Quarterly

Financial Stability Assessment Report

Issue: 26, 2023 (I)

January-March 2023

Bangladesh Bank

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This report is based on unaudited and provisional data of banks and financial institutions available up to March 31, 2023 unless stated otherwise.

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

Message from the Governor

The global economy has continued to demonstrate some recovery during the quarter ended March 2023. Inflationary pressure, mainly arising from the Russia-Ukraine war, has become moderated largely due to tightening of monetary policies by the central banks and monetary authorities. However, there are apprehensions among the policy makers about the consequences of such policy tightening, which might aggravate global financial sector vulnerability in the backdrop of recent banking turbulence in some advanced economies. To stabilize the global financial system from plausible contagion effects, policy makers have begun to revisit the conventional policy paths and adopt prompt remedial measures to accommodate inflation without jeopardizing the overall financial stability. In tandem with the stated global dynamics, Bangladesh has also been susceptible to inflationary pressures and some other macroeconomic challenges like surge in exchange rate and downward trend in foreign exchange reserves.

Bangladesh Bank (BB) has been adopting policy measures to curb inflation by containing consumer demand and ensuring adequate flow of fund in productive sectors. In particular, BB has raised policy rates and resorted to transition from a monetary targeting approach to an interest rate targeting framework by introducing 'SMART', i.e., six-month moving average rate of Treasury bill lending rate. These measures are expected to enhance banking sector competitiveness and create a congenial environment for the businesses.

To maintain a reasonable level of stability in the exchange rate, BB has been adopting a strategy of gradual local currency depreciation, taking into account the possible liquidity strain of this approach on the economy contemporaneously. BB's relentless efforts for the digital transformation of financial transactions are contributing to enhancing the resilience of the financial system by mitigating domestic and cross-border risks. Moreover, policy measures taken to promote remittances through official channels, monitor import prices, and expedite exports may improve the position of our foreign exchange reserves. Furthermore, BB's policy initiatives to promote agriculture and small industries would enhance local production and help Bangladesh in reducing its dependency on import of food and other essential commodities.

I believe, BB's proactive oversight, coupled with stringent supervision and resolute actions, would contribute to lessening the strain of non-performing loans, upholding depositors' confidence, and enhancing overall stability of the financial system. Nevertheless, there is no room for complacence. I urge all the stakeholders of the financial system to extend their highest level of cooperation in effective implementation of the policy measures taken by the authorities towards curbing inflation and external sector stress, and maintaining financial stability in turn. Banks need to maintain further caution while opening import L/Cs and remain frugal in managing their operating expenses. Besides, both banks and FIs need to perform scrupulous evaluations of borrowers during credit appraisal process to mitigate default risks. Also, they need to exercise good governance to curb the rise in NPLs.

I believe this quarterly report will be able to help the stakeholders grasp the ongoing global and domestic macroeconomic dynamics as well as strengths and vulnerabilities of our financial system, and apply due diligence in adopting forward-looking actions. I commend the efforts and dedication of the officials of Financial Stability Department in preparing this report.

Abdur Rouf Talukder
Governor

Message from the Deputy Governor

In early 2023, the global economy demonstrated a sign of soft landing with steady economic growth and declined inflation rate amid geopolitical tensions including Russia-Ukraine war and other economic challenges. Nevertheless, monetary policy may become more restrictive, which might lead to slower global growth than expected, and exert stress on the financial sector, if inflationary pressures persist longer than anticipated. Considering the ongoing global dynamics, IMF has already downgraded the global economic forecast to 2.8 percent for 2023. This may have bearing for macro-financial stability of Bangladesh.

Following the global uncertainties, the domestic economy has been facing some concerns about supply chain disruptions, global price hike, and lower consumer demand in some advanced economies. Domestic economy is also facing high inflationary pressure and lower export growth. However, a significant decline in import payment and decent growth in wage earners' remittance turned the current account balance to a surplus in the review quarter. The gross foreign exchange reserve stood at USD 31.14 billion at end-March 2023, albeit some decline from USD 33.75 billion at end-December 2022. Importantly, keeping global uncertainties and domestic concerns into account, Bangladesh has set a modest GDP growth target of 7.5 percent for FY2023-24. Moreover, Bangladesh Bank has already taken contractionary monetary policy stance to curb the inflationary pressure.

During the review quarter, the banking sector has been able to fulfill the regulatory requirements in terms of both capital adequacy and liquidity parameters, even though the sector recorded a slight reduction in the capital to risk weighted asset ratio (CRAR) and increase in Non Performing Loan (NPL) ratio. The FIs sector, however, demonstrated a mixed trend; the sector maintained the regulatory requirements of liquidity parameters but asset quality and capital adequacy ratio (CAR) of the sector demonstrated slight deterioration. Therefore, asset quality of both the banking and FIs sectors need to be improved.

During the review quarter, Bangladesh Bank has taken various steps to address the stresses emanated from the external sector and boost the domestic economy. For instance, exporters' retention quota (ERQ) account services, electronic Form-C submission, and the Export Facilitation Pre-finance Fund (EFPF) were made available to support exporters and improve foreign exchange liquidity situation of the banks. Circulars regarding the creation of additional refinance fund for COVID-19 affected Cottage, Micro, Small and Medium Enterprises (CMSME) sector and finding out new eligible farmers for agricultural and rural credit have been issued to revitalize the domestic economy.

I hope this quarterly update on financial stability of Bangladesh will provide valuable and enlightening insights to the stakeholders in perceiving recent trends and emerging issues of interest. I would like to extend my profound appreciation to the officials of Financial Stability Department for their diligent effort in preparing this report.

Nurun Nahar
Deputy Governor

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Acronyms

ACD	Agricultural Credit Department
ADR	Advance-to-Deposit Ratio
ADs	Authorized Dealers
AEs	Advanced Economies
B/L	Bad and Loss
BB	Bangladesh Bank
BDT	Bangladeshi Taka
BRPD	Banking Regulation and Policy Department
CAR	Capital Adequacy Ratio
CASPI	CSE ALL Share Price Index
CCB	Capital Conservation Buffer
CMSME	Cottage Micro Small & Medium Enterprises
CRAR	Capital to Risk-weighted Asset Ratio
CRR	Cash Reserve Ratio
CSE	Chittagong Stock Exchange
CSE30	CSE 30 Index
CSI	CSE Shari'ah Index
CY	Calendar Year
DAX	Deutscher Aktienindex (German stock index)
DF	Doubtful
DFIM	Department of Financial Institutions and Markets
DMD	Debt Management Department
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
DSES	DSEX Shari'ah Index
DS30	DSE 30 Index
DSEX	DSE Broad Index
DJIA	Dow Jones Industrial Average
EMDEs	Emerging Markets and Developing Economies
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
G7	The Group of Seven
GDP	Gross Domestic Product
IMF	International Monetary Fund
L/C	Letter of Credit
LCR	Liquidity Coverage Ratio
MCR	Minimum Capital Requirement
MSCI	Morgan Stanley Capital International
MPD	Monetary Policy Department
NBFIs	Non-Bank Financial Institutions
NPL	Non-performing Loan
NSFR	Net Stable Funding Ratio
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
SOCBs	State-owned Commercial Banks
SDBs	Specialized Development Banks
SLR	Statutory Liquidity Requirement
SMESPD	SME & Special Programmes Department
SS	Sub-Standard
TRC	Total Regulatory Capital
USA	United States of America
USD	US Dollar
UK	United Kingdom

Executive Summary

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

Economic activities across the world remained mostly sluggish amid tightening financial conditions. During the review quarter, most of the advanced economies (AEs) continued to experience slowdown in their economic activities while the major emerging market and developing economies (EMDEs) saw their economic activities rebounded considerably. Global production remained constrained largely due to weakening economic activities and lower demand for industrial goods across the world. Policy rates of the AEs and many EMDEs recorded increase and are expected to remain high. Such monetary tightening by most economies appeared to have contributed to the decline in global inflation. Energy prices declined sharply for consecutive months. Moreover, agricultural and non-energy prices eased down moderately.

Domestic economy experienced high inflation and pressure on foreign exchange reserve. Annual average inflation increased to 8.39 percent at end-March 2023, which was 5.75 percent at end-March 2022 and 7.70 percent at end-December 2022. Wage earners' remittance inflow stood at USD 5,541.82 million in the review quarter, registering an increase of 14.97 percent from that of the preceding quarter. Foreign exchange reserve stood at USD 31.14 billion, declining from USD 33.75 billion in the preceding quarter. Although the trade deficit narrowed in the review quarter, it continued to put significant strain on foreign exchange reserves. Bangladeshi Taka (BDT) depreciated against the USD; BDT-USD exchange rate stood at 102.00 at end-March 2023, as opposed to 99.00 at end-December 2022.

Banking sector experienced moderate decrease in profitability and asset quality during the review quarter. Aggregate asset size of the banking sector increased by 1.42 percent and reached BDT 22,275.20 billion. However, asset quality slightly deteriorated as non-performing loan (NPL) ratio increased to 8.80 percent at end-March 2023 from 8.16 percent at end-December 2022. Besides, provision maintenance ratio stood at 82.40 percent registering a decrease of 4.52 percentage points. Profitability of the sector dwindled as return on assets (ROA) and return on equity (ROE) stood at 0.39 percent and 6.83 percent respectively, compared to 0.62 percent and 10.70 percent in the preceding quarter.

Overall capital position of the banking sector decreased slightly; however, the sector remained compliant in terms of various liquidity requirements. During the review quarter, capital to risk weighted asset ratio (CRAR) of the banking sector stood at 11.23 percent, which was 60 basis points lower than that of the previous quarter. In addition, Tier-1 capital ratio decreased by 39 basis points and stood at 8.0 percent. However, both the ratios were above the minimum regulatory requirement. In addition, the banking sector maintained advance-to-deposit ratio (ADR), cash reserve ratio (CRR), statutory liquidity ratio (SLR), liquidity coverage ratio (LCR), and net stable funding ratio (NSFR) above the respective minimum regulatory requirements.

Stress tests, based on end-March 2023, indicate that the banking sector would continue to remain moderately resilient to different shock scenarios. Among the broad risk factors, credit risk remained the major risk factor for the banking sector in terms of its impact on capital adequacy. Results of the test depict that either an increase in NPLs by 3 percent or a default of top three large borrowers is likely to affect the banking sector's resilience significantly, leading CRAR of the sector to fall below the minimum regulatory requirement. In contrast, CRAR of the banking sector would remain above the minimum requirement for each stress scenario of market risk factors. In the event of a combined shock, excluding defaults by top large borrowers and an increase in NPLs in the highest outstanding sector, the CRAR of the banking system would decline to 6.67 percent from pre-shock CRAR of 11.23 percent.

Financial institutions (FIs) showed mixed performance in the review quarter as evident from expansion in aggregate asset and reduction in profitability of the sector. At end-March 2023, total assets of financial institutions amounted to BDT 957.43 billion, exhibiting an increase of 4.07 percent compared to the previous quarter. FIs' classified loans and leases ratio increased to 25.05 percent at end-March 2023 from 23.88 percent in the previous quarter. Profitability of the sector continued to remain negative, with ROA and ROE standing at -1.32 percent and -20.68 percent respectively. The capital adequacy ratio (CAR), in line with Basel II, stood at 7.29 percent, lower than the minimum regulatory requirement of 10 percent. However, the Tier-1 capital (core capital) ratio of the sector (excluding People's Leasing and Financial Services Limited) was 5.26 percent against the minimum regulatory requirement of 5.0 percent.

The capital market showed a bearish trend during the review quarter. At end-March 2023, the main indices and the market capitalization of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited a marginal increase compared to those of end-Decmber 2022. Turnover in both the bourses increased slightly during the review period compared to the previous quarter. However, the capital market seems to have no major impact on financial stability in the near-term, as the size of the market is still small. Importantly, banking sector's exposure to the capital market was much lower than the regulatory limit.

Bangladesh Bank (BB) has taken several initiatives in the review quarter to ensure domestic financial system stability. BB has established an export-oriented pre-financing fund to protect the export sector from prevailing adverse global economic conditions. It has also taken measures to ensure timely realization of export proceeds by allowing banks to make payments to exporters applying the exchange rate prevailing at the date, pre-fixed as per regulation. Mudarabah Liquidity Support (MLS) for the Islamic banks has also been introduced for meeting interim liquidity shortages in exceptional circumstances. In addition, a number of circulars and guidelines have been issued to enhance the stability of the financial system and revitalize the economy.

CHAPTER 1: MACROECONOMIC DEVELOPMENTS

1.1 Global Macroeconomic Situation

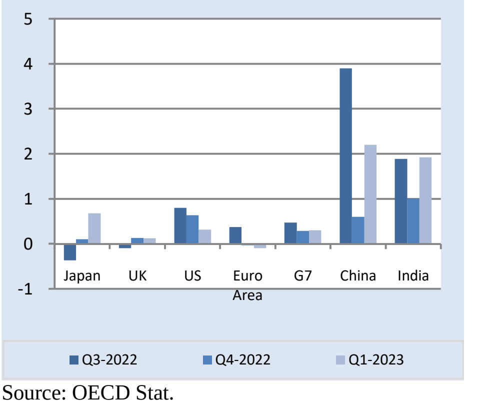
In the review quarter, economic activities across the world rebounded considerably, in emerging market and developing economies in particular, while advanced economies are still experiencing a slowdown. Due to massive monetary tightening by most economies and the easing of supply-chain disruptions, global inflation has cooled down considerably; Energy and food prices posted significant decline. However, tightening of monetary policy has resulted in losses in fixed income assets of the financial institutions.

1.1.1 Global GDP Growth

The global economy, especially the emerging market and developing economies (EMDEs) made significant strides toward recovery from the impact of COVID-19 and Russia-Ukraine conflict, although some of the advanced economies (AEs) are still confronting difficulties. Quarterly GDP growth of the Euro Area remained in the negative territory. UK achieved a minor growth of 0.1 percent, while USA's growth decreased to 0.3 percent compared to 0.6 percent in the previous quarter. G7 nations as a group achieved 0.3 percent growth in the previous two consecutive quarters. Meanwhile, Japan had a significant growth of 0.7 percent in the review quarter.

China managed to recover strongly during the quarter following reopening of the economy from lockdown due to reemergence of COVID-19, registered 2.2 percent growth. India too achieved strong growth of 1.9 percent (Chart 1.1).

Chart 1.1: Quarterly GDP Growth

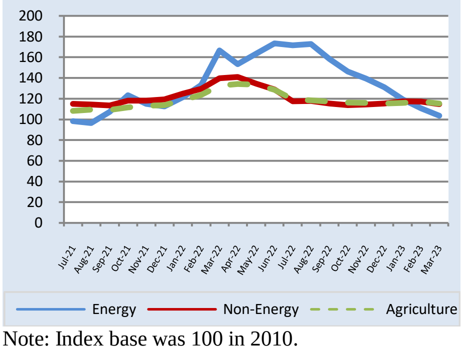


Source: OECD Stat.

1.1.2 Global Inflation Outlook

During the review quarter, tightening of monetary policy and easing of supply-chain disruptions had cooling effects on inflation. Energy prices declined sharply for consecutive months. Moreover, Agricultural and non-energy prices eased down moderately (Chart 1.2).

Chart 1.2: Commodity Price Index



Note: Index base was 100 in 2010.

Source: World Bank.

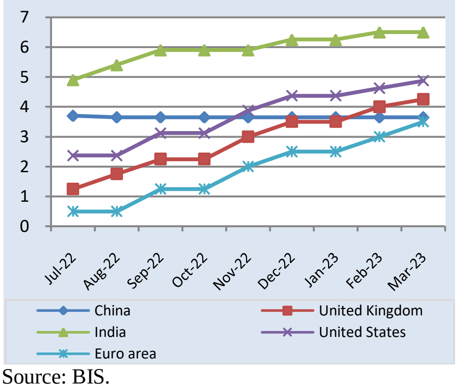
1.1.3 Global Financial Condition

During the review quarter, global financial condition has been mostly driven by tight monetary and fiscal policies. The tightening of monetary policy has resulted in losses in longer-term fixed income assets of financial institutions, forcing failure of a few regional banks in the US and merger of two major Swiss banks. The global equity market experienced increased prices and volatility.

1.1.3.1 Global Monetary Policy Response

Policy rates of the AEs and many EMDEs continued to rise in the review quarter and are expected to remain high (Chart 1.3). Expectations for monetary policy tightening in advanced economies added to financial pressure on EMDEs. The USD has gained against most currencies amid global growth concerns.

Chart 1.3: Policy rates of Central Banks

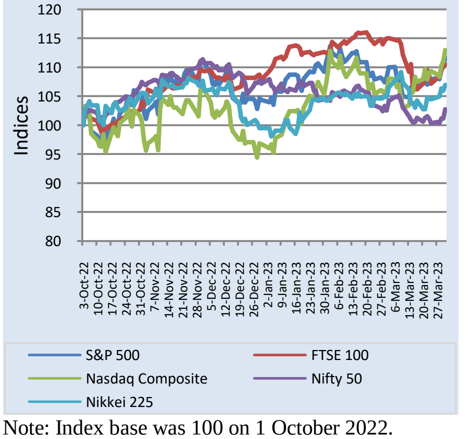


Source: BIS.

1.1.3.2 Global Equity Market

Major equity markets ended in a rise in the first quarter of 2023 even though there were some volatilities (Chart 1.4).

Chart 1.4: Selected Equity Markets[1]



Note: Index base was 100 on 1 October 2022.

Source: The Wall Street Journal, FSD Calculation.

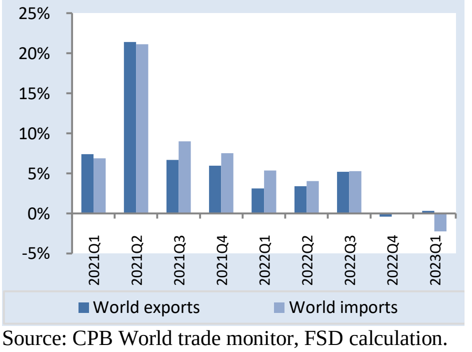
1.1.4 Global Trade and Production

Global trade remained restrained in the review quarter amid existing supply chain constraints associated

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

with the Russia-Ukraine conflict and tight monetary environment. Export grew by 0.3 percent while import shrank by 2.2 percent respectively in the review quarter compared to the same quarter of the last year (Chart 1.5).

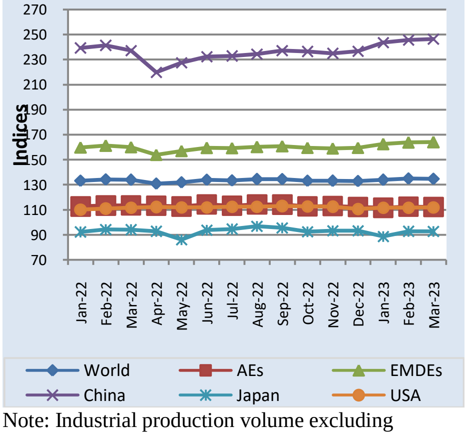
Chart 1.5: Global Export and Import Growth (Quarter-on-Quarter)



Source: CPB World trade monitor, FSD calculation.

Global production remained stagnant largely due to weakening economic activities and lower demand for industrial goods across the world. However, production of emerging economies slightly improved led by China (Chart 1.6).

Chart 1.6: Global Industrial Production



Note: Industrial production volume excluding construction, fixed base 2010=100.

Source: CPB World Trade Monitor.

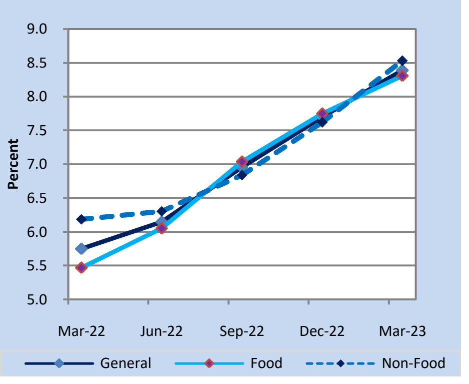
1.2 Domestic Macroeconomic Situation

Domestic macroeconomic condition improved in the review quarter, in terms of wage earners' remittance, current account balance and import payment. However, inflationary pressure slightly increased while interest rate spread in the banking industry decreased marginally. Import coverage of international reserve increased moderately even though gross reserve declined slightly. The current account of the balance of payments experienced a surplus mainly due to an increase in wage earners' remittance and significant reduction in import payment in the review quarter. Bangladeshi Taka (BDT) against US dollar depreciated further.

1.2.1 Inflation

At end-March 2023, annual average inflation (base 2005-06=100) stood at 8.39 percent, recording an increase of 0.69 percentage point from that of the preceding quarter. Annual average food inflation rose to 8.31 percent from 7.75 percent of the preceding quarter. Annual average non-food inflation increased notably to 8.53 percent from 7.62 percent (Chart 1.7).

Chart 1.7: Quarterly inflation from March-2022 to March-2023.

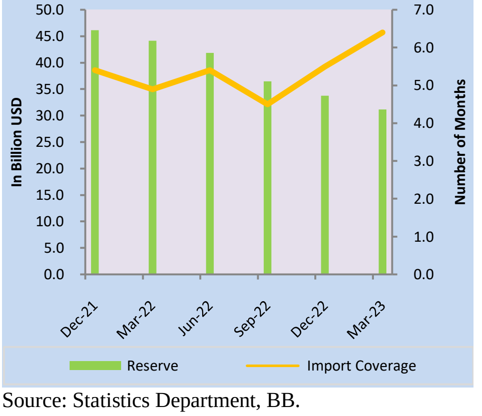


Source: Monthly Economic Trend, July 2023.

1.2.2 Foreign Exchange Reserve and its Import Coverage

At end-March 2023, the gross foreign exchange reserve stood at USD 31.14 billion from USD 33.75 billion at end-December 2022. Though foreign exchange reserve declined at end-March 2023, it was sufficient to cover 6.4 months' import payments on prospective basis, a notable increase from 5.5 months in the preceding quarter (Chart 1.8)[2].

Chart 1.8: Foreign Exchange Reserves

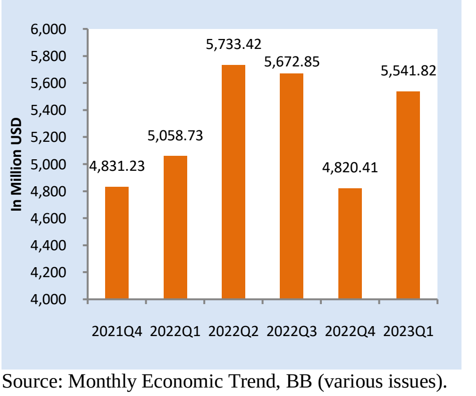


Source: Statistics Department, BB.

1.2.3 Wage Earners' Remittance

Wage earners' remittance increased considerably in the review quarter. It posted at USD 5,541.82 million, recording an increase of 14.97 percent from USD 4,820.41 million during 2022Q4[3]. Moreover, remittance inflows increased by 9.55 percent compared to that of 2022Q1 (Chart 1.9).

Chart 1.9: Wage Earners' Remittance



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

1.2.4 Exports (FOB) and Imports (FOB)

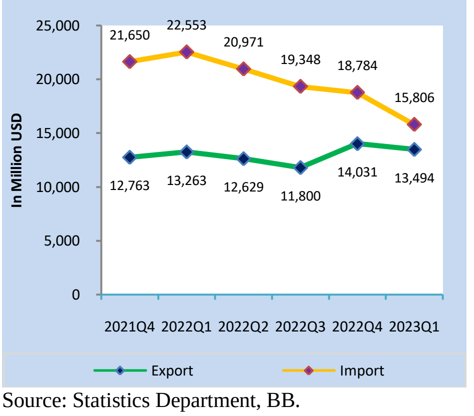
In the review quarter, both exports and imports decreased compared to those of the previous quarter. Exports stood at USD 13,494 million after a decline by 3.8 percent from USD 14,031 million in the preceding quarter. Aggregate imports also decreased notably by 15.9 percent from USD 18,784 million in the preceding quarter and stood at USD 15,806 million. In comparison with the same quarter of the previous year, exports

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

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

increased by 1.7 percent and imports decreased significantly by 29.9 percent (Chart 1.10).

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

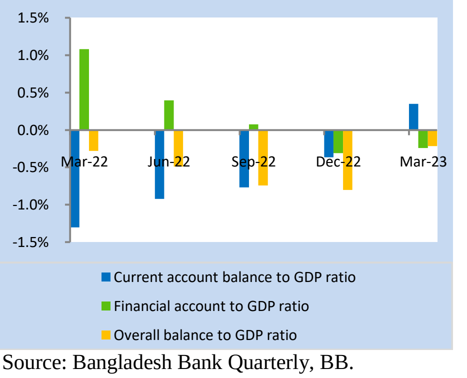


Source: Statistics Department, BB.

1.2.5 Balance of Payments

Current account balance observed a surplus during the review quarter mainly due to decline in import payment and increase in remittances. However, financial account experienced a deficit during the period. The overall balance of payment deficit decreased significantly compared to previous quarter. Current account balance and financial account as a share of GDP stood at 0.35 percent and -0.24 percent respectively in January-March 2023 quarter while overall balance as a percentage of GDP registered at -0.21 percent (Chart 1.11).

Chart 1.11: Balance of Payment Position

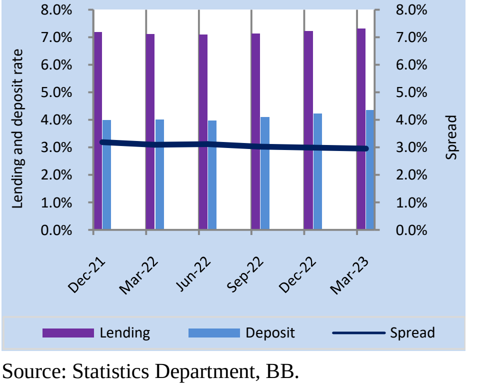


Source: Bangladesh Bank Quarterly, BB.

1.2.6 Interest Rate

The weighted average lending rate and deposit rate of banks increased marginally in the review quarter, continuing an upward trend that began in September 2022. At end-March, the weighted average lending and deposit rates stood at 7.31 percent and 4.35 percent respectively whereas these rates were 7.22 percent and 4.23 percent at end-December 2022 (Chart 1.12).

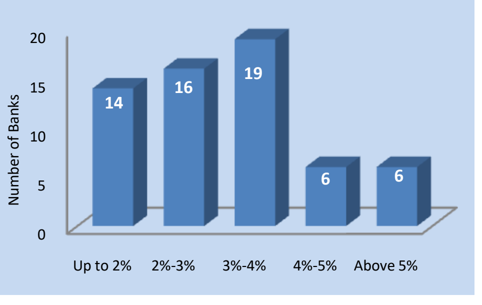
Chart 1.12: Interest Rate Spread



Source: Statistics Department, BB.

Although the lending rate and deposit rate increased, the spread between these two narrowed slightly, registering at 2.96 percentage points in March 2023 compared to 2.99 percentage points in December 2022. Out of 61 banks, interest rate spreads of 06 banks, consisting of 05 FCBs and 01 PCB, were above 5.0 percent (Chart 1.13).

Chart 1.13: Number of Banks by Interest Rate Spread in 2023Q1

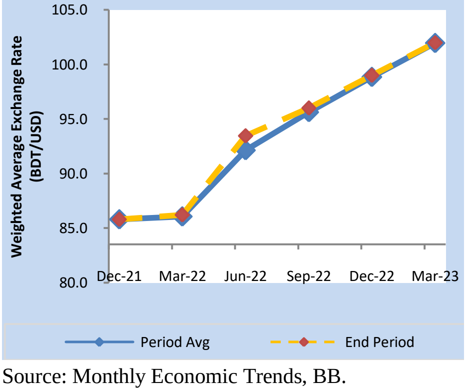


Note: Upper limit inclusive.
Source: Statistics Department, BB.

1.2.7 Exchange Rate

Bangladeshi Taka (BDT) against the USD[4] has gradually been depreciating in the last few quarters including the review quarter. The exchange rate of BDT per USD stood at 102.00 at end-March 2023, which was 99.00 at end-December 2022 (Chart 1.14).

Chart 1.14: Exchange Rate



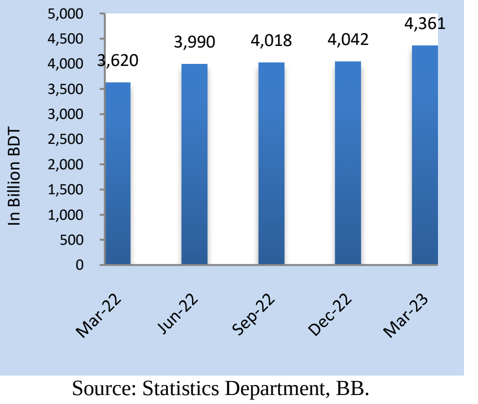
Source: Monthly Economic Trends, BB.

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

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

Credit to the Government (gross) by the banking system increased by 7.9 percent at end-March 2023 compared to end-December 2022 and stood at BDT 4,361 billion. Moreover, it increased by 20.5 percent compared to end-March 2022 (Chart 1.15).

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



Source: Statistics Department, BB.

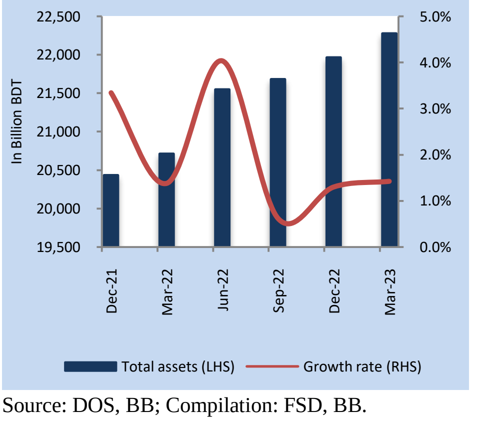
CHAPTER 2: BANKING SECTOR PERFORMANCE

The asset growth of the banking sector increased in the review quarter. However, asset quality slightly deteriorated compared to the same of the previous period. ROA and ROE of the banking sector also demonstrated moderate decrease in the review quarter.

2.1 Assets Structure

Both asset size[5] and asset growth of the banking sector increased in the review quarter. The total assets of the banking sector reached to BDT 22,275.20 billion at end-March 2023, rose by BDT 312.81 billion from that of end-December 2022. The asset growth in the review quarter was 1.42 percent, 12 basis points higher than that of the preceding quarter (Chart 2.1).

Chart 2.1: Asset Size of the Banking Sector

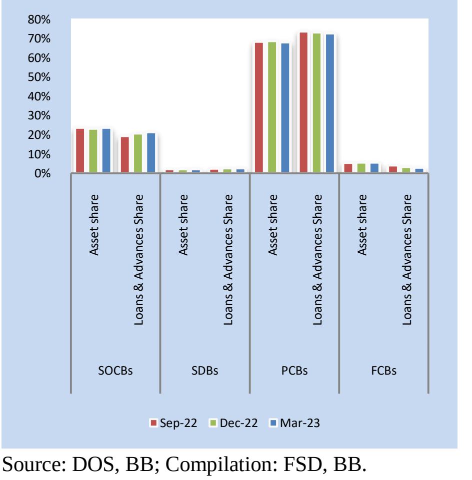


Source: DOS, BB; Compilation: FSD, BB.

This asset growth was largely attributed to increase in banks' investment in securities, other assets and lending in inter-bank money market. Importantly, the assets-to-GDP[6] ratio stood at 56.08 percent at end-March 2023 compared to 55.30 percent at end-December 2022.

The PCBs continued to hold the lion's share of the banking sector's total assets as well as loans and advances[7], 68.06 percent and 72.77 percent respectively at end-March 2023. However, the share of PCBs in assets and loans decreased marginally in the review quarter compared to the previous quarter, while the share of SOCBs and SDBs registered an increase during the period (Chart 2.2).

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



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

[5] Only scheduled banks are taken into account.

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

[7] The largest component of the banking sector's total assets

The asset share of FCBs increased marginally in the review quarter, while their share in loans and advances recorded a slight decrease compared to the preceding period.

Table 2.1 demonstrates the component-wise share of banking sector assets and its changes in the review quarter compared to the previous quarter. Loans and advances, the largest component among the asset items, constituted 65.18 percent of total assets followed by investment (16.21 percent) and other assets (5.13 percent) at end- March 2023.

Table 0.1: Asset Structure of the Banking Sector

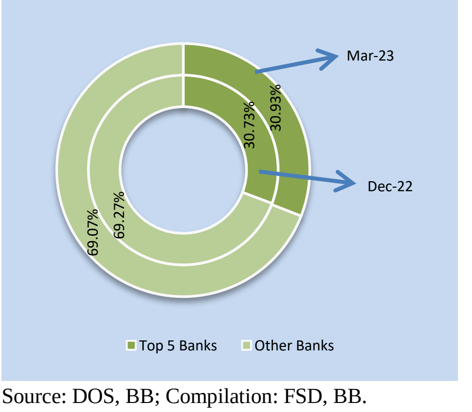
Component of Assets	% of Total Asset (End December 22)	% of Total Asset (End March 23)	Change (PP)
Cash in hand	1.12%	1.11%	-0.01
Balance with Bangladesh Bank and Sonali Bank	4.53%	3.50%	-1.03
Balance with other banks and financial institutions	3.59%	3.64%	0.05
Money at call and short notice	0.46%	0.66%	0.20
Investment at cost	15.66%	16.21%	0.55
Loans and advances	65.20%	65.18%	-0.02
Bill discounted and purchased	3.21%	3.24%	0.03
Fixed assets	1.32%	1.30%	-0.02
Other assets	4.89%	5.14%	0.25
Non-banking assets	0.02%	0.02%	0

Note: PP-Percentage Point.

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

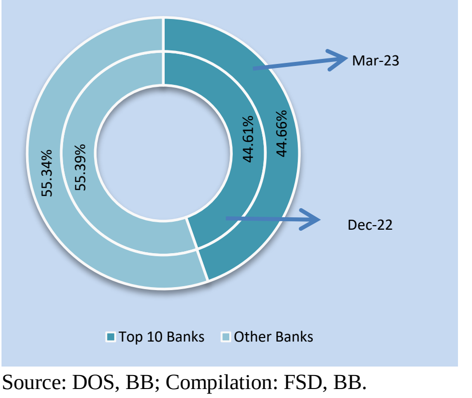
The asset concentration ratios[8] of both top 5 banks and top 10 banks increased marginally in March 2023 quarter. At end-March 2023, top 5 banks held 30.93 percent of total banking sector assets compared to 30.73 percent at end-December 2022 (Chart 2.3). The ratio held by top 10 banks was 44.66 percent at end-March 2023, 0.05 percentage point higher than that of the previous quarter (Chart 2.4).

Chart 2.3: Asset Concentration Ratio (in %) of Top 5 Banks



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

Chart 2.4: Asset Concentration Ratio of Top 10 Banks



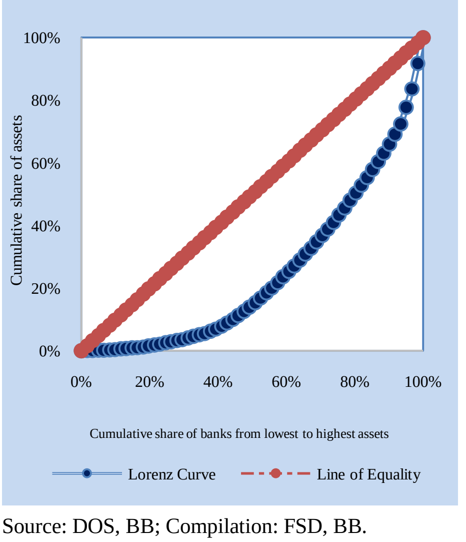
Source: DOS, BB; Compilation: FSD, BB.

Banking sector's asset concentration has also been demonstrated using Gini Coefficient based on the Lorenz Curve. As depicted in Chart 2.5, the position of the Lorenz Curve shows

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

that large 25 percent banks hold around 57 percent of total assets which implies the presence of a moderate level of concentration in the asset structure of the banking sector. The calculated Gini Coefficient[9] at end-March 2023 was 0.502 which suggested that distribution of assets among banks was moderately unequal.

Chart 2.5: Banking Sector Asset Concentration - Lorenz Curve

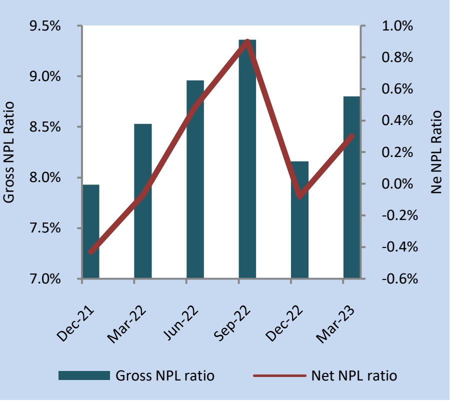


Source: DOS, BB; Compilation: FSD, BB.

2.2 Asset Quality

Gross non-performing loan (NPL) ratio[10] of the banking sector experienced a rise in the review quarter. The ratio stood at 8.80 percent at end-march 2023, 64 basis points higher than that of end-December 2022 (Chart 2.6). Moreover, net NPL ratio[11] stood at 0.30 percent as opposed to -0.08 percent in the previous quarter.

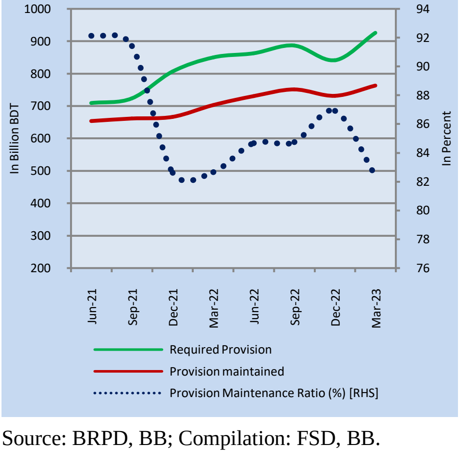
Chart 2.6: NPL Ratio of the Banking Sector



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

The provisioning requirement of the banking sector increased by 10.06 percent in the review quarter. The amount of required provision stood at BDT 926.20 billion at end-March 2023 from BDT 841.57 billion at end-December 2022. However, actual provision increased by 4.34 percent and stood at BDT 763.21 billion (Chart 2.7).

Chart 2.7: Banking Sector Loan Loss Provision



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

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

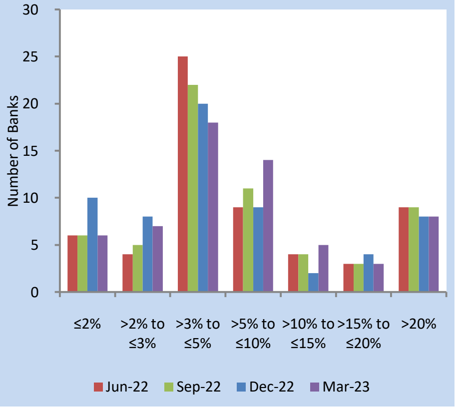
[10] Total classified loans as a percentage of total loans outstanding. Loans and advances of both domestic banking unit (DBU) and off- shore banking unit (OBU) are considered.

[11]Net NPL ratio = (Gross NPLs - Loan loss Provisions - Interest Suspense) / (Total Loans Outstanding - Loan loss Provisions - Interest Suspense)

Consequently, provision maintenance ratio declined by 4.52 percentage points and reached at 82.40 percent in the review quarter.

Chart 2.8 illustrates distribution of banks based on their gross NPL ratios.

Chart 2.8: Distribution of banks by Gross NPL ratio

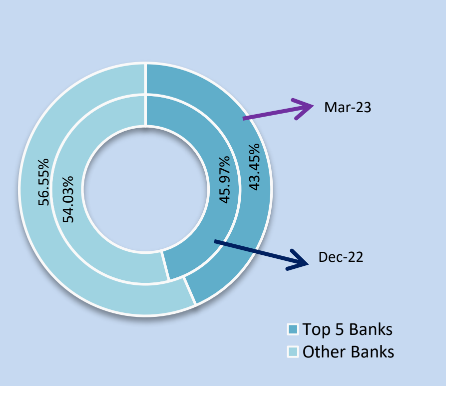


Source: BRPD, BB; Compilation: FSD, BB.

The chart demonstrates that the number of banks having NPL ratio within 5 percent decreased in the review quarter compared to the previous quarter. At end-March 2023, 31 banks had NPL ratio within 5 percent whereas 38 banks had similar percentage of NPL in the previous quarter. However, number of banks having NPL ratio higher than 20 percent remained unchanged at end-March 2023.

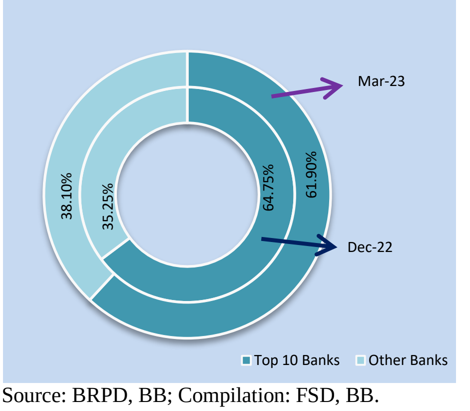
NPL concentration[12] in top 5 and top 10 banks decreased by 2.52 percentage points and 2.85 percentage point respectively in the review quarter. The NPL concentration ratios of top 5 and top 10 banks stood at 43.45 percent and 61.90 percent respectively at end-March 2023 (Chart 2.9 and 2.10). It is worth noting that, high NPL concentration in top banks might be a concern for the management of overall NPL of the banking system.

Chart 2.9: NPL Concentration in Top 5 Banks



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

Chart 2.10: NPL Concentration in Top 10 Banks



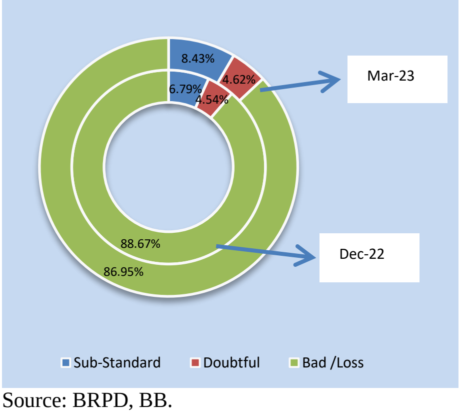
Source: BRPD, BB; Compilation: FSD, BB.

Among all the categories of classified loans, bad and loss (B/L) category continued to hold the major portion of total NPL in the review quarter. In the review quarter, NPL in B/L category decreased by 1.72 percentage points, whereas NPL in sub-standard (SS) and

[12]Top 5 and top 10 banks are defined based on their outstanding NPL.

doubtful (DF) categories increased by 1.64 percentage points and 0.08 percentage point respectively compared to the previous quarter. At end-March 2023, B/L category pertained to 86.95 percent of total classified loans, whereas share of sub-standard (SS) and doubtful (DF) loans stood at 8.43 percent and 4.62 percent respectively (Chart 2.10).

Chart 2.11: NPL Composition

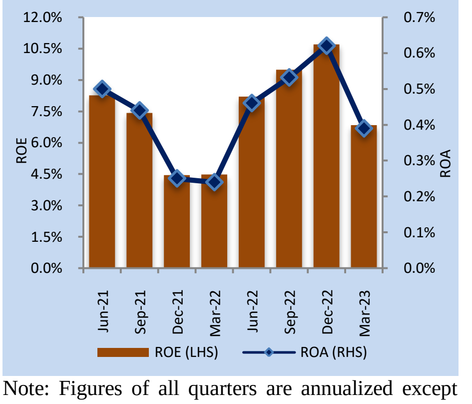


Source: BRPD, BB.

2.3 Profitability

Banking sector profitability, measured by return on asset (ROA) and return on equity (ROE), declined by 0.23 percentage point and 3.87 percentage points respectively in the review quarter compared to the previous quarter. At end-March 2023, the ROA and ROE of banking industry stood at 0.39 percent and 6.83 percent respectively (Chart 2.12).

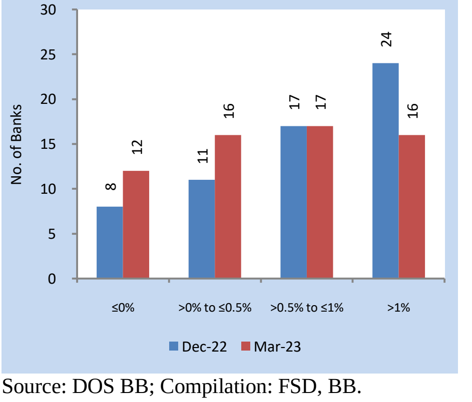
Chart 2.12: ROA and ROE of the Banking Sector



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

The distribution of banks based on ROA (Chart 2.13) indicates that during the review quarter, ROA of 28 banks remained below or equal to 0.50 percent while the same of 33 banks were above 0.50 percent, while the corresponding number of banks were 19 and 41 respectively in the previous quarter.

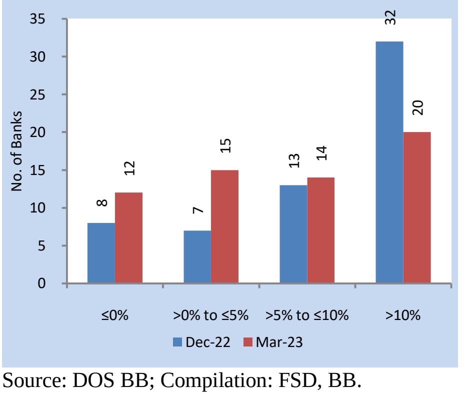
Chart 2.13: Distribution of Banking Sector Return on Assets (ROA)



Source: DOS BB; Compilation: FSD, BB.

Chart 2.14 depicts that ROE of 27 banks remained below or equal to 5 percent in the review quarter compared to 15 banks staying under the same range of ROE in the previous quarter.

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



Source: DOS BB; Compilation: FSD, BB.

ROE of 20 banks was higher than 10 percent at end-March 2023 which was 32 at end-December 2022. In order to achieve substantial improvement in profitability, banks need to work relentlessly to recover their classified loans and advances.

CHAPTER 3: FINANCIAL INSTITUTIONS' PERFORMANCE

In March 2023 quarter, key financial indicators of the FIs indicated a mixed trend. When compared to the preceding quarter, FIs' cash and liquid assets as well as fixed assets decreased while earning assets and other assets increased. However, return on assets and return on equity both decreased. Additionally, asset quality deteriorated in the review quarter.

3.1 Growth of Liabilities, Equities and Assets

At end-March 2023, total liabilities and equities of FIs increased as borrowings, capital and other liabilities increased by BDT 13.75 billion, BDT 0.34 billion and BDT 32.75 billion respectively compared to end-December 2022.

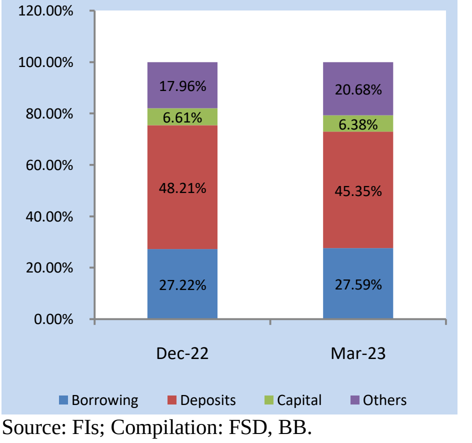
Total assets of financial institutions increased by 4.07 percent and reached to BDT 957.43 billion[13] at end-March 2023 from BDT 920.00 billion at end-December 2022. Cash and liquid assets decreased by BDT 2.62 billion, whereas earning assets grew by BDT 37.62 billion in the review quarter compared to the preceding quarter.

[13] 3(three) FIs' Financial Statements of September 2022 quarter were used due to the unavailability of those data as of March 2023.

3.1.1 Sources of Fund: Composition and Contribution

At end-March 2023, borrowings, deposits, capital, and other liabilities constituted 27.59 percent, 45.35 percent, 6.38 percent and 20.68 percent of total fund of the FIs respectively. In comparison with the previous quarter, the share of borrowing and other liabilities increased by 0.37 percentage point and 2.72 percentage points respectively. On the other hand, deposits and capital decreased by 2.86 and 0.23 percentage points respectively (Chart 3.1).

Chart 3.1: Compositions of Sources of Fund

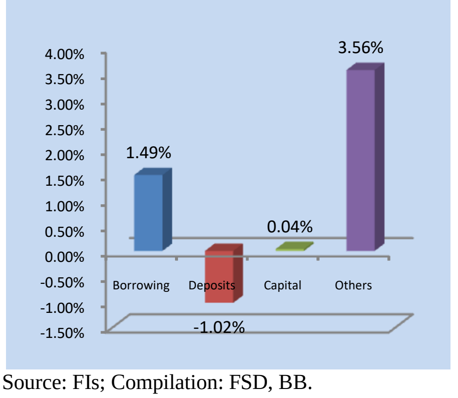


Source: FIs; Compilation: FSD, BB.

During the review period, total liabilities and equities increased by 4.07 percent compared to the preceding quarter which was largely attributable to an increase in borrowings, capital and other liabilities by 1.49 percent, 0.04 and

3.56 percent respectively. On the contrary, deposit decreased by 1.02 percent at end-March 2023 (Chart 3.2).

Chart 3.2: Contributions of Components in Growth of Liabilities and Equities



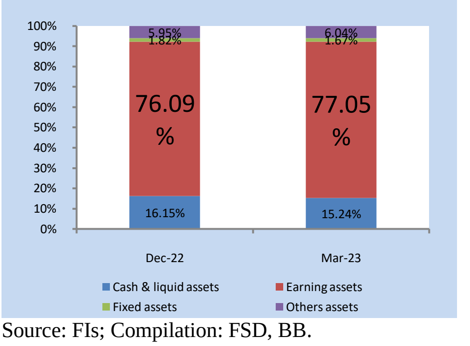
Source: FIs; Compilation: FSD, BB.

3.1.2 Assets: Composition and Contribution

Total earning assets (i.e., loans, leases, and investments) of FIs constituted 77.05 percent of total assets at end-March 2023. The rest of the total assets were composed of cash and liquid assets, fixed assets, and other assets; shares of these components were 15.24 percent, 1.67 percent and 6.04 percent respectively (Chart 3.3).

When compared with end-December 2022 positions, the share of cash and liquid assets, and fixed assets decreased by 0.91 and 0.15 percentage point whereas the proportion of earning assets, and other assets increased by 0.96 and 0.09 percentage point respectively during the review period.

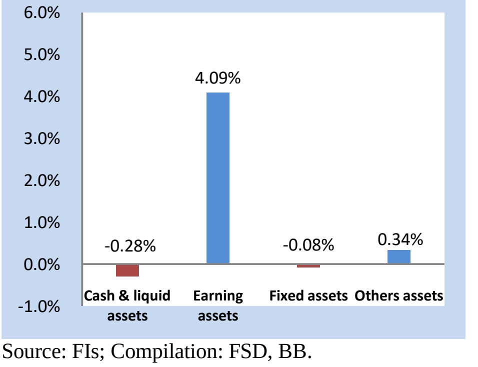
Chart 3.3: Composition of Assets



Source: FIs; Compilation: FSD, BB.

While cash and liquid assets, and fixed assets experienced marginal declines of 0.28 percent and 0.08 percent respectively, there noted, the 4.07 percent increase in total assets during the review period, compared to the prior period, was primarily attributable to increases of 4.09 percent and 0.34 percent in earning assets and other assets respectively. The contributions of different components in total assets growth are illustrated in Chart 3.4.

Chart 3.4: Contributions of Components in Growth of Assets at end-March 2023

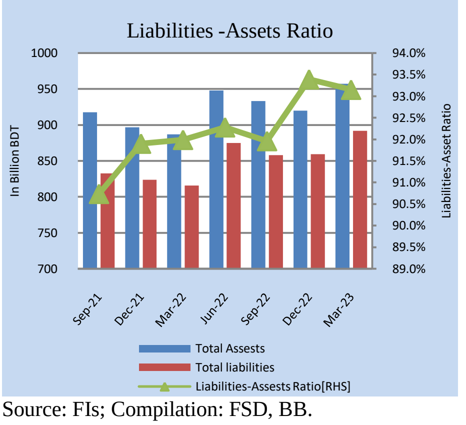


Source: FIs; Compilation: FSD, BB.

3.1.3 Liabilities-Assets Ratio

The liabilities to assets ratio of FIs stood at 93.15 percent at end-March 2023 which was 0.24 percentage points lower than that of end-December 2022 (Chart 3.5).

Chart 3.5: FIs' Liabilities-Assets Ratio

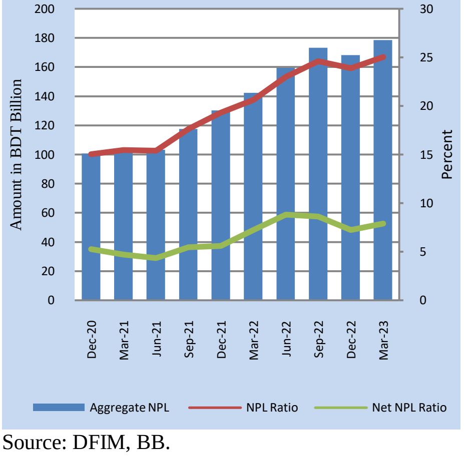


Source: FIs; Compilation: FSD, BB.

3.2 Asset Quality

Aggregate classified loans and leases stood at BDT 178.55 billion at end-March 2023, which was BDT 168.21 billion at end-December 2022. The ratio of classified loans and leases stood at 25.05 percent at end-March 2023, increased by 1.17 percentage points from the ratio of the previous quarter and 4.42 percentage points from the figure of end-March 2022 (Chart 3.6).

Chart 3.6: FIs' Non-performing Loans



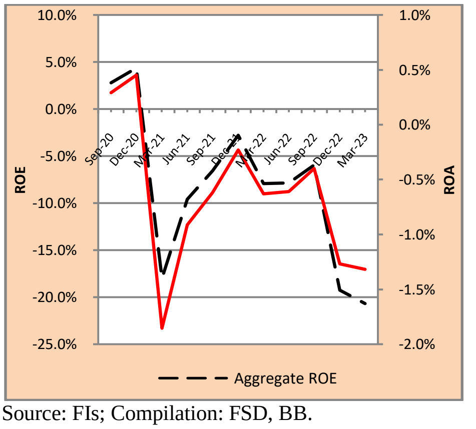
Source: DFIM, BB.

Net NPL ratio (after netting of interest suspense and actual provisions maintained) stood at 7.88 percent at end-March 2023, which was 0.64 percentage point higher than the corresponding figure of end-December 2022.

3.3 Profitability

Key profitability indicator of the FIs, return on assets (ROA) decreased to -1.32 percent from -1.27 percent while return on equity (ROE) decreased to -20.68 percent from -19.26 percent compared to the preceding period (end-December 2022). Also, overall ROA and ROE deteriorated compared to March 2022 quarter (Chart 3.7)[14].

Chart 3.7: FIs' ROA and ROE



Source: FIs; Compilation: FSD, BB.

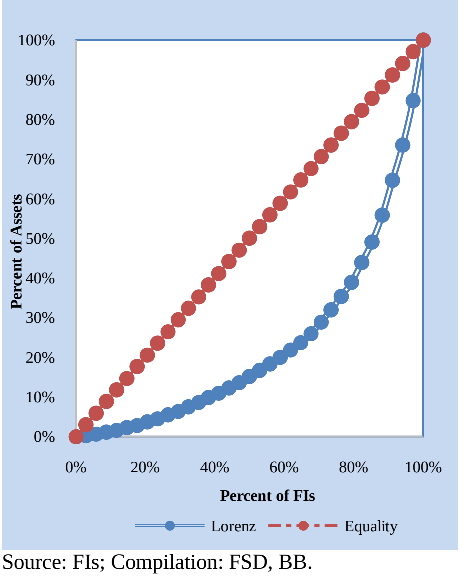
3.4 FIs' Sector's Asset Concentration-Lorenz Curve

FI sector asset concentration has been illustrated using the Lorenz curve and Gini Coefficient. As depicted in Chart 3.8, the position of the Lorenz Curve

[14]Data are annualized except December quarter in which some are revised.

shows that about 20 percent of FIs held around 60 percent of assets which implies the presence of a high concentration in the assets structure of FIs sector. The calculated Gini coefficient at end-March 2023 was 0.535, which suggested that the distribution of assets among the FIs was significantly unequal.

Chart 3.8: FIs' Asset concentration-Lorenz Curve



Source: FIs; Compilation: FSD, BB.

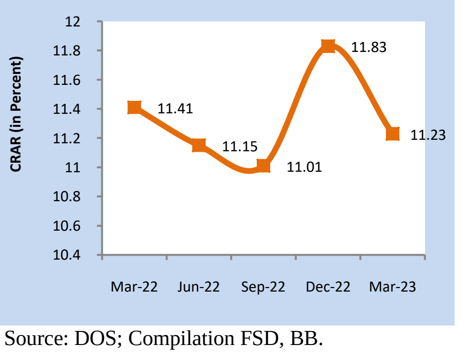
CHAPTER 4: BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

The capital to risk weighted asset ratio (CRAR) of the banking industry decreased slightly in the review quarter, still the industry was compliant in maintaining required capital. In addition, the regulatory liquidity requirements such as ADR, CRR, SLR, LCR, and NSFR were all met by the sector.

4.1 Capital Adequacy

The banking sector's total regulatory capital (TRC) exceeded the minimum capital requirement (MCR) by BDT 143.73 billion in the review quarter. The sector's quarterly CRAR showed a minor decrease at end-March 2023 compared to the preceding quarter. The CRAR stood at 11.23 percent at the end of the review quarter, declined slightly from 11.83 percent at end-December 2022. Noteworthy that the maintained ratio was higher than the regulatory requirement of 10.0 percent (Chart 4.1).

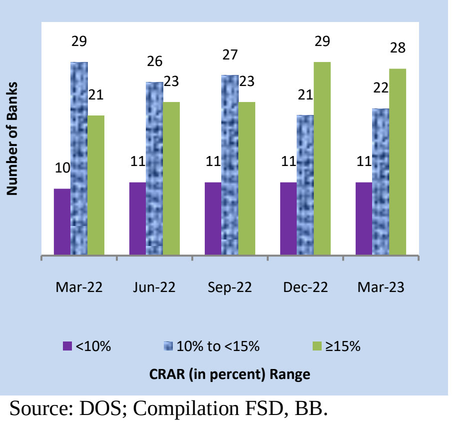
Chart 4.1: Banking Sector Capital to Risk-Weighted Assets Ratio



Source: DOS; Compilation FSD, BB.

50 (fifty) out of 61 banks maintained CRAR of 10.0 percent or higher at the end of the review quarter (Chart 4.2).

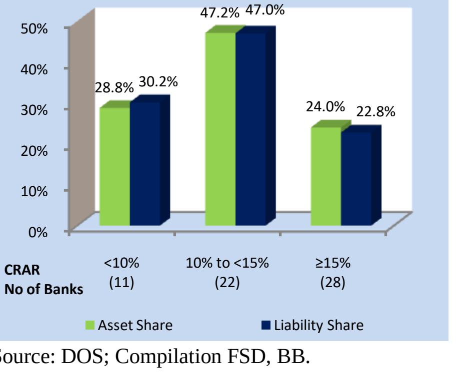
Chart 4.2: Distribution of Banks against Capital to Risk-Weighted Assets Ratio



Source: DOS; Compilation FSD, BB.

22 banks with 10 percent to less than 15 percent CRAR[15] held major part of industry asset (47.2 percent) and liability (47.0 percent) as of end-March 2023. However, 11 banks with less than 10 percent CRAR held 28.8 percent asset and 30.2 percent liability of the banking system (Chart 4.3).

Chart 4.3: Assets and Liability Share of Banks based on CRAR at end-March 2023

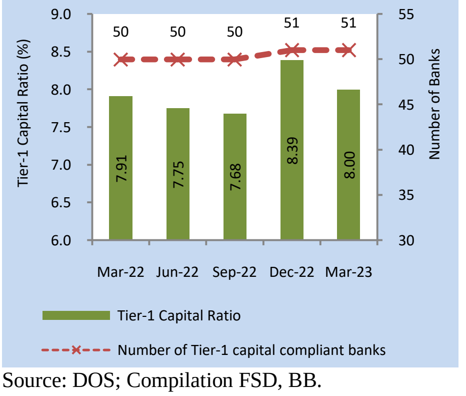


Source: DOS; Compilation FSD, BB.

[15] Upper limit exclusive.

Tier-1 capital ratio[16] of the banking industry stood at 8.0 percent, considerably higher than the regulatory requirement of 6.0 percent[17]. However, the ratio was 39 basis points lower than that of the previous quarter and 9 basis points higher from end-March 2022 (Chart 4.4).

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



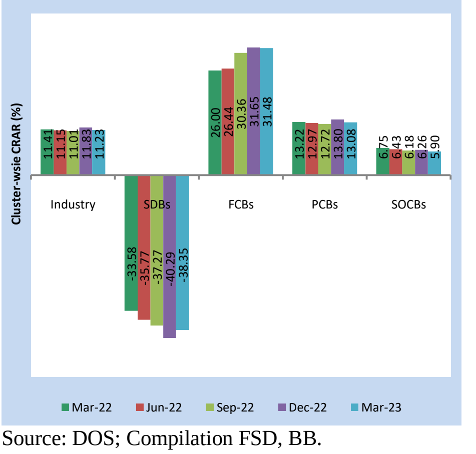
Source: DOS; Compilation FSD, BB.

Cluster-wise capitalization level of the industry remained steady compared to the previous quarter. During the review quarter, foreign commercial banks (FCBs) held the highest CRAR (31.48 percent), whereas specialized development banks(SDBs) maintained the lowest CRAR (-38.35 percent) (Chart 4.5). It is noteworthy that all the clusters except SDBs experienced decreasing CRAR compared to the previous quarter.

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

[17] In line with Basel III capital framework.

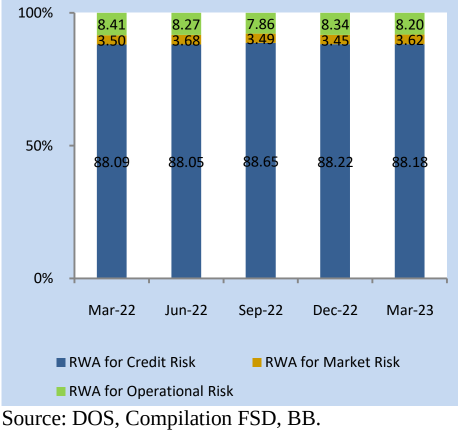
Chart 4.5: Banking Cluster-wise CRAR



Source: DOS; Compilation FSD, BB.

As in the previous quarter, risk weighted assets (RWA) for credit risk accounted for the major portion (88.18 percent) of total RWA. The RWA for credit risk decreased by 4 basis points compared to the same of end-December 2022 (Chart 4.6).

Chart 4.6: Distribution of Risk Weighted Assets



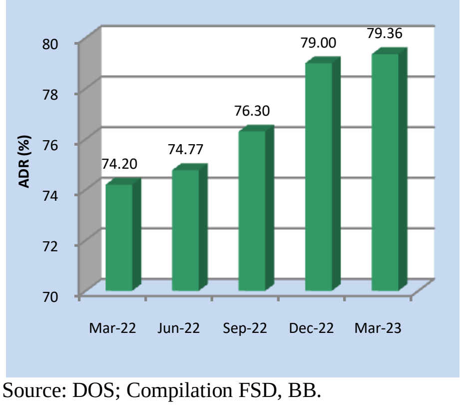
Source: DOS, Compilation FSD, BB.

In the review quarter, 42 out of 61 banks and 26 out of 39 banks were compliant in terms of minimum regulatory capital conservation buffer (CCB) requirement of 2.50 percent on solo and consolidated basis respectively. Aggregate CCB of the industry was 1.23 percent on solo basis and 1.70 percent on consolidated basis.

4.2 Liquidity

At end-March 2023, the banking industry met the cash reserve ratio requirement (CRR) on both overall and banking cluster basis (except Islamic Shari'ah based banks). On the other hand, the industry maintained SLR of 20.53 percent, 9.39 percentage points higher than the minimum requirement. Advance-to-Deposit Ratio (ADR) of the banking industry stood at 79.36 percent, 0.36 and 5.16 percentage points higher than those of end-December 2022 and end-March 2022 (Chart 4.7).

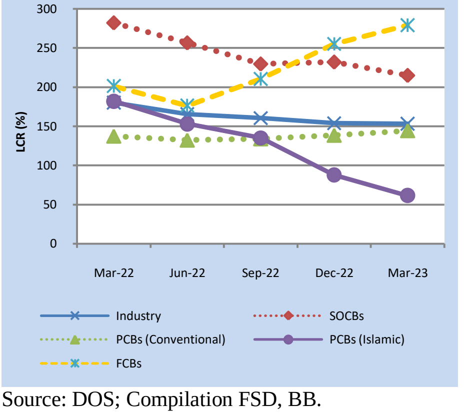
Chart 4.7: Banking Sector ADR



Source: DOS; Compilation FSD, BB.

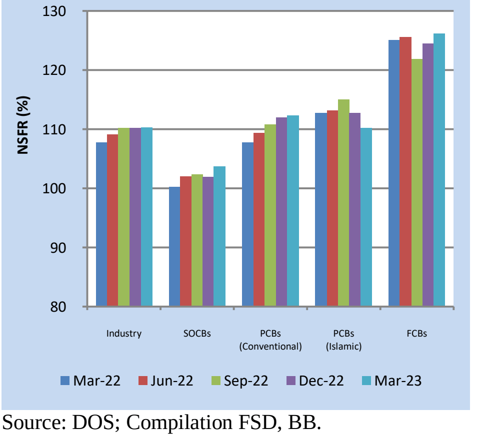
The liquidity coverage ratio (LCR) of the banking system except 'PCBs (Islamic)' remained well above the regulatory requirement of 100.0 percent in the review quarter. However, the industry LCR including SOCBs and 'PCBs (Islamic)' demonstrated a declining trend during March 2022 to March 2023 (Chart 4.8). Furthermore, in the review quarter, the net stable funding ratio (NSFR) of the banking sector including all the clusters remained well above the regulatory requirement of 'above 100.0 percent' (Chart 4.9).

Chart 4.8: Banking Sector LCR



Source: DOS; Compilation FSD, BB.

Chart 4.9: Banking Sector NSFR

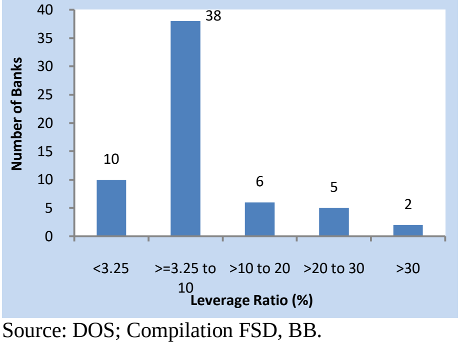


Source: DOS; Compilation FSD, BB.

4.3 Leverage Ratio

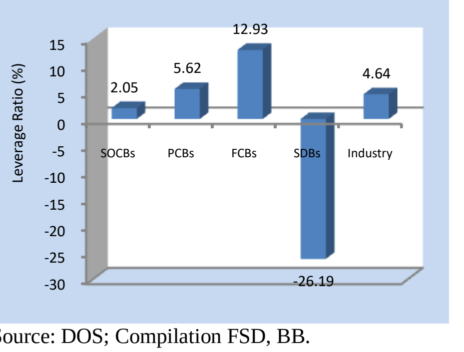
At end-March 2023, the banking system's leverage ratio was 4.64 percent on solo basis. 51 out of 61 banks were able to meet the minimum regulatory leverage ratio requirement of 3.25 percent[18] (Chart 4.10).

Chart 4.10: Leverage Ratio of Banks



Source: DOS; Compilation FSD, BB.

Chart 4.11: Leverage ratio of Bank Clusters (Solo basis)



Source: DOS; Compilation FSD, BB.

FCBs continued to maintain significantly higher leverage ratio compared to other banking clusters (Chart 4.11). On the contrary, SDBs remained persistent in continuing with the negative leverage ratio.

[18]In line with Basel III guidelines issued by Bangladesh Bank vide BRPD Circular No. 18 dated August 18, 2021.

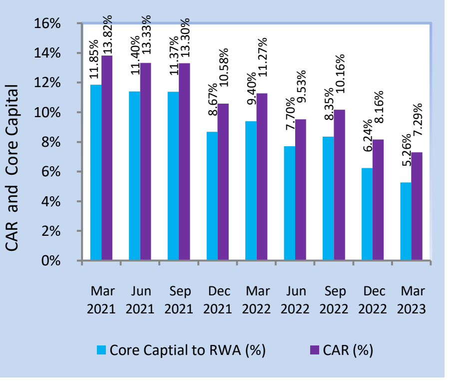
CHAPTER 5: FINANCIAL INSTITUTIONS' CAPITAL ADEQUACY AND LIQUIDITY

During March 2023 quarter, the capital adequacy ratio (CAR) and the core capital (Tier-1 capital) ratio of the Financial Institutions (FIs) decreased compared to the previous quarter. However, in December 2022[19]quarter, a surplus of BDT 0.32 billion was maintained by FIs against the CRR requirement compared to BDT 0.01 billion shortfall in March 2022. Moreover, BDT 67.82 billion surplus was maintained by the FIs against the required level of SLR in December 2022.

5.1 Capital Adequacy

In March 2023 quarter, the capital adequacy ratio (CAR) and the Tier-1 capital (core capital) ratio of the FIs (excluding Peoples' Leasing and Financial Services Limited) stood at 7.29 percent and 5.26 percent respectively. Both the ratios decreased by 0.87 and 0.98 percentage point respectively at end-March 2023 compared to those of end-December 2022. 24 out of 34 FIs were able to maintain the required level of CAR and core capital. However, the maintained CAR descended by 2.71 percentage points against the minimum capital requirement of 10.0 percent in March 2023. On the other hand, the maintained Tier-1 capital ratio was 0.26 percentage point higher than the minimum regulatory requirement of 5.0 percent in the review quarter[20]. Chart 5.1 shows the trend in Tier-1 capital ratio and CAR since March 2021.

Chart 5.1: Capital Adequacy Ratios of FIs



Source: DFIM; BB.

5.2 Risk-Weighted Assets (RWA)

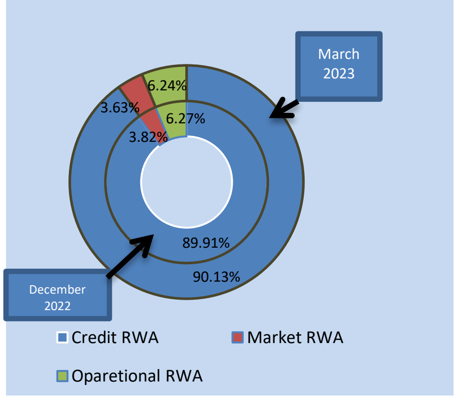
Total risk-weighted assets (RWA) increased to BDT 678.62 billion at end-March 2023 from BDT 658.55 billion at end-December 2022. In March 2023 quarter, the RWA for credit, market, and operational risks were 90.13 percent, 3.63 percent and 6.24 percent of overall RWA of the FIs sector respectively. Among the three components of RWA, the RWA associated with credit risk increased by 0.23 percentage point, whereas

[19]Due to unavailability of March 2023 data, December 2022 quarter data has been used for analysis on CRR and SLR.

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

RWA associated with market risk and operational risk decreased by 0.19 and 0.03 percentage point respectively in the review quarter compared to the preceding quarter. Chart 5.2 shows the different components of the overall RWA of FIs (excluding Peoples' Leasing and Financial Services Limited) at the end-March 2023.

Chart 5.2: Components-wise RWA of FIs

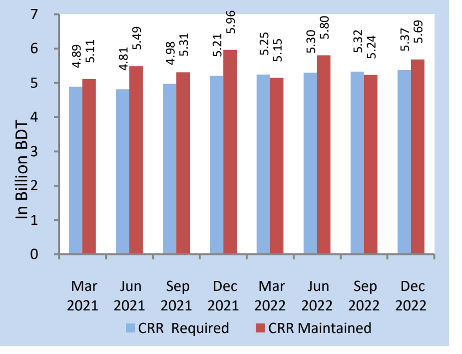


Source: DFIM; BB.

5.3 Liquidity

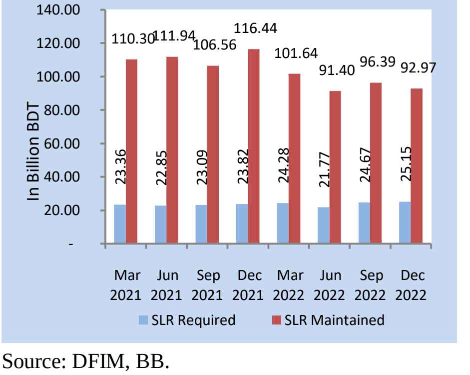
The aggregate amount of cash reserve ratio (CRR) maintained by the FIs reached BDT 5.69 billion at end-December 2022 compared to BDT 5.15 billion as of end-March 2022, recording an increase of 10.49 percent. An excess amount of BDT 0.32 billion was kept against the CRR requirement at end-December 2022. The amount of statutory liquidity ratio (SLR) maintained by FIs registered at BDT 92.97 billion at the end-December 2022 against the requirement of BDT 25.15 billion. At end-December 2022, the amount of SLR maintained by FIs decreased by 8.53 percent compared to that of March 2022. Chart 5.3 and Chart 5.4 illustrate the trend in CRR and SLR positions of FIs since March 2021.

Chart 5.3: Cash Reserve Ratio (CRR) of FIs



Source: DFIM; BB.

Chart 5.4: Statutory Liquidity Ratio (SLR) of FIs



Source: DFIM, BB.

Financial Stability Department (FSD) conducts stress testing on scheduled banks on a quarterly basis to determine their resilience under different plausible shock scenarios[21]. This chapter presents the findings of stress tests conducted on banks as well as the banking industry. Results of the test indicate that the banking sector would continue to remain moderately resilient to different shock scenarios.

6.1 Credit, Market, and Combined Shocks

According to the pre-shock scenario, 11 scheduled banks out of 61 could not maintain the minimum regulatory requirement of capital to risk-weighted asset ratio (CRAR) of 10 percent at end-March 2023. Therefore, the remaining 50 banks were taken into account for this quarter's analysis. Chart 6.1 depicts the number of non-compliant banks in terms of CRAR for different minor shocks, which indicates that the majority of the banks would be able to maintain the minimum required CRAR against specified adverse shocks during the review quarter. Table 6.1 shows the banking sector's after-shock CRAR for different minor shock scenarios, showing that the sector would be resilient to all adverse shock scenarios except a 3 percent increase in NPLs and the default of the top 3 large borrowers. However, the above-mentioned chart and table indicate a slight deterioration in the banking sector's resilience in terms of maintaining the minimum required CRAR and the number of non-compliant banks. The following subsections describe the details of the shocks and the associated results.

6.1.1 Credit Shocks

a) **Increase in Non-performing Loans (NPL):** If NPLs increased by 3 percent, four (04) banks would fail to maintain the minimum required CRAR.

b) **Increase in NPL due to Default of Top Borrowers:** If top 3 borrowers of each bank defaulted, fifteen (15) banks would fail to maintain the minimum required CRAR.

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

[21]Stress tests on banks are carried out through sensitivity analysis, incorporating the impacts of the shock scenarios for credit risk, market risk, and liquidity risk. Under each scenario, the after-shock Capital to Risk-weighted Assets Ratio (CRAR) is compared with the minimum regulatory requirement of 10 (ten) percent in line with Basel III capital framework. This 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.

d) **Negative Shift in the NPL Categories:** If NPL categories shifted downward by 5 percent, one (01) bank would fail to maintain the minimum required CRAR.

e) **Increase in NPL in Highest Outstanding Sector:** If 3 percent of performing loan of the highest outstanding sector directly downgraded to bad/loss category, three (03) banks would fail to maintain the minimum required CRAR.

6.1.2 Market Shocks

a) **Interest Rate Risk:** In case of an interest rate change by 1 percent, one (01) bank would fail to maintain the minimum required CRAR.

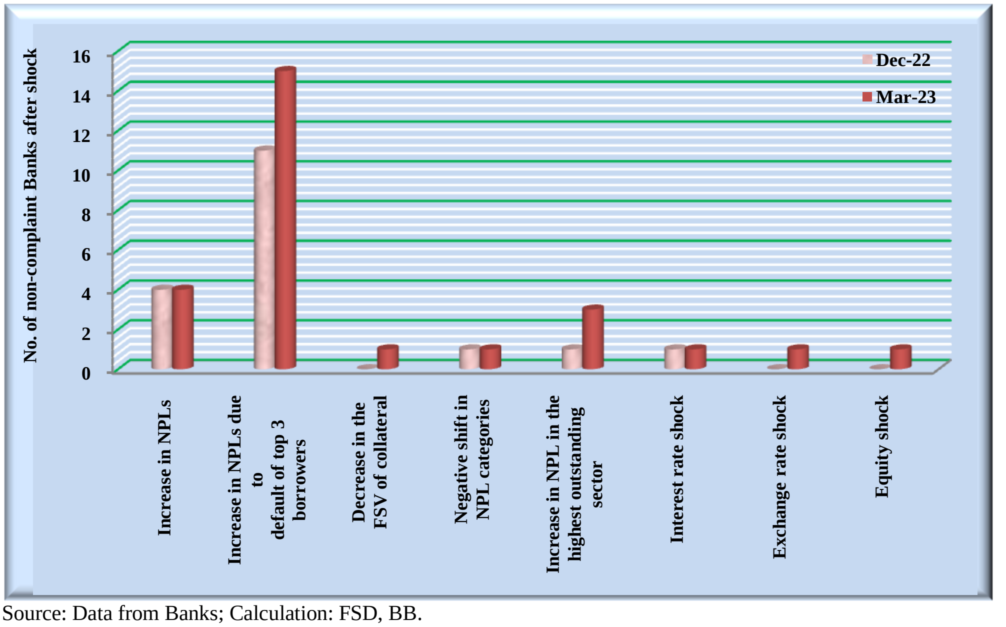
b) **Exchange Rate Risk:** If the currency exchange rate changed by 5 percent, then one (01) bank would fail to maintain the minimum required CRAR.

c) **Equity Price Risk:** In the event of a 10 percent downgrade in equity price, one (01) bank would fail to maintain the minimum required CRAR.

6.1.3 Combined Shock

This test assesses a bank's performance by combining the results of different credit shocks, exchange rate shock, equity price shock, and interest rate shock. In case of combined shock (except default of top large borrowers and increase in NPLs of the highest outstanding sector), eleven (11) banks would fail to maintain the minimum required CRAR.

Chart 6. 5: Number of Non-compliant Banks in case of Different Minor Shock Scenarios



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

Table 0.1: The Results of Different Minor Shock Scenarios in the Banking Sector

(In percent)

Description	December 2022	March 2023
Required minimum CRAR	**10.00**	**10.00**
Pre-shock CRAR	**11.83**	**11.23**
After-Shock CRAR		
Credit Risks		
Increase in NPLs by 3%	**9.82**	**9.22**
Default of top 3 borrowers	**10.11**	**9.49**
10% fall in the forced sale value (FSV) of mortgaged collateral	**11.17**	**10.55**
5% negative shift in the NPLs categories	**11.09**	**10.41**
3% of performing loans of the highest exposed sector directly downgraded to bad/loss	**11.62**	**11.01**
Market Risks		
1% increase in interest rate	**11.22**	**10.58**
Currency depreciation by 5%	**11.76**	**11.16**
Fall in equity prices by 10%	**11.53**	**10.92**
Combined Shock	**7.44**	**6.67**

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

6.1.4 Liquidity Shock

The liquidity stress test measures a bank's ability to withstand a liquidity run in case of 2 percent excess cash withdrawal compared with the present situation for consecutive five working days. Table 6.2 presents the liquidity stress scenario in the banking sector at end-March 2023. The table shows that the banking system as a whole would remain resilient against liquidity stress scenario.

Table 0.2: Liquidity Risk in the Banking Sector: end-March 2023

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

Notes: 1. *- Consecutive 5 working days.

2. '1' indicates that the system is liquid and '0' is not liquid.

Source: Data from banks; Calculation: FSD, BB.

CHAPTER 7: CAPITAL MARKET DEVELOPMENT

The global capital market demonstrated an increasing trend since October 2022 to March 2023. This may indicate recovery of global economy after global polycrisis (inflation, climate change, and the war in Europe). On the other hand, the capital market of Bangladesh showed a negative trend during the above mentioned period. However, since December 2022 various initiatives were in place with a view to regaining the positive movement in the capital market of Bangladesh. At end-March 2023, the main indices of the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited a marginal decrease compared to those of end-Decmber 2022. Turnover of two stock exchanges (DSE and CSE) decreased whereas market capitalization increased during the review period compared to the previous quarter. Unlike the developed markets, the capital market of Bangladesh does not have a significant impact on financial stability in the near-term as the size of the market is small and banks' exposure to the capital market is much lower than the regulatory limit.

7.1 Global Capital Market

The global capital markets exhibited considerable recovery from economic turmoil caused by soaring inflation and Russia Ukraine conflict across the globe. Compared to the previous quarter (ended Dec 2022), the MSCI Emerging Market Index increased by 3.54 percent. Among the rest, four indices DAX (Germany) showed the highest growth (12.25 percent), whereas DJIA (USA) showed the lowest growth (0.38 percent) (Table 7.1).

Table 0.1: Quarterly performance of leading indices

Name of Index	Dec-22	Mar-23	Change (%)
MSCI Emerging Market Index	956.38	990.28	3.54%
DJIA (USA)	33,147.28	33,273.10	0.38%
Nikkei 225 (Japan)	26,094.50	28,041.48	7.46%
DAX (Germany)	13,923.59	15,628.84	12.25%
FTSE 100 (UK)	7,451.74	7,631.74	2.42%

Source: investing.com and DSE Monthly review.

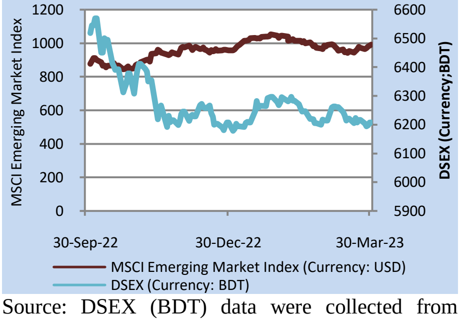
7.2. DSEX and MSCI Emerging Market Index

MSCI Emerging Market Index[22] demonstrated an upward trend in the period of October 2022 to March 2023. MSCI Emerging Index started at 876.14 USD at the beginning of October 2022 and at the end of March 2023 it reached to 990.28 USD. The DSEX Index[23] showed a declining trend from October 2022 to the end of March 2023. It was 6531.59 on the starting day of October 2022 and reached to 6206.8 at the end-March 2023. However, DSEX index exhibited an unsteady trend from

[22] https://www.msci.com/end-of-day-data-search
[23] https://www.investing.com/indices/dhaka-stock-exchange-broad

December 2022 to March 2023 but discontinued declining trend unlike previous quarter. The DSEX market appeared to be more volatile compared to the MSCI Emerging Index (Chart 7.1).

Chart 7.1: Performance of DSEX and MSCI Emerging Market Index



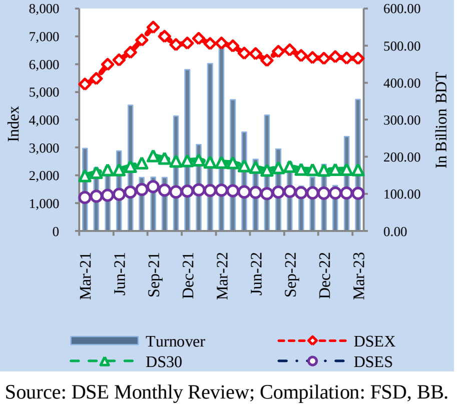
Source: DSEX (BDT) data were collected from investing.com; MSCI Emerging Market Index (USD) data were collected from msci.com; Compilation: FSD, BB.

7.3 Dhaka Stock Exchange (DSE)

7.3.1 DSE Performance

At end-March 2023, the main indices of DSE, such as DSEX[24], DS30[25] and DSES[26] reamined almost unchanged compared to those of end-December 2022.

Chart 7.2: DSE Performance



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

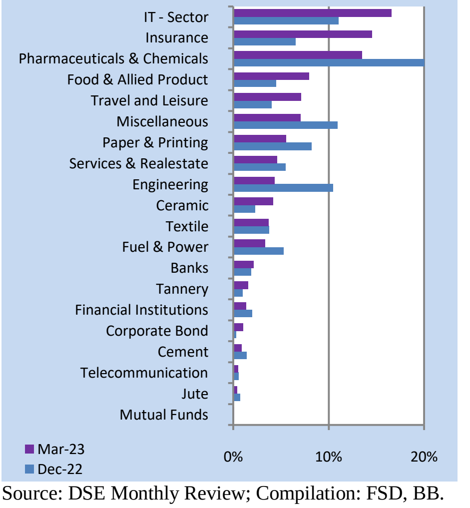
[24] DSEX= DSE Broad Index
[25] DS30 = DSE 30 Index
[26] DSES = DSEX Shariah Index

Chart 7.2 illustrates the performance of DSE for the period of March 2021 to March 2023. Total DSE turnover observed a 33.34 percent decrease and reached to BDT 297.62 billion during January-March 2023 from BDT 446.50 billion in the previous quarter.

7.3.2 Sectoral Turnover at DSE

Chart 7.3 depicts that the IT sector held the highest share (16.57 percent) of the total turnover of DSE during the review quarter followed by the Insurance (14.51 percent), and Pharmaceutical and Chemical (13.48 percent) sector.

Chart 7.3: Sectoral Turnover during January-March 2023 and October-December 2022



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

In the review quarter, the financial sector (i.e., Bank, NBFIs, and Insurance) collectively retained approximately 17.96 percent of the total turnover of DSE, which was about 10.37 percent during the preceding quarter.

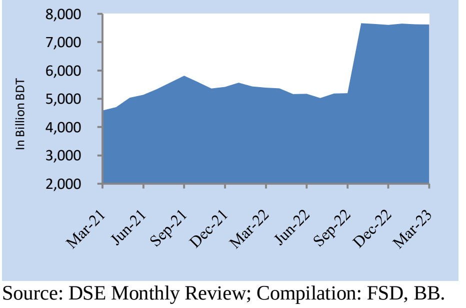
Growth in turnover for various sectors demonstrated a mixed movement. Turnovers of some sectors like Corporate Bond and Insurance experienced a substantial growth while Engineering and Jute sectors observed substantial decreases during the review quarter compared to the previous quarter.

7.3.3 Market Capitalization

Chart 7.4 exhibits that market capitalization experienced a notable upward trend from October 2022. DSE market capitalization increased by 0.19 percent in March 2023 compared to December 2022.

At end-March 2023, DSE market capitalization reached to BDT 7,623.66 billion, which was BDT 7,609.37 billion at end-December 2022. The market capitalization in the review quarter was equivalent to 19.19 percent of the GDP (BDT 39,717.16 billion) of FY22[27].

Chart 7.4: Market Capitalization Trend of DSE



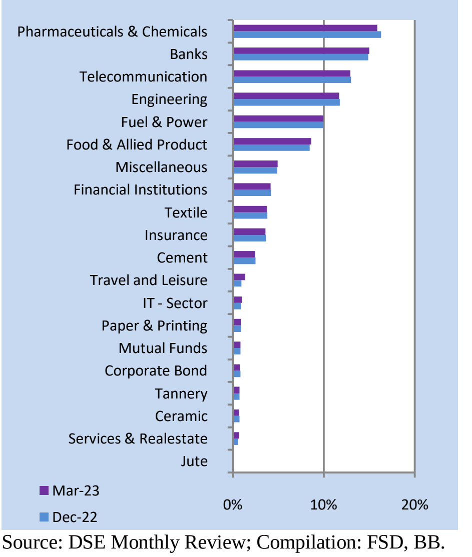
Source: DSE Monthly Review; Compilation: FSD, BB.

[27] GDP base year is 2015-2016. Data from DSE Monthly Review.

Chart 7.5 illustrates that at the end-March 2023, the Pharmaceuticals and Chemicals sector captured the highest share with 15.87 percent of the total market capitalization followed by Banks, Telecommunication and Engineering sectors with 15.00 percent, 12.93 percent and 11.70 percent respectively.

At end-December 2022, the contributions of the aforementioned sectors were 16.29 percent, 14.91 percent, 12.98 percent, and 11.75 percent respectively.

Chart 7.5: DSE Sectoral Market Capitalization at end-March 2023 and end-December 2022.



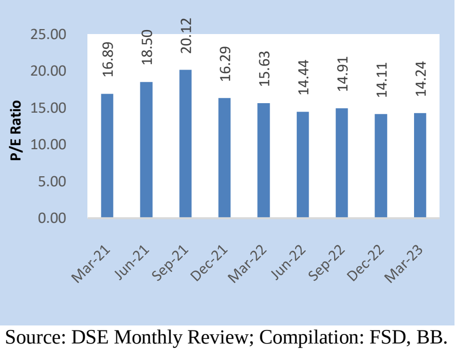
Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.4 Price/Earnings (P/E) Ratio

The weighted average market P/E ratio of DSE's listed companies was 14.24 at end-March 2023, which was 14.11 at end-December 2022 (Chart 7.6). After exhibiting gradual declining movement from September

2021 the market P/E ratio experienced a mostly stable position in recent time.

Chart 7.6: DSE P/E Ratio

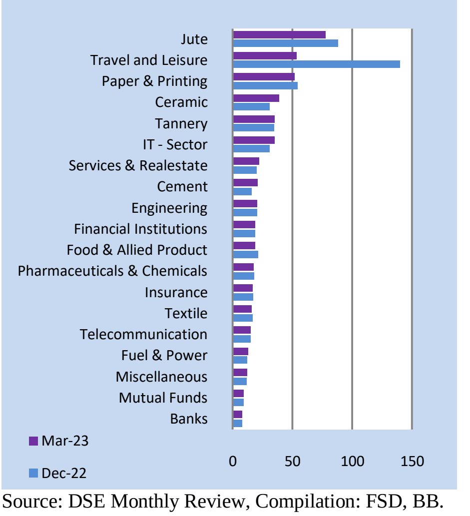


Source: DSE Monthly Review; Compilation: FSD, BB.

At end-March 2023, the Jute sector experienced the highest P/E ratio of 77.53 followed by the Travel and Leisure (53.39), and Paper and Printing (51.89) sectors. The P/E ratios of the above mentioned sectors were 87.86, 139.84 and 54.22 respectively at end-December 2022 (Chart 7.7).

Conversely, the Banking sector recorded the lowest P/E ratio (7.77) followed by Mutual Funds (9.43) and miscellaneous (11.88). Whereas, at the end of the previous quarter those were 7.73, 9.15 and 11.76 respectively (Chart 7.7).

Chart 7.7: DSE Sectoral P/E Ratio

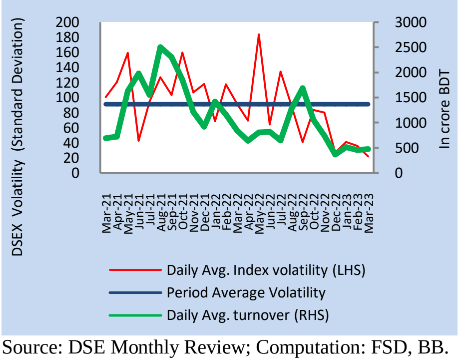


Source: DSE Monthly Review, Compilation: FSD, BB.

7.3.5 Index Volatility and Market Liquidity

Chart 7.8 shows month-wise daily average turnover, volatility in the daily index and the period average volatility. Notionally, relatively less volatile episodes in DSEX should be associated with episodes of high market liquidity (i.e. turnover).

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



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

During March 2021 to March 2023, the highest volatility in daily DSEX was observed in May 2022 with a standard deviation of 183.92 whereas the least volatility was recorded in March 2023 with a standard deviation of 21.81. The average volatility was 91.25 over the period as referred to in the chart.

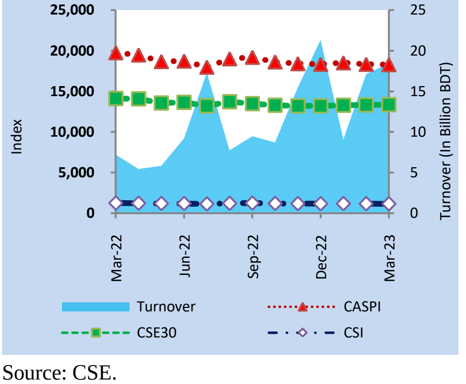
7.4 Chittagong Stock Exchange (CSE)

7.4.1 CSE Performance

Chart 7.9 presents the performance of CSE for the period of March 2022 to March 2023.

At the end-March 2023, among the major CSE indices, CASPI[28] and CSI[29] decreased by 0.22 percent and 1.05 percent respectively, whereas CSE30[30] increased by 1.02 percent in the review quarter compared to the previous quarter.

Chart 7.9: CSE Performance



Source: CSE.

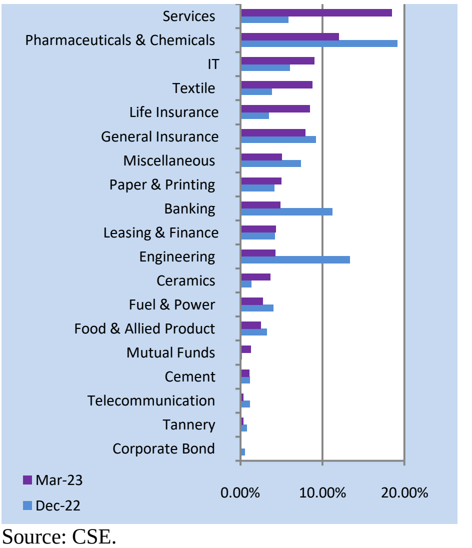
Besides, CSE turnover decreased by 28.85 percent amounting to BDT 8.09 billion during the review period from BDT 11.37 billion in the previous quarter.

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

7.4.2 Sectoral Turnover at CSE

Chart 7.10 shows the sectoral turnover scenarios at CSE from January-March 2023. The Service sector had the highest share of total CSE turnover with 18.44 percent followed by the Pharmaceuticals and Chemicals (12.00 percent), IT (9.04 percent) and Textile sector (8.74 percent).

Chart 7.10: Sectoral Turnover at end-March 2023 and end-December 2022



Source: CSE.

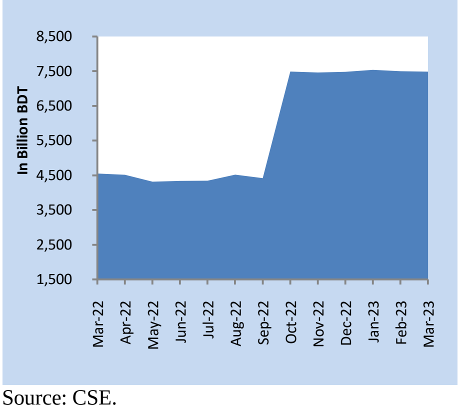
7.4.3 Market Capitalization

Chart 7.11 shows trends in the market capitalization of CSE since March 2022. At end-March 2023, the market capitalization at CSE marginally increased to BDT 7,482.34 billion from BDT 7,477.80 billion at end-December 2022.

Moreover, the CSE market capitalization to GDP[31] ratio stood at 18.84 percent at end-March 2023.

[31] GDP base year is 2015-2016.

Chart 7.11: Market Capitalization Trend of CSE

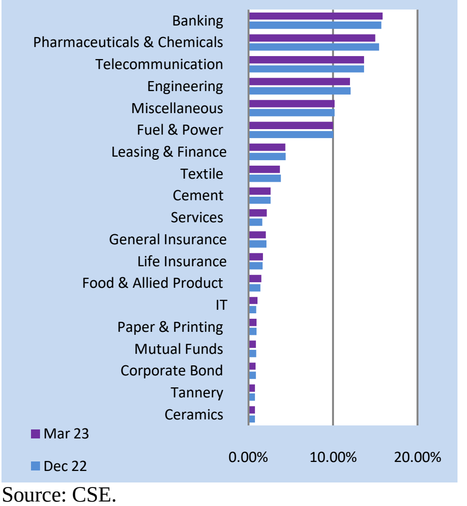


Source: CSE.

Chart 7.12 illustrates that at end-March 2023, the Banking sector held the highest share (15.86 percent) in the total market capitalization at CSE followed by Pharmaceuticals and Chemicals (15.00 percent), Telecommunication (13.66 percent), Engineering (11.99 percent) and Miscellaneous (10.20 percent) sectors respectively.

The shares of the above-mentioned sectors were 15.71 percent, 15.45 percent, 13.69 percent, 12.09 percent and 10.18 percent respectively at end-December 2022 (Chart 7.12).

Chart 7.12: CSE Sectoral Market Capitalization

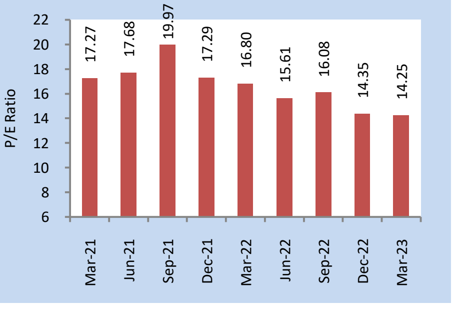


Source: CSE.

7.4.4 Price/Earnings (P/E) Ratio

The market-weighted average P/E ratio of CSE experienced a downtrend from September 2021, however during this reported quarter it exhibited mostly stable trend. At the end-March 2023, the weighted average market P/E of CSE's listed companies was 14.25, which was 14.35 at end-December 2022 (Chart 7.13).

Chart 7.13: CSE P/E Ratio



Source: CSE.

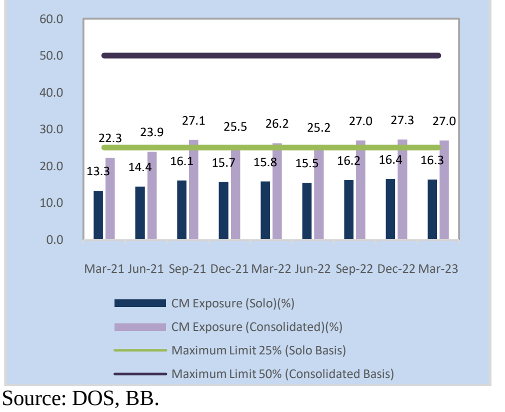
During the review quarter, the highest P/E ratio was registered by the Paper and Printing sector (52.92), followed by Ceramic (39.12) and Service (36.92) sectors. On the other hand, the lowest P/E ratio was recorded in the Banking sector (8.55) followed by General Insurance (11.68) and the Fuel and Power (11.74).

7.5 Capital Market and Financial Stability

The size of the capital market of Bangladesh is small and relatively fewer people are attached to the capital market compared to the banking sector, where millions of people are connected through banks. However, the impact of the capital market may be significant as the performance of the market can influence the banking sector. Inter-linkages between the capital market and banks arise from banks' investment in the capital market on a solo basis (only bank) and consolidated basis (banks along with their subsidiaries). If the capital market does not perform well, the quality of banks' investments and earnings will get poorer which will ultimately deteriorate banks' CRAR. A small and inefficient stock market could pose some stresses on the banking sector for long-term financing which, in turn, could increase banks' risk of maturity mismatch.

Chart 7.14 depicts that capital market exposure on a solo basis and consolidated basis were stable over the last two years. As of March 2023, capital market exposures on a solo and consolidated basis were 16.3 percent and 27.0 percent respectively, while those were 16.4 and 27.3 percent respectively in the previous quarter. Pertinently maximum limits for capital market exposures on the solo and consolidated basis are 25 percent and 50 percent (of Paid up capital, Non-repayable share premium, Statutory Reserve and Retained earnings) respectively. The chart below depicts that capital market exposures of the banking sector remained quite below the regulatory maximum limit, indicating the possibility of no major stability threat for the banking sector arising from the volatility in the capital market in the near-term.

Chart 7.14: Trend in Capital Market Exposures of Banks



Source: DOS, BB.

CHAPTER 8: RECENT STABILITY INITIATIVES OF BANGLADESH BANK

While the economy continued to recover from various post-COVID challenges, Russia-Ukraine war overshadowed the recovery process. As a result, macroeconomic instability has remained endemic and a matter of great concern for the policymakers. Despite recent signs of improvement, high uncertainty generated by the war could take a heavy toll on the economy. To mitigate the spillover effects of the war on the domestic financial system as well as to revitalize the economy, Bangladesh Bank (BB) has taken a series of policy measures during the quarter ended march 2023. Some of them are sated below:

8.1 Establishment of Export Facilitation Pre-finance Fund (EFPF)

To protect the export sector from prevailing adverse global economic conditions, an export facilitation pre-finance fund worth BDT 100 billion has been formed. The exporters and local manufacturers or suppliers could use the pre-finance fund to import production related raw materials through back-to-back letter of credit. Scheduled banks of the country under participation agreement with BRPD avail the fund for making disbursement therefrom. *[Ref: BRPD Circular No. 01, Date: January 01, 2023]*

8.2 Guidelines on Cloud Computing

With a view to maintaining the overall sustainability in the financial sector, Bangladesh bank has issued a guideline on cloud computing to mitigate cyber risks and ensure proper due diligence of financial institutions while using cloud computing. All financial institutions have to take necessary measures in a bid to secure the cloud and on-premises environment. *[Ref: BRPD Circular No. 05, Date: March 16, 2023]*

8.3 Credit Disbursement under Agricultural and Rural Credit Policy and Program

With reference to ACD Circular No. 04, dated 28 July 2022, regarding Agricultural and Rural Credit Policy and Program for the financial year 2022-2023, BB instructed the banks to find out the new farmers eligible for credit facilities and ensure credit for them on priority basis. BB also stated that farmers from same family can avail loan facilities separately. *[Ref: ACD Circular Letter No.01, Date: January 01, 2023]*

8.4 Inward Remittance-Declaration on Form-C

The country is moving forward to create a ‘Smart Bangladesh’ through the use of advanced technologies. In this regard, it has been decided that authorized dealers (ADs) may receive

Form-C through electronic means to facilitate smooth remittance transactions,. In this context, ADs are required to have secured electronic communication channels, preferably designated 'app' for Form-C under internet banking network with customers. *[Ref: FE Circular No.01, Date: February 01, 2023]*

8.5 Retention Quota Accounts for Export of Software, ICT and Other Services

In order to facilitate ICT companies, freelancers and other cross-border service providers in bringing their income in foreign currency into the country, ADs are advised to provide exporters' retention quota (ERQ) account services to service exporters so as to enable them to carry out remittance transactions from these accounts. ADs are also advised to issue international credit/debit/prepaid cards for nominated officials of the companies, and freelancers against the balances held in their ERQ accounts for online payments abroad against bonafide requirements. Non-ADs providing banking services to freelancers will arrange aforementioned services with nearby ADs. *[Ref: FE Circular Letter No.02, Date: February 05, 2023]*

8.6 Realization of Export Proceeds

To bring discipline in realization of export proceeds, it has been decided to initiate appropriate measures in cases where export proceeds are not realized within prescribed period. In cases of delayed realization, ADs shall apply prevailing exchange rate for encashment into BDT but shall make payments to exporters applying the rate on the date at which the export proceeds should have been realized as per regulatory instructions. *[Ref: FE Circular No.04, Date: March 06, 2023]*

8.7 Guidelines for Shari'ah Compliant Mudarabah Liquidity Support (MLS)

With a view to ensuring financial stability and the resilience of Islamic Shari'ah Banks, Bangladesh Bank has introduced a new Shari'ah compliant financial instrument, namely, 'Mudarabah Liquidity Support (MLS)' for the Islamic Banking system in Bangladesh. This liquidity support may be used as one of the possible contingency measures for meeting interim liquidity shortages in exceptional circumstances. *[Ref: DMD Circular No.02, Date: February 05, 2023]*

8.8 Re-fixation of Repo and Reverse Repo Interest Rates of Bangladesh Bank

The overnight repo rate of Bangladesh Bank has been increased by 25 basis points to 6.00 percent from existing 5.75 percent per annum and the reverse repo rate has also been increased by 25 basis points from 4.00

percent to 4.25 percent per annum. *[Ref: MPD Circular No.01, Date: January 15, 2023]*

8.9 Card-Based Transaction Through Contactless Payment Service by Using Near Field Communication (NFC) Technology

To facilitate the growth and market needs of digital transactions and to encourage the general public towards it, BB has issued a circular to make NFC technology based contactless transactions easier and more effective. *[Ref: PSD Circular No.01, Date: February 01, 2023]*

8.10 Enhanced Bangla QR Code Based Transaction in the Country

With reference to PSD Circular No. 01, dated 06 January 2021 regarding Bangla Quick Response (QR) code, BB instructed banks/financial institutions to replace 'Proprietary QR' code with 'Bangla QR' code. By promoting this uniform digital payment method, BB is encouraging interoperable digital transactions which will help establish Cashless Bangladesh. *[Ref: PSD Circular No. 01, Date: February 08, 2023]*

8.11 Conversion of Refinance Scheme Amounting BDT 250 Billion to Pre-Finance Scheme

BB formed a refinance scheme of BDT 250 billion for the CMSME sector through SMESPD circular no-04 dated 19 July 2023. Recently due to the sale of foreign currency by Bangladesh Bank, a large amount of local currency is being deposited in the central bank from the banking sector. As a result, banks are facing liquidity crisis, which is impeding credit flow to the CMSMEs, a priority sector of the Government. Considering this, BB with the aim of increasing credit flow to the CMSME sector, has transformed the above mentioned refinancing scheme as pre-financing scheme. *[Ref: SMESPD Circular letter No. 02, Date: January 31, 2023]*

8.12 Additional Refinance Fund for COVID-19 Affected Cottage, Micro, Small and Medium Enterprises (CMSME) Sector under 'COVID-19 Emergency and Crisis Response Facility Project (CECRFP, L0415-A)' Funded by Asian Infrastructure Investment Bank (AIIB)

With a view to supporting credit expansion and liquidity constraints of CMSMEs brought on by the COVID-19, a refinance scheme titled as "COVID-19 Emergency and Crisis Response Facility Project (CECRFP)" is being implemented by Bangladesh Bank with the financial support from Asian Infrastructure Investment Bank (AIIB). Under this Project, the participating financial institutions (PFIs) are availing additional refinance up to 50 percent of their lending against working capital loans/investment only. To make the fund available for renovation and decoration of existing infrastructure and purchase of short to mid-term asset for the CMSEs, it has been decided to extend the refinance facility to the PFIs against term loan/investment up to three years to CMSEs from the date of SMESPD Circular No. 09/2021. *[Ref: SMESPD Circular letter No. 03, Date: February 16, 2023]*

Appendix I: CPI Inflation (12-month Average)

(In percent)

Month	Inflation (General)	Inflation (Food)	Inflation (Non-Food)
Mar-21	5.63	5.87	5.26
Jun-21	5.56	5.73	5.29
Sep-21	5.50	5.49	5.52
Dec-21	5.54	5.30	5.93
Mar-22	5.75	5.47	6.19
Jun-22	6.15	6.05	6.31
Sep-22	6.96	7.04	6.84
Dec-22	7.70	7.75	7.62
Mar-23	8.39	8.31	8.53

Base: 2005-06=100.

Appendix II: Foreign Exchange Reserve

(Amount in million USD)

Month-end	International Reserve
Mar-21	43,440.0
Jun-21	46,391.0
Sep-21	46,200.0
Dec-21	46,154.0
Mar-22	44,147.0
Jun-22	41,827.0
Sep-22	36,476.0
Dec-22	33,748.0
Mar-23	31,143.0

Appendix III: Wage Earners' Remittance

(Amount in million USD)

Quarter	Amount
Mar-21	5,653.5
Jun-21	6,179.5
Sep-21	5,408.3
Dec-21	4,831.2
Mar-22	5,058.7
Jun-22	5,733.4
Sep-22	5,672.9
Dec-22	4,820.41
Mar-23	5,537.03

Appendix IV: Exports and Imports

(Amount in million USD)

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Mar-21	9,509.0	17,541.0
Jun-21	9,612.0	17,914.0
Sep-21	10,818.0	17,321.0
Dec-21	12,763.0	21,650.0
Mar-22	13,263.0[P]	22,553.0[P]
Jun-22	12,629.0[P]	20,971.0[P]
Sep-22	11,800.0	19,348.0
Dec-22	14,031.0	18,784.0
Mar-23	13,494.0	15,806.0

P=Provisional.

Appendix V: Interest Rate (Weighted Average) Spread

(In percent)

Period	Lending Rate	Deposit Rate	Spread
Mar-21	7.45	4.40	3.05
Jun-21	7.33	4.13	3.20
Sep-21	7.24	4.08	3.16
Dec-21	7.18	3.99	3.19
Mar-22	7.11	4.01	3.10
Jun-22	7.09	3.97	3.12
Sep-22	7.12	4.09	3.03
Dec-22	7.22	4.23	2.99
Mar-23	7.31	4.35	2.96

Appendix VI: Weighted Average Exchange Rate

(USD/BDT)

Quarter	Period Average	End Period
Mar-21	84.80	84.80
Jun-21	84.80	84.80
Sep-21	85.30	85.50
Dec-21	85.80	85.80
Mar-22	86.06	86.20
Jun-22	92.03	93.45
Sep-22	95.62	96.00
Dec-22	98.85	99.00
Mar-23	101.96	102.00

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

(Amount in billion BDT)

Period	Amount
Mar-21	3,105.71
Jun-21	3,350.20
Sep-21	3,505.00
Dec-21	3,695.18
Mar-22	3,620.90
Jun-22	3,990.80
Sep-22	4,018.22
Dec-22	4,042.00
Mar-23	4,361.00

Appendix VIII: Asset Structure of the Banking Industry

(Amount in billion BDT)

PROPERTY AND ASSETS	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Cash in hand	195.78	199.77	223.06	246.38	247.19
Balance with Bangladesh Bank and its Agent Bank	982.53	975.88	872.42	995.79	780.65
Balance with other banks and financial Institutions (including Money at call and short notice)	921.97	966.11	898.89	888.91	957.54
Investment	3,761.98	3859.70	3,700.16	3,437.78	3,610.65
Loans and Advances (including bill discounted and purchased)	13,550.26	14,219.28	14,596.46	15,026.11	15,241.29
Fixed Assets	284.74	286.19	287.89	289.59	290.35
Other Assets	1,010.10	1,035.61	1,097.83	1,073.91	1,143.62
Non-banking assets	3.85	3.87	3.79	3.92	3.92
Total Assets	**20,711.21**	**21,546.43**	**21,680.49**	**21,962.39**	**22,275.20**

Appendix IX: Banking Sector Assets and NPL Concentration (March-2023)

(Amount in billion BDT)

Assets	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	6,889.39	15,385.81	9,949.10	12,326.10
Share (%)	30.93%	69.07%	44.66%	55.34%
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	571.96	744.25	814.78	501.43
Share (%)	43.45%	56.55%	61.90%	38.10%

Appendix X: Banking Sector NPL Ratio

(Amount in billion BDT)

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

Note: LLP=Loan Loss Provision, IS= Interest Suspense

Appendix XI: Distribution of Banks by NPL Ratio

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

Appendix XII: Banking Sector Loan Loss Provisions

(Amount in billion BDT)

PERIOD	REQUIRED PROVISION	PROVISION MAINTAINED	PROVISION MAINTENANCE RATIO (%)
Sep-21	723.49	661.44	91.42
Dec-21	806.54	666.47	82.63
Mar-22	850.68	703.22	82.67
June-22	862.68	730.48	84.68
Sep-22	886.83	751.54	84.74
Dec-22	841.57	731.48	86.92
Mar-23	926.20	763.21	82.40

Appendix XIII: Banking Sector Classified Loans Ratios

PERIOD	CLASSIFIED LOANS TO TOTAL LOANS	SUB-STANDARD LOANS TO CLASSIFIED LOANS	DOUBTFUL LOANS TO CLASSIFIED LOANS	BAD LOANS TO CLASSIFIED LOANS
Sep-21	8.12%	6.5%	4.7%	88.8%
Dec-21	7.93%	7.8%	4.1%	88.2%
Mar-22	8.53%	7.5%	4.0%	88.5%
Jun-22	8.96%	6.2%	4.2%	89.6%
Sep-22	9.36%	7.81%	3.97%	88.21%
Dec-22	8.16%	6.79%	4.54%	88.67%
Mar-23	8.80%	8.43%	4.62%	86.95%

Appendix XIV: Classified Loan Composition (March-2023)

(Amount in billion BDT)

PARTICULARS	AMOUNT	PERCENT OF TOTAL
Substandard (SS)	110.92	8.43%
Doubtful (DF)	60.79	4.62%
Bad/Loss (BL)	1144.50	86.95%
Total Classified Loan	1316.21	100.00%

Appendix XV: Banking Sector ROA Distribution

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

Note: ROAs have been annualized from respective quarterly ratios.

Appendix XVI: Banking Sector ROE Distribution

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

Note: ROEs have been annualized from respective quarterly ratios.

Appendix XVII: Banking Sector ROA and ROE

Ratio	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23 P
ROA	0.50%	0.44%	0.25%	0.24%	0.46%	0.53%	0.62%	0.39%
ROE	8.26%	7.42%	4.44%	4.48%	8.20%	9.48%	10.70%	6.83%

Note: P-provisional.

Appendix XVIII: FIs' Liability and Equity Composition

(Amount in billion BDT)

Particulars	Dec-22	Mar-23 P
Borrowing	250.44	264.19
Deposits	443.55	434.15
Capital	60.78	61.12
Others	165.23	197.97
Total	920.00	957.43

P=Provisional

Appendix XIX: FIs' Asset Composition

(Amount in billion BDT)

Particulars	Dec-22	Mar-23 P
Cash and liquid assets	148.57	145.95
Earning assets	700.02	737.64
Fixed assets	16.70	15.99
Others assets	54.71	57.85
Total	920.00	957.43

P=Provisional

Appendix XX: FIs' Classified Loans and Leases

(Amount in billion BDT)

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Mar-21	103.54	15.46
Jun-21	103.28	15.39
Sep-21	117.57	17.62
Dec-21	130.17	19.33
Mar-22	142.32	20.63
Jun-22	159.36	22.99
Sep-22	173.27	24.61
Dec-22	168.21	23.88
Mar-23	178.55	25.05

Appendix XXI: FIs' ROA and ROE

(In percent)

Quarter	Aggregate ROA	Aggregate ROE
Mar-21	-1.86	-17.99
Jun-21	-0.91	-9.59
Sep-21	-0.62	-6.56
Dec-21	-0.23	-2.79
Mar-22	-0.66	-8.51
Jun-22	-0.54	-7.41
Sep-22	-0.40	-5.95
Dec-22	-1.27	-19.26
Mar-23	-1.32	-20.68

Note: The displayed ratios are annualized figures from respective quarterly ratios.
P=Provisional.
Source: FIs; Compilation: FSD, BB.

Appendix XXII: Banking Sector Regulatory Capital Position- Solo Basis

(Amount in billion BDT)

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Minimum Capital Requirement	1330.12	1363.59	1395.72	1371.39	1420.98
Total Regulatory Capital	1488.24	1494.06	1506.75	1589.38	1564.71

Appendix XXIII: Banking Sector CRAR Distribution

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

Note: Minimum required CRAR was 10% for all the reported periods.

Appendix XXIV: Banking Sector Asset and Liability Share based on CRAR as at end-March 2023

CRAR	No. of Banks	Asset size (B. BDT)	Asset Share (%)	Liability size (B. BDT)	Liability Share (%)
<10%	11	6414.35	28.8	633,9.43	30.2
10% to <15%	22	10508.80	47.2	988,4.35	47.0
15% and +	28	5352.05	24.0	478,8.99	22.8
Total	61	22275.20	100.0	21012.76	100.0

Note: B. stands for billion.

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

Particulars	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Tier-1 Capital Ratio (%)	7.91	7.75	7.68	8.39	8.00
No. of Tier-1 capital compliant banks	50	50	50	51	51
Overall CRAR (%)	11.41	11.15	11.01	11.83	11.23
No. of CRAR compliant banks	50	49	50	50	50

Appendix XXVI: Bank Cluster-wise CRAR at end-March 2023

	CRAR (in percent)				
Bank Clusters	**Mar-22**	**Jun-22**	**Sep-22**	**Dec-22**	**Mar-23**
SOCBs	6.75	6.43	6.18	6.26	5.90
PCBs	13.22	12.97	12.72	13.80	13.08
FCBs	26.00	26.44	30.36	31.65	31.48
SDBs	-33.58	-35.77	-37.27	-40.29	-38.35
Industry	11.41	11.15	11.01	11.83	11.23

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

(In percent)

RWA	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
RWA for Credit Risk	88.09	88.05	88.65	88.22	88.18
RWA for Market Risk	3.50	3.68	3.49	3.45	3.62
RWA for Operational Risk	8.41	8.27	7.86	8.34	8.20

Appendix XXVIII: Capital Conservation Buffer (CCB) at end-March 2023

Particulars	No. of Compliant Banks	No. of banks considered	Aggregate CCB (%)
Solo	42	61	1.23
Consolidated	26	39	1.70

Appendix XXIX: CRR and SLR at end-March 2023

	CRR (in percent)		SLR (in percent)	
Bank Clusters	Required	Maintained	Required	Maintained
SOCBs	4.00	4.00	13.00	25.94
PCBs (Conventional)	3.92	3.92	12.92	21.49
FCBs	3.62	3.62	13.00	50.12
SDBs	4.00	4.00	-	-
PCB (Islamic Shari'ah based)	3.97	2.03	5.50	6.35
Industry	3.94	3.94	11.14	20.53

*SDBs are exempted from maintaining SLR.

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

(In percent)

Period	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
ADR (in percent)	74.20	74.77	76.30	79.00	79.36

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

Range of Ratio	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23*
< 3	8	10	10	9	10
> = 3 to 10	38	38	38	39	38
> 10 to 20	7	7	7	6	6
> 20 to 30	4	3	3	5	5
> 30	3	2	3	2	2

*For Mar-23, breakdown for first two rows are 'less than 3.25 percent' and '3.25 percent to 10.0 percent'.

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

Range of Ratio	Number of Banks (at end Period)						
	Sep-21	Dec-21	Mar-22	June-22	Sep-22	Dec-23	Mar-23
< 3	6	5	4	6	6	5	6
> = 3 to 10	30	30	31	31	31	33	32
> 10 to 20	2	4	4	2	2	1	1

*For Mar-23, breakdown for first two rows are 'less than 3.25 percent' and '3.25 percent to 10.0 percent'.

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

Bank Clusters	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
SOCBs	2.1	2.09	2.16	2.18	2.05
PCBs	5.5	5.31	5.31	5.71	5.62
FCBs	11.8	12.01	12.32	12.52	12.93
SDBs	-24.5	-25.62	-26.41	-26.78	-26.19
Industry	4.5	4.39	4.43	4.74	4.64

Appendix XXXIV: Bank Cluster-wise LCR and NSFR

(In percent)

Bank Clusters	LCR and NSFR									
	Mar-22		Jun-22		Sep-22		Dec-22		Mar-23	
	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR
SOCBs	282.04	100.29	256.48	102.02	229.55	102.39	232.02	101.95	214.93	103.75
PCBs (Conventional)	137.30	107.74	132.17	109.35	133.86	110.80	138.46	112.01	144.31	112.33
PCBs (Islamic)	182.04	112.71	152.90	113.17	135.05	114.96	87.67	112.75	61.37	110.19
FCBs	201.27	125.01	176.26	125.56	210.38	121.84	255.26	124.47	279.23	126.16
Industry	180.39	107.78	165.56	109.10	160.52	110.18	153.97	110.22	153.28	110.30

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

Appendix XXXV: FIs' CRR and SLR

(Amount in million BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/ Shortfall	Required	Maintained	Surplus/ Shortfall
Mar-21	4,892.3	5,112.6	220.30	23,364.6	110,299.5	86,934.9
Jun-21	4,809.3	5,478.8	669.50	22,854.8	111,939.0	89,084.2
Sep-21	4,975.9	5,308.3	332.4	23,090.2	106,556.2	83,466.2
Dec-21	5,207.70	5,959.20	751.50	23,816.50	116,438.10	92,621.60
Mar-22	5,247.30	5,148.70	(98.60)	24,277.10	101,641.60	77,364.50
Jun-22	5303.70	5804.26	500.56	21,766.55	91,398.06	69,631.51
Sep-22	5322.46	5236.95	(85.51)	24,674.13	96,391.78	71,717.65
Dec-22	5370.31	5686.55	316.24	25,149.86	92,969.48	67,819.62

Appendix XXXVI: Capital Adequacy Ratio of FI Sector

Particulars	end Mar-21	end Jun -21	end Sep-21	end Dec-21	end Mar-22	end June-22	end Sep-22	end Dec-22	end Mar-23
Capital Adequacy Ratio (%)*	13.82	13.33	13.30	10.58	11.27	9.53	10.16	8.16	7.29

*Excluding People's Leasing and Financial Services Limited.

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

(Amount in billion BDT)

Particulars*	End Mar-21	End Jun-21	End Sep-21	End Dec-21	End Mar-22	End June-22	End Sep-22	End Dec-22	End Mar-23
Credit RWA	631.1	628.4	618.7	603.1	635.54	629.34	620.40	592.06	611.63
Market RWA	43.4	47.1	49.4	27.08	26.24	25.74	40.76	25.18	24.63
Operational RWA	47.6	48.0	47.8	44.07	42.03	43.25	47.08	41.31	42.36
Total RWA	**722.1**	**723.4**	**716.0**	**674.27**	**703.81**	**698.33**	**708.24**	**658.55**	**678.62**
Core Capital (Tier -1)	85.6	82.5	81.4	58.43	66.14	53.77	59.11	41.08	35.72
Supplementary Capital	14.2	14.0	13.8	12.88	13.19	12.77	12.85	12.63	13.74
Eligible Capital	**99.8**	**96.4**	**95.2**	**71.32**	**79.32**	**66.54**	**71.96**	**53.71**	**49.46**

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

Minor Shock Scenarios of Stress Testing	Number of non-compliant banks after shock	
	December 2022	March 2023
Increase in NPLs	4	4
Increase in NPLs due to default of top 3 borrowers	11	15
Decrease in the FSV of collateral	0	1
Negative shift in NPL categories	1	1
Increase in NPL in the highest outstanding sector	1	3
Interest rate shock	1	1
Exchange rate shock	0	1
Equity shock	0	1

Appendix XXXIX: DSEX and MSCI Emerging Market Index

Date	DSEX (BDT)	MSCI Emerging Market Index (USD)	Date	DSEX (BDT)	MSCI Emerging Market Index (USD)
30-Sep-22	6,515.11	875.786	2-Jan-23	6177.88	956.12
3-Oct-22	6518.35	876.146	3-Jan-23	6185.06	962.574
4-Oct-22	6544.83	893.65	4-Jan-23	6202.63	974.219
5-Oct-22	6544.83	909.519	5-Jan-23	6193.96	984.005
6-Oct-22	6569.51	910.57	6-Jan-23	6193.96	988.677
7-Oct-22	6569.51	897.743	9-Jan-23	6191.55	1,013.50
10-Oct-22	6449.63	884.807	10-Jan-23	6205.28	1,014.02
11-Oct-22	6449.92	864.655	11-Jan-23	6209.52	1,016.85
12-Oct-22	6500.85	865.343	12-Jan-23	6207.29	1,018.31
13-Oct-22	6494.25	854.532	13-Jan-23	6207.29	1,029.85
14-Oct-22	6494.25	863.328	16-Jan-23	6246.07	1,030.91
17-Oct-22	6413.02	865.77	17-Jan-23	6281.74	1,027.38
18-Oct-22	6400.71	879.074	18-Jan-23	6258.17	1,030.06
19-Oct-22	6390.18	865.911	19-Jan-23	6265.44	1,027.91
20-Oct-22	6392.3	864.761	20-Jan-23	6265.44	1,036.24
21-Oct-22	6392.3	865.039	23-Jan-23	6263.51	1,038.68
24-Oct-22	6311.38	842.758	24-Jan-23	6291.3	1,039.20
25-Oct-22	6328.2	844.509	25-Jan-23	6293.4	1,041.26
26-Oct-22	6344.35	851.813	26-Jan-23	6296.26	1,052.46
27-Oct-22	6378	859.465	27-Jan-23	6296.26	1,051.19
28-Oct-22	6378	845.581	30-Jan-23	6278.84	1,044.00
31-Oct-22	6307.34	848.163	31-Jan-23	6267.05	1,031.50
1-Nov-22	6352.9	867.582	1-Feb-23	6277.18	1,042.79
2-Nov-22	6388.56	873.024	2-Feb-23	6294.73	1,045.56
3-Nov-22	6410.67	860.904	6-Feb-23	6280.72	1,038.72
4-Nov-22	6410.67	884.975	6-Feb-23	6280.72	1,014.49
7-Nov-22	6393.03	897.361	7-Feb-23	6285.4	1,015.51
8-Nov-22	6384.1	900.02	8-Feb-23	6295.66	1,020.58

Date	DSEX (BDT)	MSCI Emerging Market Index (USD)	Date	DSEX (BDT)	MSCI Emerging Market Index (USD)
9-Nov-22	6350.14	900.318	9-Feb-23	6283.31	1,024.51
10-Nov-22	6353.77	889.601	10-Feb-23	6283.31	1,013.67
11-Nov-22	6353.77	935.726	13-Feb-23	6270.87	1,013.53
14-Nov-22	6253.49	939.778	14-Feb-23	6256.17	1,014.49
15-Nov-22	6218.32	960.637	15-Feb-23	6245.02	1,004.87
16-Nov-22	6253.35	954.308	16-Feb-23	6246.21	1,011.14
17-Nov-22	6265.99	942.357	17-Feb-23	6246.21	999.424
18-Dec-22	6265.99	943.006	20-Feb-23	6218.84	1,005.21
21-Nov-22	6190.99	931.052	21-Feb-23	6218.84	995.191
22-Nov-22	6230.51	927.415	22-Feb-23	6218.3	982.064
23-Nov-22	6207.73	932.298	23-Feb-23	6205.12	987.739
24-Nov-22	6215.12	945.571	24-Feb-23	6205.12	971.867
25-Nov-22	6215.12	941.006	27-Feb-23	6199.2	967.246
28-Nov-22	6197.94	930.765	28-Feb-23	6216.95	964.006
29-Nov-22	6212.46	952.936	1-Mar-23	6214.69	984.19
30-Nov-22	6235.95	972.285	2-Mar-23	6213.74	980.053
1-Dec-22	6245.38	978.305	3-Mar-23	6213.74	988.026
2-Dec-22	6245.38	973.848	6-Mar-23	6259.48	993.737
5-Dec-22	6212.55	984.258	7-Mar-23	6262.31	988.378
6-Dec-22	6229.01	972.925	8-Mar-23	6262.31	978.067
7-Dec-22	6233.68	958.77	9-Mar-23	6260.18	968.385
8-Dec-22	6227.82	969.215	10-Mar-23	6260.18	955.277
9-Dec-22	6227.82	978.281	13-Mar-23	6243.57	961.501
12-Dec-22	6266.96	963.582	14-Mar-23	6231.96	945.117
13-Dec-22	6271.41	965.252	15-Mar-23	6213.37	946.871
14-Dec-22	6260.77	973.707	16-Mar-23	6220.24	941.348
15-Dec-22	6256.83	960.224	17-Mar-23	6220.24	951.563
16-Dec-22	6256.83	957.301	20-Mar-23	6204.18	942.975
19-Dec-22	6238.99	957.636	21-Mar-23	6222.9	952.455
20-Dec-22	6226.5	951.085	22-Mar-23	6206.64	961.482
21-Dec-22	6198.82	952.983	23-Mar-23	6215.3	977.776
22-Dec-22	6202.21	964.058	24-Mar-23	6215.3	972.175
23-Dec-22	6202.21	954.778	27-Mar-23	6203.92	964.014
26-Dec-22	6189.7	956.479	28-Mar-23	6193.08	970.694
27-Dec-22	6180.27	959.387	29-Mar-23	6196.75	980.141
28-Dec-22	6195.82	960.185	30-Mar-23	6206.80	985.769
29-Dec-22	6206.81	957.448	31-Mar-23	6206.80	990.284
30-Dec-22	6206.81	956.378	--	--	--

Appendix XL: DSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	DSEX	DS30	DSES
Jun-21	435.09	5,142.82	6,150.48	2,208.38	1,314.76
Jul-21	233.03	5,344.05	6,425.26	2,327.88	1,401.05
Aug-21	451.19	5,579.72	6,869.25	2,453.95	1,490.30
Sep-21	507.06	5,815.43	7,329.04	2,710.53	1,592.10
Oct-21	353.80	5,595.23	7,000.95	2,620.60	1,470.50
Nov-21	266.83	5,364.95	6,703.26	2,516.28	1,405.55
Dec-21	193.65	5,421.96	6,756.66	2,532.58	1,431.12
Jan-22	312.61	5,569.82	6,926.29	2,559.15	1,481.89
Feb-22	221.00	5,437.19	6,739.45	2,482.36	1,453.48
Mar-22	185.43	5,394.15	6,757.84	2,474.01	1,468.11
Apr-22	121.05	5,369.61	6,655.67	2,460.77	1,446.98
May-22	144.65	5,167.65	6,392.86	2,350.25	1,403.53
Jun-22	179.40	5,177.82	6,376.94	2,295.59	1,386.78
Jul-22	122.84	5,028.78	6,133.96	2,193.58	1,339.48
Aug-22	254.72	5,188.23	6,457.22	2,283.06	1,398.67
Sep-22	354.80	5,199.14	6,512.89	2,330.42	1,419.73
Oct-22	210.92	7,669.18	6,307.34	2,226.71	1,377.43
Nov-22	163.27	7,642.41	6,235.95	2,214.33	1,370.18
Dec-22	72.31	7,609.37	6,206.81	2,195.30	1,358.84
Jan-23	117.27	7,654.72	6,267.05	2,219.60	1,366.01
Feb-23	86.29	7,630.09	6,216.95	2,220.98	1,359.66
Mar-23	94.06	7,623.66	6,206.80	2,209.44	1,349.33

Appendix XLI: Sectoral Turnover at DSE

Sectors	Oct-Dec-22	Jan-Mar-23
Mutual Funds	0.09%	0.08%
Jute	0.69%	0.36%
Telecommunication	0.52%	0.49%
Cement	1.36%	0.87%
Corporate Bond	0.26%	1.02%
Financial Institutions	1.97%	1.35%
Tannery	0.98%	1.55%
Banks	1.88%	2.10%
Fuel & Power	5.26%	3.34%
Textile	3.72%	3.67%
Ceramic	2.27%	4.17%
Engineering	10.45%	4.31%
Services and Real estate	5.45%	4.58%
Paper and Printing	8.17%	5.54%
Miscellaneous	10.91%	7.04%
Travel and Leisure	3.98%	7.09%
Food and Allied Product	4.44%	7.89%
Pharmaceuticals and Chemicals	20.05%	13.48%
Insurance	6.53%	14.51%
IT - Sector	11.02%	16.57%

Appendix XLII: Sectoral Market Capitalization at DSE

Sector	Dec-22	Mar-23
Jute	0.08%	0.07%
Services and Real estate	0.61%	0.67%
Ceramic	0.73%	0.71%
Tannery	0.73%	0.74%
Corporate Bond	0.84%	0.78%
Mutual Funds	0.86%	0.83%
Paper and Printing	0.90%	0.89%
IT - Sector	0.88%	0.99%
Travel and Leisure	0.97%	1.38%
Cement	2.48%	2.47%
Insurance	3.63%	3.58%
Textile	3.82%	3.72%
Financial Institutions	4.20%	4.16%
Miscellaneous	4.91%	4.91%
Food and Allied Product	8.47%	8.63%
Fuel and Power	9.98%	9.95%
Engineering	11.75%	11.70%
Telecommunication	12.98%	12.93%
Banks	14.91%	15.00%
Pharmaceuticals and Chemicals	16.29%	15.87%

Appendix XLIII: Sectoral P/E Ratio at DSE

Sector	Dec-22	Mar-23
Banks	7.73	7.77
Mutual Funds	9.15	9.43
Miscellaneous	11.76	11.88
Fuel and Power	12.24	13.11
Telecommunication	15.1	15.1
Textile	16.59	15.8
Insurance	17.17	16.58
Pharmaceuticals and Chemicals	17.87	17.54
Food and Allied Product	21.1	18.6
Financial Institutions	18.89	18.81
Engineering	20.41	20.55
Cement	15.7	20.87
Services and Real estate	20.12	22.23
IT - Sector	30.69	35.09
Tannery	34.7	35.21
Ceramic	30.65	39.11
Paper and Printing	54.22	51.89
Travel and Leisure	139.84	53.39
Jute	87.86	77.53

Appendix XLIV: Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
Sep-20	13.5	14.0
Dec-20	16.5	15.0
Mar-21	16.9	17.3
Jun-21	18.5	17.7
Sep-21	20.1	20.0
Dec-21	16.3	17.3
Mar-22	15.6	16.8
Jun-22	14.4	15.6
Sep-22	14.9	16.1
Dec-22	14.11	14.35
Mar-23	14.24	14.25

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

Month	Daily Average Index Volatility[32]	Daily Average DSE Turnover (In crore BDT)
Oct-20	51.22	851.99
Nov-20	32.52	791.24
Dec-20	135.21	1028.00
Jan-21	94.28	1617.08
Feb-21	86.42	760.48
Mar-21	100.32	689.54
Apr-21	120.33	719.31
May-21	159.36	1632.00
Jun-21	42.63	1978.00
Jul-21	94.67	1553.60
Aug-21	127.13	2506.60
Sep-21	103.32	2304.08
Oct-21	159.88	1850.90
Nov-21	106.73	1212.90
Dec-21	117.88	922.10
Jan-22	68.65	1421.00
Feb-22	117.71	1163.10
Mar-22	91.69	842.90
Apr-22	69.29	637.11
May-22	183.92	803.59
Jun-22	64.35	815.44
Jul-22	134.42	646.50
Aug-22	89.31	1273.60
Sep-22	40.96	1689.50
Oct-22	83.53	1054.60
Nov-22	80.21	742.10
Dec-22	26.76	361.60
Jan-23	40.82	509.90
Feb-23	35.57	454.20
Mar-23	21.81	470.30

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

Appendix XLVI: CSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	CASPI	CSE30	CSI
Sep-20	7.19	3,300.77	14,167.23	11,790.99	912.64
Oct-20	5.41	3,227.92	13,824.13	11,370.18	888.07
Nov-20	5.80	3,212.32	13,991.43	11,207.94	919.67
Dec-20	9.18	3,754.94	15,592.92	12,426.52	1,018.85
Jan-21	17.28	4,072.71	16,474.97	13,013.79	1,031.29
Feb-21	7.71	3,919.44	15,603.80	12,156.81	983.85
Mar-21	9.44	3,861.42	15,264.62	11,614.50	982.59
Apr-21	8.69	3,973.51	15,844.80	12,062.49	1,003.67
May-21	15.46	4,288.28	17,359.57	13,066.25	1,044.59
Jun-21	21.30	4,383.65	17,795.04	13,382.78	1,091.85
Jul-21	9.05	4,576.74	18,635.39	13,657.11	1,177.70
Aug-21	17.09	4,804.20	19,997.45	14,482.06	1,277.18
Sep-21	18.42	5,037.43	21,377.07	15,478.42	1,367.49
Oct-21	13.75	4,782.45	20,480.31	14,447.93	1,266.48
Nov-21	9.58	4,552.33	19,614.38	13,882.70	1,197.96
Dec-21	11.06	4,585.54	19,666.07	13,913.13	1,211.43
Jan-22	9.41	4,745.74	20,298.59	14,180.92	1,265.70
Feb-22	8.27	4,587.74	19,641.25	13,960.46	1,225.85
Mar-22	6.64	4,545.99	19,748.82	14,103.06	1,245.39
Apr-22	4.56	4,509.39	19,474.46	14,077.10	1,218.28
May-22	4.59	4,310.83	18,667.51	13,540.85	1,186.21
Jun-22	8.19	4,333.69	18,727.52	13,638.35	1,183.44
Jul-22	3.72	4,338.98	17,976.66	13,212.21	1,132.58
Aug-22	5.93	4,513.81	19,005.94	13,705.61	1,208.55
Sep-22	13.13	4,412.74	19,189.28	13,473.27	1,234.07
Oct-22	4.91	7,485.22	18,622.82	13,281.64	1,186.57
Nov-22	3.59	7,458.58	18,408.51	13,201.73	1,169.88
Dec-22	2.87	7,477.80	18,328.02	13,207.07	1,160.95
Jan-23	2.84	7,534.33	18,513.67	13,277.45	1,172.71
Feb-23	2.03	7,495.40	18,326.02	13,300.72	1,158.45
Mar-23	3.22	7,482.34	18288.35	13341.81	1148.76

Appendix XLVII: Sectoral Turnover at CSE

Sectors	Contribution of Sectors (Mar-23)
Corporate Bond	0.02%
Tannery	0.31%
Telecommunication	0.35%
Cement	1.07%
Mutual Funds	1.27%
Food and Allied Product	2.49%
Fuel and Power	2.74%
Ceramics	3.66%
Engineering	4.23%
Leasing and Finance	4.31%
Banking	4.88%
Paper and Printing	5.00%
Miscellaneous	5.03%
General Insurance	7.95%
Life Insurance	8.46%
Textile	8.74%
IT	9.04%
Pharmaceuticals and Chemicals	12.00%
Services	18.44%

Appendix XLVIII: Sectoral Market Capitalization at CSE

Sector	Dec-2022	Mar-2023
Ceramics	0.77%	0.75%
Tannery	0.77%	0.77%
Corporate Bond	0.87%	0.83%
Mutual Funds	0.92%	0.89%
Paper and Printing	0.95%	0.95%
IT	0.93%	1.04%
Food and Allied Product	1.40%	1.52%
Life Insurance	1.66%	1.69%
General Insurance	2.11%	2.03%
Services	1.64%	2.14%
Cement	2.62%	2.61%
Textile	3.82%	3.70%
Leasing and Finance	4.39%	4.37%
Fuel and Power	10.03%	10.01%
Miscellaneous	10.18%	10.20%
Engineering	12.09%	11.99%
Telecommunication	13.69%	13.66%
Pharmaceuticals and Chemicals	15.45%	15.00%
Banking	15.71%	15.86%

Appendix XLIX: Sectoral P/E Ratio at CSE

Sector	Mar-2023
Life Insurance	na
Corporate Bond	na
Banking	8.55
General Insurance	11.68
Fuel and Power	11.74
Miscellaneous	12.87
Leasing and Finance	14.78
Mutual Funds	15.2
Textile	15.53
Telecommunication	15.9
Pharmaceuticals and Chemicals	16.74
Cement	17.26
Engineering	20.3
Food and Allied Product	21.86
Tannery	32.92
IT	33.76
Services	36.92
Ceramics	39.12
Paper and Printing	52.92

Note: na- not available

Appendix L: Capital Market Exposures of Banks

Period	Solo basis (%)	Consolidated basis (%)
Mar-21	13.3	22.3
Jun-21	14.4	23.9
Sep-21	16.1	27.1
Dec-21	15.7	25.5
Mar-22	15.8	26.2
Jun-22	15.5	25.2
Sep-22	16.2	27.0
Dec-22	16.4	27.3
Mar-23	16.3	27.0

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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-March 2023, 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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