Quarterly

Financial Stability Assessment Report

Issue: 29, 2024 (I)

April-June 2024

Bangladesh Bank

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This report is based on unaudited and provisional data of banks and financial institutions available up to June 30, 2024 unless stated otherwise.

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Acronyms

ACD	Agricultural Credit Department
ADR	Advance-to-Deposit Ratio
ADs	Authorized Dealers
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
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
FE	Foreign Exchange
FCBs	Foreign Commercial Banks
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
GBP	British Pound Sterling
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
NPL	Non-performing Loan
NSFR	Net Stable Funding Ratio
OECD	Organization for Economic Co-operation and Development
PCBs	Private Commercial Banks
P/E Ratio	Price-Earnings Ratio
PSD	Payment Systems Department

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
USA	United States of America
USD	US Dollar
UK	United Kingdom
BBS	Bangladesh Bureau of Statistics
BIS	Bank for International Settlement
BOP	Balance of Payment
BPM6	Balance of Payments and International Investment Position Manual 6
CIB	Credit Information Bureau
FC	Finance Company
FDI	Foreign Direct Investment
FEOD	Foreign Exchange Operation Department
FOB	Free on Board
HFT	Held for Trading
IRC	Interest Rate Corridor
NII	Net Interest Income
NOI	Net Operating Income
NRC	Nomination and Remuneration Committee
EPZ	Export Processing Zone
RFCD	Resident Foreign Currency Deposit
RMG	Ready Made Garments
SMART	Six-Month Moving Average Rate of Treasury Bill

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 April-June quarter of the calendar year 2024. The report also discusses a range of issues having implications for the stability of the financial system.

The global economy remained resilient as exhibited by stable GDP growth and increased world trade volume in the review quarter. Major developed and emerging economies achieved positive growth. Policy rates remained elevated in most of the advanced economies. Industrial production remained stable, while world trade recorded modest growth. There was a moderate level of volatility in the major stock markets' indices across the world during the review quarter.

The domestic economy faced challenges, including elevated inflation, depreciation of local currency, and widened trade gap. Annual average inflation increased to 9.73 percent, 71 basis points higher than that of the corresponding quarter of the preceding year. In the review quarter, wage earners' remittance inflow registered an increase of 8.97 percent. At end-June 2024, the gross foreign exchange reserves stood at USD 26.71 billion, sufficient to cover 4.8 months' import payments on a prospective basis. At end-June 2024, the exchange rate of BDT against the USD stood at 117.99, experiencing a depreciation of 11.44 percent during the review quarter.

The banking sector experienced a slight increase in profitability, despite a moderate deterioration in asset quality. Total assets of the banking industry grew by 4.87 percent at end-June 2024 and reached BDT 25,462.60 billion. Asset quality deteriorated as the non-performing loan ratio increased by 1.45 percentage points compared to the preceding quarter. Additionally, the provision maintenance ratio stood at 78.27 percent, recording a decrease of 2.12 percentage points from the previous quarter. However, Return on Assets and Return on Equity increased to 0.40 percent and 7.85 percent respectively, from 0.23 percent and 4.32 percent in the preceding quarter.

The banking sector's risk based capital adequacy ratio decreased in the review quarter. At end-June 2024, the Capital to Risk-weighted Assets Ratio of the banking sector stood at 10.64 percent, 21 basis points lower compared to that of the previous quarter. Most of the banks met the minimum regulatory capital requirement. The Tier-1 capital ratio experienced a decline of 16 basis points and appeared at 7.61 percent. In terms of liquidity, the Liquidity Coverage Ratio and Net Stable Funding Ratio remained above regulatory requirements.

A declining trend was observed in the performance of Finance Companies at end-June 2024, owing to the decline in asset quality and profitability. In the review quarter, Finance Companies showed mixed trends, with growth in total assets and decline in profitability compared to the previous quarter. Total assets of the FCs increased to BDT 1,007.17 billion at the end of June 2024 from BDT 990.71 billion at the end of the previous quarter. However, the ratio of non-performing loans rose to 33.15 percent, up 2.29 percentage points from the previous quarter. The annualized ROA declined to -2.44 percent from -1.99 percent in the previous quarter. In addition, the risk based capital adequacy ratio declined by 6.55 percentage points from the previous quarter and registered at -3.31 percent at the end of the review quarter. In terms of liquidity situation, cash reserve ratio and statutory liquidity ratio deteriorated in the review quarter.

Stress test results based on end-June 2024 exhibited a moderate level of resilience of the banking sector to different shock scenarios. Among the broad risk factors, credit risk remained to be the most prominent factor in terms of its impact on the banks' capital adequacy. Results of the stress test indicate that the shock namely default of top borrowers is likely to have the highest impact on the banking sectors' resilience in terms of capital adequacy, which is followed by the increase in NPLs by 3 percent, negative shift in the NPL categories, and decrease in the Forced Sale Value of mortgaged collateral. For all of the above shock scenarios, the banking sectors' Capital to Risk-weighted Assets Ratio would fall below the minimum regulatory requirement of 10 percent. In terms of market risk, the banking industry appeared to be resilient for all shock scenarios except interest rate risk. In case of combined shock (excluding default of top large borrowers and increase in NPLs of the highest outstanding sector), the Capital to Risk-weighted Assets Ratio of the banking industry would decline to 5.27 percent from 10.64 percent of pre-shock scenario.

In the review quarter, the capital market exhibited a downward trend. At end-June 2024, the main indices of the Dhaka Stock Exchange and Chittagong Stock Exchange portrayed a downward trend compared to those of end-March 2024. Market capitalization and turnover of the DSE decreased during the review period compared to those of the previous quarter. The CSE experienced a decline in market capitalization despite an increase in its turnover. The capital market of Bangladesh seems to have limited 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 undertaken several policy initiatives to address stability of the financial system. Amongst others, BB launched a BDT 50 billion refinance scheme, offering credit to farmers at subsidized rate aimed at boosting food security; issued guidelines for bank amalgamation as part of Prompt Corrective Action (PCA) framework; pursued fully market-based interest rate policy.

CHAPTER 1: MACROECONOMIC DEVELOPMENTS

1.1 Global Macroeconomic Situation

The global economy has remained resilient during the disinflationary process, despite a sharp and coordinated tightening of monetary policy worldwide. While some countries, especially low-income developing ones, are confronting significant downward growth adjustments due to rising conflicts, overall global growth has been satisfactory and is projected to stay steady at 3.2 percent in 2024 and 2025[1]*. During the review quarter, world trade improved in tandem with the output growth. Moreover, global industrial production recorded positive growth. Commodity prices increased slightly while major stock market indices demonstrated a moderate level of volatility.*

1.1.1 Global GDP Growth

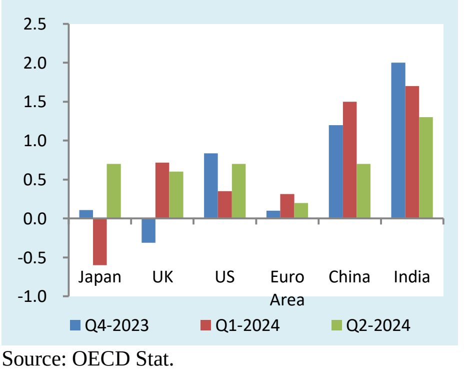
World economic activities exhibited steady momentum indicated by relatively stable GDP growth and incremental world trade volume in the review quarter.

The Euro area, consisting of 20 countries, experienced an economic growth of 0.2 percent in the second quarter, which was slightly lower than that of the first quarter. Both France and Italy had positive growth of 0.2 percent while German economy contracted by 0.1 percent[2].

Growth rate of UK remained positive for the last two consecutive quarters. In addition, the US economy expanded by 0.7 percent in the review quarter.

Major Asian economies such as China and India continued to grow for consecutive quarters. In addition, Japan registered positive growth in the review quarter.

Chart 1.1: Quarterly GDP Growth of Major Economies



Source: OECD Stat.

Vigorous manufacturing activities and exports growth helped China earn moderate growth of 0.7 percent despite slower growth in industrial production. Indian economy remained strong and achieved moderate growth of 1.3 percent in the review quarter aided by strong domestic demand and rising working-age population. Moreover, Japan did well with a growth rate of 0.7 percent after

[1] World Economic Outlook, IMF, October 2024 issue

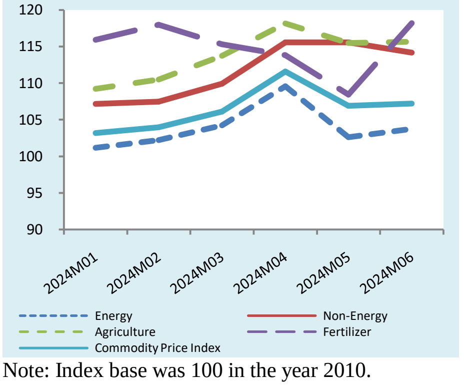
[2] OECD stat for GDP growth.

experiencing negative growth in the previous quarter. However, South Korean Economy shrank by 0.2 percent.

1.1.2 Global Inflation

The global economy has shown resilience against the disinflation process. Elevated service prices are slowing the disinflation process, making it harder to normalize monetary policy. Furthermore, rising commodity prices in the second quarter of 2024 are putting additional pressure on the normalization of monetary tightness. Prices of non-energy, agricultural goods and fertilizer slightly increased during the review quarter. Price index of agricultural goods and fertilizer stood at 115.66 and 118.20, respectively at end-June 2024.

Chart 1.2: Commodity Price Index (January 2024 to June 2024)



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

Energy prices continued to exhibit volatility as tensions in middle-east intensified. Energy price index ended at 103.77 at end-June 2024, slightly lower from 104.23 at end-March 2024, much to the relief of its importing countries. Non-energy price index appeared at 114.16 at end-June 2024, which was higher than that of the last quarter.

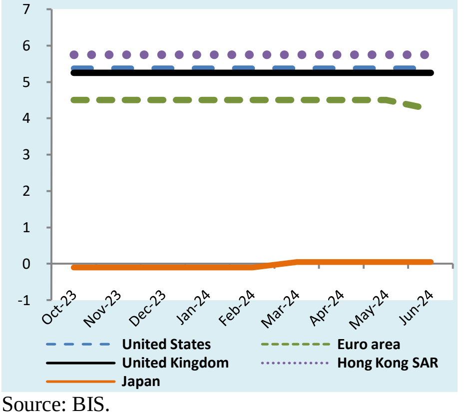
1.1.3 Global Financial Condition

The global financial condition remained relatively stable in the review quarter. Policy rates remained stable as well, especially in advanced economies. Major stock indices across the globe appreciated moderately.

1.1.3.1 Global Monetary Policy Response

Advanced economies kept their policy rates stable but at an elevated level to tackle high inflationary pressure. Although policy rates in the Euro Area decreased in the review quarter, it remained high at 4.25 percent. The rate in the US, UK and Hong Kong SAR remained above 5 percents throughout the review quarter (Chart 1.3).

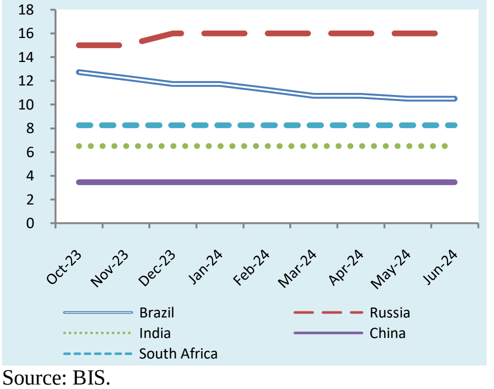
Chart 1.3: Policy Rates of Advanced Economies' Central Banks



Source: BIS.

BRICS nations kept their policy rates more or less stable except Brazil, which slightly decreased the rate in the review quarter (Chart 1.4).

Chart 1.4: Policy Rates of BRICS' Central Banks

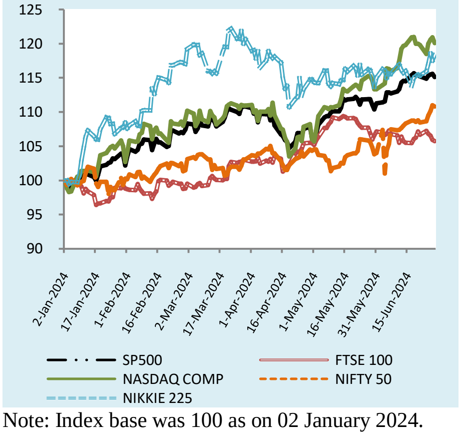


Source: BIS.

1.1.3.2 Global Equity Market

Most of the major stock indices were moderately volatile. Major indices such as SP500, FTSE 100, NASDAQ Composite and Nifty 50 increased while NIKKIE 225 slightly decreased in the review quarter (Chart 1.5).

Chart 1.5: Selected Equity Markets[3]



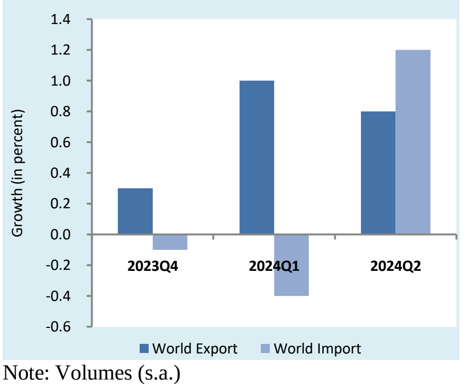
Note: Index base was 100 as on 02 January 2024.
Source: The Wall Street Journal, FSD Calculation.

[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 increased in the review quarter with export and import rising by 0.8 percent and 1.2 percent, respectively compared to those of the preceding quarter.

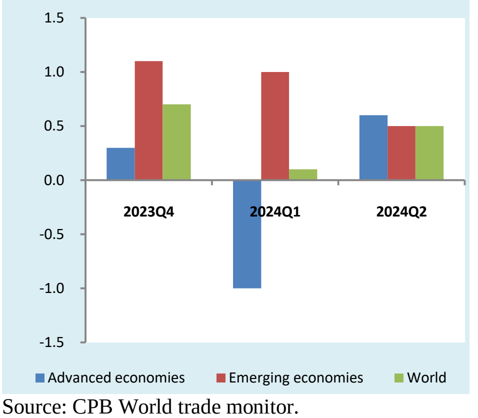
Chart 1.6: Global Merchandise Export and Import Growth



Note: Volumes (s.a.)
Source: CPB World trade monitor.

Industrial production increased in emerging economies by 0.5 percent in the review quarter, mainly led by emerging Asia excluding China, Latin America and Eastern Europe. Major economies like the UK and the Euro area experienced declining in industrial production in the review quarter as compared to that of the previous quarter while the same increased for the USA, Japan and other advanced economies. As a whole, global industrial production grew marginally in the review quarter (Chart 1.7).

Chart 1.7: Global Industrial Production Growth



Source: CPB World trade monitor.

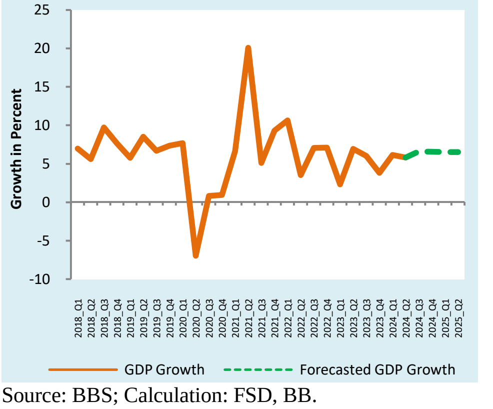
1.2 Domestic Macroeconomic Situation

The economy of Bangladesh remained moderately stable as indicated by quarterly real GDP growth, although the country is facing diverse challenges such as elevated inflation, depreciation of local currency, and a decline in exports for several quarters. Nevertheless, the increasing trend of wage earners' remittance, improvement in foreign exchange reserves, and positive position of Balance of Payment are illuminating the potentially growing economic environment ahead. Moreover, proactive initiatives undertaken by the Government and Bangladesh Bank are anticipated to yield positive outcomes in the following days. However, increasing government's reliance on borrowing from the banking sector might narrow down the private sector investment. The headline inflation increased slightly during the review quarter.

1.2.1 Gross Domestic Product (GDP)

The quarterly growth (quarter on quarter) of real GDP remained moderately stable in recent periods with some seasonal fluctuations. During the first quarter (Q1)[4] of 2024, the real GDP grew by 6.12 percent compared to the Q1 of 2023. However, the growth decreased to 5.82 in the second quarter of 2024. The forecasted[5] GDP growth till Q2 of 2025 is likely to remain stable without any significant fluctuations (Chart 1.8).

Chart 1.8: Quarterly Real GDP Growth



Source: BBS; Calculation: FSD, BB.

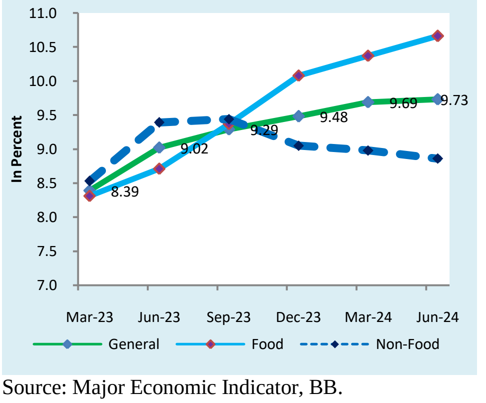
1.2.2 Inflation

Inflation remained elevated despite several policy initiatives taken by the Government and Bangladesh Bank. At end-June 2024, the headline inflation rose to 9.73 percent (twelve-month average, base year 2021-2022[6]), which was 4 basis points higher than that of

[4] Q1 indicates January-March quarter.
[5] The forecasting is made by linear regression using single variable.
[6] Twelve-month average food and non-food indices have been calculated after shifting the base year from FY06 to FY22.

end-March 2024. In the review quarter, food inflation increased by 29 basis points than that of the previous quarter and reached at 10.66 percent, while non-food inflation declined by 12 basis points and stood at 8.86 percent for the same period. However, compared with the same quarter of the previous year (June 2023), the headline inflation rose by 71 basis points, mainly driven by a 195 basis points increase in food inflation. Nevertheless, the non-food inflation declined by 53 basis points during the same period (Chart 1.9).

Chart 1.9: Quarterly Inflation (Twelve Month Average)

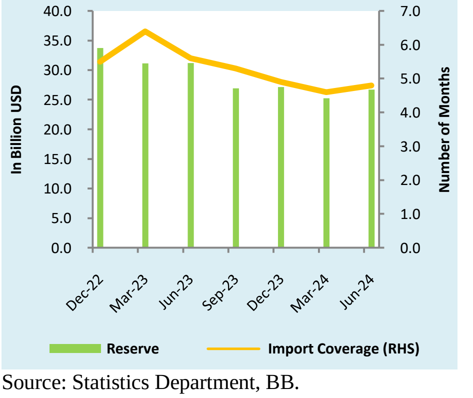


Source: Major Economic Indicator, BB.

1.2.3 Foreign Exchange Reserves and its Import Coverage

The gross foreign exchange reserves and the import coverage increased in the review quarter compared to the previous quarter. At end-June 2024, the gross foreign exchange reserves was USD 26.71 billion (USD 21.69 billion as per BPM6[7]), which was 5.87 percent higher than that of end-March 2024. The gross reserves was sufficient to cover 4.8 months' import payments on a prospective basis compared to 4.6 months' coverage at end-March 2024 (Chart1.10). However, in comparison with June 2023, the gross reserves declined by 14.39 percent in the review quarter.

Chart 1.10: Foreign Exchange Reserves



Source: Statistics Department, BB.

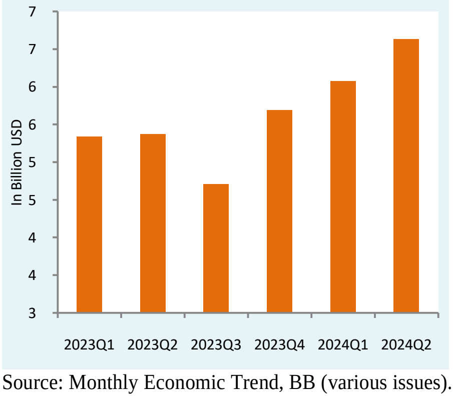
1.2.4 Wage Earners' Remittance

Wage earners' remittance demonstrated an increasing trend in the last three consecutive quarters. Total remittance inflow increased by 8.97 percent in the review quarter compared to that of the previous quarter and stood at USD 6.84 billion. Likewise, remittance inflow increased by 22.64 percent in the review quarter in comparison with the same quarter of the previous year (Chart 1.11). The rising trend of remittance inflow might contribute to stabilizing the

[7]Calculation according to BPM6 (Balance of Payments and International Investment Position Manual 6), Source: NSDP.

foreign exchange market of the country.

Chart 1.11: Wage Earners' Remittance

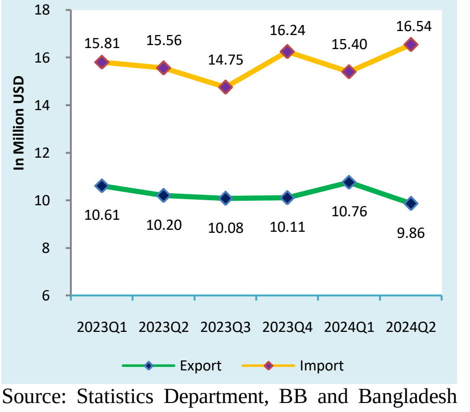


Source: Monthly Economic Trend, BB (various issues).

1.2.5 Exports (FOB) and Imports (FOB)

The external trade deficit widened further due to declining exports and increasing imports in the review quarter. Aggregate exports[8] declined by 8.34 percent during the review quarter compared to those of the previous quarter and stood at USD 9.86 billion while aggregate imports[9] increased by 7.40 percent and reached at USD 16.54 billion for the same period. Moreover, in comparison with the same quarter of the previous year, exports declined notably by 3.30 percent, whereas imports increased by 6.31 percent (Chart 1.12). Widening trade deficit may deteriorate the current account position and put additional pressure on the balance of payments.

Chart 1.12: Exports (FOB) and Imports (FOB)



Source: Statistics Department, BB and Bangladesh Bank Quarterly.

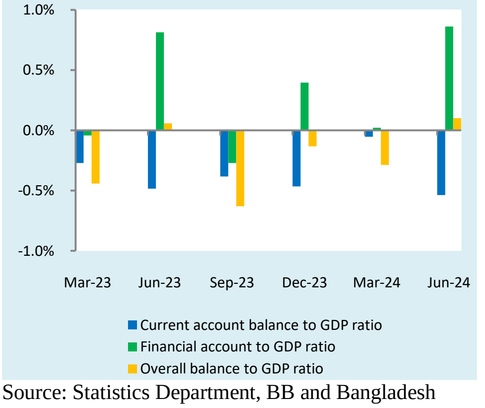
1.2.6 Balance of Payment

The Balance of Payments (BOP) demonstrated a positive position during April-June 2024, mainly attributed to a substantial surplus in the financial account, although the current account balance remained significantly negative. The financial account balance and the overall balance (BOP) as a percent of GDP improved in the review quarter compared to the previous quarter and stood at 0.86 percent and 0.10 percent respectively. Moreover, the corresponding ratios improved in comparison with the same quarter of 2023 as well. Conversely, the current account balance as a percent of GDP deteriorated in the review quarter compared to the previous quarter as well as the same quarter of 2023 and appeared negative 0.53 percent (Chart 1.13).

[8]NBR revised and provided the export shipment data to Bangladesh Bank and EPB by adjusting multiple entries from October 2023 to March 2024. The export (FOB) has been adjusted for export from EPZ to Bangladesh, CMT exports etc.

[9]The import (FOB) has been adjusted for freight, goods procured in ports etc.

Chart 1.13: Balance of Payment Position

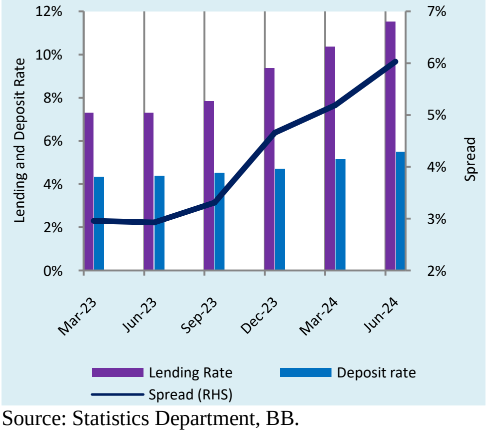


Source: Statistics Department, BB and Bangladesh Bank Quarterly.

1.2.7 Interest Rate

The banking sector has been experiencing an increasing trend in interest rates in recent quarters. The weighted average lending rate increased notably by 116 basis points at end-June 2024 compared to that of end-March 2024 while the weighted average deposit rate rose by 32 basis points for the same period. At end-June 2024, the weighted average lending and deposit rates stood at 11.52 percent and 5.49 percent, respectively. As the increase in lending rate outpaced the increase in the deposit rate, the spread[10] widened by 84 basis points in the review quarter and stood at 6.03 percent (Chart 1.14). In comparison with the same quarter of 2023, the spread increased by 3.10 percentage points in the review quarter. The increase in interest rate might be attributed to the contractionary monetary policy adopted by BB.

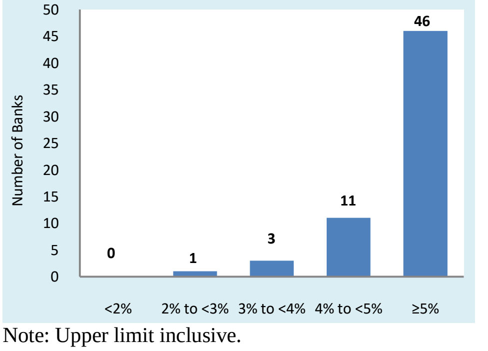
Chart 1.14: Interest Rate Spread



Source: Statistics Department, BB.

Amongst the 61 banks operating in Bangladesh, more than two-third banks held a spread of 5 percent and above. Besides, 11 banks operated with a spread ranging from 4 to less than 5 percent, whereas the spread of the remaining 4 banks was less than 4 percent (Chart 1.15).

Chart 1.15: Number of Banks by Interest Rate Spread



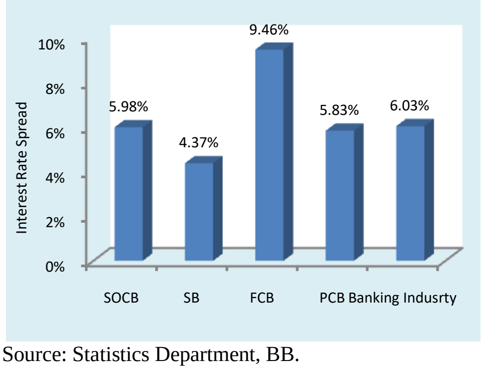
Note: Upper limit inclusive.
Source: Statistics Department, BB

In cluster-wise distribution of spread, it was observed that the Specialized Banks (SBs) had the lowest spread (4.37 percent) at end-June 2024, whereas the Foreign Commercial Banks (FCBs) operated with the

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

highest spread of 9.46 percent for the same period (Chart 1.16).

Chart 1.16: Cluster-wise Interest Rate Spread

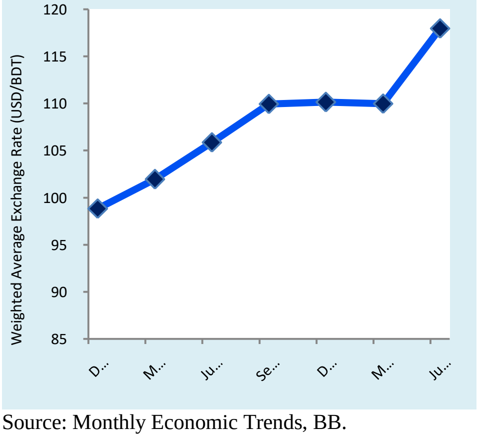


Source: Statistics Department, BB.

1.2.8 Exchange Rate

The Bangladeshi Taka (BDT) has been experiencing depreciation against the USD for the past few quarters. During April-June 2024, the BDT depreciated by 7.26 percent, and thereby the exchange rate of BDT per USD[11] stood at 117.99. Moreover, in comparison with end-June 2023, the local currency depreciated by 11.44 percent at end-June 2024 (Chart 1.17).

Chart 1.17: Exchange Rate (Period Average)

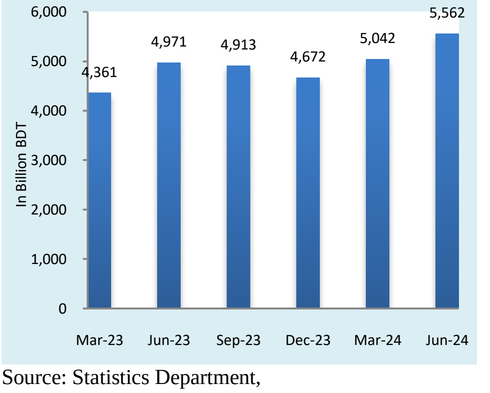


Source: Monthly Economic Trends, BB.

1.2.9 Credit to the Government (Gross) by the Banking System

Credit to the Government[12] (gross) by the banking system demonstrated an increasing trend and reached BDT 5,561.52 billion in the review quarter, 10.31 percent higher compared to the previous quarter. Moreover, in comparison with end-June 2023, it increased by 11.89 percent at the end of the review quarter (Chart 1.18).

Chart 1.18: Credit to the Government. (Gross) by the Banking System



Source: Statistics Department,

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

[12] Credit to the Government on a gross basis.

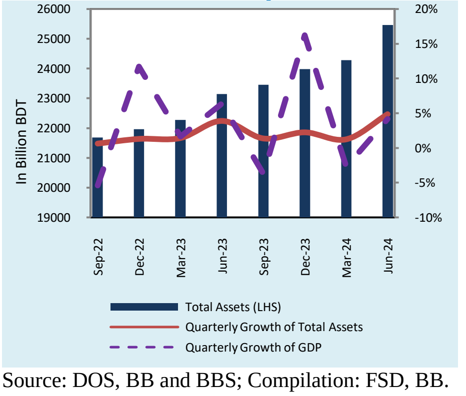
CHAPTER 2: BANKING SECTOR PERFORMANCE

In June 2024 quarter, the banking industry registered a moderate increase in Total Assets while the asset quality deteriorated marginally. However, banking sector's profitability indicators particularly Return on Assets (ROA) and Return on Equity (ROE) exhibited an upturn in the review period.

2.1 Assets Structure

The banking industry witnessed an expansion in total assets and asset growth during the review quarter. At the end of June 2024, the banking industry's total assets stood at BDT 25,462.60 billion, registering an increase of BDT 1,181.76 billion from that of the end of March 2024. The asset growth in the review quarter was 4.87 percent compared to 1.24 percent recorded in the preceding quarter (Chart 2.1).

Chart 2.1: Asset Size of the Banking Industry

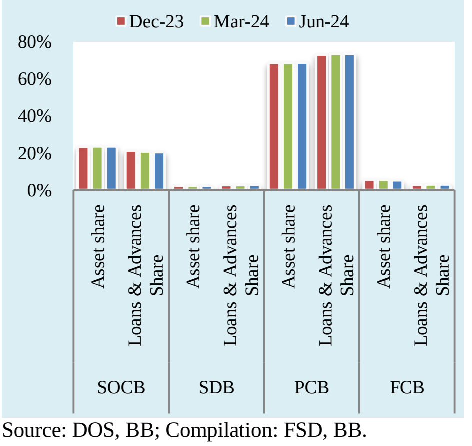


Source: DOS, BB and BBS; Compilation: FSD, BB.

This growth in total assets was mostly related to the increase in some asset categories namely; balance with Bangladesh Bank and Sonali Bank, investment in securities and other assets. The quarterly growth of total assets trailed the trend of quarterly growth of GDP and the assets-to-GDP[13] ratio reached at 8.57 percent at end-June 2024 quarter, registering an increase of 6.33 percentage points compared to end-March 2024 quarter. In the review quarter, the PCB cluster held the majority of the banking sector's total assets, and loans and advances, which were 68.84 percent and 73.53 percent respectively followed by SOCB cluster with 23.61 percent and 20.54 percent, respectively. The share of FCB cluster in industry's total assets decreased during the review period compared to the preceding period, whereas the shares of PCB, and SOCB clusters slightly increased and that of SDB cluster remained unchanged. In case of industry's loans and advances, the shares of SDB, PCB and FCB clusters experienced a marginal upturn while that of SOCB cluster got a downfall in the review quarter (Chart 2.2).

[13]GDP at current market price for the financial year 2023-24 is taken into account where the base year is 2015-16.

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



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

Among the different categories of assets, loans and advances was the principal segment holding 63.71 percent of industry's total assets at the end of June 2024, followed by investments, and balance with Bangladesh Bank and Sonali Bank (Table 2.1).

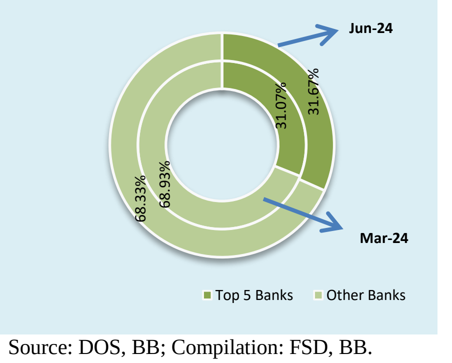
Table 2.1: Asset Structure of the Banking Industry

Component of Assets	% of Total Asset (End Mar'24)	% of Total Asset (End Jun'24)	Change (PP)
Cash in hand	1.27	1.18	-0.09
Balance with Bangladesh Bank and Sonali Bank	3.13	5.01	1.88
Balance with other banks and financial Institutions	3.20	3.61	0.41
Money at call and short notice	0.42	0.31	-0.11
Investment at cost	16.80	17.29	0.49
Loans and Advances	65.63	63.71	-1.92
Bill discounted and purchased	3.19	3.17	-0.02
Fixed Assets	1.23	1.19	-0.04
Other Assets	5.05	4.45	-0.60
Non-banking assets	0.08	0.08	0.00

Note: PP-Percentage Point. Figures/estimates may not add up due to rounding off.
Source: DOS, BB; Compilation: FSD, BB.

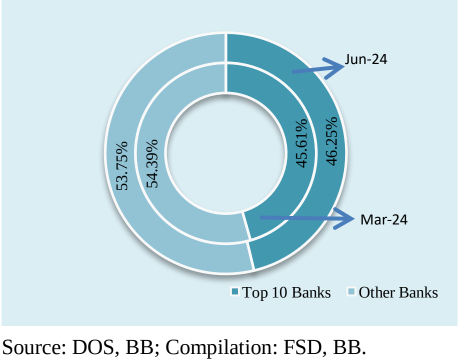
In the review quarter, asset concentration ratio[14] of both the top 10 and the top 5 banks slightly increased compared to the preceding quarter. As of end-June 2024, the top five banks pooled 31.67 percent of the banking industry's total assets, an increase of 0.60 percentage point from that of end-March 2024. The same ratio for the top 10 banks was 46.25 percent at end-June 2024, which was 0.64 percentage point higher than that of the previous quarter (Chart 2.3 and Chart 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

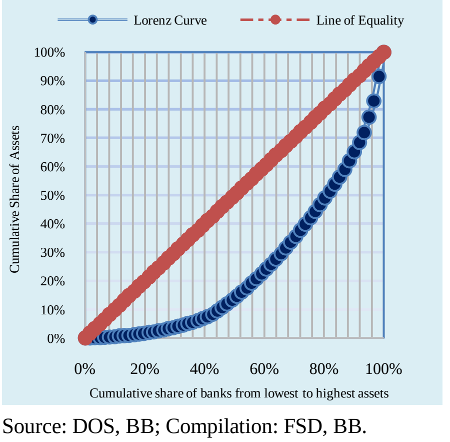


Source: DOS, BB; Compilation: FSD, BB.

[14]Asset concentration ratio of top 5 or 10 banks (based on their asset size) is defined as the ratio of total assets of top 5 or 10 banks respectively over the total assets of the banking industry.

In the review quarter, the Gini Coefficient, which is determined based on the Lorenz Curve, has also been used to show the presence of unequal asset concentration in the banking sector. As shown in Chart 2.5, the Lorenz Curve reveals that top 15 out of 61 banks hold about 57.95 percent of total banking assets, indicating a moderate level of concentration in the banking industry's asset structure. At the end of June 2024, the computed Gini Coefficient[15] was 0.514, which indicated that the distribution of assets among the banks was moderately unequal.

Chart 2.5: Banking Sector Asset Concentrations - Lorenz Curve



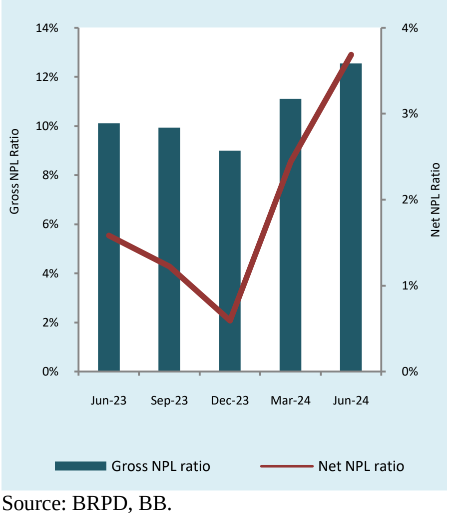
Source: DOS, BB; Compilation: FSD, BB.

2.2 Asset Quality

The banking industry's gross Non-Performing Loan (NPL) ratio[16] increased by 1.45 percentage points compared to the preceding quarter and stood at 12.56 percent at end-June 2024 (Chart 2.6).

The net NPL ratio[17] of the industry reached 3.68 percent at end-June 2024 quarter compared to 2.44 percent in the preceding quarter. This rise in net NPL ratio in the review quarter appeared to be attributed by a notable increase of classified loans.

Chart 2.6: NPL Ratios of the Banking Industry



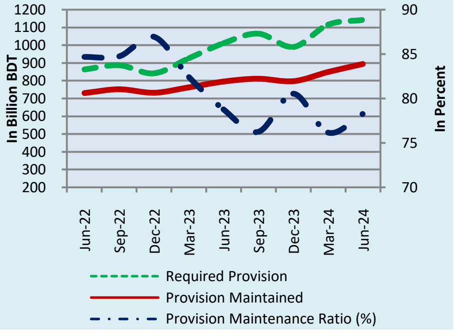
Source: BRPD, BB.

The required provision in the banking industry rose by 2.42 percent and stood at BDT 1,141.66 billion in the review quarter. On the other hand, maintained provision increased by 5.27 percent and reached to BDT 893.55 billion. As a result, provision maintenance ratio reached to 78.27 percent compared to 76.15 percent in the previous quarter (Chart 2.7).

[15] A value of zero expresses perfect equality whereas a value of one refers to perfect inequality.
[16] Ratio of non-performing loans to total outstanding loans inclusive of domestic banking unit (DBU) and off- shore banking unit (OBU).

[17] Net NPL Ratio=Percent of classified loan on total loan outstanding net of interest suspense and actual provision.

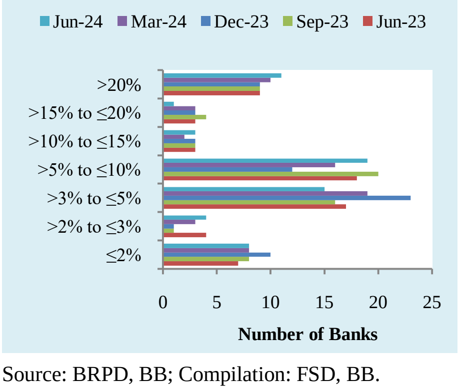
Chart 2.7: Banking Sector Loan Loss Provision



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

The distribution of banks, based on their gross NPL ratios, showed that the number of banks having NPL ratio within 5 percent decreased in the review quarter compared to the previous quarter (Chart 2.8). At end-June 2024, 27 banks maintained a non-performing loan (NPL) ratio within 5 percent, showing a decrease from the 30 banks within the same range in the previous quarter. Furthermore, at end-June 2024, the number of banks having NPL ratio more than 20 percent increased to 11 from 10 at end-March 2024.

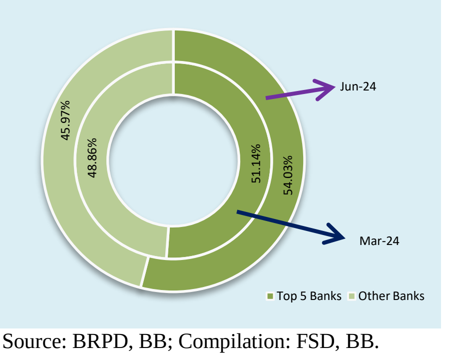
Chart 2.8: Distribution of Banks by Gross NPL Ratio



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

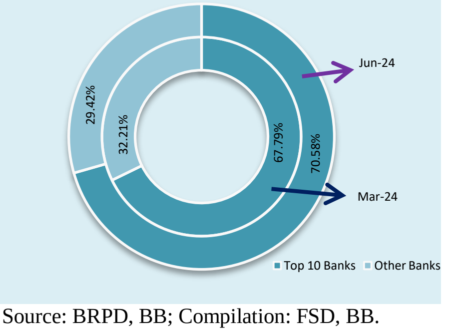
In the review quarter, the NPL concentration[18] among the top 5 and the top 10 banks increased by 2.89 percentage points and 2.79 percentage points, respectively compared to the preceding quarter. At the end of June 2024, the top 5 and the top 10 banks' NPL concentrations were 54.03 percent and 70.58 percent, respectively (Chart 2.9 and Chart 2.10). The gradual rise in NPL concentration among the top 5 and the top 10 banks is 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

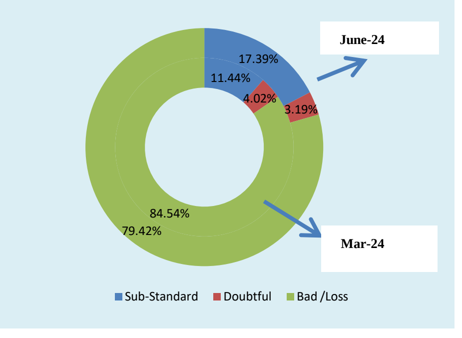


Source: BRPD, BB; Compilation: FSD, BB.

[18] 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 size of NPLs.

Although the share of Bad and Loss loans in total Non-Performing Loans (NPLs) declined in June 2024 quarter, it still represents the largest portion of total NPLs. Out of total classified loans, Bad and Loss category held 79.42 percent while shares of Sub-Standard and Doubtful loans were 17.39 percent and 3.19 percent respectively (Chart 2.11).

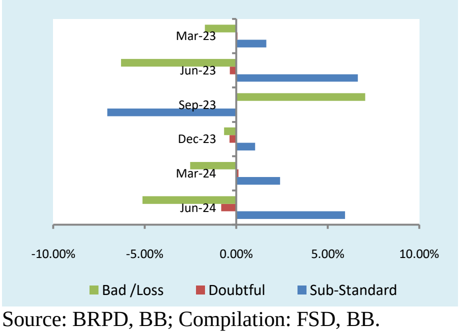
Chart 2.11: NPLs Composition



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

In comparison with the previous quarter, the proportion of Bad and Loss loans and Doubtful loans to total NPLs decreased by 5.12 percentage points and 0.83 percentage point, respectively while the proportion of Sub-Standard loans increased by 5.95 percentage points (Chart 2.12).

Chart 2.12: Proportional Shift of NPLs Categories

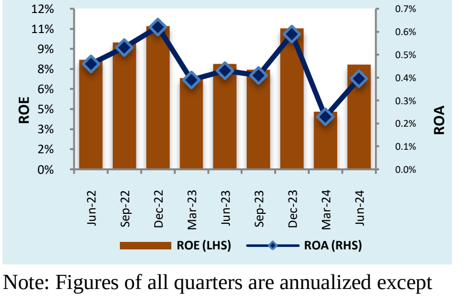


Source: BRPD, BB; Compilation: FSD, BB.

2.3 Profitability

The banking sector's profitability indicators, Return on Assets (ROA) and Return on Equity (ROE), experienced an increase of 0.17 percentage point and 3.53 percentage points respectively in the review quarter compared to the preceding quarter. At end-June 2024, the banking sector's ROA and ROE stood at 0.40 percent and 7.85 percent, respectively (Chart 2.13).

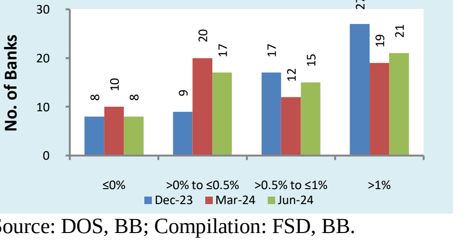
Chart 2.13: ROA and ROE of the Banking Sector



Note: Figures of all quarters are annualized except December 2022 and December 2023.
Source: DOS, BB; calculation: FSD, BB.

At end-June 2024, 25 banks had a ROA within 0.50 percent while the remaining 36 banks surpassed the aforesaid value. The corresponding number of banks in the preceding period was 30 and 31, respectively (Chart 2.14).

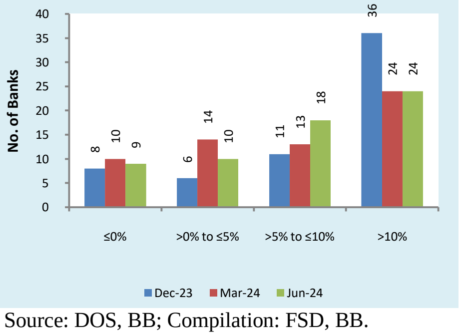
Chart 2.14: Distribution of Banking Sector Return on Assets (ROA)



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

Chart 2.15 illustrates that, in the review quarter, 19 banks recorded low Return on Equity (ROE) within 5 percent range; a decline from the prior quarter, where 24 banks recorded ROE in the same range. Furthermore, 24 banks registered an ROE exceeding 10 percent in the last two quarters.

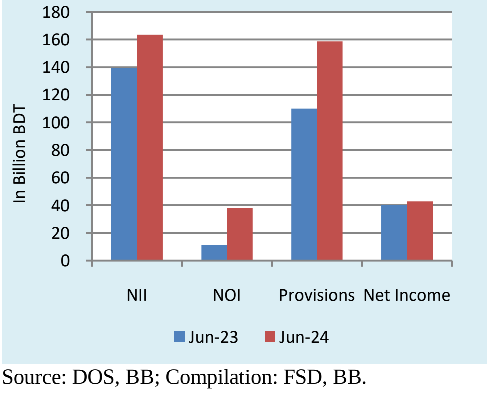
Chart 2.15: Distribution of Banking Sector Return on Equity (ROE)



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

The banking industry's net income rose from BDT 40.34 billion at end-June 2023 to BDT 42.82 billion in the review quarter (Chart 2.16). This increase in net income was driven by rise in net interest income (NII) and net operating income (NOI).

Chart 2.16: Decomposition of Earnings of Banking Sector



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

CHAPTER 3: FINANCE COMPANIES PERFORMANCE

In June 2024 quarter, Finance Companies (FCs) experienced an upturn in asset growth compared to the previous quarter. However, NPL ratio worsened and one of the major profitability indicators, Return on Assets (ROA), further deteriorated.

3.1 Growth of Liabilities, Equities and Assets

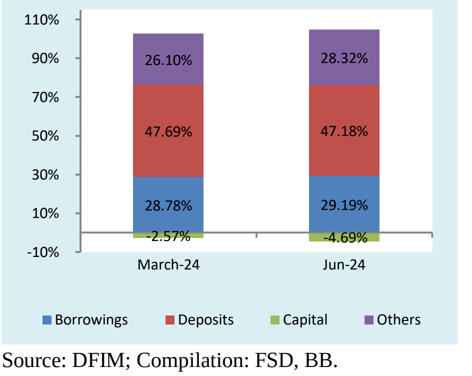
In the review quarter, total liabilities and equities of the FCs increased by 1.66 percent. Likewise, borrowings, deposits and other liabilities increased by 3.11 percent, 0.56 percent and 10.33 percent respectively. However, total equity of FCs decreased significantly by 85.76 percent compared to the previous quarter and stood at BDT -47.21 billion in the review quarter.

With a growth of 1.66 percent compared to end-March 2024, total assets of the FCs stood at BDT 1,007.17 billion at end-June 2024. In addition, cash and liquid assets, earning assets and other assets increased by 5.46 percent, 0.72 percent, and 7.90 percent, respectively. Fixed assets on the contrary declined by 0.21 percent in the review quarter.

3.1.1 Sources of Fund: Composition and Contribution

In the review quarter, FCs total fund comprised of deposits (47.18 percent), borrowings (29.19 percent), capital (-4.69 percent), and other liabilities (28.32 percent). At end-June 2024, the shares of borrowings and other liabilities increased by 0.41 percentage point and 2.22 percentage points while the shares of deposits and capital declined by 0.51 percentage point and 2.12 percentage points, respectively compared to those of end-March 2024 (Chart 3.1).

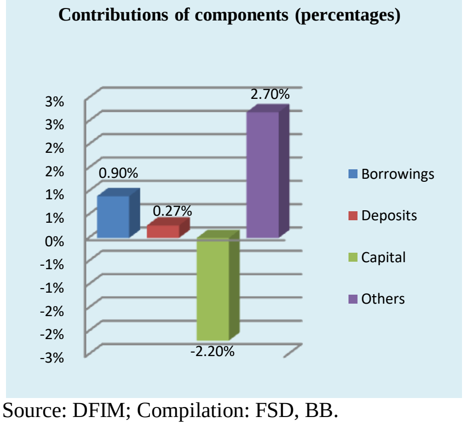
Chart 3.1: Composition of Sources of Fund



Source: DFIM; Compilation: FSD, BB.

In the review quarter, total liabilities and shareholders' equity, as mentioned earlier, experienced a rise of 1.66 percent, which was mainly due to increase in borrowings, deposits and other liabilities. The contributions of these three were 0.90 percent, 0.27 percent and 2.70 percent, respectively. On the other hand, the contribution of capital decreased by 2.20 percent at end-June 2024 (Chart 3.2).

Chart 3.2: Contribution of Different Components in Growth of Liabilities and Equities at end-June

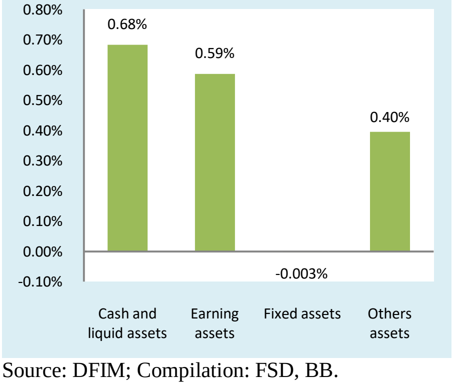


Source: DFIM; Compilation: FSD, BB.

3.1.2 Assets: Composition and Contribution

At the end of June 2024, assets growth was positively contributed by cash and liquid assets, earning assets, and other assets, while fixed assets experienced a nominal decline (Chart 3.3).

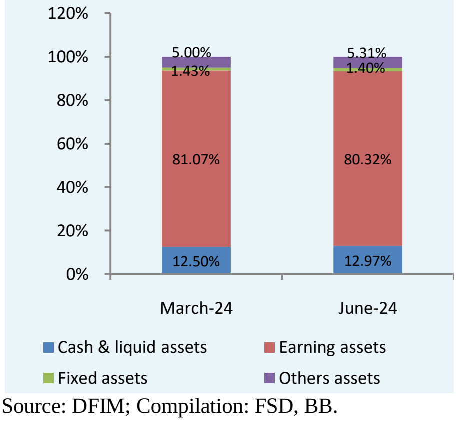
Chart 3.3: Contribution of Components in Growth of Assets at end-June 2024



Source: DFIM; Compilation: FSD, BB.

At the end of June 2024, total earning assets (loans, leases, and investments) held the largest portion of finance companies' total assets, making up 80.32 percent. The remaining assets comprised of cash and liquid assets, fixed assets, and other assets. The shares of these components were 12.97 percent, 1.40 percent and 5.31 percent, respectively (Chart 3.4).

Chart 3.4: Composition of Assets

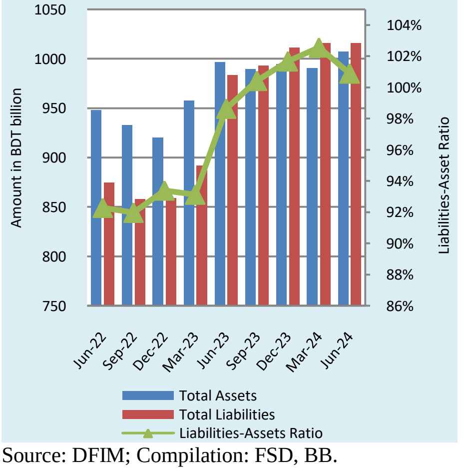


Source: DFIM; Compilation: FSD, BB.

3.1.3 Liabilities-Assets Ratio

The liabilities to assets ratio stood at 100.89 percent at end-June 2024, which was 1.68 percentage points lower than that of end-March 2024 (Chart 3.5).

Chart 3.5: FCs' Liabilities-Assets Ratio

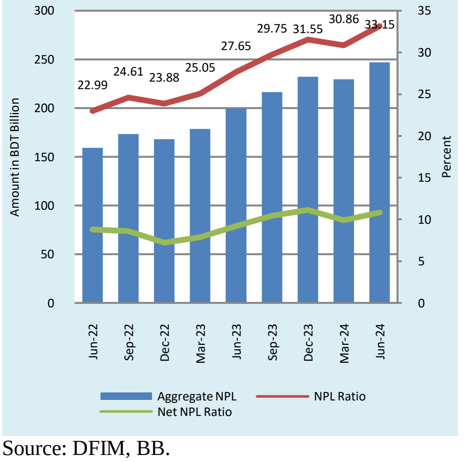


Source: DFIM; Compilation: FSD, BB.

3.2 Asset Quality

At end-June 2024, FCs' non-performing loans and leases increased by 7.62 percent and reached at BDT 247.11 billion from BDT 229.61 billion at end-March 2024. The ratio of non-performing loans and leases registered at 33.15 percent at end-June 2024, which was 2.29 percentage points higher than that of end-March 2024 (Chart 3.6). Besides, net NPL ratio[19] stood at 10.83 percent, which increased by 0.94 percentage point compared to that of the preceding period.

Chart 3.6: FCs' Non-performing Loans

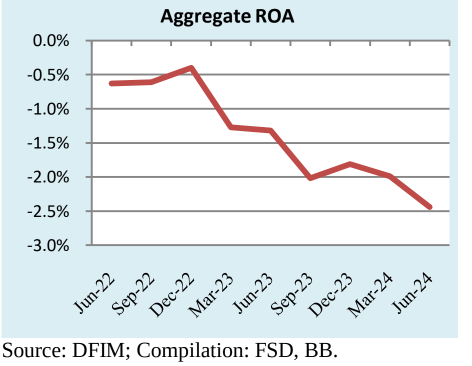


Source: DFIM, BB.

3.3 Profitability

During the review period, the annualized Return on Assets (ROA) of finance companies declined to -2.44 percent, down from -1.99 percent in the previous quarter (Chart 3.7). In addition, total equity got declined to BDT -47.21 billion and net loss after tax stood at BDT 12.28 billion.

Chart 3.7: FCs' ROA

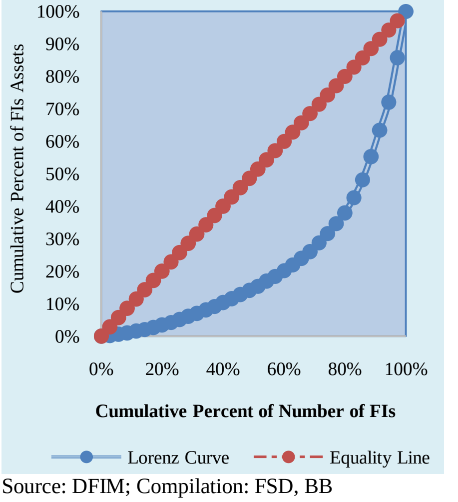


Source: DFIM; Compilation: FSD, BB.

3.4 Asset Concentration

FC sectors asset concentration has been illustrated using the Lorenz curve and Gini coefficient. According to this coefficient, the largest 20 percent of FCs held around 60 percent of total assets, demonstrating the presence of high concentration in the asset structure of FCs sector (Chart 3.8). The calculated Gini coefficient at end-June 2024 was 0.547, which implied the unequal distribution of assets among the FCs.

Chart 3.8: FCs' Asset Concentration- Lorenz Curve



Source: DFIM; Compilation: FSD, BB

[19] After netting off interest suspense and actual provisions maintained.

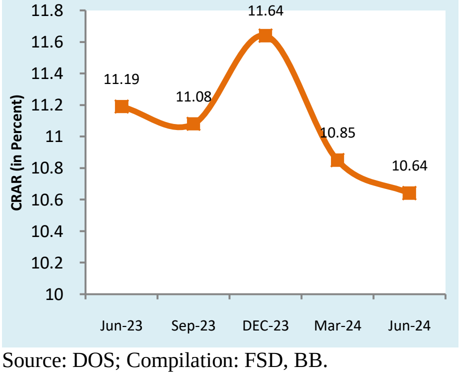
CHAPTER 4: BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

The banking sector maintained the required level of Capital to Risk-Weighted Asset Ratio (CRAR) despite a slight decline in the review quarter. The industry also met all of the regulatory liquidity requirements and standards, including CRR, SLR, LCR, and NSFR.

4.1 Capital Adequacy

The banking sector maintained BDT 1,594.58 billion as regulatory capital against the minimum requirement of BDT 1,537.31 billion in the review quarter. The sector's quarterly CRAR experienced a downfall at the end of June 2024 compared to that of the previous quarter. The CRAR appeared at 10.64 percent at the end of the review quarter, which was 10.85 percent at the end of March 2024. In spite of a downward trend across the latest quarter, the maintained CRAR ratio was found higher than the minimum regulatory requirement of 10.00 percent (Chart 4.1).

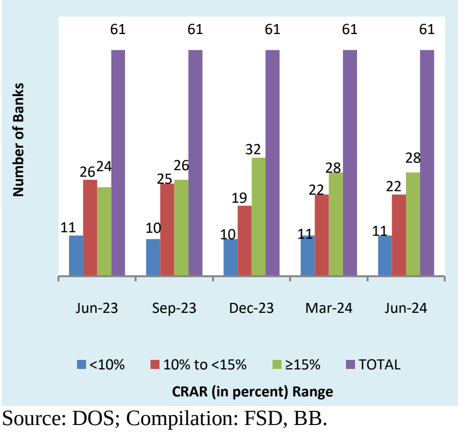
Chart 4.1: Banking Sector CRAR



Source: DOS; Compilation: FSD, BB.

Notably, 50 out of 61 banks maintained CRAR of 10.0 percent or higher during the review quarter (Chart 4.2).

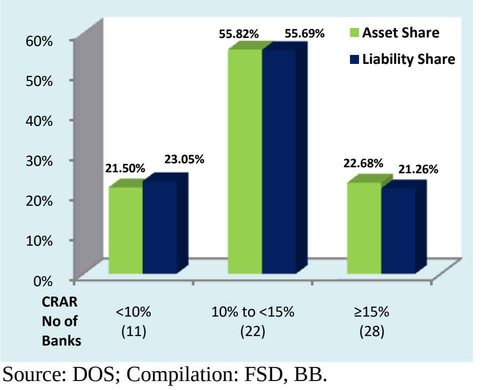
Chart 4.2: Distribution of Banks based on CRAR



Source: DOS; Compilation: FSD, BB.

At the end of June 2024, 22 banks, holding the CRAR ranging from 10 percent to less than 15 percent, occupied the majority of the banking industry's total assets (55.82 percent) and total liabilities (55.69 percent). However, 11 banks with less than 10 percent CRAR held 21.50 percent of the banking industry's total assets and 23.05 percent of the total liabilities. In addition, 28 banks with more than 15 percent CRAR held 22.68 percent of the banking industry's total assets and 21.26 percent of the total liabilities (Chart 4.3).

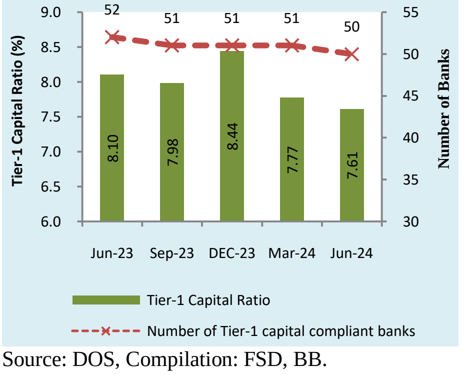
Chart 4.3: Banks' share on Assets and Liabilities on the basis of CRAR at end-June 2024



Source: DOS; Compilation: FSD, BB.

The banking industry's Tier-1 capital ratio[20] was 7.61 percent in the review quarter, which experienced a downward shift compared to that of the previous quarter (Chart 4.4). The Tier-1 capital ratio, however, remained greater than the regulatory minimum requirement of 6.0 percent[21].

Chart 4.4: Banking Industry's Tier-1 Capital Ratio

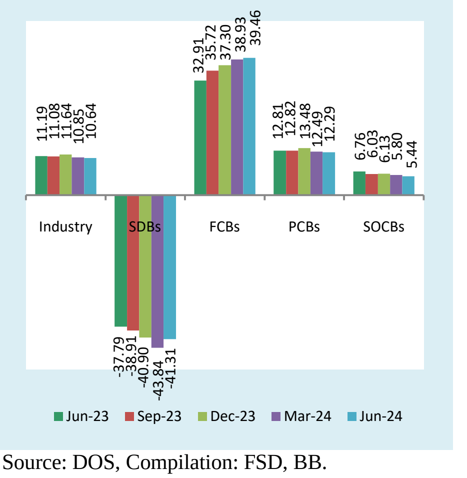


Source: DOS, Compilation: FSD, BB.

Cluster-wise CRAR in the banking industry was nearly steady in comparison with the previous quarter.

During the review quarter, the Foreign Commercial Banks (FCBs) had the highest CRAR (39.46 percent) and the Specialized Development Banks (SDBs) had the lowest CRAR (-41.31 percent) (Chart 4.5). Compared to the previous quarter, the CRAR of the SOCBs and PCBs demonstrated a declining trend, while the FCBs exhibited an increasing trend from the previous quarter.

Chart 4.5: Banks' Cluster-wise CRAR at end-June 2024



Source: DOS, Compilation: FSD, BB.

The key segment (88.17 percent) of Total Risk Weighted Assets (TRWA) got derived from credit risk, as also noted in the previous quarter. There was a nominal change in TRWA, which got generated from credit risk, operational risk and market risk during the review quarter (Chart 4.6).

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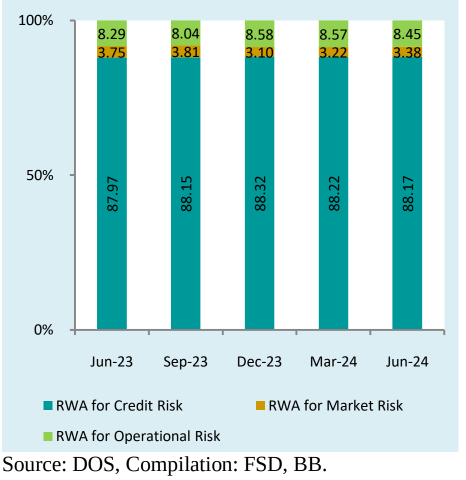
[20]Tier-1 capital ratio is calculated as a percentage of core capital to RWA.
[21]In line with Basel III capital framework.

Chart 4.6: Distribution of Risk Weighted Assets



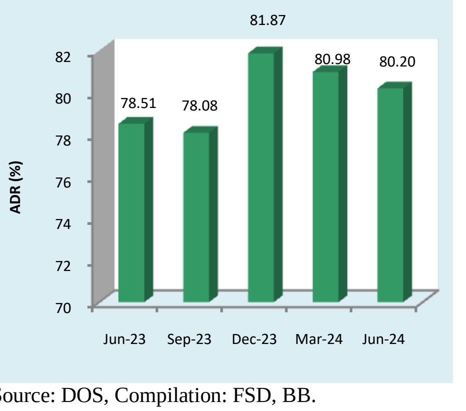
Source: DOS, Compilation: FSD, BB.

In the review quarter, 44 out of 61 banks (solo basis) and 27 out of 39 banks (consolidated basis) met the minimum regulatory Capital Conservation Buffer (CCB) requirement of 2.50 percent. In the review period, the industry's aggregate CCB was 0.64 percent on solo basis and 0.87 percent on consolidated basis, both of which were lower than the minimum regulatory requirement.

4.2 Liquidity

At end-June 2024, the banking industry maintained the Cash Reserve Ratio (CRR) on bi-weekly average basis. On the other hand, the industry maintained Statutory Liquidity Ratio (SLR) of 22.11 percent, which was 10.76 percentage points higher than the minimum requirement. At the end of June 2024, the banking sector's Advance to Deposit Ratio (ADR) stood at 80.20 percent, 0.78 percentage point lower than that of March 2024 (Chart 4.7).

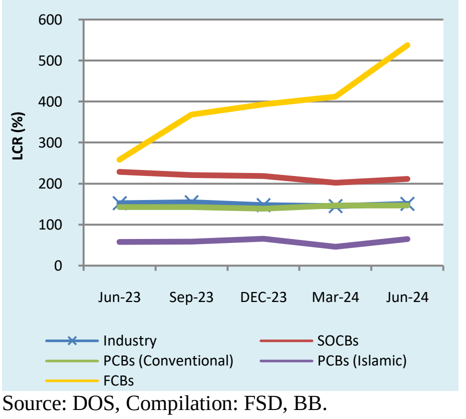
Chart 4.7: Banking Sector ADR



Source: DOS, Compilation: FSD, BB.

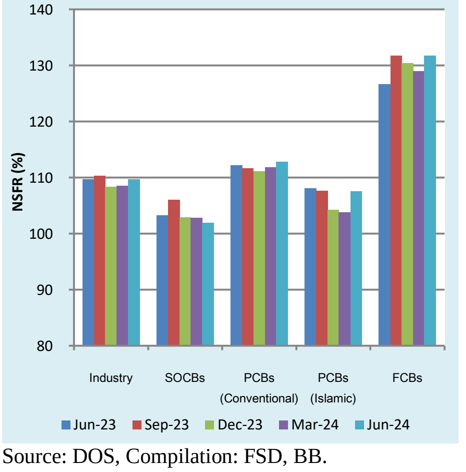
Except for PCBs (Islamic), the banking industry's Liquidity Coverage Ratio (LCR) remained well above the regulatory minimum threshold of 100.0 percent or above in both the review and the previous quarter. The FCBs' LCR increased significantly while that of the PCBs' (Conventional) decreased slightly at end-June 2024 than that of at end-March 2024 (Chart 4.8). Furthermore, the banking industry's Net Stable Funding Ratio (NSFR) increased marginally including PCBs (Islamic), while SOCBs slightly decreased but remained above the regulatory required level of "above 100 percent" in both the review and prior quarters (Chart 4.9). Notwithstanding, some banks were observed to undergo some pressure in liquidity management.

Chart 4.8: Banking Sector LCR



Source: DOS, Compilation: FSD, BB.

Chart 4.9: Banking Sector NSFR

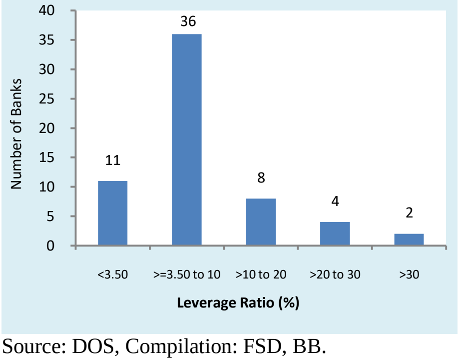


Source: DOS, Compilation: FSD, BB.

4.3 Leverage Ratio

At the end of June 2024, the banking system's leverage ratio appeared at 4.18 percent on a solo basis. 50 out of 61 banks were found complaint with regulatory leverage ratio of 3.50 percent (Chart 4.10).

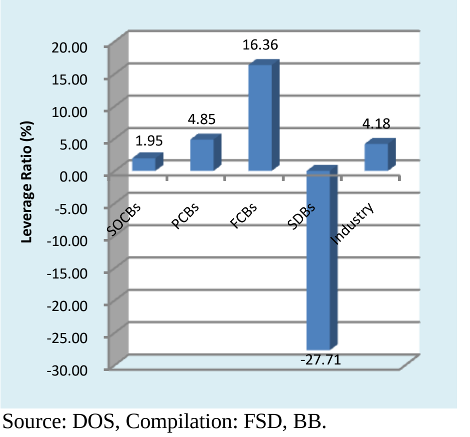
Chart 4.10: Leverage Ratio of Banks at end-June 2024



Source: DOS, Compilation: FSD, BB.

The SDBs continued to experience negative leverage ratio during the review quarter while SOCBs failed to maintain minimum leverage ratio. FCBs were found to operate with higher leverage ratio in relation to other banks' clusters (Chart 4.11).

Chart 4.11: Leverage ratio of Bank Clusters at end-June 2024 (Solo basis)



Source: DOS, Compilation: FSD, BB.

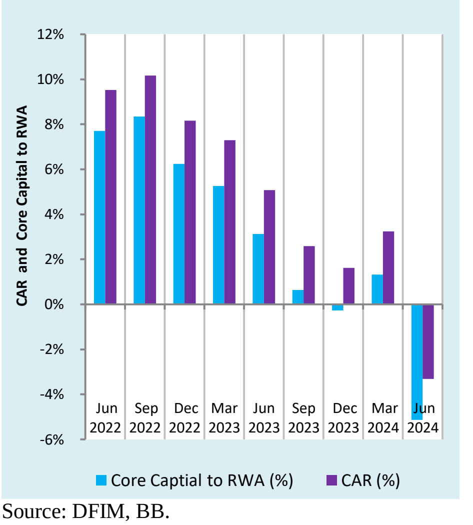
CHAPTER 5: FINANCE COMPANIES' CAPITAL ADEQUACY AND LIQUIDITY

At the end of June 2024, the Capital Adequacy Ratio (CAR) and the core capital (Tier-1 capital) ratio of the Finance Companies (FCs) decreased noticeably compared to the previous quarter. On the other hand, CRR and SLR maintained by FCs were higher than the required level.

5.1 Capital Adequacy

During the review quarter, the Capital Adequacy Ratio (CAR) and the core capital (Tier-1 capital) ratio of the FCs recorded at -3.31 percent and -5.13 percent respectively (Chart 5.1). At end-June 2024, both the ratios decreased by 6.55 percentage points and 6.45 percentage points respectively compared to end-March 2024. Out of 35 FCs, 16 were able to maintain the required level of CAR in the review quarter. It is noteworthy that aggregate minimum capital level of the FCs was negative and considerably lower than the minimum regulatory requirement[22]. It is a matter of concern for the FC industry as well as for the financial system from the stability point of view.

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



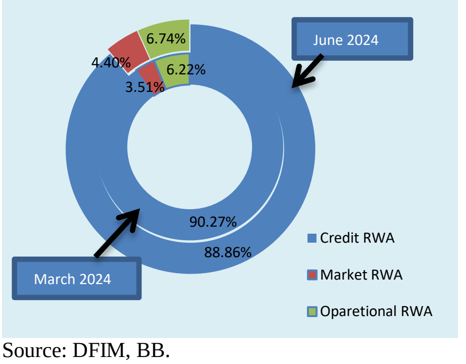
Source: DFIM, BB.

5.2 Risk-Weighted Assets (RWA)

At end-June 2024, total risk-weighted assets (RWA) of the FCs reduced to BDT 643.13 billion from BDT 653.00 billion at end-March 2024. The RWA for credit, market and operational risks were 88.86 percent, 4.40 percent and 6.74 percent of the total RWA of the FCs respectively (Chart 5.2). Among the three components of RWA, credit risk decreased by 1.41 percentage points, whereas market and operational risk increased by 0.89 percentage point and 0.52 percentage point respectively in the review quarter compared to the preceding period.

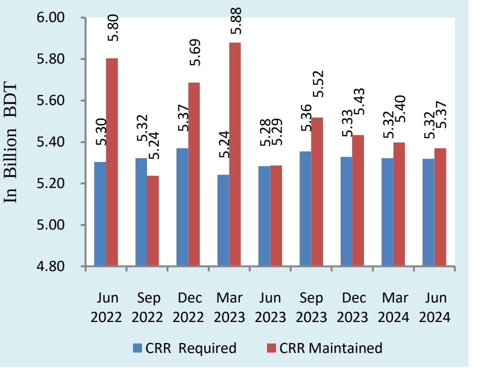
[22] FCs are required to maintain capital adequacy ratio (CAR) of 10.0 percent with at least 5.0 percent as core capital ratio in the form of Tier-1 as per the Basel II capital framework.

Chart 5.2: Components-wise RWA of FCs



Source: DFIM, BB.

Chart 5.3: Cash Reserve Requirement (CRR) of FCs

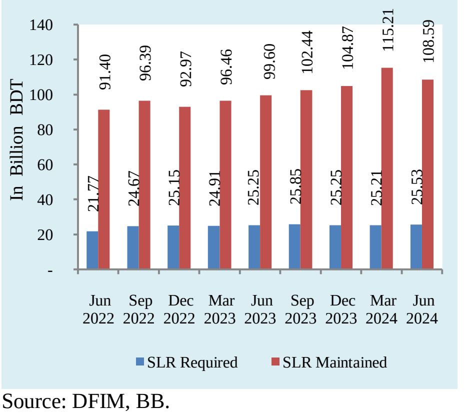


Source: DFIM, BB.

5.3 Liquidity

At end-June 2024, the aggregate amount of Cash Reserve maintained by the FCs was BDT 5.37 billion compared to BDT 5.40 billion at end-March 2024, observing a decrease of 0.5 percent (Chart 5.3). On the other hand, the amount of Statutory Liquidity Requirement (SLR) maintained by FCs reached BDT 108.59 billion at end-June 2024 against the requirement of BDT 25.53 billion (Chart 5.4). At end-June 2024, the amount of SLR maintained by FCs declined by 5.75 percent compared to that of March 2024.

Chart 5.4: Statutory Liquidity Requirement (SLR) of FCs



Source: DFIM, BB.

CHAPTER 6: STRESS TEST AND RESILIENCE OF THE BANKING SECTOR

Financial Stability Department (FSD) conducts quarterly stress testing on scheduled banks to determine their resilience under different plausible shock scenarios[23]*. This chapter illustrates the results of stress testing conducted on banks as well as the banking industry. Stress testing findings as of June 2024 depict that the banking sector would be slightly vulnerable to different minor shock scenarios.*

6.1 Credit, Market, and Combined Shocks

At end-June 2024, based on pre-shock scenario, 11 out of 61 scheduled banks could not maintain the minimum regulatory CRAR of 10 percent. Hence, the remaining 50 banks were considered for the analysis of this quarter. Chart 6.1 delineates 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, which indicates that the sector would fail to maintain the minimum CRAR of 10 percent in case of most of the credit risk related shocks. However, banking industry would remain moderately resilient for all shock scenarios of market risk except interest rate risk. 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):** In the event of a 3 percent increase in NPLs, 05 banks would not be able to maintain the minimum CRAR of 10 percent.

b) **Increase in NPLs due to Default of Top Borrowers:** If top 3 borrowers of each bank defaulted, 18 banks would fail to maintain the minimum CRAR.

c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** In case of a 10 percent decline in the FSV of mortgaged collateral, 1 bank would not be able to maintain the minimum CRAR.

d) **Negative Shift in the NPL Categories:** If existing NPLs shifted to downward categories by 5

[23]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.

percent, 2 banks would fail to maintain the minimum CRAR.

e) Increase in NPLs in the Highest Outstanding Sector: If 3 percent of performing loan of the highest outstanding sector of respective banks downgraded to bad/loss category, 3 banks would not be able to maintain the minimum CRAR.

6.1.2 Market Shocks

a) Interest Rate Risk: In the event of a 1 percent change in interest rate, 1 bank would become non-compliant in maintaining the minimum CRAR.

b) Exchange Rate Risk: If the overall net exchange position of an individual bank charged by 5 percent, no bank would fail to maintain the minimum CRAR.

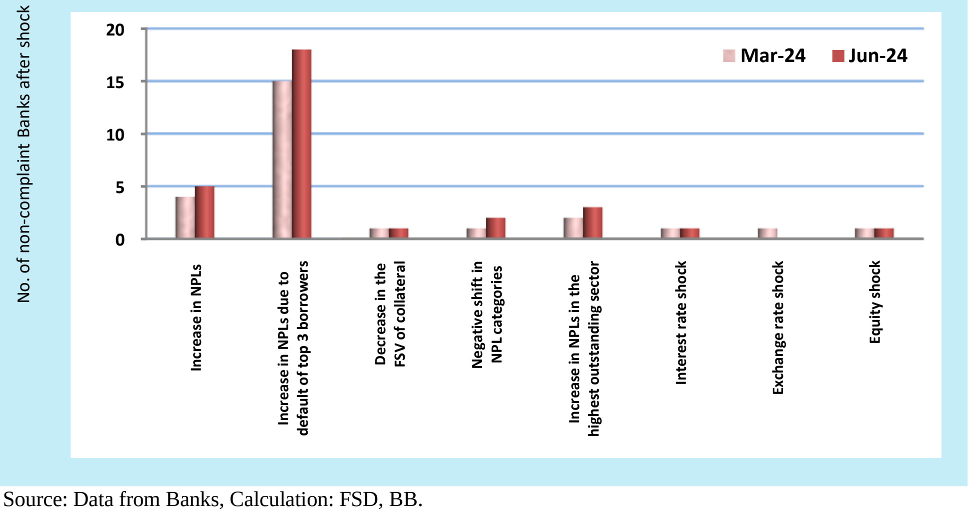
c) Equity Price Risk: If the current market value of all the listed securities in which banks have taken an exposures fall by 10 percent, only 1 bank would not be able to maintain the minimum CRAR.

6.1.3 Combined Shock

This test examines the performance of a bank by combining the results of different credit and market shocks. In case of combined shock[24], 12 banks would not be able to maintain the minimum CRAR.

[24]Except default of top large borrowers and increase in NPLs of the highest outstanding sector.

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



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

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

(In Percent)

Description	March 2024	June 2024
Required minimum CRAR	**10.00**	**10.00**
Pre-shock CRAR	**10.85**	**10.64**
After-Shock CRAR		
Credit Risks		
Increase in NPLs by 3%	**8.67**	**8.39**
Default of top 3 borrowers	**7.18**	**7.15**
Negative shift in the NPLs categories by 5%	**9.75**	**9.45**
Decrease in the forced sale value (FSV) of mortgaged collateral by 10%	**10.05**	**9.80**
Performing loans of the highest exposed sector directly downgraded to bad/loss category by 3%	**10.40**	**10.17**
Market Risks		
Change in interest rate by 1%	**10.18**	**9.90**
Change in exchange rate by 5%	**10.78**	**10.61**
Fall in equity prices by 10%	**10.54**	**10.34**
Combined Shock	**5.73**	**5.27**

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

6.2 Liquidity Shock

This shock assesses a bank's ability to withstand a liquidity run in case of a 2 percent excess cash withdrawal compared to the existing situation for five consecutive working days. Table 6.2 shows the liquidity stress scenario in the banking sector at end-June 2024. The table indicates that the banking system as a whole would remain resilient against stated liquidity stress scenario.

Table 6.2: Liquidity Risk in the Banking Sector at End-June 2024

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 worldwide capital market experienced an overall mixed trend while the capital market of Bangladesh showed a bearish trend in the review quarter. At end-June 2024, the major indices of the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) decreased slightly compared to those at end-March 2024.

The market capitalization and turnover of the DSE decreased during the review period compared to the previous quarter. On the other hand, the CSE experienced a declining trend in market capitalization, but showed an increasing trend in its turnover. However, the capital market of Bangladesh exhibits a little impact on the stability of the banking sector in the near term because of banks' lower exposure to the capital market than the regulatory limit.

7.1 Global Capital Market

Global capital markets exhibited a mixed trend during April-June, 2024 compared to January-March 2024. The MSCI Emerging Markets Index and FTSE 100 (UK) indices increased by 4.13 percent and 2.66 percent, respectively. On the other hand, DJIA (USA), Nikkei 225 (Japan), and DAX (Germany) indices decreased by 1.73 percent, 1.95 percent and 1.39 percent, respectively (Chart 7.1).

Table 7.1: Quarterly Performance of Leading Indices

Name of Index	March 24	June 24	Change (%)
MSCI Emerging Markets Index	1043.20	1086.25	4.13%
DJIA (USA)	39807.18	39118.86	-1.73%
Nikkei 225 (Japan)	40369.44	39583.08	-1.95%
DAX (Germany)	18492.49	18235.45	-1.39%
FTSE 100 (UK)	7952.62	8164.12	2.66%

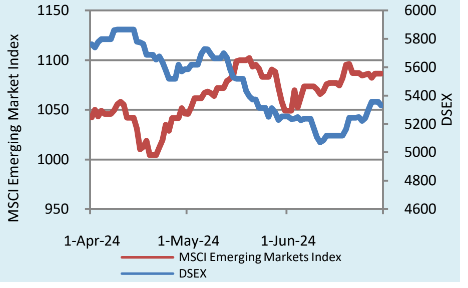
Source: msci.com and DSE Monthly review; Compilation: FSD, BB.

7.2. DSEX and MSCI Emerging Markets Index

During the review period, MSCI Emerging Markets Index[25] revealed a rising trend , whereas the DSEX Index demonstrated a decreasing trend. MSCI Emerging Markets Index ended at 1,086.25 at end-June 2024 compared to 1,043.20 at the end-March 2024. The DSEX Index closed at 5,328.40 at end-June 2024 in comparision with 5,829.70 at end-March 2024. Between the two stated indices, the MSCI Emerging Markets Index (standard deviation was approximately 24.65) appeared to be less volatile in comparison with DSEX (standard deviation was approximately 245.76) (Chart 7.1).

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

Chart 7.1: Performance of DSEX and MSCI Emerging Markets Index



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

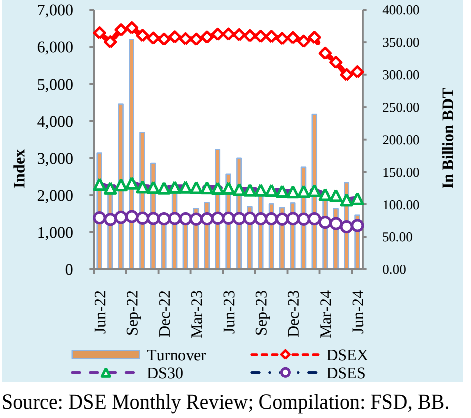
7.3 Dhaka Stock Exchange (DSE)

7.3.1 DSE Performance

During the review period, the major indices of DSE namely DSEX[26], DS30[27] and DSES[28] decreased compared to those of the preceding quarter,

From April to June 2024, total DSE turnover was BDT 310.67 billion in contrast with BDT 510.66 billion during the previous quarter, representing a decline of 39.16 percent (Chart 7.2).

Chart 7.2: DSE Performance

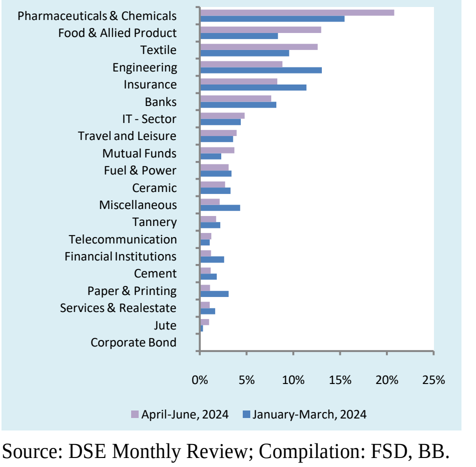


Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.2 Sectoral Turnover at DSE

The pharmaceuticals & chemicals sector held the highest share (20.80 percent) of the DSE total turnover during the review quarter followed by the food & allied products sector with 12.99 percent and textile sector with 12.59 percent (Chart 7.3).

Chart 7.3: Contribution of Sectors in Turnover during January-March, and April-June 2024



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

In additon, the financial sector (i.e., mainly banks, finance companies and insurance) collectively contributed approximately 17.15 percent of the total turnover of DSE in the review quarter, 5.04 percentage points lower from the preceding quarter (22.19 percent).

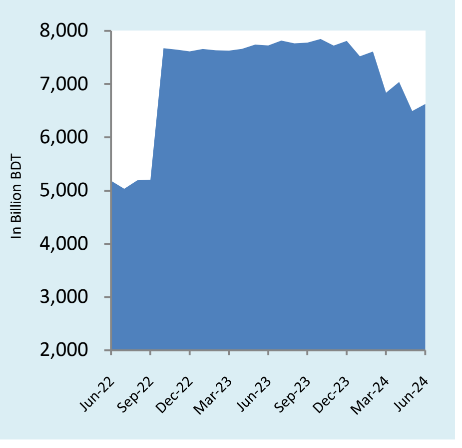
7.3.3 Market Capitalization

During the review quarter, DSE market capitalization recorded at BDT 6,621.56 billion, a decline of 3.09 percent compared to the previous quarter (Chart 7.4). The market

[26]DSEX= DSE Broad Index
[27]DS30 = DSE 30 Index
[28]DSES = DSEX Shari'ah Index

capitalization of the review quarter was equivalent to 13.12 percent of the GDP (BDT 50,480.27 billion) of FY23-24[29].

Chart 7.4: Market Capitalization Trend of DSE

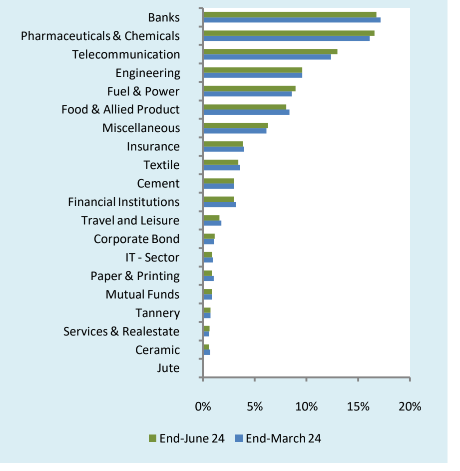


Source: DSE Monthly Review; Compilation: FSD, BB.

Banking sector held the largest share with 16.77 percent of the total market capitalization followed by the pharmaceuticals & chemicals, telecommunication, and engineering sectors with 16.57 percent, 13.00 percent, and 9.60 percent, respectively at end-June 2024 (Chart 7.5). In the preceding quarter, the holding of the aforesaid sectors were 17.17 percent, 16.12 percent, 12.36 percent and 9.60 percent, respectively.

[29]Gross Domestic Product of Bangladesh at Current Market Prices, Base: 2015-16, (2023-24, Provisional); Source: Bangladesh Economic Review 2024

Chart 7.5: DSE Sectoral Market Capitalization at end-March 2024 and end-June 2024

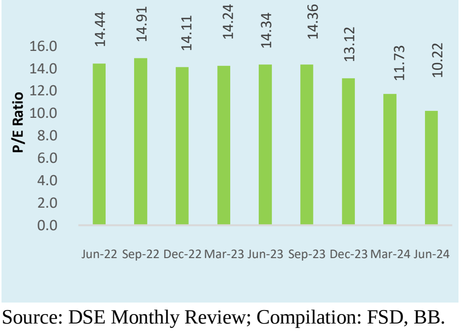


Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.4 Price - to - Earnings (P/E) Ratio

The weighted average market P/E ratio of DSE's listed companies exhibited a decreasing trend over the last couple of quarters. The ratio was 10.22 at end-June 2024, which was 11.73 at end-March 2024 (Chart 7.6).

Chart 7.6: DSE P/E Ratio

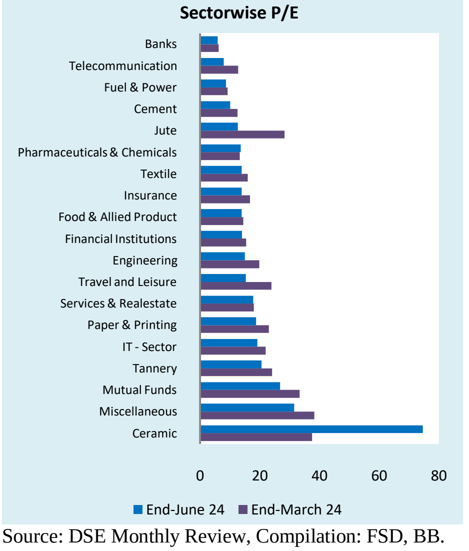


Source: DSE Monthly Review; Compilation: FSD, BB.

At end-June 2024, the ceramic sector registered the highest P/E ratio (74.63) followed by the mutual funds (26.78) and tannery (20.57). The P/E ratios of these sectors were 37.58, 33.31, and 24.08, respectively at end-March 2024

(Chart 7.7). On the contrary, the banking sector recorded the lowest P/E ratio (5.94) followed by telecommunications (7.95) and fuel & power (8.70). Those ratios were 6.25, 12.73 and 9.24 correspondingly at end-March 2024 (Chart 7.7).

Chart 7.7: DSE Sectoral P/E Ratio

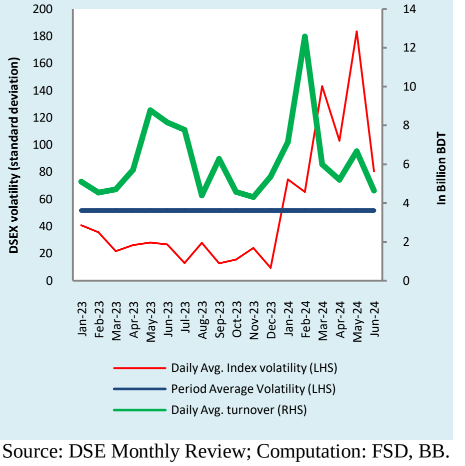


Source: DSE Monthly Review, Compilation: FSD, BB.

7.3.5 Index Volatility and Market Liquidity

Chart 7.8 represents month-wise daily average turnover, volatility in the daily index, and the period average volatility. No decisive 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 January 2023 to June 2024, the highest volatility in daily DSEX was observed in May 2024 (with a standard deviation of 183.46), whereas the least volatility was recorded in December 2023 (with a standard deviation of 9.54). The daily average turnover was BDT 6.68 billion and BDT 5.37 billion in May 2024 and December 2023, respectively. The average volatility was 51.79 (January 23 to June 24) over the period (Chart 7.8).

7.4 Chittagong Stock Exchange (CSE)

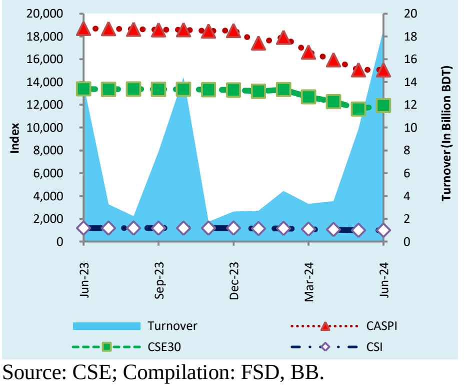
7.4.1 CSE Performance

Major CSE indices exhibited a declining trend during April-June 2024. Among them, CASPI[30], CSE30[31]and CSI[32] shrank by 9.39 percent, 5.93 percent, and 8.30 percent, respectively in the review

[30]CASPI = CSE all share price index
[31]CSE30= CSE 30 Index
[32]CSI= CSE Shariah Index

quarter compared to those of the previous quarter (Chart 7.9).

Chart 7.9: CSE Performance



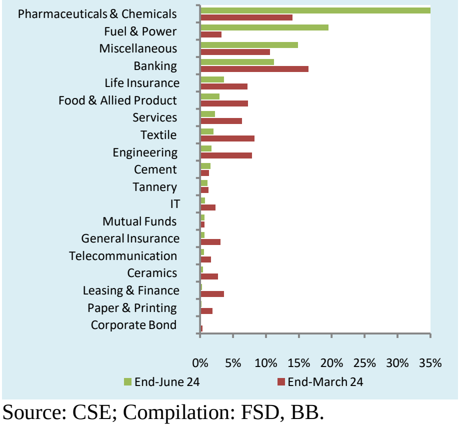
Source: CSE; Compilation: FSD, BB.

On the other hand, the CSE turnover amounting to BDT 32.07 billion during April-June 2024, recorded an increase of 206.15 percent compared to the preceding quarter.

7.4.2 Sectoral Turnover at CSE

During the review quarter, pharmaceuticals & chemicals sector had the highest share of total CSE turnover with 35.96 percent followed by the fuel & power sector (19.50 percent), and banking sector (11.16 percent) (Chart 7.10).

Chart 7.10: CSE Sectoral Turnover at End-March 2024 and End-June 2024

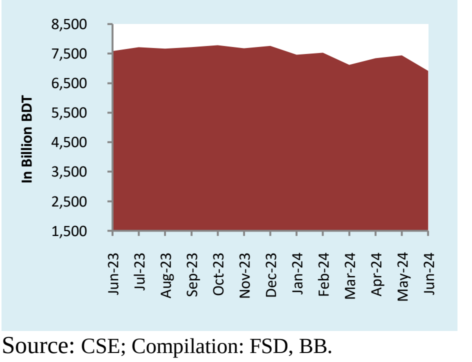


Source: CSE; Compilation: FSD, BB.

7.4.3 Market Capitalization

At end-June 2024, the market capitalization of the listed companies at CSE decreased slightly to BDT 6,915.76 billion from BDT 7,119.86 billion at end-March 2024 (Chart 7.11).

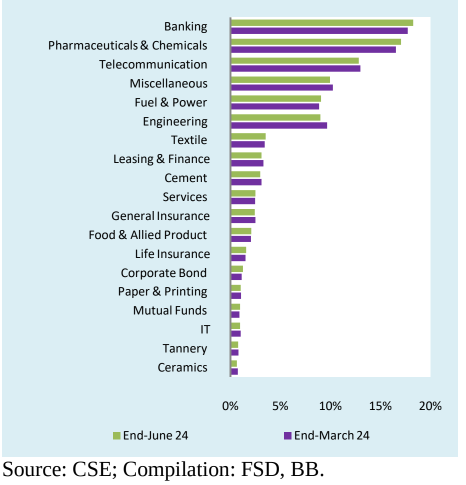
Chart 7.11: Market Capitalization Trend of CSE



Source: CSE; Compilation: FSD, BB.

At end-June 2024, the banking sector held the highest share (18.26 percent) in the total market capitalization at CSE followed by pharmaceuticals and chemicals (17.07 percent), telecommunication (12.84 percent), and fuel & power (9.06 percent) (Chart 7.12). The corresponding values of the mentioned sectors were 17.74 percent, 16.54 percent, 13.00 percent, and 8.86 percent at end-March 2024.

Chart 7.12: CSE Sectoral Market Capitalization

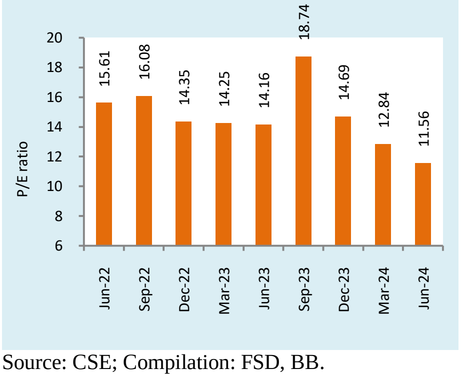


Source: CSE; Compilation: FSD, BB.

7.4.4 Price- to - Earnings (P/E) Ratio

The weighted average market P/E ratio of CSE's listed companies stood at 11.56 at end-June 2024, which was 12.84 at end-March 2024 (Chart 7.13).

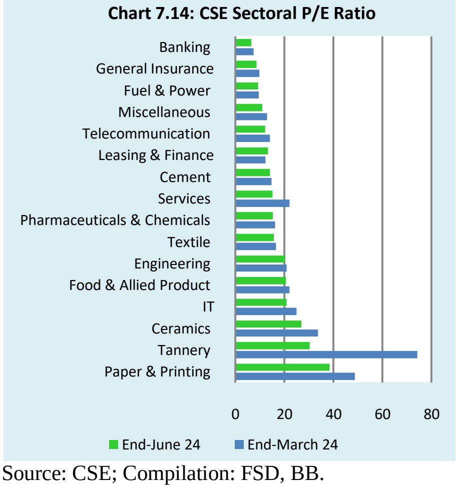
Chart 7.13: CSE P/E Ratio



Source: CSE; Compilation: FSD, BB.

In case of sectoral P/E ratio of CSE, the highest P/E ratio was observed by the paper & printing sector (38.43), followed by the tannery (30.36) and ceramics (26.96) during the review quarter (Chart 7.14). Conversely, the lowest P/E ratio was recorded in the banking sector (6.51) followed by the general insurance (8.57), and the fuel and power (9.33) sector.

Chart 7.14: CSE Sectoral P/E Ratio

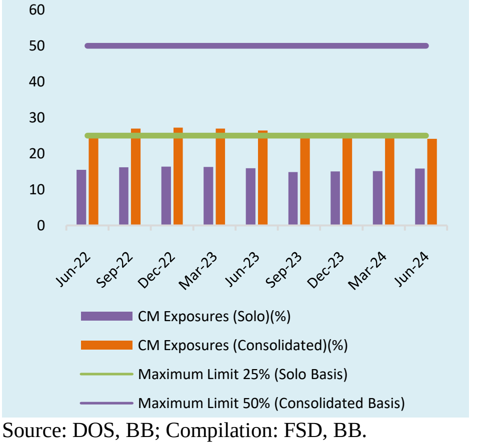


Source: CSE; Compilation: FSD, BB.

7.5 Capital Market and Financial Stability

The capital market has the potential to significantly influence the financial sector, particularly the banking sector, through banks' investments in the capital market. Volatility in the capital market along with lower-quality investments can affect the earnings of banks, which will ultimately deteriorate the banks' solvency ratios. As of June 2024, capital market exposures of banks on solo and consolidated basis were 15.86 percent and 24.15 percent, respectively while the corresponding figures were 15.12 percent and 25.05 percent in the previous quarter (Chart 7.15). It indicates that capital market exposures on solo and consolidated basis were stable over the last two years. A bank can take capital market exposure of maximum 25 percent on solo basis and 50 percent on consolidated basis of its eligible regulatory capital[33]. However, the banking sector's capital market exposures remained well below the regulatory limit, suggesting that volatility in the capital market may not notably impact the stability of the sector in the near term.

Chart 7.15: Trend in Capital Market Exposures of Banking sector



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

[33] Eligible regulatory capital includes paid-up capital, non-repayable share premium, statutory reserve and retained earnings.

To cope with the current adverse economic condition plagued with high inflation, low FDI, debt burden, and inclusive trade recession, Bangladesh Bank (BB) has undertaken a set of policy measures during April-June 2024. Some of the key measures are stated below:

8.1 Providing Loan Facilities to any Borrower of the Group if a Borrower of the Same Group is not Willful Defaulter

Bangladesh Bank has issued a circular incorporating some additional directives for banks while providing loans to an individual or entity within a group that has no willful defaulter. *[Ref: BRPD Circular No. 07, Date: 3 April, 2024]*

8.2 Guidelines for Amalgamation of Banks

To ensure the smooth and orderly consolidation of bank companies categorized under Prompt Corrective Action (PCA) framework, Bangladesh Bank introduced guidelines for bank amalgamation. The guideline details the process of both voluntary and compulsory amalgamation. The process of voluntary merger gives the weaker banks a way out to resolve the existing problems by merging with a stronger bank that also benefits from enhanced business operation.

The process of compulsory merger would be initiated if a bank falls into the category of PCA and fails to implement the recovery plan directed by the Bangladesh Bank for the protection of depositors' or public interests. *[Ref: BRPD Circular No. 08, Date: 4 April, 2024]*

8.3 Definition of Past due/Overdue of Fixed Term Loan

To enhance loan recovery and encourage better financial discipline, Bangladesh Bank (BB) has revised the criteria for classifying fixed-term loans as past due or overdue. Previously, a fixed term loan was considered past due/overdue after six months from the original repayment date if the payment was not made by the due date. Under the new circular, if an installment remains unpaid, the corresponding loans will be considered as past due/ overdue after three months of the due date which is effected from 30 September 2024. Furthermore, from 31 March 2025, the unpaid loans will be deemed past due/overdue immediately after the repayment deadline has passed. *[Ref: BRPD Circular No. 9, Date: 8 April, 2024]*

8.4 Interest/Profit Rate of Loan/Investment

To align with international best practices, Bangladesh Bank has withdrawn the SMART-based interest rate system and introduced a fully market-based interest rate system for the banking system. According to the new policy, the banks shall determine the lending interest rate depending on banker-customer relationships and demand-supply of loanable fund. However, banks will declare sector-specific rates on loans and the rates may vary by 1 percent based on customers' risk profiles. Penal interest on overdue loans is capped at 1.5 percent and interest rate of different special schemes would be determined based on the governing policy of respective fund. Moreover, banks would not impose levy any service charges/ excess fee beyond the declared interest rate. Islamic banks will follow the same guidelines for determining their profit rates. *[Ref: BRPD Circular No. 10, Date: 8 May, 2024]*

8.5 Observance of Alternative Dispute Resolution (ADR) to Accelerate Recovery of Defaulted Loans

Bangladesh Bank has directed banks to follow a set of instructions while using mediation for loan recovery from defaulting borrower before going to court. In addition, Banks have to use Alternative Dispute Resolution (ADR) mechanisms to recover at least 1 percent of their non-performing loans (NPLs) in cash by 30 June 2026. Banks are encouraged to use Arbitration if Mediation fails. Banks can also sign MOU with arbitration centers to go through the process in short period of time. Use of ADR will help banks recover loan swiftly without going through a lengthy legal proceeding against the defaulting borrowers. *[Ref: BRPD Circular No. 11, Date: 12 May, 2024]*

8.6 Single Borrower and Large Loan Exposure Limit

Notwithstanding the recent request of few banks to relax single borrower exposure limit, Bangladesh Bank directed the banks to strictly adhere to BRPD circular-1 dated 16.01.2022 which fixed the single borrower exposure limit. In addition, Banks were directed to follow the instruction of aforesaid circular properly determining the scope and purview of the business group while proving large loans. *[Ref: BRPD Circular Letter No. 23, Date: 15 May, 2024]*

8.7 Repayment Procedure of Term Loan

Bangladesh Bank has issued a new directive to ease the repayment schedule of industrial term loans and house finance following the withdrawal of the SMART rate, leading to increased interest rates and higher EMIs. Under the new direction, banks would reschedule the installments for unclassified loans without raising repayment amounts, subject to having customers' written application and this type of changes would not be considered as loan restructuring. *[Ref: BRPD Circular Letter No. 29, Date: 25 June, 2024]*

8.8 Submission of Information Related to Willful Defaulter in CIB Database

Bangladesh Bank (BB) has issued a circular with instruction for banks to submit information related to willful defaulters in the Credit Information Bureau (CIB) database. At the same time, commercial banks and finance companies have been directed to report this data in real time from 1 July 2024. *[Ref: CIB Circular No. 01, Date: 21 May, 2024]*

8.9 Introduction of Crawling Peg Exchange Rate System

A Crawling Peg Exchange Rate System for spot purchases and sales of USD has been introduced by BB. Crawling Peg Mid Rate has been set at 117.00 per USD allowing banks make transaction can be made around this rate. *[Ref: FEPD Circular No. 09, Date: 08 May, 2024]*

8.10 Cash Incentive Against Export of Leather Goods

Local manufacturer of leather product would also receive cash incentives for export just like 100% export-oriented leather goods manufacturers. *[Ref: FEPD Circular Letter No. 08, Date: 30 May, 2024]*

8.11 Re-fixing Interest Rate on Pre-Finance Facility under SREUP

Bangladesh Bank has reset the interest rate of the pre-finance facility for all sub-loans under the Support Safety Retrofits and Environmental Upgrades Programme (SREUP) to a maximum of 7 percent annually. Participating Financial Institutions (PFIs) will pay 4.5 percent interest to BB for new On-Lending Loans (OLL) and the margin for PFIs will be 2.5 percent. However, sub-loans that are already sanctioned under the programme will remain at 5 percent rate. . Investment grants under the programme will be provided on a 'first come, first served' basis. *[Ref: SMESPD Circular Letter No. 01, Date: 16 April, 2024]*

8.12 Showing the Expenditure for Promoting the Use of Bangla QR as CSR Expenditure

To promote the use of Bangla QR and digital transactions aiming cashless Bangladesh, Bangladesh Bank allowed banks to show the expenses of special campaign, awareness meeting, seminar, training, infrastructure development related to Bangla QR as CSR expenditure. However, use of CSR for the stated purpose could be made during 01 June 2024 to 31 December 2025. The goal is to achieve cashless transactions to 30 percent by 2025 and 100 percent by 2031, integrating marginalized people into digital transactions. *[Ref: SFD Circular No. 01, Date: 30 May, 2024]*

8.13 Export Subsidy/Cash Incentive for the financial year 2024-2025

As per Government instruction Bangladesh Bank has revised the export incentives and cash assistance rates for 43 sectors, effective for shipped products from July 1, 2024, to June 2025**. [***Ref: FEPD Circular No. 12, Date: 30 June, 2024]*

APPENDICES

Appendix I: CPI Inflation (12-month Average)

(In Percent)

Month	Inflation (General)	Inflation (Food)	Inflation (Non-Food)
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
Dec-23*	9.48	10.08	9.05
Mar-24*	9.69	10.37	8.98
Jun-24*	9.73	10.66	8.86

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
Jun-22	41.83
Sep-22	36.48
Dec-22	33.75
Mar-23	31.14
Jun-23	31.20 (24.75 as per BPM6)
Sep-23	26.91 (21.06 as per BPM6)
Dec-23	27.13 (21.87 as per BPM6)
Mar-24	25.23 (19.91 as per BPM6)
Jun-24	26.71[P] (21.79 as per BPM6)

P=Provisional.

Appendix III: Wage Earners' Remittance

(Amount in Billion USD)

Quarter	Amount
Jun-22	5.73
Sep-22	5.67
Dec-22	4.82
Mar-23	5.54
Jun-23	5.58
Sep-23	4.91
Dec-23	5.89
Mar-24	6.27
Jun-24	6.84

Appendix IV: Exports and Imports

(Amount in Billion USD)

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Sep-22	11.80	19.35
Dec-22	11.37	18.78
Mar-23	10.61	15.81
Jun-23	10.20	15.56
Sep-23	10.08	14.75
Dec-23	10.11	16.24
Mar-24	10.76	15.40
Jun-24	9.86	16.54

P=Provisional, RP=Revised but Provisional.

Appendix V: Interest Rate (Weighted Average) Spread

(In Percent)

Period	Lending Rate	Deposit Rate	Spread
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
Dec-23	9.36	4.70	4.66
Mar-24	10.36	5.17	5.19
Jun-24	11.52	5.49	6.03

Appendix VI: Weighted Average Exchange Rate

(USD/BDT)

Quarter	Period Average	End Period
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	105.88	106.00
Sep-23	109.97	110.25
Dec-23	110.15	110.00
Mar-24	110.00	110.00
Jun-24	117.99	118.00

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

(Amount in Billion BDT)

Period	Amount
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
Dec-23	4,671.75
Mar-24	5,041.77
Jun-24	5,561.52

Appendix VIII: Asset to GDP Ratio

(Amount in Billion BDT)

Quarter	Total assets	Quarterly Growth of Total Assets	Quarterly Change in Total Asset amount	Quarterly GDP	Quarterly Growth of GDP	Quarterly Asset/GDP
Sep-22	21680.49	0.62%	134.07	10068.60	-5.40%	1.33%
Dec-22	21962.39	1.30%	281.90	11248.12	11.71%	2.51%
Mar-23	22275.20	1.42%	312.81	11430.97	1.63%	2.74%
Jun-23	23142.84	3.90%	867.64	12160.74	6.38%	7.13%
Sep-23	23457.74	1.36%	314.90	11703.14	-3.76%	2.69%
Dec-23	23983.97	2.24%	526.24	13601.29	16.22%	3.87%
Mar-24	24280.84	1.24%	296.87	13229.11	-2.74%	2.24%
Jun-24	25462.60	4.87%	1181.76	13783.61	4.19%	8.57%

Appendix IX: Asset Structure of the Banking Industry

(Amount in Billion BDT)

PROPERTY AND ASSETS	MAR-23	JUN-23	SEP-23	DEC-23	MAR-24	JUN-24
Cash in hand	247.19	197.22	241.28	251.36	308.13	300.81
Balance with Bangladesh Bank and its Agent Bank	780.65	934.96	842.11	1,111.08	760.29	1,275.15
Balance with other banks and financial Institutions (including Money at call and short notice)	957.54	1,022.55	964.57	879.19	879.38	997.90
Investment	3,610.65	3,803.26	3,910.27	3,785.19	4,080.26	4,401.66
Loans and Advances (including bill discounted and purchased)	15,241.29	15,702.88	15,939.70	16,491.45	16,709.72	17,031.30
Fixed Assets	290.35	291.81	291.12	294.12	299.34	302.64
Other Assets	1,143.62	1,186.27	1,264.80	1,155.45	1,225.16	1,132.26
Non-banking assets	3.92	3.88	3.88	16.14	18.57	20.87
Total Assets	**22,275.20**	**23,142.84**	**23,457.73**	**23,983.97**	**24,280.84**	**25,462.60**

Appendix X: Banking Sector Assets & NPL Concentration (End-June, 2024)

(Amount in Billion BDT)

Assets	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	8,063.91	17,398.69	11,775.45	13,687.15
Share (%)	31.67%	68.33%	46.25%	53.75%
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	1,142.13	971.78	1,492.00	621.92
Share (%)	54.03%	45.97%	70.58%	29.42%

Appendix XI: Banking Sector NPL Ratio

(Amount in Billion BDT)

Quarter	Aggregate NPL	Gross NPL Ratio (%)	Net NPL (net of AP and IS) Ratio (%)
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
Dec-23	1456.33	9.00	0.59
Mar-24	1822.95	11.11	2.44
Jun-24	2113.92	12.56	3.68

Appendix XII: Distribution of Banks by NPL Ratio Range

Range	Number of Banks as at end period						
	Dec-22	Mar-23	June-23	Sep-23	Dec-23	Mar-24	Jun-24
≤2%	10	6	7	8	10	8	8
>2% to ≤3%	8	7	4	1	1	3	4
>3% to ≤5%	20	18	17	16	23	19	15
>5% to ≤10%	9	14	18	20	12	16	19
>10% to ≤15%	2	5	3	3	3	2	3
>15% to ≤20%	4	3	3	4	3	3	1
>20%	8	8	9	9	9	10	11
Total	61	61	61	61	61	61	61

Appendix XIII: Banking Sector Loan Loss Provisions

(Amount in Billion BDT)

PERIOD	REQUIRED PROVISION	PROVISION MAINTAINED	PROVISION MAINTENANCE RATIO (%)
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
Dec-23	989.41	796.80	80.53
Mar-24	1114.70	848.84	76.15
Jun-24	1141.66	893.55	78.27

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
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%
Dec-23	9.00%	9.05%	3.90%	87.06%
Mar-24	11.11%	11.44%	4.02%	84.54%
Jun-24	12.56%	17.39%	3.19%	79.42%

Appendix XV: Classified Loan Composition (June 2024)

(Amount in Billion BDT)

PARTICULARS	AMOUNT	PERCENT OF TOTAL
Substandard (SS)	367.54	17.39%
Doubtful (DF)	67.49	3.19%
Bad/Loss (BL)	1678.89	79.42%
Total Classified Loan	2113.92	100.00%

Appendix XVI: Banking Sector ROA Range

Quarter	ROA Range			
	≤0%	> 0% to ≤0.5%	> 0.5% to ≤1%	> 1%
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
Dec-23	8	9	17	27
Mar-24	10	20	12	19
Jun-24	8	17	15	21

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

Appendix XVII: Banking Sector ROE Range

Quarter	ROE Range			
	≤0%	> 0% to ≤5%	> 5% to ≤10%	> 10%
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
Dec-23	8	6	11	36
Mar-24	10	14	13	24
Jun-24	9	10	18	24

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

Appendix XVIII: Banking Sector ROA and ROE

Ratio	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
ROA*	0.46%	0.53%	0.62%	0.39%	0.43%	0.41%	0.59%	0.23%	0.40%
ROE*	8.20%	9.48%	10.70%	6.83%	7.88%	7.46%	10.54%	4.32%	7.85%

Note: *All are annualized except the quarter of December. P-provisional

Appendix XIX: Cluster-wise decomposition of Earnings

(Amount in Billion BDT)

	SOCBs		PCBs		FCBs		SDBs		IBs		Industry	
	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24
NII	4.28	5.79	119.38	144.79	18.23	24.56	2.48	-0.95	45.86	0.08	139.41	163.47
NOI	24.74	24.75	13.40	9.41	15.92	18.84	16.22	14.97	16.74	20.13	11.05	38.04
Prov.	26.73	30.09	69.18	112.40	13.86	16.22	0.34	0.02	17.33	24.92	110.12	158.70
NI	2.23	11.13	36.80	41.79	20.28	27.18	19.03	15.02	11.79	12.59	40.34	42.82

Note: NII, NOI, Prov. and NI represent net interest income, net operating income, provisions and net income.

Appendix XX: FIs' Liability and Equity Composition

(Amount in Billion BDT)

Particulars	March-24	June-24
Borrowing	285.15	294.02
Deposits	472.47	475.14
Capital	-25.42	-47.21
Others	258.51	285.22
Total	990.71	1,007.17

Source: DFIM; Compilation: FSD, BB.

Appendix XXI: FIs' Asset Composition

(Amount in Billion BDT)

Particulars	March-24	June-24
Cash & liquid assets	123.86	130.62
Earning assets	803.18	808.99
Fixed assets	14.14	14.11
Others assets	49.54	53.45
Total	990.71	1,007.17

Source: DFIM; Compilation: FSD, BB.

Appendix XXII: FIs' Classified Loans and Leases

(Amount in Billion BDT)

Quarter	Aggregate NPL	NPL Ratio (%)
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
Dec-23	232.09	31.55
Mar-24	229.61	30.86
Jun-24	247.11	33.15

Source: DFIM, BB.

Appendix XXIII: FCs' ROA

Quarter	Aggregate ROA
Jun-22	-0.54%
Sep-22	-0.40%
Dec-22	-1.27%
Mar-23	-1.32%
Jun-23	-1.43%
Sep-23	-2.02%
Dec-23	-1.81%
Mar-24	-1.99%
Jun-24	-2.44%

Note: The displayed ratios are annualized figures from respective quarterly/half yearly ratios.
Source: FIs; Compilation: FSD, BB.

Appendix XXIV: Banking Sector Regulatory Capital Position- Solo Basis

(Amount in Billion BDT)

Capital	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Minimum Capital Requirement	1450.46	1466.24	1461.36	1505.07	1537.31
Total Capital Requirement	1578.08	1581.07	1656.23	1590.44	1594.58

Appendix XXV: Banking Sector CRAR Distribution

CRAR	Number of Banks (at End-Period)				
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
<10%	11	10	10	11	11
10% to <15%	26	25	19	22	22
15% and above	24	26	32	28	28
Compliant Banks	50	51	51	50	50

Appendix XXVI: Banking Sector Asset and Liability Share based on CRAR as at end-Jun 2024

CRAR	No. of Banks	Asset size (B. BDT)	Asset Share (%)	Liability size (B. BDT)	Liability Share (%)
<10%	11	547,496.09	21.50	557,303.74	23.05
10% to <15%	22	1,421,201.05	55.82	1,346,564.61	55.69
15% and above	28	577,562.59	22.68	514,079.25	21.26
Total	61	2,546,259.73	100.00	2,417,947.60	100.00

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

Particulars	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Tier-1 Capital Ratio (%)	8.10	7.98	8.44	7.77	7.61
No. of Tier-1 capital compliant banks	52	51	51	51	50
Overall CRAR (%)	11.19	11.08	11.64	10.85	10.64
No. of CRAR compliant banks	50	51	51	50	50

Appendix XXVIII: Bank Cluster-wise CRAR

Bank Clusters	CRAR (In Percent)				
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
SOCBs	6.76	6.03	6.13	5.80	5.44
PCBs	12.81	12.82	13.48	12.49	12.29
FCBs	32.91	35.72	37.30	38.93	39.46
SDBs	-37.79	-38.91	-40.90	-43.84	-41.31
Industry	11.19	11.08	11.64	10.85	10.64

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

(In Percentage)

RWA	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
RWA for Credit Risk	87.97	88.15	88.32	88.22	88.17
RWA for Market Risk	3.75	3.81	3.10	3.22	3.38
RWA for Operational Risk	8.29	8.04	8.58	8.57	8.45

Appendix XXX: Capital Conservation Buffer (CCB) at end-June 2024

Particulars	No. of Compliant Banks	No. of banks considered	Aggregate CCB (%)
Solo	44	61	0.64
Consolidated	27	39	0.87

Appendix XXXI: CRR and SLR at end-June 2024

Bank Clusters	CRR (In Percent)		SLR (In Percent)	
	Required	Maintained	Required	Maintained
SOCBs	4.00	4.00	13.03	29.34
PCBs (Conventional)	4.00	4.00	10.45	18.10
FCBs	4.00	4.00	15.50	41.90
SDBs	4.00	4.00	0.00	0.00
PCB (Islamic Shari'ah based)	4.00	4.00	5.50	8.18
Industry	4.00	4.00	11.35	22.11

*CRR on bi-weekly average basis; SDBs are exempted from maintaining SLR.

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

Period	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
ADR (in percent)	78.51	78.08	81.87	80.98	80.20

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

Leverage Ratio	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
<3.25%	10	10	11	-	-
≥3.25% to 10%	38	37	35	-	-
<3.50%*	-	-	-	11	11
≥3.50% to 10%	-	-	-	36	36
>10% to 20%	7	9	10	8	8
>20% to 30%	4	3	4	4	4
>30%	2	2	1	2	2

* The minimum regulatory requirement of leverage ratio has been changed from 3.25 percent to 3.50 percent.

Appendix XXXIV: Bank Cluster-wise Leverage Ratio - Solo Basis

(In Percentage)

Bank Clusters	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
SOCBs	2.44	2.12	2.26	2.15	1.95
PCBs	5.40	5.40	5.50	5.15	4.85
FCBs	13.45	13.73	14.71	15.53	16.36
SDBs	-25.95	-27.06	-26.74	-28.96	-27.71
Industry	4.57	4.51	4.67	4.39	4.18

Appendix XXXV: Bank Cluster-wise LCR and NSFR

(In Percentage)

Bank Clusters	LCR & NSFR									
	Jun-23		Sep-23		Dec-23		Mar-24		Jun-24	
	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR
SOCBs	228.60	103.29	220.61	106.02	218.68	102.93	202.62	102.84	211.75	101.91
PCBs (Conventional)	142.81	112.26	143.53	111.65	139.23	111.10	147.06	111.83	146.74	112.85
PCBs (Islamic)	57.99	108.06	58.76	107.64	66.09	104.25	45.98	103.83	65.03	107.58
FCBs	258.29	126.70	367.92	131.72	393.15	130.42	412.14	128.97	537.51	131.77
Industry	152.37	109.71	154.69	110.28	147.69	108.36	145.46	108.58	151.01	109.70

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

Appendix XXXVI: FIs' CRR and SLR

(Amount in Billion BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/Shortfall	Required	Maintained	Surplus/Shortfall
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
Dec-23	5.33	5.43	0.10	25.26	104.87	79.61
Mar-24	5.32	5.40	0.08	25.22	115.21	89.99
Jun-24	5.32	5.37	0.05	25.53	108.59	83.06

Appendix XXXVII: Capital Adequacy Ratio (CAR) of FI Sector

Particulars	End June-22	End Sep-22	End Dec-22	End Mar-23	End Jun-23	End Sep-23	End Dec-23	End Mar-24	End Jun-24
CAR (%)	9.53	10.16	8.16	7.29	5.08	2.59	1.62	3.24	(3.31)

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

(Amount in Billion BDT)

Particulars*	End Mar-23	End Jun-23	End Sep-23	End Dec-23	End Mar-24	End Jun-24
Credit RWA	633.11	613.36	610.84	603.92	589.46	571.47
Market RWA	24.63	25.15	24.79	24.95	22.93	28.31
Operational RWA	47.88	44.07	43.84	42.43	40.61	43.35
Total RWA	**705.62**	**682.58**	**679.47**	**671.30**	**653.00**	**643.13**
Core Capital (Tier -1)	35.72	21.34	4.33	(1.81)	8.64	(33.01)
Supplementary Capital	13.74	13.33	13.28	12.69	12.54	11.71
Eligible Capital	**49.46**	**34.67**	**17.61**	**10.88**	**21.17**	**(21.30)**

Appendix XXXIX: DSEX and MSCI Emerging Markets Index

Date	DSEX	Date	MSCI Emerging Markets Index
2-Jun-24	5233.67	3-Jun-24	1069.31
3-Jun-24	5235.63	4-Jun-24	1051.96
4-Jun-24	5247.53	5-Jun-24	1062.79
5-Jun-24	5224.37	6-Jun-24	1073.26
6-Jun-24	5237.32	7-Jun-24	1073.14
9-Jun-24	5171.56	10-Jun-24	1070.33
10-Jun-24	5105.89	11-Jun-24	1,065.70
11-Jun-24	5070.02	12-Jun-24	1068.55
12-Jun-24	5083.2	13-Jun-24	1075.54
13-Jun-24	5117.81	14-Jun-24	1076.89
19-Jun-24	5161.38	17-Jun-24	1,074.20
20-Jun-24	5244.13	18-Jun-24	1081.81
23-Jun-24	5247.14	19-Jun-24	1095.27
24-Jun-24	5220.19	20-Jun-24	1095.76
25-Jun-24	5241.84	21-Jun-24	1086.93
26-Jun-24	5302.72	24-Jun-24	1084.32
27-Jun-24	5355.41	25-Jun-24	1085.32
30-Jun-24	5328.4	26-Jun-24	1,086.20
-	-	27-Jun-24	1081.87
-	-	28-Jun-24	1086.25

Appendix XL: DSE Performance

Month	*(In Billion BDT)*		Index		
	Turnover	Market Capitalization	DSEX	DS30	DSES
Jul-23	171.28	7,812.79	6324.81	2157.41	1370.92
Aug-23	96.52	7,760.58	6299.5	2141.61	1372.52
Sep-23	113.06	7,774.76	6284.63	2140.36	1359.6
Oct-23	100.69	7,842.67	6278.66	2133.87	1362.73
Nov-23	94.98	7,718.17	6223.03	2108.32	1353.21
Dec-23	102.06	7,806.50	6246.50	2093.83	1364.13
Jan-24	157.47	7517.34	6153.34	2103.93	1351.96
Feb-24	239.16	7607.24	6254.54	2126.8	1359.82
Mar-24	114.03	6833.04	5829.70	2021.30	1266.31
Apr-24	93.57	7035.11	5584.65	1995.31	1227.51
May-24	133.56	6489.22	5221.96	1874.84	1143.70
Jun-24	83.55	6621.56	5328.40	1909.64	1180.01

Appendix XLI: Sectoral Turnover at DSE

Sectors	Jan-Mar, 2024	Apr-Jun, 2024
Corporate Bond	0.05%	0.01%
Jute	0.33%	1.01%
Services & Realestate	1.64%	1.06%
Paper & Printing	3.07%	1.09%
Cement	1.82%	1.17%
Financial Institutions	2.61%	1.21%
Telecommunication	1.05%	1.24%
Tannery	2.18%	1.73%
Miscellaneous	4.30%	2.13%
Ceramic	3.27%	2.72%
Fuel & Power	3.41%	3.08%
Mutual Funds	2.29%	3.69%
Travel and Leisure	3.57%	3.93%
IT - Sector	4.38%	4.78%
Banks	8.17%	7.65%
Insurance	11.42%	8.29%
Engineering	13.03%	8.84%
Textile	9.54%	12.59%
Food & Allied Product	8.37%	12.99%
Pharmaceuticals & Chemicals	15.49%	20.80%

Appendix XLII: Sectoral Market Capitalization at DSE

Sector	End-June, 2024	End-March, 2024
Jute	0.10%	0.11%
Ceramic	0.60%	0.70%
Services & Real estate	0.64%	0.61%
Tannery	0.73%	0.74%
Mutual Funds	0.85%	0.86%
Paper & Printing	0.86%	1.05%
IT - Sector	0.90%	0.97%
Corporate Bond	1.15%	1.09%
Travel and Leisure	1.61%	1.78%
Financial Institutions	2.98%	3.17%
Cement	3.02%	2.98%
Textile	3.43%	3.60%
Insurance	3.87%	3.97%
Miscellaneous	6.30%	6.15%
Food & Allied Product	8.06%	8.37%
Fuel & Power	8.97%	8.58%
Engineering	9.60%	9.60%
Telecommunication	13.00%	12.36%
Pharmaceuticals & Chemicals	16.57%	16.12%
Banks	16.77%	17.17%

Appendix XLIII: Sectoral P/E Ratio at DSE

Sector	End-June, 2024	End-March, 2024
Banks	5.94	6.25
Telecommunication	7.95	12.73
Fuel & Power	8.7	9.24
Cement	10.09	12.57
Jute	12.61	28.31
Pharmaceuticals & Chemicals	13.59	13.34
Textile	13.92	16.01
Insurance	13.93	16.69
Food & Allied Product	13.95	14.44
Financial Institutions	14.07	15.47
Engineering	14.97	19.84
Travel and Leisure	15.33	23.9
Services & Realestate	17.83	18.02
Paper & Printing	18.8	23.10
IT - Sector	19.17	21.98
Tannery	20.57	24.08
Mutual Funds	26.78	33.31
Miscellaneous	31.57	38.27
Ceramic	74.63	37.58

Appendix XLIV: Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
Jun-21	18.50	17.68
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
Dec-23	13.12	14.69
Mar-24	11.73	12.84
Jun-24	10.22	11.56

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

Month	Daily Average Index Volatility[35]	Daily Average DSE Turnover (In crore BDT)
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
Oct-23	15.51	457.70
Nov-23	24.16	431.70
Dec-23	9.54	537.20
Jan-24	74.64	715.80
Feb-24	65.28	1258.70
Mar-24	143.22	600.10
Apr-24	103.18	519.80
May-24	183.46	667.80
Jun-24	80.34	464.10

Appendix XLVI: CSE Performance

Month	*(In Billion BDT)*		Index		
	Turnover	Market Capitalization	CASPI	CSE30	CSI
Jul-23	3.27	7,717.18	18683.43	13357.57	1171.84
Aug-23	2.234	7,668.47	18633.19	13390.56	1175.13
Sep-23	7.91	7,718.92	18580.58	13358.74	1167.7
Oct-23	14.44	7,783.74	18589.42	13378.96	1170.47
Nov-23	1.74	7,679.39	18479.52	13339.11	1171.02
Dec-23	2.64	7,760.90	18520.14	13304.52	1178.65
Jan-24	2.72	7,462.30	17427.99	13199.22	1131.44
Feb-24	4.45	7,530.01	17928.39	13346.41	1148.7
Mar-24	3.31	7,119.86	16628.71	12696.57	1079.79
Apr-24	3.56	7,344.12	15953.06	12280.93	1051.52
May-24	9.89	7,441.23	15072.20	11632.88	982.71
Jun-24	18.62	6,915.76	15066.82	11943.43	990.22

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

Appendix XLVII: Sectoral Turnover at CSE

Sectors	Contribution of Sectors	
	Jan-Mar, 2024	Apr-Jun, 2024
Corporate Bond	0.33%	0.07%
Paper & Printing	1.82%	0.18%
Leasing & Finance	3.59%	0.21%
Ceramics	2.73%	0.42%
Telecommunication	1.60%	0.55%
General Insurance	3.09%	0.63%
Mutual Funds	0.67%	0.64%
IT	2.33%	0.72%
Tannery	1.26%	1.08%
Cement	1.34%	1.54%
Engineering	7.83%	1.67%
Textile	8.25%	2.00%
Services	6.33%	2.24%
Food & Allied Product	7.30%	2.91%
Life Insurance	7.19%	3.64%
Banking	16.44%	11.16%
Miscellaneous	10.61%	14.84%
Fuel & Power	3.25%	19.50%
Pharmaceuticals & Chemicals	14.06%	35.96%

Appendix XLVIII: Sectoral Market Capitalization at CSE

Sectors	End-March, 2024	End-June, 2024
Ceramics	0.72%	0.65%
Tannery	0.78%	0.77%
IT	1.03%	0.96%
Mutual Funds	0.90%	0.97%
Paper & Printing	1.06%	1.02%
Corporate Bond	1.13%	1.26%
Life Insurance	1.51%	1.57%
Food & Allied Product	2.03%	2.08%
General Insurance	2.48%	2.43%
Services	2.47%	2.51%
Cement	3.10%	2.98%
Leasing & Finance	3.30%	3.11%
Textile	3.43%	3.52%
Engineering	9.67%	8.98%
Fuel & Power	8.86%	9.06%
Miscellaneous	10.24%	9.96%
Telecommunication	13.00%	12.84%
Pharmaceuticals & Chemicals	16.54%	17.07%
Banking	17.74%	18.26%

Appendix XLIX: Sectoral P/E Ratio at CSE

Sectors	End-March, 2024	End-June, 2024
Life Insurance	N/A	N/A
Corporate Bond	N/A	N/A
Mutual Funds	N/A	N/A
Banking	7.48	6.51
General Insurance	9.85	8.57
Fuel & Power	9.59	9.33
Miscellaneous	12.92	11.04
Telecommunication	14.17	12.14
Leasing & Finance	12.3	13.38
Cement	14.74	14.11
Services	22.06	15.22
Pharmaceuticals & Chemicals	16.17	15.27
Textile	16.54	15.74
Engineering	20.95	20.31
Food & Allied Product	22.06	20.71
IT	24.91	20.87
Ceramics	33.67	26.96
Tannery	74.21	30.36
Paper & Printing	48.8	38.43

Note: N/A- not available

Appendix L: Capital Market Exposures of Banks

Period	Solo basis (%)	Consolidated basis (%)
Jun-21	14.40	23.90
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
Dec-23	15.07	25.39
Mar-24	15.12	25.05
Jun-24	15.86	24.15

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

The report is based on data and information available as of end-June 2024, unless stated otherwise.

The report can be accessed through internet at https://www.bb.org.bd/en/index.php/publication/publictn/2/60

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