0 |

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

| Particulars | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 |
|---|---|---|---|---|---|
| Tier-1 Capital Ratio (%) | 7.68 | 8.39 | 8.00 | 8.10 | 7.98 |
| No. of Tier-1 capital compliant banks | 50 | 51 | 51 | 52 | 51 |
| Overall CRAR (%) | 11.01 | 11.83 | 11.23 | 11.19 | 11.08 |
| No. of CRAR compliant banks | 50 | 50 | 50 | 50 | 51 |

**Appendix XXVII: Bank Cluster-wise CRAR**

| Bank Clusters | CRAR (in percent) | | | | |
|---|---|---|---|---|---|
| | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 |
| SOCBs | 6.18 | 6.26 | 5.90 | 6.76 | 6.03 |
| PCBs | 12.72 | 13.80 | 13.08 | 12.81 | 12.82 |
| FCBs | 30.36 | 31.65 | 31.48 | 32.91 | 35.72 |
| SDBs | -37.27 | -40.29 | -38.35 | -37.79 | -38.91 |
| Industry | 11.01 | 11.83 | 11.23 | 11.19 | 11.08 |

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

(In Percentage)

| RWA | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 |
|---|---|---|---|---|---|
| RWA for Credit Risk | 88.65 | 88.22 | 88.18 | 87.97 | 88.15 |
| RWA for Market Risk | 3.49 | 3.45 | 3.62 | 3.75 | 3.81 |
| RWA for Operational Risk | 7.86 | 8.34 | 8.20 | 8.29 | 8.04 |

**Appendix XXIX: Capital Conservation Buffer (CCB) at end-September 2023**

| Particulars | No. of Compliant Banks | No. of banks Considered | Aggregate CCB (%) |
|---|---|---|---|
| Solo | 42 | 61 | 1.08 |
| Consolidated | 25 | 39 | 1.62 |

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

| Period | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 |
|---|---|---|---|---|---|
| ADR (in percent) | 76.30 | 79.00 | 79.36 | 78.51 | 78.08 |

**Appendix XXXI: Number of Banks according to Range of Leverage Ratio - Solo Basis**

| Leverage Ratio | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23* |
|---|---|---|---|---|---|
| < 3.25% | 10 | 9 | 10 | 10 | 10 |
| ≥ 3.25% to 10% | 38 | 39 | 38 | 38 | 37 |
| > 10% to 20% | 7 | 6 | 6 | 7 | 9 |
| > 20% to 30% | 3 | 5 | 5 | 4 | 3 |
| > 30% | 3 | 2 | 2 | 2 | 2 |

*For Sept-23, breakdown for first two rows are 'less than 3.25 percent' and '3.25 percent to 10 percent'.

**Appendix XXXII: Bank Cluster-wise Leverage Ratio - Solo Basis**

(In Percentage)

| Bank Clusters | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 |
|---|---|---|---|---|---|
| SOCBs | 2.16 | 2.18 | 2.05 | 2.44 | 2.12 |
| PCBs | 5.31 | 5.71 | 5.62 | 5.40 | 5.40 |
| FCBs | 12.32 | 12.52 | 12.93 | 13.45 | 13.73 |
| SDBs | -26.41 | -26.78 | -26.19 | -25.95 | -27.06 |
| Industry | 4.43 | 4.74 | 4.64 | 4.57 | 4.51 |

## Appendix XXXIII: Bank Cluster-wise LCR and NSFR

(In Percentage)

| Bank Clusters | LCR & NSFR | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sep-22 | | Dec-22 | | Mar-23 | | Jun-23 | | Sep-23 | |
| | LCR | NSFR | LCR | NSFR | LCR | NSFR | LCR | NSFR | LCR | NSFR |
| SOCBs | 229.55 | 102.39 | 232.02 | 101.95 | 214.93 | 103.75 | 228.60 | 103.29 | 220.61 | 106.02 |
| PCBs (Conventional) | 133.86 | 110.80 | 138.46 | 112.01 | 144.31 | 112.33 | 142.81 | 112.26 | 143.53 | 111.65 |
| PCBs (Islamic) | 135.05 | 114.96 | 87.67 | 112.75 | 61.37 | 110.19 | 57.99 | 108.06 | 58.76 | 107.64 |
| FCBs | 210.38 | 121.84 | 255.26 | 124.47 | 279.23 | 126.16 | 258.29 | 126.70 | 367.92 | 131.72 |
| Industry | 160.52 | 110.18 | 153.97 | 110.22 | 153.28 | 110.30 | 152.37 | 109.71 | 154.69 | 110.28 |

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

## Appendix XXXIV: FIs' CRR and SLR

(Amount in Billion BDT)

| Quarter End | Aggregate CRR | | | Aggregate SLR | | |
|---|---|---|---|---|---|---|
| | Required | Maintained | Surplus/ Shortfall | Required | Maintained | Surplus/ Shortfall |
| Sep-21 | 4.98 | 5.31 | 0.33 | 23.09 | 106.56 | 83.47 |
| Dec-21 | 5.21 | 5.96 | 0.75 | 23.82 | 116.44 | 92.62 |
| Mar-22 | 5.25 | 5.15 | (0.10) | 24.28 | 101.64 | 77.36 |
| Jun-22 | 5.30 | 5.80 | 0.50 | 21.77 | 91.40 | 69.63 |
| Sep-22 | 5.32 | 5.24 | (0.09) | 24.67 | 96.39 | 71.72 |
| Dec-22 | 5.37 | 5.69 | 0.32 | 25.15 | 92.97 | 67.82 |
| Mar-23 | 5.24 | 5.88 | 0.64 | 24.91 | 96.46 | 71.55 |
| Jun-23 | 5.28 | 5.29 | 0.01 | 25.25 | 99.60 | 74.35 |
| Sep-23 | 5.36 | 5.52 | 0.16 | 25.85 | 102.44 | 76.59 |

## Appendix XXXV: Capital Adequacy Ratio of FI Sector

| Particulars | End Sep-21 | End Dec-21 | End Mar-22 | End June-22 | End Sep-22 | End Dec-22 | End Mar-23 | End Jun-23 | End Sep-23 |
|---|---|---|---|---|---|---|---|---|---|
| Capital Adequacy Ratio (%) | 13.30 | 10.58 | 11.27 | 9.53 | 10.16 | 8.16 | 7.29 | 5.08 | 2.59 |

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

(Amount in Billion BDT)

| Particulars | End Dec-21 | End Mar-22 | End June-22 | End Sep-22 | End Dec-22 | End Mar-23 | End Jun-23 | End Sep-23 |
|---|---|---|---|---|---|---|---|---|
| Credit RWA | 603.10 | 635.54 | 629.34 | 620.4 | 592.06 | 633.11 | 613.36 | 610.84 |
| Market RWA | 27.08 | 26.24 | 25.74 | 40.76 | 25.18 | 24.63 | 25.15 | 24.79 |
| Operational RWA | 44.07 | 42.03 | 43.25 | 47.08 | 41.31 | 47.88 | 44.07 | 43.84 |
| **Total RWA** | **674.27** | **703.81** | **698.33** | **708.24** | **658.55** | **705.62** | **682.58**[R] | **679.47** |
| Core Capital (Tier -1) | 58.43 | 66.14 | 53.77 | 59.11 | 41.08 | 35.72 | 21.34 | 4.33 |
| Supplementary Capital | 12.88 | 13.19 | 12.77 | 12.85 | 12.63 | 13.74 | 13.33 | 13.28 |
| **Eligible Capital** | **71.32** | **79.32** | **66.54** | **71.96** | **53.71** | **49.46** | **34.67** | **17.61** |

R=Revised.

## Appendix XXXVII: Number of Non-compliant Banks in case of Different Minor Shock Scenarios of Stress Test.

| Minor Shock Scenarios | Number of Non-compliant Banks after Shock | |
|---|---|---|
| | June 2023 | September 2023 |
| Increase in NPLs | 4 | 5 |
| Increase in NPLs due to default of top 3 borrowers | 20 | 19 |
| Decrease in the FSV of collateral | 1 | 2 |
| Negative shift in NPL categories | 1 | 2 |
| Increase in NPL in the highest outstanding sector | 3 | 4 |
| Interest rate shock | 1 | 2 |
| Exchange rate shock | 0 | 1 |
| Equity shock | 0 | 2 |

## Appendix XXXVIII: DSEX and MSCI Emerging Market Index

| Date | DSEX | Date | MSCI Emerging Market Index |
|---|---|---|---|
| 3-Sep-23 | 6,311.61 | 1-Sep-23 | 985.68 |
| 4-Sep-23 | 6,307.82 | 4-Sep-23 | 995.50 |
| 5-Sep-23 | 6,316.98 | 5-Sep-23 | 985.84 |
| 7-Sep-23 | 6,307.08 | 6-Sep-23 | 981.43 |
| 10-Sep-23 | 6,285.70 | 7-Sep-23 | 973.59 |
| 11-Sep-23 | 6,283.86 | 8-Sep-23 | 973.86 |
| 12-Sep-23 | 6,300.56 | 11-Sep-23 | 977.50 |
| 13-Sep-23 | 6,304.88 | 12-Sep-23 | 975.72 |
| 14-Sep-23 | 6,302.03 | 13-Sep-23 | 974.56 |
| 17-Sep-23 | 6,311.29 | 14-Sep-23 | 982.11 |
| 18-Sep-23 | 6,310.98 | 15-Sep-23 | 984.99 |
| 19-Sep-23 | 6,311.08 | 18-Sep-23 | 976.17 |
| 20-Sep-23 | 6,310.63 | 19-Sep-23 | 974.50 |
| 21-Sep-23 | 6,309.75 | 20-Sep-23 | 970.87 |
| 24-Sep-23 | 6,280.93 | 21-Sep-23 | 956.25 |
| 25-Sep-23 | 6,282.78 | 22-Sep-23 | 964.24 |
| 26-Sep-23 | 6,283.80 | 25-Sep-23 | 957.41 |
| 27-Sep-23 | 6,284.63 | 26-Sep-23 | 947.18 |
| | | 27-Sep-23 | 948.25 |
| | | 28-Sep-23 | 944.08 |
| | | 29-Sep-23 | 952.78 |

## Appendix XXXIX: DSE Performance

| Month | *(In billion BDT)* | | Index | | |
|---|---|---|---|---|---|
| | **Turnover** | **Market Capitalization** | **DSEX** | **DS30** | **DSES** |
| Sep-21 | 507.06 | 5,815.43 | 7,329.04 | 2,710.53 | 1,592.10 |
| Oct-21 | 353.80 | 5,595.23 | 7,000.95 | 2,620.60 | 1,470.50 |
| Nov-21 | 266.83 | 5,364.95 | 6,703.26 | 2,516.28 | 1,405.55 |
| Dec-21 | 193.65 | 5,421.96 | 6,756.66 | 2,532.58 | 1,431.12 |
| Jan-22 | 312.61 | 5,569.82 | 6,926.29 | 2,559.15 | 1,481.89 |
| Feb-22 | 221.00 | 5,437.19 | 6,739.45 | 2,482.36 | 1,453.48 |
| Mar-22 | 185.43 | 5,394.15 | 6,757.84 | 2,474.01 | 1,468.11 |
| Apr-22 | 121.05 | 5,369.61 | 6,655.67 | 2,460.77 | 1,446.98 |
| May-22 | 144.65 | 5,167.65 | 6,392.86 | 2,350.25 | 1,403.53 |
| Jun-22 | 179.40 | 5,177.82 | 6,376.94 | 2,295.59 | 1,386.78 |
| Jul-22 | 122.84 | 5,028.78 | 6,133.96 | 2,193.58 | 1,339.48 |
| Aug-22 | 254.72 | 5,188.23 | 6,457.22 | 2,283.06 | 1,398.67 |
| Sep-22 | 354.80 | 5,199.14 | 6,512.89 | 2,330.42 | 1,419.73 |
| Oct-22 | 210.92 | 7,669.18 | 6,307.34 | 2,226.71 | 1,377.43 |
| Nov-22 | 163.27 | 7,642.41 | 6,235.95 | 2,214.33 | 1,370.18 |
| Dec-22 | 72.31 | 7,609.37 | 6,206.81 | 2,195.30 | 1,358.84 |
| Jan-23 | 117.27 | 7,654.72 | 6,267.05 | 2,219.60 | 1,366.01 |
| Feb-23 | 86.29 | 7,630.09 | 6,216.95 | 2,220.98 | 1,359.66 |
| Mar-23 | 94.06 | 7,623.66 | 6,206.80 | 2,209.44 | 1,349.33 |
| Apr-23 | 102.96 | 7,656.91 | 6,262.69 | 2,202.42 | 1,359.83 |
| May-23 | 184.62 | 7,737.19 | 6,339.74 | 2,189.02 | 1,377.00 |
| Jun-23 | 146.80 | 7,720.78 | 6,344.09 | 2,192.82 | 1,377.00 |
| Jul-23 | 171.28 | 7,812.79 | 6,324.81 | 2,157.41 | 1,370.92 |
| Aug-23 | 96.52 | 7,760.58 | 6,299.50 | 2,141.61 | 1,372.52 |
| Sep-23 | 113.06 | 7,774.76 | 6,284.63 | 2,140.36 | 1,359.60 |

## Appendix XL: Sectoral Turnover at DSE

| Sectors | Apr-Jun, 2023 | Jul-Sep, 2023 |
|---|---|---|
| Mutual Funds | 0.33% | 0.21% |
| Telecommunication | 0.36% | 0.34% |
| Corporate Bond | 0.61% | 0.38% |
| Jute | 0.88% | 0.56% |
| Financial Institutions | 0.56% | 0.67% |
| Ceramic | 1.06% | 0.87% |
| Services & Real estate | 3.76% | 1.74% |
| Tannery | 2.81% | 1.97% |
| Cement | 2.81% | 2.20% |
| Paper & Printing | 4.08% | 3.31% |
| Banks | 2.99% | 3.45% |
| Fuel & Power | 5.49% | 4.23% |
| IT - Sector | 10.64% | 4.68% |
| Travel and Leisure | 5.65% | 4.87% |
| Miscellaneous | 5.97% | 6.39% |
| Engineering | 5.38% | 6.48% |
| Pharmaceuticals & Chemicals | 9.52% | 7.44% |
| Textile | 5.93% | 8.41% |
| Food & Allied Product | 12.14% | 15.78% |
| Insurance | 19.03% | 26.02% |

## Appendix XLI: Sectoral Market Capitalization at DSE

| Sector | end-June, 2023 | end-September, 2023 |
|---|---|---|
| Jute | 0.08% | 0.09% |
| Services & Real estate | 0.64% | 0.63% |
| Ceramic | 0.70% | 0.69% |
| Tannery | 0.76% | 0.79% |
| Mutual Funds | 0.82% | 0.82% |
| Paper & Printing | 0.93% | 0.87% |
| Corporate Bond | 0.90% | 0.90% |
| IT - Sector | 0.95% | 0.90% |
| Travel and Leisure | 1.11% | 1.02% |
| Cement | 2.70% | 2.70% |
| Textile | 3.77% | 3.71% |
| Financial Institutions | 4.10% | 4.10% |
| Insurance | 4.04% | 4.14% |
| Miscellaneous | 5.00% | 4.95% |
| Food & Allied Product | 8.76% | 8.75% |
| Fuel & Power | 9.86% | 9.85% |
| Engineering | 11.61% | 11.57% |
| Telecommunication | 12.71% | 12.76% |
| Banks | 14.79% | 14.97% |
| Pharmaceuticals & Chemicals | 15.77% | 15.78% |

## Appendix XLII: Sectoral P/E Ratio at DSE

| Sector | end-June, 2023 | end-September, 2023 |
|---|---|---|
| Banks | 7.24 | 7.27 |
| Mutual Funds | 10.93 | 10.86 |
| Miscellaneous | 12.21 | 11.92 |
| Fuel & Power | 13.33 | 13.28 |
| Telecommunication | 16.86 | 16.86 |
| Pharmaceuticals & Chemicals | 17.71 | 17.48 |
| Textile | 16.66 | 18.11 |
| Food & Allied Product | 19.07 | 19.09 |
| Cement | 19.55 | 19.46 |
| Engineering | 21.02 | 20.83 |
| Services & Real estate | 21.74 | 21.15 |
| Insurance | 18.27 | 21.19 |
| Financial Institutions | 21.31 | 21.25 |
| IT - Sector | 34.05 | 32.39 |
| Tannery | 35.82 | 34.08 |
| Ceramic | 39.09 | 38.43 |
| Travel and Leisure | 43.56 | 40.09 |
| Paper & Printing | 54.11 | 51.22 |
| Jute | 86.25 | 94.19 |

## Appendix XLIII: Price/Earnings Ratio of Capital Market

| Quarter | DSE P/E Ratio | CSE P/E Ratio |
|---|---|---|
| Sep-21 | 20.12 | 19.97 |
| Dec-21 | 16.29 | 17.29 |
| Mar-22 | 15.63 | 16.80 |
| Jun-22 | 14.44 | 15.61 |
| Sep-22 | 14.91 | 16.08 |
| Dec-22 | 14.11 | 14.35 |
| Mar-23 | 14.24 | 14.25 |
| Jun-23 | 14.34 | 14.16 |
| Sep-23 | 14.36 | 18.74 |

## Appendix XLIV: DSE Broad Index (DSEX) Volatility and DSE Turnover

| Month | Daily Average Index Volatility[29] | Daily Average DSE Turnover (In crore BDT) |
|---|---|---|
| Sep-21 | 103.32 | 2304.08 |
| Oct-21 | 159.88 | 1850.90 |
| Nov-21 | 106.73 | 1212.90 |
| Dec-21 | 117.88 | 922.10 |
| Jan-22 | 68.65 | 1421.00 |
| Feb-22 | 117.71 | 1163.10 |
| Mar-22 | 91.69 | 842.90 |
| Apr-22 | 69.29 | 637.11 |
| May-22 | 183.92 | 803.59 |
| Jun-22 | 64.35 | 815.44 |
| Jul-22 | 134.42 | 646.50 |
| Aug-22 | 89.31 | 1273.60 |
| Sep-22 | 40.96 | 1689.50 |
| Oct-22 | 83.53 | 1054.60 |
| Nov-22 | 80.21 | 742.10 |
| Dec-22 | 26.76 | 361.60 |
| Jan-23 | 40.82 | 509.90 |
| Feb-23 | 35.57 | 454.20 |
| Mar-23 | 21.81 | 470.30 |
| Apr-23 | 26.10 | 572.00 |
| May-23 | 28.07 | 879.10 |
| Jun-23 | 26.66 | 815.60 |
| Jul-23 | 13.08 | 778.50 |
| Aug-23 | 27.96 | 438.70 |
| Sep-23 | 12.75 | 628.10 |

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

## Appendix XLV: CSE Performance

| Month | *(In billion BDT)* | | Index | | |
|---|---|---|---|---|---|
| | Turnover | Market Capitalization | CASPI | CSE30 | CSI |
| Sep-21 | 18.42 | 5,037.43 | 21,377.07 | 15,478.42 | 1,367.49 |
| Oct-21 | 13.75 | 4,782.45 | 20,480.31 | 14,447.93 | 1,266.48 |
| Nov-21 | 9.58 | 4,552.33 | 19,614.38 | 13,882.70 | 1,197.96 |
| Dec-21 | 11.06 | 4,585.54 | 19,666.07 | 13,913.13 | 1,211.43 |
| Jan-22 | 9.41 | 4,745.74 | 20,298.59 | 14,180.92 | 1,265.70 |
| Feb-22 | 8.27 | 4,587.74 | 19,641.25 | 13,960.46 | 1,225.85 |
| Mar-22 | 6.64 | 4,545.99 | 19,748.82 | 14,103.06 | 1,245.39 |
| Apr-22 | 4.56 | 4,509.39 | 19,474.46 | 14,077.10 | 1,218.28 |
| May-22 | 4.59 | 4,310.83 | 18,667.51 | 13,540.85 | 1,186.21 |
| Jun-22 | 8.19 | 4,333.69 | 18,727.52 | 13,638.35 | 1,183.44 |
| Jul-22 | 3.72 | 4,338.98 | 17,976.66 | 13,212.21 | 1,132.58 |
| Aug-22 | 5.93 | 4,513.81 | 19,005.94 | 13,705.61 | 1,208.55 |
| Sep-22 | 13.13 | 4,412.74 | 19,189.28 | 13,473.27 | 1,234.07 |
| Oct-22 | 4.91 | 7,485.22 | 18,622.82 | 13,281.64 | 1,186.57 |
| Nov-22 | 3.59 | 7,458.58 | 18,408.51 | 13,201.73 | 1,169.88 |
| Dec-22 | 2.87 | 7,477.80 | 18,328.02 | 13,207.07 | 1,160.95 |
| Jan-23 | 2.84 | 7,534.33 | 18,513.67 | 13,277.45 | 1,172.71 |
| Feb-23 | 2.03 | 7,495.40 | 18,326.02 | 13,300.72 | 1,158.45 |
| Mar-23 | 3.22 | 7,482.34 | 18,288.35 | 13,341.81 | 1,148.76 |
| Apr-23 | 1.37 | 7,503.87 | 18,451.91 | 13,460.29 | 1,161.04 |
| May-23 | 3.22 | 7,586.99 | 18,714.52 | 13,411.25 | 1,175.40 |
| Jun-23 | 13.81 | 7,585.50 | 18,702.20 | 13,398.21 | 1,176.32 |
| Jul-23 | 3.27 | 7,717.18 | 18,683.43 | 13,357.57 | 1,171.84 |
| Aug-23 | 2.23 | 7,668.47 | 18,633.19 | 13,390.56 | 1,175.13 |
| Sep-23 | 7.91 | 7,718.92 | 18,580.58 | 13,358.74 | 1,167.70 |

## Appendix XLVI: Sectoral Turnover at CSE

| Sectors | Contribution of Sectors | |
|---|---|---|
| | Apr-Jun, 2023 | Jul-Sep, 2023 |
| Corporate Bond | 0.46% | 0.004% |
| Mutual Funds | 0.08% | 0.57% |
| Telecommunication | 10.58% | 0.61% |
| Tannery | 0.54% | 0.74% |
| Ceramics | 0.36% | 0.87% |
| Leasing & Finance | 0.62% | 0.94% |
| Paper & Printing | 1.51% | 1.67% |
| Cement | 1.06% | 1.71% |
| Life Insurance | 3.77% | 2.29% |
| Engineering | 2.66% | 2.81% |
| Textile | 5.04% | 3.68% |
| IT | 4.10% | 3.80% |
| Pharmaceuticals & Chemicals | 17.45% | 4.43% |
| Miscellaneous | 6.90% | 4.71% |
| Fuel & Power | 13.00% | 4.81% |
| Services | 4.23% | 7.10% |
| Food & Allied Product | 2.76% | 7.37% |
| General Insurance | 2.30% | 7.40% |
| Banking | 22.57% | 44.48% |

## Appendix XLVII: Sectoral Market Capitalization at CSE

| Sectors | end-June, 2023 | end-September, 2023 |
|---|---|---|
| Ceramics | 0.74% | 0.72% |
| Tannery | 0.79% | 0.77% |
| Mutual Funds | 0.87% | 0.87% |
| Paper & Printing | 0.96% | 0.94% |
| Corporate Bond | 0.94% | 0.94% |
| IT | 0.99% | 0.95% |
| Services | 1.83% | 1.71% |
| Life Insurance | 1.97% | 1.75% |
| Food & Allied Product | 1.90% | 1.88% |
| General Insurance | 2.12% | 2.47% |
| Cement | 2.82% | 2.81% |
| Textile | 3.73% | 3.68% |
| Leasing & Finance | 4.29% | 4.28% |
| Miscellaneous | 10.07% | 10.03% |
| Fuel & Power | 10.29% | 10.27% |
| Engineering | 11.72% | 11.76% |
| Telecommunication | 13.36% | 13.40% |
| Pharmaceuticals & Chemicals | 14.95% | 15.10% |
| Banking | 15.66% | 15.68% |

**Appendix XLVIII: Sectoral P/E Ratio at CSE**

| Sectors | End-June, 2023 | End-September, 2023 |
|---|---|---|
| Life Insurance | na | na |
| Corporate Bond | na | na |
| Banking | 7.68 | 7.62 |
| General Insurance | 11.03 | 11.72 |
| Fuel & Power | 12.45 | 12.4 |
| Leasing & Finance | 15.45 | 12.83 |
| Miscellaneous | 12.91 | 12.83 |
| Cement | 13.43 | 13.37 |
| Mutual Funds | 15.29 | 15.19 |
| Textile | 16.38 | 15.36 |
| Telecommunication | 16.92 | 16.92 |
| Pharmaceuticals & Chemicals | 17.04 | 16.93 |
| Engineering | 20.70 | 20.65 |
| Food & Allied Product | 25.16 | 24.8 |
| Services | 32.18 | 30.15 |
| IT | 32.78 | 31.23 |
| Tannery | 33.19 | 33.24 |
| Ceramics | 39.11 | 38.45 |
| Paper & Printing | 53.50 | 52.22 |

Note: na- not available.

**Appendix XLIX: Capital Market Exposures of Banks**

| Period | Solo basis (%) | Consolidated basis (%) |
|---|---|---|
| Sep-21 | 16.05 | 27.09 |
| Dec-21 | 15.71 | 25.49 |
| Mar-22 | 15.83 | 26.19 |
| Jun-22 | 15.51 | 25.15 |
| Sep-22 | 16.18 | 26.95 |
| Dec-22 | 16.42 | 27.25 |
| Mar-23 | 16.33 | 26.98 |
| Jun-23 | 15.94 | 26.47 |
| Sep-23 | 14.91 | 25.13 |

This report is prepared by Financial Stability Department, Bangladesh Bank, Head Office, Motijheel, Dhaka-1000, Bangladesh.

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