

Quarterly Financial Stability Assessment Report

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Bangladesh Bank

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Financial Stability Assessment Report
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Financial Stability Department
Bangladesh Bank

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

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Message from the Governor



The global economy has been growing slowly and the trend may continue even in the medium-term. The growth outlook has primarily been driven by prolonged geopolitical tensions, uneven and sluggish recovery among regions, higher debt-servicing costs, and the recent real estate crisis in China. Indeed, the crisis in China may precipitate significant spillovers globally. The inflationary pressure is yet to remain contained, and further tightening may be warranted to contain the escalation of near-term inflation expectations.

Bangladesh economy has been undergoing a number of challenges like inflationary pressures, rise in exchange rate, and somewhat declining trend in foreign exchange reserves. Besides, falling demand of major trading partner countries of Bangladesh also lowered our export growth, putting additional pressure in the forex market. To stabilize the economy from existing and plausible domestic and external shocks, the Government and Bangladesh Bank adopted decisive actions towards attaining a moderate GDP growth of 6.03 percent in the financial year 2023.

In order to address the inflationary pressure, Bangladesh Bank adopted a contractionary monetary policy stance for the first half of the financial year 2023-24. In particular, Bangladesh Bank increased the policy interest rates with an aim to restrain consumer demand. Alongside, we worked diligently towards ensuring necessary fund flows to the productive and priority sectors of the economy. Also, we formulated and implemented necessary policies for enhancing the resilience of the export-oriented industries, easing external transactions, and discouraging imports of luxurious items. In addition to these, Bangladesh Bank kept the forex market under stringent supervision to maintain stability therein and lessen excessive volatility. What is more, we enhanced our vigilance and regulations for dealing with problem banks and expedited on-site supervision towards improving the asset quality of banks and financial institutions (FIs).

I believe effective collaboration between the Government and Bangladesh Bank, as well as full-fledged cooperation of other stakeholders, would help Bangladesh overcome the ongoing domestic and external macroeconomic challenges and contribute to attaining marked economic growth in the near future. To this end, banks and FIs need to remain vigilant in ensuring corporate governance and sound risk management, with adequate attention on maintaining asset quality, provisioning, and liquidity.

I expect the global leaders would reach to a consensus on addressing the climate-related challenges towards ensuring food security, especially for the developing nations. Furthermore, considering the intense interconnectedness of the global

economy, the countries need to work more coherently and in a well-coordinated manner to minimize the contagion effects of global macro-financial and geopolitical dynamics and thus contribute to maintaining stability in the global financial system.

Finally, I believe this quarterly report will be able to help the stakeholders grasp the ongoing domestic and global macroeconomic challenges, comprehend the strengths and vulnerabilities of our financial system, and enable them to apply due diligence in resorting to forward-looking measures.

I commend the efforts and dedication of the officials of Financial Stability Department in preparing this report in a befitted manner.



Abdur Rouf Talukder
Governor

Message from the Deputy Governor



The global economic recovery remains slow and uneven, although there has been some decline in inflation in early 2023. Long-term repercussions of the COVID-19 pandemic, Russia-Ukraine conflict, restrictive monetary policy, retraction of fiscal support, and egregious climate issues appear to be impeding the recovery. Considering the global economic reality, IMF has already projected lower global economic growth of 3.0 percent for 2023 from 3.5 percent in 2022. Furthermore, as economic activities continue to fall short of their pre-pandemic trajectory, regional disparities are notably expanding, especially in Emerging Market and Developing Economies (EMDEs). In addition, China's real estate crisis could increase exchange rate volatility in emerging markets, while escalating geoeconomic fragmentation could exacerbate the existing global price volatility.

In spite of global uncertainties, a substantial decrease in import payments and stable wage earners' remittance, in the domestic context, helped the current account balance record a surplus in the first two quarters of 2023. However, the domestic economy has been grappling with inflationary pressures and reduced export growth.

The gross foreign exchange reserves stood at USD 31.20 billion at end-June 2023, rendering import coverage of more than five months. Nevertheless, Bangladesh Bank has been continuing precautionary measures to improve the level of foreign exchange reserves and keep the forex market stable.

During the review quarter, 2023Q2, the capital adequacy and liquidity parameters of the banking sector remained above the respective regulatory thresholds, showing resilience of the sector as a whole despite deterioration in asset quality and liquidity of a few banks on an idiosyncratic basis. Moreover, overall profitability of the banking industry improved compared to that of the preceding quarter. However, the Financial Institutions (FIs) recorded some weakening in terms of capital adequacy and asset quality during the review period.

Considering the ongoing situation and upcoming challenges, Bangladesh Bank has already adopted a contractionary monetary policy stance to contain inflationary pressure. Besides, Bangladesh Bank has taken prudent measures to lower ceiling against borrowing from Export Development Fund (EDF), transition from interest rate cap to market-based interest rate for loan/investment, and enhance fund size under refinance scheme for women entrepreneurs. To

maintain financial stability, Bangladesh Bank has issued directives on Off-Balance Sheet business operations of banks and introduced guidelines on secondary trading of Government securities. Moreover, guidelines on establishing Digital Bank and ICT security for banks and FIs have been issued to promote smart and safer banking services. In addition, a circular has been put in place to ensure good governance in the FI sector, containing instructions on appointing and managing qualified, honest and efficient human resources.

I hope this quarterly update on financial stability of Bangladesh will be able to 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 System 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 April-June quarter of the calendar year 2023 (CY23). The report also discusses a number of issues having implications for the stability of the domestic financial system.

Economic activities varied across the globe amid tightening financial conditions. Major Asian economies like China and India experienced decreased growth, although the growth rate remained reasonably high. Economic activities in the advanced economies like the US, UK, and Japan expanded moderately. The growth rate for Euro Area became positive during this quarter after two consecutive quarters of zero growth, but the growth remained near the ground. Global industrial production remained fairly stable, whereas world trade declined. Global inflation is decreasing but remains high. Central banks in many economies reacted by increasing policy rates as a response to higher inflation. Tighter monetary policy may create some restrictions for access to credit and affect the real sector.

Domestic economy experienced high inflation and slowing external trade coupled with relatively stable foreign reserves. At end-June 2023, annual average inflation increased to 9.02 percent from 6.15 percent at end-June 2022 and 8.39 percent at end-March 2023. Wage earners' remittance inflow stood at USD 5,575.65 million in the review quarter, registering an increase of 0.61 percent from that of the preceding quarter. Foreign exchange reserve stood at USD 31.20 billion, up from USD 31.14 billion in the preceding quarter. External trade continued shrinking in last two consecutive quarters amid slow economic growth globally with exports and imports declining by 2.0 percent and 1.6 percent respectively in the review quarter compared to the previous quarter. Bangladeshi Taka (BDT) depreciated against the USD; BDT-USD exchange rate reached to 105.92 at end-June 2023 from 101.95 at end-March 2023.

Banking sector demonstrated a modest increase in profitability during the review period, albeit a further deterioration in asset quality. Assets in the banking sector increased by 3.9 percent from that of the preceding quarter and stood at BDT 23,142.84 billion at end-June 2023. However, asset quality declined as non-performing loan (NPL) ratio increased to 10.11 percent at end-June 2023 from 8.80 percent at end-March 2023. Besides, provision maintenance ratio stood at 78.76 percent registering a decrease of 3.65 percentage points. Profitability increased as return on assets (ROA) and return on equity (ROE) stood at 0.43 percent and 7.88 percent respectively from 0.39 percent and 6.83 percent in the preceding quarter.

During the review period, capital to risk-weighted asset ratio (CRAR) of the banking sector decreased, while Tier-1 capital ratio increased compared to those of the preceding quarter. Still, the sector as a whole remained compliant in terms of various liquidity requirements. CRAR decreased from 11.23 percent at end-March 2023 to 11.19 percent at end-June 2023. However, Tier-1 capital ratio increased to 8.10 percent in the review quarter from 8.00 percent in the previous quarter. Importantly the ratios were above the minimum regulatory requirement. In addition, the banking sector as a whole maintained required level of statutory liquidity ratio (SLR), cash reserve ratio (CRR), liquidity coverage ratio (LCR), and net stable funding ratio (NSFR). However, Shari'ah based banking cluster could not maintain minimum regulatory requirements of CRR and LCR.

Stress test results based on end-June 2023 exhibited a moderate level of resilience of the banking sector to different shock scenarios. Among the broad risk factors, credit risk remained the most prominent factor in terms of its impact on the banks' capital adequacy. Results of the test indicate that an increase in NPLs by 3 percent is likely to have the most severe impact on the banking sector's resilience in terms of capital adequacy, followed by the default of top 03 borrowers. For both of the above shock scenarios, the banking sector's CRAR would fall below the minimum requirement of 10 percent. In terms of market risk, the banking industry appeared to be resilient to exchange rate and equity price shocks but slightly vulnerable to interest rate shock. However, the banking sector would stand above the minimum requirement of CRAR for all shock scenarios of market risk. In case of combined shock, excluding default of top large borrowers and increase in NPLs of the highest outstanding sector, the CRAR of the banking industry would decline to 6.29 percent from 11.19 percent of pre-shock CRAR.

Financial institutions (FIs) demonstrated a mixed trend in the review quarter as evident from growth in aggregate asset and decline in profitability of the sector. Total assets of FIs increased by 2.52 percent from that of end-March 2023 and stood at BDT 981.85 billion at end-June 2023. FIs' classified loans and leases ratio notably increased to 27.65 percent in the review period from 25.05 percent in the previous quarter. On the contrary, profitability further deteriorated with ROA and ROE standing at -1.43 percent and -32.50 percent respectively from -1.32 percent and -20.67 in the preceding period. The capital adequacy ratio (CAR) decreased by 2.21 percentage points compared to that of the preceding quarter and reached 5.08 percent at end-June 2023. Moreover, Tier-1 capital ratio of the sector (excluding People's Leasing and Financial Services Limited) was 3.13 percent.

The capital market showed an upward trend during the review quarter. At end-June 2023, DSEX and CASPI, the main indices of the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) respectively, exhibited an upward movement compared to those of end-March 2023. Turnover and market capitalization of the two bourses increased during the review period compared to the same of the previous quarter. Importantly, 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. Moreover, 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 issued 'Guidelines for the establishment of digital banks' to create a cashless Bangladesh by providing global information technology-based digital banking services to the people. This initiative facilitates build up of a 'Smart Bangladesh' announced by the Government of Bangladesh. Furthermore, policies have been formulated to introduce market based interest rate system for loans disbursed by scheduled banks. In this case, a reference rate called SMART (Six Months Moving Average Rate of Treasury Bill) would be determined by Bangladesh Bank based on the market interest of 182 days Treasury Bill. In addition, several 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 varied across the globe with advanced economies like the US, UK, Euro Area having moderate growth while major Asian economies experiencing slightly decreased growth compared to the previous quarter. Although global industrial production remained fairly stable, world trade narrowed considerably in this period. Global inflation is declining but still remains high and continues to decrease household purchasing capacity. As a response to higher inflation, central banks in many economies resorted to increasing the policy rates. Tighter monetary policy stance may create some restrictions for access to credit and have spillover effect on real sector.

1.1.1 Global GDP Growth

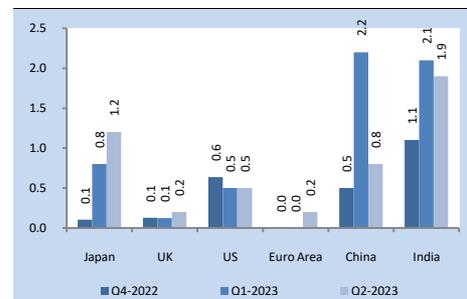
Both China and India experienced slower growth in the review quarter. The Chinese economy grew by 0.8 percent in the second quarter compared to 2.2 percents in the first. The underwhelming economic performance could be attributed to a decline in demand for Chinese exports, structural factors such as adjustments in the real estate market and a high youth unemployment rate. India continues to have strong

economic performance with growth rate of 1.9 percent.

The US economy maintained a growth of 0.5 percent in the review quarter. Large economies in Europe like UK, Spain and France experienced positive growth of 0.2, 0.4 and 0.6 percent respectively, while the economy of Italy contracted (-0.4 percent) and growth for Germany remained almost stagnant (0.1 percent). Overall, economies in the Euro Area had a combined growth of 0.2 percent in the review quarter compared to zero growth in the last quarter.

Japan experienced moderate economic growth of 1.2 percent compared to the previous quarter's 0.8 percent.

Chart 1.1: Quarterly GDP Growth



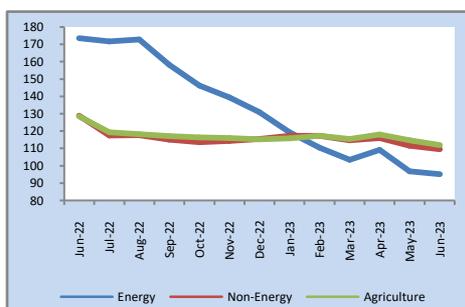
Source: OECD Stat.

1.1.2 Global Inflation Outlook

Energy prices declined sharply for consecutive months with Consumer Price Index (CPI) standing at 95.21 in June compared to 103.47 in March 2023. Moreover, agricultural and non-energy prices eased down moderately in the review quarter with CPI

standing at 112.01 and 109.54 respectively in June compared to 115.45 and 114.75 respectively in March 2023. Inflation is expected to decline in 2023, more so for the advanced economies than for the emerging market and developing economies (EMDEs), as advanced economies have stronger monetary policy framework and less exposure to commodity price and exchange rate shocks.

Chart 1.2: Commodity Price Index



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

1.1.3 Global Financial Condition

After the disorderly failure of Credit Suisse and a few regional banks in the US, it became possible to address the situation in the banking sector largely due to prompt measures taken by concerned authorities. Global financial condition was mostly driven by tight monetary policies, the tightening of monetary policy was aimed at reducing inflation. The global equity market indices experienced increased prices and slight volatility.

1.1.3.1 Global Monetary Policy Response

Policy rates of the advanced economies (AEs) and many EMDEs continued to rise in the review quarter and are expected to remain high. Tighter monetary policy stance may have started to affect the financial system¹. Monetary policy tightening in advanced economies exerted financial pressure on EMDEs like India. However, China cut its policy rate by 5 basis points in the month of June 2023.

Chart 1.3: Policy Rates of Central Banks



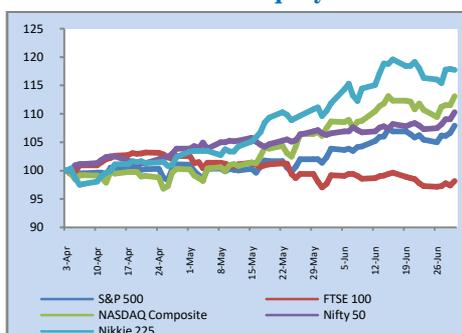
Source: BIS.

1.1.3.2 Global Equity Market

Major equity markets indices ended with a rise in the second quarter of 2023, nevertheless there was some volatility prevalent in the market (Chart 1.4).

¹IMF World Economic Outlook, October 2023 report for details.

Chart 1.4: Selected Equity Markets²

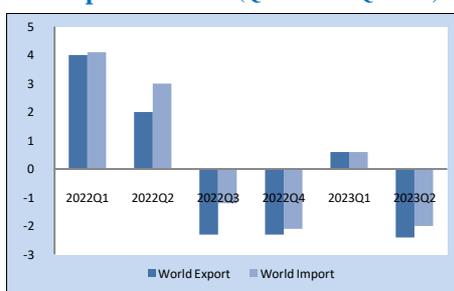


Note: Index base was 100 on 1 April 2023. Source: The Wall Street Journal, FSD Calculation.

1.1.4 Global Trade and Production

Global trade remained restrained in the review quarter with export and import falling by 2.4 percent and 2.0 percent respectively compared to those of preceding quarter. Over 3,000 trade restrictions were imposed in 2022 up from 1,000 in 2019³. Lagged effects of those restrictions and dollar appreciations around the world may have impacted world trade (Chart 1.5).

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



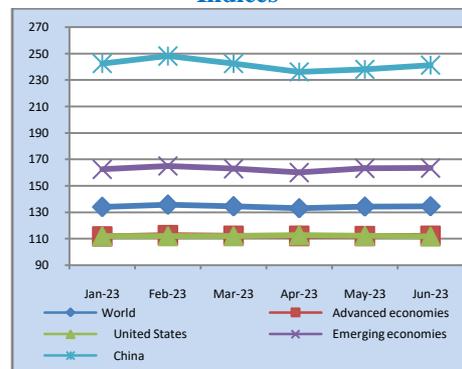
Note: Price/Values in USD. Source: CPB World Trade Monitor.

²S&P 500, NASDAQ Composite, FTSE 100, NIKKEI 225, NIFTY 50, are stock indices listed on major stock exchanges of the US, UK, Japan and India respectively.

³According to IMF World Economic Outlook, October 2023 report.

Global production showed little growth variation throughout the review quarter (Chart 1.6). China increased its production while US industries reduced their production in the last month of the review quarter.

Chart 1.6: Global Industrial Production Indices



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

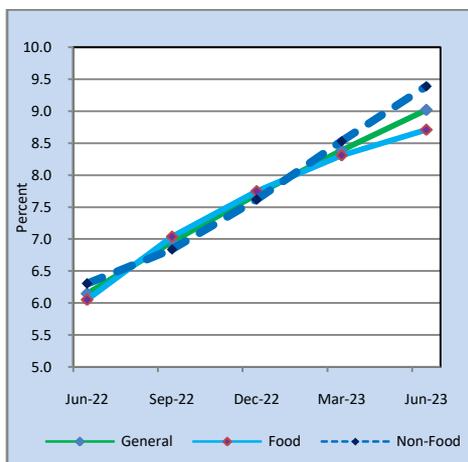
1.2 Domestic Macroeconomic Situation

In the review quarter, foreign exchange reserves, remittance inflow and interest rate of banking system remained reasonably stable, keeping the domestic macro-financial system moderately resilient. However, swelling of headline inflation, declining external trade and rising government borrowing from the banking system remained as some key issues for the economy. Besides, continued depreciation of Bangladeshi Taka (BDT) against US dollar is also putting additional pressure into the economy.

1.2.1 Inflation

Inflation scenario continued the upward trend in the review quarter. At end-June 2023, the headline inflation rose to 9.02 percent (twelve-month average, base 2021-2022⁴), 0.63 percentage point higher than that of end-March 2023. The impact of non-food inflation was dominant compared to food inflation. In the review quarter, non-food inflation increased by 0.86 percentage point compared to that of the previous quarter, whereas food inflation rose by 0.40 percentage point. However, in comparison with the same quarter (June-2022) of the previous year, the headline inflation rose by 2.87 percentage points with an increase of food and non-food inflation by 2.66 percentage points and 3.08 percentage points respectively (Chart 1.7).

Chart 1.7: Quarterly Inflation from Jun-2022 to Jun-2023



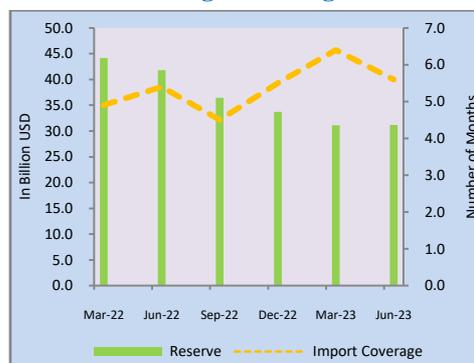
Source: Major Economic Indicator, BB.

⁴Twelve month average food and non-food indices have been calculated after shifting base from FY06 to FY22.

1.2.2 Foreign Exchange Reserve and its Import Coverage

The gross foreign exchange reserve remained stable in the review quarter although import coverage by reserve declined compared to the previous quarter. At end-June 2023, the gross foreign exchange reserve stood at USD 31.20 billion (USD 24.75 billion as per BPM6⁵). At end-June 2023, the gross reserve remained as much sufficient as to cover 5.6 months' import payments on prospective basis compared to 6.4 months' coverage of end-March 2023 (Chart 1.8).

Chart 1.8: Foreign Exchange Reserves



Source: Statistics Department, BB.

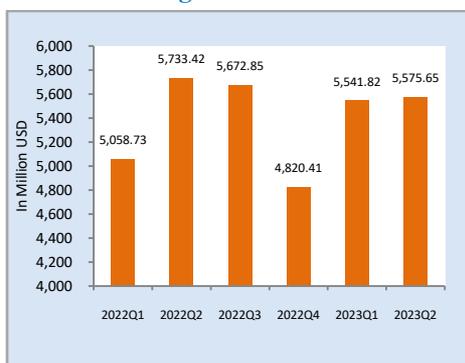
1.2.3 Wage Earners' Remittance

Wage earners' remittance increased in the last two consecutive quarters. During the review quarter, total remittance inflow stood at USD 5,575.65 million, 0.61 percent higher than that of the previous quarter. However, remittance inflow declined by 2.75 percent in the review quarter

⁵Calculation according to BPM6 (Balance of Payments and International Investment Position Manual 6).

compared to the same quarter of 2022 (Chart 1.9).

Chart 1.9 Wage Earners' Remittance

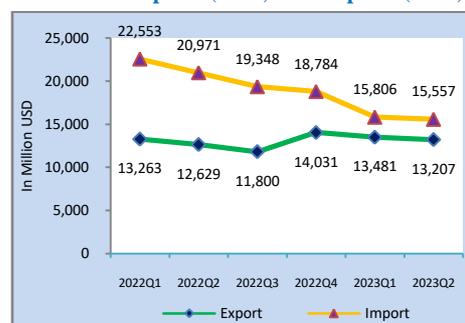


Source: Monthly Economic Trend, BB (various issues).

1.2.4 Exports (FOB) and Imports (FOB)

External trade continued shrinking in the first two consecutive quarters of 2023 amid slow economic growth globally. In the review quarter, aggregate exports and imports⁶ declined by 2 percent and 1.6 percent respectively compared to the previous quarter. However, exports during the review quarter increased by 4.6 percent compared to the same quarter of 2022, whereas imports declined notably by 25.8 percent for the same period (Chart 1.10). Decreasing aggregate imports could partly be attributed to BB's policy initiatives of tightening the import of luxurious items.

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

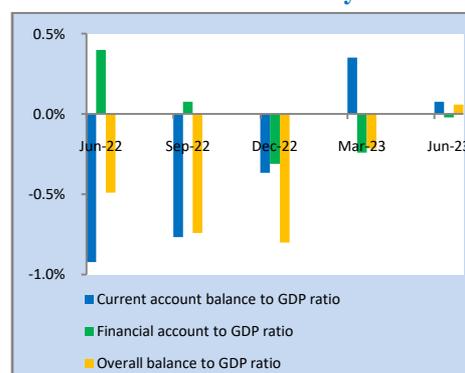


Source: Statistics Department, BB.

1.2.5 Balance of Payment

A surplus current account balance and low deficit amount of financial account put the overall balance in a surplus position during April-June 2023. Downward trend in imports along with stable wage earners' remittance helped current account balance record a surplus position in the last two quarters consecutively. At end-June 2023, current account balance, financial account balance and overall balance as a share of GDP stood at 0.07 percent, negative 0.02 percent, and 0.06 percent respectively (Chart 1.11).

Chart 1.11: Balance of Payments



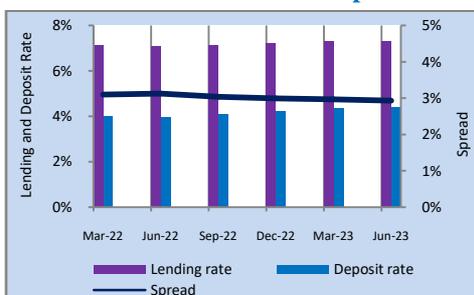
Source: Bangladesh Bank Quarterly.

⁶Both export and import data are on FOB basis.

1.2.6 Interest Rate

The weighted average lending rate of the banking system remained unchanged in the review quarter. However, the weighted average deposit rate increased by 0.03 percentage point at end-June 2023 compared to that of end-March 2023 and thus the spread between weighted average lending and deposit rate decreased to 2.93 percent. At end-June-2023, the weighted average lending rate was 7.31 percent, whereas weighted average deposit rate was 4.38 percent (Chart 1.12).

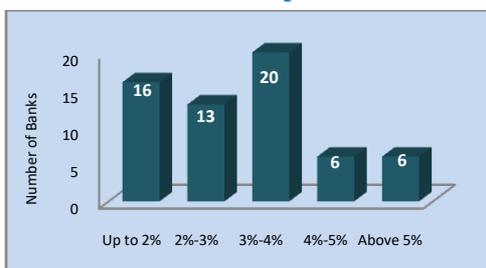
Chart 1.12: Interest Rate Spread



Source: Statistics Department, BB.

Amongst 61 banks, about one-third maintained a spread between 3 to 4 percent, whereas spread of 6 banks was above 5 percent (Chart 1.13).

Chart 1.13: Number of Banks by Interest Rate Spread

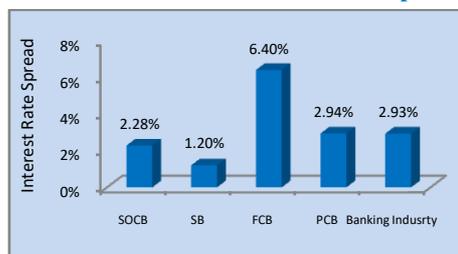


Note: Upper limit inclusive.

Source: Statistics Department, BB.

In cluster-wise distribution of spread, it is observed that Specialized Banks (SBs) maintained lowest spread (1.2 percent) at end-June 2023, whereas Foreign Commercial Banks (FCBs) maintained the highest (6.4 percent) for the same period (Chart 1.14).

Chart 1.14: Cluster-wise Interest Rate Spread

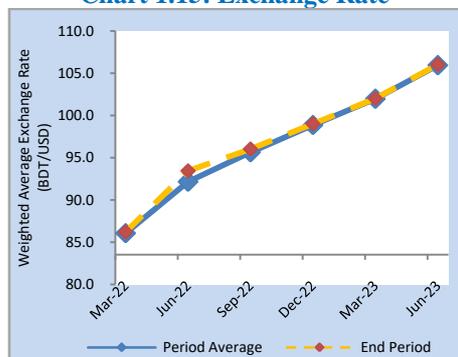


Source: Statistics Department, BB.

1.2.7 Exchange Rate

Bangladeshi Taka (BDT) has been experiencing depreciation continuously against the USD⁷ for the last few quarters. At end-June 2023, the exchange rate of BDT per USD stood at 105.92, which was 101.95 at the end-March 2023 (Chart 1.15).

Chart 1.15: Exchange Rate



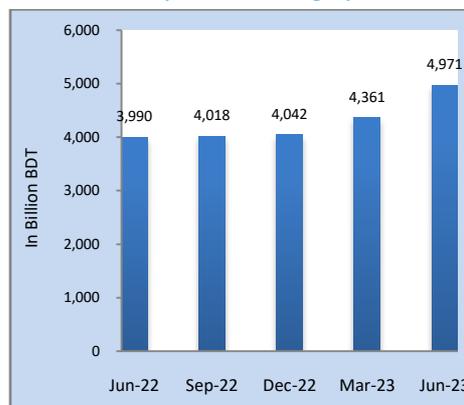
Source: Monthly Economic Trends, BB.

⁷BDT per USD on period-average basis.

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

Credit to the Government (gross) by the banking system has been increasing steadily from June 2022 to June 2023. At end-June 2023, credit to the Government (gross) by banking system increased by 14 percent compared to that of end-March 2023 and reached at BDT 4,971 billion. Moreover, the amount is 24.6 percent higher than the same of the corresponding quarter of 2022 (Chart 1.16).

Chart 1.16: Credit to the Government (Gross) by the Banking System



Source: Statistics Department, BB.

CHAPTER 2: BANKING SECTOR PERFORMANCE

The banking industry's asset growth increased during the review quarter. However, asset quality deteriorated. Despite growth in assets and rise in NPLs, key profitability indicators—return on assets (ROA) and return on equity (ROE) increased.

2.1 Assets Structure

The banking industry's asset size⁸ and asset growth both increased in the review quarter. Compared to the position of end-March 2023, total assets increased by BDT 867.64 billion at end-June 2023 and stood at BDT 23,142.84 billion. In the review quarter, asset growth was 3.90 percent, 2.47 percentage points higher than that of the preceding quarter (Chart 2.1).

Chart 2.1: Asset Size of the Banking Industry



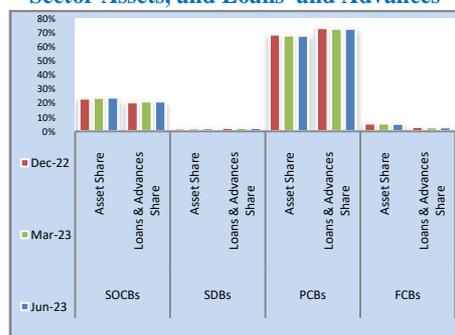
Source: DOS, BB; Compilation: FSD, BB.

This asset expansion was mainly related to the increase in several asset categories such as loans and advances, investment in securities and balances held with Bangladesh Bank and Sonali Bank Limited. As year over year

⁸ Only scheduled banks are taken into account.

analysis revealed, the asset growth rate of the banking sector was 7.41 percent, which was much lower than the nominal GDP⁹ growth rate of 11.77 percent, resulting in a 2.12 percentage points reduction in the assets-to-GDP ratio. At end-June 2023, this ratio was 52.13 percent, down from 54.25 percent at end-June 2022. During the review period, the PCBs held the majority of the banking sector's assets (67.79 percent) as well as loans and advances (72.83 percent), which made up the majority of the industry's assets. The share of SOCBs and SDBs in industry's assets increased during the review period compared to the preceding period, whereas the share of PCBs and FCBs recorded slight decline. In case of industry's loans and advances, the share of SOCBs slightly decreased compared to other clusters in the review quarter (Chart 2.2).

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



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

⁹ GDP at current market price for the financial year 2022-23 is taken into account where the base year is 2015-16.

Among the asset categories, loans and advances are the largest component of industry's assets, covering 64.44 percent of total assets by the end of June 2023, followed by investments (16.43 percent) and other assets (5.13 percent) (Table 2.1).

Table 2.1: Asset Structure of the Banking Sector

| Component of Assets | % of Total Asset (End March'23) | % of Total Asset (End June'23) | Change (PP) |
|---|---------------------------------|--------------------------------|-------------|
| Cash in hand | 1.11% | 0.85% | -0.26 |
| Balance with Bangladesh Bank and Sonali Bank | 3.51% | 4.04% | 0.53 |
| Balance with other banks and financial institutions | 3.64% | 3.69% | 0.05 |
| Money at call and short notice | 0.66% | 0.73% | 0.07 |
| Investment at cost | 16.21% | 16.43% | 0.22 |
| Loans and Advances | 65.18% | 64.44% | -0.74 |
| Bill discounted and purchased | 3.24% | 3.41% | 0.17 |
| Fixed Assets | 1.30% | 1.26% | -0.04 |
| Other Assets | 5.13% | 5.13% | 0.00 |
| Non-banking Assets | 0.02% | 0.02% | 0.00 |

Note: PP-Percentage Point.

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

At end-June 2023, asset concentration ratio¹⁰ of both the top 10 banks and the top 5 banks slightly increased. In contrast to the 30.93 percent at end-March 2023, the top 5 banks held 31.29 percent of the total assets of the banking sector at end-June 2023. The top 10 banks possessed 45.28 percent at end-June 2023, 0.62 percentage point higher than that of the previous quarter (Charts 2.3 and 2.4).

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

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



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

Chart 2.4: Asset Concentration ratio (in %) in Top 10 Banks

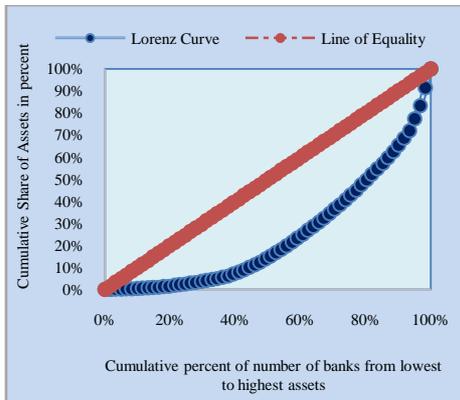


Source: DOS, BB; Compilation: FSD, BB.

In the review quarter, the Gini Coefficient, determined on the basis of Lorenz Curve, has also been used to show the presence of unequal asset concentration in the banking sector. As shown in Chart 2.5, the Lorenz Curve's position indicates that nearly 25 percent (Top 15 out of 61) banks possess about 57.18 percent of total banking assets, indicating a moderate level of concentration in the banking industry's asset structure. At end-June 2023, the computed Gini Coefficient¹¹ was 0.506, which indicated that the distribution of assets among banks was moderately unequal.

¹¹A value of zero expresses perfect equality whereas a value of one refers to perfect inequality.

Chart 2.5: Banking Sector Asset Concentration - Lorenz Curve



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

2.2 Asset Quality

The gross non-performing loan (NPL) ratio¹² of the banking industry slightly increased during the reviewed period. At end-June 2023, the ratio was 10.11 percent, up 1.31 percentage points from that of end-March 2023 (Chart 2.6). Additionally, net NPL ratio¹³ was 1.58 percent in the review quarter, which was 0.30 percent in the previous quarter.

Chart 2.6: NPL Ratios of the Banking Industry



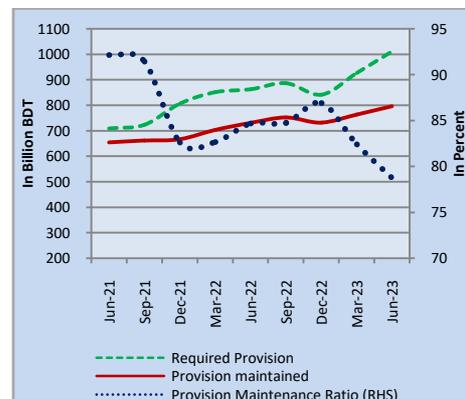
Source: BRPD, BB.

¹²Total 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.

¹³Net NPL ratio = (Gross NPLs - Loan loss Provisions - Interest Suspense) / (Total Loans Outstanding - Loan loss Provisions - Interest Suspense).

In the review quarter, the required provision of the banking industry increased by 9.08 percent than that of end-March 2023 and reached at BDT 1010.31 billion. On the other hand, the maintained provision increased by 4.25 percent in the review quarter and reached at BDT 795.67 billion. Consequently, the provision maintenance ratio registered a decrease of 3.64 percentage points compared to that of the preceding quarter and reached at 78.76 percent (Chart 2.7).

Chart 2.7: Banking Sector Loan Loss Provision

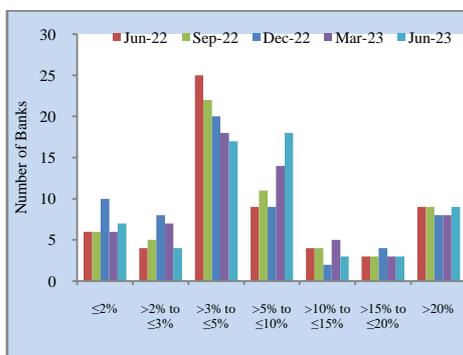


Source: BRPD, BB; Compilation: FSD, BB.

Chart 2.8 illustrates distribution of banks based on their gross NPL ratios. The chart demonstrates that the number of banks having NPL ratio within 5 percent decreased in the review quarter compared to the previous quarter. 28 banks had an NPL ratio of less than 5 percent at end-June 2023, compared to 31 banks that had an equivalent percentage of NPLs in the previous quarter. Moreover, the number of banks with an NPL ratio greater than 20 percent

increased to 9 in the review quarter from 8 in the previous quarter.

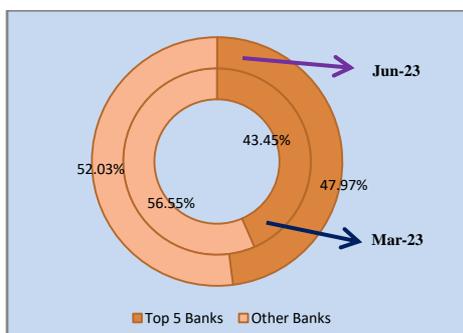
Chart 2.8: Distribution of Banks based on Gross NPL Ratio



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

In the reviewed quarter, NPL concentration¹⁴ in top 5 banks and top 10 banks grew by 4.51 percentage points and 3.03 percentage points respectively. At end-June 2023, top 5 and top 10 banks' NPL concentrations were 47.97 percent and 64.93 percent, respectively (Chart 2.9 and 2.10). Rise in NPL concentration among top 5 and top 10 banks might pose a concern for the banking industry as a whole.

Chart 2.9: NPL Concentration in Top 5 Banks



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

¹⁴NPL concentration (in percentage) for top 5 and top 10 banks is defined as the NPLs of top 5 and top 10 banks respectively to total NPLs of the banking system. Here, top 5 and top 10 banks are defined based on their NPLs.

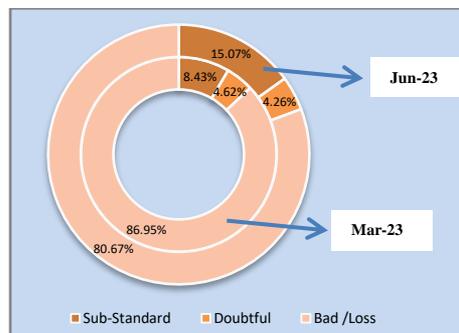
Chart 2.10: NPL Concentration in Top 10 Banks



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

Although the percentage of bad and loss (B/L) category loans in total NPL is decreasing, this category of classified loans continued to account for the majority of total NPL during the review quarter. In comparison with the preceding quarter, NPLs in B/L and doubtful (DF) categories declined by 6.28 percentage points and 0.36 percentage point respectively, while NPLs in sub-standard (SS) category increased by 6.64 percentage points in review quarter. At end-June 2023, B/L category loan accounted for 80.67 percent of total classified loans, while the shares of SS and DF loans were 15.07 percent and 4.26 percent, respectively (Chart 2.11).

Chart 2.11: NPL Composition

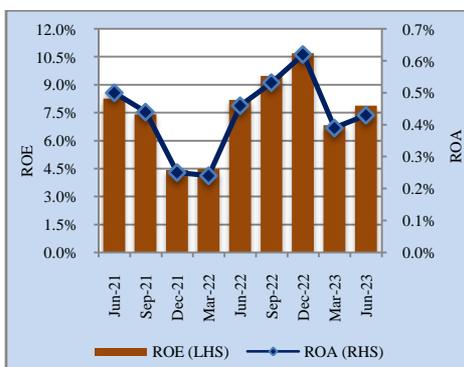


Source: BRPD, BB; Compilation: FSD, BB.

2.3 Profitability

Return on assets (ROA) and return on equity (ROE), two key indicators of banking sector's profitability, increased by 0.04 percentage point and 1.05 percentage points respectively in the review quarter compared to those of the previous quarter. At end-June 2023, the banking sector's ROA and ROE were 0.43 percent and 7.88 percent respectively (Chart 2.12).

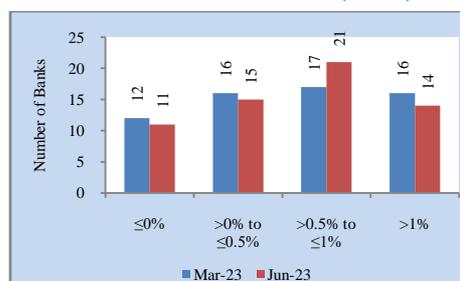
Chart 2.12: ROA and ROE of the Banking Sector



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

The distribution of ROA shows that during the review quarter, ROA of 26 banks remained below or equal to 0.50 percent and the remaining 35 banks were above 0.50 percent, whereas the number of banks were 28 and 33 correspondingly in the previous quarter (Chart 2.13).

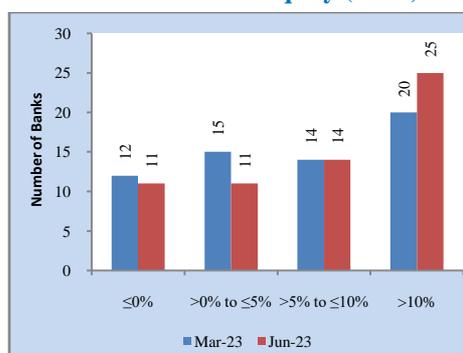
Chart 2.13: Distribution of Banking Sector Return on Assets (ROA)



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

Chart 2.14 depicts that ROE of 22 banks' remained below or equal to 5 percent in the review quarter, compared to 27 banks having the same range of ROE in the preceding quarter. At end-June 2023, the individual ROE of 25 banks was greater than 10 percent whereas the corresponding number of banks was 20 at end-March 2023.

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



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

CHAPTER 3: FINANCIAL INSTITUTIONS' PERFORMANCE

In June 2023 quarter, total assets of the financial institutions (FIs) increased moderately. However, profitability of the FIs measured by ROA and ROE, declined from that of the previous quarter. Moreover, asset quality deteriorated marginally during the period.

3.1 Growth of Liabilities, Equities and Assets

At end-June 2023, total liabilities and equities of FIs increased as borrowings, deposits and other liabilities grew by 6.33 percent, 3.13 percent and 5.86 percent respectively, whereas capital shrank by 29.08 percent compared to that of end-March 2023.

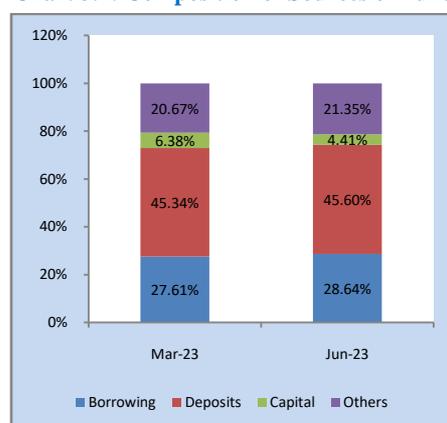
Total assets of the FIs increased by 2.52 percent and reached to BDT 981.85 billion at end-June 2023 from BDT 957.67^R billion at end-March 2023. Cash and liquid assets, and earning assets grew by 14.55 percent and 0.79 percent, whereas fixed assets and other assets decreased by 0.18 percent and 4.96 percent respectively in the review quarter.

3.1.1 Sources of Fund: Composition and Contribution

At end-June 2023, borrowings, deposits, capital, and other liabilities comprised of 28.64 percent, 45.60 percent, 4.41 percent and 21.35

percent of the total fund of the FIs respectively. In the review quarter, the share of borrowings, deposits and other liabilities increased by 1.03 percentage points, 0.27 percentage point, and 0.67 percentage point respectively, while capital declined by 1.97 percentage points compared to that of end-March 2023 (Chart 3.1).

Chart 3.1: Composition of Sources of Fund

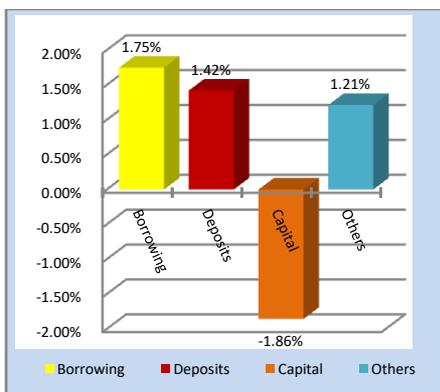


Source: FIs; Compilation: FSD, BB.

At end-June 2023, total liabilities and shareholders' equity recorded an elevation by 2.52 percent compared to the same of the preceding quarter, which was mainly attributable to an increase in borrowings, deposits and other liabilities by 1.75 percent, 1.42 percent and 1.21 percent respectively. On the contrary, contribution of capital decreased by 1.86 percent at end-June 2023 (Chart 3.2).

R=Revised

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

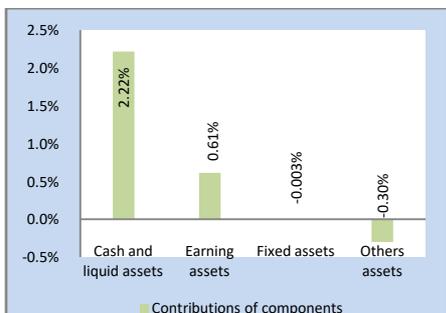


Source: FIs; Compilation: FSD, BB.

3.1.2 Assets: Composition and Contribution

At end-June 2023, total assets of the FIs recorded an increase of 2.52 percent compared to that of the previous period, which was mostly driven by increase in cash and liquid assets, and earning assets by 2.22 percent and 0.61 percent respectively. However, fixed assets and other assets experienced marginal negative contributions of 0.003 percent and 0.30 percent respectively. The contributions of different components in total assets growth are demonstrated in Chart 3.3.

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

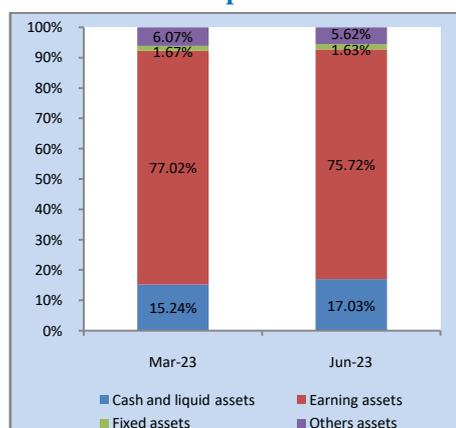


Source: FIs; Compilation: FSD, BB.

At end-June 2023, total earning assets (i.e., loans, leases, and investments) of the FIs represented 75.72 percent of total assets. The rest of the total assets consisted of cash and liquid assets, fixed assets, and other assets; shares of these components were 17.03 percent, 1.63 percent and 5.62 percent respectively (Chart 3.4).

During the review period, the share of cash and liquid assets increased by 1.79 percentage points, whereas earning assets, fixed assets, and other assets decreased by 1.30 percentage points, 0.04 percentage point and 0.44 percentage point respectively compared to those of the preceding period.

Chart 3.4: Composition of Assets



Source: FIs; Compilation: FSD, BB.

3.1.3 Liabilities-Assets Ratio

The liabilities to assets ratio stood at 95.59 percent at end-June 2023, which was 2.46 percentage points higher than that of end-March 2023 (Chart 3.5).

Chart 3.5: FIs' Liabilities-Assets Ratio



Source: FIs; Compilation: FSD, BB.

3.2 Asset Quality

Aggregate non-performing loans and leases stood at BDT 199.51 billion at end-June 2023 from BDT 178.55 billion at end-March 2023. The ratio of non-performing loans and leases to total loans and leases outstanding reached 27.65 percent at end-June 2023, 2.60 percentage points and 4.66 percentage points higher than those of end-March 2023 and end-June 2022 respectively (Chart 3.6).

Chart 3.6: FIs' Non-performing Loans



Source: DFIM, BB.

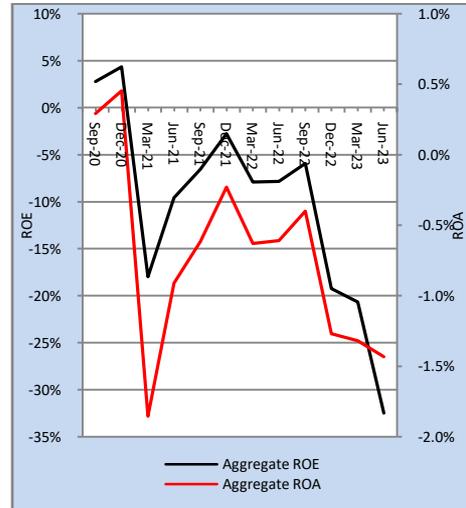
Net NPL ratio (after netting off interest suspense and actual provisions maintained) stood at 9.23 percent at

end-June 2023, 1.35 percentage points higher than that of end-March 2023 quarter and 0.42 percentage point higher than that of end-June 2022.

3.3 Profitability

Key profitability indicator of the FIs, Return on Assets (ROA), shrank to -1.43 percent from -1.32 percent, of the previous quarter while Return on Equity (ROE) reduced to -32.50 percent from -20.67 percent compared to that of end-March 2023 (Chart 3.7).

Chart 3.7: FIs' ROA and ROE



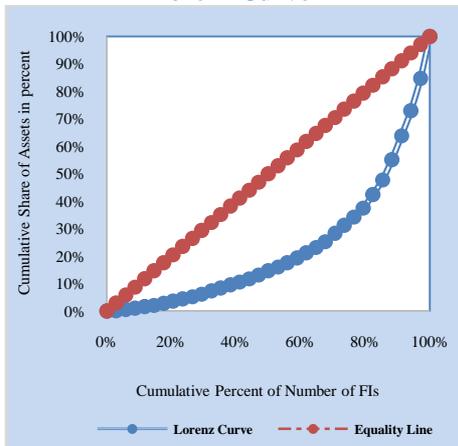
Source: FIs; Compilation: FSD, BB.

3.4 Asset Concentration

FIs' asset concentration has been illustrated using the Lorenz curve and Gini Coefficient. As depicted in Chart 3.8, the position of the Lorenz Curve shows that the largest 20 percent of FIs hold around 60 percent of total assets, which implies the presence of a high concentration in the assets structure of FIs sector. The calculated Gini coefficient at end-June 2023 was 0.54, which indicated 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 banking sector's Capital to Risk-Weighted Assets Ratio (CRAR) slightly declined in the review quarter, despite the sector retaining the required level of capital. The industry also met the key regulatory liquidity standards in terms of ADR, CRR, SLR, LCR, and NSFR.

4.1 Capital Adequacy

The total regulatory capital (TRC) of the banking industry surpassed the minimum capital requirement (MCR) by BDT 127.62 billion and reached at BDT 1,578.08 billion at end-June 2023. Compared to the preceding quarter, the banking sector's quarterly CRAR showed a marginal decline at the end of June 2023. CRAR of the banking sector decreased by 4 basis points and reached at 11.19 percent compared to 11.23 percent of the preceding quarter. The maintained ratio was above the minimum regulatory capital requirement of 10.0 percent of Risk Weighted Assets (RWA) (Chart 4.1).

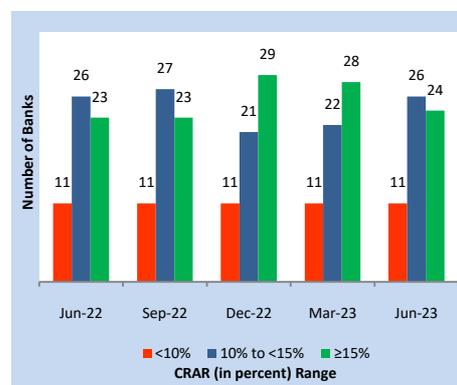
Chart 4.1: Banking Sector Capital to Risk-Weighted Assets Ratio



Source: DOS; Compilation: FSD, BB.

Fifty (50) out of sixty one (61) banks maintained CRAR of 10.0 percent or higher at end-June 2023 (Chart 4.2).

Chart 4.2: Distribution of Banks based on CRAR



Source: DOS; Compilation: FSD, BB.

26 banks with 10 percent to less than 15 percent CRAR¹⁵ held major part of industry assets (54.5 percent) and liabilities (54.2 percent) as of end-June 2023. However, 11 banks with less than 10 percent CRAR held 29.0 percent assets and 30.4 percent liabilities of the banking system (Chart 4.3).

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

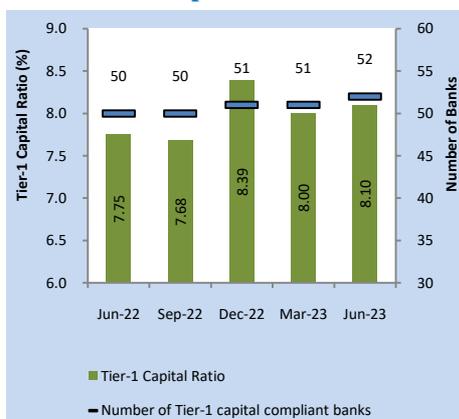


Source: DOS; Compilation: FSD, BB.

¹⁵Upper limit exclusive.

The banking industry's Tier-1 capital ratio¹⁶ demonstrated almost static position particularly in the last two quarters (Chart 4.4). However, the maintained ratio of 8.10 percent remained higher than the regulatory requirement of 6.0 percent¹⁷.

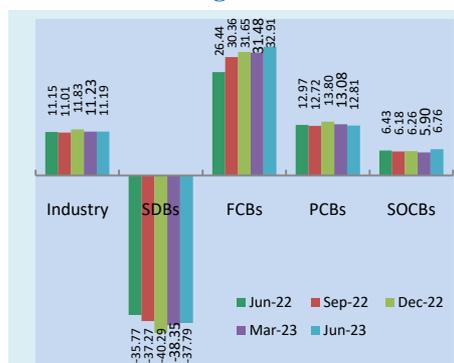
Chart 4.4: Banking Industry's Tier-1 Capital Ratio



Source: DOS, Compilation: FSD, BB.

In comparison with the previous quarter, the industry's cluster-wise capitalization level remained stable. The Foreign Commercial Banks (FCBs) had the maximum CRAR (32.91 percent), whereas the Specialized Development Banks (SDBs) had the lowest CRAR (-37.79 percent) during the review quarter (Chart 4.5). In comparison with the previous quarter, the PCBs cluster experienced decline in CRAR while the FCBs and SOCBs cluster experienced rise in CRAR, and the SDBs cluster showed negative CRAR as before.

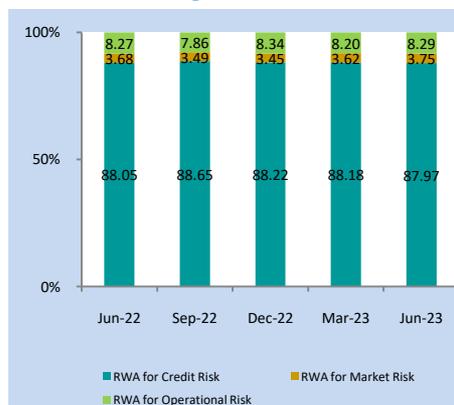
Chart 4.5 Banking Cluster-wise CRAR



Source: DOS, Compilation: FSD, BB.

Like the previous quarter, credit risk was considered as the most dominant element (87.97 percent) in overall Risk-Weighted Assets structure of the banking sector. In comparison with end-March 2023 (Chart 4.6), the RWA for credit risk dropped by 21 basis points at end-June 2023.

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 both solo and consolidated basis respectively. During the period,

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

¹⁷In line with Basel III capital framework.

aggregate CCB of the industry was 1.19 percent on solo basis and 1.72 percent on consolidated basis.

4.2 Liquidity

At end-June 2023, the banking industry maintained the required cash reserve ratio (CRR) on bi-weekly average basis¹⁸. On the other hand, the industry maintained statutory liquidity ratio (SLR) of 21.03 percent, which was 9.90 percentage points higher than the minimum requirement. The banking sector's advance-to-deposit ratio (ADR) was 78.51 percent at the end of June 2023, 0.85 percentage points lower than that of March 2023 but 3.74 percentage points higher than that of June 2022 (Chart 4.7).

Chart 4.7: Banking Sector ADR

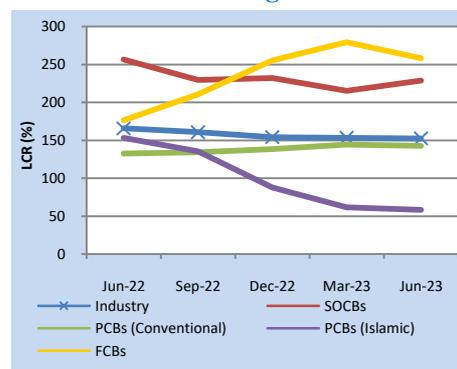


Source: DOS, Compilation: FSD, BB.

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 PCBs (Islamic) experienced a declining trend since June 2022 (Chart

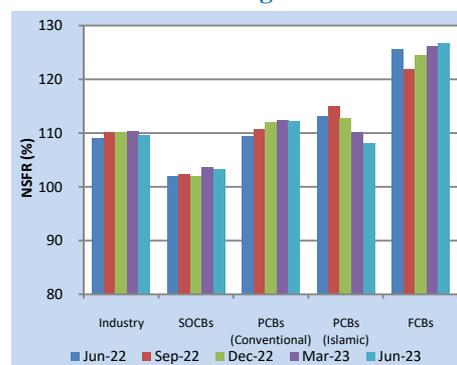
4.8). Furthermore, the banking system, embracing all the banking clusters, remained compliant in terms of Net Stable Funding Ratio (NSFR) requirement of “above 100 percent” in the review quarter (Chart 4.9).

Chart 4.8: Banking Sector LCR



Source: DOS, Compilation: FSD, BB.

Chart 4.9: Banking Sector NSFR



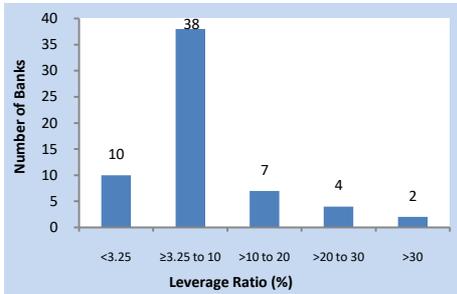
Source: DOS, Compilation: FSD, BB.

4.3 Leverage Ratio

The banking system's leverage ratio stood at 4.57 percent at end-June 2023. 51 out of 61 banks maintained the minimum regulatory leverage ratio requirement of 3.25 percent at end-June 2023 (Chart 4.10).

¹⁸Except Islamic Shari'ah based banks.

Chart 4.10: Distribution of Banks based on Leverage Ratio

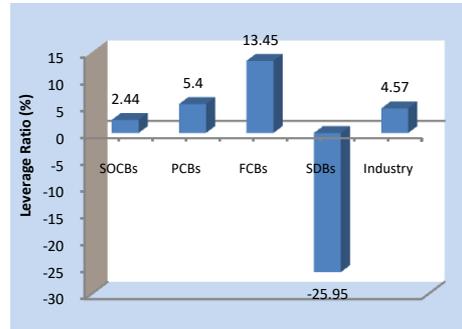


Source: DOS, Compilation: FSD, BB.

In the review quarter, SDBs remained persistent in continuing with the negative leverage ratio. On the contrary, FCBs compared to other

banking clusters continued to maintain higher leverage ratio (Chart 4.11).

Chart 4.11: Leverage Ratio of Bank Clusters at end-June 2023



Source: DOS, Compilation: FSD, BB.

CHAPTER 5: FINANCIAL INSTITUTIONS' CAPITAL ADEQUACY AND LIQUIDITY

During June 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, CRR maintained by FIs was marginally higher than the required CRR. Moreover, SLR maintained by the FIs was considerably higher than the required level.

5.1 Capital Adequacy

In June 2023 quarter, the capital adequacy ratio (CAR) and the core capital (Tier-1 capital) ratio of the FIs (excluding People's Leasing and Financial Services Limited) stood at 5.08 percent and 3.13 percent respectively. Both the ratios decreased by 2.21 and 2.13 percentage points respectively at end-June 2023 compared to those of end-March 2023. In the review quarter, 20 out of 34 FIs were able to maintain the required level of CAR and core capital. It is noteworthy that both CAR and Tier-1 capital ratio were considerably lower than the minimum regulatory requirement in the review quarter¹⁹, a matter of concern for the FI industry. Chart 5.1 shows the trend in Tier-1 capital ratio and CAR since June 2021.

Chart 5.1: Core Capital to RWA and

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

Capital Adequacy Ratio of FIs



Source: DFIM, BB.

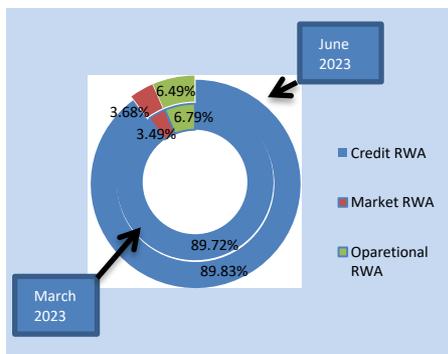
5.2 Risk-Weighted Assets (RWA)

Total risk-weighted assets (RWA) of the FIs decreased to BDT 682.81 billion at end-June 2023 from BDT 705.62^R billion at end-March 2023(excluding the figure of People's Leasing and Financial Services Limited). In June 2023 quarter, the RWA for credit, market and operational risks were 89.83 percent, 3.68 percent and 6.49 percent of overall RWA of the FIs respectively. Among the three components of RWA, the RWA associated with operational risk decreased by 0.30 percentage point, whereas RWA associated with credit risk and market risk increased by 0.11 and 0.19 percentage point respectively in the review quarter compared to the same of the preceding quarter. Chart 5.2 shows the different components of the overall risk-weighted assets (RWA) of FIs (excluding People's Leasing and

^R Revised

Financial Services Limited) at end-June 2023.

Chart 5.2: Components-wise RWA of FIs

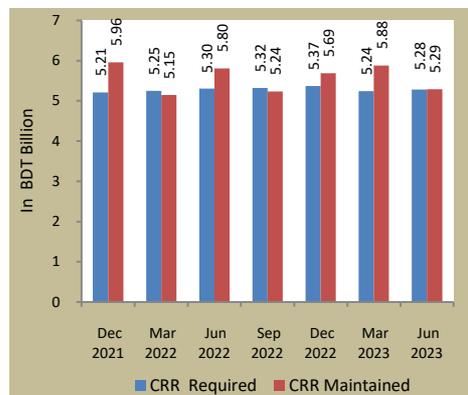


Source: DFIM, BB.

5.3 Liquidity

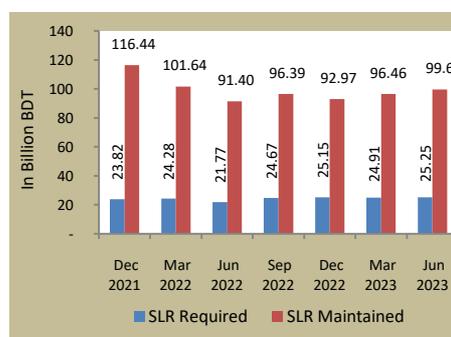
The aggregate amount of cash reserve requirement (CRR) maintained by the FIs was BDT 5.29 billion at end-June 2023 compared to BDT 5.88 billion as of end-March 2023, recording a decrease of 10.03 percent. Chart 5.3 illustrates the trend in CRR position of FIs since December 2021. The amount of statutory liquidity requirement (SLR) maintained by FIs registered at BDT 99.60 billion at end-June 2023 against the requirement of BDT 25.25 billion. In end-June 2023, the amount of SLR maintained by FIs increased by 3.25 percent compared to that of March 2023. Chart 5.4 illustrates the trend in SLR position of FIs since December 2021.

Chart 5.3: Cash Reserve Requirement (CRR) of FIs



Source: DFIM, BB.

Chart 5.4: Statutory Liquidity Requirement (SLR) of FIs



Source: DFIM, BB.

CHAPTER 6: STRESS TEST AND RESILIENCE OF THE BANKING SECTOR

Financial Stability Department (FSD) conducts quarterly stress testing on scheduled banks to assess their resilience under different plausible shock scenarios²⁰. This chapter shows and discusses the findings of stress testing conducted on banks as well as the banking industry. Stress testing results as of June 2023 depict that the banking sector would continue to remain moderately resilient to different minor shock scenarios.

6.1 Credit, Market, and Combined Shocks

At end-June 2023, in the pre-shock scenario, 11 out of 61 scheduled banks could not maintain the minimum regulatory requirement of capital to risk-weighted ratio (CRAR) of 10 percent. Hence, the remaining 50 banks were considered for the analysis of this quarter. Chart 6.1 presents the number of non-compliant banks in terms of CRAR for different minor shock scenarios, showing that the majority of the banks would be able to maintain the

minimum required CRAR against different adverse shock scenarios during the review quarter. Table 6.1 shows the after-shock CRAR of the banking sector for different minor shock scenarios, which indicates 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. Moreover, the above-mentioned chart and table indicate a slight deterioration in the banking sector's resilience in terms of maintaining the minimum required CRAR and the number of non-compliant banks. The following subsections describe the details of the different shock scenarios and the associated results.

6.1.1 Credit Shocks

- a) **Increase in Non-performing Loans (NPLs):** In the event of a 3 percent increase in NPLs, four (04) banks would fail to maintain the minimum required CRAR of 10 percent.
- b) **Increase in NPLs due to Default of Top Borrowers:** If top 3 borrowers of each bank defaulted, then twenty (20) banks would fail to maintain the minimum required CRAR.
- c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** In case of a 10 percent decline in the FSV of mortgaged collateral, one

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

(01) bank would fail to maintain the minimum required CRAR.

d) Negative Shift in the NPL Categories:

If existing NPLs shifted to downward categories by 5 percent, then one (01) bank would fail to maintain the minimum required CRAR.

e) Increase in NPLs in the Highest Outstanding Sector:

If 3 percent of performing loan of the highest outstanding sector downgraded to bad/loss category, then three (03) banks would fail to maintain the minimum required CRAR.

6.1.2 Market Shocks

a) Interest Rate Risk:

In the event of an interest rate change by 1 percent, one (01) bank would fail to maintain the minimum required CRAR.

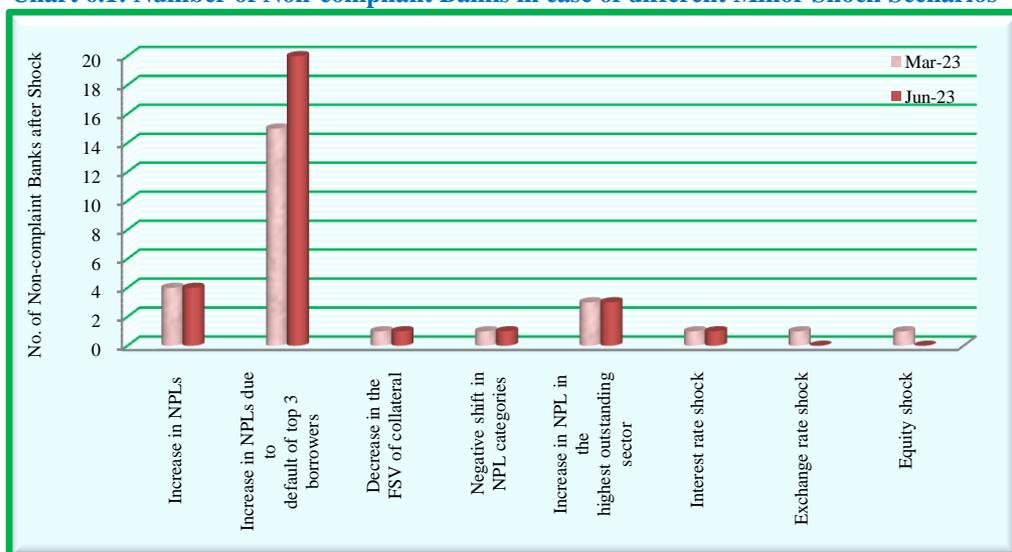
b) Exchange Rate Risk: If the currency exchange rate changed by 5 percent, then no additional bank would fail to maintain the minimum required CRAR.

c) Equity Price Risk: If the equity price declined by 10 percent, then no additional bank would fail to maintain the minimum required CRAR.

6.1.3 Combined Shock

This test examines the performance of a bank 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, thirteen (13) banks would fail to maintain the minimum required CRAR.

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



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

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

(In Percent)

| Description | March 2023 | June 2023 |
|---|--------------|--------------|
| Required minimum CRAR | 10.00 | 10.00 |
| Pre-shock CRAR | 11.23 | 11.19 |
| After-Shock CRAR | | |
| <i>Credit Risks</i> | | |
| <i>Increase in NPLs by 3%</i> | 9.22 | 9.08 |
| <i>Default of top 3 borrowers</i> | 9.49 | 9.37 |
| <i>10% fall in the forced sale value (FSV) of mortgaged collateral</i> | 10.55 | 10.52 |
| <i>5% negative shift in the NPLs categories</i> | 10.41 | 10.15 |
| <i>3% of performing loans of the highest exposed sector directly downgraded to bad/loss</i> | 11.01 | 10.96 |
| <i>Market Risks</i> | | |
| <i>Change in interest rate by 1%</i> | 10.58 | 10.52 |
| <i>Change in currency exchange rate by 5%</i> | 11.16 | 11.10 |
| <i>Fall in equity prices by 10%</i> | 10.92 | 10.88 |
| Combined Shock | 6.67 | 6.29 |

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

6.2 Liquidity Shock

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

Table 6.2: Liquidity Risk in the Banking Sector: End-June 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 overall bullish trend in the reviewed quarter. The capital market of Bangladesh showed a similar trend. At end-June 2023, the main indices of the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited a marginal change compared to those of end-March 2023. Turnover and market capitalization of two stock exchanges (DSE and CSE) increased during the review period compared to the previous quarter. The capital market of Bangladesh appears to have no 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

Global capital markets showed signs of significant recovery from the turbulence in the world economy brought on by high inflation and the conflict between Russia and Ukraine. Compared to end-March 2023, MSCI Emerging Market Index and FTSE 100 (UK) decreased by 0.08 percent and 1.31 percent respectively (Table 7.1) at end-June 2023. Among the rest three indices, Nikkei 225 (Japan) showed the highest growth (18.36 percent), whereas DAX (Germany)

showed the lowest growth (3.32 percent) at end-June 2023.

Table 7.1: Quarterly Performance of Leading Indices

| Name of Index | Mar-23 | Jun-23 | Change (%) |
|-----------------------------|-----------|-----------|------------|
| MSCI Emerging Markets Index | 990.28 | 989.48 | -0.08% |
| DJIA (USA) | 33,273.10 | 34,405.99 | 3.40% |
| Nikkei 225 (Japan) | 28,041.48 | 33,189.04 | 18.36% |
| DAX (Germany) | 15,628.84 | 16,147.90 | 3.32% |
| FTSE 100 (UK) | 7,631.74 | 7,531.53 | -1.31% |

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

7.2. DSEX and MSCI Emerging Markets Index

MSCI Emerging Markets Index²¹ demonstrated an overall upward trend in the period of April 2023 to June 2023. MSCI Emerging Markets Index started at 989.19 (Currency: USD) at the beginning of April 2023 and at end-June 2023, it reached 989.48 USD. On the other hand, the DSEX Index showed an overall increasing trend during April-June 2023. It was 6217.79 (Currency: BDT) on the starting day of April 2023 and reached 6344.09 at end-June 2023. Between the two stated indices, the MSCI Emerging Markets Index (Standard deviation was approximately 16.31) appeared to be less volatile compared to DSEX market (Standard deviation was approximately 47.80) (Chart 7.1).

²¹ <https://www.msci.com/end-of-day-data-search>

Chart 7.1: Performance of DSEX and MSCI Emerging Market Index



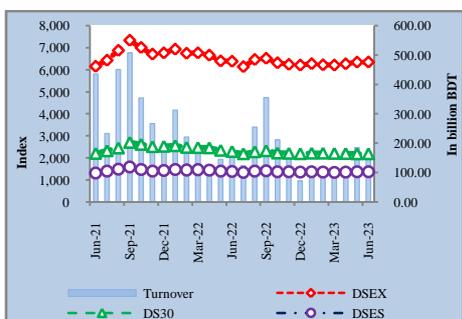
Source: msci.com and DSE Monthly review; Compilation: FSD, BB.

7.3 Dhaka Stock Exchange (DSE)

7.3.1 DSE Performance

Chart 7.2 illustrates the performance of DSE for the period of June 2021 to June 2023. At end-June 2023, the main indices of DSE-DSEX²², DS30²³ and DSES²⁴—remained almost stable compared to those of end-March 2023.

Chart 7.2: DSE Performance



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

Total DSE turnover observed 45.95 percent increase and reached to 434.38 billion during April-June, 2023 from BDT 297.62 billion in the preceding quarter.

²²DSEX= DSE Broad Index

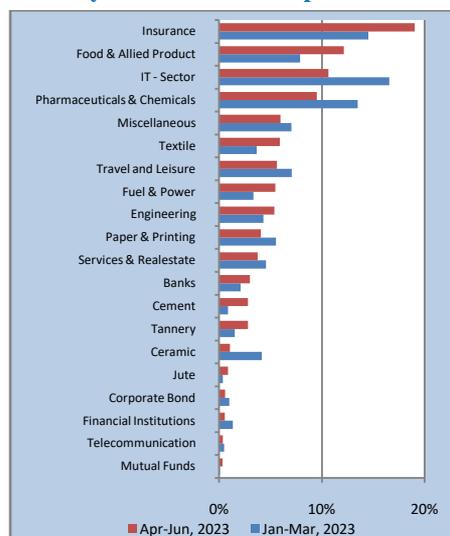
²³DS30 = DSE 30 Index

²⁴DSES = DSEX Shari'ah Index

7.3.2 Sectoral Turnover at DSE

Chart 7.3 depicts that the insurance sector held the highest share (19.03 percent) of the total turnover of DSE during the review quarter followed by the food and allied Products (12.14 percent) and IT sector (10.64 percent).

Chart 7.3: Sectoral Turnover during January-March 2023 and April-June 2023



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

In addition, the financial sector (i.e., Bank, NBFIs and Insurance) collectively retained approximately 22.58 percent of the total turnover of DSE in the review quarter, which was about 17.96 percent in the preceding quarter.

Growth in turnover for various sectors demonstrated a mixed movement. Turnover of mutual funds, cement, and jute sector experienced more than 200 percent of growth individually, whereas IT, corporate bond, financial institutions and the ceramic sector decreased 6.35 percent, 12.34 percent,

39.77 percent and 62.85 percent respectively during the review quarter compared to the previous quarter.

7.3.3 Market Capitalization

Chart 7.4 exhibits that market capitalization experienced moderate growth during the review quarter compared to the previous quarter. DSE market capitalization increased by 1.27 percent at end-June 2023 compared to that of end-March 2023.

At end-June 2023, DSE market capitalization reached BDT 7,720.78 billion, which was BDT 7,623.66 billion at end-March 2023. The market capitalization of the review quarter was equivalent to 19.44 percent of the GDP (BDT 44,392.73 billion) of FY22-23²⁵.

Chart 7.4: Market Capitalization Trend of DSE



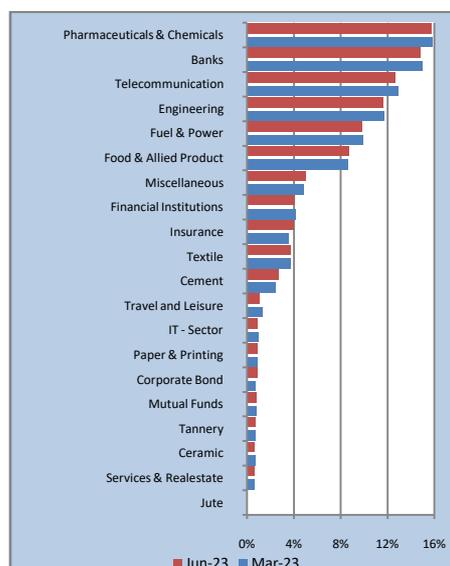
Source: DSE Monthly Review; Compilation: FSD, BB.

Chart 7.5 illustrates that the Pharmaceuticals & Chemicals sector captured the highest share with 15.77 percent in the total market

²⁵Gross Domestic Product of Bangladesh at Current Market Prices, Base: 2015-16, (2022-23, Provisional); Source: Bangladesh Economic Review 2023; available at https://mof.portal.gov.bd/sites/default/files/files/mof.portal.gov.bd/page/f2d8fabbb_29c1_423a_9d37_cdb500260002/Chapter-2%20%28English-2023%29.pdf on 31 Oct 2023.

capitalization followed by the banks, telecommunication and engineering sectors with 14.79 percent, 12.71 percent and 11.61 percent respectively at end-June 2023, which was almost similar to that of end-March 2023. In the preceding quarter, the contributions of the aforementioned sectors were 15.87 percent, 15.00 percent, 12.93 percent and 11.70 percent respectively.

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

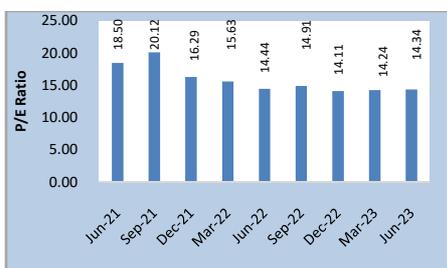


Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.4 Price/Earnings (P/E) Ratio

The weighted average market P/E ratio of DSE's listed companies was 14.34 at end-June 2023, which was 14.24 at end-March 2023 (Chart 7.6). After the exhibition of gradual declining movement from September 2021, the market P/E ratio experienced a stable position in recent times.

Chart 7.6: DSE P/E Ratio

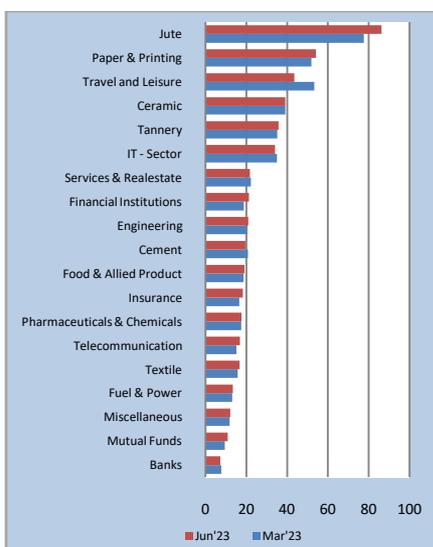


Source: DSE Monthly Review; Compilation: FSD, BB.

At end-June 2023, the Jute sector experienced the highest P/E ratio (86.25) followed by the paper & printing sector (54.11) and the travel and leisure sector (43.56). The P/E ratios of those sectors were 77.53, 51.89, and 53.39 respectively at end-March 2023 (Chart 7.7).

Conversely, the Banking sector recorded the lowest P/E ratio (7.24) preceded by Mutual Funds (10.93) and miscellaneous (12.21). Their P/E ratios were 7.77, 9.43 and 11.88 respectively at the end of the preceding quarter. (Chart 7.7).

Chart 7.7: DSE Sectoral P/E Ratio

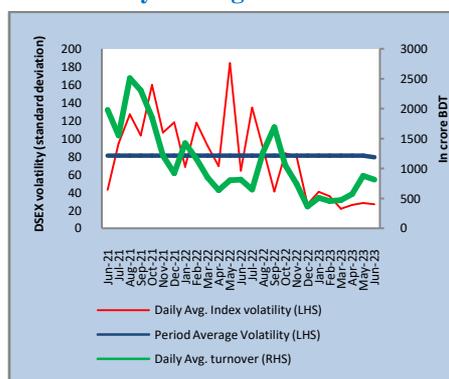


Source: DSE Monthly Review, Compilation: FSD, BB.

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 could 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.

From June 2021 to June 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 80.81 over the period as referred to the chart.

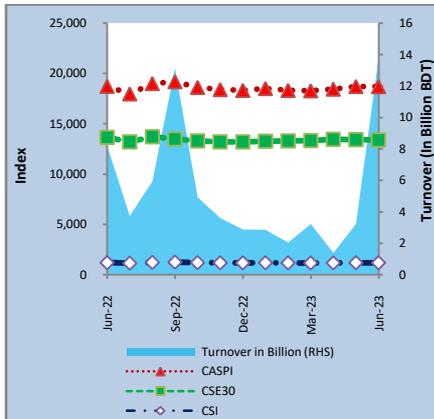
7.4 Chittagong Stock Exchange (CSE)

7.4.1 CSE Performance

Chart 7.9 presents the performance of CSE for the period of June 2022 to June 2023. Among the major CSE

indices, CASPI²⁶, CSE30²⁷ and CSI²⁸ increased by 2.0 percent and 0.4 percent and 2.40 percent respectively in the review quarter compared to those of the previous quarter.

Chart 7.9: CSE Performance



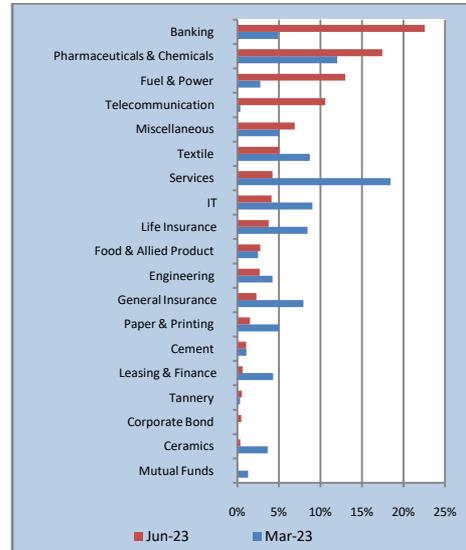
Source: CSE; Compilation: FSD, BB.

Besides, CSE turnover increased by 127.43 percent amounting to BDT 18.40 billion during April-June 2023 from BDT 8.09 billion in the previous quarter.

7.4.2 Sectoral Turnover at CSE

Chart 7.10 shows the shares of CSE’s sectoral turnover scenarios at end-June 2023 and end-March 2023. The banking sector had the highest share of total CSE turnover with 22.57 percent followed by the pharmaceuticals and chemicals sector (17.45 percent), fuel and power (13.00 percent) and telecommunication sector (10.58 percent).

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



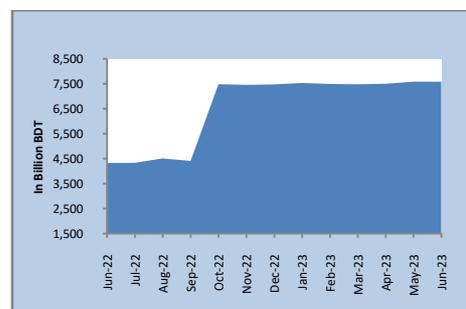
Source: CSE; Compilation: FSD, BB.

7.4.3 Market Capitalization

Chart 7.11 shows the trends in the market capitalization of CSE since June 2022. At end-June 2023, the market capitalization at CSE marginally increased to BDT 7585.50 billion from BDT 7482.34 billion at end-March 2023.

Moreover, the CSE market capitalization to GDP ratio stood at 17.09 percent at end-June 2023 which was 18.82 percent at end-March 2023.

Chart 7.11: Market Capitalization Trend of CSE



Source: CSE; Compilation: FSD, BB.

²⁶CASPI = CSE all share price index

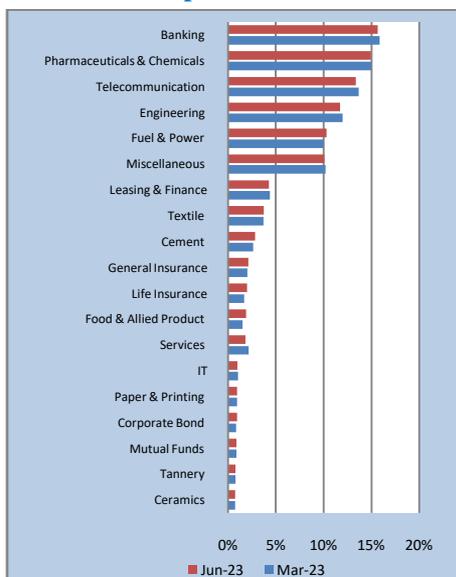
²⁷CSE30= CSE 30 Index

²⁸CSI= CSE Shariah Index

Chart 7.12 illustrates that the banking sector held the highest share (15.66 percent) in the total market capitalization at CSE followed by pharmaceuticals and chemicals (14.95 percent), telecommunication (13.36 percent), engineering (11.72 percent) and fuel and power (10.29 percent) respectively at end-June 2023.

The shares of the above-mentioned sectors were 15.86 percent, 15.00 percent, 13.66 percent, 11.99 percent and 10.01 percent respectively at end-March 2023 (Chart 7.12).

Chart 7.12: CSE Sectoral Market Capitalization



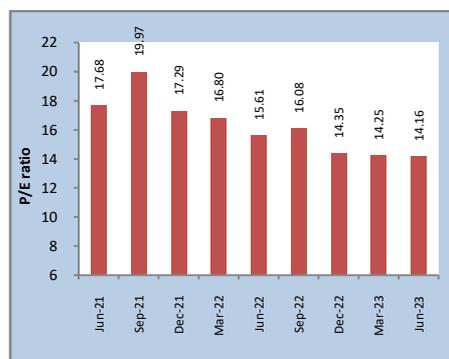
Source: CSE; Compilation: FSD, BB.

7.4.4 Price/Earnings (P/E) Ratio

The market-weighted average P/E ratio of CSE maintained an overall downward trend with some fluctuations since September 2021. At end-June 2023, the weighted average market P/E of CSE's listed

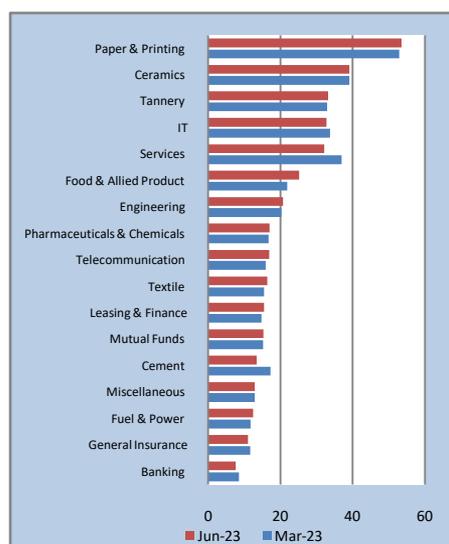
companies was 14.16, which was 14.25 at end-March 2023 (Chart 7.13).

Chart 7.13: CSE P/E Ratio



Source: CSE; Compilation: FSD, BB.

Chart 7.14: CSE Sectoral P/E Ratio



Source: CSE; Compilation: FSD, BB.

As the Chart 7.14 shows, the highest P/E ratio was registered by the paper and printing sector (53.50), followed by the ceramic (39.11) and tannery (33.19) during the review quarter. On the other hand, the lowest P/E ratio was recorded in the banking sector (7.68) preceded by the general insurance sector (11.03) and the fuel and power (12.45) sector.

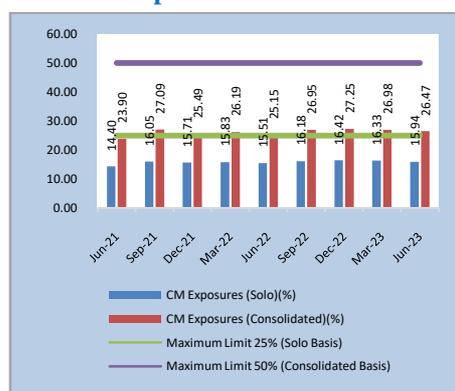
7.5 Capital Market and Financial Stability

Compared to the banking sector the size of the capital market of Bangladesh is small. However, the impact of the capital market may exert a significant effect on the financial sector as the performance of the capital 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). Poor performance of the capital market will result in lower-quality investments and earnings for banks, which will eventually worsen the banks' CRAR.

Chart 7.15 depicts that capital market exposure on a solo basis and consolidated basis were stable over the last two years. As of June 2023, capital market exposures on a solo and consolidated basis were 15.94 percent and 26.47 percent respectively, while those were 16.33 and 26.98 percent

respectively in the previous quarter. Maximum limits for capital market exposures on the solo basis is 25 percent of paid-up capital, non-repayable share premium, statutory reserve and retained earnings and for consolidated basis, the exposure limit is 50 percent. The chart below depicts that 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 7.15: Trend in Capital Market Exposures of Banks



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

CHAPTER 8: RECENT STABILITY INITIATIVES OF BANGLADESH BANK

Due to high import dependency and the Russia-Ukraine war, Bangladesh is facing economic challenges through multiple direct and indirect channels ranging from elevated inflation and balance of payments stresses over the review quarter. A weakening global macroeconomic backdrop will also add also to economic headwinds. To overcome the likely adverse impacts as well as to revitalize the economy, Bangladesh Bank (BB) has taken a series of policy measures through its various departments during the review quarter. Some of them are highlighted below:

8.1 Policy on Off-Balance Sheet (OBS) Exposure

To strengthen risk management of escalating OBS business operations of banks and thereby further enhancing the stability of the banking sector, BB has issued a circular with some instructions. [Ref: BRPD Circular No. 06, Date: April25, 2023]

8.2 Displaying Bangladesh Bank's Hotline number (16236)

Digital banking will play a pivotal role in building the foundation of Smart Bangladesh. To expedite the digital banking activities smart telephonic communications, improved banking services and quick resolution of complaints are to be ensured. In this context, BB has instructed the

banks to display Bangladesh Bank's Hotline number (16236) along with the Bank's own hotline number at a visible place. [Ref: BRPD Circular No. 07, Date: May09, 2023]

8.3 Issuance of Guidelines to Establish Digital Bank

BB has taken the initiative to establish Digital Bank to create a cashless Bangladesh by providing global information technology-based digital banking services to the people. This initiative facilitates to build a 'Smart Bangladesh' announced by the Government of Bangladesh. In this context, the legal framework of the banking system in Bangladesh, the socio-economic context of the country, the current position of Bangladesh in the technology-based banking system, etc. have been analyzed and 'Guidelines for the establishment of digital banks' have been formulated. [Ref: BRPD Circular No. 08, Date: June15, 2023]

8.4 Introducing market based interest rate system for Loan/Investment

In order to continue the trend of the overall economy including industry and commerce and to ensure efficient credit management, policies have been formulated with the aim of introducing market based interest rate system for loans distributed by

scheduled banks. In this case, a reference rate called SMART (Six Months Moving Average Rate of Treasury Bill) will be determined by Bangladesh Bank based on the market interest of 182 days Treasury Bill. Scheduled banks are allowed to add highest 2-3 percent margin with the SMART index to determine the final lending rate. [Ref: BRPD Circular No. 09, Date: June19, 2023]

8.5 Guideline on ICT Security

Through BRPD Circular No. 09, Date: 17 September 2015, a ‘Guideline on ICT Security for Banks and Non-Bank Financial Institutions’ had been issued. During the review quarter, the document has been revised and expanded with title ‘Guideline on ICT Security–Version 4.0’.The updated document has been made available to the website of Bangladesh Bank. [Ref: BRPD Circular No. 10, Date: June19, 2023]

8.6 Appointment and Management of Human Resources in NBFIs

Concerning FID Circular No. 09, dated: 14 September 2005, DFIM Circular No. 04, dated: 27 June 2013, and DFIM Circular No. 03, dated: 10 October 2019, the aim of ensuring good governance in financial institutions, recruiting qualified, honest and efficient human resources with transparency and carrying out management activities, the

instructions are issued. [Ref: DFIM Circular No.06, Date: June13, 2023]

8.7 Contractual Recruitment of Manpower for Agricultural Credit in Banks

To support the desired agricultural production in the country, increase credit flow/investment in favor of farmers, poverty alleviation, and improve the standard of living of the people in rural areas the ‘Agricultural and Rural Credit Policy and Program for the financial year 2022-2023’ has been formulated. By disbursing loans through the bank’s network, farmers can take loans at relatively low interest rates and it is easier to maintain the quality of loans through monitoring. In line with this, a decision has been taken to hire experienced manpower working in NGOs/MFIs in the Bank on a contractual basis. [Ref: ACD Circular No.01, Date: June22, 2023]

8.8 Ceiling against borrowing from Export Development Fund (EDF)

To bring a wider range of customers for EDF loans, it has been decided to reset the ceiling to USD 10.00 million from USD 15.00 million for input procurements under back-to-back LCs (BBLCs) against relevant export orders. [Ref: FE Circular No.06, Date: April 09, 2023]

8.9 Maintenance of foreign currency (FC) accounts for foreign investment

To facilitate transactional needs in foreign exchange, it has been decided that Authorized Dealers (ADs) may retain foreign currency sent by foreign investors to invest in Bangladesh. In this context, ADs may open FC accounts in the names of local companies that will issue shares in compliance with regulatory instructions. [Ref: FE Circular No.10, Date: June21,2023]

8.10 Extension of usance period against imports of industrial raw materials

To facilitate trade transactions, it has been decided to extend the policy supports contained in FE Circular No. 32/2022 till December 31, 2023. As usual, the extended usance period will not be applicable for imports under EDF loans. [Ref: FE Circular No. 11, Date: June26,2023]

8.11 Introducing Interest Rate Corridor (IRC)

With a view to facilitating the progress of the domestic economy and considering the greater effectiveness of monetary policy transmission channels, a decision was taken in the

59th meeting of the Monetary Policy Committee held on 11 June 2023 to introduce a 'Policy Interest Corridor' in Bangladesh Bank. [Ref: MPD Circular No. 02, Date: June 20, 2023]

8.12 Renaming the 'Small Enterprise Refinance Scheme' and Augmentation of Funds

The name of the 'Small Enterprise Refinance Scheme' financed by Bangladesh Bank has been changed to 'Small Enterprise Refinance Scheme for Women Entrepreneurs' and the fund amount has been raised from BDT 15 to 30 billion. [Ref: SMESPD Circular Letter No. 06, Date: June 25,2023]

8.13 Guidelines on the Secondary Trading of Government Securities, 2023

To expand and activate the secondary market of government securities, the Market Infrastructure (MI) Module of Bangladesh Bank as well as the trading platform of the country's stock exchanges (Dhaka and Chittagong Stock Exchange) has been chosen to carry out the trading activities of the government securities smoothly. [Ref: DMD Circular No. 03, Date: June 06,2023]

APPENDICES

Appendix I: CPI Inflation (12-month Average)

(Percent)

| Month | Inflation (General) | Inflation (Food) | Inflation (Non-Food) |
|---------|------------------------|---------------------|-------------------------|
| 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 |
| Jun-23* | 9.02 | 8.71 | 9.39 |

Base: 2005-06 till March 2023; 2021-2022 in June 2023.

*Note: Twelve month average food and non-food indices have been calculated after shifting base from FY06 to FY22 (from Major Economic Indicator, BB)

Appendix II: Foreign Exchange Reserve

(Amount in Billion USD)

| Month-end | International Reserve |
|-----------|---|
| Jun-21 | 46.39 |
| Sep-21 | 46.20 |
| Dec-21 | 46.15 |
| Mar-22 | 44.15 |
| Jun-22 | 41.83 |
| Sep-22 | 36.48 |
| Dec-22 | 33.75 |
| Mar-23 | 31.14 ^P |
| Jun-23 | 31.20 ^P (24.75 as per BPM6) |

P=Provision

Appendix III: Wage Earners' Remittance

(Amount in Million USD)

| Quarter | Amount |
|---------|-----------------------|
| Jun-21 | 6,179.48 |
| Sep-21 | 5,408.30 |
| Dec-21 | 4,831.23 |
| Mar-22 | 5,058.73 |
| Jun-22 | 5,733.42 |
| Sep-22 | 5,672.85 |
| Dec-22 | 4,820.41 |
| Mar-23 | 5,541.82 ^R |
| Jun-23 | 5,575.65 ^P |

R=Revised; P=Provisional

Appendix IV: Exports and Imports

(Amount in Million USD)

| Quarter | Aggregate Exports (F.O.B) | Aggregate Imports (F.O.B) |
|---------|------------------------------|------------------------------|
| 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 | 22,553.0 |
| Jun-22 | 12,629.0 | 20,971.0 |
| Sep-22 | 11,800.0 | 19,348.0 |
| Dec-22 | 14,031.0 | 18,784.0 |
| Mar-23 | 13,481.0 ^{RP} | 15,806.0 ^P |
| Jun-23 | 13,207.0 ^P | 15,557.0 ^P |

P=Provisional, RP=Revised but Provisional

Appendix V: Interest Rate (Weighted Average) Spread

(In Percent)

| Period | Lending Rate | Deposit Rate | Spread |
|--------|--------------|--------------|--------|
| 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 |
| Jun-23 | 7.31 | 4.38 | 2.93 |

Appendix VI: Weighted Average Exchange Rate

(BDT/USD)

| Quarter | Period Average | End Period |
|---------|----------------|------------|
| 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 |
| Jun-23 | 105.92 | 106.00 |

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

(Amount in Billion BDT)

| Period | Amount |
|--------|----------|
| 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 |
| Jun-23 | 4,970.72 |

Appendix VIII: Asset to GDP Ratio

(Amount in Billion BDT)

| Period | Banking Industry's Total Assets | Quarterly Growth Rate of Total Assets | Yearly Growth Rate of Total Assets | GDP | Growth of GDP | Asset/GDP | Change |
|--------|---------------------------------|---------------------------------------|------------------------------------|-----------------------|---------------|-----------|--------|
| Jun-21 | 19,513.12 | 4.56% | 13.59% | 35,301.85 | 11.35% | 55.28% | 1.09% |
| Sep-21 | 19,768.78 | 1.31% | - | - | - | - | - |
| Dec-21 | 20,429.29 | 3.34% | - | - | - | - | - |
| Mar-22 | 20,711.21 | 1.38% | - | - | - | - | - |
| Jun-22 | 21,546.42 | 4.03% | 10.42% | 39,717.16 | 12.51% | 54.25% | -1.03% |
| Sep-22 | 21,680.49 | 0.62% | - | - | - | - | - |
| Dec-22 | 21,962.39 | 1.30% | - | - | - | - | - |
| Mar-23 | 22,275.20 | 1.42% | - | - | - | - | - |
| Jun-23 | 23,142.84 | 3.90% | 7.41% | 44392.73 ^P | 11.77% | 52.13% | -2.12% |

Note: GDP (Base year 2015-16) at current market price. ^P indicates Provisional.

Appendix IX: Asset Structure of the Banking Industry

(Amount in Billion BDT)

| Property and Assets | JUN-22 | SEP-22 | DEC-22 | MAR-23 | JUN-23 |
|--|------------------|------------------|------------------|------------------|------------------|
| Cash in hand | 199.77 | 223.06 | 246.38 | 247.19 | 197.22 |
| Balance with Bangladesh Bank and its Agent Bank | 975.88 | 872.42 | 995.79 | 780.65 | 934.96 |
| Balance with other banks and financial Institutions (including Money at call and short notice) | 966.11 | 898.89 | 888.91 | 957.54 | 1,022.55 |
| Investment | 3859.70 | 3,700.16 | 3,437.78 | 3,610.65 | 3,803.26 |
| Loans and Advances (including bill discounted and purchased) | 14,219.28 | 14,596.46 | 15,026.11 | 15,241.29 | 15,702.88 |
| Fixed Assets | 286.19 | 287.89 | 289.59 | 290.35 | 291.81 |
| Other Assets | 1,035.61 | 1,097.83 | 1,073.91 | 1,143.62 | 1,186.27 |
| Non-banking assets | 3.87 | 3.79 | 3.92 | 3.92 | 3.88 |
| Total Assets | 21,546.42 | 21,680.49 | 21,962.39 | 22,275.20 | 23,142.84 |

Appendix X: Banking Sector Assets and NPL Concentration (June-2023)

(Amount in Billion BDT)

| Assets | Top 5 Banks | Other Banks | Top 10 Banks | Other Banks |
|-----------|-------------|-------------|--------------|-------------|
| Amount | 7,240.66 | 15,902.18 | 10,479.21 | 12,663.63 |
| Share (%) | 31.29% | 68.71% | 45.28% | 54.7% |
| NPL | Top 5 banks | Other banks | Top 10 banks | Other banks |
| Amount | 748.49 | 811.90 | 1,013.15 | 547.24 |
| Share (%) | 47.97% | 52.03% | 64.93% | 35.07% |

Appendix XI: Banking Sector NPL Ratio

(Amount in Billion BDT)

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

Appendix XII: Distribution of Banks based on NPL Ratio Range

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

Appendix XIII: Banking Sector Loan Loss Provisions

(Amount in Billion BDT)

| Period | Required Provision | Provision Maintained | Provision Maintenance Ratio (%) |
|--------|--------------------|----------------------|---------------------------------|
| Sep-21 | 723.49 | 661.44 | 91.42 |
| Dec-21 | 806.54 | 666.47 | 82.63 |
| Mar-22 | 850.68 | 703.22 | 82.67 |
| Jun-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 |
| Jun-23 | 1010.31 | 795.67 | 78.76 |

Appendix XIV: Banking Sector Classified Loans Ratios

| Period | Classified Loans to Total Loans | Sub-Standard Loans to Classified Loans | Doubtful Loans to Classified Loans | Bad Loans to Classified Loans |
|--------|---------------------------------|--|------------------------------------|-------------------------------|
| Sep-21 | 8.12% | 6.5% | 4.7% | 88.8% |
| Dec-21 | 7.93% | 7.8% | 4.1% | 88.2% |
| 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% |
| Jun-23 | 10.11% | 15.07% | 4.26% | 80.67% |

Appendix XV: Classified Loan Composition (June 2023)

(Amount in Billion BDT)

| Particulars | Amount | Percent of Total |
|-----------------------|---------|------------------|
| Substandard (SS) | 235.16 | 15.07% |
| Doubtful (DF) | 66.49 | 4.26% |
| Bad/Loss (BL) | 1258.74 | 80.67% |
| Total Classified Loan | 1560.39 | 100.00% |

Appendix XVI: Banking Sector ROA Range

(Number of Banks)

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

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

Appendix XVII: Banking Sector ROE Range

(Number of Banks)

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

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

Appendix XVIII: Banking Sector ROA and ROE

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

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

Appendix XIX: FIs' Liability and Equity Composition

(Amount in Billion BDT)

| Particulars | Mar-23 | Jun-23 |
|-------------|--------|--------|
| Borrowing | 264.43 | 281.18 |
| Deposits | 434.15 | 447.75 |
| Capital | 61.12 | 48.35 |
| Others | 197.98 | 209.58 |
| Total | 957.67 | 981.85 |

Source: FIs; Compilation: FSD, BB.

Appendix XX: FIs' Asset Composition

(Amount in Billion BDT)

| Particulars | Mar-23 | Jun-23 |
|----------------------|--------|--------|
| Cash & liquid assets | 145.95 | 167.18 |
| Earning assets | 737.64 | 743.49 |
| Fixed assets | 15.99 | 15.96 |
| Others assets | 58.10 | 55.22 |
| Total | 957.67 | 981.85 |

Source: FIs; Compilation: FSD, BB.

Appendix XXI: FIs' Classified Loans and Leases

(Amount in Billion BDT)

| Quarter | Aggregate NPL | NPL Ratio (%) |
|---------|---------------|---------------|
| Dec-20 | 100.59 | 15.03 |
| Mar-21 | 103.54 | 15.46 |
| Jun-21 | 103.28 | 15.39 |
| Sep-21 | 117.57 | 17.62 |
| Dec-21 | 130.17 | 19.33 |
| Mar-22 | 142.32 | 20.63 |
| Jun-22 | 159.36 | 22.99 |
| Sep-22 | 173.27 | 24.61 |
| Dec-22 | 168.21 | 23.88 |
| Mar-23 | 178.54 | 25.05 |
| Jun-23 | 199.51 | 27.65 |

Source: DFIM, BB.

Appendix XXII: FIs' ROA and ROE

(In percent)

| Quarter | Aggregate ROA | Aggregate ROE |
|---------|---------------|---------------|
| Sep-20 | 0.29% | 2.77% |
| Dec-20 | 0.45% | 4.34% |
| Mar-21 | -1.86% | -17.99% |
| Jun-21 | -0.91% | -9.59% |
| Sep-21 | -0.62% | -6.56% |
| Dec-21 | -0.23% | -2.79% |
| Mar-22 | -0.66% | -8.51% |
| Jun-22 | -0.54% | -7.41% |
| Sep-22 | -0.40% | -5.95% |
| Dec-22 | -1.27% | -19.26% |
| Mar-23 | -1.32% | -20.67% |
| Jun-23 | -1.43% | -32.50% |

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

Source: FIs; Compilation: FSD, BB.

Appendix XXIII: Banking Sector Regulatory Capital Position- Solo Basis

(Amount in Billion BDT)

| Capital | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 |
|-----------------------------|---------|---------|---------|---------|---------|
| Minimum Capital Requirement | 1363.59 | 1395.72 | 1589.38 | 1564.71 | 1450.46 |
| Total Capital Requirement | 1494.06 | 1506.75 | 1371.39 | 1420.98 | 1578.08 |

Appendix XXIV: Banking Sector CRAR Distribution

| CRAR | Number of Banks (at End Period) | | | | |
|-----------------|---------------------------------|--------|--------|--------|--------|
| | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 |
| < 10% | 11 | 11 | 11 | 11 | 11 |
| 10% to < 15% | 26 | 27 | 21 | 22 | 26 |
| 15% and above | 23 | 23 | 29 | 28 | 24 |
| Compliant Banks | 49 | 50 | 50 | 50 | 50 |

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

| CRAR | No. of Banks | Asset Size (B. BDT) | Asset Share (%) | Liability Size (B. BDT) | Liability Share (%) |
|---------------|--------------|---------------------|-----------------|-------------------------|---------------------|
| <10% | 11 | 672163.84 | 29.0 | 665631.23 | 30.4 |
| 10% to < 15% | 26 | 1261047.32 | 54.5 | 1186215.98 | 54.2 |
| 15% and above | 24 | 381072.53 | 16.5 | 335927.55 | 15.4 |
| Total | 61 | 2314283.69 | 100.0 | 2187774.76 | 100.0 |

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

| Particulars | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 |
|---------------------------------------|--------|--------|--------|--------|--------|
| Tier-1 Capital Ratio (%) | 7.75 | 7.68 | 8.39 | 8.00 | 8.10 |
| No. of Tier-1 capital compliant banks | 50 | 50 | 51 | 51 | 52 |
| Overall CRAR (%) | 11.15 | 11.01 | 11.83 | 11.23 | 11.19 |
| No. of CRAR compliant banks | 49 | 50 | 50 | 50 | 50 |

Appendix XXVII: Bank Cluster-wise CRAR

| Bank Clusters | CRAR (in percent) | | | | |
|---------------|-------------------|--------|--------|--------|--------|
| | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 |
| SOCBs | 6.43 | 6.18 | 6.26 | 5.90 | 6.76 |
| PCBs | 12.97 | 12.72 | 13.80 | 13.08 | 12.81 |
| FCBs | 26.44 | 30.36 | 31.65 | 31.48 | 32.91 |
| SDBs | -35.77 | -37.27 | -40.29 | -38.35 | -37.79 |
| Industry | 11.15 | 11.01 | 11.83 | 11.23 | 11.19 |

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

(In Percentage)

| RWA | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 |
|--------------------------|--------|--------|--------|--------|--------|
| RWA for Credit Risk | 88.05 | 88.65 | 88.22 | 88.18 | 87.97 |
| RWA for Market Risk | 3.68 | 3.49 | 3.45 | 3.62 | 3.75 |
| RWA for Operational Risk | 8.27 | 7.86 | 8.34 | 8.20 | 8.29 |

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

| Particulars | No. of Compliant Banks | No. of banks considered | Aggregate CCB (%) |
|--------------|------------------------|-------------------------|-------------------|
| Solo | 42 | 61 | 1.19 |
| Consolidated | 26 | 39 | 1.72 |

Appendix XXX: CRR and SLR at end-June 2023

| Bank Clusters | CRR (In Percentage) | | SLR (In Percentage) | |
|------------------------------|---------------------|------------|---------------------|------------|
| | Required | Maintained | Required | Maintained |
| SOCBs | 4.00 | 4.00 | 13.00 | 28.43 |
| PCBs (Conventional) | 3.93 | 3.94 | 12.93 | 21.41 |
| FCBs | 3.70 | 3.97 | 13.00 | 49.46 |
| SDBs | 4.00 | 4.00 | - | - |
| PCB (Islamic Shari'ah based) | 3.97 | 1.95 | 5.50 | 6.45 |
| Industry | 3.95 | 3.95 | 11.13 | 21.03 |

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

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

| Period | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 |
|------------------|--------|--------|--------|--------|--------|
| ADR (in percent) | 74.77 | 76.30 | 79.00 | 79.36 | 78.51 |

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

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

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

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

(In Percentage)

| Bank Clusters | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 |
|---------------|--------|--------|--------|--------|--------|
| SOCBs | 2.09 | 2.16 | 2.18 | 2.05 | 2.44 |
| PCBs | 5.31 | 5.31 | 5.71 | 5.62 | 5.40 |
| FCBs | 12.01 | 12.32 | 12.52 | 12.93 | 13.45 |
| SDBs | -25.62 | -26.41 | -26.78 | -26.19 | -25.95 |
| Industry | 4.39 | 4.43 | 4.74 | 4.64 | 4.57 |

Appendix XXXIV: Bank Cluster-wise LCR and NSFR

(In Percentage)

| Bank Clusters | LCR & NSFR | | | | | | | | | |
|---------------------|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Jun-22 | | Sep-22 | | Dec-22 | | Mar-23 | | Jun-23 | |
| | LCR | NSFR | LCR | NSFR | LCR | NSFR | LCR | NSFR | LCR | NSFR |
| SOCBs | 256.48 | 102.02 | 229.55 | 102.39 | 232.02 | 101.95 | 214.93 | 103.75 | 228.60 | 103.29 |
| PCBs (Conventional) | 132.17 | 109.35 | 133.86 | 110.80 | 138.46 | 112.01 | 144.31 | 112.33 | 142.81 | 112.26 |
| PCBs (Islamic) | 152.90 | 113.17 | 135.05 | 114.96 | 87.67 | 112.75 | 61.37 | 110.19 | 57.99 | 108.06 |
| FCBs | 176.26 | 125.56 | 210.38 | 121.84 | 255.26 | 124.47 | 279.23 | 126.16 | 258.29 | 126.70 |
| Industry | 165.56 | 109.10 | 160.52 | 110.18 | 153.97 | 110.22 | 153.28 | 110.30 | 152.37 | 109.71 |

Note: BDBL, BKB, PKB, RAKUB are exempted from maintaining LCR & NSFR.

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 |
| Mar-23 | 5241.96 | 5879.70 | 637.74 | 24910.10 | 96463.00 | 71552.90 |
| Jun-23 | 5282.8 | 5285.9 | 3.1 | 25250.11 | 99598.0 | 74347.89 |

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 | End Jun-23 |
|----------------------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|
| Capital Adequacy Ratio(%)* | 13.82 | 13.33 | 13.30 | 10.58 | 11.27 | 9.53 | 10.16 | 8.16 | 7.29 | 5.08 |

* 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 Jun-21 | End Sep-21 | End Dec-21 | End Mar-22 | End June-22 | End Sep-22 | End Dec-22 | End Mar-23 | End Jun-23 |
|-------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|------------|------------|
| Credit RWA | 628.4 | 618.7 | 603.1 | 635.54 | 629.34 | 620.40 | 592.06 | 633.11 | 613.36 |
| Market RWA | 47.1 | 49.4 | 27.08 | 26.24 | 25.74 | 40.76 | 25.18 | 24.63 | 25.15 |
| Operational RWA | 48.0 | 47.8 | 44.07 | 42.03 | 43.25 | 47.08 | 41.31 | 47.88 | 44.30 |
| Total RWA | 723.4 | 716.0 | 674.27 | 703.81 | 698.33 | 708.24 | 658.55 | 705.62 | 682.81 |
| Core Capital (Tier -1) | 82.5 | 81.4 | 58.43 | 66.14 | 53.77 | 59.11 | 41.08 | 35.72 | 21.34 |
| Supplementary Capital | 14.0 | 13.8 | 12.88 | 13.19 | 12.77 | 12.85 | 12.63 | 13.74 | 13.33 |
| Eligible Capital | 96.4 | 95.2 | 71.32 | 79.32 | 66.54 | 71.96 | 53.71 | 49.46 | 34.67 |

* Excluding People's Leasing and Financial Services Limited.

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

| Minor Shock Scenarios | Number of non-compliant banks after shock | |
|--|---|-----------|
| | March 2023 | June 2023 |
| Increase in NPLs | 4 | 4 |
| Increase in NPLs due to default of top 3 borrowers | 15 | 20 |
| Decrease in the FSV of collateral | 1 | 1 |
| Negative shift in NPL categories | 1 | 1 |
| Increase in NPL in the highest outstanding sector | 3 | 3 |
| Interest rate shock | 1 | 1 |
| Exchange rate shock | 1 | 0 |
| Equity shock | 1 | 0 |

Appendix XXXIX: DSEX and MSCI Emerging Market Index

| Date | DSEX (Currency: BDT) | Date | MSCI Emerging Market Index (Currency: USD) |
|-----------|-------------------------|-----------|---|
| 2-Apr-23 | 6217.79 | 3-Apr-23 | 989.19 |
| 3-Apr-23 | 6213.45 | 4-Apr-23 | 987.62 |
| 4-Apr-23 | 6209.68 | 5-Apr-23 | 987.85 |
| 5-Apr-23 | 6211.03 | 6-Apr-23 | 984.43 |
| 6-Apr-23 | 6214.2 | 7-Apr-23 | 987.07 |
| 9-Apr-23 | 6214.02 | 10-Apr-23 | 988.68 |
| 10-Apr-23 | 6201.55 | 11-Apr-23 | 996.25 |
| 11-Apr-23 | 6196.49 | 12-Apr-23 | 993.58 |
| 12-Apr-23 | 6204.88 | 13-Apr-23 | 997.03 |
| 13-Apr-23 | 6215.18 | 14-Apr-23 | 1000.49 |
| 16-Apr-23 | 6216.23 | 17-Apr-23 | 1003.78 |
| 17-Apr-23 | 6223.06 | 18-Apr-23 | 1000.55 |
| 18-Apr-23 | 6228.65 | 19-Apr-23 | 990.37 |
| 24-Apr-23 | 6252.16 | 20-Apr-23 | 989.79 |
| 25-Apr-23 | 6263.52 | 21-Apr-23 | 980.74 |
| 26-Apr-23 | 6266.36 | 24-Apr-23 | 977.38 |
| 27-Apr-23 | 6274.06 | 25-Apr-23 | 965.60 |
| 30-Apr-23 | 6262.69 | 26-Apr-23 | 967.85 |
| 2-May-23 | 6270.77 | 27-Apr-23 | 972.19 |
| 3-May-23 | 6269.16 | 28-Apr-23 | 977.05 |
| 7-May-23 | 6269.34 | 1-May-23 | 976.74 |
| 8-May-23 | 6261.63 | 2-May-23 | 973.94 |

| Date | DSEX (Currency: BDT) | Date | MSCI Emerging Market Index (Currency: USD) |
|-------------|---------------------------------|-------------|---|
| 9-May-23 | 6273.6 | 3-May-23 | 969.62 |
| 10-May-23 | 6279.11 | 4-May-23 | 976.36 |
| 11-May-23 | 6272.43 | 5-May-23 | 981.66 |
| 14-May-23 | 6263.4 | 8-May-23 | 989.44 |
| 15-May-23 | 6260.1 | 9-May-23 | 982.24 |
| 16-May-23 | 6277.21 | 10-May-23 | 979.64 |
| 17-May-23 | 6281.25 | 11-May-23 | 977.82 |
| 18-May-23 | 6290.2 | 12-May-23 | 973.00 |
| 21-May-23 | 6281.3 | 15-May-23 | 977.48 |
| 22-May-23 | 6281.65 | 16-May-23 | 979.24 |
| 23-May-23 | 6306.19 | 17-May-23 | 975.83 |
| 24-May-23 | 6305.9 | 18-May-23 | 978.16 |
| 25-May-23 | 6325.73 | 19-May-23 | 977.24 |
| 28-May-23 | 6339.88 | 22-May-23 | 983.27 |
| 29-May-23 | 6332.74 | 23-May-23 | 978.60 |
| 30-May-23 | 6366.14 | 24-May-23 | 970.91 |
| 31-May-23 | 6339.74 | 25-May-23 | 964.01 |
| 1-Jun-23 | 6355.56 | 26-May-23 | 972.86 |
| 4-Jun-23 | 6366.14 | 29-May-23 | 971.75 |
| 5-Jun-23 | 6356.3 | 30-May-23 | 970.32 |
| 6-Jun-23 | 6316.19 | 31-May-23 | 958.53 |
| 7-Jun-23 | 6338.99 | 1-Jun-23 | 961.80 |
| 8-Jun-23 | 6352.84 | 2-Jun-23 | 984.36 |
| 11-Jun-23 | 6341.58 | 5-Jun-23 | 986.69 |
| 12-Jun-23 | 6310.6 | 6-Jun-23 | 988.49 |
| 13-Jun-23 | 6298.92 | 7-Jun-23 | 995.41 |
| 14-Jun-23 | 6274.76 | 8-Jun-23 | 994.08 |
| 15-Jun-23 | 6280.02 | 9-Jun-23 | 1002.33 |
| 18-Jun-23 | 6281.07 | 12-Jun-23 | 1003.14 |
| 19-Jun-23 | 6314.14 | 13-Jun-23 | 1013.25 |
| 20-Jun-23 | 6301.8 | 14-Jun-23 | 1014.91 |
| 21-Jun-23 | 6310.96 | 15-Jun-23 | 1023.59 |
| 22-Jun-23 | 6319.25 | 16-Jun-23 | 1030.03 |
| 25-Jun-23 | 6325.71 | 19-Jun-23 | 1023.42 |
| 26-Jun-23 | 6344.09 | 20-Jun-23 | 1013.24 |
| | | 21-Jun-23 | 1004.27 |
| | | 22-Jun-23 | 1001.14 |
| | | 23-Jun-23 | 991.91 |
| | | 26-Jun-23 | 989.27 |
| | | 27-Jun-23 | 995.02 |
| | | 28-Jun-23 | 992.06 |
| | | 29-Jun-23 | 987.07 |
| | | 30-Jun-23 | 989.48 |

Appendix XL: DSE Performance

| Month | <i>(In Billion BDT)</i> | | 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 |
| Apr-23 | 102.96 | 7,656.91 | 6,262.69 | 2,202.42 | 1,359.83 |
| May-23 | 184.62 | 7,737.19 | 6,339.74 | 2,189.02 | 1,377.00 |
| Jun-23 | 146.80 | 7,720.78 | 6,344.09 | 2,192.82 | 1,377.00 |

Appendix XLI: Sectoral Turnover at DSE

| Sectors | Jan-Mar, 2023 | Apr-Jun, 2023 |
|-----------------------------|---------------|---------------|
| Mutual Funds | 0.08% | 0.33% |
| Telecommunication | 0.49% | 0.36% |
| Financial Institutions | 1.35% | 0.56% |
| Corporate Bond | 1.02% | 0.61% |
| Jute | 0.36% | 0.88% |
| Ceramic | 4.17% | 1.06% |
| Tannery | 1.55% | 2.81% |
| Cement | 0.87% | 2.81% |
| Banks | 2.10% | 2.99% |
| Services & Real estate | 4.58% | 3.76% |
| Paper & Printing | 5.54% | 4.08% |
| Engineering | 4.31% | 5.38% |
| Fuel & Power | 3.34% | 5.49% |
| Travel and Leisure | 7.09% | 5.65% |
| Textile | 3.67% | 5.93% |
| Miscellaneous | 7.04% | 5.97% |
| Pharmaceuticals & Chemicals | 13.48% | 9.52% |
| IT - Sector | 16.57% | 10.64% |
| Food & Allied Product | 7.89% | 12.14% |
| Insurance | 14.51% | 19.03% |

Appendix XLII: Sectoral Market Capitalization at DSE

| Sector | Mar-23 | Jun-23 |
|-----------------------------|--------|--------|
| Jute | 0.07% | 0.08% |
| Services & Real estate | 0.67% | 0.64% |
| Ceramic | 0.71% | 0.70% |
| Tannery | 0.74% | 0.76% |
| Mutual Funds | 0.83% | 0.82% |
| Corporate Bond | 0.78% | 0.90% |
| Paper & Printing | 0.89% | 0.93% |
| IT - Sector | 0.99% | 0.95% |
| Travel and Leisure | 1.38% | 1.11% |
| Cement | 2.47% | 2.70% |
| Textile | 3.72% | 3.77% |
| Insurance | 3.58% | 4.04% |
| Financial Institutions | 4.16% | 4.10% |
| Miscellaneous | 4.91% | 5.00% |
| Food & Allied Product | 8.63% | 8.76% |
| Fuel & Power | 9.95% | 9.86% |
| Engineering | 11.70% | 11.61% |
| Telecommunication | 12.93% | 12.71% |
| Banks | 15.00% | 14.79% |
| Pharmaceuticals & Chemicals | 15.87% | 15.77% |

Appendix XLIII: Sectoral P/E Ratio at DSE

| Sector | Mar-23 | Jun-23 |
|-----------------------------|---------------|---------------|
| Banks | 7.77 | 7.24 |
| Mutual Funds | 9.43 | 10.93 |
| Miscellaneous | 11.88 | 12.21 |
| Fuel & Power | 13.11 | 13.33 |
| Telecommunication | 15.1 | 16.86 |
| Textile | 15.8 | 16.66 |
| Insurance | 16.58 | 18.27 |
| Pharmaceuticals & Chemicals | 17.54 | 17.71 |
| Food & Allied Product | 18.6 | 19.07 |
| Financial Institutions | 18.81 | 21.31 |
| Engineering | 20.55 | 21.02 |
| Cement | 20.87 | 19.55 |
| Services & Real estate | 22.23 | 21.74 |
| IT - Sector | 35.09 | 34.05 |
| Tannery | 35.21 | 35.82 |
| Ceramic | 39.11 | 39.09 |
| Paper & Printing | 51.89 | 54.11 |
| Travel and Leisure | 53.39 | 43.56 |
| Jute | 77.53 | 86.25 |

Appendix XLIV: Price/Earnings Ratio of Capital Market

| Quarter | DSE P/E Ratio | CSE P/E Ratio |
|----------------|----------------------|----------------------|
| Jun-21 | 18.50 | 17.68 |
| Sep-21 | 20.12 | 19.97 |
| Dec-21 | 16.29 | 17.29 |
| Mar-22 | 15.63 | 16.80 |
| Jun-22 | 14.44 | 15.61 |
| Sep-22 | 14.91 | 16.08 |
| Dec-22 | 14.11 | 14.35 |
| Mar-23 | 14.24 | 14.25 |
| Jun-23 | 14.34 | 14.16 |

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

| Month | Daily Average Index Volatility ²⁹ | Daily Average DSE Turnover (In Crore BDT) |
|--------|--|--|
| 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 |
| Apr-23 | 26.10 | 572.00 |
| May-23 | 28.07 | 879.10 |
| Jun-23 | 26.66 | 815.60 |

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

Appendix XLVI: CSE Performance

| Month | <i>(In Billion BDT)</i> | | Index | | |
|--------|-------------------------|-----------------------|-----------|-----------|----------|
| | Turnover | Market Capitalization | CASPI | CSE30 | CSI |
| 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 | 18,288.35 | 13,341.81 | 1,148.76 |
| Apr-23 | 1.37 | 7,503.87 | 18,451.91 | 13,460.29 | 1,161.04 |
| May-23 | 3.22 | 7,586.99 | 18,714.52 | 13,411.25 | 1,175.40 |
| Jun-23 | 13.81 | 7,585.50 | 18,702.20 | 13,398.21 | 1,176.32 |

Appendix XLVII: Sectoral Turnover at CSE

| Sectors | Contribution of Sectors | |
|-----------------------------|-------------------------|--------|
| | Mar-23 | Jun-23 |
| Mutual Funds | 1.27% | 0.08% |
| Ceramics | 3.66% | 0.36% |
| Corporate Bond | 0.02% | 0.46% |
| Tannery | 0.31% | 0.54% |
| Leasing & Finance | 4.31% | 0.62% |
| Cement | 1.07% | 1.06% |
| Paper & Printing | 5.00% | 1.51% |
| General Insurance | 7.95% | 2.30% |
| Engineering | 4.23% | 2.66% |
| Food & Allied Product | 2.49% | 2.76% |
| Life Insurance | 8.46% | 3.77% |
| IT | 9.04% | 4.10% |
| Services | 18.44% | 4.23% |
| Textile | 8.74% | 5.04% |
| Miscellaneous | 5.03% | 6.90% |
| Telecommunication | 0.35% | 10.58% |
| Fuel & Power | 2.74% | 13.00% |
| Pharmaceuticals & Chemicals | 12.00% | 17.45% |
| Banking | 4.88% | 22.57% |

Appendix XLVIII: Sectoral Market Capitalization at CSE

| Sectors | Mar-23 | Jun-23 |
|-----------------------------|--------|--------|
| Ceramics | 0.75% | 0.74% |
| Tannery | 0.77% | 0.79% |
| Mutual Funds | 0.89% | 0.87% |
| Corporate Bond | 0.83% | 0.94% |
| Paper & Printing | 0.95% | 0.96% |
| IT | 1.04% | 0.99% |
| Services | 2.14% | 1.83% |
| Food & Allied Product | 1.52% | 1.90% |
| Life Insurance | 1.69% | 1.97% |
| General Insurance | 2.03% | 2.12% |
| Cement | 2.61% | 2.82% |
| Textile | 3.70% | 3.73% |
| Leasing & Finance | 4.37% | 4.29% |
| Miscellaneous | 10.20% | 10.07% |
| Fuel & Power | 10.01% | 10.29% |
| Engineering | 11.99% | 11.72% |
| Telecommunication | 13.66% | 13.36% |
| Pharmaceuticals & Chemicals | 15.00% | 14.95% |
| Banking | 15.86% | 15.66% |

Appendix XLIX: Sectoral P/E Ratio at CSE

| Sectors | Mar-23 | Jun-23 |
|-----------------------------|--------|--------|
| Life Insurance | na | na |
| Corporate Bond | na | na |
| Banking | 8.55 | 7.68 |
| General Insurance | 11.68 | 11.03 |
| Fuel & Power | 11.74 | 12.45 |
| Miscellaneous | 12.87 | 12.91 |
| Cement | 17.26 | 13.43 |
| Mutual Funds | 15.2 | 15.29 |
| Leasing & Finance | 14.78 | 15.45 |
| Textile | 15.53 | 16.38 |
| Telecommunication | 15.9 | 16.92 |
| Pharmaceuticals & Chemicals | 16.74 | 17.04 |
| Engineering | 20.3 | 20.7 |
| Food & Allied Product | 21.86 | 25.16 |
| Services | 36.92 | 32.18 |
| IT | 33.76 | 32.78 |
| Tannery | 32.92 | 33.19 |
| Ceramics | 39.12 | 39.11 |
| Paper & Printing | 52.92 | 53.50 |

Note: na- not available

Appendix L: Capital Market Exposures of Banks

| Period | Solo basis (%) | Consolidated basis (%) |
|--------|----------------|------------------------|
| Jun-21 | 14.40 | 23.90 |
| Sep-21 | 16.05 | 27.09 |
| Dec-21 | 15.71 | 25.49 |
| Mar-22 | 15.83 | 26.19 |
| Jun-22 | 15.51 | 25.15 |
| Sep-22 | 16.18 | 26.95 |
| Dec-22 | 16.42 | 27.25 |
| Mar-23 | 16.33 | 26.98 |
| Jun-23 | 15.94 | 26.47 |

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

The report is based on data and information available as of end-June 2023, unless stated otherwise.

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

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