Annual Report
2012-2013

Bangladesh Bank

Annual Report

(July 2012-June 2013)

BANGLADESH BANK

(The Central Bank of Bangladesh)

Letter of Transmittal

BANGLADESH BANK

Dhaka
......................2014

The Secretary
Bank and Financial Institutions Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Dhaka.

Dear Sir,

In terms of Article 40 (2) of the Bangladesh Bank Order, 1972 (P. O Number 127) I have the honour to submit to the Government of the People's Republic of Bangladesh the Annual Report of the Bangladesh Bank for the financial year 2012-2013. Audited Accounts of the Bank for the financial year was forwarded earlier on 26 August 2013.

Yours faithfully,

(Dr. Atiur Rahman)
Governor

Board of Directors

Dr. Atiur Rahman*	Chairman
Mr. Md. Abul Quasem	Director
Dr. Mohammad Tareque**	Director
Dr. Nasiruddin Ahmed***	Director
Dr. Mustafa Kamal Mujeri****	Director
Prof. Sanat Kumar Saha****	Director
Dr. Sadiq Ahmed****	Director
Prof. Hannana Begum****	Director
Mr. Md. Shafiqur Rahman Patwari***	Director
Mr. Fazle Kabir*****	Director
Mr. Md. Ghulam Hussain******	Director
Dr. M. Aslam Alam******	Director
Mr. Ahmed Jamal	Secretary

---

* Dr. Atiur Rahman was reappointed as Governor of Bangladesh Bank with effect from 1 May 2013.

** Dr. Mohammad Tareque was Director of the Board up to 22 August 2012.

*** Dr. Nasiruddin Ahmed and Mr. Md. Shafiqur Rahman Patwari were Directors of the Board up to 13 November 2012.

**** Dr. Mustafa Kamal Mujeri, Prof. Sanat Kumar Saha, Dr. Sadiq Ahmed and Prof. Hannana Begum were reappointed as Directors of the Board with effect from 11 March 2013.

***** Mr. Fazle Kabir was appointed as Director of the Board in place of Dr. Mohammad Tareque with effect from 22 August 2012.

****** Mr. Md. Ghulam Hussain and Dr. M Aslam Alam were appointed as Directors of the Board in place of Dr. Nasiruddin Ahmed and Mr. Md. Shafiqur Rahman Patwari respectively with effect from 13 November 2012.

Governor

Dr. Atiur Rahman

Deputy Governors

Md. Abul Quasem

Abu Hena Mohd. Razee Hassan

Shitangshu Kumar Sur Chowdhury

Nazneen Sultana

Change Management Adviser

Md. Allah Malik Kazemi

Chief Economist

Dr. Hassan Zaman

Executive Directors (General)

A. H. M. Kai-Khasru

Md. Ahsan Ullah

Md. Ebtadul Islam

Sudhir Chandra Das

Das Gupta Asim Kumar

Md. Ataur Rahman

M. Mahfuzur Rahman

S.M. Moniruzzaman

Md. Abdul Haque

Mohammad Naushad Ali Chowdhury

Ahmed Jamal

Nirmal Chandra Bhakta

Subhankar Saha

Economic Adviser
Dr. Md. Akhtaruzzaman

Executive Director (ICT)
Md. Abdul Hamid

Executive Director (Specialised)
Gouranga Chakraborty

Note: (1) Mr. Zeauddin Ahmed, Executive Director, is on deputation with Security Printing Corporation (BD) Ltd. as Managing Director.
(2) As on 30 June 2013.

Departments of the Head Office and Department Heads*

Accounts & Budgeting Department	A.K.M. Rahmatullah, General Manager
Agricultural Credit & Financial Inclusion Department	Ashok Kumar Dey, General Manager
Bangladesh Bank Training Academy	Md. Ataur Rahman, Executive Director
	Sheikh Azizul Haque, General Manager
	Md. Mobarak Hossain, General Manager
	Joarder Israil Hossain, General Manager
	Laila Bilkis Ara, General Manager
	A.K.M. Fazlur Rahman, General Manager
	Sheikh Mozaffar Hossain, General Manager
	Md. Abdul Awal Sarker, General Manager
Bangladesh Financial Intelligence Unit	Debaprosad Debnath, General Manager
Banking Regulation & Policy Department	K.M. Abdul Wadood, General Manager
Central Bank Strengthening Project Cell	A.N.M. Abul Kashem, General Manager
Common Services Department-1	A.K.M. Fazlur Rahman, General Manager
Common Services Department-2	Md. Mohsin-2, General Manager
Credit Information Bureau	Bishwanath Sarker, General Manager
Debt Management Department	Bishnu Pada Saha, General Manager
Department of Banking Inspection-1	Dr. Abul Kalam Azad, General Manager
Department of Banking Inspection-2	Abul Mansur Ahmed, General Manager
Department of Banking Inspection-3	Mohammad Humayun Kabir, General Manager
Department of Banking Inspection-4	Md. Golam Mostafa, General Manager
Department of Communications and Publications	F.M. Mokammel Hoq, General Manager
Department of Currency Management	Md. Mozibar Rahman, General Manager
Department of Financial Institutions & Market	Md. Sohrawardi, General Manager
Department of Foreign Exchange Inspection	Md. Iskandar Mian, General Manager
Department of Off-site Supervision	S.M. Rabiul Hassan, General Manager
Deposit Insurance Department	Khagesh Chandra Debnath, General Manager
Expenditure Management Department	Mohammad Akkas Uddin, General Manager
Financial Integrity and Customer Services Department	Md. Saiful Islam, General Manager
Financial Stability Department	Debashish Chakrabortty, General Manager
Foreign Exchange Investment Department	Muhammad Mijanur Rahman Joddar, General Manager
Foreign Exchange Operation Department	Md. Shafiqul Islam, General Manager
Foreign Exchange Policy Department	Md. Masud Biswas, General Manager
Forex Reserve & Treasury Management Department	Kazi Sayedur Rahman, General Manager
Governor's Secretariat	A.F.M. Asaduzzaman, General Manager
Green Banking & CSR Departmrnt	Md. Khurshid Alam, General Manager
Human Resources Department-1	K.M. Gousuzzaman, General Manager
Human Resources Department-2	Md. Azizur Rahman, General Manager
Internal Audit Department	Md. Sadrul Huda , General Manager
Information Systems Development Department	Md. Rizwanul Hoque, Systems Manager
IT Operation & Communication Department	Qazi Nasir Ahmed, Systems Manager
Law Department	Syed Tariquzzaman, General Manager
Monetary Policy Department	Musharrat Jahan, General Manager
Payment Systems Department	Md.Humayun Kabir, General Manager
Research Department	Md. Akhtaruzzaman , General Manager
	Bilkis Sultana, General Manager
	Md. Abdul Quaium, General Manager
Security Management Department	Lt. Col. (Retd.) Md. Mahmudul Haque Khan Chowdhury, General Manager
SME & Special Programmes Department	Sukamal Sinha Chowdhury, General Manager
Special Studies Cell	Md. Elias Sikder, General Manager
Statistics Department	Md. Abdul Hye , General Manager
	Md. Abdus Sattar Miah, General Manager
	Md. Nur-Un-Nabi, General Manager

As per alphabetical arrangement.

Note: 1) Md. Shirajul Islam, General Manager, Md. Shah Alam, General Manager, Mohammad Golam Hayder, General Manager, Md. Nasiruzzaman, General Manager, Abu Farah Mohammad Naser, General Manager, Sultana Razia, General Manager, Md. Shahidul Alam, General Manager, are on deputation with EEF Unit, BIBM, IBB, Housing Fund, Microcredit Regulatory Authority, Chief Economist Unit and Capacity Development for the Bangladesh Bank Project Implementation Unit respectively.

2) Sheikh Abdullah, General Manager is attached with HRD-1.

3) Dr. Md. Golam Mostafa, General Manager, is posted to the library under Research Department, Bangladesh Bank.

* As of 30 June 2013.

Branch Offices and Office Heads*

Barishal	Nurul Alam Kazi, General Manager
Bogura	Md. Nazimuddin, General Manager
Chittagong	Nirmal Chandra Bhakta, Executive Director
	Mohammad Masum Kamal Bhuiyan, General Manager
Khulna	Shyamal Kumar Das, General Manager
Motijheel	Subhankar Saha, Executive Director
	Md. Abdur Rahim, General Manager
	Md. Saiful Islam Khan, Currency Officer (General Manager)
	K.M. Nakibul Alam, General Manager
	Dr. Mihir Kanti Chakroborty, Chief Medical Officer, (General Manager)
Mymensingh	Md. Abdul Hamid, General Manager
Rajshahi	Jinnatul Bakeya, General Manager
Rangpur	Md. Bozlar Rahman Mollah, General Manager
Sadarghat	Md. Moslem Uddin, General Manager
Sylhet	Sultan Ahmed, General Manager

As per alphabetical arrangement.
*As of 30 June 2013

Contents

Chapters		Pages
Chapter-1	Macroeconomic Performance and Prospects	1
	Global Economic Outlook	1
	Developments in Bangladesh Economy	2
	Growth Performance	3
	Savings and Investment	4
	Price Developments	4
	Money and Credit Developments	4
	Public Finance	5
	External Sector	6
	Near and Medium Term Outlook for Bangladesh Economy	8
Chapter-2	The Real Economy	9
	Economic Growth	9
	Agriculture Sector	10
	Industry Sector	10
	Services Sector	11
	Sectoral Composition of GDP	12
	GDP by Expenditure	13
	Savings and Investment	13
Chapter-3	Prices and Wages	15
	Consumer Prices in Bangladesh	15
	Wage Rate Trends	18
	Near Term Inflation Outlook	18
Chapter-4	Money and Credit	20
	Monetary Policy Stance	20
	Reserve Money Developments	22
	Income Velocity of Money	24
	Bank Credit	24
	Bank Deposits	24
	Credit/Deposit Ratio	25
	Scheduled Banks Borrowing from the BB	25
	Balances of Scheduled Banks with the BB and their Cash in Tills	25
	Cash Reserve Requirement (CRR)	25
	Statutory Liquidity Ratio (SLR)	26
	Bank Rate	26
	Interest Rates on Deposits and Advances	26

Contents

Chapters		Pages
Chapter-5	Banking Sector Performance, Regulation and Bank Supervision	27
	A. Banking Sector Performance	27
	A.1. Aggregate Balance Sheet	28
	A.2. Capital Adequacy	29
	A.3. Asset Quality	30
	Writing off Bad Debts	32
	A.4. Management Soundness	33
	A.5. Earnings and Profitability	33
	Net Interest Income	35
	A.6. Liquidity	35
	A.7. CAMELS Rating	36
	A.8. Operations of Banks in Urban and Rural Areas	36
	A.9. Islamic Banking	37
	B. Legal Framework and Prudential Regulations	38
	B.1. Amendments to the Banking Companies Act	38
	B.2. Risk Based Capital Adequacy (RBCA) for Banks	38
	B.3. Loan Classification and Loan-Loss Provisions	39
	B.4. Corporate Governance in Banks	39
	C. Consumer Protection Regulations	40
	C.1. Rationalisation of Schedule of Charges	40
	C.2. Rationalisation of Rate of Interest	40
	D. Regulations to Promote Financial Inclusion and Socially-Responsible Financing	40
	D.1. Policy Guidelines for Green Banking	40
	D.2. Guidelines on Environmental Risk Management (ERM)	41
	D.3. Bank Account for Farmers	41
	D.4. Bank Account for Unemployed Youth	41
	D.5. Bank Account for Hardcore Poor	41
	D.6. Bank Account for Freedom Fighters	41
	D.7. Bank Account for Beneficiaries Under Social Security Programme	42
	D.8. Banking Services for Physically Handicapped People	42
	D.9. Corporate Social Responsibility (CSR)	42
	E. Supervision of Banks	42
	E.1. On-site Inspection of Banks	43
	E.2. Off-site Monitoring of Banks	46
	Quick Review Report	46
	Reviewing Minutes	47
	SCB Monitoring Cell	47
	E.3. Risk Management Activities of the Banks	48
	E.4. Financial Stability and Macroprudential Supervision	49
	F. Banking Sector Infrastructure for Financial Stability and Risk Management	49
	F.1. Deposit Insurance Scheme	49
	F.2. Activities of Credit Information Bureau	50

Contents

Chapters		Pages
Chapter-6	Performance, Regulation and Supervision of NBFIs	51
	A. NBFI Background, Outreach, and Structure in Bangladesh	51
	A.1. Background and Outreach	51
	A.2. Assets	52
	Investment	52
	A.3. Deposits	52
	A.4. Other Liabilities and Equity	53
	A.5. Bond and Securitisation Activity	53
	B. Performance and Rating of NBFIs	53
	B.1. Capital Adequacy	53
	B.2. Asset Quality	54
	B.3. Management Efficiency	54
	B.4. Earnings and Profitability	54
	Liquidity	54
	B.5. Sensitivity to Market Risk	55
	B.6. Composite CAMELS Rating	55
	C. Legal Framework and Prudential Regulations	55
	C.1. Capital Adequacy and Progress of Basel Accord Implementation in NBFIs	55
	C.2. Corporate Governance in NBFIs	55
	C.3. Asset Classification and Provisioning	56
	C.4. Loan Rescheduling Policy	56
	C.5. Core Risk Management	56
	C.6. Stress Testing	56
	D. Consumer Protection Regulations	56
	D.1 Schedule of Charges	56
	D.2. Guidelines on Products and Services of NBFIs in Bangladesh	57
	E. Regulations for Socially-Responsible Financing	57
	E.1. Corporate Social Responsibility (CSR)	57
	E.2. Environmental Risk Management (ERM)	57
Chapter-7	Financial Markets	58
	Money Market	58
	Call Money Market FY13	58
	Repo Auctions - FY13	58
	Reverse Repo Auctions - FY13	59
	Bangladesh Bank Bill	59
	Government Securities Market	59
	Government Treasury Bills Auctions	59
	Bangladesh Government Treasury Bonds (BGTBs) Auctions	60
	Bangladesh Government Islamic Investment Bond (Islamic Bond)	60

Contents

Chapters		Pages
	Capital Market	61
	Investment Financing in Bangladesh	61
	Capital Market Activities in FY13	62
	Primary Issuance	62
	Secondary Market Activities	62
	Non-Resident Portfolio Investment	62
	Activities of the Investment Corporation of Bangladesh	63
	Scheduled Banks Investments in Capital Market Securities	64
	Measures Supporting Capital Market Development	65
	Credit Market	65
	Advances of Scheduled Banks by Economic Purposes	65
	Industrial Term Loans of Banks and Financial institutions	66
	Investment Promotion and Financing Facility (IPFF)	67
	Equity and Entrepreneurship Fund (EEF)	68
	Housing Finance	68
	Foreign Exchange Market	70
Chapter-8	Agricultural and Rural Finance	71
	Annual Agricultural Credit Programme	71
	Implementation of Some Important Initiatives of Agricultural Credit Programme in FY13	72
	Disbursement	72
	Recovery	73
	Sources of Agricultural Finance	74
	Bangladesh Bank's Refinance against Agricultural Loans	74
	Agricultural Credit Projects/Programmes under Bangladesh Bank Supervision	74
	Financing of Small & Medium Scale Enterprises	76
	Microcredit Operations of the Grameen Bank and Large MFIs	78
Chapter-9	Public Finance	79
	FY13 Budget and Fiscal Outcome	79
	A. Revenue Receipts	79
	B. Expenditure	82
	C. Financing FY13 Budget Deficit	83
	FY14 Budget	84
	A. Revenue Receipts	85
	B. Expenditure	85
	C. Deficit in FY14 Budget and Its Financing	86
Chapter-10	External Sector	87
	External Trade and the Balance of Payments - the Overall Situation	87
	Exports	88
	Destination	89
	Composition	89
	Export Development Fund	90
	Imports	90

Contents

Chapters		Pages
	Terms of Trade	91
	Bilateral and Multilateral Relations	91
	Workers' Remittances	92
	Foreign Aid	92
	Foreign Exchange Market Operations	93
	Foreign Exchange Reserves	93
	Reserve Management Strategy	94
	Transactions under Asian Clearing Union (ACU)	95
	Transactions with the IMF	95
	Changes in Foreign Exchange Regulations	96
	Anti-money Laundering Surveillance	97
	Reporting Agencies and Their Regulatory Regime	98
	Legal System	98
	Initiatives Strengthening by BFIU	98
	International Cooperation	99
	Awareness Building Programme	99
Chapter-11	Payment and Settlement Systems	100
	Functional Areas of Payment Systems	100
	Traditional Payments Scenario	100
	Payment Platforms Operating at Present	100
	Bangladesh Automated Clearing House (BACH)	100
	Bangladesh Automated Cheque Processing Systems (BACPS)	101
	Bangladesh Electronic Funds Transfer Network (BEFTN)	101
	Mobile Financial Services	102
	e-commerce	102
	Online Payment Gateway Service Providers (OPGSPs)	102
	New Payment Systems Initiatives	103
	National Payment Switch (NPS)	103
	Agent banking	103
	Legal and Regulatory Framework	104
	Awareness Raising Campaign	104
Chapter-12	Administration	105
	Reappointment and Appointment of Governor and Directors in the Board	105
	Executive Committee	105
	Audit Committee of the Board	105
	Senior Management Team	106
	Executive Management Team	106
	New Appointment in Different Posts	106
	Retirement, Voluntary Retirement, Compulsory Retirement, Resignation, Removal, Suspension and Death	106
	Creation/Abolition of Posts	106
	Sanctioned and Working Strength of Official and Staff	107
	Promotion	107
	Number of officers on Deputation/Lien	107
	Reorganisation/Newly Established Departments of the Bank	107

Contents

Chapters		Pages
	Welfare Activities and Approval of Scholarship	107
	Foreign Training and Study	107
	Domestic Training and Study	107
	Step towards Automation and Paperless Environment	108
	Reward and Recognition	108
	Training Courses, Workshops, and Seminars Conducted by the Bangladesh Bank Training Academy (BBTA)	108
	Central Bank Strengthening Project	108
Chapter-13	Bangladesh Bank's Accounts for 2012-2013	110
	Income	110
	Income from Foreign Currency Financial Assets	110
	Income from Local Currency Financial Assets	110
	Foreign Currency Revaluation Gain	111
	Expenditure	111
	Financial Cost	111
	Administrative Cost	111
	Operating Profit for the Year	111
	Other Comprehensive Income	111
	Profit Appropriation	111
	Combined Balance Sheet of Banking and Issue Department	112
	Assets	112
	Liabilities	112
	Notes in Circulation	112
	Equity	112
	Foreign Currency Reserve	113
	Auditors	113
	Audited Financial Statements as at and for the Year Ended 30 June 2013	115

Tables			
	1.1	Overview of the world economic outlook projections	1
	1.2	Sectoral GDP growth rates (at FY96 constant prices)	4
	2.1	Sectoral GDP growth (at FY96 constant prices)	9
	2.2	Quantum index of medium and large scale manufacturing industries (base:FY06=100)	10
	2.3	Sectoral GDP shares (at FY96 constant producer prices)	11
	2.4	GDP by expenditure groups (at current market prices)	12
	2.5	Domestic savings and investment (as percent of GDP)	12
	3.1	Monthly change in inflation (%)	15
	3.2	Annual average CPI based inflation (FY96=100)	16
	3.3	Changes in international prices of major commodities	17
	3.4	Inflation in SAARC and other Asian countries	17
	3.5	Annual average national level CPI by consumption basket sub-groups (FY96=100)	18
	3.6	Trends of wage rate indices (base FY70=100)	18
	3.7	Global inflationary situation	19

Contents

Tables		Pages
4.1	Money and credit situation	21
4.2	Reserve money position	23
4.3	Income velocity of money	23
4.4	Bank credit - FY13 quarterly positions	24
4.5	Bank deposits - FY13 quarterly positions	25
4.6	Weighted average interest rates of scheduled banks	25
5.1	Banking system structure	27
5.2	Capital to risk weighted assets ratio by type of banks	29
5.3	NPL ratios by type of banks	30
5.3(a)	Ratio of net NPL to total loans by type of banks	31
5.4	Required provision and provision maintained - all banks	31
5.5	Comparative position of provision adequacy	32
5.6	Writing-off bad debts in different bank categories	33
5.7	Expenditure - income ratio by type of banks	33
5.8	Profitability ratios by type of banks	34
5.9	Net interest income by type of banks	34
5.10	Liquidity ratio by types of banks	35
5.11	Branch, deposit and advance in the banking system-rural and urban	37
5.12	Comparative position of the Islamic banking sector	38
5.13	CSR expenditure of banks during 2008 to 2012	42
5.14	The recent position of DITF	50
6.1	Structure of NBFIs	51
6.2	Assets, liabilities and deposits of NBFIs	52
6.3	Total loan /lease and classified loan /lease	53
6.4	Profitability of NBFIs	54
7.1	Volume of trade and weighted average interest rates in call money market	58
7.2	Repo auctions - FY13	59
7.3	Reverse repo auctions - FY13	60
7.4	Auctions of Bangladesh Bank Bill - FY13	61
7.5	Auctions of Bangladesh Government treasury bills-FY13	62
7.6	Auctions of Bangladesh Government treasury bonds-FY13	63
7.7	Bangladesh Government Islamic Investment Bond	63
7.8	Disbursement & recovery of industrial term loans of banks and financial institutions	63
7.9	Dhaka Stock Exchange (DSE) activities	64
7.10	Chittagong Stock Exchange (CSE) activities	64
7.11	Advances of scheduled banks by economic purposes	66
7.12	Industrial term loans of banks and financial institutions	67
7.13	Outstanding housing loans	69
8.1	Comparative statement of disbursement & recovery of agricultural loan	73
8.2	Agricultural credit performance by lenders - FY13	75
8.3	Bangladesh Bank's refinance against agricultural loans	76
8.4	Microcredit operations of the Grameen Bank and large MFIs	78
9.1	Bangladesh Government revenue and expenditure	79
9.2	Composition of revenue receipts	81

Contents

Tables		Pages
9.3	Composition of revenue expenditure	82
9.4	Composition of social sector revenue expenditure	83
9.5	Sectoral shares in ADP expenditure	83
10.1	Composition of merchandise exports	89
10.2	Composition of merchandise imports	91
10.3	Terms of trade of Bangladesh (base : FY96=100)	92
10.4	Foreign aid receipts and debt repayments	93
10.5	Gross foreign exchange reserves of the Bangladesh Bank	94
10.6	Receipts and payments of Bangladesh under the ACU	95
10.7	Outstanding principal liabilities against the facilities received from the IMF	95
11.1	Approved mobile financial services (in broad categories)	103
11.2	MFS Status	103
11.3	Existing legal and regulatory framework of payment and settlement systems of Bangladesh	104
12.1	Statement on different training courses, workshops and seminars organised by the Bangladesh Bank Training Academy (BBTA) during FY13	109
13.1	Sources of income	110
13.2	Bank's expenditure	111
Charts		
1.1	Domestic savings and investment	4
1.2	National CPI inflation (12-Month Average : base FY96=100)	5
1.3	Monetary aggregates	5
1.4	Sources of broad money (M2)	5
1.5	Revenue receipt, revenue expenditure, revenue surplus and budget deficit	6
1.6	Budget deficit financing	6
1.7	Export and import growth	7
1.8	NEER, REER and exchange Rate	7
1.9	Recent movements in NEER, REER and Taka-Dollar exchange rate	7
2.1	Bangladesh real GDP growth	9
2.2	Domestic savings	13
2.3	Domestic investment	13
3.1	National CPI inflation (12-month average : base FY96=100)	15
3.2	Monthly percentage change in inflation	16
3.3	Rural CPI inflation (12-month average : base FY96=100)	17
3.4	Urban CPI inflation (12-month average : base FY96=100)	18
3.5	Changes in international commodity prices	19
3.6	South Asian inflationary situation	19
3.7	Wage rate index trends by sectors (base FY70=100)	19
4.1	Liquidity management operations in FY13	20
4.2	M2: components	21
4.3	Domestic credit and its components	22
4.4	M2 and RM programmes and actual developments in FY13	22
4.5	Movement of GDP growth, M2 growth, rate of inflation and income velocity of money	24
4.6	Weighted average deposit and lending rates	25

Contents

Charts | Pages

5.1	Aggregate industry assets	28
5.2	Aggregate industry liabilities	28
5.3	Aggregate capital adequacy position	29
5.4	Aggregate position of NPLs to total loans	30
5.4(a)	Aggregate position of NNPL to total loans (net of provisions)	31
5.5	Comparative position of NPLs by type of banks	32
5.6	Provision adequacy position of all banks	32
5.7	Aggregate position of income and expenditure - all banks	33
5.8	Aggregate profitability - all banks	34
5.9	Aggregate NII of the industry	35
5.10	Aggregate position of excess liquidity	35
6.1	Investment pattern of NBFIs as of 30 June 2013	52
6.2	Asset, liability and their ratios of NBFIs	52
6.3	NBFIs total, classified loan/lease and their ratios	53
7.1	Call money rate	58
7.2	Weighted average yield of BGTBs in FY13	61
7.3	Trends in market behaviour of DSE	64
7.4	Sectoral shares of total advances: FY13	66
7.5	Industrial term loans of banks and financial institutions: FY13	67
7.6	Taka-US Dollar exchange rate: FY13	70
8.1	Targets for agricultural credit disbursement in FY13	74
8.2	Actual agricultural credit disbursement in FY13	74
9.1	Composition of tax revenue : FY13 (revised)	80
9.2	Composition of tax revenue : FY14 (estimated)	80
9.3	Budget deficit financing : FY13 (revised)	84
9.4	Budget deficit financing : FY14 (estimated)	84
10.1	Key indicators of external sector	87
10.2	Trends of trade, current account and overall balances	89
10.3	Destinational pattern of exports in FY13	89
10.4	Import growth	91
10.5	Terms of trade of Bangladesh	92
10.6	Wage earners' remittances in FY12 and FY13	93
10.7	Liquid foreign exchange holdings abroad	94
11.1	Regular instruments cleared through BACPS	102
11.2	No. of high value instruments cleared through BACPS and associated amount	102
11.3	EFT credit trends	103
11.4	EFT debit trends	103
13.1	Bank's income, expenditure and profit	110

Box

5.1	Bangladesh Bank's Role for Protecting Bank Customers' Interest	45

Contents

Appendices			Pages
Appendix-1		Chronology of Major Policy Announcements: FY13	191
Appendix-2		Bangladesh Bank's Research in FY13	219
Appendix-3		Bangladesh: Some Selected Statistics	225
Tables			
	I	Bangladesh : Selected Social Indicators	227
	II	Trends of Major Macroeconomic Indicators	228
	III	Medium-Term Macroeconomic Framework : Key indicators	229
	IV	Gross Domestic Product (GDP), Investment and Savings	230
	V	Growth and Sectoral Share of GDP (at FY96 constant prices)	231
	VI	Development of Government Budgetary Operation	232
	VII	Money and Credit	233
	VIII	Consumer Price index (CPI) and Rate of inflation - National (base : FY96=100)	234
	IX	Reserve Money and Its Components	235
	X	Reserve Money and Its Sources	236
	XI	Deposits of Public and Private Sector	237
	XII	Selected Statistics of Scheduled Banks	238
	XIII	Movements in Selected interest Rates (end period)	239
	XIV	Government Borrowing (net) from the Banking System	240
	XV	Non-Bank Government Borrowing	243
	XVI	Balance of Payments	244
	XVII	Category-wise Exports	245
	XVIII	Category-wise Imports	246
	XIX	Sector-wise Comparative Statement of Opening, Settlement and Outstanding of Import LCs	247
	XX	Foreign Exchange Reserves	248
	XXI	Period Average Taka-US Dollar Exchange Rates	249
	XXII	Country-wise Workers' Remittances	250
	XXIII	List of Scheduled Banks	251
	XXIV	List of Financial institutions	253
	XXV	List of Major Publications	254
Appendix-4	Banking Performance indicators		255
Tables			
	I	Banking System Structure	257
	II	Capital to Risk Weighted Assets Ratio by Type of Banks	257
	III	NPLs to Total Loans Ratios by Type of Banks	257
	IV	Ratio of Net NPLs to Total Loans by Type of Banks	258
	V	Required Provision and Provision Maintained-All Banks	258
	VI	Comparative Position of Provision Adequacy	258
	VII	Writing-off Bad Debts in Different Bank Categories	259
	VIII	Expenditure -Income Ratio by Type of Banks	259
	IX	Profitability Ratios by Type of Banks	259
	X	Net interest Income by Type of Banks	260
	XI	Liquidity Ratio by Type of Banks	260

List of Abbreviations

AA	Administration Agreements
AC	Audit Committee
A/C	Account
ACC	Anti-Corruption Commission
A&BD	Accounting & Budgeting Department
ACU	Asian Clearing Union
ACUD	Asian Clearing Union Dollar
ADB	Asian Development Bank
ADP	Annual Development Programme
ADs	Authorised Dealers
AML	Anti Money Laundering
AMLD	Anti Money Laundering Department
ASEAN	Association of South East Asian Nations
ATA	Anti-Terrorism Act
ATDT	Average Total Demand and Time Liabilities
ATDP	Agro- based Industries and Technology Development Project
ATF	Agreement on Trade Facilitation
ATM	Automated Teller Machine
BACH	Bangladesh Automated Clearing House
BACPS	Bangladesh Automated Cheque Processing Systems
BAP	Banking Application Package
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BBTA	Bangladesh Bank Training Academy
BCB	Bangladesh Cricket Board
BCBS	Basel Committee of Banking Supervision
BEFTN	Bangladesh Electronic Fund Transfer Network
BFID	Bank and Financial Institutions Division
BFIU	Bangladesh Financial Intelligence Unit
BGAPMEA	Bangladesh Accessories & Packaging Manufacturers & Exporters Association
BGTBs	Bangladesh Government Treasury Bonds
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIC	Basel Implementation Cell
BKB	Bangladesh Krishi Bank
BO	Beneficiary Owner
BoP	Balance of Payments
BPO	Business Process Outsourcing
BPO	Bangladesh Post Office
BPSSR	Bangladesh Payment and Settlement Systems Regulations
BRDB	Bangladesh Rural Development Borad
BRPD	Banking Regulation & Policy Department
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSBL	Bangladesh Samabaya Bank Limited
BTMA	Bangladesh Textile Mills Association
CAMD	Capital Adequacy and Market Discipline
CAMEL	Capital Adequacy, Asset Quality, Management, Earnings and Liquidity
CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
CAR	Capital Adequacy Ratio
CBSP	Central Bank Strengthening Project
CFT	Combating the Financing of Terrorism
CFT	Counterfeiting Financial Terrorism
CIB	Credit Information Bureau
CICTAB	Centre for International Cooperation and Training in Agricultural Banking
CIPC	Customers' Interests Protection Centre
CIT	Cheque Imaging and Transaction
CPI	Consumer Price Index
CRO	Chief Risk Officer
CRR	Cash Reserve Requirement
CSD	Common Services Department
CSE	Chittagong Stock Exchange
CSR	Corporate Social Responsibility
CTRs	Cash Transaction Reports
D-SIB	Domestic Systematically Important Bank
DBI-1	Department of Banking Inspection-1
DBI-2	Department of Banking Inspection-2
DBI-3	Department of Banking Inspection-3
DBI-4	Department of Banking Inspection-4
DC	Data Centre
DCCI	Dhaka Chamber of Commerce & Industry
DCM	Department of Currency Management
DCMPS	Department of Currency Management & Payment Systems
DFEI	Department of Foreign Exchange Inspection
DFID	Department for International Development
DFIM	Department of Financial Institutions & Market
DFIs	Development Finance Institutions
DITF	Deposit Insurance Trust Fund
DMD	Debt Management Department
DSE	Dhaka Stock Exchange
DOS	Department of Off-site Supervision
DR	Disaster Recovery
DRS	Disaster Recovery Site
ECB	European Central Bank
ECF	Extended Credit Facility
EDF	Export Development Fund
EDW	Enterprise Data Warehouse
EEF	Equity and Entrepreneurship Fund
EFT	Electronic Fund Transfer
EGBMP	Enterprises Growth and Bank Modernisation Programme
EI	Expenditure-Income
EMT	Executive Management Team
ENDAP	Emergency/Natural Disaster Assistance Programme
EPB	Export Promotion Bureau
EPZ	Export Processing Zone
ERM	Environmental Risk Management
ERM	Enterprise Wide Risk Management
ERP	Enterprise Resource Planning
ETP	Effluent Treatment Plant
EU	European Union
EWS	Early Warning System

FAO	Food and Agriculture Organisation
FATF	Financial Action Task Force
FCBs	Foreign Commercial Banks
FDI	Foreign Direct Investment
FIs	Financial Institutions
FICO	Finance and Controlling
FICSD	Financial Integrity and Customer Service Department
FIU	Financial Intelligence Unit
FLS	Food and Livelihood Security
FPM	Financial Projection Model
FRTMD	Forex Reserve & Treasury Management Department
FSPDSME	Financial Sector Project for the Development of Small and Medium-sized Enterprise
FSRP	Financial Sector Reform Project
FY	Financial Year (July- June)
GBCSRD	Green Banking and CSR Department
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GFSR	Global Financial Stability Report
GNS	Gross National Savings
GoB	Government of Bangladesh
H1	First Half
H2	Second Half
HBFC	House Building Finance Corporation
HFT	Held for Trade
HRD-1	Human Resources Department-1
HRD-2	Human Resources Department-2
HTM	Held to Maturity
IAD	Internal Audit Department
IADI	International Association of Deposit Insurance
IAMCL	ICB Asset Management Company Ltd
IAS	International Accounting Standards
IBA	Institution of Business Administration
IBB	Institute of Bankers Bangladesh
ICAAP	Internal Capital Adequacy Assessment Process
ICB	Investment Corporation of Bangladesh
ICC	International Credit Card
ICML	ICB Capital Management Ltd
ICRG	International Cooperation and Review Group
ICT	Information and Communication Technology
IDA	International Development Agency
IDCOL	Infrastructure Development Company Limited
IFC-BICF	International Finance Corporation-Bangladesh Investment Climate Fund
IFS	International Financial Statistics
IIFM	Islami Interbank Fund Market
IMF	International Monetary Fund
IPFF	Investment Promotion & Financing Facility
IPO	Initial Public Offering
IR	Insolvency Ratio
ISTCL	ICB Securities Trading Company Ltd.
IT	Information Technology
JCS	Joint Cooperation Strategy
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
JWG-CTTC	Joint Working Group on Counter-Terrorism and Transitional Crime
KPIs	Key Performance Indicators
KSA	Kingdom of Saudi Arabia
L/C	Letter of Credit
LAN	Local Area Network
LED	Light-Emitting Diode
LDS	Live Day Simulation
LIBOR	London Interbank Offered Rate
LOLR	Lender of Last Resort
LSF	Liquidity Support Facility
LST	Live Simulation Test
M2	Broad Money
MANCOM	Management Committee
MCR	Minimum Capital Requirements
MFIs	Microfinance Institutions
MFS	Mobile Financial Services
MLPA	Money Laundering Prevention Act
MLT	Medium and Long Term
MMT	Million Metric Tons
MM	Material Management
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPD	Monetary Policy Department
MRA	Microcredit Regulatory Authority
MSFSCIP	Marginal and Small Farm System Crop Intensification Project
MTMF	Medium Term Macroeconomic Framework
NAFTA	North American Free Trade Agreement
NAMA	Non-Agricultural Market Access
NBFIs	Non-bank Financial Institutions
NCDP	Northwest Crop Diversification Project
NDA	Net Domestic Assets
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
NGOs	Non-Governmental Organisations
NII	Net Interest Income
NIM	Net Interest Margin
NITA	Non-resident Investor Taka Account
NNPL	Net Non-Performing Loans
NOC	No Objection Certificate
NPLs	Non-Performing Loans
NPS	National Payment Switch
NPSB	National Payment Switch, Bangladesh
OMO	Open Market Operation
OPGSPs	Online Payment Gateway Service Providers
PCBs	Private Commercial Banks
PDs	Primary Dealers
PFDS	Public Food Distribution System
PFI	Participating Financial Institution
PIU	Project Implementation Unit
POL	Petroleum, Oil and Lubricants
POS	Point of Sale
PPO	Pension Payment Order
PPP	Public Private Partnership
PRGF	Poverty Reduction and Growth Facility
PSD	Payment Systems Division
QIP	Quantum Index of Industrial Production

RAKUB	Rajshahi Krishi Unnayan Bank
RBCA	Risk Based Capital Adequacy
REER	Real Effective Exchange Rate
Repo	Repurchase Agreement
RM	Reserve Money
RMD	Risk Management Department
RMP	Risk Management Paper
RMU	Risk Management Unit
ROA	Return on Assets
ROE	Return on Equity
RWA	Risk Weighted Assets
S&P	Standard and Poor's
SAP	System Applications and Products
SAARC	South Asian Association for Regional Cooperation
SC	Steering Committee
SCITI	Small and Cottage Industries Training Institute
SCBs	State -owned Commercial Banks
SCDP	Second Crop Diversification Project
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SEF	Small Enterprise Fund
SG-CFT	Sub-Group on Combating the Financing of Terrorism
SHOGORIP	Shashya Gudam Rin Prokalpa
SLR	Statutory Liquidity Ratio
SMEs	Small and Medium Enterprises
SMEDP	Small and Medium-sized Enterprise Development Project
SMESDP	Small and Medium Enterprise Sector Development Project
SMT	Senior Management Team
SPD	Special Programmes Department
SREP	Supervisory Review Evaluation Process
SRO	Statutory Regulatory Order
SRP	Supervisory Review Process
STRs	Suspicious Transaction Reports
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TA	Technical Assistance
TDTL	Total Demand and Time Liabilities
TF	Terrorist Financing
TIN	Taxpayer's Identification Number
UNODC	United Nations Office on Drugs and Crime
UAE	United Arab Emirates
UK	United Kingdom
US	United States
USA	United States of America
USD	US Dollar
VAT	Value Added Tax
VPN	Virtual Private Network
WAN	Wide Area Network
WAR	Weighted Average Resilience
WAR-WIR	Weighted Average Resilience-Weighted Insolvency Ratio
WEO	World Economic Outlook
WG	Working Group
WIR	Weighted Insolvency Ratio
WTO	World Trade Organisation

Macroeconomic Performance and Prospects

Global Economic Outlook

1.1 The global economy is growing more slowly than anticipated, and growth is projected to remain subdued at 2.9 percent in 2013 (Table 1.1). The growth in advanced economies is expected to pick up gradually following a weak 1.2 percent growth in 2013. In emerging market and developing economies, the growth rate is expected to slow to 4.5 percent in 2013. However, global activity is expected to strengthen moderately, but downside risks to global growth prospects still dominate the outlook.

1.2 IMF's latest World Economic Outlook Update (WEO Update October 2013) anticipated that average growth rate of world economy (2.9 percent) will be lower than the July 2013 WEO Update projections of 3.1 percent. The WEO forecast was revised downward mainly because of slower growth in China and in a growing number of emerging market economies, for both cyclical and structural reasons. Growth rate of the United States is projected to decline from 2.8 percent in 2012 to 1.6 percent in 2013. However, activity in the US is regaining pace, helped by a recovering real estate sector, higher household wealth, easier bank lending conditions, and more borrowing. In Japan, growth is projected to pick up at 2.0 percent in 2013, the same as in 2012, in response to the Bank of Japan's Quantitative and Qualitative Monetary Easing and the government's fiscal stimulus. In the euro area, economic growth is expected to contract by 0.4 percent in 2013, dampened by still tightening credit conditions in the periphery.

In emerging market economies, the reasons for weaker growth may include tightening

Table 1.1 Overview of the World Economic Outlook projections

(annual percentage change)

	2011	2012	Projections 2013	Projections 2014
World output	**3.9**	**3.2**	**2.9**	**3.6**
Advanced economies	1.7	1.5	1.2	2.0
United States	1.8	2.8	1.6	2.6
Euro area	1.5	-0.6	-0.4	1.0
Germany	3.4	0.9	0.5	1.4
France	2.0	0.0	0.2	1.0
Italy	0.4	-2.4	-1.8	0.7
Spain	0.1	-1.6	-1.3	0.2
United Kingdom	1.1	0.2	1.4	1.9
Japan	-0.6	2.0	2.0	1.2
Canada	2.5	1.7	1.6	2.2
Other advanced economies	3.2	1.9	2.3	3.1
Emerging market and developing economies	6.2	4.9	4.5	5.1
Developing Asia	7.8	6.4	6.3	6.5
China	9.3	7.7	7.6	7.3
ASEAN-5	4.5	6.2	5.0	5.4
South Asia				
Bangladesh	6.5	6.1	5.8	6.0
India	6.3	3.2	3.8	5.1
Pakistan	3.7	4.4	3.6	2.5
Sri Lanka	8.2	6.4	6.3	6.8
World trade volume (goods and services)	**6.1**	**2.7**	**2.9**	**4.9**
Imports				
Advanced economies	4.7	1.0	1.5	4.0
Emerging and developing economies	8.8	5.5	5.0	5.9
Exports				
Advanced economies	5.7	2.0	2.7	4.7
Emerging and developing economies	6.8	4.2	3.5	5.8
Commodity prices (U.S. dollars)				
Oil	31.6	1.0	-0.5	-3.0
Nonfuel	17.9	-9.9	-1.5	-4.2
Consumer prices				
Advanced economies	2.7	2.0	1.4	1.8
Emerging market and developing economies	7.1	6.1	6.2	5.7
South Asia				
Bangladesh	10.7	8.7	7.6	6.5
India	8.4	10.4	10.9	8.9
Pakistan	13.7	11.0	7.4	7.9
Sri Lanka	6.7	7.5	7.4	6.9

Source : World Economic Outlook, October 2013, IMF.

capacity constraints, stabilising or falling commodity prices, less policy support, and slowing credit. The forecast for growth rate for China is reduced to 7.6 percent in 2013, which will affect commodity exporters among the emerging market and developing economies. An overview of the WEO projections of economic growth is presented in Table 1.1.

1.3 In advanced economies, consumer prices are anticipated to ease from 2.0 percent in 2012 to 1.4 percent in 2013. In the United States, the CPI inflation is projected to fall from 2.1 percent in 2012 to 1.4 percent in 2013. Moreover, in the euro area, inflation is projected to fall from 2.5 percent in 2012 to 1.5 percent in 2013. In emerging and developing economies, inflation is projected to increase slightly from 6.1 percent in 2012 to 6.2 percent in 2013 (Table 1.1).

1.4 The growth rate of world trade volume is projected to rise from 2.7 percent in 2012 to 2.9 percent in 2013 (WEO, October 2013). This is lower than the projection of WEO Update, July 2013. The growth rates of exports and imports for the advanced economies are expected to increase to 2.7 and 1.5 percent in 2013 from 2.0 and 1.0 percent in 2012 respectively. However, the projected growth rates of exports and imports for emerging market and developing economies are expected to decline to 3.5 and 5.0 percent in 2013 from 4.2 and 5.5 percent in 2012 respectively.

1.5 According to the IMF Global Financial Stability Report (GFSR, October 2013), financial stability risks are broadly under control. Accommodative monetary policies and precautionary policy measures have eased monetary and financial conditions and reduced near-term stability risks. Commitments by the European Central Bank (ECB) to provide additional debt relief for Greece have greatly decreased redenomination risk. Moreover, initiatives by the ECB have reduced sovereign liquidity risk, which helped boost the resilience in economies of Italy and Cyprus. Overall, financial market conditions have improved and are benefiting the broader economy; however, the transmission is slow and incomplete.

1.6 Despite global growth projected to recover from slightly below 3.0 percent in 2013 to 3.6 percent in 2014, the overall balance of risks to near and medium global growth outlook is still dominated by downside risks. Although near term tail risks in advanced economies have diminished, key advanced economies should maintain a supportive macroeconomic policy mix, anchored by credible plans for medium term public debt sustainability. The main downside risks are related to the possibility of a longer growth slowdown in emerging market economies, specially given risks of lower potential growth, slowing credit and weak external conditions.

Developments in Bangladesh Economy

1.7 Macroeconomic situation in Bangladesh has been quite stable for a considerable period of time in recent years and proved resilient to global financial crisis posting GDP growth rate averaging 6.2 percent during the past five years. Using the 1995-96 base year the Bangladesh economy achieved GDP growth of 6.0 percent in FY13, and 6.2 percent using the 2005-06 base. Substantial remittance inflows and export activities helped to achieve this solid economic growth rate. Inflation decreased sharply to 6.8 percent (using the new 2005-06 base) at the end of FY13 driven by a gradual decline both in food and non-food inflation. Broad money (M2) registered 16.7 percent growth in FY13 due mainly to growth in net foreign assets; however, broad money growth was lower than the targeted growth of 17.7 percent and 17.4 percent actual growth in FY12. Total domestic credit declined from 19.2 percent in FY12 to 10.9 percent in FY13. The growth rate of credit to private sector declined from 19.7 percent in FY12 to 10.8 percent in FY13. This decline, however, was compensated partly by newly introduced overseas financing by Bangladeshi corporates. Other than European Union and US, export diversification to the newly discovered markets improved earnings from exports to record a satisfactory growth of 10.7 percent in FY13 as against 6.2 percent in FY12. The growth of imports decreased from 2.4 percent in FY12 to 0.8 percent in FY13 due mainly to major reduction in imports of food grain, some consumer goods and capital machinery. A lower trade deficit and higher growth of workers' remittances led the current account balance to a significant surplus of USD 2525 million in FY13. The overall balance also showed a huge surplus of USD 5128 million in FY13 with substantial contributions from current account balance, capital account and financial account.

Growth Performance

1.8 Bangladesh's GDP growth rate of 6.0 percent in FY13 using the 1995-96 base, and 6.2 percent using the 2005-06 base, remain impressive. Growth in agriculture sector declined from 3.1 percent in FY12 to 2.2 percent in FY13. Growth in crops and horticulture sub-sector slid to 0.2 percent in FY13 from 2.0 percent in FY12, though growth in animal farming and forest and related services subsectors increased slightly during the period. Fishing sub-sector grew above 5.0 percent in FY13. The sectoral GDP growth rates are presented in Table 1.2.

1.9 Industry sector grew slightly more at 9.0 percent in FY13 compared to 8.9 percent in FY12 driven in large part by faster growth in mining and quarrying, construction and small scale industries (Table 1.2). Mining and quarrying sub-sectors grew strongly by 11.1 percent in FY13 compared with 7.8 percent in FY12. Power, gas and water supply subsector demonstrated a lower growth of 8.6 percent in FY13 compared with 12.0 percent in FY12; however, the growth in FY13 remained above the long run trend.

1.10 Services sector growth decreased to 5.7 percent in FY13 from 6.0 percent in FY12 affected mainly by lower growth of wholesale and retail trade sub-sector. Wholesale and retail trade sub-sector, the major services sub-sector, declined to 4.7 percent in FY13 from 5.6 percent in FY12 reflecting weaker domestic demand. Growth rates of hotel and restaurants, transport, storage and communication, real estate, renting and other business activities, community, social and personal services subsectors increased slightly in FY13. On the other hand, growth rates of financial intermediation, public administration defense, health and social works sub-sectors edged down during the period. Education subsector grew strongly from 7.2 percent in FY12 to 9.7 percent in FY13 (Table 1.2).

Savings and Investment

1.11 Gross fixed investment increased slightly to 26.8 percent of GDP in FY13 from 26.5 percent in FY12 due to increasing growth of public investment (Chart 1.1). During the same period, private investment decreased from 20.0 to 19.0 percent of GDP and public investment increased from 6.5 to 7.9 percent of GDP. National savings rates increased slightly from 29.2 percent of GDP in FY12 to 29.5 percent of GDP in FY13. Domestic savings as a percent of GDP remained unchanged at 19.3 percent in FY13. The domestic savings-investment gap as a percentage of GDP, correspondingly, increased from 7.2 percent in FY12 to 7.5 percent in FY13.

Price developments

1.12 The average inflation rate, using the FY06 new base, moderated to 6.8 percent at the end of FY13 from 8.7 percent at the end of FY12. Over this period, food and non-food inflation both decreased from 7.7 to 5.2 percent and from 10.2 to 9.2 percent respectively. The decrease in average inflation during FY13 was driven mainly by a gradual fall of food inflation until January 2013 when food inflation bottomed out at 3.2 percent. A steady decline in non-food inflation during the second half of FY13 also contributed to fall in average inflation. Though average inflation went down, point-to-point inflation increased to 8.1 percent in FY13 from 5.6 percent in FY12.

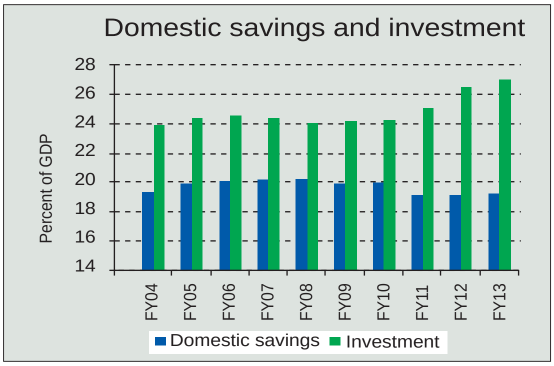
Table 1.2 Sectoral GDP growth rates

(at FY96 constant prices)

	FY94-03 (Average)	FY04-13 (Average)	FY12^{R}	FY13^{P}
1. Agriculture	**3.1**	**3.9**	**3.1**	**2.2**
a) Agriculture and forestry	2.5	3.7	2.5	1.2
i) Crops and horticulture	2.2	3.4	2.0	0.2
ii) Animal farming	3.0	4.4	3.4	3.5
iii) Forest and related services	4.1	4.9	4.4	4.5
b) Fishing	5.8	4.3	5.4	5.5
2. Industry	**7.2**	**8.0**	**8.9**	**9.0**
a) Mining and quarrying	6.4	8.5	7.8	11.1
b) Manufacturing	6.6	8.4	9.4	9.3
i) Large and medium scale	6.5	8.8	10.5	10.3
ii) Small scale	6.7	7.5	6.5	6.8
c) Power, gas and water supply	5.7	7.5	12.0	8.6
d) Construction	8.8	7.1	7.6	8.1
3. Services	**5.0**	**6.3**	**6.0**	**5.7**
a) Wholesale and retail trade	6.3	6.4	5.6	4.7
b) Hotel and restaurants	6.1	7.5	7.6	7.6
c) Transport, storage and communication	5.9	7.3	6.6	6.7
d) Financial intermediations	5.5	9.3	11.0	9.0
e) Real estate, renting and other business activities	3.6	3.8	4.1	4.1
f) Public administration and defence	5.4	7.4	5.8	5.1
g) Education	6.4	8.5	7.2	9.7
h) Health and social works	4.4	7.5	7.9	7.5
i) Community, social and personal services	3.0	4.5	4.8	4.9
GDP (at FY96 constant market prices)	**5.0**	**6.2**	**6.2**	**6.0**

Source: Bangladesh Bureau of Statistics.
R= Revised, P= Provisional.

Chart 1.1



Money and Credit Developments

1.13 In FY13, Bangladesh Bank designed its monetary policy stance based on assessment of global and domestic macroeconomic conditions and outlook. BB continued restrained policy stance in H1 of FY13 to curb inflation. In H2 of FY13 repo and reverse repo rates were decreased from 7.75 and 5.75 percent in FY12 to 7.25 and 5.25

percent respectively in FY13. Besides, Bangladesh Bank continued to maintain the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR) for banks at 6.0 percent and 19.0 percent respectively.

1.14 Broad money (M2) recorded lower growth of 16.7 percent in FY13 against the targeted growth of 17.7 percent and 17.4 percent actual growth in FY12. The growth in broad money was attributed mainly by the growth in net foreign assets (NFA). The NFA of the banking system increased by 50.3 percent in FY13 against targeted 21.0 percent resulting from robust growth in remittance and low import growth. The credit to public sector increased by 11.1 percent in FY13. The growth rate of the credit to private sector declined significantly from 19.7 percent in FY12 to 10.8 percent in FY13. This decline was mainly due to investment uncertainty ahead of national general election and more stringent lending practices by the banks. As a result, net domestic assets (NDA) recorded a lower growth of 11.1 percent in FY13 as compared to targeted 17.1 percent growth and 19.3 percent growth in FY12.

1.15 Of the components of broad money on the liability side, growth of the time deposits (17.8 percent) was higher than that of the currency and demand deposits (12.6 percent). The income velocity of money declined to 1.72 in FY13 from 1.78 in FY12 indicating increased monetisation and financial deepening in the economy.

1.16 The weighted average interest rate on bank advances decreased to 13.7 percent at the end of June 2013 from 13.8 percent at the end of June 2012, while the deposit rate increased to 8.5 percent from 8.2 percent over the same period.

Chart 1.2

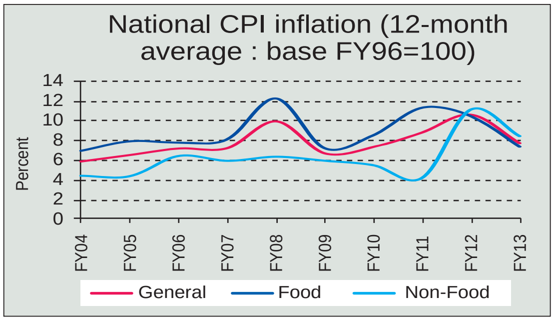


Chart 1.3

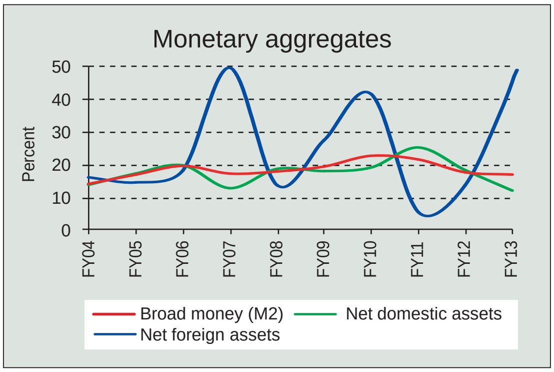
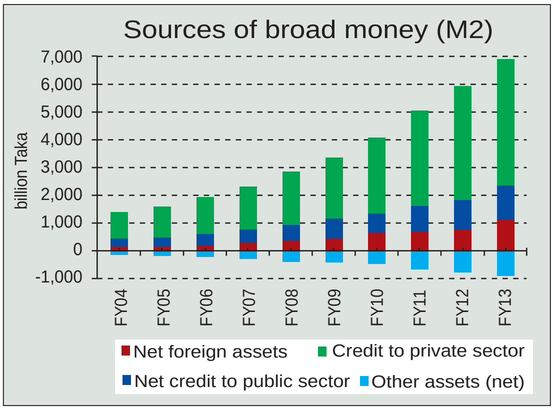


Chart 1.4



Public Finance

1.17 Excluding grants, the overall budget deficit to GDP ratio increased from 4.1 percent in FY12 to 4.8 percent in FY13. However, domestic financing of the deficit decreased to 3.1 percent of GDP in FY13 from 3.3 percent of GDP in FY12.

1.18 Revenue receipts in FY13 were 13.5 percent of GDP. Its growth was 21.8 percent in FY13 compared to 23.3 percent growth in FY12.

1.19 Public expenditure in FY13 was 18.3 percent of GDP. In nominal terms it grew by 24.2 percent compared to 18.8 percent growth in FY12. Current expenditure in FY13 was 9.9 percent of GDP.

External Sector

1.20 The exports earnings increased to USD 26566 million from USD 23989 million and import payments increased marginally to USD 33576 million from USD 33309 million in FY13 over FY12. Trade deficit declined to USD 7010 million in FY13 from USD 9320 million in FY12. The services and income account including primary income and secondary income registered a surplus of USD 9535 million due to a buoyant increasing remittance inflows. Remittance inflows increased to USD 14338 million in FY13 from USD 12734 million in FY12 (Appendix-3, Table-XVI). As a result, current account balance moved to a surplus of USD 2525 million as compared to a deficit of USD 447 million in FY12. The capital and financial account surplus continued to increase from USD 1918 million in FY12 to USD 3367 million in FY13, primarily due to increased flow of FDI, medium and long term loan disbursements and net trade credit. The capital account surplus increased from USD 482 million to USD 588 million during this period. While taking into account net errors and omissions, the overall balance of payments registered a huge surplus of USD 5128 million in FY13 compared to a surplus of USD 494 million in FY12. Gross international foreign exchange reserves at USD 15300 million at end of FY13 reflected improved external balances, representing 5.5 months of import cover.

Chart 1.5

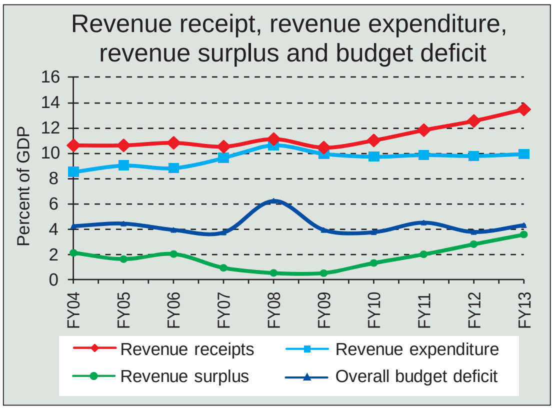
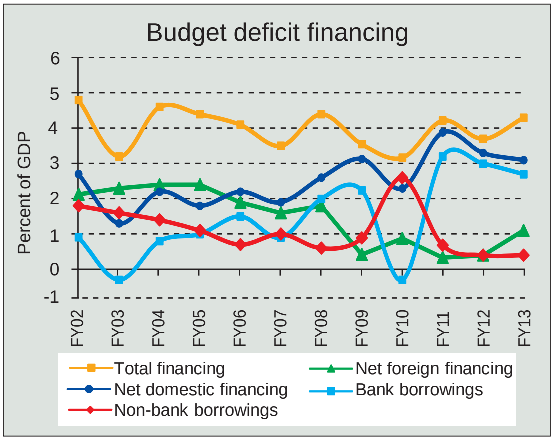


Chart 1.6



1.21 The export earnings, expressed as a percent of GDP, decreased from 20.7 percent in FY12 to 20.5 percent in FY13. The growth rate of exports earnings increased from 6.2 percent to 10.7 percent during this period. While leather, jute goods, knitwear and woven garments experienced a positive growth, some of the exports items like fish, shrimps, raw jute, tea, home textile and engineering products experienced a negative growth.

1.22 Import payments, as a percent of GDP, decreased from 28.7 in FY12 to 25.9 in FY13.

Imports grew at a rate of 0.8 percent in FY13 compared to the 2.4 percent growth in FY12. This lower growth of import payments resulted mainly from negative growth in imports of food grains, edible oil, sugar, POL, fertiliser, and capital machinery. However, imports of pulses, chemicals, textile & textile articles thereof and iron, steel & other base metals showed positive growth in FY13.

1.23 The rate of growth of workers' remittance inflows increased by 12.6 percent in FY13 playing an important role in strengthening the current account balance.

1.24 In order to achieve BB's monetary policy goal and to avoid undue volatility in the foreign exchange market, Bangladesh Bank remained vigilant by closely monitoring the exchange rate movements, and buying and selling of foreign exchanges. In FY13, Bangladesh Taka experienced appreciation of 5.2 percent against US dollar mainly due to strong growth in the flow of inward remittances, increase in export earnings and sluggish import payments. BB purchased USD 4539.0 million in order to mop up excess liquidity in the local foreign exchange market. The nominal exchange rate of Taka stood at Taka 77.77 per US dollar as of end June 2013 compared to Taka 81.82 per US dollar as of end June 2012. In nominal effective terms, against a trade weighted eight currency basket (base: 2000-01=100), Taka appreciated by 6.4 percent in FY13. The real effective exchange rate of the Taka also appreciated by 11.3 percent as of end June 2013.

Chart 1.7

Chart 1.8

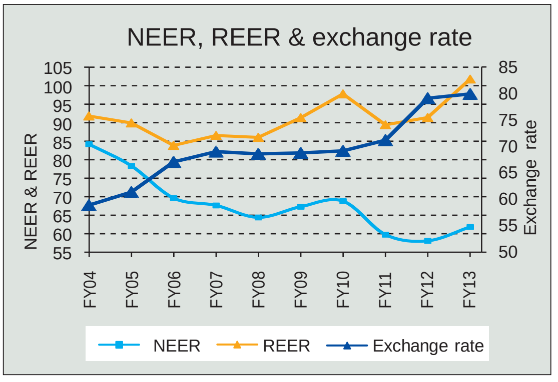
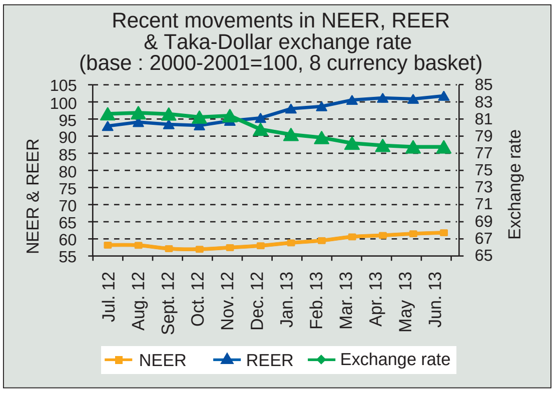


Chart 1.9



1.25 Outstanding external debt of Bangladesh increased to USD 23.3 billion as of end June 2013 from USD 22.1 billion as of end June 2012. However, the outstanding debt to GDP ratio declined to 18.0 percent at the end of June 2013 from 19.0 percent at end of June 2012.

Near and Medium Term Outlook for Bangladesh Economy

1.26 The outlook for the Bangladesh economy is favourable over the medium term in light of a growing working age population and likely continued global demand for Bangladeshi products. Faster growth of beyond 7 percent will require sustained investments in infrastructure specially in the energy sector. BB's projections suggest that the GDP growth outlook for FY14 is unlikely to deviate significantly from the last 10 years' average of 6.2 percent. This is based on current and projected trends of a number of variables including global growth, exports, investments, imports, remittances etc.

1.27 The monetary stance of BB in FY14 will target a monetary growth path which aims to bring average inflation down to 7 percent while ensuring that credit growth is sufficient to stimulate inclusive growth. Further reductions in inflation will be targeted in subsequent years.

The Real Economy

Economic Growth

2.1 Bangladesh economy achieved a respectable growth of 6.0 percent during FY13 in a very challenging domestic and global economic environment. Using the FY96 base year, real GDP growth was 0.2 percentage point lower than 6.2 percent growth recorded in FY12 (Table 2.1). However a more updated 2005 base was recently released by BBS where growth in FY13 is estimated at 6.18 percent. In FY13, measured at current market prices, the GDP of Bangladesh recorded Taka 10,379.9 billion representing a nominal growth of 13.1 percent. In FY13, the country's per capita real GDP increased by 4.6 percent and per capita nominal GDP increased by 11.6 percent (Chart 2.1).

2.2 The expansion of the economy during FY13 was broad based, registering positive growth by all sectors and sub-sectors of the economy (Table 2.1). GDP growth during the year was based on 9.0 percent growth in the industry sector, 5.7 percent growth in the services sector and 2.2 percent moderate growth in the agriculture sector. In the overall GDP growth of 6.0 percent in FY13, the services and industry sectors contributed equally (weighted share in growth rate) i,e, 2.8 percentage points while agriculture contributed 0.4 percentage point.

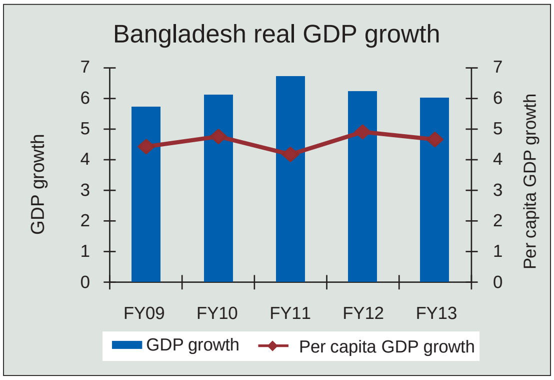
Table 2.1 Sectoral GDP growth

(at FY96 constant prices: percent)

	FY10	FY11	FY12R	FY13P
1. Agriculture	**5.2**	**5.1**	**3.1**	***2.2***
a) Agriculture and forestry	5.6	5.1	2.5	1.2
i) Crops and horticulture	6.1	5.7	2.0	0.2
ii) Animal farming	3.4	3.5	3.4	3.5
iii) Forest and related services	5.2	3.9	4.4	4.5
b) Fishing	4.2	5.3	5.4	5.5
2. Industry	**6.5**	**8.2**	**8.9**	**9.0**
a) Mining and quarrying	8.8	4.8	7.8	11.1
b) Manufacturing	6.5	9.5	9.4	9.3
i) Large and medium scale	6.0	10.9	10.5	10.3
ii) Small scale	7.8	5.8	6.5	6.8
c) Power, gas and water supply	7.3	6.6	12.0	8.6
d) Construction	6.0	6.5	7.6	8.1
3. Services	**6.5**	**6.2**	**6.0**	**5.7**
a) Wholesale and retail trade	5.9	6.3	5.6	4.7
b) Hotel and restaurants	7.6	7.6	7.6	7.6
c) Transport, storage and communication	7.7	5.7	6.6	6.7
d) Financial intermediations	11.6	9.6	11.0	9.0
i) Monetary intermediation (Banks)	10.5	9.0	11.3	9.3
ii) Insurance	14.9	11.6	10.3	8.2
iii) Other financial intermediation	16.1	10.1	10.0	8.4
e) Real estate, renting and business activities	3.9	4.0	4.1	4.1
f) Public administration and defence	8.4	9.7	5.8	5.1
g) Education	9.2	9.4	7.2	9.7
h) Health and social work	8.1	8.4	7.9	7.5
i) Community, social and personal services	4.7	4.7	4.8	4.9
GDP (at FY96 constant market prices)	**6.1**	**6.7**	**6.2**	**6.0**

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

Chart 2.1



Agriculture Sector

2.3 The agriculture sector contributed 18.7 percent of total GDP in FY13 compared to 19.4 percent of total GDP in FY12. The output growth of agriculture sector moderated to 2.2 percent in FY13 from 3.1 percent of FY12. The deceleration of agricultural growth was largely due to the base effect of two consecutive years of record growth and lower than expected rice output which led to the crop sector only growing by 0.2 percent.

Within the agriculture sector, the highest growth was achieved in the fishing sub-sector followed by the forest and related services sub-sector. Fishing sub-sector grew at a rate of 5.5 percent in FY13 against 5.4 percent recorded in FY12. The growth rate of the forest and related services sub-sector increased to 4.5 percent in FY13 against 4.4 percent in FY12. Animal farming sub-sector grew by 3.5 percent in FY13 compared to that of 3.4 percent in FY12.

2.4 The production of food grains (*Aus, Aman, Boro* and Wheat) increased by 0.9 percent from 34.8 million metric tons (MMT) in FY12 to 35.1 MMT in FY13 reflecting slightly higher *Aman, Boro* and Wheat production. *Aus* output, a relatively minor crop of the year, decreased by 4.3 percent from 2.3 MMT in FY12 to 2.2 MMT in FY13. The production of *Aman*, the second largest crop of the year, increased to 12.9 MMT in FY13. *Boro* output, the single largest crop of the year, grew by 0.5 percent from 18.7 MMT in FY12 to 18.8 MMT in FY13. Wheat production was increased by 30.0 percent from 1.0 MMT in FY12 to 1.3 MMT in FY13.

Table 2.2 Quantum index of medium and large-scale manufacturing industries (base: FY06=100)

Code	Major Industry Group	Weight	2010-11	2011-12	2012-13
1	Gheneral Index of Manufacturing	100.00	157.89	174.92	195.19
2	Manufacture of food products	10.84	138.66	161.34	219.10
3	Manufacture of beverages	0.34	152.37	152.46	189.81
4	Manufacture of tobacco products	2.92	112.30	136.79	144.66
5	Manufacture of textile	14.07	139.51	139.44	142.41
6	Manufacture of wearing apparel	34.84	200.80	235.44	265.83
7	Manufacture of leather and related products	4.40	129.02	132.32	139.76
8	Manufacture of wood and products of wood and cork	0.33	216.66	235.99	238.81
9	Manufacture of paper and paper products	0.33	169.70	171.34	16Q.43
10	Printing and reproduction of recorded media	1.83	121.12	123.23	124.36
11	Manufacture of coke and refined petroleum products	1.25	99.10	90.85	101.54
12	Manufacture of chemicals and chemical products	3.67	70.80	80.77	84.62
13	Manufacture of pharmaceuticals and medicinal chemical	8.23	164.97	169.82	178.79
14	Manufacture of rubber and plastic products	1.56	191.97	217.59	244.87
15	Manufacture of other non-metalic mineral products	7.12	134.62	138.22	139.51
16	Manufacture of basic metals	3.15	111.50	114.26	136.41
17	Manufacture of fabricated metal products except machinery	2.32	137.71	138.81	149.03
18	Manufacture of computer, electronic and optical products	0.15	126.22	114.77	99.00
19	Manufacture of electrical equipment	0.73	122.47	125.22	128.53
20	Manufacture of machinery and equipment n.e.c	0.18	172.95	178.29	155.86
21	Manufacture of motor vehicles,trailers and semi trailers	0.13	160.10	201.46	186.62
22	Manufacture of other transport equipment	0.73	150.31	158.31	138.21
23	Manufacture of furniture	0.88	103.19	100.98	109.14

Industry Sector

2.5 The country's industry sector grew substantially by a healthy 9.0 percent in FY13. The sustained increase in mining and quarrying, construction and large and medium scale spurred the growth in the industry sector. The growth in mining and quarrying sub-sector, a relatively minor activity, increased to 11.1 percent in FY13 from 7.8 percent in FY12, helped to bolster the growth in the industry sector. The manufacturing sub-sector decelerated slightly to 9.3 percent growth in FY13 compared to 9.4 percent in FY12 due to subdued domestic and external demand. The large and medium scale manufacturing which accounted for 73 percent of the manufacturing sub-sector grew by 10.3 percent in FY13 compared to 10.5 percent in FY12. On the other hand, small scale manufacturing sub-sector which contributed about 27.0 percent of the total output of the manufacturing sector grew by 6.8 percent in FY13, slightly higher than 6.5 percent in FY12. Small scale manufacturing industries like rice milling, grain milling, knitwear, leather products, footwear, and non-metallic mineral products etc. showed upward growth in FY13. The production of this sub-sector mostly depends on indigenous raw materials and are generally immune to external shocks. Quantum Index of Industrial Production (QIP) showed a growth of 11.6 percent during FY13 (Table 2.2). Production of both large and medium scale manufacturing industries, particularly food, textile, wearing apparels, leather and related products, basic metals, tobacco products, coke and refined petroleum, fabricated metal products except machinery, pharmaceuticals and medicinal chemical showed growth during FY13. The export of woven garments and knitwear, the country's two key export industries showed a growth of 15.0 percent and 10.4 percent respectively in FY13. However, exports of raw jute, tea, frozen food and chemical products showed a downward growth during the year.

Table 2.3 Sectoral GDP shares (in percent)

(at FY96 constant producer prices)

	FY10	FY11	FY12^R	FY13^P
1. Agriculture	**20.3**	**20.0**	**19.4**	**18.7**
a) Agriculture and forestry	15.8	15.6	15.0	14.3
i) Crop and horticulture	11.4	11.3	10.9	10.3
ii) Animal farming	2.7	2.6	2.5	2.5
iii) Forest and related services	1.7	1.7	1.7	1.6
b) Fishing	4.5	4.4	4.4	4.4
2. Industry	**29.9**	**30.4**	**31.1**	**32.0**
a) Mining and quarrying	1.3	1.3	1.3	1.3
b) Manufacturing	17.9	18.4	19.0	19.5
i) Large and medium scale	12.7	13.2	13.7	14.3
ii) Small scale	5.3	5.2	5.2	5.3
c) Power, gas and water supply	1.6	1.6	1.7	1.7
d) Construction	9.1	9.1	9.2	9.4
3. Services	**49.8**	**49.6**	**49.5**	**49.3**
a) Wholesale and retail trade	14.4	14.3	14.2	14.1
b) Hotel and restaurants	0.7	0.7	0.7	0.8
c) Transport, storage and communication	10.8	10.7	10.7	10.8
d) Financial intermediations	2.0	2.0	2.1	2.2
i) Monetary intermediation (Banks)	1.4	1.5	1.5	1.6
ii) Insurance	0.4	0.5	0.5	0.5
iii) Other financial intermediation	0.1	0.1	0.1	0.1
e) Real estate, renting and business activities	7.2	7.0	6.9	6.7
f) Public administration and defence	2.8	2.9	2.9	2.9
g) Education	2.7	2.8	2.8	2.9
h) Health and social work	2.4	2.4	2.5	2.5
i) Community, social and personal services	6.8	6.7	6.6	6.5
GDP (at FY96 constant producer prices)	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

Growth of the construction sub-sector increased to 8.1 percent during FY13 from 7.6 percent in FY12. Growth in the power, gas and water supply sub-sector (8.6 percent in FY13) was lower than FY12 but higher than the earlier two years.

Services Sector

2.6 The services sector growth moderated to 5.7 percent in FY13 compared to 6.0 percent in FY12. The moderation in this sector growth was led mainly by a slowdown in wholesale and retail trade and financial intermediation. Wholesale and retail trade, which accounted about 28.5 percent of the sector, grew by 4.7 percent in FY13 against 5.6 percent in FY12. Financial intermediation achieved a lower growth of 9.0 percent in FY13 compared to 11.0 percent in FY12 largely due to lower profitability in the banking sector.

Growth in real estate, renting and business activities, social and personal services, transport, storage and communication and hotel and restaurants sub-sectors remained virtually unchanged in FY13 compared to the previous year. The education sub-sector exhibited an impressive growth of 9.7 percent in FY13, significantly higher than the 7.2 percent of FY12, possibly due to the growth of new institutions of higher education.

Sectoral Composition of GDP

2.7 The long-term trend showing a shift of the sectoral composition of GDP away from agriculture towards industry continued in FY13 (Table 2.3). During the year under review, the share of the agriculture sector came down from 19.4 percent in FY12 to 18.7 percent in FY13; the share of services sector also decreased slightly from 49.5 percent in FY12 to 49.3 percent in FY13; and the share of industry sector increased to 32.0 percent in FY13 from 31.1 percent in FY12.

2.8 The reduction in the share of agriculture is mainly due to the drop in the crops and horticulture sub-sector (comprising of 55.1 percent in the overall agriculture) which fell from 10.9 percent in FY12 to 10.3 in FY13 (Table 2.3). The rise in the overall contribution of industry to GDP in FY13 (by 0.9 percentage points) is largely due to the higher share of large and medium scale

Table 2.4 GDP by expenditure groups

(at current market prices: billion Taka)

Particulars	FY10	FY11	$FY12^R$	$FY13^P$
Domestic demand (1+2)	7242.8	8434.0	9849.8	11167.6
Consumption (1)	5547.7	6430.2	7412.9	8381.5
Private	5175.0	5969.4	6900.0	7812.2
Government	372.7	460.9	512.9	569.3
Investment (2)	1695.1	2003.8	2436.9	2786.1
Private	1346.9	1554.4	1840.4	1971.3
Public	348.2	449.3	596.6	814.9
Resource balance (3-4)	-458.9	-693.9	-821.8	-845.7
Exports (3)	1278.0	1824.5	2127.5	2371.1
Imports (4)	1736.9	2518.4	2949.2	3216.7
Gross domestic expenditure	6783.9	7740.1	9028.0	10321.9
Gross domestic product	6943.2	7967.0	9181.4	10379.9
Statistical discrepancy	159.4	226.9	153.4	58.0

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

Table 2.5 Domestic savings and investment

(as percent of GDP)

Particulars	FY10	FY11	$FY12^R$	$FY13^P$
Public				
Investment	5.0	5.6	6.5	7.9
Domestic savings	1.4	1.4	1.3	1.3
Domestic savings-investment gap	-3.6	-4.2	-5.2	-6.6
Private				
Investment	19.4	19.5	20.0	19.0
Domestic savings	18.8	17.9	17.9	18.0
Domestic savings-investment gap	-0.6	-1.6	-2.1	-1.0
Total				
Investment	24.4	25.2	26.5	26.8
Domestic savings	20.1	19.3	19.3	19.3
Total Savings-Investment gap	-4.3	-5.9	-7.2	-7.5
National savings	30.0	28.8	29.2	29.5

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

manufacturing and a small rise in the share of construction. The share of mining and quarrying and power, gas and water supply sub-sector remained unchanged. In the services sector, while the share of hotel and restaurants, financial intermediations, transport, storage and communication and education sub-sectors increased slightly; the share of wholesale and retail trade, real estate, renting and business activities and community, social and personal services sub-sectors declined slightly. The share of rest of the sub-sectors remained unchanged during the year (Table 2.3).

GDP by Expenditure

2.9 In FY13, expenditure based estimation for nominal GDP was Taka 10,379.9 billion, showing a nominal increase of 13.1 percent over FY12 (Table 2.4). Gross Domestic Expenditure (GDE) measures the aggregate demand generated by domestic economic activity, which is the sum of consumption expenditure, investment expenditure of the private and public sector and the resource balance of the economy. In FY13, domestic demand was estimated at Taka 11,167.6 billion at current market prices, reflecting an increase of 13.4 percent over FY12.

2.10 Available BBS data of FY13 indicates that of the GDE, consumption expenditure constituted 81.2 percent while investment expenditure constituted 27.0 percent and resource balance was -8.2 percent. In FY13, investment expenditure increased by 14.3 percent in nominal terms, higher than 13.1 percent increase in consumption expenditure.

Chart 2.2

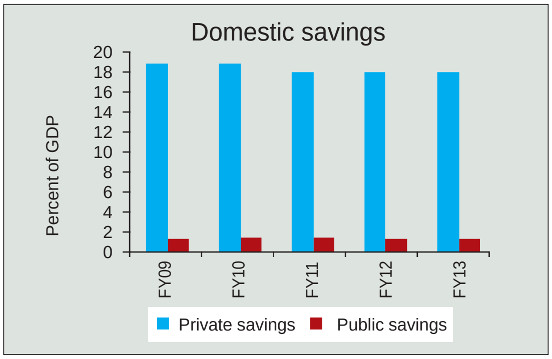
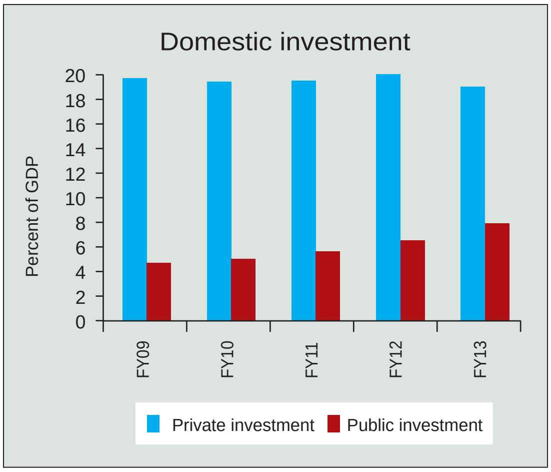


Chart 2.3



Savings and Investment

2.11 Domestic and national savings rose considerably as the current account deficit improved this year. Available data indicates that Gross Domestic Savings (GDS) at current market prices grew by 13.0 percent in FY13. The GDS as percentage of GDP remained constant in FY13 at 19.3 compared to FY12 (Table 2.5, Chart 2.2).

The private sector component of domestic savings increased to 18.0 in FY13 from 17.9 in FY12. The small public sector component of domestic savings remained unchanged at 1.3 in FY13. The continued growth of Net Factor Income (NFI) raised the Gross

National Savings (GNS) rate to 29.5 percent of GDP in FY13 from 29.2 percent of GDP in FY12. In FY13, NFI increased by 17.0 percent over the previous year.

2.12 Investment as percentage of GDP increased to 26.8 in FY13 which was 26.5 in FY12 (Table 2.5, Chart 2.3). While the private sector component of investment decreased from 20.0 in FY12 to 19.0 in FY13; the public sector component of investment increased from 6.5 percent in FY12 to 7.9 in FY13. The increasing share of public investment in GDP in FY13 resulted from higher implementation rate of ADP compared to that in the last year.

2.13 The domestic savings-investment gap as percentage of GDP increased from 7.2 in FY12 to 7.5 in FY13 (Table 2.5). The domestic savings-investment gap was met with net factor income from abroad.

Prices and Wages

Consumer Prices in Bangladesh

3.1 Average CPI inflation (base: FY96=100) in Bangladesh exhibited a downward trend in FY13. Though inflationary pressure was rising in the previous fiscal year and reached a peak in February 2012 (11.0 percent), it started falling thereafter. The decline in inflation was largely because of a restrained monetary policy, an appreciation of the Taka in FY13, good domestic harvests and stable international commodity prices.

The inflation measured using the 12-month average basis (base: FY96=100) was 7.7 percent in June 2013 as compared to the target of 7.5 percent in the national budget for FY13 while actual inflation was 10.6 percent in FY12 (Table 3.2, Chart 3.1). The twelve-month average CPI inflation in the new base (FY06=100) was 6.8 percent in June 2013 as against 8.7 percent in June 2012.

The twelve month point-to-point CPI inflation was at 8.0 percent in June 2013 compared with 8.6 percent in June 2012. The declining trend in inflation was driven by yearly steady fall in food and non-food prices. In October 2012, the food CPI inflation bottomed out at 5.6 percent. After that there were greater fluctuations in point-to-point CPI inflation.

The annual average food inflation decreased to 7.4 percent in June 2013 which was 10.5

Chart 3.1

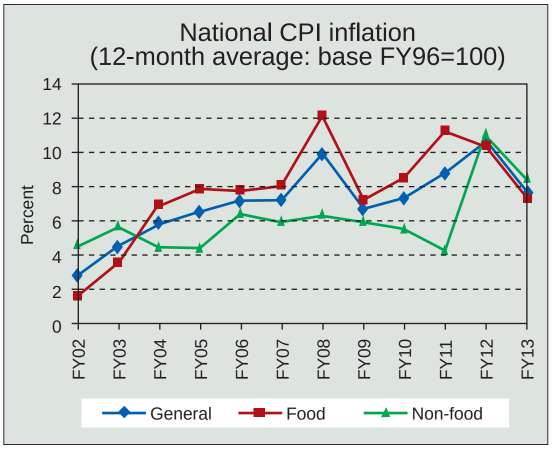


Table 3.1 Monthly change in inflation (%)

Months	General	Food	Non-food
July 12	1.76	2.21	0.89
August 12	1.85	2.45	0.78
September12	1.49	1.91	0.76
October 12	0.25	-0.27	1.09
November 12	0.41	0.55	0.18
December 12	0.19	0.08	0.41
January 13	1.30	1.18	1.58
February 13	0.15	0.04	0.35
March 13	0.27	0.26	0.28
April 13	0.12	0.11	0.14
May 13	-0.71	-1.16	0.15
June 13	0.66	0.92	0.19

Source: Bangladesh Bureau of Statistics.

percent in June 2012. The point-to-point food inflation increased to 8.6 percent in April 2013, highest of the fiscal year and then 8.5 percent in June 2013 compared to 7.1 percent in June 2012.

The average non-food inflation also showed a mixed trend during FY13. The average non-food inflation was 11.8 percent in October 2012 which was the peak in FY13 and fell to 8.4 percent in June 2013 from 11.2 percent in June 2012 (Table 3.2, Chart 3.1). On the other hand, point-to-point non-food inflation was 7.0 percent in June 2013 compared with 11.7 percent in June 2012.

Monthly percentage change in general, food and non-food inflation showed mixed trends in FY13. Monthly food CPI increased to about 2.5 percent in August 2012 which was the highest in FY13 (Table 3.1, Chart 3.2).

3.2 Annual average CPI inflation in the rural areas was 7.3 percent in June 2013 falling from 10.2 percent in June 2012 (Table 3.2, Chart 3.3). The food inflation decreased to 6.9 percent in June 2013 from 9.7 percent in June 2012 and the non-food inflation decreased significantly to 8.2 percent in June 2013 from 11.2 percent in June 2012.

3.3 Annual average CPI inflation in the urban areas decreased to 8.6 percent in June 2013 from 11.7 percent in June 2012 (Table 3.2, Chart 3.4). Food inflation in urban areas was 8.3 percent in June 2013 which reached the peak of 12.6 percent in January 2012 (which was 12.2 percent in June 2012). The non-food inflation decreased to 9.0 percent in June 2013 from 11.0 percent in June 2012. Urban consumers experienced a higher rate of 8.3 percent food inflation in June 2013 whereas the rate was 6.9 percent for the consumers in rural areas.

The Government adopted various measures to keep food inflation at a reasonable level. The Government procured 1.41 million tons of

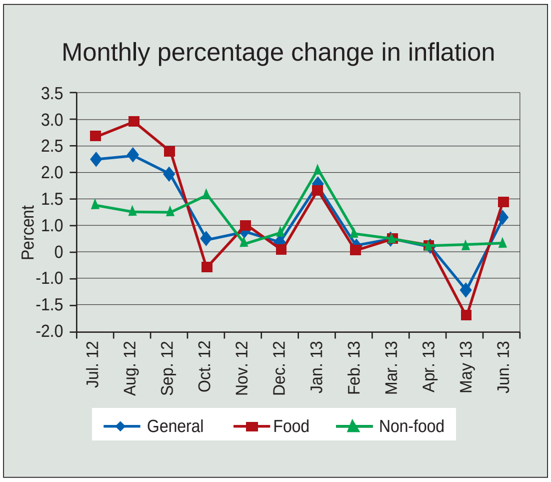
Table 3.2 Annual average CPI based inflation

(Base:1995-96=100)

Group	Weight	FY11	FY12	FY13
a. National level				
General index	100.00	241.02	266.61	287.14
		(8.80)	(10.62)	(7.70)
Food	58.84	267.83	295.86	317.62
		(11.34)	(10.47)	(7.35)
Non-food	41.16	205.01	227.87	247.07
		(4.15)	(11.15)	(8.43)
b. Rural				
General index	100.00	244.38	269.31	289.08
		(9.40)	(10.20)	(7.34)
Food	62.96	264.13	289.82	309.90
		(12.03)	(9.73)	(6.93)
Non-food	37.04	210.81	234.47	253.68
		(4.18)	(11.22)	(8.19)
c. Urban				
General index	100.00	232.81	260.01	282.42
		(7.30)	(11.68)	(8.62)
Food	48.80	276.82	310.58	336.41
		(9.76)	(12.20)	(8.32)
Non-food	51.20	190.87	211.82	230.96
		(4.07)	(10.98)	(9.04)

Source: Bangladesh Bureau of Statistics.
Figures in parentheses represent annual inflation.

Chart 3.2



food grains (1.28 million tons of rice and 0.13 million ton of wheat) from domestic sources as on 30 June 2013 against the target of 1.60 million tons for FY13. The Government distributed more food grains through nonmonetised channels. The budgetary target of food grain distribution was 2.8 million tons in FY13, with distribution through Open Market Sales, Fair Price Card, Test Relief, and Vulnerable Group Feeding channels under the Public Food Distribution System (PFDS). The Government's food grain distribution under PFDS stood at 2.09 million tons in June 2013.

The data provided by Food Planning and Monitoring Unit show that total domestic food production recorded 35.09 million metric tons in FY13 against 34.88 million metric tons in FY12.

Bangladesh Bank has been adopting a balanced monetary policy stance for FY13, for bringing inflation down further, and it continues to encourage banks to use the space for private sector credit only for productive and not in speculative purposes.

3.4 The food prices were relatively stable both in domestic and international markets in FY13. The stable food prices in international markets were mainly due to favourable weather condition in different food producing countries of the world.

International prices of food and non-food items recorded mixed trends in 2013 compared to those of the previous fiscal year (Table 3.3, Chart 3.5). The price changes were only positive for wheat and cotton (0.5 and 2.3 percent respectively) whereas other commodities were negative.

3.5 The South Asian countries particularly SAARC countries depicted lower inflation during FY13 except India and Sri Lanka

Table 3.3 Changes in international prices of major commodities

(percentages)

Commodity	2009	2010	2011	2012	2013(october)
Petroleum	-34.1	26.4	35.8	2.7	-3.5
Rice	-15.8	-11.7	6.0	5.2	-8.2
Wheat	-31.5	0.1	41.4	-0.9	0.53
Palm oil	-25.4	33.5	25.2	-12.7	-19.5
Soybean oil	-30.6	17.5	31.5	-5.3	-10.0
Cotton	-12.1	65.0	49.3	-42.3	2.3
Sugar	45.8	15.1	25.6	-18.5	-16.6

Source: International Financial Statistics, November 2013.

Chart 3.3

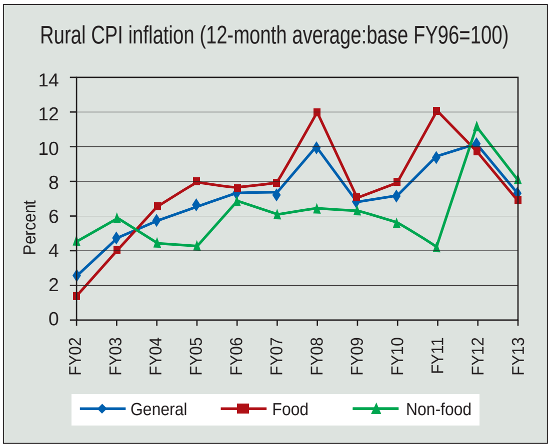


Table 3.4 Inflation in SAARC and other Asian countries #

Countries	2009	2010	2011	2012	2013(June)
1. Bangladesh@	6.7	7.3	8.8	10.6	7.7
2. India	9.3	13.7	8.6	10.1	11.1
3. Pakistan	13.1	12.5	13.3	11.3	5.9
4. Nepal	12.3	9.6	8.8	10.0	8.1
5. Bhutan	3.0	6.1	8.8	10.9	--
6. Sri Lanka	0.8	5.1	7.1	0.7	16.0
7. Maldives	3.7	6.1	12.7	10.3	4.7(Apr)
Other Asian countries					
8. Thailand	-4.0	3.3	4.1	2.6	2.3
9. Singapore	0.2	2.7	5.2	5.3	1.8
10. Malaysia	-1.4	1.7	3.5	1.2	1.8
11. Indonesia	3.7	5.1	5.5	4.5	5.9
12. Korea	2.0	2.7	4.2	2.2	1.0
13. Myanmer	1.1	9.3	5.4	-0.7	6.2

#IFS, November 2013 CPI (base: 2000=100).
@= Source: BBS, Consumer Price Index (base: FY96=100) figures relate to financial year (July-June).

Table 3.5 Annual average national level CPI by consumption basket sub-groups

(Base:FY96=100)

Group/sub-group	Weight	FY11	FY12	FY13	% Change in FY12	% Change in FY13
1	2	3	4	5	6	7
General index	100.00	241.02	266.61	287.14	10.62	7.70
1. Food, beverage and tobacco	58.84	267.83	295.86	317.62	10.47	7.35
2. Non-food of which	41.16	205.01	227.87	247.07	11.15	8.43
i) Clothing & footwear	6.85	191.92	225.68	252.54	17.59	11.90
ii) Gross rent, fuel & lighting	16.87	197.92	218.26	238.91	10.28	9.46
iii) Furniture, furnishing, household equipment & operation	2.67	231.75	259.12	280.71	11.81	8.33
iv) Medical care & health expenses	2.84	203.67	215.64	228.05	5.88	5.76
v) Transport and communications	4.17	244.17	276.34	292.45	13.18	5.83
vi) Recreation, entertainment, education & cultural services	4.13	198.44	202.94	210.21	2.26	3.59
vii) Miscellaneous goods and services	3.63	218.59	248.19	266.75	13.54	7.48

Source: Bangladesh Bureau of Statistics.

which showed double digit inflation (11.1 and 16.0 percent respectively) (Table 3.4, Chart 3.6).

Wage Rate Trends

3.6 The general wage rate indicated higher growth in FY13 compared to that in previous year. The growth of general wage rate (Table 3.6, Chart 3.7) accelerated to 14.7 percent in FY13 from 11.9 percent in FY12. The rise in wage rate in the agriculture sector was the highest which was 21.4 percent while manufacturing sector recorded lowest growth rate of 10.5 percent in FY13. Though growth rate of wages for all the sectors experienced higher growth, the construction sector experienced lower growth as compared to that in FY12. It is also notable that the growth in general wage rate (14.7 percent) was about double as compared to the rate of consumer price inflation (7.7 percent) in June FY13.

Near Term Inflation Outlook

3.7 Headline and core inflation in the major

Chart 3.4

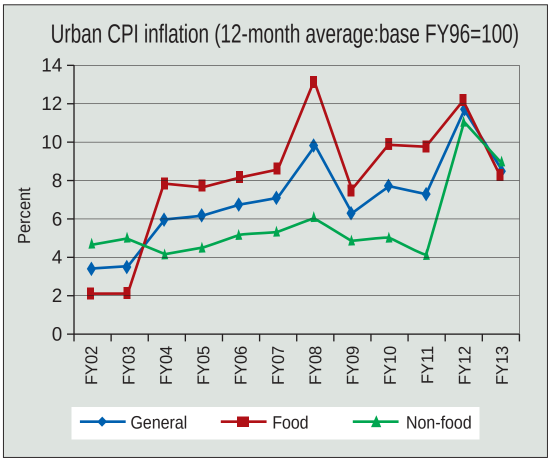


Table 3.6 Trends of wage rate indices

(Base: FY70=100)

Commodity	FY09	FY10	FY11	FY12	FY13(Aug)
General	5025.7	5561.8	5781.64	6469.17	7422.05
	(18.88)	(10.67)	(6.27)	(11.89)	(14.73)
Manufacturing	6128.36	6620.3	6778.06	7221.12	7978.14
	(17.93)	(8.03)	(3.95)	(6.54)	(10.48)
Construction	4311.3	4755.8	4983.29	6583.09	7684.48
	(21.47)	(10.31)	(7.56)	(32.10)	(16.73)
Agriculture	4273.7	4985.4	5325.63	6133.58	7448.50
	(21.27)	(16.65)	(10.87)	(15.17)	(21.44)
Fishery	4236.5	4827.5	5043.15	5186.94	6021.01
	(14.93)	(13.95)	(6.70)	(2.85)	(16.08)

Figures in parentheses are annual percentage changes.
Source: Bangladesh Bureau of Statistics.

advanced economies (including the United States and the Euro area) have remained lower over the past few years as compared to emerging and developing economies. In emerging Asia, headline inflation is slowing but expected to increase slightly in 2013.

According to WEO (World Economic Outlook) forecast, inflation is projected to decline at 1.4 percent in 2013, and increase to 1.8 percent in 2014 in advanced economies. In emerging and developing economies, inflation pressure is projected to increase slightly to 6.2 percent in 2013 but decline to 5.7 percent in 2014.

3.8 The projected inflation rate in Bangladesh's national budget for FY14 has been set at 7.0 percent. Bangladesh faces some challenges to meet the targeted inflation rate. On the one hand, wage pressures in both the public and private sectors may increase income level which will further add to existing aggregate demand pressures. On the other hand, food inflation is also expected to increase due to possible supply-side disruptions in the lead-up to national election. Furthermore, the recent rise in Indian inflation could also transmit to inflation in Bangladesh.

Bangladesh Bank has been pursuing a cautiously restrained monetary policy stance to bring inflation down to 7.0 percent for 2013. According to 'Monetary Policy Statement, July-December 2013", Bangladesh Bank has decided to keep policy rates unchanged and contain reserve money growth to 15.5 percent and broad money growth to 17.2 percent by December 2013 along with a ceiling on net domestic assets.

Chart 3.5

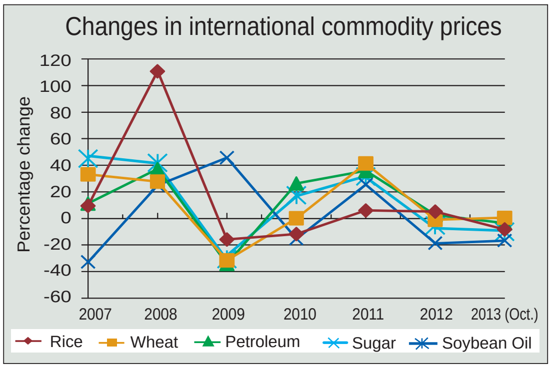


Chart 3.6

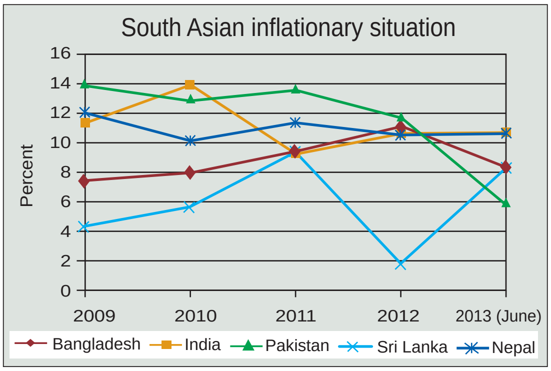


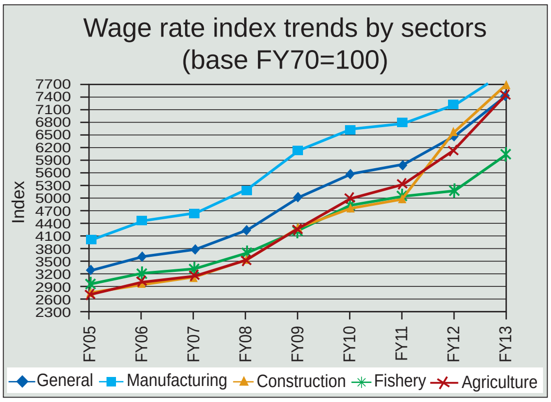
Table 3.7 Global inflationary situation

(percentage change)

	2011	2012	2013^{p}	2014^{p}
Advanced Economies	2.7	2.0	1.4	1.8
United States	3.1	2.1	1.4	1.5
Euro Area	2.7	2.5	1.5	1.5
Emerging & developing economies	7.1	6.1	6.2	5.7
Developing Asia	6.3	4.7	5.0	4.7
Bangladesh	10.7	8.7	7.6	6.5
India	8.4	10.4	10.8	8.9
Sri Lanka	6.7	7.5	7.4	6.9

P= Provisional.
Source: World Economic Outlook, October 2013.

Chart 3.7



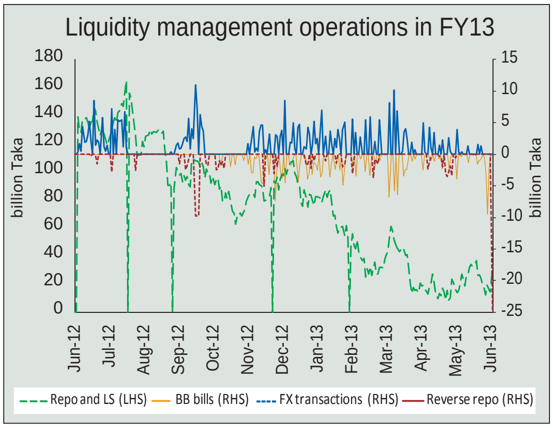
Money and Credit

Monetary Policy Stance

4.1 In FY12 the economy was faced with the challenges of rising inflation and balance of payments pressures stemming largely from a sudden surge in oil imports. In order to address these challenges BB pursued a more restrained monetary policy stance which along with other policy measures helped curb inflationary pressure and significantly strengthened foreign exchange reserves. In FY13 the economy faced a different set of challenges. Robust foreign remittance and export growth along with sluggish import growth led to a sharp growth of Net Foreign Assets (NFA) which needed to be sterilised. Moreover declining inflation and concerns over a slowdown in growth created space for a 50 basis point rate cut by BB effective from early February 2013 with the aim of influencing bank lending rates downwards. At the same time the January 2013 MPS set out a monetary programme consistent with bringing average inflation down to the targeted 7.5 percent level. This balanced monetary policy also aimed to minimize excessive volatility of the exchange rate.

Data for the second half of FY13 suggests that solid progress was made towards these key objectives. Reserve money growth and growth of net domestic assets of Bangladesh Bank remained within programme targets,

Chart 4.1



despite the aforementioned NFA surge. Broad money growth was also close to programme targets. Average inflation measured using the 1995/96' base year continued its decline and in June 2013 it reached 7.70 percent from 8.40 percent in January, though core inflation (non-food, non fuel) is on a rising trend since April 2013 reflecting aggregate demand pressures. Retail interest rates also declined during these six months with the spread between lending and deposit rates dipping below 5 percent and its trend indicating that lending rates have declined faster than deposit rates. Frequent strikes in H2 FY13 led to a slowdown in demand for domestic private sector credit though the introduction of new foreign currency borrowing facilities by BB partially compensated for this.

Changes in the domestic debt market were also made in line with the monetary objectives and liquidity conditions in the banking system. Scheduled banks investment in government securities were altered so that 60 percent of treasury bills/bonds are issued to the Primary Dealers (PDs) and rest 40 percent to the Non-PDs. This was in order to reduce the burden on PD banks and provide liquidity support to Non-PD banks (25 banks). Considering improved liquidity condition of scheduled banks, the tenure of liquidity support against devolved treasury bills/bonds was reduced from 75 days to maximum of 60 days (2 months). Moreover, in order to strengthen liquidity management, and specifically to sterilize the sudden increase in NFA growth, the 30-day Bangladesh Bank bill was introduced since November 2012. Call money rates declined to 7.17 percent in June FY13 and retail interest rates spread fell to 5.13 percent reflected easing of liquidity pressure in the banking system. BB intensified its effort for improving the transmission channels of monetary policy. Various steps were taken to strengthen secondary market of Government securities by enhancing the shorter end of yield curve, introducing on-line secondary trading of bills/bonds, and providing space to Non-PDs along with PDs in the auction of T.bills/bonds.

Considering important role of financial sector in implementation of monetary policy, measures were taken including tightening loan classification and provisioning requirements towards convergence with global best practices, strengthening and rearranging on-site and off-site supervision, requirement of on-line supervisory reporting in L/C opening and buying internal bills, self assessment report regarding internal audit and control with the signature of chief executive and counter signature of audit committee chairman of board. BB has sharpened its monitoring on improving the quality, adequacy, transparency and timeliness regarding financial and other statements of banks and financial institutions.

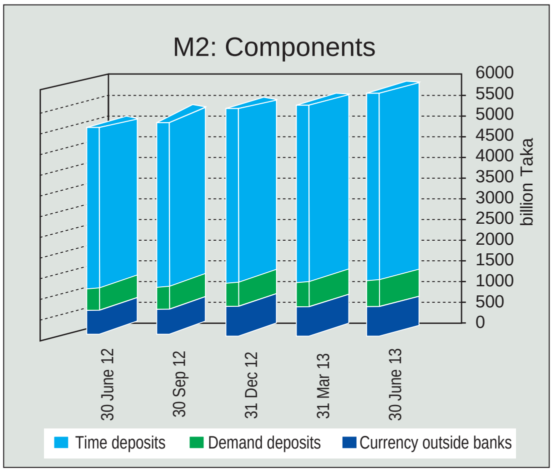
Table 4.1 Money and credit situation

(billion Taka)

	End June 12	End June 13	
	Actual	Programme	Actual
1. Net foreign assets	742.8	898.9	1116.7
	(7.3)	(21.0)	(50.3)
2. Net domestic assets (a+b)	4425.8	5184.7	4915.2
	(19.3)	(17.1)	(11.1)
a) Domestic credit (i+ii)	5101.2	6069.8	5657.4
	(19.2)	(19.0)	(10.9)
i) Credit to public sector [1/]	1022.2	1236.2	1135.9
	(17.4)	(20.9)	(11.1)
ii) Credit to private sector	4079.0	4833.6	4521.6
	(19.7)	(18.5)	(10.8)
b) Other items (net)	-675.4	-885.1	-742.2
3. Narrow money (i+ii)	1094.8		1232.9
	(6.4)		(12.6)
i) Currency outside banks	584.2		675.5
	(6.6)		(15.6)
ii) Demand deposits [2/]	510.6		557.4
	(6.1)		(9.2)
4. Time deposits	4073.9		4799.0
	(20.7)		(17.8)
5. Broad money (1+2) or (3+4)	5168.7	6083.5	6031.9
	(17.4)	(17.7)	(16.7)

Figures in the parentheses indicate y-o-y percentage changes.
1/ "Govt. lending fund" is treated as deposit in calculating claims on Govt. (net).
2/ Demand deposits of monetary authority are excluded.

Chart 4.2



Special diagnostic examinations on State Owned Commercial Banks' activities were introduced.

4.2 The policy stance for FY13 was designed in line with the target of 7.2 percent real GDP growth in a scenario of 7.5 percent annual average CPI inflation. Accordingly broad money (M2) growth was programmed at 17.7 percent. The monetary programme vis-à-vis actual outcomes are presented in Table 4.1. Broad money (M2) grew by 16.7 percent in FY13 against targeted growth of 17.7 percent under the programme and 17.4 percent actual growth in FY12.

The growth in broad money (M2) was mainly due to the growth in net foreign assets. The growth in net foreign assets was 50.3 percent in FY13 against the targeted 21.0 percent growth under the programme due to robust growth in remittance and satisfactory export growth along with sluggish import growth. In FY13 growth of domestic credit declined to 10.9 percent against 19.0 percent growth targeted under the programme and 19.2 percent actual growth in FY12. The growth in domestic credit declined due mainly to the significant decline in private sector credit for general investor faced uncertainty ahead of the national general election along with more stringent lending practices by domestic banks. The growth in public sector credit was 11.1 percent against the targeted 20.9 percent growth under the programme and 17.4 percent growth in FY12. As a result, net domestic assets registered 11.1 percent growth against the targeted 17.1 percent growth and 19.3 percent growth in FY12.

Chart 4.3

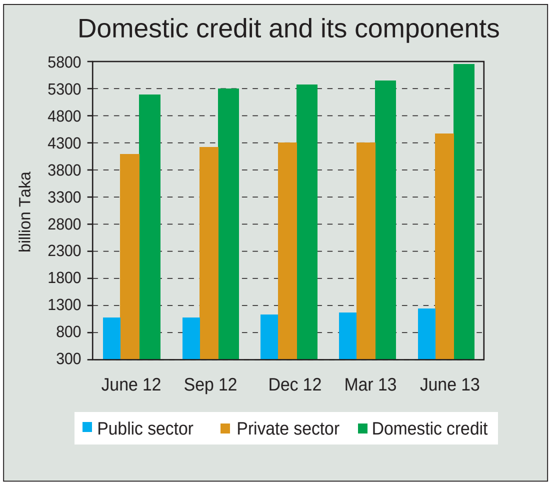
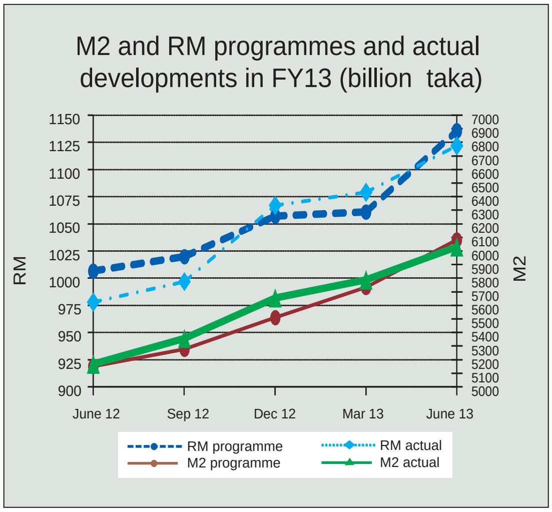


Chart 4.4



Trends of broad money and its components are shown at Chart 4.2.

Reserve Money Developments

4.3 Reserve money (RM) has been used as an operating target to modulate liquidity consistent with the overall monetary projection. The weekly auctions of treasury bills were used in influencing the level of RM, while repo and reverse repo operations were applied for smoothing the money market.

4.4 In line with the projected broad money growth, the monetary programme set a 16.1 percent growth of RM for FY13 but the actual growth out turn was 15.0 percent. The lower than projected growth of RM during the year was due mainly to the substantially lower level of net domestic assets compared to the programme level. This in turn was mainly due to lower than expected growth of government borrowing from BB (Table 4.2).

Credit to the deposit money banks stood at Taka 62.8 billion in FY13 against the targeted amount of Taka 74.8 billion in FY13 as banks had sufficient liquidity to meet the required demand.

On the other hand, net foreign assets of BB, substantially increased by Taka. 224.4 billion and stood at Taka. 931.1 billion against the programme level (Taka 706.7 billion). Net foreign assets of BB rose sharply as BB bought USD 4.54 billion from the foreign exchange market in FY13 to avoid excessive volatility of exchange rate in the foreign exchange market.

4.5 Money multiplier increased to 5.38 in FY13 as compared to the actual number of 5.30 in FY12. Reserve-deposit ratio decreased to 0.084 in FY13 from 0.086 in FY12. Currency-deposit ratio slightly decreased to 0.126 in FY13 from 0.127 in FY12. Net changes in these two behavioral ratios led to an increase in money multiplier. This explains the growth in broad money despite the subdued growth in reserve money. Movement of domestic credit and its components in FY13 are shown at Chart 4.3.

Table 4.2 Reserve money position

(billion Taka)

	End June 12	End June 13	
	Actual	Programme	Actual
Net foreign assets[1/@]	586.4	-	948.2
Net foreign assets[2/@]	541.1	706.7	931.1
Net domestic assets[1/]	389.2	-	173.5
Net domestic assets[2/]	434.5	426.0	190.7
Domestic credit	419.4	487.4	344.2
	(4.0)	(16.2)	(-17.9)
Credit to the public sector[3/]	352.6	412.6	281.4
	(14.6)	(17.0)	(-20.2)
Credit to deposit money banks[4/]	66.8	74.8	62.8
	(-30.3)	(12.0)	-(6.0)
Other items (net)	-30.2	-61.4	-170.7
Reserve money	975.6	1132.7	1121.8
	(9.0)	(16.1)	(15.0)
Currency issued	649.0	762.2	753.7
	(7.2)	(17.5)	(16.1)
Deposits of banks with BB[5/]	326.6	370.4	368.0
	(12.6)	(13.4)	(12.7)
Money multiplier	5.30	5.37	5.38

Figures in the parentheses indicate y-o-y percentage changes.
1/ Calculated from monetary survey using end of period exchange rates.
2/ Calculated using constant exchange rates of end June 2011.
3/ Govt. lending fund is treated as deposit in calculating net credit to Govt.
4/ Considers only loans and advances to DMBs.
5/ Excluding depository corporations.
@ Excluding foreign currency clearing accounts balance and offshore bank account.

Table 4.3 Income velocity of money

(billion Taka)

Year	GDP at current market prices	Broad Money (M2) (end June position)	Income velocity of money
FY07	4724.8	2114.4	2.23
			(-3.04)
FY08	5458.2	2486.9	2.19
			(-1.79)
FY09	6148.0	2963.6	2.07
			(-5.48)
FY10	6943.2	3628.2	1.91
			(-7.73)
FY11	7967.0	4403.2	1.81
			(-5.24)
FY12	9181.4	5168.7	1.78
			(-1.66)
FY13	10380.0	6031.9	1.72
			(-3.37)

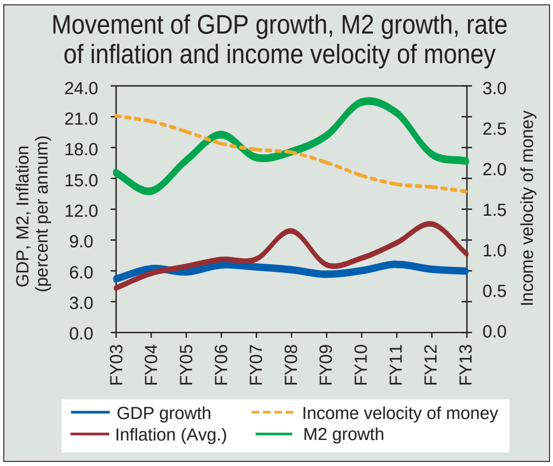
Note: Figures in parentheses indicate percentage changes.

Actual development of M2 and RM against their respective programme path is shown in Chart 4.4.

Income Velocity of Money

4.6 The income velocity of money decreased to 1.72 in FY13 from 1.78 in FY12 (Table 4.3). The rate of decrease in FY13 was 3.37 percent as against 1.66 percent decline in FY12. Income velocity of money was on a declining trend over the past several years indicating increased monetisation and financial deepening in the economy. Movement of GDP growth, M2 growth, inflation and income velocity of money during FY03-FY13 are shown in Chart 4.5.

Chart 4.5



Bank Credit

4.7 Outstanding bank credit (excluding foreign bills and inter-bank items) during FY13 rose by Taka 365.58 billion or 8.88 percent to Taka 4482.15 billion as against an increase of 18.40 percent in FY12. The rise in the bank credit during FY13 was driven by the increase in advances.

Advances increased by Taka 405.1 billion or 10.45 percent in FY13, as against an increase of 18.73 percent during FY12. Bills purchased and discounted decreased by Taka 39.52 billion or 16.57 percent in FY13 as compared to the increase of 13.35 percent in FY12. This lower growth in bank bill may be attributed to decrease in import demand. The quarterly position of bank credit and its components may be seen at Table 4.4.

Table 4.4 Bank credit*-FY13 quarterly positions

(billion Taka)

Outstanding as of	Advances	Bills	Total
30 June 12	3878.05	238.52	4116.57
	(94.20)	(5.79)	
30 Sep 12	4020.29	217.44	4237.73
	(94.87)	(5.13)	
31 Dec 12	4161.80	224.36	4386.16
	(94.88)	(5.12)	
31 Mar 13	4191.17	222.46	4413.63
	(94.96)	(5.04)	
30 June 13	4283.15	199.0	4482.15
	(95.56)	(4.44)	

Figure in parentheses indicate percentage shares.
* Excluding foreign bills and inter bank credit.

Bank Deposits

4.8 Bank deposits (excluding inter-bank items) increased by Taka 828.69 billion or 16.91 percent to Taka 5728.91 billion during FY13 against 19.38 percent increase in FY12. The rise in total bank deposits was shared by increase in all deposits, though mainly by time deposits. Time deposits increased by Taka 725.14 billion or 17.80 percent and stood at Taka 4799.02 billion in FY13 against growth of 20.74 percent during FY12. Demand deposits increased by Taka 46.77 billion or 9.16 percent in FY13 to Taka 557.37 billion against 6.14 percent Increase in FY12. Government deposits increased by Taka 56.78 billion or 17.98 percent to Taka 372.52 billion in FY13 against 26.70 percent increase in FY12. Piled up of time deposits indicates sluggish economic activities and lack of alternate investment opportunities. Quarterly position of bank deposits in FY13 may be seen at Table 4.5.

Credit/Deposit Ratio

4.9 The credit/deposit ratio of the scheduled banks, excluding the specialised banks was 0.78 at the end of June 2013 and was 0.84 at the end of June 2012. Declining credit to deposit ratio points to declining investor appetite for credit during an election year as well as tightening bank loan processing standards.

Scheduled Banks' Borrowing from the BB

4.10 Scheduled banks' borrowings from the Bangladesh Bank decreased by Taka 122.30 billion or 56.43 percent to Taka 94.42 billion at the end of June 2013 against 21.52 percent increase during FY12. The fall in schedule banks' borrowing from BB resulted from the ample liquidity in the money market.

Balances of Scheduled Banks with the BB and their Cash in Tills

4.11 Balances of scheduled banks with the BB increased by Taka 4.05 billion or 1.08 percent to Taka 377.41 billion at the end of June 2013 against the decrease of 2.77 percent to Taka 373.37 billion at the end of June 2012. Cash in tills of scheduled banks increased to Taka 78.19 billion as of end June 2013 against Taka 64.79 billion as of end June 2012.

Cash Reserve Requirement (CRR)

4.12. The Cash Reserve Requirement (CRR) for the scheduled banks with the Bangladesh Bank remained unchanged at 6.00 percent of their total demand and time liabilities. This rate has been in effect since 15 December 2010. It may be noted that banks are required to maintain CRR at the rate of 6.00 percent on average on bi-weekly basis provided that the CRR would not be less than 5.50 percent in any day with effect from 15 December 2010.

Table 4.5 Bank deposits*- FY13 quarterly positions

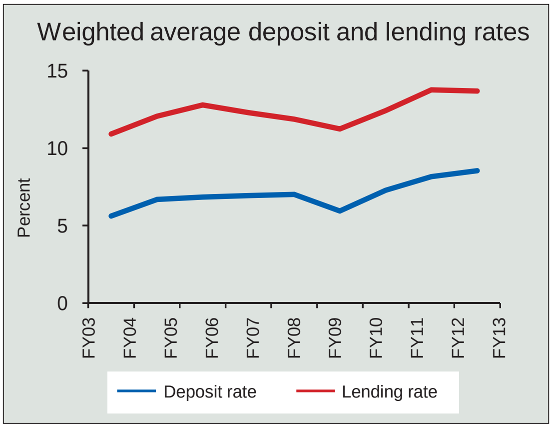
(billion Taka)

Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 June 12	510.60	4073.88	315.74	4900.22
30 Sep 12	495.31	4250.94	312.45	5058.70
31 Dec 12	533.86	4472.97	333.05	5339.88
31 Mar 13	519.36	4607.39	341.31	5468.06
30 June 13	557.37	4799.02	372.52	5728.91

Table: 4.6 Weighted average interest rates of scheduled banks

Items	as of end June (in %)					
	FY08	FY09	FY10	FY11	FY12	FY13
Deposit rate	7.00	7.00	6.01	7.27	8.15	8.54
Advance rate	12.30	11.90	11.31	12.42	13.75	13.67
Spread	5.30	4.90	5.30	5.15	5.60	5.13

Chart 4.6



Statutory Liquidity Ratio (SLR)

4.13 The Statutory Liquidity Ratio (SLR) for the scheduled banks, except banks operating under the Islamic Shariah and the specialised banks remained unchanged at 19.0 percent of their demand and time liabilities, excluding inter bank items. The SLR for the Islamic banks remained unchanged at 11.50 percent. This rate has been in effect since 15 December 2010. The specialised banks continued to remain exempt from maintaining the SLR.

Bank Rate

4.14 The bank rate remained unchanged at 5.0 percent in FY13. This rate has been in effect since 6 November 2003.

Interest Rates on Deposits and Advances

4.15 Table 4.6 and Chart 4.6 contain weighted average interest rates of scheduled banks on deposits and advances along with the spread during FY08 to FY13. It is evident from the Table that weighted average interest rate on deposits was stable throughout FY08-FY09; it decreased in FY10 and reached at 6.01. Again, it started to increase since FY11 and gradually reached 8.54 in FY13. Rate of advances however moved downward during FY08 to FY10 but increased in FY11 and FY12. Further it declined to 13.67 percent in FY13. The trend of the spreads between advances and deposits rates was above 5 percent in the recent years except FY09 and in FY13 spread rate was 5.13 percent.

Banking Sector Performance, Regulation and Bank Supervision

5.1 With a view to maintaining a sound, efficient and stable financial system; Bangladesh Bank (BB) has initiated a number of policy measures, giving augmented emphasis on risk management in the banks, the periodic review of stability of individual banks as well as the whole banking system, exercise of stress testing, inclusion of underserved/unserved productive economic sectors and population segments in the financial system, etc. Focus has also been made on Corporate Social Responsibility (CSR) and Green Banking activities, and a dedicated department has been formed to monitor the initiatives being undertaken by banks. A revised risk management guideline has already been put into effect for banks, aiming at developing more shock resilient capacity of banks in the future. The following paragraphs highlight the recent regulatory and supervisory measures initiated by BB for banks and financial institutions, the industry statistics, and performance of the banking sector.

A. Banking Sector Performance

5.2 The banking sector of Bangladesh comprises four categories of scheduled banks. These are State-owned Commercial Banks (SCBs), State-owned Development Financial Institutions (DFIs), Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs).The number of banks remained unchanged at 47 in 2012. These banks had a total number of 8322 branches as of December 2012 compared to 7961 in December 2011. At the end of June 2013, the total number of banks and their branches increased to 55 and 8427 respectively due to opening of new PCBs and bank branches during the year (Appendix-4, Table-I). The structure of the banking sector, with a breakdown by type of banks, is shown in Table 5.1.

Table 5.1 Banking systems structure

(billion Taka)

Bank types	2011						2012					
	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits
SCBs	4	3437	1629.2	27.8	1235.6	27.4	4	3478	1831.9	26.0	1377.9	25.5
DFIs	4	1406	328.8	5.6	214.4	4.8	4	1440	385.5	5.5	260.4	4.8
PCBs	30	3055	3524.2	60.0	2787.5	61.8	30	3339	4371.5	62.2	3430.7	63.6
FCBs	9	63	385.4	6.6	272.2	6.0	9	65	441.8	6.3	327.0	6.1
Total	**47**	**7961**	**5867.6**	**100**	**4509.7**	**100**	**47**	**8322**	**7030.7**	**100**	**5396.0**	**100**

Note: Banks prepare their balance sheet on calendar year basis, and are obliged to submit their audited balance sheet at the end of every calendar year. That is why banks' performance-related figures are stated in calendar year basis.

5.3 In 2012, the SCBs held 26.0 percent of the total industry assets as against 27.8 percent in 2011. The PCBs' share in the total assets of the banking sector is increasing

Chart 5.1

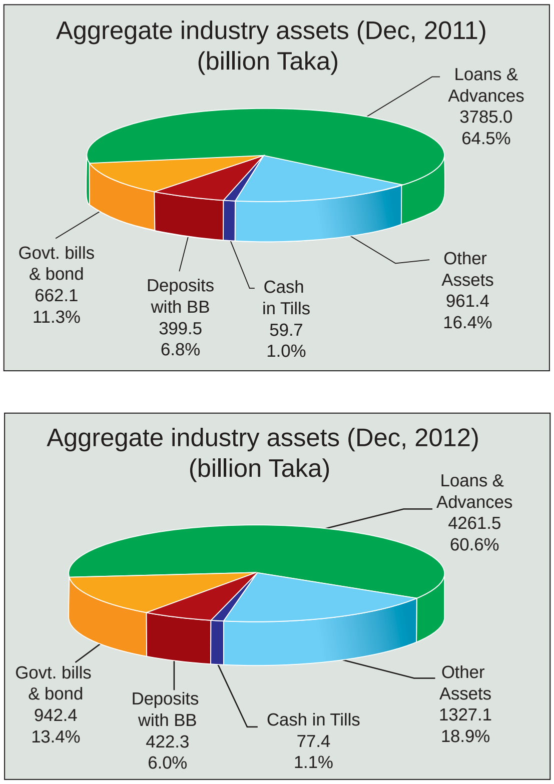
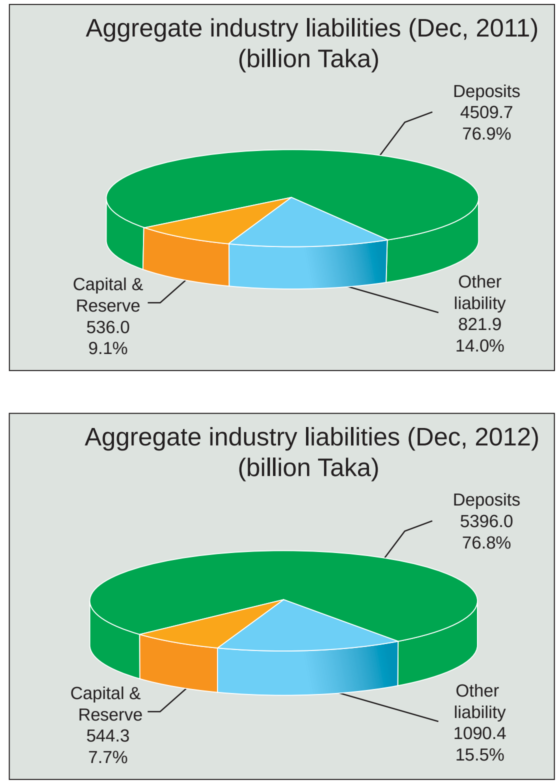


Chart 5.2



continuously over the last 12 years, showing a persistently faster growth than other subsectors. Their share rose to 62.2 percent in 2012, as against 60.0 percent in 2011. The FCBs held 6.3 percent of the industry assets in 2012, showing a decline by 0.3 percentage point over the previous year. The DFIs' share of assets was 5.5 percent in 2012 against 5.6 percent in 2011.

5.4 Total deposits of the banks in 2012 rose to Taka 5396.0 billion from Taka 4509.7 billion in 2011 showing an overall increase of 19.7 percent. The SCBs' share in deposits decreased from 27.4 percent in 2011 to 25.5 percent in 2012. PCBs' deposits in 2012 amounted to Taka 3430.7 billion or 63.6 percent of the total industry deposits against Taka 2787.5 billion or 61.8 percent in 2011. FCBs' deposits in 2012 slightly rose by Taka 54.8 billion over the year. The DFIs' deposits in 2012 were Taka 260.4 billion against Taka 214.4 billion in 2011, showing an increase of 21.5 percent over the year.

A. 1. Aggregate Balance Sheet

5.5 **Assets:** Aggregate industry assets in 2012 showed an overall increase of 19.8 percent over 2011. During this period, the SCBs' assets increased by 12.4 percent and those of the PCBs' increased by 24.0 percent. Loans and advances of Taka 4261.5 billion constituted the most significant portion (60.6 percent) of the sector's aggregate assets of Taka 7030.7 billion. Cash in hand including foreign currencies was Taka 77.4 billion; deposits with BB were Taka 422.3 billion; other assets were Taka 1327.1 billion and investment in government securities were Taka 942.4 billion (Chart 5.1).

5.6 **Liabilities and capital:** Deposits continued to be the main sources of funds of the banking industry and constituted 76.8 percent (Taka 5396.0 billion) of its aggregate liability and capital portfolio in 2012. Capital and reserves of the banks were Taka 544.3 billion (7.7 percent) in 2012, as against Taka 536.0 billion (9.1 percent) in 2011 (Chart 5.2). It is worth mentioning here that capital and reserves of the banks stood at Taka 498.6 billion at end June 2013.

A. 2. Capital Adequacy

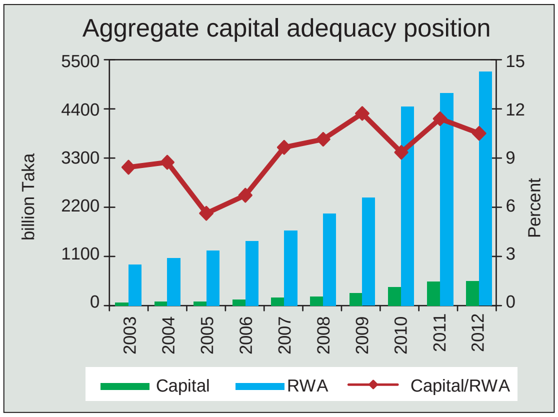
5.7 Capital adequacy focuses on the total position of banks' capital and the protection of depositors and other creditors from the potential shocks of losses that a bank might incur. It helps absorb all possible financial risks like credit risk, market risk, operational risk, residual risk, core risks, credit concentration risk, interest rate risk, liquidity risk, reputation risk, settlement risk, strategic risk, environmental & climate change risk etc. Under Basel-II, banks in Bangladesh maintain the Minimum Capital Requirement (MCR) at 10.0 percent of the Risk Weighted Assets (RWA) or Taka 4.0 billion in capital, whichever is higher. Under the Supervisory Review Process (SRP), banks are directed to maintain a level of "adequate" capital, which is higher than the minimum required capital and sufficient to cover all possible risks in their business. This higher level of capital for the banks is usually determined and finalised through dialogue between the SRP and the SREP (Supervisory Review Evaluation Process, the central bank's assessment) teams. The amount of capital was Taka 205.8 billion as on 31 December 2008 and it stood at Taka 498.9 billion as on 30 June 2013, amounting to a 142.3 percent capital growth.

Table 5.2 Capital to risk weighted assets ratio by type of banks

(percent)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	End June 2013
SCBs	-0.4	1.1	7.9	6.9	9.0	8.9	11.7	8.1	1.2
DFIs	-7.5	-6.7	-5.5	-5.3	0.4	-7.3	-4.5	-7.8	-9.0
PCBs	9.1	9.8	10.6	11.4	12.1	10.1	11.5	11.4	11.4
FCBs	26.0	22.7	22.7	24.0	28.1	15.6	21.0	20.6	20.3
Total	**5.6**	**6.7**	**9.6**	**10.1**	**11.6**	**9.3**	**11.4**	**10.5**	**9.1**

Chart 5.3



5.8 Table 5.2 shows that on 30 June 2013 in aggregate the SCBs, DFIs, PCBs and FCBs maintained a Capital Adequacy Ratio (CAR) of 1.2, -9.0, 11.4 and 20.3 percent respectively. However, individually, 4 SCBs, 2 PCBs, 1 FCB and 3 DFIs did not maintain the minimum required CAR. The CAR for the banking industry as a whole was 9.1 percent at end of June 2013 as against 10.5 percent at the end of 2012.

The CAR of the banking industry has decreased. The main reason for this deterioration is the implementation of BB's new guidelines (BRPD Circular No. 14/2012 and 19/2012) on loan classification & provisioning which were recently revised in line with international standards. As a result, the Risk Weighted Assets (RWA) as well as the classified loans of the banks have increased.

According to the Basel-II standard, the Basel Committee of Banking Supervision (BCBS) prescribed the CAR to be maintained at 8 percent. In Bangladesh, BB implemented a minimum CAR of 8.0 percent up to June 2010, 9.0 percent up to June 2011 and 10.0 percent from July 2011 onwards.

A. 3. Asset Quality

5.9 Loans and advances are the major components in the asset composition of all commercial banks. The high concentration of loans and advances increases the vulnerability of assets to credit risk. Other assets of banks include investments in bills, bonds, shares, etc., which constituted 27.2 percent of the total assets in 2012.

5.10 The most important indicator intended to identify the asset quality in the loan portfolio is the ratio of gross non-performing loans (NPLs) to total loans and net NPLs to net total loans. In 2012, FCBs have the lowest and DFIs have the highest ratio of gross NPLs to total loans. SCBs had a gross NPLs to total loans ratio of 23.9 percent, whereas PCBs, FCBs and DFIs, had ratios of 4.6, 3.5 and 26.8 percent respectively at the end of December 2012 (Table 5.3). The gross NPLs ratios to total loans for the SCBs, PCBs, FCBs and DFIs were recorded as 26.4, 6.6, 4.7 and 26.2 percent respectively at the end of June 2013.

Chart 5.4

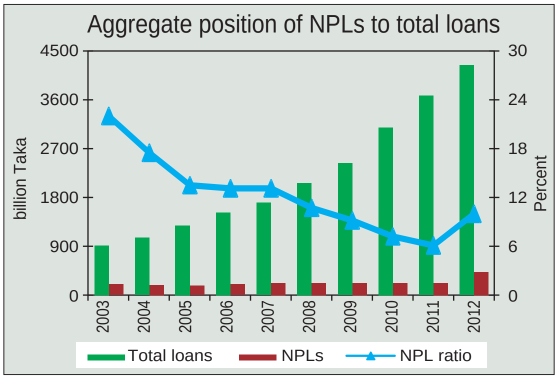


Table 5.3 NPL ratios by type of banks

(percent)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	End June 2013
SCBs	21.4	22.9	29.9	25.4	21.4	15.7	11.3	23.9	26.4
DFIs	34.9	33.7	28.6	25.5	25.9	24.2	24.6	26.8	26.2
PCBs	5.6	5.5	5.0	4.4	3.9	3.2	2.9	4.6	6.6
FCBs	1.3	0.8	1.4	1.9	2.3	3.0	3.0	3.5	4.7
Total	**13.6**	**13.2**	**13.2**	**10.8**	**9.2**	**7.3**	**6.1**	**10.0**	**11.9**

5.11 The ratio of NPL to total loans of all the banks had shown an overall declining trend from its peak (34.9 percent) in 2000 up to 2011 before it increased to 10.0 percent in December 2012. The ratio further increased to 11.9 percent at the end of June 2013 (Table-5.3). While the rise in the gross NPL ratio has been attributed in part to the high NPL of the SCBs and the DFIs, there has also been implementation of BBs new loan classification and provisioning guidelines, which have raised reported as well as intrinsic problem loan ratios.

5.12 The SCBs and DFIs continue to have high level of NPLs mainly due to substantial loans provided by them on considerations other than commercial criteria. Poor appraisal and inadequate follow-up and supervision of the loans disbursed by the SCBs and DFIs in

Table 5.3 (a) Ratio of net NPL to total loans by type of banks

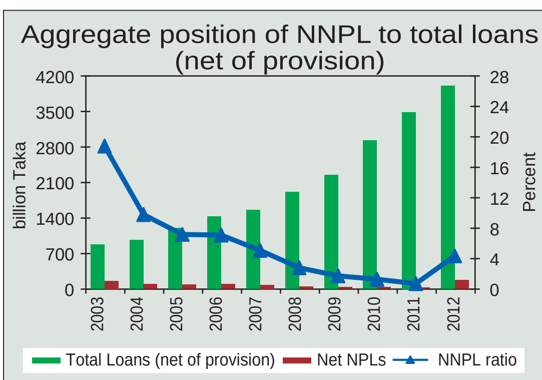
Bank	2005	2006	2007	2008	2009	2010	2011	2012	End June 2013
SCBs	13.2	14.5	12.9	5.9	1.9	1.9	-0.3	12.8	8.1
DFIs	22.6	23.6	19.0	17.0	18.3	16.0	17.0	20.4	19.5
PCBs	1.8	1.8	1.4	0.9	0.5	0.0	0.2	0.9	2.4
FCBs	-2.2	-2.6	-1.9	-2.0	-2.3	-1.7	-1.8	-0.9	0.1
Total	**7.2**	**7.1**	**5.1**	**2.8**	**1.7**	**1.3**	**0.70**	**4.4**	**4.4**

Table 5.4 Required provision and provision maintained -all banks

(billion Taka)

All banks	2005	2006	2007	2008	2009	2010	2011	2012	End June 2013
Amount of NPLs	175.1	200.1	226.2	224.8	224.8	227.1	226.4	427.3	523.1
Required Provision	88.3	106.1	127.2	136.1	134.8	149.2	148.2	242.4	299.0
Provision maintained	42.6	52.9	97.1	126.2	137.9	142.3	152.7	189.8	274.4
Excess(+)/ shortfall(-)	-45.7	-53.2	-30.1	-9.9	3.1	-6.9	4.6	-52.6	-24.6
Provision maintenance ratio (%)	48.2	49.9	76.3	92.7	102.3	95.4	103.0	78.3	91.8

Chart 5.4 (a)



the past eventually resulted in these poor quality assets. Furthermore, these banks were reluctant to write-off the historically accumulated bad loans because of poor quality of underlying collaterals. Recovery of NPLs, however, has witnessed some signs of improvement, mainly because of the steps taken with regard to internal restructuring of these banks to strengthen their loan recovery mechanism and recovery drive and write-off measures initiated in recent years.

5.13 Table 5.3(a) and Chart 5.4(a) show that in 2012, the ratio of net NPLs (net of provisions and interest suspense) to net total loans (net of provisions and interest suspense) was 4.4 percent for the banking sector and 20.4 percent for DFIs.

It is revealed in the table that DFIs' non-performing portfolios were still high after adjustment of actual provision and interest suspense, whereas SCBs, FCBs and PCBs had excess provision against their NPLs. The net NPLs to net total loans ratios were 8.1, 19.5, 2.4, 0.1 and 4.4 percent for the SCBs, DFIs, PCBs, FCBs and all banks respectively at the end of June 2013.

5.14 Chart 5.5 displays the amount of NPLs of the 4 types of banks since 2003 through 2012. The amount of NPLs of the SCBs increased from Taka 105.7 billion in 2003 to Taka 215.1 billion in 2012. The PCBs recorded a total increase of Taka 81.8 billion in their NPL accounts, which stood at Taka 130.3 billion in 2012 as against Taka 48.5 billion in 2003. The amount of NPLs of the DFIs increased to Taka 73.3 billion in 2012 from Taka 47.3 billion in 2003.

It can be seen from Chart 5.4(a) that the decline in NPLs to total loans ratio in recent years till 2011 can be attributed partly to some progress in recovery of long outstanding loans and partly to write-off of loans classified as 'bad' or 'loss'. But it went up again in 2012 due to the reasons of issuance of the circular regarding new classification and rescheduling of loans and a few notable scams in the banking industry.

5.15 Table 5.4 shows the aggregate amount of NPLs, the required loan loss provision and the actual provision maintained by the banks from 2005 to June 2013.

5.16 Table 5.4 and Chart 5.6 depict that in aggregate, the banks have been continuously failing to maintain the required level of provisions against their NPLs from 2003 through 2012 except in the year 2009 and 2011. Table 5.4 shows that in 2009 and in 2011, the banking sector was able to maintain 100 percent or more of the required provisions. Banks maintained 40.3 percent of the required provision in 2003; which increased thereafter to 103.0 percent in 2011. The main reasons for the shortfall in provision adequacy from 2000 through 2012 was the inability of some SCBs, DFIs and PCBs, including those in the problem bank category, to make sufficient provisions due to inadequate profits and transferred provisions for write-offs. Notably, the FCBs are in a much better position in that they have been able to make adequate provisions during the period under consideration. A comparative position of loan loss provisions as of end 2011, 2012 and June 2013 is shown in Table 5.5.

5.17 Twenty seven out of thirty PCBs were able to maintain the required provision, but the remaining 3 failed due to their poor asset portfolios and earning levels, at the end of December 2012.

5.18 **Writing off Bad Debts.** To correct an unnecessarily and artificially inflated size of the balance sheet, uniform guidelines of write-off were introduced in 2003. According to the policy, banks may, at any time, classify write-off loans as bad/loss. Those loans, which have been classified as bad/loss for the last 5 years and above and loans for which 100 percent provisions have been kept, should be written-off immediately. The total amount of written-off bad debts from June 2007 to June 2013 in different bank categories is given in Table 5.6.

Chart 5.5

Comparative position of NPLs by type of banks

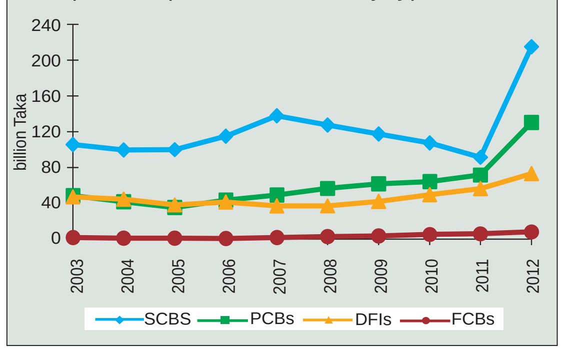


Chart 5.6

Provision adequacy position of all banks

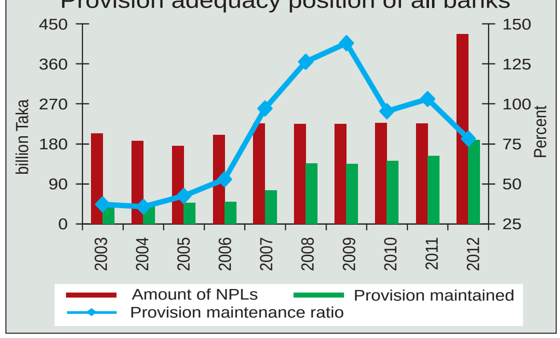


Table 5.5 Comparative position of provision adequacy

(billon Taka)

Year	Items	SCBs	SBs	PCBs	FCBs
2011	Required provision	60.8	21.7	58.3	7.4
	Provision maintained	69.0	13.9	61.2	8.5
	Provision maintenance ratio (%)	113.5	64.1	105.0	114.9
2012	Required provision	119.2	29.8	84.4	8.9
	Provision maintained	81.9	13.6	84.9	9.3
	Provision maintenance ratio (%)	68.7	45.7	100.6	104.3
30/06/13	Required provision	149.7	34.8	104.9	9.6
	Provision maintained	145.7	15.4	103.8	9.5
	Provision maintenance ratio (%)	97.4	44.3	98.9	98.2

A. 4. Management Soundness

5.19 Sound management is the most important and inescapable pre-requisite for the strength and concrete growth of any financial institution. Since indicators of management quality are primarily specific to individual institutions, these cannot be easily aggregated across the sector. In addition, it is difficult to draw any conclusion regarding management soundness based on quantitative indicators, as characteristics of a good management are rather qualitative in nature. Nevertheless, the total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee, and interest rate spread are generally used to portray management soundness. Technical competence & leadership of mid and senior-level management, compliance with banking laws and regulations, adequacy and compliance of sound internal policies, the ability to plan and respond to changing circumstances, etc., are all also taken into consideration in evaluating the quality of management.

5.20 As evident from Table 5.7 and Chart 5.7, in 2012 the expenditure-income (EI) ratio of the DFIs was the highest among the displayed bank clusters, due to poor non interest income and higher operating expenses particularly incurred by BKB and RAKUB. The EI ratio of the PCBs was 76.0, the second highest, which could mainly be attributable to high administrative and operating expenses. The EI ratio of SCBs increased from 62.7 in 2011 to 73.2 in 2012.

Table 5.6 Writing-off bad debts in different bank categories

(billion Taka)

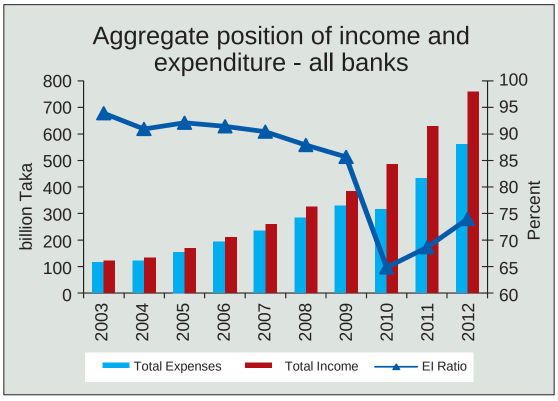
Bank types	30 June 07	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13
SCBs	42.8	48.4	64.5	70.5	82.4	72.9	107.2
DFIs	30.4	31.0	31.8	31.8	32.0	24.5	32.6
PCBs	45.5	49.4	54.7	69.6	77.1	64.9	109.7
FCBs	1.6	1.7	2.0	2.1	2.4	2.6	3.7
Total	**120.3**	**130.5**	**153.0**	**174.0**	**193.9**	**164.9**	**253.3**

Table 5.7 Expenditure-income ratio by type of banks

(percent)

Bank types	2004	2005	2006	2007	2008	2009	2010	2011	2012
SCBs	102.3	101.9	100.0	100.0	89.6	75.6	80.7	62.7	73.2
DFIs	104.0	103.9	103.5	107.7	103.7	112.1	87.8	88.6	91.2
PCBs	87.1	89.3	90.2	88.8	88.4	72.6	67.6	71.7	76.0
FCBs	76.3	70.8	71.1	72.9	75.8	59.0	64.7	47.3	49.6
Total	**90.9**	**92.1**	**91.4**	**90.4**	**87.9**	**72.6**	**70.8**	**68.6**	**74.0**

Chart 5.7



A. 5. Earnings and Profitability

5.21 Strong earnings and profitability profile of a bank reflect its ability to support present and future sound operation, absorb future contingent shocks and strengthen resilience capacity. More specifically, earnings strongly

Table 5.8 Profitability ratios by type of banks

(percent)

Bank types	Return on assets (ROA)									Return on equity (ROE)								
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2004	2005	2006	2007	2008	2009	2010	2011	2012
SCBs	-0.1	-0.1	0.0	0.0	0.7	1.0	1.1	1.3	-0.6	-5.3	-6.9	0.0	0.0	22.5	26.2	18.4	19.7	-11.9
DFIs	-0.2	-0.1	-0.2	-0.3	-0.6	0.4	0.2	0.1	0.1	-2.1	-2.0	-2.0	-3.4	-6.9	-171.7	-3.2	-0.9	-1.1
PCBs	1.2	1.1	1.1	1.3	1.4	1.6	2.1	1.6	0.9	19.5	18.1	15.2	16.7	16.4	21.0	20.9	15.7	10.2
FCBs	3.2	3.1	2.2	3.1	2.9	3.2	2.9	3.2	3.3	22.5	18.4	21.5	20.4	17.8	22.4	17.0	16.6	17.3
Total	**0.7**	**0.6**	**0.8**	**0.9**	**1.2**	**1.4**	**1.8**	**1.5**	**0.6**	**13.0**	**12.4**	**14.1**	**13.8**	**15.6**	**21.7**	**21.0**	**17.0**	**8.2**

influence the capacity to absorb losses by building an adequate capital base, finance its expansion, and pay adequate dividends to its shareholders. Although there are various indicators of earnings and profitability, the most representative and widely used indicator is Return on Assets (ROA), which is supplemented by Return on Equity (ROE) and Net Interest Margin (NIM).

5.22 Earnings as measured by Return on Assets (ROA) and Return on Equity (ROE) differ greatly within the industry. Table 5.8 shows ROA and ROE by types of banks and Chart 5.8 shows the aggregate position of these two indicators for all banks. Analysis of these indicators reveals that the ROA of the SCBs was less than the industry average. The ROA of SCBs was gradually increasing up to 2011, but it dropped down to 0.6 percent in 2012 due to a huge net loss in 2012. The DFIs' situation is not getting better due to persistent operating losses incurred by BKB and RAKUB. PCBs' ROA shows a consistently strong position up to 2010, but the ROA positions of PCBs' slightly dropped in 2011 and 2012 due to a decrease of net profit during the period. FCBs' ROA has been consistently strong during the last couple of years.

Chart 5.8

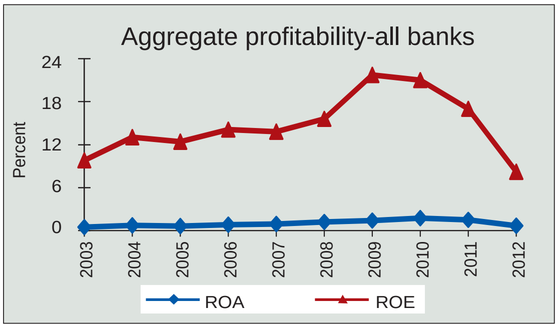


Table 5.9 Net interest income by type of banks

(billion Taka)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012
SCBs	7.7	9.0	7.4	7.9	12.1	19.8	34.3	14.9
DFIs	1.0	1.7	1.4	1.9	1.9	6.2	4.9	4.7
PCBs	21.0	25.4	36.1	48.5	56.7	82.8	91.4	114.7
FCBs	5.6	8.2	9.9	12.6	10.7	13.0	16.1	19.6
Total	**35.3**	**44.3**	**54.8**	**70.9**	**81.5**	**121.9**	**146.7**	**153.8**

5.23 SCBs' ROE increased to 19.7 percent in 2011 from 18.4 percent in 2010. However, it dropped to 11.9 percent in 2012, due to an increased amount of provisioning required against an increased amount of NPLs. In the case of DFIs, the ROE was still negative in 2012. The ROE of PCBs has been robust for last five years. The ROE of FCBs showed gradual declines in 2010 and 2011, due to an increase of equity. The ROE of FCBs in 2009

Table 5.10 Liquidity ratio by type of banks

(Percent)

Bank types	Liquid assets									Excess liquidity								
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2004	2005	2006	2007	2008	2009	2010	2011	2012
SCBs	22.8	20.0	20.1	24.9	32.9	25.1	27.2	31.3	29.2	6.8	2.0	2.1	6.9	14.9	17.6	8.2	12.3	10.2
DFIs	11.2	11.2	11.9	14.2	13.7	9.6	21.3	6.9	11.5	4.7	6.2	3.8	5.6	4.9	7.1	2.3	1.3	1.4
PCBs	23.1	21.0	21.4	22.2	20.7	18.2	21.5	23.5	26.3	8.8	5.1	5.6	6.4	4.7	5.3	4.6	6.6	9.5
FCBs	37.8	41.5	34.4	29.2	31.3	31.8	32.1	34.1	37.5	21.9	23.6	16.4	11.2	13.3	21.8	13.2	15.3	18.7
Total	**23.4**	**21.7**	**21.5**	**23.2**	**24.8**	**20.6**	**23.0**	**25.4**	**27.1**	**8.7**	**5.3**	**5.1**	**6.9**	**8.4**	**9.0**	**6.0**	**8.4**	**9.9**

stood at 22.4 percent, which fell to 17.3 percent in 2012.

5.24 **Net Interest Income.** Aggregate net interest income (NII) of the industry has consistently increased from Taka 35.3 billion in 2005 to Taka 153.8 billion in 2012. However, the NII of the SCBs was a negative Taka 1.1 billion in 2004 and started to become positive (Taka 7.7 billion) only from 2005. In 2012, the NII of SCBs was Taka 14.9 billion. The DFIs had a positive trend since 2002 reaching Taka 4.7 billion in 2012.

5.25 Since 2005, SCBs have been able to increase their net interest income (NII) by reducing their cost of funds up to 2011. In 2012, the NII of SCBs dropped, due to higher interest expenses which grew faster than interest earnings.

The NII of the PCBs has been incredibly high over the period from 2005 through 2012. Overall industry NII shows a consistently upward trend. The trend of NII may indicate that the PCBs and FCBs' interest spreads were higher than that of SCBs and DFIs.

A. 6. Liquidity

5.26 Currently the scheduled commercial banks have to maintain a CRR (Cash

Chart 5.9

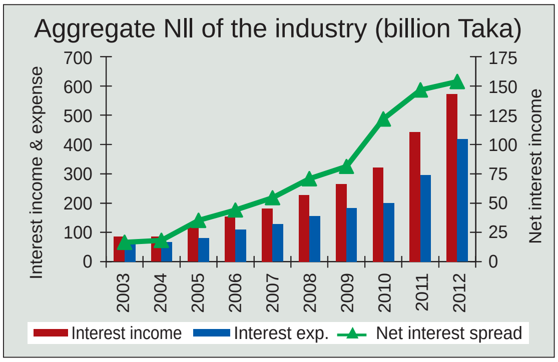
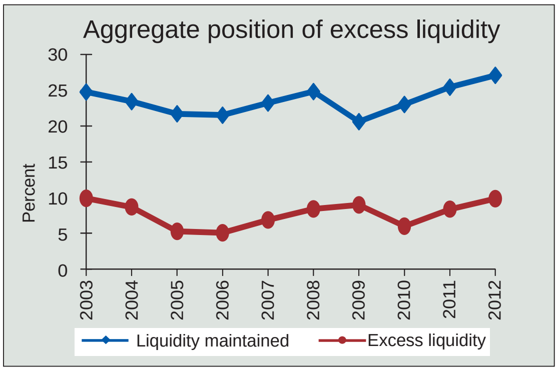


Chart 5.10



Reserve Ratio) averaging 6.0 percent daily on bi-weekly basis against Average Total Demand and Time Liabilities (ATDTL) of the preceding 2nd of the month, with an obligation to maintain a daily minimum 5.5 percent cash against the same ATDTL hold by the bank. The current rate of SLR (Statutory Liquidity Reserve) for conventional banks is 19.0

percent (inclusive of CRR) of time and demand liabilities. In case of Islamic Shariah-based commercial banks and conventional banks that have Islamic branches, the rate of SLR is 11.5 percent (inclusive of average 6.0 percent CRR on bi-weekly basis and at least 5.5 percent in any day) of their time and demand liabilities. The specialised banks (except Basic Bank Ltd) are exempted from maintenance of SLR, but they have to maintain the CRR at the stated rate. The banks maintain CRR cash with Bangladesh Bank. However, they are allowed to hold government approved securities (unencumbered portion) for maintenance of the SLR.

5.27 Table 5.10 and Chart 5.10 show that the FCBs have the highest liquidity ratios followed by the SCBs. There is an increasing trend in the percentage of liquid assets in total assets of the banks during the last two years.

A. 7. CAMELS Rating

5.28 CAMELS rating is a supervisory tool to identify those banking companies which have problems and require increased supervision. Under this rating system, banking companies are assigned two sets of ratings- (i) performance ratings, based on six individual ratings that address six components of CAMELS (Capital, Assets, Management, Earnings, Liquidity and Sensitivity to Market Risk); and (ii) an overall composite rating, based on a comprehensive assessment of the overall condition of the banking company. Both the ratings are expressed by using a numerical scale of "1" to "5" in ascending order of supervisory concern, "1" representing the best rating, while "5" indicating the worst. Any bank rated 4 or 5, i.e., 'Marginal' or 'Unsatisfactory' under the composite CAMELS rating is generally identified as a problem bank, the activities of which are closely monitored by the BB.

5.29 BB introduced the Early Warning System (EWS) of supervision from March 2005 to address the difficulties faced by the banks in any of the areas of CAMELS. Any bank found to have faced difficulty in any areas of operation, is brought under the Early Warning category and monitored very closely to help improve its performance. Presently, no banks are monitored under EWS.

5.30 As of end 2012, the CAMELS rating of 3 banks were 1 or Strong; 29 banks were rated 2 or Satisfactory; rating of 6 banks were 3 or Fair; 6 banks were rated 4 or Marginal and 3 banks received 5 or Unsatisfactory rating.

A. 8. Operations of Banks in Urban and Rural Areas

5.31 The number of branches and outstanding deposits and advances in the banking system classified by rural and urban area are displayed in Table 5.11. At end December 2000, the number of rural branches was 3659 (59.8 percent of total branches), which increased to 4827 (57.3 percent of total branches) at end of June 2013. The number of branches in urban areas increased from 2460 (40.2 percent of total branches) as of end December 2000 to 3600 (42.7 percent of total branches) at end June 2013. The number of rural branches increased at a lower rate compared with the number of urban branches.

Table 5.11 : Branch, deposit and advance in the banking system - rural and urban

(billion Taka)

Year	Number of Branch*			Deposit**			Advance**		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
2000	3659	2460	6119	160.6	549.2	709.8	100.1	493.5	593.6
2001	3680	2502	6182	160.2	656.3	816.5	97.2	590.6	687.8
2002	3693	2538	6231	177.6	753.2	930.8	100.0	667.7	767.7
2003	3694	2526	6220	190.8	883.3	1074.1	102.5	744.8	847.3
2004	3724	2579	6303	192.0	1023.8	1215.8	103.4	847.9	951.3
2005	3764	2638	6402	218.3	1197.6	1415.9	117.6	999.7	1117.3
2006	3834	2728	6562	241.5	1445.8	1687.3	128.4	1163.3	1291.7
2007	3894	2823	6717	263.0	1689.1	1952.1	130.1	1335.6	1465.7
2008	3981	2905	6886	306.2	2009.8	2316.0	148.5	1667.0	1815.5
2009	4136	3051	7187	369.9	2424.0	2793.9	169.6	1920.9	2090.5
2010	4393	3265	7658	436.9	2942.3	3379.2	206.9	2367.5	2574.4
2011	4551	3410	7961	536.0	3579.9	4115.9	254.5	2958.3	3212.8
2012	4760	3562	8322	853.1	4011.0	4864.1	405.6	3453.7	3859.3
2013 (June)	4827	3600	8427	1030.9	4690.2	5721.1	434.3	3813.8	4248.0

Note : * As of end December. ** As of end June.

Total deposits of rural branches increased to Taka 1030.9 billion (18.0 percent of total deposits) at end June 2013 from Taka 160.6 billion (22.6 percent of the total deposits) as of end June 2000. The amount of urban deposits increased to Taka 4690.2 billion (82.0 percent of total deposits) at end June 2013 compared to Taka 549.2 billion (77.4 percent of total deposits) as on 30 June 2000. The amount of advances in rural areas increased from Taka 100.1 billion as of end June 2000 to Taka 434.3 billion at end June 2013. However, the share of rural advances decreased to 10.2 percent as of end June 2013 from 16.9 percent of the same period in 2000. The amount of urban advances increased from Taka 493.5 billion (83.1 percent of total advances) at end June 2000 to Taka 3813.8 billion (89.8 percent of total advances) as on 30 June 2013.

A. 9. Islamic Banking

5.32 Alongside the conventional interest-based banking system, Bangladesh entered into an Islamic Banking system in 1983. In FY13 out of 47 banks in Bangladesh, 7 PCBs operated as full-fledged Islamic banks, and 16 conventional banks (including 3 FCBs) were involved in Islamic banking through Islamic banking branches. The Islamic banking industry continued to show strong growth since its inception in 1983 to December 2012, in tandem with the growth in the economy, as reflected by the increased market share of the Islamic banking industry in terms of assets, financing and deposits of the total banking system. A brief picture is given in Table 5.12. Total deposits of the Islamic banks and Islamic banking branches of the conventional banks stood at Taka 1017.9 billion at end December 2012. This was 18.9 percent of deposits of the total banking system at the end of December 2012. Total credit of the Islamic banks and the Islamic banking branches of the conventional banks stood at Taka 910.1 billion at end December 2012. This was 21.1 percent of the credit of the total banking system of the country.

Table 5.12 Comparative position of the Islamic banking sector (as of end December 2012)

(billion Taka)

Particulars	Islamic banks		Dual banking (Conventional+ Islamic)		Islamic banking sector		All banking sector	
	2012	2011	2012	2011	2012	2011	2012	2011
1	2		3		4=2+3		5	
Number of banks	7	7	16	16	23	23	47	47
Deposits	961.2	751.2	56.7	56.2	1017.9	807.4	5396.0	4509.7
Credits	858.9	693.0	51.2	45.8	910.1	738.8	4318.6	3642.6
Credit deposit ratio	89.4	90.9	90.3	81.4	89.4	172.3	76.6	80.8
Liquidity: excess(+)/shortfall(-) @	51.0	31.0	0.8	0.5	51.9	31.5	505.4	358.5

@ Conventional banks which have Islamic banking branches do not maintain SLR individually.
The head offices of the respective bank maintain combinedly SLR and liquidity position.

B. Legal Framework and Prudential Regulations

B.1. Amendments to the Banking Companies Act

5.33 In FY13, BB continued to participate actively in a working group to amend the Banking Companies Act (1991), the aim of which was to strengthen BB's regulatory powers over the banking sector. (The Amendments were submitted to the Parliament during FY13, and were ultimately enacted in the first month of FY14.)

5.34 As part of the ongoing efforts to strengthen the banking system through the adoption of policies aimed at both improving the financial strength of banks as well as bringing greater transparency in their operations, several policy measures were initiated during FY13.

B.2. Risk Based Capital Adequacy (RBCA) for Banks

5.35 BB introduced the Risk Based Capital Adequacy (RBCA) framework for banks from January 2010 as regulatory compliance. Under the new capital adequacy framework, BB is entrusted with ensuring that banks are accurately assessing all material risks they are exposed to and maintaining the required capital commensurate with their risk profile. Pertinently, banks have been instructed to raise their capital to Taka 4.0 billion of which paid up capital shall be a minimum Taka 2.0 billion with effect from 11 August 2011. Moreover, BB reviewed the minimum regulatory Capital Adequacy Ratio (CAR) and the Minimum Capital Requirement (MCR) of the banks in the year 2010 through revising the existing RBCA policy and banks' past capital adequacy reporting. Banks are required to maintain the CAR at greater than or equal to 10 percent of Risk Weighted Assets (RWA) from July 2011. According to Pillar-1 of Basel-II, RWA of banks is calculated against credit risk, market risk, and operational risk. Banks are instructed to submit their Capital Adequacy Statement at the end of each quarter to BB. BB is now on the move to implement the Supervisory Review Process of RBCA framework. The key principle of the Supervisory Review Process (SRP) is that "banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level". Banks are now instructed to form a SRP team, where the risk management unit is an integral part, and to develop a process document called Internal Capital Adequacy Assessment Process (ICAAP) for assessing their overall risk profile and an adequate requirement of capital. Adequate capital means enough capital to compensate for all the risks in their business. Basel II has linked capital to the level of risk management. Therefore, banks should have "best practice" risk management techniques in monitoring and managing their risks.

5.36 The Supervisory Review Evaluation Process (SREP) of BB includes dialogue between BB and the bank's SRP team, followed by findings/evaluation of the bank's ICAAP. During the SRP-SREP dialogue, BB will review and determine any additional capital that would be required of banks on the basis of quantitative as well as qualitative judgment. To facilitate the dialogue, a revised evaluation process was prepared by BB in May 2013. On the basis of the revised process document and return format, banks have been advised to submit their quantitative information regarding ICAAP based on 31 December 2011 and 31 December 2012. Under the process document, BB provided guidance to calculate required capital against residual risk, credit concentration risk, interest rate risk, liquidity risk, reputational risk, settlement risk, strategic risk, appraisal of core risk management practice, environmental & climate change risk and other material risks in a specified format and submit the same to BB. In this process, information of banks' ICAAP would be counter checked with the information available from both on-site inspection and off-site supervisory departments of BB. During the SRP-SREP dialogue, if the bank fails to produce their own ICAAP backed by proper evidence and rigorous review regarding risk management, the SREP team of BB would apply their prudence and also use the available information from the inspection departments in determining the adequate capital.

B.3. Loan Classification and Loan-Loss Provisions

5.37 Near the end of FY12, BB significantly strengthened its policies on loan classification and loan-loss provisions. BB also introduced and clarified the difference between a "defaulted loan," which is a legal concept granting the bank the right to take certain actions against the borrower, and a "classified loan," which is an accounting concept that implies a certain required level of provisioning for expected losses. As a result, during FY 2013, banks endeavoured to meet the new requirements (see subsection A.3. above).

B. 4. Corporate Governance in Banks

5.38 Liquidity and solvency problems caused by poor governance in banks can have harmful systematic consequences in the broader economy reliant on banks for credit and payment services. High priority is, therefore, accorded to corporate governance in banks, putting in place checks and balances comprising a mix of legal, regulatory and institutional provisions specifying the roles and accountabilities of the Board, the executive management, external and internal audit, disclosure, and transparency prescriptions. BB has taken several measures in recent past to put in place good corporate governance in banks. These include: a "fit and proper" test for appointment of chief executive officers of PCBs, specifying the constitution of audit committee of the Board, enhanced disclosure requirements, etc. In continuation of the above reforms, the roles and functions of the Board and Management were redefined and clarified with a view to specifying the powers of the management and restricting the intervention of directors in day-to-day management of the bank. (In this connection, it is noteworthy that at the end of FY13 amendments of the related clauses of the Bank Company Act, 1991 have been placed in the parliament for final approval.)

C. Consumer Protection Regulations

C.1. Rationalisation of Schedule of Charges

5.39 Bangladesh Bank has rationalised the charges of some services to protect the interest of depositors/ investors/ customers and advised all scheduled banks to display the complete schedule of charges in suitable visible places in their branches and head offices and upload the same in their respective websites for the convenience of the customers. In the interest of small depositors it has been decided that no charge can be imposed as account maintenance fee for an average deposit balance up to Taka 5000. It has also been decided that a maximum of Taka 100 may be imposed as an account maintenance fee for average deposit balances up to Taka 25000, and a maximum Taka 300 for average balances above Taka 25000 on a six-month basis.

C. 2. Rationalisation of Rate of Interest

5.40 The cap on the rate of interest on lending in all sectors other than pre-shipment export credit (7.0 percent) and agricultural credit (13.0 percent) has been withdrawn. Banks are advised to limit the difference between the lending rate and the weighted average rate of interest on deposit, or intermediation spread, to the lower single digits in different sectors, other than the high risk consumer credit (including credit card), and SME loans. Banks are allowed to differentiate the interest rate up to a maximum of 3.0 percent in consideration of the diverse risk elements applicable to borrowers in the same lending category. Banks have been advised to announce the mid-rate of the interest rate for different sectors and they may change a lower or higher interest rate of up to 1.5 percent around this pre-announced mid-rate based on the comparative credit risk for each customer. Banks have also been advised to upload their deposit and lending interest rates on their respective websites.

D. Regulations to Promote Financial Inclusion and Socially-Responsible Financing

D.1. Policy Guidelines for Green Banking

5.41 Bangladesh is one of the many countries vulnerable to adverse impacts from climate change. Financial institutions of

Bangladesh can play an important role to prevent and mitigate environmental degradation. Comprehensive policy guidelines for Green Banking have been issued with a view to developing a strong and environment friendly banking system. The top ten banks have been graded based on their overall Green Banking activities. More emphasis has been given on the bank`s operational policy, as reflected in the allocation of its budget for promoting Green finance, environmental risk rating, and expansion of programmes to foster greater access to online banking, ATM, internet and Mobile/SMS banking. In-house activities covering building an inventory of savings on utilities and energy, encouraging Green marketing, enhancing capacity building and disclosure of the bank's practices are considered part of Green activities.

5.42 Bangladesh Bank has set up a new department, namely, Green Banking and CSR Department, for implementing the guideline of Green Banking, managing the funds of the refinance schemes regarding green activities, and initiating and promoting financial inclusion activities.

D.2. Guidelines on Environmental Risk Management (ERM)

5.43 A detailed guideline on Environmental Risk Management (ERM) has been introduced to assess environmental risk along with the credit risk in the overall credit risk methodology prior to the disbursement of the loan/credit facility.

D. 3. Bank Account for Farmers

5.44 A farmer can open an account by depositing Taka 10 only at any state owned commercial and specialised bank, against his or her national ID card/birth registration card and 'agricultural equipment assistance card' issued by the Department of Agricultural Extension. There are no provisions for maintaining a minimum balance on the said account, and banks shall not impose any charges/fees on these accounts. Due to the close monitoring of BB, the number of farmers' accounts has gone up to 9,632,731 as of end-June 2013.

D. 4. Bank Account for Unemployed Youth

5.45 An unemployed youth can open a bank account by depositing Taka 50 at any scheduled bank under the National Services Programme.

D. 5. Bank Account for Hardcore Poor

5.46 A hardcore poor person can open a bank account by depositing Taka 10 only at any state owned commercial and specialised bank against his or her national ID card and registration card issued by the Ministry of Food & Disaster Management. There are no provisions for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts.

D. 6. Bank Account for Freedom Fighters

5.47 A freedom fighter can open a bank account by depositing Taka 10 only at any state owned commercial and specialised bank against his or her national ID card and Payment Receipt Book for freedom fighter's allowance. There are no provisions for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts. The total number of freedom fighters' accounts is 109,999 as of end-June 2013.

D.7. Bank Account for Beneficiaries under Social Security Programme

5.48 Beneficiaries under the Social Security Programme can open bank account by depositing Taka 10 only at any state owned commercial and specialised bank against his or her national ID card and Payment Receipt Book containing Pension Payment Order (PPO) for the beneficiaries. There are no provisions for maintaining minimum balance on the said accounts and banks shall not impose any charges/fees on these accounts. Transactions may also be carried on through vouchers in case of insufficiency of check books. Total number of accounts for beneficiaries under Social Security Programme is 2,663,720 as of end-June 2013.

D.8. Banking Services for Physically Handicapped People

5.49 Banks have been advised to designate an official as 'Focal Point' at each branch of their bank with a view to making the banking services beneficial and easily accessible to the physically handicapped people.

D.9. Corporate Social Responsibility (CSR)

5.50 All banks had undertaken CSR practices in different forms in 2012. As shown in Table 5.13, the CSR expenditure in 2012 was higher than that in 2011 and around six times higher than 2009. As in preceding years, CSR initiatives of banks continued in 2012, which focused on i) financial inclusion of less privileged population segments and underserved economic sectors; ii) emergency relief in humanitarian distresses; iii) promotion of health, education and cultural/recreational activities for advancement and well-being of underprivileged population segments; iv) promotion of environmentally-friendly projects; and v) adoption of energy efficient, carbon footprint-reducing internal processes and practices in own offices and establishments.

Table 5.13 CSR Expenditures of banks during 2008 to 2012

(millon Taka)

Year	2008	2009	2010	2011	2012
CSR Expenditure	410.7	553.8	2329.8	2188.3	3046.7

5.51 Besides CSR initiatives involving direct expenditure, all banks participated actively in promoting SMEs and agricultural financing. PCBs were particularly active in these areas. Banks proceeded ahead on multiple fronts including presence of increased rural bank branches for broader, deeper financial inclusion, mobile phone banking, and opening of bank accounts with Taka 10 as initial deposit for farmers/poor/ultra poor and thereby increasing transactions in these bank accounts.

E. Supervision of Banks

5.52 With a view to promoting and maintaining soundness, solvency and systematic stability of the financial sector as well as to protecting interest of depositors, BB carries out two types of supervision namely (i) on-site inspection and (ii) off-site monitoring. The Department of Off-site Supervision (DOS) is vigilant to conduct off-site monitoring of banks. Some of the operations of DOS were discussed in earlier sections of this chapter; namely, assessing compliance with minimum requirements for capital, liquidity, provisioning, etc. The details of on-site supervision are given below:

E.1. On-site Inspection of Banks

5.53 As part of Bangladesh Bank's statutory function, currently six departments of BB namely Department of Banking Inspection-1 (DBI-1), Department of Banking Inspection-2 (DBI-2), Department of Banking Inspection-3 (DBI-3), Department of Foreign Exchange Inspection (DFEI), Financial Integrity and Customer Services Department (FICSD), and Bangladesh Financial Intelligence Unit (BFIU) are conducting inspection activities. These six departments conduct on-site inspection on SCBs, DFIs, PCBs (including banks under Islamic Shariah), FCBs and other institutions including the Investment Corporation of Bangladesh (ICB) and money changers. These departments conduct different types of inspection which may be summarised in three major categories: (i) comprehensive/ regular/ traditional inspection; (ii) risk based/ system check inspection, and (iii) special/ surprise inspection. The broad objectives of on-site inspection are as follows:

- To promote soundness, solvency and systemic stability of the financial sector as well as to protect depositors' interests;
- To ensure safety, stability and discipline in the banking sector;
- To ensure compliance of banking laws, rules and regulations;
- To combat money laundering and terrorist financing activities;
- To evaluate quality and performance of bank management and Board of Directors;
- To identify weaknesses which are to be addressed to strengthen the banks; and
- To evaluate financial soundness and operational efficiency of the banks.

5.54 In a comprehensive inspection, the overall performance/ condition of the banks in areas such as capital adequacy, asset quality, liquidity, earnings, management competence, etc. are evaluated. Based on their performance, banks are rated from 1 to 5 grades in ascending order. The on-site inspection departments also monitor implementation of the suggestions or recommendations made in the inspection reports. Risk-based inspection is conducted to examine the compliance with the Core Risk Management Guidelines issued by BB as well as to evaluate and monitor risk management systems and control environment of the banks. The frequency of the inspection is annual and areas covered are risks associated with credit, internal control and compliance, asset liability management and information systems. Special inspections are conducted on the banks on specific/particular issue(s) as well as to investigate complaints received from the depositors, public or institutions.

5.55 Commercial banks having CAMELS rating between 3 and 5 are inspected every year. Banks rated 1 or 2 are inspected once in every two years. Based on the findings about provisions, income and expenditure entries, banks are asked to correct their final account. This system has been adopted to enhance the effectiveness of on-site inspection and reduce the time gap between on-site and off-site supervision.

5.56 During the period from 1 July 2012 to 30 June 2013, DBI-1 conducted inspection on 1411 branches of 36 banks including head offices. On the basis of 30 June 2012, a total of 189 branches of 7 banks (including head office) were inspected. At the same time, Core Risk Inspections were conducted on 8 banks that are under the jurisdiction of DBI-1 to review the progress of implementation of the core risk guidelines (Asset-Liability Management, Credit Risk Management, Information System Security and Internal Control & Compliance) issued by Bangladesh Bank. Head/Country Offices of the bank as well as one branch of each bank have been taken under the purview of the core risk inspection. On the basis of 30 September 2012, 262 branches including head offices of 9 banks were inspected. Head offices and 346 big branches of 20 banks were inspected on the basis of 31 December 2012. The banks were directed to arrange a tri-partite meeting with their Management Committee (MANCOM), inspectors of Bangladesh Bank and external auditors before finalisation of annual financial statements of the banks. The other 19 banks that were not inspected on the basis of 31 December 2012 were directed to submit statements of rescheduled, de-classified and written-off loans in prescribed formats, and these issues were discussed in a tri-partite meeting of the bank management, external auditors and the inspection team of Bangladesh Bank. Pre-opening inspections were conducted on the newly opened 9 banks, and on the basis of these inspection reports, banks were permitted to start their operational activities.

5.57 DBI-2 conducted comprehensive inspection on 557 bank branches including 8 head offices, 129 big branches and 420 small branches. At the same time a total number of 152 special inspections were conducted on state owned commercial banks and specialised banks, 25 risk-based inspections on 6 banks and 14 surprise inspections were conducted on 4 banks. The Department also conducted comprehensive inspections on 88 branches, 28 head offices and 14 special inspections among the 31 financial Institutions (FIs).

5.58 DBI-3 conducted a total of 818 comprehensive inspections on banks, including 5 head offices, 134 big branches, 679 small branches and 219 SME service centres, plus SME/Agriculture branches (including inspection on some of the branches of different banks involved in SME activities). At the same time a total number of 16 special inspections were conducted on 4 banks (including SME) and 7 risk based inspections on 2 banks.

5.59 DFEI conducts inspection on foreign trade financing, treasury functions and foreign exchange risk management of banks, foreign exchange transactions of banks and money changers. In FY13, the department conducted a total of 182 comprehensive inspections on banks, including 11 head offices and 124 authorised dealer branches. The department

Box 5.1

Bangladesh Bank's Role for Protecting Bank Customers' Interest

1.1 General customers of banks and financial institutions (FIs) used to find it difficult to air their grievances against banks/FIs. It was also not easy to get answers to queries relating to services provided by banks and FIs. In this regard, with a view to answering queries of customers related to banks/FIs and also to redressing any grievances promptly Bangladesh Bank launched a 'Help Desk' under the Foreign Exchange Inspection & Vigilance Department, Head Office, Bangladesh Bank on 16 March 2011. Later, the name of Help Desk has been converted to "Customers' Interest Protection Center" abbreviated as CIPC. Giving more importance to customer protection, a full-fledged department named Financial Integrity and Customer Services Department (FICSD) was formed in July 2012 by integrating the Customers' Interests Protection Center and Vigilance Division.

1.2 Customer Service Division of FICSD has been equipped with modern logistics i.e. phone, dedicated number (16236), fax, internet etc., so that aggrieved customers within and outside the country can submit their complaints. After getting complaints over telephone or by e-mail, CSD endeavors to dispose of those complaints as quickly as possible. FICSD also monitors the activities of "Complaint Cells" set up in all the head offices and regional offices of the scheduled banks, financial institutions and in the branch offices of Bangladesh Bank. To increase the awareness of customers, the auto hunting number (16236) was formally inaugurated by the Governor in the presence of all banks' representatives and journalists of print & electronic media in the BB conference hall and from the same day the short code was also advertised both in print & electronic media. Necessary measures have been taken to affix the **STICKER** containing the short code (16236) at the cash counter of each branch of banks & financial institutions so that customers can easily lodge their complaints when they are harassed. Arrangement has also been made to keep the **DESK DISPLAY** containing the short code (16236) on the table of the front desk officer of each branch of banks & financial institutions. The short code number is delivered to all the mobile phone users through SMS with the help of Bangladesh Telecom Regulatory Commission (BTRC). The Phone & FAX number, e-mail ID, address of the FICSD are also published in the web-site of Bangladesh Bank. Besides, a complainant can immediately lodge his grievances just filling up the electronic complaint form on the web-site of Bangladesh Bank. Apart from these, the short code number is advertised on the television & widely circulated on National Dailies after three months of interval for the benefit of financial customers and general public at large across Bangladesh.

1.3 During July 2012 to June 2013, Vigilance and Anti-Fraud Division handled 1323 complaints and so far 314 numbers of special inspections have been carried out during the period under review. Customer Services Division (CSD) also dealt with 4296 complaints during FY13 and disposed of 2941 complaints up to the satisfaction of the stakeholders. In the FY13, the amount of complaints handled increased by 70 percent than that of the previous FY12. The complaints so far handled during FY13 revealed that almost 38 percent of the total complaints remained concentrated among four state-owned commercial banks and the nature of complaints were about general banking, loans & advances, remittances, accepted bills (local & foreign), cards & ATM Booth, mobile banking and others.

1.4 The FICSD is aiming at preparing a comprehensive customer protection framework to ensure that customers have adequate access to information to bargain with banks and FIs. Under the customer awareness initiatives, the department has planned to increase publicity in print and electronic media for the benefit of customers and general public at grass root levels. FICSD is looking for alternative means for amicable settlement of disputes/complaints without reference to the court. FICSD is looking ahead to develop itself as a center of excellence for handling the customer grievances on a par with International standard in future.

also conducted 47 special inspections on foreign exchange risk management, 94 inspections on money changers and a good number of special inspections on foreign trade and foreign exchange related irregularities.

5.60 A special centre was formed under this department on 21 March 2011 named Customers' Interests Protection Centre (CIPC). Later, it was reconstituted as a department named Financial Integrity and Customer Services Department (FICSD) on 26 July 2012. FICSD is acting as a watchdog for spotting the early warning signs of internal and external fraud at banks and FIs, investigating frauds and making criminal referrals when necessary. This department is also continuing its efforts to promote security, efficiency, effectiveness, transparency and risk management of the information and communication technology (ICT) structures of banks and FIs.

5.61 During 12 July 2012 to 13 June 2013, 1323 complaints were received by the department. Out of them, 1009 cases were sent to banks and FIs for their opinion and necessary action. The respective banks and FIs have settled those cases accordingly. On the basis of the rest of the complaints so far received, 314 special inspections have been conducted and necessary actions have been taken based on the inspection reports.

5.62 Apart from the Customer Service Division of Head Office, the CIPCs established in 10 branch offices of Bangladesh Bank also deal with the complaints received from the bank customers of their respective areas.

5.63 In FY13, Bangladesh Financial Intelligence Unit (BFIU) the conducted system check inspections in 47 head offices and 141 bank branches under the core risk programme. The Department also conducted special inspection on 5 branches of 5 banks. Besides, some other special inspections are also conducted for further analysis of some STRs (Suspicious Transaction Reports). During FY13, 25 branches of 19 banks have been inspected for this purpose. In addition to this, on the basis of allegations/complaints received from different media, persons, organisations, some special inspections are also conducted to look into the matter. BFIU has conducted special inspections in 111 branches of 34 banks during FY13.

5.64 On the basis of the on-site inspections, BFIU has undertaken some corrective measures, including imposing fines on the non-compliant banks. Under the provision of the Money Laundering Prevention Act (MLPA), 2012, 8 banks have been fined for non-compliance of the Act during FY13.

E. 2. Off-site Monitoring of Banks

5.65 Off-site monitoring continued as a necessary complement to on-site inspection in FY13, with the introduction of new tools and procedures for more intensive and rapid analysis.

5.66 Quick Review Report

With the existing supervisory tools like CAMELS Rating, Stress Testing, Financial Projection Model etc., Bangladesh Bank started determining the financial position of the banks, quarterly through Quick Review Report. This report focuses on major risks existing in the bank and provides possible solutions to problems.

5.67 Reviewing Minutes

Minutes of the Board, executive committee, and audit committee meetings of all scheduled banks along with the appointed observers' reports have been reviewed in order to find out irregularities and violations of existing laws, regulations, circulars, policies, etc. Along with the minutes of the Board and executive committee meetings, banks have to submit information regarding the sanction of new loans, extension of existing loans, large loans, rescheduled loan & forced loans, as decided in the meeting, in BB's prescribed format. During 2012, on reviewing of 1,657 (703 board minutes, 316 audit committee minutes and 638 executive committee minutes) minutes, various gross irregularities and violations of banking laws, circulars, etc. were detected. Accordingly, the banks have been advised to regularise the same so that major financial indicators as well as the internal control system of the banks become regular and can achieve shock-resilient capacity.

5.68 SCB Monitoring Cell

With a view to developing the financial soundness and operational efficiency of the then-nationalised commercial banks, the Government of the People's Republic of Bangladesh (GoB) corporatised three of the state-owned commercial banks (Sonali, Janata and Agrani Bank Ltd.) in 2007. At the time of corporatisation, the cumulative loss of Sonali, Janata and Agrani Bank was transformed into Intangible Assets with a condition to amortise the losses within 10 years. Rupali Bank had earlier been converted into a public limited company on 14 December 1986. After restructuring, a positive impact in the financial indicators of these four banks was observed as the performance of the State-owned Commercial Banks (SCB) became comparatively better than that of the previous years. However, in these times, Bangladesh Bank is monitoring the SCBs closely under Memorandums of Understanding (MoUs) since 2003 signed with these banks. The MoUs encompass: Fixing a ceiling on the net loan growth and single borrower exposure limit; imposing a penalty for exceeding the net loan growth limit; limit for the growth of operating expenses and imposing restrictions on taking over loans from other banks without prior approval of Bangladesh Bank; a demand to reduce classified loans, to decrease court cases filed to recover bad loans and to reduce unadjusted entries of inter-bank reconciliation accounts; setting up a target on cash recovery from classified loans, focusing on agricultural and SME loans, ensuring better fund management, developing human resources, implementing Core Risk Management Guidelines and other corrective measures are incorporated in the signed MoUs. In the meantime, differentiated net loan growth targets have been given to SCBs based on their last year's performance. In addition, a special diagnostic examination has been done by Bangladesh Bank in the SCBs on Asset Quality, Liquidity Management and Internal Audit and Control system to find out the legacy lapses of these banks. Moreover, Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) are also being monitored and reviewed under the MoUs of

FY12. The preparation of MoUs for BKB and RAKUB for FY14 is currently under process.

E. 3. Risk Management Activities of the Banks

5.69 The need for an efficient risk management framework is paramount in order to ensure the financial soundness of any bank. Therefore, to ensure robustness, efficiency and effectiveness of risk management systems and keep pace with international best practices for the banking sector, BB previously issued several prudent guidelines on risk management. This set includes six core risk management guideline, risk based capital adequacy, and stress testing. On 15 February 2012, BB issued another guideline called Risk Management Guideline for Banks which is a supplement to, and not a substitute for, those guidelines already issued before. This document promotes an integrated, bank-wide approach to risk management that will facilitate banks in adopting contemporary methods to identify, measure, monitor, and control risks throughout their institutions.

5.70 For better risk management practices, each scheduled bank was advised to form an independent Risk Management Unit (RMU) in June 2009. Banks were also instructed to prepare a Risk Management Paper (RMP), place the same in their regular monthly meeting of the RMU, and submit the RMP along with the minutes of the meetings (that is supposed to contain specific decisions based on the analyses/recommendations made in the risk management paper) to the Department of Off-site Supervision. For its part, the Department of Off-site Supervision has been focusing on effective analysis and reporting of the risk management activities of the banks.

5.71 In November 2012, DOS arranged several workshops with the active participation of all banks to develop awareness regarding risk management practices in banks. A model risk management paper and a questionnaire regarding the organisational set-up of risk management activities were provided in the workshop. The purpose of this model was to ensure minimum risk analysis in the RMP and to determine the actual risk exposure along with the organisational set-up of each bank. Subsequently, banks were also instructed to rename their RMU as Risk Management Division (RMD) and to appoint a Chief Risk Officer (CRO) from a senior management position (at least from the Deputy Managing Director level) with an aim to give more emphasis on risk management practices.

5.72 Based on the RMP according to the prescribed format (as a minimum requirement), DOS regularly evaluates the risk management activities of each bank and provides constructive recommendations to improve their conditions. Banks have to execute all the recommendations and submit their compliance report within a specified time frame.

5.73 Recently, a Risk Rating procedure has been developed to quantify all possible risks based on the available information in the RMP and other sources. This risk rating carries 15 percent weight in the Management component of CAMELS rating. Therefore, a bank's risk management practices will have a material effect on its CAMELS rating.

5.74 In addition to regular risk management activities, recently all the banks have been instructed to submit a self-assessment report on internal control systems which needs to be signed and counter-signed by the CEO/MD and the chairman of Audit Committee respectively (DOS Circular No. 17, Dated 07/11/2012). For this purpose, BB has formulated a reporting format with 53 questionnaires regarding anti-fraud internal controls and a statement of fraud and forgeries that have occurred during a period and the action taken against those incidences. The objective of this self-assessment process is to keep the operational risk at a minimum level by strengthening the internal control and compliance system of a bank.

E.4. Financial Stability and Macroprudential Supervision

5.75 In light of the global economic turmoil and the rapidly growing and evolving financial sector in Bangladesh, Bangladesh Bank created the Financial Stability Department (FSD) on 29 May 2012.

5.76 The Financial Stability Report is the major publication of this department. Since inception, this department has produced Financial Stability Report 2011 and the current issue of the same has already been prepared for publication. The department also engaged in continuous efforts to evaluate stress conditions through stress testing reports of bank and generating different industry-wide scenarios. To improve the understanding of the overall bank liquidity and solvency positions, the department is also going to implement the Financial Projection Model (FPM). This model has been developed through the technical assistance of the World Bank. The department is also working on the identification of Domestic Systemically Important Banks (D-SIBs), and on determination of a countercyclical capital buffer and a capital conservation buffer in line with Basel-III guidelines.

5.77 A macroprudential regulation framework and macro stress testing are additional tools that have been under development. This department has already produced an analytical framework to understand contagion effects and to identify the presence of cluster behavior among the banks and FIs.

F. Banking Sector Infrastructure for Financial Stability and Risk Management

F. 1. Deposit Insurance Scheme

5.78 The Deposit Insurance Scheme (DIS) is designed to minimise or eliminate the risk of loss of funds that the depositors may incur by placing funds with a bank that subsequently fails. The direct rationale for deposit insurance is customer protection. The indirect rationale for deposit insurance is that it reduces the risk of a systemic crisis involving, for example, panic withdrawals of deposits from sound banks and breakdown of the payments system. From a global point of view, deposit insurance provides many benefits and, over the long term, appears to be an essential component of a viable modern banking system.

5.79 In Bangladesh, DIS was first introduced in August 1984, in terms of "The Bank Deposit Insurance Ordinance 1984". In July 2000, the ordinance was repealed by an Act of parliament called "The Bank Deposit Insurance Act 2000". DIS in Bangladesh is now being administered by the said Act. In accordance to the Act, Bangladesh Bank (BB) is authorised to administer a fund called the Deposit Insurance Trust Fund (DITF). The Board of Directors of BB acts as the Trustee Board for DITF. The DITF is now being administered and managed under the guidance of the Trustee Board. In addition, Bangladesh Bank is a member of the International Association of Deposit Insurers (IADI).

5.80 In accordance with "The Bank Deposit Insurance Act 2000," the main functions of DITF are: collecting premium from all scheduled banks on a half yearly basis (30 June/31 December) and investing the proceeds in Government securities. The income derived from such investments is also credited to the DITF account for further investment. In case of winding up of an insured bank, as per said act, BB will pay to every depositor of that bank an amount equal to his/her deposits not exceeding Taka one hundred thousand.

5.81 To enhance the effectiveness of market discipline, BB has adopted a system of risk based deposit insurance premium rates applicable for all the banks effective from January-June 2007. Very recently the premium rate has been increased, effective from January-June 2013. Along with the scheduled banks, BB has also taken the initiative to bring the FIs under the umbrella of DIS, an initiative which is now under the consideration of the MoF.

5.82 The effectiveness of DIS in reducing systematic risk would surely increase if the public became well aware of its existence and scope.

Table 5.14 The recent position of DITF

Particulars	Unaudited Figure (as on 31 December 2012)	Premium Rate*
Total Fund	24.1 (billion Taka)	-
Total Investment	24.0 (billion Taka)	-
Covered Deposit of Total Insurable Deposit	35.25%	-
Fully insured Depositors	84.34%	-
Sound bank categories	-	0.08%
Early Warning Bank Categories	-	0.09%
Problem bank Categories	-	0.10%

* Effective from 2013.

5.83 With this end in mind, BB has already issued a circular regarding public awareness about DIS and more information and updates are available in the Bangladesh Bank website so that the general public can be informed on an ongoing basis about the benefits and capabilities of the DIS.

F. 2. Activities of Credit Information Bureau

5.84 Credit Information Bureau (CIB) was set up on 18 August of 1992 in Bangladesh Bank under the Financial Sector Reform Project (FSRP) of the World Bank. The main objective was to minimise the extent of potential default loans by facilitating the banks and financial institutions with credit reports of the loan applicants, so that the lending institutions can better estimate any credit risk while extending any lending or rescheduling facility.

5.85 CIB online services were opened up on 19 July 2011. The CIB database consists of detailed information on borrowers, owners and guarantors. It has brought huge advantages in CIB related operations over the previous system. The total number of borrowers was 844,404 at the end of June 2013, recording an increase of 18.9 percent over the previous period (710,020 as of end-June 2012).

Performance, Regulation and Supervision of NBFIs

6.1 Non Bank Financial Institutions (NBFIs) are, in addition to banks, major financial intermediaries in the Bangladesh economy. They are playing a crucial role in the financial sector by providing additional financial services that are not always provided by the full-fledged banking industry. They have achieved impressive growth in recent years, reflecting the process of financial innovation and holding the promise of deepening financial intermediation in long- term financing needs. The financial institutions, with more multifaceted products and services, have taken their place in the competitive financial market to satisfy the changing demands of customers, adding differentiation to the bank-based financial market of Bangladesh. NBFIs also play a hefty role in the capital market as well as in real estate sector of Bangladesh. Like the banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities. NBFIs are supervised by Bangladesh Bank in a risk- based supervisory system that reflects their important contributions.

A. NBFI Background, Outreach, and Structure in Bangladesh

A. 1. Background and Outreach

6.2 NBFIs were incorporated in Bangladesh under the then Companies Act, 1913 and were being regulated by the provisions contained in Chapter V of the Bangladesh Bank Order, 1972. Later, to remove the

Table 6.1 Structure of NBFIs

	2007	2008	2009	2010	2011	2012	2013*
No. of NBFIs	29	29	29	29	30	31	31
Government- owned	1	1	1	1	2	3	3
Joint-venture	8	8	8	8	8	10	10
Private	20	20	20	20	20	18	18
New branches	8	8	8	20	53	8	1
Total branches	72	80	88	108	161	169	170

*As on 30 June 2013.
Source: Department of Financial Institutions and Markets, BB.

regulatory deficiency and also to define a wide range of activities to be covered by NBFIs, a new statute titled the 'Financial Institution Act, 1993' was enacted in 1993, followed by the 'Financial Institution Regulation, 1994'. NBFIs have been given licenses and regulated under the Financial Institution Act, 1993. There are 31 NBFIs licensed under this act. The newest of the NBFIs started operation on 7 March 2012 and another new one is yet to start operation. As per the Financial Institution Regulation, 1994, at present, the minimum paid up capital for NBFIs is Taka 1.0 billion. So far 21 NBFIs have raised capital through issuing IPOs, while three are exempted from the issuance of IPOs. Other major sources of funds of NBFIs are term deposits, credit facilities from banks and other NBFIs, the call money market, as well as bonds and securitisations. The NBFIs' business line is narrow in comparison with banks in Bangladesh, but they are offering some products to a greater extent than banks. NBFIs are working as multi- product financial institutions.

6.3 Presently, out of 31 NBFIs, 3 are Government-owned, 10 are joint venture and the rest 18 are locally private-owned. Meanwhile, the branch network increased to 170 as on 30 June 2013. The structure of NBFIs is shown in Table 6.1.

A. 2. Assets

6.4 The asset base increased substantially in FY13. Aggregate industry assets stood at Taka 333.9 billion in 2012 from Taka 288.4 billion in 2011, showing a higher growth of 15.8 percent compared to the previous year. At the end of June 2013, assets stood at Taka 378.5 billion.

6.5 **Investment:** NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in the industrial sector. In June 2013, NBFIs investment in different sectors are industry (43.8 percent), real estate (16.7 percent), margin loans (5.0 percent), trade and commerce (11.3 percent), merchant banking (4.0 percent), agriculture (1.5 percent) and others (17.7 percent) (Chart 6.1). As compared with December 2012, investment in industry increased by 6.2 percentage points due to a significant rise in investment in power, gas, water and sanitary services. Other investments showed little changes, except housing which decreased by 2.6 percentage points at the end of June 2013.

6.6 NBFIs are allowed to invest in the capital market to the extent indicated in the Financial Institutions Act, 1993. At end-December 2012, all NBFIs share in total investment was Taka 14.6 billion compared to Taka 19.7 billion in December 2011.

Chart 6.1

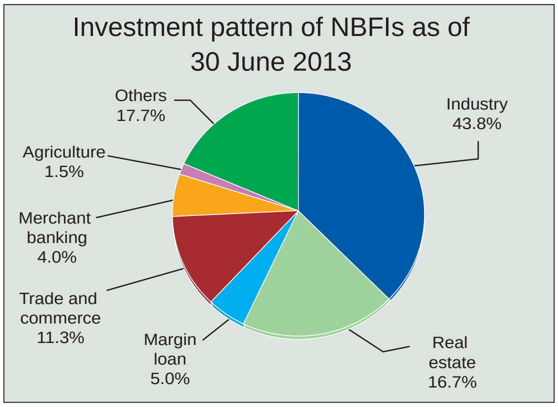


Chart 6.2

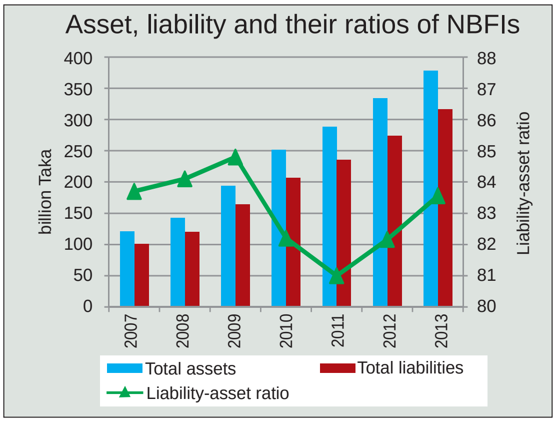


Table 6.2 Assets, liabilities and deposits of NBFIs

(billion Taka)

	2007	2008	2009	2010	2011	2012	2013*
Total assets	120.6	142.4	193.8	251.5	288.4	333.9	378.5
Total liabilities	100.9	119.8	164.4	206.8	235.7	274.3	316.3
Liabilities-assets ratio	83.7	84.1	84.8	82.2	81.0	82.2	83.6
Total deposit	26.8	38.3	80.8	94.4	112.6	145.4	174.0
Deposit as % of Total liabilities	26.6	32.0	49.2	45.7	47.8	53.0	55.0

*As on 30 June 2013.
Source: Department of Financial Institutions and Markets, BB.

Investment in shares comprises 4.4 percent of the total assets of all NBFIs.

A. 3. Deposits

6.7 Total deposits of the NBFIs in 2012 rose to Taka 145.4 billion (53.0 percent of total liabilities) from Taka 112.6 billion (47.8

percent of total liabilities) in 2011, an overall increase of 29.1 percent. Total deposits further increased to Taka 174.0 billion at the end of June 2013 (Table 6.2).

A. 4. Other Liabilities and Equity

6.8 The aggregate liabilities of the industry in 2012 increased to Taka 274.3 billion from Taka 235.7 billion in 2011, while equity increased to Taka 59.6 billion in 2012 compared with Taka 52.7 billion in 2011, showing overall increases of 16.4 percent and 13.1 percent respectively. In June 2013, total liabilities stood at Taka 316.3 billion and equity reached at Taka 62.2 billion.

A. 5. Bond and Securitisation Activity

6.9 The bond market in Bangladesh is at its early stages. There are few players with a limited number of instruments. NBFIs play a significant role in the development of the bond market through issuing Zero Coupon Bonds and Asset-backed Securitised Bonds. By taking a no-objection certificate (NOC) from the Department of Financial Institutions and Markets (DFIM), Taka 8.5 billion and Taka 1.7 billion Zero Coupon Bonds and Asset-backed Securitised Bonds have been issued respectively by all the NBFIs as of December 2012. In addition, a NOC has been given to a financial institution to issue Taka 1.5 billion in non-convertible zero coupon bonds which have not yet been issued.

B. Performance and Rating of NBFIs

6.10 As with the banks, the performance of this sector is evaluated through the CAMELS rating which involves analysis and evaluation of the six crucial dimensions of NBFIs' operations. The six indicators used in the

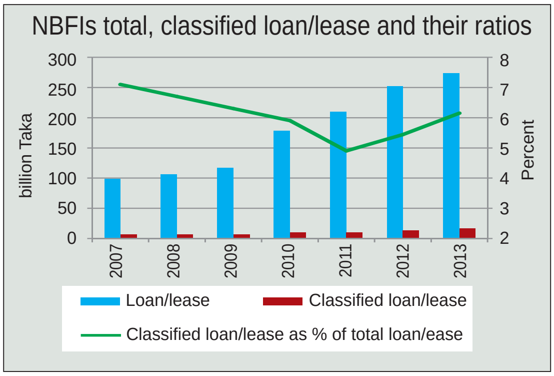
Table 6.3 Total loan/ lease and classified loan/ lease

(billion Taka)

	2007	2008	2009	2010	2011	2012	2013*
Loan/lease	99.1	106.4	116.7	178.1	209.7	252.1	273.6
Classified loan/lease	7.0	7.1	7.3	10.5	10.3	13.7	16.8
Classified loan/lease as % of total loan/lease	7.1	6.7	6.3	5.9	4.9	5.4	6.2

* As on 30 June 2013.
Source: Department of Financial Institutions and Markets, BB.

Chart 6.3



rating system are (i) capital adequacy, (ii) asset quality, (iii) management efficiency, (iv) earnings (v) liquidity and (vi) sensitivity to market.

B. 1. Capital Adequacy

6.11 Capital adequacy focuses on the total position of NBFIs' capital and protects the depositors from the potential shocks of losses that a NBFI might incur. It helps absorb major financial risks (credit risk, market risk, interest rate risk, etc.). NBFIs in Bangladesh have been instructed under the Basel Accord to maintain a Capital Adequacy Ratio (CAR) of not less than 10.0 percent with at least 5.0 percent in core capital. At the end of June 2013, out of 30 NBFIs, 27 financial institutions are maintaining CAR at the desired level. At the end of December 2012, out of 29 NBFIs (the remaining 2 companies had been yet to come under this rating), 1 is "1 or Strong", 14 are "2 or Satisfactory", 12 are "3 or Fair" and the remaining 2 are "4 or Marginal" in the capital adequacy component of the CAMELS rating matrix.

B. 2. Asset Quality

6.12 The most important indicator intended to identify problems with asset quality in the loan portfolio is the ratio of gross non-performing loan/lease to total loan/lease. At the end of December 2012, the ratio for NBFI is 5.4 percent and, in recent years, it was highest (7.1 percent) in 2007. In the total asset composition of all NBFIs, the concentration of loans, lease and advances is 75.4 percent. At the end of December 2012, out of 29 NBFIs (the remaining 2 companies are yet to come under this rating), 7 are "2 or Satisfactory", 14 are "3 or Fair" and the remaining 8 are "4 or Marginal" in the asset quality component of the CAMELS rating matrix.

B. 3. Management Efficiency

6.13 Sound management is the most important prerequisite for the strength and growth of any NBFI. The total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee, and interest rate spread are generally used to gauge management efficiency. At the end of December 2012, out of 29 NBFIs (the remaining 2 companies are yet to come under this rating), 14 are "2 or Satisfactory", 11 are "3 or Fair" and the remaining 4 are "4 or Marginal" in Management Capacity component of the CAMELS rating matrix.

Table 6.4 Profitability of NBFIs

	2007	2008	2009	2010	2011	2012	2013*
Return on equity (ROE)	13.8	12.9	20.9	24.4	11.7	10.4	8.1
Return on asset (ROA)	2.3	2.1	3.2	4.3	2.1	1.9	1.5

* As on 30 June 2013.
Source : Department of Financial Institutions and Markets, BB.

B. 4. Earnings and Profitability

6.14 Earnings and profitability of a NBFI reflect its efficiency in managing resources and its long term sustainability. These indicators determine the capacity to absorb probable losses by building an adequate capital base, finance its expansion, and pay adequate dividends to its shareholders. Among various measures of earnings and profitability, the best and widely used indicator is Return on Assets (ROA) which is supplemented by Return on Equity (ROE). ROA and ROE of all the NBFIs in December 2012 were 1.9 and 10.4 percent respectively (Table 6.4). As of December 2012, out of 29 NBFIs, 2 are "1 or Strong", 11 are "2 or Satisfactory" 13 are "3 or Fair" and 3 are "4 or Marginal" in the earnings and profitability component of the CAMELS rating matrix.

Liquidity

6.15 NBFIs are allowed to mobilise term deposits only. At present term liabilities are subject to a Statutory Liquidity Requirement (SLR) of 5 percent inclusive of an average 2.5 percent (at least 2 percent in each day) Cash Reserve Ratio (CRR) on bi-weekly basis. The SLR for the NBFIs operating without taking term deposist is 2.5 percent. The Infrastructure Development Company Limited (IDCOL), established by the Government of Bangladesh, is exempted from maintaining the SLR. At the end of December 2012, out of 29 NBFIs (the remaining 2 companies are yet to come under this rating), 10 are "2 or Satisfactory" 18 are "3 or Fair" and 1 is "4 or Marginal" in the liquidity position component of the CAMELS rating matrix.

B. 5. Sensitivity to Market Risk

6.16 The sensitivity to market risk reflects the degree to which changes in interest rates or equity prices can adversely affect an NBFI's asset-liability position, earnings and capital. When evaluating this sensitivity component, consideration should be given to management's ability to identify, measure, and control market risk via the implementation of effective Core Risk Management systems. Vulnerability of the NBFI in a stressed situation to either an interest rate or equity price shock (or both) should be taken under consideration to evaluate sensitivity. For many NBFIs, the primary source of market risk arises from non-trading positions and their sensitivity to changes in interest rates. At the end of December 2012, out of 29 NBFIs (the remaining 2 companies are yet to come under this rating), 7 are "2 or Satisfactory", 15 are "3 or Fair" and the remaining 7 are "4 or Marginal" in the Sensitivity to Market Risk component of the CAMELS rating matrix.

B. 6. Composite CAMELS Rating

6.17 As of June 2013 out of 29 NBFIs the composite CAMELS rating (C=capital adequacy, A=asset quality, M=management capacity, E=earning ability, L=liquidity position and S=Sensitivity to Market Risk) of 13 are "2 or Satisfactory", 14 are "3 or Fair" and the remaining 3 are "4 or Marginal". On the other hand, in December 2011, out of 29 NBFIs the composite CAMEL rating of 2 NBFIs was "1 or Strong", 16 were rated "2 or Satisfactory" 10 were scored "3 or Fair", and the remaining one was "4 or Marginal".

C. Legal Framework and Prudential Regulations

6.18 As part of the ongoing efforts to strengthen the NBFIs through the adoption of policies aimed at both improving the financial strength of NBFIs as well as bringing about greater transparency in their operations, several policy and regulatory measures were initiated in FY13.

C. 1. Capital Adequacy and Progress of Basel Accord Implementation in NBFIs

6.19 Basel-II has been implemented in the NBFIs from 1 January 2012. BB has issued a guideline, Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD), to promote international best practices and to make the capital of NBFIs more risk-based as well as more shock-resilient. The instructions regarding minimum capital requirements, supervisory review process, and disclosure requirement as stated in the CAMD guidelines have to be followed by all the NBFIs as statutory compliance. As a part of the consultative approach in this regard, a high-level Steering Committee (SC) headed by a Deputy Governor of BB has been formed, comprising NBFIs' chief executive officers, for working on policy decisions. Furthermore, there is a Working Group (WG) headed by an Executive Director of BB to assist the SC in decision-making. A Basel Implementation Cell (BIC) under DFIM has been formed to assist and carry out the instructions of SC and WG on the Basel accord implementation.

C. 2. Corporate Governance in NBFIs

6.20 Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. Authority, responsibility and functions of the Board of

Directors, Committees, Management and Chief Executive Officer of NBFIs are clearly stated in different circulars issued from time to time by BB. In addition, duties and responsibilities of the Audit Committee on internal control, financial reporting, internal audit, external audit, compliance of existing rules and regulations, an organogram of the audit committee, eligibility of a member, and arrangements of meetings have been mentioned in the DFIM Circular (No-13, dated 26 October 2011). The allowed number of Directors in the Board is 9 to 11. The Board sets and approves the vision/mission, annual strategic planning, key performance indicators, core risk management guidelines, etc. The Chief Executive Officer is responsible for conducting day to day functions and materialisation of the strategic business plan.

C. 3. Asset Classification and Provisioning

6.21 NBFIs are required to maintain provisions for expected losses on loans, advances, leases, and investments on an aging analysis. The aging analysis of overdue loans/leases classifies them to Standard, Special Mention Account, Sub-standard, Doubtful and Bad/Loss, requiring the NBFI to keep a 1, 5, 20, 50 and 100 percent provision respectively. At end of December 2012, the industry as a whole was able to maintain adequate provisions, except one institution. As of December 2012, the total outstanding of loans/leases was Taka 252.1 billion, of which NPL was Taka 13.7 billion (5.4 percent), which was up from 4.9 percent in December 2011.

C. 4. Loan Rescheduling Policy

6.22 Rescheduling of loans/leases is allowed only under the policy of receipt of a down payment. The minimum down payment for rescheduling is the lower of 15, 30 and 50 percent of overdue or 10, 20, 30 percent of outstanding for 1st, 2nd and thereafter instances of restructuring, respectively.

C. 5. Core Risk Management

6.23 Guidelines on four core risk areas, namely, Credit Risk Management, Internal Control and Compliance, Asset-Liability Management, and Information and Communication Technology Management for NBFIs have been issued. NBFIs have developed customised guidelines on these risk areas, keeping the stated guidelines as minimum requirements.

C. 6. Stress Testing

6.24 In order to further strengthen the country's financial system, NBFIs are undergoing the purview of Stress Testing from 2010 and thereafter conducting the exercise on a half-yearly basis. BB monitors the resilience of the NBFIs under different levels of defined exceptional but plausible shocks. After a thorough analysis of the situational requirements and future perspectives, BB has revised the guidelines for the NBFIs. A new financial position indicator, the Insolvency Ratio (IR), artificial intelligence to auto-generate a recommended action plan, a rating scale of 1 to 5, and zonal positioning (Green, Yellow & Red) determined by a Weighted Average Resilience-Weighted Insolvency Ratio (WAR-WIR) matrix have been introduced in the revised guideline for NBFIs.

D. Consumer Protection Regulations

D. 1. Schedule of Charges

6.25 BB has rationalised the charges of some services to protect the interest of depositors/investors/customers and advised all NBFIs to display the complete schedule of charges in suitable visible places in their branches and head offices, and upload the same in their respective websites for the convenience of the customers. BB monitors this issue and NBFIs are required to submit semi-annual statements in this regard. No charge/commission like commitment fees, supervision fees, and cheque dishonour fees are to be charged.

D. 2. Guidelines on Products and Services of NBFIs in Bangladesh

6.26 In order to deal with complex products it is necessary to review and design the regulatory framework for managing products and services offered by the NBFIs. Keeping this in mind, different aspects of both existing and new products and services are equipped in the new guidelines "Guidelines on Products and Services of NBFIs in Bangladesh". These guidelines will be able to protect clients' interests, about which Bangladesh Bank is constantly concerned. At the same time, these guidelines will provide greater flexibility to NBFIs to cope with changing circumstances. This will also help promote sound risk management system associated with products and services and bring discipline in launching new products and services.

E. Regulations for Socially-Responsible Financing

E. 1. Corporate Social Responsibility (CSR)

6.27 For the purpose of monitoring CSR adoption and CSR performance, NBFIs are advised to submit a statement on CSR, with special emphasis on gender equality performance, on a half-yearly basis.

E. 2. Environmental Risk Management (ERM)

6.28 The concept of Environmental Governance is now a very important phenomenon. BB has issued a Guideline on ERM to streamline solutions for managing the environmental risks in the financial sector. ERM is an important consideration for all sorts of financing.

Financial Markets

7.1 This chapter will cover developments in the money market, Government debt market and equity markets.

Money Market

Call Money Market FY13

7.2 BB provided repo, special repo and Liquidity Support Facility (LSF) to the Primary Dealers (PDs) and non-PD banks against the eligible holding of treasury bills and bonds. BBs policy measures resulted in stable weighted average interest rate in the call money market ranging from 7.2 percent to 11.5 percent during FY13 (Table 7.1 and Chart 7.1). The weighted average interest rate ranged from 9.8 percent to 19.7 percent during FY12. During FY13 the average volume of trade in the call money market increased by Taka 367.7 billion, which was 36.1 percent higher than that of FY12.

Repo Auctions - FY13

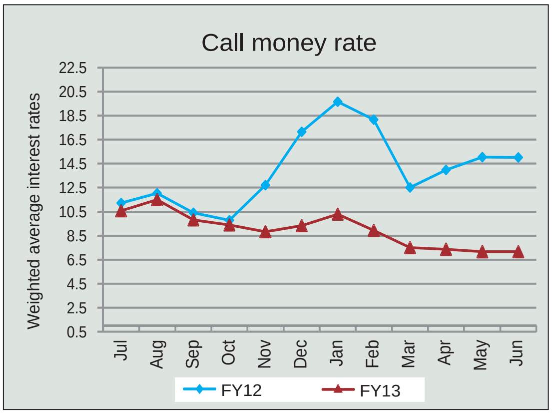
7.3 A repo deal is one where PDs and non-PDs make a contract to borrow money usually overnight at a pre-determined policy rate of BB against the collateral face value of Government treasury bills and bonds. The repo injects money in the system and provides banks necessary funds to maintain their very short term exposure. In order to achieve monetary policy objectives, BB lowered the repo and reverse repo rate by fifty basis points during FY13. The rate of interest for repo, special repo and Liquidity Support Facility

Table 7.1 Volume of trade and weighted average interest rates in call money market

Periods	Volume of trade (billion Taka)	Weighted average interest rates (%)	Volume of trade (billion Taka)	Weighted average interest rates (%)
	FY12		FY13	
July	781.86	11.21	1449.43	10.58
August	864.30	12.03	1096.70	11.51
September	1102.84	10.41	1483.71	9.81
October	1094.70	9.77	1432.07	9.40
November	1055.05	12.70	1308.25	8.82
December	853.01	17.15	1228.25	9.34
January	1090.13	19.66	1483.17	10.29
February	826.71	18.18	1411.82	8.95
March	1033.09	12.51	1138.88	7.50
April	1272.74	13.98	1431.53	7.35
May	1110.31	15.05	1478.48	7.15
June	1134.52	15.02	1689.53	7.17
Average	**1018.27**	**13.97**	**1385.98**	**8.99**

Source: Debt Management Department, Bangladesh Bank.

Chart 7.1



(LSF) was 7.25 percent, 10.25 percent and 7.25 percent respectively for 1-2 day tenor.

7.4 A total of 255 repo (including special repo and LSF) auctions were held during FY13. In all 6291 bids for Taka 24356.7 billion were received, of which 6232 bids for a total of Taka 19275.7 billion were accepted. This pattern in very different from FY12 when 6500 bids for Taka 60242.3 billion were received, of which Taka 21943.1 billion was accepted (Table 7.2). The range of interest rate against the accepted bids was 7.25-10.75 percent per annum in FY13 as against 6.75-10.80 percent per annum in the previous year.

Reverse Repo Auctions - FY13

7.5 During a reverse repo deal, BB absorbs ("mops up") liquidity from the banks. In case of reverse repo BB does not provide any collateral to the banks. It applies the reverse repo to maintain intended level of liquidity in the market and to maintain reserve money targets on track. A total of 53 daily reverse repo auctions were held in FY13. In all 69 bids of 1-2 day and 5 bids of 3-7 day tenors for a total of Taka 138.7 billion were received and all the bids were accepted. During FY12 bids for 81.7 billion were received, of which all bids were accepted. The interest rate range against the accepted bids was 5.25-5.75 percent per annum during FY13 (Table 7.3).

Table 7.2 Repo auctions-FY13

Total No. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
255	1-Day/2-Day	5149	19608.69	5098	15560.39	7.25-10.75
	3-Day/8-Day	1142	4748.02	1134	3715.33	7.25-10.75
	Total	**6291**	**24356.71**	**6232**	**19275.72**	**7.25-10.75***

Source: Monetary Policy Department, Bangladesh Bank.
* Overall interest rates of different tenors.

Bangladesh Bank Bill

7.6 Operations of Bangladesh Bank Bill was revived again as an Open Market Operation (OMO) tool. This was applied to 'sterilise' the impact of foreign exchange purchases. These BB bills have a 30 day maturity. The results of Bangladesh Bank bill auction in FY13 are shown at Table 7.4.

Government Securities Market

Government Treasury Bills Auctions

7.7 Treasury bills and bonds are short-term and long term obligations issued by Bangladesh Bank on behalf of the Government of Bangladesh. These are the indirect monetary instruments that the BB uses for debt management purpose. The securities are issued through an auction process where the allotments are awarded to the bids which fill the notified issue amount ranging from the lowest to highest yield. Pro-rata partial allotments are made for bids at the cut-off-yield. The objectives of issuing these securities are two-fold. The first is to provide a mechanism for financing Government deficit, and managing excess liquidity prevailing in the market. In FY13, among 15 Primary Dealers (PDs), 3 financial institutions are not acting as PD. 12 PDs acted as underwriters and market makers with commitments to bid in auctions. Effective from August 2012, BB introduced new underwriting obligations for 12 PD banks and mandatory allocation for 25 non PD

Table 7.3 Reverse repo auctions-FY13

Total no. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
53	1-Day/2- Day	69	122.85	69	122.85	5.25-5.75
	3-Day/7- Day	5	15.86	5	15.86	5.25-5.75
	Total	**74**	**138.71**	**74**	**138.71**	**5.25-5.75***

Source: Monetary Policy Department, Bangladesh Bank.
* Overall range of the rates of different tenors.

banks in auction of Government Treasury Bills and Bonds. According to the revised auction procedure, the 12 PD banks will assume 60 percent and 25 non PD banks will assume 40 percent of the unsubscribed amount of auction in proportion to their total demand and time liabilities (TDTL). Among the notified amount for the 12 PD banks, 50 percent will be distributed according to TDTL and the rest 50 percent will be distributed equally.

7.8 Weekly auctions of 91-day, 182-day and 364-day treasury bills continued to be main instruments for debt management of the Government during the year under report. The results of treasury bills auction in FY13 are summarised at Table 7.5. The auctions of 91-day, 182-day and 364-day's tenor bills were under-subscribed. Consequently, devolvement to PDs and non PDs had to continue. The weighted average yield of most of the treasury bills increased during FY13.

Bangladesh Government Treasury Bonds (BGTBs) Auctions

7.9 Treasury Bonds, bearing half yearly interest coupons with tenors of 2-year, 5-year, 10-year, 15-year and 20-year are auctioned every month following preannounced auction calendar prepared by BB and the Ministry of Finance considering liquidity and macroeconomic indicators. In order to further develop the yield curve and improve liquidity and assets-liabilities matching, a 2-year BGTB was introduced as a new instrument from 28 May 2013.

7.10 The coupon rate for the treasury bonds ranged from 10.98 percent to 12.48 percent in FY13. The coupon rates on all tenors of treasury bonds were increased during the period. This is shown in Table 7.6. The movements of the weighted average yield-to-maturity of all the treasury bonds are depicted in the Chart 7.2.

Bangladesh Government Islamic Investment Bond (Islamic Bond)

7.11 Government issues bond as guarantee against the pool of funds formed by the Islamic banks and individuals in order to develop money market in Islamic banking sector. However due to an under-developed Islamic bond market Government is unable to tap this segment for it's domestic financing needs. The return of the bonds depends on profit or loss in line with the Islamic Shariah savings rate and related factors reflected in the balance sheet of the Islamic bank. The operations of 6-month, 1-year and 2-year Bangladesh Government Islamic Investment Bond (Islamic Bond) introduced in FY05 continued in FY13. This Government Bond is operated in accordance with the rules of

Table 7.4 Auctions of Bangladesh Bank bill - FY13

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 2013 (billion Taka)	Weighted average yield (WAR) range* (%)	
	No.	Face value (billion Taka)	No.	Face value (billion Taka)		FY12	FY13
30-Day	246	186.48	240	183.73	24.99	-	7.10-9.41
Total	**246**	**186.48**	**240**	**183.73**	**24.99**	**-**	**7.10-9.41**

Source: Monetary Policy Department, Bangladesh Bank.
* Range of the weighted average annual yield of the accepted bids.

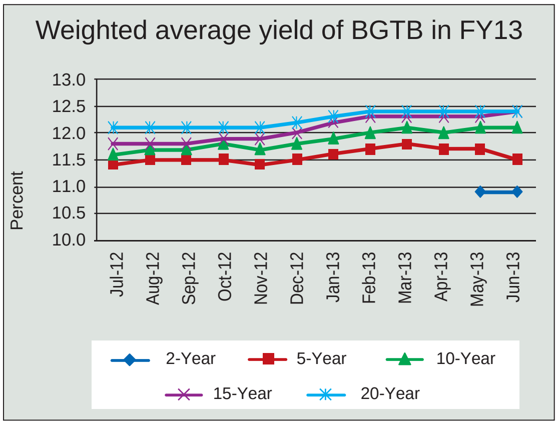
Islamic Shariah. As per the rules, Bangladeshi institutions, individuals and non-resident Bangladeshis who agree to share profit or loss in accordance to Islami Shariah may buy this bond. As of end June 2013, the total sale against this bond amounted to Taka 107.13 billion while balance of total amount of financing stood at Taka 67.78 billion and the net outstanding against the bond stood at Taka 39.35 billion. As of end June 2012, the total sale against this bond was Taka 31.48 billion against the balance of total financing of Taka 31.26 billion and the net outstanding of Taka 0.22 billion. The increased sale volume relates to the liquidity 'mopping up' needs of Bangladesh Bank which needed to sterilise it's interventions in the foreign exchange market. The overall transaction of this bond are summarised in Table 7.7.

Capital Market

Investment Financing in Bangladesh

7.12 The dominance of term loans in investment financing implies low equity stake and risk exposure of the owners, with disproportionately high incidence of risk on the lending banks and financial institutions, including liquidity risk arising from the funding of these long-term loans with typically shorter-term deposits.

Chart 7.2



7.13 The amount of industrial term loans disbursed by banks and financial institutions stood at Taka 425.3 billion, many-fold higher than the amount of Taka 12.2 billion raised by new capital issues through private placements and public offerings in the capital market in FY13. This indicates the overwhelming preference of bank finance in industrial investment financing.

7.14 The Dhaka Stock Exchange Limited launched its new two indices, which are known as the DSE Broad Index ("DSEX") and DSE 30 Index ("DS30") designed & developed by S&P Dow Jones on 28 January 2013. The National Parliament of Bangladesh passed "The Exchange Demutualisation Act, 2013" on 29 April 2013 which was gazetted on 2 May 2013. An

Table 7.5 Auctions of Government treasury bills - FY13

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June, 2013 (billion Taka)	Weighted average yield (WAR) range* (%)	
	No.	Face value (billion Taka)	No.	Face value (billion Taka)		FY12	FY13
91-Day	1074	460.4	442	194.0	85.5	7.01-11.40	8.13-11.40
182-Day	627	247.7	260	109.4	83.5	7.26-11.41	9.83-11.42
364-Day	582	216.2	265	99.2	145.5	7.60-11.43	10.13-11.54
Devolvement to Bangladesh Bank/PD				170.4			
Total	**2283**	**924.3**	**967**	**573.0**	**314.5**	**7.01-11.43**	**8.13-11.54**

Source: Monetary Policy Department, Bangladesh Bank.
* Range of the weighted average annual yield of the accepted bids.

Appellate Board by retired Judges from High Court Division has been formed to settle the capital market related investors' claim. The surveillance software of international standard has been installed to ensure transparency and accountability in the capital market through strengthening the monitoring of transactions. The task of amending the 'Securities and Exchange Commission Act 1990' and Securities and Exchange Ordinance 1969" has been completed.

Capital Market Activities in FY13

Primary Issuance

7.15 Fourteen companies raised new equity of Taka 12.2 billion in the capital market in FY13, lower than the Taka 16.4 billion raised by the fifteen companies in FY12. Of the new equity issued, Taka 1.0 billion was raised through private placements and Taka 11.2 billion raised through public placements. In FY12, equity issued through private and public placements were Taka 2.6 billion and Taka 13.8 billion respectively.

7.16 The volume of public offerings in FY13 was oversubscribed more than three times indicating a shortage of new securities in the primary market. Bonus shares worth of Taka 34.4 billion were issued in FY13 by one hundred and sixty one companies against retained profits. This was lower than Taka 43.0 billion issued in FY12 by one hundred and fifty seven companies.

Secondary Market Activities

7.17 As a percent of market capitalisation the financial sector dominated with 37.2 percent share, followed by services and miscellaneous (33.7 percent), manufacturing (28.8 percent) and corporate bonds (0.3 percent) at the end of June FY13. In Dhaka stock exchange (DSE), market capitalisation inclusive of new issues increased by 1.5 percent to Taka 2530.2 billion or 24.4 percent of GDP at the end of FY13 from Taka 2491.6 billion at the end of FY12 (Chart 7.3). In Chittagong Stock Exchange (CSE), it grew by 2.6 percent to Taka 1919.9 billion or 18.5 percent of GDP at the end of FY13 (Table 7.9 and 7.10).

Non-resident Portfolio Investment

7.18 Gross investment inflow in shares and securities of the stock exchanges by non-residents through Non-resident Investor Taka Account (NITA) increased to Taka 18.0 billion in FY13 from Taka 15.7 billion in FY12. Gross

Table 7.6 Auctions of Bangladesh Government treasury bonds - FY13

Tenor of bonds	Bids offered		Bids accepted		Outstanding bonds as of end June 13 (billion Taka)	Yield range *(%)
	Number	Face value (billion Taka)	Number	Face value (billion Taka)		
2-Year	46	14.97	07	3.88	6.00	10.9449-10.9800
Devolvement to BB/PDs and non PDs				2.12		
5-Year	266	65.90	158	37.91	274.09	11.4800-11.8200
Devolvement to BB/PDs and non PDs				44.09		
10-Year	210	44.89	119	22.48	364.90	11.6500-12.1618
Devolvement to BB/PDs and non PDs				57.02		
15-Year	170	18.40	76	11.19	113.36	11.8500-12.4000
Devolvement to BB/PDs and non PDs				7.81		
20-Year	177	23.01	69	11.37	92.09	12.1200-12.4800
Devolvement to BB/PDs and non PDs				6.65		
Total	**869**	**167.17**	**429**	**204.52**	**850.44**	**10.9449-12.4800@**

Source: Monetary Policy Department, Bangladesh Bank
* Range of the weighted average annual yield of the accepted bids.
@ Weighted average annual yield of treasury bonds of different terms.

outflow as repatriation of sale proceeds also increased to Taka 7.8 billion in FY13 from Taka 6.7 billion in FY12. From April 1992 to June 2013, the gross investment inflow stood at Taka 87.4 billion against gross outflow as repatriation of sale proceeds of Taka 75.1 billion.

Activities of the Investment Corporation of Bangladesh

7.19 The Government has undertaken a series of measures to accelerate the pace of industrialisation and develop a well organised and vibrant capital market particularly securities market in Bangladesh through the enactment of the Investment Corporation of Bangladesh (ICB). ICB caters to the need of institutional support to meet the equity gap of the industrial enterprises. The scope of ICB's capital market development programme activities has been expanded through the formation and operation of the three subsidiaries of ICB namely the ICB Capital Management Ltd (ICML), the ICB Asset Management Company Ltd. (IAMCL) and the ICB Securities Trading Company Ltd. (ISTCL). In order to help mobilise savings, encourage and broaden the base of investment, the ICML plays important role as underwriter of public issues of shares/ debentures, portfolio manager, issue manager of investment account and placement services provider. During FY13, total investment made against the investors' accounts stood at Taka 4.7 billion while

Table 7.7 Bangladesh Government Islamic Investment Bond

(billion Taka)

Particulars	FY11	FY12	FY13
Sale	25.3	31.48	107.13
Financing	22.8	31.26	67.78
Net outstanding	2.5	0.22	39.35

Source: Motijheel office, Bangladesh Bank.

Table 7.8 Disbursement & recovery of industrial term loans of banks and financial institutions

(billion Taka)

Particulars	FY12	FY13	% Change
Disbursement	352.8	425.3	20.6
Recovery	302.3	365.5	20.9
Outstanding (end June)	802.3	903.3	12.6

Source: SME and Special Programmes Department, Bangladesh Bank.

deposit received stood at Taka 0.7 billion. The IAMCL emerged as one of the fast expanding asset management company of the country. Up to end June 2013, the company floated 12 closed-end and 3 open-end mutual funds. Besides, the company floated various regular and special types of mutual funds. The net investment in portfolios of the fifteen mutual funds of the company stood at Taka 30.3 billion and the market value of which stood at Taka 24.1 billion. The ISTCL emerged as the largest stockbroker in the country handling total turnover worth Taka 103.1 billion in FY13 which was 10.7 percent of total turnover of both DSE and CSE. The parent ICB itself sold unit certificates amounting Taka 0.8 billion against repurchase of unit certificates amounting Taka 0.2 billion in FY13. ICB received deposits of Taka 1.5 billion and approved loans of Taka 8.8 billion in investment accounts of investors in FY13. Total commitments for investment made by the ICB in FY13 stood at Taka 2.4 billion of which, pre-IPO placement of share stood at Taka 0.8 billion, investment in equity Taka 1.0 billion, purchase of debentures Taka 0.1 billion and bank guarantee Taka 0.5 billion. In FY12, the total amount of commitments was Taka 2.3 billion.

Scheduled Banks Investments in Capital Market Securities

7.20 Holdings of capital market assets (equities, debentures) by scheduled banks stood at Taka 259.2 billion as of end June 2013 as against Taka 166.1 billion as of end June 2012. Outstanding advances of scheduled banks against shares and securities amounted to Taka 21.0 (provisional) billion as of end June 2013, which was Taka 9.1 billion as of end June 2012.

Chart 7.3

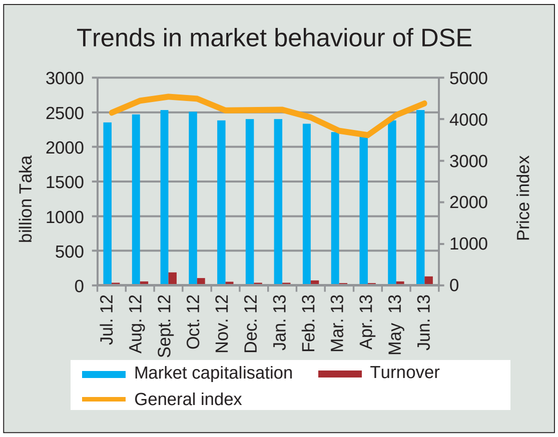


Table 7.9 Dhaka Stock Exchange (DSE) activities

Particulars	End June		
	FY11	FY12	FY13
No. of listed securities*	490	511	525
Issued equity and debt*			
(billion Taka)	806.8	933.6	983.6
Equity through private placement			
& IPOs (billion Taka)	27.9	16.4	12.2
Market capitalisation			
(billion Taka)	2853.9	2491.6	2530.2
Turnover in value			
(billion Taka)	3259.2	1171.5	857.1
Turnover in volume			
(no. in billion)	19.7	18.6	21.6
General Index	6117.2	4572.9	4385.8

Source: Dhaka Stock Exchange
* = including companies, mutual funds, debentures and Government Treasury Bonds.

Table 7.10 Chittagong Stock Exchange (CSE) activities

Particulars	End June		
	FY11	FY12	FY13
No. of listed securities*	220	251	266
Issued equity and debt*			
(billion Taka)	302.9	375.2	428.6
Market capitalisation			
(billion Taka)	2237.6	1871.6	1919.9
Turnover in value			
(billion Taka)	3.2	134.9	102.0
Turnover in volume			
(no. in billion)	2.7	2.5	2.8
All-share Price Index	17059.5	13736.4	12738.2

Source: Chittagong Stock Exchange
* = including companies, mutual funds and debentures.

Measures Supporting Capital Market Development

7.21 The Securities and Exchange Commission (SEC) undertook several measures to bring long-term stability and strengthen the capital market during FY13:

- The task of enactment of law (Law no.-45, 2012) has been completed to amend the 'Securities and Exchange Commission Act, 1993' in order to empower and strengthen the capital market controlling authority 'Bangladesh Securities and Exchange Commission (SEC)'.
- 'Securities and Exchange Commission (Private Placement of Debt Securities) Rules, 2012' has been framed to develop private placement in debt securities.
- With a view to develop the transparency of the capital market all omnibus accounts have been converted into separate Beneficiary Owners (BO) accounts from 28 February 2013.
- To develop the mutual fund in the capital market, 'Securities and Exchange Commission (Mutual Fund) Rules, 2001' has been amended.
- Corporate governance guidelines have been updated in order to establish good governance in the listed companies.
- A directive of maintaining the provision against unrealised loss by the stock broker/stock dealer and merchant banker has been declared on 27 February 2013.
- The limit for the long-term margin loan has been determined and an order in this regard has been declared on 30 September 2012.

7.22 The measures declared in the national budget of FY14 in support of further development of the capital market included:

- Continue the existing provision of exemption of tax on gains from transactions of shares by individual taxpayers in addition to other fresh incentives. For that end, government proposed to rescind the existing provision of charging 3 percent tax on the premium over the face value of shares of a company.
- Repeal the provision of charging 0.05 percent tax at source on the total income from bond sale and also allow 15 percent tax rebate on investment in private alongside public mutual fund.
- Increase the threshold of tax-exempted income from dividend to Taka 10 (ten) thousand from Taka 5 (five) thousand.

Credit Market

Advances of Scheduled Banks by Economic Purposes

7.23 Total advances of scheduled banks by economic purposes showed an upward trend during FY13 (Table 7.11). Total advances of scheduled banks by economic purposes stood at Taka 4248.1 billion at the end of June 2013 which is 10.0 percent higher than the total advances of Taka 3859.3 billion at the end of June 2012. In recent years, significant changes have been taken place in the trends in total bank advances classified by economic purpose. Of the total advances, construction sector recorded the significant improvement by 20.6 percent followed by working capital financing (14.1 percent), transport and communication sector (13.6 percent), industry sector (12.8 percent), agriculture, forestry and fishing sector (9.7 percent), trade sector (6.8 percent), and other sectors 3.6 percent in FY13 as compared to FY12. Sector-wise contribution of total advances shows that the trade sector plays the main role (37.5 percent) and industry sector is second (21.1 percent), followed by advances for working capital financing (13.4 percent), construction (9.1 percent), agriculture, forestry and fishing (5.4 percent), transport and communication sector (2.1 percent) and other sectors (11.4 percent) in FY13. Sector-wise contribution of total advances is reported in Chart 7.4.

Industrial Term Loans of Banks and Financial Institutions

7.24 Disbursement of industrial term loans by banks and financial institutions increased by 20.5 percent to Taka 425.3 billion. The recoveries also increased by 20.9 percent to Taka 365.5 billion in FY13. The outstanding balance showed a positive growth of 12.6 percent as of end June 2013. However, the overdue increased by 45.0 percent in FY13 and as a percent of outstanding also increased to 11.9 as of end June 2013 (Table 7.12).

7.25 Private commercial banks (PCBs) had the major share (58.7 percent) of the total Taka 903.3 billion outstanding loans as of end June 2013, making them major players in industrial term lending (Table 7.12 and Chart 7.5). Though four SCBs and four state-owned specialised banks together had 26.8 percent shares of outstanding loans, but with very high levels of overdue loans, their actual role

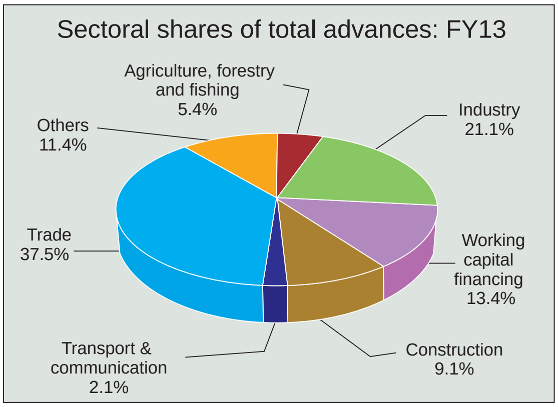
Table 7.11 Advances of scheduled banks by economic purposes

(billion Taka)

Sector	End June FY12	End June FY13	% change
1. Agriculture, forestry and fishing	209.3	229.7	9.7
2. Industry	796.3	898.3	12.8
3. Working capital financing	500.1	570.5	14.1
4. Construction	320.3	386.3	20.6
5. Transport & communication	79.7	90.5	13.6
6. Trade	1491.3	1593.6	6.8
7. Others	462.3	479.2	3.6
Grand Total	**3859.3**	**4248.1**	**10.0**

Source: Statistics Department, Bangladesh Bank.

Chart 7.4



in current lending is quite minor, as they disbursed only Taka 71.8 billion (16.9 percent) out of total Taka 425.3 billion in FY13. PCBs disbursed the most (Taka 287.2 billion) in FY13, followed by SCBs (57.2 billion), financial institutions (Taka 48.8 billion), foreign banks (Taka 17.5 billion) and state-owned four specialised banks (Taka 14.6 billion).

7.26 The foreign banks had very low overdue loans (4.4 percent) as of end June 2013. These compare with private commercial banks (10.0 percent) and financial institutions (7.2 percent). Overdue loans of the SCBs

Table 7.12 Industrial term loans of banks and financial institutions

(billion Taka)

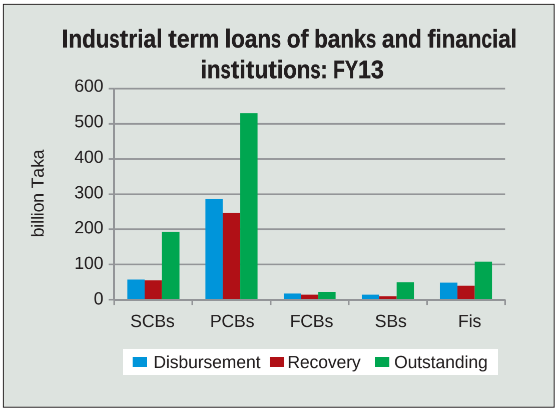
Lender	Disbursement		Recovery		Outstanding		Overdue		Overdue as % of outstanding	
	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
SCBs	61.8	57.2	56.5	54.5	174.7	192.8	27.0	39.0	15.5	20.2
PCBs	224.9	287.2	194.6	247.5	469.1	530.1	33.6	52.9	7.2	10.0
FCBs	12.9	17.5	10.4	14.3	17.1	22.6	0.5	1.0	2.9	4.4
Specialised banks (BDBL, BKB, RAKUB, BASIC)	15.2	14.6	8.5	9.5	39.6	49.6	5.5	6.4	13.9	13.0
Financial institutions	38.0	48.8	32.3	39.6	101.8	108.3	7.3	7.8	7.2	7.2
Total	**352.8**	**425.3**	**302.3**	**365.5**	**802.3**	**903.3**	**73.9**	**107.1**	**9.2**	**11.9**

Source: Agricultural and Special Studies Department, Bangladesh Bank.
P= Provisional.

and the state-owned specialised banks were very high (20.2 percent and 13.0 percent) as of end June 2013.

7.27 Since BKB and RAKUB are agriculture sector lenders, they have insignificant role in industrial term lending. The specialised industrial sector lenders with extremely high overdue have concentrated in the recent years on recovery.

Chart 7.5



Investment Promotion and Financing Facility (IPFF)

7.28 Bangladesh Bank (BB) has been implementing a project named "Investment Promotion & Financing Facility (IPFF) Project" on behalf of Finance Division, Ministry of Finance as per Administration Agreements (AA) signed on 21 August 2006 (for first phase) and on 7 July 2010 (for second phase) between BB and Finance Division. IPFF is an on-lending based Technical Assistance (TA) project to supplement the resource of the Bangladesh financial markets to provide long term finance for infrastructure and other investment projects beyond the capacity of local financial institutions and to promote the role of private sector entrepreneurs in the development of capital projects, specially infrastructure. Under IPFF, Government-approved private infrastructure development projects, implemented on Public-Private Partnership (PPP) basis are being financed through selected participating financial institutions (PFIs). The eligible sectors for financing under IPFF are power generation, transmission, distribution and services; port development (sea, river and land); environmental, industrial and solid waste management; highways and expressways including flyovers; water supply and distribution, sewerage and drainage; industrial estates and park development; social sector including health and education; and infomation technology etc. One of the main features of the project in the second phase is that at least 25 percent cost of any approved project is to be borne by the entrepreneurs' own sources as equity and at least 15 percent of the project cost is to be borne by the PFI. The remaining 60 percent may be financed by IPFF. The PFIs are supposed to bear all the commercial risks associated with debt financing. As per Agreement total cost of the project was USD 60.00 million with a 5 years tenure starting from January 2007 to December 2011. IPFF has disbursed 100 percent of its on-lending component within 4th year of the project resultantly additional fund of USD 307.00 million (IDA USD 257.0 million and GoB USD 50.0 million) was sanctioned extending the tenure of the project up to December 2014.

IPFF has been able to disburse 100 percent (Taka 4.2 billion equivalent to USD 57.5 million) of its on-lending component to 7 small power plants having capacity of 178 MW within 4th year of the project tenure in the first phase. The power plant which have been financed under IPFF are Doreen Power House and Technologies Limited (Three power plants 22MW each), Doreen Power Generation System Limited (11MW), Regent Power (22MW), and two power plants of United Power (one in Chittagong EPZ having a capacity of 44 MW and the other in Dhaka EPZ having a capacity of 35 MW). So far, Taka 0.3 billion has been disbursed in the second phase; of which Taka 0.1 billion has been disbursed to establish a Water Treatment Plant in Chittagong Export Processing Zone.

Equity and Entrepreneurship Fund (EEF)

7.29 Equity and Entrepreneurship Fund (EEF) was formed by the Government in FY01 through budgetary allocation of Taka 1.0 billion to encourage investments in the risky but prospective agro-based/food processing and IT sector projects. The fund is maintained by the Bangladesh Bank though ICB which is now performing the operational activities of EEF while EEF Unit of Bangladesh Bank is doing the activities relating to policy making, fund management and performance monitoring. So far Taka 15.3 billion has been released to the fund by the Government out of total budgetary allocation of Taka 24.0 billion in different fiscal years. Up to 30 June 2013 with the project cost of Taka 52.2 billion, a total of 1285 projects (including 1207 agro-based/food processing projects and 78 IT projects) got EEF sanction and are at different stages of disbursement. Cumulative equity disbursement stood at Taka 8.5 billion at the end of FY13 against total fund disbursement of Taka 15.3 billion from the Government. Till now 65 (sixty five) EEF supported companies availed share buy-back facilities partially or fully to the tune of Taka 1.2 billion. So far 13 (thirteen) EEF supported projects have paid dividend/interest to the tune of Taka 0.02 billion to EEF.

Housing Finance

7.30 Total housing loans from banks and financial institutions as of end June 2013 amounted to Taka 421.1 billion (Table 7.13), which was 10.3 percent of total credit to the private sector.

7.31 In recent years, significant changes have been taking place in total housing loan portfolios. Of the total, private sector banks with ample deposit resources have been expanding their housing loan portfolios, and now have dominant market position (Table 7.13) with the largest share of Taka 229.8 billion in outstanding housing loans as of end June 2013. The SCBs have the second largest share of Taka 73.1 billion and other banks Taka 46.1 billion in outstanding housing loans as of end June 2013. Besides, two private sector specialised housing finance companies also provide a significant amount loan. They supply fund for their operations by taking long term deposits including some contractual deposit schemes.

Table 7.13 Outstanding housing loans

(billion Taka)

Lenders	Outstanding as of end June		
	FY11	FY12	FY13[P]
a. Specialised housing finance providers	48.3	51.3	55.4
i) HBFC	25.1	25.8	28.2
ii) Delta-Brac Housing Finance	20.7	23.1	24.4
iii) National Housing Finance	2.5	2.4	2.8
b. Banks	220.6	286.8	349.0
i) PCBs	147.6	191.8	229.8
ii) SCBs	53.0	63.4	73.1
iii) Other banks (foreign and specialised)	20.3	31.6	46.1
c. Other financial institutions	11.3	13.8	16.7
d. Micro-credit lenders			
Grameen Bank	0.09	0.06	0.04
Total	**280.3**	**352.0**	**421.1**

Sources: Department of Financial Institutions and Markets Statistics Department, Bangladesh Bank, and Grameen Bank.
P= provisional.

7.32 The state owned House Building Finance Corporation (HBFC) has the third largest share of Taka 28.2 billion in outstanding housing loans as of end June 2013. The sources of Corporation's fund are paid-up capital by the Government and the proceeds as received by selling Government guaranteed interest bearing debentures to different organisations. The second mode of funding has been unavailable in recent years. In the past, the HBFC funded its housing loans by issuing of low interest debentures bought by the SCBs and the Bangladesh Bank. Though in FY04, the corporation got approval from the Government to sell debenture amounting Taka 1.0 billion, but till today it could not sell them. So, sufficient surplus cash fund could not be generated from the Corporation's own cash in-flow after payments of debenture installments, Government debts, operational expenses and income tax. The HBFC has been constrained to rely on recoveries of past loans for new lending after defraying operating and debt servicing costs. Consequently, its new lending has been small. In FY12 and FY13, Taka 3.0 billion and Taka 4.3 billion were disbursed out of recoveries of Taka 4.2 billion and Taka 4.7 billion respectively.

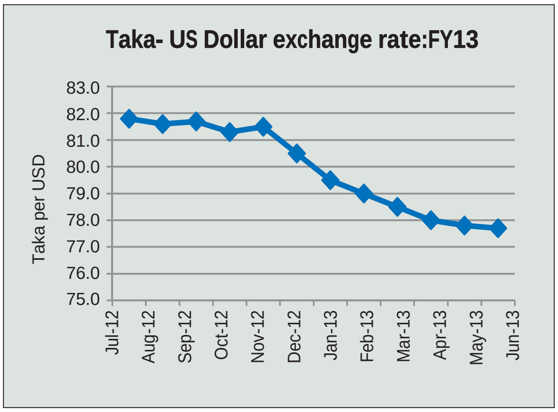
7.33 The Grameen Bank provides housing loans to its members in rural areas. Some NGOs also have small involvement in lending to housing. Out of funds, *Grihayan Tahbil* created by the Government of Bangladesh, which provides housing loan to the NGOs at the rate of 2.0 percent simple interest who in turn provides housing credit to the rural poor at the rate of 6.0 percent simple interest for a period up to 10 years. Up to June 2013, the *Grihayan Tahbil* has been released Taka 1.6

billion against allocation of Taka 3.0 billion through 523 NGOs for rural housing programme which have covered 450 upazilas of 64 districts of the country and 55978 houses have already been constructed. In addition, for the target people those are adversely affected by different natural calamities, Taka 0.1 billion has been released as grant as per decision by the authority concerned. As on June 2013, *Tahbil* has recovered Taka 1.1 billion against the total recoverable amount of Taka 1.2 billion and recovery rate is 88.5 percent. Since its beginning in FY98, the *Tahbil* received an amount of Taka 1.6 billion from the GoB up to end of June 2013.

Foreign Exchange Market

7.34 Bangladesh floated its exchange rate for Taka with effect from 31 May 2003. Under this exchange rate regime, exchange rate is being determined on the basis of demand and supply of the respective currencies. Authorised Dealer banks are now free to set their own rates for interbank and customer transactions. However, in order to achieve its monetary policy goal and to avoid undue volatility in the foreign exchange market, Bangladesh Bank closely monitors the market and, if necessary, engages in market interventions.

Chart 7.6



7.35 In FY13, Taka experienced an appreciation of 5.2 percent against US dollar compared to 10.0 percent depreciation in FY12. The weighted average inter-bank rate stood at Taka 77.8 per USD as of 30 June 2013 against Taka 81.8 per USD as on 30 June 2012.

Agricultural and Rural Finance

Annual Agricultural Credit Programme

8.1 In Bangladesh about 70 percent of the poor people live in rural areas and are concentrated in the agriculture sector. The performance of the agriculture sector which is about 19 percent of GDP is critical for the livelihoods of many poor households as well as for national food security. As such government policies have continued to provide support to boost the growth of the agriculture sector. However the growth of agriculture fell from 3.1 percent in FY12 to 2.2 percent in FY13. This may be due mainly to the base effect of two consecutive years of record growth and lower output due to the falling price of paddy. Specifically, the key factor behind this growth deceleration in agriculture is the decline in crop and horticulture growth from 2.0 percent in FY12 to 0.2 percent in FY13.

BB declared its annual agricultural/rural credit policy and programmes for FY13 with a disbursement target of Taka 141.30 billion, 7.60 percent higher than the actual disbursement of Taka 131.32 billion in FY12. The programme was formulated to ensure food security and alleviation of rural poverty by extending the scope of agricultural credit and more broadly through financial inclusion. Along with the crop loan, the policy provided the scope for extending adequate loan facilities for income generating activities in rural areas and agriculture allied sectors including two other main sub sectors of agriculture - fishery and livestock. The achievement against this target was 103.80 percent. The highlights of the agricultural/rural credit policy and programme for FY13 BB's policy were:

- All private and foreign banks must disburse at least 2 percent of their total loan and advance as agricultural loan to achieve their yearly target. At the end of the financial year the undisbursed amount must be deposited in BB at bank rate for one year.
- An agricultural loan application form has to be simplified and readily available to potential and eligible farmers.
- Acknowledge receipt of the agricultural loan application form. If it is not possible to consider any application to grant a loan, the farmers need to be informed by a letter mentioning the reason for non granting the loan and a copy of the letter will be preserved in a file.
- The loan application for crop cultivation must be completed within 10 working days.
- For the sake of transparency in loan disbursement, disbursement of agricultural loan needs to be publicised at union level.
- Banks have put in place an effective monitoring system to ensure timely and

hassle free disbursement of necessary loans to real farmers and to achieve the targeted agricultural credit.

- Credit has been made available as required to establish solar energy driven irrigation pumps.
- Banks have followed the directions to conduct the agricultural credit operations in partnership with MFIs approval by MRA.
- Achievement of the agricultural and rural credit target of banks will be considered to determine CAMELS rating.

Implementation of Some Important Initiatives of Agricultural Credit Programme in FY13

- During FY13, around 3.31 million farmers got agricultural and rural credit of which 0.44 million were women who got Taka 12.45 billion as an agricultural and rural credit from different banks.
- To disburse loans in a transparent way, some banks arranged their disbursement in open gatherings at union level in presence of local public representatives, agricultural officers, teachers and other respectable persons. During FY13 around Taka 4.48 billion was disbursed among 0.15 million farmers (approximately) through 11284 open credit disbursement programmes that were arranged by different banks.
- In FY13, around 2.44 million small and marginal farmers received Taka 93.02 billion agricultural loans from different banks.
- During FY13, about Taka 88.20 million agricultural/rural credits were disbursed among 6253 farmers living in the less developed areas of hoar, char, etc.
- Around 9.67 million accounts belonging to farmers were opened since FY10 by the state owned commercial banks with an initial deposit of Taka 10 only. BB has advised banks to disburse agricultural loan, deposit and withdraw farmers' savings and to deposit remittances through these account in addition to disbursing the agricultural input assistance provided by the Government. BB has been regularly monitoring how these accounts are operating their normal banking activities. Transactions of approximately Taka 2.94, 1.06, 0.48 and 0.19 billion have taken place as credit disbursement, savings, inward and outward remittances respectively through these accounts in FY13.
- An amount of Taka 0.75 billion has been disbursed against certain import alternative crops such as pulse, oil seed, spices and maize at a concessional rate of 4.0 percent.
- More than Taka 0.60 billion was disbursed at an interest rate of only 5.0 percent among 21904 tribal farmers in the 3 Hill Tracts districts.
- Amounts of Taka 23.90, 298.90 and 110.00 million have been disbursed to solar energy driven irrigation pumps, integrated cow rearing and bio-gas plant and solar home systems respectively.

Disbursement

8.2 The actual disbursement of Taka 146.67 billion in FY13 against the disbursement target of Taka 141.30 billion was 11.69

percent higher than the disbursement of Taka 131.32 billion in FY12.

The target attainment in FY13 was 103.80 percent against 95.16 percent in the previous year.

Table 8.1 shows the comparative position of overall disbursement and recovery of agricultural loans and Charts 8.1 and 8.2 show targets and actual disbursement of agricultural loan respectively in FY13.

Approximately 72.35 percent of the disbursements were as short term lending and the remaining 27.65 percent was in the form of long-term loans for irrigation equipment, agricultural machinery, livestock, etc. The lion's share of the short-term credit was for the production of crops and poverty alleviation programmes constituting 60.63 percent and 15.62 percent respectively of the total short-term loans (Table-8.1).

The total outstanding loan in the agricultural sector (including all banks) in FY13 increased by Taka 50.83 billion or 19.57 percent to Taka 310.58 billion from Taka 259.75 billion in FY12 (Table 8.2).

Two specialised banks viz. BKB, RAKUB and four SCBs played key role in the disbursement of agricultural and rural finance. The contribution of foreign and private commercial banks was also imperative in this regard. However, SCBs fell short of targets by 11.38 percent. On the other hand, RAKUB, FCBs and PCBs exceeded the disbursement target by 2.69, 31.26, and 13.54 percent respectively in FY13 (Table 8.2). Apart from this BRDB and BSBL disbursed Taka 5.99 billion from their own fund which raised the total disbursement to Taka 152.66 billion (including all banks) during FY13.

Table 8.1 Comparative statement of disbursement & recovery of agricultural loan

(billion Taka)

Disbursement	FY12**	FY13**
1	2	3
I. Disbursement (Target)	**138.00**	**141.30**
a) Crops loan (other than tea)	62.38	65.38
b) Purchase and installation of irrigation equipments	4.12	4.34
c) Livestock	12.84	13.55
d) Marketing of agricultural goods	3.04	3.32
e) Fisheries	12.92	12.68
f) Poverty alleviation	14.22	12.63
g) Other agricultural activities	28.48	29.40
II. Actual disbursement	**131.32**	**146.67**
a) Crops loan (other than tea)	53.50	64.34
b) Purchase and installation of irrigation equipment	3.29	2.79
c) Livestock	12.44	18.03
d) Marketing of agricultural goods	2.75	2.26
e) Fisheries	10.26	13.21
f) Poverty alleviation	16.09	16.58
g) Other agricultural activities	32.99	29.46
III. Term structure of loan disbursed		
Short term	57.22*	106.12
Long term	25.95*	40.56
IV. Recovery	123.59	143.62
V. Total outstanding loan	259.75	310.58
VI. Overdue	60.52	52.09
VII. Overdue as percent of outstanding	23.30	16.77

Source: Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.
* Excluding private and foreign banks.
** Excluding BRDB and BSBL.

Recovery

8.3 During FY13, recovery of agricultural credit increased by 16.21 percent to Taka 143.62 billion from the recovery of Taka 123.59 billion in FY12. This was due to more comprehensive support of agricultural production through subsidies and price support on both input and output level. The increase in recovery resulted from corrective measures introduced for recovery of loans during FY13.

The overdue as percentage of outstanding agricultural loan decreased from 23.30 percent at end June 2012 to 16.77 percent at end June 2013 (Table 8.2). It is important that banks set up their recovery drive to match the harvesting seasons so that the recovery of agricultural loan is improved further in the coming years.

Sources of Agricultural Finance

8.4 The main sources of finance in agriculture are still the state owned banks. The specialised banks viz. BKB and RAKUB and state-owned commercial banks are dominant players in the area of agricultural credit. BKB had the largest share like previous years in annual disbursement.

In FY13, BKB alone disbursed 31.26 percent of the total disbursement, followed by PCBs' (39.39 percent) and the SCBs (16.36 percent). The SCB's overdue loan as percentage of their outstanding loan stood at 33.37 percent in the end of FY13, while the overdue of RAKUB and BKB were recorded to be 37.30 percent and 7.91 percent respectively of their outstanding loan for the year.

On the other hand, the role of private sector domestic and foreign banks in agricultural lending is increasing remarkably, as they contributed Taka 63.48 billion, which was 43.28 percent of the total agricultural loan disbursed in FY13.

Bangladesh Bank's Refinance against Agricultural Loans

8.5 During FY13, BKB, RAKUB and BRAC have enjoyed refinance facilities of Taka 9.67 billion from Bangladesh Bank. No other

Chart 8.1

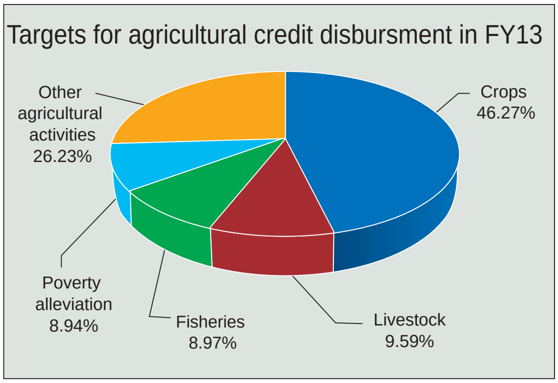
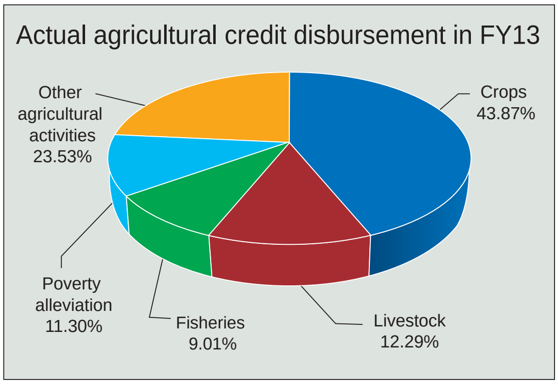


Chart 8.2



institutions availed refinance facilities from Bangladesh Bank in FY13. An amount of Taka 6.58 billion (including interests) was recovered against refinance loans due from different banks and institutions. This left an outstanding balance of Taka 54.18 billion (including interest) as on end June 2013 for future recovery. Details of Bangladesh Bank's refinance to different institutions are shown in Table 8.3.

Agricultural Credit Projects/Programmes under Bangladesh Bank Supervision

8.6 Some self and donor financed agricultural projects/programmes were under active supervision of Bangladesh Bank during FY13. A total amount of Taka 1.10 billion was disbursed and Taka 0.42 billion recovered

Table 8.2 Agricultural credit performance by lenders - FY13

(billion Taka)

Lender	Disbursement Target	Actual disbursement	Recovery	Overdue	Outstanding	Overdue as % of outstanding
1	2	3	4	5	6	7
SCBs	27.07	23.99	21.63	24.57	73.63	33.37
BKB	46.00	45.85	66.39	10.72	135.49	7.91
RAKUB	13.00	13.35	14.75	14.54	38.98	37.30
Sub Total	**86.07**	**83.19**	**102.77**	**49.83**	**248.10**	**20.09**
FCBs	4.35	5.71	4.97	0	2.70	0
PCBs	50.88	57.77	35.88	2.26	59.78	3.78
Sub Total	**55.23**	**63.48**	**40.85**	**2.26**	**62.48**	**3.62**
Grand Total	**141.30**	**146.67**	**143.62**	**52.09**	**310.58**	**16.77**
			Summary			
FY13@	141.30	146.67	143.62	52.09	310.58	16.77
FY12	138.00	131.32	123.59	60.52	259.75	23.30
FY11	126.17	121.84	121.48	60.97	254.92	23.92
FY10	115.12	111.17	101.12	64.04	225.87	28.35
FY09	93.79	92.84	83.77	60.80	195.98	31.02

Source: Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.
@ excluding BRDB and BSBL.

during FY13 under these on-going projects/programmes viz, the Agro-based Industries and Technology Development Project (ATDP), Marginal and Small Farm System Crop Intensification Project (MSFSCIP), Shashya Gudam Rin Prokalpa (SHOGORIP), Northwest Crop Diversification Project (NCDP) and Second Crop Diversification project (SCDP). The NCDP Project was launched in December 2001 and completed in June 2009, which was funded by the ADB having a credit component of Taka 1.74 billion for financing production and marketing of high value crops in sixteen north-western districts. After a successful completion of the NCDP project, the credit fund is converted into a revolving fund that will continue until June 2019. The revolving fund will be provided to RAKUB for distribution among the farmers and agro based enterprises through four NGOs/MFIs on a reimbursement basis. A total amount of Taka 0.60 billion was disbursed to RAKUB under the project in FY13. On the other hand, a total amount of Taka 0.41 billion was disbursed in FY13 under SCDP, which is also an ADB funded project.

A special refinance scheme through BRAC for sharecroppers was continued in FY13 which BB undertook in FY10. Under this refinance scheme, BB has refinanced Taka 4.49 billion to more than 0.26 million sharecroppers in FY13.

Another refinance scheme for solar energy, biogas and ETP sector has continued in the

Table 8.3 Bangladesh Bank's refinance against agricultural loans

(billion Taka)

Particulars	FY11			FY12			FY13		
	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding
BKB	-	2.4	37.8	-	3.42	35.65	5.00	2.2	33.42
RAKUB	1.86	1.2	17.9	2.6	1.78	19.44	0.18	1.76	16.14
BRAC	1.91	0.75	1.91	2.5	1.91	2.46	4.49	2.46	4.49
BSBL	-	0.04	0.22	-	0.04	0.18	-	0.04	0.13
BRDB	-	-	0.12	-	-	0.12	-	0.12	-
Total	**3.77**	**4.39**	**57.95**	**5.1**	**7.15**	**57.85**	**9.67**	**6.58**	**54.18**

Source : Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.

agricultural/rural credit programme in FY13. Under this scheme, BB has been provided Taka 0.51 billion to refinance the banks.

Financing of Small & Medium Scale Enterprises

8.7 Small and medium enterprises (SMEs) are playing an increasingly important role as engines of economic growth in Bangladesh. BB has undertaken different programmes to provide relatively cheaper funds to the banks and financial institutions to encourage them to engage in SME financing. SME and Special Programmes Department (SME&SPD) of BB is working to facilitate this. The Monitoring Division of SME&SPD has been set up to ensure the monitoring of SME financing activities and to obtain the facts and figures of SME development. To expand and develop this sector, Bangladesh Bank has been continuing its refinancing facilities for FY13 for Banks and NBFIs for SMEs.

An amount of total Taka 31.20 billion has been provided to different banks and financial Institutions under refinance schemes until the end of June 2013 against 38660 enterprises. Bangladesh Bank's refinance facility to banks during FY13 to promote small and medium scale industrial enterprises under special schemes and programmes are illustrated below:

A) Refinance for Small Enterprises

46 banks and non-bank financial Institutions have signed a participation agreement with Bangladesh Bank to finance the SME sector under the following schemes:

i) Bangladesh Bank Fund: Bangladesh Bank introduced a refinance scheme named Small Enterprise Fund (SEF) of Taka 6.0 billion out of its own fund to support the development of small enterprises in the country. Refinance facilities under the scheme were extended for the banks and financial institutions at the bank rate against their financing to small entrepreneurs. An amount of Taka 17.86 billion has been refinanced to 44 banks and financial institutions until the end of June 2013 to support 20322 enterprises.

ii) Enterprise Growth and Bank Modernisation Programme (EGBMP) Fund: The IDA wing of the World Bank has provided an additional amount of USD 0.01 billion (Taka 0.58 billion) named EGBMP fund to reinforce this scheme under a development credit agreement signed with the Government of Bangladesh for financing the development of the small enterprise sector of the country. In addition, the Government of Bangladesh allocated an amount of Taka 0.58 billion under the mentioned agreement. An amount of Taka 1.16 billion has been received, combining the IDA credit fund and Government of Bangladesh fund for refinancing. Out of this fund, an amount of Taka 3.13 billion has been provided to 32 banks and Financial Institutions (FIs) until the end of June 2013.

iii) ADB Fund-2: The Small and Medium-Sized Enterprise Development Project (SMEDP) was created in 2009 jointly by the contribution of ADB and Bangladesh Government. The objective of SMEDP is to provide a credit facility to enhance the access to medium to long term financing to eligible SMEs. The total fund of the SMEDP (ADB-2) is USD 0.95 billion. Out of that, ADB provided USD 0.76 billion from its special fund and GoB (BB) provided USD 0.19 billion, which is transferred from the balance of the earlier ADB-1 (SMESDP) fund. An amount of Tk.6.14 billion has been provided to banks and FIs under this fund up to end June 2013 against 11804 enterprises.

v) JICA Two Step Loan Fund: A loan agreement has been signed between JICA, Japan and Government of Bangladesh (BFID, MoF as the representative) on 18 May 2011 for SME development and financing. As per loan agreement, Bangladesh Bank is implementing the "Financial Sector Project for the Development of Small and Medium-Sized Enterprise" project. The Fund size is 5,000 million Japanese Yen (JPY), including a technical assistance component. The principal component of the fund is for a two- step loan of JPY 4,787.5 million. A separate Project Implementation Unit (PIU) has been formed under SME&SPD of BB to implement this project. 21 banks and 18 FIs signed Participating Agreement with Bangladesh Bank on 11 June 2012. Refinancing or pre-financing facilities are being provided to Participating Financial Institutions (PFIs) at the bank rate for lending to SME sub-projects of productive investment for a medium to long-term duration at the market rate. An amount of Taka 0.73 billion has been refinanced until the end of June 2013 against 97 enterprises under this project.

B) Refinance Scheme for Agro-based Product-processing Industries

For financing the establishment of agro-based product-processing industries in the areas outside Divisional Head Quarters and Narayanganj town, Bangladesh Bank launched a scheme of Taka 1.0 billion in November 2001 out of its own fund. Refinance facilities under the scheme was provided to banks and financial institutions at the bank rate. An amount of Taka 2.72 billion has been disbursed under this scheme until the end of June 2013.

C) Refinance to Women Entrepreneurs: Bangladesh Bank is encouraging all banks and FIs to provide a loan to women entrepreneurs at 10 percent interest rate. A Dedicated Women Entrepreneurs Desk has been established in the SME & SPD of BB and all the banks and FIs have been directed to do the same. They have also instructed to reserve 15 percent of total SME funds exclusively for women entrepreneurs. An amount of Taka 6.43 billion has been refinanced to Women Entrepreneurs until the end of June 2013 against 8358 enterprises.

Microcredit Operations of Grameen Bank and the Large MFIs

8.8 Along with the Government, the MFIs are involved to provide financial services to the people and accelerate the overall economic development of the country through microcredit operations.

Although a large number of NGO-MFIs are operating, the top 4 large licensed Micro Finance Institutions (MFIs) - BRAC, ASA, TMSS and BURO Bangladesh, as well as Grameen Bank cover the large share of the total outstanding loans and savings of the sector.

In FY13, overall MFI sector disbursement has increased by 9.86 percent compared to FY12. Recovery increased by 14.49 percent in FY13 as compared to 18.61 percent increase in FY12. Their overdue as a percentage of outstanding loans increased from 3.49 percent in FY12 to 3.61 percent in FY13.

The microcredit providers own resources and PKSF's (Palli Karma Shahayak Foundation) fund respectively account for nearly half and about one quarter of their resources; the rest of their funds come from loan from banks, large NGOs and external donors. The loans given by PKSF to 272 POs (Partner Organisations or NGOs) was Taka 161.28 billion in FY13 compared with Taka 136.77 billion in FY12.

8.4 Microcredit operations of the Grameen Bank and large MFIs

(billion Taka)

	FY11	FY12	FY13
1. Disbursement	**276.59**	**333.22**	**366.08**
i) Grameen Bank	102.96	115.77	120.82
ii) BRAC	74.94	97.72	112.65
iii) ASA	77.46	94.62	96.18
iv) TMSS	9.74	11.85	14.33
v) BURO Bangladesh	11.49	13.26	22.10
2. Recovery	**253.56**	**300.75**	**344.32**
i) Grameen Bank	92.77	107.62	116.71
ii) BRAC	73.95	86.17	103.34
iii) ASA	67.74	84.26	95.44
iv) TMSS	8.61	10.73	12.84
v) BURO Bangladesh	10.49	11.98	15.99
3. Outstanding Loans	**172.88**	**205.35**	**226.97**
i) Grameen Bank	71.69	79.84	83.94
ii) BRAC	45.58	57.14	66.45
iii) ASA	44.63	55.00	55.71
iv) TMSS	5.37	6.49	7.88
v) BURO Bangladesh	5.60	6.88	12.99
4. Loans Overdue	**7.21**	**7.17**	**8.19**
i) Grameen Bank	0.75	1.64	1.54
ii) BRAC	4.74	4.39	5.00
iii) ASA	1.31	0.74	1.20
iv) TMSS	0.20	0.22	0.28
v) BURO Bangladesh	0.21	0.18	0.18
5. Overdue as percentage of outstanding	**4.17**	**3.49**	**3.61**
i) Grameen Bank	1.05	2.05	1.83
ii) BRAC	10.40	7.68	7.53
iii) ASA	2.93	1.34	2.15
iv) TMSS	3.78	3.40	3.50
v) BURO Bangladesh	3.78	2.66	1.37

Source: Microcredit Regulatory Authority (MRA).

Public Finance

9.1 The budget for FY13 was formulated under the assumptions contained in the Medium Term Macroeconomic Framework (MTMF). The building blocks of this framework were- continuity in pursuing monetary and fiscal policy strategies and ensuring macroeconomic stability. It was assumed that in 2013 the world economy would recover from the economic recession that re-emerged specially in Europe in 2012. Assuming private sector investment growth, the GDP growth target for FY13 was set at 7.2 percent. The inflation rate was expected to fall to 7.5 percent in the end of FY13 and 5.1 percent in the medium term. The total expenditure in the revised FY13 budget fell short of the initial projection, while the total revenue remained the same. The budget deficit (excluding grants) as percentage of GDP was 4.8 percent, which was lower than the target of 5.0 percent (Table 9.1).

The revenue collection in the revised FY13 budget increased by 21.8 percent over the actual FY12 revenue. The current expenditure in the revised FY13 budget was higher than the actual FY12 current expenditure by 15.2 percent. On the other hand, although the Annual Development Programme (ADP) of Taka 523.7 billion in the revised FY13 budget turned out 39.6 percent higher than the actual FY12 ADP, it fell short of the target by 4.8 percent. The actual utilisation of ADP during FY13 was 96.0 percent of the revised allocation. The fiscal deficit (excluding grants) of 4.8 percent of GDP in the revised FY13 budget was higher than the actual FY12 fiscal deficit by 0.7 percentage points (Table 9.1).

Table 9.1 Bangladesh Government revenue and expenditure

(billion Taka)

	FY12#	FY12 as % of GDP*	FY13*	FY13 as % of GDP*	FY14**	FY14 as % of GDP**
Total revenue	**1146.9**	**12.5**	**1396.7**	**13.5**	**1674.6**	**14.1**
a) tax	952.3	10.4	1168.2	11.3	1412.2	11.9
b) non-tax	194.6	2.1	228.5	2.2	262.4	2.2
Total expenditure	**1524.3**	**16.6**	**1893.3**	**18.3**	**2224.9**	**18.7**
a) current	893.0	9.8	1028.9	9.9	1134.7	9.5
b) ADP	375.1	4.1	523.7	5.0	658.7	5.5
c) others	256.2	2.7	340.7	3.4	431.5	3.7
Budget deficit	**377.4**	**4.1**	**496.6**	**4.8**	**550.3**	**4.6**

Source : Budget in Brief 2013-14, Ministry of Finance
\# Actual, * Revised budget, ** Budget estimate

FY13 Budget and Fiscal Outcome

A. Revenue Receipts

9.2 The revised total revenue receipts in FY13 was Taka 1396.7 billion, which was equal to the target. It was higher than the actual FY12 total revenue receipts by 21.8 percent. The tax revenue which constitutes 83.6 percent of the total revenue receipts increased by 22.7 percent compared to 19.7 percent growth in FY12 (Table 9.1).

The non-tax revenue displayed lower growth rate of 17.4 percent in the FY13 compared to

44.8 percent increase in the preceding fiscal year. The total revenue receipts as percentage of GDP rose to 13.5 percent in FY13 compared to 12.5 percent in FY12. The total tax revenue receipts as percentage of GDP increased to 11.3 percent in FY13 compared to 10.4 percent in the preceding fiscal year. Similarly, the total non-tax revenue receipts as percentage of GDP increased to 2.2 percent in the FY13 compared to 2.1 percent in the FY12. The major revenue measures in FY13 budget included :

- The tax exempted income limit for individual taxpayers was raised to Taka 200,000 from Taka 180,000. The limit for female taxpayers and aged taxpayers (65 years of age and above) was increased to Taka 225,000 from Taka 200,000. The limit for physically challenged individuals was raised to Taka 275,000 from Taka 250,000.
- Minimum tax payable by an individual taxpayer was raised to Taka 3,000 from Taka 2,000.
- Income tax rate of merchant banks was reduced to 37.5 percent from 42.5 percent.
- A company transferring 20 percent of its paid up capital through Initial Public Offering (IPO) to capital market would enjoy a 10 percent tax rebate on its payable tax in the relevant year.
- Payments, other than payments for purchasing raw materials, over Taka 50,000 have to be made through the banking channels. Payments over Taka 50,000 in a single transaction would not be considered as an expense, if not transacted through the banking channels.

Chart 9.1

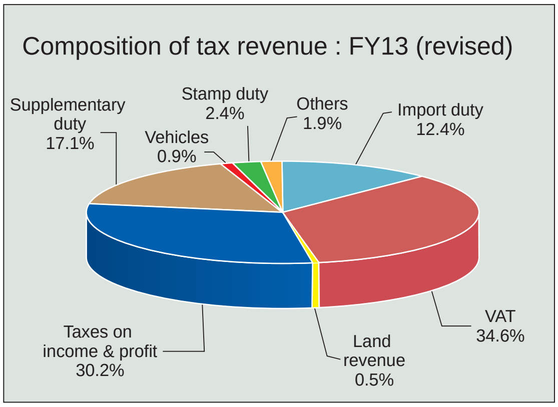
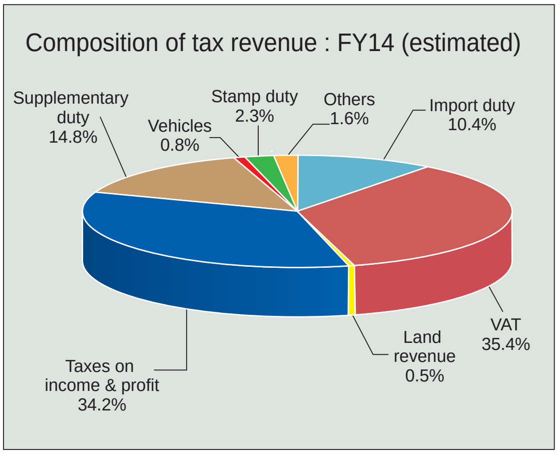


Chart 9.2



- Tax would be deducted at source at the rate of 15 percent instead of 10 percent at the time of paying interest in case of taxpayer did not have any Tax Identification Number (TIN). However, depositors having less than Taka 100,000 in their savings accounts needed not hold a TIN.
- Any loans received by a company from any other companies or individuals other than through the banking channels would not be approved.
- Fifty percent exemption of tax on the income derived from production of maize

and sugar beet was introduced. Considering their location, industries producing cholesterol free rice bran oil from husk of paddy would enjoy tax holiday of 5 years and 7 years.

- Uniform tax holiday facilities were extended to all industries established both in the private and public Export Processing Zones (EPZs).
- Construction of cinema halls and cineplex would enjoy 5 years and 7 years of tax holiday considering the location of establishments. The prevailing 35 percent supplementary duty was withdrawn and 15 percent VAT was retained for the film industry.
- Tax exemption was offered for donations to the fund created under the Prime Minister's Education Assistances Trust Fund Act, 2011. Company assessee might donate a maximum amount of Taka 80,000,000 or 20 percent of its income, whichever was less. Individual assessee might donate a maximum amount of Taka 10,000,000 or 20 percent whichever was less.
- A uniform rate of tax of 0.8 percent deductible at source on all kinds of export was introduced in place of the existing rates of 0.6 percent and 0.7 percent.
- Tax would be deducted at source at the rate of 5 percent and 3 percent considering the location of property at the time of selling land by any land developer companies.
- The zero rate of import duty on food, fertiliser, seeds, cotton and medicine remained unchanged.

Table 9.2 Composition of revenue receipts

(billion Taka)

	FY12#	FY13*	FY14**
Tax revenue	**952.3**	**1168.2**	**1412.2**
Value Added Tax (VAT)	339.2	404.6	499.6
Import duty	119.8	145.3	146.3
Export duty	0.7	0.4	0.4
Supplementary duty	163.4	199.7	208.5
Taxes on income and profit	281.6	353.0	483.0
Stamp duty (non judicial)	24.0	28.2	32.6
Excise duty	6.6	10.0	13.1
Land revenue	4.9	5.7	6.4
Taxes on vehicles	6.8	11.0	11.6
Narcotics and liquor duty	0.6	0.7	0.7
Other taxes and duties	4.7	9.6	10.0
Non-tax revenue	**194.6**	**228.5**	**262.4**
Administrative fees and charges	31.1	40.0	43.7
Dividend and profit	25.3	39.3	46.9
Interest	4.6	8.8	10.9
Capital revenue	0.9	0.5	0.6
Receipts for services rendered	9.7	9.9	8.3
Non-commercial sales	3.7	3.8	3.8
Rents, leases and recoveries	1.3	1.5	1.6
Defence receipts	24.4	25.4	25.2
Tolls and levies	3.2	4.3	4.8
Fines, penalties and forfeiture	3.9	4.8	4.3
Railway	6.2	10.7	10.0
Post offices	2.4	2.5	2.6
Other non-tax revenue and receipts	77.9	77.0	99.7
Total :	**1146.9**	**1396.7**	**1674.6**

Source : Budget in Brief 2013-14, Ministry of Finance.
Actual, * revised budget, ** budget estimate

- The 5 percent regulatory duty on commodities having the highest customs duty (25 percent) remained unchanged.
- One more slab of 150 percent supplementary duty was added to the existing slabs.
- Import and other duties were substantially reduced from some item of public transport, information technology, medicine, ceramics and ship building industry. Import duty and VAT on edible sunflower oil were reduced. In addition, supplementary duty on nutritional

supplement for pregnant women and lactating mothers was substantially reduced.

- Zero percent duty was introduced instead of the preceding 1 percent in case of importing equipments to install Effluent Treatment Plants (ETP) for the export oriented industries.
- Full exemption of turnover tax was offered to Small and Medium Enterprises (SMEs) having maximum annual turnover of Taka 700,000.
- A 2 percent turnover tax was offered to SMEs having annual turnover of over Taka 700,000 to Taka 2,400,000.
- The 3 percent turnover tax remained unchanged for SMEs having annual turnover of over Taka 2,400,000 to Taka 6,000,000.
- Producers and traders of products like logenze, biscuit, chanachur, shoes and sandals, coconut oil, laundry soap, jam, jelly, PVC pipe, beauty parlour having maximum turnover of taka 6,000,000 would enjoy the same turnover tax facility as mentioned above instead of paying the preceding 15 percent VAT.

9.3 In the revised FY13 budget, direct taxes on income and profit increased at the rate of 25.4 percent to Taka 353.0 billion leaving its share in the total tax revenue to 30.2 percent from 29.6 percent in FY12. Receipts from other taxes and duties, taxes on vehicle, excise duty, supplementary duty, import duty, Value Added Tax (VAT), stamp duty (non judicial), narcotics and liquor duty and land revenue rose by 104.3, 61.8, 51.5, 22.2, 21.3, 19.3, 17.5, 16.7 and 16.3 percent respectively compared to that of the actual FY12 budget. On the other hand, export duty declined by 42.9 percent (Table 9.2).

Table 9.3 Composition of revenue expenditure

(billion Taka)

	FY12#	FY13*	FY14**
Social sector	272.9	296.2	325.0
Public services	72.5	79.5	132.2
Interest on domestic debt	188.0	216.0	260.0
Defence	89.0	98.4	103.6
Public order and safety	77.0	83.5	88.9
Interest on foreign debt	15.5	17.4	17.4
Agriculture sector	112.4	159.9	128.6
Transport and communication	34.4	40.1	44.3
Local government and rural development	19.0	23.7	22.0
Housing	7.8	8.1	8.5
Others	4.5	6.1	4.2
Total :	**893.0**	**1028.9**	**1134.7**

Source : Budget in Brief 2013-14, Ministry of Finance.
Actual, * revised budget, ** budget estimate

9.4 Under the non-tax revenue head, receipts from interest, railway, dividend and profit and tolls and levies sharply increased by 91.3, 72.6 55.3 and 34.4 percent respectively compared to that of the actual FY12 budget. Other sub-sectors showing increases included administrative fees and charges 28.6 percent, fines, penalties and forfeiture 23.1 percent, rents, leases and recoveries 15.4 percent, post offices 4.2 percent, defence receipts 4.1 percent, non-commercial sales 2.7 percent and receipts from service rendered 2.1 percent. On the contrary, receipts from capital revenue and other non tax revenue and receipts fell by 44.4 and 1.2 percent respectively.

B. Expenditure

9.5 The total public expenditure in the revised FY13 budget amounted to Taka

1893.3 billion. This was 1.3 percent lower than the initial projection of Taka 1917.4 billion and 24.2 percent higher than the actual FY12 expenditure of Taka 1524.3 billion. The revised current expenditure of Taka 1028.9 billion in the FY13 was 3.4 percent higher than the initial projection of Taka 995.0 billion (Table 9.1).

9.6 The revised current expenditure in FY13 surpassed initial allocations for most of the accounts, namely social sector, interest on foreign debt, defence, public order and safety, agriculture sector, transport and communication, local government and rural development and housing (Table 9.3). The proposed non-development current expenditure in FY13 had the following revisions:

- An additional amount of Taka 25.0 billion was allocated for agriculture subsidy.
- An additional amount of Taka 0.5 billion as compared to the original budget was allocated for interest payment.
- An additional amount of Taka 11.4 billion was allocated for pensions and gratuities.
- An additional amount of Taka 8.1 billion as compared to the original budget was allocated for goods and services.

9.7 The Annual Development Programme in FY13 was revised downward by about 4.8 percent from Taka 550.0 billion to Taka 523.7 billion. Consistent with the growth and poverty reduction objectives, 33.5 percent of the total outlay was spent for the infrastructure sector (power, oil, gas & natural resources, transport, and communication), and 18.7 percent for the social sector (education & religious affairs, and health, nutrition, population & family welfare) (Table 9.5).

Table 9.4 Composition of social sector revenue expenditure

(billion Taka)

	FY12#	FY13*	FY14**
Education & technology	143.2	145.8	165.0
Health	48.8	53.6	57.0
Recreation, culture and religious affairs	10.2	11.5	11.0
Labour and employment	0.6	0.5	0.4
Social security and welfare	70.1	84.8	91.6
Total :	**272.9**	**296.2**	**325.0**

Source : Budget in Brief 2013-14, Ministry of Finance.
Actual, * revised budget, ** budget estimate

Table 9.5 Sectoral shares in ADP expenditure

(percent)

	FY12*	FY13*	FY14**
Agriculture	6.2	5.1	5.0
Rural development & institutions	12.3	11.8	9.0
Water resources	3.5	2.8	2.3
Industries	2.4	3.4	3.1
Power	17.6	15.0	12.2
Oil, gas & natural resources	1.8	2.4	3.1
Transport	15.2	14.5	20.8
Communication	2.1	1.6	1.2
Physical planning, water supply & housing	10.2	8.6	7.4
Education & religious affairs	11.8	11.6	11.9
Health, nutrition, population & family welfare	8.2	7.1	5.7
Others	8.7	16.1	18.3
Total :	**100.0**	**100.0**	**100.0**

Source : Annual Development Programme 2012-13 and 2013-14, Ministry of Planning.
* Revised, ** estimate

C. Financing FY13 Budget Deficit

9.8 The deficit (excluding grants) in the revised FY13 budget stood at Taka 496.6 billion (4.8 percent of the GDP). This ratio was lower than what was initially projected. The domestic borrowing component of the deficit financing in FY13 was Taka 324.7 billion (3.1 percent of the GDP). Of this component, Taka

285.0 billion (2.7 percent of the GDP) was bank borrowing and Taka 39.7 billion (0.4 percent of the GDP) was non-bank borrowing, mainly National Savings Schemes (Chart 9.3). The foreign financing component of the budget deficit (including grants) was Taka 171.8 billion (1.7 percent of the GDP).

FY14 Budget

9.9 The FY budget was proposed on 6 June 2013 and was passed by National Parlament on 30 June 2013. The budget for FY14 has been formulated under the assumptions contained in the Medium Term Macroeconomic Framework (MTMF). The building blocks of this framework are continuity in pursuing monetary and fiscal policy strategies and ensuring macroeconomic stability. It is presumed that the global growth will recover in 2013 and afterwards. As a result, the country's trade, investment and manpower export will gain further momentum. Assuming private sector investment growth, the GDP growth target for FY14 has been set at 7.2 percent.

The total size of the FY14 budget stands at Taka 2224.9 billion, which is 18.7 percent of the GDP and 17.5 percent higher than the revised FY13 budget. The estimated non-development and development outlays are Taka 1344.5 billion and Taka 722.8 billion respectively. The budget provides Taka 19.3 billion from revenue budget for development programmes, Taka 30.1 billion for non-ADP project, and Taka 14.6 billion for non-ADP Food-for-Work and transfer. The total outlay can be classified into three broad categories such as social infrastructure, physical

Chart 9.3

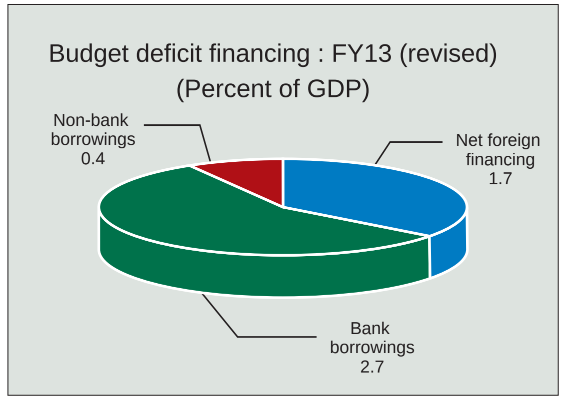
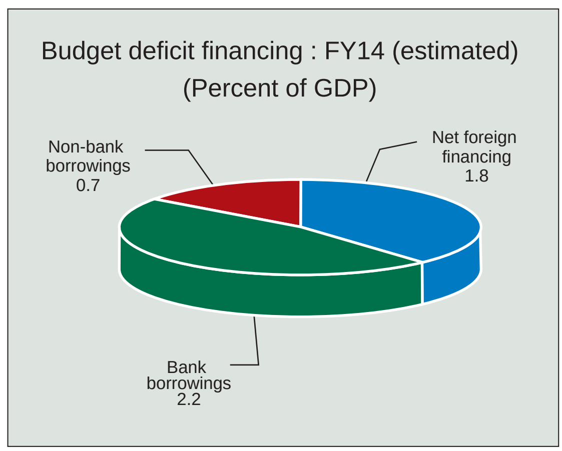


Chart 9.4



infrastructure and general services. In the budget, about 23.2 percent of the total outlay has been allocated for social infrastructure, of which 19.6 percent has been allocated for human resources sector (education, health, science and technology and other related sectors). About 30.2 percent of the total outlay has been allocated for physical infrastructure, of which 14.5 percent goes to wider agriculture and rural development, 8.7 percent to overall communication sector and 5.1 percent to power and energy. About 22.5 percent of the total outlay has been allocated for general service sector. An allocation of 3.2

percent of the total outlay has been made for PPP projects, financial assistance to different industries, subsidies and equity investment in state-owned commercial and financial institutions. Apart from these three major categories, 12.5 percent of the total outlay has been allocated for interest payment and the rest 8.4 percent has been allocated for net lending and other expenditures. Like the preceding FY's ADP, the large size of the ADP has been designed keeping in mind the commitment to regional parity, improved infrastructure and quality of expenditure.

The total developmental expenditure for FY14 stands at Taka 722.8 billion, which is 6.1 percent of the GDP. This developmental expenditure turns out 25.1 percent higher than that of the revised budget of the previous fiscal year.

A. Revenue Receipts

9.10 The revenue receipts in FY14 has been targeted to grow by 19.9 percent to Taka 1674.6 billion compared to that of the previous year's revised budget. The tax and non-tax revenue receipts are expected to rise by 20.9 percent and 14.8 percent respectively, against increases of 22.7 percent and 17.4 percent respectively in the revised FY13 budget. It leaves the projected total revenue-GDP ratio at 14.1 percent in the FY14 compared to 13.5 percent in the FY13 (Table 9.1). A higher 36.8 percent increase in receipts from the direct taxes on income and profits has been projected against 14.0 percent growth projected for indirect taxes (VAT, import duty, supplementary duty, and export duty (Table 9.2).

Among non-tax revenue sources, other non-tax revenue and receipts has been projected to increase by 29.4 percent compared to 1.2 percent decrease in the preceding fiscal year. Receipts from interest, capital revenue, dividend and profit, tolls and levies, administrative fees and charges, rents, leases and recoveries and post offices are expected to rise by 23.9, 20.0, 19.3, 11.6, 9.3, 6.7 and 4.0 percent respectively in the FY14. The targeted receipts from services rendered, fines, penalties and forfeitures, railway and defence have been set lower than that of previous fiscal year by 16.2, 10.4, 6.5, and 0.8 percent respectively. Receipts from non-commercial sales is expected to remain the same at Taka 3.8 billion (Table 9.2).

B. Expenditure

9.11 The total public expenditure in FY14 is expected to increase by 17.5 percent to Taka 2224.9 billion over the revised figure of FY13. The current expenditure is expected to grow by 10.3 percent, the ADP by 25.8 percent and the other expenditure by 26.7 percent over the revised FY13 budget. The ratio of total expenditure to GDP is predicted to increase to 18.7 percent in the FY14 from 18.3 percent in the revised FY13 budget (Table 9.1).

9.12 The projected current expenditure for FY14 budget stands at Taka 1134.7 billion (Table 9.1 & 9.3). More than one fourth of the total current expenditure has been allocated for the social sector, in which the major shares go to the education and technology, health, social security and welfare programmes promoting human resources development and widening social safety net (Table 9.4).

A total of Taka 174.7 billion (development and non-development) has been allocated for the agriculture sector, which is 11.9 percent lower than that of the revised budget of the preceding fiscal year. Taka 90.0 billion has been allocated as subsidy for this sector.

Human resources development is an integral part of the overall development efforts. Taka 436.2 billion (development and non-development) has been allocated for the human resources development sector. This is 19.6 percent of the total development and non-development budget.

A total of Taka 182.3 billion has been allocated for the road communication and railway sector including a special allocation of Taka 68.5 billion for the Padma Multipurpose Bridge.

The beneficiary coverage of old age allowance has been expanded by 10 percent. The number of beneficiaries for maternity allowance has been raised by 15 percent.

The number of widows, divorcees and distressed women receiving monthly allowance of Taka 300 has been raised by 10 percent.

9.13 The Annual Development Programme (ADP) for FY14 has been projected at Taka 658.7 billion, exceeding the revised ADP of Taka 523.7 billion in FY13 by 25.8 percent. About 37.3 percent of the total ADP has been allocated for infrastructure sector. On the other hand, social sector would receive 17.6 percent of the total ADP (Table 9.5).

C. Deficit in FY14 Budget and its Financing

9.14 The FY14 budget deficit (excluding grants), estimated at Taka 550.3 billion, is higher by Taka 53.7 billion than that of the revised FY13 budget. The projected budget deficit-GDP ratio for the FY14 is 4.6 percent, turns out lower than 4.8 percent of FY13. The deficit is expected to be financed with domestic bank and non-bank borrowing to the extent of Taka 339.6 billion (2.9 percent of the GDP), against Taka 324.7 billion (3.1 percent of the GDP) in the revised FY13 budget, and with external financing to the tune of Taka 210.7 billion (1.8 percent of the GDP) in the FY14, against Taka 171.8 billion (1.7 percent of the GDP) in FY13 (Charts 9.3 and 9.4). In the domestic borrowing of Taka 339.6 billion, borrowing from the banking system is projected to be Taka 259.9 billion.

9.15 During the preparation of the budget, a number of pre-budget discussion sessions with the members of the parliamentary standing committees of different ministries, renowned economists, professionals, trade bodies, NGO leaders, media people and secretaries of all the ministries and divisions were held. The Finance Minister had a meeting on budget matters with the peasants in the Munshiganj district.

External Sector

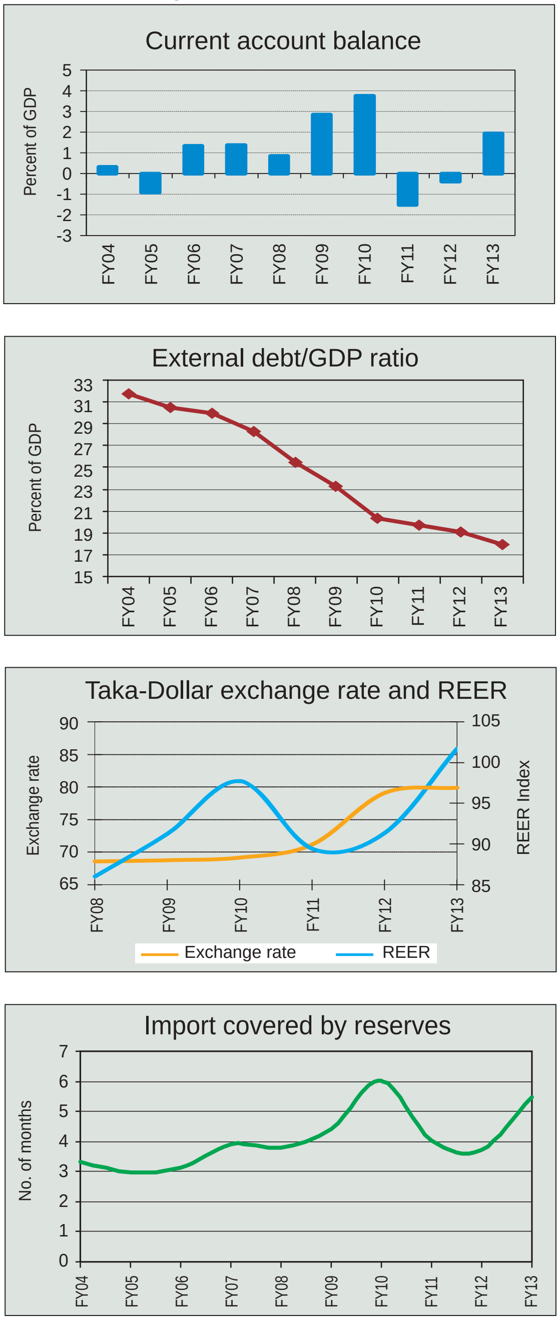
External Trade and the Balance of Payments - the Overall Situation

10.1 In the external sector, the Current Account Balance (CAB) continued to be in surplus reflecting the increasing inflows of remittances bolstered by continued export expansion and declining imports. Import growth was sluggish in FY13, partly reflecting the significant fall in food import demand, lower petroleum imports as well as slower demand for imports related to manufacturing output.

10.2 Remittances were buoyed by larger numbers of Bangladeshi workers moving abroad in FY12 as well as real wage growth in the Middle East following the 'Arab Spring' events. Remittance growth of 12.6 percent in FY13 is higher than the 10.2 percent growth in FY12, though this growth did slow to 4.2 percent during the second half of the year compared to the first half of FY13 when remittance growth was 22 percent. This slow-down is a function of a 34 percent drop in the number of migrant workers between July-April FY13 relative to the same period in FY12.

The capital account shows that foreign direct investment is projected to have increased from USD 1.2 billion in FY12 to USD 1.3 billion in FY13. Medium and long term loan disbursements rose from USD 1.5 billion in FY12 to USD 1.7 billion in FY13 and net aid flows increased from USD 671 million to USD

Chart 10.1 Key indicators of external sector



841 million during the same period. Improved external balances are reflected in the accumulation of international reserves to over USD 15 billion at the end of FY13, sufficient to cover 5.5 months of projected imports. The overall balance of payments surplus in FY13 was USD 5128 million.

Trends of some major external sector indicators may be seen in Chart 10.1. Table XVI of Appendix-3 of this Report shows the balance of payments statement for FY13 and FY12. Chart 10.2 portrays the trends of trade, current account and overall balances as a percentage of GDP.

10.3 Merchandise exports (fob) increased by USD 2577.0 million (or 10.7 percent) in FY13 to USD 26566.0 million (Appendix-3, Table-XVI). Though tea, raw jute and frozen shrimp and fish recorded negative growth of 29.4 percent, 13.7 percent and 11.5 percent respectively, other major exportable items showed positive growth. Growth of export of footwear (25.0 percent), leather (21.0 percent), woven garments (15.0 percent), jute goods (14.2 percent), petroleum by-product (14.0 percent) and knitwear (10.4 percent) contributed to increase the growth of merchandise exports in FY13. The export of miscellaneous products, subsumed under the "others" category showed a positive growth of 20.9 percent in value terms during FY13.

10.4 Merchandise imports (fob) increased by USD 267.0 million (0.8 percent) in FY13 to USD 33576.0 million. Import of pulses (73.7 percent), oil seeds (36.2 percent), wheat (13.5 percent), crude petroleum (11.7 percent), textile & textile articles thereof (8.3 percent), chemicals (7.6 percent), staple fibre (6.3 percent), iron, steel and base metals (5.0 percent) etc. led to the increase in overall import. Import payment growth for sugar (37.9 percent), fertiliser (14.0 percent), food grain (19.4 percent), edible oil (14.7 percent), spices (14.5 percent), capital machinery (8.5 percent), POL (7.1 percent) etc. were negative. Imports (fob) as a percentage of GDP decreased by 2.8 percentage points from 28.7 in FY12 to 25.9 in FY13.

10.5 The trade deficit declined significantly by 24.8 percent in FY13 owing to the relatively larger expansion in export earnings compared to the increase in import expenditure. Therefore, a higher increase in exports than import notably narrowed down the trade deficit from USD 9320.0 million in FY12 to USD 7010.0 million in FY13. The deficit on the services account, however, widened by USD 158.0 million (5.3 percent) to USD 3159.0 million in FY13 from USD 3001.0 million in the previous year. The deficit on the primary income account also widened significantly (49.5 percent) to USD 2315.0 million in FY13 from USD 1549.0 million in FY12. Secondary income increased substantially (11.8 percent) from USD 13423.0 million in FY12 to USD 15009.0 million in FY13. Workers' remittances recorded an increase of 12.6 percent in FY13. The net outcome of all these, current account balance widened substantially from deficit of USD 447.0 million in FY12 to USD 2525.0 million surplus in FY13. Current account balance as a percentage of GDP stood at 1.9 in FY13 against 0.4 in FY12.

Exports

10.6 Table 10.1 shows that total exports in FY13 had a strong growth over the same period of FY12. Aggregate exports increased by 11.2 percent in FY13 to USD 27027.4 million from USD 24301.9 million in FY12. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (above three fourth) share of the export basket in FY13.

Destination

10.7 The destination pattern of exports excluding those from EPZs in FY13 showed continued heavy dependence on the markets in Europe. 51.7 percent of exports were destined for the EU bloc while another 24.5 percent entered into the NAFTA bloc. Export to the ASEAN countries was 1.8 percent, SAARC and other regions constituted 2.6 percent and 19.4 percent respectively of total exports in FY13 (Chart 10.3).

Composition

10.8 **Readymade garments** (woven and knitwear): Woven and knitwear products, which fetch about 79.6 percent of total export earnings, registered a high increase in receipts, from USD 19089.7 million of FY12 to USD 21515.8 million in FY13. Woven and Knitwear products grew by 15.0 percent and 10.4 percent respectively in FY13.

10.9 **Frozen food:** The frozen foods sector, comprising mainly of shrimps, registered marked decrease in earnings during FY13. Receipts from export of shrimp and fish decreased by 11.5 percent from USD 579.8 million of FY12 to USD 512.9 million in FY13.

10.10 **Raw jute:** In FY13, raw jute valued at USD 229.9 million was exported compared with USD 266.3 million in FY12, i.e. a 13.7 percent fall in exports during the year.

Chart 10.2

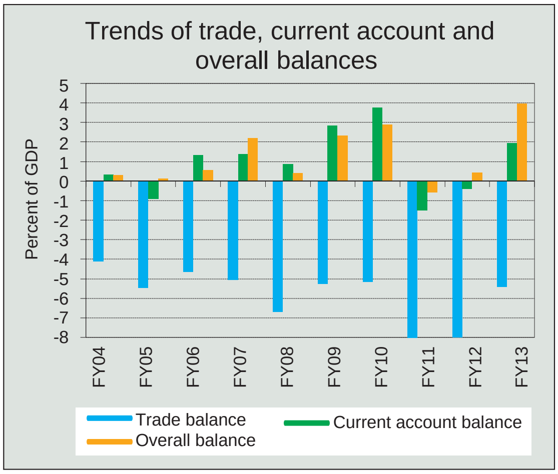


Chart 10.3

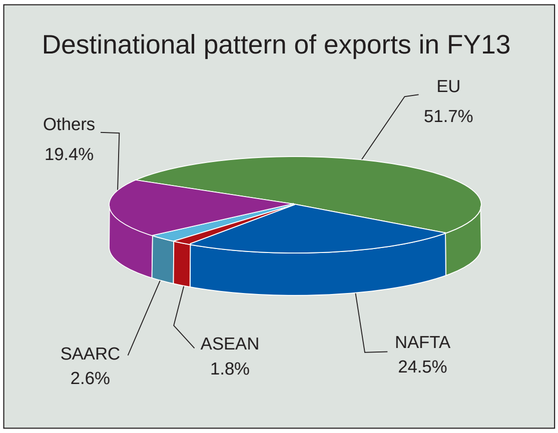


Table 10.1 Composition of merchandise exports

(million US Dollar)

Items	FY12	FY13	% change
1) Raw jute	266.3	229.9	-13.7
2) Jute goods	701.1	800.7	14.2
3) Tea	3.4	2.4	-29.4
4) Home textile	906.1	791.5	-12.6
5) Leather and leather products	330.2	399.7	21.0
6) Frozen shrimps and Fish	579.8	512.9	-11.5
7) Woven garments	9603.3	11039.9	15.0
8) Knitwear products	9486.4	10475.9	10.4
9) Chemical products	103.0	93.0	-9.7
10) Petroleum by-product	275.4	314.0	14.0
11) Engineering products	375.5	367.5	-2.1
12) Specialised textiles	138.8	124.5	-10.3
13) Footwear	335.5	419.3	25.0
14) Others	1197.1	1456.2	20.9
Total:	**24301.9**	**27027.4**	**11.2**

Source: Export Promotion Bureau.

10.11 **Jute goods** (excluding carpets): Jute products valued at USD 800.7 million was exported compared with USD 701.1 million in FY12 showing an increase of 14.2 percent in FY13.

10.12 **Leather:** Export earnings from leather and leather products increased by 21.0 percent to USD 399.7 million in FY13 from USD 330.2 million in FY12.

10.13 **Home Textile:** Export earnings from home textile declined by 12.6 percent to USD 791.5 million in FY13 from USD 906.1 million in FY12.

10.14 **Engineering products:** These exports fell marginally from USD 375.5 million in FY12 to USD 367.5 million in FY13.

10.15 **Chemical Products:** Export earnings from Chemical Products decreased by 9.7 percent to USD 93.0 million in FY13 against USD 103.0 million in FY12.

Export Development Fund

10.16 In order to facilitate export of the country, Export Development Fund (EDF) was increased from USD 600.0 million to USD 800.0 million in January 2013.The revolving EDF is used to provide refinancing facilities to the AD banks in financing direct & deemed exporters in garments, textile, bi-cycle sectors and BTMA member mills for import of primary and intermediary raw materials, accessories and packaging materials with a single borrower exposure up to a maximum limit of USD 10.0 million. An EDF loan is also used to provide to an AD against their foreign currency financing of input imports of BGAPMEA member mills, shall not exceed (i) the value realised in foreign exchange against inland back to back LCs over the past twelve months, or (ii) USD 1.0 million, whichever is lower. The interest rate on USD under EDF is charged at six-month LIBOR+2.5 percent out of which LIBOR+1 percent is for EDF and the rest 1.5 percent for concerned AD banks. Total disbursement from EDF in FY13 stood at USD 1740.1 million as against USD 1261.9 million in FY12. The outstanding balance at the end of June 2013 stood at USD 799.9 million, which was USD 498.9 million in FY12.

Imports

10.17 Import payments (fob) in FY13 were USD 33576.0 million registering a positive growth of 0.8 percent compared to USD 33309.0 million in FY12. Table 10.2 shows the composition of imports; the major items are petroleum related products, wheat, textiles, raw cotton, edible oil, sugar, capital machinery, plastics, rubber and fertiliser. Food grains import decreased substantially by 19.4 percent to USD 726.0 million in FY13 (rice 89.6 percent) from USD 901.0 million in FY12 mainly due to adequate domestic supply of rice during the period. On the other hand wheat import increased by 13.5 percent to USD 696.0 million in FY13. Pulses, oil seeds, wheat, crude petroleum, chemicals, textile & articles thereof etc. recorded increases of imports during FY13. Imports of other food items recorded significant negative growth of 13.1 percent to 3128.0 million in FY 13 from USD 3600.0 million in FY12 (sugar 37.9 percent, edible oil 14.7 percent, spices 14.5 percent and milk & cream 3.2 percent). However, pulses recorded positive import growth of 73.7 percent during the year. Consumer and intermediate goods import recorded negative growth which decreased by 0.5 percent to USD 16694.0 million in FY13 from USD 16783.0 million in FY12 (fertiliser 14.0 percent, POL 7.1 percent, raw cotton 3.8 percent, clinker 3.4 percent, yarn 2.0 percent). Except iron, steel & other base metal, capital machinery and others under the category of capital goods and others showed negative import growth. Therefore, imports of capital goods and others decreased by 9.0 percent to USD 11031.0 million in FY13 from USD 12118.0 million in FY12 (others 13.0 percent and capital machinery 8.5 percent). However, imports by EPZ increased by 18.5 percent to USD 2505.0 million in FY13 compared to USD 2114.0 million in FY12.

Terms of Trade

10.18 The terms of trade remained same at 70.3 in FY13. Both the import price index and export price index increased by 7.7 percent during the year.

Bilateral and Multilateral Relations

10.19 Bangladesh continued strengthening its foreign trade ties in FY13 through bilateral, regional and multilateral negotiations and agreements. Bangladesh participated in a number of key negotiations with a view to protecting the country's trade and economic interests. Bangladesh continued to participate in negotiation on a new Agreement on Trade Facilitation (ATF), aimed at harmonising customs and other trade facilitation procedures and regulations. Nepal and Bangladesh have agreed to expand bilateral trade and transport facilities between them.

10.20 During the fourth Nepal-Bangladesh commerce secretary-level talks that

Chart 10.4

Table 10.2 Composition of merchandise imports

(million US Dollar)

Items	FY12	FY13P	% change
A. Food grains	**901**	**726**	**-19.4**
1. Rice	288	30	-89.6
2. Wheat	613	696	13.5
B. Other food items	**3600**	**3128**	**-13.1**
1. Milk & cream	221	214	-3.2
2. Spices	138	118	-14.5
3. Oil seeds	177	241	36.2
4. Edible oil	1644	1402	-14.7
5. Pulses (all sorts)	243	422	73.7
6. Sugar	1177	731	-37.9
C. Consumer and intermediate goods	**16783**	**16694**	**-0.5**
1. Clinker	504	487	-3.4
2. Crude petroleum	987	1102	11.7
3. POL	3922	3642	-7.1
4. Chemical	1210	1302	7.6
5. Pharmaceutical products	119	119	0.0
6. Fertiliser	1381	1188	-14.0
7. Tanning & dyeing extracts	375	399	6.4
8. Plastics & rubber articles thereof	1366	1366	0.0
9. Raw cotton	2084	2005	-3.8
10. Yarn	1384	1356	-2.0
11. Textile & articles thereof	3023	3273	8.3
12. Staple fibre	428	455	6.3
D. Capital goods and others	**12118**	**11031**	**-9.0**
1. Iron, steel & other base metal	2224	2335	5.0
2. Capital machinery	2005	1835	-8.5
3. Others	7889	6861	-13.0
E. Imports by EPZ	**2114**	**2505**	**18.5**
Total import (c & f)	**35516**	**34084**	**-4.0**
Total import (fob)*	**33309**	**33576**	**0.8**

Source: Statistics Department, Bangladesh Bank.
P= Provisional.
* as per BoP Manual 6.

concluded in Kathmandu, Bangladesh agreed to provide zero-tariff facility on 100 Nepali agriculture and other products. Bangladesh has expressed commitment to improve and simplify the transport connectivity in the border areas to boost bilateral trade activities between the two nations.

10.21 Standard and Poor (S&P) and Moody's Investors Service continue to rate Bangladesh at Ba3 (Moody's) and BB- (S&P) with stable outlook for the fourth consecutive year (2010-13). Bangladesh is rated second highest in South Asia only behind India (BBB-) and ahead of Sri Lanka (B+) and Pakistan (B-). In the global economic arena, other countries in the BB- category along with Bangladesh are Vietnam, Mongolia and Nigeria.

Workers' Remittances

10.22 Despite continued global economic slowdown, the flow of inward remittances from Bangladeshi nationals working abroad remained strong in FY13 and continued to play an important role in strengthening the current account balance. Remittance inflow increased by 12.6 percent to USD 14338 million in FY13 from USD 12734 million in FY12. (Appendix-3, Table-XVI) However, as discussed above the rate of remittance growth sharply slowed down in the second half of FY13 compared with the first half. The share of major source countries in the remittance receipt of FY12 and FY13 are given in Chart 10.6.

Foreign Aid

10.23 Total official foreign aid disbursement increased by 31.0 percent to USD 2786 million in FY13 from USD 2126 million

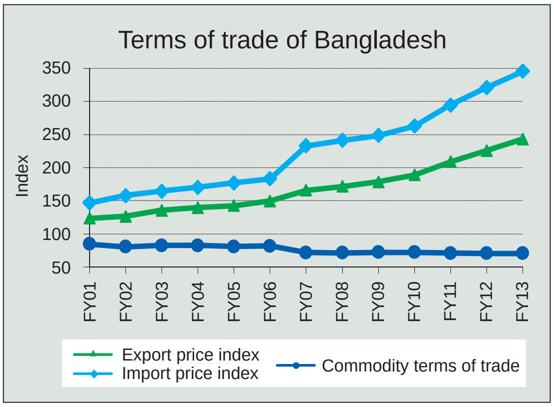
Table 10.3 Terms of trade of Bangladesh

(Base: FY96=100)

Year	Export price index	Import price index	Commodity terms of trade
FY00	120.3	136.2	88.4
FY01	123.2	146.4	84.1
FY02	126.2	157.8	80.0
FY03	135.2	164.2	82.4
FY04	139.6	170.0	82.1
FY05	142.4	176.7	80.6
FY06	149.3	183.1	81.5
FY07	165.7	232.5	71.3
FY08	171.3	241.2	71.0
FY09	178.2	248.3	71.8
FY10	188.9	262.4	72.0
FY11	208.5	294.6	70.8
FY12	225.6	321.0	70.3
FY13	242.9	345.6	70.3

Source: Bangladesh Bureau of Statistics.
* estimated.

Chart 10.5



received in FY12 (Table 10.4). This was despite a decline in food aid which amounted to USD 20 million in FY13 against USD 69 million in FY12. The disbursement of project assistance stood at USD 2766 million in FY13, compared with USD 2057 million in FY12. Total outstanding official external debt as of 30 June 2013 was USD 23319 million (18.0 percent of GDP in FY13) against USD 22095 million as of 30 June 2012 (19.0 percent of GDP in FY12). Repayment of official external debt amounted to USD 1102 million (excluding repurchases from the IMF) in FY13. Out of the total repayments, principal payments amounted to USD 906 million while interest payments stood at USD 196 million in FY13, against USD 789 million and USD 200 million respectively during FY12. The debt-service ratio as percentage of exports was 4.1 percent in FY13.

Foreign Exchange Market Operations

10.24 The exchange rate is determined based on market demand and supply forces of the respective currencies. Bangladesh Bank may purchase and sell currencies as and when it deems necessary to maintain stability in the foreign exchange market. Taka appreciated by 5.2 percent during FY13, which witnessed depreciation of 10.0 percent during FY12. The weighted average interbank rate stood at Taka 77.8 per USD as of 30 June 2013 against 81.8 as on 30 June 2012. Over the year Bangladesh Bank purchased USD 4539 million with a view to avoiding excessive volatility of the exchange rate and keeping in mind exporters interests. The volume of inter-bank foreign exchange transaction in FY13 stood at USD 18579.8 million which include spot, forward, swap transactions and was 37.4 percent lower than that of the USD 29696.6 million in FY12.

Foreign Exchange Reserves

10.25 The gross foreign exchange reserves held by Bangladesh Bank comprises holdings of gold and foreign exchange, the reserve position with the IMF and holding of Special Drawing Rights (SDR). In FY13, the gross foreign exchange reserves of Bangladesh

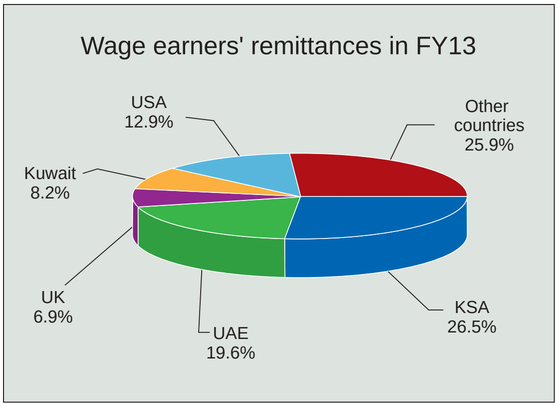
Table 10.4 Foreign aid receipts and debt repayments*

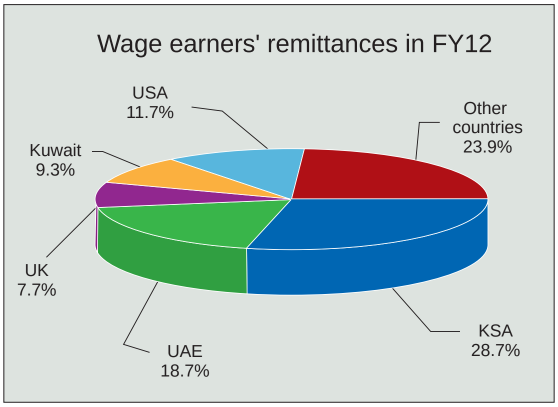
(million US Dollar)

Particulars	FY11	FY12R	FY13P
1. Receipts	**1777**	**2126**	**2786**
i) Food aid	55	69	20
ii) Project aid	1722	2057	2766
2. Repayments (MLT)	**933**	**989**	**1102**
i) Principal	739	789	906
ii) Interest	194	200	196
3. Outstanding external debt as of end June	22086	22095	23319
4. Outstanding external debt as percentage of GDP	19.7	19.0	18.0
5. External debt services (MLT) as percentage of exports	4.1	4.0	4.1

P= Provisional, R= Revised.
* Excluding transactions with the IMF.

Chart 10.6





Bank reached at a record high of USD 15344.9 million as on 27 June 2013 and stood at USD 15315.2 million at the end of FY13 which is 47.8 percent higher than USD 10364.4 million of the same period of FY12. The gross foreign exchange reserve is sufficient to meet more than five months import obligations. In order to strengthening the long term stability of the country's reserves and diversifying the external asset portfolio BB invested foreign exchange reserves in sovereign/ supranational/ highly reputed corporate bonds, treasury bills of US Government and in short term deposit with highly reputed commercial banks.

Reserve Management Strategy

10.26 The BB's reserve management strategy and operational procedures are strongly influenced by developments of the financial markets and by various elements of the policy environment in which BB operates. BB brought about significant changes in the monetary management in relation to its reserve management mechanisms which are aligned to best international practices. Reserve management operations are currently performed by following Reserve Management Guidelines duly approved by the Board of Directors of Bangladesh Bank. Main objectives of the BB for holding foreign exchange reserves include maintenance of safety and adequate level of reserves to cover imbalances in the balance of payment, to maintain confidence in the external value of the Taka and as a store of value to protect the economic well-being of the country. Other integral parts of reserve management are to meet foreign debt obligations, liquidity of reserves for the purpose of exchange rate

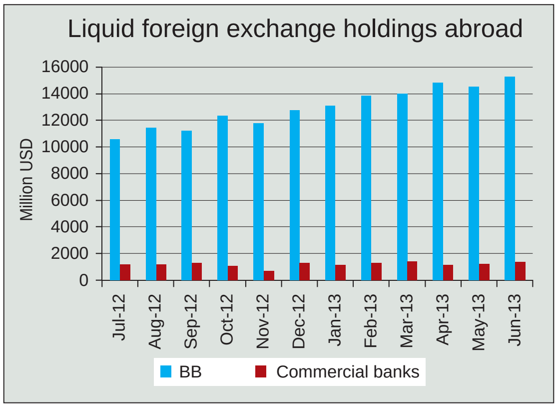
Table 10.5 Gross foreign exchange reserves of the Bangladesh Bank

(end month, million USD)

Months	FY09	FY10	FY11	FY12	FY13
July	5820	7741	10749	10381	10570
August	5966	9156	10992	10914	11435
September	5863	9363	10834	9884	11252
October	5551	9545	11160	10338	12340
November	5245	10336	10700	9285	11754
December	5788	10345	11174	9635	12751
January	5577	10098	10382	9386	13077
February	5872	10555	11159	10067	13848
March	5953	10142	10731	9579	13971
April	6509	10602	11316	10193	14829
May	6563	10146	10431	9520	14531
June	7471	10750	10912	10364	15315

Source: Accounts and Budgeting Department, BB.

Chart 10.7



management, stimulating exports, minimising exchange rate volatility and finally, earning optimal return from the reserves assuming controlled risks in a prudent manner which will preserve the nominal value of the reserves. To contain counterparty risk, BB diversifies its investments out of its reserves among a number of internationally reputed central and commercial banks' bond and bill having good credit ratings assigned by the international rating agencies. With a view to minimising exchange rate risk, currency composition has been diversified among the major currencies. Investment duration and currency benchmark are carefully followed to minimise interest rate risks, while reserve management and investment functions have been segregated among three independent reporting units viz., Front Office, Middle Office and Back Office to mitigate operational risks. However, keeping in view the stipulated liquidity restrictions and market & credit risk limits, BB diversified its portfolio investment into gold, T-bills, repos, short-term deposits including other money market instruments and high rated sovereign, supranational and corporate bonds.

Transactions under Asian Clearing Union (ACU)

10.27 Total transactions of Bangladesh under the Asian Clearing Union (ACU) decreased in terms of volume during FY13 compared to the preceding year. Bangladesh remained a net debtor during FY13. Receipts decreased from ACUD 208.7 million (Taka 1708 crore) to ACUD 161.1 million (Taka 1253 crore) and import payments decreased from ACUD 4766 million (Taka 38998 crore) to ACUD 4419 million (Taka 34366 crore) with the ACU member countries during the FY13. As a result, the net debtor position of Bangladesh decreased by ACUD 299 million or 6.56 percent to ACUD 4258 million (Taka 33113 crore) in FY13 compared to ACUD 4557 million (Taka 37290 crore) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in Table 10.6.

Table 10.6 Receipts and payments of Bangladesh under the ACU

(million US Dollar)

Head of transaction	FY11	FY12	FY13	% change
1. Receipts (Export)	282.66 (2098.27)	208.70 (1707.71)	161.10 (1252.74)	22.80%
2.Payments(Import)	5299.84 (39342.25)	4766.00 (38997.87)	4419.54 (34366.02)	7.26%
Net: surplus (+)/ deficit (-)	-5017.18 (-37243.98)	-4557.30 (-37290.16)	-4258.44 (-33113.28)	6.55%

Note: Figures in parentheses indicate Taka in crore.
1 ACUD = 1 USD; 1 USD = 77.76 Taka.

Table 10.7 Outstanding principal liabilities against the facilities received from the IMF

(million SDR)

Facility	Amount Drawn/ purchased up to June 2008	Outstanding principal liability as of end June 2012	Instalment repayment in FY13	Outstanding principal liability as of end June 2013
PRGF, June 2003	316.73	185.67	63.35	122.32
Emergency/ Natural Disaster Assistance, April 2008	133.33	66.67	66.68	-
ECF April 2012	274.26	91.42	--	274.26
Total :	**724.32**	**343.76**	**130.03**	**396.58**

Source: Forex Reserve and Treasury Management Department, BB.

Transactions with the IMF

10.28 In April 2012, the IMF Executive Board approved a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) equivalent to a total amount of SDR 640.0 million which is to be disbursed in seven equal instalments. Bangladesh has already received SDR 274.26 million in three equal instalments under ECF at the end of FY13. In FY13, repayment was made against PRGF loan amounting to SDR 63.35 million to the IMF. The outstanding principal liabilities under PRGF stood at SDR 122.32 million at the end of FY13. On the other hand, outstanding principal liabilities under ECF stood at SDR 274.26 million in FY13. It is mentioned that in FY 13, repayment against Emergency Natural Disaster Assistance Programme (ENDAP) loan was completed. The total principal outstanding liabilities to the IMF at the end of June 2013 stood at SDR 396.58 million. Service charges paid to the IMF during FY13 amounted to SDR 0.85 million (Table 10.7).

Changes in Foreign Exchange Regulations

10.29 Bangladesh Bank in its ongoing endeavour to ease the foreign exchange regulations has embarked upon the following notable changes on exchange arrangements during FY13 :

a. To facilitate export sector, Government decided to continue cash incentive/export subsidy against export of various items under 15 categories for FY13. The items are (i) textile (ii) products made of hogla, straw, coir of sugarcane (iii) agriculture and agro-processed products (iv) crushed bone (v) light engineering (vi) liquid glucose produced in Ishwardi EPZ (vii) halal meat (viii) frozen shrimp and other fishes (ix) leather goods (x) export of textile goods at new markets (other than USA, Canada, EU) (xii) additional incentive for SME in textile sector (xiii) potato (xiv) pet-bottle flex and (xv) jute goods.

b. The ceiling of declaration requirement on Form C for inward remittance has been increased to more than USD 5000/equivalent from USD 2000/equivalent or more. However, remittances sent by Bangladeshi nationals working abroad do not require such declaration.

c. BB has enhanced the threshold limit of receipt of proceeds from small-value service exports, such as data entry/data processing, offshore IT services, BPO, etc., through online payment service providers (OPGSPs) up to a maximum of USD 2000 from USD 500 or equivalent in one instance. Earlier BB allowed the repatriation of export earnings from abroad through OPGSPs.

d. Annual individual travel quota limit to visit the countries of SAARC region & Myanmar in a calendar year has been enhanced from USD 1500 to USD 2,000 or equivalent. Annual travel quota limit to travel the countries other than SAARC region and Myanmar remained unchanged at USD 5,000 or equivalent per calendar year.

e. Bangladesh Bank has developed online reporting system for all types of foreign exchange transactions. In line with this development, banks have been advised to report all types of their foreign exchange transactions to Foreign Exchange Operation Department, Bangladesh Bank through web portal carried out from 1 January 2013.

f. Upper limit of LC opening without SWIFT has been enhanced from USD 6,000 to USD 7,500 in case of import of coal only through land port.

g. Local stock brokerage firm acting in Bangladesh on behalf of foreign stock brokerage firms abroad have been allowed to repatriate share of commission earning to the latter against service rendered to foreign portfolio investors for investment in Bangladesh without prior approval of Bangladesh.

h. In order to have immediate access of foreign exchange by the exporters, export bills relating to direct and deemed export on usance basis of Bangladeshi products, can be discounted in foreign exchange by the concerned AD of the exporter using the fund obtained from Off-shore banking unit or foreign correspondent banks/ financial institutions or international financing organisations However total financing and other costs can not exceed 6 pecent per annum.

i. EDF loan has become made available to the member mills of the Bangladesh Garments Accessories & Packaging Manufactures & Exporters Association (BGAPMEA) for making bulk import payment of raw materials for local deliveries of garment accessories to manufacture-exporters against inland back to back LCs in foreign exchange.

j. Besides the balances held in exporters' retention quota accounts, IT/Software firms can remit abroad USD 20,000 per calendar year to meet their bonafide expenses. Earlier the limit was USD 10,000 per year.

k. Foreign nationals who are resident in Bangladesh and who have an income in Bangladesh are permitted to make monthly remittance to the country of their domicile out of their current savings up to 75% of their net income to cover their commitments abroad. Earlier, the said threshold was 50%.

l. Permission has been given to authorised dealers to allow their cardholder customers to use International credit cards (ICCs) for online payment not exceeding USD 100 or its equivalent at a single transaction against legitimate purchases of items of goods and services (such as downloadable application software, e-books etc.) from reputed and reliable sources abroad. ICC holders have also allowed for online payments against such purchases upto the available unused annual travel quotas plus an additional amount not exceeding USD 1,000 annually. ICC holders will be liable to fulfill tax/duty payment obligations, if any, in such payments.

m. India and Bangladesh opened *border 'haats,'* or common marketplace in different places of the border of the two countries for carrying on traditional border trade at these places. To facilitate transactions in these haats, Bangladesh Bank issued Amended Notification No. FE-01/2013-BB, dated 9 June 2013 allowing purchases by each individual in the *border haats* to respective local currency equivalent of USD 100 which was USD 50 earlier.

Anti-money Laundering Surveillance

10.30 Pursuant to section 24 (1) of the Money Laundering Prevention Act, 2012, an independent unit named "Bangladesh Financial Intelligence Unit (BFIU)" has been established, to execute the power and responsibilities conferred to Bangladesh Bank, abolishing the Anti-Money Laundering Department of Bangladesh Bank through an administrative circular of Human Resources Department, dated 25 January 2012.

Under the provision of the Money Laundering Prevention Act (MLPA) and Anti-Terrorism Act (ATA), BFIU has taken various initiatives and steps to prevent money laundering and terrorist financing throughout the country in FY13.

Reporting Agencies and their Regulatory Regime

10.31 BFIU has issued separate guidance notes on prevention of Money Laundering and Terrorist Financing for the financial institutions and capital market intermediaries with effect from 16 September 2012 and 30 December 2012 respectively.

BFIU has given instructions to be followed for International and Domestic Wire Transfer by all schedule banks and institutions which remit or transfer money or money value or are involved in mobile banking services effective from 17 December 2012.

BFIU has given instructions to be followed by all reporting agencies for compliance of Freezing Accounts of listed individuals or institutions and other issues under the sanction list of different resolutions of United Nations Security Council with effect from 10 October 2012.

A number of cases have been passed on to the Anti-Corruption Commission (ACC) for necessary action after prima facie inspection. BFIU has been monitoring the update of those cases.

A number of bank accounts have been suspended by Bangladesh Bank on suspicion of money laundering and Terrorist Financing (TF) under the provisions of MLPA, 2012 and ATA, 2009.

BFIU has received 237 Suspicious Transaction Reports (STRs) during FY13 and in total 1310 till 30 June 2013.

Legal System

10.32 The BFIU has performed a major role in drafting the Anti Terrorism (Amendment) Act (ATA), 2013. A Statutory Regulatory Order (SRO) regarding the implementation process of different resolutions of United Nations Security Council has been circulated by the Ministry of Foreign Affairs with effect from 29 November 2012. BFIU has performed a major role in drafting the SRO.

Initiatives Strengthening by BFIU

10.33 The organogram of BFIU has been reviewed.

An International AML/CFT expert was appointed as a consultant for the period of August-October, 2012. He has conducted the gap analysis considering the present AML/CFT status of Bangladesh and the revised standard of FATF recommendations, reviewed the BFIU Mannual, arranged Inter-Agency Training, etc.

The goAML software has been procured from the UNODC(United Nations Office on Drugs and Crime) for online reporting of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) by the reporting agencies. The implementation of goAML software is being conducted in 3 steps. To ensure the pre-production environment the goAML software has already been installed. Seven banks under pilot project are submitting their CTRs and STRs on test basis.

To establish inter agency connectivity among the different organisations, (eg: National Board of Revenue, Election Commission, etc) a committee has been formed. The Additional Secretary of Ministry of Home affairs is the convener and BFIU is the member secretary of that committee.

International Cooperation

10.34 Bangladesh has developed a time bound national action plan for the period of 2011-13 to upgrade its AML/CFT regime at par with the international standards and to get rid of International Cooperation Review Group (ICRG) process of Financial Action Task Force(FATF). BFIU, with coordination of different ministries and law enforcement agencies is completing the outstanding tasks.

Bangladesh Financial Intelligence Unit has signed 15 MoU so far, among them 4 MoU have been signed in FY13 (with South Africa, Mongolia, Japan and Myanmar).

The fifth meeting of the BIMSTEC Sub-Group on Combating the Financing of Terrorism (SG-CFT) under the BIMSTEC Joint Working Group on Counter-Terrorism and Transnational Crime (JWG-CTTC) was held on 6-8 March 2013 in Dhaka, Bangladesh. BFIU arranged the meeting which depicts the enhanced cooperation.

Awareness Building Programme

10.35 Bangladesh Financial Intelligence Unit has continued its effort to create awareness among the bank officials. Furthermore, it has extended this programme for the officials of other reporting organisations. It has encouraged the banks to conduct a number of training programmes for their officials on AML/CFT in 56 districts and provided support to make the programme successful. It has also encouraged and provided support to other reporting organisations to arrange training programmes for their officials. Moreover, workshops have been arranged for other law enforcing agencies.

Payment and Settlement Systems

11.1 Payment and settlement system consists of a set of physical & electronic mechanisms for the transfer and settlement of financial obligations arising from the exchange of goods and services.

11.2 **Functional Areas of Payment Systems:** According to the 7A(e) of the Bangladesh Bank Order, 1972, one of the main functions of the Bangladesh Bank is - "to promote, regulate and ensure a secure and efficient payment system, including the issue of bank notes." In fulfilling this mandate and considering the importance of having a state-of-the-art payment and settlement system for Bangladesh, Payment Systems Department (PSD) of Bangladesh Bank (BB) has been working on payment systems strategy, automated cheque processing system, electronic funds transfer, national payment switch, mobile financial services, agent banking, e-commerce, m-commerce, legal & regulatory framework for electronic payment systems and payment systems oversight in order to implement a secured and efficient payment system in the country.

11.3 **Traditional Payments Scenario:** The traditional paper based payment system was semi-automated, time consuming and prone to many risks. The system was not at par with international best practices. It took t+2 or t+3 days to clear the cheques and other paper-based instruments within a clearing region. The inter-regional instruments required even much longer time to clear. Four payment and settlement systems had been in operation in Bangladesh prior to 7 October 2010. They were: (a) Bangladesh Bank's Clearing Houses in eight clearing regions; (b) Sonali Bank's Clearing Houses in 31 cities where there are no BB branches; (c) the BB large value cheque settlement system; and (d) the BB Foreign Currency Clearing System in Dhaka. The instruments like cheques, bank drafts, pay orders, dividend & refund warrants, etc. were being cleared through the manual clearing houses. Apart from such non-cash payment instruments credit card, debit card and ATM transactions were becoming popular specially in the urban areas.

11.4 **Payment Platforms Operating at Present:** The move towards an electronic clearing system started with the live operation of Bangladesh Automated Cheque Processing System (BACPS) from 7 October 2010. Later, electronic funds transfer, e-commerce, mobile financial services and m-commerce joined the league to further the objectives of modernising the payment and settlement systems as set in the strategy. These payment platforms are briefly described in the following sections.

11.5 **Bangladesh Automated Clearing House (BACH):** BACH has two components-the Automated Cheque Processing System and the Electronic Funds Transfer. Both the systems operate in batch processing mode-transactions received from the banks during the day are processed at a pre-fixed time and settled through a single multilateral netting figure on each individual bank's respective books maintained with the Bangladesh Bank. A state-of-the-art Data Centre (DC) and a Disaster Recovery Site (DRS) have been established comprising of most modern software and hardware for dealing with the operations of BACH. A Virtual Private Network (VPN) has been created between the participating commercial banks and Data Centre (DC) & Disaster Recovery Site (DRS) for communicating necessary information related to BACH. Digital Certificate has been formulated for the first time in Bangladesh for secured data communication.

11.6 **Bangladesh Automated Cheque Processing Systems (BACPS):** BACPS uses the Cheque Imaging and Truncation (CIT) technology for electronic clearing of the paper-based instruments, i.e. cheque, pay order, dividend & refund warrants, etc. The system supports both intra-regional and inter-regional clearing and is based on a centralised processing centre located in Dhaka and in designated clearing regions. The system conforms to the international best practices and also represents the most cost-effective solution for cheque processing throughout the country. Gradually other clearing regions joined the system. Moreover, all commercial banks branches under jurisdiction of 33 chest-branches of Sonali Bank which carry out the clearing functions for Bangladesh Bank are now connected to BACH data centre at Motijheel. Besides, some other areas like Savar EPZ, Tongi, Syedpur and Keranigonj have been connected to the BACH data centre, which is selected based on volume and importance of their transactions. Previously, there were no clearing houses in these areas.

11.7 At present around 1,600,000 regular and around 111,000 high value cheques & other instruments are cleared per month through BACPS which is 95 percent. Total amount of regular value instruments cleared is approximately Taka 404 billion and it is approximately Taka 528 billion for high value instruments per month. The clearing cycle has been brought down to t+0 for high value cheques and t+1 for regular value cheques throughout the country. Chart 11.1 and Chart 11.2 show the trends of instruments cleared and associated amount of the regular and high value cheques respectively in FY13.

11.8 **Bangladesh Electronic Funds Transfer Network (BEFTN):** BEFTN has started its 'Live Operation' on 28 February 2011 with the objective to decrease paper-based payment methods and encourage paper-less payment methods for secured, faster & cost-effective transactions specially at the corporate levels. The Network started with credit and debit transactions from 15 September 2011. BEFTN facilitates the transmission of payments between the banks electronically, which makes it faster and efficient means of inter-bank clearing over the existing paper-based system i.e. BACPS. It is able to handle a wide variety of credit transfers such as payroll, foreign and domestic remittances, social security, company dividends, retirement, expense reimbursement, bill payments, corporate payments, Government tax payments, veterans payments, Government license fees and person to person payments as well as debit transfers such as mortgage payments, membership dues, loan payments, insurance premiums, utility bill payments, company cash concentration, Government tax payments, Government licenses and fees.

EFT is becoming popular among the various corporate bodies. Apart from that Cabinet Ministers' salaries, salary of the officials of Government agencies like Ministry of Finance, Anti Corruption Commission and Salary of Government Primary School Teachers are being distributed through EFT at present.

11.9 Approximately 500,000 EFT credit transactions and 7,000 EFT debit transactions are processed per month with an increasing trend. The amount of EFT credit transactions is approximately Taka 26.8 billion per month while the amount of debit transactions is Taka 1.44 billion. Chart 11.3 and Chart 11.4 show the trends of EFT credit and debit entries and associated amount respectively in FY13.

11.10 **Mobile Financial Services:** The rapid growth of mobile phone users and countrywide coverage of mobile operator's network have made their delivery channel an important tool-of-the-trade for extending banking services to the unbanked/banked population, specially to expedite faster delivery of remittances across the country. From legal and regulatory perspective, only the bank-led model is allowed to operate in Bangladesh. Table 11.1 lists the approved Mobile Financial Services (in broad categories) while Table 11.2 shows the prevailing status of MFS in Bangladesh.

11.11 Bangladesh Bank has fixed the transaction limit for the account holders of mobile financial services at maximum Taka 10,000 daily and a total of Taka 25,000 on monthly basis. Bangladesh Post Office (BPO) introduced the service - 'post e-pay', in 5 September 2011 with 1968 branches which will gradually be launched in all the 9,886 branches of the post office in phases with the help of the mobile operators' countrywide network. Clients have to register themselves with the post office to get the service.

11.12 **e-commerce:** BB has issued directives for the banks for starting e-commerce activities. Permitted transactions

Chart 11.1

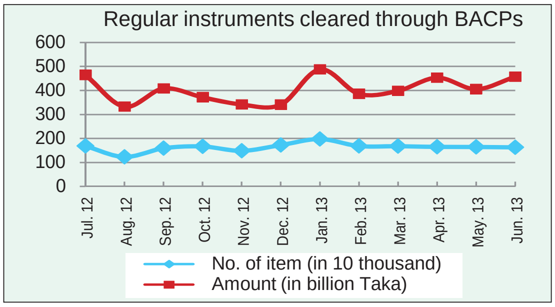
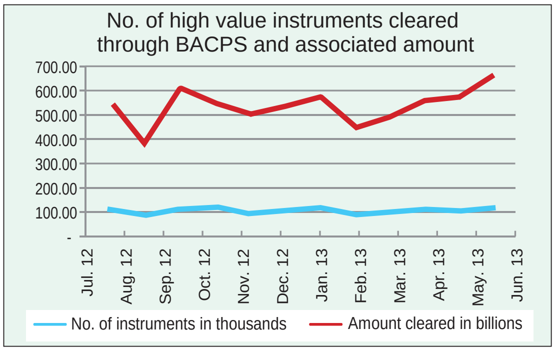


Chart 11.2



are - online payment of utility bills from client's accounts to recipient's accounts, transfer of money from one account of a client to another account in the same bank, payment/collection of money from/to buyer's bank account to seller's bank account for buy/sale of products and transaction via internet using credit card in local currency. From 11 March 2011, the following transactions have been given permission. Less than Taka 500,000 can be transferred from one client's account to another client's account within the same bank using internet/online facilities subject to the fact that it will fully comply with prevailing Money Laundering Prevention legislations and related circulars.

11.13 **Online Payment Gateway Service Providers (OPGSPs):** In view of the growing role of the services provided by the Online Payment Gateway Service Providers (OPGSPs), it has been decided to allow the Authorised Dealers (ADs) to offer the facility of repatriation of remittances against small value service exports in non-physical form such as data entry/data process, off-shore IT service, business process outsourcing etc. Under this initiative, the exporters of the above services will be able to receive their overseas payments through the OPGSPs such as Paypal, Money Bookers, Best Payment Gateway and Virtual Pay online platforms.

11.14 **New Payment Systems Initiatives:** A number of new end-user centric & real-time payment system initiatives has been taken in order to mitigate the ever growing demand for faster and efficient payment methods. Among the new initiatives, implementation of the National Payment Switch (NPS) has been started.

11.15 **National Payment Switch (NPS):** The Bangladesh Bank has taken initiative to establish National Payment Switch (NPS) in order to facilitate inter-bank electronic payments originating from different delivery channels e.g. Automated Teller Machines (ATM), Point of Sales (POS), Internet, Mobile Applications, etc. The main objective of NPS is to create a common platform among the existing shared switches and to develop the required infrastructure. NPS will facilitate the expansion of the card based payment networks substantially and promote e-commerce throughout the country. Online payment of Government dues, using cards and account number information through internet will greatly be enhanced using NPS. NPSB has been launched as "soft go-live" on 27 December 2012 and now inter-bank ATM transactions among four banks are being routed through NPSB. Other 11 banks are also likely to join in NPSB.

11.16 **Agent Banking:** As a part of financial inclusion and offering limited banking service to both rural and urban unbanked

Table 11.1 Approved mobile financial services (in broad categories)

1. Disbursement of inward foreign remittances.
2. Cash in/out using mobile account through agents/bank branches/ ATMs/mobile operator's outlets.
3. Person to business payments - e.g. a. utility bill payments, b. merchant payments.
4. Business to person payments e.g. salary disbursement, dividend and refund warrant payments, vendor payments, etc.
5. Government to person payments e.g. elderly allowances. Freedom-fighter allowances, subsidies, etc.
6. Person to government payments e.g. tax, levy payments.
7. Person to person payments (one registered mobile account to another registered mobile account).
8. Other payments like microfinance, overdrawn facility, insurance premium, DPS, etc.

Table 11.2 MFS status*

No. of banks permitted	:	26
Started MFS operation	:	18
Registered customers	:	66.24 Lac
Agents	:	99,582
Transactions (billion Taka)	:	42.06
*as of June 2013		

Chart 11.3

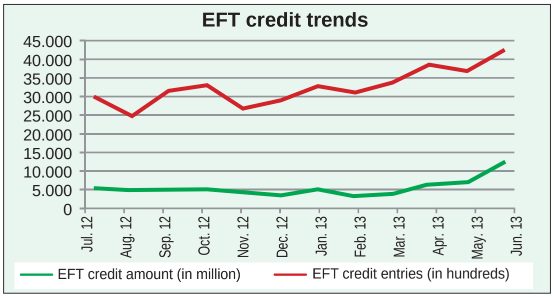
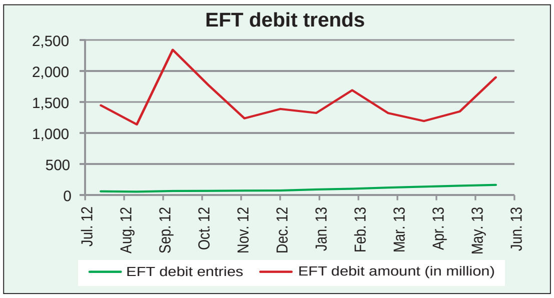


Chart 11.4



people, BB initiated Agent Banking. It will provide banking services to the bank customers through the engaged agents under a valid agency agreement, rather than a teller/cashier. "Agent" is the owner of an outlet who conducts banking transactions on behalf of the concerned bank.

11.17 **Legal & Regulatory Framework: I**n order to give legal and regulatory support to growing methods for electronic transfer of funds, BB published a number of legal and regulatory document which is listed in Table 11.3.

11.18 Steps have also been taken to bring amendment in certain provision of the existing Negotiable Instruments Act, 1881 and Bankers Book of Evidence Act, 1891 in order to provide comprehensive legal backing to the operation of Electronic Clearing House. Bangladesh Bank in cooperation with World Bank (IFC-BICF) drafted Payment Systems Act; reviewed the existing BPSSR, 2009; drafted a new BPSSR, 2013 and Regulations for Electronic Funds Transfer, 2013 and is drafting rules for electronic payments. Lastly but far from least, BB also drafted a "Guidelines on Agent Banking for the Banks" on 2013.

11.19 **Awareness Raising Campaign:** Bangladesh Bank had taken a number of initiatives for raising awareness on the new electronic payment systems like automated cheque processing, electronic funds transfer and mobile financial services. BB organised seminars and workshops for sensitising officials from all commercial banks, Govt. offices and industry alliances. Besides, BB has been working to popularise electronic funds transfer network among the stakeholders like chamber of commerce's, stock exchanges, Bangladesh Security and Exchange Commission, Central Depository Bangladesh Limited, National Board of Revenue etc.

Table 11.3 Existing legal and regulatory framework of payment and settlement systems of Bangladesh.
1. Bangladesh Payment and Settlement Systems Regulations (BPSSR), 2009 published on 27 April 2009.
2. 'Bangladesh Automated Cheque Processing Systems (BACPS) Operating Rules and Procedures' has been published on 11 January 2010.
3. 'Bangladesh Electronic Funds Transfer Network (BEFTN) Operating Rules' has been published on 11 August 2010.
4. 'Guidelines on Mobile Financial Services for banks' has been published on September 2011.

11.20 Automated cheque processing, electronic fund transfer and mobile financial services have already proved their potential by offering fast, secure and cost-effective financial services. Specially, paper-less EFT transactions are gaining increasing popularity among the corporate bodies, stock exchange members and industry alliances. Besides, the introduction of mobile financial services, m-commerce and e-commerce are significantly changing the financial services landscape of the country. When fully implemented, the NPS will increase end-user centric electronic payments and broaden the landscape for financial transactions in the country. These electronic modes of payments methods have already improved operational efficiency, increased transaction frequency and brought stability & flexibility at all spheres of the financial market. Implementation of other critical payment infrastructures as stated earlier will result in an effective and efficient 'National Payment and Settlement System' consistent with its neighbours and international standard.

Administration

Reappointment and Appointment of Governor and Directors in the Board

12.1 Dr. Atiur Rahman was reappointed as Governor of Bangladesh Bank; effective from 1 May 2013. Dr. Mohammad Tareque and Dr. Nasiruddin Ahmed were Directors of the Board until 22 August 2012 and 13 November 2012 respectively. Dr. Mustafa Kamal Mujeri, Prof. Sanat Kumar Saha, Dr. Sadiq Ahmed and Prof. Hannana Begum were reappointed as Directors of the Board effective from 11 March 2013. Mr. Md. Shafiqur Rahman Patwari was the Director of the Board until 13 November 2012. Mr. Fazle Kabir was appointed as Director of the Board in place of Dr. Mohammad Tareque with effect from 22 August 2012. Mr. Md. Ghulam Hussain and Dr. M Aslam Alam were appointed as Directors of the Board in the positions of Dr. Nasiruddin Ahmed and Mr. Md. Shafiqur Rahman Patwari respectively; effective from 13 November 2012.

A total of ten meetings of the Board of Directors were held during FY13.

Executive Committee

12.2 Under section 12(1) of Bangladesh Bank Order 1972 (President's Order No. 127 of 1972), the Executive Committee was constituted as follows:

Dr. Atiur Rahman	Chairman
Mr. Md. Abul Quasem	Member
Prof. Hannana Begum	Member
Mr. Md. Shafiqur Rahman Patwari	Member
Dr. M Aslam Alam	Member
Mr. Ahmed Jamal	Secretary

Prof. Hannana Begum was reappointed as Member of the Executive Committee; effective from 10 April 2013. Mr. Md. Shafiqur Rahman Patwari was Member of the Executive Committee until 13 November 2012 and Dr. M Aslam Alam was appointed as Member of the Executive Committee in the position of Mr. Md. Shafiqur Rahman Patwari effective from 3 December 2012. During FY13, five meetings of the Executive Committee were held.

Audit Committee of the Board

12.3 In line with the international practice for strengthening corporate governance, an Audit Committee comprising of four non-executive directors was formed on 12 August 2002 to assist the Board of Directors fullfil its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and the audit process. The present composition of the Committee is as follows:

Dr. Mustafa Kamal Mujeri*	Convener
Prof. Hannana Begum*	Member
Mr. Md. Ghulam Hussain**	Member
Dr. M Aslam Alam**	Member

A total of four meetings of the Audit Committee were held during FY13.

According to the Internal Audit Department Charter approved by the Audit Committee of the Board of Directors of the BB, the Internal Audit Department (IAD) in FY13 indentified 48 auditable units (departments/ offices/ units/ cells) and constructed the audit plan for FY13. Audits were conducted twice a year in the 18 auditable units indentified as high risk and once a year in the other 30 auditable units identified as medium or low risk. The audit

* reappointed with effect from 10 April 2013. ** appointed with effect from 27 November 2012.

reports were placed before the Governor and the Audit Committee of the Board. Four meetings of the Audit Committee were held during FY13. The guidance/ directives/ recommendations received by the IAD from the Governor and the Audit Committee were conveyed to the relevant auditable units for implementation. Progress reports on implementation of these guidance/ directives/ recommendations were placed before the meeting of the Audit Committee.

Senior Management Team

12.4 The Senior Management Team (SMT) consists of Governor, 4 Deputy Governors, the Chief Economist and the Change Management Advisor. This team meets weekly and is responsible for the strategic policy decisions of BB.

Executive Management Team

12.5 The Executive Management Team (EMT) consists of the Governor, 4 Deputy Governors, all Executive Directors and the Economic Advisor. This team reviews the implementation status of Bank's overall activities.

A total of 11 meetings of the EMT were held during FY13.

New Appointment in Different Posts

12.6 During FY13, 11 Assistant Directors (Engineering-Civil), 10 Assistant Directors (Statistics), 4 Assistant Directors (Research), 3 Assistant Directors (General), 2 Assistant Directors (Engineering-Electrical), 2 Assistant Directors (Engineering-Mechanical), 7 Assistant Maintenance Engineers, 1 Medical Officer and 1 Female Medical Officer, 264 Cash Officers and 72 Staff have been appointed. New Appointment during FY13 was as follows:

Assistant Director (General)	3
Assistant Director (Engineering-Civil)	11
Assistant Director (Engineering-Electrical)	2
Assistant Director (Engineering-Mechanical)	2
Assistant Maintenance Engineer	7
Assistant Director (Research)	4
Assistant Director (Statistics)	10
Medical Officer	1
Female Medical Officer	1
Cash Officer	264
Staff	72
Total	**377**

The appointment of 177 Assistant Directors (General) was under process.

Retirement, Voluntary Retirement, Compulsory Retirement, Resignation, Removal, Suspension and Death

12.7 The number of official/ staff of the Bank under retirement/ voluntary retirement/ compulsory retirement/ resignation/ removal/ suspension/ death during FY13 was as under:

Retirement	126
Voluntary Retirement	1
Compulsory Retirement	2
Resignation	27
Removal	2
Suspension	1
Death	9
Total :	**168**

Creation/ Abolition of Posts

12.8 In FY13, 387 new posts of officials and 73 posts for the staff of the Bank have been created. In view of the importance of the job, 259 posts of officials and 100 posts of staff have been upgraded by abolishing the posts during this period. Three supernumerary posts were also abolished. As a result, the total number of posts (sanctioned strength) of the employees have been increased from 7498 to 7955 at the end of FY13.

Sanctioned and Working Strength of Officials and Staff

12.9 The sanctioned and working strength of the Bank as on 30 June 2013 were as follows:

Category	Sanctioned strength	Working strength	Vacant
Class-I	4718	3867	851
Class-II	1323	321	1002
Class-III	1490	967	523
Class-IV	424	84	340
Total	**7955**	**5239**	**2716**

During FY13, working strength of officials (Class-I & Class-II) increased by 5.8 percent from 3959 to 4188 and the working strength of staff (Class-III & Class-IV) increased by 5.2 percent from 999 to 1051. At the end of the period, the ratio of officials to staff remains nearly 4t1. About 34 percent of the sanctioned posts remained vacant until 30 June 2013.

Promotion

12.10 During FY13, 840 officials and 468 staffs were promoted to their next grade.

Number of Officers on Deputation/ Lien

12.11 During FY13, 51 officials of the Bank were on deputation in different institutions of the country. A total of 25 BB officials were on lien during FY13, of which 9 officials were at home and 16 officials were abroad.

Reorganisation/ Newly Established Departments of the Bank

12.12 During FY13, Foreign Exchange Inspection and Vigilance Department was divided into two new departments named 'Department of Foreign Exchange Inspection (DFEI)' and 'Financial Integrity & Customer Services Department (FICSD)'. Department of Currency Management and Payment Systems (DCMPS) was also divided into two new departments named 'Department of Currency Management (DCM)' and 'Payment Systems Department (PSD)'. Two new departments named 'Green Banking and CSR Department (GBCSRD)' and 'Department of Banking Inspection-4 (DBI-4)' were established in the BB's head office. The 10th branch office of the Bank started operating in this year in Mymensingh. A new section named Non-Financial Asset & Inventory Management Section was established in Common Services Department-1 (CSD-1) in the head office. SME & Special Programmes Department in Chittagong, Khulna, Bogra, Rajshahi, Sylhet, Barisal, Rangpur and Mymensingh Office were also established.

Welfare Activities and Approval of Scholarship

12.13 During FY13, an amount of Taka 3.00 million has been provided to the children of the officials/ staff as scholarships and Taka 0.50 million has been given as medical assistance from the *Karmachary/ Karmakarta Kallyan Tahbil.* In addition, an amount of Taka 46.42 million has been allotted to Bangladesh Bank Schools, Mosques, Clubs, Day Care Facilities, Freedom Fighters' Welfare Units etc. to carry out their recreation and welfare activities.

Foreign Training and Study

12.14 During FY13, 681 officials of the Bank participated in different training courses/ seminars/ workshops abroad. Moreover, 25 officials were on deputation/leave for higher studies abroad during FY13.

Domestic Training and Study

12.15 During FY13, a total of 959 officials of the Bank participated in different training courses/ seminars/ workshops etc. organised by different institutions (other than the BBTA) within the country. Moreover, 1 official was allowed leave for higher study within the country during FY13.

Step towards Automation and Paperless Environment

12.16 Introduction of online circulation of various documents such as administration circulars, office circulars, staff orders, office orders, departmental orders, memorandum was introduced. The BB intranet portal not only ensured wide spread circulation, but also provided a step towards a paperless work environment. The BB's employees can view their own personal and service information through this intranet portal. BB also introduced an automated system for casual leave management, repair maintenance management of building the (job slip management) and document management (inflow/outflow of documents) in FY13.

Reward and Recognition

12.17 In FY13, five officials were honoured by awarding Bangladesh Bank Employees Recognition Award for their outstanding performance.

Training Courses, Workshops, and Seminars Conducted by the Bangladesh Bank Training Academy (BBTA)

12.18 Bangladesh Bank Training Academy (BBTA) performed a wide range of activities to attain objectives of transforming itself into a world-class centre of excellence for imparting quality training to the officers of BB and the commercial banks, financial institutions including various Government and non-Government organisations. Apart from training, different seminars, workshops are also arranged at BBTA to enhance the capacity of the faculty members and update them with the changing knowledge frontiers in various fields relating to economics, finance and banking. BBTA also arranged various programmes for the trainers with the help of trained personnel of advanced and specialised institutions at home and abroad. Keeping these in mind, BBTA conducted a total of 152 training courses/ workshops/ seminars during FY13, of which 116 training courses/ workshops/ seminars were held at the BBTA premises and 36 were held at other offices of BB. A total of 6787 participants took part in the courses. The courses conducted by the BBTA during FY13 are shown in Table 12.1.

Central Bank Strengthening Project

12.19 The Central Bank Strengthening Project (CBSP) was designed in early 2003. Subsequently a Development Credit Agreement was signed between the People's Republic of Bangladesh and the International Development Association (IDA) in June 2003. BB also signed a Project Agreement with the IDA on 30 June 2003 as a project executing agency.

The CBSP has focused on improving the BB's efficiency through automating its business processes and undertaking large scale legal and functional reforms which will help to develop a robust and sustainable financial sector in the country. In order to fulfill these objectives, CBSP has executed various initiatives, that are grouped under several project components. Most of the components have been implemented successfully and are in operation now. According to the 4th revised TPP, the project value was Taka 4105.8 million of which IDA provided Taka 3182.1 million and with the rest financed by BB. The project was successfully completed on 31 December 2012.

Table 12.1 Statement on Different Training Courses, Workshops, and Seminars Organised by the Bangladesh Bank Training Academy during FY13

Sl. no	Subjects	Number of courses	Number of participants
1	2	3	4
1.	**Foundation Course**	**3**	**126**
a)	Foundation Course-2012 (Assistant Director)	1	59
b)	Foundation Course-2013 (1st Batch) (Assistant Director)	1	45
c)	Foundation Course (AD, Specialised Departments) - 2012	1	22
2.	**Other Training Courses**	**114**	**5017**
a)	**For officials of the Bangladesh Bank**	**49**	**1471**
I)	Techniques of Bank & NBFI Supervision & Inspection Report Writing.	3	72
II)	Foreign Exchange & Foreign Trade	2	52
III)	Financial Instruments & Derivatives	1	23
IV)	Core Risk Management	1	28
V)	Agriculture Financing & Rural Development	1	26
VI)	Human Resources Management & Development	1	29
VII)	E-commerce & E-banking	2	51
VIII)	Leadership, Team Building & Negotiation Skill	2	50
IX)	Integrity & Anticorruption	1	28
X)	Public Debt Management & Debt Securities Markets in Bangladesh	2	42
XI)	Key Activities & Current Issues of BB	3	155
XII)	Safety, Security & Disaster Management	2	53
XIII)	Methodology to Determine Counter Cyclical Capital Buffer under Basel III	1	30
XIV)	Global Financial Crisis: Supervisory Challenges and New Financial Regulations	2	52
XV)	Procedure of Filling a Suit and Technique of Court Procedure	1	27
XVI)	Green Banking: Opportunities and Initiatives in Bangladesh	1	51
XVII)	Stress Testing	2	48
XVIII)	Loan Classification, Provisioning & Re-scheduling	1	51
XIX)	Foreign Direct Investment & Portfolio Investment in Bangladesh	1	30
XX)	TOT Course on SME	1	27
XXI)	Modernisation of Cash Management	3	89
XXII)	Currency Management, Payment & Settlement System	1	27
XXIII)	Financial & Credit Derivatives	1	47
XXIV)	Capital Market in Bangladesh	1	33
XXV)	Financial Inclusion	1	55
XXVI)	Formulation and Implementation of Monetary Policy	2	53
XXVII)	Banking Laws & Regulations	1	29
XXVIII)	ICT Security Policy & ICT Guideline	1	29
XXIX)	Major Policy Issues/ Directives of BB	2	52
XXX)	Risk Based Capital Adequacy According to Basel II	2	50
XXXI)	Prevention of Money Laundering & Terrorist Financing	1	30
XXXII)	Strategic Planning & Management	1	21
XXXIII)	Document Management System(Inward & Outward) and Leave Management	1	31
b)	**For officials of the BB and/or Commercial Banks**	**65**	**3546**
I)	Foreign Exchange and Foreign Trade	2	74
II)	Money & Banking Data Reporting	4	150
III)	Major Policy Issues/Directives of BB	2	80
IV)	Foreign Exchange Transaction Reporting	7	325
V)	Micro Credit & SME Financing	1	29
VI)	Risk Based Capital Adequacy according to Basel II	2	66
VII)	Prevention of Money Laundering & Terrorist Financing	3	85
VIII)	Method of Detecting Genuine Notes	7	269
IX)	Web Based Online System Software	1	190
X)	Foreign Currency Account & Remittance	2	294
XI)	Insurance Business in Bangladesh	1	20
XII)	Elucidation of Acts, Guidelines & Circulars of BB	1	117
XIII)	Agriculture Credit & SME Financing	1	27
XIV)	FC Accounts: Opening & Operational Procedures	3	189
XV)	Bangladesh Automated Clearing House	1	235
XVI)	Detection, Disposal of Forged & Mutilated Notes	4	179
XVII)	Environmental Risk Management	1	100
XVIII)	Islamic Banking & Finance	4	100
XIX)	Orientation Course on Islamic Banking	1	31
XX)	Stress Testing	1	87
XXI)	Loan Classification, Provisioning & Re-scheduling	11	555
XXII)	Corporate Governance in Central Bank, Banks & NBFIs	2	51
XXIII)	Lease Financing	1	121
XXIV)	Financial Investigation to Combat Money Laundering & Counter the Financial of Terrorism	1	132
XXV)	CSR Activities of Banks & NBFIs	1	40
3.	**Workshops/ Seminars/ Lecture Sessions**	13	968
I)	Workshop on Economic Indicators	**1**	**25**
II)	CIB: BATCS Uploading & Online Reporting	9	824
III)	Workshop on Capital Market in Bangladesh	1	32
IV)	Workshop on Risk Assessment	1	54
v)	Workshop on Intranet Version of LAMs Software	1	33
4.	**Workshops/ Seminars/ Lecture Sessions: (On Request)**	**20**	**626**
I)	Training Course on Enterprise Resources Planning (ERP)	4	99
II)	Training Course on Enterprise Data Warehouse (EDW)	4	89
III)	Training Course on Banking Package	4	87
IV)	Training Course on Networking Package (LAN/WAN)	4	91
V)	Public Private Partnership (PPP)	1	114
VI)	Online IMP Form Management System, Online TM Form Management System, Online C-Form and Wage Earners Remittance Reporting System	1	102
VII)	Orientation Program for Cash Officers	1	35
VIII)	Foreign Exchange Management & Letter of Credit	1	9
5.	**International Programme**	**2**	**50**
I)	International Training of Trainer's on Agricultural Financing & Rural Development (Jointly organised with CICTAB)	1	30
II)	International Training Course on "Central Banking Operation, Bangladesh Perspective" for the officials of Nepal Rashtra Bank	1	20
	Grand total(1+2+3+4+5)	**152**	**6787**

Bangladesh Bank's Accounts for 2012-2013

13.1 The financial result of operations of Bangladesh Bank for the FY13 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCL), a 100 percent owned subsidiary of Bangladesh Bank has been consolidated with the accounts of Bangladesh Bank. The executive summary of Accounts of Bangladesh Bank (excluding SPCL) is represented below:

Income

13.2 The total operating income of the Bank (excluding foreign currency revaluation gain/loss) for the FY13 increased by Taka 1.83 billion (3.42 percent) to Taka 55.33 billion compared to Taka 53.50 billion in FY12 and including foreign currency revaluation gain/(loss) decreased by Taka 68.38 billion (80.23 percent) to Taka 16.85 billion compared to Taka 85.23 billion in FY12. The sources of income are set out in the Table 13.1.

Income from Foreign Currency Financial Assets

13.3 During FY13, Bank's income from the foreign currency financial assets increased by Taka 1.17 billion (12.50 percent) to Taka 10.53 billion compared to Taka 9.36 billion in FY12 due to increase in investment of foreign currency.

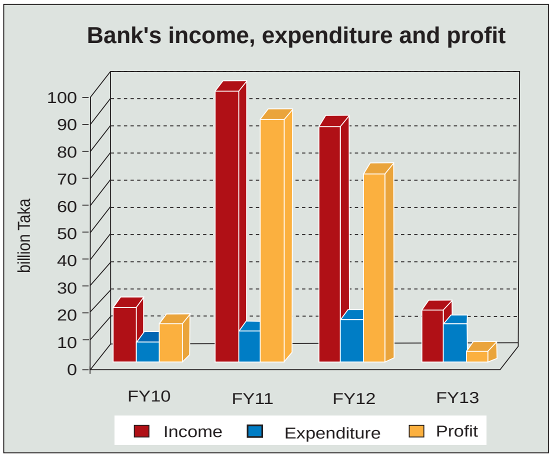
Income from Local Currency Financial Assets

13.4 Bank's income from local currency

Table13.1 Sources of income (billion Taka)

	FY13	FY12
Operating Income:		
A. Income from foreign currency financial assets	**10.53**	**9.36**
Interest income	10.85	10.80
Commission and discounts	0.13	0.11
Revaluation loss on foreign currency	(0.45)	(1.55)
B. Income from local currency financial assets	**44.80**	**44.14**
Interest income	44.18	43.08
Commission & discounts	0.36	0.64
Dividend income & misc.	0.00	0.08
Other income	0.26	0.34
Total : (A+B)	**55.33**	**53.50**
C. Foreign exchange revaluation gain (loss)	**(38.48)**	**31.73**
Realised gain/(loss)	2.20	5.44
Unrealised gain/(loss)	(40.68)	26.29
Total : (A+B+C)	**16.85**	**85.23**

Chart 13.1



financial assets increased by Taka 0.66 billion (1.50 percent) to Taka 44.80 billion in FY13 compared to Taka 44.14 billion in FY12. This was due to increase in income from Government securities and loans to banks, financial institutions and employees.

Foreign Currency Revaluation Gain

13.5 During FY13, the Bank's faced a huge loss on foreign currency revaluation. The total loss was Taka 38.48 billion. This was due to Bangladeshi Taka became much stronger against the major foreign currencies held by the Bank. This revaluation loss was adjusted against the reserve kept for the purpose.

Expenditure

13.6 Total expenditure of the Bank decreased by Taka 1.10 billion (7.38 percent) to Taka 13.81 billion in FY13 compared to Taka 14.91 billion in FY12. The decrease in expenditure was mainly due to decrease in administrative cost. The details of expenditure are shown in the Table 13.2.

Financial Cost

13.7 Financial cost increased by Taka 0.64 billion (17.88 percent) to Taka 4.22 billion in FY13 compared to Taka 3.58 billion in FY12. This was mainly due to increase in payment of interest on Bangladesh Bank bill.

Administrative Cost

13.8 Administrative cost decreased by Taka 1.74 billion (15.36 percent) to Taka 9.59 billion in FY13 compared to Taka 11.33 billion in FY12. The decrease was mainly due to decrease in staff cost and depreciation charged on property, plant & equipment of the Bank.

Table 13.2 Bank's expenditure

(billion Taka)

Particulars	FY13	FY12
A. Financial cost	**4.22**	**3.58**
Interest paid on deposit	0.15	0.12
Interest paid on ACU	0.04	0.01
Interest and commission paid to IMF	0.08	0.22
Agency charges	2.41	2.88
Interest paid on Reverse repo	0.03	0.02
Interest paid on BB bill	1.12	0.00
Under writing commission	0.31	0.24
Others	0.08	0.09
B. Administrative cost	**9.59**	**11.33**
Staff cost	3.45	6.95
Note printing	3.37	2.06
Depreciation	0.81	1.12
Other related expenses	1.96	1.20
Total expenditure (A+B)	**13.81**	**14.91**

Operating Profit for the Year

13.9 Operating profit of the Bank (excluding foreign currency revaluation loss) increased by Taka 2.93 billion (7.59 percent) to Taka 41.52 billion in FY13 compared to Taka 38.59 billion in FY12.

Other Comprehensive Income

13.10 During FY13, the Bank faced revaluation loss amounting to Taka 16.71 billion on gold and silver. This revaluation loss was taken into other comprehensive income and subsequently transferred to the reserve account. Revaluation loss arose due to decrease in value of gold and silver in the international market.

Profit Appropriation

13.11 Out of the total profit 41.52 billion, an amount of Taka 0.80 billion were transferred to statutory funds, interest reserve account and other funds. The remaining profit amount of Taka 40.72 billion was payable to Government. Out of this amount, Taka 0.05 billion was transferred to Bangladesh Bank Disaster Management and Social Responsibility Fund and Taka 4.37 billion was adjusted against dues from Government and the remaining amount of Taka 36.30 billion was transferred to the Govt. account, which is Taka 1.49 billion higher than Taka 34.81 billion of the previous year.

Combined Balance Sheet of Banking and Issue Department

Assets

13.12 Foreign currency financial assets increased by Taka 339.16 billion (36.99 percent) to Taka 1255.94 billion in FY13 compared to Taka 916.78 billion in FY12 due to increase in foreign reserves.

13.13 Local currency financial assets decreased by Taka 182.87 billion (28.27 percent) to Taka 464.08 billion in FY13 compared to Taka 646.95 billion in FY12. This was mainly due to decrease in loans to Government (Taka 304.68 billion in FY13 and Taka 373.07 billion in FY12) and investment in repo.

13.14 Non financial assets of the Bank increased by Taka 1.12 billion to Taka 31.34 billion in FY13 from Taka 30.22 billion in FY12.

Liabilities

13.15 On the liabilities side, foreign currency financial liabilities decreased by Taka 22.78 billion (6.87 percent) to Taka 308.77 billion in FY13 from Taka 331.55 billion in FY12. This was due to decrease in liabilities with the IMF and decrease in deposits from banks and financial institutions in the foreign currency clearing account.

13.16 Local currency financial liabilities increased by Taka 239.55 billion (23.49 percent) to Taka 1259.50 billion in FY13 compared to Taka 1019.95 billion in FY12 due to increase in Notes in circulation, short term borrowings and deposits from banks and financial institution in local currency.

Notes in Circulation

13.17 Notes in circulation increased by Taka 104.37 billion (16.26 percent) to Taka 746.38 billion in FY13 compared to Taka 642.01 billion in FY12. The liabilities for notes in circulation amounting to Taka 746.38 billion were backed by Gold and Silver of Taka 6.02 billion, foreign currencies Taka 550.00 billion, Government securities Taka 158.38 billion, Bangladesh coins Taka 0.34 billion and other domestic assets Taka 31.64 billion.

Equity

13.18 Total equity of the bank decreased by Taka 59.35 billion to Taka 183.09 billion in FY13 compared to the previous year of Taka 242.44 billion. The equity of the bank is enumerated below:

i. Capital of the bank remained unchanged at Taka 0.03 billion;

ii. Retained earnings increased by Taka 3.99 billion to Taka 40.73 billion in FY13 compared to Taka 36.74 billion in FY12;

iii. Revaluation reserve decreased by Taka 66.34 billion to Taka 73.56 billion in FY13 compared to Taka 139.90 billion in FY12;

iv. Currency fluctuation reserve increased by Taka 2.20 billion to Taka 24.76 billion in

FY13 compared to Taka 22.56 billion in FY12;

v. Balance of statutory fund increased by Taka 0.55 billion to Taka 14.47 billion in FY13 compared to Taka 13.92 billion in FY12;

vi. Non statutory fund decreased to Taka 14.23 billion from Taka 14.27 billion;

vii. Other reserves increased to Taka 11.06 billion from Taka 10.78 billion; and

viii. General reserve remained unchanged at Taka 4.25 billion.

Foreign Currency Reserve

13.19 Foreign currency reserve increased by Taka 154.81 billion (14.94 percent) to Taka 1190.90 billion in FY13 compared to Taka 1036.09 billion in FY12.

Auditors

13.21 The financial statements of Bangladesh Bank for the FY13 were audited as per International Standards on Auditing (ISA) by KPMG Lower Gulf Limited, Dubai & KPMG Rahman Rahman Huq, Bangladesh, Chartered Accountants.

BANGLADESH BANK

AUDITED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 30 JUNE 2013

Report of the Independent Auditors to the Government of the People's Republic of Bangladesh

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements of Bangladesh Bank ("the Bank") and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position as at 30 June 2013, the separate and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information (together referred to as "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 20 I 3, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

Without qualifying our opinion, we draw attention to the fact that the corresponding figures presented, excluding the adjustments described in Note 2.06 to the financial statements, are based on the financial statements as at and for the year ended 30 June 2012, which were audited by other auditors who expressed an unmodified opinion on those statements on 28 August 2012. As part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 2.06 that were applied to amend the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Bank or Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements taken as a whole.

KPMG Lower Gulf Limited

Chartered Accountants, Dubai

Rahman Rahman Huq

Chartered Accountants, Bangladesh

25 August 2013

Bangladesh Bank
Consolidated Statement of Financial Position as at 30 June 2013

Assets	Notes	2013 Taka '000	Restated 2012 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	400,668,902	249,373,468
Foreign investments	5	619,498,073	444,691,920
Assets held with International Monetary Fund	6	129,535,058	121,652,558
Gold and silver	7	30,888,999	43,237,047
Claims from gold transactions		9,888,170	14,005,843
Foreign currency loans to banks	8	62,201,818	40,823,997
Other foreign currency financial assets	9	3,257,453	2,991,004
Total foreign currency financial assets		**1,255,938,473**	**916,775,837**
Local currency financial assets			
Taka coin and cash balances	10	912,143	924,638
Reverse repurchase agreement	11	32,690,170	153,769,820
Loans to the Government of Bangladesh	12	304,676,986	373,067,868
Local currency investments	13	8,221,755	7,664,638
Local currency loans to banks, financial institutions and employees	14	118,056,512	111,634,940
Other local currency financial assets	15	2,337,873	1,752,385
Total local currency financial assets		**466,895,439**	**648,814,289**
Total financial assets		**1,722,833,912**	**1,565,590,126**
Non-financial assets			
Property, plant and equipment	16	29,240,605	28,687,383
Intangible assets	17	911,915	838,617
Other non-financial assets	18	6,643,867	6,369,464
Total non-financial assets		**36,796,387**	**35,895,464**
Total assets		**1,759,630,299**	**1,601,485,590**
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Foreign currency deposits from banks and financial institutions	19	140,040,206	157,626,977
Liabilities with International Monetary Fund	6	168,729,820	173,921,133
Total foreign currency financial liabilities		**308,770,026**	**331,548,110**
Local currency financial liabilities			
Notes in circulation	20	746,382,617	642,007,492
Short term borrowings	21	49,830,996	-
Local currency deposits from banks and financial institutions	22	371,149,908	329,012,080
Other local currency financial liabilities	23	92,953,477	49,907,382
Total local currency financial liabilities		**1,260,316,998**	**1,020,926,954**
Total liabilities		**1,569,087,024**	**1,352,475,064**
Equity			
Capital	24	30,000	30,000
Retained earnings	31	46,493,169	41,710,052
Revaluation reserve	25	74,903,095	141,248,857
Currency fluctuation reserve	26	24,759,279	22,562,352
Statutory funds	27	14,467,046	13,917,046
Non statutory funds	28	14,226,290	14,266,067
Other reserve	29	11,063,896	10,775,652
General reserve	30	4,600,500	4,500,500
Total equity		**190,543,275**	**249,010,526**
Total liabilities and equity		**1,759,630,299**	**1,601,485,590**

The accompanying notes from 1 to 54 form an integral part of these financial statements.

A. K. M. Rahmat Ullah General Manager Accounts & Budgeting Department	Abu Hena Mohd. Razee Hassan Deputy Governor	Dr. Atiur Rahman Governor

Bangladesh Bank
Separate Statement of Financial Position as at 30 June 2013

Assets	Notes	2013 Taka '000	Restated 2012 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	400,668,902	249,373,468
Foreign investments	5	619,498,073	444,691,920
Assets held with International Monetary Fund	6	129,535,058	121,652,558
Gold and silver	7	30,888,999	43,237,047
Claims from gold transactions		9,888,170	14,005,843
Foreign currency loans to banks	8	62,201,818	40,823,997
Other foreign currency financial assets	9	3,257,453	2,991,004
Total foreign currency financial assets		**1,255,938,473**	**916,775,837**
Local currency financial assets			
Taka coin and cash balances	10.01	387,106	459,960
Reverse repurchase agreement	11	32,690,170	153,769,820
Loans to the Government of Bangladesh	12	304,676,986	373,067,868
Local currency investments	13.01	7,040,000	7,073,333
Local currency loans to banks, financial institutions and employees	14.01	117,087,464	110,907,171
Other local currency financial assets	15.01	2,199,827	1,674,198
Total local currency financial assets		**464,081,553**	**646,952,350**
Total financial assets		**1,720,020,026**	**1,563,728,187**
Non-financial assets			
Property, plant and equipment	16.01	26,192,222	25,596,604
Intangible assets	17	911,915	838,617
Other non-financial assets	18.01	4,232,592	3,781,855
Total non-financial assets		**31,336,729**	**30,217,076**
Total assets		**1,751,356,755**	**1,593,945,263**
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Deposits from banks and financial institutions	19	140,040,206	157,626,977
Liabilities with International Monetary Fund	6	168,729,820	173,921,133
Total foreign currency financial liabilities		**308,770,026**	**331,548,110**
Local currency financial liabilities			
Notes in circulation	20	746,382,617	642,007,492
Short term borrowings	21	49,830,996	-
Deposits from banks and financial institutions	22	371,149,908	329,012,080
Other local currency financial liabilities	23.01	92,137,645	48,932,585
Total local currency financial liabilities		**1,259,501,166**	**1,019,952,157**
Total liabilities		**1,568,271,192**	**1,351,500,267**
Equity			
Capital	24	30,000	30,000
Retained earnings	31.01	40,733,254	36,742,319
Revaluation reserve	25.01	73,555,298	139,901,060
Currency fluctuation reserve	26	24,759,279	22,562,352
Statutory funds	27	14,467,046	13,917,046
Non statutory funds	28	14,226,290	14,266,067
Other reserve	29	11,063,896	10,775,652
General reserve	30.01	4,250,500	4,250,500
Total equity		**183,085,563**	**242,444,996**
Total liabilities and equity		**1,751,356,755**	**1,593,945,263**

The accompanying notes from 1 to 54 form an integral part of these financial statements.

A. K. M. Rahmat Ullah General Manager Accounts & Budgeting Department	Abu Hena Mohd. Razee Hassan Deputy Governor	Dr. Atiur Rahman Governor

Bangladesh Bank
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2013

Income	Notes	2013 Taka '000	Restated 2012 Taka '000
Income on foreign currency financial assets			
Interest income on foreign currency financial assets	32	10,851,622	10,804,624
Commission and discounts on foreign currency financial assets	33	132,160	114,344
Revaluation (loss) on foreign currency financial assets at fair value through profit and loss		(453,441)	(1,553,018)
Total income on foreign currency financial assets		**10,530,341**	**9,365,950**
Income on local currency financial assets			
Interest income on local currency financial assets	35	44,424,947	43,253,307
Commission and discounts on local currency financial assets	36	360,455	639,863
Sales to other parties by subsidiary		2,232,875	2,045,557
Other income on local currency financial assets		285,616	345,875
Total income on local currency financial assets		**47,303,893**	**46,284,602**
Realised foreign exchange revaluation gain		2,196,927	5,438,042
Unrealised foreign exchange revaluation (loss)/gain		(40,676,687)	26,293,034
Total income		**19,354,474**	**87,381,628**
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense on foreign currency financial liabilities	34	(290,541)	(370,748)
Commission and other expenses on foreign currency financial liabilities		(61,334)	(78,806)
Total expenses on foreign currency financial liabilities		**(351,875)**	**(449,554)**
Expenses on local currency financial liabilities			
Interest expense on local currency financial liabilities	37	(1,148,070)	(16,193)
Commission and other expenses on local currency financial liabilities	38	(2,723,926)	(3,117,705)
Total expenses on local currency financial liabilities		**(3,871,996)**	**(3,133,898)**
Other expenses			
General and administrative expenses	39	(11,194,373)	(12,719,088)
Total other expenses		**(11,194,373)**	**(12,719,088)**
Total expenses		**(15,418,244)**	**(16,302,540)**
Profit for the year		**3,936,230**	**71,079,088**
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation (loss)/gain		(16,574,604)	8,271,574
Silver revaluation loss		(136,807)	(49,875)
Total other comprehensive (loss)/income		**(16,711,411)**	**8,221,699**
Total comprehensive (loss)/income for the year		**(12,775,181)**	**79,300,787**

The accompanying notes from 1 to 54 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Separate Statement of Comprehensive Income
For the year ended 30 June 2013

Income	Notes	2013 Taka '000	Restated 2012 Taka '000
Income on foreign currency financial assets			
Interest income on foreign currency financial assets	32	10,851,622	10,804,624
Commission and discounts on foreign currency financial assets	33	132,160	114,344
Revaluation (loss) on foreign currency financial assets at fair value through profit and loss		(453,441)	(1,553,018)
Total income on foreign currency financial assets		**10,530,341**	**9,365,950**
Income on local currency financial assets			
Interest income on local currency financial assets	35.01	44,180,442	43,076,817
Commission and discounts on local currency financial assets	36	360,455	639,863
Dividend income	13.02	-	75,000
Other income on local currency financial assets		261,938	338,740
Total income on local currency financial assets		**44,802,835**	**44,130,420**
Realised foreign exchange revaluation gain		2,196,927	5,438,042
Unrealised foreign exchange revaluation (loss)/gain		(40,676,687)	26,293,034
Total income		**16,853,416**	**85,227,446**
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense on foreign currency financial liabilities	34	(290,541)	(370,748)
Commission and other expenses on foreign currency financial liabilities		(61,334)	(78,806)
Total expenses on foreign currency financial liabilities		**(351,875)**	**(449,554)**
Expenses on local currency financial liabilities			
Interest expense on local currency financial liabilities	37	(1,148,070)	(16,193)
Commission and other expenses on local currency financial liabilities	38	(2,723,926)	(3,117,705)
Total expenses on local currency financial liabilities		**(3,871,996)**	**(3,133,898)**
Other expenses			
Note printing expenses		(3,369,886)	(2,059,424)
General and administrative expenses	40	(6,215,608)	(9,267,102)
Total other expenses		**(9,585,494)**	**(11,326,526)**
Total expenses		**(13,809,365)**	**(14,909,978)**
Profit for the year		**3,044,051**	**70,317,468**
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation (loss)/gain		(16,574,604)	8,271,574
Silver revaluation loss		(136,807)	(49,875)
Total other comprehensive (loss)/income		**(16,711,411)**	**8,221,699**
Total comprehensive (loss)/income for the year		**(13,667,360)**	**78,539,167**

The accompanying notes from 1 to 54 form an integral part of these financial statements.

A. K. M. Rahmat Ullah
General Manager
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Dr. Atiur Rahman
Governor

Bangladesh Bank
Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

Taka '000

Particulars	Capital	Revaluation reserve			Currency fluctuation reserve	Statutory fund	Non-statutory funds	Asset renewal & replacement reserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	Foreign currency accounts	Property, plant & equipment								
Balance as at 1 July 2011	**30,000**	**19,919,424**	**63,257,815**	**23,504,151**	**17,124,309**	**13,367,046**	**13,570,000**	**1,873,940**	**7,581,628**	**4,450,500**	**4,256,114**	**168,934,927**
Transferred to general reserve	-	-	-	-	-	-	-	-	-	50,000	(50,000)	-
Transfer to other funds	-	-	-	-	-	-	696,067	-	-	-	-	696,067
Total comprehensive income for the year	-	8,221,699	-	-	-	-	-	-	-	-	71,079,088	79,300,787
Appropriation of profit to other funds	-	-	26,293,033	-	5,438,043	550,000	-	617,374	676,700	-	(33,575,150)	-
Adjustment against revaluation	-	-	-	52,735	-	-	-	26,010	-	-	-	78,745
Balance as at 30 June 2012	**30,000**	**28,141,123**	**89,550,848**	**23,556,886**	**22,562,352**	**13,917,046**	**14,266,067**	**2,517,324**	**8,258,328**	**4,500,500**	**41,710,052**	**249,010,526**
Dividend payable for 2011-2012	-	-	-	-	-	-	-	-	-	-	(36,742,319)	(36,742,319)
Transfer to other funds	-	-	-	-	-	-	-	-	-	100,000	(100,000)	-
Total comprehensive income for the year	-	(16,711,413)	(40,676,687)	-	-	-	-	-	-	-	44,612,919	(12,775,181)
Appropriation of profit to other funds	-	-	-	-	2,196,927	550,000	-	191,506	62,100	-	(3,000,533)	-
Adjustment against revaluation	-	-	(8,922,619)	(35,043)	-	-	(39,777)	34,638	-	-	13,050	(8,949,751)
Balance as at 30 June 2013	**30,000**	**11,429,710**	**39,951,542**	**23,521,843**	**24,759,279**	**14,467,046**	**14,226,290**	**2,743,468**	**8,320,428**	**4,600,500**	**46,493,169**	**190,543,275**

Previous year's figures have been restated, where necessary.

Bangladesh Bank
Separate Statement of Changes in Equity
For the year ended 30 June 2013

Taka '000

Particulars	Capital	Revaluation reserve			Currency fluctuation reserve	Statutory fund	Non-statutory funds	Asset renewal & replacement reserve	Interest reserve	General reserve	Retained earnings	Total
		Gold and silver	Foreign currency accounts	Property, plant & equipment								
Balance as at 1 July 2011	**30,000**	**19,919,424**	**63,257,814**	**22,156,354**	**17,124,310**	**13,367,046**	**13,570,000**	**1,873,941**	**7,581,628**	**4,250,500**	**-**	**163,131,017**
Transfer to other funds	-	-	-	-	-	-	696,067	-	-	-	-	696,067
Total comprehensive income for the year	-	8,221,699	-	-	-	-	-	-	-	-	70,317,468	78,539,167
Appropriation of profit to other funds	-	-	26,293,034	-	5,438,042	550,000	-	617,373	676,700	-	(33,575,149)	-
Adjustment against revaluation	-	-	-	52,735	-	-	-	26,010	-	-	-	78,745
Balance as at 30 June 2012	**30,000**	**28,141,123**	**89,550,848**	**22,209,089**	**22,562,352**	**13,917,046**	**14,266,067**	**2,517,324**	**8,258,328**	**4,250,500**	**36,742,319**	**242,444,996**
Dividend paid	-	-	-	-	-	-	-	-	-	-	(36,742,319)	(36,742,319)
Total comprehensive income for the year	-	(16,711,413)	(40,676,687)	-	-	-	-	-	-	-	43,720,740	(13,667,360)
Appropriation of profit to other funds	-	-	-	-	2,196,927	550,000	-	191,506	62,100	-	(3,000,533)	-
Adjustment against revaluation	-	-	(8,922,619)	(35,043)	-	-	(39,777)	34,638	-	-	13,047	(8,949,754)
Balance as at 30 June 2013	**30,000**	**11,429,710**	**39,951,542**	**22,174,046**	**24,759,279**	**14,467,046**	**14,226,290**	**2,743,468**	**8,320,428**	**4,250,500**	**40,733,254**	**183,085,563**

Previous year's figures have been restated, where necessary.

Bangladesh Bank
Consolidated Cash Flow Statement
For the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
A)	**Cash flows from operating activities**		
	Interest received	42,000,220	38,764,862
	Interest paid	(1,438,611)	(386,941)
	Received from cutomer	2,232,875	2,045,557
	Fees, commission and other income received	743,185	1,152,819
	Commission and discounts paid	(2,785,260)	(3,196,512)
	Payments to employees and suppliers	(10,720,582)	(11,903,558)
	Funds advanced to banks and employees	(6,228,494)	(10,173,190)
	Change in other assets	(384,785)	(847,973)
	Currency issued	104,375,125	42,849,762
	Change in other liabilities	34,131,386	17,779,705
	Net cash inflow from operating activities	**161,925,059**	**76,084,531**
	Cash flows from investments activities		
	Investment income received	11,640,693	12,805,400
	Change in foreign treasury bills and bonds	(106,069,294)	8,973,908
	Change in other investments	(21,716,624)	20,669,242
	Change in Government securities	68,390,882	(59,538,075)
	Change in foreign currency investment	(38,479,760)	31,731,076
	Change in investments in debenture	33,333	103,334
	Additions of property, plant & equipment	(1,350,063)	(1,440,178)
	Settlement of liabilities with IMF	(13,073,812)	(4,967,305)
		(100,624,645)	8,337,402
B)	**Cash flows from financing activities**		
	Remittance to Governement of Bangladesh	(36,742,319)	(16,645,621)
	Net increase in cash and cash equivalents	**24,558,095**	**67,776,312**
	Opening cash & cash equivalents	209,802,531	142,026,219
	Closing cash & cash equivalents	**234,360,626**	**209,802,531**
C)	**Cash and cash equivalents include**		
	Foreign currency accounts	400,668,902	249,373,468
	Foreign investments (maturing in three months or less)	361,110,521	292,373,662
	Taka coin and cash balances	912,143	924,638
	Reverse repurchase agreement	32,690,170	153,769,820
	Foreign currency deposits from banks and financial institutions	(140,040,206)	(157,626,977)
	Short term borrowings	(49,830,996)	-
	Deposits from banks and financial institutions	(371,149,908)	(329,012,080)
		234,360,626	**209,802,531**

Bangladesh Bank
Cash Flow Staement
For the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
A)	**Cash flows from operating activities**		
	Interest received	41,815,572	38,628,203
	Interest paid	(1,438,611)	(386,941)
	Fees, commission and other income received	719,507	1,145,685
	Commission and discounts paid	(2,785,260)	(3,196,512)
	Payments to employees and suppliers	(9,238,128)	(10,676,831)
	Funds advanced to banks and employees	(5,987,215)	(9,915,284)
	Change in other assets	(561,119)	(778,175)
	Currency issued	104,375,125	42,849,762
	Change in other liabilities	34,290,350	18,199,425
	Net cash inflow from operating activities	**161,190,221**	**75,869,332**
	Cash flows from investments activities		
	Dividends received	-	75,000
	Investment income received	11,640,693	12,805,400
	Change in foreign treasury bills and bonds	(106,069,293)	8,973,908
	Change in other investments	(21,126,174)	20,609,125
	Change in Government securities	68,390,882	(59,538,075)
	Change in foreign currency investment	(38,479,760)	31,731,076
	Change in investments in debenture	33,333	103,334
	Additions of property, plant & equipment	(1,266,035)	(1,427,977)
	Settlement of liabilities with IMF	(13,073,812)	(4,967,305)
		(99,950,166)	**8,364,486**
B)	**Cash flows from financing activities**		
	Remittance to Governement of Bangladesh	(36,742,319)	(16,645,621)
	Net increase in cash and cash equivalents	**24,497,736**	**67,588,197**
	Opening cash & cash equivalents	209,337,853	141,749,656
	Closing cash & cash equivalents	**233,835,589**	**209,337,853**
C)	**Cash and cash equivalents include**		
	Foreign currency accounts	400,668,902	249,373,468
	Foreign investments (maturing in three months or less)	361,110,521	292,373,662
	Taka coin and cash balances	387,106	459,960
	Reverse repurchase agreement	32,690,170	153,769,820
	Foreign currency deposits from banks and financial institutions	(140,040,206)	(157,626,977)
	Short term borrowings	(49,830,996)	-
	Deposits from banks and financial institutions	(371,149,908)	(329,012,080)
		233,835,589	**209,337,853**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

1 Reporting entity

Bangladesh Bank (the “Bank”), a body corporate, is the Central Bank of Bangladesh, established on the 16th day of December 1971 under the Bangladesh Bank Order 1972 and is domiciled in Bangladesh. The head office of the Bank is situated at Motijheel Commercial Area, Dhaka.

The Bank’s activities mainly include formulating and implementing monetary policy and the system of credit of Bangladesh with a view to stabilizing domestic monetary value and maintaining a competitive external value of the Bangladesh Taka in the interest of fostering growth and development of the country’s productive resources in the best national interest, acting as an agent of the Government of Bangladesh, to promote, regulate and ensure a secure and efficient payment system including issuance of currency, holding and management of the official foreign reserves of Bangladesh and to formulate and implement intervention policies in the foreign exchange market, to give advice to the Government on the interaction of monetary policy with fiscal and exchange rate policy, on the impact of various policy measures on the economy and to propose legislative measures it considers necessary or appropriate to attain its objectives and perform its functions, and to regulate and supervise banking companies and non-banking financial institutions.

Entire share capital of the Bank had been allotted to the Government of Bangladesh as per Aritcle-4(2) of Bangladesh Bank Order 1972.

2 Basis of preparation

2.01 Statement of compliance

The consolidated and separate financial statements ("financial statements") of the Bank and its fully owned subsidiary (together referred to as the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

2.02 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following material items in the Separate and Consolidated Statement of Financial Position ("Statement of Financial Position"):

- Gold and silver and claims from gold transactions are measured at fair value.
- Property, plant and equipment are revalued every five years.
- The liability for the defined benefit obligation is recognised as the present value of the defined benefit obligation.
- Foreign investments are measured at fair value.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

2.03 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Bangladesh Taka has been rounded off to the nearest thousand.

2.04 Relationship between issue department & banking department

As per the Bangladesh Bank Order, 1972 the issue of bank notes shall be conducted by the Bank in an issue department which shall be separated and kept wholly distinct from the banking department. The issue department is solely concerned with the note issue and the assets backing the issue. The banking department comprises all other activities of the Bank.

2.05 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on going concern basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Estimates, judgements and assumptions are made for impairments of loans, fair value of securities, assessment of fair value hierarchy, fair valuation of property, plant and equipment, economic lives of assets for calculation of depreciation and for calculation of provision for post retirement benefits like pension, gratuity and leave encashment and assumptions used in the acturial valuations of defined benefit plans.

2.06 Comparatives

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires an entity to correct material prior period errors retrospectively by restating the comparative amounts for the prior period presented in which the error occurred. Hence the following corrections of errors were made to the comparative information in the Statement of Financial Position:

- Derecognition of assets and liability towards Japan Debt Relief Grant.
- Reclassification of non-financial assets and liabilities to financial assets and liabilities.
- Work-in-progress was reclassified to property, plant and equipment and Intangibles as applicable.

The aggregate impact of this is a reduction in statement of financial position by Taka 1,132,448 (2012: 1,481,036) in addition to material changes in presentation on the primary statements. Given the impracticability of determining the period-specific effects of the above errors, only the prior period comparatives have been restated.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

3 Significant accounting policies

The accounting policies set out below have been applied consistently except policy notes 3.13(e), (f) and 3.25 to all periods presented in these financial statements by Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

3.01 Basis of consolidation

(a) Subsidiary

Subsidiary is an enterprise controlled by the parent entity. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Security Printing Corporation (Bangladesh) Ltd. is the wholly owned subsidiary of Bangladesh Bank. It is responsible for supplying Bangladesh Bank with currency notes. The subsidiary sells these notes to Bangladesh Bank at a pre-specified mark-up agreed beforehand between parent and subsidiary. Security Printing Corporation (Bangladesh) Ltd. also sells some other security products to other parties.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.02 Foreign currency transactions

Transactions in foreign currencies are translated to Taka at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Taka at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Taka at foreign exchange rates ruling at the dates the fair values were determined and exchange difference are recognised in other comprehensive income.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

3.03 Financial assets and liabilities

Financial assets comprise foreign currency accounts, foreign investments, assets held with International Monetary Fund, gold and silver, claims on gold transactions, foreign currency loans to banks, other foreign currency financial assets, taka coin and cash balances, reverse repurchase agreements, loans to Government of Bangladesh, local currency investments, local currency loans to banks, financial institutions and employees and other local currency financial assets. Financial liabilities comprise deposits from banks and financial institutions, liabilities with International Monetary Fund, notes in circulation, short term borrowings, deposits from banks and financial institutions and other local currency financial liabilities.

(a) Recognition and initial measurement

Loans and advances are initially recognised in the Statement of Financial Position on the date they are originated. Regular way purchases or sales of financial assets are recognised or derecognised, as applicable, on the settlement date at which the assets are received or, as the case may be, delivered by the Group. All other financial assets and liabilities are initially recognised when the Group becomes party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

(b) Classification and subsequent measurement

The classification of financial assets and liabilities for purposes of measurement subsequent to initial recognition in accordance with IAS 39 are made in the following manner:

(1) Financial assets at fair value through profit or loss (held for trading assets)

Financial assets or financial liabilities at fair value through profit or loss are financial assets or financial liabilities that are either:

a) classified as held for trading; or

b) designated by the Group as at fair value through profit or loss upon initial recognition.

Financial assets or financial liabilities are classified as held for trading if:

(i) they are acquired or incurred principally for the purpose of selling or purchasing them in the near term;

(ii) on initial recognition they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or

(iii) they are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

(i) the assets or liabilities are managed, evaluated and reported internally on a fair value basis;

(ii) the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

(iii) the assets or liabilities contains an embedded derivative that significantly modifies the cash flow that would otherwise be required under the contract.

Foreign bonds are classified as financial assets at fair value through profit or loss.

(2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than:

a) those that are upon initial recognition designated as at fair value through profit or loss;
b) those that are designated as available for sale; and
c) those that meet the definition of loans and receivables.

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years'. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Treasury bills and bonds of the Government of Bangladesh, USD and Euro Treasury bills, and investment in debentures are classified as held to maturity investments.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

a) those that the Group intends to sell immediately or in near term, which are classified

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

as held for trading, and those that the Group has, upon initial recognition, designated as at fair value through profit or loss;
b) those that the Group has, upon initial recognition, designated as available for sale; or
c) those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Taka coin and cash balances, foreign currency accounts, short term investments with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, loans and advances to Government of Bangladesh, reverse repurchase agreements, and local currency loans to banks, financial institutions and employees and other local currency financial assets are classified as loans and receivables.

(4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that the Group has designated as available for sale or has not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss or (d) trading assets and liabilities.

Swift shares, gold and silver and claims on gold transactions, shares of Security Printing Corporation (Bangladesh) Ltd. (SPCL) are classified as available-for-sale financial assets. Swift shares and SPCL shares are measured at cost as there is no quoted market price for these shares and their fair value cannot be reliably measured.

(5) Other Financial liabilities at fair value through profit or loss

Foreign liabilities are classified as financial liabilities at fair value through profit or loss are measured at fair value at each reporting date.

(6) Financial liabilities carried at amortised cost

Short-term borrowings, notes in circulation, deposits from banks and financial institutions and liabilities with IMF are classified as financial liabilities carried at amortised cost.

(c) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

The effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

(d) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted price are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis.

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in statement of comprehensive income and subsequently transfered to equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income. Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in the statement of comprehensive income. Where as loans and receivables and held to maturity financial instruments are recognised in amortised cost through profit and loss.

(f) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

The Group enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, claims from gold transactions and repurchase transactions. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Available-for-sale financial assets and financial assets held for trading that are de-recognised when sold and corresponding receivables from the buyer for the payment are recognised when the asset is delivered to the buyer.

Held-to-maturity instruments and loans and receivables are de-recognised on the day they are repaid in full by the debtor or are deemed to be completely uncollectible.

(g) Identification and measurement of impairment

Financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is objective evidence of impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has an impact on the future cash flows that can be estimated reliably.

Evidence of impairment is considered at both a specific asset level and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of the borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the statement of comprehensive income.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

(h) Off-setting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when the Group has a legal right to set off the amounts and it intends to settle on a net basis.

3.04 Foreign currency accounts

Foreign currency accounts comprise balances held in the current accounts maintained with different central banks and foreign commercial banks in the designated foreign currency. These are measured at each reporting date by translating to the functional currency at the exchange rates prevailing on that date. Gains and losses arises upon translation are recognised in the statement of comprehensive income and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve respectively.

3.05 Foreign investments

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks and with offshore banking units of local commercial banks for periods ranging from 1 to 3 months in designated foreign currencies, US dollar and Euro treasury bills purchased at a discount and interest bearing foreign bonds. These are measured each reporting date by translating the amortised cost in foreign currency to the functional currency at the exchange rate on that date. Gains and losses arises upon translation are recognised in the statement of comprehensive income and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts.

3.06 Assets and liabilities held with International Monetary Fund (IMF)

Bangladesh has been a member of the Internation Monetary Fund ("IMF") since 1972. Bangladesh Bank acts as both the fiscal agent and the depository for the IMF. As fiscal agent, Bangladesh Bank is authorised to carry out all operations and transactions with the Fund. As depository, Bangladesh Bank maintains the Fund’s currency holdings and ensures that the assets and liabilities of Fund membership are properly reflected in its accounts and presented in its financial statements.

The quota of Bangladesh is its membership subscription. The subscription is granted mainly by the issue of promissory notes in favor of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the Funds account maintained with the Bank.

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

IMF related assets and liabilities were translated to Taka at the exchange rate ruling at 30 June 2013 except the IMF Securities Account, IMF No. 1 Account and IMF No. 2 Account which are collectively known as General Resources Account. These General Resources Accounts are maintained in Taka, which is the primary currency for these accounts and which are to be settled at the face value of the notes or similar obligations issued by the Government of Bangladesh as per Article XIII, Section 2 of the Articles of Agreement of the IMF.

3.07 Other foreign currency financial assets

Other foreign currency financial assets comprise swift shares and accrued interest and dividend thereof. Swift shares have no quoted market price, and are measured at cost.

3.08 Taka coin and cash balances

Taka coin and cash balances comprise one and two taka coins and notes purchased from the Government of Bangladesh and held by the Bank, the balance of Taka notes held by the banking department of the Bank and cash and bank balances held by its subsidiary. These balances are measured at amortised cost.

3.09 Loans to the Government of Bangladesh

Loans to the Government of Bangladesh (the 'Government') consist of "Ways and Means" advances, as well as credit facilities in the form of overdraft (block and current), and Government treasury bills and bonds.

Ways and Means advance

When total payments to the Government exceeds total deposits from the Government, the excess of payment over receipt, with a limit not exceeding Taka 20,000 million, is treated as Ways and Means advance with interest being charged thereon at the reverse repo rate. Ways and Means advance is realised only after realisation of Government overdraft-current account balance in full.

Government of Bangladesh-Overdraft and treasury bills

These represent the Government overdraft-block and the Government overdraft-current as well as Government treasury bills and bonds. The Government borrowing in excess of the Taka 20,000 million limit set for ways and means advances are recognised as Government overdraft-current. Interest is charged thereon at a rate one percent higher than the reverse repo rate. Any recovery or surplus realised by the Bank from the Government is first applied to the overdraft-current account balance. Any surplus remaining after adjustment of the overdraft-current balance in full then applied to the ways and means advance.

Government treasury bills and bonds are the securities which are purchased and held by the Bank when commercial banks and financial institutions do not purchase them from the Government. These are measured at amortised cost at each financial position date.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

3.10 Local currency investments

These comprise investment in debenture of House Building Finance Corporation (HBFC) and in shares of the ICB Islamic Bank Ltd. Investment in debentures are measured at amortised costs. Investment in shares are measured at cost.

3.11 Local currency loans to banks, financial institutions and employees

These comprise loans to nationalised commercial and specialised banks, other scheduled banks and financial institutions and loans to Bangladesh Bank employees. These are reported net of allowances for loan impairment losses.

3.12 Gold and silver

Physical gold and silver holdings are stored at Bank of England and Motijheel branch of the Bank. These holdings are stated at market value. Valuation gains and losses are reported under ‘Gold revaluation gain’ and ‘silver revaluation gain’ in the statement of comprehensive income. The gain or loss is then transferred to a revaluation reserve in statement of equity.

In managing its investment portfolio, the Bank lends part of its gold holdings to first-class foreign financial institutions. It receives interest in return. Gold lending transactions are effected on a secured basis. The gold price risk remains with the Bank. Gold loans are entered in the statement of financial position under ‘Claims from gold transactions’ and stated at market value. The interest accrual is recognised under ‘Interest income - foreign currency operations’."

3.13 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and subsequent impairment losses.

Land and buildings, appearing as items of property, plant and equipment are used for its operating, administrative and staff's residence purposes.

(b) Revaluation

If an asset’s carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer, M/s Ahmed & Akhter, Chartered Accountants. The Bank has a policy to revalue all items of property, plant and equipment every five years.

Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

(i) Land was revalued on a reasonable approximation basis. Valuer applied their knowledge of recorded land sales in the respective areas to land measurement established at last valuation.

(ii) Buildings, capital work in progress, electrical installation and gas installation were revalued on the basis of fair values of materials, labour and direct overheads used in construction and installation.

(iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued on the basis of replacement costs.

(c) Subsequent costs

The cost of replacing a part of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of comprehensive income as incurred.

(d) Capital work in progress

Capital work in progress is recognised when it is incurred and depreciated after the completion of the project.

(e) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Bank	Subsidiary (SPCL)
Building and other construction	5%	2.5% - 20%
Mechanical and office equipment	10%	5% - 20%
Computer and networking	20%	-
Fixture and fittings	10%	10%
Motor vehicles	20%	20%
Electrical installation	20%	-
Gas installation	20%	-

3.14 Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortization and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use.

The estimated useful life of software for the current and comparative periods is five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.15 Securities borrowing, lending business and repurchase transactions

In course of its financial market operations, Bangladesh Bank engages in repurchase agreements involving domestic Government treasury bills. When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the financial statements. Similarly,

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

when commercial banks sell a financial asset to the Bank and simultaneously enter into an agreement to repurchase the asset at a fixed price on a future date, the agreement is accounted for as a loan, and the underlying asset is not recognised in the financial statements.

3.16 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by an employee. Employee benefits are recognised as:

(a) a liability (accrued expense) when an employee has provided service in exchange for employee benefits to be paid in the future; and

(b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

3.17 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans and charged as expenses in the statement of comprehensive income.

3.18 Post employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. The Group operates a number of post-employment benefit plans and charged as expenses in the statement of comprehensive income.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

(i) Contributory provident fund

The Bank and employees contribute to the fund. The Bank's obligations for contributions to the above fund are recognised as an expense in the statement of comprehensive income as incurred.

(b) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

(i) General provident fund

The employees contribute at various rates of their basic salaries to the fund. No contributions are made by the Bank for the above fund. The provident fund is invested in various securities and the Bank has committed a return of 12.5% on it. Any shortfall in the return from investments is funded by the Bank by charging in its statement of comprehensive income.

(ii) Pension scheme

The Bank actuarially valued its pension liabilities in the year 2012. The calculation was performed by a qualified actuary using the projected unit credit method. The defined benefit liability arising thereof is recognised in the statement of comprehensive income as an expense.

(iii) Gratuity scheme

On retirement the employees are entitled to receive two months of final basic salary for every year of service. The Bank actuarially valued its gratuity scheme in the year 2012. The calculation was performed by a qualified actuary using the projected unit credit method. The liability arising thereof is recognised in the statement of comprehensive income as an expense. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of comprehensive income on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the statement of comprehensive income.

3.19 Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service. Unutilised leave is encashable on retirement and provided for in full. Medical allowance is payable for each employee and accounted for on a cash basis.

3.20 Provisions

Provisions are recognised in respect of restructuring, redundancy and legal claims arising from past events where it is probable that an outflow of resources will be required to settle the obligations and the amount can be reliably estimated.

(i) A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligations a reliable estimate can be made of the amount of the obligation;

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

(ii) A legal obligation is an obligation that derives from a contract, legislation or other operation of law. A constructive obligation is an obligation that derives from an entity's actions such as by an established pattern of past practice published policies etc.

(iii) The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

(iv) Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

(v) Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(vi) Provisions are used for expenditures for which the provision was originally recognised.

3.21 Notes in circulation

Currency issued by Bangladesh Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in the financial statements.

3.22 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to income statement over the useful lives of the related assets while amortisation of grants are treated as other income in the statement of comprehensive income.

3.23 Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

3.24 Commission and discounts

Commission income arises on instruments issued by the Group, long outstanding entries of the sundry accounts, sale proceeds of sundry items, car and bus fares realised from the staff and other miscellaneous items.

3.25 Dividend income

Dividend income is recognised in the separate financial statements of the Bank when the right to receive of income is established.

3.26 Foreign exchange gain/loss

Realised foreign exchange gain is calculated using average cost methodology. At the end of each month, the change in the average cost balance is calculated on a currency by currency basis by applying (a) where there is a net increase in the currency position, the increase to the average value is the average rate for the month multiplied by the currency amount of the increase and (b) where there is a net decrease in the currency position, the decrease to the average value is calculated by the applying the opening average rate to the carrying amount of the decrease. The difference between the book value at the period end exchange rate and the average value by currency is determined. The balance is considered as unrealised revaluation reserve.

The difference between unrealised revaluation reserve account and the ledger balance is accounted as realised exchange gain for the period and has been recognised as part of the profit for the year. Subsequently the gain has been transferred to Currency Fluctuation Reserve in the Statement of Financial Position.

3.27 Income tax

(a) Bangladesh Bank

The Bank is not subject to income taxes, stamp duties, or customs duties on gold, silver, coins, currency notes, security papers and any other goods that may be specified by the Government or any of its income.

(b) Subsidiary

Income tax on the profit or loss for the year comprises of current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3.28 Subsequent events

Events after the reporting date that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes when material in compliance with IAS 10: Events after the Reporting Period.

3.29 New standards and interpretations adopted

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) has been adopted. Accordingly, the statement of comprehensive income groups those items of other comprehensive income that are potentially reclassifiable to profit or loss subsequently.

3.30 New standards and interpretations not yet adopted

These standards are effective for annual periods beginning on or after 1 January 2013 with early adoption permitted and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

a) *IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)*

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 (2010) is expected to have an impact on the Group’s financial assets, but not any impact on the Group’s financial liabilities."

b) IFRS 10 Consolidated Financial Statements

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

c) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values.

d) IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
4	**Foreign currency accounts**	**400,668,902**	**249,373,468**

The amount represents the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.

5 Foreign investments

	2013 Taka '000	Restated 2012 Taka '000
Short term investments with overseas commercial banks	315,427,920	223,067,581
US Dollar treasury bills	83,198,484	95,719,647
Foreign bonds	220,871,669	125,904,692
Total	**619,498,073**	**444,691,920**

6 International monetary fund related assets and liabilities

	2013 Taka '000	Restated 2012 Taka '000
Assets		
Quota	62,368,435	66,224,074
SDR holding	67,161,274	55,417,219
Interest receivable on SDR holding	5,349	11,265
Total	**129,535,058**	**121,652,558**
Liabilities		
Securities & Emergency Natural Disaster Assistance	62,489,313	70,264,454
IMF-1 & IMF-2 account	170,298	5,850,755
SDR allocation	59,691,863	63,381,020
IMF Extended credit facility	32,075,760	11,352,716
Loan under the Poverty Reduction and Growth Facility	14,297,198	23,056,483
Interest payable	5,388	15,705
Total	**168,729,820**	**173,921,133**

Bangladesh has been a member of the Internation Monetary Fund ("IMF") since 1972. Bangladesh Bank acts as both the fiscal agent and the depository for the IMF. As fiscal agent, Bangladesh Bank is authorised to carry out all operations and transactions with the Fund. As depository, Bangladesh Bank maintains the Fund’s currency holdings and ensures that the assets and liabilities of Fund membership are properly reflected in its accounts and presented in its financial statements.

The quota of Bangladesh is its membership subscription. The subscription is granted mainly by the issue of promissory notes in favor of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the Funds account maintained with the Bank.

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

IMF related assets and liabilities were translated to Taka at the exchange rate ruling at 30 June 2013 except the IMF Securities Account, IMF No. 1 Account and IMF No. 2 Account which are collectively known as General Resources Account. These General Resources Accounts are maintained in Taka, which is the primary currency for these accounts and which are to be settled at the face value of the notes or similar obligations issued by the Government of Bangladesh as per Article XIII, Section 2 of the Articles of Agreement of the IMF.

		2013 Taka '000	Restated 2012 Taka '000
7	**Gold and silver**		
	Gold	30,567,173	42,820,804
	Silver	321,826	416,243
	Total	**30,888,999**	**43,237,047**
8	**Foreign currency loans to banks**		
	Export Development Fund (EDF) Dollar investment	62,202,964	40,823,997
	Central Bank of Iraq	296,164	296,164
	Rupali Bank Karachi	11,020	12,167
	Less: Provision for loan losses	(308,330)	(308,331)
	Total	**62,201,818**	**40,823,997**
9	**Other foreign currency financial assets**		
	Swift shares	80	80
	Interest receivable	3,257,373	2,990,924
	Total	**3,257,453**	**2,991,004**
10	**Consolidated Taka coin and cash balances**		
	Taka coin	340,056	459,831
	Cash balances	572,087	464,807
	Total	**912,143**	**924,638**
10.01	**Taka coin and cash balances**		
	Taka coin	340,056	459,831
	Cash balances	47,050	129
	Total	**387,106**	**459,960**

The amount represents the face value of unissued one and two taka coins and notes held by the Bank purchased from the Government at respective face values and the balance of Taka notes held with the Banking Department.

11	**Reverse repurchase agreement**	**32,690,170**	**153,769,820**

When commercial banks sell a financial asset to the Bank and simultaneously enter into an agreement to repurchase the asset at a fixed price on a future date, the agreement is accounted for as a loan, and the underlying asset is not recognised in the financial statements.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

12 Loans to the Government of Bangladesh

Loans to the Government consists of "Ways & Means" advance provided to the Government, as well as credit facilities provided to the Government in the form of overdraft (block and current), Government treasury bills and bonds. Ways and means advance represent loans provided to the Government that are limited to a maximum of Taka 20,000 million. Interest is earned on this advance as per rate applied for reverse repo. Government borrowings in excess of Taka 20,000 million are debited to the overdraft-current.

	2013 Taka '000	Restated 2012 Taka '000
Ways and means advance	20,000,000	20,000,000
Overdraft - block (Note 12.01)	146,264,310	161,510,000
Overdraft - current	72,045,000	78,247,000
Treasury bills	3,367,132	58,457,023
Treasury bonds	63,000,544	54,853,845
Total	**304,676,986**	**373,067,868**

12.01 Overdraft block was formerly known as Government treasury bills. At the beginning of the financial year 2006-2007 the balance of Government treasury bills were transferred to overdraft-block account. From the financial year 2007 and onwards an amount of Taka 15,000 million were adjusted every year.

13 Consolidated local currency investments

Debenture - House Building Finance Corporation	6,540,000	6,573,333
Short term money market investments	1,670,193	1,079,743
Shares- ICB Islamic Bank Ltd.	7,452	7,452
Others	4,110	4,110
Total	**8,221,755**	**7,664,638**

13.01 Local currency investments

Debenture - House Building Finance Corporation	6,540,000	6,573,333
Investment in subsidiary (Note 13.02)	500,000	500,000
Total	**7,040,000**	**7,073,333**

13.02 Investment in subsidiary

The Security Printing Corporation (Bangladesh) Ltd. ("SPCL") is the wholly owned subsidiary of the Bank. During the year ended 30 June 2012 SPCL declared a dividend of Taka 75,000. No dividend was declared for the year ended 30 June 2013.

14 Consolidated loans to banks, financial institutions and employees

(i) Local currency loans to banks and financial institutions

State owned banks:		
Commercial banks	4,357,353	4,611,748
Specialised banks	47,169,187	53,294,386
	51,526,540	**57,906,134**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

	2013 Taka '000	Restated 2012 Taka '000
Provision for impairment	(226,117)	(475,869)
	51,300,423	**57,430,265**
Other banks and financial institutions:		
Private banks	6,740,398	4,867,756
Other loans and advances	26,882,308	19,949,732
	33,622,706	**24,817,488**
Interest receivable	7,645,498	7,702,172
Total (i)	**92,568,627**	**89,949,925**
(ii) Local currency loans and advances to employees		
Loans and advances to employees	25,751,984	21,949,114
Provision for loan losses	(264,099)	(264,099)
Total (ii)	**25,487,885**	**21,685,015**
Total loans (i + ii)	**118,056,512**	**111,634,940**

14.01 Local currency loans to banks, financial institutions and employees

(i) Local currency loans to banks and financial institutions

	2013 Taka '000	Restated 2012 Taka '000
State owned banks:		
Commercial banks	4,357,353	4,611,748
Specialised banks	47,169,187	53,294,386
	51,526,540	**57,906,134**
Provision for impairment	(226,117)	(475,869)
	51,300,423	**57,430,265**
Other banks and financial institutions:		
Private banks	6,740,398	4,867,756
Other Loans and advances	26,882,308	19,949,732
	33,622,706	**24,817,488**
Interest receivable	7,645,498	7,702,172
Total (i)	**92,568,627**	**89,949,925**

(ii) Local currency loans and advances to employees

	2013 Taka '000	Restated 2012 Taka '000
Loans and advances to employees	24,782,936	21,221,345
Provision for loan losses	(264,099)	(264,099)
Total (ii)	**24,518,837**	**20,957,246**
Total loans (i + ii)	**117,087,464**	**110,907,171**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
15	**Consolidated other local currency financial assets**		
	Interest receivables	2,312,667	1,700,754
	Unutilised Central Bank Strengthening Project fund (CBSP) (Note-15.01)	15,303	51,631
	Asset sell clearing account	9,903	
	Total	**2,337,873**	**1,752,385**
15.01	**Other local currency financial assets**		
	Interest receivables	2,174,621	1,622,567
	Unutilised Central Bank Strengthening Project fund (CBSP) (Note 15.02)	15,303	51,631
	Asset sell clearing account	9,903	-
	Total	**2,199,827**	**1,674,198**

15.02 Utilisation of CBSP fund

Bangladesh Bank is implementing Central Bank Strengthening Project (CBSP) (IDA credit no. 3792 BD) with the financial assistance from International Development Association (IDA) in order to improve the efficiency of the Bank through functional reforms and large scale automation of its business processes. The total cost of the project is Taka 3,892.00 million (USD 55.60 million), of which IDA will provide Taka 3,060.04 million (USD 43.71 million) and the rest Taka 832.00 million (USD 11.88 million) will be borne by Bangladesh Bank. The project started in late 2003 and completed on 30 April 2013. Out of Taka 3,060.00 million upto 30 April 2013 Bangladesh Bank received Taka 1,552.42 million through direct payment and Taka 1,251.78 million through replenishment total Taka 2,804.21 million from IDA. Up to 30 April 2013 Bangladesh Bank used Taka 2,788.90 million from the fund and Taka 15.30 million remain unutilised.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

16 Consolidated Property, plant and equipment

i) 2013

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2012	**21,369,423**	**4,145,921**	**3,604,473**	**1,350,528**	**143,553**	**179,347**	**109,289**	**811**	**735,923**	**31,639,268**
Addition during the year	-	67,319	135,921	220,986	14,921	56,340	13,081	-	778,630	**1,287,198**
Transfers during the year	-	-	-	179	-	-	-	-	(179)	**-**
Disposals during the year	-	-	-	-	(5,311)	(4,139)		-	(983)	**(10,433)**
As at 30 June 2013	**21,369,423**	**4,213,240**	**3,740,394**	**1,571,693**	**153,163**	**231,548**	**122,370**	**811**	**1,513,391**	**32,916,033**
Accumulated depreciation										
As at 30 June 2012	-	961,852	1,453,043	376,164	57,380	59,419	43,555	472	-	**2,951,885**
Charge for the year	-	198,348	171,935	288,608	12,129	36,573	21,760	162	-	**729,515**
Disposals during the year	-	-	-	-	(2,055)	(3,917)	-	-	-	**(5,972)**
As at 30 June 2013	**-**	**1,160,200**	**1,624,978**	**664,772**	**67,454**	**92,075**	**65,315**	**634**	**-**	**3,675,428**
Net book value										
As at 30 June 2013	21,369,423	3,053,040	2,115,416	906,921	85,709	139,473	57,055	177	1,513,391	**29,240,605**
As at 30 June 2012	21,369,423	3,184,069	2,151,430	974,364	86,173	119,928	65,734	339	735,923	**28,687,383**

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer, M/s Ahmed & Akhter, Chartered Accountants. Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

(i) Land was revalued on market value basis.
(ii) All other fixed assets were revalued by using the assumptions of practical judgment, condition of the individual fixed and cost of fixed assets.

Land includes Taka 17,080 million of leasehold land, all on standard terms of ninety-nine years.

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

ii) 2012

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2011	21,369,423	4,117,193	4,505,174	12,753	128,055	95,678	85,555	780	723,096	**31,037,707**
Addition during the year	-	28,728	1,054,652	1,337,801	15,503	85,204	23,829	31	12,827	**2,558,575**
Transfers during the year	-	-	-	-	-	-	-	-		**-**
Disposals during the year	-	-	(1,955,353)	(26)	(5)	(1,535)	(95)	-		**(1,957,014)**
As at 30 June 2012	**21,369,423**	**4,145,921**	**3,604,473**	**1,350,528**	**143,553**	**179,347**	**109,289**	**811**	**735,923**	**31,639,268**
Accumulated depreciation										
As at 1 July 2011	-	677,038	1,009,029	6,998	44,719	39,721	22,970	312	-	**1,800,787**
Charge for the year	-	284,814	445,074	369,166	12,661	21,323	20,585	160	-	**1,153,783**
Disposals during the year	-	-	(1,060)	-	-	(1,625)	-	-	-	**(2,685)**
As at 30 June 2012	**-**	**961,852**	**1,453,043**	**376,164**	**57,380**	**59,419**	**43,555**	**472**	**-**	**2,951,885**
Net book value										
As at 30 June 2012	21,369,423	3,184,069	2,151,430	974,364	86,173	119,928	65,734	339	735,923	**28,687,383**
As at 30 June 2011	21,369,423	3,440,155	3,496,145	5,755	83,336	55,957	62,585	468	723,096	**29,236,920**

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer, M/s Ahmed & Akhter, Chartered Accountants. Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

(i) Land was revalued on market value basis.
(ii) All other fixed assets were revalued by using the assumptions of practical judgment, condition of the individual fixed and cost of fixed assets.

Land includes Taka 17,080 million of leasehold land, all on standard terms of ninety-nine years.

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

16.01 Property, plant and equipment

i) 2013

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2012	20,391,193	3,365,879	785,368	1,350,528	105,666	161,047	109,289	811	734,940	**27,004,721**
Addition during the year	-	67,319	51,534	220,986	14,447	56,340	13,081	-	777,391	**1,201,098**
Transfers during the year	-	-	-	179	-	-	-	-	(179)	**-**
Disposals during the year	-	-	-	-	(5,311)	(3,050)	-	-	-	**(8,361)**
As at 30 June 2013	**20,391,193**	**3,433,198**	**836,902**	**1,571,693**	**114,802**	**214,337**	**122,370**	**811**	**1,512,152**	**28,197,458**
Accumulated depreciation										
As at 1 July 2012	-	521,292	398,137	376,164	26,189	42,308	43,555	472	-	**1,408,117**
Charge for the year	-	177,645	67,095	288,608	11,100	35,632	21,760	162	-	**602,002**
Disposals during the year	-	-	-	-	(2,055)	(2,828)	-	-	-	**(4,883)**
As at 30 June 2013	**-**	**698,937**	**465,232**	**664,772**	**35,234**	**75,112**	**65,315**	**634**	**-**	**2,005,236**
Net book value										
As at 30 June 2013	20,391,193	2,734,261	371,670	906,921	79,568	139,225	57,055	177	1,512,152	**26,192,222**
As at 30 June 2012	20,391,193	2,844,587	387,231	974,364	79,477	118,739	65,734	339	734,940	**25,596,604**

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer, M/s Ahmed & Akhter, Chartered Accountants. Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

(i) Land was revalued on market value basis.
(ii) All other fixed assets were revalued by using the assumptions of practical judgment, condition of the individual fixed and cost of fixed assets.

Land includes Taka 17,080 million of leasehold land, all on standard terms of ninety-nine years.

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

ii) 2012

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2011	20,391,193	3,349,873	1,693,265	12,753	90,622	75,968	85,555	780	715,353	**26,415,362**
Addition during the year	-	16,006	1,046,063	1,337,801	15,049	85,204	23,829	31	19,587	**2,543,570**
Transfers during the year	-	-	-	-	-	-	-	-	-	**-**
Disposals during the year	-	-	(1,953,960)	(26)	(5)	(125)	(95)	-	-	**(1,954,211)**
As at 30 June 2012	**20,391,193**	**3,365,879**	**785,368**	**1,350,528**	**105,666**	**161,047**	**109,289**	**811**	**734,940**	**27,004,721**
Accumulated depreciation										
As at 1 July 2011	-	265,103	88,939	6,998	16,205	22,327	22,970	312	-	**422,854**
Charge for the year	-	256,189	310,258	369,166	9,984	20,196	20,585	160	-	**986,538**
Disposals during the year	-	-	(1,060)	-	-	(215)	-	-	-	**(1,275)**
As at 30 June 2012	**-**	**521,292**	**398,137**	**376,164**	**26,189**	**42,308**	**43,555**	**472**	**-**	**1,408,117**
Net book value										
As at 30 June 2012	20,391,193	2,844,587	387,231	974,364	79,477	118,739	65,734	339	734,940	**25,596,604**
As at 30 June 2011	20,391,193	3,084,770	1,604,326	5,755	74,418	53,640	62,585	468	715,353	**25,992,508**

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer, M/s Ahmed & Akhter, Chartered Accountants. Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

(i) Land was revalued on market value basis.
(ii) All other fixed assets were revalued by using the assumptions of practical judgment, condition of the individual fixed and cost of fixed assets.

Land includes Taka 17,080 million of leasehold land, all on standard terms of ninety-nine years.

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

	2013 Taka '000	Restated 2012 Taka '000
17 Intangible assets		
Intangible asset at cost	1,170,879	759,009
Accumulated amortisation	(382,103)	(176,129)
Capital work in progress	123,139	255,737
Total	**911,915**	**838,617**

The balance represents the accumulated value of enterprise resources planning, core banking software, enterprise data warehouse, bank automated clearing house, Electronic Fund Transfers Network (EFTN), Credit Information Bureau (CIB) and Bank's in-house built softwares.

18 Consolidated other non financial assets

	2013 Taka '000	Restated 2012 Taka '000
Prepayments and advances	364,909	1,222,583
Stock	5,369,470	3,860,185
Sundry debtors	909,488	1,286,696
Total	**6,643,867**	**6,369,464**

18.01 Other non-financial assets

	2013 Taka '000	Restated 2012 Taka '000
Prepayments and advances	4,214,521	3,761,140
Stock	18,071	20,715
Total	**4,232,592**	**3,781,855**

19 Foreign currency deposits from banks and financial institutions

	2013 Taka '000	Restated 2012 Taka '000
Foreign currency deposits from commercial banks	84,226,213	102,898,799
Asian Clearing Union (ACU)	55,813,993	54,728,178
Total	**140,040,206**	**157,626,977**

	2013 Taka '000	Restated 2012 Taka '000
20 Notes in circulation	**746,382,617**	**642,007,492**

Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June 2013 was as under:

Value of notes	2013 Number in pieces	2013 Value in Taka '000	Restated 2012 Value in Taka '000
5 Taka coin	731,129,904	3,655,650	3,522,425
5 Taka note	713,230,265	3,566,151	3,493,232
10 Taka note	1,244,430,805	12,444,308	11,414,135
20 Taka note	297,199,570	5,943,991	4,061,837
50 Taka note	155,984,093	7,799,205	5,290,128
100 Taka note	650,348,165	65,034,817	60,306,823
500 Taka note	805,251,077	402,625,538	366,539,192
1000 Taka note	245,312,957	245,312,957	187,379,720
Total	**4,842,886,836**	**746,382,617**	**642,007,492**

The liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with the Bangladesh Bank Order 1972, these liabilities are supported by the following assets:

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
	Gold	5,697,551	7,753,174
	Silver	321,826	416,243
	Balance held outside Bangladesh	550,000,000	500,000,000
	Bangladesh Government securities	158,382,929	101,737,989
	Bangladesh coins	340,056	459,831
	Other loans and advances	31,640,255	31,640,255
	Total	**746,382,617**	**642,007,492**
21	**Short term borrowings**		
	Repurchase agreements	25,000,000	-
	Bangladesh Bank bills	24,830,996	-
	Total	**49,830,996**	**-**
22	**Local currency deposits from banks and financial institutions**		
	State-owned commercial banks	86,439,634	77,655,822
	Government specialised banks	19,883,245	17,331,239
	Private banks	239,328,830	209,839,846
	Foreign banks	22,387,049	21,799,437
	Financial institutions	3,111,150	2,385,736
	Total	**371,149,908**	**329,012,080**
23	**Consolidated other local currency financial liabilities**		
	Government deposits	5,007	5,091
	Other deposits	48,775,743	9,789,362
	Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
	Sundry creditors account	3,595,267	2,684,721
	Interest suspense account	696	675
	Deposits from donor agencies	18,588,225	18,735,618
	Inter-branch adjustments (suspense)	471,100	(97,660)
	Credit guarantee scheme for small industrial investors	248,808	248,808
	Provision for pension*	5,710,641	6,105,346
	Provision for gratuity*	1,774,885	1,888,124
	Provision for leave encashment	1,705,840	1,656,792
	Small and medium enterprise fund - Government	1,922,069	1,772,064
	Loan from Government of Bangladesh (CBSP)	2,837,257	1,962,937
	DFID -RPP Project	770,819	770,819
	Small and medium enterprise fund ADB-2	5,494,570	3,058,920
	Deferred tax liability	700,650	653,435
	Miscellaneous	348,670	215,149
	Others - subsidiary	-	453,951
	Total	**92,953,477**	**49,907,382**

*Please see note 50.03 for details.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

	2013 Taka '000	Restated 2012 Taka '000
23.01 Other local currency financial liabilities		
Government deposits	5,007	5,091
Other deposits	48,775,743	9,789,362
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	3,480,085	2,817,310
Interest suspense account	696	675
Deposits from donor agencies	18,588,225	18,735,618
Inter-branch adjustments (suspense)	471,100	(97,660)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	5,710,641	6,105,346
Provision for gratuity*	1,774,885	1,888,124
Provision for leave encashment	1,705,840	1,656,792
Small and medium enterprise fund - Government	1,922,069	1,772,064
Loan from Govt of Bangladesh - central bank strengthening project	2,837,257	1,962,937
DFID -RPP Project	770,819	770,819
Small and medium enterprise fund ADB-2	5,494,570	3,058,920
Miscellaneous	348,670	215,149
Total	**92,137,645**	**48,932,585**

*Please see note 50.03 for details.

	2013 Taka '000	Restated 2012 Taka '000
24 Capital	**30,000**	**30,000**

At 30 June 2013 the authorised and subscribed capital as per Bangladesh Bank Order 1972, was Taka 30 million (30 June 2012: Taka 30 million). The entire capital of the Bank stands vested in and allocated to the Government as per para 4(1) & 4(2) of the Order.

	2013 Taka '000	Restated 2012 Taka '000
25 Consolidated revaluation reserve		
Revaluation reserve - gold and silver	11,429,710	28,141,123
Revaluation reserve - foreign currency accounts	39,951,542	89,550,848
Revaluation reserve - property, plant & equipment	23,521,843	23,556,886
Total	**74,903,095**	**141,248,857**
25.01 Revaluation reserve		
Revaluation reserve - gold and silver (Note 25.02)	11,429,710	28,141,123
Revaluation reserve - foreign currency accounts (Note 25.03)	39,951,542	89,550,848
Revaluation reserve - property, plant and equipment	22,174,046	22,209,089
Total	**73,555,298**	**139,901,060**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000

25.02 Revaluation reserve - gold and silver

The Bank accounts for the gain/loss on revaluation of gold and silver in the statement of comprehensive income and subsequently transferred to a separate account - revaluation reserve-gold and silver, which forms part of equity.

25.03 Revaluation reserve - foreign currency accounts

The Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of comprehensive income and subsequently transferred to a separate account - revaluation reserve-foreign currency, which forms part of equity.

		2013 Taka '000	Restated 2012 Taka '000
26	**Currency fluctuation reserve**	**24,759,279**	**22,562,352**

The Bank credited the realised gain on revaluation of foreign currencies to the statement of comprehensive income and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.

27 Statutory funds

	Note ref.	2013 Taka '000	Restated 2012 Taka '000
Rural credit fund	27.01	5,200,000	5,000,000
Agricultural credit stabilisation fund	27.02	5,200,000	5,000,000
Export credit fund	27.03	1,300,000	1,300,000
Industrial credit fund	27.04	1,887,852	1,737,852
Credit guarantee fund	27.05	879,194	879,194
Total		**14,467,046**	**13,917,046**

Statutory funds were created and maintained as per provisions of the Bangladesh Bank Order, 1972 and appropriations from profits are made in consultation with the Government of Bangladesh.

27.01 Rural credit fund

This fund was created as per Article 60(1) of Bangladesh Bank Order, 1972 for making of short term, medium term and long term loans and advances to co-operative bank, scheduled bank and rural credit agencies. An appropriation of Taka 200 million was made for this fund during the year.

27.02 Agricultural credit stabilisation fund

This fund was created as per Article 61 of Bangladesh Bank Order, 1972 for making of loans and advances to apex co-operative banks. An appropriation of Taka 200 million was made for this fund during the year.

27.03 Export credit fund

As per Article 63 of Bangladesh Bank Order, 1972 this fund was created for making of medium term and short term loans and advances to scheduled banks and other credit institutions for financing export from Bangladesh. No appropriation was made for this fund during the year.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000

27.04 Industrial credit fund

As per Article 62 of Bangladesh Bank Order, 1972 the fund was created for making of medium term and long term loans and advances to co-operative banks. An appropriation of Taka 150 million was made for this fund during the year.

27.05 Credit guarantee fund

As per clause 24 of Article 16 of Bangladesh Bank Order, 1972 the fund was created by appropriating profit every year as per decision of the Board of Directors to cover the loss sustained by scheduled banks for making small loans to cottage industries. No appropriation was made for this fund during the year.

28 Non statutory funds

	Note ref.	2013 Taka '000	Restated 2012 Taka '000
Small and medium enterprise fund & monetary management fund	28.01	6,000,000	6,000,000
Housing refinance fund		6,570,000	7,570,000
Human resources development fund	28.02	456,290	496,067
Monetary management fund	28.03	200,000	200,000
Rural agri product processing industries refinance fund		1,000,000	-
Total		**14,226,290**	**14,266,067**

28.01 Small and medium enterprise fund & monetary management fund

These funds were created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinance to the schedule banks and financial institutions against the loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to those funds are made as per decision of the Board.

28.02 Human resources development fund

Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order,1972 and decision taken by the Board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. in home and abroad. Appropriation of this fund was made from the dividend payable to Government for FY11.

28.03 Monetary management fund

Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation of this fund was made from the dividend payable to Government for FY11.

29 Other reserve

	2013 Taka '000	Restated 2012 Taka '000
Asset renewal and replacement reserve	2,743,468	2,517,324
Interest reserve	8,320,428	8,258,329
Total	**11,063,896**	**10,775,652**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

	2013 Taka '000	Restated 2012 Taka '000
29.01 Interest reserve		

This reserve was introduced in FY07 and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank.

	2013	2012
30 Consolidated general reserve	**4,600,500**	**4,500,500**
30.01 General reserve	**4,250,500**	**4,250,500**

As per Article 59 of Bangladesh Bank Order, 1972 securities of the value of Taka 30 million was allocated by the Government and held by the Bank as the general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision.

31 Consolidated retained earnings

	2013	2012
Opening balance	41,710,052	21,611,414
Adjustment against due from Government	(14,237)	(9,681)
Adjustment against guarantee on behalf of Bangladesh rural development board	(60,965)	-
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	(1,856,287)	-
Transfer to other funds	-	(700,000)
Payment made during the year	(34,810,830)	(16,645,621)
Transferred to general reserve	(4,967,733)	(50,000)
Current year's profit	46,493,169	37,503,940
Closing balance	**46,493,169**	**41,710,052**

31.01 Retained earnings

	2013	2012
Opening balance	36,742,319	17,355,302
Adjustment against due from Government	(14,237)	(9,681)
Adjustment against guarantee on behalf of Bangladesh Rural Development Board	(60,965)	-
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	(1,856,287)	-
Transfer to other funds		(700,000)
Payment made during the year	(34,810,830)	(16,645,621)
Current year's profit	40,733,254	36,742,319
Closing balance	**40,733,254**	**36,742,319**

32 Interest income on foreign currency financial assets

	2013	2012
Loans to banks	748,248	555,378
Short term deposits with commercial banks	4,052,555	3,770,917
Bonds	5,850,911	6,197,841
US Dollar treasury bills	114,122	94,539
Claims from gold transactions	46,507	62,529
Others	39,279	123,420
Total	**10,851,622**	**10,804,624**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
33	**Commission and discounts on foreign currency financial assets**		
	Commission on foreign currency operations	131,507	113,683
	Others	653	661
	Total	**132,160**	**114,344**
34	**Interest expenses - foreign currency operations**		
	Deposits	149,523	123,173
	Asian Clearing Union (ACU)	43,660	14,442
	Paid to IMF	80,905	217,343
	Interest on central bank strengthening project	16,453	15,790
	Total	**290,541**	**370,748**
35	**Consolidated interest income on local currency financial assets**		
	Reverse repurchase agreement	6,719,369	8,212,781
	Government securities	9,919,238	3,496,118
	Loans and advance to Government	21,536,309	26,405,608
	Debentures	349,353	339,482
	Loans to banks financial institution and employees	5,703,407	4,655,417
	Short term money market deposits	197,271	143,901
	Total	**44,424,947**	**43,253,307**
35.01	**Interest income on local currency financial assets**		
	Reverse repurchase agreement	6,719,369	8,212,781
	Government securities	9,919,238	3,496,118
	Loans and advance to Government	21,536,309	26,405,608
	Debentures	349,353	339,482
	Loans to banks, financial institution and employees	5,656,173	4,622,828
	Total	**44,180,442**	**43,076,817**
36	**Commission and discounts on local currency financial assets**		
	Commission income from Government	4,376	-
	Miscellaneous commission income	356,079	639,863
	Total	**360,455**	**639,863**
37	**Interest expense on local currency financial liabilities**		
	Bangladesh Bank bills	1,121,003	-
	Repurchase agreement	27,067	16,193
	Total	**1,148,070**	**16,193**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
38	**Commission and other expenses on local currency financial liabilities**		
	Agency charges	2,407,926	2,877,705
	Under writing commission on treasury bills & bonds	316,000	240,000
	Total	**2,723,926**	**3,117,705**
39	**Consolidated general and administration expenses**		
	Staff costs (Note 39.01)	3,806,403	7,185,561
	Depreciation	729,515	1,153,783
	Amortisation	205,974	176,129
	Directors' fees	762	638
	Audit fees	10,750	7,800
	Stationery	73,939	57,086
	Rent, electricity etc.	208,491	111,645
	Remittance of treasure	54,499	26,339
	Donations	128,499	130,265
	Telephone	53,048	25,322
	Repairs	327,318	117,736
	Warranty and other expenses	-	80,586
	Materials	3,040,824	2,304,347
	Provision for Workers' Profit Participation Fund	75,165	70,503
	Income tax and value addition tax	1,215,551	453,950
	Deferred tax	47,216	48,980
	Miscellaneous	1,216,419	768,418
	Total	**11,194,373**	**12,719,088**
39.01	**Staff costs**		
	Salary	1,321,094	1,298,261
	House rent	447,821	449,883
	Contribution to contributory provident fund	34,491	(155,009)
	Pension and gratuity	1,839	3,868,419
	Leave encashment	64,921	107,040
	General and incentive bonus	732,056	722,557
	Income tax paid to Government	52,772	62,296
	Medical expenses	190,993	166,610
	Training	217,402	103,714
	Travel expenses	146,644	66,308
	Lunch	264,508	206,798
	Other staff costs	331,862	288,684
	Total	**3,806,403**	**7,185,561**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

		2013 Taka '000	Restated 2012 Taka '000
40	**General and administrative expenses**		
	Staff costs (Note 40.01)	3,453,817	6,951,087
	Depreciation	602,002	986,538
	Amortisation	205,974	134,767
	Directors' fee	497	443
	Audit fee	10,500	7,600
	Stationery	73,939	57,825
	Rent	142,046	110,551
	Remittance of treasure	54,499	26,356
	Donations	128,499	130,265
	Telephone	53,048	25,322
	Repairs	314,969	113,642
	Warranty & other expenses	-	-
	Miscellaneous	1,175,818	722,706
	Total	**6,215,608**	**9,267,102**
40.01	**Staff costs**		
	Salary	1,169,113	1,188,655
	House rent	447,821	420,851
	Contribution to contributory provident fund	34,491	(25,277)
	Pension and gratuity	(20,397)	3,746,643
	Leave encashment	57,921	81,771
	General and incentive bonus	678,071	675,774
	Income tax paid to Government	52,772	62,296
	Medical expenses	185,289	156,104
	Training	217,402	120,801
	Travel expenses	146,644	111,011
	Lunch	234,747	184,034
	Other staff costs	249,943	228,424
	Total	**3,453,817**	**6,951,087**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

41 Risk management

(i) Financial risk management

International Financial Reporting Standard IFRS 7 - **Financial Instruments: Disclosures** - requires disclosure of information relating to: both recognised and unrecognised financial instruments, their significance and performance, accounting policies, terms and conditions, net fair values and risk information- the Bank's policies for controlling risks and exposures.

A financial instrument is defined as any contract that gives rise to both a financial asset of one enterprise and financial liability or equity instrument of another enterprise. The identifiable financial instruments for Bangladesh Bank are its domestic Government securities, its foreign currency liabilities, securities, loans and advances, bank deposits, currency in circulation and deposit liabilities.

Net fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Bangladesh Bank's recognised instruments are carried at cost or current market value, which approximates net fair value.

The Bank is involved in policy-oriented activities. Therefore, the Bank's risk management framework differs from the risk management framework for most other financial institutions. The main financial risks to which the Bank is exposed include credit risk, foreign exchange risk and interest rate risk. In the management of foreign exchange reserves, minimising liquidity risk is the prime consideration in order to ensure the availability of currency as required. Like most central banks, the nature of the Bank's operations creates exposure to a range of operational and reputational risks.

Bank management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Experienced staff conducts the Bank's local currency, foreign currency reserves management, and foreign exchange dealing operations in accordance with a clearly defined risk management framework, including limits and delegated authorities set by the Governor.

The Bank is subject to an annual audit by two external auditors who are appointed and their remuneration fixed by the Government as prescribed in Section 65 (1) of the Bangladesh Bank Order, 1972. Auditing arrangements are overseen by an Audit Committee of the Board to monitor the financial reporting and audit functions within the Bank and the Committee reviews the internal audit functions as well. The Audit Committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risk. The Bank seeks to ensure the risk management framework is consistent with financial market best practice. The risks tables in this note are all based on the Bangladesh Bank portfolio as reported in its statement of financial position.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

	2013 Taka '000	Restated 2012 Taka '000
(ii) Operational risk		

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems. Managing operational risk is seen as an integral part of the day to day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes Bank-wide corporate policies that describe the standard required of staff and specific internal control systems designed around the particular characteristics of various Bank activities. Compliance with corporate polices and departmental internal control systems are managed by departmental management and an active internal audit function.

(iii) Credit risk

Credit risk is the risk of loss arising from a counterparty to a financial contract failing to discharge its obligation.

(iv) Credit risk management

Credit risk is monitored and managed regularly. Bangladesh Bank's maximum exposure to credit risk in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position. Bangladesh Bank's exposure is to highly rated counter-parties and its credit risk is very low, to mitigate to credit risk including both the Bank's rigorous monitoring activities and, in many cases, guarantees from the government.

The Bank's significant end-of-year concentrations of credit exposure, based on the country/region in which the issuers' parent was located, were as follows:

	2013 Taka '000	Restated 2012 Taka '000
Consolidated		
Bangladesh	533,876,205	755,404,855
Other Asian countries	222,203,342	168,239,805
United States of America	680,356,599	388,720,079
Europe	269,949,561	236,594,171
Australia	16,448,204	16,631,216
Total	**1,722,833,912**	**1,565,590,126**
Bank		
Bangladesh	531,062,319	753,542,916
Other Asian countries	222,203,342	168,239,805
United States of America	680,356,599	388,720,079
Europe	269,949,561	236,594,171
Australia	16,448,204	16,631,216
Total	**1,720,020,026**	**1,563,728,187**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2011

42 Consolidated credit exposures by credit rating

The following tables represents the Bank's financial assets based on Moody's credit rating of the issuer. For long term deposits Aaa is the highest quality rating possible and indicates that the entity has an exceptional credit quality and have the smallest degree of risk; Aa is excellent credit quality but are rated lower than Aaa. Aa1 indicates the higher end of Aa category, Aa2 indicates mid range ranking of Aa category and Aa3 indicates lower end of Aa category. For short term deposits P-1 indicates banks rated prime -1 for deposits, and offers superior credit quality and a very strong capacity for timely payment of short -term deposit obligations; ST-1 indicates the highest capacity for timely repayment of obligations; ST-2 indicates a strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

		2013		Restated 2012	
	Credit Rating	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets
i) Foreign currency financial assets					
Foreign currency accounts	P-1	400,668,902	23.35%	249,373,468	16.02%
Short term investments with overseas commercial banks	P-1	315,427,920	18.38%	223,067,581	14.33%
US Dollar treasury bills	P-1	83,198,484	4.85%	95,719,647	6.15%
Foreign bonds	Aaa	98,168,247	5.72%	30,924,763	1.99%
Foreign bonds	Aa	16,241,544	0.95%	19,900,092	1.28%
Foreign bonds	A+	19,255,734	1.12%	14,730,821	0.95%
Foreign bonds	Aa2	4,686,327	0.27%	2,133,141	0.14%
Foreign bonds	Aa3	13,034,994	0.76%	4,914,429	0.32%
Foreign bonds	A-, B,BB, BBB, etc.	69,484,823	4.05%	53,301,445	3.42%
Foreign currency loans to banks	-	62,201,818	3.63%	40,823,997	2.62%
Gold and silver	A-1	24,869,623	1.45%	35,067,630	2.25%
Claims from gold transactions	P-2	9,888,170	0.58%	14,005,843	0.90%
Assets held with International Monetary Fund	-	129,535,058	7.55%	121,652,558	7.82%
Other foreign currency financial assets	-	3,257,453	0.19%	2,991,004	0.19%
Total		**1,249,919,097**	**72.84%**	**908,606,419**	**58.38%**
ii) Local currency financial assets					
Loans to the Government of Bangladesh	Ba3	304,676,986	17.76%	373,067,868	23.97%
Reverse repurchase agreement	-	32,690,170	1.91%	153,769,820	9.88%
Local currency investments	-	8,221,755	0.48%	7,664,638	0.49%
Local currency loans to banks, financial institutions and employees	-	118,056,512	6.88%	111,634,940	7.17%
Other local currency financial assets		2,337,873	0.14%	1,752,385	0.11%
Total		**465,983,296**	**27.16%**	**647,889,651**	**41.62%**
Total financial assets (i+ii)		**1,715,902,392**	**100.00%**	**1,556,496,070**	**100.00%**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2011

42.01 Credit exposures by credit rating

	Credit Rating	2013 Amount (Taka '000)	2013 % of financial assets	Restated 2012 Amount (Taka '000)	Restated 2012 % of financial assets
i) Foreign currency financial assets					
Foreign currency accounts	P-1	400,668,902	23.38%	249,373,468	16.04%
Short term investments with overseas commercial banks	P-1	315,427,920	18.41%	223,067,581	14.34%
US Dollar treasury bills	P-1	83,198,484	4.86%	95,719,647	6.16%
Foreign bonds	Aaa	98,168,247	5.73%	30,924,763	1.99%
Foreign bonds	Aa	16,241,544	0.95%	19,900,092	1.28%
Foreign bonds	A+	19,255,734	1.12%	14,730,821	0.95%
Foreign bonds	Aa2	4,686,327	0.27%	2,133,141	0.14%
Foreign bonds	Aa3	13,034,994	0.76%	4,914,429	0.32%
Foreign bonds	A-, B,BB, BBB	69,484,823	4.05%	53,301,446	3.43%
Foreign currency loans to banks	-	62,201,818	3.63%	40,823,997	2.63%
Gold and silver	A-1	24,869,623	1.45%	35,067,630	2.26%
Claims from gold transactions	P-2	9,888,170	0.58%	14,005,843	0.90%
Assets held with International Monetary Fund	-	129,535,058	7.56%	121,652,558	7.82%
Other foreign currency financial assets	-	3,257,453	0.19%	2,991,004	0.19%
Total		**1,249,919,097**	**72.94%**	**908,606,420**	**58.43%**
ii) Local currency financial assets					
Loans to the Government of Bangladesh	Ba3	304,676,986	17.78%	373,067,868	23.99%
Reverse repurchase agreement	-	32,690,170	1.91%	153,769,820	9.89%
Local currency investments	-	7,040,000	0.41%	7,073,333	0.45%
Local currency loans to banks, financial institutions and employees	-	117,087,464	6.83%	110,907,171	7.13%
Other local currency financial assets	-	2,199,827	0.13%	1,674,198	0.11%
Total		**463,694,447**	**27.06%**	**646,492,390**	**41.57%**
Total financial assets (i+ii)		**1,713,613,544**	**100.00%**	**1,555,098,810**	**100.00%**

43 Consolidated interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that is going to use in order to achieve and maintain price stability. The Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2012 is presented below. It includes the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates. Assets and liabilities will mature or re-price within the following period:

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

i) As at 30 June 2013

Taka '000

Particulars	Balance as at 30 June 2013	Re-pricing period 0 to 3 months	Re-pricing period 3 to 12 months	Re-pricing period 1 to 5 years	Re-pricing period over 5 years	Weighted average interest
Assets						
Foreign currency financial assets						
Foreign currency accounts	400,668,902	400,668,902	-	-	-	0.20%
Foreign investments	619,498,073	361,110,522	87,839,457	170,548,094		1.98%
Assets held with International Monetary Fund	129,535,058	67,161,274	5,349	-	62,368,435	0.33%
Gold and silver	30,888,999		-	-	-	n/a
Claims from gold transactions	9,888,170	-	9,888,170	-	-	0.33%
Foreign currency loans to banks	62,201,818	-	62,201,818	-	-	1.53%
Other foreign currency financial assets	3,257,453	-	-	-	-	n/a
Total Foreign currency financial assets	**1,255,938,473**	**828,940,698**	**159,934,794**	**170,548,094**	**62,368,435**	
Local currency financial assets						
Taka coin and cash balances	912,143	912,143	-	-	-	n/a
Reverse repurchase agreement	32,690,170	32,690,170	-	-	-	9.63%
Loans to the Government of Bangladesh	304,676,986	97,163,242	17,844,151	85,199,436	104,470,157	9.70%
Local currency investments	8,221,755	-	2,065,000	5,724,303	432,452	6.88%
Local currency loans to banks, financial institutions and employees	118,056,512	4,807,353	28,319,817	59,441,457	25,487,885	4.87%
Other local currency financial assets	2,337,873	-	2,337,873	-	-	n/a
Total Local currency financial assets	**466,895,439**	**135,572,908**	**50,566,841**	**150,365,196**	**130,390,494**	
Total financial assets	**1,722,833,912**	**964,513,606**	**210,501,635**	**320,913,290**	**192,758,929**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	140,040,206	-	-	-	0.14%
Liabilities with International Monetary Fund	168,729,820	2,901,782	3,519,361	10,482,616	151,826,061	0.05%
Total foreign currency financial liabilities	**308,770,026**	**142,941,988**	**3,519,361**	**10,482,616**	**151,826,061**	
Local currency financial liabilities						
Notes in circulation	746,382,617	-	-	-	-	n/a
Short term borrowings	49,830,996	49,830,996	-	-	-	5.07%
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	n/a
Other local currency financial liabilities	92,953,477	-	-	-	-	n/a
Total local currency financial liabilities	**1,260,316,998**	**49,830,996**	**-**	**-**	**-**	
Total financial liabilities	**1,569,087,024**	**192,772,984**	**3,519,361**	**10,482,616**	**151,826,061**	

All financial instruments are shown in their re-pricing period , which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

43. Consolidated interest rate risk

ii) As at 30 June 2012

Taka '000

Particulars	Balance as at 30 June 2013	Re-pricing period 0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Weighted average interest
Assets						
Foreign currency financial assets						
Foreign currency accounts	249,373,468	249,373,468	-	-	-	0.22%
Foreign investments	444,691,920	292,373,662	53,735,481	98,582,777	-	2.15%
Assets held with International Monetary Fund	121,652,558	55,417,219	11,265	-	66,224,074	0.24%
Gold and silver	43,237,047	-	-	-	-	n/a
Claims from gold transactions	14,005,843	-	14,005,843	-	-	0.33%
Foreign currency loans to banks	40,823,997	-	40,823,997	-	-	2.15%
Other foreign currency financial assets	2,991,004	-	155,740	1,910,778	80	n/a
Total Foreign currency financial assets	**916,775,837**	**597,164,349**	**108,732,326**	**100,493,555**	**66,224,154**	
Local currency financial assets						
Taka coin and cash balances	924,638	-	-	-	-	n/a
Reverse repurchase agreement	153,769,820	153,769,820	-	-	-	6.90%
Loans to the Government of Bangladesh	373,067,868	131,547,885	40,156,138	172,264,424	29,099,421	8.71%
Local currency investments	7,664,638	-	200,000	6,807,096	657,542	6.24%
Local currency loans to banks, financial institutions and employees	111,634,940	4,611,748	52,818,517	32,519,660	21,685,015	4.44%
Other local currency financial assets	1,752,385	-	1,700,754	-	-	n/a
Total Local currency financial assets	**648,814,289**	**289,929,453**	**94,875,409**	**211,591,180**	**51,441,978**	
Total financial assets	**1,565,590,126**	**887,093,802**	**203,607,735**	**312,084,735**	**117,666,132**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	157,626,977	157,626,977	-	-	-	0.10%
Liabilities with International Monetary Fund	173,921,133	7,920,256	11,228,212	15,360,404	139,412,261	0.28%
Total foreign currency financial liabilities	**331,548,110**	**165,547,233**	**11,228,212**	**15,360,404**	**139,412,261**	
Local currency financial liabilities						
Notes in circulation	642,007,492	-	-	-	-	n/a
Local currency deposits from banks and financial institutions	329,012,080	-	-	-	-	n/a
Other local currency financial liabilities	49,907,382	-	-	-	-	n/a
Total local currency financial liabilities	**1,020,926,954**	**-**	**-**	**-**	**-**	
Total financial liabilities	**1,352,475,064**	**165,547,233**	**11,228,212**	**15,360,404**	**139,412,261**	

All financial instruments are shown in their re-pricing period , which is equivalent to the remaining term of maturity.

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

43. Consolidated interest rate risk

43.01 Interest rate risk

i) As at 30 June 2013

Taka '000

Particulars	Balance as at 30 June 2013	Re-pricing period 0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Weighted average interest
Assets						
Foreign currency financial assets						
Foreign currency accounts	400,668,902	400,668,902	-	-	-	0.20%
Foreign investments	619,498,073	361,110,521	87,839,457	170,548,095	-	1.98%
Assets held with International Monetary Fund	129,535,058	67,161,274	5,349	-	62,368,435	0.33%
Gold and silver	30,888,999	-	-	-	-	n/a
Claims from gold transactions	9,888,170	-	9,888,170	-	-	0.33%
Foreign currency loans to banks	62,201,818	-	62,201,818	-	-	1.53%
Other foreign currency financial assets	3,257,453	-	-	-	-	n/a
Total Foreign currency financial assets	**1,255,938,473**	**828,940,697**	**159,934,794**	**170,548,095**	**62,368,435**	
Local currency financial assets						
Taka coin and cash balances	387,106	-	-	-	-	n/a
Reverse repurchase agreement	32,690,170	32,690,170	-	-	-	9.63%
Loans to the Government of Bangladesh	304,676,986	97,163,242	17,844,151	85,199,436	104,470,157	9.70%
Local currency investments	7,040,000	-	2,065,000	4,050,000	925,000	4.95%
Local currency loans to banks, financial institutions and employees	117,087,464	4,807,353	28,319,817	59,441,457	24,518,837	4.86%
Other local currency financial assets	2,199,827	-	-	-	-	n/a
Total Local currency financial assets	**464,081,553**	**134,660,765**	**48,228,968**	**148,690,893**	**129,913,994**	
Total financial assets	**1,720,020,026**	**963,601,462**	**208,163,762**	**319,238,988**	**192,282,429**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	140,040,206	-	-	-	0.14%
Liabilities with International Monetary Fund	168,729,820	2,901,782	3,519,361	10,482,616	151,826,061	0.05%
Total foreign currency financial liabilities	**308,770,026**	**142,941,988**	**3,519,361**	**10,482,616**	**151,826,061**	
Local currency financial liabilities						
Notes in circulation	746,382,617	-	-	-	-	n/a
Short term borrowings	49,830,996	49,830,996	-	-	-	5.07%
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	n/a
Other local currency financial liabilities	92,137,645	-	-	-	-	n/a
Total local currency financial liabilities	**1,259,501,166**	**49,830,996**	**-**	**-**	**-**	
Total financial liabilities	**1,568,271,192**	**192,772,984**	**3,519,361**	**10,482,616**	**151,826,061**	

All financial instruments are shown in their re-pricing period , which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

43. Consolidated interest rate risk

ii) As at 30 June 2012

Taka '000

Particulars	Balance as at 30 June 2013	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets						
Foreign currency financial assets						
Foreign currency accounts	249,373,468	249,373,468	-	-	-	0.22%
Foreign investments	444,691,920	292,373,662	53,735,481	98,582,777	-	2.15%
Assets held with International Monetary Fund	121,652,558	55,417,219	11,265	-	66,224,074	0.24%
Gold and silver	43,237,047	-	-	-	-	n/a
Claims from gold transactions	14,005,843	-	14,005,843	-	-	0.33%
Foreign currency loans to banks	40,823,997	-	40,823,997	-	-	2.15%
Other foreign currency financial assets	2,991,004	-	-	-	-	n/a
Total Foreign currency financial assets	**916,775,837**	**597,164,349**	**108,576,586**	**98,582,777**	**66,224,074**	
Local currency financial assets						
Taka coin and cash balances	459,960	459,960	-	-	-	n/a
Reverse repurchase agreement	153,769,820	153,769,820	-	-	-	6.90%
Loans to the Government of Bangladesh	373,067,868	131,547,885	40,156,138	172,264,424	29,099,421	8.71%
Local currency investments	7,073,333	-	200,000	5,723,333	1,150,000	5.82%
Local currency loans to banks, financial institutions and employees	110,907,171	4,611,748	52,818,517	32,519,660	20,957,246	4.43%
Other local currency financial assets	1,674,198	-	-	-	-	n/a
Total Local currency financial assets	**646,952,350**	**290,389,413**	**93,174,655**	**210,507,417**	**51,206,667**	
Total financial assets	**1,563,728,187**	**887,553,762**	**201,751,241**	**309,090,194**	**117,430,741**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	157,626,977	157,626,977	-	-	-	0.10%
Liabilities with International Monetary Fund	173,921,133	7,920,256	11,228,212	15,360,404	139,412,261	0.28%
Total foreign currency financial liabilities	**331,548,110**	**165,547,233**	**11,228,212**	**15,360,404**	**139,412,261**	
Local currency financial liabilities						
Notes in circulation	642,007,492	-	-	-	-	n/a
Local currency deposits from banks and financial institutions	329,012,080	-	-	-	-	n/a
Other local currency financial liabilities	48,932,585	-	-	-	-	n/a
Total local currency financial liabilities	**1,019,952,157**	**0**	**0**	**0**	**0**	
Total financial liabilities	**1,351,500,267**	**165,547,233**	**11,228,212**	**15,360,404**	**139,412,261**	

All financial instruments are shown in their re-pricing period , which is equivalent to the remaining term of maturity.

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

44 Consolidated liquidity risk

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind.

The table below summarises the maturity profile of the Bank's financial assets and liabilities based on the contractual repayment date determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date.

Assets and liabilities will mature within the following periods:

i) As at 30 June 2013

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	400,668,902	-	-	-	-	400,668,902
Foreign investments	150,959,334	210,151,187	87,839,457	170,548,095	-	619,498,073
Assets held with International Monetary Fund	67,161,274	-	5,349	-	62,368,435	129,535,058
Gold and silver	30,888,999	-	-	-	-	30,888,999
Claims from gold transactions	-	-	9,888,170	-	-	9,888,170
Foreign currency loans to banks	-	-	62,201,818	-	-	62,201,818
Other foreign currency financial assets	-	-	3,257,453	-	-	3,257,453
Total	**649,678,509**	**210,151,187**	**163,192,247**	**170,548,095**	**62,368,435**	**1,255,938,473**
Local currency financial assets						
Taka coin and cash balances	912,143	-	-	-	-	912,143
Reverse repurchase agreement	32,690,170	-	-	-	-	32,690,170
Loans to the Government of Bangladesh	20,000,000	77,163,242	17,844,151	85,199,436	104,470,157	304,676,986
Local currency investments			2,065,000	5,724,303	432,452	8,221,755
Local currency loans to banks, financial institutions and employees	-	4,807,353	28,319,817	59,441,457	25,487,885	118,056,512
Other local currency financial assets	-	-	2,337,873	-	-	2,337,873
Total	**53,602,313**	**81,970,595**	**50,566,841**	**150,365,196**	**130,390,494**	**466,895,439**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Non-financial assets						
Property, plant and equipment	-	-	1,513,391	-	27,727,214	29,240,605
Intangible asset	-	-	123,139	-	788,776	911,915
Other non-financial assets	364,909	-	909,488	5,369,470	-	6,643,867
Total	**364,909**	**-**	**2,546,018**	**5,369,470**	**28,515,990**	**36,796,387**
Total assets	**703,645,731**	**292,121,782**	**216,305,106**	**326,282,761**	**221,274,919**	**1,759,630,299**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	-	-	-	-	140,040,206
Liabilities with International Monetary Fund	170,298	2,731,484	3,519,361	10,482,616	151,826,061	168,729,820
Total	**140,210,504**	**2,731,484**	**3,519,361**	**10,482,616**	**151,826,061**	**308,770,026**
Local currency financial liabilities						
Notes in circulation	746,382,617	-	-	-	-	746,382,617
Short term borrowings	49,830,996					49,830,996
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	371,149,908
Other local currency financial liabilities	-		92,953,477	-	-	92,953,477
Total	**1,167,363,521**	**-**	**92,953,477**	**-**	**-**	**1,260,316,998**
Total liabilities	**1,307,574,025**	**2,731,484**	**96,472,838**	**10,482,616**	**151,826,061**	**1,569,087,024**
Capital and reserve	-	41,568,137	-	-	148,975,138	190,543,275
Total liability and equity	**1,307,574,025**	**44,299,621**	**96,472,838**	**10,482,616**	**300,801,199**	**1,759,630,299**
Gap analysis						
Maturity gap	**(603,928,294)**	**289,390,298**	**119,832,268**	**315,800,145**	**69,448,858**	**190,543,276**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

ii) As at 30 June 2012

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	249,373,468	-	-	-	-	249,373,468
Foreign investments	225,005,259	67,368,403	53,735,481	98,582,777	-	444,691,920
Assets held with International Monetary Fund	55,417,219	-	11,265	-	66,224,074	121,652,558
Gold and silver	43,237,047	-	-	-	-	43,237,047
Claims from gold transactions	-	-	14,005,843	-	-	14,005,843
Foreign currency loans to banks	-	-	40,823,997	-	-	40,823,997
Other foreign currency financial assets	-	924,406	155,740	1,910,778	80	2,991,004
Total	**573,032,993**	**68,292,809**	**108,732,326**	**100,493,555**	**66,224,154**	**916,775,837**
Local currency financial assets						
Taka coin and cash balances	924,638	-	-	-	-	924,638
Reverse repurchase agreement	153,769,820	-	-	-	-	153,769,820
Loans to the Government of Bangladesh	20,000,000	111,547,885	40,156,138	172,264,424	29,099,421	373,067,868
Local currency investments	-	-	1,279,743	5,730,785	654,110	7,664,638
Local currency loans to banks, financial institutions and employees	203,349	4,408,399	52,818,517	32,519,660	21,685,015	111,634,940
Other local currency financial assets	-	51,631	1,700,754	-	-	1,752,385
Total	**174,897,807**	**116,007,915**	**95,955,152**	**210,514,869**	**51,438,546**	**648,814,289**
Other non-financial assets						
Property, plant and equipment	-	-	735,923	-	27,951,460	28,687,383
Intangible asset	-	-	-	838,617	-	838,617
Other non-financial assets	1,222,583	1,286,696		3,860,185	-	6,369,464
Total	**1,222,583**	**1,286,696**	**735,923**	**4,698,802**	**27,951,460**	**35,895,464**
Total assets	**747,930,800**	**184,300,724**	**204,687,478**	**311,008,424**	**117,662,700**	**1,565,590,126**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	157,626,977	-	-	-	-	157,626,977
Liabilities with International Monetary Fund	5,850,754	2,069,502	11,228,212	15,360,404	139,412,261	173,921,133
Total	**163,477,731**	**2,069,502**	**11,228,212**	**15,360,404**	**139,412,261**	**331,548,110**
Local currency financial liabilities						
Notes in circulation	642,007,492	-	-	-	-	642,007,492
Deposits from banks and financial institutions	329,012,080	-	-	-	-	329,012,080
Other local currency financial liabilities	18,858,198	-	3,338,156	9,789,362	17,921,666	49,907,382
Total	**989,877,770**	**-**	**3,338,156**	**9,789,362**	**17,921,666**	**1,020,926,954**
Total liabilities	**1,153,355,501**	**2,069,502**	**14,566,368**	**25,149,766**	**157,333,927**	**1,352,475,064**
Capital and reserve	-	36,742,319	-	-	212,268,207	249,010,526
Total liability and equity	**1,153,355,501**	**38,811,821**	**14,566,368**	**25,149,766**	**369,602,134**	**1,601,485,590**
Gap analysis						
Maturity gap	**(405,424,701)**	**182,231,222**	**190,121,110**	**285,858,658**	**(39,671,227)**	**213,115,062**

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

44.01 Liquidity risk

i) As at 30 June 2013

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	400,668,902	-	-	-	-	400,668,902
Foreign investments	150,959,334	210,151,187	87,839,457	170,548,095		619,498,073
Assets held with International Monetary Fund	67,161,274	-	5,349	-	62,368,435	129,535,058
Gold and silver	30,888,999	-	-	-	-	30,888,999
Claims from gold transactions	-	-	9,888,170	-	-	9,888,170
Foreign currency loans to banks	-	-	62,201,818	-	-	62,201,818
Other foreign currency financial assets	-	-	3,257,453	-	-	3,257,453
Total	**649,678,509**	**210,151,187**	**163,192,247**	**170,548,095**	**62,368,435**	**1,255,938,473**
Local currency financial assets						
Taka coin and cash balances	387,106	-	-	-	-	387,106
Reverse repurchase agreement	32,690,170	-	-	-	-	32,690,170
Loans to the Government of Bangladesh	20,000,000	77,163,242	17,844,151	85,199,436	104,470,157	304,676,986
Local currency investments	-		2,065,000	4,050,000	925,000	7,040,000
Local currency loans to banks, financial institutions and employees	-	4,807,353	28,319,817	59,441,457	24,518,837	117,087,464
Other local currency financial assets	-	-	2,199,827	-	-	2,199,827
Total	**53,077,276**	**81,970,595**	**50,428,795**	**148,690,893**	**129,913,994**	**464,081,553**
Non-financial assets						
Property, plant and equipment	-	-	1,512,152	-	24,680,070	26,192,222
Intangible asset	-	-	123,139	-	788,776	911,915
Other non-financial assets	4,214,521	-	-	18,071	-	4,232,592
Total	**4,214,521**	**-**	**1,635,291**	**18,071**	**25,468,846**	**31,336,729**
Total assets	**706,970,306**	**292,121,782**	**215,256,333**	**319,257,059**	**217,751,275**	**1,751,356,755**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	-	-	-	-	140,040,206
Liabilities with International Monetary Fund	170,298	2,731,484	3,519,361	10,482,616	151,826,061	168,729,820
Total	**140,210,504**	**2,731,484**	**3,519,361**	**10,482,616**	**151,826,061**	**308,770,026**
Local currency financial liabilities						
Notes in circulation	746,382,617	-	-	-	-	746,382,617
Short term borrowings	49,830,996	-	-	-	-	49,830,996
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	371,149,908
Other local currency financial liabilities	-	-	92,137,645	-	-	92,137,645
Total	**1,167,363,521**	**-**	**92,137,645**	**-**	**-**	**1,259,501,166**
Total liabilities	**1,307,574,025**	**2,731,484**	**95,657,006**	**10,482,616**	**151,826,061**	**1,568,271,192**
Capital and reserve	-	41,568,137		-	141,517,426	183,085,563
Total liability and equity	**1,307,574,025**	**44,299,621**	**95,657,006**	**10,482,616**	**293,343,487**	**1,751,356,755**
Gap analysis						
Maturity gap	**(600,603,719)**	**289,390,298**	**119,599,327**	**308,774,443**	**65,925,214**	**183,085,564**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

ii) As at 30 June 2012

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	249,373,468	-	-	-	-	249,373,468
Foreign investments	225,005,259	67,368,403	53,735,481	98,582,777	-	444,691,920
Assets held with International Monetary Fund	55,417,219	-	11,265	-	66,224,074	121,652,558
Gold and silver	43,237,047	-	-	-	-	43,237,047
Claims from gold transactions	-	-	14,005,843	-	-	14,005,843
Foreign currency loans to banks	-	-	40,823,997	-	-	40,823,997
Other foreign currency financial assets	-	924,406	155,740	1,910,778	80	2,991,004
Total	**573,032,993**	**68,292,809**	**108,732,326**	**100,493,555**	**66,224,154**	**916,775,837**
Local currency financial assets						
Taka coin and cash balances	459,960	-	-	-	-	459,960
Reverse repurchase agreement	153,769,820	-	-	-	-	153,769,820
Loans to the Government of Bangladesh	20,000,000	111,547,885	40,156,138	172,264,424	29,099,421	373,067,868
Local currency investments	-	-	200,000	5,723,333	1,150,000	7,073,333
Local currency loans to banks, financial institutions and employees	203,349	4,408,399	52,818,517	32,519,660	20,957,246	110,907,171
Other local currency financial assets	-	51,631	1,622,567	-	-	1,674,198
Total	**174,433,129**	**116,007,915**	**94,797,222**	**210,507,417**	**51,206,667**	**646,952,350**
Non-financial assets						
Property, plant and equipment	-	-	734,940	-	24,861,664	25,596,604
Intangible asset	-	-	-	838,617	-	838,617
Other non-financial assets	3,761,140	-	-	20,715	-	3,781,855
Total	**3,761,140**	**-**	**734,940**	**859,332**	**24,861,664**	**30,217,076**
Total assets	**751,227,262**	**184,300,724**	**204,264,488**	**311,860,304**	**142,292,485**	**1,593,945,263**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	157,626,977	-	-	-	-	157,626,977
Liabilities with International Monetary Fund	5,850,754	2,069,502	11,228,212	15,360,404	139,412,261	173,921,133
Total	**163,477,731**	**2,069,502**	**11,228,212**	**15,360,404**	**139,412,261**	**331,548,110**
Local currency financial liabilities						
Notes in circulation	642,007,492	-	-	-	-	642,007,492
Deposits from banks and financial institutions	329,012,080	-	-	-	-	329,012,080
Other local currency financial liabilities	18,858,198.0	-	2,817,310	9,789,362	17,467,715	48,932,585
Total	**989,877,770**	**-**	**2,817,310**	**9,789,362**	**17,467,715**	**1,019,952,157**
Total liabilities	**1,153,355,501**	**2,069,502**	**14,045,522**	**25,149,766**	**156,879,976**	**1,351,500,267**
Capital and reserve	-	36,742,319	-	-	205,702,677	242,444,996
Total liability and equity	**1,153,355,501**	**38,811,821**	**14,045,522**	**25,149,766**	**362,582,653**	**1,593,945,263**
Gap analysis						
Maturity gap	**(402,128,239)**	**182,231,222**	**190,218,966**	**286,710,538**	**(14,587,491)**	**242,444,996**

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

45 Currency risk

Currency risk (exchange rate risk) is a form of risk that arises from the change in price of one currency against another, which directly affects the value of foreign exchange reserves as well as investments. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. The decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for Bangladesh Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within a band. Dealers/portfolio managers afford best to comply with this benchmark and continually rebalance the investment portfolio to follow the benchmark daily/weekly as approved by the Investment Committee.

Foreign currency monetary assets and liabilities

i) As at 30 June 2013

Taka '000

Particulars	US$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Yen equivalent	C$ equivalent	AUD equivalent	CNY equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	313,536,314	-	78,632,814	2,721,504	3,686,957	199,980	1,795,048	53,953	-	42,332
Short term investment in overseas commercial banks	215,089,539	-	-	51,964,362	-	12,090,588	23,023,762	818,182	-	12,441,488
Treasury bills	83,198,484	-	-	-	-	-	-	-	-	-
Foreign bonds	147,302,148	-	39,721,907	12,673,184	-	4,481,289	14,313,099	2,380,041	-	-
Gold and silver	-	30,888,999	-	-	-	-	-	-	-	-
Loan to other banks	62,201,818	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	9,888,170	-	-	-	-	-	-	-	-
Interest receivable	1,970,416	17,670	749,123	127,121	-	38,161	340,830	14,052	5,349	-
Asset held with IMF	-	-	-	-	-	-	-	-	129,529,709	-
Other foreign assets	-	-	-	-	-	-	-	-	-	80
Total	**823,298,719**	**40,794,839**	**119,103,844**	**67,486,171**	**3,686,957**	**16,810,018**	**39,472,739**	**3,266,228**	**129,535,058**	**12,483,900**
Liabilities										
Deposits from other banks	136,683,238	-	627,781	562,085	2,163,272	3,830	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	-	-
Securities & Emergency Natural Disaster Assistance	-	-	-	-	-	-	-	-	62,489,313	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	14,297,198	-
SDR allocation	-	-	-	-	-	-	-	-	59,691,863	-
Extended credit facility	-	-	-	-	-	-	-	-	32,075,760	-
Others	-	-	-	-	-	-	-	-	175,686	-
Total	**136,683,238**	**-**	**627,781**	**562,085**	**2,163,272**	**3,830**	**-**	**-**	**168,729,820**	**-**
Net	**686,615,481**	**40,794,839**	**118,476,063**	**66,924,086**	**1,523,685**	**16,806,188**	**39,472,739**	**3,266,228**	**(39,194,763)**	**12,483,900**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

ii) As at 30 June 2012

Taka '000

Particulars	US$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Yen equivalent	C$ equivalent	AUD equivalent	CNY equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	150,746,913	-	91,983,638	4,529,845	1,204,028	372,485	480,461	9,700	-	46,397
Short term investment in overseas commercial banks	121,969,000	-	15,243,852	56,181,129	-	5,039,093	23,824,417	810,089	-	-
Treasury bills	95,719,647	-	-	-	-	-	-	-	-	-
Foreign bonds	81,142,551	-	12,749,694	10,258,681	-	4,506,819	15,598,893	-	-	1,648,055
Gold and silver		43,237,047	-	-	-			-	-	-
Loan to other banks	40,823,997	-	-	-	-	-	-	-	-	80
Claims from gold transaction	-	14,005,843	-	-	-	-	-	-	-	-
Interest receivable	2,140,039	-	589,713	8,229	-	17,131	232,725	3,087	-	-
Asset held with IMF	-	-	-	-	-	-	-		121,652,558	-
Total	**492,542,147**	**57,242,890**	**120,566,897**	**70,977,884**	**1,204,028**	**9,935,529**	**40,136,496**	**822,876**	**121,652,558**	**1,694,532**
Liabilities										
Deposits from other banks	154,845,280	-	1,268,105	1,471,093	12,551	29,948				
Liabilities to IMF	-	-	-	-	-	-	-	-	-	-
Securities & Emergency Natural Disaster Assistance	-	-	-	-	-	-	-	-	70,264,454	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	23,056,483	-
SDR allocation	-	-	-	-	-	-	-	-	63,381,020	-
Extended credit facility	-	-	-	-	-	-	-	-	11,352,716	-
Others	-	-	-	-	-	-	-	-	5,866,460	-
Total	**154,845,280**	**-**	**1,268,105**	**1,471,093**	**12,551**	**29,948**	**-**	**-**	**173,921,133**	**-**
Net	**337,696,867**	**57,242,890**	**119,298,792**	**69,506,791**	**1,191,477**	**9,905,581**	**40,136,496**	**822,876**	**(52,268,575)**	**1,694,532**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

46 Sensitivity Analysis

At 30 June 2013, if interest rates had been 100 basis points lower with all other variables constant, profit for the year would have been 16,430 million Taka lower (2012: Taka 12,608 million), arising mainly as a result of lower interest income on financial assets. Conversely, if interest rates had been 100 basis point higher with all other variables held constant, profit for the year would have been 16,430 million Taka higher (2012: Taka 12,608 million) arising mainly as a result of higher interest income on financial assets. Profit is very sensitive to changes in interest rates as interest is the principal source of income of the bank.

At 30 June 2013 if the Taka had weakened 10 percent against the principal currencies in its foreign reserves portfolio with all other variables held constant, profit for the year would have been 3,848 million Taka higher, (2012: Taka 3,173 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a reduction of profit for the year of Taka 3,848 million, (2012: Taka 3,173 million). Profit is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

i) Consolidated fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair value have been based on management assumptions according to the portfolio of the asset and liability base. IFRS requires that the fair value of the financial assets and liabilities be disclosed according to their classification under IAS 39 - Financial Instruments: Recognition & Measurement. The following tables summarise the carrying amounts and fair values of those financial assets and liabilities not carried at fair value:

	Carrying value		Fair value	
	2013	Restated 2012	2013	Restated 2012
Financial assets				
Foreign currency accounts	400,668,902	249,373,468	400,668,902	249,373,468
Foreign investments	619,498,073	444,691,920	619,498,073	444,691,920
Assets held with International Monetary Fund	129,535,058	121,652,558	129,535,058	121,652,558
Gold and silver	30,888,999	43,237,047	30,888,999	43,237,047
Claims from gold transactions	9,888,170	14,005,843	9,888,170	14,005,843
Foreign currency loans to banks	62,201,818	40,823,997	62,201,818	40,823,997
Other foreign currency financial assets	3,257,453	2,991,004	3,257,453	2,991,004
Loans to the Government of Bangladesh	304,676,986	373,067,868	304,676,986	373,067,868
Reverse repurchase agreement	32,690,170	153,769,820	32,690,170	153,769,820
Local currency investments	8,221,755	7,664,638	8,221,755	7,664,638
Local currency loans to banks, financial institutions and employees	118,056,512	111,634,940	118,056,512	111,634,940
Other local currency financial assets	2,337,873	1,752,385	2,337,873	1,752,385
Taka coin and cash balances	912,143	924,638	912,143	924,638

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

	Carrying value		Fair value	
	2013	Restated 2012	2013	Restated 2012
Financial liabilities				
Liabilities with International Monetary Fund	168,729,820	173,921,133	168,729,820	173,921,133
Foreign and local currency deposits from banks and financial institutions	511,190,114	486,639,057	511,190,114	486,639,057
Notes in circulation	746,382,617	642,007,492	746,382,617	642,007,492
Short term borrowings	49,830,996	-	49,830,996	-
Other local currency financial liabilities	92,953,477	49,907,382	92,953,477	49,907,382

ii) **Fair Value**

Financial assets				
Foreign currency accounts	400,668,902	249,373,468	400,668,902	249,373,468
Foreign investments	619,498,073	444,691,920	619,498,073	444,691,920
Assets held with International Monetary Fund	129,535,058	121,652,558	129,535,058	121,652,558
Gold and silver	30,888,999	43,237,047	30,888,999	43,237,047
Claims from gold transactions	9,888,170	14,005,843	9,888,170	14,005,843
Foreign currency loans to banks	62,201,818	40,823,997	62,201,818	40,823,997
Other foreign currency financial assets	3,257,453	2,991,004	3,257,453	2,991,004
Loans to the Government of Bangladesh	304,676,986	373,067,868	304,676,986	373,067,868
Reverse repurchase agreement	32,690,170	153,769,820	32,690,170	153,769,820
Local currency investments	7,040,000	7,073,333	7,040,000	7,073,333
Local currency loans to banks, financial institutions and employees	117,087,464	110,907,171	117,087,464	110,907,171
Other local currency financial assets	2,199,827	1,674,198	2,199,827	1,674,198
Taka coin and cash balances	387,106	459,960	387,106	459,960
Financial liabilities				
Liabilities with International Monetary Fund	168,729,820	173,921,133	168,729,820	173,921,133
Foreign and local currency deposits from banks and financial institutions	511,190,114	486,639,057	511,190,114	486,639,057
Notes in circulation	746,382,617	642,007,492	746,382,617	642,007,492
Short term borrowings	49,830,996	-	49,830,996	-
Other local currency financial liabilities	92,137,645	48,932,585	92,137,645	48,932,585

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

Determination of fair value of financial assets

The fair value of foreign securities held to maturity is based on quoted market prices, at the financial position date. Local currency financial investments includes shares in SPCL with a value of Taka 500,000,000 (2012: Taka 500,000,000) for which fair value cannot be reliably determined as they are not traded in the active market and there are no similar instruments with similar characteristics. Management believes that the fair value of these shares are their carrying value. Government securities (overdraft-block and current) are carried at cost as the interest accrued is recovered on a daily basis. Other Government securities (Govt. treasury bills and bonds) are carried at amortised cost. Loans to banks, financial institutions and employees are carried at amortised cost and are net of provisions for impairment. The fair value approximates their carrying value.

47 Consolidated classification of financial instruments

Analysis of financial assets and liabilities by fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1:
Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2:
Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:
Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For 2012 and 2013 all foreign bonds are classified as level 1 instruments. These are valued using open market rates.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

i) As at 30 June 2013

Financial Assets

Taka '000

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Total
Taka coin and cash balances	912,143	-	-	-	912,143
Foreign currency accounts	400,668,902	-	-	-	400,668,902
Foreign investments:					
Short term investments with overseas commercial banks	315,427,920	-	-	-	315,427,920
US Dollar Treasury Bills	-	83,198,484	-	-	83,198,484
Foreign Bonds	-	-	220,871,669	-	220,871,669
Asset held with IMF	129,535,058	-	-	-	129,535,058
Gold and silver	-	-	-	30,888,999	30,888,999
Claims from gold transaction	-	-	-	9,888,170	9,888,170
Foreign currency loans to banks	62,201,818	-	-	-	62,201,818
Other foreign assets:					
Swift shares	-	-	-	80	80
Interest receivable	3,257,373	-	-	-	3,257,373
Loans to the Government					
Ways and means advance	20,000,000	-	-	-	20,000,000
Overdraft - block (Government treasury bills)	146,264,310	-	-	-	146,264,310
Overdraft - current	72,045,000	-	-	-	72,045,000
Treasury bills	-	3,367,132	-	-	3,367,132
Treasury bonds	-	63,000,544	-	-	63,000,544
Reverse repurchase agreement	32,690,170	-	-	-	32,690,170
Investments					
Debenture - House Building Finance Corporation	-	6,540,000	-	-	6,540,000
Short term money market investments and others	-	1,674,303	-	-	1,674,303
Share of ICB Islamic Bank Limited	-	-	-	7,452	7,452
Local currency loans to banks, financial institutions and employees:					-
Loan to Commercial banks	4,357,353	-	-	-	4,357,353
Loan to Specialized banks	46,943,070	-	-	-	46,943,070
Loan to Private banks	6,740,398	-	-	-	6,740,398
Other loans and advances	26,882,308	-	-	-	26,882,308
Interest receivable	7,645,498	-	-	-	7,645,498
Loans and advances to employees	25,487,885	-	-	-	25,487,885
Other local currency financial assets	2,337,873	-	-	-	2,337,873
Total	**1,303,397,078**	**157,780,463**	**220,871,669**	**40,784,702**	**1,722,833,912**
Interest/Commission received	**41,810,273**	**10,579,984**	**5,397,470**	**46,507**	**57,834,234**

Financial Liabilities

Taka '000

Items	Carried at amortised cost	Liabilities through profit or loss	Total
Liabilities with IMF	168,729,820	-	168,729,820
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	84,226,213	-	84,226,213
Asian Clearing Union (ACU)	55,813,993	-	55,813,993
Notes in circulation	746,382,617	-	746,382,617
Local currency deposits from banks and financial institution	371,149,908	-	371,149,908
Short term borrowings	49,830,996	-	-
Total	**1,476,133,547**	**-**	**1,476,133,547**
Interest/commission paid	**(4,223,871)**	**-**	**(4,223,871)**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

ii) As at 30 June 2012

Financial Assets

Taka '000

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Total
Taka coin and cash balances	924,638	-	-	-	924,638
Foreign currency accounts	249,373,468	-	-	-	249,373,468
Foreign investments:					-
Short term investments with overseas commercial banks	223,067,581	-	-	-	223,067,581
US Dollar Treasury Bills	-	95,719,647	-	-	95,719,647
Foreign Bonds	-	-	125,904,692	-	125,904,692
Asset held with IMF	121,652,558	-	-	-	121,652,558
Gold and silver	-	-	-	43,237,047	43,237,047
Claims from gold transaction	-	-	-	14,005,843	14,005,843
Foreign currency loans to banks	40,823,997	-	-	-	40,823,997
Other foreign assets:					
Swift shares	-	-	-	80	80
Interest receivable	2,990,924	-	-	-	2,990,924
Loans to the Government					
Ways and means advance	20,000,000	-	-	-	20,000,000
Overdraft - block (Government treasury bills)	161,510,000	-	-	-	161,510,000
Overdraft - current	78,247,000	-	-	-	78,247,000
Treasury bills	-	58,457,023	-	-	58,457,023
Treasury bonds	-	54,853,845	-	-	54,853,845
Reverse repurchase agreement	153,769,820	-	-	-	153,769,820
Investments in shares and debentures:					
Debenture - House Building Finance Corporation	-	6,573,333	-	-	6,573,333
Short term money market investments and others	-	1,083,853	-	-	1,083,853
Share of ICB Islamic Bank Limited	-	-	-	7,452	7,452
Local currency loans to banks, financial institutions and employees:					
Loan to Commercial banks	4,611,748	-	-	-	4,611,748
Loan to Specialized banks	52,818,517	-	-	-	52,818,517
Loan to Private banks	4,867,756	-	-	-	4,867,756
Other loans and advances	19,949,732	-	-	-	19,949,732
Interest receivable	7,702,172	-	-	-	7,702,172
Loans and advances to employees	21,685,015	-	-	-	21,685,015
Other local currency financial assets	1,752,385	-	-	-	1,752,385
Total	**1,165,747,311**	**216,687,701**	**125,904,692**	**57,250,422**	**1,565,590,126**
Interest/Commission received	**46,869,160**	**4,074,040**	**4,644,823**	**62,529**	**55,650,552**

Financial Liabilities

Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with IMF	173,905,427	-	173,905,427
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	-	102,898,799	102,898,799
Asian Clearing Union (ACU)	-	54,728,178	54,728,178
Other foreign liabilities	-	1,481,036	1,481,036
Notes in circulation	642,007,492	-	642,007,492
Deposits from banks and financial institution	329,012,078	-	329,012,078
Total	**1,144,924,997**	**159,108,013**	**1,304,033,010**
Interest/commission paid	**3,583,454**	**-**	**3,583,454**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

47.01 Classification of financial instruments

i) As at 30 June 2013

Taka '000

Financial Assets

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Total
Taka coin and cash balances	387,106	-	-	-	387,106
Foreign currency accounts	400,668,902	-	-	-	400,668,902
Foreign investments:					
Short term investments with overseas commercial banks	315,427,920	-	-	-	315,427,920
US Dollar Treasury Bills	-	83,198,484	-	-	83,198,484
Foreign Bonds	-	-	220,871,669		220,871,669
Asset held with IMF	129,535,058	-	-	-	129,535,058
Gold and silver	-	-	-	30,888,999	30,888,999
Claims from gold transaction	-	-	-	9,888,170	9,888,170
Foreign currency loans to banks	62,201,818	-	-	-	62,201,818
Other foreign assets:					
Swift shares	-	-	-	80	80
Interest receivable	3,257,373	-	-	-	3,257,373
Loans to the Government					
Ways and means advance	20,000,000	-	-	-	20,000,000
Overdraft - block	146,264,310	-	-	-	146,264,310
Overdraft - current	72,045,000	-	-	-	72,045,000
Treasury bills	-	3,367,132	-	-	3,367,132
Treasury bonds	-	63,000,544	-	-	63,000,544
Reverse repurchase agreement	32,690,170	-	-	-	32,690,170
Local currency investments					
Debenture - HBFC	-	6,540,000			6,540,000
Investment in subsidiary	-	-		500,000	500,000
Local currency loans to banks, financial institutions and employees					
Loan to Commercial banks	4,357,353	-	-	-	4,357,353
Loan to Specialised banks	46,943,070	-	-	-	46,943,070
Loan to Private banks	6,740,398	-	-	-	6,740,398
Other loans and advances	26,882,308	-	-	-	26,882,308
Interest receivable	7,645,498	-	-	-	7,645,498
Loans and advances to employees	24,518,837	-	-	-	24,518,837
Other local currency financial assets	2,199,827	-	-	-	2,199,827
Total	**1,301,764,947**	**156,106,160**	**220,871,669**	**41,277,250**	**1,720,020,026**
Interest/Commission received	**39,506,486**	**10,382,713**	**5,397,470**	**46,507**	**55,333,176**

Financial Liabilities

Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with International Monetary Fund	168,729,820	-	168,729,820
Foreign currency deposits from banks and financial institutions			
Foreign currency deposits from banks and financial institutions	84,226,213	-	84,226,213
Asian Clearing Union (ACU)	55,813,993	-	55,813,993
Notes in circulation	746,382,617	-	746,382,617
Short term borrowings	49,830,996	-	49,830,996
Local currency deposits from banks and financial institutions	371,149,908	-	371,149,908
Total	**1,476,133,547**	**-**	**1,476,133,547**
Interest/commission paid	**(4,223,871)**	**-**	**(4,223,871)**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

ii) As at 30 June 2012

Financial Assets

Taka '000

Items	Loans and receivables	Held to maturity	Assets at fair value through profit or loss	Available for sale	Total
Taka coin and cash balances	459,960	-	-	-	459,960
Foreign currency accounts	249,373,468	-	-	-	249,373,468
Foreign investments:					
Short term investments with overseas commercial banks	223,067,581	-	-	-	223,067,581
US Dollar Treasury Bills	-	95,719,647	-	-	95,719,647
Foreign Bonds	-	-	125,904,692		125,904,692
Assets held with International Monetary Fund	121,652,558	-	-	-	121,652,558
Gold and silver	-	-	-	43,237,047	43,237,047
Claims from gold transaction	-	-	-	14,005,843	14,005,843
Foreign currency loans to banks	40,823,997	-	-	-	40,823,997
Other foreign currency financial assets					
Swift shares	-	-	-	80	80
Interest receivable	2,990,924	-	-	-	2,990,924
Loans to the Government of Bangladesh					
Ways and means advance	20,000,000	-	-	-	20,000,000
Overdraft - block (Govt. treasury bills)	161,510,000	-	-	-	161,510,000
Overdraft - current	78,247,000	-	-	-	78,247,000
Treasury bills	-	58,457,023	-	-	58,457,023
Treasury bonds	-	54,853,845	-	-	54,853,845
Reverse repurchase agreement	153,769,820	-	-	-	153,769,820
Local currency investments					
Debenture - HBFC	-	6,573,333			6,573,333
Investment in subsidiary	-	-		500,000	500,000
Local currency loans to banks, financial institutions and employees					
Loan to Commercial banks	4,611,748	-	-	-	4,611,748
Loan to Specialised banks	52,818,517	-	-	-	52,818,517
Loan to Private banks	4,867,756	-	-	-	4,867,756
Other loans and advances	19,949,732	-	-	-	19,949,732
Interest receivable	7,702,172	-	-	-	7,702,172
Loans and advances to employees	20,957,246	-	-	-	20,957,246
Other local currency financial assets	1,674,198	-	-	-	1,674,198
Total	**1,164,476,677**	**215,603,848**	**125,904,692**	**57,742,970**	**1,563,728,187**
Interest/Commission received	**44,858,879**	**3,930,139**	**4,644,823**	**62,529**	**53,496,370**

Financial Liabilities

Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with International Monetary Fund	173,905,427	-	173,905,427
Foreign currency deposits from banks and financial institutions			
Foreign currency deposits by commercial banks	102,898,799	-	102,898,799
Asian Clearing Union (ACU)	54,728,178	-	54,728,178
Notes in circulation	642,007,492	-	642,007,492
Local currency deposits from banks and financial institutions	329,012,078	-	329,012,078
Total	**1,302,551,974**	-	**1,302,551,974**
Interest/commission paid	**3,583,454**	**-**	**3,583,454**

Previous year's figures have been restated, where necessary.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

48 Contingent liabilities

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2013 amounting to Taka 73,094 million (2012: 187,380 million) secured by counter guarantees from the Government of Bangladesh.

The Bank had one pending litigation against which the estimated possible liability was Taka 1.69 million as at the reporting date. No provisions have been made in the financial statements in respect of these as it was not possible to determine the outcome of these cases with reasonable assurance.

49 Operating segments

The Bank as the central bank of Bangladesh operates as an instrument of Government economic policy. As a result its operations can be segmented between its operations in the domestic market (including the issue of currency) and its operations in the foreign exchange market to maintain reserves and implement Government policy in this area. Therefore, the Bank presents assets and liabilities, and their associated income and expense streams, by distinguishing between foreign currency and local currency activities in the financial position and statement of comprehensive income. The Bank does not further segment its by results line of business given that its operations are driven by central policy objectives.

The Bank operates as a central bank in the People's Republic of Bangladesh and therefore, does not segment its operations by geography.

50 Retirement benefit plans

The retirement plans differ for employees employed before 17 February 1983 and employees employed after the said date.

50.01 For employees employed before 17 February 1983

(a) Contributory Provident Fund (CPF)

The Bank and employees contribute to the fund, which invests in various securities. The Bank commits a return of 12.5% on the balance of the contributed amount. In the event, that the return from securities is lower than the committed return of 12.5%, the shortfall, if any, would be paid by the Bank.

(b) Gratuity scheme

On retirement the employees are entitled to get two months salary for every year of service.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

50.02 For employees employed after 17 February 1983

(a) *General Provident Fund (GPF)*

The employees contribute at various rates of their basic salary into the fund. The fund is also invested in various securities and the Bank commits a return of 12.5% on the balance of the fund. In the event, when the return from securities is lower than the committed return of 12.5%, the shortfall, if any, would be paid by the Bank.

(b) *Pension scheme*

The employees are entitled to pension amounting to maximum of 80% of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Tk. 200 per Tk. 1 surrendered from the pension. Employees may choose to surrender the remaining 50% for a lump sum payment computed at the rate of Taka 100 per Taka 1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to Taka 700 per month as medical allowance in cash and a maximum of Tk. 1,000 per year in the form of medicine even after retirement.

Those employees who have unutilised leave up to one year or more at the time of retirement age of 59 are allowed to leave with salary for one year. The remaining unutilised leave is encashed (maximum twelve months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

Since the rate of interest is guaranteed for both CPF and GPF these funds are considered to be funded defined benefit plans. The gratuity scheme, pension scheme and medical assistance after retirement and en-cashing of unutilised leave are un-funded defined benefit plans.

50.03 Actuarial valuation of defined benefit plans

The Bank carried on actuarial valuation for the pension fund and gratuity fund during the year FY12. The Bank appointed an actuarial firm (AIR Consulting) to calculate an actuarial valuation of the pension and gratuity scheme for 2012. The estimated obligation of the pension fund as at 30 June 2012 was Taka 4,745,764 thousand and for gratuity was Taka 1,069,800 thousand. The actuary also estimated the current service cost for the year ended 30 June 2013 for the pension and gratuity schemes as Taka 203,748 thousand and Taka 35,103 thousand respectively. As both the funds have excess balances, the Bank did not expense any additional amounts in this year. The excess balance is kept on for future adjustment. The balance of the funds is as under:

Taka '000

Particulars	Pension plans		Gratuity plans	
	2012-2013	2011-2012	2012-2013	2011-2012
Amounts recognised in the reporting date				
Balance at the beginning of the year	6,105,346	2,968,230	1,888,124	1,871,230
Paid during the year	(394,705)	(609,542)	(113,239)	(83,106)
Current year's provision	-	3,746,658	-	100,000
Balance of the fund	**5,710,641**	**6,105,346**	**1,774,885**	**1,888,124**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

Actuarial assumptions

Particulars	Pension plans		Gratuity plans	
	2012-2013	2011-2012	2012-2013	2011-2012
Discount rate	11.50%	11.50%	11.50%	11.50%
Salary growth rate	8%	8%	8%	8%

The assumptions regarding future mortality rate are based on the published statistics and mortality tables of the FA 1975-78 (based on experience collected from UK insurers).

Previous year's figures have been restated, where necessary.

51 Capital commitments

As at 30 June 2013 the Bank had outstanding capital commitments of Taka. 14.40 million with respect to different networking packages (2012: Nil).

52 Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Bank, related parties, as defined in International Accounting Standard No. 24, include directors and officers of the Bank, and companies of whom they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions on an arms length basis.

The Bank is fully owned by the Government of Bangladesh. The Government has interests in various entities such as state owned banks, specialised banks and corporations. The Bank deals with these entities on the directives of the government in line with the its monetary policy objectives.

The outstanding as at the reporting date and average balances during the year in respect of related parties included in the statement of financial position are as follows:

			Restated	
	2013 Outstanding Taka'000	2013 Average	2012 Outstanding Taka'000	2012 Average
Outstanding balances with the government of Bangladesh				
Ways and means advance	20,000,000	20,000,000	20,000,000	15,000,000
Overdraft - block (12.01)	146,264,310	153,887,155	161,510,000	169,010,000
Overdraft - current	72,045,000	75,146,000	78,247,000	87,762,400
Treasury bills	3,367,132	30,912,078	58,457,023	29,794,748
Treasury bonds	63,000,544	58,927,194	54,853,845	41,731,683
Other assets (interest receivable)	1,787,145	1,592,496	1,397,847	1,267,095
	306,464,131	**340,464,923**	**374,465,715**	**344,565,925**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

Other liabilities:	2013 Outstanding Taka'000	2013 Average	2013 Taka'000	Restated 2012 Taka'000
Deposits	5,007	5,049	5,091	5,069
Loan from government of Bangladesh	2,837,257	2,400,097	1,962,937	1,698,026
	2,842,264	**2,405,146**	**1,968,028**	**1,703,095**

Balances related to subsidiary (Security Printing Corporation)

Other assets (Prepayments and advances)	3,849,612	3,346,401	2,843,189	2,579,120
Other liabilities (sundry creditors)	1,274,555	1,327,491	1,380,426	1,141,865

The income and expenses in respect of related parties included in the statement of income are as follows:

Income and expenses related to government

Interest income	31,455,547	29,901,726
Commission received	4,376	-
	31,459,923	**29,901,726**

Expenses

Agency charges	2,407,926	2,877,705
Under writing commission on treasury bills and bonds	316,000	240,000
	2,723,926	**3,117,705**

Income and expenses related to subsidiary (Security Printing Corporation)

Dividend income	-	75,000
Note printing expenses	3,369,886	2,059,424

Key management personnel

Salaries, wages and other benefits (Note 54.06)	3,334	2,802

52.01 Transactions with Government and Government controlled enterprises

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Bangladesh; as ultimate owner of the Bank, various Government departments, and Government controlled enterprises/entities. All transactions are carried out with reference to market rates. Transactions entered into include:

(a) Acting as the fiscal agent, banker and financial advisor of the Government; the Bank is the depository of the Government and or its agents or institutions and provides banking services to Government and Government departments and corporations;

(b) Acting as the agent of the Government or its agencies and institutions, provide guarantees, participate in loans to Government or related institutions and foreign reserve;

(c) The Bank does not ordinarily collect any commission, fees, or other charges for services which it renders to the Government and related entities;

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

(d) Acting as the agent of the Government, the Bank issues securities of Government, purchases any unsubscribed portion of any issue and amounts set aside for the Bank; and

(e) As the agent of the Government manages public debt and foreign reserves.

During the year, the Bank received an amount of Taka 2,276.80 billion (in 2012 : Tk. 1,830.57 billion) and paid Taka 2,270.61 billion (in 2012 : 1,821.53 billion) on behalf of the Government. As at 30 June 2013, total outstanding balance was Taka 304.68 billion.

(f) Assets under management:

	2013 Taka'000	Restated 2012 Taka'000
Japan Debt Relief Grant	1,132,448	1,481,037

Bangladesh Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

52.02 Transactions with entities in which the Bank has significant investments

During the year, the Bank received debenture interest from House Building Finance Corporation (HBFC) amounting to Tk. 349.35 million included in the interest income.

52.03 Transactions with controlled entities

During the year, as a part of it's business operations, the Bank paid an amount of Taka 3,369.89 million as note printing cost to the Security Printing Corporation, Bangladesh Ltd. which is included in the statement of comprehensive income of the Bank. It is a 100% owned subsidiary of the Bank. This transactions is eliminated in preparing consolidated financial statements. During the year the Security Printing Corporation, Bangladesh Ltd did not pay any dividend as per decision of their Board.

52.04 Transactions with retirement benefit plans

During the year, the Bank was not required to contribute any amount from the charges account to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as a sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 50.

52.05 Board of Directors of Bangladesh Bank and key Management Personnel

(a) Dr. Atiur Rahman - appointed as the Chairman of the Board of Directors and also as the Governor of the Bangladesh Bank for a period of four years from 1 May 2009. Further reappointed on 1 May 2013 for a period up to 2 August 2016.

(b) Mr. Md. Abul Quasem- appointed as a Director of the Board of Bangladesh Bank on 13 February 2012 for a period until further order and also holds the post of Deputy Governor, Bangladesh Bank.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2013

(c) Dr. Mustafa Kamal Mujeri - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years and holds the post of Executive Director, Bangladesh Institute of Development Studies, Sher-E-Bangla nagar, Dhaka. Further reappointed on 11 March 2013 for a period up to 10 March 2016.

(d) Prof. Sanat Kumar Saha - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-professor, Rajshahi University, Rajshahi.

(e) Dr. Sadiq Ahmed - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-Director, World Bank, USA & Vice Chairman, Policy Research Institute, Banani, Dhaka.

(f) Prof. Hannana Begum - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. She is an Ex-Principal, Eden College, Dhaka.

(g) Mr. Fazle Kabir - appointed as a Director of the Board of Bangladesh Bank on 22 August 2012 for a period until further order and holds the post of Secretary, Finance Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.

(h) Mr. Md. Ghulam Hussain - appointed as a Director of the Board of Bangladesh Bank on 13 November 2012 for a period until further order and holds the post of Secretary, Internal Resources Division and Chairman, National Board of Revenue, Govt. of the Peoples Republic of Bangladesh.

(i) Dr. M Aslam Alam - appointed as a Director of the Board of Bangladesh Bank on 13 November 2012 for a period until further order and holds the post of Secretary, Banking and Financial Institution Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.

52.06 Remuneration of members of the Board of Directors and key management personnel

Members of the Board of Directors received remuneration totaling Taka 497,084 (2012: Taka 442,910) and the Governor received salary totaling Taka 492,000 (2012: Taka 492,000). In addition, the Governor availed a free furnished house for his residence and full time transport facility. Other key management personnel of the Bank received salary totaling Taka 2,345,200 (2012: Taka 1,867,470) and in addition, they availed official residence as well as transport.

53 Events after the reporting date

Subsequent to the financial position date, no events have occurred which require adjustments to/or disclose in the financial statements.

54 Directors' responsibility for financial reporting

The Board of Directors are responsible for preparation and presentation of these financial statements.

Appendix–1

Chronology of Major Policy Announcements: FY13

Chronology of Major Policy Announcements: FY13

1. Financial Sector Development

July 2012

- It has been observed that some of the financial institutions are not submitting their financial statements in due time. To ensure the monitoring activities of financial institutions, from now on Taka 5,000 penalty would be imposed for everyday's delay on failure of submitting financial statement under Section 42 of Financial Institution Act, 1993. After expiration of 7 days (including holidays) from due time of statement submission, concerned financial institution will be penalised maximum in the form of cash under Section 42 of the above stated Act.

July 2012

- Bangladeshi passport holders living abroad and foreign citizens of Bangladeshi descent have to attest their documents from Bangladesh embassy in order to open F.C. account and purchase bonds which is inconvenient and expensive. To solve this problem, decision has been taken that Bangladeshi passport holders can purchase Wage Earner Development Bond, U.S. Dollar Premium Bond and U.S. Dollar Investment Bond by providing copy of their passport instead of attesting their necessary documents from Bangladesh embassy and foreign citizens of Bangladeshi descent can avail the same opportunity by providing a copy of passport with "No visa required" seal received from Bangladesh embassy.

July 2012

- In case of purchase and acceptance of inland bill through preparation of accommodation bill, bank branches have to take written permission from head offices instead of taking decision from branch level in purchasing domestic bill (IBP) in local or foreign currency. Besides, any acceptance or payment can not be made without being certain about the actual supply of purchased goods through spot verification before providing of acceptance against domestic bill in local or foreign currency.

July 2012

- "Guidelines on Stress Testing" was issued (Ref: DOS Circular No.1, dated-21 April 2010) to ensure the soundness and sustainability of the financial industry and make the banks and FIs more shock resilient. FIs have been undergoing Stress Testing exercise since 2010 and conducting the same on half-yearly basis.

  Department of Financial Institutions and Markets of Bangladesh Bank monitors the resilience of the FIs under different shock levels of the defined exceptional but plausible shocks. Analysing the scenario requirements and future perspectives, the guidelines have been revised for FIs. Henceforth, the FIs

		have to carry out Stress Testing on quarterly basis i.e. on 31 March, 30 June, 30 September and 31 December. After each quarter, each FI has to submit statements within the following month. And the first reporting based on 30 June 2012 using this revised guidelines has to be submitted on or before 15 September 2012.
July 2012	•	To rationalise upper limit of purchase of zeep by bank company fund written under section "Ka" of BRPD circular letter (Ref no: 17, dated 17 August 2003) has been replaced by following: "Ka) motor car worth more than 35.00 lakhs or zeep worth more than 50.00 lakhs can not be purchased through bank-company finance. But, zeep valued up to 85.00 lakhs can be purchased from state-owned Pragati Industries Limited."
July 2012	•	All scheduled banks are advised to follow and abide by the directions stated in Letter No. 08.01.0000.030.03.2012/46 dated 1 July 2012 of National Board of Revenue.
July 2012	•	With a view to determining defaulted borrower for the purpose of section 5(GaGa) of the Bank Company Act, 1991, overdue loan has been redefined below: Any continuous loan if not repaid/renewed within the fixed time limit for repayment will be treated as "overdue" from the following day of the expiry date. Any demand loan if not repaid within the fixed time limit for repayment or after the demand by the bank will be treated as "overdue" from the following day of the expiry date or demand date. In case of any installment(s) or part of installment(s) of a fixed term loan is not repaid within the fixed expiry date or due date, the amount of unpaid installment(s) as well as the loan will be treated as "overdue" from the following day of the expiry date or due date. The short-term agricultural loan or micro-credit is not repaid within the fixed time limit for repayment will be considered "overdue" after 06(six) months of the expiry date. If any loan or part of it or accrued interest thereon to any person/ organisation of his/its own or related concern remains "overdue" for more than six months, the borrower availing of such loan facility will be treated as defaulted borrower (section 5(GaGa) of the Bank Company Act, 1991). BRPD Circular No. 10 dated 14 May 2001 will be considered as void.

July 2012

- "Revised Guidelines on Risk Based Capital Adequacy (RBCA) for Banks", have been issued (Ref: BRPD Circular no. 35 dated 29 December 2010).

  It has been observed that there is an understanding gap in calculating risk weighted assets against claims of banks (loans and equity investment) on Merchant banks, Brokerage houses and Exchange houses for the purpose of determining minimum required capital.

  For minimising the gap, reference of a table given in the circular will be applicable for the above stated purpose.

<table>
<tr><th>Type of Loan/ Investment</th><th>Applicable Portion of Guidelines on RBCA</th><th>Applicable Place of Reporting Format</th><th colspan="2">Applicable Risk Weight</th></tr>
<tr><td rowspan="6">Loans/Advances to Exchange Houses by bank</td><td rowspan="6">Chapter 2. Credit Risk Table 2: Risk Weights for Balance Sheet Exposure: h. Claims on Corporate (excluding equity exposures)</td><td rowspan="6">Work Sheet-1: h. Claims on Corporate</td><td>BB Rating Grade</td><td>Risk Weight</td></tr>
<tr><td>1</td><td>20%</td></tr>
<tr><td>2</td><td>50%</td></tr>
<tr><td>3,4</td><td>100%</td></tr>
<tr><td>5,6</td><td>150%</td></tr>
<tr><td>Unrated</td><td>125%</td></tr>
<tr><td>Loans/Advances to Merchant Banks and Brokerage Houses by bank</td><td>Chapter 2. Credit Risk Table 2: Risk Weights for Balance Sheet Exposure: n. Capital Market Exposures</td><td>Work Sheet-1: o. Capital Market Exposures</td><td colspan="2">125%</td></tr>
<tr><td>Investment of banks in the shares (equity) of Merchant Banks, Brokerage Houses and Exchange Houses those are not listed in Stock Exchanges</td><td>Chapter 2. Credit Risk Table 2: Risk Weights for Balance Sheet Exposure p. Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book</td><td>Work Sheet-1: p. Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book</td><td colspan="2">125%</td></tr>
<tr><td>Investment of banks in the shares (equity) of Merchant Banks, Brokerage Houses and Exchange Houses those are listed in Stock Exchanges</td><td>Chapter 3. Market Risk 3.5.5. Capital charges for equity position risk</td><td>Work Sheet-3(c): Capital Charge on Equities</td><td colspan="2">At the rate of required minimum CAR as determined by Bangladesh Bank</td></tr>
</table>

July 2012

- Agricultural and Rural Credit Policy and Programme for the FY13 has been formulated which had already been effective from 1 July 2012.

July 2012

- According to Section 33 of the Bank Company Act, 1991 (revised till 2003), all scheduled banks operating in Bangladesh hold treasury bills and bonds in order to maintain easily transferable assets. Purchased treasury bills and bonds also work as liquidity coverage against respective bank's liabilities. At present, holding of treasury bills and bonds is not arranged universally in balanced way in banking sector. To rationalise this distribution, decision has been taken to distribute 60 percent of notified amount of treasury bills/bonds among primary dealer banks which will be issued according to auction calendar and the remaining 40 percent among 25 scheduled banks (Annex-Kha of this circular) until further order issues.

July 2012

- Banks can not buy land, building or floor space or arrange lease in 10 years or more period of time for any purpose other than use for head office of respective banks (Ref: BRPD Circular No. 04, dated 25 January 2012). However, floor space can be purchased or leased for bank branches in the city corporation area. Banks have to take permission from Bangladesh Bank with copies of properly filled format (Annex- Ka of this circular) in case of land, building or floor space purchase/lease and decision of Board of Directors.

August 2012

- According to the guidelines on Risk Based Capital Adequacy (RBCA) for banks (Ref: BRPD Circular No. 35 dated 29 December 2010), Risk Weighted Asset (RWA) against credit risk is to be computed of credit rating conducted by External Credit Assessment Institutions (ECAIs) duly recognised by Bangladesh Bank (BB). Consequently, calculated RWA and Capital Adequacy Ratio (CAR) will be reported as per specific formats enclosed in the RBCA guidelines.

  From this point of view, Alpha Credit Rating Limited (ACRL) has been recognised as an eligible ECAI in addition to existing 05 (Five) rating agencies (i.e. CRISL, CRAB, NCRL, ECRL and ACRSL). All the scheduled banks operating in Bangladesh may nominate any one or more rating agency (ies) for their own and counter party credit rating for the purpose of calculating RWA against credit risk as per RBCA guidelines.

  Rating scales of CRISL, CRAB, NCRL, ECRL and ACRSL with BB's rating grades has already been mapped earlier. Now, the rating scales of ACRL have been mapped with BB rating grades which are given below:

Long term		Short term	
BB's Rating Grade	**Equivalent Notch/Notation of ACRSL**	**BB's Rating Grade**	**Equivalent Notch/Notation of ACRL**
1	AAA	S1	AR-1
	AA+,AA,AA-		
2	A+,A,A-	S2	AR-2
3	BBB+,BBB,BBB-	S3	AR-3
4	BB+,BB,BB-	S4	AR-4
5	B+,B,B-,CCC	S5	AR-5
6*	CC+,CC,CC-,C+,C,C-,D	S6	AR-6
* Includes Default Rating (DR)			

August 2012

- Submission of Cash Transaction Report (CTR) to Bangladesh Bank is mandatory in case of cash deposit/withdrawal of 7 lakh taka in a single day in a account (Ref: Section 02 of AML Circular No. 13, dated 24 September 2007).

  Lower limit of Cash Transaction Report has been fixed at 10 lakh taka according to section 23(1)(Gha) of Anti Money Laundering Act, 2012. In this case, information on transaction of 10 lakh or more will be listed in Cash Transaction Report (CTR) from August, 2012 and onwards. It must be mentioned that, CTR report for the month of August, 2012 has to be submitted within 21 September 2012.

  Moreover, actions can be taken (Ref: section 23 of Anti Money Laundering Act, 2012) in case of failure or making wrong in CTR submission in due time, supply of incomplete or false report or information or violation of related direction.

September 2012

- Referring to BRPD Circular No. 10 dated 11 July 2012, last sentence of the second para of the above mentioned circular will be replaced by the following:

  "Any acceptance or payment can not be made without being assured of the actual supply of purchased goods before providing acceptance against inland bill in local or foreign currency."

September 2012

- A refinance fund has been established in Bangladesh Bank with financial aid from Asian Development Bank (ADB) with a view to reducing carbon emission from brick fields of the country and building environment friendly brick field through efficiency development of brick kiln with appropriate use of energy. In that fund, amount of financial aid from ADB is about 50.00 million USD/ equivalent BDT. About 30.00 million USD/ equivalent BDT of this fund will be provided as finance for transformation/development of Fixed Chemistry Kiln (FCK) to improved Zigzag Kiln for part-A (ADB's Ordinary Capital resources) and about SDR 12,972,000 or 20.00 million USD/ equivalent BDT for new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln construction sector.

September 2012 • Guidance notes on prevention of money laundering and terrorist financing has been issued for financial institutions under Anti money Laundering Act, 2012 and section 23(Gha) and 15(Jo) of Anti Terrorism Act, 2009 (including revision in 2012) in order to deal with the risks associated with financial institutions. Detailed guidance notes can be downloaded from Bangladesh Bank website (http://www.bb.org.bd/mediaroom/circulars/circulars.php).

September 2012 • Considering difficulties reported by the banks and the business community, certain instructions of the BRPD circular (No. 7 dated 14 June 2012) have been reviewed. Revised circular with the modifications is issued hereunder:

Bangladesh Bank has, over the last several years, positioned the banks on a path towards higher regulatory capital ratios and a more precise calculation of each individual bank's need for capital, through a gradual implementation of internationally recognised capital standards. The enforcement of a stricter regulatory capital regime also requires measures to improve the accuracy of financial data which are used internally, stated in the audited financial statements and reported to Bangladesh Bank as per rules. For both the bank's managerial and Bangladesh Bank's supervisory purposes, as well as for accurate valuation of a bank's capital in all of its financial reports is necessary.

An accurate valuation of capital relies, in turn, on an accurate valuation of assets. Loan loss provisioning - the recognition that some or all of the required payments on a loan may never be made - is the single most important aspect of asset valuation to bankers and bank supervisors. It is important because loans typically make up 50 percent or more of the total assets of the bank. Basel II and Basel III devote a great deal of attention to the distinction between "expected losses" and "unexpected losses" on the bank's loan portfolio. The purpose of provisioning is to take into account expected losses. Expected losses can be assigned to loans based on a loan classification system, which has been utilised in Bangladesh for many years and is being updated in the Master circular.

Master Circular contains directions on the following issues:

1. Categories of loans and advances;
2. Basis for loan classification;

3. Accounting of the Interest of classified loans;
4. Maintenance of provision;
5. Provisions to cover all expected losses;
6. Base for provision;
7. Eligible collateral etc.

September 2012 • Considering difficulties reported by the banks and the business community, certain instructions of the BRPD circular (No.08 dated June 14 2012) have been reviewed. Revised circular with the modifications is mentioned hereunder:

Bangladesh Bank recognises that in some cases, a legitimate banking practice may allow for the renewal of a continuous loan or line of credit. Occasionally, even a term loan is renewed or extended under unfortunate circumstances that are beyond the control of the borrower and do not signify that the borrower's willingness or ability to repay has deteriorated the loan. However, Bangladesh Bank is concerned that rescheduling (also known as "prolongation" or "ever greening") may sometimes result in an overstatement of capital, when loans that have a low probability of repayment are carried at full value on banks' balance sheets. Bangladesh Bank is hereby issuing this circular in order to communicate its policy stance that rescheduling should be done only in limited circumstances and under restrictions. Bangladesh Bank has issued the Master circular which contains directions on the following issues:

1. Guidelines for considering application for loan rescheduling;
2. Time limit for rescheduling;
3. Down payment of term loans;
4. Down payment of demand and continuous loans;
5. Classification and interest suspense of rescheduled loans;
6. New loan facility after rescheduling;
7. Special condition for loan rescheduling;
8. Restrictions on extending the term to maturity of a term loan.

October 2012 • Arithmetic mean of related yield of bids submitted from primary dealers (PDs), other banks and FIs (through PDs) in treasury bond auction will be used for devolvement on PD and non PD banks. Note that, outlier bids will be excluded from calculating arithmetic mean of related yield of submitted bids.

Bids that have yield gap of more than 10 basis points compared to cut-off yield of previous auction of bids of the related bond submitted in bond auction at any particular period will be defined as outlier.

October 2012 • As financial institutions have been instructed to treat money laundering and terrorist financing as a core risk. In this regard, financial institutions have been instructed to follow 'Guidance Notes on Prevention of Money Laundering and Terrorist Financing' (Ref: FID Circular No. 10 dated 18 September 2005, FID Circular No. 12 dated 29 December 2005 and DFIM Circular No. 06 dated 21 June 2010).

October 2012 • Regarding the issuance of guidelines on Risk Based Capital Adequacy (RBCA) for banks, Risk Weighted Asset (RWA) against credit risk is to be computed on the basis of credit rating conducted by External Credit Assessment Institutions (ECAIs) duly recognised by Bangladesh Bank (BB) (Ref: BRPD Circular No. 35 dated 29 December 2010). Consequently, calculated RWA and Capital Adequacy Ratio (CAR) will be reported as per specific reporting formats enclosed in the RBCA guidelines.

2) From this point of view, Waso Credit Rating Company (BD) Limited has been recognised as an eligible ECAI in addition to existing 06 (Six) rating agencies (i.e. CRISL, CRAB, NCRL, ECRL, ACRSL and Alpha Credit Rating Limited-ACRL). All the scheduled banks operating in Bangladesh may nominate any one or more rating agency (ies) for their own and counter party credit rating for the purpose of calculating RWA against credit risk as per RBCA Guidelines.

3) Rating scales of CRISL, CRAB, NCRL, ECRL, ACRSL and ACRL with BB rating grades have already been mapped earlier. Now, the rating scales of WASO have been mapped with BB rating grades as given below:

Long Term		**Short Term**	
BB's Rating Grade	**Equivalent Notch/Notation of WASO**	**BB's Rating Grade**	**Equivalent Notch/Notation of WASO**
1	AAA	S1	P-1
	AA1, AA2, AA3		
2	A1, A2, A3	S2	P-2
3	BBB1, BBB2, BBB3	S3	P-3
4	BB1, BB2, BB3	S4	P-4
5	B1, B2, B3, CCC	S5	P-5
6*	CC1, CC2, CC3, C+, C, C-, D	S6	P-6
* Includes Default Rating (DR)			

November 2012 • Following decisions have been made with a view to making farmers' Taka 10 accounts effective through transaction (Ref: BRPD Circular No. 01 dated 17 January 2010):

1. In order to increase transactions in farmers' Taka 10 accounts, 1-2 percent more interest rate than general savings account may be considered.
2. Head offices of the banks have to set yearly target for the chief of their branches for keeping farmers' Taka 10 accounts active.
3. Field assistants/field supervisors have to talk with the farmers' holding of Taka 10 accounts regarding the benefits of these accounts and to inspire them while working in the field level.
4. Promotional campaign can be arranged in open loan disbursement, loan fair or various agriculture related fair regarding the benefits of transactions through farmers' accounts opened with Taka 10.
5. The issue of providing loan facility at lower interest up to 90 percent of savings kept in farmers' accounts opened with Taka 10 may be considered.
6. Farmers' accounts opened with Taka 10 can not be made dormant.
7. Farmers holding Taka 10 accounts have to be informed and encouraged regarding the use of those accounts in case of sending money to their children studying in different places inside the country.
8. Farmers holding Taka 10 accounts have to be encouraged so that their relatives and children residing abroad send money using those accounts.
9. Farmers holding Taka 10 accounts have to be advised to make transactions depositing their money from sale of crops or money kept in hand in their accounts.
10. No charge/fee is imposed on these accounts and there is no excise duty applicable for balance up to Taka 1 lakh. Farmers have to be notified through promotional campaign regarding this issue so that they feel encouraged to make savings and transactions in these accounts.

November 2012

- Decision has been made to collect self assessment report of banks' internal control system on quarterly basis for Bangladesh Bank's review and spot verification when required against the tendency of fraud/fraudulent activities (Ref: BRPD Circular No. 6 dated 4 February 2010). From December, 2012 this self assessment quarterly report filled up according to the supplied format and signed by the chief executive and chairman of the audit committee of the bank has to be submitted within next one month from the end of each quarter.

November 2012 • Regarding Implementation of National Payment Switch Bangladesh (NPSB), Bangladesh Bank (BB) has already initiated implementation of NPSB in order to create a common platform for the card based payments, internet payments and mobile banking (Ref: DCMPS (PSD) Circular No. 02/2012 dated 20 March 2012). The deadline to complete this work is 31 December 2012. By this time required hardware and standard software has been installed in the Data Center (DC) and Disaster Recovery (DR) site of BB successfully and now the customisation of switching software installation work is running in full swing.

In order to create an enabling environment for implementing NPSB in projected time limit Implementation Monitoring Committee (IMC), the steering committee of NPSB has decided to follow the under mentioned issues:

1. BB will issue BINs for local proprietary cards issued by all banks. The format of which will be as under -

Prefix	Bank Code	BIN Range
9 (nine)	3 digits bank code as used in existing routing numbers	01 to 99 for up to 99 different products for every commercial bank, non-bank financial institution and Bangladesh Post Office (BPO)

As the BINs for existing local proprietary cards are already in use by a huge number of bank customers, NPSB would accommodate the existing BINs along with the newly defined BINs by the BB. The old BINs of the local proprietary cards should gradually be phased out.

2. From now on only 'Single Message System (SMS)' should be followed for local POS transactions going through NPSB. The swiped amount in the POS should be equal to the settlement amount.

In these regards, commercial banks, financial institutions and other entities i.e. Bangladesh Post Office are requested to do the following things -

1. Apply to Payment Systems Department of Bangladesh Bank for assigning new BIN in order to introduce new card based products from the date of issuance of this circular onward;

2. Gradually phase out existing BINs of the local proprietary cards that are already in use by their system.

3. 'Single Message System (SMS)' for local POS transactions has to be followed to ensure that the swiped amount in the POS should be equal to the settlement amount.

November 2012 • Decision has been taken regarding imposition of charge at following rate on transactions made through Bangladesh Automated Clearing House (BACH) to carry out maintenance and operating cost in the interest of proper operation of automated clearing house, which will primarily be effective for one year starting from 1 January 2013:

Sl. No.	Type of transaction	Amount realised by BB from submitting banks	Amount realised by submitting banks from customers
01	High value cheque clearing	Taka 25 (+VAT)	Taka 50 (+VAT)
02	Regular value check clearing	Taka 5 (+VAT)	Taka 7 (+VAT)
03	Any EFT transaction	Taka 5 (+VAT)	Taka 7 (+VAT)

The above mentioned charge is applicable for every transaction made through BACH except return entry of both type transaction and prenote & NOC of EFT transaction. The charge may be realised from the payee of imposed cheque of charge in case of cheque transaction and from the originator in case of EFT transaction. Banks may pay the charge realised by BB from their own source without charging the customers.

November 2012 • A project titled 'Food and Livelihood Security (FLS)' has been operated by Department of Women Affairs to enhance food security and livelihood facility for poor people under Social Safety-net program. Decision has been taken to allow beneficiaries of the above mentioned project to open bank account with only Taka 10 deposit against their National Identity Card/Birth Registration Certificate and 'F.L.S. Beneficiary` card issued by Department of Women Affairs with a view to providing financial assistance regarding monthly allowance and purchase of production based asset for income generating activities for the ultra poor women and marginal farmers/sharecroppers under the above mentioned project through bank account. Imposition of binding for keeping minimum balance and realisation of any charge/fee can not be processed for these accounts. In case of inadequate cheque books, transactions can be made through vouchers for these accounts.

All state owned and specialised commercial banks are instructed to take necessary steps to open bank accounts with only Taka 10 for providing allowance for the beneficiaries of Food and Livelihood Project and ensuring banking service for them.

November 2012 • All financial institutions have been instructed (Ref: DFIM Circular No. 01 dated 26 January 2012) to submit the following information only through online process (using relevant Input Template) from 30 November 2012 since decision has been taken to submit the aforesaid statements only through online process instead of manual process:

SL	Name of Statement	Name of Input Template	Date of Submission
01	Net Asset Statement	T_PS_M_ASST_ASSET_LIQD T_PS_S_LIAB_FI_LIAB	Within 31 Jan.(based on 30 Dec.) & within 31 Jul. (based on 30 Jun.)
02	Call Money Statement	T_PS_D_CMONEY_TRANS	Every working day
03	CRR/SLR Statement (Weekly balance of deposits)	T_PS_M_SLR_CRR	Within 7 days of the following month
04	CRR/SLR Statement (CRR/SLR maintained)	T_PS_D_SLR_CASH_RES	Within 7 days of the following month
05	Business activities (Recovery position)	T_PS_Q_LNREC_POSITION	Within 15 days after the end of the respective quarter
06	Statement of Interest rate in lending and deposit	T_PS_M_INT_RATE	Within 7 days after the end of the respective quarter
07	Statement of Loan/Lease Rescheduling	T_PS_M_RECHED_LOANS	Within 10 days of the following month
08	Statement of Loan/Lease Write off	T_PS_M_WRITE_OFF_LOANLEASE	Within 10 days of the following month

December 2012 • All scheduled banks have been instructed to submit statements (Ref: DB-8 statement enclosed with DBOD Circular No. 01 dated 1 January 2003) regarding sector based overdue loan according to the changed format in quarterly basis instead of half-yearly basis within 1 month from the end of each quarter from December, 2012.

December 2012 • Bangladesh Bank (Note Refund) Regulations-1976 has been abolished and all scheduled banks and all branches/departments/units have been requested to settle the claims regarding mutilated-altered/burnt/distorted notes according to the rules of Bangladesh Bank (Note Refund) Regulations-2012 compiled by Board of Directors of Bangladesh Bank.

December 2012 • Liquidity Support will be provided to PDs for a maximum period of two months at a stretch from the date of issue of treasury bills and bonds devolved on PDs at auctions through devolvement as well as successful bidding.

This initiative is temporary and other related instructions (Circular Letter no. DMD-01/2009 dated 21 April 2009) will remain unchanged.

December 2012 • Bangladesh Bank (BB) has already started implementation of National Payment Switch Bangladesh (NPSB) in order to create a common platform for the cards (Debit/Credit/Prepaid), internet and mobile based payments in the country (Ref: DCMPS (PSD) Circular No. 02/2012 dated 20 March 2012). The work is running in full swing and by this time the installation of necessary hardware and software at Bangladesh Bank's premises has been completed successfully for smooth participation in NPSB. It may be mentioned here that the work is scheduled to complete within a couple of weeks as it is a national priority project.

It has been decided that all inter-bank domestic transactions originating from any delivery channel (ATM/POS/Kiosk/Mobile/Internet) will be routed through NPSB. This will also include the transactions of those banks which do not have their own switch but are using Third Party Processor (Q-cash, Cash Link etc.). Banks are, therefore, advised to upgrade/customise their own/third-party switching software according to our specifications (Host to Host) within shortest possible time.

December 2012 • With a view to expediting the economic growth triggered by the comparatively small scale borrowers and promoting financial inclusion, following amendments have been made (Ref: BRPD Circular No.14 dated 23 September 2012 and attached CL formats on the captioned subject):

"2. a) (4).
Loans except short-term agricultural & micro-credit in the "Special Mention Account" and "Sub-Standard" will not be treated as defaulted loan for the purpose of section 27KaKa(3) [read with section 5(GaGa)] of the Bank Company Act, 1991. However, Fixed Term Loans amounting up to Taka 10.00 lacs in the "Sub-Standard" category will also be treated as defaulted loan for the same purpose."

"2. a) (7) :

A. In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting up to Taka 10.00 lacs is not repaid within the due date, the amount of unpaid installment(s) will be termed as 'past due or overdue installment'. In case of such types of Fixed Term Loans:

i. If the amount of past due installment is equal to or more than the amount of installment(s) due within 6 (six) months, the entire loan will be classified as ''Sub-standard''.

ii. If the amount of past due installment is equal to or more than the amount of installment(s) due within 9 (nine) months, the entire loan will be classified as ''Doubtful''.

iii. If the amount of past due installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loan will be classified as ''Bad/Loss''.

B. In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 10.00 lacs is not repaid within the due date, the amount of unpaid installment(s) will be termed as 'past due or overdue installment'. In case of such types of Fixed Term Loans:

i. If the amount of past due installment is equal to or more than the amount of installment(s) due within 3 (three) months, the entire loan will be classified as ''Sub-standard''.

ii. If the amount of past due installment is equal to or more than the amount of installment(s) due within 6 (six) months, the entire loan will be classified as ''Doubtful''.

iii. If the amount of past due installment is equal to or more than the amount of installment(s) due within 9 (nine) months, the entire loan will be classified as ''Bad/Loss''.

If any Fixed Term Loan is repayable on monthly installment basis, the amount of installment(s) due within 6 (six) months will be equal to the sum of 06 monthly installments. Similarly, if the loan is repayable on quarterly installment basis, the amount of installment(s) due within 06 (six) months will be equal to the sum of 2 quarterly installments."

December 2012

- Referring to AML Circular No. 26 dated 30 September, 2010 & Circular AMLD-01/2010, BB issued with the approval of Government under section 2(Tha)(Ri) of Anti Money Laundering Act, 2009 and Section (2) (Ba) (Jha) of Anti Money Laundering Act, 2012 issued afterwards, the following entities have been included as reporting institutions: 1. Stock Dealer and Stock Broker, 2. Portfolio Manager and Merchant Banker, 3. Custodian of Securities, 4. Institutions for Asset Management. Under this circumstance, all capital market related institutions have been instructed (Ref: Section 23 of Anti Money Laundering Act, 2012 and Section 15 of Anti Terrorism Act with amendments of 2012) to comply the issued directions for the prevention of money laundering & combating financing of terrorism.

January 2013

- Secondary trading window has been established through TCS Market Infrastructure (MI) under the supervision of Bangladesh Bank (Ref: DOS Circular No.06 dated 15 July 2010). It has been instructed to follow the same practice in case of calculation of year for accounting price, yield of Government securities, repo price and repo interest. Therefore, following decisions have been taken:

1. Year will be calculated in 365 days for calculating price (MTM) & yield of treasury bills and repo interest (including ALS);
2. Year will be calculated based on actual/actual for price, yield of treasury bonds & repo first leg price (including ALS) and in 365 days for repo Interest (including ALS) in repo second leg.

February 2013

- A special unit titled as "NRB Bond Communication Unit" has been established in Debt Management Department of Bangladesh Bank with a view to answer questions and settle various queries and complaints raised by Bangladeshi expatriates residing abroad, scheduled banks and public regarding Wage Earner Development Bond, U.S. Dollar Investment and Premium Bond. All scheduled banks have been instructed to contact directly to "NRB Bond Communication Unit" to know information and settle complaints regarding above bonds.

February 2013

- The charge structure for the transactions made through Bangladesh Automated Clearing House (BACH) has been re-determined considering reactions from different sectors where charge distribution between BACH and participating banks has been rationalised and settlement of some transactions has been put out of charge schedule (Ref: PSD Circular No.3/2012 dated 13 November 2012).

March 2013	• Regarding loan classification and provisioning, it has been decided that short-term micro-credit will include any micro-credits not exceeding the amount of Taka 50,000 and repayable within twelve months (Ref: section of 1(d) of BRPD Circular No.14 dated 23 September 2012).
March 2013	• Existing Form L has been newly formulated (Ref: DOS Circular No.03/2003 dated 23 April 2003 and BRPD Circular No.16/2005 dated 16 November 2005) including some information as a part of ongoing automation process of Bangladesh Bank which has to be submitted to Department of Off-site Supervision, Bangladesh Bank for every month within 10 working days of following month through Bangladesh Bank web portal after fulfilling it appropriately. Hard copy of the same has to be submitted along with minutes of the board of directors and CIB statement (not more than 60 days) until further instruction.
March 2013	• Considering recent market status, decision has been taken to extend eligible loan limit to Taka 3 crore from Taka 1 crore under fulfilling some conditions (Ref: Serial no. 3(1)(5) of DOS Circular No.04 dated 15 June 2010) against listed share/debenture provided to any stock dealer licensed from Securities and Exchange Commission keeping other conditions unchanged.
March 2013	• All scheduled banks of the country have been advised to establish children day care centers individually or jointly to a nearest place. In this regard, banks have to formulate a policy guideline including children admission in the said centers, admission fee, preservation of information, quality of service, security provisions etc. authorised by the Board of Directors.
April 2013	• 'NRB Commercial Bank Limited', 'South Bangla Agriculture and Commerce Bank Limited' and 'Union Bank Limited' have been enlisted as scheduled banks from 25 March 2013 as per section 37(2)(A) of Bangladesh Bank Order, 1972.
April 2013	• 'Meghna Bank Limited' has been enlisted as scheduled bank from 3 April 2013 as per section 37(2)(A) of Bangladesh Bank Order, 1972.
April 2013	• With a view to facing the ongoing challenges of increased competition and expansion of diversified financial business of the FIs in Bangladesh under the recent global recession, Bangladesh Bank has issued several prudent guidelines on risk management for the FIs which includes risk based capital adequacy, stress testing and five core risks management. Introduction of Basel II (and subsequently Basel III) requires more multifaceted method to

calculate regulatory capital requirements. Therefore, its implementation entails that the FIs should adopt improved policies and procedures in line with international best practices for its risk management framework.

Considering the heat and upheaval of the globalised economic system, the financial interrelation, it has become vital to explore the ways of being more resilient. For ensuring a sound financial system, proactive risk management is getting more emphasis day by day.

In order to manage all the risks in a prudent and organised way, the FIs operating in Bangladesh are advised to comply with some instructions as mentioned in the circular.

April 2013

- 'Midland Bank Limited' has been enlisted as scheduled bank from 9 April, 2013 as per section 37(2)(A) of Bangladesh Bank Order, 1972.

April 2013

- Banks are required to report their green banking initiatives/ activities on quarterly basis and school banking on half yearly basis to BRPD. Banks are also required to submit report on CSR, gender equality and education budget related activities to ACFID on a half yearly basis.

  Banks have been instructed to submit the above mentioned reports to newly established Green Banking & CSR Department (GBCSRD) instead of BRPD and ACFID. Banks will be required to continue to submit quarterly reports on green banking, half yearly reports on school banking within the next 15 days of the respective quarter and half year end and CSR activities within the next 30 days of the respective half-year end.

  Banks have to keep their annual reports and websites updated with the disclosures on green banking, school banking and CSR activities/initiatives.

May 2013

- 'The Farmers Bank Limited' has been enlisted as scheduled bank from 25 April 2013 as per section 37(2)(A) of Bangladesh Bank Order, 1972.

May 2013

- 'NRB Bank Limited' has been enlisted as scheduled bank from 28 April 2013 as per section 37(2)(A) of Bangladesh Bank Order, 1972.

May 2013

- In terms of Articles 36 and 40 of the 'Bank Company Act, 1991', the following instructions to be followed henceforth by the scheduled banks operating in Bangladesh:

1. All scheduled banks shall submit two copies of audited financial statements and annual report of relevant financial year within 1 (one) month after finalisation.

2. All scheduled banks shall submit half-yearly financial statements of relevant year within one month after finalisation.

   Moreover, all scheduled banks have to submit two copies of audited financial statements and annual report (as of 30 June 2012 for Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank and as of 31 December 2012 for other scheduled banks) within 1 (one) month from the date of this circular.

   Some amendments have been made into the BRPD circular (No.14 dated 23 September 2012 and attached CL formats on the captioned subject) with a view to recognising potential losses on loan pools of similar risks in a similar manner. These are as under:

1. Section 4.a)(4) of the circular will be replaced as under :

   "Rate of provision on the outstanding amount of loans kept in the 'Special Mention Account' will be same as the rates stated in (1), (2), (3) of section 4.a) which one is applicable. i.e. @ 0.25 percent against all unclassified loans of Small and Medium Enterprise (SME), @ 5 percent on the unclassified amount for consumer financing, @ 2 percent on the unclassified amount for housing finance, loans for professionals to set up business under consumer financing scheme, loans to brokerage house, merchant banks, stock dealers, etc. and @ 1 percent against all other unclassified loans. "

2. CL-1 format will be replaced by the format attached with this circular.

   All other instructions as well as other CL formats attached with BRPD Circulars (No.14 and 19 dated 23 September 2012 and 27 December 2012) will remain unchanged.

May 2013

- Some amendments have been made into the BRPD Circular (No.15 dated 23 September 2012 on the captioned subject) in light of current credit conditions and the greater preponderance of longer term finance. These are as follows:

1. Section 2.c) of the circular will be replaced as under :

   "02. c) Time limit for rescheduling Fixed Term Loan:

   The loan which is repayable within a specified time period under a prescribed repayment schedule is treated as term loan. In case of rescheduling of any classified fixed term loan, following time limit may be added with the expiry date/repayment date of last installment to determine the repayment schedule which will be started from the date of rescheduling. If the loan is rescheduled after the expiry date, the following time limit will be applicable from the date of rescheduling:

Frequency	Classified as Sub-standard	Classified as Doubtful	Classified as Bad/Loss
First rescheduling	Maximum 36 months	Maximum 24 months	Maximum 24 months
Second rescheduling	Maximum 24 months	Maximum 18 months	Maximum 18 months
Third rescheduling	Maximum 12 months	Maximum 12 months	Maximum 12 months

During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly/ quarterly installments. If the amount of defaulted installments is equal to the amount of 6 monthly or 2 quarterly installments, the loan will be classified as Bad/Loss."

2. Section 2.d) of the circular will be replaced as under :

"02. d) Time limit for rescheduling for short-term agricultural and micro-credit:

In case of rescheduling of any classified short term agricultural and micro-credit, 6 months may be added with following time-limit from the day after the expiry date/repayment date of last installment to determine the repayment schedule which will be started from the date of rescheduling. If the loan is rescheduled after the expiry date, the following time-limit will be applicable:

First Rescheduling	Repayment time limit for rescheduling should not exceed 2 years.
Second rescheduling	Maximum 1 year.
Third rescheduling	Maximum 6 months.

The amendments will come into force with immediate effect and all other instructions will remain unchanged.

June 2013

- Financial institutions are advised to submit the statement on CSR and a report on gender equality related performance indicators to Green Banking and CSR Department (GBCSRD) instead of Department of Financial Institutions and Markets. Moreover, correspondences related to CSR have to be made with GBCSRD. In addition to this, FIs are advised to keep annual reports and websites updated with the disclosures on CSR activities/initiatives.

June 2013
- 'Modhumoti Bank Limited' has been enlisted as scheduled bank from 16 June 2013 as per section 37(2)(A) of Bangladesh Bank Order, 1972.

2. Monetary Sector Development

January 2013
- The interest rates of repo and reverse repo of Bangladesh Bank have been re-fixed at 7.25 percent and 5.25 percent respectively reducing from the prevailing rates of 7.75 percent and 5.75 percent.

3. External Sector Development

July 2012
- Decision has been taken to provide export subsidy/ cash assistance in export sector in FY13 like previous years to encourage export trade of country. Under this decision, export subsidy/ cash assistance will be payable on shipped goods (according to the list provided in the circular) at the mentioned rate during FY13.

July 2012
- To collect information from scheduled banks in electronic method, implementation of Bangladesh Bank Enterprise Data Warehouse (EDW) has been finalised. In this regard, daily foreign exchange position statement related to EDW have to be submitted in RIT through web portal according to the following guidelines:

a) Accurately filled up RITs have to be submitted regularly through web portal from 22 July 2012.

b) Related RIT soft copies have already been sent to the e-mail address of respective banks. Banks that have not received soft copies have to collect it from FEPD by 18 July 2012.

c) Existing procedure of statement submission and submission through web portal will be effective simultaneously till 31 December 2012 and from 1 January 2013. Related information/statement have to be submitted only through web portal.

July 2012
- Declaration on Form C by the Authorised Dealers was required against inward remittances (other than remittances sent by Bangladesh nationals working abroad) equivalent to USD 2000 and above.

  It has now been decided that declaration on Form C (Ref: paragraph 10, chapter 5 of the Guidelines for Foreign Exchange Transactions (GFET)-2009, Vol-1) shall not be required for inward remittance up to USD 5000 or equivalent other foreign currencies. Other instructions contained in the above stated paragraph of GFET-2009 shall remain unchanged.

August 2012

- In terms of which Authorised Dealers (ADs) have been allowed to offer the facility of repatriation of service export related payment by entering into standing arrangements with Online Payment Gateway Service Providers (OPGSPs) (Ref: FE Circular No. 15, dated 7 August 2011). In order to facilitate inward remittance against service export, it has been decided to raise the maximum limit per transaction from USD 500 to USD 2,000 for service export related payments received through OPGSPs.

02. It has also been decided that declaration on Form C for inward remittance repatriated through OPGSPs will no longer be required. However, ADs shall report the transactions to Bangladesh Bank in monthly returns mentioning appropriate code in the relevant schedule.

August 2012

- As regards annual travel entitlement of Bangladeshi nationals for private travel abroad, it has been decided to enhance annual entitlement for travel to SAARC member countries and Myanmar to USD 2,000 from USD 1,500 per calendar year which will be effective from the current calendar year.

  In terms of paragraph 1(ii), chapter 12 of Guidelines for Foreign Exchange Transactions 2009, Vol 1, ADs are allowed to release foreign exchange in the form of cash up to US$ 2000 at any one instance out of travel entitlement to Bangladeshi national proceeding abroad. However, confusion arises as to whether ADs can release balance of the entitlement in the form of cash or in other currencies. This is to clarify that ADs may release USD 2,000 in cash and the remainder in other freely convertible currencies out of the prescribed entitlement i.e., USD 5,000 for travel to countries other than SAARC member countries and Myanmar.

October 2012

- The facility of providing export subsidy (para 3(Kha) of FE Circular No. 09 dated 7 December 2006) against advance payment through TT along with letter of credit in case of export of halal meat will be considered in compliance with the following conditions:

A. The condition of advance payment through TT has to be mentioned in the export letter of credit specifically. According to the declaration made in the application of exporters, accurate price and quantity of export goods, execution of appropriate procedures at export price and genuineness/reliability of foreign exporters have to be supported by a certificate issued from Export Promotion Bureau/Ministry of Trade and Commerce authorized to relevant exporters association under form "Kha" (Ref: FE Circular No. 09 dated 7 December 2006).

B. Authorised dealer bank branches have to make declaration regarding advance payment through TT of conditional repatriation against export LC after getting confirmation of genuineness/reliability of foreign buyers, accuracy of value and about price repatriation against actual export from Bangladesh based on TT language and relevant other documents.

C. Repatriation of export proceeds has to be made through banking channel (except exchange house) from the country where products have been exported.

All other instructions regarding the export subsidy will remain unchanged.

October 2012 • The upper limit of LC settlement without SWIFT has been enhanced from USD 6,000 to USD 7,500 in case of import of coal only through land port.

October 2012 • All authorised dealer banks engaged in foreign exchange transactions are directed to follow instructions contained in Letter No. 26.03.1100.004.01.10.12 /852 dated 2 October 2012 issued by controller office of Import and Export regarding verification of correctness for commercial/industrial/indenting import registration certificate (IRC) to prevent fraud/forgery.

December 2012 • Bangladesh Bank has taken initiative to receive online statements through its web portal. As part of this programme, Foreign Exchange Operation Department (FEOD) has already started monitoring export transactions through online reports submitted by ADs. In addition to export transactions, Bangladesh Bank has developed online reporting system for all types of cross border foreign exchange transactions including foreign exchange transactions through inland back to back letters of credit. ADs are, therefore, advised to report all types of their foreign exchange transactions carried out from 1 January 2013 to FEOD, Bangladesh Bank on daily basis through web portal.

As usual, ADs shall continue submission of statements/returns to Bangladesh Bank in accordance with the directives contained in the Guidelines for Foreign Exchange Transactions (GFET) and subsequent circulars.

December 2012 • It has come to the notice of Bangladesh Bank that ADs are making inordinate delay in forwarding the applications for obtaining the approval on settlement of import payment against back to back letter of credit out of local sources fully/partially. ADs are, therefore, advised to submit the applications to concerned offices of Bangladesh Bank for post facto approval within 15 days of the following month of effecting the payment.

December 2012 • As regards permission in case of use of ICCs for travel related payments abroad, online payment of fees, etc. it has now been decided that ICCs may also be used for online hotel booking by the cardholders in case of travel abroad.

December 2012 • Bangladesh Bank has published new edition of code lists for reporting of external sector transactions by the authorised dealers (2012-Edition). ADs are, therefore, advised to report the transactions carried out from January, 2013 onward in accordance with the new edition of the code lists. The soft copy of the code lists is available in Bangladesh Bank web site (www.bb.org.bd). ADs may collect the booklet on payment of Taka 150 only per copy together with a written application addressed to the General Manager, Department of Communications & Publications, Bangladesh Bank, Head Office, Dhaka.

January 2013 • As regards repatriation of commission earnings of 'foreign stock brokerage firms' abroad against service rendered to foreign portfolio investors for investment in Bangladesh, it has been decided that local stock brokerage firms may be involved on behalf of foreign stock brokerage firms (registered and operating abroad) to aid foreign portfolio investors for trading of securities through Non-resident Investors Taka Accounts(NITAs) in Bangladesh and earn commissions/service charges through dealings of securities of such foreign investors. Such commission earnings, etc. need to be shared between the brokerage firms in both ends.

In order to facilitate timely repatriation of share of commission earnings etc. of foreign stock brokerage firms from Bangladesh, it has been decided that local firms can remit such share of commission earnings to their foreign counterpart brokerage firms through AD banks without prior approval of Bangladesh Bank subject to observance of some definite stipulations.

January 2013 • Bangladesh Bank's permission in terms of section 18A will have to be obtained by any person (which includes individuals, firms, business organisations or concerns incorporated or not) to enable the person concerned to act or accept an appointment to act as an agent in trading and commercial transactions or as a technical or management adviser of any person resident outside Bangladesh or of a person resident in Bangladesh but not citizen of Bangladesh. In this regard, ADs have to receive the required documents from the clients for 18A (Foreign Exchange Regulation Act, 1947) permission and ensure their correctness and genuineness. Then the ADs have to send a forwarding letter through e-mail in specific format to Bangladesh Bank for getting 18A permission. On the following business day Bangladesh Bank will provide an ad-hoc 18A permission based on that e-mail only.

February 2013

- Recipients of foreign currency usance bills against direct and deemed export of products manufactured in Bangladesh discount those bills in foreign currency through their AD banks in order to have immediate provision of fund under following terms and conditions:

1. ADs who make the discount, have to be assured that the bill submitted for discounting is placed against genuine direct/deemed export.
2. The supply of foreign currency for discounting can be collected from ADs' own offshore banking unit/foreign partner banks, financial institutions or international donor agencies.
3. All in cost of receiver on the account of bill discounted in foreign currency will not exceed annual rate of 6 percent including all commission/charge/fee/ interest.
4. All ADs have to submit a monthly statement in specific table to Foreign Exchange Policy Department of Bangladesh Bank.

February 2013

- It has been decided that EDF loans will be available also to member mills of the Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association (BGAPMEA) making bulk import of raw materials for local deliveries of garment accessories to manufacturer-exporters against inland back to back LCs in foreign exchange. An EDF loan to an AD against their foreign currency financing of input imports of BGAPMEA member mills, shall not exceed (i) the value realised in foreign exchange against inland back to back LCs over the past twelve months, or (ii) USD one million, whichever is lower.

February 2013

- The remittable limit has been enhanced from USD 10,000 to USD 20,000 in a calendar year for IT/software firms. Accordingly, the limit for issuance of international card to a nominated official of IT/Software firm is also increased to USD 2,000 from USD 1,000 within the revised total limit of USD 20,000.

March 2013

- All persons residing outside Bangladesh, foreign nationals residing in Bangladesh and foreign companies (other than banking companies) not incorporated in Bangladesh are required to obtain permission from Bangladesh Bank (section 18B of the Foreign Exchange Regulation Act, 1947) to establish any place of business for trading, commercial or industrial activities in Bangladesh. Besides, non-resident citizens working in branch/ liason or any other place of business approved (under section 18B of Foreign Exchange Regulation Act, 1947) have to take a general or special permission from Bangladesh Bank (section 18A of the Foreign Exchange Regulation Act, 1947). In this regard, Authorized Dealers (ADs) have to receive the required documents from the clients for 18B permission for establishment of branch/liason office or any other place of business and for 18A permission for non-resident expatriate and ensure correctness and genuineness of those documents. Then the ADs have to send a forwarding letter through e-mail in specific format to Bangladesh Bank for getting 18B or 18A permission. On the following business day Bangladesh Bank will provide an ad-hoc (18B or 18A) permission based on that e-mail only.

March 2013

- Head/principal offices of AD banks are advised to submit a monthly statement regarding use of buyer's credit in foreign exchange in form-BC to Foreign Exchange Policy Department of Bangladesh Bank, head office by the 15th day of next month of fund drawal.

April 2013

- It has now been decided {Paragraph-8, Chapter-11 of the Guidelines for Foreign Exchange Transactions (GFET), 2009 (Volume -1)} that the foreign nationals who are residing in Bangladesh and who have an income in Bangladesh are permitted to make monthly remittances to the country of their domicile out of their current savings up to 75 percent of their net income to cover their commitments abroad.

May 2013

- The para {3(b) of the FE Circular No. 02 dated 9 January 2013} will be replaced as follows:

  "3(b) Only commission/service charge earned from trading of securities of the foreign investors through BO Account opened with the concerned brokerage firm/securities custodian bank and NITAs (opened with any AD) shall be considered for sharing with the foreign brokerage firm after deduction of taxes and other items (if any) for subsequent remittance abroad in accordance with the agreement signed between the two parties."

May 2013

- It has been decided that ADs may allow their cardholder customers to use ICCs for online payment not exceeding USD 100.00 or its equivalent at a single transaction against legitimate purchases of items of goods and services (such as downloadable application software, e-books etc.) from reputed and reliable sources abroad. Online payments for such purchases shall be limited to the available unused annual travel quotas of the ICC holders plus an additional amount not exceeding USD 1,000.00 annually.

  It will be the responsibility of ICC holders using the online purchase option to fulfill tax/duty payment obligations if any; they should also undertake such transactions with due caution against risks being defrauded by unreliable unscrupulous vendors.

June 2013

- In order to avoid overlapping, it has been decided that applications for approval/guidance regarding under mentioned foreign exchange transactions will be considered by the department as specified below:

A. Foreign Exchange Investment Department (FEID):

a) Remittance applications of five star hotels;
b) Applications for appointment to act as agents, advisors, or any other employees in Bangladesh;
c) Applications for employment of agents abroad;
d) Remittance applications for overseas exchange houses, branches and subsidiaries of banks;
e) Remittance applications for investment abroad.

B. Foreign Exchange Operation Department (FEOD)

a) Remittance applications for airlines, shipping lines, courier services and pre-shipment inspection (PSI) Companies;

b) Remittance applications for all types of membership fees such as IATA, ISO etc., training related expenses; ISP, V-SAT, private satellite TV channels; honorarium (including cash) to foreign players/artists; for shooting of Bangladeshi films abroad and for all types of insurance related payments;

c) Applications of remittance also required for goods exported on re-import basis under NOC issued by Bangladesh Bank.

It has also been decided that FEOD will monitor import related foreign exchange transactions. As such, ADs shall submit following statements to FEOD instead of FEPD:

a) Non-payment overdue accepted import bills;
b) Commodity-wise different import related statements;
c) Statement of outstanding (unsettled) LCs.

C. Foreign Exchange Policy Department (FEPD)

a) Remittance applications for audit fee, inspection fee (other than PSI) and donation.

As usual, prevailing practice will remain unchanged for submission of applications against typical transactions to the respective department. However, ADs may refer non-typical cases to FEPD for decision/approval, if deemed necessary.

Appendix–2

Bangladesh Bank's Research in FY13

Summary of recent research activities in Bangladesh Bank and a near/medium term agenda

This summary note will cover some of the key outputs of the Research Department as well as the work of the Chief Economists Unit (CEU) - it will also briefly touch on some other analytical/research work on-going in other parts of BB, such as the Monetary Policy Department (MPD) where staff mapped to 'research' also work. These are grouped under the following categories (i) synthesis analysis of overall and topic-specific developments in the Bangladesh economy (ii) empirical research on specific economic/ financial sector issues (iii) development of new analytical tools and capacity building (iv) other 'routine tasks'. In addition it will outline some issues which will strengthen the quality of analytical work produced by BB.

Synthesis analysis/reports related to the Bangladesh economy and their frequency

(i) BB Annual Report - first draft by Research Department with inputs from other departments and final editing by Chief Economist

(ii) Monetary Policy Review (MPR) - annual publication focused on monetary policy development and associated analytical work on specific themes produced by CEU

(iii) Monetary Policy Statement (MPS) - bi-annual announcement of policy stance along with an update of half yearly economic developments-jointly produced by CEU and MPD

(iv) Bangladesh Bank Quarterly (BBQ) - analysis of the past quarters economic developments along with a near term outlook - produced by CEU

(v) Quarterly reviews of RMG sector; Remittances Trends and Islamic Banking - produced by Research department and will soon be published on-line

(vi) Monthly Economic Indicators (MEI) - a monthly update on key indicators produced by MPD

(vii) Prepare a manuscript of the book titled "Activities of the Banks and Financial Institutions" prepared by Research Department and published by the MoF (yearly).

(viii) Background papers for National Budget document and Ministry of Finance 'Economic Review of Bangladesh' annual publication prepared by Research Department

Empirical Analysis of specific economic / financial sector issues in FY13 and on-going

i. Monetary policy / inflation related:

- "When and why does Bangladesh's inflation differ from India's? (2013 CEU working paper)

- "Effects of Monetary Policy on Capital Market in Bangladesh" (2013 CEU working paper)
- "Inter-bank Money and Foreign Exchange Markets in Bangladesh: An Analysis from liquidity Perspective" (2013, Research Department)
- "Fiscal policy and inflation: the case of Bangladesh" (2013 MPD / CEU working paper)
- The Demand for International Reserves of Bangladesh (prepared by MPD and Research Department 2013).

(ii) Financial sector related

- "A quick analysis of deposit interest rates offered by commercial banks" (2013 CEU policy note)
- "Socio-economic Characters of Buyers of Saving Instruments in Bangladesh" (2013 Research policy note, Research Department)
- "Infrastructure and Energy Sector Financing and the Issuance of Bond in Bangladesh: Prospects and Problems" (2012 Research paper, Research Department).
- The Determinants of Workers' Remittances in Bangladesh (prepared by Research Department and published in IBB Journal, July-Dec, 2012)
- Financial Stability in the Banking Sector: An Empirical Analysis (prepared by Research Department and published in BIBM Journal, July-Dec, 2012)

(iii) Financial Inclusion:

- Mobile Financial Services in Bangladesh: An Overview of Market Development, July 2012 (Research Department / Gates Foundation paper).
- An Investigation into recent increase in SME Loans and its Socio-economic impacts, (Research Department 2013).
- The Impact of Agricultural Credit on Output, Productivity and Employment (Research on-going, Research Department)

Capacity and tools development

- Jointly with Gates Foundation developed a digital map of financial services in Bangladesh which BB and MRA will keep updated
- New 'Thoughts on Banking and Finance' journal whose Executive Editor is a Research Department staff deputed to Bangladesh Bank Training Academy

- Organized a two days conference by Research Department on Monetary Policy and Inclusive Growth with participation of external academics and different departments from within BB
- In-house seminars disseminating work by external academics and in-house research included topics such as SME Financing and its impact on output and employment; the exchange rate and economic growth; impact of Indian Rupee depreciation on Bangladesh; foreign exchange reserves adequacy etc
- Training included Eviews Training Level-1 and Eviews Training Level-2 which were delivered to 3 batches by visiting US-based academic

Other routine tasks

a) Prepare daily statement on government borrowing from the banking system and non-bank financial institutions; prepare the statement on Monetary and Banking Statistics; prepare a statement on liquidity position of Scheduled Banks; prepare a statement on government borrowing from the banking system

b) Exchange of information among SAARC member countries central banks via SAARC Finance secretariat. Prepare strategic policy papers on Bangladesh in consultation with SAARC secretariat e.g. a paper micro credit on financial inclusion, and on common currency have been prepared in the last year.

c) Regular Power Point updates on Bangladesh economy for different audiences

d) Coordination of international ratings agencies activities in Bangladesh

Appendix–3

Bangladesh: Some Selected Statistics

Table-I : Bangladesh : Selected Social Indicators

Indicators	FY08	FY09	FY10	FY11	FY12[R]	FY13[P]
1	2	3	4	5	6	7
Population						
Total population (million)	144.7	146.7	148.6	150.6	154.7[b]	--
Growth rate	1.39	1.36	1.36.	1.37	1.19[b]	--
Urban population (% of population)	36.3	37.4	38.5	39.0	28.9[b]	--
Population density (per square kilometre of total area)	980	993	1007	1021	--	--
Total fertility rate (per woman)	2.30	2.15	2.12	2.11	--	--
Income						
GNI per capita (US Dollar)	608	676	751	816	840	923
Gross primary school enrolment rate (%)[a/]						
Male	102.6	102.1	102.4	--	--	--
Female	97.9	101.1	100.2	--	--	--
Life expectancy at birth (years)	66.8	67.2	67.7	69	--	--
Mortality						
Infant (per 1000 live birth)	41	39	36	36	33.1[b]	--
1-4 years age (per 1000 birth)	3.1	2.7	2.6	2.4	--	--
Maternal (per 1000 birth)	3.5	2.6	2.2	2.1	--	--

Source: Bangladesh Bureau of Statistics and Human Development Report, UNDP.
Note: a/= Agriculture census-2008.
b= World Development Indicator, WB.
P= Provisional.
R= Revised.

Table-II: Trends of Major Macroeconomic Indicators

Indicators	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12[R]	FY13[P]
1	2	3	4	5	6	7	8	9	10	11
1. GDP growth (at FY96 constant market prices)	6.3	6.0	6.6	6.4	6.2	5.7	6.1	6.7	6.2	6.0
2. Growth of broad money (M2)	13.8	16.7	19.3	17.1	17.6	19.2	22.4	21.3	17.4	16.7
3. GDP deflator (percentage change)	4.2	5.1	5.2	6.8	8.8	6.5	6.5	7.5	8.5	6.6
4. CPI inflation (base: FY96=100)	5.8	6.5	7.2	7.2	9.9	6.7	7.3	8.8	10.6	7.7
5. Foreign exchange reserves (million US Dollar)	2705	2930	3484	5077	6149	7471	10750	10912	10364	15315
6. Net foreign assets (billion Taka)	163.2	186.8	220.1	328.7	373.2	474.6	670.7	695.3	742.8	1116.7
7. Exchange rate (Taka/ Dollar)	58.9	61.4	67.1	69.0	68.6	68.8	69.2	71.2	79.1	79.9
8. REER index as of June (base: FY01=100)	90.4	88.5	83.9	86.6	86.0	91.3	97.7	89.4	91.4	101.7
9. Per capita GDP in Taka (at current market prices)	24628	27061	29955	33607	38330	42628	47536	53238	60571	67577
					(As percentage of GDP)					
10. Domestic savings	19.5	20.0	20.3	20.4	20.3	20.1	20.1	19.3	19.3	19.3
11. Investment	24.0	24.5	24.7	24.5	24.2	24.4	24.4	25.2	26.5	26.8
12. Revenue income	10.6	10.6	10.8	10.6	11.3	11.3	11.5	11.8	12.5	13.5
13. Revenue expenditures	8.5	9.0	8.8	9.7	10.6	10.9	11.1	9.8	9.9	9.8
14. Revenue surplus (+) / Revenue deficit (-)	2.1	1.6	2.0	0.9	0.7	0.4	0.4	2.0	2.6	3.7
15. Annual Development Programme (ADP)	5.7	5.5	5.2	3.8	4.1	3.7	4.1	4.2	4.1	5.0
16. Other expenditures	0.6	0.5	0.7	0.7	2.5	0.7	1.9	0.6	3.1	3.3
17. Total expenditures	14.8	15.0	14.7	14.1	17.3	15.3	15.9	16.3	16.7	18.2
18. Overall budget deficit (excluding grants)	4.2	4.4	3.9	3.7	6.2	4.1	3.7	4.5	4.1	4.8
19. Overall budget deficit (including grants)	3.4	3.7	3.3	3.2	5.4	3.3	3.3	4.2	3.7	4.2
20. Financing of overall budget deficit (a+b)*	4.6	4.5	4.1	3.5	4.4	4.1	3.2	4.2	3.7	4.3
a. Net foreign financing	2.4	2.4	1.9	1.6	1.8	1.8	0.9	0.3	0.4	1.2
b. Net domestic financing (i+ii)	2.2	2.1	2.2	1.9	2.6	2.3	2.3	3.9	3.3	3.1
i. Bank borrowings	0.8	1.0	1.5	0.9	2.0	1.7	-0.3	3.2	3.0	2.7
ii. Non-bank borrowings	1.4	1.1	0.7	1.0	0.6	0.6	2.6	0.7	0.4	0.4
21. Government debt outstanding (i+ii)	48.2	46.9	46.7	44.8	42.7	41.0	37.1	37.4	36.5	35.4
i. Domestic debt	16.4	16.4	16.6	16.6	17.2	17.7	16.8	17.7	17.5	17.4
ii. External debt**	31.8	30.5	30.1	28.2	25.5	23.3	20.3	19.7	19.0	18.0
22. Current account balance : surplus(+)/deficit(-)	0.3	-0.9	1.3	1.4	0.9	2.7	3.7	-1.5	0.4	1.9

Source: Bangladesh Bank, Bangladesh Bureau of Statistics, Bangladesh Economic Review, 2013 and Budget in Brief 2013-14.
P= Provisional.
R= Revised.
* Discrepancy between overall budget deficit and its financing arises due to cheque floats and other errors and omissions.
** Excluding IMF loan.

Table-III : Medium-Term Macroeconomic Framework: Key Indicators

Indicators	Actual		Provisional	Estimated	Projection				
	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
1	2	3	4	5	6	7	8	9	10
Real sector									
Nominal GDP growth (%)	12.9	13.4	15.9	14.1	14.0	14.2	14.1	14.0	14.5
Real GDP growth (%)	6.1	6.7	7.0	7.2	7.6	8.0	8.4	8.7	9.1
CPI inflation	7.3	8.8	9.5	7.5	6.5	6.0	5.8	5.7	5.5
Gross investment (% of GDP)	24.4	24.7	25.9	26.6	28.1	29.6	31.4	32.1	33.6
Private	19.4	19.5	20.6	20.4	21.3	22.4	23.8	24.4	24.4
Public	5.0	5.3	5.4	6.2	6.8	7.2	7.6	8.4	8.1
Domestic savings (% of GDP)	20.1	19.6	20.2	19.9	20.6	21.1	22.2	23.3	24.5
National savings (% of GDP)	30.0	28.4	26.3	26.8	28.2	29.6	31.5	33.0	33.4
Fiscal sector (% of GDP)									
Total revenue	10.9	11.8	12.6	13.4	14.0	14.6	15.2	15.8	15.8
Tax revenue	9.0	10.1	10.6	11.2	11.8	12.4	13.0	13.6	13.6
NBR-tax revenue	8.6	9.7	10.1	10.8	11.4	12.0	12.6	13.2	13.2
Non-NBR tax revenue	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Non-tax revenue	1.9	1.7	2.0	2.2	2.2	2.2	2.2	2.2	2.2
Total expenditure	14.6	16.2	17.7	18.5	18.8	19.3	19.7	20.1	20.6
Revenue expenditure	11.0	12.0	13.2	13.2	13.3	13.4	13.4	13.5	13.6
Annual Development Programme	3.7	4.2	4.5	5.2	5.5	5.9	6.3	6.6	7.0
Overall balance	-3.7	-4.4	-5.1	-5.0	-4.7	-4.6	-4.5	-4.3	-4.2
Financing									
Domestic financing	2.3	3.8	3.8	3.3	2.9	2.8	2.7	2.5	2.5
Borrowing from the banking system	-0.3	3.2	3.2	2.4	2.0	1.9	1.8	1.6	1.6
Non-bank borrowing	2.6	0.6	0.6	0.9	0.9	0.9	0.9	0.9	0.9
External financing (net)	1.3	0.6	1.3	1.8	1.8	1.8	1.8	1.8	1.8
Monetary sector (% change)									
Net domestic assets	17.8	18.8	25.0	18.5	16.0	18.4	18.0	17.0	16.6
Domestic credit	15.9	17.6	28.4	20.6	17.7	18.9	17.4	16.8	16.3
Credit to the private sector	14.6	24.2	25.8	19.7	16.0	18.5	16.0	16.0	16.0
Broad money (M2)	19.2	22.4	21.4	17.4	16.0	17.7	16.0	16.0	16.0
External sector									
Exports (% change)	10.1	4.2	39.2	6.2	14.5	12.0	15.0	15.0	14.0
Imports (% change)	4.2	5.4	41.8	9.8	15.0	3.0	10.0	15.0	14.5
Remittances (USD billion)	22.4	13.4	6.0	12.3	12.0	16.0	15.0	12.0	12.0
Current account balance (% of GDP)	3.7	0.9	0.4	0.2	0.0	0.0	0.1	0.2	0.4
Gross official reserve (USD billion)	10.7	10.9	9.7	10.7	11.8	13.0	14.6	17.0	-
Gross official reserve (months of imports)	5.1	3.6	2.9	2.7	2.6	2.5	2.5	2.5	-

Source: Bangladesh Economic Review, 2013.

Table-IV : Gross Domestic Product (GDP), Investment and Savings

(Billion Taka)

Items/Sectors	FY07	FY08	FY09	FY10	FY11	FY12[R]	FY13[P]
1	2	3	4	5	6	7	8
1. GDP (at current market prices)	4724.8	5458.2	6148.0	6943.2	7967.0	9181.4	10379.9
2. Gross investment at current prices	1155.9	1321.3	1498.4	1695.1	2003.8	2436.9	2786.1
a) Private	898.6	1050.9	1209.4	1346.9	1554.5	1840.3	1971.3
b) Public	257.3	270.4	289.0	348.2	449.3	596.6	814.9
3. Gross domestic savings at current prices	961.5	1108.6	1235.1	1395.6	1536.8	1768.5	1998.4
a) Private	894.9	1034.9	1154.0	1301.9	1426.9	1647.5	1863.2
b) Public	66.6	73.7	81.1	93.7	109.9	124.0	136.0
4. Sectoral Share of GDP (at FY96 constant prices)							
i. Agriculture	**625.8**	**645.9**	**672.4**	**707.7**	**744.0**	**767.1**	**783.7**
a) Agriculture and forestry	487.3	501.6	522.1	551.2	579.3	593.5	600.5
1. Crops and horticulture	351.3	360.7	375.2	398.2	420.7	428.9	429.5
2. Animal farming	84.5	86.5	89.5	92.6	95.8	99.0	102.5
3. Forest and related services	51.5	54.3	57.4	60.4	62.8	65.5	68.5
b) Fishing	138.5	144.3	150.3	156.5	164.7	173.6	183.2
ii. Industry	**862.2**	**920.7**	**980.1**	**1043.7**	**1129.4**	**1229.9**	**1340.5**
a) Mining and quarrying	34.4	37.5	41.2	44.8	47.0	50.6	56.3
b) Manufacturing	513.7	550.8	587.5	625.7	684.8	749.0	818.9
i) Large and medium scale	365.1	391.6	417.3	442.3	490.7	542.3	598.3
ii) Small scale	148.6	159.2	170.2	183.4	194.1	206.7	220.6
c) Power, gas and water supply	46.1	49.2	52.1	55.9	59.6	66.8	72.5
d) Construction	268.0	283.2	299.3	317.3	338.0	363.5	392.8
iii. Services	**1,439.9**	**1,533.4**	**1630.4**	**1735.9**	**1843.9**	**1953.7**	**2065.9**
a) Wholesale and retail trade	417.0	445.4	473.1	500.9	532.5	562.5	588.9
b) Hotel and restaurants	20.2	21.8	23.4	25.2	27.1	29.1	31.4
c) Transport, storage and communication	298.1	323.6	349.5	376.4	397.8	424.1	452.5
d) Financial intermediations	51.4	56.0	61.0	68.1	74.7	82.9	90.4
e) Real estate, renting and business activities	223.8	232.2	241.1	250.4	260.4	270.9	281.9
f) Public administration and defence	80.4	85.4	91.4	99.1	108.6	115.0	120.8
g) Education	74.3	80.1	86.6	94.6	103.4	110.9	121.6
h) Health and social work	66.9	71.6	76.8	83.0	89.9	97.0	104.3
i) Community, social and personal services	207.7	217.3	227.5	238.3	249.5	261.3	274.1
GDP (at FY96 constant producer prices)	**2,927.9**	**3,099.9**	**3282.9**	**3487.3**	**3717.2**	**3950.8**	**4190.0**
Import duty	101.8	117.3	119.0	121.2	133.3	139.8	147.2
GDP (at FY96 constant market prices)	**3,029.7**	**3,217.3**	**3402.0**	**3608.4**	**3850.5**	**4090.5**	**4337.2**

Source: Bangladesh Bureau of Statistics.
P = Provisional, R = Revised.

Table-V : Growth and Sectoral Share of GDP (at FY96 constant prices)

Sectors	FY07	FY08	FY09	FY10	FY11	FY12^R	FY13^P
1	2	3	4	5	6	7	8
			Growth in percent				
i. Agriculture	4.6	3.2	4.1	5.2	5.1	3.1	2.2
a) Agriculture and forestry	4.7	2.9	4.1	5.6	5.1	2.5	1.2
1. Crops and horticulture	4.4	2.7	4.0	6.1	5.7	2.0	0.2
2. Animal farming	5.5	2.4	3.5	3.4	3.5	3.4	3.5
3. Forest and related services	5.2	5.5	5.7	5.2	3.9	4.4	4.5
b) Fishing	4.1	4.2	4.2	4.2	5.3	5.4	5.5
ii. Industry	8.4	6.8	6.5	6.5	8.2	8.9	9.0
a) Mining and quarrying	8.3	8.9	9.8	8.8	4.8	7.8	11.1
b) Manufacturing	9.7	7.2	6.7	6.5	9.5	9.4	9.3
i) Large and medium scale	9.7	7.3	6.6	6.0	10.9	10.5	10.3
ii) Small scale	9.7	7.1	6.9	7.8	5.8	6.5	6.8
c) Power, gas and water supply	2.1	6.8	5.9	7.3	6.6	12.0	8.6
d) Construction	7.0	5.7	5.7	6.0	6.5	7.6	8.1
iii. Services	6.9	6.5	6.3	6.5	6.2	6.0	5.7
a) Wholesale and retail trade	8.0	6.8	6.2	5.9	6.3	5.6	4.7
b) Hotel and restaurant	7.5	7.6	7.6	7.6	7.6	7.6	7.6
c) Transport, storage and communication	8.0	8.6	8.0	7.7	5.7	6.6	6.7
d) Financial intermediations	9.2	8.9	9.0	11.6	9.6	11.0	9.0
e) Real estate, renting and other business activities	3.8	3.8	3.8	3.9	4.0	4.1	4.1
f) Public administration and defence	8.4	6.2	7.0	8.4	9.7	5.8	5.1
g) Education	9.0	7.8	8.1	9.2	9.4	7.2	9.7
h) Health and social work	7.6	7.0	7.2	8.1	8.4	7.9	7.5
i) Community, social and personal services	4.6	4.6	4.7	4.7	4.7	4.8	4.9
GDP (at FY96 constant market prices)	**6.4**	**6.2**	**5.7**	**6.1**	**6.7**	**6.2**	**6.0**
			Sectoral share (percent of GDP)				
i. Agriculture	21.4	20.7	20.5	20.3	20.0	19.4	18.7
a) Agriculture and forestry	16.6	16.2	15.9	15.8	15.6	15.0	14.3
1. Crops and horticulture	12.0	11.6	11.4	11.4	11.3	10.9	10.3
2. Animal farming	2.9	2.8	2.7	2.7	2.6	2.5	2.5
3. Forest and related services	1.8	1.8	1.8	1.7	1.7	1.7	1.6
b) Fishing	4.7	4.6	4.6	4.5	4.4	4.4	4.4
ii. Industry	29.5	29.7	29.9	29.9	30.4	31.1	32.0
a) Mining and quarrying	1.2	1.2	1.3	1.3	1.3	1.3	1.3
b) Manufacturing	17.6	17.8	17.9	17.9	18.4	19.0	19.5
i) Large and medium scale	12.5	12.6	12.7	12.7	13.2	13.7	14.3
ii) Small scale	5.1	5.1	5.2	5.3	5.2	5.2	5.3
c) Power, gas and water supply	1.6	1.6	1.6	1.6	1.6	1.7	1.7
d) Construction	9.2	9.1	9.1	9.1	9.1	9.2	9.4
iii. Services	49.2	49.5	49.7	49.8	49.6	49.5	49.3
a) Wholesale and retail trade	14.2	14.4	14.4	14.4	14.3	14.2	14.1
b) Hotel and restaurant	0.7	0.7	0.7	0.7	0.7	0.7	0.8
c) Transport, storage and communication	10.2	10.4	10.7	10.8	10.7	10.7	10.8
d) Financial intermediations	1.8	1.8	1.9	1.9	2.0	2.1	2.2
e) Real estate, renting and other business activities	7.6	7.5	7.3	7.2	7.0	6.9	6.7
f) Public administration and defence	2.8	2.8	2.8	2.8	2.9	2.9	2.9
g) Education	2.5	2.6	2.6	2.7	2.8	2.8	2.9
h) Health and social work	2.3	2.3	2.3	2.4	2.4	2.5	2.5
i) Community, social and personal services	7.1	7.0	6.9	6.8	6.7	6.6	6.5
GDP (at FY96 constant producer prices)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source : Bangladesh Bureau of Statistics.
P = Provisional. R= Revised.

Table- VI : Development of Government Budgetary Operation

(Billion Taka)

Description	FY09	FY10	FY11	FY12	FY13[R] (Budget)	FY14 (Budget)
1	2	3	4	5	6	7
A. Revenue and foreign grants	662.2	791.2	950.5	1182.6	1449.5	1741.3
i. Revenues	641.0	759.1	929.9	1146.9	1396.7	1674.6
a) Tax revenue	528.7	624.9	795.5	952.3	1168.2	1412.2
b) Non-tax revenue	112.3	134.2	134.4	194.7	228.5	262.4
ii. Foreign grants	21.2	32.2	20.6	35.7	52.8	66.7
B. Expenditures	880.6	1016.1	1282.7	1524.3	1893.3	2224.9
i. Non-development revenue expenditure	611.0	670.1	774.7	893.0	1028.9	1134.7
ii. Non-development capital expenditure	33.3	61.6	53.9	71.6	77.4	209.8
iii. Loans & advances (net)	18.3	9.3	72.5	140.6	207.7	155.0
iv. Annual Development Programme	193.7	255.5	332.8	375.1	523.7	658.7
v. Other expenditures	24.3	19.6	48.8	44.0	55.6	66.7
C. Overall deficit (excluding grants)	239.7	257.0	352.8	377.4	496.6	550.3
D. Overall deficit (including grants)	218.4	224.9	332.2	341.7	443.8	483.6
E. Financing	218.4	218.6	332.2	341.7	443.8	483.6
i. Foreign borrowing - net	25.8	60.4	26.3	36.3	119.0	144.0
Foreign borrowing	72.5	110.0	80.6	95.1	199.5	237.3
Amortization	-46.7	-49.7	-54.3	-58.9	-80.5	-93.3
ii. Domestic borrowing - net	192.6	158.2	305.9	305.4	324.7	339.6
Borrowing from banking system (net)	137.9	-20.9	252.1	271.9	285.0	259.9
Non-bank borrowing (net)	54.6	179.1	53.8	33.5	39.7	79.7
Memorandum item : GDP (at current market prices)	6149.4	6905.7	7875.0	9147.8	10379.9	11888.0

Source : Budget in brief 2008-09, 2009-10, 2010-11, 2011-12 and 2013-14.

Table-VII : Money and Credit

(Billion Taka)

Particulars	FY07	FY08	FY09	FY10	FY11	FY12	FY13
1	2	3	4	5	6	7	8
1. Broad money (M2)@	2115.0	2487.9	2965.0	3630.3	4405.2	5171.1	6035.1
2. Total domestic credit@	2056.7	2486.8	2885.5	3402.1	4308.9	5149.7	5717.4
A) Government sector	535.0	585.4	706.2	694.5	901.8	1070.7	1195.8
i) Government (net)@@	360.4	469.1	581.8	543.9	732.3	917.3	1101.2
ii) Other public sector	174.6	116.3	124.4	150.6	169.5	153.4	94.6
B) Private sector	1521.7	1901.4	2179.3	2707.6	3407.1	4079.0	4521.6
3. Broad money as % of GDP (at current market prices)	44.8	45.6	48.2	52.3	55.3	56.3	58.4
			Growth in percent				
1. Broad money (M2)@	17.1	17.6	19.2	22.4	21.3	17.4	16.7
2. Total domestic credit@	14.8	20.9	16.0	17.9	26.7	19.5	11.0
A) Government sector	14.4	9.4	20.6	-1.7	29.8	18.7	11.7
i) Government (net)@@	14.0	30.2	24.0	-6.5	34.6	25.3	20.0
ii) Other public sector	15.2	-33.4	7.0	21.1	12.5	-9.5	-38.3
B) Private sector	15.0	25.0	14.6	24.2	25.8	19.7	10.9

Sources: 1) Statistics Department, Bangladesh Bank.
2) Bangladesh Bureau of Statistics.

@ Figures correspond to end June.
@@ Includes adjustment of bonds issued by the Government.

Notes: (1) Government securities and treasury bills are shown at cost price .
(2) Advances are on gross basis.

Table - VIII : Consumer Price Index (CPI) and Rate of Inflation - National (base : FY96=100)

Period	Twelve-month average basis						Twelve-month point to point basis					
	General		Food		Non-food		General		Food		Non-food	
	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation
Weight	100.00		58.84		41.16		100.00		58.84		41.16	
FY04	143.90	5.83	146.50	6.93	141.03	4.37	146.67	5.64	149.46	6.64	143.56	4.26
FY05	153.24	6.49	158.08	7.90	147.14	4.33	157.45	7.35	162.51	8.73	151.20	5.32
FY06	164.21	7.16	170.35	7.76	156.56	6.40	169.32	7.54	176.82	8.81	159.86	5.73
FY07	176.04	7.20	184.16	8.11	165.79	5.90	184.89	9.20	194.19	9.82	173.19	8.34
FY08	193.54	9.94	206.78	12.28	176.26	6.32	203.45	10.04	221.57	14.10	179.32	3.54
FY09	206.43	6.66	221.64	7.19	186.67	5.91	208.02	2.25	222.13	0.25	189.98	5.94
FY10	221.53	7.31	240.55	8.53	196.84	5.45	226.11	8.70	246.29	10.88	199.94	5.24
FY11	241.02	8.80	267.83	11.34	205.01	4.15	249.11	10.17	277.11	12.51	211.39	5.73
FY12	266.61	10.62	295.86	10.47	227.87	11.15	270.43	8.56	296.74	7.08	236.16	11.72
FY13	287.14	7.70	317.62	7.35	247.07	8.43	291.98	7.97	322.04	8.53	252.67	6.99
FY13												
July 12	268.31	10.37	297.36	9.87	229.93	11.57	275.18	8.03	303.29	6.30	238.27	11.54
Aug 12	270.03	10.08	299.07	9.41	231.68	11.62	280.26	7.93	310.73	7.10	240.12	9.59
Sep 12	271.66	9.69	300.60	8.77	233.50	11.70	284.43	7.39	316.65	6.16	241.94	9.95
Oct 12	273.26	9.33	301.99	8.16	235.43	11.81	285.14	7.22	315.80	5.57	244.57	10.46
Nov 12	274.90	8.98	303.60	7.68	237.17	11.71	286.30	7.41	317.53	6.45	245.02	9.31
Dec 12	276.61	8.74	305.40	7.43	238.77	11.45	286.83	7.69	317.77	7.33	246.02	8.43
Jan 13	278.28	8.40	307.20	7.14	240.27	10.99	290.56	7.38	321.52	7.21	249.91	7.79
Feb 13	280.05	8.19	309.27	7.10	241.66	10.44	291.00	7.87	321.65	8.34	250.79	7.12
Mar 13	281.79	8.00	311.33	7.11	242.99	9.85	291.78	7.74	322.48	8.30	251.48	6.79
Apr 13	283.58	7.85	313.45	7.16	244.33	9.28	292.14	7.93	322.85	8.57	251.82	6.81
May 13	285.34	7.75	315.51	7.23	245.69	8.81	290.07	7.86	319.11	8.40	252.19	6.93
Jun 13	287.14	7.70	317.62	7.35	247.07	8.43	291.98	7.97	322.04	8.53	252.67	6.99

Source: Bangladesh Bureau of Statistics.

Table-IX: Reserve Money and its Components

(Billion Taka)

Year (End June)	Currency notes and coins with the public	Cash in tills of the scheduled banks	Balances of scheduled banks with the Bangladesh Bank*	Balances of other financial institutions with the Bangladesh Bank	Reserve money
1	2	3	4	5	6=(2+3+4+5)
1997	75.7	8.8	39.4	-	123.9
1998	81.5	9.2	45.4	-	136.1
1999	86.9	10.3	50.3	-	147.5
2000	101.8	10.9	58.0	-	170.7
2001	114.8	13.5	61.0	-	189.3
2002	125.3	13.5	66.8	0.1	205.7
2003	139.0	14.4	60.8	0.1	214.3
2004	158.1	14.8	65.6	0.2	238.7
2005	185.2	18.1	70.4	0.4	274.1
2006	228.6	20.3	90.1	0.5	339.5
2007	266.4	21.4	105.7	0.7	394.2
2008	326.9	29.6	118.1	1.1	475.7
2009	360.5	34.0	231.6	1.4	627.5
2010	461.6	43.1	234.7	2.0	741.4
2011	548.0	57.3	290.1	2.0	897.4
2012	584.2	64.8	326.6	2.4	978.0
2013	675.5	78.2	368.1	3.1	1124.9

Source: Statistics Department, Bangladesh Bank.
* include deposits under foreign currency cleaning account up to 2002.

Table-X: Reserve Money and its Sources

(Billion Taka)

Year (End June)	Bangladesh Bank's claims on					Net foreign assets	Other assets (net)	Reserve money
	Government (net)	Scheduled banks	Other official entities and financial institutions	Private sectors	Total			
1	2	3	4	5	6=(2+3+4+5)	7	8	9=(6+7+8)
1997	44.9	36.0	11.9	0.2	93.0	49.2	-18.2	124.0
1998	52.9	37.5	14.0	0.2	104.6	53.0	-21.5	136.1
1999	63.6	46.2	13.7	8.1	131.6	46.2	-30.3	147.5
2000	81.0	42.9	13.2	9.0	146.1	56.7	-32.1	170.7
2001	101.1	43.7	13.0	9.9	167.7	48.1	-26.5	189.3
2002	128.3	47.3	12.8	10.1	198.5	72.3	-65.1	205.7
2003	73.5	48.5	12.8	11.4	146.2	118.1	-49.9	214.4
2004	118.5	58.5	12.4	12.4	201.8	135.4	-98.5	238.7
2005	156.7	61.3	11.1	13.4	242.5	146.9	-115.4	274.0
2006	250.3	63.5	10.2	14.3	338.3	186.5	-185.3	339.5
2007	259.3	64.4	9.9	15.8	349.4	287.7	-242.9	394.2
2008	260.0	73.3	9.5	17.0	359.8	328.3	-212.5	475.6
2009	289.6	68.5	8.5	20.2	386.8	432.4	-191.7	627.5
2010	223.2	66.1	8.3	25.9	323.5	612.0	-194.1	741.4
2011	317.1	186.1	7.8	31.4	542.4	613.4	-258.4	897.4
2012	378.5	226.3	11.8	36.0	652.6	689.3	-363.9	978.0
2013	270.7	102.2	13.5	41.8	428.2	1032.5	-335.8	1124.9

Source: Statistics Department, Bangladesh Bank.

Table-XI: Deposits of Public and Private Sector

(Billion Taka)

Year (End June)	Demand deposits1/			Time deposits1/		
	Public2/	Private	Total	Public2/	Private3/	Total
1	2	3	4	5	6	7
1996	15.1	67.7	82.8	87.2	249.3	336.5
1997	17.9	69.5	87.4	84.7	294.3	379.0
1998	19.5	70.7	90.2	96.2	332.5	428.7
1999	20.5	79.4	99.9	106.3	386.2	492.5
2000	23.7	89.7	113.4	117.3	471.3	588.6
2001	26.4	100.9	127.3	131.8	557.0	688.8
2002	23.7	108.2	131.9	134.9	653.3	788.2
2003	26.5	118.1	144.6	157.3	763.9	921.2
2004	27.1	136.0	163.1	184.2	865.9	1050.1
2005	35.2	158.9	194.1	223.3	1008.4	1231.7
2006	38.1	183.9	222.0	255.1	1212.9	1468.0
2007	42.2	218.8	261.0	298.7	1409.8	1708.5
2008	49.5	254.9	304.4	364.8	1647.6	2012.4
2009	57.5	280.3	337.8	442.7	2005.6	2448.3
2010	61.8	393.0	454.8	537.1	2374.5	2911.6
2011	87.8	439.3	527.1	677.0	2900.4	3577.4
2012	103.4	471.0	574.4	845.1	3480.7	4325.8
2013	112.1	517.8	629.9	954.8	4144.2	5099.0
			Share in Percent			
1996	18.2	81.8	100.0	25.9	74.1	100.0
1997	20.5	79.5	100.0	22.3	77.7	100.0
1998	21.6	78.4	100.0	22.4	77.6	100.0
1999	20.5	79.5	100.0	21.6	78.4	100.0
2000	20.9	79.1	100.0	19.9	80.1	100.0
2001	20.7	79.3	100.0	19.1	80.9	100.0
2002	18.0	82.0	100.0	17.1	82.9	100.0
2003	18.3	81.7	100.0	17.1	82.9	100.0
2004	16.6	83.4	100.0	17.5	82.5	100.0
2005	18.1	81.9	100.0	18.1	81.9	100.0
2006	17.1	82.9	100.0	17.4	82.6	100.0
2007	16.2	83.8	100.0	17.5	82.5	100.0
2008	16.3	83.7	100.0	18.1	81.9	100.0
2009	17.0	83.0	100.0	18.1	81.9	100.0
2010	13.6	86.4	100.0	18.4	81.6	100.0
2011	16.7	83.3	100.0	18.9	81.1	100.0
2012	18.0	82.0	100.0	19.5	80.5	100.0
2013	17.8	82.2	100.0	18.7	81.3	100.0

Source: Statistics Department, Bangladesh Bank.
1/ Exclude inter-bank items.
2/ Include government deposits.
3/ Include wage earners' deposits.

Table-XII: Selected Statistics of Scheduled Banks

(Billion Taka)

Particulars	30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013
1	2	3	4	5	6	7	8
1. Bank deposits (excluding inter-bank items)	**1970.1**	**2317.3**	**2786.8**	**3368.7**	**4104.8**	**4900.4**	**5729.7**
(a) Demand deposits	234.6	270.5	302.3	416.2	481.1	510.6	557.4
(b) Time deposits	1613.4	1889.5	2300.7	2750.4	3374.2	4073.9	4799.0
(c) Restricted deposits	0.5	0.5	0.7	0.3	0.3	0.2	0.8
(d) Government deposits	121.6	156.8	183.1	201.8	249.2	315.7	372.5
2. Borrowings from the Bangladesh Bank	57.4	66.8	61.0	58.5	178.3	216.6	94.4
3. Cash in tills	21.4	29.6	34.0	43.1	57.3	64.8	78.2
4. Balances with the Bangladesh Bank including FCD	152.7	167.1	287.7	308.8	384.0	472.4	453.4
5. Balances with other banks in Bangladesh	49.6	55.9	74.4	94.1	104.3	120.2	159.4
6. Money at call and short notice	8.7	22.3	20.8	36.5	29.4	57.4	53.0
7. Total investment@	**223.1**	**379.3**	**486.5**	**581.4**	**781.1**	**1017.1**	**1530.2**
(a) Government securities & treasury bills*	194.4	343.2	427.5	465.4	639.1	831.7	1208.1
(b) Others	28.7	36.1	59.0	116.0	142.0	185.4	322.1
8. Bank credit (exclude inter-bank items and foreign bills)	**1614.2**	**1928.7**	**2197.0**	**2719.3**	**3407.8**	**4055.0**	**4370.2**
(a) Advances in Bangladesh**	1449.6	1790.9	2079.9	2578.6	3197.4	3816.5	4171.2
(b) Inland bills purchased and discounted	164.6	137.8	117.1	140.7	210.4	238.5	199.0
9. Credit/deposit ratio (excluding specialised banks)	0.8	0.8	0.8	0.8	0.8	0.8	0.8

Source: Statistics Department, Bangladesh bank.

@ Include T bills/bonds issued by the government and all other investment (share/debenture. reverse repo-BB/DMB, BB bill etc.)

* Government securities and treasury bills are shown at cost price.

** Advances are on gross basis.

Table-XIII: Movements in Selected Interest Rates* (end period)

	FY07	FY08	FY09	FY10	FY11	FY12	FY13
1	2	3	4	5	6	7	8
Bank rate	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Treasury bill rates							
28-day	7.3	7.3	--	--	--		
91-day	7.6	7.6	6.8	2.2	5.6	5.7	8.4
182-day	7.9	7.9	7.8	3.6	5.5	6.2	10.2
364-day	8.5	8.5	8.3	4.6	6.2	6.2	10.4
Call money rates							
Borrowing	7.8	9.7	1.7	6.6	10.9	15.0	7.2
Lending	7.8	9.7	1.7	6.6	10.9	15.0	7.2
Scheduled banks rates							
Deposits	6.9	7.0	7.0	6.0	7.3	8.2	8.5
Advances	12.8	12.3	11.9	11.3	12.4	13.8	13.7

Source: Statistics Department, Bangladesh Bank.
* Weighted average, except bank rate.

Table-XIV: Government Borrowing (net) from the Banking System

(Billion Taka)

Sl. No.	Name of the Bills/Bonds/Securities	Objective	Outstanding as on 30 June 2012[R]	Outstanding as on 30 June 2013[p]
1	2	3	4	5
Bangladesh Bank				
1.	Ways and Means Advances	To increase Government cash balance	20.00	20.00
2.	Overdraft	To increase Government cash balance	78.25	72.04
3.	Devolvement		113.01	66.27
	a) Treasury Bill		58.46	3.37
	b) Treasury Bond		54.55	62.90
4.	Overdraft Block		161.51	146.51
5.	Government Currency Liabilities		7.42	7.73
6.	Advances to Autonomous and Semi-autonomous Bodies		0.05	0.00
7.	Government Deposits 1/ (-)		-0.17	-0.18
8.	Accrued Interest		0.08	0.00
A.	**Total : (1 +...+ 8)**		**380.15**	**312.37**
Deposit Money Banks (DMBs)				
1.	Government Treasury Bills (Less than 1 year)	To increase Government cash balance	149.56	304.20
2.	**Government Bonds of Different Maturities (a+b)**		**676.86**	**810.68**
	a) 1 Year and above but less than 5 years		**8.84**	**11.62**
	i) 3-Year Frozen Food interest free Treasury Bond -2013 and 2014	To repay the loan of Frozen Food Industries	0.41	0.41
	ii) 2-year, 3-Year and 4-year Bangladesh Petroleum Corporation (BPC) Treasury Bond bearing 7.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	6.00	6.00
	iii) 2-year Bangladesh Govt.Treasury Bonds	To increase long-term investment of different banks, non-bank financial institutions and employees GF of different companies	0.00	5.21
	iv) 1-year Bangladesh Jute Mills Corporation (BJMC) Treasury Bond bearing 5.0 percent interest	To repay the loan of Bangladesh Jute Mills Corporation	2.39	0.00
	v) 1-year (muktijoddha) interest free Treasury Bond-2012.		0.04	0.00

Table-XIV (Contd.): Government Borrowing (net) from the Banking System

(Billion Taka)

Sl. No.	Name of the Bills/Bonds/Securities	Objective	Outstanding as on 30 June 2012[R]	Outstanding as on 30 June 2012[p]
1	2	3	4	5
b)	**5 -Year and Above**		**668.02**	**799.06**
i)	5-year Bangladesh Govt.Treasury Bonds	To increase long-term investment of different banks, non-bank financial institutions and employees' GF of different companies	186.31	210.12
ii)	5-year (BSFIC) Treasury Bond-2012 bearing 5.0 percent interest	To repay the loan of Bangladesh Sugar and Food Industries Corporation to Janata Bank	0.21	0.00
iii)	6-year (BJMC&BTMC) interest freeTreasury Bond-2016	To repay the loan of BJMC & BTMC	3.39	3.39
iv)	7-year (BJMC&BTMC) interest freeTreasury Bond-2017	To repay the loan of BJMC & BTMC	1.35	1.35
v)	10-year (BJMC&BTMC) interest freeTreasury Bond-2020	To repay the loan of BJMC & BTMC	2.04	2.04
vi)	10-year Bangladesh Govt.Treasury Bonds	To increase long-term investment of different banks, non-bank financial institutions and employees' GF of different companies	242.58	288.60
vii)	15-year Bangladesh Govt.Treasury Bonds	To increase long-term investment of different banks, non-bank financial institutions and employees' GF of different companies	77.05	86.21
viii)	20-year Bangladesh Govt.Treasury Bonds	To increase long-term investment of different banks, non-bank financial institutions and employees' GF of different companies	54.62	57.98

Table-XIV (Concld.): Government Borrowings (net) from the Banking System

(Billion Taka)

Sl. No.	Name of the Bills/Bonds/Securities	Objective	Outstanding as on 30 June 2012[R]	Outstanding as on 30 June 2013[P]
1	2	3	4	5
ix)	25-year (Jute) Treasury Bond-2018 bearing 5.0 percent interest	To compensate for the liquidation of jute sector credit	1.48	1.24
x)	25-year (Jute) Treasury Bond-2019 bearing 5.0 percent interest	To compensate for the liquidation of jute sector credit	1.03	0.86
xi)	25-year (Jute) Treasury Bond-2020 bearing 5.0 percent interest	To reimburse one-third of the debt due to jute mills' loan write-off by the private banks.	0.23	0.20
xii)	6-year to 15-year Bangladesh Petroleum Corporation (BPC) Treasury Bond bearing 5.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	55.23	45.22
xiii)	5-year to 6-year Bangladesh Petroleum Corporation (BPC) Treasury Bond bearing 7.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	21.00	21.00
xiv)	5-year to 13-year BJMC Treasury Bond bearing 5.0 percent interest	To repay the loan of BJMC	21.50	21.50
xv)	7-year Specialised Treasury Bond (SPTB)-2020 bearing 7.0 percent interest	To increase Government cash balance	0.00	20.00
xvi)	8-year Specialised Treasury Bond (SPTB)-2021 bearing 7.0 percent interest	To increase Government cash balance	0.00	20.00
xvii)	10-year Specialised Treasury Bond (SPTB)-2023 bearing 7.0 percent interest	To increase Government cash balance	0.00	19.35
3.	Prize Bond/Income Tax Bond	To increase Government cash balance	0.28	0.30
4.	Government's other Securities	To increase Government cash balance	0.02	0.02
5.	**Sub-Total : (1+…+4)**		**826.72**	**1115.20**
6.	Advances to Food Ministry		5.09	3.58
7.	Advances to Other Ministries and Autonomous/Semi-Autonomous Bodies		29.91	33.62
8.	Accrued Interest		19.48	24.71
9.	Government Deposits (-)		-315.74	-372.52
B.	**Total : (5+…+9)**		**565.76**	**804.59**
	Grand Total (Government Borrowing from the Banking System) : A+B		**945.61**	**1116.96**

Note: Figures on bonds are being calculated at face value..
1/ Including other deposits
Sources: 1) Monetary Survey, Statistics Department, Bangladesh Bank.
2) Bangladesh Bank Affairs, Accounts and Budgeting Department, BB.
3) Outstanding Balance of Government Borrowings, Debt Management Department, Bangladesh Bank.
R= Revised P= Provisional

Table-XV: Non-bank Government Borrowing

(Billion Taka)

Sl. No.	Name of the Schemes	FY12				FY13[P]			
		Sale	Repayment		Net Sale	Sale	Repayment		Net Sale
			Principal	Interest			Principal	Interest	
1	2	3	4	5	6 = (3-4)	7	8	9	10 = (7-8)
	NSD Instruments								
1.	Defence Savings Certificate	0.00	0.48	0.63	-0.48	0.00	0.23	0.24	-0.23
2.	5 -Year Bangladesh Savings Certificate	12.27	21.42	10.15	-9.15	21.70	21.44	10.68	0.25
3.	Bonus Savings Certificate	0.00	0.07	-	-0.07	0.00	0.01	0.05	-0.01
4.	6 - Month interest bearing Savings Certificate	0.00	0.11	0.03	-0.11	0.00	0.00	0.03	-0.01
5.	Family Savings Certificate	71.27	10.61	7.07	60.65	76.33	10.40	15.35	65.93
6.	3 - Month interest bearing Savings Certificate	33.38	69.32	20.15	-35.94	60.40	102.87	17.02	-42.47
7.	Jamanat Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8.	Pensioner Savings Certificate	18.63	16.35	8.62	2.27	12.87	16.94	8.99	-4.07
9.	**Post Office Savings Bank**	**44.05**	**57.01**	**16.82**	**-12.96**	**50.65**	**57.59**	**17.77**	**-6.94**
	a) General Account	12.19	12.23	0.40	-0.05	11.79	11.58	0.40	0.21
	b) Fixed Account	31.86	44.77	16.41	-12.92	38.86	46.01	17.36	-7.15
	c) Bonus Account	0.00	-	-	-	0.00	-	-	-
10.	Postal Life Insurance	0.86	0.57	0.03	0.29	0.89	0.74	0.01	0.14
11.	Prize Bond	0.50	0.32	0.09	0.18	0.60	0.40	0.13	0.20
12.	Wage Earners' Development Bond	3.76	5.22	5.38	-1.45	4.32	5.09	6.97	-0.76
13.	3-Year National Investment Bond	0.00	2.13	0.54	-2.13	0.00	7.28	1.86	-7.28
14.	USD Premium Bond	0.94	0.23	0.11	0.71	0.87	0.55	0.13	0.32
15.	USD Investment Bond	3.87	0.89	0.53	2.99	4.64	2.00	0.65	2.64
16.	**Total : (1+...+15)**[1/]	**189.55**	**184.76**	**70.19**	**4.79**	**233.27**	**225.54**	**79.81**	**7.73**
17.	Banking Sector (net) (-) minus				0.01				0.02
18.	**Total NSD Instruments (net): (16-17)**				**4.78**				**7.71**
	Govt. Treasury Bills/Bonds								
19.	Government Treasury Bills				-2.07				-1.24
20.	2 - Year Bangladesh Government Treasury Bonds				0.00				0.79
21.	5 - Year Bangladesh Government Treasury Bonds				2.56				20.90
22.	10 - Year Bangladesh Government Treasury Bonds				5.43				25.65
23.	15 - Year Bangladesh Government Treasury Bonds				2.34				8.90
24.	20 - Year Bangladesh Government Treasury Bonds				8.58				13.64
	Total Non-Bank Government Borrowing (net) : (18+….+24)				**21.60**				**68.64**

- = The magnitude of the figure remained zero due to rounded decimal fraction and does not add up to the total.

1/ Including Investment in the banking sector.

Sources: a) National Savings Directorate.

b) Outstanding Balance of Government Borrowings, Debt Management Department, Bangladesh Bank.

P= Provisional.

Table-XVI: Balance of Payments*

(Million US Dollar)

Items	FY08	FY09	FY10	FY11	FY12^{R}	FY13^{P}
1	2	3	4	5	6	7
Trade balance	**-5330**	**-4710**	**-5155**	**-9935**	**-9320**	**-7010**
Export f.o.b (including EPZ)	14151	15581	16233	22592	23989	26566
Of which: Readymade garments (RMG)	10700	12348	12497	17914	19090	21516
Import f.o.b (including EPZ)	19481	20291	21388	32527	33309	33576
Services	**-1525**	**-1616**	**-1233**	**-2612**	**-3001**	**-3159**
Credit	1891	1832	2478	2573	2694	2830
Debit	3416	3448	3711	5185	5695	5989
Primary income	**-994**	**-1484**	**-1484**	**-1454**	**-1549**	**-2315**
Credit	217	95	52	124	193	121
Debit	1211	1579	1536	1578	1742	2436
Of which : Official interest payments	234	238	215	345	373	470
Secondary income	**8551**	**10226**	**11596**	**12315**	**13423**	**15009**
Official transfers	149	72	127	103	106	64
Private transfers	8402	10154	11469	12212	13317	14945
Of which: Workers' remittances (current account portion)	7915	9689	10987	11513	12734	14338
Current account balance	**702**	**2416**	**3724**	**-1686**	**-447**	**2525**
Capital account	**576**	**451**	**512**	**642**	**482**	**588**
Capital transfers	576	451	512	642	482	588
Financial account	**-457**	**-825**	**-651**	**651**	**1436**	**2779**
Foreign direct investment (net)	748	961	913	775	1191	1300
Portfolio investment	47	-159	-117	109	240	287
Other investment	-1252	-1627	-1447	-233	5	1192
MLT loans (excluding suppliers credit)	1338	1204	1589	1032	1539	2134
MLT amortisation payments	580	641	687	739	789	906
Other long term loans (net)	-6	-70	-151	-101	79	-145
Other short term loans (net)	-160	-169	62	531	242	-244
Other assets	-603	-650	-902	-661	0	0
Trade credit (net)	-1108	-1277	-1043	-135	-1118	263
Commercial Bank	-133	-24	-315	-160	52	90
Assets	146	129	410	452	443	396
Liabilities	13	105	95	292	495	486
Errors and omissions	**-490**	**16**	**-720**	**-263**	**-977**	**-764**
Overall balance	**331**	**2058**	**2865**	**-656**	**494**	**5128**
Reserve assets	**-331**	**-2058**	**-2865**	**656**	**-494**	**-5128**
Bangladesh Bank	-331	-2058	-2865	656	-494	-5128
Assets	799	1883	3616	-481	293	5196
Liabilities	468	-175	751	175	-201	68

Source: Statistics Department, Bangladesh Bank.
* This classification is based on Balance of Payments Manual 6.
Note: Customs record is used to calculate import f.o.b. from FY11 and onwards.
Banking channel data was used for calculating import f.o.b. for FY10 and backwards.
R = Revised, P= Provisional.

Table-XVII: Category-wise Exports

(Million US Dollar)

Items	FY08	FY09	FY10	FY11	FY12[R]	FY13
1	2	3	4	5	6	7
A. Frozen food	**534.1**	**454.5**	**445.2**	**625.0**	**598.4**	**543.8**
1. Fish	88.7	101.4	89.1	133.5	108.1	58.0
2. Shrimps	445.4	353.1	348.3	477.8	471.7	454.9
3. Others	0.0	0.0	7.8	13.7	18.6	30.9
B. Agricultural products	**176.1**	**267.4**	**242.4**	**333.9**	**402.7**	**535.7**
1. Vegetables	60.5	44.7	46.8	71.7	77.4	110.3
2. Tobacco	22.4	40.5	52.3	70.9	68.7	60.2
3. Cut flower	56.0	32.5	39.8	42.9	50.5	41.4
4. Fruits	---	6.0	17.4	37.7	57.2	71.9
5. Others	37.2	143.7	86.1	110.7	148.9	251.9
C. Manufactured products	**13400.6**	**14843.3**	**15517.1**	**21969.3**	**23300.8**	**25947.9**
1. Petroleum bi-products	185.1	142.0	301.2	260.7	275.4	314.0
2. Chemical products	215.8	237.1	102.9	104.8	103.0	93.0
3. Plastic products	---	37.4	50.6	68.8	88.7	84.5
4. Leather	284.4	178.2	226.1	297.8	330.2	399.7
5. Cotton & cotton products	---	55.2	95.2	135.0	113.0	125.0
6. Raw jute	165.1	148.2	196.3	357.3	266.3	229.9
7. Jute goods	318.3	324.9	591.7	757.7	701.1	800.7
8. Specialised textiles	179.5	208.9	186.0	164.6	138.8	124.5
9. Knitwear	5532.5	6427.3	6483.3	9482.1	9486.4	10475.9
10. Woven garments	5167.3	5918.5	6013.4	8432.4	9603.3	11039.9
11. Home textile	291.4	313.5	539.3	788.8	906.1	791.5
12. Footwear	169.6	186.9	204.1	297.8	335.5	419.3
13. Engineering products	219.7	181.3	311.1	309.6	375.5	367.5
14. Others	671.9	483.9	215.9	512.0	577.5	682.5
Total (A+B+C)	**14110.8**	**15565.2**	**16204.7**	**22928.2**	**24301.9**	**27027.4**
Of which exports from EPZ	1729.5	1900.3	2150.5	2800.9	3425.5	3828.8

Source: Export Promotion Bureau.
R= Revised.

Table-XVIII: Category-wise Imports

(Million US Dollar)

Items	FY08	FY09	FY10	FY11	FY12R	FY13
1	2	3	4	5	6	7
A. Food grain	**1411**	**882**	**836**	**1911**	**901**	**726**
1) Rice	874	239	75	830	288	30
2) Wheat	537	643	761	1081	613	696
B. Other commodities	**18924**	**20323**	**21488**	**29606**	**32501**	**30853**
1. Milk and cream	137	96	106	161	221	214
2. Spices	80	62	109	127	138	118
3. Oil seeds	136	159	130	103	177	241
4. Edible oil	1006	865	1050	1067	1644	1402
5. Pulses (all sorts)	327	234	350	292	243	422
6. Sugar	396	413	650	654	1177	731
7. Clinker	347	314	333	446	504	487
8. Crude petroleum	695	584	535	888	987	1102
9. POL	2058	1997	2021	3221	3922	3642
10. Chemicals	890	960	972	1254	1210	1302
11. Pharmaceutical products	62	80	103	116	119	119
12. Fertiliser	632	955	717	1241	1381	1188
13. Dyeing and tanning materials	218	259	275	333	375	399
14. Plastic and rubber & articles thereof	808	840	966	1302	1366	1366
15. Raw cotton	1213	1291	1439	2689	2084	2005
16. Yarn	691	792	718	1391	1384	1356
17. Textile and articles thereof	1892	2099	1986	2680	3023	3273
18. Staple fibre	110	112	118	180	428	455
19. Iron, steel and other base metal	1180	1502	1453	2004	2224	2335
20. Capital machinery	1664	1420	1595	2324	2005	1835
21. Others	4382	5289	5862	7133	7889	6861
C. Imports by EPZ	1294	1302	1414	2140	2114	2505
Total import (c.i.f.)	**21629**	**22507**	**23738**	**33657**	**35516**	**34084**
Total import (f.o.b.)	**19481**	**20291**	**21388**	**32527**	**33309**	**33576**

Source: Statistics Department, Bangladesh Bank.

R= Revised.

Table-XIX : Sector-wise Comparative Statement of Opening, Settlement and Outstanding of Import LCs

(Million US Dollar)

Sectors/ Commodities	FY12			FY13			% Changes during FY13 over FY12		
	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year
1	2	3	4	5	6	7	8	9	10
A. Consumer goods	4243.3	3632.6	1760.0	3801.3	3300.0	2063.0	-10.4	-9.2	17.2
B. Intermediate goods	3342.8	3270.2	1187.7	3151.6	2873.3	1262.5	-5.7	-12.1	6.3
C. Industrial raw materials	14455.4	13371.6	6020.6	14428.1	13037.5	6969.1	-0.2	-2.5	15.8
D. Capital machinery	2189.0	2515.8	2425.1	2854.2	2117.1	3002.5	30.4	-15.8	23.8
E. Machinery for miscellaneous industry	3653.7	3051.5	1659.5	3283.1	2923.1	1634.6	-10.1	-4.2	-1.5
F. Petroleum and petroleum products	4671.3	4479.2	1375.8	4135.1	4390.1	1184.3	-11.5	-2.0	-13.9
G. Others	4480.3	4493.8	1709.2	4331.2	3715.6	2330.6	-3.3	-17.3	36.4
Total :	**37035.8**	**34814.6**	**16137.9**	**35984.6**	**32356.8**	**18446.5**	**-2.8**	**-7.1**	**14.3**
Of which, back to back	5211.1	5221.2	2590.7	5905.9	3015.8	5297.1	13.3	-42.2	104.5

Source: Foreign Exchange Operation Department, Bangladesh Bank.

Table-XX: Foreign Exchange Reserves

Year (End June)	Total reserves	
	Million Taka	Million US Dollar
1	2	3
1996	84,906	2,039
1997	74,857	1,719
1998	80,266	1,739
1999	73,650	1,523
2000	81,466	1,602
2001	73,831	1,307
2002	90,858	1,583
2003	141,753	2,470
2004	163,241	2,705
2005	186,769	2,930
2006	242,914	3,484
2007	349,314	5,077
2008	421,377	6,149
2009	515,945	7,471
2010	747,121	10,750
2011	809,996	10,912
2012	848,071	10,364
2013	1190,896	15,315

Source : Accounts & Budgeting Department, Bangladesh Bank.

Table-XXI : Period Average Taka-US Dollar Exchange Rates

Year	Taka per US Dollar
1	2
FY96	40.84
FY97	42.70
FY98	45.46
FY99	48.06
FY00	50.31
FY01	53.96
FY02	57.43
FY03	57.90
FY04	58.94
FY05	61.39
FY06	67.08
FY07	69.03
FY08	68.60
FY09	68.80
FY10	69.18
FY11	71.17
FY12	79.10
FY13	79.93

Source : Statistics Department, Bangladesh Bank.

Table-XXII : Country-wise Workers` Remittances

(Million US Dollar)

Countries	FY07	FY08	FY09	FY10	FY11	FY12	FY13
1	3	4	5	6	7	8	
Saudi Arabia	1735.0	2324.2	2859.1	3427.0	3290.0	3684.4	3829.5
UAE	804.8	1135.1	1754.9	1890.3	2002.6	2404.8	2829.4
UK	886.9	896.1	789.7	827.5	889.6	987.5	991.6
Kuwait	680.7	863.7	970.8	1019.2	1075.8	1190.1	1186.9
USA	930.3	1380.1	1575.2	1451.9	1848.5	1498.5	1859.8
Italy	149.6	214.5	186.9	182.2	215.6	244.8	233.2
Qatar	233.2	289.8	343.4	360.9	319.4	335.3	286.9
Oman	196.5	220.6	290.1	349.1	334.3	400.9	610.1
Singapore	80.2	130.1	165.1	193.5	202.3	311.5	498.8
Germany	14.9	26.9	19.3	16.5	25.6	35.0	25.8
Bahrain	80.0	138.2	157.4	170.1	185.9	298.5	361.7
Japan	10.2	16.3	14.1	14.7	15.2	22.2	21.2
Malaysia	11.8	92.4	282.2	587.1	703.7	847.5	997.4
Other countries	164.4	186.8	281.1	497.4	541.8	582.7	728.9
Total :	**5978.5**	**7914.8**	**9689.3**	**10987.4**	**11650.3**	**12843.4**	**14461.2**

Source : Foreign Exchange Policy Department, Bangladesh Bank.

Table-XXIII : List of Scheduled Banks
(As on 30 June 2013)

State-owned/government controlled banks (4+4=8)

State-owned commercial banks (4)

Sonali Bank Limited
Janata Bank Limited
Agrani Bank Limited
Rupali Bank Limited

Specialised banks (4)

Bangladesh Krishi Bank
Bangladesh Development Bank Limited
Rajshahi Krishi Unnayan Bank
Bangladesh Small Industries and Commerce Bank Limited

Private commercial banks (38)

AB Bank Limited
Al-Arafah Islami Bank Limited
Bangladesh Commerce Bank Limited
Bank Asia Limited
BRAC Bank Limited
Dhaka Bank Limited
Dutch-Bangla Bank Limited
Eastern Bank Limited
Export Import (EXIM) Bank of Bangladesh Limited
First Security Islami Bank Limited
International Finance Investment and Commerce (IFIC) Bank Limited
Islami Bank Bangladesh Limited
ICB Islamic Bank Limited
Jamuna Bank Limited
Meghna Bank Limited
Mercantile Bank Limited
Midland Bank Limited
Modhumoti Bank Limited
Mutual Trust Bank Limited
National Bank Limited
National Credit and Commerce Bank Limited
NRB Commercial Bank Limited
NRB Bank Limited
One Bank Limited
Prime Bank Limited
Pubali Bank Limited
Shahjalal Islami Bank Limited

* In December 1986, it was decided to transform Rupali Bank into a Public Limited Company, keeping 51 percent ownership in the government sector. Subsequently, the above bank's ownership in the government sector is 91 percent as on 30 June 2013.

Table-XXIII (contd.) : List of Scheduled Banks
(As on 30 June 2013)

Social Islami Bank Limited

South Bangla Agriculture and Commerce Bank Limited

Southeast Bank Limited

Standard Bank Limited

The City Bank Limited

The Premier Bank Limited

The Farmers Bank Limited

Trust Bank Limited

United Commercial Bank Limited

Uttara Bank Limited

Union Bank Limited

Foreign commercial banks (9)

Bank Alfalah Limited

Citibank N.A

Commercial Bank of Ceylon PLC

Habib Bank Limited

National Bank of Pakistan

Standard Chartered Bank

State Bank of India

The Hongkong and Shanghai Banking Corporation (HSBC) Limited

Woori Bank

Table-XXIV : List of Financial Institutions*
(As on 30 June 2013)

Agrani SME Financing Company Limited

Bangladesh Finance and Investment Company Limited

Bangladesh Industrial Finance Company Limited

Bangladesh Infrastructure Finance Fund Limited

Bay Leasing and Investment Limited

Delta Brac Housing Finance Corporation Limited

Fareast Finance & Investment Limited

FAS Finance & Investment Limited

First Lease Finance & Investment Limited

GSP Finance Company (Bangladesh) Limited

Hajj Finance Company Limited

IDLC Finance Limited

Industrial and Infrastructure Development Finance Company Limited

Industrial Promotion and Development Company of Bangladesh Limited

Infrastructure Development Company Limited

International Leasing and Financial Services Limited

Islamic Finance and Investment Limited

Lanka Bangla Finance Limited

MIDAS Financing Limited

National Finance Limited

National Housing Finance and Investment Limited

Peoples Leasing and Financial Services Limited

Phoenix Finance and Investments Limited

Premier Leasing & Finance Limited

Prime Finance & Investment Limited

Reliance Finance Limited

Saudi-Bangladesh Industrial and Agricultural Investment Company Limited

The UAE-Bangladesh Investment Company Limited

Union Capital Limited

United Leasing Company Limited

Uttara Finance and Investments Limited

* Licensed by the Bangladesh Bank under Financial Institutions Act, 1993.

Table-XXV : List of Major Publications

ANNUAL

1. Annual Report
2. Export receipts
3. Import payments
4. Balance of payments

HALF YEARLY

1. Financial Sector Review
2. Monetary Policy Review
3. Foreign Direct Investment in Bangladesh
4. Monetary Policy Statement (MPS)
5. Financial Stability Report

QUARTERLY

1. Scheduled Bank Statistics
2. Bangladesh Bank Bulletin
3. Bangladesh Bank Quarterly

MONTHLY

1. Economic Trends
2. Bangladesh Bank Parikroma

Appendix-4

Banking Performance Indicators

(Table: I-XI)

Table I: Banking System Structure

(billion Taka)

Bank types	2013 (June)					
	Number of banks	Number of branches	Total assets	% of industry assets	Deposits	% of deposits
SCBs	4	3499	2013.15	26.75	1522.88	26.75
DFIs	4	1476	424.02	5.63	301.84	5.30
PCBs	38	3386	4628.21	61.49	3551.17	62.38
FCBs	9	66	461.26	6.13	316.95	5.57
Total	**55**	**8427**	**7526.51**	**100**	**5692.84**	**100**

Table II: Capital to Risk Weighted Assets Ratio by Type of Banks

(Percent)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	2013 June
SCBs	-0.4	1.1	7.9	6.9	9.0	8.9	11.7	8.1	1.2
DFIs	-7.5	-6.7	-5.5	-5.3	0.4	-7.3	-4.5	-7.8	-9.0
PCBs	9.1	9.8	10.6	11.4	12.1	10.1	11.5	11.4	11.4
FCBs	26.0	22.7	22.7	24.0	28.1	15.6	21.0	20.6	20.3
Total	**5.6**	**6.7**	**9.6**	**10.1**	**11.6**	**9.3**	**11.4**	**10.5**	**9.1**

Table III: NPLs to Total Loans Ratios by Type of Banks

(Percent)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	2013 June
SCBs	21.4	22.9	29.9	25.4	21.4	15.7	11.3	23.9	26.4
DFIs	34.9	33.7	28.6	25.5	25.9	24.2	24.6	26.8	26.2
PCBs	5.6	5.5	5.0	4.4	3.9	3.2	2.9	4.6	6.6
FCBs	1.3	0.8	1.4	1.9	2.3	3.0	3.0	3.5	4.7
Total	**13.6**	**13.2**	**13.2**	**10.8**	**9.2**	**7.3**	**6.1**	**10.0**	**11.9**

Table IV: Ratio of Net NPLs to Total Loans by Type of Banks

(Percent)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	2013 June
SCBs	13.2	14.5	12.9	5.9	1.9	1.9	-0.3	12.8	8.1
DFIs	22.6	23.6	19.0	17.0	18.3	16.0	17.0	20.4	19.5
PCBs	1.8	1.8	1.4	0.9	0.5	0.0	0.2	0.9	2.4
FCBs	-2.2	-2.6	-1.9	-2.0	-2.3	-1.7	-1.8	-0.9	0.1
Total	**7.2**	**7.1**	**5.1**	**2.8**	**1.7**	**1.3**	**0.7**	**4.4**	**4.4**

Table V: Required Provision and Provision Maintained - all Banks

(billion Taka)

All banks	2005	2006	2007	2008	2009	2010	2011	2012	2013 June
Amount of NPLs	175.1	200.1	226.2	224.8	224.8	227.1	226.4	427.3	523.1
Required provision	88.3	106.1	127.2	136.1	134.8	149.2	148.2	242.4	299.0
Provision maintained	42.6	52.9	97.1	126.2	137.9	142.3	152.7	189.8	274.4
Excess(+)/shortfall(-)	-45.7	-53.2	-30.1	-9.9	3.1	-6.9	4.6	-52.6	-24.6
Provision maintenance ratio (%)	48.2	49.9	76.3	92.7	102.3	95.4	103.0	78.3	91.8

Table VI: Comparative Position of Provision Adequacy

(billion Taka)

Year	Items	SCBs	SBs	PCBs	FCBs
2010	Required provision	70.6	19.1	53.3	6.2
	Provision maintained	69.9	13.3	51.8	7.4
	Provision maintenance ratio (%)	98.9	69.7	97.1	119.4
2011	Required provision	60.8	21.7	58.3	7.4
	Provision maintained	69.0	13.9	61.2	8.5
	Provision maintenance ratio (%)	113.5	64.1	105.0	114.9
2012	Required provision	119.2	29.8	84.4	8.9
	Provision maintained	81.9	13.6	84.9	9.3
	Provision maintenance ratio (%)	68.7	45.7	100.6	104.3
2013 June	Required provision	149.7	34.8	104.9	9.6
	Provision maintained	145.7	15.4	103.8	9.5
	Provision maintenance ratio (%)	97.4	44.3	98.9	98.2

Table VII: Writing-off Bad Debts in Different Bank Categories

(billion Taka)

Bank types	30 June 06	30 June 07	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13
SCBs	35.7	42.8	48.4	64.5	70.5	82.4	72.9	107.2
SBs	28.6	30.4	31.0	31.8	31.8	32.0	24.5	32.6
PCBs	40.7	45.5	49.4	54.7	69.6	77.1	64.9	109.7
FCBs	1.5	1.6	1.7	2.0	2.1	2.4	2.6	3.7
Total	**106.5**	**120.3**	**130.5**	**153.0**	**174.0**	**193.9**	**164.9**	**253.3**

Table VIII: Expenditure-Income Ratio by Type of Banks

(Percent)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	2013 June
SCBs	101.9	100.0	100.0	89.6	75.6	80.7	62.7	73.2	84.2
DFIs	103.9	103.5	107.7	103.7	112.1	87.8	88.6	91.2	107.6
PCBs	89.3	90.2	88.8	88.4	72.6	67.6	71.7	76.0	78.0
FCBs	70.8	71.1	72.9	75.8	59.0	64.7	47.3	49.6	51.6
Total	**92.1**	**91.4**	**90.4**	**87.9**	**72.6**	**70.8**	**68.6**	**74.0**	**79.2**

Table IX: Profitability Ratios by Type of Banks

(Percent)

Bank types	Return on assets (ROA)								Return on equity (ROE)							
	2006	2007	2008	2009	2010	2011	2012	2013 June	2006	2007	2008	2009	2010	2011	2012	2013 June
SCBs	0.0	0.0	0.7	1.0	1.1	1.3	-0.6	0.6	0.0	0.0	22.5	26.2	18.4	19.7	-11.9	11.7
DFIs	-0.2	-0.3	-0.6	0.4	0.2	0.1	0.1	-0.5	-2.0	-3.4	-6.9	-171.7	-3.2	-0.9	-1.1	-28.9
PCBs	1.1	1.3	1.4	1.6	2.1	1.6	0.9	0.4	15.2	16.7	16.4	21.0	20.9	15.7	10.2	5.5
FCBs	2.2	3.1	2.9	3.2	2.9	3.2	3.3	3.4	21.5	20.4	17.8	22.4	17.0	16.6	17.3	19.7
Total	**0.8**	**0.9**	**1.2**	**1.4**	**1.8**	**1.5**	**0.6**	**0.6**	**14.1**	**13.8**	**15.6**	**21.7**	**21.0**	**17.0**	**8.2**	**8.2**

Table X: Net Interest Income by Type of Banks

(billion Taka)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	2013 June
SCBs	7.7	9.0	7.4	7.9	12.1	19.8	34.3	14.9	-0.03
DFIs	1.0	1.7	1.4	1.9	1.9	6.2	4.9	4.7	2.7
PCBs	21.0	25.4	36.1	48.5	56.7	82.8	91.4	114.7	53.7
FCBs	5.6	8.2	9.9	12.6	10.7	13.0	16.1	19.6	8.0
Total	**35.3**	**44.3**	**54.8**	**70.9**	**81.5**	**121.9**	**146.7**	**153.8**	**64.4**

Table XI: Liquidity Ratio by Type of Banks

(Percent)

Bank types	Liquid assets								Excess liquidity							
	2006	2007	2008	2009	2010	2011	2012	2013 June	2006	2007	2008	2009	2010	2011	2012	2013 June
SCBs	20.1	24.9	32.9	25.1	27.2	31.3	29.2	37.9	2.1	6.9	14.9	17.6	8.2	12.3	10.2	18.9
DFIs	11.9	14.2	13.7	9.6	21.3	6.9	11.5	16.4	3.8	5.6	4.9	7.1	2.3	1.3	1.4	5.7
PCBs	21.4	22.2	20.7	18.2	21.5	23.5	26.3	27.4	5.6	6.4	4.7	5.3	4.6	6.6	9.5	10.6
FCBs	34.4	29.2	31.3	31.8	32.1	34.1	37.5	43.5	16.4	11.2	13.3	21.8	13.2	15.3	18.7	24.7
Total	**21.5**	**23.2**	**24.8**	**20.6**	**23.0**	**25.4**	**27.1**	**30.5**	**5.1**	**6.9**	**8.4**	**9.0**	**6.0**	**8.4**	**9.9**	**13.3**

Published by
F.M.Mokammel Huq, General Manager
Department of Communications and Publications
Bangladesh Bank, Head Office, Motijheel
Dhaka-1000, Bangladesh
Phone : 88-02-9530141
e-mail : mokammel.huq@bb.org.bd

Website : www.bb.org.bd

Printed by Srout Advertising

Tel : 8356741, 01819-251898

Price : Tk. 200.00

DCP : 02-2014-800