

Annual Report

2015-2016



Bangladesh Bank

Annual Report

(July 2015–June 2016)



BANGLADESH BANK
(The Central Bank of Bangladesh)

Letter of Transmittal
BANGLADESH BANK

Dhaka
January 2017

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 Bangladesh Bank for the financial year 2015-2016. Audited Accounts of the Bank for the financial year was forwarded earlier on 30 August 2016.

Yours faithfully,



(Fazle Kabir)
Governor

Board of Directors

Mr. Fazle Kabir*	Chairman
Mr. Abu Hena Mohd. Razee Hassan**	Director
Mr. Mahbub Ahmed	Director
Mr. Md. Nojibur Rahman	Director
Dr. Jamaluddin Ahmed***	Director
Dr. Rushidan Islam Rahman***	Director
Mr. Md. Eunusur Rahman****	Director
Mr. Mohammad Naushad Ali Chowdhury*****	Secretary

* Mr. Fazle Kabir was appointed as Governor of Bangladesh Bank with effect from 20 March 2016 after the resignation of Dr. Atiur Rahman on 15 March 2016.

** Mr. Abu Hena Mohd. Razee Hassan was nominated as Director of the Board in place of Mr. Md. Abul Quasem with effect from 10 April 2016

*** Dr. Jamaluddin Ahmed and Dr. Rushidan Islam Rahman were appointed as Directors of the Board with effect from 13 March 2016.

**** Mr. Md. Eunusur Rahman was appointed as Director of the Board in place of Dr. M Aslam Alam with effect from 21 March 2016.

***** Mr. Mohammad Naushad Ali Chowdhury was made as the Secretary of the Board in place of Mr. Md. Nazimuddin with effect from 14 June 2016.

Governor

Fazle Kabir

Deputy Governors

Abu Hena Mohd. Razee Hassan
Shitangshu Kumar Sur Chowdhury

Change Management Adviser

Md. Allah Malik Kazemi

Chief Economist

Dr. Biru Paksha Paul

Executive Directors/Economic Adviser

Dr. Md. Akhtaruzzaman

S.M. Moniruzzaman

Mohammad Naushad Ali Chowdhury

Ahmed Jamal

Nirmal Chandra Bhakta

Subhankar Saha

Mohammad Masum Kamal Bhuiyan

Md. Abdur Rahim

Jinnatul Bakeya

Muhammad Mijanur Rahman Joddar

Md. Nazimuddin

Md. Mozibar Rahman

Md. Saiful Islam

Bishnu Pada Saha

Md. Muslem Uddin

Sheikh Abdullah

Sheikh Azizul Haque

Sultan Ahmed

Ashok Kumar Dey

Mohammad Mobarak Hossain

A. K. M. Fazlul Haque Mia*

Mohammad Matiur Rahman**

As on 30 June 2016.

* Specialised in current charge.

** ICT in current charge.

Departments* of the Head Office and Department Heads**

Accounts & Budgeting Department	Badrul Haque Khan, General Manager®
Agricultural Credit Department	Provash Chandra Mallick, General Manager
Bangladesh Bank Training Academy	Md. Abdul Hamid, General Manager
	Md. Bozlar Rahman Mollah, General Manager
	Rokeya Akhter, General Manager
	A. K. M. Mohiuddin Azad, General Manager
	Md. Ashrafal Alam, General Manager
	Md. Mostafizur Rahman Sarder, General Manager
	Sontosh Kumar Choudhury, General Manager
	Debaprosad Debnath, General Manager®
	Laila Bilkis Ara, General Manager
Bangladesh Financial Intelligence Unit	Abu Farah Md. Nasser, General Manager
Bankers Selection Committee Secretariat	Dr. Md. Ezazul Islam, General Manager
Banking Regulation & Policy Department	Mst. Nahida Begum, General Manager
Chief Economist's Unit	A.K.M. Fazlur Rahman, General Manager
Common Services Department-1	Monsura Khatun, General Manager
Common Services Department-2	Md. Awlad Hossain Chowdhury, General Manager
Credit Information Bureau	Prokash Chandra Bhadra, General Manager
Debt Management Department	Sheikh Mozaffar Hossain, General Manager
Department of Banking Inspection-1	Mohd. Humayun Kabir, General Manager
Department of Banking Inspection-2	Mohammad Golam Haider, General Manager
Department of Banking Inspection-3	F.M. Mokammel Huq, General Manager
Department of Banking Inspection-4	Md. Nasiruzzaman, General Manager
Department of Communications and Publications	Md. Shah Alam, General Manager
Department of Currency Management	Md. Rezaul Islam, General Manager
Department of Financial Institutions & Market	S.M. Rabiul Hassan, General Manager
Department of Foreign Exchange Inspection	Mahfuza Khanam, General Manager
Department of Off-site Supervision	Mohammad Ahmed Ali, General Manager
Deposit Insurance Department	Md. Sohrawardy, General Manager
Expenditure Management Department-1	Nurun Nahar, General Manager
Expenditure Management Department-2	A.K.M. Amjad Hussain, General Manager
Financial Inclusion Department	Md. Shahidul Islam, General Manager
Financial Integrity and Customer services Department	Debashish Chakraborty, General Manager
Financial Sector Support & Strategic Planning Department	A.N.M. Abul Kashem, General Manager
Financial Stability Department	Md. Abu Taher, General Manager
Foreign Exchange Investment Department	Md. Masud Biswas, General Manager
Foreign Exchange Operation Department	Md. Azizur Rahman, General Manager
Foreign Exchange Policy Department	A.F.M. Asaduzzaman, General Manager®
Forex Reserve & Treasury Management Department	Joarder Israil Hossain, General Manager
Governor's Secretariat	Dr. Md. Habibur Rahman, General Manager
	Noor-Un-Nahar, General Manager
Human Resources Department-1	Qazi Enayet Hussain, General Manager
Human Resources Department-2	Debdulal Roy, Systems Manager
Information Systems Development Department	Md. Sadrul Huda, General Manager®
Internal Audit Department	Md. Jalal Uddin, Systems Manager
IT Operation & Communication Department	Syed Tariquzzaman, General Manager
Law Department	Md. Julhas Uddin, General Manager
Monetary Policy Department	Md. Eskandar Mian, General Manager
Payment Systems Department	Bilkis Sultana, General Manager
Research Department	Md. Abdul Awwal Sarker, General Manager
	Asish Kumar Das Gupta, General Manager
	Mahfuza Akhter, General Manager
Secretary's Department	Dr. Abul Kalam Azad, General Manager
Security Management Department	Lt. Col. (Retd.) Md. Mahmudul Haque Khan Chowdhury, General Manager®
	Swapan Kumar Roy, General Manager
SME & Special Programmes Department	Md. Mizanur Rahman, General Manager
Statistics Department	Md. Elias Sikder, General Manager
Special Studies Cell	Manoj Kumar Biswas, General Manager
Sustainable Finance Department	

* As per alphabetical arrangement. ** As of 30 June 2016.

® Contractual Basis.

Note: 1) Lila Rashid, General Manager, Md. Sultan Masud Ahmed, General Manager, Md. Mosharraf Hossain Khan, General Manager, Md. Zamal Mollah, General Manager are on deputation with EEF Unit, Grihayan Tahbil, Microcredit Regulatory Authority, The Security Printing Corporation Bangladesh Limited, respectively.

2) Md. Khurshid Alam, General Manager and Main Uddin Ahmed, General Manager are attached with HRD-1.

Branch Offices* and Office Heads**

Barisal	Nurul Alam Kazi, General Manager
Bogra	Manoj Kanti Bairagi, General Manager
Chittagong	Bishnu Pada Saha, Executive Director Rahena Begum, General Manager
Khulna	Sheikh Azizul Haque, Executive Director Md. Robiul Islam, General Manager
Motijheel	Md. Mozibar Rahman, Executive Director Md. Masum Patwary, General Manager Mohammad Khurshid Wahab, Currency Officer, (General Manager) Dr. Mihir Kanti Chakroborty, Chief Medical Officer (General Manager) [@]
Mymensingh	Md. Shafiqul Islam, General Manager
Rajshahi	Jinnatul Bakeya, Executive Director Ashim Kumar Majumder, General Manager
Rangpur	Ashok Kumar Dey, Executive Director Kazi Sayedur Rahman, General Manager
Sadarghat	Md. Eunos Ali, General Manager
Sylhet	Md. Muslem Uddin, Executive Director Md. Serajul Islam, General Manager

* As per alphabetical arrangement.

** As of 30 June 2016.

[@] Contractual Basis.

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List of Abbreviations

A/C	Account	BSEC	Bangladesh Securities and Exchange Commission
ACC	Anti-Corruption Commission	BSS	Banking Supervision Specialists
A&BD	Accounts & Budgeting Department	BTMC	Bangladesh Textile Mills Corporation
ACU	Asian Clearing Union	CAC	Capital Account Convertibility
ACUD	Asian Clearing Union Dollar	CAMD	Capital Adequacy and Market Discipline
ADB	Asian Development Bank	CAMEL	Capital Adequacy, Asset Quality, Management, Earnings and Liquidity
ADP	Annual Development Programme	CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
ADs	Authorised Dealers	CAMLCO	Chief Anti Money Laundering Compliance Officer
AEPZ	Adamjee Export Processing Zone	CAR	Capital Adequacy Ratio
AFI	Alliance for Financial Inclusion	CCB	Countercyclical Capital Buffer
AML	Anti-Money Laundering	CDLC	Central Depository for Large Credit
APG	Asia Pacific Group on Money Laundering	CEPZ	Chittagong Export Processing Zone
ASEAN	Association of South East Asian Nations	CET1	Common Equity Tier-1
ATA	Anti-Terrorism Act	CEU	Chief Economist's Unit
ATDTL	Average Total Demand and Time Liabilities	CFC	Chlorofluorocarbon
ATDP	Agro-based Industries and Technology Development Project	CFT	Combating the Financing of Terrorism
ATM	Automated Teller Machine	CIB	Credit Information Bureau
BACH	Bangladesh Automated Clearing House	CID	Criminal Investigation Department
BACPS	Bangladesh Automated Cheque Processing Systems	CIPC	Customers' Interests Protection Centre
BB	Bangladesh Bank	CIT	Cheque Imaging and Transaction
BBIN-MVA	Bangladesh, Bhutan, India and Nepal Motor Vehicle Agreement	CMI	Capital Market Intermediaries
BBS	Bangladesh Bureau of Statistics	COEPZ	Comilla Export Processing Zone
BBTA	Bangladesh Bank Training Academy	CPI	Consumer Price Index
BCBS	Basel Committee on Banking Supervision	CRAR	Capital to Risk-weighted Asset Ratio
BDBL	Bangladesh Development Bank Limited	CRM	Comprehensive Risk Management Report
BDT	Bangladesh Taka	CRO	Chief Risk Officer
BEZA	Bangladesh Economic Zones Authority	CRR	Cash Reserve Requirement
BEFTN	Bangladesh Electronic Fund Transfer Network	CSE	Chittagong Stock Exchange
BFIU	Bangladesh Financial Intelligence Unit	CSR	Corporate Social Responsibility
BGAPMEA	Bangladesh Accessories & Packaging Manufacturers & Exporters Association	CTRs	Cash Transaction Reports
BGIIB	Bangladesh Government Islamic Investment Bond	DBI-1	Department of Banking Inspection-1
BGMEA	Bangladesh Garment Manufactures & Exporters Association	DBI-2	Department of Banking Inspection-2
BGTBs	Bangladesh Government Treasury Bonds	DBI-3	Department of Banking Inspection-3
BHI	Bank Health Index	DBI-4	Department of Banking Inspection-4
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	DC	Data Centre
BJMC	Bangladesh Jute Mills Corporation	DEPZ	Dhaka Export Processing Zone
BIC	Basel Implementation Cell	DFEI	Department of Foreign Exchange Inspection
BIG-B	Bay of Bengal Industrial Growth Belt	DFIM	Department of Financial Institutions & Market
BIRP	Bank Intervention Resolution Plan	DFIs	Development Finance Institutions
BKB	Bangladesh Krishi Bank	DIS	Deposit Insurance System
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association	DITF	Deposit Insurance Trust Fund
BoP	Balance of Payments	DMBs	Deposit Money Banks
BPC	Bangladesh Petroleum Corporation	DMS	Document Management System
BPO	Bangladesh Post Office	DNFBP	Designated Non-Financial Business or Profession
BPSSR	Bangladesh Payment and Settlement Systems Regulations	DSE	Dhaka Stock Exchange
BRDB	Bangladesh Rural Development Board	DSIB	Domestic Systematically Important Bank
BRPD	Banking Regulation & Policy Department	DOS	Department of Off-site Supervision
BSBL	Bangladesh Samabaya Bank Limited	DRR	Diagnostic Review Report
		DRS	Disaster Recovery Site
		ECF	Extended Credit Facility
		EDD	Environmental Due Diligence
		EDF	Export Development Fund
		EDW	Enterprise Data Warehouse

EEF	Equity and Entrepreneurship Fund	IAMCL	ICB Asset Management Company Limited
EFT	Electronic Fund Transfer	IASB	International Accounting Standards Board
ELA	Emergency Liquidity Assistance	ICAAP	Internal Capital Adequacy Assessment Process
EGBMP	Enterprises Growth and Bank Modernisation Programme	ICB	Investment Corporation of Bangladesh
EI	Expenditure-Income	ICML	ICB Capital Management Limited
EMT	Executive Management Team	ICT	Information and Communication Technology
EPB	Export Promotion Bureau	IDA	International Development Agency
EPZ	Export Processing Zone	IDCOL	Infrastructure Development Company Limited
ERM	Environmental Risk Management	IDIPA	Information for Deposit Insurance Premium Assessment
ERP	Enterprise Resource Planning	IEPZ	Ishwardi Export Processing Zone
ERR	Environmental Risk Rating	IFRSs	International Financial Reporting Standards
ESMF	Environmental and Social Management Framework	IFS	International Financial Statistics
ETP	Effluent Treatment Plant	ILF	Intraday Liquidity Facility
EU	European Union	IMF	International Monetary Fund
EWS	Early Warning System	IPFF	Investment Promotion & Financing Facility
EZ	Economic Zone	IPO	Initial Public Offering
FAO	Food and Agriculture Organisation	IR	Insolvency Ratio
FATF	Financial Action Task Force	ISS	Integrated Supervision System
FCBs	Foreign Commercial Banks	ISTCL	ICB Securities Trading Company Limited
FCD	Foreign Currency Deposit	IT	Information Technology
FCK	Fixed Chimney Kiln	ITM	Inter-bank Transaction Matrix
FDI	Foreign Direct Investment	JICA	Japan International Cooperation Agency
FDIPP	Foreign Direct Investment Promotion Project	JPY	Japanese Yen
FICSD	Financial Integrity and Customer Service Department	KEPZ	Karnaphuli Export Processing Zone
FLE	Financial Literacy Programme	KSA	Kingdom of Saudi Arabia
FPI	Foreign Portfolio Investment	L/C	Letter of Credit
FoB	Free on Board	LAN	Local Area Network
FPM	Financial Projection Model	LCR	Liquidity Coverage Ratio
FRTMD	Forex Reserve & Treasury Management Department	LIBOR	London Interbank Offered Rate
FSD	Financial Stability Department	LOLR	Lender of Last Resort
FSPDSME	Financial Sector Project for the Development of Small and Medium-sized Enterprise	LSF	Liquidity Support Facility
FSSP	Financial Sector Support Programme	LTF	Long Term Financing
FTA	Free Trade Agreement	LTFE	Long Term Financing Facility
FY	Fiscal Year (July- June)	M2	Broad Money
GDE	Gross Domestic Expenditure	MANCOM	Management Committee
GDP	Gross Domestic Product	MCR	Minimum Capital Requirements
GDS	Gross Domestic Savings	ME	Mutual Evaluation
GFSR	Global Financial Stability Report	MEPZ	Mongla Export Processing Zone
GHG	Green House Gas	MFIs	Microfinance Institutions
GIIB	Government Islamic Investment Bond	MFS	Mobile Financial Services
GNI	Gross National Income	ML	Money Laundering
GNS	Gross National Savings	MLT	Medium and Long Term
GoB	Government of Bangladesh	MMT	Million Metric Tons
GTF	Green Transformation Fund	MoF	Ministry of Finance
GVA	Gross Value Added	MoU	Memorandum of Understanding
H1	First Half	MPD	Monetary Policy Department
H2	Second Half	MPS	Monetary Policy Statement
HBFC	House Building Finance Corporation	MRA	Microcredit Regulatory Authority
HFT	Held for Trade	MRMR	Monthly Risk Management Report
HHI	Herfindahl-Hirschman Index	MSFSCIP	Marginal and Small Farm System Crop Intensification Project
HHK	Hybrid Hoffman Kiln	MSMEs	Micro, Small and Medium Enterprises
HRD-1	Human Resources Department-1	MTMF	Medium Term Macroeconomic Framework
HRD-2	Human Resources Department-2	NAFTA	North American Free Trade Agreement
HTM	Held to Maturity	NBFIs	Non-bank Financial Institutions
IAD	Internal Audit Department	NBR	National Board of Revenue
IADI	International Association of Deposit Insurance	NCDP	Northwest Crop Diversification Project
		NDA	Net Domestic Assets

NEER	Nominal Effective Exchange Rate	SAARC	South Asian Association for Regional Cooperation
NFA	Net Foreign Assets	SC	Steering Committee
NFAs	No-Frill Accounts	SCBs	State-owned Commercial Banks
NGOs	Non-Governmental Organisations	SCDP	Second Crop Diversification Project
NII	Net Interest Income	SDC	Swiss Agency for Development and Cooperation
NIM	Net Interest Margin	SDR	Special Drawing Rights
NITA	Non-resident Investor Taka Account	SEBI	Securities and Exchange Board of India
NNPL	Net Non-performing Loans	SEC	Securities and Exchange Commission
NOC	No Objection Certificate	SEIP	Skills for Employment Investment Programme
NPLs	Non-performing Loans	SHOGORIP	Shashya Gudam Rin Prokalpa
NPO	Non-profit organisation	SIM	Subscriber Identity Module
NPS	National Payment Switch	SLR	Statutory Liquidity Ratio
NPSB	National Payment Switch, Bangladesh	SMEs	Small and Medium-sized Enterprises
NRB	Non-resident Bangladeshi	SMEDP	Small and Medium-sized Enterprise Development Project
NSD	National Saving Directorate	SMESDP	Small and Medium-sized Enterprise Sector Development Project
ODI	Overseas Development Institute	SME&SPD	SME & Special Programmes Department
OECD	Organisation for Economic Co-operation and Development	SPCBL	Security Printing Corporation (Bangladesh) Limited
OIC	Organisation of Islamic Cooperation	SPM	Suspended Particulate Matter
OMO	Open Market Operation	SPTB	Special Treasury Bond
OPGSPs	Online Payment Gateway Service Providers	SR	Saudi Riyal
PCBs	Private Commercial Banks	SREP	Supervisory Review Evaluation Process
PDs	Primary Dealers	SRP	Supervisory Review Process
PFDS	Public Food Distribution System	STRs	Suspicious Transaction Reports
PF	Proliferation Financing	SWIFT	Society for Worldwide Interbank Financial Telecommunication
PFI	Participating Financial Institution	TDTL	Total Demand and Time Liabilities
PKSF	Palli Karma Sahayak Foundation	TF	Terrorist Financing
POL	Petroleum, Oil and Lubricants	TFP	Total Factor Productivity
POs	Partner Organisations	TM	Travel and Miscellaneous
POS	Point of Sale	TMSS	Thengamara Mohila Sabuj Sangha
PPP	Public Private Partnership	TSL	Two Step Loan
PRGF	Poverty Reduction and Growth Facility	UAE	United Arab Emirates
PSD	Payment Systems Department	UBSP	Urban Building Safety Project
PSO	Payment Systems Operator	UEPZ	Uttara Export Processing Zone
QFSR	Quarterly Financial Stability Assessment Report	UK	United Kingdom
QIIP	Quantum Index of Industrial Production	US	United States
QRR	Quick Review Report	USA	United States of America
RAKUB	Rajshahi Krishi Unnayan Bank	USD	US Dollar
RBCA	Risk Based Capital Adequacy	VAT	Value Added Tax
REER	Real Effective Exchange Rate	VPN	Virtual Private Network
Repo	Repurchase Agreement	VS BK	Vertical Shaft Brick Kiln
RM	Reserve Money	WAN	Wide Area Network
RMD	Risk Management Department	WAR	Weighted Average Resilience
RMG	Ready Made Garments	WAR-WIR	Weighted Average Resilience-Weighted Insolvency Ratio
RMP	Risk Management Paper	WEO	World Economic Outlook
RMU	Risk Management Unit	WG	Working Group
ROA	Return on Assets	WIR	Weighted Insolvency Ratio
ROE	Return on Equity	WTO	World Trade Organisation
RTGS	Real Time Gross Settlement		
RUIM	Removable User Identity Module		
RWA	Risk Weighted Assets		
S&P	Standard and Poor's		

Macroeconomic Performance and Prospects

Global Economic Outlook

1.1 Global growth is expected to be tepid at 3.1 percent in 2016, down from 3.2 percent in 2015 (World Economic Outlook, October 2016). Growth, however, is projected to rise up to 3.4 percent in 2017. Advanced economies are expected to grow by 1.6 percent in 2016, 0.5 percentage points lower than in 2015, edging up to 1.8 percent in 2017. However, emerging markets and developing economies are projected to grow by 4.2 percent in 2016, 0.2 percentage points higher than in 2015, rising further to 4.6 percent in 2017.

1.2 The downward growth revisions in advanced economies reflect a deterioration of economic activities in Euro zone following the exit process of UK from EU (Brexit) and its subsequent impact on the US and the Japanese economies. US growth is expected to decrease to 1.6 percent in 2016 from 2.6 percent in 2015 and increase to 2.2 percent in 2017. Reflecting the adverse impact from Brexit, growth in the Euro area has been revised downward to 1.7 percent and 1.5 percent in 2016 and 2017 respectively from 2.0 percent in 2015. Japan is projected to grow by 0.5 percent in 2016 as in 2015 and is expected to grow by 0.6 percent in 2017.

1.3 The growth in emerging market and developing economies in 2016 is expected to improve as a result of buoyant economic

Table 1.1 Overview of the World Economic Outlook projections

	(annual percentage change)		Projections	
	2014	2015	2016	2017
World output	3.4	3.2	3.1	3.4
Advanced economies	1.9	2.1	1.6	1.8
United States	2.4	2.6	1.6	2.2
Euro area	1.1	2.0	1.7	1.5
Germany	1.6	1.5	1.7	1.4
France	0.6	1.3	1.3	1.3
Italy	-0.3	0.8	0.8	0.9
Spain	1.4	3.2	3.1	2.2
United Kingdom	3.1	2.2	1.8	1.1
Japan	0.0	0.5	0.5	0.6
Canada	2.5	1.1	1.2	1.9
Other advanced economies	2.8	2.0	2.0	2.3
Emerging market and developing economies	4.6	4.0	4.2	4.6
Emerging and developing Asia	6.8	6.6	6.5	6.3
China	7.3	6.9	6.6	6.2
ASEAN-5	4.6	4.8	4.8	5.1
South Asia				
Bangladesh	6.3	6.8	6.9	6.9
India	7.2	7.6	7.6	7.6
Pakistan	4.1	4.0	4.7	5.0
Sri Lanka	4.9	4.8	5.0	5.0
World trade volume (goods and services)	3.9	2.6	2.3	3.8
Imports				
Advanced economies	3.8	4.2	2.4	3.9
Emerging and developing economies	4.5	-0.6	2.3	4.1
Exports				
Advanced economies	3.8	3.6	1.8	3.5
Emerging and developing economies	3.5	1.3	2.9	3.6
Commodity prices (U.S. dollars)				
Oil	-7.5	-47.2	-15.4	17.9
Nonfuel	-4.0	-17.5	-2.7	0.9
Consumer prices				
Advanced economies	1.4	0.3	0.8	1.7
Emerging market and developing economies	4.7	4.7	4.5	4.4
South Asia				
Bangladesh	7.0	6.4	6.7	6.9
India	5.9	4.9	5.5	5.2
Pakistan	8.6	4.5	2.9	5.2
Sri Lanka	3.3	0.9	4.1	5.3

Source: World Economic Outlook, October 2016, IMF.

activities in leading Southeast and South Asian countries, modest recovery of oil prices, contained asset price and exchange rate after the Brexit referendum and despite some growth moderation in China. Chinese growth

is revised downward to 6.6 percent in 2016 and 6.2 percent in 2017, from 6.9 percent in 2015. India's economic growth in 2016 and 2017 is expected to continue at 7.6 percent.

1.4 Consumer prices in advanced economies are expected to increase by 0.8 percent in 2016 from 0.3 percent in 2015 and then by 1.7 percent in 2017. On the other hand, consumer prices in emerging markets and developing economies are expected to decrease to 4.5 percent in 2016 from 4.7 percent in 2015 due to the declining oil and other commodity prices. It is projected to further decline to 4.4 percent in 2017.

1.5 World trade volume growth is projected to decrease from 2.6 percent in 2015 to 2.3 percent in 2016 and then increase to 3.8 percent in 2017. Trade balances in advanced economies are expected to deteriorate in 2016 and 2017 since export growth is projected to be weaker than import growth; while those in emerging markets and developing economies are expected to improve in 2016, but deteriorate in 2017. The growth rate of imports for advanced economies is expected to decrease from 4.2 percent in 2015 to 2.4 percent in 2016 and increase to 3.9 percent in 2017. In emerging markets and developing economies, growth rate of imports is projected to increase from negative 0.6 percent in 2015 to 2.3 percent in 2016, and rise further to 4.1 percent in 2017. Exports of advanced economies are expected to grow by 1.8 percent and 3.5 percent in 2016 and 2017 respectively while those of emerging markets and developing economies are expected to grow by 2.9 percent and 3.6 percent respectively during the same period.

1.6 According to Global Financial Stability Report (GFSR) of October 2016, short-term risks have moderated in the past few months as markets have shown resilience to a number of shocks. Pressures on emerging market assets have eased, helped by firmer commodity prices, reduced uncertainty in leading emerging markets, and expectations of lower interest rates in advanced economies. However, medium-term risks are rising in a new environment of increased political and policy uncertainty. Expectations for monetary normalization in advanced economies have shifted even further into the future, and weak growth and low interest rates are increasing the challenges for banks, insurers, and pension funds. Although most advanced economy bank balance sheets are robust, sustainable profitability is weak, reflecting unresolved legacy problems and bank business model challenges. Corporate leverage in many emerging market firms has peaked at high levels, and debt servicing capacity remains weak. These developments have complicated the outlook for attaining a more balanced and potent policy mix, and could lead to a prolonged era of economic and financial stagnation.

1.7 According to October 2016 WEO, downside risks continue to dominate. As global growth remains sluggish, the prospect of an extended shortfall in private demand leading to permanently lower growth and low inflation becomes ever more tangible, particularly in some advanced economies where balance sheets remain impaired. At the same time, a protracted period of weak inflation in advanced economies risks

unmooring inflation expectations, causing expected real interest rates to rise and spending to decline, eventually feeding back to even weaker overall growth and inflation. Though financial conditions in emerging markets have continued to improve in recent months, underlying vulnerabilities (including high corporate debt, declining profitability, and weak bank balance sheets in some cases) remain among some large emerging market economies. In addition a range of additional noneconomic factors such as drought, war and conflict, terrorist activities, famine, resurgence of refugees, etc. continues to influence the outlook in various regions. If these factors intensify, they could collectively take a large toll on market sentiment, hurting demand and activity.

Developments in the Bangladesh Economy

1.8 Bangladesh economy grew by 7.1 percent, exceeding the 7.0 percent growth target and the 6 percent growth trajectory. This strong growth was mainly supported by industry and services sectors. Annual average CPI inflation continued to decline to 5.9 percent in June 2016, below the target of 6.2 percent. The declining trend in average CPI inflation is mainly driven by favourable food inflation.

1.9 In FY16, Bangladesh Bank implemented a cautious but pro-growth monetary policy stance that promotes investments through the strategy of selective easing to support the 7 percent growth target and the 6.2 percent inflation target. Both the targets were fulfilled in FY16. In the H2 of FY16, BB lowered the policy rates by 50 basis points. Market interest rates moderated,

Table 1.2 Sectoral GDP growth rates

(at FY06 constant prices)			
	FY07-FY16 (average)	FY15 ^R	FY16
1. Agriculture	4.1	3.3	2.8
a) Agriculture and forestry	3.5	2.5	1.8
i) Crops and horticulture	3.4	1.8	0.9
ii) Animal farming	2.6	3.1	3.2
iii) Forest and related services	5.3	5.1	5.1
b) Fishing	6.3	6.4	6.1
2. Industry	8.6	9.7	11.1
a) Mining and quarrying	7.9	9.6	12.8
b) Manufacturing	9.1	10.3	11.7
i) Large and medium scale	9.5	10.7	12.3
ii) Small scale	7.5	8.5	9.1
c) Electricity, gas and water supply	8.5	6.2	13.3
d) Construction	7.5	8.6	8.6
3. Services	5.9	5.8	6.3
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.7	6.4	6.5
b) Hotel and restaurants	6.3	6.8	7.0
c) Transport, storage and communication	7.6	6.0	6.1
d) Financial intermediations	7.3	7.8	7.7
e) Real estate, renting and other business activities	4.0	4.4	4.5
f) Public administration and defence	8.6	9.8	11.4
g) Education	7.6	8.0	11.7
h) Health and social works	5.4	5.2	7.5
i) Community, social and personal services	3.2	3.3	3.3
GDP (at FY06 constant market prices)	6.2	6.6	7.1

^R Revised.

Source: Bangladesh Bureau of Statistics.

reflecting policy support and liquidity conditions.

1.10 Export grew by 8.9 percent, while import by 5.5 percent in FY16. Remittances, however, ended up with a negative growth of 3.0 percent during the same period. The current account surplus of USD 3.7 billion led to an overall balance of USD 5.0 billion, building net foreign assets.

1.11 Import benefitted from subdued global commodity prices. Despite some initial competitiveness concerns from appreciation in REER, exports held up well, despite weak external demand. Support mechanisms like low cost export development fund (EDF) financing for input imports and cash incentives provide some cushion to

competitiveness. Foreign exchange reserves reached USD 30.2 billion at the end of FY16, around 8 months of prospective import. Bangladesh Bank tried to smooth out any large fluctuations in the exchange rate and nominal Taka-USD exchange rate remained broadly stable.

Growth Performance

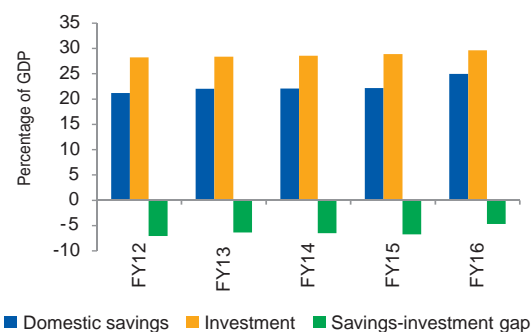
1.12 According to estimates released by the Bangladesh Bureau of Statistics (BBS), the economy grew by 7.1 percent during FY16, compared to 6.6 percent in FY15. The sectoral GDP growth is presented in Table 1.2.

1.13 Agriculture accounts for 15.4 percent of GDP and grew by 2.8 percent in FY16, down from 3.3 percent in FY15 and 4.4 percent in FY14, due mainly to weaker growth in crops and horticulture sub-sector.

1.14 Industry accounts for 31.5 percent of GDP and grew by 11.1 percent in FY16, up from 9.7 percent in FY15, driven by manufacturing sector (contributed 7.8 percentage points to the growth of industry sector), particularly large and medium enterprises.

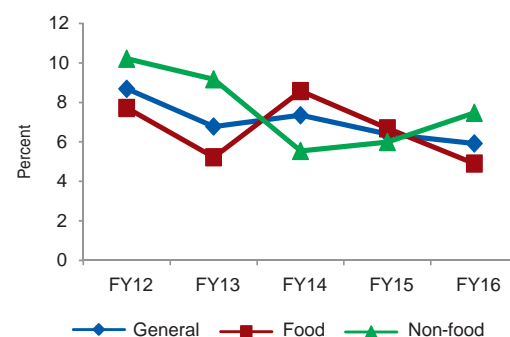
1.15 The services sector holding the largest share (53.1 percent of GDP) grew by 6.3 percent in FY16, compared to 5.8 percent in FY15. The growth of two major services components—wholesale and retail trade repair of motor vehicles, motorcycles, and personal and household goods; and transport, storage and communication largely contributed (1.7 and 1.3 percentage points respectively) to the overall service sector growth. Moreover, public administration and defence; and education sub-sectors grew markedly by 11.4

Chart 1.1 Domestic savings and investment



Source: Bangladesh Bureau of Statistics.

Chart 1.2 National CPI inflation (12 month average : base FY06=100)



Source: Bangladesh Bureau of Statistics and Bangladesh Bank.

and 11.7 percent, respectively. In addition, health and social works; hotel and restaurants; and real estate, renting and other business activities subsectors grew faster in FY16.

Savings and Investment

1.16 Investment as a share of GDP increased at a slower pace in recent years. It improved marginally to 29.7 percent in FY16 from 28.9 percent in FY15 (Chart 1.1). The share of private investment in GDP rose from 22.1 percent in FY15 to 23.0 percent in FY16. In contrast, the share of public investment in GDP declined a little bit from 6.8 to 6.7 percent over the same period.

1.17 The national savings as percentage of GDP improved from 29.0 percent in FY15 to 30.8 percent in FY16. Domestic savings as percentage of GDP also improved from 22.2 to 25.0 percent over the same period. Since domestic savings grew faster than investment, the domestic savings-investment gap as percentage of GDP narrowed to 4.7 percent in FY16 from 6.7 percent in FY15.

Price developments

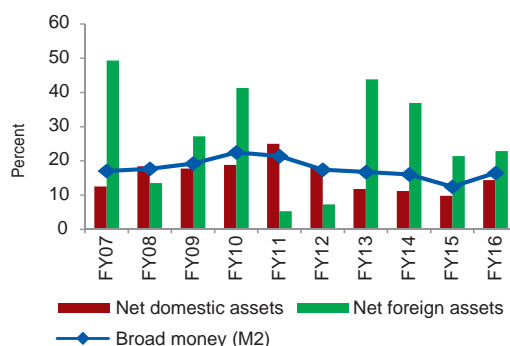
1.18 Average inflation in Bangladesh has declined gradually over the last couple of years. Inflation, which was 7.4 percent at the end of FY14, gradually fell to 5.9 percent at the end of FY16. This decline was mainly attributed to the falling food prices, which more than offset the uptick in non-food prices. Food inflation has gradually come down to 4.9 percent at the end of FY16 from 8.6 percent at the end of FY14. On the other hand, nonfood inflation went up from 5.5 to 7.5 percent over the same period. On the contrary, core inflation, which excludes food and fuel components from the CPI basket, rose from 6.3 percent in July 2015 to 8.0 percent in June 2016.

Money and Credit Developments

1.19 In FY16, Bangladesh Bank pursued a cautious but inclusive and growth supportive monetary policy stance in line with targets of 7.0 percent real GDP growth and 6.2 percent annual average CPI inflation. In the H2 of FY16, BB lowered the policy rates—repo and reverse repo rates by 50 basis points to 6.75 and 4.75 percent respectively.

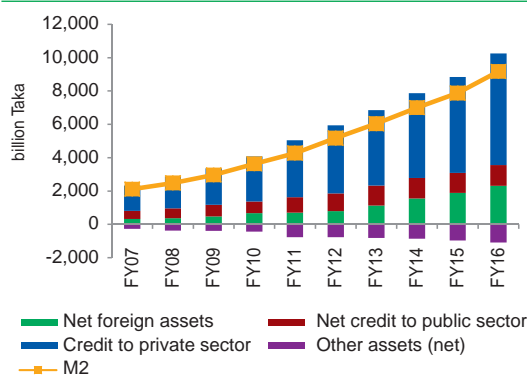
1.20 Broad money (M2) recorded a higher growth of 16.3 percent in FY16 against the

Chart 1.3 Monetary aggregates (growth in percent)



Source: Monetary Policy Department, Bangladesh Bank.

Chart 1.4 Sources of broad money (M2)



Source: Monetary Policy Department, Bangladesh Bank.

targeted growth of 15.0 percent and 12.4 percent actual growth in FY15. The higher growth in broad money is primarily driven by net foreign asset (NFA). NFA grew by 22.8 percent in FY16 against the target of 11.1 percent, and 21.3 percent actual growth in FY15.

1.21 Domestic credit from the banking system grew by 14.3 percent, below the targeted growth of 15.5 percent for FY16 but higher than the actual 10.1 percent growth in FY15. The lower than targeted growth in domestic credit resulted from the lower public sector credit growth, reflecting public

financing mostly through NSD saving instruments and higher profits by state owned Bangladesh Petroleum Corporation (BPC).

1.22 Private sector credit grew by 16.8 percent in FY16, above the targeted growth of 14.8 percent and actual the growth of 13.2 percent in FY15. Lower lending rate, foreign financing facilities, and political stability contributed to higher growth against the target of private sector credit. Resultantly, the growth rate of net domestic assets (NDA) of the banking system stood at 14.3 percent in FY16 against the target of 16.2 percent and actual growth of 9.9 percent in FY15.

1.23 Reserve Money (RM) grew by 30.1 percent in FY16 which was higher than the projected as well as actual growth of 14.3 percent in FY15, reflecting accumulation of foreign assets.

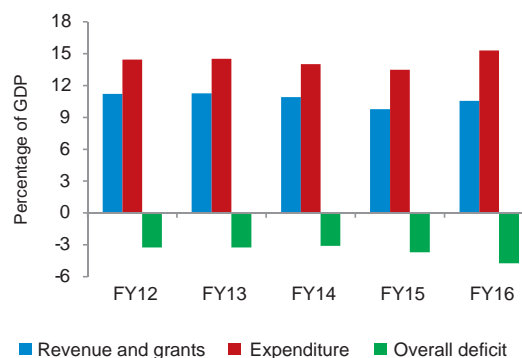
1.24 The weighted average interest rate on both bank advances and deposits declined to 10.39 percent and 5.54 percent at the end of FY16 from 11.67 percent and 6.80 percent respectively at the end of FY15. The spread also narrowed slightly to 4.85 percent from 4.87 percent over the same period. Access to foreign financing facilities at lower rate, the policy rate and liquidity supported the rates.

Public Finance

1.25 The Government has continued to pursue a prudent fiscal policy stance with a view to ensuring macroeconomic stability and sustainable growth. Government has undertaken a wide range of reforms to streamline revenue collection and expenditure management.

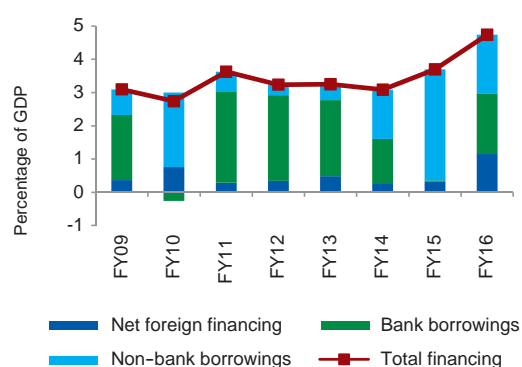
1.26 According to the revised National Budget for FY16, the overall budget deficit

Chart 1.5 Revenue, expenditure and overall budget deficit (as percentage of GDP)



Source: Ministry of Finance.

Chart 1.6 Budget deficit financing



Source: Ministry of Finance.

(excluding grants) as percentage of GDP increased from 3.9 percent in FY15 to 5.0 percent in FY16. The overall budget deficit (including grants) of 4.7 percent of GDP was largely financed by domestic sources, contribution of which increased to 3.6 percent of GDP in FY16 from 3.4 percent of GDP in FY15. The Government's financing from banking system increased from 0.03 percent of GDP in FY15 to 1.8 percent of GDP in FY16, while financing from non-bank sources dropped significantly from 3.3 to 1.8 percent of GDP over the same period (Chart 1.5).

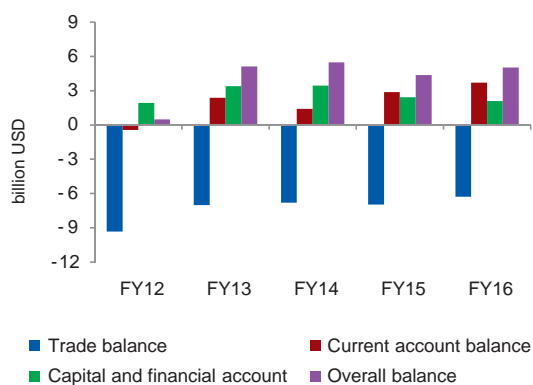
1.27 The growth of total revenue registered a sharp increase from 4.0 percent in FY15 to 21.5 percent in FY16 mainly benefiting from significant expansion of NBR tax revenue, but it remained below the annual target stipulated in the revised budget for FY16. Consequently, revenue-GDP ratio increased from 9.6 percent to 10.2 percent over the same period. Total revenue and grants as a share of GDP improved to 10.5 percent in FY16 from 9.8 percent in FY15.

1.28 Public expenditure as percentage of GDP increased from 13.5 percent in FY15 to 15.3 percent in FY16. It grew by 29.5 percent in FY16 compared to 8.6 percent in FY15. Current expenditure in FY16 stood at 8.7 percent of GDP which was 7.9 percent in FY15.

External Sector

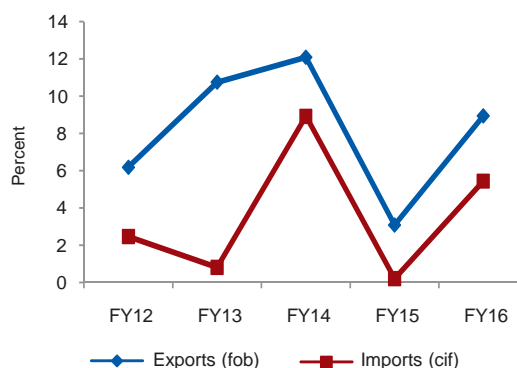
1.29 Exports grew faster than imports in recent years. Exports stood at USD 33441 million in FY16 from USD 30697 million in FY15. During the same period the total import payments also increased to USD 39715 million from USD 37662 million. As export grew more than import, trade deficit shrank to USD 6274 million from USD 6965 million over the same period. The services and income account including primary income and secondary income registered a surplus of USD 9980 million. Current account surplus widened to USD 3706 million in FY16 from USD 2875 million in FY15. The capital and financial account surplus narrowed to USD 2088 million in FY16 from USD 2421 million in FY15. The overall balance of payments registered a surplus of USD 5036 million in

Chart 1.7 Balance of payment



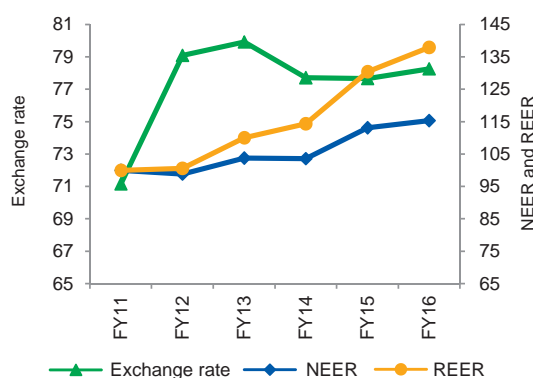
Source: Statistics Department, Bangladesh Bank.

Chart 1.8 Export and import growth



Source: Statistics Department, Bangladesh Bank.

Chart 1.9 NEER, REER and Exchange rate



Source: Monetary Policy Department, Bangladesh Bank.

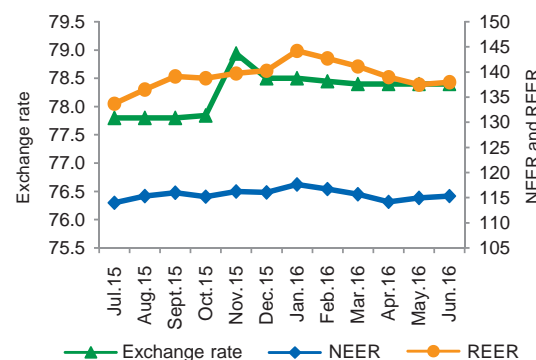
FY16, which was USD 4373 million in FY15. Gross international foreign exchange reserves stood at USD 30168 million at the end of FY16 representing around 8 months of prospective import coverage.

1.30 The growth of export earnings showed an improvement of 8.9 percent in FY16 from 3.1 percent in FY15, although it as percentage of GDP decreased marginally to 15.1 from 15.7 over the same period. Manufactured goods were the main drivers for such higher growth. Among the major sectors of exports, woven garments and knitwear (representing 84.9 percent of total export) petroleum by-products, raw jute, engineering products, vegetables, footwear supported overall export performance in FY16 while shrimps, tobacco, fruits, cut flower, fish and home textile slowed down the pace of that performance.

1.31 Import payments as a percentage of GDP decreased from 19.3 in FY15 to 17.9 in FY16 for the third consecutive year. Imports grew at a rate of 5.5 percent in FY16 compared with the 3.0 percent growth in FY15. Total import bills for edible oil, textile & textile articles thereof, oil seeds, POL, pharmaceutical products, chemicals, yarn, staple fibre, crude petroleum and capital machinery rose in FY16 compared to FY15 while those for the food grains (rice and wheat), fertiliser, sugar, plastic and rubber articles thereof, clinker, milk & cream, raw cotton and iron, steel & other base metals declined during the same period.

1.32 Remittance inflows declined by 3.0 percent at the end of FY16 compared with the positive growth of 7.5 percent in FY15.

Chart 1.10 Recent movements in NEER, REER and Taka-Dollar Exchange Rate (base : FY11=100, 10 currency basket)



Source: Monetary Policy Department, Bangladesh Bank.

1.33 Bangladesh Bank (BB) follows a managed float regime, smoothing out large day-to-day fluctuations. The policy has contributed to the relative stability of the exchange rate. As of end of FY16, Taka had recorded a slight depreciation of 0.77 percent against USD. It stood at Taka 78.40 as of end June 2016 compared to Taka 77.80 as of end June 2015. The nominal effective exchange rate (NEER) of Taka, calculated against a trade weighted 10 currency basket (base: FY11=100), appreciated by 1.95 percent in FY16. The real effective exchange rate (REER) of Taka also appreciated by 5.76 percent in FY16.

1.34 Outstanding external debt stock of Bangladesh increased to USD 25962.7 million as of end of FY16 from USD 23901.0 million as of end of FY15. However, the outstanding debt GDP ratio declined to 11.7 percent from 12.3 percent over the same period.

Near and Medium-Term Outlook for Bangladesh Economy

1.35 The near- and medium-term outlook for Bangladesh economy looks positive,

supported by higher domestic and foreign investments, buoyant trade, capital inflows and favorable inflationary environment.

1.36 Global economic prospects remain sluggish and growth has been revised downward, particularly for the advanced countries (WEO, October 2016). Most of the macroeconomic indicators in Bangladesh are performing well and domestic demand remain buoyant. In recent months, prompt actions taken by the Bangladesh Government in the aftermath of the terrorist attacks in July 2016 helped restore investor confidence. Nonetheless, any fallout from the weaker external demand from a mediocre global growth needs to be closely monitored.

1.37 In 2015, Bangladesh reached the lower middle income country status, and expects to reach upper middle income countries by 2030 or earlier. The government's focus on easing infrastructure bottlenecks and improving business climate would support potential growth and medium-term growth performance. The government's prudent fiscal policy, accompanied by the Bangladesh's Bank monetary policy and effective supervision are expected to support macro-financial stability.

1.38 Aided by pragmatic policy support from the Bangladesh Government and Bangladesh Bank, the low and stable inflation

accompanied by a macroeconomic environment helped Bangladesh become a role model of sustainable finance. In this regard, banks and financial institutions are playing a significant role by providing credit to the un-banked, un-served and underserved people, particularly women supported by the low cost refinance windows of Bangladesh Bank for Micro, Small and Medium Enterprises (MSMEs) output initiatives and eco-friendly green projects. These policies would make finance and growth more sustainable.

1.39 Looking ahead, in FY17 domestic credit is projected to grow by 16.4 percent (y-o-y) with private sector credit growing by 16.5 percent and credit to the public sector by 15.9 percent. In FY17 imports are projected to grow by 8.5 percent, exports by 8.5 percent and remittances by 10 percent. The foreign exchange reserves are projected to reach USD 33.04 billion or higher in FY17 from USD 30.17 billion in FY16.

1.40 From a macro perspective, domestic demand growth is expected to remain robust over the near and medium-term reflecting demographics, investments, and improving infrastructure and cost of doing business. Furthermore, favorable monetary conditions would likely support growth but economic spillovers from weaker external demand need to be closely monitored.

The Real Economy

2.1 Bangladesh has experienced high and steady growth for more than a decade, with an average growth of over 6.0 percent. Growth exceeded 7 percent in FY16, a decade high, and higher than the average in peer Asian economies, making Bangladesh the 3rd best growth performer in Asia.

2.2 Growth accelerated to 7.1 percent in FY16, up from 6.6 percent in FY15, with support from both domestic and external demand (Table 2.1). On the supply side, industry and services sectors contributed to the growth.

2.3 According to the Bangladesh Bureau of Statistics (BBS), GDP at current market price was Taka 17328.6 billion for FY16 which was 14.3 percent higher than that of the preceding fiscal year. In FY16, per capita real GDP and GNI were estimated at Taka 55259 and Taka 58442, respectively. Per capita nominal GDP and per capita real GDP grew faster in FY16 than in the previous fiscal year (Chart 2.1).

2.4 Sectorally, industry, services, and agriculture sectors grew by 11.1, 6.3, and 2.8 percent, respectively (Chart 2.2). Growth decomposition shows that the largest share (3.4 percentage points) came from the industry sector, followed by services (3.3 percentage points) and then agriculture (0.4 percentage points).

Agriculture Sector

2.5 Agriculture growth deceleration stems from lower growth (0.9 percent) in crops and

Table 2.1 Sectoral GDP growth

(at FY06 constant prices: percent)

	FY13	FY14	FY15 ^R	FY16
1. Agriculture	2.5	4.4	3.3	2.8
a) Agriculture and forestry	1.5	3.8	2.5	1.8
i) Crops and horticulture	0.6	3.8	1.8	0.9
ii) Animal farming	2.7	2.8	3.1	3.2
iii) Forest and related services	5.0	5.0	5.1	5.1
b) Fishing	6.2	6.4	6.4	6.1
2. Industry	9.6	8.2	9.7	11.1
a) Mining and quarrying	9.4	4.7	9.6	12.8
b) Manufacturing	10.3	8.8	10.3	11.7
i) Large and medium scale	10.7	9.3	10.7	12.3
ii) Small scale	8.8	6.3	8.5	9.1
c) Electricity, gas and water supply	9.0	4.5	6.2	13.3
d) Construction	8.0	8.1	8.6	8.6
3. Services	5.5	5.6	5.8	6.3
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.2	6.7	6.4	6.5
b) Hotel and restaurants	6.5	6.7	6.8	7.0
c) Transport, storage and communication	6.3	6.1	6.0	6.1
d) Financial intermediations	9.1	7.3	7.8	7.7
i) Monetary intermediation (banks)	10.9	8.3	8.5	8.9
ii) Insurance	0.6	1.6	4.0	0.5
iii) Other financial intermediation	3.1	3.6	4.7	4.5
e) Real estate, renting and business activities	4.0	4.3	4.4	4.5
f) Public administration and defence	6.5	6.9	9.8	11.4
g) Education	6.3	7.3	8.0	11.7
h) Health and social work	4.8	5.1	5.2	7.5
i) Community, social and personal services	3.3	3.3	3.3	3.3
Total GVA at constant basic price	6.1	6.2	6.5	7.2
GDP (at constant market price)	6.0	6.1	6.6	7.1

^R Revised.

Source: Bangladesh Bureau of Statistics.

horticulture. Resultantly, the share of agriculture relative to GDP declined from 16.0 percent in FY15 to 15.4 percent in FY16.

2.6 Forest and related services sub-sector's growth remain unchanged at 5.1 percent. Animal farming sub-sector growth edged up to 3.2 percent in FY16. Fishing sub-sectors grew by 6.1 percent in FY16.

2.7 Total food production (rice-*Aus*, *Aman*, *Boro* and wheat) declined by 0.5 percent to 35.88 MMT in FY16. The production of *Aus*, a relatively minor crop, declined to 2.17 MMT in FY16 from 2.33 MMT in FY15. *Aman* production, the second largest crop, increased slightly to 13.48 MMT in FY16. *Boro*, the largest crop of the year, was estimated to be produced at 18.88 MMT in FY16.

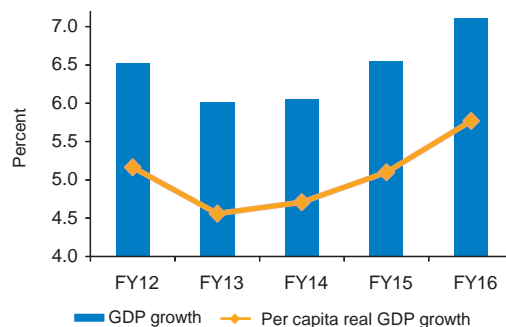
Industry Sector

2.8 Industry sector grew robustly by 11.1 percent in FY16, buoyed by power, gas and water supply, and mining and quarrying sub-sectors. Mining and quarrying accelerated its growth to 12.8 percent in FY16. Electricity, gas, and water supply sub-sector grew by 13.3 percent.

2.9 Manufacturing sub-sector grew by 11.7 percent. Its higher growth reflects a strong performance by large and medium scale enterprises (12.3 percent). Similarly, small scale manufacturing registered a higher growth of 9.1 percent in FY16 compared to 8.5 percent in FY15.

2.10 The large and medium scale manufacturing, and small scale manufacturing sub-sector contributed about 82.7 and 17.3 percent respectively of the total output of the manufacturing sector. Quantum Index of Industrial Production (QIIP) showed a growth of 13.5 percent in FY16 which was higher than the preceding fiscal year (Appendix-3, Table-VIII). Production of motor vehicles, trailers and semi trailers, and other transport equipments grew significantly (85.44 and 74.18 percent) in FY16. Computer, electronic and optical products, other non-metallic mineral products, machinery and equipment n.e.c, electrical equipment, chemicals and chemical products, beverages, food products,

Chart 2.1 Bangladesh real GDP growth



Source: Bangladesh Bureau of Statistics.

Chart 2.2 Annual growth rate



Source: Bangladesh Bureau of Statistics.

and rubber and plastic products registered higher growth in FY16 compared to FY15. Moreover, other major industry group's production also increased except leather and related products, tobacco products and coke, and refined petroleum products. The woven garments and knitwear, country's two key export items, showed a strong growth of 10.2 percent in FY16 compared with 4.1 percent growth in FY15.

Services Sector

2.11 The services sector improved its performance in FY16 and grew by 6.3 percent. Its growth was broad-based and covered public administration and defence, education, health and social work, and transport, storage and communication sub-sectors. The new public pay scale provided a

significant boost to public administration and defence sub-sector. Education sub-sector also posted a higher growth of 11.7 percent in FY16. Transport, storage and communication sub-sector grew by 6.1 percent in FY16. Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; hotel and restaurants; and real estate, rental, and business activities sub-sectors grew slightly higher at 6.5, 7.0 and 4.5 percent respectively in FY16 compared to 6.4, 6.8 and 4.4 percent respectively in FY15. Health and social work sub-sector also recorded a higher growth of 7.5 percent in FY16 compared to 5.2 percent in FY15 (Table 2.1).

Sectoral Composition of GDP

2.12 With continued economic transformation, sectoral composition of output is shifting towards industry and away from agriculture, a pattern commonly observed in other countries. The contribution of the industry sector in GDP increased to 31.5 percent in FY16 (Table 2.2). This was mainly driven by the manufacturing sub-sector whose share in GDP increased by 0.8 percentage point to 21.0 percentage points.

2.13 On the other hand, services sector's share in GDP declined slightly to 53.1 percent in FY16 as compared to the preceding fiscal year. However, the shares of public administration and defence, and education sub-sectors increased while those of real estate, renting and business activities and community, social and personal services sub-sectors declined. (Table 2.2).

2.14 Within agriculture, the share of crops and horticulture, the leading sub-sector comprising of 54.4 percent of agriculture, declined to 8.4 percent in FY16 from 8.9 percent in FY15 (Table 2.2).

Table 2.2 Sectoral GDP shares

(at FY06 constant prices: percent)

	FY13	FY14	FY15 ^R	FY16
1. Agriculture	16.8	16.5	16.0	15.4
a) Agriculture and forestry	13.1	12.8	12.3	11.7
i) Crop and horticulture	9.5	9.3	8.9	8.4
ii) Animal farming	1.8	1.8	1.7	1.7
iii) Forest and related services	1.8	1.7	1.7	1.7
b) Fishing	3.7	3.7	3.7	3.7
2. Industry	29.0	29.6	30.4	31.5
a) Mining and quarrying	1.7	1.6	1.7	1.8
b) Manufacturing	19.0	19.5	20.2	21.0
i) Large and medium scale	15.5	16.0	16.6	17.4
ii) Small scale	3.5	3.5	3.6	3.6
c) Electricity, gas and water supply	1.5	1.4	1.4	1.5
d) Construction	6.9	7.0	7.2	7.3
3. Services	54.2	54.0	53.6	53.1
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	14.0	14.1	14.1	14.0
b) Hotel and restaurants	0.8	0.8	0.8	0.8
c) Transport, storage and communication	11.5	11.5	11.4	11.3
d) Financial intermediations	3.3	3.3	3.4	3.4
i) Monetary intermediation (banks)	2.7	2.8	2.8	2.9
ii) Insurance	0.4	0.4	0.4	0.3
iii) Other financial intermediation	0.2	0.2	0.2	0.2
e) Real estate, renting and business activities	7.1	7.0	6.8	6.6
f) Public administration and defence	3.4	3.4	3.5	3.6
g) Education	2.2	2.3	2.3	2.4
h) Health and social work	1.9	1.9	1.8	1.8
i) Community, social and personal services	10.1	9.8	9.5	9.2
Total GVA at constant basic price	100.0	100.0	100.0	100.0

^R Revised.

Source: Bangladesh Bureau of Statistics.

Table 2.3 GDP by expenditure groups

(at current market prices: billion Taka)

Particulars	FY13	FY14	FY15 ^R	FY16
Domestic demand(1+2)	12751.0	14308.5	16177.9	18138.7
Consumption(1)	9347.3	10468.6	11799.2	13000.3
Private	8733.9	9751.4	10980.0	11979.3
Government	613.4	717.2	819.2	1021.1
Investment(2)	3403.7	3839.9	4378.6	5138.4
Private	2607.5	2960.0	3344.7	3983.5
Public	796.2	879.9	1033.9	1154.9
Resource balance(3-4)	-865.7	-878.1	-1123.6	-806.6
Exports(3)	2342.4	2551.6	2627.9	2885.2
Imports(4)	3208.1	3429.7	3751.5	3691.8
Gross domestic expenditure	11885.3	13430.5	15054.3	17332.1
Gross domestic product	11989.2	13436.7	15158.0	17328.6
Statistical discrepancy	104.0	6.3	103.8	-34.6

^R Revised.

Source: Bangladesh Bureau of Statistics.

GDP by Expenditure

2.15 Expenditure-based GDP in FY16 increased by 14.3 percent to Taka 17328.6 billion as compared to FY15 (Table 2.3).

2.16 Gross domestic expenditure (GDE) reflects the aggregate demand generated by domestic economic activity, measured as the sum of consumption and investment and net export. Domestic demand was estimated at Taka 18138.7 billion at current market prices in FY16, 12.1 percent higher than FY15. Net export was estimated at Taka -806.6 billion in FY16.

2.17 Total consumption expenditure and trade deficit accounted for 75.0 percent and 4.7 percent of GDE respectively in FY16. In nominal terms, investment increased by 17.4 percent outpacing the growth in consumption (10.2 percent).

Savings and Investment

2.18 Gross domestic savings (GDS) in FY16 at current market price stood at 25.0 percent of GDP, higher than 22.2 percent of GDP in the previous fiscal year (Table 2.4, Chart 2.3). Gross national savings (GNS) increased to 30.8 percent of GDP in FY16 from 29.0 percent in FY15.

2.19 Gross domestic savings (GDS) and national savings at current market prices increased significantly by 28.9 and 21.2 percent respectively in FY16, sharply higher than in FY15.

2.20 Investment as a share of GDP edged up to 29.7 percent in FY16 from 28.9 percent in FY15 (Table 2.4, Chart 2.3). Although public investment declined marginally, it was more than offset by the pick-up in private investment, which rose from 22.1 percent in

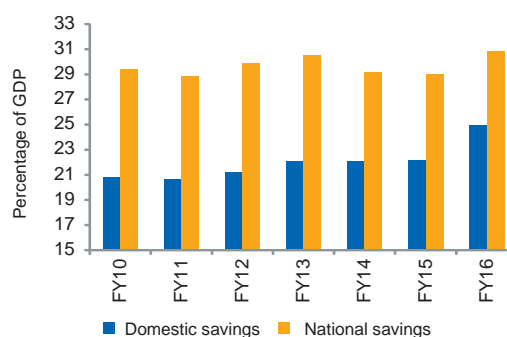
Table 2.4 Domestic savings and investment

Particulars	(as percentage of GDP)			
	FY13	FY14	FY15 ^R	FY16
Investment	28.4	28.6	28.9	29.7
Private	21.8	22.0	22.1	23.0
Public	6.6	6.6	6.8	6.7
Domestic Saving	22.0	22.1	22.2	25.0
National Savings	30.5	29.2	29.0	30.8

^R Revised.

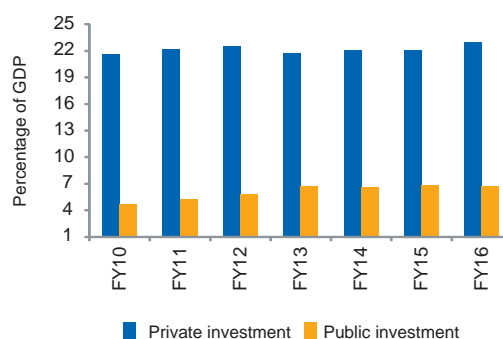
Source: Bangladesh Bureau of Statistics.

Chart 2.3 Domestic and national savings



Source: Bangladesh Bureau of Statistics.

Chart 2.4 Domestic investment



Source: Bangladesh Bureau of Statistics.

FY15 to 23.0 percent in FY16. As a result, domestic savings-investment gap as a percentage of GDP declined from 6.7 in FY15 to 4.7 in FY16. This gap was met with the help of the net factor income and net current transfer.

Price and Inflation

Global Inflation Scenario

3.1 Global inflation remained stable in 2015. Consumer price inflation in advanced economies was 0.3 percent, which increased by about 0.5 percent in the first half of 2016 resulting from the oil price rebound. Core inflation was higher than headline inflation with varying magnitude across major advanced economies. Emerging market and developing economies went through steady inflation as exchange rates remained broadly stable or appreciated in many countries and the effect of earlier exchange rate depreciations started to diminish.

Consumer Prices in Bangladesh

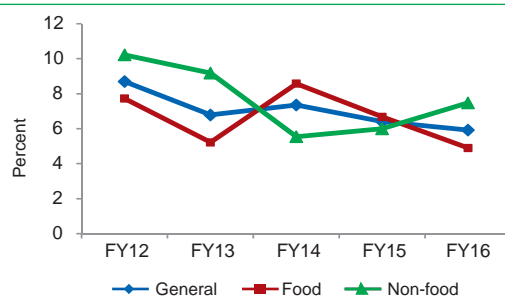
3.2 Annual average CPI inflation in Bangladesh has continued its declining trend in FY16 as in FY15. The headline inflation rate stood at 5.92 percent in June 2016 against the forecast of 6.07 percent reported in the Monetary Policy Statement (January-June 2016) of Bangladesh Bank, while it was 6.40 percent in FY15 (Table 3.2, Chart 3.1). Inflationary pressures kept easing throughout FY16 except for the month of January 2016 when the average inflation rate slightly increased by 0.01 percentage point. A sharp fall in food inflation resulting from sufficient food-grains supply mainly contributed to the decline of headline inflation. In addition, lower fuel prices and non-fuel commodity prices in the international market, accommodative

Table 3.1 Monthly Inflation (%)

Months	General	Food	Non-food
Jul 15	1.66	1.95	1.25
Aug 15	1.12	1.81	0.07
Sep 15	1.48	1.70	1.14
Oct 15	0.65	0.67	0.60
Nov 15	-0.11	-0.35	0.26
Dec 15	0.49	-0.02	1.26
Jan 16	1.10	-0.06	2.86
Feb 16	-0.13	-0.26	0.05
Mar 16	0.30	0.50	0.01
Apr 16	0.05	0.07	0.03
May 16	-1.44	-2.23	-0.28
Jun 16	0.27	0.44	0.03

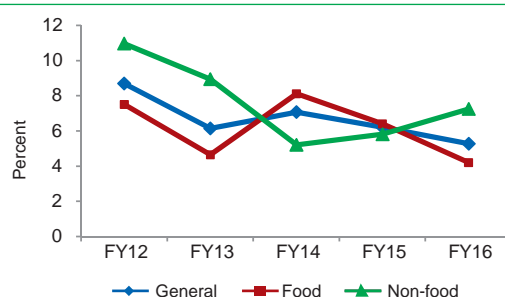
Source: Bangladesh Bureau of Statistics (BBS).

Chart 3.1 National CPI inflation (12-month average : base FY06=100)



Source: BBS.

Chart 3.2 Rural CPI inflation (12-month average : base FY06=100)



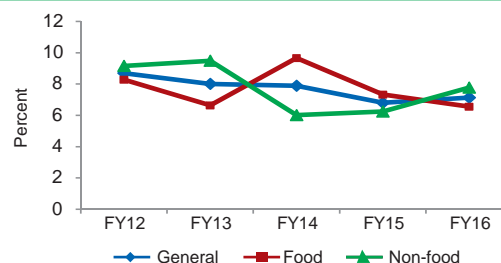
Source: BBS.

money supply and stable exchange rate altogether played an instrumental role in this respect. Similarly, the twelve month point-to-point CPI inflation went down to 5.53 percent in June 2016 from 6.25 percent in June 2015.

3.3 The rate of annual average food inflation depicted a declining trend while point-to-point food inflation showed mixed trends in FY16. Point-to-point food inflation stood at 6.07 percent in July 2015 and had followed a sustained fall before reaching to a fairly low rate of 3.77 percent in February 2016. With some fluctuations in the following few months, point-to-point food inflation ended up 4.23 percent in June 2016. Point-to-point food inflation for FY16 is still much lower than 6.32 percent that prevailed in June 2015. Annual average food inflation continuously declined from 6.53 percent in July 2015 to 4.90 percent in June 2016.

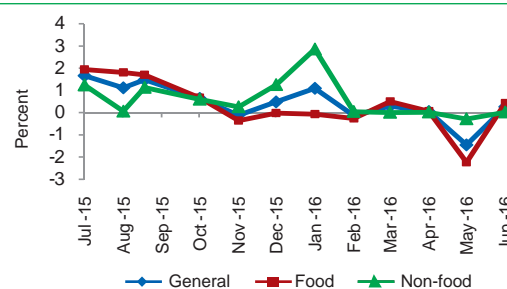
3.4 Although annual average non-food inflation followed upward trend, point-to-point non-food inflation had a mixed trend throughout FY16. Annual average non-food inflation was recorded at 6.08 percent in July 2015. The rate gradually increased to 7.47 percent in June 2016, which was 5.99 percent in June 2015. At the beginning of FY16, point-to-point non-food inflation was 6.80 percent in July 2015. With ups and downs in the following few months, the rate reached its peak at 8.74 percent in January 2016, due mainly on clothing and footwear; gross rent, fuel and lighting; and furniture furnishing and others. Since January 2016, point-to-point non-food inflation kept declining to the end of the fiscal year with 7.50 percent in June 2016, which was 6.15 percent in June 2015.

Chart 3.3 Urban CPI inflation (12-month average)



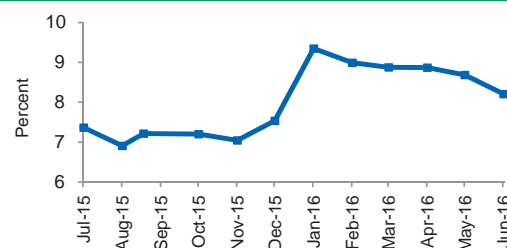
Source: BBS.

Chart 3.4 Monthly Inflation (point-to-point)



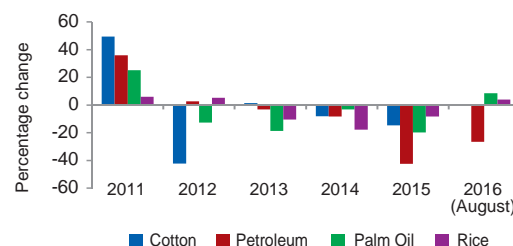
Source: BBS.

Chart 3.5 Monthly core CPI inflation (point to point basis)



Source: Research Department, Bangladesh Bank.

Chart 3.6 Changes in international commodity prices



Source: International Financial Statistics (IFS), August 2016.

3.5 Core inflation (non-food, non-fuel) on point-to-point basis has been continuously higher over headline inflation but showed a mixed trend throughout FY16 and reached its peak at 9.35 percent in January 2016 and settled down to 8.21 percent in June 2016, which was 6.74 percent in June 2015 (Chart 3.5). Monthly general, food and non-food inflation also showed a mixed trend in FY16 (Table-3.1, Chart 3.4).

3.6 In FY16, Inflation in urban area was much higher than that of rural areas. In rural areas, average inflation was 5.27 percent, while it was 7.13 percent in urban areas in June 2016. Annual average inflation in the rural areas stood at 5.27 percent in June 2016 from 6.20 percent in June 2015 (Table 3.2, Chart 3.2). In the same areas, the food inflation fell to 4.20 percent in June 2016 from 6.40 percent in June 2015. On the contrary, in the rural areas annual average non-food inflation increased to 7.25 percent from 5.81 percent over the same period.

3.7 Annual average inflation in the urban areas increased to 7.13 percent in June 2016 from 6.80 percent in June 2015 (Table 3.2, Chart 3.3). In the same areas, the food inflation sharply declined to 6.55 percent in June 2016 from 7.32 percent in 2015. On the other hand, the non-food inflation increased to 7.77 percent from 6.24 percent over the same period.

3.8 Total food-grains production in Bangladesh slightly decreased in FY16. Total domestic food-grains production was recorded at 35.9 million metric tons in FY16 as compared to 36.1 million metric tons in

Table 3.2 Annual average CPI based inflation

(base: FY06=100)

Group	Weight	FY13	FY14	FY15	FY16
a. National level					
General Index	100.00	181.73 (6.78)	195.08 (7.35)	207.58 (6.40)	219.86 (5.92)
Food	56.18	193.24 (5.22)	209.79 (8.57)	223.80 (6.68)	234.77 (4.90)
Non-food	43.82	166.97 (9.17)	176.22 (5.54)	186.79 (5.99)	200.74 (7.47)
b. Rural					
General index	100.00	183.90 (6.14)	196.90 (7.07)	209.10 (6.20)	220.12 (5.27)
Food	61.41	192.14 (4.64)	207.72 (8.11)	221.02 (6.40)	230.31 (4.20)
Non-food	38.59	170.79 (8.94)	179.69 (5.21)	190.13 (5.81)	203.92 (7.25)
c. Urban					
General Index	100.00	177.71 (8.01)	191.72 (7.89)	204.76 (6.80)	219.37 (7.13)
Food	46.52	195.91 (6.64)	214.85 (9.66)	230.56 (7.32)	245.66 (6.55)
Non-food	53.48	161.88 (9.49)	171.61 (6.01)	182.32 (6.24)	196.50 (7.77)

Note : Figures in parentheses represent annual inflation.
Source: BBS

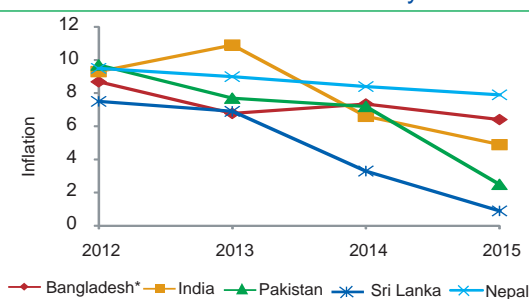
Table 3.3 Changes in international prices of major commodities

(percentages)

Commodity	2012	2013	2014	2015	2016 (July)
Rice	5.2	-10.6	-17.8	-10.9	3.9
Wheat	-1.4	-3.8	-8.8	-23.5	-15.4
Petroleum	2.7	-3.2	-8.3	-47.0	-26.5
Palm oil	-12.7	-18.7	-3.2	-23.6	8.4
Soybean Oil	-5.3	-12.2	-19.6	-17.3	3.9
Cotton	-42.3	1.3	-8.1	-15.3	0.5
Sugar	-18.5	-17.2	-3.3	-22.7	23.1

Source: IFS, August, 2016.

Chart 3.7 South Asian inflationary situation



Source: 1. * BBS, figures related to financial year (July-June)
2. IFS, September, 2016 (at the end of December)

FY15. Total government procurement of food-grains in FY16 was 1.2 million metric tons. The government undertook various measures including open market sale of food-grains and food-for-work programme which helped to control food inflation in FY16.

3.9 To reduce hardship of poor households, the government distributed food grain through monetised and non-monetised channels among the poor and marginal households. The government distributed 2.1 million metric tons of food-grain in FY16, which was 1.8 million metric tons in FY15 through Open Market Sales, Fair Price Card, and Test Relief and Vulnerable Group Feeding channels under the Public Food Distribution System (PFDS).

3.10 Bangladesh Bank adopted a cautious but explicitly pro-growth monetary policy stance (Monetary Policy Statement, July-December 2015) with an inflation rate target of 6.2 percent by the end of FY16. In pursuance of this inflation objective, Bangladesh Bank continued its directives for commercial banks to channel credit only for the productive sectors.

3.11 Prices of major commodities in the international markets declined in 2015 compared to those of the preceding year. In 2016 (till July) the prices of petroleum and wheat decreased by 26.5 and 15.4 percent respectively. On the contrary, the prices of rice, palm oil, soybean oil, cotton, and sugar increased by 3.9, 8.4, 3.9, 0.5 and 23.1 percent respectively (Table 3.3, Chart 3.6).

Chart 3.8 Growth rate of wage index (base:FY11=100)



Source: BBS

Table 3.4 Inflation in SAARC and other Asian countries[#]

Countries	2012	2013	2014	2015	2016
1. Bangladesh [@]	8.69	6.78	7.35	6.41	5.77 (Aug)
2. India	9.3	10.9	6.6	4.9	-
3. Pakistan	9.7	7.7	7.2	2.5	4.0 (July)
4. Nepal	9.5	9.0	8.4	7.9	9.8 (April)
5. Bhutan	10.9	7.0	8.2	4.5	3.4 (May)
6. Sri Lanka	7.5	6.9	3.3	0.9	5.5 (July)
7. Maldives	12.1	2.3	2.1	1.0	-0.2 (April)
Other Asian countries					
8. Thailand	3.0	2.2	1.9	-0.9	0.4 (Jun)
9. Singapore	4.5	2.4	1.0	-0.5	-0.8 (Jun)
10. Malaysia	1.7	2.1	3.1	2.1	1.6 (Jun)
11. Indonesia	4.3	6.4	6.4	6.4	3.5 (Jun)
12. Korea	2.2	1.3	1.3	0.7	0.7 (July)
13. Myanmar	1.5	5.5	5.5	10.8	-

Sources: [@] BBS, Consumer Price Index (base: FY06=100).

[#] IFS, September, 2016 CPI (base: 2000=100).

3.12 Among the SAARC countries Nepal had the highest inflation of 9.8 percent recorded in April 2016. In 2016, other countries like Bangladesh (5.77 percent, August 2016) Pakistan (4.0 percent, July 2016) and Sri Lanka (5.5 percent, July 2016) experienced a moderately high inflation. Contrary to this situation, Maldives (-0.2 percent, April 2016) and Singapore (-0.8

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

(base: FY06=100)

Group/sub-group	Weight	FY14	FY15	FY16	% Change FY15	% Change FY16
General index	100	195.08	207.58	219.86	6.41	5.92
1. Food, beverage and tobacco	56.18	209.79	223.8	234.77	6.68	4.90
2. Non-food of which	43.82	176.23	186.79	200.74	5.99	7.47
i) Clothing & footwear	6.84	194.77	209.45	233.52	7.54	11.49
ii) Gross rent, fuel & lighting	14.88	163.47	171.8	182.75	5.10	6.37
iii) Furniture, furnishing, household equipment & operation	4.73	206.14	214.44	227.53	4.03	6.10
iv) Medical care & health expenses	3.47	164.06	181.09	200.03	10.38	10.46
v) Transport and communications	5.80	167.20	181.78	201.60	8.72	10.90
vi) Recreation, entertainment, education & cultural services	4.28	164.38	168.02	171.01	2.21	1.78
vii) Miscellaneous goods and services	3.82	193.75	204.21	211.61	5.40	3.62

Source: BBS

percent, June 2016) faced deflation (Table 3.4, Chart 3.7).

Wage Rate Trends

3.13 Wage rate indices for all sectors of Bangladesh had higher growth in FY16 compared to those of FY15. The growth of general wage rate increased to 6.10 percent in FY16 from 4.94 percent in FY15 (Table 3.6, Chart 3.8). The service sector recorded the highest wage growth rate of 6.56 percent in FY16 followed by agriculture (6.46) and industry (5.02) sectors.

Near Term Inflation Outlook

3.14 The average inflation rates in advanced economies are projected to shoot up to about 0.8 percent in 2016 in line with the energy price hike. Inflation is expected to rise over the next few years propelled by fuel price increase. Oil prices picked up to USD 45/barrel in August 2016, which was at its 10-year low level at the beginning of the same year. Involuntary production shutdowns

Table 3.6 Trends of wage rate indices

(base: FY11=100)

	FY13	FY14	FY15	FY16
General	112.62 (6.01)	118.82 (5.50)	124.69 (4.94)	136.04 (6.10)
Agriculture	112.08 (5.78)	118.44 (5.68)	124.51 (5.12)	135.86 (6.46)
Agriculture	112.08 (5.76)	118.40 (5.64)	124.46 (5.12)	135.84 (6.49)
Fish	111.89 (6.55)	120.81 (7.97)	126.85 (5.00)	136.75 (4.60)
Industry	113.43 (6.08)	119.07 (4.97)	124.38 (4.47)	134.87 (5.02)
Construction	114.70 (6.87)	119.93 (4.56)	124.84 (4.09)	132.51 (4.13)
Production	111.53 (5.19)	121.86 (9.27)	127.28 (4.44)	139.66 (6.81)
Services	113.63 (6.96)	120.16 (5.75)	126.15 (4.98)	139.28 (6.56)

Note : Figures in parentheses are annual percentage changes.
Source: BBS.

helped oil prices rebound. Metal prices rose modestly in the first half of 2016 caused by strong demand by emerging market and developing economies. Food prices increased for most items except corn and wheat.

3.15 Food and Agriculture Organisation (FAO) in its flagship publication Food Outlook June 2016 reports that global food commodity markets are broadly stable supported by adequate supplies.

3.16 Market prospects remain favourable also for 2016-17. After two seasons of production outages, FAO forecasts a modest 1 percent recovery in global rice production in 2016. World wheat production in 2016 is projected to decline by 1.4 percent, still sufficient for the total demand. The FAO Food Price Index was recorded at 155.8 points in May 2016, which was 7.0 percent lower than in the same period of the preceding year.

3.17 In FY17 national budget, the target for the average inflation rate at the end of the fiscal year was set at 5.8 percent. At the end of the first quarter of FY17, the average inflation rate of 5.7 percent was below the yearly target level. The average food and non-food inflation rates were 4.6 and 7.5 percent respectively at the end of the same period. The average food inflation rate has been on a falling trend since the beginning of the fiscal year. On the contrary, average non-food inflation rate followed an upward trend until September 2016 when the rate dipped by 0.05 percentage point. For the next quarter, Bangladesh Bank forecasts an inflation rate of

Table 3.7 Global inflationary situation

	(Percentage change)			
	2014	2015	2016 ^P	2017 ^P
Advanced Economies	1.4	0.3	0.8	1.7
United States	1.6	0.1	1.2	2.3
Euro Area	0.4	0.0	0.3	1.1
Emerging Market and Developing Economies	4.7	4.7	4.5	4.4
Emerging and Developing Asia	3.5	2.7	3.1	3.3
Bangladesh	7.0	6.4	6.7	6.9
India	5.9	4.9	5.5	5.2
Sri Lanka	3.3	0.9	4.1	5.3
Pakistan	8.6	4.5	2.9	5.2

^P Projection.

Source: World Economic Outlook, October 2016.

5.5 percent, which in fact does not account for external shocks. An inflation expectation survey conducted by Bangladesh Bank revealed two inflation rates 6.4 percent by general people and 5.9 percent by professionals for December 2016. Despite a favourable inflation outlook, few challenges including energy price adjustments, supply shocks and demand factors may unfold by the end of the fiscal year. Bangladesh Bank puts utmost importance to contain the inflationary pressure and adjusts monetary growth and policy rates as deemed necessary.

Money and Credit

Stance of Monetary and Credit Policy

4.1 Bangladesh Bank pursued cautious but growth-supportive, inclusive and investment friendly monetary policy stances in FY16 with a view to achieving desired economic growth and maintaining inflation at a moderate level. Monetary and credit policies and programmes were designed to contain average inflation at 6.2 percent and attain output growth of 7.0 percent as per aspiration of FY16 national budget. Available data indicate attainment of key objectives of monetary and credit programmes and policies for FY16. Though broad money (M2) growth surpassed the target ceiling a bit due mainly to an extraordinary growth in net foreign assets, overall domestic credit growth remained below the target ceiling in FY16. Though government's net borrowing from the banking system ended up with an upbeat at the end of FY16; it was in a downward trend in entire period of the fiscal year which created an extra-space for the private sector and as such private sector credit grew robustly at 16.6 percent overshooting the targeted ceiling of 14.8 percent at the end of June 2016.

4.2 Strong private sector credit growth, stability in macroeconomic management along with the uninterrupted supply of gas and

Table 4.1 Money and credit situation

(billion Taka)

	End June 2015		End June 2016	
	Actual	Programme	Actual	Actual
1. Net foreign assets	1885.6	2094.6	2316.6	
	(+21.3)	(+11.1)	(+22.8)	
2. Net domestic assets (a+b)	5985.6	6957.3	6841.8	
	(+9.9)	(+16.2)	(+14.3)	
a) Domestic credit (i+ii)	6950.3	8025.7	7954.0	
	(+10.1)	(+15.5)	(+14.4)	
i) Credit to public sector ^{1/}	1204.3	1429.3	1243.9	
	(-2.5)	(+18.7)	(+3.3)	
ii) Credit to private sector	5746.0	6596.4	6710.1	
	(+13.2)	(+14.8)	(+16.8)	
b) Other items (net)	-964.7	-1068.4	-1112.2	
3. Narrow money (i+ii)	1603.2		2118.3	
	(+13.5)		(+32.1)	
i) Currency outside banks	879.4	-	1220.7	
	(+14.3)	-	(+38.8)	
ii) Demand deposits ^{2/}	723.8		897.6	
	(+12.5)	-	(+24.0)	
4. Time deposits	6268.0		7039.5	
	(+12.1)		(+12.3)	
5. Broad money* (1+2) or (3+4)	7871.2	9051.9	9157.8	
	(+12.4)	(+15.0)	(+16.3)	

* According to monetary programme definition.

¹ "Government lending fund" is treated as deposit in calculating claims on Government (net).

² Demand deposits of monetary authority are excluded.

Note: Figures in the parentheses indicate y-o-y percentage changes.

Source: Monetary Policy Department, Bangladesh Bank.

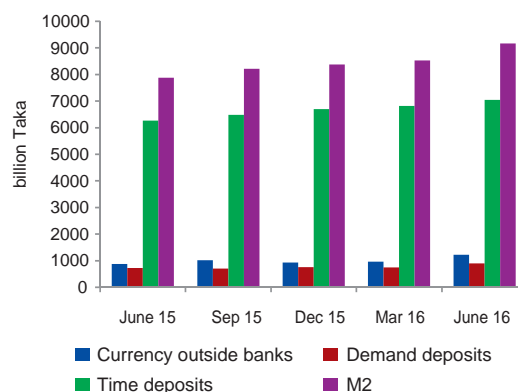
electricity throughout the year contributed to achieve 7.1 percent real GDP growth in FY16 and lifted up the country from the 6 percent GDP growth trajectory. Annual average CPI inflation contained at 5.9 percent, well below the targeted level of 6.2 percent even though the pass through of global oil price decline to consumer prices was belated and minimal. Government's domestic borrowing using the costly instrument of high yield non-bank NSD instruments was non-inflationary nearly entire FY16, though afflicting banks with a liquidity glut and Bangladesh Bank with a high sterilisation cost burden.

4.3 Partly due to subdued price levels in global commodity markets, import growth in FY16 remained slow and lagging in absorbing the inflows from workers' remittances and growing exports and foreign direct investment (FDI), Bangladesh Bank had to keep buying the market surpluses of USD inflows to ease appreciation pressures on Taka. The consequent foreign exchange reserve growth is bolstering confidence of foreign investors on the strength and stability of the Bangladesh economy.

Money and Credit Situation

4.4 Following the growth supportive stance, broad money (M2) growth was programmed at 15.0 percent where growth in net foreign assets and net domestic assets were projected at 11.1 percent and 16.2 percent respectively. Broad Money (M2) grew by 16.3 percent in FY16 against 15.0 percent targeted and 12.4 percent actual growth in FY15. Broad money growth above the targeted level can be attributed to buoyant growth in net foreign assets (NFA). Growth in NFA stood at 22.8 percent against the targeted growth of 11.1 percent for FY16. Higher growth in NFA above the target is the outcome of higher export growth along with moderate import growth. Domestic credit grew by 14.4 percent against the targeted growth of 15.5 percent for FY16 and actual 10.1 percent growth in FY15. Domestic credit grew lower than the targeted level due to lower public sector credit growth. Growth in public sector credit stood at 3.3 percent against the targeted 18.7 percent in FY16,

Chart 4.1 Components of broad money (M2)



Source: Monetary Policy Department, Bangladesh Bank.

Table 4.2 Reserve money

Particulars	(billion Taka)		
	End June 2015	End June 2016	
	Actual	Programme	Actual
Net foreign assets ¹	1695.1	-	2117.7
Net foreign assets ²	1688.4	1865.8	2102.4
Net domestic assets ¹	-215.2	-	-191.7
Net domestic assets ²	-208.5	-174.2	-176.3
Domestic Credit	143.6	157.5	231.4
	(-8.4)	(+9.7)	(+61.1)
Credit to the public sector ³	95.4	105.4	187.7
	(-6.7)	(+10.5)	(+96.7)
Credit to deposit money banks ⁴	48.2	52.1	43.8
	(-11.6)	(+8.1)	(-9.3)
Other items (net)	-352.2	-331.7	-407.8
Reserve money	1479.9	1691.6	1926.0
	(+14.3)	(+14.3)	(+30.1)
Currency issued	981.5	1127.5	1323.1
	(+14.8)	(+14.9)	(+34.8)
Deposits of banks with BB ⁵	498.4	564.0	603.0
	(+13.3)	(+13.2)	(+21.0)
Money multiplier	5.32	5.35	4.76

¹ Excluding foreign currency clearing account balance and offshore bank account.

² Calculated from monetary survey using end of period exchange rates.

³ Calculated using constant exchange rates of end June 2015.

⁴ Government lending fund is treated as deposit in calculating net credit to Government.

⁵ Considers only loans and advances to DMBs.

⁶ Excluding foreign currency clearing account balance and non-bank deposits.

Note: Figures in the parentheses indicate y-o-y percentage changes.

Source: Monetary Policy Department, Bangladesh Bank.

while public sector credit growth was negative 2.5 percent in FY15.

4.5 An unusually high receipt of the government borrowing originated from net

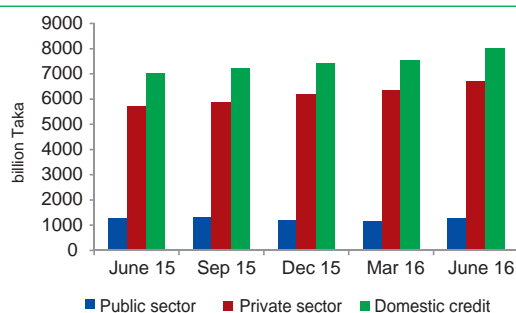
selling of national saving certificates and supernatural profit earnings by the state-owned Bangladesh Petroleum Corporation (BPC) owing to a drop in global oil prices contributed to subdued growth in public sector credit. However, credit to the private sector recorded at 16.8 percent in FY16 against the targeted growth of 14.8 percent for FY16 and actual 13.2 percent growth in FY15. BB's revised policy rates, access of foreign financing facilities at lower interest rate, subdued lending rates as well as political stability have contributed to an increase in private sector credit growth in FY16. Thus net domestic assets (NDA) in the banking system registered 14.3 percent growth in FY16 against the targeted 16.2 percent growth, while it was 9.9 percent in FY15. The monetary program vis-à-vis actual outcomes and the component of broad money are presented in Table 4.1 and Chart 4.1 respectively.

Reserve Money Developments

4.6 Reserve money (RM) has been used as an operating target to modulate liquidity consistent with the overall monetary projection. The weekly auctions of Government treasury bills and bonds usually influence the level of RM, while repo and reverse repo operations are applied for smoothing the money market.

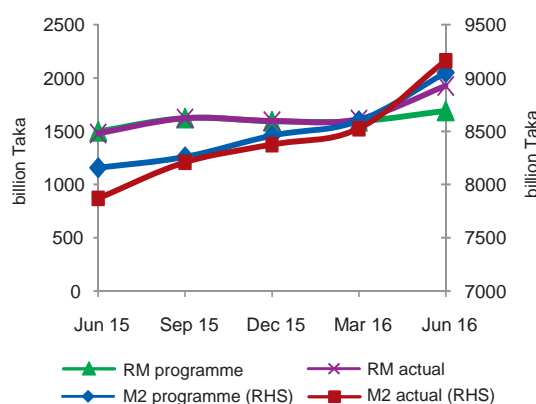
4.7 In line with the projected broad money growth, the monetary programme set a 14.3 percent growth of RM for FY16 but the actual growth was 30.1 percent. Reserve money growth was unprecedentedly higher than the

Chart 4.2 Domestic credit and its components



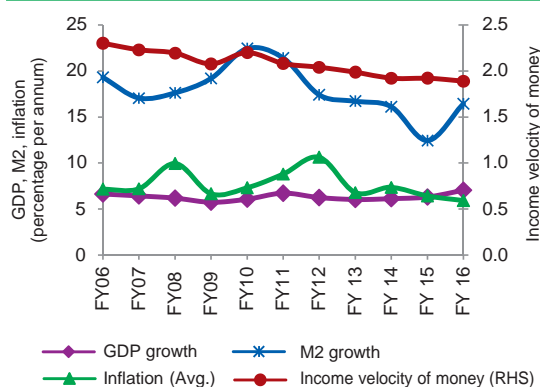
Source: Monetary Policy Department, Bangladesh Bank.

Chart 4.3 Programmes and actual developments of M2 and RM in FY16



Source: Monetary Policy Department, Bangladesh Bank.

Chart 4.4 Movement of GDP growth, M2 growth, rate of inflation and income velocity of money



Source: Monetary Policy Department, Bangladesh Bank.

target due to Bangladesh Bank's absorption of excessive flow of foreign currency from the banking system. Bangladesh Bank bought USD 4131 million from the foreign exchange market in FY16 to maintain external competitiveness of Taka against the US dollar. As a result, net foreign assets of Bangladesh Bank increased by Taka 236.6 billion and stood at Taka 2102.4 billion in FY16 against the programmed level of Taka 1865.8 billion.

4.8 On the other hand, net domestic assets stood negative at Taka 176.3 billion against the programmed level of negative Taka 174.2 billion. Domestic credit of BB registered 61.1 percent growth associated with its components where public sector credit recorded 96.7 percent growth against the programmed growth of 10.5 percent. BB's credit to the deposit money banks stood at Taka 43.8 billion in FY16 against the targeted amount of Taka 52.1 billion in FY16. Actual and programmed growth of RM during FY16 can be seen in Table 4.2.

4.9 Money multiplier decreased to 4.76 in FY16 as compared to 5.35 in FY15. Reserve-deposit ratio increased to 0.089 in FY16 from 0.086 in FY15 and currency-deposit ratio also increased to 0.154 in FY16 as compared to 0.126 in FY15. Changes in both reserve-deposit and currency-deposit ratios led to decrease in money multiplier. Movement of domestic credit and its components in FY16 are shown at Chart 4.2.

Income Velocity of Money

4.10 The income velocity of money decreased to 1.89 in FY16 from 1.92 in FY15

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
FY10	7975.39	3630.31	2.20 (-7.56)
FY11	9158.29	4405.20	2.08 (-5.45)
FY12	10552.04	5171.10	2.04 (-1.92)
FY13	11989.23	6035.06	1.99 (-2.45)
FY14	13436.74	7006.24	1.93 (-3.02)
FY15	15158.02	7871.20	1.92 (-0.52)
FY16	17328.64	9163.78	1.89 (-1.56)

Note: Figures in parentheses indicate percentage changes over previous fiscal year.

Source: Monetary Policy Department, Bangladesh Bank.

Table 4.4 Bank credit*

(billion Taka)			
Outstanding as of	Advances	Bills	Total
30 June 15	5528.69 (96.50)	200.30 (3.50)	5728.99
30 Sep 15	5640.51 (96.31)	216.12 (3.69)	5856.63
31 Dec 15	5975.22 (96.79)	198.43 (3.21)	6173.65
31 Mar 16	6126.64 (96.61)	215.03 (3.39)	6341.67
30 June 16	6421.16 (96.49)	233.60 (3.51)	6654.76

* Excluding foreign bills and interbank credit.

Note: Figure in parentheses indicate percentage shares of total bank credit.

Source: Monetary Policy Department, Bangladesh Bank.

Table 4.5 Bank deposits*

(billion Taka)				
Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 June 15	723.84	6268.00	471.17	7463.00
30 Sep 15	699.16	6488.04	463.30	7650.50
31 Dec 15	752.28	6697.95	519.16	7969.40
31 Mar 16	743.04	6816.88	521.94	8081.86
30 June 16	897.59	7039.47	558.75	8495.81

* Excluding interbank and restricted deposits.

Source: Monetary Policy Department, Bangladesh Bank.

(Table 4.3). The rate of decrease in FY16 was 1.56 percent as against 0.52 percent decline in FY15. Income velocity of money was on a declining trend over the past several years indicating increased speed of transaction as a result of some other factors, which includes rapid commercial bank branch expansion and financial inclusion drives in the financial system. Movement of GDP growth, M2 growth, inflation and income velocity of money during FY06-FY16 are shown in Chart 4.4.

Bank Credit

4.11 Outstanding bank credit (excluding foreign bills and interbank items) during FY16 rose by Taka 925.77 billion or 16.16 percent to Taka 6654.76 billion as against an increase of 13.50 percent in FY15. The rise in the bank credit during FY16 was driven by both the increase in bills and advances.

4.12 Advances increased by Taka 892.47 billion or 16.14 percent in FY16, as against an increase of 13.90 percent in FY15. Bills purchased and discounted increased by Taka 33.30 billion or 16.62 percent in FY16 as compared to the increase of 3.52 percent in FY15. The quarterly position of bank credit and its components are given at Table 4.4.

Bank Deposits

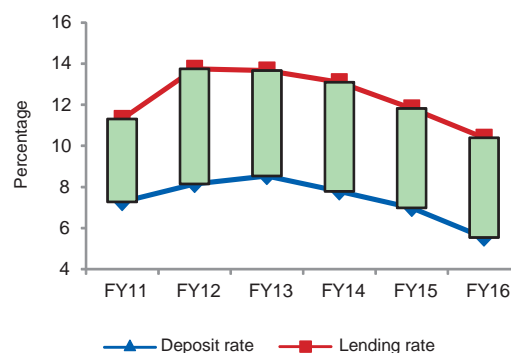
4.13 Bank deposits (excluding interbank items) increased by Taka 1032.81 billion or 13.84 percent to Taka 8495.81 billion during FY16 against 12.64 percent increase in FY15. The rise in total bank deposits was shared by all kinds of deposits. Time deposits increased

Table 4.6 Weighted average interest rates* of scheduled banks

Items	as of end June (in percent)					
	FY11	FY12	FY13	FY14	FY15	FY16
Deposit rate	7.27	8.15	8.54	7.79	6.80	5.54
Lending rate	12.42	13.75	13.67	13.10	11.67	10.39
Spread	5.15	5.60	5.13	5.31	4.87	4.85

* Excluding interbank and restricted deposits.
Source: Monetary Policy Department, Bangladesh Bank.

Chart 4.5 Weighted average interest rates of scheduled banks



Source: Monetary Policy Department, Bangladesh Bank.

by Taka 771.47 billion or 12.31 percent and stood at Taka 7039.47 billion in FY16 against growth of 12.13 percent during FY15. Demand deposits increased by Taka 173.75 billion or 24.00 percent in FY16 to Taka 897.59 billion against 12.50 percent decrease in FY15. Government deposits increased by Taka 87.58 billion or 18.59 percent to Taka 558.75 billion in FY16 against 20.14 percent increase in FY15. Quarterly position of bank deposits in FY16 may be seen at Table 4.5

Credit/ Deposit Ratio

4.14 The credit/deposit ratio of the scheduled banks, excluding the specialised

banks was 0.78 at the end of June 2016 which was 0.77 at the end of June 2015. Increasing credit to deposit ratio indicates credit growth is higher than the deposit growth.

Scheduled banks' borrowing from Bangladesh Bank

4.15 Scheduled banks' borrowings from the Bangladesh Bank increased by Taka 135.64 billion or 281.21 percent to Taka 183.88 billion at the end of June 2016 against the decrease of 12.72 percent at the end of June 2015. It may be mentioned here that scheduled banks' borrowings from the Bangladesh Bank showed higher growth in FY16 as scheduled banks' borrowings from the Bangladesh Bank under Export Development Fund (EDF) are being shown under this head since January 2016.

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

4.16 Balances of scheduled banks with Bangladesh Bank increased by Taka 104.60 billion or 20.99 percent to Taka 602.99 billion at the end of June 2016 against the increase of 13.28 percent to Taka 498.39 billion at the end of June 2015. Cash in tills of scheduled banks increased by Taka 0.18 billion or 0.17 percent to Taka 102.31 billion at the end of June 2016 against the increase of 19.08 percent to Taka 102.13 billion as of end June 2015.

Cash Reserve Requirement (CRR)

4.17 The cash reserve requirement (CRR) for the scheduled banks with Bangladesh

Bank remained unchanged at 6.50 percent of their total demand and time liabilities in FY16. It may be noted that banks are required to maintain CRR at the rate of 6.50 percent on average on a bi-weekly basis provided that the CRR would not be less than 6.00 percent in any day with effective from 24 June 2014.

Statutory Liquidity Ratio (SLR)

4.18 According to the latest amendment (2013) of subsection (2) under section 33 of the Bank Company Act, 1991, it is decided that banks should have maintained SLR separately, (a) for the conventional banks the statutory liquid assets inside Bangladesh, which also includes excess reserves with Bangladesh Bank, shall not be less than 13.0 percent of their total demand and time liabilities, and (b) for the Shariah based Islamic banks, this rate shall not be less than 5.5 percent. This became effective on 1 February 2014 and is remained unchanged in FY16.

Bank Rate

4.19 The bank rate remained unchanged at 5.0 percent in FY16 which became effective on 6 November 2003.

Interest Rates on Deposits and lending

4.20 The weighted average interest rates on deposits moved upward from FY11 to FY13. Deposit rates gradually declined from a pick of 8.54 percent in FY14 to 5.54 percent in FY16. Similarly, weighted average interest rates on lending also moved upward from

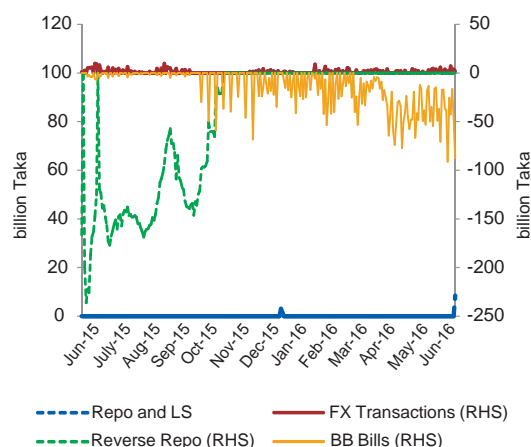
FY11 to FY12 and gradually declined from a peak of 13.75 percent in FY12 to 10.39 percent in FY16. Access of foreign financing facilities at lower interest rate, the subdued policy rate coupled with stringent loan practices by Bangladesh Bank contributed to decline in interest rates both on deposits and lending. The spreads between lending and deposit rates were above 5 percent from FY11 to FY14. The interest rate spread pulled down to 4.87 percent in FY15 and further marginally declined to 4.85 percent in FY16 following the declining trend of both lending and deposit rates. Table 4.6 and chart 4.5 contain weighted average interest rates of scheduled banks on deposits and lending along with the spread during FY11 to FY16.

Interest Rate and Liquidity Management

4.21 Borrowing and lending interest rates of banks were on a declining trend in FY16, aided by low interest foreign borrowing option kept open for input and capital equipment imports by manufacturing undertakings. Bangladesh Bank also reduced the repo and reverse repo rates by 50 basis points to 6.75 percent and 4.75 percent respectively on 14 January 2016 to align the policy rates with market rates and to stimulate investment. However, the market was still swamped with excess liquidity which induced to introduce 7-day and 14-day Bangladesh Bank Bills alongside the 30-day Bill in FY16 to effectively manage the market liquidity.

4.22 Effective transmission of monetary policy requires strengthening credit and debt

Chart 4.6 Liquidity management operations during FY16



Source: Monetary Policy Department, Bangladesh Bank.

markets. Towards enhancing effectiveness of the financial market instruments in order to smooth functioning of transmission channels for monetary policy, Bangladesh Bank's supervisory oversight on credit disbursement and loan recovery disciplines in banks and financial institutions has been intensified in FY16. In doing so, BB has given particular emphasis on risk management, internal audit and internal controls, accountability and transparency. Besides, firmly discouraging the abetting of habitual, willful repayment default; creating room for helping out recovery of genuine businesses distressed by circumstances beyond their control with realistic debt restructuring in line with international best practices. Furthermore, digital technology has been employed to investigate big financial transaction and loans in order to stop the repetition of banking irregularities.

Capital Market Situation

4.23 Bangladesh Bank's attention in support of capital market stability continued in FY16. Stock markets in Bangladesh have stabilized by now after the 2010 bubble creation and the subsequent collapse. Bangladesh Bank proactively lent hand in stabilizing the capital market, at the same time reining in banking sector's capital market exposures within global best practice norms linked to their capital bases.

4.24 The capital market in Bangladesh was mostly stable though currently somewhat anguishing from a lack of investors' confidence. The DSEX stood at 4507.6 at the end of June 2016 which is slightly lower than the level of 4583.1 in June 2015. The market capital to GDP ratio declined to 18.42 percent at the end of June 2016 from 21.45 percent of

end June 2015. The price earnings ratio of the DSE also declined to 14.61 in June 2016 from 15.90 in June 2015. Capital market authorities now needs to focus on further streamlining processes and bringing down costs in equity issuance, facilitating access of potential corporate to capital markets for raising finance.

4.25 It may be noted that the Government of Bangladesh has recently taken up an initiative of introducing long term pension savings schemes for general citizens, to be supervised by a new Pension Funds Regulator. Successful introduction of such initiative may help the financial and capital markets greatly in mobilizing long term savings for long term investments and restoring public confidence in a sustained mode.

Banking Sector Performance, Regulation and Bank Supervision

5.1 Bangladesh Bank continued its efforts to improve the performance of the banking sector and ensure a sound, efficient and resilient financial system. In FY16, Bangladesh Bank (BB) adopted a number of policy measures to emphasise risk management and corporate governance in the banks, periodic review of stability of the individual bank as well as the whole banking system, stress testing, monitoring of large borrowers, fraud-forgeries and strengthening internal control and compliance through self assessment of anti-fraud internal controls etc. Monitoring of investment in shares by the scheduled banks has been stringent in light of the amendment brought in the Bank Company Act, 1991 (amended up to 2013). Risk Management Committee at the board level has been made mandatory, with regular evaluation. A revised risk guideline has already been put into effect for banks to improve resiliency. Besides, all core risks management guidelines including Asset Liability Management Guideline have been revised recently for timely identification,

measurement, control, and monitoring of all existing and probable risks of banks.

A. Banking Sector Performance

5.2 The banking sector in Bangladesh comprises four categories of scheduled banks- state-owned commercial banks (SCBs), state-owned development financial institutions (DFIs), private commercial banks (PCBs) and foreign commercial banks (FCBs). As of December 2015 there are 56 banks in Bangladesh and the number of bank branches increased to 9397 from 9040 as of December 2014 due mainly to opening of new branches by the banks during the year. At the end of June 2016, the total number of bank branches increased further to 9453 (Appendix 4, Table 1). Information on the banking structure by types of banks is shown in Table 5.1.

5.3 In 2015, the SCBs held 27.5 percent share of the total assets which was the same as in 2014. PCBs' share of the total assets increased from 63.3 percent in 2014 to 64.5

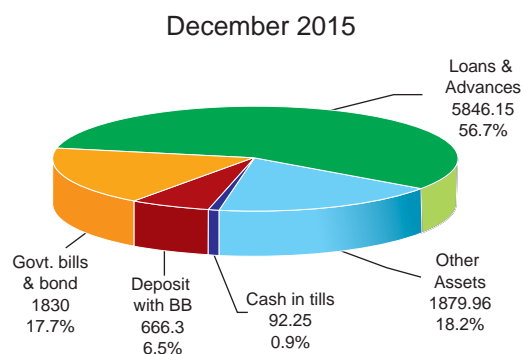
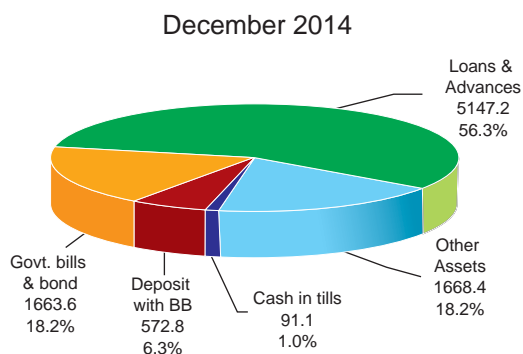
Table 5.1 Banking systems structure

(billion Taka)

Bank types	2014						2015					
	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	5	3553	2517.1	27.5	1952.1	28.0	6	3690	2839.6	27.5	2254.8	28.4
DFIs	3	1500	333.8	3.7	237.6	3.4	2	1406	291.3	2.8	226.6	2.9
PCBs	39	3917	5787.2	63.3	4449.4	63.9	39	4226	6652.9	64.5	5110.4	64.5
FCBs	9	70	505.0	5.5	326.0	4.7	9	75	530.8	5.2	336.8	4.3
Total	56	9040	9143.1	100	6965.1	100	56	9397	10314.6	100	7928.6	100

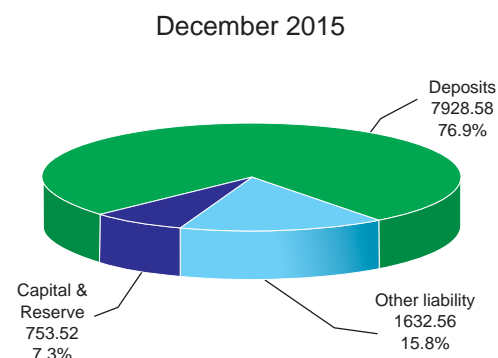
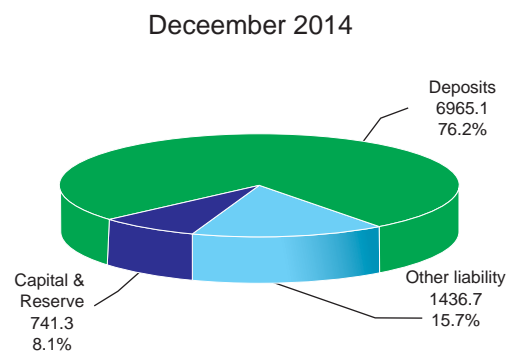
Note: Banks prepare their balance sheet on calendar year basis, and are obliged to submit their audited balance sheet at the end of every calendar year. That is why banks' performance-related figures are stated in calendar year basis.

**Chart 5.1 Aggregate industry assets
(billion Taka)**



Source: Bangladesh Bank.

**Chart 5.2 Aggregate industry liabilities
(billion Taka)**



Source: Bangladesh Bank.

percent in 2015. The FCBs held 5.2 percent share of the total assets in 2015, showing a decline of 0.3 percentage points over the previous year. The DFIs' share of the total assets was 2.8 percent in 2015 against 3.7 percent in 2014 as one bank of this group was categorised as SCB.

5.4 Total deposits of the banks in 2015 rose to Taka 7928.6 billion from Taka 6965.1 billion in 2014 showing an overall increase of 13.8 percent. The SCBs' share in deposits slightly increased from 28.0 percent in 2014 to 28.4 percent in 2015. PCBs' deposits in 2015 amounted to Taka 5110.4 billion or 64.5 percent of the total deposit compared to Taka 4449.4 billion or 63.9 percent in 2014. FCBs' deposits in 2015 slightly increased by Taka

10.8 billion over the year 2014 though its contribution to total deposits decreased to 4.3 percent from 4.7 percent. The DFIs' deposits in 2015 was Taka 226.6 billion against Taka 237.6 billion in 2014 showing a decrease of 4.6 percent over the year.

A.1. Aggregate Balance Sheet

5.5 Total assets of the banking industry in 2015 increased by 12.8 percent over 2014. During this period, the assets of the SCBs increased by 12.8 percent and those of the PCBs increased by 15.0 percent. Loans and advances stood at Taka 5846.2 billion which constituted the most significant portion (56.7 percent) of the sector's aggregate assets of Taka 10314.7 billion. Cash in hand including

foreign currencies was Taka 92.3 billion; deposits with BB were Taka 666.3 billion; other assets were Taka 1880.0 billion and investment in government bills & bonds were Taka 1830.0 billion (Chart 5.1).

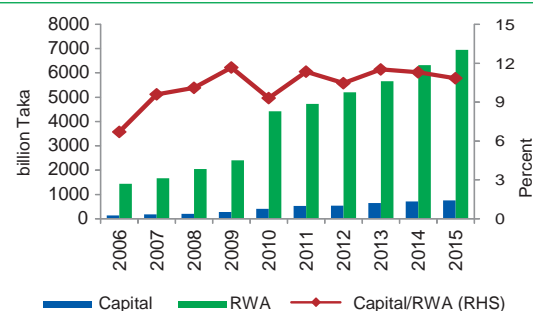
5.6 Deposits served as the main sources of funds for the banking industry and constituted 76.9 percent (Taka 7928.6 billion) of total liability in 2015. Capital and reserves of the banks were Taka 753.5 billion (7.3 percent of the liability) in 2015 compared to Taka 741.3 billion (8.1 percent) in 2014 (Chart 5.2).

A.2. Capital Adequacy

5.7 Capital adequacy measures the loss absorption capacity of the banks, related to credit, market, operation, interest rate, liquidity, reputation, settlement, strategy, environment and climate change, etc. Under Basel-III, banks in Bangladesh are instructed to maintain the Minimum Capital Requirement (MCR) at 10.0 percent of the Risk Weighted Assets (RWA) or Taka 4.0 billion as 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 for all possible risks in their business. This higher level of capital for the banks is usually determined and finalised through SP-SREP (Supervisory Review Evaluation Process, the central bank's assessment) dialogue. The amount of capital was Taka 753.5 billion at the end of December 2015.

5.8 On 31 December 2015, in aggregate, the SCBs, DFIs, PCBs and FCBs maintained CAR of 6.4, -32.0, 12.4 and 25.6 percent respectively (Table 5.2). But individually, four

Chart 5.3 Aggregate capital adequacy position



Source: Bangladesh Bank.

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

Bank types	(percent)								
	2008	2009	2010	2011	2012	2013	2014	2015	End June 2016
SCBs	6.9	9.0	8.9	11.7	8.1	10.8	8.3	6.4	5.8
DFIs	-5.3	0.4	-7.3	-4.5	-7.8	-9.7	-17.3	-32.0	-34.7
PCBs	11.4	12.1	10.1	11.5	11.4	12.6	12.5	12.4	11.9
FCBs	24.0	28.1	15.6	21.0	20.6	20.2	22.6	25.6	23.8
Total	10.1	11.6	9.3	11.4	10.5	11.5	11.3	10.8	10.3

Source: Bangladesh Bank.

SCBs, two PCBs and two DFIs did not maintain the minimum required CAR. The CAR of the banking industry as a whole was 10.8 percent at the end of December 2015 as against 11.3 percent at the end of 2014. The CAR of the industry was 10.3 percent at the end of June 2016.

A.3. Asset Quality

5.9 Loans and advances constitute the largest share of assets. The high concentration of loans and advances can increase credit risk.

5.10 The most important measure of asset quality in the non-performing loans (NPLs) ratio. At the end of December 2015, PCBs had the lowest and DFIs had the highest ratio of gross NPLs to total loans. PCBs' gross

Box 5.1 New Regulatory and Supervisory Measures in Bangladesh under Basel III.

To improve financial stability at both the national and the global levels, Basel Committee on Banking Supervision (BCBS) issued Base III: A global regulatory framework for more resilient banks and banking systems in December 2010. In this context, BB has issued the "Guidelines on Risk Based Capital Adequacy - Revised Regulatory Capital Framework for banks in line with Basel III" in December 2014 and declared the road map and action plan of the phase-in arrangements for the implementation of such. According to the roadmap, the implementation of Basel III has commenced since 1 January 2015 and full implementation will be completed by January 2020. Basel III reforms are the response of Basel Committee on Banking Supervision (BCBS) to improve the banking sector's ability to absorb shocks arising from financial and economic stress. Basel III reforms will strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress. Besides, the reforms have a macro prudential focus also, addressing system wide risks as well as the pro-cyclical amplification of these risks over time. The macro prudential aspects of Basel III are largely enshrined in the capital buffers. Both the buffers i.e. the capital conservation buffer and the countercyclical buffer are intended to protect the banking sector from periods of excess credit growth.

In addition to increasing the quality of capital, Basel III increases the quantity of capital that banks must hold. Banks are expected to maintain a total capital ratio of 10.50 percent, an increase from the 8 percent requirement under Basel II. As with Basel I and Basel II, banks under Basel III must maintain a minimum total capital ratio of at least 8 percent of risk-weighted assets. However, under Basel III, after a bank has calculated its 8 percent capital requirement, it will have to hold an additional capital conservation buffer equal to at least 2.50 percent of its risk-weighted assets, which brings the total capital requirement to 10.50 percent of risk-weighted assets. Basel III requires a capital conservation buffer (CCB) to further encourage adequate capital maintenance which is designed to ensure that banks have access to supplementary capital during periods of stress. Thus, in addition to the minimum risk-based capital requirements, all banks must hold common equity tier 1 (CET1) capital (the highest-quality and most loss-absorbing form of capital) in an amount greater than 2.5 percent of total capital to risk weighted assets. Maintenance of CCB has been started with 0.625 percent in 2016 and will end up at 2.5 percent in 2019. The capital conservation buffer must be maintained to avoid limitations on both (i) capital distributions (e.g., repurchases of capital instruments or dividend) and (ii) discretionary bonus payments. For example, a bank with a CET-1 capital ratio in the range of 5.125 percent to 5.75 percent is required to conserve 80 percent of its earnings in the subsequent financial year (i.e. payout not more than 20 percent in terms of dividends, share buybacks and discretionary bonus payments is allowed). However, the constraints imposed are related to the distributions of earnings only and are not related to the operations of banks.

Banks were advised to prepare capital adequacy reports/statements following new Basel III accord from the quarter ended in March 2015. It is evident that at the end of March 2016, CRAR of the banking industry stood to 10.62 percent while CET1 was 8.17 percent which accomplished Basel III capital adequacy requirements. However, at individual level, seven banks out of 56 scheduled banks failed to maintain both CET1 and CRAR requirements as per Basel III.

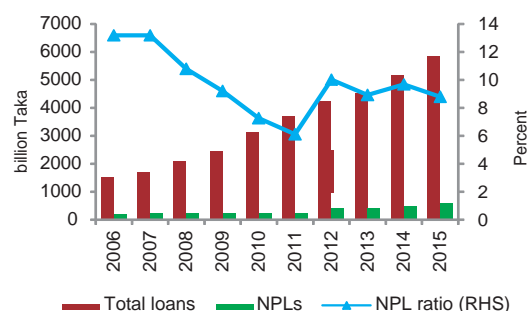
NPLs to total loans ratio was 4.9 percent, whereas that of SCBs, FCBs and DFIs were 21.5, 7.8 and 23.2 percent respectively (Table 5.3). The gross NPL ratios to total loans for the SCBs, PCBs, FCBs and DFIs were recorded as 25.7, 5.4, 8.3 and 26.1 percent respectively at the end of June 2016.

5.11 NPL had shown a declining trend from its peak (34.9 percent) in 2000 up to 2011 (6.1 percent). But the ratio increased in 2012 (10.0 percent), then decreased to 8.8 percent in 2015. 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, write-off of loans classified as 'bad' or 'loss' and rescheduling and restructuring of non-performing loans. But it went up again in 2012 and 2014 due to the implementation of new loan classification and a few notable irregularities in the banking industry.

5.12 The SCBs and DFIs continued to have high level of NPLs mainly due to poor underwriting standards. Poor appraisal and inadequate follow-up and supervision of the loans disbursed by the SCBs and DFIs in 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 show that in 2015, the ratio of net NPLs (net of provisions and interest suspense) to net total

Chart 5.4 Aggregate position of NPLs to total loans



Source: Bangladesh Bank.

Table 5.3 NPL ratios by type of banks

Bank types	(percent)								End June 2016
	2008	2009	2010	2011	2012	2013	2014	2015	
SCBs	25.4	21.4	15.7	11.3	23.9	19.8	22.2	21.5	25.7
DFIs	25.5	25.9	24.2	24.6	26.8	26.8	32.8	23.2	26.1
PCBs	4.4	3.9	3.2	2.9	4.6	4.5	5.0	4.9	5.4
FCBs	1.9	2.3	3.0	3.0	3.5	5.5	7.3	7.8	8.3
Total	10.8	9.2	7.3	6.1	10.0	8.9	9.7	8.8	10.1

Source: Bangladesh Bank.

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

Bank types	(percent)								End June 2016
	2008	2009	2010	2011	2012	2013	2014	2015	
SCBs	5.9	1.9	1.9	-0.3	12.8	1.7	6.1	9.2	11.8
DFIs	17.0	18.3	16.0	17.0	20.4	19.7	25.5	6.9	10.8
PCBs	0.9	0.5	0.0	0.2	0.9	0.6	0.8	0.6	0.6
FCBs	-2.0	-2.3	-1.7	-1.8	-0.9	-0.4	-0.9	-0.2	0.9
Total	2.8	1.7	1.3	0.7	4.4	2.0	2.7	2.3	2.8

Source: Bangladesh Bank.

loans (net of provisions and interest suspense) was 2.3 percent for the banking sector. DFIs' ratio of net NPL to total loans decreased to 6.9 percent in 2015 from 25.5 percent in 2014. This significant decline of DFIs' net NPL ratio to total loans occurred mainly because one of the DFIs has migrated into SCBs. The net NPLs to net total loan ratios were 9.2, 0.6 and -0.2 percent for SCBs, PCBs and FCBs at the end of

Box 5.2 Factors Affecting the Non-performing Loans (NPLs) in Commercial Banks of Bangladesh

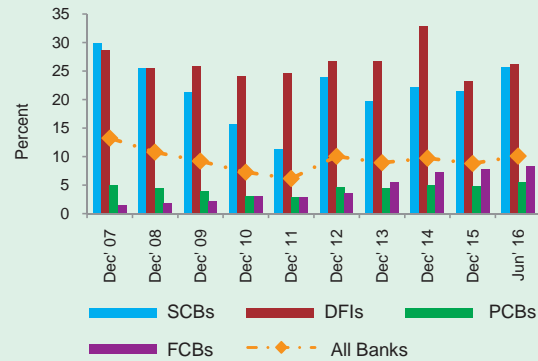
A set of factors have contributed to the current level of NPL. Several remedial measures notably, loan rescheduling, provisioning, write-off, debt restructuring and integrated supervision have been taken. Despite some initial improvements in 2011, the ratio remains elevated (Chart 1).

The factors behind high NPL identified by financial analysts, researchers, policy makers and different stakeholders may be classified into two groups-economic and non-economic. Economic factors include sluggishness in select business activities, commodities price fluctuations, and global economic shock. Some firms faced production disruptions due to natural disasters, labour unrest, and political instabilities.

Non-economic factors behind the higher NPLs include governance constraints, inefficiency in fund management due to skill gaps in project appraisal, directed lending by the SCBs and DFIs, and lengthy legal procedures. Some loans/risky projects were approved at a lower collateral value and high interest rate by hiding actual market condition. The factors of NPL vary in different bank groups. For example, the main factors in the SCBs and DFIs are weak governance. Private banks suffered from skilled manpower for project appraisal. As a result, adverse selection and moral hazard weakened loan quality.

In order to reduce NPL, Bangladesh Bank (BB) strengthened its monitoring and supervision activities by adopting prudential guidelines, integrated supervision and Basel III framework. BB has advised the state-owned commercial banks (SCBs) to improve collection of their classified loans. Moreover, the scheduled banks have been advised to improve their underwriting and risk management practices and exercise due diligence while sanctioning fresh loans.

Chart 1 Ratio of gross NPL to total outstanding loans



December 2015. The ratios were 11.8, 10.8, 0.6 and 0.9 percent for SCBs, DFIs, PCBs and FCBs respectively at the end of June 2016.

5.14 Table 5.3 (b) shows the amount of NPLs of the four types of banks from 2008 to 2015. The amount of NPLs of the SCBs increased from Taka 127.6 billion in 2008 to Taka 272.8 billion in 2015. The amount of NPLs of the PCBs increased by Taka 196.3 billion to Taka 253.3 billion in 2015 from Taka

57.0 billion in 2008 while those of the DFIs increased to Taka 49.7 billion in 2015 from Taka 37.3 billion in 2008. The amount of NPLs of the FCBs increased from Taka 2.9 billion in 2008 to Taka 18.2 billion in 2015. The amount of NPLs of SCBs, DFIs, PCBs and FCBs stood at Taka 300.8, 58.2, 253.2 and 21.6 billion respectively at the end of June 2016.

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 2008 to 2015. Table 5.4 and Chart 5.5 show that there were gaps in the adequate provisioning. Banks maintained 92.7 percent of the required provisions in 2008 which increased thereafter to 103.0 percent in 2011, then declined to 99.0 percent in 2013 and 86.1 percent in 2015. In June 2016, it increased again 87.7 percent.

5.16 The main reason for the shortfall in provision against NPLs was the inability of some SCBs, DFIs and PCBs including those in the problem bank category due to inadequate profits and provision transfer for write-offs. On the other hand, the FCBs were in a much better position as they were able to make adequate provisions. A comparative position of loan loss provisions at the end of 2014, 2015 and 2016 (end June) is shown in Table 5.5.

5.17 37 out of 39 PCBs were able to maintain the required provision at the end of December 2015, but the remaining two failed due to their poor asset portfolios and earning levels.

5.18 A uniform guidelines for write-offs was introduced in 2003 to create resilience in the banking system. According to the policy, banks may write off bad/loss loans at any time. The loans classified as bad/loss for the last 5 years or more with 100 percent provisions embarked are written-off. The total amount of written-off bad debts by banks is shown in Table 5.6.

A.4. Management Soundness

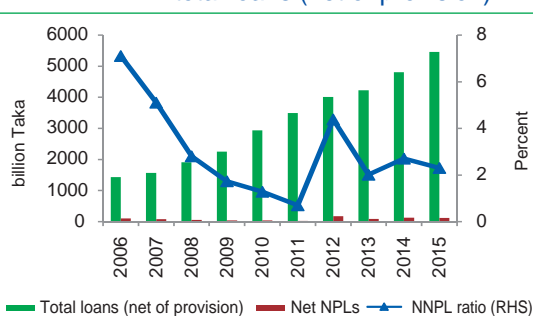
5.19 It is difficult to conclusively draw any conclusion about the quality of management based solely on the quantitative indicators.

Table 5.3 (b) Amount of NPLs

Bank types	(percent)								
	2008	2009	2010	2011	2012	2013	2014	2015	End June 2016
SCBs	127.6	117.5	107.6	91.7	215.2	166.1	227.6	272.8	300.8
DFIs	37.3	42.1	49.7	56.5	73.3	83.6	72.6	49.7	58.2
PCBs	57.0	61.7	64.3	72.0	130.4	143.1	184.3	253.3	253.2
FCBs	2.9	3.5	5.5	6.3	8.5	13.0	17.1	18.2	21.6
Total	224.8	224.8	227.1	226.4	427.3	405.8	501.6	594.1	633.7

Source: Bangladesh Bank.

Chart 5.4 (a) Aggregate position of NNPL to total loans (net of provision)



Source: Bangladesh Bank.

Table 5.4 Required provision and provision maintained -all banks

All banks	(billion Taka)								
	2008	2009	2010	2011	2012	2013	2014	2015	End June 2016
Amount of NPLs	224.8	224.8	227.1	226.4	427.3	405.8	501.6	594.1	633.7
Required Provision	136.1	134.8	149.2	148.2	242.4	252.4	289.6	308.9	361.8
Provision maintained	126.2	137.9	142.3	152.7	189.8	249.8	281.6	266.1	317.3
Excess(+)/shortfall(-)	-9.9	3.1	-6.9	4.6	-52.6	-2.6	-7.9	-42.8	-44.5
Provision maintenance ratio (%)	92.7	102.3	95.4	103.0	78.3	99.0	97.2	86.1	87.7

Source: Bangladesh Bank.

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 determine management soundness. Technical competence and leadership of mid and senior level

management, compliance with plan and response to changing circumstances, etc. are also taken into consideration in evaluating the quality of management.

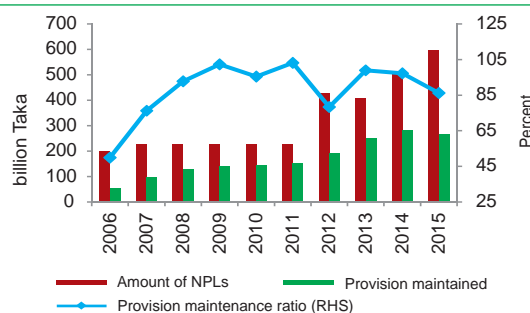
5.20 As evident from Table 5.7 and Chart 5.7, in 2015, the expenditure-income (EI) ratio of the DFIs was the highest among the bank categories which was mainly attributable to high administrative and operating expenses. The EI ratio of the DFIs increased from 99.5 percent in 2014 to 113.9 percent in 2015. In 2015, the EI ratio of SCBs, PCBs and FCBs were 84.5 percent, 75.5 percent and 47.0 percent respectively which remained almost unchanged as compared to the previous year. At the end of June 2016, the EI ratio of SCBs and DFIs increased to 99.2 and 132.2 percent respectively whereas those of PCBs and FCBs decreased slightly to 73.5 and 45.0 percent respectively.

A.5. Earnings and Profitability

5.21 Although there are various indicators of earnings and profitability, the most representative and widely used one is return on assets (ROA), which is supplemented by return on equity (ROE) and net interest margin (NIM).

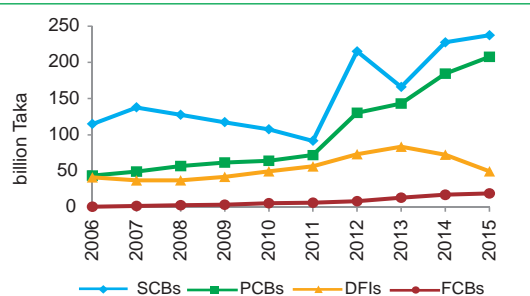
5.22 Earnings as measured by ROA and ROE differ greatly within the banking industry. Table 5.8 shows ROA and ROE by four types of banks over the period 2008-2015. Analysis of these indicators reveals that the ROA of the SCBs and DFIs was less than the industry average. The ROA of SCBs and DFIs have not improved much. PCBs' ROA showed a consistently strong position up to 2010, but it was in a decreasing trend during 2011-2012 due to declining net profit. But after 2012 it is

Chart 5.5 Provision adequacy position of all banks



Source: Bangladesh Bank.

Chart 5.6 Comparative position of NPLs by type of banks



Source: Bangladesh Bank.

Table 5.5 Comparative position of provision adequacy

		(billion Taka)			
Year	Items	SCBs	DFIs	PCBs	FCBs
2014	Required provision	128.6	37.1	108.7	15.3
	Provision maintained	135.3	14.7	115.3	16.2
	Provision maintenance ratio (%)	105.2	39.6	106.1	105.9
2015	Required provision	140.4	26.4	126.0	16.1
	Provision maintained	94.7	28.4	126.6	16.5
	Provision maintenance ratio (%)	67.5	107.6	100.5	102.5
2016 June	Required provision	169.7	30.4	146.2	15.5
	Provision maintained	114.6	28.5	158.0	16.3
	Provision maintenance ratio (%)	67.5	93.8	108.1	105.2

Source: Bangladesh Bank.

consistently increasing. FCBs' ROA had been consistently strong during the last couple of years.

5.23 ROE of the SCBs was -1.5 percent in 2015, but improved compared to negative 13.6 percent in previous year. ROE of the DFIs was also negative. ROE of the PCBs

slightly increased to 10.8 percent in 2015 from 10.3 percent in 2014. ROE of the FCBs declined to 14.6 percent in 2015 from 17.7 percent in 2014.

5.24 Aggregate net interest income (NII) of the banking industry in 2015 stood at Taka 292.9 billion which was Taka 274.2 billion in 2014. NII of the SCBs increased to Taka 40.4 billion in 2015 from Taka 39.7 billion in 2014. NII of the DFIs decreased to Taka 1.7 billion in 2015 from Taka 2.1 billion in the previous year. PCBs held the major portion (76.0 percent) of NII in 2015 like previous years. NII of the PCBs increased to Taka 222.6 billion from Taka 205.8 billion in the last year. NII of FCBs also increased slightly from Taka 26.6 in 2014 to Taka 28.2 billion in 2015.

5.25 SCBs have been able to increase their net interest income (NII) by reducing their cost of funds from 2008 to 2011. In 2012, the NII of SCBs dropped, and deteriorated afterwards. The NII of the PCBs had been significantly high since 2008. Overall NII of the banking industry showed a consistently upward trend from 2008 to 2015 though it went reverse in 2013 due to a lacklustre performance of the SCBs.

A.6. Liquidity

5.26 Currently, the scheduled commercial banks have to maintain a CRR (cash reserve ratio) averaging 6.5 percent daily on a bi-weekly basis against average total demand and time liabilities (ATDTL) of the second preceding month, with an obligation to maintain daily minimum 6.0 percent cash against the same ATDTL held by the bank. The current rate of SLR (statutory liquidity reserve) for conventional banks is 13.0

Table 5.6 Writing-off bad debts in different bank categories

Bank types	(billion Taka)								
	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13	30 June 14	30 June 15	30 June 16	
SCBs	64.5	70.5	82.4	72.9	107.2	154.8	210.3	220.4	
DFIs	31.8	31.8	32.0	24.5	32.6	34.2	5.6	5.6	
PCBs	54.7	69.6	77.1	64.9	109.7	127.7	155.5	189.4	
FCBs	2.0	2.1	2.4	2.6	3.7	4.4	5.1	7.2	
Total	153.0	174.0	193.9	164.9	253.3	321.2	376.5	423.2	

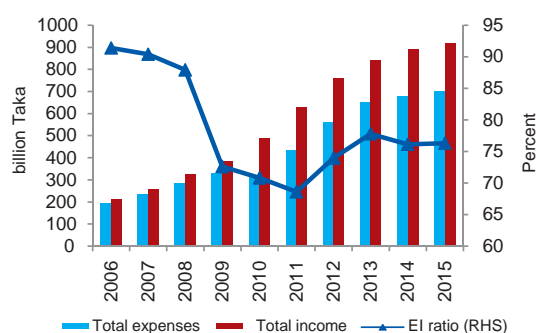
Source: Bangladesh Bank.

Table 5.7 Expenditure-income ratio by type of banks

Bank types	(percent)								
	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	89.6	75.6	80.7	62.7	73.2	84.1	84.1	84.5	99.2
DFIs	103.7	112.1	87.8	88.6	91.2	94.8	99.5	113.9	132.2
PCBs	88.4	72.6	67.6	71.7	76.0	77.9	75.8	75.5	73.5
FCBs	75.8	59.0	64.7	47.3	49.6	50.4	46.8	47.0	45.0
Total	87.9	72.6	70.8	68.6	74.0	77.8	76.1	76.3	79.8

Source: Bangladesh Bank.

Chart 5.7 Aggregate position of income and expenditure - all banks



Source: Bangladesh Bank.

percent of ATDTL. In case of Islamic Shariah-based commercial banks, the rate of SLR is 5.5 percent of their ATDTL. Three banks (two specialised banks and BDBL) are exempted from maintenance of SLR, but they have to maintain the CRR at the stated rate. The banks maintain CRR in cash with Bangladesh

Table 5.8 Profitability ratios by type of banks

(percent)

Bank types	Return on assets (ROA)									Return on equity (ROE)								
	2008	2009	2010	2011	2012	2013	2014	2015	2016 June	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	0.7	1.0	1.1	1.3	-0.6	0.6	-0.6	-0.04	-0.2	22.5	26.2	18.4	19.7	-11.9	10.9	-13.6	-1.5	-9.5
DFIs	-0.6	0.4	0.2	0.1	0.1	-0.4	-0.7	-1.2	-2.0	-6.9	-171.7	-3.2	-0.9	-1.1	-5.8	-6.0	-5.8	-9.5
PCBs	1.4	1.6	2.1	1.6	0.9	1.0	1.0	1.0	0.7	16.4	21.0	20.9	15.7	10.2	9.8	10.3	10.8	9.4
FCBs	2.9	3.2	2.9	3.2	3.3	3.0	3.4	2.9	2.7	17.8	22.4	17.0	16.6	17.3	16.9	17.7	14.6	13.2
Total	1.2	1.4	1.8	1.5	0.6	0.9	0.6	0.8	0.4	15.6	21.7	21.0	17.0	8.2	11.0	8.1	10.5	7.1

Source: Bangladesh Bank.

Bank. However, they are allowed to hold government approved securities (unencumbered portion) for maintenance of the SLR.

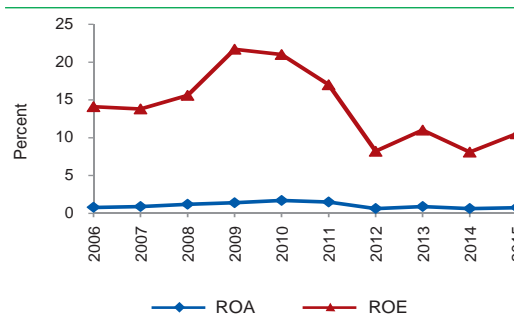
5.27 Table 5.10 shows that the FCBs have the highest liquidity ratios followed by the SCBs. There is an overall steady trend in the percentage of liquid assets in total assets of the banks during the last year although the ratio for DFIs is zero as they do not need to maintain SLR.

A.7. CAMELS Rating

5.28 CAMELS rating is a supervisory tool to identify to improve supervision. The previous CAMELS rating guideline has been reviewed by the Department of Off-site Supervision with a view to adopting international best practices, upgrading with modern banking activities and assessing the banks' soundness more accurately. The updated CAMELS rating guideline has been followed since December 2013.

5.29 The revised CAMELS rating guideline has brought not only major changes in ratios or indicators but also modifications in the qualitative evaluation questionnaire. Basel-III principles related to capital adequacy have

Chart 5.8 Aggregate profitability-all banks



Source: Bangladesh Bank.

Table 5.9 Net interest income by type of banks

(billion Taka)

Bank types	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	7.9	12.1	19.8	34.3	14.9	-5.4	39.7	40.4	15.6
DFIs	1.9	1.9	6.2	4.9	4.7	3.8	2.1	1.7	1.9
PCBs	48.5	56.7	82.8	91.4	114.7	118.2	205.8	222.6	118.9
FCBs	12.6	10.7	13.0	16.1	19.6	15.8	26.6	28.2	12.4
Total	70.9	81.5	121.9	146.7	153.8	132.3	274.2	292.9	148.7

Source: Bangladesh Bank.

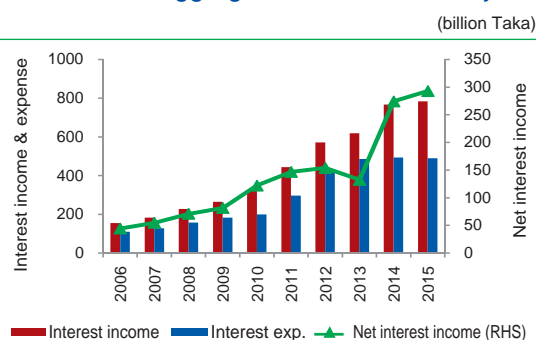
been reflected in the guideline. Along with emphasising best quality capital, investments in the capital market, the amount of off-balance sheet items in comparison to the capital of the banks, large loan exposures to capital, etc. are considered to calculate capital adequacy. HHI (Herfindahl-Hirschman Index) has been incorporated in the updated CAMELS rating guideline to analyse loan

portfolio concentration, as a complement to percentages of classified loans and provisioning in the evaluation of asset quality. The amount of loan disbursed to different risk-associated sectors has been included as well. 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 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, and the activities of these banks are closely monitored by BB.

5.30 Bangladesh Bank has introduced the early warning system (EWS) since March 2005 to address the difficulties faced by the banks in any of the areas of CAMELS. Any bank found to have 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.

5.31 In December 2015, CAMELS rating, no banks were rated '1' or 'Strong'; the rating of 36 banks was '2' or 'Satisfactory'; rating of 13 banks was '3' or 'Fair'; five banks were rated '4' or 'Marginal' and two banks received the rating of '5' or 'Unsatisfactory'.

Chart 5.9 Aggregate NII of the industry



Source: Bangladesh Bank.

Table 5.10 Liquidity ratio by type of banks

(percent)

Bank types	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	32.9	25.1	27.2	31.3	29.2	44.3	42	41.4	40.1
DFIs	13.7	9.6	21.3	6.9	12.0	15.3	6.6	0.0	0.0
PCBs	20.7	18.2	21.5	23.5	26.3	28	28.2	19.7	18.5
FCBs	31.3	31.8	32.1	34.1	37.5	46.2	56.9	51.8	46.0
Total	24.8	20.6	23	25.4	27.1	32.5	32.7	26.5	25.3

Source: Bangladesh Bank.

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

5.32 As on 30 June 2016, 56 scheduled banks are operating with their 9453 number of branches throughout Bangladesh. The number of rural branches stood at 5360 (56.7 percent of total branches) at the end of June 2016 (Appendix 4, Table XIII) and the number of branches in urban areas increased to 4093 (43.3 percent of total branches) during the same period. The number of branches of SCBs are 2330 (63.0 percent) in rural areas and 1370 (37.0 percent) in urban areas. Specialised banks have 1297 (92.2 percent) branches in rural areas and 110 (7.8 percent) in urban areas. Private commercial banks have 1733 (40.6 percent) branches in rural areas and 2538 (59.4 percent) in urban areas. Foreign commercial banks are

Table 5.11 Comparative position of the Islamic banking sector (as of end December 2015)

Particulars	(billion Taka)							
	Islamic banks		Dual banking* (Conventional+ Islamic)		Islamic banking sector		All banking sector	
	2015	2014	2015	2014	2015	2014	2015	2014
1	2		3		4=2+3		5	
Number of banks	8	8	16	16	24	24	56	56
Deposits	1552.2	1349.7	89.4	67.6	1641.6	1417.3	8033.5	6965.1
Credits	1305.5	1137.6	81.7	57.7	1387.2	1195.4	5952.9	5147.2
Credit deposit ratio (%)	83.2	84.3	75.6	85.4	82.7	84.3	70.98	73.9
Liquidity: excess(+)/shortfall(-)**	133.4	127.5	3.1	0.1	136.5	128.2	1234.1	1142.2

*Conventional banks which have Islamic banking branches do not maintain SLR individually.

**The head offices of the respective banks maintain a combined SLR and liquidity position.

Source: Bangladesh Bank.

operating through 75 urban branches. The share of urban deposits to total deposits was 80.2 percent and the share of rural deposits to total deposits was 19.8 percent during this period. On the other hand, the amount of advances given in urban areas constituted 90.1 percent of total advances of the banking industry and the amount of advances disbursed in rural areas accounted for 9.9 percent of total advances of the banking industry as of December 2015.

A.9. Islamic Banking

5.33 Islamic banking system has been introduced in Bangladesh since 1983. In FY16, out of 56 banks in Bangladesh, eight PCBs operated as full-fledged Islamic banks and 16 conventional banks (including three FCBs) were involved in Islamic banking through Islamic banking branches. The Islamic banks have continued to show strong growth since its inception, as reflected by the increasing market share of the Islamic banking in terms of assets, financing and deposits of total banking system. A brief picture of the performance of Islamic banks is given in Table 5.11. Total deposits of the Islamic banks and Islamic banking branches

of the conventional banks stood at Taka 1641.6 billion at the end of December 2015 which accounted for 20.7 percent of total deposits. Total credit of the Islamic banks and the Islamic banking branches of the conventional banks stood at Taka 1387.2 billion at the end of December 2015 representing 23.7 percent of total credit of the banking system of the country.

B. Legal Framework and Prudential Regulations

B.1. Risk Based Capital Adequacy (RBCA) for Banks

5.34 To comply with international best practices and to improve financial stability, Bangladesh Bank has commenced implementation of Basel III capital adequacy framework since January 2015. According to Pillar-1 of Basel-III, RWA of banks is calculated against credit risk, market risk, and operational risk. BB announced the Roadmap for implementing Basel III in Bangladesh and issued Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III) in 2014. After successful completion of Basel-II

Box 5.3 Shadow Banking in Bangladesh

According to the Financial Stability Board (FSB), shadow banking is a system of credit intermediation that involves entities and activities outside the regular banking system, and raises (i) systemic risk concerns, in particular by maturity/liquidity transformation, leverage and flawed credit risk transfer, and/or (ii) regulatory arbitrage concerns.

Shadow banking system played a major role in the financial crisis during 2007-2009, but remained largely unregulated. A proximate cause of the crisis was shock to home prices, which had a large detrimental effect on subprime mortgages. In turn, assets backed securities (ABSs) linked to subprime mortgages quickly lost value. The shocks spread quickly to other asset classes as entities based short-term debt were unable to roll over the debt or faced withdrawals. Essentially, there was a run on short run debt. The epicentres were the repo market, the market for asset backed commercial papers (ABCPs) and money market mutual funds (MMMFs), which by definition, comprises of shadow banking activities.

Shadow banking has grown in Bangladesh in recent years. For instance, shadow banking activities were about Taka 39.64 billion in July 2013, which increased to Taka 64.66 billion in December 2015 (63.31 percent rise over the period). Although the amount of shadow banking activities is a very small in terms of the total aggregate banking sector asset (63 basis point in FY15), unregulated shadow banking, involving billions of Taka in short-term debt to fund inherent risky financial activity, would cause a systemic risk for the whole financial system of Bangladesh in future. In this respect, shadow banking activities should be closely regulated and supervised..

To build the shadow banking index, the above definitions are used to identify the activities to be included. The shadow banking components of the index are repo market, ABS/MBS and commitment (including derivatives), of which commitment and interbank repo market contribute lion's share of shadow banking activities in Bangladesh. For example commitment contributed about 56.65 percent, while interbank repo constituted about 41.36 percent of shadow banking activities in 2015. Shadow banking activities reached its peak in March 2015 at Taka 99.33 billion. Interbank repo and commitment (including derivatives) constituted Taka 64.92 billion and Taka 32.71 billion respectively in the same period.

The relative share of interbank repo and commitment (including) covers about 96.7 percent of shadow banking sector for the period from July 2013 to December 2015. The remaining portion is covered by ABS/mortgage backed securities (MBS) and ABCP. The average share of repo market contributed to about 45.2 percent and that of commitment stood at about 51.7 percent of shadow banking activities in Bangladesh. The repo's share reached its peak in February 2015, about 69.7 percent while commitment's share hit its peak in August 2015, 80.3 percent of shadow banking sector.

The shadow banking system is playing an increasingly important role in the provision of household and corporate credit. Along with regular monitoring of shadow banking activities, the following recommendations, especially for repo market, may be taken into consideration:

- Reducing demand and supply of intra-day credit,
- Shortening the window for daily unwind,
- Increasing transparency,
- A minimum haircuts would be required on all collateral used in repo and could be specific to the two parties and the collateral offered,
- Position limits would be set in terms of asset size and collateral used,
- Repo transactions would be restricted to the treasury securities and other assets as Bangladesh, Bank deems appropriate and
- Liquidity coverage ratio (LCR) and net stable funding ratio may be required for NBFI.

in December 2014, BB has started implementation of Basel-III in a phased manner which has already been started since January 2015.

Banks were instructed to submit their Capital Adequacy Statements/Reports to BB following new Basel-III accord from the quarter ended in March 2015. At the end of June 2016, CRAR of the banking industry stood at 10.3 percent while CET1 was 7.5 percent which fulfilled Basel-III capital adequacy requirements. However, at individual level, seven banks out of 56 scheduled banks failed to maintain CET1 and CRAR requirements as per Basel-III.

5.35 In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced. In Bangladesh the minimum requirement of leverage ratio is 3 percent. Instructions mentioned in the Guidelines will be adopted phase by phase, with full implementation of capital ratios by December 2019. Phase-in-arrangement of minimum capital requirements is depicted in Table 5.12. Under the new capital adequacy framework, all banks will be required to maintain the following ratios on an ongoing basis:

- i. Common Equity Tier-1 (CET1) of at least 4.5 percent of the total RWA.
- ii. Tier-1 capital will be at least 6.0 percent of the total RWA which means that additional Tier-1 capital can be admitted maximum up to 1.5 percent of the total RWA or 33.33 percent of CET-1, whichever is higher.

Table 5.12 Phase-in-arrangement of minimum capital requirements.

Bank types	2015	2016	2017	2018	2019
Minimum common equity					
Tier 1 (CET1) capital ratio	4.5	4.5	4.5	4.5	4.5
Capital conservation buffer (CCB)	-	0.625	1.25	1.875	2.5
Minimum CET1 plus CCB	4.5	5.125	5.75	6.375	7.0
Minimum Tier 1 capital ratio	5.5	5.5	6.0	6.0	6.0
Minimum total capital ratio	10.0	10.0	10.0	10.0	10.0
Minimum total capital plus CCB	10.0	10.625	11.25	11.875	12.5
Leverage ratio	3.0	3.0	3.0	Migration to readjustment	Migration to pillar-1

Source: Bangladesh Bank.

- iii. Minimum capital to risk-weighted asset ratio (CRAR) of 10 percent of the total RWA i.e. Tier-2 capital can be admitted maximum up to 4.0 percent of the total RWA or 88.89 percent of CET-1, whichever is higher.
- iv. In addition to minimum CRAR, Capital Conservation Buffer (CCB) of 2.5 percent of the total RWA is being introduced which will be maintained in the form of CET-1.

5.36 Considering the recent scenario of country's banking industry, section 3.3 of Guidelines on Risk Based Capital Adequacy has been revised as "the entire general provision maintained against unclassified loans and advances as per regulations will be considered as capital under Tier-2".

5.37 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 Internal Capital Adequacy Assessment Process (ICAAP). During the SRP-SREP dialogue, BB reviews and determines any additional capital that would be required for banks on the basis of quantitative as well as

qualitative judgment. The first SREP dialogue was initiated in 2011. Afterwards, to facilitate the dialogue, BB prepared a revised evaluation process document in May 2013. 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 to submit the same to BB. Information of banks' ICAAP is 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 report backed by proper evidence and rigorous review regarding risk management, the SREP team of BB applies their prudence and also uses the available information from the inspection departments in determining the adequate capital. The process document was further revised in May 2014. On the basis of the revised process document and return format, all 56 banks submitted their ICAAP report based on 31 December 2014 and one to one meeting with BRPD and SRP team of 56 banks have already been completed.

B.2 Loan Classification and Loan-Loss Provisions

5.38 BB has changed its policies on loan classification and loan-loss provisions near the end of FY13. 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.

B.3 Loan Restructuring

5.39 Loan restructuring policy for large borrowers having multiple bank exposures was revised. Considering the contribution of the large borrowers to the socio-economic development and employment generation of the country, and to support the loan recovery efforts of the banks, the Board of Directors of Bangladesh Bank recommended necessary policy support in line with international best practices for the affected large borrowers. Accordingly, large loan restructuring policy was issued and was valid till 30 June 2015. According to the policy, loans of a particular borrower or group in a bank, singly or in clubbed together form, shall be eligible for restructuring. Borrower having exposure in multiple banks may also be eligible for loan restructuring by forming a consortium. Minimum outstanding loan amount for restructuring shall be Taka 5.0 billion or above in aggregate. Under this policy, banks can provide restructuring facility to a particular loan account only once and the restructured loan shall have a maximum tenure of twelve years for term loan(s); in case of demand and/or continuous loan(s), the tenure shall be maximum six years. However, borrowers indulging in frauds and forgeries will not be eligible for loan restructuring. Under the large loan restructuring policy, Taka 145.7 billion has been restructured with the approval of Bangladesh Bank. Respective banks have recovered Taka 1.9 billion as down payment and Taka 5.0 billion as instalment from various borrowers up to 30 June 2016. As

most of the borrowers are enjoying moratorium period, the recovery of instalment from all borrowers have not been fully started yet.

B.4. Corporate Governance in Banks

5.40 Bangladesh Bank has undertaken a number of measures in the recent years to establish good corporate governance in the banking sector. 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 have been 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, related clauses of the Bank Company Act, 1991 have already been amended.

C. Supervision of Banks

5.41 With a view to promoting and maintaining soundness, solvency and systematic stability of the financial sector as well as protecting the interest of depositors, BB carries out two types of supervision namely (i) off-site supervision and (ii) on-site supervision. Department of Off-site Supervision (DOS) is vigilant to conduct off-site supervision on banks. Recently, DOS has made an innovation regarding banking supervision.

C.1. Off-site Monitoring of Banks

5.42 Off-site monitoring continued as a necessary complement to on-site inspection in FY16 with its various tools and procedures

for intensive and rapid analysis of the financial health of the banking sector.

Banking Supervision Specialists (BSSs)

5.43 In order to strengthen banking supervision, BB has recently formed six Banking Supervision Specialist Sections in the Department of Off-site Supervision (DOS). Each section is headed by a Banking Supervision Specialist (BSS), at the Deputy General Manager level. Banking Supervision Specialists maintain extensive familiarity with the performance, risks, corporate governance and corporate structure of the portfolio banks. They collect executive summary reports of comprehensive inspections carried out by Departments of Banking Inspection and take actions accordingly. They coordinate with inspection departments to get update on recent supervisory developments. Junior Banking Supervision Specialists monitor treasury functions, capital adequacy, ADR, etc. of the portfolio banks and prepare diagnostic review report (DRR) on audited financial statements. They also examine the internal control systems to improve its resilience.

5.44 BSSs monitor the progress of memorandum of understanding (MoU) with the SCBs and specialised banks and report the findings/progress of those banks immediately to the concern senior management. To enhance the standard of credit management and internal control system, a special inspection on internal control & compliance system of four state-owned commercial banks (Sonali Bank Ltd., Janata Bank Ltd., Agrani Bank Ltd. and Rupali Bank Ltd.) was conducted by Bangladesh Bank. Meanwhile, the government has

injected Taka 12.0 billion to BASIC Bank Ltd. in December 2015 as recapitalisation. On the other hand, BKB and RAKUB are also being monitored and reviewed under the MoUs of FY16. Preparation of MoUs for BKB and RAKUB for FY17 is currently under process.

Risk Management Activities of Banks

5.45 Bangladesh Bank has issued six core risks management guidelines (revised during 2015-2016), risk based capital adequacy guideline and stress testing guideline to ensure robustness, efficiency and effectiveness of risk management systems for the banking sector. On 15 February 2012, BB issued another guideline called Risk Management Guideline for banks. This guideline promotes an integrated, bank-wide approach to risk management which will facilitate banks in adopting contemporary methods to identify, measure, monitor and control risks throughout their institutions.

5.46 In 2015, BB introduced two reporting formats in the name of comprehensive risk management report (CRMR) and monthly risk management report (MRMR) for banks in place of previous risk management paper (RMP). To make the risk management activities more effective, various types of contemporary risk issues and a questionnaire (related to risk management structure, credit policies & procedures, evaluation process of credit proposals, post sanction process, follow up & monitoring of loans, operation level risk verifications, liquidity risk, etc.) are included in the CRMR which is submitted on a half-yearly basis. To ensure close monitoring, BB is analysing the risk management of banks on a monthly basis along with half-yearly basis. Recently, banks have been instructed to determine their risk appetite on a yearly basis

for all possible measurable risk areas in line with the objectives of business growth and to send the statement to DOS by the end of first quarter of every year after taking board approval.

5.47 Banks have been instructed to establish Risk Management Division (RMD) in place of previous Risk Management Unit and to appoint a chief risk officer (CRO) from a senior management position (at least from the Deputy Managing Director level) to give more emphasis on risk management practices. BB has instructed the banks to form a risk management committee whose members will be nominated by the board of directors from themselves and the company secretary of the bank will be the secretary of the risk management committee. DOS regularly evaluates the risk management activities of each bank based on the CRMR and MRMR and provides constructive recommendations to improve their conditions. Banks have to execute all the recommendations and submit their compliance reports within a specified time frame.

5.48 A risk rating procedure has been developed to quantify all possible risks based on available information in the CRMR, minutes of RMD and board risk management committee meetings, compliance status of previous quarters submitted by banks and other sources. This risk rating is done on a half yearly basis and carries 15 percent weight in the management component of CAMELS rating. Therefore, a bank's risk management practices will have a significant effect on its CAMELS rating. Besides, this rating plays an important role in getting branch licence, AD licence, permission for dividend declaration, etc. for banks. According

to the rating of December 2015, out of 56 scheduled banks, 24 banks were rated as low risk, 23 as moderate and the rest nine as high risk category banks.

5.49 Banks are now bound to submit a self-assessment report on internal control systems. 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. In this regard, BB has formulated a reporting format with 53 questionnaires on anti-fraud internal controls and a statement of fraud and forgeries that have taken place during a period along with the action taken against those incidences. BB is analysing these reports on a quarterly basis and providing proper instructions to the banks. The information provided in that report is sent to the on-site supervision departments for verification through on-site inspection also.

C.2. On-site Inspection of Banks

5.50 As part of Bank's statutory function, currently seven 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 Banking Inspection-4 (DBI-4), Department of Foreign Exchange Inspection (DFEI), Financial Integrity and Customer Services Department (FICSD) and Bangladesh Financial Intelligence Unit (BFIU) are conducting inspection activities. These seven departments conduct on-site inspection on SCBs, DFIs, PCBs (including banks under Islamic Shariah), FCBs and other institutions including Investment Corporation of Bangladesh (ICB) and money changers. These departments conduct different types of

inspection which may be summarised in three major categories like (i) comprehensive/regular/traditional inspection; (ii) risk based system check inspection and (iii) special/surprise inspection.

5.51 The overall performance of the banks (such as capital adequacy, asset quality, liquidity, earnings, management competence, etc.) is evaluated in a comprehensive inspection. 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 of the core risk management guidelines. Special inspections are conducted to investigate complaints received from the depositors, public or institutions.

5.52 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 accounts. 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.

5.53 During FY16, DBI-1 conducted a total of 1216 inspections of 28 banks including head offices. At the same time, a total of 140 core risk inspections were conducted on 28 banks 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. In terms of special inspection, 208 inspections were conducted of which 152 inspections were conducted through Integrated Supervision System (ISS) software and 56 inspections were done to meet the obligation of Supervisory Review Evaluation Process. The banks are directed to sit in a tri-partite meeting with their Management Committee (MANCOM), inspectors of Bangladesh Bank and external auditors before finalisation of the annual financial statements of the banks. During FY16, DBI-1 also arranged intensive in-house training programme focusing on different relevant areas like techniques of detection of major irregularities, financial statement analysis, discussion on newly introduced inspection guidelines, etc.

5.54 During FY16, DBI-2 conducted comprehensive inspection on 1086 bank branches including six head offices, 183 big branches and 897 small branches. At the same time, a total of 133 special inspections were conducted on SCBs including 17 risk based inspections. The department also conducted comprehensive inspection on three branches and the Head office of ICB.

5.55 During FY16, DBI-3 conducted a total of 652 comprehensive inspections on banks including five head offices, 647 branch offices including SME/agriculture. In addition, a total of 6 risk based inspections, 25 special inspections and 8 surprised inspections were also conducted by this department during the period.

5.56 During FY16, DBI-4 conducted 315 inspections on banks' head offices and branches. During the period, this department conducted comprehensive inspections in 238 branches and 20 head offices of banks to ascertain their overall soundness and regulatory compliance status. During the period, DBI-4 also carried out core risk inspections in 20 branches and 20 head offices of banks to review the implementation progress of core risk management guidelines as well as to evaluate and monitor risk management systems of those banks. Moreover, DBI-4 conducted 26 special inspections on 26 branches of different banks. This department also continuously monitors implementation progress of the recommendations made in the inspection reports.

5.57 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 FY16, the department conducted a total of 113 comprehensive inspections on authorised dealer branches of banks. The department also conducted 56 inspections on foreign exchange risk management, 53 inspections on money changers and a good number of special inspections on foreign trade and foreign exchange related irregularities. Furthermore, for the first time, this department has started inspections on off-shore banking units of scheduled banks and already conducted 18 inspections during the period.

5.58 Customers' Interests Protection Centre (CIPC) was reconstituted as a department named Financial Integrity and Customer Services Department (FICSD) on

26 July 2012. FICSD is working as a watchdog for spotting the early warning signs of internal and external fraud at banks and NBFIs, 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 NBFIs. During FY16, a total of 4791 complaints were received by the department from which a total of 4698 complaints were resolved. Resolution rate is 98.1 percent. Besides, a total of 85 special inspections were carried out on different commercial and specialised banks by this department during the period.

5.59 During FY16, FICSD received a total of 4530 complaints through the dedicated hot line numbers, e-mails and traditional letters. The department is working to investigate and resolve complains within the shortest possible time. The rate of compliance resolved has been increased notably. Apart from the Customer Service Division of Head Office, the CIPCs were established in 10 offices of Bangladesh Bank to deal with the complaints received from the bank's customers of their respective areas.

5.60 Bangladesh Financial Intelligence Unit (BFIU) is the national central agency to execute the power and responsibilities conferred under the provisions of Money Laundering Prevention Act, 2012 and Anti Terrorism Act, 2009. The Money Laundering Prevention (Amendment) Act, 2015 was promulgated on 26 November 2015 to further strengthen the legal structure of anti money laundering and combating financing of terrorism regime in Bangladesh. The unit is

empowered to supervise the activities of the reporting agencies including banks, financial institutions, insurers, money changers, etc. As part of its surveillance programme, BFIU carries out both on-site and off-site supervision on anti money laundering (AML) and combating financing of terrorism (CFT) activities of the reporting agencies. Two types of onsite supervisions are carried out by BFIU, namely (i) system check inspection and (ii) special inspection. System check inspections are conducted in scheduled banks on a half yearly basis to oversee and ensure the compliance of the provisions under MLPA, 2012 and ATA, 2009. During FY16, BFIU conducted system check inspections in 58 branches of different banks. Banks are obliged to submit Suspicious Transaction Reports (STR's) and Cash Transaction Reports (CTR's) to BFIU.

5.61 BFIU conducts special inspections to examine whether banks are submitting STR/CTRs properly and regularly. BFIU conducted special inspections in 76 branches of 32 banks during the fiscal year. BFIU also receives and analyses complaints from individuals and entities. Moreover, BFIU received 1307 suspicious transaction reports (STRs) during the same period. After analysing them, the unit disseminated 37 reports to Anti-Corruption Commission (ACC) and Criminal Investigation Department (CID), Bangladesh Police for necessary action at their end. BFIU has also been monitoring the status of these cases from time to time. BFIU has taken a number of initiatives including issuing some important circulars and giving instructions to the reporting agencies in order to prevent money laundering and combating terrorist financing during the period.

5.62 BFIU continues its effort to create awareness among the officials of different reporting organisations and thus encourages the reporting organisations to conduct a number of training programmes for their officials. Besides, it has arranged workshops for other law enforcing agencies. Furthermore, annual conferences for Chief Anti-Money Laundering Compliance Officer (CAMLCO) of banks, financial institutions and insurance companies were arranged separately in FY16. BFIU has signed 43 memorandum of understandings (MoUs) with FIUs of other countries to exchange of information related to ML/TF, among them eight MoUs were signed in FY16. Apart from these, BFIU has been maintaining continued engagement with all the international bodies such as APG, Egmont Group, FATF and BIMSTEC to boost international efforts in this arena.

C.3 Financial Stability and Macro Prudential Supervision

5.63 The Financial Stability Department (FSD) has been working actively to examine the stability of the financial system through macro prudential analysis. Since inception, this department has been publishing Financial Stability Report on a yearly basis to evaluate overall financial stability aiming at conveying the risks and vulnerabilities of the financial system to various stakeholders. In addition, the department has also been publishing a Quarterly Financial Stability Assessment Report (QFSR) with the aim of assessing the overall financial conditions during a quarter.

5.64 The department primarily has designed macro stress tests to quantify the impact of possible changes in economic

environment on the financial system. The Financial Projection Model (FPM) has also been implemented with the technical assistance of the World Bank. To observe the liquidity management of banks and NBFIs, a tool called Inter-bank Transaction Matrix (ITM) has been introduced. This matrix will help to find out the institutions which may potentially face any crisis and give early warning signals for safeguarding financial institutions.

5.65 The department has developed a framework for identifying and dealing with the Domestic Systemically Important Banks (DSIB) in its jurisdiction due to the underlying assumption that the impact of the failure of DSIBs will be significantly greater than that of a non-systemic institution. The formulation and implementation plan of Counter-cyclical Capital Buffer (CCB) in the time of crisis is under process to resist the pro-cyclicality of financial system. As part of contingency plans, the department has prepared several documents under lender of last resort (LOLR) and Bank Intervention Resolution Plan (BIRP). LOLR aims to provide emergency liquidity assistance (ELA) to banks in serious liquidity problems to prevent or mitigate potential systemic effects resulted from contagion through other banks or market infrastructures. On the other hand, BIRP provides more effective tools and information in order to enable the orderly resolution of banks without any resort of taxpayers' fund.

5.66 The department has been preparing Bank Health Index (BHI) and Heat Map on a half-yearly basis to monitor the relative health of the banks from liquidity, solvency and earning perspectives. A concept paper titled as "Coordinated Supervision Framework for Bangladesh" has also been prepared with a

view to better supervise the financial sector and to avoid the duplication of efforts of different regulators. The department has prepared a database called 'Central Depository for Large Credit' (CDLC) as corporate watch-list to observe the indebtedness of the corporates those may create systemic consequences.

D. Banking Sector Infrastructure for Financial Stability and Risk Management

D.1. Deposit Insurance Systems in Bangladesh

5.67 The Deposit Insurance Systems (DIS) is designed to minimise or eliminate the risk of loss that the depositors may suffer due to keeping funds with a bank. The purpose of DIS is to help increase market discipline, reduce moral hazard in the financial sector and provide safety nets at the minimum cost to the public in the event of a bank failure. The direct rationale for deposit insurance is customer protection while the indirect rationale for deposit insurance is to reduce the risk of a systemic crisis, 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.

5.68 In Bangladesh, Deposit Insurance Scheme 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 the Parliament called "The Bank Deposit Insurance Act 2000". Deposit insurance systems in Bangladesh are now being administered by the said Act. In

accordance to the Act, Bangladesh Bank (BB) is authorised to carry out a fund called Deposit Insurance Trust Fund (DITF). The Board of Directors of BB acts as the Trustee Board for the DITF. The DITF is now being administered and managed under the guidance of the Trustee Board. In addition, Bangladesh Bank is a member of International Association of Deposit Insurers (IADI).

5.69 In accordance with the "The Bank Deposit Insurance Act 2000", the main functions of DITF are collecting premium from all scheduled banks on a half-yearly basis (end of June/end of December) and investing the proceeds in the Government Securities and REPO. 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 the said act, BB will pay to every depositor of that bank an amount equal to his/her deposits not exceeding 100,000.

5.70 To enhance the effectiveness of market discipline, BB has adopted a system of risk based deposit insurance premium rates applicable for all banks effective from period of January-June 2007. From January-June 2013, the premium rate has been increased. Moreover, proposal for the amendment of the current act 'Deposit Protection Act' has already been sent to Ministry of Finance which is now under consideration. There is a plan to bring depositors of NBFIs under the umbrella of DIS and increase the coverage limit in the amended act. For automation of premium calculation process and online submission of premium assessment information, a software named 'Information for Deposit Insurance Premium Assessment

(IDIPA)' was inaugurated by the Governor of Bangladesh Bank in February 2015.

5.71 The effectiveness of DIS in reducing systemic risk would be increased if the public is well aware of its existence and scope. With this end of view, BB has already issued a circular regarding public awareness and uploaded more information on the Bangladesh Bank website so that the public may know about the benefits and limitations of DIS on an ongoing basis.

D.2. Activities of Credit Information Bureau

5.72 Credit Information Bureau (CIB) was set up in Bangladesh Bank (BB) on 18 August 1992 with the objective of minimising the extent of default loans. CIB has been providing its online services since 19 July 2011. The Online system of CIB is playing an important role to maintain a risk free lending procedure in the banking industry. Currently, CIB online services are provided through newly developed New CIB Online Solution. The New CIB Online Solution developed by BB's internal resources started its live operation on 1 October 2015. It eliminated vendor dependency as well as reduced huge cost for maintaining the previous online system. With the adoption of highly sophisticated ICT facilities, the performance of the CIB services has been improved significantly in terms of efficiency and quality. It has also appreciably reduced time and physical movement for the banks/NBFIs in submission of credit information and CIB report generation process which ultimately make the loan processing activities faster.

Table 5.13 The recent position of DITF

Particulars	Unaudited figure (as on 30 June 2016)	Premium rate*
Total fund	49.04 billion Taka	-
Total investment	48.99 billion Taka	-
Insurable deposit to total		
demand and time liabilities	81.77%	-
Covered deposit of total		
insurable deposit	27.93%	-
Fully insured deposit	88.89%	-
Sound bank categories	-	0.08%
Early warning bank categories	-	0.09%
Problem bank categories	-	0.10%

* Effective from 2013.

Source: Bangladesh Bank.

5.73 The CIB database consists of detailed credit information in respect of borrowers, co-borrowers and guarantors. CIB database includes credit information of borrowers having outstanding amount of Taka 50000 and above and defaulted credit card information having outstanding amount of Taka 10000 and above. The total number of borrowers increased by around 22 percent to 1,101,046 at the end of June 2016 compared to 9,05,112 at the same month of previous year.

5.74 The total outstanding amount of loans and advances of the banking and non-banking financial institutions stood at Taka 6852.64 billion (including BLW amount) in June 2016, which was around 22 percent compared to the same period of last year. In June 2015, the amount was Taka 5601.0 billion. Furthermore, total classified outstanding amount increased by around 19 percent in June 2016 over the same period of last year. The classified amount was Taka 929.55 billion in June 2016 while it was Taka 778.39 billion in June 2015.

Sustainable Banking

6.1. Bangladesh Bank (BB) has been integrating 'sustainability' into core banking practices through green banking, corporate social responsibility, financial inclusion and financial education. The society and environment oriented banking practices gradually created the concept of sustainable banking. Thus BB has been pursuing policy and instructions in all possible areas of sustainable banking for banks and non-bank financial institutions (NBFIs). Sustainable banking mainly focuses on three broad categories-green banking, corporate social responsibility and financial inclusion.

A. Green Banking

6.2 Bangladesh Bank has set examples for others by pioneering green banking initiatives while BB has been proactively guiding the banks and NBFIs for diverse sustainable banking initiatives since 2011. In such aspect, green banking initiatives of BB broadly categorised into the following aspects: policy initiatives, monitoring the green banking activities of banks and NBFIs, refinancing facilities from BB in diverse green products/sectors and BB's own initiatives for environmental management.

A.1. Policy Initiatives

6.3 First policy instruction of BB regarding green banking was the issuance of guidelines on Environmental Risk Management (ERM) for all banks and NBFIs in January 2011. In

Table 6.1 Green finance in different products in FY16 (million Taka)

Category of green finance	SCBs	DFIs	PCBs	FCBs	NBFIs	Total
Renewable energy	44.4	4.2	1605.0	182.0	3660.2	5495.7
Energy efficiency	10.1	0.0	2394.3	0.6	125.3	2530.3
Solid waste management	0.0	0.0	12.2	0.0	0.0	12.2
Liquid waste management	26.3	0.0	4326.5	36.2	449.0	4838.0
Alternative energy	160.0	0.0	164.8	0.0	9.2	334.0
Fire burnt brick	1003.8	25.3	5353.9	0.0	775.0	7157.9
Non fire block brick	0.0	0.0	169.8	0.0	40.0	209.8
Recycling & recyclable product	99.1	0.0	4179.6	80.0	518.8	4877.4
Green industry	380.0	0.0	4106.2	283.6	256.0	5025.8
Safety and security of factory	0.0	0.0	1817.1	34.8	95.5	1947.4
Others	290.1	0.6	467.9	151.7	19.3	929.6
Total	2013.7	30.1	24597.4	768.8	5948.2	33358.2

Source: Sustainable Finance Department, BB.

Table 6.2 Direct and indirect green finance in FY16 (million Taka)

Type of banks/NBFIs	Direct green finance	Indirect green finance	Total green finance	Sector wise contribution
SCBs	2013.7	1234.5	3248.2	0.6
DFIs	30.1	0.0	30.1	0.01
PCBs	24597.4	379887.5	404485.0	80.4
FCBs	768.8	77547.3	78316.1	15.6
NBFIs	5948.2	11193.8	17142.0	3.4
Total	33358.2	469863.1	503221.3	100.0

Source: Sustainable Finance Department, BB.

February 2011, a policy guideline for green banking was issued to the scheduled banks. A policy guideline for green banking was issued to NBFIs in August 2013 and to the new banks (scheduled in 2013) in September 2013. To expedite the ongoing initiatives of banks and NBFIs at a faster pace for sustaining

the environment compatible to climate change risk, a minimum target of direct green finance has been set at 5 percent of the total loan disbursement/investment from January 2016 onwards for all banks and NBFIs. Banks and NBFIs have been instructed to form a 'Climate Risk Fund' according to the above mentioned policy guidelines for green banking. To ensure the movement towards sustainability against the climate change, banks and NBFIs shall allocate at least 10 percent of their corporate social responsibility budget for climate risk fund and this funding can be done in both ways—by providing grants or financing at reduced rate of interest. Meanwhile, banks and NBFIs have been instructed to set up solid waste management system, rainwater harvesting and solar power panel in their newly constructed or arranged building infrastructure.

A.2. Green Finance

6.4 A total amount of Taka 503.2 billion was disbursed during FY16 by 46 banks and NBFIs involved in green finance. Sector-wise contribution of the total green finance shows that the PCBs played the main role (80.4 percent) followed by FCBs (15.6 percent), NBFIs (3.4 percent), SCBs (0.6 percent) and DFIs (0.01 percent). Product-wise, and direct and indirect green finance by banks are given in Table 6.1 and Table 6.2 respectively.

A.3. Environmental Risk Management (ERM)

6.5 Environmental risk can be a facilitating element of credit risk because of its connectivity with environmental condition and climate change. Environmental Risk Rating (ERR) is obligatory above the threshold as mentioned in guidelines on ERM for banks and NBFIs. ERR is applicable for the projects

Table 6.3 Environmental risk rating of banks and NBFIs in FY16

Type of banks/ NBFIs	No. of projects applicable for EDD	No. of projects rated	No. of rated projects financed	Amount disbursed in rated projects (million Taka)
SCBs	2154	1967	1916	48404.3
DFIs	49	38	50	2354.1
PCBs	62371	52182	46531	1944815.5
FCBs	3240	2974	1717	134839.3
NBFIs	2893	3014	2562	112344.7
Total	70707	60175	52776	2242757.8

Source: Sustainable Finance Department, BB.

as well as the credit facility that fall above the threshold limit. All banks conducted environmental risk rating in FY16. The number of projects applicable for Environmental Due Diligence (EDD) during the year was 70707. Total amount of Taka 2242.8 billion was disbursed in 52776 rated projects out of 60175 rated projects in FY16 (Table 6.3).

A.4. Climate Risk Fund and Green Marketing

6.6 In FY16, total amount of utilisation from climate risk fund and for green marketing by banks were Taka 455.7 million and Taka 53.5 million respectively. For the NBFIs total amount of utilisation from climate risk fund was Taka 3.9 million and total expenditure for green marketing was Taka 2.7 million in FY16.

A.5. Online Banking and Energy Efficiency

6.7 At the end of FY16, 55 out of 56 banks had online branches which was the same as the previous year. At the same time, 75.1 percent of total branches were online branches compared to 68.1 percent of total branches at the end of previous fiscal year. Green banking policy has pursued the

banks to establish branches powered by solar energy. The number of branches powered by solar energy stood at 493 at the end of FY16 which was 416 at the end of the previous fiscal year.

A.6. BB's In-house Environmental Management

6.8 BB installed solar power system on its rooftop for energy efficiency and chiller based central air conditioning system for reducing CFC emission. BB initiated the process to measure the carbon footprint of its own. E-recruitment, documentation management system, leave management system, online salary and account statement, personal file update system, online office orders, electronic pass for visitors and many others have been introduced through BB intranet. All the departments of BB's head office and its nine branch offices have already been brought under a computer network (LAN/WAN), connecting more than 3500 PCs. BB has introduced open data initiative for all through its dynamic website which is being/updated at all time. Most of the regulatory reporting from banks and NBFIs are collected through web upload and Enterprise Data Warehouse (EDW) system. Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Credit Information Bureau Online and Enterprise Resources Planning (ERP) have been started operation. Bangladesh Bank has also started e-procurement.

A.7. BB's Refinance Schemes for Green Products/Sectors

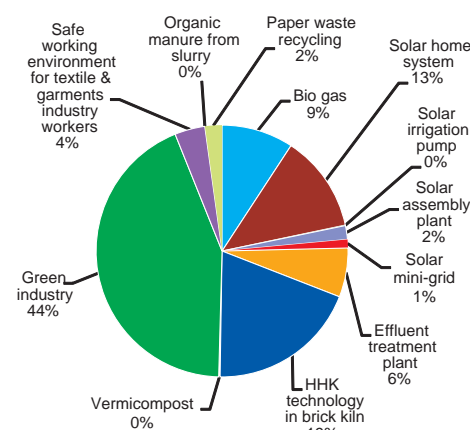
6.9 To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB

Table 6.4 Disbursement trend of BB refinance scheme for green products

(million Taka)					
Green product category	FY12	FY13	FY14	FY15	FY16
Bio gas	133.2	113.6	212.8	83.3	84.8
Solar home system	10.5	40.2	32.2	87.5	114.7
Solar irrigation pump	8.4	0.0	17.9	26.5	0.6
Solar assembly plant	248.8	122.7	49.6	148.1	16.3
Solar mini-grid	0.0	0.0	0.0	0.0	10.0
Effluent treatment plant	22.2	57.4	10.0	0.0	58.0
HHK technology in brick kiln	55.0	172.2	59.0	47.0	177.8
Vermicompost	0.0	0.0	0.0	1.1	1.6
Green industry	0.0	0.0	0.0	0.0	400.0
Safe working environment for textile & garments industry workers	0.0	0.0	0.0	0.0	35.7
Organic manure from slurry	0.0	0.0	0.0	0.0	0.2
Paper waste recycling	0.0	0.0	0.0	0.0	20.0
Total	478.1	506.1	381.5	393.5	919.7

Source: Sustainable Finance Department, BB.

Chart 6.1 Shares of green products in refinancing in FY16



Source: Sustainable Finance Department, BB.

constructed a revolving refinance scheme amounting to Taka 2.0 billion from its own fund for six green products in 2009. Till FY16, BB has enhanced the product line under this scheme from 6 to 50 and segregated these products into 11 categories which include renewable energy, energy efficiency, solid waste management, liquid waste management, alternative energy, fire burnt

brick, non fire block brick, recycling & recyclable product, green industry, ensuring safety and work environment of factories and miscellaneous. The cumulative amount refinanced under the scheme up to June 2016 stood at Taka 2811.7 million. Total disbursement of refinance scheme for green products through BB increased by 133.7 percent to Taka 919.7 million in FY16 which was Taka 393.5 million in FY15. The disbursement trend of this fund is given in Table 6.4 and Chart 6.1. In September 2014, BB introduced a refinance scheme funded by liquidity of Shariah based banks and NBFIs in excess of their requirement which will be explicitly utilised for direct green finance of the said banks and NBFIs. These banks and NBFIs can utilise this fund for financing in 50 products identified under BB refinance scheme. Under this scheme, four banks and one NBFI have signed participation agreement with BB till 30 June 2016.

A.8. ADB Supported 'Financing Brick Kiln Efficiency Improvement Project'

6.10 To improve the efficiency of the brick kiln through efficient use of technology and energy including reducing Green House Gas (GHG) and Suspended Particulate Matter (SPM) on relending facilities namely "Financing Brick Kiln Efficiency Improvement Project" was established in BB financed by Asian Development Bank (ADB) in 2012. In this disbursement process, total amount of loan from ADB was about USD 50.0 million or equivalent Taka. It has two parts–Part A: USD 30.0 million (approximately)/equivalent Taka will be provided for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part B: about USD 20.0 million/equivalent Taka for establishment of new

Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. Relending facilities are extended to the participating financial institutions (PFIs) in this purpose. 35 banks and 19 NBFIs so far have signed participation agreement with Bangladesh Bank. Up to June 2016, BB has released a total of USD 16.21 million (Taka 1.26 billion) to five PFIs against their financing for eight sub projects. Liquidation application has been completed through ADB for the said amount. ADB has extended the project up to 31 March 2017.

A.9. Long Term Financing Facility Under Financial Sector Support Project (FSSP)

6.11 BB intends to provide long term financing for private sector firms, mainly midsize manufacturing firms under the Financial Sector Support Project (FSSP) financed by the International Development Association (IDA). This financing would be offered in US dollar and provided to the PFIs authorised by BB to deal in foreign exchange on lending/refinancing to the private sector firms. An environmental and social management framework (ESMF) has been developed to ensure the sustainability of financing of this facility.

A.10. Green Transformation Fund (GTF)

6.12 The latest step of BB in fostering sustainable finance is to create GTF. In February 2016, BB has announced its intention to create a new longer term refinancing window naming GTF of USD 200 million. The fund will be used to ensure sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country. It is intended to facilitate access to

financing in foreign exchange by all manufacturer-exporters in export oriented textiles & textile products and leather manufacturing sectors to import capital machinery and accessories for implementing environment-friendly initiatives. The initiatives include water use efficiency in wet processing; water conservation and management; and renewable energy and energy efficiency.

B. Corporate Social Responsibility

6.13 On 22 December 2014, BB issued an indicative guideline for allocation and end use monitoring of CSR engagements of the financial sector. The guideline clearly states the administrative setup, budgetary allocation, expected range/coverage of CSR activities and end use monitoring process of CSR expenditures and activities.

B.1. BB's Own CSR Activities

6.14 BB has established 'Bangladesh Bank Disaster Management and Corporate Social Responsibility Fund' by transferring Taka 50 million from its annual profit each year to conduct its own CSR activities in different areas such as education, health, environment, empowerment, human resources development, etc. Later the fund was extended to Taka 100 million in 2015. BB has sanctioned Taka 75.9 million (contribution from BB profit and bank interest) in FY16 from the fund which was Taka 51.3 million in FY15. The fund allocated for different sectors during FY16 is shown in Table 6.5.

B.2. CSR Activities of Banks and NBFIs

6.15 Total amount of CSR expenditure by banks and NBFIs in FY16 was Taka 5607.7 million while the amount was Taka 5400.7 million in FY15. In FY16, the sector-wise

Table 6.5 Expenditure details of the BB disaster management & corporate social responsibility fund in FY16

(million Taka)	
Sectors	Amount
Education	23.5
Health	9.8
Environment	7.8
Human resources development/ capacity building	10.7
Financial inclusion/ women empowerment	15.1
Others	9.0
Total	75.9

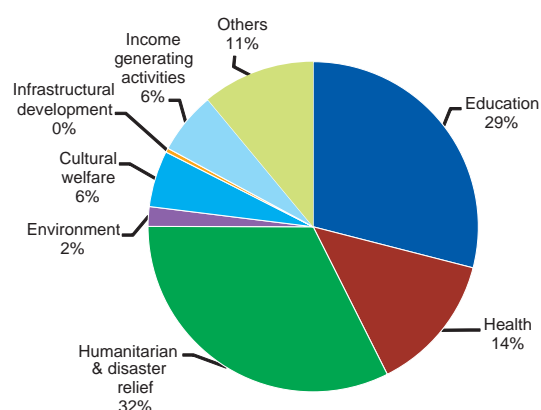
Source: Sustainable Finance Department, BB.

Table 6.6 CSR expenditure of banks and NBFIs

(million Taka)				
Sectors	Banks		NBFIs	
	FY16	Sectoral share	FY16	Sectoral share
Education	1611.4	29.0	8.4	16.3
Health	755.0	13.6	9.6	18.5
Humanitarian & disaster relief	1802.7	32.5	6.2	12.1
Environment	106.9	1.9	2.4	4.7
Cultural welfare	306.7	5.5	0.9	1.8
Infrastructural development	22.7	0.4	0.0	0.0
Income generating activities	339.2	6.1	0.0	0.0
Others	611.5	11.0	24.0	46.6
Total	5556.1	100	51.6	100

Source: Sustainable Finance Department, BB.

Chart 6.2 Sector-wise CSR expenditure of banks in FY16



Source: Sustainable Finance Department, BB.

expenditure scenario of banks and NBFIs are stated in Table 6.6.

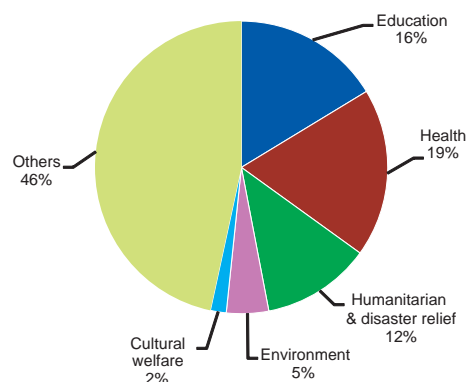
6.16 Banks continued to maintain major share in education, health and humanitarian & disaster relief. Education, health, humanitarian & disaster relief contributed to 29.0, 13.6 and 32.5 percent respectively of the total CSR activities. Expenditure on income generating activities for poor, cultural affairs and environment were 6.1, 5.5 and 1.9 percent respectively. As infrastructural development in underprivileged area is relatively new concept, banks expenditure in this area was not significant. Notable specific share of expenditure in CSR programmes of banks in FY16 are shown in Chart 6.2

6.17 NBFIs reported direct CSR expenditure of Taka 51.6 million in FY16. Unlike banks, the major share of CSR expenditure by NBFIs went to others sector (46.6 percent) in FY16. However, they spent 16.3, 18.5 and 12.1 percent of their total CSR expenditure in education, health, humanitarian & disaster relief sectors respectively during this period. Environment and cultural affairs got less priority as they spent on these sectors 4.7 and 1.8 percent only in FY16. NBFIs did not spend for infrastructural development in underprivileged area and income generating activities for poor in FY16. Sectoral shares of CSR expenditure by NBFIs in FY16 are stated in Chart 6.3.

C. Financial Inclusion

6.18 As part of financial inclusion initiatives BB has extended formal banking services to less privileged people in urban and rural areas. BB has identified the target group of people and advised the banks for opening No-Frill Accounts (NFAs) for them.

Chart 6.3 Sector-wise CSR expenditure of NBFIs in FY16



Source: Sustainable Finance Department, BB.

Table 6.7 Total Number of NFAs for farmers and other than farmers as of end June 2016

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	4542565	3944043	446821	0	8933429
Beneficiaries under social safety net programme	3140976	859341	98	0	4000415
Freedom fighters	216139	2863	1042	0	220044
Small life insurance policy holder (Taka 100 A/C)	67405	5377	1159	0	73941
National service programme	15269	11568	3221	0	30058
Hardcore poor	1358897	731214	6822	0	2096933
City corporation cleaning workers	9703	0	216	0	9919
Distressed rehabilitation	1055	0	159	0	1214
Food & livelihood security	61789	1859	740	0	64388
Physically challenged persons	100452	28167	67	0	128686
RMG workers	41327	178	267206	0	308711
Others	235294	25663	4752	0	265709
Total	9790871	5610273	732303	0	16133447

Source: Financial Inclusion Department, BB.

C. 1. NFAs for Farmers and Other than Farmers

6.19 BB instructed the SCBs and DFIs to open NFAs for farmers in January 2010. Up to FY16 BB has gradually issued instructions to these banks for opening nine categories of NFAs other than farmer's account. BB has also provided instruction to all banks to open NFAs for readymade garment workers and

workers of small footwear & leather product industries. From FY15, all banks were instructed to open NFAs for physically challenged persons.

6.20 As of end June 2016, sector-wise distribution of NFAs shows that SCBs, DFIs, and PCBs have opened 8933429 farmer's account, followed by beneficiaries under social safety net programme (4000415 accounts), hardcore poor (2096933 accounts), RMG workers (308711 accounts), others Taka 10 account (265709 accounts) freedom fighters (220044 accounts), physically challenged persons (128686 accounts), small life insurance policy holder Taka 100 account (73941 accounts), food & livelihood security (64388 accounts), national service programme (30058 accounts), city corporation cleaning workers (9919 accounts) and distressed rehabilitation (1214 accounts). But, FCBs did not open any NFA for the above mentioned categories. Thus, total number of all categories of accounts by the SCBs, DFIs, and PCBs stood at 16133447. Total outstanding balance of NFAs of all type of banks for farmers against this accounts stood at Taka 1929.3 million. On the other hand, total balance of all categories of account reached at Taka 10520.34 million. Total number of NFAs and outstanding balance for farmers and non-farmers as of end June 2016 are reported in Table 6.7 and 6.8.

C.2. School Banking

6.21 In order to broaden and deepen the financial inclusion through including the students under age of 18, BB has advised to the scheduled banks to introduce school banking activities in 2010. Since then, banks have started to provide banking services to

Table 6.8 Total outstanding balance of NFAs for farmers and other than farmers as of end June 2016

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	323.3	565.2	1040.8	0.0	1929.3
Beneficiaries under social safety net programme	503.85	1223.35	.21	0.0	1727.4
Freedom fighters	1698	3.2	24.98	0.0	1726
Small life insurance policy holder (Taka 100 A/C)	58.5	5.5	5.2	0.0	69.2
National service programme	73.8	807.7	60.27	0.0	941.8
Hardcore poor	841.7	1864.1	9.58	0.0	2715.4
City corporation cleaning workers	2.6	0.0	13.41	0.0	16.0
Distressed rehabilitation	17.7	0.0	0.3	0.0	18.0
Food & livelihood security	6.34	0.1	0.82	0.0	7.26
Physically challenged persons	81	30.2	.67	0.0	111.9
RMG workers	24.1	.5	1147.72	0.0	1172.3
Others	73.78	6	5.78	0.0	85.5
Total	3704.67	4505.85	2309.82	0.0	10520.34

Source: Financial Inclusion Department, BB.

Table 6.9 School banking account and outstanding as of end June 2016

Type of banks	Number of accounts	Outstanding (million Taka)
SCBs	322761	948.8
DFIs	207578	196.1
PCBs	650378	7585.1
FCBs	1462	74.1
Total	1182179	8804.1

Source: Financial Inclusion Department, BB.

students through savings account and deposit scheme. The main objective of school banking is to promote savings behaviour among school goers and to orientate them with banking literary and modern banking technology. To enhance the school banking activities of the banks, BB issued a comprehensive guideline in October 2013. Under this guideline, any school student aged 6-18 years can open school banking account through parents or legal guardians by depositing minimum Taka 100. Total outstanding balance of school banking stood at Taka 8804.1 million against 1182179

accounts at the end of June 2016. The update status as of end June 2016 of school banking is reported in Table 6.9.

C.3. Banking for Working/Street Children

6.22 After introducing various types of banking services for farmers and some other underprivileged people, BB advised all scheduled banks to bring street children under institutional financial support on 9 March 2014 to open custodial account with NGO by Taka 10 as minimum opening balance and no service charge/fee for working/street children. These initiatives would help street children to develop their savings habits and eventually help them step towards better future. Concerned NGO will be fully responsible for the operation of the children accounts and the well-being of the account holders. Till June 2016, 16 banks signed bi-lateral agreement with different registered NGOs for offering the services. The progress statement of working/street children programme of banks as of end June 2016 is reported in Table 6.10.

C.4. Agent Banking

6.23 Bangladesh Bank issued agent banking guidelines in December 2013 for the banks with a view to safety, security and soundness of the proposed alternative delivery channel for banking services for non-privileged, underserved population and the poor segment of the society, especially from geographically remote location. Agent banking has opened doorway to provide banking services through an outlet by banks where branch establishment is extremely difficult or not feasible. To facilitate the agent banking activities, a guidance note for approval and operation of agent banking activities of banks

Table 6.10 Working/street children accounts and outstanding as of end June 2016

Name of banks	Name of listed NGO	Number of accounts	Total (million Taka)
Sonali Bank Ltd.	Uddipon	5	6.0
Janata Bank Ltd.	EBCR Project	150	75.0
Agrani Bank Ltd.	Uddipon	353	31.0
Rupali Bank Ltd.	Manab Sheba & Samajik UnnayanSangostha, SUF	1056	960.0
Bangladesh Krishi Bank	Uddipon	163	27.0
Bank Asia Ltd.	BRAC, Oporajayo Bangladesh, Uddipon	191	223.6
Marcantile Bank Ltd.	Oporajayo Bangladesh	201	102.7
Mutual Trust Bank Ltd.	Assistance for Slum Dwellers(ASD)	34	1.0
National Bank Ltd.	Community Participation and Development (CPD)	19	13.0
NCC Bank Ltd.	Uddipon	15	1.3
One Bank Ltd.	Prodipon, Shajeda Foundation	232	159.4
Pubali Bank Ltd.	Oporajayo Bangladesh, BRAC, NariMaytri	546	400.0
City Bank Ltd.	Prodipon	150	120.0
Trust Bank Ltd.	Mashas	280	72.0
Al-Arafah Islami Bank Ltd.	Assistance for Slum Dwellers (ASD)	38	8.2
Uttara Bank Ltd.	Poriborton	32	1.1
Total		3465	2201.2

Source: Financial Inclusion Department, BB.

was issued in June 2014. Till June 2016, 12 banks have got approval from BB for agent banking services and 10 banks have started operation. Till June 2016, number of agents stood at 789 and number of outlets was 1281. Currently there are more than 258471 account holders maintaining accounts with agent banking.

C.5. BB Refinance Scheme for Taka 10 Account Holders

6.24 With a view to bring the financially deprived grass root population under formal financial services and to gear up the banking activities of Taka 10 accounts, BB constructed a revolving refinance fund in May 2014. The size of fund is Taka 2.0 billion. Highest limit of refinance facility is Taka 50000.0 under this scheme and participating banks will be provided interest subsidy under certain conditions. To avail refinance facility till

30 June 2016, 32 banks have signed participation agreement with Bangladesh Bank and disbursed amount stood at Taka 297.46 million in FY16.

C.6. NRB Database

6.25 Foreign remittance sent by NRBs has significant contribution to the economic development of Bangladesh. Gross remittance earning decreased by 2.52 percent to USD 14931.16 million in FY16 compared to USD 15315.92 million in FY15. In order to document the remittance senders, BB has taken an initiative to collect the information of NRBs and maintain that in a dynamic, interactive and online database. Any NRB can open an account in this database through BB website and upload his/her information. This database will play as a communication platform for BB and NRBs as well. For Bangladesh Bank, this database helps to promote and uphold investment information arranged for NRBs by government, to create awareness on proper remittance channel and method, important financial or economic moves of government in which NRBs can participate. NRBs can submit complaint, query or feedback through this database. They also use this database to link between themselves and search other NRBs according to country, profession, etc. Till June 2016, 359 NRBs registered in the NRB Database of BB. At present, Bangladesh Bank with other stakeholders is taking initiatives to boost inward remittances via regular banking channel. To motivate expatriates for sending more remittance Bangladesh Bank has introduced "Bangladesh Bank Remittance Award" since 2013. In 2016, Bangladesh Bank awarded 26 Individual as best remitters in both

skilled and unskilled categories, five best bond investors and four best NRB owned exchange houses as best remitters for the year 2015 to recognise their contribution to the country.

C.7. Financial Education

6.26 Bangladesh Bank has taken various initiatives to bring the larger portion of financially excluded population under formal financial services. BB has developed a web-link titled "Financial Literacy" in BB webpage to undertake diverse financial education initiatives since FY14 in a rigorous manner. These include creation of a dynamic and interactive web portal, already prepared two television commercials and ten radio broadcasting commercials, and awareness creating press layouts. This web-link contains story books, games, videos, text, a financial calculator for computing information on different financial services, products and delivery channels. BB is also working with the Ministry of Education to pace the Financial Literacy and Education (FLE) programme in the school and college levels.

Special Events: Banking Fair

6.27 With the slogan 'To build a banking nation', a five day long 'Banking Fair Bangladesh 2015' was held for the first time in Bangladesh during 24-28 November 2015 in Bangla Academy premises. On this very special event many FLE programmes took place like day long programmes for vulnerable adults, school going students, open participants and child labourers. Thousands of people visited the fair every day during the period and were enlightened by the various FLE programmes.

Performance, Regulation and Supervision of NBFIs

7.1 Non Bank Financial Institutions (NBFIs) have emerged as an important segment of financial system in Bangladesh. NBFIs offer diversified financial services mostly long-term in nature to cater the ever changing demands of customers. NBFIs play crucial roles in providing additional financial services that cannot be always met by the banks. In addition, NBFIs are engaged in the capital market as well as in real estate sector of Bangladesh. As a watchdog, Bangladesh Bank supervises NBFIs through a risk-based supervisory system so that NBFIs can deliver financial services efficiently. NBFIs showed strong performance in terms of growth in assets and deposits during FY16.

7.2 Bangladesh Bank issues licence and supervises NBFIs under the Financial Institution Act, 1993. At present, the minimum paid up capital for NBFIs is Taka 1.0 billion as per the Financial Institution Regulation, 1994. NBFIs' business line is narrow in comparison with Banks in Bangladesh. NBFIs have been allowed to offer term deposit service for tenure of at least three months effective from 2 December 2013.

7.3 Presently, out of 33 NBFIs, three are Government-owned, 11 are joint venture and the rest 19 are locally private-owned. Meanwhile, the branch network increased to 220 as on 30 June 2016. The Structure of NBFIs is shown in Table 7.1.

A.1. Assets

7.4 The asset of NBFIs went up substantially by 17.5 percent to 611.0 billion in

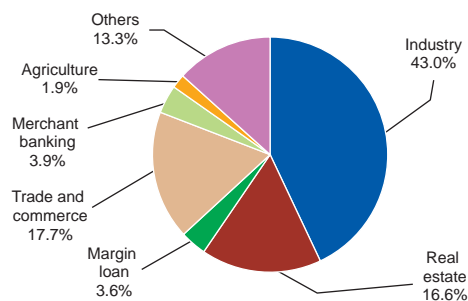
Table 7.1 Structure of NBFIs

	2010	2011	2012	2013	2014	2015	2016*
No. of NBFIs	29	31	31	31	31	32	33
Government-owned	1	2	3	3	3	3	3
Joint-venture	8	8	10	10	10	10	11
Private	20	20	18	18	18	19	19
New branches	20	53	8	7	7	15	22
Total branches	108	161	169	176	183	198	220

* As on 30 June 2016.

Source: Department of Financial Institutions and Markets, BB.

Chart 7.1 Investment pattern of NBFIs as of 30 June 2016



Source: Department of Financial Institutions and Markets, BB.

2015 from Taka 520.1 billion in 2014. At the end of June 2016, assets of NBFIs increased to Taka 672.8 billion.

A.2. Investment

7.5 NBFIs deploy funds for providing mainly term loan in different sectors of the economy with major concentration in industrial sector. Sector wise composition of NBFIs' investment at the end of June 2016 was as follows: industry 43.0 percent, real estate 16.6 percent, margin loan 3.6 percent, trade and commerce 17.7 percent, merchant banking 3.9 percent, agriculture 1.9 percent and others 13.3 percent.

7.6 NBFIs are allowed to invest in the capital market to the extent mentioned in the Financial Institutions Act, 1993. In 2015, all NBFIs' total investment in capital market was Taka 19.4 billion compared to Taka 18.4 billion in December 2014. Investment in capital market accounted for 3.2 percent of the total assets of all NBFIs. At the end of June 2016, NBFIs total investment in capital market stood at Taka 21.1 billion.

A.3. Deposits

7.7 Total deposits of the NBFIs in 2015 rose to Taka 318.1 billion (62.5 percent of total liabilities) from Taka 238.5 billion (56.2 percent of total liabilities) in 2014 showing an overall increase of 33.4 percent. At the end of June 2016, total deposit of NBFIs increased to Taka 351.4 billion.

A. 4. Other Liabilities and Equity

7.8 The aggregate liability of the industry increased to Taka 509.0 billion in 2015 from Taka 424.2 billion in 2014 while equity increased to Taka 102.0 billion compared to Taka 95.8 billion during the same period showing an overall increase of 20.0 percent and 6.5 percent respectively. At the end of June 2016, aggregate liability and equity increased to Taka 572.0 and Taka 100.8 billion respectively.

A.5. Bond and Securitisation Activity

7.9 The bond market in Bangladesh is yet to be modernised. There are few players with a limited number of instruments. NBFIs play a significant role for the development of bond market through issuing Zero Coupon Bonds and Asset-backed Securitised Bonds. By taking NOC from the Department of Financial Institutions and Markets (DFIM), Taka 2.5 billion "IDLC Infrastructure and SME Zero

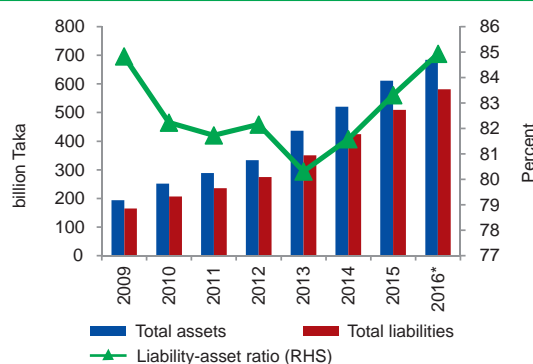
Table 7.2 Assets, liabilities and deposits of NBFIs

	2010	2011	2012	2013	2014	2015	2016*
Total assets	251.5	288.4	333.9	436.3	520.05	611.0	672.8
Total liabilities	206.8	235.7	274.3	350.4	424.24	509.0	572.0
Liabilities-assets ratio	82.2	81.7	82.2	80.3	81.5	83.3	85.0
Total deposit	94.4	112.6	145.4	198.3	238.5	318.1	351.4
Deposit as % of total liabilities	45.7	47.8	53.0	56.6	56.2	62.5	61.4

* As on 30 June 2016.

Source: Department of Financial Institutions and Markets, BB.

Chart 7.2 Assets, liabilities and their ratios of NBFIs



* As on 30 June 2016

Source: Department of Financial Institutions and Markets, BB.

Coupon Bond" were issued by IDLC Finance Limited, Taka 3.0 billion non-convertible zero coupon bonds by LankaBangla Finance Limited and Taka 1.0 billion Fixed Rate Non-convertible Subordinated Bond was issued by Reliance Finance Limited as of June 2016.

B. Performance and Rating of NBFIs

7.10 Like banks, the performance of NBFIs is also evaluated through the CAMELS rating which involves analysis and evaluation of the six crucial dimensions. The six indicators used in the rating system are capital adequacy, asset quality, management efficiency, earnings, liquidity and sensitivity to market risk.

B.1. Capital Adequacy

7.11 Capital adequacy focuses on the total position of NBFIs' capital and protects the

depositors from the potential shocks of losses that an NBFI might incur. It helps absorb major financial risks related to credit, market, interest rate, etc. NBFIs in Bangladesh have been instructed under the Basel Accord to maintain 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 2016, out of 33 NBFIs, (one NBFI is yet to come under this operation) 2 were evaluated as "1 or Strong", 15 were "2 or Satisfactory", 14 were "3 or Fair" and 1 was "4 or Marginal" in the capital adequacy component of the CAMELS rating.

B.2. Asset Quality

7.12 The ratio of gross nonperforming loan/lease to total loan/lease is used to judge the asset quality of NBFIs. At the end of June 2016, the NPL ratio for NBFIs was 9.0 percent. In the total asset composition of all NBFIs, the concentration of loans, lease and advances was 74.2 percent. At the end of June 2016, out of 33 NBFIs, 1 was evaluated as "1 or Strong", 7 were "2 or Satisfactory", 14 were "3 or Fair", 9 were "4 or Marginal" and 1 was "5 or Unsatisfactory" in the asset quality component of the CAMELS rating matrix (the remaining one NBFI is yet to come into rating).

B.3. Management Efficiency

7.13 In financial institutions, management efficiency represents the ability of management for transforming inputs (deposits, other funds and human resources) into outputs (investments/ leases and other income generating assets). 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 June 2016, out of 33 NBFIs, 4 were evaluated as "1 or Strong", 21

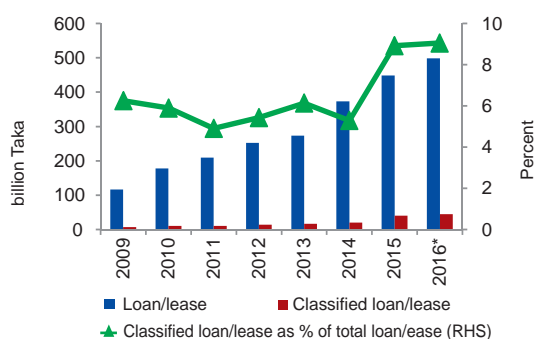
Table 7.3 Total loan/lease and classified loan/lease

	2010	2011	2012	2013	2014	2015	2016*
Loan/lease	178.1	209.7	252.1	273.6	372.8	448.5	498.6
Classified loan/lease	10.5	10.3	13.7	16.8	19.7	40.0	45.1
Classified loan/ lease as % of total	5.9	4.9	5.4	6.1	5.3	8.92	9.0

* As on 30 June 2016.

Source: Department of Financial Institutions and Markets, BB.

Chart 7.3 NBFIs total, classified loan/lease and their ratios



* As on 30 June 2016.

Source: Department of Financial Institutions and Markets, BB.

were "2 or Satisfactory", 4 were "3 or Fair", 2 were "4 or Marginal" and 1 was "5 or unsatisfactory" in the Management Capacity component of the CAMELS rating (the remaining one NBFI is yet to come into rating).

B.4. Earnings and Profitability

7.14 Earnings and profitability of an NBF reflects its efficiency in managing resources and its long term sustainability. Among various measures of earnings and profitability, the best and widely used indicator is the return on assets (ROA) which is supplemented by return on equity (ROE). ROA and ROE of all the NBFIs in June 2016 were 0.8 and 5.6 percent respectively. At the end of June 2016, out of 33 NBFIs, 3 were evaluated as "1 or Strong", 16 were "2 or Satisfactory", 11 were "3 or Fair" and 2 were "4 or Marginal" in the earnings and

profitability component of the CAMELS rating (the remaining one NBFIs is yet to come into rating).

B.5. Liquidity

7.15 NBFIs are allowed to mobilise term deposit only. At present, term liabilities are subject to a statutory liquidity requirement (SLR) of 5.0 percent inclusive of average 2.5 percent (at least 2.0 percent in each day) cash reserve ratio (CRR) on a bi-weekly basis. The SLR for the NBFIs operating without taking term deposit 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 June 2016, out of 33 NBFIs, 19 were evaluated as "2 or Satisfactory", 10 were "3 or Fair", 2 were "4 or Marginal" and 1 was "5 or Unsatisfactory" in the liquidity position component of the CAMELS rating (the remaining one NBFIs is yet to come into rating).

B.6. Sensitivity to Market Risk

7.16 The sensitivity to market risk reflects the degree to which changes in interest rates or equity prices can adversely affect an NBFIs' 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 System. Vulnerability of the NBFIs in a stressed situation from 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 June 2016, out of 33 NBFIs, 3 were evaluated as "1 or Strong", 9 were "2 or

Table 7.4 Profitability of NBFIs

	(percent)							
	2009	2010	2011	2012	2013	2014	2015	2016*
Return on equity (ROE)	20.9	24.4	11.7	10.4	7.5	9.9	9.9	5.6
Return on asset (ROA)	3.2	4.3	2.1	1.9	1.5	1.8	1.8	0.8

* As on 30 June 2016 (Annualised)
Source: Department of Financial Institutions and Markets, BB.

Satisfactory", 15 were "3 or Fair", 4 were "4 or Marginal" and 1 was "5 or Unsatisfactory" in the sensitivity to market risk component of the CAMELS rating matrix (the remaining one NBFIs is yet to come into rating).

B.7. Composite CAMELS Rating

7.17 At the end of June 2016, according to the composite CAMELS rating out of 33 NBFIs, 1 was "1 or Strong", 15 were "2 or Satisfactory", 13 were "3 or Fair" and 3 were "4 or Marginal" (the remaining one NBFIs is yet to come into rating).

C. Legal Reform and Prudential Regulations

7.18 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, some legal and regulatory policy measures have been continued in FY16.

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

7.19 Basel-II has been implemented in the NBFIs since 1 January 2012. Prudential guidelines on capital adequacy and market discipline (CAMD) has been issued to promote international best practices and to make the capital of NBFIs more risk-based as well as more shock resilient. NBFIs have to follow the guidelines as statutory compliance. In this regard, a high-level Steering Committee (SC) headed by a Deputy

Governor of BB comprising NBFIs' Chief Executive Officers has been formed for working on policy decisions. Furthermore, a Working Group (WG) headed by an Executive Director of BB has been assisting the SC in decision-making. Basel Implementation Cell (BIC) under DFIM has been formed to assist and carry out the instructions of SC and WG on Basel accord implementation.

C.2. Corporate Governance in NBFIs

7.20 BB has taken some policy measures in order to put in place good corporate governance in NBFIs. BB has specified clearly the authority, responsibility and functions of the Board of Directors, Executive Committees, Audit Committees, Management and Chief Executive Officer of NBFIs. The number of directors in the Board is ranging from 9 to 11. The Board sets and approves the vision/mission, annual strategic planning, key performance indicators, core risk management guidelines, etc. Chief Executive Officer is responsible to conduct day to day functions and materialisation of the strategic business plan.

C.3. Asset Classification and Provisioning

7.21 NBFIs are required to maintain provision for expected losses on loans, advances, leases, investments considering aging analysis. Aging analysis of overdue loans/leases classifies them to standards, special mention accounts, sub-standards, doubtful and bad/losses, requiring the NBFIs to keep provision by 1 percent, 5 percent, 20 percent, 50 percent and 100 percent respectively. To boost up SME investment a special allowance of general provision of 0.25 percent provided instead of 1 percent in standard SME loans. At the end of June 2016, the total outstanding loan/lease was Taka 498.6 billion of which NPL was Taka 45.1 billion (9.0 percent).

C.4. Loan Rescheduling Policy

7.22 For the purpose of rescheduling of loans/leases NBFIs must have to receive down payments from clients. NBFIs take minimum of 15 percent, 30 percent, 50 percent of overdue amount or 10 percent, 20 percent, 30 percent of outstanding amount, whichever is lower, as down payment in cash for first time, second time and third time rescheduling respectively.

C.5. Core Risk Management

7.23 Guidelines on five core risk areas, namely, credit risk management, internal control and compliance, asset-liability management, prevention of money laundering and terrorist financing and information and communication technology (ICT) security have been issued for NBFIs. Besides the above with a view to address and manage all the risks in more prudent and organised way the 'Integrated Risk Management Guidelines for Financial Institutions' have also been issued to adopt improved policies and procedures in line with international best practices for their risk management framework. For this purpose, the Guidelines encompass all the probable risks that include credit risk, market risk, liquidity risk, operational risk, compliance risk, strategic risk, reputation risk, environmental risk, and money laundering risk.

C.6. Stress Testing

7.24 NBFIs have been conducting stress testing on a quarterly basis since 2010. A new financial position indicator, insolvency ratio (IR), artificial intelligence to auto-generate recommended action plan, rating scale of 1 to 5, zonal positioning (Green, Yellow and Red) through weighted average resilience-weighted insolvency ratio (WAR-WIR) matrix

have been included in the revised guideline for NBFIs. As per the new guideline, NBFIs carry out stress testing on a quarterly basis. As of June 2016, out of 33 NBFIs 5 were in Green Zone, 13 were in Yellow Zone and the rest 15 were in the Red Zone.

D. Consumer Protection Regulations

D.1. Schedule of Charges

7.25 BB has rationalised the charges of some services to ensure the interest of depositors/ investors/customers and advised all NBFIs to display the complete schedule of charges in suitable places in their branches and head offices to make it visible to the current and potential customers. They are also instructed to post the same information in their websites. BB monitors this issue and NBFIs are required to submit semi-annual statements in this regard. No charge/commission like commitment fee, supervision fee and cheque dishonour fee can be charged.

D.2. Guidelines on Products and Services of Financial Institutions in Bangladesh

7.26 Along with the banks, the financial institutions with their customised products and services have emerged as the competitive financial intermediaries to meet the growing and changing demands of customers. The 'Guidelines on Products and Services of Financial Institutions in Bangladesh' has outlined the different characteristics of existing and new products. These guidelines protect clients' interest as well as provide greater flexibility to financial institutions to cope up with changing environment. This also helps promoting sound risk management system and brings discipline in launching new products and services.

E. Cost of Funds Index for NBFIs

7.27 NBFIs are regularly submitting their monthly statements of base rate and cost of funds to BB as per guideline published in 2013. On the basis of these statements, BB prepares an aggregate cost of funds index, uploads that in the BB website and updates it in its website on a monthly basis. It can be mentioned that base rate is the minimum interest rate below which it is not viable for an NBFIs to lend in the market. As there was no specific guideline before December 2013, the NBFIs calculated the interest rate in different ways from their own perspective. Some NBFIs provided loan using floating interest rate. In that case, they imposed the rate based on the deviation among their own cost of funds. As a result, their efficiency or inefficiency to manage the liquidity directly affected the clients. The cost of funds index is used as an acceptable reference rate. The base rate system facilitates the interest rate determining process and ensures more transparency and accountability in the NBFIs. Base Rate System is used in different countries including India, Nepal and Bhutan. In Bangladesh, the base rate system with cost of funds index has been initiated for the first time.

F. Guidelines on Commercial Paper for Financial Institutions

7.28 In order to set some regulations regarding commercial paper the 'Guidelines on Commercial Paper for Financial Institutions' has been introduced. Financial Institutions are allowed to be involved in commercial paper as investor, issuer, guarantor, and Issuing and Paying Agent by complying the terms and conditions as mentioned in the guidelines.

Financial Markets

8.1 Bangladesh Bank (BB) continued its efforts to maintain transparency and stability in financial market of the country during FY16. BB remained cautious about financial market development and reacted with its repo market operation to ensure soundness of its monetary policy stance. As a result of BB's proactive role money markets were stable and liquid with the spread of call money rate (with policy rate) evolving steadily around the policy repo rate.

Money Market

Call Money Market FY16

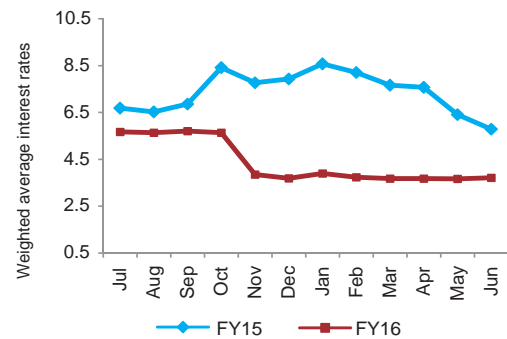
8.2 The money market in Bangladesh comprising banks and financial institutions passed through a steady growth path in FY16. BB provided repo, special repo and liquidity support facility (LSF) to the primary dealers (PDs) and non-PD banks against their holdings of eligible treasury bills and bonds. BBs prudential policy measures resulted in a stable weighted average interest rate in the call money market ranging from 3.67 percent to 5.71 percent with a minor fluctuations during FY16 (Table 8.1 and Chart 8.1.) During FY16 the monthly average volume of transaction in the call money market increased by Taka 43.58 billion which was 3.74 percent higher than that of FY15. Although the volume of transaction in the call money market was relatively low in the initial months but it steadily increased and weighted average interest rate showed a declining trend amid little fluctuations in FY16 and its

Table 8.1 Volume of trade and weighted average interest rates in call money market

Periods	Volume of trade (billion Taka)	Weighted average interest rates (%)	FY16	
			Volume of trade (billion Taka)	Weighted average interest rates (%)
	FY15		FY16	
July	1166.50	6.68	852.12	5.67
August	1255.90	6.52	1101.97	5.63
September	1569.31	6.86	1140.00	5.71
October	1354.42	8.41	911.25	5.63
November	1381.52	7.77	1304.71	3.85
December	1164.82	7.93	1346.05	3.69
January	1242.59	8.57	1191.46	3.90
February	1164.49	8.21	1207.64	3.73
March	1030.09	7.66	1267.39	3.68
April	859.14	7.57	1250.74	3.68
May	846.34	6.41	1516.96	3.67
June	953.30	5.79	1421.10	3.71
Average	1165.70	7.37	1209.28	4.38

Source: Debt Management Department, Bangladesh Bank.

Chart 8.1 Call money rate



Source: Monetary Policy Department, Bangladesh Bank.

trend remained closely aligned to the policy repo rate.

Repo Auctions - FY16

8.3 Bangladesh Bank usually conducts various types of repo auctions to provide overnight liquidity facility to banks at a pre-

Table 8.2 Repo auctions in FY16

Total No. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		Number of bids	Face value (billion Taka)	Number of bids	Face value (billion Taka)	
3	1-Day/2-Day	9	4.82	9	4.57	7.25-10.25
	10-Day	1	8.48	1	8.48	9.75
	Total	10	13.30	10	13.05	7.25-10.25*

* Overall interest rate range of different tenors.

Source: Monetary Policy Department, Bangladesh Bank.

determined policy rate as against the collateral face value of government treasury bills and bonds to maintain their instant liquidity requirements. Repo and reserve repo rates were reduced by 50 basis points and refixed at 6.75 percent and 4.75 percent respectively from 7.25 percent and 5.25 percent on 14 January 2016 while special repo rate remained unchanged at 9.75 percent for discouraging banks to borrow from BB and encouraging them to borrow from the market for achieving broad objective of monetary policy.

8.4 A total of three repo auctions (including special repo and LSF auctions) were held during FY16. In all 10 bids for Taka 13.30 billion were received, of which Taka 13.05 billion was accepted. During FY15 total 2983 bids for Taka 4597.20 billion were received, of which Taka 4593.40 billion was accepted. The volume of accepted amounts decreased by 99.72 percent during FY16 (Table 8.2). The

range of interest rate against the accepted bids was 7.25-10.25 percent per annum, which was same as previous fiscal year.

Reverse Repo Auctions - FY16

8.5 In line with the broad objective of monetary policy, Bangladesh Bank continues to mop up liquidity from the banks through the reverse repo auctions in order to keep up reserve money and money multiplier on track. In case of reverse repo, BB does not provide any collateral to the banks. A total of 215 daily reverse repo auctions were held in FY16. In total 1797 bids of 1-2 day and 472 bids of 3-7 day tenors for a total of Taka 14538.49 billion were received and Taka 11747.96 billion was accepted. During FY15 bids for Taka 5477.62 billion were received and all bids were accepted. The interest rate against the accepted bids was 5.25 percent which changed at 4.75 percent per annum since 14 January, 2016 (Table 8.3).

Table 8.3 Reverse repo auctions in FY16

Total no. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		Number of bids	Face value (billion Taka)	Number of bids	Face value (billion Taka)	
215	1-Day/2 Day	1797	11482.89	1479	9263.59	5.25
	3-Day/7 Day	472	3055.60	401	2484.37	5.25
	Total	2269	14538.49	1880	11747.96	5.25*

* Overall rates of different tenors.

@ The current rate of reverse repo is 4.75 percent effective from 14 January 2016. But no bid was accepted at this rate in FY16.

Source: Monetary Policy Department, Bangladesh Bank.

Table 8.4 Auctions of Bangladesh Bank Bill in FY16

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 2016 (billion Taka)	Weighted average yield (WAR) range* (%)	
	Number	Face value (billion Taka)	Number	Face value (billion Taka)		FY15	FY16
7-Day	438	1475.78	434	1473.68	27.80	-	2.87-2.97
14-Day	147	420.34	143	419.09	161.35	-	2.93-2.98
30-Day	1369	1958.45	1143	1683.40	74.63	5.24-6.00	2.60-5.25
Total	1954	3854.57	1720	3576.17	263.78	5.24-6.00	2.60-5.25

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

Bangladesh Bank Bill

8.6 Operations of 7-day and 14-day Bangladesh Bank Bill were introduced in April, 2016 and 30-day Bangladesh Bank Bill which revived in FY 09 was also continued in FY16 as a tool of Open Market Operations (OMOs) in order to effective management and sterilise liquidity of the banking system. With a view to maintaining stable interest rate and exchange rate, Bangladesh Bank vigorously used these instruments in FY16. The results of Bangladesh Bank Bill auctions in FY16 are shown at Table-8.4.

Government Securities Market

Government Treasury Bills Auctions

8.7 Treasury bills and bonds are short-term and long term debt instruments issued by Bangladesh Bank on behalf of the

Government of Bangladesh. These are the indirect monetary instruments that the BB uses mainly 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 budget deficit and secondly managing excess liquidity prevailing in the market. In FY 16, out of total 15 Primary Dealers (PDs), a total of 12 PD banks acted as underwriters and market makers with commitments to bid in auctions. Effective from August, 2012 BB introduces new underwriting obligations and mandatory allocation for 12 PD banks and 25 non PD banks in auction of Government Treasury Bills

Table 8.5 Auctions of Bangladesh Government Treasury Bills in FY16

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 2016 (billion Taka)	Weighted average yield (WAR) range* (%)	
	Number	Face value (billion Taka)	Number	Face value (billion Taka)		FY15	FY16
91-Day	1590	1066.55	382	312.20	83.00	5.37-7.77	2.43-5.56
182-Day	823	479.40	201	136.80	55.50	6.31-8.08	3.22-6.30
364-Day	799	368.10	295	122.94	129.50	6.53-8.31	3.74-6.67
Devolvement to BB/PDs and non PDs				16.06			
Total	3212	1914.05	878	588.00	268.00	5.37-8.31	2.43-6.67

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

Table 8.6 Auctions of Bangladesh Government Treasury Bonds in FY16

Tenor of bonds	Bids offered		Bids accepted		Outstanding bonds as of end June 2016 (billion Taka)	Yield range *(%)
	Number	Face value (billion Taka)	Number	Face value (billion Taka)		
2-Year	498	171.13	141	50.84	98.06	4.1900-7.6205
Devovement to BB/PDs and non PDs				7.16		
5-Year	529	177.38	167	52.56	331.70	5.0443-8.5573
Devovement to BB/PDs and non PDs				7.44		
10-Year	541	166.44	163	51.21	490.97	5.9500-9.7511
Devovement to BB/PDs and non PDs				6.79		
15-Year	370	121.19	77	27.11	191.66	7.1848-10.0262
Devovement to BB/PDs and non PDs				7.39		
20-Year	432	141.12	118	29.69	164.87	7.5757-10.3548
Devovement to BB/PDs and non PDs				1.31		
Total	2370	777.26	666	241.50	1277.26	4.1900-10.3548[@]

* Range of the weighted average annual yield of the accepted bids.

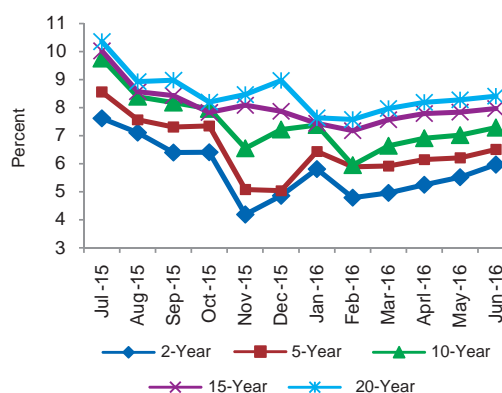
@ Weighted average annual yield of treasury bonds of different terms.

Source: Monetary Policy Department, Bangladesh Bank.

and Bonds. According to the revised auction procedure 12 PD banks will accept 60 percent and 25 non PD banks will accept 40 percent of the unsubscribed amount of auction considering their total demand and time liabilities (TDTL). Of 60 percent of the notified amount 50 percent will be distributed among 12 PD banks according to TDTL and the rest 50 percent will be distributed equally. In addition to the 12 PD banks, currently eight new banks are also acting as PD assuming fixed underwriting obligations. Apart from that, the auction committee may also devolve the unsubscribed amount to Bangladesh Bank considering the auction rate, market timing and macroeconomic situation.

8.8 Weekly auctions of 91-day, 182-day and 364-day treasury bills were continued to use those as the main instruments for debt management of the Government in FY16. The results of treasury bills auctions in FY16 are summarised at Table-8.5. The range of annual weighted average yields of most of the treasury bills sharply decreased in FY16 as compared to FY15 due mainly to an existence

Chart 8.2 Weighted average yield of BGTB in FY16



Source: Monetary Policy Department, Bangladesh Bank.

of excess liquidity situation in the market while Government's borrowing from the banking system was very low.

8.9 A total of 3212 bids amounting to Taka 1914.05 billion were received, of which 878 bids amounting to Taka 588.00 billion (including Taka 16.05 billion as devolved amount) were accepted. The weighted average yield-to-maturity against the accepted bids ranged from 2.43 percent to 6.67 percent. In FY15 a total of 3600 bids

amounting to Taka 1601.13 billion were received, of which Taka 741.95 billion was accepted.

Bangladesh Government Treasury Bonds (BGTBs) Auctions

8.10 Treasury Bonds, bearing half yearly interest coupons with tenors of 2-year, 5-year, 10-year, 15-year and 20-year are auctioned in every month following a pre-announced auction calendar prepared by Bangladesh Bank in collaboration with the Ministry of Finance of the Government of the People's Republic of Bangladesh considering liquidity situation and status of macroeconomic indicators. In order to improve liquidity and assets-liabilities matching the auction of 2-year BGTB started since 28 May 2013.

8.11 The BGTB auction committee determined cut-off coupon rate used for bond pricing. Banks are eligible to use government treasury bills and BGTBs for statutory liquidity requirement (SLR) purpose in the form of held to maturity (HTM) and held for trade (HFT). HTM securities are amortised in order to converge at face value and HFT securities are traded following marking to market method. This bills and bonds are eligible for trading in the secondary market. Forty eight (48) auctions of these instruments were held in FY16. A total of 2370 bids for Taka 777.26 billion were received and 666 bids for Taka 241.50 billion were accepted, of which Taka 30.09 billion was devolved on BB, PDs and non PDs. The amount of outstanding bonds was increased by 10.80 percent from Tk. 1152.73 billion at the end of June 2015 to Taka 1277.26 billion at the end of June 2016.

8.12 The weighted average annual yield-to-maturity for the treasury bonds ranged from 4.1900 percent to 10.3548 percent in FY16. The summary of auctions of Bangladesh Government Treasury Bonds during FY16 is given at Table 8.6. The movements of the weighted average annual yield-to-maturity of all the treasury bonds are depicted in the Chart 8.2 which shows a declining trend in FY16.

8.13 It is mentionable that in FY15, bids for a total of Taka 414.81 billion were received and Taka 170.26 billion was accepted, of which Taka 20.87 billion was devolved on BB/PDs and non PDs. The overall weighted average yield-to-maturity ranged from 8.3594 percent to 12.0938 percent in FY15.

Bangladesh Government Islamic Investment Bond (Islamic Bond)

8.14 The Government issues bond as guarantee against the pool of funds formed by the Islamic banks and individuals in order to develop money market for smooth liquidity management of Islamic banks. Virtually the government does not borrow money from this sector. 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 respective Islamic bank. The operations of 6-month Bangladesh Government Islamic Investment Bond (Islamic Bond) introduced in FY05. As a new tool 3-month Bangladesh Government Islamic Investment Bond has been introduced on 1 January 2015. It may be noted that the auction of 1-year and 2-year Islamic Bonds have been suspended since 1 January 2015.

This Government Bond is operated in accordance with the rules of Islamic Shariah. As per the rules, Bangladeshi institutions, individuals and non-resident Bangladeshis who agree to share profit or loss in accordance with Islamic Shariah may buy these bonds. As of end June 2016 the total sale against this bond amounted to Taka 122.94 billion while balance of total amount of financing stood at Taka 37.80 billion and net outstanding against the bond stood at Taka 85.14 billion. As of end June 2015 the total sale against this bond was Taka 135.84 billion against the balance of total financing of Taka 25.40 billion and net outstanding of Taka 110.44 billion. The overall transaction of this bond are summarised in Table 8.7.

Capital Market

Investment Financing in Bangladesh

8.15 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.

8.16 The amount of industrial term loans disbursed by the banks and financial institutions stood at Taka 655.4 billion, many-fold higher than the amount of Taka 4.3 billion raised by new capital issues through private placements and public offerings in the capital market in FY16. This indicates overwhelming dominance of bank finance in industrial financing.

Table 8.7 Bangladesh Government Islamic Investment Bond

Particulars	(billion Taka)		
	FY14	FY15	FY16
Sale	121.34	135.84	122.94
Financing	24.37	25.40	37.80
Net outstanding	96.97	110.44	85.14

Source: Motijheel Office, Bangladesh Bank.

8.17 The DSE broad index and the market capitalisation of Dhaka Stock Exchange Limited (DSE) were quite stable during July-February of FY16. The market was declining during the third quarter of FY16. The DSEX and the market capitalisation declined to 4195.7 and Taka 2999.9 billion respectively at the end of April 2016 from 4507.6 and Taka 3185.7 billion in June 2016. However, the market became stable at the end of FY16 as a result of effective measures taken on the capital market. Bangladesh Bank proactively played a role to stabilise the capital markets since the major debacle of 2010.

8.18 DSE launched "DSE Info" mobile application on 15 November 2015. It also launched "DSE-Mobile on 9 March 2016. DSE launched "Up-gradation of Listed Securities page in DSE Website" on 7 April 2016 and "New Book Building Software (BBS)" on 26 May 2016. Dhaka Stock Exchange (Listing) Regulations, 2015 was approved by the Bangladesh Securities and Exchange Commission on 30 June 2015 and the gazette was published on 12 July 2015.

Capital Market Activities in FY16

Primary Issuance

8.19 Eleven companies raised new equity of Taka 4.3 billion in the capital market in

FY16, which is lower than Taka 7.3 billion raised by the 21 companies in FY15. Of the new equity issued, Taka 0.8 billion raised through private placements and Taka 3.5 billion raised through public placements. In FY15, equity issued through private and public placements were Taka 1.7 billion and Taka 5.6 billion respectively.

8.20 The volume of public offerings in FY16 was oversubscribed more than 16 times indicating a shortage of new securities in the primary market. Bonus shares worth Taka 22.7 billion were issued in FY16 by 109 companies against retained profits. This was lower than Taka 26.6 billion issued in FY15 by 130 companies. On the other hand, right shares worth Taka 2.2 billion were issued in FY16 by two companies which was lower than Taka 6.0 billion issued in FY15 by five companies.

Secondary Market Activities

8.21 As percentage of market capitalisation, the manufacturing sector dominated the secondary market with 42.61 percent share followed by services and miscellaneous sector (32.58 percent), financial sector (24.59 percent) and corporate bonds (0.22 percent) at the end of FY16. In the DSE, market capitalisation inclusive of new issues decreased by 1.9 percent to Taka 3185.7 billion or 18.4 percent of GDP (at current market price) at the end of FY16 from Taka 3247.3 billion at the end of FY15 (Chart 8.3). In the CSE, it was also decreased by 3.2 percent to Taka 2506.1 billion or 14.5 percent of GDP at the end of FY16. In addition, the amount of turnovers in the secondary market

Table 8.8 Dhaka Stock Exchange (DSE) activities

Particulars	End June		
	FY14	FY15	FY16
No. of listed securities*	536	555	559
Issued equity and debt* (billion Taka)	1032.1	1092.0	1127.4
Equity through private placement & IPOs (billion Taka)	6.6	7.3	4.3
Market capitalisation (billion Taka)	2943.2	3247.3	3185.7
Turnover in value (billion Taka)	1125.4	1123.5	1072.5
Turnover in volume (no. in billion)	24.3	26.6	29.0
DSE Broad Index (DSEX) [@]	4480.5	4583.1	4507.6

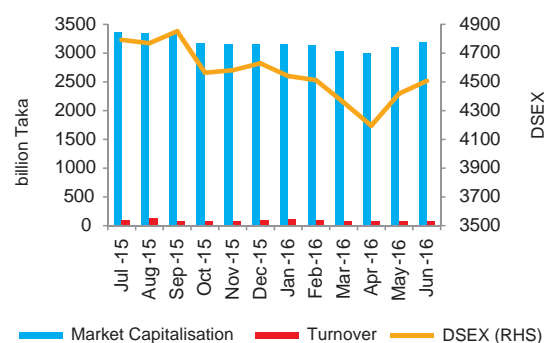
* Including companies, mutual funds, debentures and Government Treasury Bonds.
[@] DSE introduced the benchmark DSE broad index (DSEX) designed and developed by S&P Dow Jones from January 2013.
 Source: Dhaka Stock Exchange.

Table 8.9 Chittagong Stock Exchange (CSE) activities

Particulars	End June		
	FY14	FY15	FY16
No. of listed securities*	276	292	298
Issued equity and debt* (billion Taka)	470.7	529.8	566.1
Market capitalisation (billion Taka)	2286.7	2588.1	2506.1
Turnover in value (billion Taka)	102.2	96.5	78.1
Turnover in volume (no. in billion)	2.7	2.7	2.5
All-share Price Index	13766.2	14097.2	13802.6

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

Chart 8.3 Trends in market behaviour of DSE



Source: Dhaka Stock Exchange.

is decreased by 4.5 and 19.1 percent respectively at DSE and CSE in FY16 compared to FY15. DSE broad index (DSEX) and CSE all-share price index were also decreased by 1.6 percent and 2.1 percent to 4507.6 and 13802.6 respectively in FY16 (Table 8.8 and 8.9).

Non-resident Portfolio Investment

8.22 Gross investment inflow in shares and securities of the stock exchanges by non-residents through Non-resident Investor Taka Account (NITA) decreased to Taka 44.8 billion in FY16 from Taka 47.8 billion in FY15. Gross investment outflow as repatriation of sale proceeds has increased to Taka 52.4 billion in FY16 from Taka 28.6 billion in FY15. From the beginning (April 1992) to June 2016 the gross investment inflow stood at Taka 221.3 billion against gross outflow as repatriation of sale proceeds of Taka 170.5 billion.

Activities of the Investment Corporation of Bangladesh

8.23 The Investment Corporation of Bangladesh (ICB) has been established with the aim of accelerating the pace of industrialisation and developing a well organised & vibrant capital market particularly securities market in Bangladesh. ICB's capital market development programme activities have 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).

8.24 During FY16, total investment made against the investors' accounts stood at Taka 6.3 billion while deposit received stood at Taka 0.4 billion. The IAMCL emerged as one of the fast expanding asset management company of the country. Up to end June 2016, the company floated 10 closed-end and 6 open-end mutual funds. Besides, the company floated various regular and special types of mutual funds. The net investment in portfolios of the sixteen mutual funds of the company stood at Taka 14.2 billion.

8.25 The ISTCL emerged as the largest stockbroker in the country handling total turnover worth Taka 114.5 billion in FY16 which was 9.9 percent of total turnover of both DSE and CSE. The parent ICB itself sold unit certificates amounting Taka 3.8 billion against repurchase of unit certificates amounting Taka 1.0 billion in FY16. ICB received deposits of Taka 1.2 billion and approved loans of Taka 9.2 billion in investment accounts of investors in FY16. Total commitments for investment made by the ICB in FY16 stood at Taka 31.1 billion, of which investment in equity was Taka 0.8 billion and purchase of debentures was Taka 1.2 billion. The total amount of commitments was Taka 27.7 billion in FY15.

Scheduled Banks Investments in Capital Market Securities

8.26 Holdings of capital market assets (equities, debenture) excluding investment on Bangladesh Government Islamic Investment Bond (BGIIB) by scheduled banks stood at Taka 238.6 billion as of end of June 2016 against Taka 202.1 billion as of end of June 2015. Outstanding advances of scheduled

banks against shares and securities amounted to Taka 39.7 billion as of end of June 2016, which was Taka 30.4 billion as of end of June 2015.

Measures Supporting Capital Market Development

8.27 The Bangladesh Securities and Exchange Commission (BSEC) undertook several measures to protect investor's interest and strengthen the capital market during FY16. Some important measures are as follows:

- Issuance of guidelines for conversion from close-end mutual fund to open-end mutual fund on 8 July 2015.
- BSEC established its own training centre on 17 November 2015 to impart training on the capital market related areas.
- BSEC started separate investment education programme for women.
- A Memorandum of Understanding (MoU) on bilateral cooperation and technical assistance between the BSEC and Securities and Exchange Board of India (SEBI) was signed at the Prime Minister's Office on 22 November 2015.
- Order regarding publication of price sensitive information was published in the Bangladesh Gazette on 15 February 2016.
- A guideline for issuance of financial derivatives was issued on 20 June 2016.
- Promulgation of Bangladesh Securities and Exchange Commission (exchange traded fund) Rules, 2016.

Table 8.10 Advances of scheduled banks by economic purposes (billion Taka)

Sector	End June		
	FY15	FY16 ^P	% change
Agriculture, forestry and fishing	294.5	343.6	16.7
Industry	955.1	1052.3	10.2
Working capital financing	988.3	1286.9	30.2
Construction	440.3	542.0	23.1
Transport & communication	40.6	47.6	17.3
Trade	1956.7	2225.9	13.8
Others	686.1	717.2	4.5
Grand Total	5361.5	6215.6	15.9

^P Provisional
Source: Statistics Department, Bangladesh Bank.

Credit Market

Advances of Scheduled Banks by Economic Purposes

8.28 All of the advances of scheduled banks by economic purposes showed an upward trend during FY16 (Table 8.10). Total advances of scheduled banks by economic purposes stood at Taka 6215.6 billion at the end of June 2016 which was 15.9 percent higher than the total advances of Taka 5361.5 billion at the end of June 2015. In recent years, significant changes have been taken place in the trends in total bank advances classified by economic purposes. Of the total advances, working capital financing sector recorded the significant improvement by 30.2 percent followed by construction sector (23.1 percent), transports and communication sector (17.3 percent), agriculture, forestry and fishing sector (16.7 percent), trade sector (13.8 percent), industry sector (10.2 percent), and other sectors (4.5 percent) in FY16 compared to FY15.

8.29 Sector-wise contribution of total advances shows that the trade sector played

the dominant role (36.0 percent) followed by working capital financing sector (20.0 percent), advances for industry (17.0 percent), construction (9.0 percent), agriculture, fishing and forestry (6.0 percent), transport and communication sector (1.0 percent) and other sectors (11.0 percent) in FY16. Sector-wise contribution of total advances is shown in Chart 8.4.

Industrial Term Loans of Banks and Financial Institutions

8.30 Disbursement of industrial term loans by banks and financial institutions increased by 9.6 percent to Taka 655.4 billion. However, the recoveries increased by 1.4 percent to Taka 482.3 billion in FY16. The outstanding balance showed a positive growth of 18.6 percent and stood at Taka 1461.0 billion as of end June 2016. However, the overdue increased by 32.9 percent in FY16 and as percentage of outstanding loans increased to 13.5 as of end June 2016 (Table 8.11).

8.31 Private commercial banks (PCBs) had the major share (62.8 percent) in the total outstanding loans amounting to Taka 1461.0 billion as of end June 2016, making them

major players in industrial term lending (Table 8.11 and Chart 8.5). Though six SCBs and two specialised banks together had 21.8 percent shares of outstanding loans, with very high levels of overdue loans, their actual role in current lending is quite minor, as they disbursed only Taka 36.9 billion (5.6 percent) out of total disbursed loans amounting to Taka 655.4 billion in FY16. In the case of disbursement, PCBs had the major amount (Taka 496.8 billion) in FY16, followed by financial institutions (Taka 99.7 billion), SCBs (Taka 29.3 billion), foreign banks (Taka 22.0 billion) and specialised banks (Taka 7.6 billion).

8.32 The financial institutions had very low overdue loans (10.3 percent of outstanding) as of end June 2016. These were also low for private commercial banks (10.4 percent) and foreign banks (11.5 percent). Overdue loans of the specialised banks and the SCBs were very high (46.0 percent and 18.8 percent respectively) as of end June 2016. Since two specialised banks- BKB and RAKUB are basically agriculture sector lenders, their role in industrial term lending is insignificant.

Table 8.11 Industrial term loans of banks and financial institutions

Lender	(billion Taka)									
	Disbursement		Recovery		Outstanding		Overdue		Overdue as % of outstanding	
	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16
SCBs	30.8	29.3	23.0	25.3	225.6	253.3	37.5	47.6	16.6	18.8
PCBs	462.9	496.8	357.7	353.5	774.0	917.2	68.5	95.6	8.9	10.4
Foreign banks	16.3	22.0	18.8	22.5	17.8	30.7	2.3	3.5	13.2	11.5
Specialised banks (BKB, RAKUB)	10.5	7.6	23.8	17.4	49.8	65.7	27.9	30.2	56.0	46.0
Financial institutions	77.3	99.7	52.1	63.6	164.3	194.2	12.0	20.0	7.3	10.3
Total	597.8	655.4	475.4	482.3	1231.4	1461.0	148.2	196.9	12.0	13.5

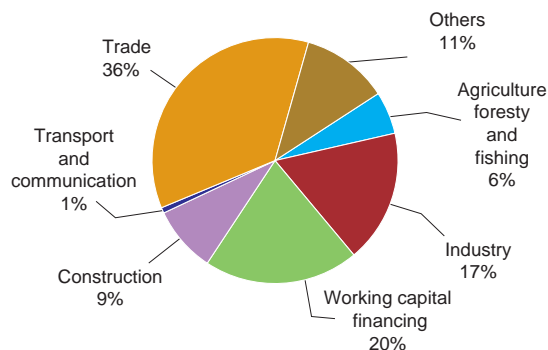
Source: SME and Special Programmes Department, Bangladesh Bank.

Investment Promotion and Financing Facility (IPFF)

8.33 "Investment Promotion and Financing Facility (IPFF) Project" is an on-lending based Technical Assistance (TA) project which was formed to supplement the resource of the Bangladesh financial markets to provide long term finance for infrastructure and other investment projects and to promote the role of private sector entrepreneurs in the development of capital projects, specially infrastructure. The project with two phases has been implemented so far by BB.

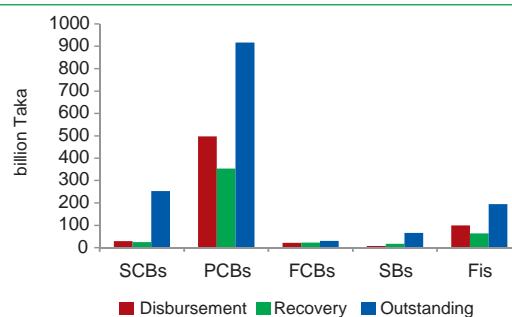
8.34 Under IPFF, Government approved private infrastructure development projects implementing on Public-Private Partnership (PPP) basis have been financed through selected participating financial institutions (PFIs). Infrastructure development projects, power, services, industry and social sectors are considered eligible for IPFF financing. At least 25 percent of 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 in the second phase. 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 five 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 307.0 million (IDA USD 257.0 million and the Government of Bangladesh USD 50.0 million) was sanctioned extending the tenure of the project up to December 2016.

Chart 8.4 Sectoral shares of total advances in FY16



Source: Bangladesh Bank.

Chart 8.5 Industrial term loans of banks and financial institutions in FY16



Source: Bangladesh Bank.

8.35 It is worth mentioning here that IPFF has been able to disburse 100 percent (Taka 4.2 billion equivalent to USD 61.3 million) of its on lending component to seven small power plants having capacity of 178 MW within 4th year of the project tenure in the first phase. All the power plants are contributing power to the national grid. Under the second phase of IPFF, USD 218.5 million has been disbursed for three central water treatment plants, an inland container depot, a nationwide fibre optic cable installation project, five power generation projects having capacity of 411 MW and a jetty project till June 2016.

Equity and Entrepreneurship Fund (EEF)

8.36 Equity and Entrepreneurship Fund (EEF) was formed by the Government with budgetary allocation of Taka 1.0 billion in FY01 to encourage investments in the risky but prospective agro-based/food processing and IT sector projects. A sub agency agreement regarding the transfer of operational activities of EEF has been signed on 1 June 2009 between Bangladesh Bank (BB) and Investment Corporation of Bangladesh (ICB). Under this agreement ICB 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.

8.37 So far Taka 20.3 billion has been released to the fund out of total budgetary allocation of Taka 30 billion in different fiscal years. Up to 30 June 2016 with the project cost of Taka 73.2 billion, a total of 1915 projects (including 1794 agro-based/food processing projects and 121 IT projects) got EEF sanction at different stages of disbursement. Cumulative equity disbursement stood at Taka 13.0 billion at the end of FY16 against total fund disbursement of Taka 20.3 billion from the Government. Till now 175 EEF supported companies availed share buy-back facilities partially or fully to the tune of Taka 2.2 billion. Employment opportunity has been created for 46,000 people in the EEF assisted projects. World class software developed by EEF assisted ICT projects are being used in the domestic market and these are also being exported. Rural infrastructures have also been developed due to implementation of the EEF agro-based projects.

Table 8.12 Outstanding housing loans

Lenders	(billion Taka)		
	Outstanding as of end June		
	FY14	FY15	FY16 ^P
a. Specialised housing finance providers	59.3	63.6	70.4
i. HBFC	29.7	30.3	30.1
ii. Delta-Brac Housing Finance	26.4	28.7	33.4
iii. National Housing Finance	3.2	4.6	6.9
b. Banks	358.0	392.0	449.5
i. PCBs	231.8	262.3	309.2
ii. SCBs	95.6	108.7	119.3
iii. Other banks (foreign and specialised)	30.6	21.0	21.0
c. Other financial institutions	23.2	30.8	42.9
d. Micro-credit lenders			
Grameen Bank	0.04	0.02	0.07
Total	440.5	486.4	562.9

^P Provisional.

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

Housing Finance

8.38 Total outstanding housing loans from banks and financial institutions as of end June 2016 amounted to Taka 562.9 billion (Table 8.12), which was 9.1 percent of total credit to the private sector.

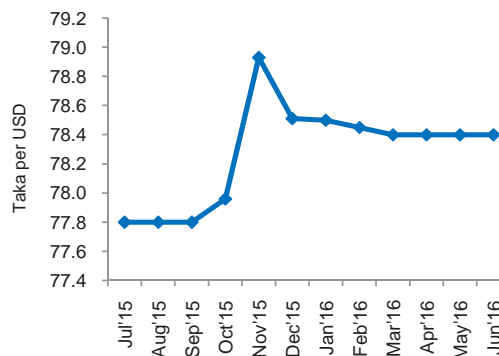
8.39 In recent years, significant changes have taken place in total housing loan portfolios. Private sector banks with ample deposit resources have been expanding their housing loan portfolios. These banks had the dominant market position (Table 8.12) with the largest amount of Taka 309.2 billion in outstanding housing loans as of end June 2016. The SCBs had the second largest amount of Taka 119.3 billion and other banks had Taka 21.0 billion in total outstanding housing loans as of end June 2016. Besides, two private sector specialised housing finance companies also provide a significant amount of loans. They supply fund for their operations by taking long term deposits including some contractual deposit schemes.

8.40 The state owned House Building Finance Corporation (HBFC) had an amount of Taka 30.1 billion in outstanding housing loans as of end June 2016. 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 low interest debentures bought by the SCBs and Bangladesh Bank. 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 amount has declined. In FY15 and FY16, Taka 2.7 billion and Taka 2.5 billion were disbursed out of recoveries of Taka 4.8 billion and Taka 5.2 billion respectively.

8.41 *GrihayanTahbil* created by the Government of Bangladesh, provides housing loan to the NGOs at the minimum rate of 1.5 percent simple interest who in turn provides housing credit to the rural poor at the rate of 5.5 percent simple interest for a recovery period up to 10 years. Up to June 2016, the *GrihayanTahbil* has been released Taka 2.0 billion through 513 NGOs for rural housing programme which have covered 403 upazilas of 63 districts of the country and 65436 houses have already been constructed. Moreover, 102 new NGOs have been enlisted to build houses. As of end of June 2016, Tahbil has recovered Taka 1.4 billion against the total recoverable amount of Taka 1.5 billion and recovery rate is 94.9 percent.

8.42 In addition, a dormitory/women hostel for the poor female workers is being

Chart 8.6 Taka-US Dollar exchange rate in FY16



Source: Monetary Policy Department, Bangladesh Bank.

constructed at Ashulia of Savar *Upzilla* under the supervision of the Department of Women Affairs at the cost of Taka 0.2 billion which is financed by *GrihayanTahabil* where a total of 744 women workers will get the residence facility. Apart from the housing loan activities *GrihayanTahabil* disbursed Taka 0.01 billion as a grant to the poor people who are affected by natural calamities like *Sidr, Ila*, etc.

Foreign Exchange Market

8.43 Bangladesh Bank closely monitors the foreign exchange market to avoid undue volatility in the exchange rate. BB engages in market interventions if it deems necessary.

8.44 In FY16, Taka experienced a depreciation of 0.77 percent against US dollar compared to 0.22 percent depreciation in FY15 due mainly to BB's interventions in the foreign exchange market to maintain stability as well as to ensure external competitiveness. The weighted average inter-bank rate stood at Taka 78.40 per USD as of 30 June 2016 against Taka 77.80 per USD as of 30 June 2015 (Chart 8.6).

Agriculture and SME Finance

9.1 Bangladesh is on course for middle income country status and its agriculture sector has continued to play a significant role by providing the largest share of employment in the country. Growth in Agriculture and allied sectors along with agriculture raw material based micro and small industry or enterprise are typically found to be the primary drivers of poverty reduction due mainly to its greater contribution in employment opportunities. Adequate flow of credit with low cost is imperative for smooth growth of these sectors. Bangladesh Bank (BB) has been continuing its focus on ensuring the availability of funds and banking services towards these sectors by instituting an efficient and comprehensive credit delivery mechanism throughout the country. During FY16 efforts were also directed through its annual agriculture credit policy at fostering a more favourable environment for flow of credit to agricultural and rural based off firm activities, SME and allied sectors. Led by the significant participation of both specialised and state owned as well as private commercial banks, the actual credit disbursement of Taka 176.4 billion in FY16 to the agriculture sector exceeded the target of Taka 164.0 billion (Table-9.1) which significantly contributed the sector going forward.

Agricultural Credit Programme in FY16

9.2 The implementation of some important initiatives of this programme includes:

Table 9.1 Comparative statement of disbursement and recovery of agricultural loan

(billion Taka)			
Disbursement	FY14*	FY15*	FY16*
1. Disbursement (target)	145.95	155.50	164.00
a) Crops loan (other than tea)	69.38	75.69	80.99
b) Purchase and installation of irrigation equipment	3.68	3.39	4.69
c) Livestock	15.26	16.70	16.94
d) Marketing of agricultural goods	2.57	1.91	2.19
e) Fisheries	12.68	15.36	16.78
f) Poverty alleviation	11.16	11.37	9.57
g) Other agricultural activities	31.22	31.08	32.84
2. Actual disbursement	160.37	159.78	176.46
a) Crops loan (other than tea)	71.31	76.04	86.95
b) Purchase and installation of irrigation equipment	2.39	2.38	2.60
c) Livestock	19.96	20.57	26.14
d) Marketing of agricultural goods	1.67	1.54	1.09
e) Fisheries	13.78	16.53	19.85
f) Poverty alleviation	18.64	14.81	15.59
g) Other agricultural activities	32.62	27.91	24.24
3. Term structure of loan disbursed			
a) Short term	118.85	127.48	144.22
b) Longer term	41.52	32.30	32.24
4. Recovery	170.46	154.07	170.56
5. Due for recovery	248.13	220.34	227.90
6. Total outstanding loan	346.84	329.37	344.77
7. Overdue	76.12	67.29	56.78
8. Overdue as percent of outstanding	21.95	20.43	16.47

* Excluding BRDB and BSBL

Source: Agricultural Credit Department, Bangladesh Bank.

- Around 3.4 million farmers availed agricultural and rural credit of which 1.5 million women got Taka 44.8 billion from different banks.
- Around Taka 5.2 billion was disbursed among about 0.2 million farmers through 14916 open credit disbursement programmes arranged by different banks.

- Around 2.6 million small and marginal farmers got Taka 120.9 billion agricultural loans from different banks.
- About Taka 273.8 million of agricultural and rural credit was disbursed among 7972 farmers living in the less developed area like *haor, char*, etc.
- Around 9.9 million bank accounts were opened by the farmers in the state owned commercial banks with an initial deposit of Taka 10 only.
- An amount of Taka 0.8 billion was disbursed at 4.0 percent concessional rate for the production of certain crops like pulses, oilseed, spices, and maize for which the country continuously relies on import.
- In the three Hill Tract districts, more than Taka 0.5 billion was disbursed among 20076 tribal farmers at only 5.0 percent interest rate.

Credit Disbursement to Agriculture

9.3 In recent years, agriculture and rural finance programme seems to have boosted up as the private commercial banks (PCBs) and foreign commercial banks (FCBs) along with state-owned commercial banks (SCBs) came forward to disburse agricultural credit in the country. The actual disbursement of Taka 176.5 billion in FY16 against the disbursement target of 164.0 billion was 10.4 percent higher than the actual disbursement of Taka 159.8 billion in FY15. Table 9.1 shows the comparative position of overall disbursement and recovery of agricultural loan and Charts 9.1 and 9.2 show targets and actual disbursement of agricultural loan respectively in FY16.

9.4 About 81.7 percent of disbursement was short term lending and the rest 18.3 percent was in the form of long-term loans for irrigation equipments, agricultural machinery, livestock etc. The credit for production of

Table 9.2 Agricultural credit performance by lenders in FY16

Lender	Disbursement Target	Actual disbursement	Recovery	Overdue	Outstanding	(billion Taka)
						Overdue as % of outstanding
SCBs	28.90	27.21	28.23	23.02	87.16	26.41
BKB	48.00	49.40	51.36	21.63	140.29	15.42
RAKUB	16.00	11.15	13.29	10.38	34.79	29.83
Sub Total	92.90	87.76	92.88	55.03	262.24	20.99
FCBs	3.93	5.10	4.98	0.003	2.29	0.13
PCBs	67.17	83.60	72.70	1.75	80.24	2.18
Sub Total	71.10	88.70	77.68	1.75	82.53	2.12
Grand Total	164.00	176.46	170.56	56.78	344.77	16.47
Summary						
FY16 [@]	164.00	176.46	170.56	56.78	344.77	16.47
FY15 [@]	155.50	159.78	154.07	67.29	329.37	20.43
FY14 [@]	145.95	160.37	170.46	76.12	346.33	21.98
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

[@] excluding BRDB and BSBL

Source : Agricultural Credit Department, Bangladesh Bank.

crops and poverty alleviation programmes constituted 56.2 and 6.6 percent respectively of the total short term loans during FY16 (Table 9.1).

9.5 The total outstanding loan in the agricultural sector (including all banks) in FY16 increased by Taka 15.4 billion or 4.7 percent to Taka 344.8 billion from Taka 329.4 billion in FY15 (Table 9.2).

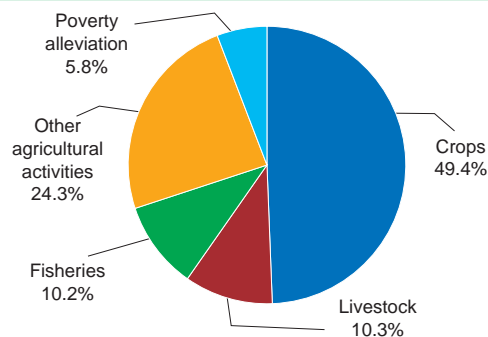
9.6 Two specialised banks- BKB, RAKUB and four SCBs played key role in the disbursement of agricultural and rural finance. The contribution of foreign and private commercial banks was also imperative in this regard. However, the SCBs and RAKUB fell short of targets by 5.9 and 30.3 percent respectively. On the other hand, BKB, FCBs and the PCBs exceeded the disbursement target by 2.9, 29.8 and 24.5 percent respectively in FY16 (Table 9.2). Apart from this, BRDB and BSBL disbursed Taka 7.9 billion from their own fund, which raised the total disbursement to Taka 184.4 billion (including all banks) during FY16.

Credit Recovery

9.7 During FY16 recovery of agricultural credit increased by 10.7 percent to Taka 170.6 billion from Taka 154.1 billion in FY15 due to the comprehensive support to agricultural production through subsidy on both input and output level. In spite of this, rate of recovery (with due for recovery) of agricultural credit was 74.8 percent during FY16 which was higher than 69.9 percent in FY15 (Table 9.1).

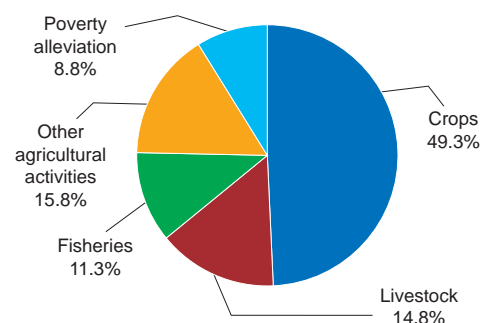
9.8 The overdue as percentage of outstanding agricultural loan decreased from 20.4 percent to 16.5 percent at the end of

Chart 9.1 Targets for agricultural credit disbursement in FY16



Source: Agricultural Credit Department, Bangladesh Bank.

Chart 9.2 Actual agricultural credit disbursement in FY16



Source: Agricultural Credit Department, Bangladesh Bank.

June 2016 (Table 9.2). It is important that banks should gear up their recovery drive matching with the harvesting seasons and strengthen incentive measures ensuring appropriate dissemination of information so that the recovery of agricultural loans improves further in the years ahead.

Sources of Agricultural Finance

9.9 Recently PCBs are playing the major role as a sources of finance in agriculture. PCBs had the largest share in the annual disbursement of agricultural loans. In FY16, PCBs disbursed 47.4 percent of the total disbursement, followed by BKB (28.0

Table 9.3 Bangladesh Bank's refinance against agricultural loans

(billion Taka)

Particulars	FY14			FY15			FY16		
	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding
BKB	0.00	3.42	31.13	5.00	9.06	28.34	0.00	8.09	26.85
RAKUB	6.00	9.12	13.00	2.00	4.79	11.11	0.00	3.30	7.92
BRAC	4.50	4.49	4.50	4.11	4.50	4.11	6.00	4.50	6.00
BSBL	-	0.04	0.085	0.00	0.04	0.04	0.00	0.00	0.00
BRDB	-	-	-	-	-	-	-	-	-
Total	10.50	17.07	48.71	11.11	18.39	43.60	6.00	15.89	40.77

Source : Agricultural Credit Department, Bangladesh Bank.

percent), SCBs (15.4 percent), RAKUB (6.3 percent) and FCBs (2.9 percent). The SCBs' overdue loans as percentage of their outstanding loans stood at 26.4 percent at the end of FY16, while the overdue loans of RAKUB and BKB were recorded to 29.8 and 15.4 percent respectively of their outstanding loans (Table 9.2). The PCBs' overdue loans as percentage of their outstanding loans stood at 2.2 percent at the end of FY16.

Bangladesh Bank's Refinance against Agricultural Loans

9.10 Only BKB, RAKUB and BRAC availed the benefit of refinance facilities to the tune of Taka 6.0 billion from Bangladesh Bank during FY16. An amount of Taka 15.9 billion (including interest) was recovered against the refinanced loans due from different banks and institutions leaving an outstanding balance of Taka 40.8 billion (including interest) as of end June 2016 for future recovery. Details of Bangladesh Bank's refinance to different institutions are shown in Table 9.3.

Refinance Scheme for the Jute Sector

9.11 Bangladesh Bank undertook a special refinance scheme of Taka 2.0 billion to purchase raw jute from jute producers to provide working capital to jute goods

manufacturing companies and jute exporters in FY15. A total of 9 banks availed this window and disbursed Taka 0.5 billion in FY16.

Refinance Scheme for the Dairy Farming

9.12 An amount of Taka 2.0 billion has been launched under refinance scheme by Bangladesh Bank to boost up the country's dairy farming, which is being used as a revolving fund for five years. A total of 14 banks were refinanced an amount of Taka 0.8 billion in FY16 with a view to providing dairy farmers with easy and cheaper loans for milk rearing cows and their artificial breeding. The interest rate at borrower level is 5.0 percent and the Government will provide 5.0 percent cash subsidy against the credit to the disbursing banks.

Agricultural Credit Projects/Programmes under Bangladesh Bank Supervision

9.13 Some self and donor financed agricultural projects/programmes disbursed a total amount of Taka 0.5 billion and Taka 0.8 billion was recovered under close monitoring and supervision of Bangladesh Bank in FY16. These include the Agro based Industries and Technology Development Project (ATDP), Marginal and Small Farm System Crop

Table 9.4 Disbursement of SME credit by banks and NBFIs

Period	Sub-categories			Total	Women entrepreneur
	Trading	Manufacturing	Service		
2010-11	365.83	154.36	32.37	552.56	20.07
2011-12	379.19	183.84	35.09	598.12	23.11
2012-13	518.41	233.04	42.02	793.46	24.72
2013-14	594.41	250.87	60.77	906.05	36.43
2014-15	680.43	323.50	98.94	1102.87	39.68
2015-16*	781.63	334.07	134.71	1250.41	54.27

* Provisional.

Source : SME and Special Programmes Department, Bangladesh Bank.

Intensification Project (MSFSCIP), Shashya Gudam Rin Prokolpo (SHOGORIP), Northwest Crop Diversification Project (NCDP) and Second Crop Diversification Project (SCDP).

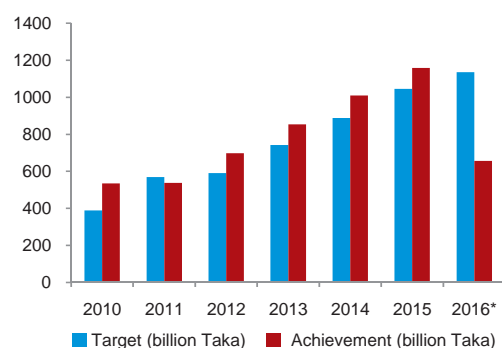
9.14 A total amount of Taka 2.5 billion was disbursed under Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project (SMAP), financed by Japan International Co-operation Agency (JICA) through 13 MFIs in FY16.

Refinance Scheme for the Share-croppers

9.15 A special refinance scheme for the share-croppers was continued in FY16 which BB undertook in FY10. Under this scheme BB has refinanced Taka 6.0 billion to more than 0.2 million share-croppers in FY16.

Credit to Small and Medium Scale Enterprises (SMEs)

9.16 Considering the crucial role of SME in achieving sustainable inclusive growth of the country, BB has formulated a comprehensive policy and programmes on SME named "SME Credit Policies and Programmes" with detailed guidelines that include all possible avenues of financing to SME by all banks and

Chart 9.3 Target and achievement of SME credit

* Up to H1 of 2016.

Source: Agricultural Credit Department, Bangladesh Bank.

Financial Institutions (FIs), which has been declared as international best practice for SME financing by Alliance for Financial Inclusion (AFI). Along with various supportive measures of BB, the sector gets momentum and continues to maintain more robust performance.

9.17 A target based SME lending programme was initiated by Bangladesh Bank in 2010 under the "SME Credit Policies and Programmes". The target is not imposed by the central bank, rather the banks and non-bank financial institutions (NBFIs) independently decide their target. A target of disbursing Taka 1045.86 billion was set for 2015 (January-December) which was Taka

158.33 billion higher than that of 2014. In 2015, all banks and NBFIs altogether disbursed Taka 1158.70 billion to 724,903 SME initiatives which exceeded the target by 10.8 percent. Under the same spirit, a target of disbursing Taka 1135.03 billion was set for 2016 (January-December). During the first half of 2016, Taka 655.98 billion was disbursed. Chart 9.3 depicts the target and achievement of SME credit by banks and financial institutions during 2010 to 2016.

9.18 In FY16 all banks and financial institutions disbursed a total amount of Taka 1250.4 billion among 600 thousands cottage, micro, small and medium sized enterprises. Special emphasis has been given to bring the women entrepreneurs in the mainstream of development of the country. An amount of Taka 54.3 billion was disbursed among 42 thousands women led SME enterprises in FY16 (Table 9.4). SME & Special Programmes Department (SME&SPD) of BB is working to facilitate this and monitoring the SME financing activities and development. For further development of this sector, Bangladesh Bank continued its refinancing facilities to banks and NBFIs for SMEs during FY16.

Bangladesh Bank's Refinance for SMEs

9.19 Bangladesh Bank, with the help of Government and different development partners, has been implementing eight different revolving refinance facilities for banks and NBFIs. At the end of June 2016, a total amount of Taka 57.5 billion was provided to different banks and NBFIs under refinance schemes against 51732 enterprises. Table 9.5 shows the Bangladesh Bank's refinance

facility to banks under different special schemes and programmes for SME development up to FY16.

Refinance Scheme for Agro-based Product Processing Industries

9.20 In order to boost up agro product-processing industries in the areas outside divisional headquarters and Narayanganj town, Bangladesh Bank launched a scheme of Taka 1.0 billion in November 2001 out of its own fund. Responding to the huge demand of this fund, the size of the fund was increased to Taka 2.0 billion in 2012, Taka 4.0 billion in 2013 and later Taka 4.5 billion in 2015. Refinancing facilities are provided to banks and financial institutions at the bank rate under the scheme. Till the end of June 2016 Taka 8.8 billion was disbursed under this scheme against 2,312 enterprises on revolving basis (Table 9.5).

Refinance Fund for New Entrepreneurs under Cottage, Micro and Small Categories

9.21 In order to provide start-up capital to new cottage, micro and small enterprises, Bangladesh Bank has created a new fund worth of Taka 1.0 billion from its own source. Under this fund, the prospective entrepreneurs selected and trained by recognised public and private training providers will get financing facilities at 10 percent interest rate (bank rate +5 percent). At the end of June 2016, Taka 0.08 billion was refinanced to banks and financial institutions against their financing to 206 new enterprises (Table 9.5).

Islamic Shariah Based Refinance Scheme

9.22 With the objective of increasing the involvement of Islamic banks and financial

institutions in financing SMEs, a special refinance fund under Islamic Shariah mode was created in Bangladesh Bank in September 2014. Under this fund, Islamic banks and financial institutions will get refinance against their financing to agro-based industries, small enterprises (including women led SMEs) and new entrepreneurs in cottage, micro and small sector. At the end of June 2016, Taka 2.11 billion was refinanced to banks and NBFIs against their financing to 435 enterprises (Table 9.5).

Refinance to Women Entrepreneurs

9.23 Bangladesh Bank is encouraging all banks and NBFIs to provide loan to women entrepreneurs at 10.0 percent interest rate. A dedicated women entrepreneurs desk has been established in the SME&SPD of BB. All banks and NBFIs have been directed to do the same. They have also been instructed to reserve 15.0 percent of total SME funds

exclusively for women entrepreneurs as well as to provide credit to new women entrepreneurs under cottage, micro and small sectors. In addition, all banks and NBFIs have been directed to sanction loans of at least Taka 2.5 million to women entrepreneurs with personal guarantee but without collateral under refinance facilities provided by BB. An amount of Taka 16.4 billion was refinanced to women entrepreneurs at the end of June 2016 against 16028 enterprises (Table 9.5).

New Entrepreneurs Creation and Entrepreneurs' Development

9.24 To promote skills of young workers and new entrants in the labour market, the Government of Bangladesh has taken a project titled "Skills for Employment Investment Programme (SEIP)" with the assistance of Asian Development Bank (ADB) and Swiss Agency for Development and Cooperation (SDC). Aligned with this initiative

Table 9.5 Statement of refinance on SMEs under different refinance schemes of BB

(billion Taka)

Name of the Fund	Budget/ Fund	Type of enterprises	Refinance upto 30 June 2016		Remarks
			Number of enterprises	Amount of refinance	
1. BB Fund	6.5	General	12,711	12.25	Ongoing
		Women Enterprises	15,445	15.72	
		Sub-Total	28,156	27.97	
2. EGBMP (IDA Fund)	1.16		3,160	3.13	Closed
3. SMESDP (ADB-1) Fund	2.02	General	3,134	3.18	Closed
		Women Enterprises	130	0.17	
		Sub-Total	3,264	3.35	
4. SMEDP (ADB-2) Fund	7.00	General	13,192	6.99	Closed
		Women Enterprises	453	0.48	
		Sub-Total	13,645	7.47	
5. JICA FSPDSME Fund	3.77		554	4.54	Refinancing continues using RFA
6. Refinance Scheme for Agro-based product processing Industries	4.50		2,312	8.80	Ongoing
7. Refinance Scheme for new entrepreneurs	0.5		206	0.08	Ongoing
8. Islamic Shariah based Refinance Fund			435	2.11	Ongoing
Grand Total			51,732	57.45	
Refinance against Women Entrepreneurs			16,028	16.37	

Source : SME and Special Programmes Department, Bangladesh Bank.

Bangladesh Bank has also taken steps for creating and developing new entrepreneurs. To this end, Bangladesh Bank will provide market oriented job training to 10200 people in the next three years to start their own SME business or be employed in the SME sector. As of June 2016, 1340 trainees enrolled in different courses. Already 716 trainees were received certificate after successful completion and 273 trained personnel have been employed in different sectors and a dedicated refinance scheme has already been created by BB to support those new entrepreneurs.

Implementation of New Projects

A. Urban Building Safety Project (UBSP)

9.25 With a view to creating a safe working environment in the RMG sector a project named "Urban Building Safety Project" has been established under the 36th Japanese ODA package through a loan agreement signed on 13 December 2015 between the Government of Japan (represented by JICA) and Government of Bangladesh. Under this agreement JICA will provide JPY 12,086 million; of which JPY 4,129 million (equivalent Taka 2.68 billion) is earmarked for two step loan (TSL) purposes. The TSL component will be managed and implemented by SMESPD, BB in accordance with approved operating guideline of the project. Financing to RMG industries from this project is expected to commence at the beginning of FY17.

B. Foreign Direct Investment Promotion Project (FDIPP)

9.26 A project named "Foreign Direct Investment Promotion Project (FDIPP)" has been established under the 36th Japanese

ODA package with a view to attracting Japanese direct investment which will expedite economic development of the country. A loan agreement was signed on 13 December 2015 between the Government of Japan (represented by JICA) and Government of Bangladesh. Under this agreement JICA will provide JPY 15,825 million; of which JPY 7,033 million (equivalent Taka 5.20 billion approximately) will be utilised by Bangladesh Bank for refinancing/pre-financing to Japanese enterprises, Japan-Bangladesh joint venture firms or Bangladeshi firms having close relation with Japanese enterprises. Financing from this project is expected to commence in FY17.

Microcredit Operations of Grameen Bank and the Large MFIs

9.27 A huge number of rural and urban poor are self employed. Access to credit is an important determinant of income opportunities for these poor. Microcredit provides the pathway of access to credit and has been playing the predominant role in rural finance. It has been considered as a tool for poverty alleviation and income generation. In addition, it contributes a productive role in the country's overall investment by increasing savings from remote areas. BB has taken a strong pro-active role to improve the access of credit and other financial services specially for the unbanked and poor segment of population of the country. ICT based new financial instruments (mobile banking) have changed the landscape of financial service access to the poor in both rural and urban areas. More than a thousand of NGO-MFIs are operating their activities in Bangladesh. The number of registered MFIs as well as number of borrowers and savings per

borrower has been steadily increasing. At the end of June 2016, 680 licensed MFIs and 191 provisional licensed MFIs provided microfinance services to 26.3 million people, which was 26 million in FY15.

9.28 Palli Karma Sahayak Foundation (PKSF) has been established in line with the own thoughts and ideas of the Government of Bangladesh to broaden and smoothen microfinance process. Since inception in May 1990, the PKSF has been working as an apex microcredit funding and capacity building organisation for alleviating poverty by providing microcredit to the poor through its partner organisations (POs). The loan given by PKSF to 274 POs was Taka 244.4 billion in FY16, which was Taka 30.6 billion or 14.3 percent higher than Taka 213.8 billion disbursed in FY15.

Roadmap for FY17

9.29 To attain the 7.0 percent GDP growth rate and to keep pace with the population growth, the agriculture sector should grow at a constant rate of 4.0-4.5 percent per year. Therefore, the major challenges for Bangladesh's agriculture are to raise productivity and profitability, increase diversifications of production in line with consumption, maintain food safety and quality, expand irrigation and farm mechanisation and develop resilience to climate change impacts.

9.30 Against this backdrop Bangladesh Bank has announced its annual agricultural

Table 9.6 Microcredit operations of the Grameen Bank and large MFIs

	(billion Taka)		
	FY14	FY15	FY16
1. Disbursement	398.18	507.92	662.61
i) Grameen Bank	117.23	139.18	169.33
ii) BRAC	133.87	172.57	218.51
iii) ASA	102.60	146.39	209.05
iv) TMSS	18.64	23.48	26.20
v) BURO Bangladesh	23.63	26.30	39.52
2. Recovery	390.04	448.87	444.27
i) Grameen Bank	113.68	135.63	181.00
ii) BRAC	138.39	150.82	193.60
iii) ASA	99.04	117.95	176.49
iv) TMSS	16.02	20.92	24.52
v) BURO Bangladesh	22.90	23.56	31.55
3. Outstanding Loans	252.48	479.79	396.75
i) Grameen Bank	87.73	91.29	109.39
ii) BRAC	81.17	193.46	127.83
iii) ASA	59.29	153.57	120.28
iv) TMSS	10.57	25.01	14.82
v) BURO Bangladesh	13.72	16.47	24.43
4. Loans Overdue	6.16	6.91	7.47
i) Grameen Bank	1.68	1.34	1.27
ii) BRAC	2.12	2.96	3.02
iii) ASA	1.70	1.89	2.38
iv) TMSS	0.33	0.35	0.33
v) BURO Bangladesh	0.32	0.38	0.48
5. Overdue as percentage of outstanding	2.43	1.44	1.88
i) Grameen Bank	1.91	1.47	1.16
ii) BRAC	2.61	1.53	2.36
iii) ASA	2.87	1.23	1.98
iv) TMSS	3.17	1.39	2.24
v) BURO Bangladesh	2.36	2.28	1.96

Source: Microcredit Regulatory Authority (MRA)

and rural credit policy and programme for FY17 with the disbursement target of Taka 175.5 billion which is 7.0 percent higher than the disbursement target of Taka 164.0 billion in FY16. BB also projected the target of SME lending at Taka 1135.03 billion till December 2016. In order to further stimulate of these sectors greater focus has been placed on ensuring adequate flow of credit to various segments in both sectors that will lead the sectors towards sustainable development.

Public Finance

10.1 Public finances have gradually been improving in the country through budgetary measures. Within the economy's potential, the FY16 budget was formulated with the vow to scale the wall of 7.0 percent GDP growth similar to the seventh five year plan, after years of drifting in the edge of 6.0 percent growth trap. All out efforts have been made to put the economy on a path of higher growth by stimulating private investment—both domestic and foreign, creating special economic zones, fast tracking several transformative infrastructure projects, adopting national social protection strategy and also spending more on human capital and skill development. Attention has increasingly turned to lift foreign direct investment (FDI) from 0.5 percent of GDP to 1.00 percent and raising the rate of female labour force participation are the other strategies bound to yield good growth dividend over the medium term. In the budget for FY16 raising total factor productivity (TFP) by making labour and capital more productive through the wider application of ICT has also been listed as a means to achieve higher growth.

10.2 To stabilise the fiscal consolidation, efforts were made to raise direct tax buoyancy, to rationalise non development spending and leakage and to hold public debt at sustainable level. Budget deficit contained at 5.0 percent of GDP in FY16 similar to the

Table 10.1 Bangladesh Government revenue and expenditure

	(billion Taka)					
	FY15 [#]	FY15 as % of GDP*	FY16 [*]	FY16 as % of GDP*	FY17	FY17 as % of GDP
1. Total revenue	1459.7	9.6	1774.0	10.2	2427.5	12.4
a. Tax	1288.0	8.5	1554.0	9.0	2104.0	10.7
b. Non-tax	171.7	1.1	220.0	1.3	323.5	1.6
2. Total expenditure	2043.8	13.5	2645.7	15.3	3406.1	17.4
a. Current	1189.9	7.9	1503.8	8.7	1889.7	9.6
b. ADP	603.8	4.0	910.0	5.3	1107.0	5.6
c. Others	250.1	1.7	231.9	1.3	409.4	2.1
3. Budget deficit	584.1	3.9	871.7	5.0	978.5	5.0

Actual, * Revised.

Source : Budget in Brief, 2016-17, Ministry of Finance.

A. FY16 Budget and Fiscal Outcome

A.1. Revenue Receipts

10.3 The revised total revenue receipts in FY16 stood at Taka 1774.0 billion, which was 14.9 percent lower than initial target. It was 21.5 percent higher than the actual revenue receipts in FY15. The tax revenue constituted 87.6 percent of the total revenue receipts and was 20.7 percent higher than the actual tax collected in FY15 (Table 10.1). The non-tax revenue of FY16 was 28.1 percent higher than that of FY15.

10.4 In the revised budget for FY16, total revenue receipts as percentage of GDP stood at 10.2 percent which was 9.6 percent in FY15. The total tax revenue receipts as percentage of GDP was 9.0 percent in FY16

which was 8.5 percent in the preceding fiscal year. Similarly, the total non-tax revenue receipts as percentage of GDP stood at 1.3 percent in FY16 which was 1.1 percent in FY15.

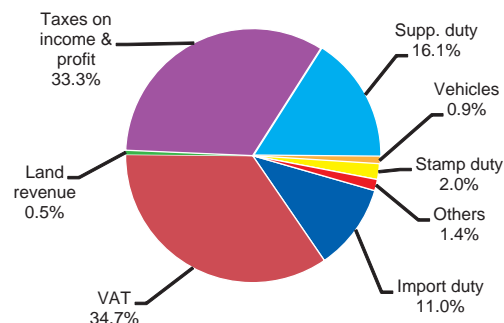
10.5 In the revised budget for FY16, direct taxes on income and profit increased by 27.2 percent to Taka 518.0 billion from Taka 407.1 billion in FY15. Receipts from narcotics and liquor duty, taxes on vehicle, taxes on income and profit, land revenue, supplementary duty, value added tax (VAT), other taxes and duties, excise duty, and stamp duty (non judicial) increased by 42.9, 27.4, 27.2, 22.1, 18.9, 18.8, 16.5, 4.0, and 3.7 percent respectively in FY16 compared to those of FY15. However, export duty in revised budget for FY16 remained the same as in FY15 (Table 10.2).

10.6 Under the non-tax revenue head, administrative fees and charges, dividend and profit, rents, leases, and recoveries, defence receipts, toll and levies, railway, post offices, and other non-tax revenue and receipts increased by 42.6, 46.5, 36.4, 72.0, 61.8, 26.3, 8.0, and 14.8 percent respectively in FY16 compared to those of FY15. On the contrary, interest, capital revenue, receipts for services rendered, and fines, penalties and forfeiture declined by 2.6, 16.7, 23.7, and 14.3 percent respectively over the same time (Table-10.2).

A.2. Expenditure

10.7 The total expenditure in the revised budget for FY16 amounted to Taka 2645.7 billion (15.3 percent of GDP) which was 29.5 percent higher than the actual expenditure in FY15. The current expenditure in the revised budget for FY16 stood at Taka 1503.80 billion (8.7 percent of GDP) which was 26.4 percent higher than the actual expenditure of Taka 1189.9 billion in FY15 (Table-10.1).

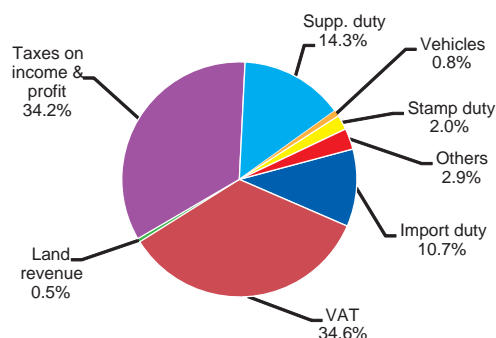
Chart 10.1 Composition of Tax Revenue* in FY16



* Revised.

Source: Budget in Brief 2016-17, Ministry of Finance.

Chart 10.2 Composition of tax revenue* in FY17



* Estimated.

Source: Budget in Brief 2016-17, Ministry of Finance.

10.8 The Annual Development Programme (ADP) for FY16 was revised downward by 6.2 percent to Taka 910.0 billion. However, it was 50.7 percent higher than the actual ADP for FY15. In revised budget for FY16, it is found that nearly, 43.5 percent of the total ADP was spent on the infrastructure sector (power, oil, gas and natural resources, transport and communication), 17.0 percent on the social sector (education and religious affairs and health, nutrition, population and family welfare), and 5.2 percent on agriculture sector (Table 10.5).

A.3. Financing FY16 Budget Deficit

10.9 Total deficit (excluding grants) in the revised budget for FY16 stood at Taka 871.7 billion (5.0 percent of the GDP) (Table 10.1). The domestic borrowing component of the deficit financing was Taka 621.8 billion (3.6 percent of the GDP) in FY16. Of this component, Taka 316.8 billion (1.8 percent of the GDP) was bank borrowing and Taka 305.0 billion (1.8 percent of the GDP) was non-bank borrowing mainly net sales of national savings schemes (Chart 10.3). The foreign financing component (excluding grants) of the budget deficit was Taka 199.6 billion (1.2 percent of the GDP) (Table 10.6).

A.4. Major Revenue Measures in FY16 Budget

Direct Tax

10.10 Direct taxes on income and profit are considered as the principal source of Government revenue. It accounted for 33.3 percent share of the total tax revenue in the revised budget for FY16 compared with 31.6 percent in FY15. The proposed changes on direct taxes in the national budget for FY16 include:

Taxes on Individual Income

- Increase of tax exempted income limit for individual taxpayers from Taka 220,000 to Taka 250,000.
- Increase of tax exemption threshold for women and senior citizens aged over 65 years from Taka 275,000 to 300,000.
- Increase of tax exempted income limit for physically challenged individuals from Taka 350,000 to Taka 375,000.
- Increase of tax exempted income limit for war-wounded gazetted freedom fighter from Taka 400,000 to Taka 425,000.

Table 10.2 Composition of revenue receipts

(billion Taka)			
Items	FY15 [#]	FY16*	FY17
1. Tax revenue	1288.0	1554.0	2104.0
A. NBR Tax revenue	1239.8	1500.0	2031.5
i. Taxes on income and profit	407.1	518.0	719.4
ii. Import duty	148.9	171.1	224.5
iii. Export duty	0.3	0.3	0.4
iv. Supplementary duty	210.8	250.6	300.8
v. Value Added Tax (VAT)	453.7	539.1	727.6
vi. Excise duty	9.9	10.3	44.5
vii. Other taxes and duties	9.1	10.6	14.3
B. Non NBR Tax revenue	48.2	54.0	72.5
i. Narcotics and liquor duty	0.7	1.0	1.5
ii. Taxes on vehicles	10.6	13.5	17.7
iii. Land revenue	6.8	8.3	10.6
iv. Stamp duty (non judicial)	30.1	31.2	42.7
2. Non-tax revenue	171.7	220.0	323.5
i. Administrative fees and charges	33.1	47.2	48.4
ii. Dividend and profit	31.0	45.4	79.2
iii. Interest	7.8	7.6	8.0
iv. Capital revenue	0.6	0.5	0.6
v. Receipts for services rendered	7.6	5.8	6.0
vi. Defence receipts	12.5	21.5	23.4
vii. Tolls and levies	3.4	5.5	7.6
viii. Fines, penalties and forfeiture	2.8	2.4	3.6
ix. Railway	9.5	12.0	13.5
x. Post offices	2.5	2.7	3.1
xi. Non commercial sales	5.0	5.0	5.4
xii. Rents, leases and recoveries	1.1	1.5	1.3
xiii. Other non-tax revenue and receipts	54.8	62.9	123.4
Total	1459.7	1774.0	2427.5

[#] Actual, * Revised.
Source : Budget in Brief, 2016-17, Ministry of Finance.

Table 10.3 Composition of revenue expenditure

(billion Taka)			
Sectors	FY15 [#]	FY16*	FY17
Social sector	538.4	736.9	932.9
Public services	122.9	237.5	472.7
Interest on domestic debt	294.4	300.4	382.4
Defence	174.9	206.9	221.3
Public order and safety	131.6	174.2	210.6
Interest on foreign debt	15.4	16.3	17.1
Agriculture sector	159.3	185.0	227.1
Transport and communication	190.5	267.9	372.7
development	178.3	214.6	235.4
Housing	19.7	39.4	31.2
Others	218.4	266.6	302.7
Total	2043.8	2645.7	3406.1

[#] Actual, * Revised.
Source : Budget in Brief, 2016-17, Ministry of Finance.

- Increase of surcharge of minimum net wealth exemption limit from Taka 20,000,000 to Taka 22,500,000.
- Exemption of taxes from interest income on Wage Earners Development Bond, US Dollar Premium Bond, US Dollar Investment Bond, Euro Investment Bond, Euro Premium Bond, Pound Sterling Investment Bond and Pound Sterling Premium Bond.
- Withdrawal of 10 percent source tax deduction on income from shares and 5 percent upfront source tax on interest income of Treasury bond and Treasury bill.
- Increase of the threshold of tax exemption limit for dividend income distributed by limited company from Taka 20,000 to Taka 25,000.
- Imposition of 50 percent tax or Taka 500000 (whichever is higher) for the persons employing unauthorised foreign nationals.
- Deduction of source tax from income of non-resident taxpayers.

Taxes on Corporate Income

- Reduction of tax rates for publicly traded company and publicly traded bank, insurance and financial institutions from 27.5 percent to 25.0 percent and 42.5 percent to 40.0 percent respectively.
- Increase of tax rate for publicly traded cigarette company from 40 percent to 45 percent.
- Reduction of tax rate for co-operative society other than its income related to agriculture and cottage industry to 15 percent.

Table 10.4 Composition of social sector revenue expenditure

	(billion Taka)		
	FY15 [#]	FY16 [*]	FY17
Education & technology	302.9	393.3	529.1
Health	104.2	148.1	174.9
Recreation, culture and religious affairs	18.6	23.8	27.0
Labour and employment	1.1	2.9	3.1
Social security and welfare	111.6	168.8	198.8
Total	538.4	736.9	932.9

[#] Actual, ^{*} Revised.

Source : Budget in Brief, 2016-17, Ministry of Finance.

- Imposition of taxes on income from shrimp, poultry and fish hatchery at a progressive tax rate instead of general tax rate. Imposition of tax on income from these firms at 3 percent on first Taka 1,000,000, at 10 percent on next Taka 2,000,000 and at 15 percent on the remaining amount.
- Tax holiday facilities for automobile manufacturing sector and tyre manufacturing industry.
- Imposition of tax rate on income from poultry industry at 3 percent on first Taka 1,000,000, at 10 percent on next Taka 2,000,000 and at 15 percent on the remaining balance.
- Imposition of tax rate on income from poultry feed, dairy, mulberry, apiculture, pisciculture, etc. at 3 percent for first Taka 1000,000, at 10 percent on next Taka 2000,000 and at 15 percent on the remaining balance.

Value Added Tax (VAT)

10.11 In order to establish a modern, pro-investment, consumer and revenue friendly Value Added Tax system, a new VAT law titled 'Value Added Tax and Supplementary Duty Act, 2012' was enacted by the Parliament during FY12. It has already been decided to implement this law fully from FY17.

10.12 VAT is the main component of indirect taxes in Bangladesh. VAT representing 34.7 percent of total tax revenue increased by 18.8 percent to Taka 539.1 in FY16 compared to Taka 453.7 billion in FY15. The proposed changes on VAT in the national budget for FY16 include:

VAT Exemptions

- Withdrawal of existing 15 percent VAT levied on domestic production of nutrition premix in animal food.
- Exemption of VAT on the electricity bill against cold storage service in order to reduce the storage cost and market price of primary agricultural products.
- Exemption of VAT at the domestic production and trade level against the medicines for acute liver related diseases.
- Exemption of VAT on the supply of broken iron pieces or iron scraps.
- Exemption of advance trade VAT at the rate of 4 percent at the import stage of PET chips for the protection of domestic industry.
- Withdrawal of VAT on photography industry.
- Withdrawal of VAT on iron oxide at the local manufacturing stage.
- Increase of VAT exemption threshold on the export of sample medicines from Taka 30,000 to Taka 100,000.
- Exemption of VAT on producing and supplying batteries up to the capacity of 60 ampere.
- Exemption of VAT on manufacturing of plastic crystals through recycling of plastic waste.

Table 10.5 Sectoral shares in ADP expenditure

Sectors	(percent)		
	FY15 [#]	FY16*	FY17
Agriculture	5.8	5.2	4.6
Transport	27.5	22.5	25.8
Education & religious	14.4	10.7	13.1
Physical planning, water supply & housing	8.2	11.5	12.1
Power	8.8	17.0	11.8
Rural development & institutions	10.5	9.0	8.2
Health, nutrition, population & family	4.5	6.3	6.3
Water resources	2.8	3.0	3.1
Industries	2.1	1.5	1.9
Oil, gas & natural resources	1.6	2.1	1.7
Communication	1.3	1.9	1.5
Others	12.5	9.3	10.0
Total	100	100	100

[#] Actual, *Revised.

Source : Annual Development Programme, 2015-2016 and 2016-2017
Ministry of Planning.

Table 10.6 Composition of budget deficit

Items	(billion Taka)		
	FY15 [#]	FY16*	FY17
Domestic financing	511.7	621.8	615.5
Bank borrowing	5.1	316.8	389.4
Non-bank borrowing	506.6	305.0	226.1
Foreign financing (net)	49.1	199.6	307.9
Budget deficit (including grants)	560.9	821.4	923.4
Budget deficit (excluding grants)	584.1	871.7	978.5
GDP (memorandum item)	15136.0	17295.7	19610.2

[#] Actual, * Revised.

Source : Budget in Brief, 2016-17, Ministry of finance.

- Withdrawal of VAT levied on licence issuance and licence renewal fee for jute and jute products.
- Extension of time limit of VAT exemption facility for production of glass tube and energy saving bulb as well as their raw materials to 30 June 2017.

VAT Impositions and Expansions

- Imposition of 20 percent supplementary duty on bathtub, jacuzzi, shower and shower tray made of ceramics.
- Imposition of VAT at the rate of 15% on credit rating and financial analysis related activities.

- Exclusion of current exemption of VAT from indenting firm, concrete ready-mix, copra waste, tissue holder, ice tray, ice scoop and plastic hanger, etc. from the VAT exemption list.
- Imposition of VAT at the rate of 4% on trading goods and services online.
- Imposition of 4 percent trade VAT for super shops.
- Increase of the truncated rate of VAT from 3 percent to 5 percent for the gold and silversmiths, gold and silver selling shops, and gold refiners, and from 4 percent to 5 percent for procurement providing service.
- Imposition of VAT at a progressive rate depending on the size of flat in building construction sector instead of existing 3 percent VAT.
- fire extinguishing equipment, energy efficient electrical items and the essential imports of the handloom weavers.
- Reduction of duty rates from 25 percent to 10 percent on various IT products including computers and web & digital cameras.
- Reduction of duty rate of capital goods from 2 percent to 1 percent.
- Reduction of custom duty on raw rubbers from 10.0 percent to 5.0 percent.
- Increase of customs duty on certain harmful chemicals namely-azo dyes, organotin compounds, chlorophenols from 5.0 percent to 25.0 percent.
- Imposition of 1.0 percent tax on all export items including garments, terry towel, carton and accessories, jute and jute goods, and frozen foods.

Custom Duties and Taxes

10.13 With a view to protection and competitiveness of Bangladesh economy, the existing customs duty slabs have been restructured and rationalised from time to time. Besides, to prevent smuggling and untrue declarations, inconsistent duty-tax structure has been corrected. Import duty increased by 14.9 percent to Taka 171.1 in FY16 compared to Taka 148.9 billion in FY15. The proposed changes on custom duties and taxes in the national budget for FY16 include:

- Continuation of import duty exemption on agricultural inputs, fertilisers, seeds, and essential commodities in FY16.
- Exemption of customs duty in excess of 5.0 percent and full of VAT on import of

- Increase of duty rates of imported silk products to 25 percent and imposition 45 percent supplementary duty on silk fabrics considering the importance and potentials of silk industry and to protect with uneven competition with cheap imported products,.
- Increase of supplementary duty on tea imports from 15.0 percent to 20.0 percent.

Other Duties

- Imposition of Taka 100 as SIM tax for both the instances of issuance and replacement of mobile SIM card.
- Imposition of 5 percent supplementary duty on the services provided through SIM and RUIM card of mobile phone.

- Imposition of 20 percent supplementary duty on tyres used in motorcars.
- Enhancement of taxes on annual turnover of small traders, wholesalers, retailers, and shopkeepers to Taka 3600, Taka 7200, Taka 10000, and Taka 14000 respectively.

Strategies and Polices in Revenue Management

10.14 Currently, the Government of Bangladesh is implementing a wide range of strategies and polices to streamline revenue management. These include:

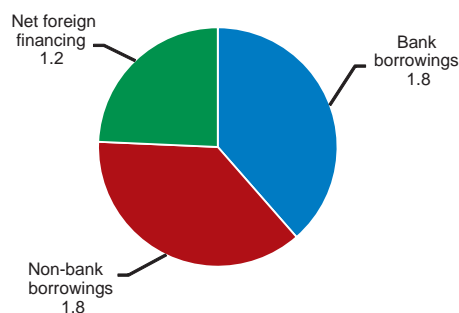
- To establish a separate taxes zone in order to accelerate at source tax collection.
- To establish income tax cell in order to collect information regarding money laundering and scrutinise income of dual citizens.
- To expand 'Tax Fair' up to Upazila level.
- To introduce modern risk management in all customs management.
- To set up a complaint and service desk at each customs station.
- To prevent the incidence of false declarations and other fraudulent activities through building customs-business partnership.
- To build partnership with other relevant stakeholders like bank, port, BEPZA, BEZA, etc. to ensure synergy in customs management.

B. FY17 Budget

10.15 The budget for FY17 was proposed

Chart 10.3 Budget deficit financing* (including grants) in FY16

(percentage of GDP)

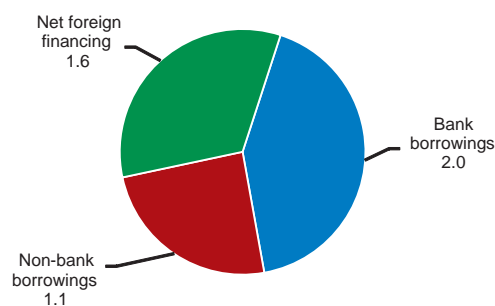


* Revised.

Source: Budget in Brief, 2016-17, Ministry of Finance.

Chart 10.4 Budget deficit financing* (including grants) in FY17

(percentage of GDP)



* Estimated.

Source: Budget in Brief, 2016-17, Ministry of Finance.

on 2 June 2016 and was passed by the National Parliament on 30 June 2016. The budget of FY17 has been formulated aiming at higher GDP growth, lower inflation and gearing up investment towards a developed Bangladesh by the year 2041. In the budget for FY17, the GDP growth target has been set at 7.2 per cent and the inflation rate at 5.8 percent. However, the budget deficit is expected to be within 5.0 percent of GDP.

10.16 The total size of the budget for FY17 is set at Taka 3406.1 billion, which is 17.4 percent of the GDP and 28.7 percent higher than the revised budget for FY16. The total

development expenditure target for FY17 stands at Taka 1170.3 billion, which is about 6.0 percent of GDP. This developmental expenditure turns out 22.0 percent higher than that of the revised budget of the previous fiscal year. In the ADP for FY17, about 24.6 percent of development outlay has been allocated to the human resource sector (education, health and other related sectors), 24.5 percent to overall agricultural sector (agriculture, rural development and rural institutions, water resources and related others), 13.5 percent to power and energy sector, 25.8 percent to communication (roads, railway, bridges and others related to communication) sector and 11.6 percent to other sectors (Table 10.5).

10.17 Different ministries and divisions can be categorised into three main groups based on their allocation of business. These are social infrastructure, physical infrastructure and general services. In the proposed budget for FY17, about 28.3 percent of total outlay has been allocated for social infrastructure, of which 25.2 percent is set for human resources sector (education, health, science and technology and other related sectors). About 29.7 percent of total outlay of ADP has been allocated for physical infrastructure, of which 13.6 percent goes to wider agriculture and rural development, 10.2 percent to overall communication sector and 4.4 percent to power and energy sector. About 24.5 percent of total outlay of ADP has been allocated for general service sector. An allocation of 2.2 percent of total outlay has been made for PPP projects, financial assistance for different industries, subsidies and equity investment in state-owned commercial and financial institutions.

10.18 Apart from these three major categories, 11.7 percent of total outlay has been allocated for interest repayment and the rest 3.5 percent has been allocated for net lending and other expenditures. Like the preceding fiscal years, ADP allocation has been estimated with a view to giving priority to ensure regional parity, developing human resources and infrastructure, and securing quality of spending with achievement of results.

B.1. Revenue Receipts

10.19 The revenue receipts in FY17 is targeted to grow by 36.8 percent to Taka 2427.52 billion (12.4 percent of GDP) compared to that of the revised budget for FY16. The tax and non-tax revenue receipts are expected to increase by 35.4 percent and 47.0 percent respectively compared to the revised budget for FY16. Total revenue-GDP ratio is projected to increase to 12.4 percent in the FY17 compared to 10.3 percent in FY16 (Table 10.1). Receipts from the direct taxes on income and profits is projected to increase by 38.9 percent in FY17 compared to the revised budget for FY16 while 30.4 percent growth is projected for indirect taxes (VAT, import duty, supplementary duty, and export duty). Among non-tax revenue sources, dividend and profit has been projected to increase by 74.4 percent in FY17 compared to the revised budget for FY16 (Table 10.2).

10.20 Receipts from other non-tax revenue and receipts such as fines, penalties and forfeiture; tolls and levies; capital revenue; post offices; railway; defence receipts; administrative fees and charges are expected

to rise by 50.0, 38.2, 20.0, 14.8, 12.5, 8.8, and 2.5 percent respectively in FY17. Receipts from rents, leases and recoveries are expected to decline by 13.3 percent in FY17 compared to the revised budget for FY16 (Table 10.2).

B.2. Expenditure

10.21 The total public expenditure in FY17 is expected to increase by 28.7 percent to Taka 3406.1 billion compared to the revised budget for FY16. The current expenditure is expected to grow by 25.7 percent, the ADP by 21.6 percent and other expenditure by 76.6 percent over the revised budget for FY16 (Table 10.1). The projected current expenditure for FY17 is set at Taka 1889.7 billion (Table 10.1). About 27.4 percent of the total expenditure has been allocated for the social sector (Table 10.3), of which the major portion (96.8 percent) will go to education and technology, social security and welfare programmes, and health sector (Table 10.4).

10.22 A total of Taka 227.1 billion (development and non-development) has been allocated for agriculture sector, which is 22.8 percent higher than that of the revised budget for FY16. Human resource development is an integral part of the overall

development efforts. About Taka 859.18 billion (25.2 percent of the total development and non-development budget) has been allocated for human resources development sector. About 52.9 percent of the total ADP has been allocated for infrastructure sector. On the other hand, social sector receives 19.4 percent of the ADP (Table 10.5).

B.3. Deficit in FY17 Budget and its Financing

10.23 The budget deficit (excluding grants) for FY17 is estimated at Taka 978.5 billion which is Taka 106.8 billion higher than the revised budget for FY16. The projected budget deficit-GDP ratio for the FY17 is 5.0 percent which is the same as that of FY16. The deficit is expected to be financed through borrowing from domestic banks and non-bank sources to the tune of Taka 615.5 billion (3.1 percent of GDP) and from external sources to the tune of Taka 307.9 billion (1.6 percent of GDP) in FY17 against Taka 621.8 billion (3.2 percent of GDP) and Taka 199.6 billion (1.0 percent of GDP) in the revised budget for FY16 (Charts 10.4) respectively. Of total domestic borrowing, Taka 389.4 billion is projected to be financed from the banking system and Taka 226.1 billion from non-banking sources (Table 10.6).

External Sector

External Trade and the Balance of Payments

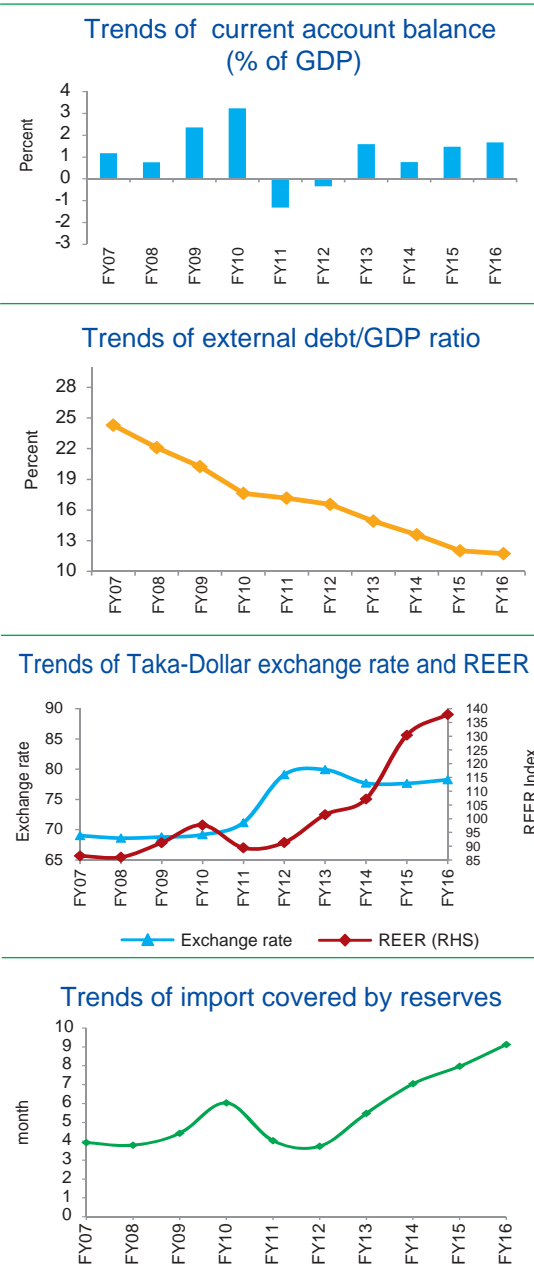
11.1 In FY16, despite a weak global economic recovery, macroeconomic performance in Bangladesh was strong, driven by buoyant performance of external sector activities. Export growth increased, while import posted a somewhat lower growth due to lower prices of food and non-food commodities (i.e., iron, cotton, coal, fertiliser, crude petroleum and soya bean oil). Consequently, the current account balance improved, further stabilising the foreign exchange market, building foreign reserves. Capital and financial account surplus decreased, but was cushioned by a strong current account balance.

11.2 Most external sector indicators (Chart 11.1) showed improvements in FY16. Current account balance as percentage of GDP stood at 1.7 in FY16 against 1.5 in FY15. External debt to GDP ratio declined further and stood at 11.7 percent. REER index appreciated by 5.6 percent but export performance held up well. The foreign exchange reserves stood at USD 30.17 billion covering around 8 months of prospective imports of goods and services.

Balance of Payment

11.3 The current account improvement stemmed from strong export earnings and a pickup in income from services. The capital and financial accounts surplus decreased

Chart 11.1 Key indicators of external sector



Source: Bangladesh Bank.

Box 11.1 Capital Account Convertibility: Bangladesh Perspective

Capital account convertibility (CAC) means freedom to convert currency both in terms of outflows and inflows for capital transactions at a market determined exchange rates. Simply, CAC means that it allows anyone to convert local currency into foreign currency or vice versa without any controls or restrictions. However, international movement of capital is not always free. Controls are used by the countries to insulate the economy from erratic flows of capital, which can lead to financial instability.

Liberalisation in capital transactions is considered as an integral part of the overall liberalisation process in developing countries. External private capital is a very important source of funds of investing in the developing economies. Fisher (1997)¹ asserts that financial integration and free capital mobility facilitate a more efficient global allocation of savings and help to channel resources into the most productive uses, and therefore, increasing economic growth and welfare. However, during the last three decades, a number of countries have opened-up their economies for being integrated with the world by loosening financial regulations to ensure capital movement freely. While, a number of countries have been much benefited by utilising and managing the flow of foreign capital successfully for their growth and development; on the other hand, some countries had to face a severe financial crises due not to manage the flow of capital efficiently. Experiences from both sides have put remarkable lessons for the countries like Bangladesh.

Bangladesh has already been undertaken some measures in liberalising capital flows together with other reforms. Since 1990s, Bangladesh embarked on a path of stepped up reforms for financial sector development and increasing openness with the global trade and financial flows towards spurring investment and output growth. Adopting market based interest rate system, significant trade and tariff liberalisation, accepting of IMF Article VIII obligation for full convertibility of Taka for current external transactions, and adopting market based exchange rate are the mentionable measures.

External capital account transactions have also been liberalised gradually to attract foreign direct investment (FDI) and foreign portfolio investment (FPI) inflows. Bangladesh permits full foreign ownership in enterprises. Foreign investors are free to invest in any sector except the few reserve sectors. They are also allowed to buy and sell government bonds, and shares and debentures through capital market activities. The amount received from the sales of equity, profits, disinvestment proceeds and capital gains on FDI and FPI are freely repatriable abroad. In addition, to the liberalisation move towards CAC, short-term borrowings from abroad by local corporate bodies have also been allowed. However, restriction still remains on outward investment by Bangladeshi investors.

Given the importance of huge investment need to become an upper middle income country by 2030, greater inflows of foreign capital is imperative. Considering the need of capital inflows for its growth path, it is likely that Bangladesh will be entering into greater liberalised regime in future. However, before that some measures should be adopted, such as i) formation of a technical committee to prepare a road map for full CAC regime, ii) cutting down the budget deficits for fiscal consolidation, iii) strengthening prudential banking regulations and standard of supervision, iv) implementation of inflation targeting framework, and v) widening the multi-financial intermediation process. It is imperative that CAC would certainly benefit us and therefore, considering the above measures, Bangladesh should move towards CAC regime gradually to achieve resilience and protect vulnerability emanating from full CAC.

¹ Fischer, S., 1997. Capital account liberalisation and the role of the IMF. Seminar paper that was presented at the seminar 'Asia and the IMF. [online] Available at: <https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp091997>.

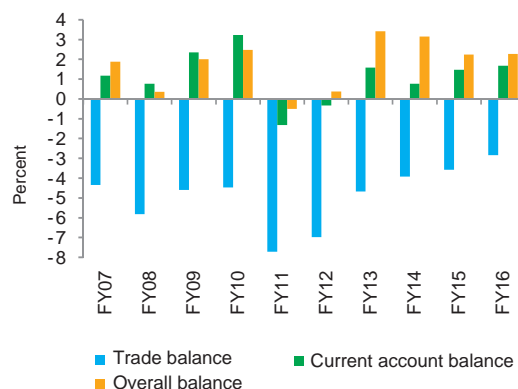
and stood at USD 478 million and USD 1610 million respectively in FY16. During the same period, overall balance recorded a surplus of USD 5036 million compared to USD 4373 million in FY15 (Chart 11.2 and Table XVI of Appendix-3.)

11.4 Trade Balance recorded a deficit of USD 6274 million during FY16 as compared to the deficit of USD 6965 million during FY15. Significant growth of gross exports along with slight import growth led to lower trade deficit. The deficit in the services account decreased by 12.3 percent to USD 2793.0 million in FY16 from USD 3186.0 million in FY15. The deficit of primary income accounts also lessened by 10.0 percent to USD 2582.0 million in FY16 from USD 2869.0 million in FY15. Secondary income decreased by 3.4 percent from USD 15895.0 million in FY15 to USD 15355.0 million in FY16. The workers' remittances recorded 3.0 percent decrease in FY16. The net outcome of all these, the current account balance increased substantially from USD 2875.0 million surplus in FY15 to USD 3706.0 million in FY16.

11.5 Foreign Direct Investment (FDI) is now an important driver of the financial account. The Government in its 7th five year plan placed strategic priority on FDI. FDI inflow increased by 9.3 percent, crossing the USD 2.0 billion mark for the first time. Portfolio investment, however, decreased significantly by 67.3 percent to USD 124 million in FY16, partly reflecting the lower yield in government securities.

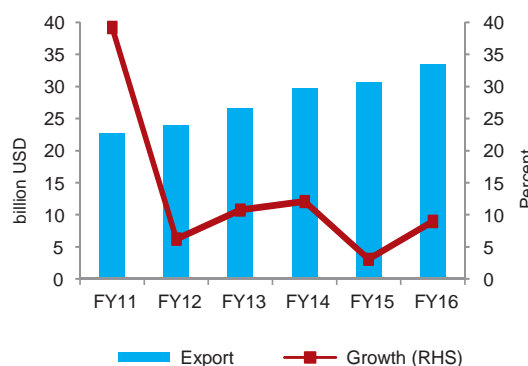
11.6 Merchandise exports (fob) increased by 8.9 percent to USD 33441.0 million and imports (fob) increased by 5.5 percent to USD

Chart 11.2 Trends of trade, current account and overall balances (percent of GDP)



Source: Bangladesh Bank.

Chart 11.3 Trends of export earnings



Source: Export Promotion Bureau.

39715 million in FY16 (Chart 11.3 and 11.4). The balance of payments position is given in Table XVI of Appendix-3.

Exports

11.7 Table 11.1 shows that export earnings increased by 9.8 percent in FY16 to USD 34257.2 million from USD 31208.9 million in FY15. Apparels (woven garments and knitwear products) constitutes the largest share of exports (above four fifths).

Box 11.2 Recent Trade Dynamics of EPZ Enterprises in Bangladesh

In order to stimulate rapid economic growth of the country, particularly through industrialisation, the government has adopted an 'Open Door Policy' to attract foreign investment to Bangladesh. The Bangladesh Export Processing Zones Authority (BEPZA) is the official organ of the government to promote, attract and facilitate foreign investment in the Export Processing Zones (EPZs). The main objectives of setting up EPZs are to boost up investment and accelerate volume of export. EPZs facilitate economic development in the form of foreign trade. It is observed that almost 50 percent industries are concentrated in CEPZ and DEPZ and remaining are operating in other EPZs. Foreign investments in EPZ areas showed an increasing trend during last two decades except for the FY09 where investments declined to USD 150 million.

As of June 2016, it is found that three fourth of investments is concentrated to CEPZ and DEPZ (68 percent) and the rest is engaged scattered in other EPZs (Chart 1). However, from FDI point of view it is found that foreign investments in EPZ areas are less than that of non-EPZ areas (Chart 2).

Chart 1: Share of investment of EPZs

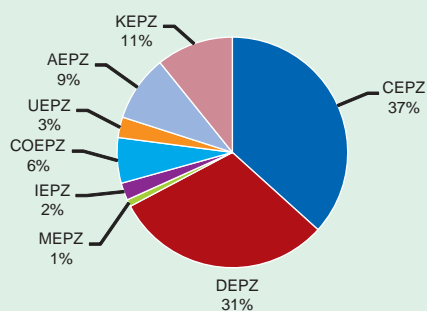
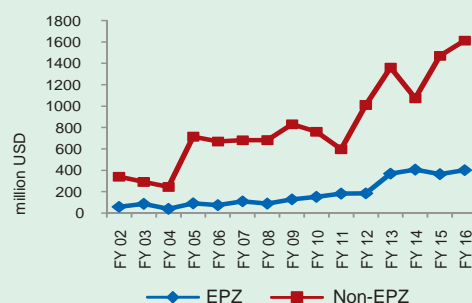


Chart 2: FDI in EPZs and Non-EPZs



The time series data also shows that FDI in EPZ areas is less volatile compared to non-EPZ areas although FDI are increasing both areas over the years (Chart 2). It is observed that 56 percent of investments belongs to 100 percent foreign owned companies, 15 percent to joint venture companies and the rest by local companies.

The Chart 3 shows that among total export from EPZs, 47 percent came from CEPZ and 39 percent from DEPZ. However, total exports from EPZs is not so significant as percent GDP (Chart 4).

Chart 3: Share of export from EPZs

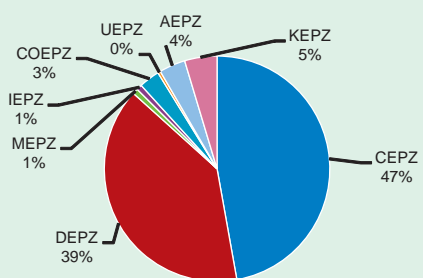
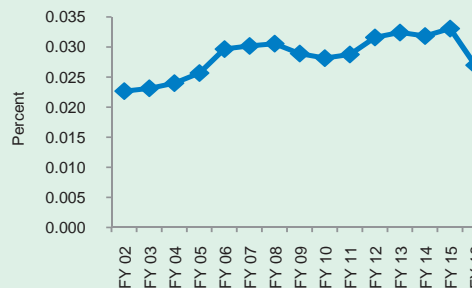


Chart 4: EPZs export as percent of GDP



Most of the industries are concentrated in CEPZ. The main reason is that port is very near and thus local transport cost is very small. Therefore, better transport facilities must be given priority while establishing a new EPZ. The EPZ needs to be seen as a strategy embracing export promotion, industrial policy and growth center. Government initiatives are needed to encourage economic cooperation between firms inside and outside the zones.

Composition of Exports

11.8 Readymade garments (woven and knitwear): Woven and knitwear products, which fetch about 82 percent of total export earnings, registered a strong growth from USD 25491.4 million of FY15 to USD 28094.1 million in FY16. Woven and Knitwear products grew by 12.8 and 7.5 percent in FY16 respectively.

11.9 Leather: Export earnings from leather and leather products increased by 3.0 percent to USD 666.1 million in FY16.

11.10 Frozen food: The frozen foods sector comprises mainly of shrimps. Receipt from export of shrimp and fish decreased by 7.1 percent from USD 558.8 million of FY15 to USD 519.4 million in FY16.

11.11 Footwear: Export earnings from footwear products increased by 6.1 percent to USD 714.0 million in FY16 from USD 673.3 million in FY15.

11.12 Chemical Products: Export earnings from chemical products increased by 10.5 percent to USD 123.7 million in FY16 against USD 111.9 million in FY15.

11.13 Tea: Export earnings from tea decreased by 30.8 percent to USD 1.8 million in FY16 as against USD 2.6 million in FY15.

11.14 Jute goods (excluding carpets): In FY16, export earnings from jute goods decreased by 1.4 percent to USD 746.4 million as against USD 757.0 million in FY15.

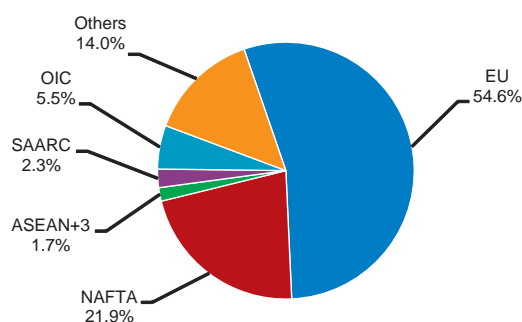
11.15 Raw jute: In FY16, raw jute valued at USD 173.2 million was exported, up from USD 111.6 million in FY15.

Table 11.1 Composition of merchandise exports

Items	(million US dollar)		
	FY15	FY16	% change
1) Raw jute	111.6	173.2	55.2
2) Jute goods	757.0	746.4	-1.4
3) Tea	2.6	1.8	-30.8
4) Leather and leather products	646.7	666.1	3.0
5) Frozen shrimps and fish	558.8	519.4	-7.1
6) Woven garments	13064.6	14738.7	12.8
7) Knitwear products	12426.8	13355.4	7.5
8) Chemical products	111.9	123.7	10.5
9) Petroleum by-product	77.6	297.0	282.7
10) Engineering products	447.0	510.1	14.1
11) Specialised textiles	107.0	108.7	1.6
12) Footwear	673.3	714.0	6.1
13) Others	2224.0	2302.7	3.5
Total:	31208.9	34257.2	9.8

Source: Export Promotion Bureau.

Chart 11.4 Destinal pattern of exports in FY16



Source: EPB.

Export Markets

11.16 One important feature of export diversification is market diversification. Bangladesh's exports now reach some 200 countries. In FY16, 54.6 percent of exports were destined for the EU bloc while 21.9 percent entered into the NAFTA bloc. Export to the ASEAN+3, OIC and SAARC countries was 1.7, 5.5 and 2.3 percent respectively of total exports in FY16 (Chart 11.4).

Export Development Fund (EDF)

11.17 The EDF commenced its operation in 1989 with the participation of International Development Association (IDA) and Government of Bangladesh (GOB), with an initial fund of USD 30.16 million to provide foreign exchange refinancing facilities to exporters. With growing exports, the size of the EDF grew too. In June 2016, the fund was enhanced to USD 2000 million. Furthermore, USD 200 million has been allocated to refinance the Green Projects. Exporters can avail EDF loan for imports against export LC/firm export contract/inland back to back L/C through Authorised Dealer (AD) banks. The EDF refinancing covers sectors like textile, garments, accessories/packaging material, plastic goods, leather goods & footwear, ceramic wares, dyed yarn, agro-food processing, bicycle, etc. At present, the single party borrower limit is set at USD 20.0 million, except leather goods & footwear, ceramic wears, dyed yarn, agro-food processing, bicycle, accessories & packaging and plastic goods manufacturer exporters. However, this limit is maximum USD 15.0 million for leather goods & footwear, ceramic wears, dyed yarn, agro-food processing, bicycle and USD 2.0 million for accessories and packaging and 1.00 million for plastic goods manufacturers. The interest rate on EDF financing facilities is six month USD LIBOR+2.5 percent. Out of that, Bangladesh Bank's portion is LIBOR+1 percent and the rest of 1.5 percent is shared by commercial banks. In general, the reimbursement from the EDF is initially made for a tenor of 180 days with a provision for further extension of 90 days, if required for delay in repatriation of related export proceeds of the exporter concerned. On a revolving basis, the total

Table 11.2 Composition of merchandise imports (based on customs records)

Items	(million US dollar)		
	FY15	FY16 ^P	% change
A. Food grains	1490.6	1057.6	-29.1
1. Rice	508.0	112.2	-77.9
2. Wheat	982.6	945.4	-3.8
B. Other food items	2980.4	3511.2	17.8
1. Milk & cream	277.2	215.0	-22.4
2. Spices	182.4	198.5	8.8
3. Oil seeds	374.0	532.1	42.3
4. Edible oil	923.8	1436.4	55.5
5. Pulses (all sorts)	434.3	477.5	9.9
6. Sugar	788.7	651.7	-17.4
C. Consumer and intermediate goods	19847.6	20488.6	3.2
1. Clinker	638.4	571.2	-10.5
2. Crude petroleum	316.0	383.9	21.5
3. POL	2075.7	2255.8	8.7
4. Chemical	1723.7	1845.3	7.1
5. Pharmaceutical products	136.9	236.2	72.5
6. Fertiliser	1338.9	1111.8	-17.0
7. Tanning & dyeing extracts	599.0	583.8	-2.5
8. Plastics & rubber articles thereof	2052.3	1942.7	-5.3
9. Raw Cotton	2295.5	2233.0	-2.7
10. Yarn	1851.2	1959.4	5.8
11. Textile & articles thereof	5742.0	6193.1	7.9
12. Staple fibre	1078.0	1172.4	8.8
D. Capital goods and others	16385.1	17863.4	9.0
1. Iron, steel & other base metal	3265.0	3226.7	-1.2
2. Capital machinery	3320.5	3398.5	2.3
3. Others	9799.6	11238.2	14.7
Total import (cif)	40703.7	42920.8	5.4
Of which EPZ	3138.1	3272.6	4.3
Total import (fob)	37662.0	39715.0	5.5

^P Provisional.

Source: Compiled by Statistics Department, BB using data of NBR.

disbursement from EDF in FY16 stood at USD 3.84 billion compared to USD 3.55 billion in FY15. The outstanding balance at the end of June, 2016 stood at USD 1.69 billion which was USD 1.64 billion in the previous year.

Imports

11.18 Total import in FY16 stood at USD 39715.0 million (Table 11.2) registering a positive growth of 5.5 percent compared to USD 37662.0 million in FY15. Import of food

grain recorded significant negative growth of 29.1 percent (rice 77.9 percent and wheat 3.8 percent) in FY16 mainly due to decrease of rice import. Import (landed) for food grains stood at USD 1057.6 million in FY16 compared to USD 1490.6 million in FY15. Import of other food items' increased by 17.8 percent to 3511.2 million in FY16 from USD 2980.4 million in FY15. Except negative growth of milk & cream (22.4 percent) and sugar (17.4 percent), all other items showed positive growth. Consumer and intermediate goods increased by 3.2 percent to USD 20488.6 million in FY16 from USD 19847.6 million in FY15. Capital goods and others categories grew by 9.0 percent to USD 17863.4 million in FY16. Imports by EPZ increased by 4.3 percent to USD 3272.6 million in FY16 compared to USD 3138.1 million in FY15.

Terms of Trade

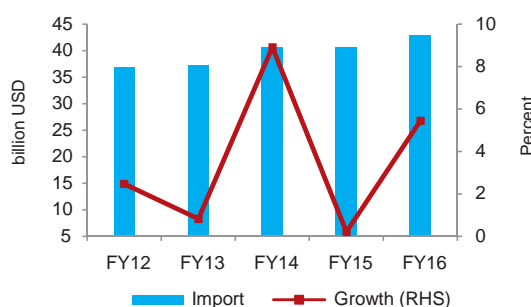
11.19 The terms of trade was 85.88 in FY16 compared to 85.86 in FY15 (base year FY06). Both the export price index and import price index increased by 7.5 and 7.4 percent respectively during the year (Table 11.3).

Bilateral and multilateral Relations

11.20 Bangladesh continued strengthening its foreign trade ties in FY16 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.

11.21 Recently, Japan Committed to undertake economic cooperation under the initiative of "Bay of Bengal Industrial Growth Belt" (BIG-B). The BIG-B has emerged as important pillar of Japanese strategy in

Chart 11.5 Trends of import payments



Source: Compiled by Statistics Department, BB using data of NBR.

Table 11.3 Terms of trade of Bangladesh

(base: FY06=100)

Year	Export price index	Import price index	Commodity terms of trade
FY07	104.85	103.64	101.17
FY08	116.34	131.42	88.53
FY09	125.13	140.35	89.16
FY10	132.64	148.32	89.43
FY11	146.41	166.51	87.93
FY12	151.71	176.44	85.98
FY13	163.04	189.62	85.98
FY14	172.09	200.37	85.89
FY15	182.34	212.37	85.86
FY16	195.98	228.19	85.88

Source: Bangladesh Bureau of Statistics.

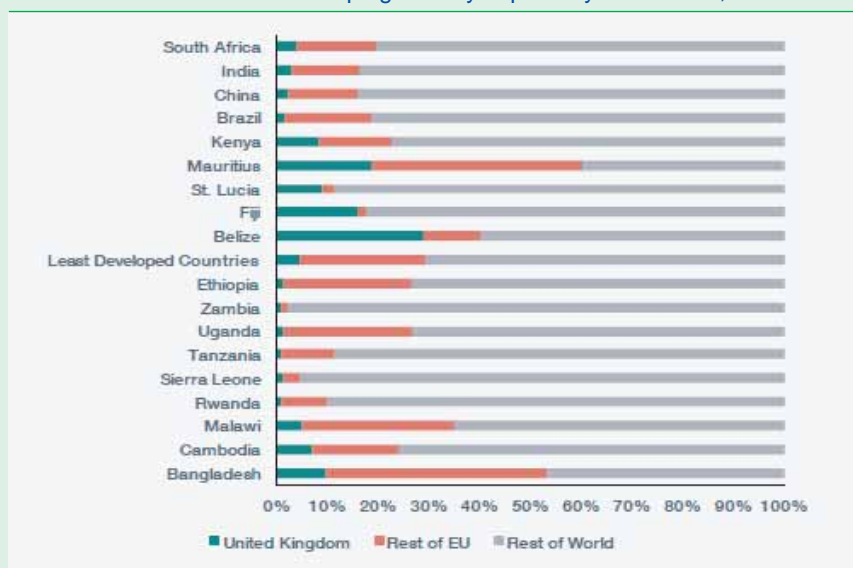
Bangladesh, covering 3 areas- Industry and Trade, Energy and the Transportation. FY16 also witnessed improvement in regional cooperation - with the ratification of the Bangladesh, Bhutan, India and Nepal Motor Vehicle Agreement (BBIN-MVA). The BBIN-MVA is expected to streamline the inter-country movement of motor vehicles carrying passengers and cargo among these nations, contributing to increased economic integration of the region. However, Bangladesh need to work on similar agreements with other regional blocs, particularly the Association for South East Asian Nations (ASEAN). This could support a higher growth trajectory.

Box 11.3 Impact of BREXIT on External Sector Performance in Bangladesh

After 43 years of membership, the UK voted to leave the European Union (EU) on 23 June 2016 creating some sort of uncertainties about the near-term outlook of the British economy. The immediate reactions were that the Britain's exit (BREXIT) from the EU would affect different countries (including the UK itself) in different ways, depending on the nature and magnitude of relationship among them. Other than the host of indirect linkages, the direct pathways of impacts are thought to be through trade, financial flows and investments, aid, migration, remittance flows and others social as well as economic connections.

Overseas Development Institute (ODI) estimates, 10% devaluation of the pound in the first week of post-BREXIT, coupled with 3% lower GDP in the UK resulting in reduction of UK's imports in the short-term. As 90 percent of Bangladeshi exports to the UK are in textiles and garments, with the UK representing 10 percent of Bangladeshi exports, it will make Bangladeshi garments and other exporters difficult to retain the current market shares. As per Mendez-Parra et al. (2016) estimates, total Bangladeshi exports are expected to fall by 0.9 percent as a result of the weaker pound. As a result of weak pound, however, Bangladeshi imports from the UK will be relatively cheaper, which may results in a relatively higher import volume from the UK.

Chart 1 Selected developing country exports by destination, 2014



Source: Mendez-Parra et al., (2016).

A slowdown in NRBs' remittances from UK due to BREXIT is also pretty much expected. At present (FY16) 5.8 percent of total remittances of Bangladesh amounting USD 863 million came from UK. Stevens & Kennan (2016) estimate that the observed devaluation of pound will reduce the value of UK aid by roughly USD 1.9 billion. The UK's contributions, (the fifth largest amount of ODA to Bangladesh at USD 342.85 million, OECD Database, 2015), might be negatively affected in near future.

Countries like Bangladesh with strong links to the UK need to be mindful of the reserve and exchange rate implications of BREXIT. Allowing domestic currencies to appreciate against the pound could harm our competitiveness and further exacerbate any capital losses that could stem from possible new UK trade arrangements. Additionally, any chance of drastic fall in the pound value might create some pressure on the stability of Bangladeshi Taka.

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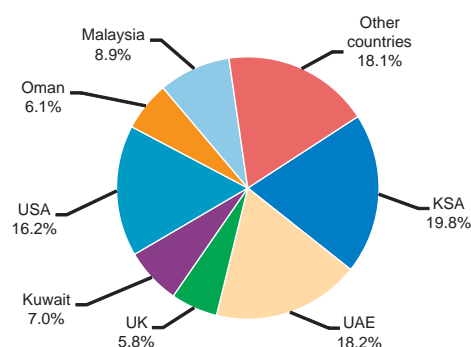
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Workers' Remittance

11.22 The inflow of remittance from Bangladeshi nationals working abroad has been playing an important role in strengthening the current account balance. The remittance witnessed a fair earnings of USD 14931.16 million in FY16 which is, however, 2.52 percent lower compared to USD 15316.92 million in FY15. The shortfall of remittance is due mainly to the prolonged decline in oil prices and economic downturn in the GCC countries. Bangladesh Bank is encouraging remittance through the formal channel and working on simplifying the remittance distribution networks including easing the approval policy of drawing arrangements between foreign exchange houses abroad and domestic banks. At present, commercial banks have 1142 drawing arrangements with more than 320 exchange houses all over the world for collecting remittances. Banks are being encouraged to open new exchange houses/branch offices. Banks have already established 33 exchange houses/subsidiaries abroad to collect remittances.

11.23 Some Micro Finance Institutions (MFIs) have facilitated the delivery of inward remittances. Banks are now using the branch networks of the MFIs and Bangladesh Post

Chart 11.6 Wage earners' remittances in FY16



Source: Bangladesh Bank.

Office as the sub-agent for remittance distribution. As of 30 June 2016, 26 MFIs support remittance distribution through their branches in remote areas. Banks are instructed to ensure the delivery of remittance to the beneficiaries within 2 (two) working days. Several banks are now allowed to distribute remittance using the countrywide outlets of mobile operators like Grameenphone, Banglalink and Robi. Some banks are given permission to distribute remittances through designated outlets of Singer Bangladesh Ltd.

11.24 To increase competition among the money transmitters, commercial banks have been encouraging to have contracts Multinational Money Remitters/ Exchange Houses that allow them the flexibility of choices.

11.25 Almost 20 percent remittance came from KSA, 18.2 percent from UAE and 16.2 percent from USA. The share of major source countries in the remittance receipt of FY16 are shown in Chart 11.6.

Foreign Aid

11.26 Total official foreign aid disbursement increased by 13.3 percent to USD 3450 million in FY16 from USD 3044 million received in FY15 (Table 11.4). Food aid disbursements stood at USD 32 million in FY16 which was 38 million in FY15. The disbursement of project assistance stood at USD 3418 million in FY16, which was USD 3006 million in FY15. It should be mentioned that no commodity aid was received in FY16 as in the preceding year. Total outstanding official external debt as of 30 June 2016 stood at USD 25963 million (11.7 percent of GDP in FY16) against USD 23901 million as of 30 June 2015 (12.3 percent of GDP in FY15). Repayment of official external debt stood at USD 1045 million (excluding repurchases from the IMF) in FY16, which was USD 52 million or 4.7 percent less than the repayment of USD 1097 million in FY15. Out of the total repayments, principal payments amounted to USD 842 million while interest payments stood at USD 202 million in FY16, against USD 910 million and USD 188 million respectively during FY15. The debt-service ratio as percentage of exports was 3.1 percent in FY16.

Foreign Exchange Market Operations and Exchange Rate Movements

11.27 The domestic foreign exchange market remained liquid throughout the FY16, supported by export receipts and remittance

Table 11.4 Foreign aid receipts and debt repayments*

Head of transaction	(million US dollar)		
	FY14	FY15 ^R	FY16 ^P
1. Receipts	3122	3044	3450
i) Food aid	38	38	32
ii) Project aid	3084	3006	3418
2. Repayments (MLT)	1208	1097	1045
i) Principal	1018	910	842
ii) Interest	190	188	202
3. Outstanding external debt as of end June	24388	23901	25963
4. Outstanding debt as percentage of GDP	14.1	12.3	11.7
5. External debt services (MLT) as percentage of exports	4.1	3.6	3.1

* Excluding transactions with the IMF.

^P Provisional, ^R Revised.

Source: Economic Relations Division, Ministry of Finance.

and low import growth. In FY16, inter-bank foreign exchange transactions was USD 19.0 billion (spot, forward and swap) which was slightly lower compared to USD 19.5 billion in FY15. The non-USD inter-bank foreign exchange transactions (spot, forward and swap) stood at 17.7 billion (mostly in JPY) during the same period. At the end of June 2016, exchange rate of USD against Bangladesh Taka stood at Taka 78.4, which posted a depreciation of 0.77 percentage point from a year earlier, indicating exchange rate stability. BB encourages exchange rate flexibility while reducing large market movements. In FY16, BB purchased USD 4.13 billion from local inter-bank foreign exchange market with the aim of ensuring stability of exchange rate of Taka by absorbing excess liquidity, as against USD 3.4 billion in the previous fiscal year.

Foreign Exchange Reserves

11.28 The gross foreign exchange reserves held by BB comprises foreign exchange, holdings of gold, and Special Drawing Rights (SDR). Foreign exchange

reserves grew steadily (20.55 percent) over FY16, which crossed the USD 30 billion mark on 27 June 2016, hitting a new record. As of 30 June FY16, reserves stood at USD 30.17 billion. BB prioritised capital preservation while increasing returns by diversifying the foreign asset portfolio in bonds (issued by sovereign, supranational and highly reputed foreign commercial banks), Treasury Bills and Treasury Notes of US Government and in short term deposits with internationally reputed foreign commercial banks. In addition, BB opened a new window called Long Term Financing (LTF) to support manufacturing sector of the country with the financial assistance of International Development Association (IDA).

Reserve Management Strategy

11.29 BB's reserve management strategy and operational procedures broadly reflects the global market conditions and macroeconomic developments, while respecting the parameters set in the reserve management guidelines. BB's reserve management mechanism has incorporated international best practices. Currently reserve management operations are carried out following the Reserve Management Guidelines (RMG) approved by the Board of Directors of BB. Reserves are held to provide external stability, to ensure smooth external payments, and to maintain confidence in the external value of Taka. To contain counterparty risks at minimum, BB has invested its reserves with a number of internationally reputed central and commercial banks having strong credit ratings from the international rating agencies (Standard and Poor's, Moody's & Fitch).

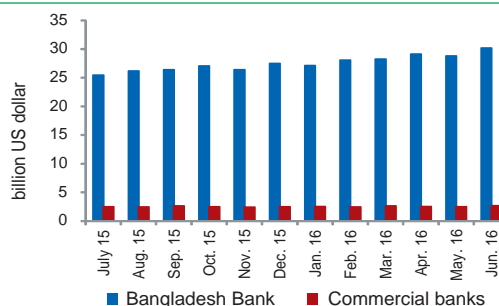
Table 11.5 Gross foreign exchange reserves of Bangladesh Bank

(End month, million US dollar)

Months	FY12	FY13	FY14	FY15	FY16
July	10381	10570	15534	21384	25469
August	10914	11435	16252	22070	26175
September	9884	11252	16155	21837	26379
October	10338	12340	17346	22313	27058
November	9285	11754	17106	21590	26408
December	9635	12751	18095	22310	27493
January	9386	13077	18119	22042	27139
February	10067	13848	19151	23032	28059
March	9579	13971	19295	23053	28266
April	10193	14829	20370	24072	29106
May	9520	14531	20268	23708	28803
June	10364	15315	21508	25025	30168

Source: Accounts and Budgeting Department, BB.

Chart 11.7 Liquid foreign exchange holdings abroad



Source: Bangladesh Bank.

11.30 With a view to minimising exchange rate risk and ensuring the value of reserves, currency composition has been diversified. Investment duration and currency benchmark, as set out in the RMG, 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 minimise operational risks. In line with the current reserve management guideline, BB has diversified its portfolio investments into gold, T-bills, repos, short-

term deposits, and high-rated sovereign, supranational, and corporate bonds. BB has been maintaining a prudent and vigilant approach regarding placement of funds in banks and investments in securities of countries affected by Euro debt crisis.

Transactions under the Asian Clearing Union (ACU)

11.31 Total transactions of Bangladesh under the Asian Clearing Union (ACU) during FY16 have decreased in terms of net volume compared with the preceding year. Receipts significantly increased from ACUD 115.49 million (Taka 8.99 billion) to ACUD 127.79 million (Taka 10.02 billion) and import payments decreased from ACUD 5748.87 million (Taka 447.26 billion) to ACUD 5579.88 million (Taka 437.46 billion) with the ACU member countries during the FY16. The ACU transaction shows that Bangladesh remained a net debtor during FY16. Bangladesh's receipts and payments under ACU arrangement during the last three years are shown in Table 11.6.

Transactions with the IMF

11.32 The IMF Executive Board approved a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) in April 2012. A total amount of SDR 640.0 million is to be disbursed in seven equal installments under the facility. However, the IMF has released 6th installment (amount of SDR 182.85 million) of ECF in FY16 while the outstanding principal liabilities of ECF stood at SDR 639.96 million as on 30 June 2016. Under the PRGF loan, Bangladesh has reimbursed a total amount of SDR 26.92 million in FY16 and the outstanding principal liabilities under PRGF stood at SDR 3.36

Table 11.6 Receipts and payments of Bangladesh under the ACU

(million US Dollar)				
Head of transaction	FY14	FY15	FY16	% change
1. Receipts	79.74	115.49	127.79	10.65
(export)	(6.19)	(8.99)	(10.02)	
2. Payments	5706.90	5748.87	5579.88	(-)2.94
(import)	(443.03)	(447.26)	(437.46)	
Net: Surplus (+)/ deficit (-)	-5627.16 (-436.84)	-5633.38 (-438.28)	-5452.09 (-427.44)	(-)3.22

1 ACUD = 1 USD; 1 USD = 78.40 Taka.

Note: Figures in parentheses indicate Taka in billion.

Table 11.7 Outstanding principal liabilities against the facilities received from the IMF

(million SDR)				
Facility	Amount drawn/ purchased up to June 2016	Outstanding principal liability as of end June 2015	Instalment repayment in FY16	Outstanding principal liability as of end June 2016
PRGF, June 2003	-	30.28	26.92	3.36
ECF April 2012	182.85	457.11	-	639.96
Total	182.85	487.39	26.92	643.32

Source: Forex Reserve and Treasury Management Department, BB.

million at the end of FY16. The total outstanding principal liabilities to the IMF stood at SDR 643.32 million at the end of FY16 and the total Service charges paid to the IMF during FY16 amounted to SDR 0.28 million (Table 11.7). Under the 14th General Review of Quotas, Bangladesh's Quota was doubled from SDR 533.30 million to SDR 1066.60 million. The Quota is fully paid and now Bangladesh's Quota to IMF stood at SDR 1066.60 million in FY16.

Changes in Foreign Exchange Regulations

11.33 Bangladesh Bank in its ongoing endeavor to ease the foreign exchange regulations has embarked upon the following changes during FY16.

- **Foreign Exchange Regulation (Amendment) Act, 2015:** The Foreign Exchange Regulation Act, 1947 has been amended as of 6 September 2015 by the Foreign Exchange Regulation (Amendment) Act, 2015, where (10) sections have been amended (Box 11.4).
- **Bringing gold or silver bullion/ingot by incoming passengers into Bangladesh:** BB has issued a notification allowing incoming passengers irrespective of their resident status to bring into Bangladesh gold or silver in bullion/ingot from up to the prescribed limit in terms of relevant baggage rules in force issued under the Customs Act, 1969.
- **Regarding sales of releasable cash foreign currency by Money Changers to be carried with by Hajj Pilgrims:** Money Changers have been allowed to sell releasable foreign currency of USD 1000 or equivalent other foreign currency to be carried by each Hajj pilgrim.
- **Releasing foreign exchange to the resident Bangladesh nationals intending to travel abroad without visa:** ADs have been allowed to release foreign exchange without visa to the resident Bangladesh nationals proceeding to the countries/zones with provision of visa on port entry/arrival basis upto the unused annual travel quota entitlement applicable for country concerned subject to complying with other relevant instructions. The facility will also be applicable for official visits abroad by the officials of Government/Semi-Government and Autonomous bodies. Earlier, ADs were allowed to issue upto USD 200 in such cases.
- **Deposit in foreign currency to blocked accounts abroad:** To facilitate study abroad by Bangladeshi students in permissible courses, general permission has been given to deposit foreign currency to be blocked in designated bank accounts or student accounts abroad for visa/admission processing.
- **Remittances on account of visa processing fees through international card or virtual card:** Besides traditional mode of payment, visa processing fees may be remitted through online using international cards or virtual cards.
- **Submission of TM (Travel and Miscellaneous) Form to Bangladesh Bank:** From January 2016, requirement to submit the TM (Travel and Miscellaneous) Forms and supporting documents related to such forms with the monthly/periodic returns to Bangladesh Bank by ADs have been waived by Bangladesh Bank. Presently, ADs are required to report such type of transactions properly in the Online TM monitoring System of Bangladesh Bank.
- **Long Term Financing Facility (LTFF):** Under the financing agreement with the IDA regarding implementation of the Financial Sector Support Project (FSSP), BB will provide long term financing in foreign currency (Long Term Financing Facility- LTFF) to the eligible banks and financial institutions for on-lending/re-financing to mainly small and medium scale enterprises in the country for purchasing capital machinery and

Box 11.4 Notable Amendments of FERA 1947 through FER (Amendment) Act 2015

To update and modernize for making it more investment and business friendly, the Foreign Exchange Regulation Act, 1947 has been amended by the Parliament of Bangladesh on 6 September 2015 and the amendment has been named as Foreign Exchange Regulation (Amendment) Act, 2015. All together ten (10) sections have been amended. The main features of amendments are enumerated below:

1. **Expansion of Scope:** New amendment in FERA extends its scope to the whole of Bangladesh and applies to (a) all citizens of Bangladesh (b) all persons resident in Bangladesh and (c) all persons in the service of the People's Republic of Bangladesh wherever they may be.
2. **Inclusion of definition of some items:** Meaning/interpretation of some important items like "person, person resident in Bangladesh, current account transactions, capital account transactions, import, export, services, goods, etc. has been provided through the amendments.
3. **Permissibility of Capital account Transaction:** The amendments have empowered Government/BB to permit classes of capital account transactions as convertible.
4. **Permissibility of Current account Transaction:** The amendments have declared current account transactions as convertible.
5. **Deletion of 18A:** The amendments have phased out requirement of obtaining permission from BB by local agents acting on behalf of foreign principals under Section 18A.
6. **Simplification of requirement under 18B:** The amendments have phased out requirement of obtaining permission from BB by foreign branch, liaison office, representative office etc. under Section 18B. Those offices have to report only under the new provision
7. **Inclusion of Non-physical items and services under the purview of the Act:** The amendments have included non physical items in the definition of securities, export, import and services under supervision.
8. **Inclusion of provision for administrative fine:** Amendments have empowered BB to impose fine to ADs for violation of terms of authorisation or of general or special directions or instructions.
9. **Increase of the term of imprisonment for violation of the act:** The amendments have expanded the period of imprisonment up to 7 (seven) years from up to maximum 4 (four) years for violation of the act.
10. **Inclusion of provision to seek information regarding assets abroad:** The amendments have empowered Government or Bangladesh Bank to direct person resident in Bangladesh to make a return of their holdings of foreign exchange, foreign securities, and of any immovable property or industrial or commercial undertaking or controlled by him or in which he has any right, title or interest.
11. **Inclusion of provision to seek information from foreign nationals residing in Bangladesh:** BB has been empowered to seek information from foreign nationals residing in Bangladesh for the purpose of this act.

equipment for up-gradation, expansion or for newly set-up manufacturing industries, relocating factories to designated industrial zones, etc. with a maturity from 3 to 10 years.

- **Green Transformation Fund:** Bangladesh Bank has established a revolving fund of USD 200 million named the Green Transformation Fund (GTF) to accelerate sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country. ADs having required eligibility may approach BB for borrowing from the fund for their on-lending/re-financing to the ultimate borrower for importing capital machineries and accessories.
- **Taka loans to Non-Resident Bangladeshis (NRBs) working abroad:** AD banks have been allowed to extend mortgage loans in Taka to NRBs working abroad for the purpose of housing in Bangladesh subject to observance of the existing guidelines of Prudential Regulations for Consumer Financing. The housing finance facility provided to NRBs will not exceed the debt equity ratio of 50:50.

Anti-money Laundering Surveillance

11.34 Across the globe, financial sector is increasingly becoming a major target of Money Laundering (ML) operations and financial crimes due to their variety of financial services and instruments that can be used to conceal the actual source of money.

Strong Anti Money Laundering and Combating the Financing of Terrorism (AML & CFT) measures prevent money launderers from abusing financial channels.

Being the national central agency and coordinator of all kinds of AML/CFT activities, Bangladesh Financial Intelligence Unit (BFIU) has taken a number of initiatives in order to prevent Money Laundering and to combat against Terrorism Financing during FY16. Notable of them are mentioned below:

Reporting Agencies and their Regulatory Regime

- BFIU has given instruction to reporting agencies to implement automated screening mechanism for the persons and entities mentioned in the UN sanction lists and as a result, most of the banks have already implemented this instruction.
- BFIU issued a comprehensive circular regarding instructions to be followed by the DNFBP's (real estate developer, dealer in precious metals or stones, trust and company service provider and lawyer, notary, other legal professional and accountant) for the prevention of Money Laundering and Terrorist Financing on 9 July 2015.
- BFIU issued a comprehensive circular for all NGO/NPOs containing instructions to prevent ML and TF on 2 September 2015.
- BFIU issued a comprehensive circular regarding instruction to be followed by all Money Changers in Bangladesh to prevent ML and TF on 9 September 2015.
- The unit issued a comprehensive circular regarding instruction to be followed by the insurance companies for the

prevention of Money Laundering and Terrorist Financing on 10 September 2015.

- BFIU issued a comprehensive circular regarding instruction to be followed by the Cooperative Societies for the prevention of Money Laundering and Terrorist Financing on 7 October 2015.
- BFIU issued a comprehensive circular regarding instruction to be followed by the capital market intermediaries (CMIIs) for the prevention of Money Laundering and Terrorist Financing on 19 October 2015.
- BFIU issued Money Laundering and Terrorist Financing Risk Assessment Guidelines for Financial Institutions on 30 July 2015.
- BFIU issued Money Laundering & Terrorist Financing Risk Management Guidelines for Banks on 10 September 2015.

Receiving Suspicious Transaction Report (STR) and dissemination of the same

11.35 BFIU has received 1307 Suspicious Transaction Reports (STRs) during FY16. After analysing them, BFIU disseminated 37 reports to Anti-Corruption Commission (ACC) and Criminal Investigation Department (CID), Bangladesh Police for their necessary action. BFIU has been monitoring the status of these cases from time to time.

National Initiatives

11.36 The Money Laundering Prevention (Amendment) Act, 2012 has been issued on 26 November 2015. In this amendment, BFIU has been declared as the national central

agency of Bangladesh to prevent money laundering and terrorist financing. The list of investigation agency has been widened through this amendment.

International Cooperation

11.37 Bangladesh Financial Intelligence Unit has signed 43 (till June 2016) Memorandum of Understanding (MoU) so far to exchange information related to ML/TF with FIUs of other countries, among them 8 MoU have been signed in FY16 (Australia, China, Jordan, Lebanon, Kazakhstan, Nigeria, Uzbekistan, Macau). During FY16 BFIU received 28 requests from the FIU of different countries and provided the information accordingly. BFIU also made 35 requests to the FIU of different countries.

Awareness Building Programme

11.38 Bangladesh Financial Intelligence Unit has continued its effort to create awareness among the officials of different 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 its support to make the programme successful. It has also encouraged and provided support to other reporting organisations to arrange training programmes for their officials. Besides, it has arranged workshops for other law enforcing agencies. Annual conferences for Chief Anti-Money Laundering Compliance Officer (CAMLCO) of banks, financial institutions and Insurance companies were arranged separately in FY16.

Participation in different International and local conference/meeting/workshops

11.39 For the prevention of money

laundering (ML) and combating terrorist financing (TF) and proliferation financing (PF), BFIU has been maintaining continued engagement with all the international bodies such as APG, Egmont Group, FATF and BIMSTEC to boost international efforts in this arena. Bangladesh actively participated in various international initiatives undertaken by these organisations and other foreign FIUs in FY16. Furthermore, as the main coordinating agency for preventing ML, TF and PF, BFIU actively participated in a number of local conference/ meeting/workshops arranged by other government agencies.

Mutual Evaluation of Bangladesh

11.40 In FY16, Bangladesh went through the 3rd round Mutual Evaluation (ME) process conducted by the Asia Pacific Group on Money Laundering (APG). The Mutual Evaluation process is a demonstration of the commitment of member states to implement the Financial Action Task Force's (FATF) standards and a remedy against the deficiencies identified in their systems. FATF monitors countries' progress in implementing the FATF Recommendations. Asia Pacific

Group on Money Laundering (APG), an FATF style regional body, enforces FATF standards on AML/CFT in Asia Pacific Region and conducts mutual evaluation for the countries in this region.

11.41 The Mutual Evaluation process has been completed successfully with the effective coordination among various ministries, divisions and agencies of the Government. Bangladesh Financial Intelligence Unit coordinated all the activities as the National Central Agency for preventing money laundering and terrorist financing. During 11-23 October 2015, APG Mutual Evaluation onsite team visited Bangladesh and conducted about 50 face to face meetings with the officials of various government agencies and ministries and with representatives of reporting agencies and other respective stakeholders. With a view to facing the onsite visit by the APG expert team in an efficient manner, throughout the year, BFIU was involved in the preparatory activities such as revision of respective acts, rules, circulars and circular letters; collection of supplementary information as per the requisition of APG assessment team.

Payment and Settlement Systems

12.1 A well-functioning Payment and Settlement System works as a part and parcel of modern financial market infrastructure easing operation of monetary policy supported by market-based instruments and smoothening liquidity management in the economy towards efficient allocation of resources and mitigation of systemic risks. In tandem with sophisticated developments in the payments and settlement systems following technological innovations in the field of electronics and telecommunication, Bangladesh Bank has undertaken efforts to upgrade existing payment systems with focus on the capacity building necessary to define a long-term strategy for payments in Bangladesh. This is important for the healthy growth of the financial market infrastructure through safe and efficient payment and settlement systems ensuring fast and secured transfer of money and financial instruments using modern technological innovations.

12.2 Considering the importance of having a state-of-the-art payment and settlement systems for Bangladesh, Payment Systems Department (PSD) of Bangladesh Bank has been working on payment systems strategy, automated cheque processing system, electronic funds transfer, national payment switch, real time gross settlement, mobile financial services, e-commerce, m-commerce, legal and regulatory framework for electronic payment systems and payment systems oversight in order to modernise the country's payment system to be safe and efficient in

compliance with international standards. It will enable faster economic growth and access to banking for all citizens of Bangladesh.

12.3 With the ambition to ensuring seamless financial transactions, the BB has undertaken huge project in building up modern payment automation infrastructure. Bangladesh Automated Clearing House (BACH) has started operation resulting in a gradual shift from cash and paper based transactions to electronic modes of payments. The instruments like cheques, bank drafts, pay orders, dividend & refund warrants, etc. which were previously being cleared through the manual clearing houses and now these have been replaced with BACH process. Apart from such non-cash payment instruments, credit card, debit card and ATM transactions are popular specially in the urban areas.

12.4 Bangladesh Automated Cheque Processing System (BACPS) started its live operation from 7 October 2010 for developing an electronic payment system in the country. Later electronic funds transfer, e-commerce, mobile financial services and m-commerce joined the system to further modernise the payment and settlement systems as set in the strategy. These payment platforms are briefly described in the following sections.

Bangladesh Automated Clearing House (BACH)

12.5 BACH has two components-the Automated Cheque Processing System and

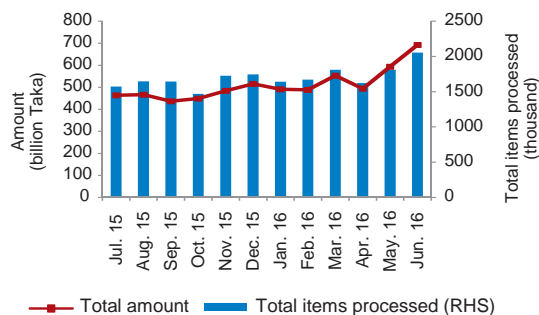
the Electronic Funds Transfer Network (EFTN). Both systems operate in batch processing mode-transactions received from the banks during the day are processed at a pre-fixed time and settled through a single multilateral netting figure on each individual bank's respective books maintained with Bangladesh Bank. A virtual private network (VPN) has been working between the participating commercial banks and the data centre (DC) and disaster recovery site (DRS) at Bangladesh Bank's end for communicating necessary information related to BACH. Digital certificate has also been formulated in Bangladesh for secured data communication.

Bangladesh Automated Cheque Processing Systems (BACPS)

12.6 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.

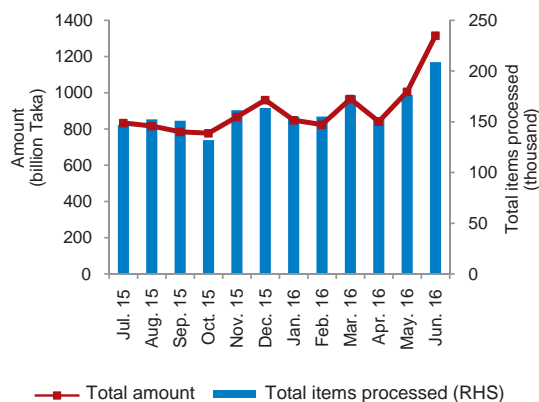
12.7 During FY16, 20.4 million regular and 1.9 million high value cheques and other instruments valued at Taka 6125.7 billion and Taka 10836.2 billion respectively were cleared. The clearing cycle has been brought down to t₊₁ for regular value cheques and t₊₀ for high value cheques throughout the country. Chart 12.1 and Chart 12.2 show the monthly trends of instruments cleared and associated amount of regular and high value cheques respectively in FY16.

Chart 12.1 Number of regular value cheque and amount



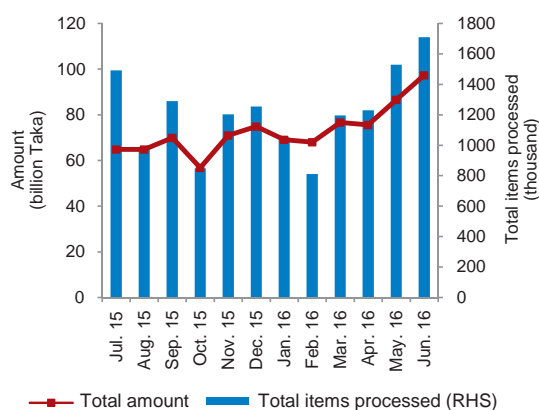
Source: Payment Systems Department, Bangladesh Bank.

Chart 12.2 Number of high value cheque and amount



Source: Payment Systems Department, Bangladesh Bank.

Chart 12.3 Number of credit entries and amount



Source: Payment Systems Department, Bangladesh Bank.

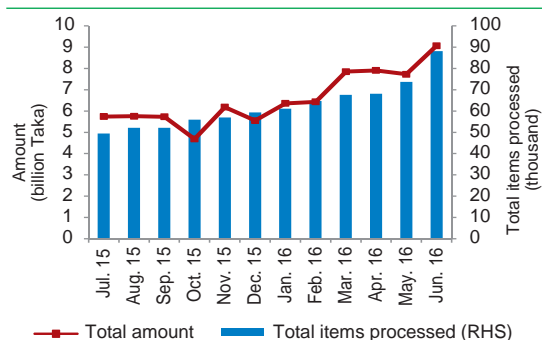
Bangladesh Electronic Funds Transfer Network (BEFTN)

12.8 BEFTN has started its live operation since 28 February 2011 with the objective to encourage paper-less electronic payment methods for secured, faster and cost-effective transactions specially at the corporate levels. The network started with credit and debit transactions from 15 September 2011.

12.9 BEFTN has become the faster and efficient means of inter-bank clearing over the existing paper-based system. A wide variety of credit transfers such as payroll, foreign and domestic remittances, social security, company dividends, retirement benefits, expense reimbursement, bill payments, corporate payments, Government tax payments, veterans payments, Government licence 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, etc. are settled under the network. Till 30 June 2016, officials of 62 ministries are receiving their salaries through this system. Besides, salary of the officials of some other Government agencies like Anti-Corruption Commission and salary of Government primary school teachers are being distributed through EFT.

12.10 During FY16, a total of 14.6 million EFT credit transactions worth Taka 875.3 billion and a total of 0.7 million EFT debit transactions worth Taka 79.0 billion were completed through BEFTN. During FY16, increasing trends were observed in both credit and debit entries in terms of number and amount of transactions. Chart 12.3 and Chart

Chart 12.4 Number of debit entries and amount



Source: Payment Systems Department, Bangladesh Bank.

12.4 show the monthly trends of EFT credit and debit entries and associated amount respectively in FY16.

e-Commerce

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

- Online payment of utility bills from client's accounts to recipient's accounts,
- Transfer of money within different accounts of a client in the same bank, payment/collection of money from/to buyer's bank account to seller's bank account for buy/sale of products,
- Transaction via internet using credit card in local currency.

Mobile Financial Services (MFS)

12.12 The rapid growth of mobile phone users and countrywide coverage of mobile operators' network have made their delivery channel an important tool for trade for extending banking services to the unbanked/banked population, specially to expedite faster delivery of remittances across the country. As on 30 June 2016, total 25

banks were given permission for mobile financial services, whereas 18 banks/subsidiaries were in operation. Total number of registered customers was 36.2 million and they had 0.6 million agents for smooth services to their customers. From legal and regulatory perspective, only bank-led model is allowed to operate in Bangladesh. Table 12.1 lists a vivid scenario of MFS in Bangladesh during FY16.

The approved mobile financial services (in broad categories) are as follows:

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

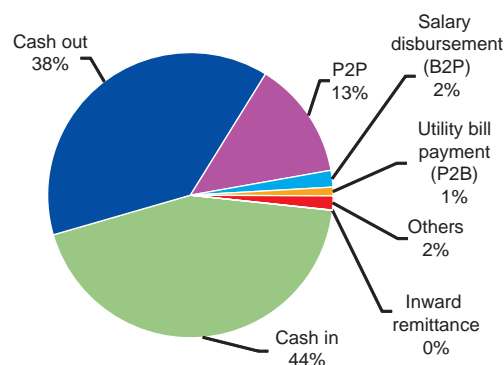
12.13 Under the umbrella of mobile financial services, inward remittances, cash-

Table 12.1 Present scenario of MFS in Bangladesh

Months	No. Agent (in thousand)	No. of registered customers (in million)	No. of transaction (in million)	Transaction amount (in billion)
July 15	531.7	28.7	97.7	138.1
Aug 15	533.9	28.3	102.1	128.4
Sep 15	542.4	29.2	106.4	150.7
Oct 15	547.8	30.2	107.4	130.4
Nov 15	552.7	31.2	110.9	149.2
Dec 15	561.2	31.8	114.8	161.2
Jan 16	569.7	33.1	118.8	167.5
Feb 16	577.0	34.0	116.2	165.7
Mar 16	584.9	34.9	121.3	182.4
Apr 16	577.6	35.6	119.6	182.1
May 16	592.4	35.5	120.1	184.8
Jun 16	604.4	36.2	124.5	231.5

Source: Payment Systems Department, Bangladesh Bank.

Chart 12.5 Market share of different services in MFS in June 2016



Source: Payment Systems Department, Bangladesh Bank.

in, cash-out, P2P transactions, B2P transactions, P2B transactions etc. have been provided. Day by day both the volume and monetary value of the transactions are increasing and it is real opportunity for underprivileged people to avail formal financial services. Chart 12.3 describes the position of market share of different types of mobile financial services for the month of June 2016.

Internet Banking

12.14 Since 11 March 2011, permission has been given to transfer up to Taka 0.5 million 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, anti-terrorism related law, rules and circulars issued by BB.

National Payment Switch Bangladesh (NPSB)

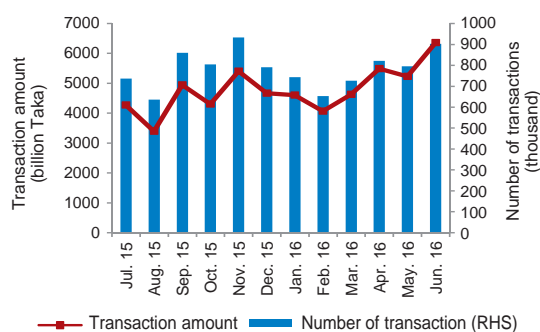
12.15 National Payment Switch Bangladesh (NPSB) was launched on 27 December 2012. Bangladesh Bank introduced National Payment Switch Bangladesh (NPSB) in order to facilitate interbank electronic payments originating from different channels like Automated Teller Machines (ATM), Point of Sales (POS), internet, etc. The main objective of NPSB is to act as a mother switch and to gradually connect all child switches owned or shared (owned and operated either by bank or a non bank entity), to create a common electronic platform for the switches in Bangladesh. At present, 51 banks are operating card business in Bangladesh. Among those, interbank ATM transactions of 49 banks and POS transactions of 39 banks are being routed through NPSB. Other banks are also likely to join to NPSB. The number and volume of the interbank ATM and POS transactions through NPSB are growing rapidly. Chart 12.6 and 12.7 show the monthly trends of NPSB interbank ATM and POS transactions number and associated amount during FY16.

Table 12.2 Number of ATM and POS in Bangladesh

Terminal	As on December 2014	As on April 2016	Growth
ATMs	6202	8320	25.5
POS	22123	30363	27.1

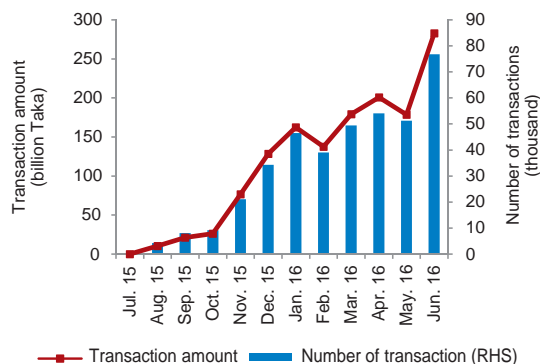
Source: Payment Systems Department, Bangladesh Bank.

Chart 12.6 Trends of interbank ATM transaction



Source: Payment Systems Department, Bangladesh Bank.

Chart 12.7 Trends of interbank POS transaction



Source: Payment Systems Department, Bangladesh Bank.

12.16 Payment Systems Department (PSD) of Bangladesh Bank is working closely with all banks and stakeholders towards digital payment systems as well as digital Bangladesh. NPSB is contributing a lot to popularise card based electronic payment in Bangladesh. As a result, several card based

payment terminals are growing fast. Table 12.2 shows growth of ATM and POS in Bangladesh. To ensure safe, efficient and digital payment systems, PSD is also working on formulating and publishing NPSB operating manuals, ATM operating guidelines and other related regulatory frameworks.

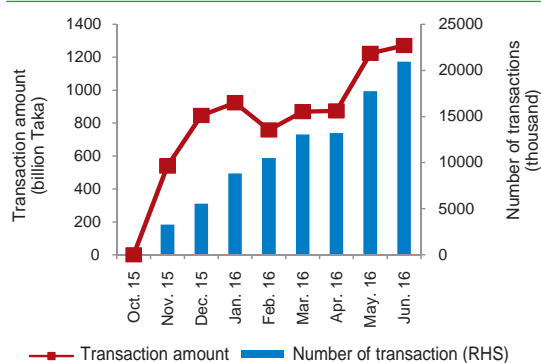
Real-Time Gross Settlement (RTGS)

12.17 RTGS launched in Bangladesh on 29 October 2015. All the scheduled banks (except one) were connected to the system from the first day of operation. Initially participant banks were mostly interested in bank to bank transaction. After performing few public awareness campaigns like road show and rally in most of the large cities, customer to customer transaction increased. Both number and amount of transaction is increasing day by day. Currently, RTGS system processes 900 transactions worth of Taka 5 billion on each business day. All the concern departments linked to RTGS are working together for better coordination and developing process for smoother, faster and safer operation. Intraday liquidity facility (ILF) for the participating banks and Interbank domestic foreign currency transaction and settlement testing are underway and after finishing the testing, this feature is going to be live soon.

Payment Systems Operator (PSO) and Online Payment Gateway Service Providers (OPGSPs)

12.18 As a growing economy, e-commerce and online purchase are gradually popularising and increasing in the country. Online Payment Gateway Service Providers

Chart 12.8 Trends of RTGS transaction



Source: Payment Systems Department, Bangladesh Bank.

(OPGSPs) play a crucial role for settling the payment leg of e-commerce and online purchase. Considering the market demand Bangladesh Bank has permitted total 5 (five) organisations to work as payment systems operator (PSO) to facilitate the payment leg of the e-commerce/online purchase. Banks are now allowed to offer the facility of receiving remittances against small value service exports in non-physical form such as data entry/data process, off-shore IT service, business process outsourcing etc. The exporters of the above services will be able to receive their overseas payments through the OPGSPs.

Legal and Regulatory Framework

12.19 BB has published a number of legal and regulatory documents to provide legal and regulatory support for electronic transfer of funds. Existing legal and regulatory framework of payment and settlement systems of Bangladesh are mentioned below:

- "Bangladesh Automated Cheque Processing Systems (BACPS) Operating

Box 12.1 Cyber Risk Management in Banking Sector of Bangladesh

Computers, internet and other electronic medium are the tools that make possible the instant exchange and distribution of data, images, and materials. The fraudulent activities of IT are termed as cybercrime, e-crime, hi-tech crime, or electronic crime. These practices involve the use of computer or internet as a medium, source, instrument, target, or place of a crime. Computer and Internet plays the key role in various activities, such as recording financial transactions, routing telephone calls, measuring power usage, monitoring medical treatments, etc. However, they also contribute to electronic crime, such as cyber stalking, phishing, hacking, denial of services, e-mail spoofing, spamming which means sending multiple copies of unsolicited mails or mass e-mails such as chain letters and cyber defamation, etc. Although, Internet and web technologies are growing at a fast pace and are providing new opportunities, they are also consisting of certain threats like, email espionage, credit card fraud, spam, software piracy, etc.

In the banking sector, illegal money transfer and removal from one to another account are identified as banking fraud. Cybercrimes are classified into four broad categories: cyber-deception, cyber-violence, cyber-trespass and cyber-pornography. The banking frauds are classified under cyber-deception which is termed as an immoral activity including credit card fraud stealing, and intellectual property violations.

ATM frauds, e-money Laundering and Credit Card Frauds are the most witnessed cybercrimes in the banking sector. In general, all the frauds are executed with the goal of accessing user's bank account, stealing funds and transferring it to some other bank account. In some cases the cyber criminals use the banking identifications i.e. passwords, e-PIN, certificates, etc. to access clients' accounts; whereas in other cases, they may want to steal and transfer money into another accounts illegally. The intention of cyber criminals sometimes is just to harm the image of the banking firm and therefore, they block the bank servers blocking the access of clients' accounts. The defense system of banking sector contains a lot of exposures, so there is always a need for investigation for increasing awareness about the procedures that can be undertaken to contest cyber related crimes in the banking sector.

In the last few years, the banking sector of Bangladesh was the victim of several security breaches:

- On 6 January 2013, Islami Bank Bangladesh Limited site was hacked by Human Mind Cracker.
- In 2015, bank accounts of a private bank were hacked and money was withdrawn from them.
- On 2 December 2015, hackers breached the network security of Sonali Bank Limited and took control of its website for a couple of hours. The programmer distinguished himself as a 'Muslim Hacker'.
- In February 2016, skimming attacks in six ATM booths of three commercial banks.
- And the largest e-money laundering in the history of banking occurred in February 2016, when hackers stole USD 101 million from the Bangladesh bank's account with the Federal Reserve Bank of New York of which about USD 35 million has been recovered.

Evidence of hacking in commercial banks demonstrates corruption in the government's procurement framework where unqualified vendors were selected without proper evaluation of skills and consultation of IT experts. This incident persuaded the Bangladesh Bank recommending to all banks and financial institutions to ensure cyber-security governance:

- Taking measures for ascertaining existing technical gap assessment and vulnerability through a comprehensive cybersecurity risk study.
- Treating cybersecurity as a collective responsibility by all financial institutions.
- Installing anti-skimming devices to the ATM booths.
- Use of EMV (Euro pay, MasterCard & Visa) Standard card to avoid skimming.

The present described overview is of ongoing efforts to prevent and control technology and computer related crime, highlighting general trends and development within and outside the banking sector of Bangladesh. The banking industry is constantly experiencing cybercrimes. Since there was no noteworthy incidents of cybercrime took place in the banking sector of Bangladesh before 2016, there was no urge for such protective measures against those crimes. But now it is high time for the banks to concentrate on cyber risk management and mitigation. So, new technologies and services must be adopted to cope with the situation as well as competition and security governance must be complied with technological and legal advancement in the area of banking sector is necessary to overcome the cyberthreats in banking industry.

As a regulatory authority of the banking sector, Bangladesh Bank has released the third version of ICT Security Guideline for banks and financial institutions focusing on different necessary controls for securing banking transactions including management guidance for adoption of secure technology and skilled manpower, Risk management, alternate delivery channels security, capacity management, BYOD controls, network perimeter security, project management approaches and other necessary compliance issues. Bangladesh Bank also instructed banks to adopt cyber security governance, assess full cyber risk and to take adequate plan to mitigate cyber threats.

- "Rules and Procedures" has been published on 11 January 2010.
- "Guidelines on Mobile Financial Services for the Banks" has been published on 22 September 2011.
- "Guidelines on Agent Banking for the Banks" has been published on 9 December 2013.
- "Bangladesh Payment and Settlement Systems Regulations (BPSSR), 2014" has been published on 15 May 2014.
- "Bangladesh Electronic Funds Transfer Network (BEFTN) Operating Rules" has been published on 15 May 2014.
- "National Payment Switch Bangladesh (NPSB) Switch Operating Rules and User Manual: Disputes Management Rules" has been published on 14 May 2015.
- "Bangladesh Real Time Gross Settlement (BD-RTGS) Systems Rules" has been published on 9 September 2015.

Other Payment Systems Initiatives

12.20 In order to fulfill the ever growing demand for faster and efficient payment methods, the Payment Systems Department (PSD) of Bangladesh Bank is closely working with the international organisations to develop a safe, secure and efficient payment

infrastructure for the country following the international best practices. Bangladesh Bank has finalised the draft Payment Systems Act which is now under process to send the same to the concern ministry for required approvals. PSD is working closely with the Government organisations for introducing online VAT payment system. PSD is also working to find out the financial and economic benefits of the country's electronic payment methods. In this continuation, a new initiative has been undertaken with IFC of World Bank Group.

Awareness Raising Campaign

12.21 Bangladesh Bank has taken a number of initiatives for raising awareness on the new electronic payment systems like automated cheque processing, electronic funds transfer, national payment switch, real time gross settlement and mobile financial services. BB has organised seminars and workshops for officials of all commercial banks, Government offices and industry alliances. Besides, BB has been working to popularise electronic funds transfer network among the stakeholders like Chamber of Commerce, Stock Exchanges, Bangladesh

Security and Exchange Commission, Central Depository Bangladesh Limited, National Board of Revenue, etc. PSD has arranged several seminar, rally and rode-show at different divisional city as a part of awareness raising campaign.

12.22 Electronic payment and settlement systems have already proved their potential by offering fast, secure and cost-effective financial services. Specially, paper-less EFT transactions are gaining popularity among the corporate bodies, stock exchange members and industry alliances. The mobile financial services, m-commerce and e-commerce are significantly changing the financial services landscape of the country. NPSB will increase end-user centric electronic payments and broaden the landscape for financial transactions in the country. These electronic modes of payment have already improved operational efficiency, increased transaction frequency and brought stability and flexibility in all spheres of the financial market. Implementation of RTGS has taken the country's Payment and Settlement System at per international standard.

Administration

13.1 Administrative and managerial issues of Bangladesh Bank are presented in this chapter.

Appointment of New Governor

13.2 Mr. Fazle Kabir took charge as Governor of Bangladesh Bank from 20 March 2016 after the resignation of Dr. Atiur Rahman on 15 March 2016.

Appointment of New Directors in the Board

13.3 Mr. Abu Hena Mohd. Razee Hassan was nominated as the Director of the Board in place of Mr. Md. Abul Quasem with effect from 10 April 2016. Dr. Jamaluddin Ahmed and Dr. Rushidan Islam Rahman were appointed as Directors of the Board with effect from 13 March 2016. Mr. Md Eunusur Rahman was appointed as Director of the Board in place of Dr. M Aslam Alam with effect from 21 March 2016. Mr. Mohammad Naushad Ali Chowdhury was appointed as Secretary to the Board in place of Mr. Md. Nazimuddin with effect from 14 June 2016. Twelve meetings of the Board of Directors were held during FY16.

Executive Committee

13.4 Under section 12(1) of Bangladesh Bank Order 1972 (President's Order No. 127 of 1972), the Executive Committee during FY16 was reconstituted but yet not finalised. During FY16, three meetings of the Executive Committee were held.

Audit Committee of the Board

13.5 In line with the international best practices for strengthening good governance, an Audit Committee was formed by the Board

of Directors on 12 August 2002 comprising four non-executive directors to assist the Board in discharging its oversight responsibilities on financial reporting, internal control and compliance and auditing process.

Mr. Aminur Rahman Chowdhury, FCA was appointed as a non-executive financial adviser to the Audit Committee on 9 June 2015 in place of Dr. Jamaluddin Ahmed, FCA to assist the Committee on issues related to accounting and financial reporting. The Audit committee of the Board of Bangladesh Bank for FY16 was also reconstituted but yet not finalised. Five meetings of the previous Audit Committee were held during FY16.

In accordance with the Internal Audit Department Charter approved by the Audit Committee of the Board of Directors of the BB, the Internal Audit Department (IAD) identified 55 auditable units (departments/offices/units/cells) and constructed audit plan for FY16. Audits were conducted four times a year in 11 auditable units, twice a year in 9 auditable units, once a year in 3 auditable units identified as high risk, and once a year in the rest of 32 auditable units identified as medium or low risk. The audit reports were placed before the Governor and the Audit Committee of the Board. Five meetings of the Audit committee were held during FY16. The guidance / directives / recommendations received by the IAD from the Governor and the Audit Committee were conveyed to relevant auditable units for implementation. Progress reports on implementation of these guidance/directives/recommendations were placed before the meeting of the Audit Committee.

Executive Management Team

13.6 The Executive Management Team (EMT) consists of Governor, Deputy Governors, Economic Adviser and all Executive Directors. This team reviews the implementation status of Bank's overall activities. A total of four meetings of the EMT were held during FY16.

New Appointment in Different Posts

13.7 A total of 43 officials/ staffs were appointed in different posts during FY16. New appointment during FY16 was as follows:

Assistant Director (General)	5
Assistant Director (Statistics)	7
Assistant Director (Engineering-Civil)	6
Assistant Director (Engineering-Mechanical)	1
Staff	24
Total	43

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

13.8 The number of official/staff of the Bank under retirement/ voluntary retirement/ resignation/ removal/ suspension/ death during FY16 was as under:

Retirement	267
Voluntary Retirement	9
Resignation	10
Death	15
Compulsory Retirement	6
Removal	2
Suspension	-
Total	309

Creation/ Abolition of Posts

13.9 In FY16, 396 new posts of officials and 187 posts of staffs were created. Considering the importance of the job, 50 posts of officials were upgraded by abolishing these posts during this period. At the end of the year, the total number of sanctioned post stood at 8707 compared to 8124 in the previous year.

Sanctioned and Working Strength of Officials and Staff

13.10 The sanctioned and working strength of officials and staff as on 30 June 2016 were as follows:

Category	Sanctioned strength	Working strength	Vacant
Class-I	5244	4019	1225
Class-II	1019	117	902
Class-III	1857	1324	533
Class-IV	587	266	321
Total	8707	5726	2981

During FY16, working strength of officials (Class-I & Class-II) decreased by 6.64 percent to 4136 from 4430 and that of staffs (Class-III & Class-IV) decreased by 2.87 percent to 1590 from 1637. At the end of the fiscal year, the ratio of officials to staff remained about 2.6:1. About 34.24 percent of the sanctioned posts remained vacant on 30 June 2016.

Promotion

13.11 During FY16, 1003 officials and 278 staffs were promoted to their next higher grade.

Number of Officers on Deputation/ Lien

13.12 At the end of FY16, 65 officials of the Bank were working on deputation at different institutions of the country and abroad. 41 officials were on lien, of which 26 were working within the country and 15 abroad.

Reorganisation/ Newly Established Departments of the Bank

13.13 During FY16, a department named "Bankers Selection Committee Secretariat" was established in Bangladesh Bank, Head Office as per the gazette issued by the Ministry of Finance in order to recruit officer Class-I and officer Class-II for 14 Government banks and financial institutions. Another department named "Financial Institutions

Inspection Department" was also established in Bangladesh Bank, Head Office to make inspection more effective and timely. An unit named "JICA Project Implementation Unit" under SME & Special Programmes Department and a cell named "Income Tax Assessment Cell" were established under Expenditure Management Department-1. An unit named "Central Project Monitoring Unit" under Financial Sector Support and Strategic Planning Department was also established to work as Focal Point of all projects currently running in Bangladesh Bank.

Welfare Activities and Approval of Scholarship

13.14 During FY16, an amount of Taka 0.24 million was given as medical assistance from the Karmachary/ Karmakarta Kallyan Tahbil, established under the auspicious of the Governor. Besides, an amount of Taka 73.12 million was allotted to Bangladesh Bank Schools, Mosques, Clubs, Day Care, Freedom Fighters' Welfare Units, etc. to carry out their recreation and welfare activities.

Foreign Training and Study

13.15 A number of 606 officials of the Bank participated in different training courses/ seminars/ workshops in abroad during FY16. Moreover, 16 officials were approved of deputation /study leave in abroad.

Domestic Training and Study

13.16 During FY16, a total of 712 officials of the Bank participated in different training courses/seminars/workshops within the country organised by different institutions (other than the BBTA). Moreover, 49 officials were allowed to leave for higher study within the country during FY16.

Step towards Automation and Paperless Environment

13.17 Document Management System (DMS) has been implemented. All kinds of

documents which are moving inward or outward can be searched through DMS. The process of implementing e-noting system is going on. In order to create a central archive for all documents, document archive process has been initiated. E-attendance system has been introduced. Automated system for ordinary leave has been incorporated under leave management system. Employees can now apply for ordinary leave through this system. These steps make day to day operational services more comfortable for the employees as well as help the bank to create a paperless environment.

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

13.18 With a view to improving theoretical and practical knowledge as well as increasing professional skill and efficiency of officials of Bangladesh Bank, commercial banks, non-bank financial institutions, government and non-government organisations, Bangladesh Bank Training Academy (BBTA) conducts a wide range of activities. To add values to knowledge management process, apart from training, different types of seminars, workshops are also arranged by BBTA. In view of enhancing the capacity of the faculty members and updating them with the changing knowledge frontiers in various fields relating to economics, finance and banking BBTA also arranges 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 139 training courses, workshops and seminars during FY16 held at the BBTA premises and other offices of Bangladesh Bank. A total of 6933 participants participated in the following mentioned courses. The courses conducted by the BBTA during FY16 are shown in Table 13.1.

Table 13.1 Statement on different training courses, workshops and seminars organised by the Bangladesh Bank Training Academy during FY16

Sl. no	Subjects	Number of courses	Number of participants
1	2	3	4
A. Foundation Course		2	120
1) Foundation Course (AD) - 2015		1	60
2) Foundation Course (AD) - 2016		1	60
B. Other Training Courses		120	3999
i) For officials of the Bangladesh Bank		54	1394
1) Adaptive Leadership Development and Communication		1	25
2) Banking Supervision, Supervisory Review and Evaluation Process According to BASEL II, Pillar 2		1	26
3) Banking Supervision and Financial Stability		3	71
4) Basic Econometrics		1	32
5) Corporate Governance in Banks		1	33
6) Currency Management, Payment & Settlement Systems in Bangladesh		1	30
7) e-Banking		1	28
8) e-Commerce and e-Banking		1	34
9) Emerging Trends in Electronic Fund Transfer/EFT Fraud Mitigation		1	31
10) Financial Inclusion & Sustainable Financing		1	30
11) Financial Stability Analysis		1	26
12) Financial Statement Analysis & Ratio Analysis for Banking Supervisors		3	77
13) Financing Agriculture and Rural Development		2	41
14) Fiscal Policy		1	30
15) Foreign Exchange Inspection Procedure on AD Branches		3	75
16) Foreign Exchange Regulations (Amendment) Act, 2015		1	24
17) ICT Risk Management		1	38
18) Integrity and Anticorruption in Financial Sector		2	62
19) Introduction to Foreign Exchange & Foreign Trade		2	46
20) Laws Relating to Banks and NBFIs		1	23
21) Leadership, Team Building & Negotiation Skills		1	22
22) Macro Prudential Regulations		1	22
23) Monetary Policy Formulation and Implementation Process in Bangladesh Bank		2	21
24) Presentation Skill for Enhancing Managerial Performance		1	49
25) Prevention of Fraud/Forgery in Credit Card/Internet Banking/Mobile Banking		2	46
26) Prevention of Money Laundering and Terrorist Financing		1	58
27) Problem Bank Reform, Restructuring and Resolution		1	27
28) Procurement Management in BB		2	23
29) Research Methodology and Data Analysis		1	39
30) Risk Based Supervision		1	22
31) SME Financing		1	27
32) Stress Testing		1	20
33) Techniques of Bank Supervision and Inspection Report Writing		1	27
34) Techniques of NBFIs Supervision and Inspection Report Writing		1	30
35) Training Course on ERP-FICO Module		2	25
36) Training Course on ERP-MM Module		1	32
37) UCP 600 & Other Important ICC Publications		2	27
38) Understanding Financial Reports		3	52
ii) For the officials of Commercial Banks		71	65
1) Bank Fraud Detection Related with SME Banking		1	32
2) Capital Adequacy for Banks according to BASEL III		2	56
3) CIB Business Rules and Online Systems		8	611
4) Classification, Provisioning and Rescheduling of Loans		7	460
5) Credit Risk Management		1	33
6) Delinquency Management and Supervising Troubled Credit Institution		2	53
7) Detection, Disposal of Forged & Mutilated Notes		9	668
8) Foreign Direct Investment and External Debt Reporting		2	80
9) Foreign Exchange & Foreign Trade		2	64
10) Foreign Exchange Transaction Reporting		1	33
11) Guideline on ICT Security for Banks & NBFIs		3	108
12) ICT Risk Management		2	61
13) Integrated Supervision System (ISS)		4	365
14) Integrated Supervision System (ISS) Reporting		3	223
15) Islamic Banking & Finance		2	68
16) Money & Banking Data Reporting		9	387
17) Online Foreign Exchange Transaction Reporting		3	118
18) Policy / Directives and Current issues of BB		1	39
19) Prevention of Money Laundering and Terrorist Financing		5	770
20) SME Credit Risk Management		1	26
21) SME Customer Advocacy and Business Plan Analysis for SME Banker		1	28
22) Reporting of Capital Assessment and Leverage Ratio of Banks under BASEL III Accords in Bangladesh		2	157
C. Workshops/ Seminars/ Lecture Sessions		11	957
1) CIB Business Rules & Online Systems		1	65
2) Classification & Provisioning and Rescheduling of Loan		2	77
3) Course on Cash Officers of SCB		1	350
4) Daylong Program on Leadership		1	31
5) Detection, Disposal of Forged & Mutilated Notes		1	34
6) Executive Development Seminar		1	105
7) Prevention of Money Laundering		1	30
8) Seminar on Economic Diplomacy		1	62
9) Training Course on AML/CFT		1	175
10) Understanding of Economic Indicators		1	28
D. International Training Courses/ Seminars		1	22
1) 2nd International Study Visit Programme on Financing MSMEs in Bangladesh		1	22
Grand total(A+B+C+D)		139	6933

Source: Bangladesh Bank Training Academy.

Financial Sector Support Project

13.19 The Financial Sector Support Project (FSSP) implemented with the assistance of International Development Association (IDA) to improve financial market infrastructure, regulatory and oversight capacity of Bangladesh Bank and access to long term financing for manufacturing sector in Bangladesh for ensuring stability and greater resilience of the financial sector. The total approved project cost is USD 350.00 million of which IDA will provide USD 300.00 million and Bangladesh Bank will provide USD 50.00 million.

13.20 The project will implemented through three major components over the project term. The components are (a) developing key financial market infrastructure through benchmarking with international best practices, (b) strengthening the capacity of the regulator to comply with international standards and accords on banking sector supervision and regulation, and (c) serving as a catalyst for developing a financial market in long-term finance market segment. Specific objectives of these components are as follows:

a. Strengthening Financial Market Infrastructure

13.21 This component aims to improve financial IT infrastructure of the country further, specially focusing on: (a) development of payment and settlement system to ensure a large scale shift to electronic payments in Bangladesh, specially the Government payments, (b) expanding and modernising Credit Information Bureau (CIB) by including credit information of the micro-finance sector and increasing reliability of credit reporting system, (c) strengthening the systems of BFIU by integrating with systems of other stakeholders thereby leading to safety and integrity of the financial systems and (d) strengthening the IT governance and IT management of the

Bangladesh Bank to lay a robust and secured financial platform for advanced financial market. Necessary capacity building and knowledge transfer initiatives will also be taken to make the officials of the central bank and its associated organisations to embrace the new technologies and align their regular functions with the technology based new processes.

b. Strengthening Regulatory and Supervisory Capacity

13.22 The project expects to provide technical assistance towards development and adoption of comprehensive risk-based integrated approach to banking regulation and supervision, which would include related documentation and training. Currently, rules based approach is in place to regulate and supervise the banking system. However, the risk based approach evolves the supervisory process toward one that is more anticipatory. This component will help BB to migrate to a risk-based approach to supervision to discharge its responsibilities to ensure a safe and sound banking system. Technical support will also be provided by appointing national and international individual adviser/consultant(s) or firm(s) to help building the system and develop the capacity to review and strengthen prudential regulations in future.

c. Supporting Long Term Finance

13.23 One of the deficiencies of the current financial market structure is inadequate sources of long term fund to meet the demand of productive sector of the country. As a result, financing need for long term investments are met with relatively shorter maturity funds creating maturity mismatch both at banks and investors book. Hence there is a demand for long term financing for manufacturing sectors to maintain growth through up-gradation of technology and production lines and improve compliance with the international standards on social and environmental practices. This prime component

of the project will provide long term funds, specially in US Dollar, which would be channelled by BB to eligible partner financial institutions (PFIs) based on eligibility criteria for lending. The fund will be available, on demand to the manufacturing enterprises for procurement of capital machineries, equipment and other needs of industry for setting up of new firm, expansion and/or up-gradation. The project would extend technical assistance to support PFIs to build appraisal skills (including on assessing safeguards risks) and to funded borrowers. So

far, PFI agreement has been signed with 25 scheduled banks. Seven loan applications for USD 33.0 million have been approved among which USD 7.09 million has been disbursed.

On successful implementation of the project, it is expected that the IT infrastructure of the financial market will be strengthened, the regulatory and supervisory capacity of the central bank will migrate to a more advanced level and an additional production capacity will be created which increase real output of the country.

Bangladesh Bank's Accounts for 2015-2016

14.1 Financial results of Bangladesh Bank for FY16 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). Executive summary of accounts of Bangladesh Bank (excluding SPCBL) is represented below.

Income

14.2 The total operating income of the Bank (excluding foreign currency revaluation gain/loss) for FY16 increased by Taka 6.95 billion (24.76 percent) to Taka 35.02 billion compared to Taka 28.07 billion in FY15. With foreign currency revaluation, total operating income of the Bank increased by Taka 37.28 billion to Taka 28.83 billion compared to loss of Taka 8.45 billion in FY15. The sources of income are set out in table 14.1.

Income from Foreign Currency Financial Assets

14.3 During FY16, Bank's income from the foreign currency financial assets increased by Taka 6.71 billion (54.73 percent) to Taka 18.97 billion compared to Taka 12.26 billion in FY15 due to combined impact of increase in weighted average interest rate on investment of foreign currency.

Income from Local Currency Financial Assets

14.4 Bank's income from local currency financial assets increased by Taka 0.24 billion (1.51 percent) to Taka 16.05 billion in FY16

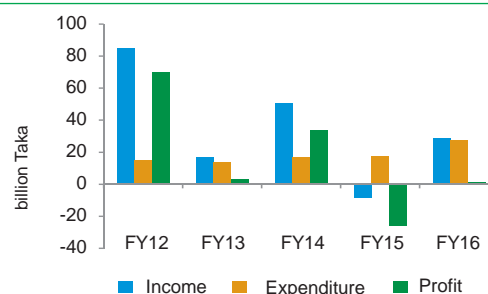
Table 14.1 Sources of income (billion Taka)

	FY16	FY15
Operating Income		
A. Income from foreign		
currency financial assets	18.97	12.26
Interest income	17.45	11.93
Commission and discounts	1.51	0.33
B. Income from local		
currency financial assets	16.05	15.81
Interest income	9.70	14.08
Commission & discounts	0.79	1.38
Dividend income & misc.	0.12	0.00
Other income	5.45	0.32
Total : (A+B)	35.02	28.07
C. Foreign exchange		
revaluation gain (loss)	(6.19)	(36.52)
Realised gain/(loss)	(0.85)	(0.00)
Unrealised gain/(loss)	(5.34)	(36.52)
Total : (A+B+C)	28.83	(8.45)

Note : Parenthesis indicate negative/loss.

Source: Accounts and Budgeting Department, Bangladesh Bank.

Chart 14.1 Bank's income, expenditure and profit



Source: Accounts and Budgeting Department, Bangladesh Bank.

compared to Taka 15.81 billion in FY15 due mainly to the combined impact of efficient receipt of revenue income and efficient credit management of the Government and efficient liquidity management of Bangladesh Bank.

Foreign Currency Revaluation Gain

14.5 During FY16, BB made a loss of Taka 6.19 billion on foreign currency revaluation. This was due to major foreign currencies held by the Bank become weaker against the Bangladeshi Taka. This revaluation loss was transferred to reserve account.

Expenditure

14.6 Total expenditure of the Bank increased by Taka 9.61 billion (54.32 percent) to Taka 27.30 billion in FY16 compared to Taka 17.69 billion in FY15 due mainly to increase in general and administrative cost. The details of expenditure are shown in Table 14.2.

Financial Cost

14.7 Financial cost increased by Taka 7.03 billion (129 percent) to Taka 12.48 billion in FY16 compared with Taka 5.45 billion in FY15 due mainly to increase in interest payments on foreign and local currency financial liabilities.

Other Expenses

14.8 Other expenses increased by Taka 2.58 billion (21.08 percent) to Taka 14.82 billion in FY16 compared to Taka 12.24 billion in FY15 due mainly to increase in general and administrative cost.

Profit

14.9 Operating profit of the Bank (excluding foreign currency revaluation gain/loss) is Taka 7.72 billion in FY16 compared to

Table 14.2 Bank's expenditure

(billion Taka)

Particulars	FY16	FY15
A. Financial cost	12.48	5.44
Expenses on foreign currency financial liabilities	0.54	0.42
Interest on foreign currency financial liabilities	0.32	0.16
Commission & other expenses on foreign currency financial liabilities	0.22	0.26
Expenses on local currency financial liabilities	11.94	5.03
Interest expense on local currency financial liabilities	8.02	1.87
Commission & other local currency financial liabilities	3.92	3.15
B. Other expenses	14.82	12.24
Note printing	3.32	3.82
General & administrative expenses	11.50	8.42
Total expenditure (A+B)	27.30	17.69

Source: Accounts and Budgeting Department, Bangladesh Bank.

operating profit amounting Taka 10.38 billion in FY15. Operating loss of the Bank (including foreign currency revaluation gain/loss) is Taka 1.53 billion in FY16 compared to operating profit amounting Taka 26.14 billion in FY15.

Other Comprehensive Income

14.10 During the year, the Bank made revaluation gain amounting to Taka 7.58 billion on gold, silver and financial instruments. This revaluation gain was taken into other comprehensive income and subsequently transferred to the reserve account. Revaluation gain arose due to increase in value of gold and silver in the international market after revaluation.

Profit Appropriation

14.11 Out of Taka 7.72 billion profit, an amount of Taka 0.55 billion was transferred to statutory funds, Taka 0.10 billion to

Bangladesh Bank Disaster Management and Social Responsibility Fund and Taka 0.29 billion to asset renewal & replacement reserve. After adjusting of Taka 0.01 billion of interest reserve, Taka 6.78 billion was transferred to the Government account which was Taka 2.79 billion less from Taka 9.57 billion in FY15.

Combined Balance Sheet of Banking and Issue Department

Assets

14.12 Foreign currency financial assets increased by Taka 468.72 billion (23.30 percent) to Taka 2480.30 billion in FY16 compared to Taka 2011.58 billion in FY15 due to increase in foreign reserves.

14.13 Local currency financial assets increased by Taka 100.01 billion (42.33 percent) to Taka 336.59 billion in FY16 compared to Taka 236.49 billion in FY15 due mainly to increase in loans to Government in various forms.

14.14 Non financial assets of the Bank decreased by Taka 0.98 billion to Taka 42.13 billion in FY16 from Taka 43.11 billion in FY15.

Liabilities

14.15 Foreign currency financial liabilities increased by Taka 61.16 billion (19.32 percent) to Taka 377.80 billion in FY16 from Taka 316.64 billion in FY15 due mainly to increase in liabilities with IMF.

Local currency financial liabilities increased by Taka 508.23 billion (27.79 percent) to Taka 2336.93 billion in FY16 compared to Taka

1828.70 billion in FY15 due to increase in notes in circulation, short term borrowings and deposits from banks and financial institution in local currency.

Notes in Circulation

14.16 Notes in circulation increased by Taka 333.67 billion (34.27 percent) to Taka 1307.30 billion in FY16 compared to Taka 973.63 billion in FY15. For the liabilities of notes in circulation (amounting to Taka 1307.30 billion) Taka 7.28 billion was backed by gold and silver, Taka 1210.0 billion by approved foreign currency (balance held outside Bangladesh), Taka 43.65 billion by Government securities, Taka 4.50 billion by Bangladesh Taka coins and Taka 29.88 billion by other domestic assets.

Equity

14.17 Total equity of the Bank decreased by Taka 1.56 billion to Taka 144.28 billion in FY16 compared to Taka 145.84 billion in the previous year. The equity of the Bank is enumerated below:

- i. Capital of the Bank remain unchanged at Taka 0.03 billion;
- ii. Retained earnings decreased by Taka 2.79 billion to Taka 6.78 billion in FY16 compared to Taka 9.57 billion in FY15;
- iii. Revaluation reserve increased by Taka 1.29 billion to Taka 65.49 billion in FY16 compared to Taka 64.20 billion in FY15;
- iv. Currency fluctuation reserve decreased by Taka 0.86 billion to Taka 25.81 billion in FY16 compared to Taka 26.67 billion in FY15;

- v. Balance of statutory fund increased by Taka 0.55 billion to Taka 16.12 billion in FY16 compared to Taka 15.57 billion in FY15;
- vi. Non statutory fund decreased to Taka 14.17 billion in FY16 from Taka 14.22 billion in FY15.
- vii. Other reserves increased to Taka 11.63 billion from Taka 11.34 billion; and
- viii. General reserve remained unchanged to Taka 4.25 billion.

Foreign Currency Reserve

14.18 Foreign currency reserve increased by Taka 418.22 billion (21.48 percent) to Taka

2365.19 billion in FY16 compared to Taka 1946.97 billion in FY15.

Consolidation

14.19 During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCBL), a 100 percent owned subsidiary of Bangladesh Bank has been consolidated with the accounts of Bangladesh Bank.

Auditors

14.20 The financial statements of Bangladesh Bank for FY16 were audited as per International Standards on Auditing (ISA) by Rahman Rahman Huq & A Qasem & Co, Bangladesh, Chartered Accountants.

BANGLADESH BANK

AUDITED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2016

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 (together referred to as "financial statements") of Bangladesh Bank ("the Bank") and its subsidiary ("the Group"), which comprise the separate and consolidated statements of financial position as at 30 June 2016, the separate and consolidated statements of profit or loss and other 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.

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.

Auditor's 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 2016, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 10 to the financial statements, where management explains why it believes Taka 6365 million of the Bank's funds paid out through unauthorised transactions in February 2016 are recoverable. Our opinion is not qualified in respect of this matter.

Rahman Rahman Huq

Chartered Accountants, Bangladesh

30 August 2016

A. Qasem & Co.

Chartered Accountants, Bangladesh

Bangladesh Bank
Consolidated Statement of Financial Position as at 30 June 2016

Assets	Notes	2016 Taka '000	2015 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	45,017,497	21,015,860
Foreign investments	5	2,034,674,417	1,684,393,258
Assets held with International Monetary Fund	6.01	208,949,924	131,148,185
Gold and Silver	7	7,278,889	6,414,663
Claims from Gold transactions	8	38,849,350	34,181,082
Foreign currency loans to banks	9	132,234,324	127,742,085
Other foreign currency financial assets	10	13,292,207	6,680,465
Total foreign currency financial assets		2,480,296,608	2,011,575,598
Local currency financial assets			
Taka coin and cash balances	11	16,684,618	14,483,987
Securities purchased under agreement to resell	12	8,480,000	-
Loans to the Government of Bangladesh	13	199,109,179	112,289,585
Local currency investments	14	5,361,392	6,269,086
Local currency loans to banks, financial institutions and employees	15	105,593,068	107,040,212
Other local currency financial assets	16	3,794,147	531,648
Total local currency financial assets		339,022,404	240,614,518
Total financial assets		2,819,319,012	2,252,190,116
Non-financial assets			
Property, plant and equipment	17	48,877,467	46,150,428
Intangible assets	18	310,986	445,179
Other non-financial assets	19	8,049,643	9,137,878
Total non-financial assets		57,238,096	55,733,485
Total assets		2,876,557,108	2,307,923,601
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Deposits from banks and financial institutions	20	147,635,399	149,159,932
Liabilities with International Monetary Fund	6.02	230,167,566	167,475,874
Total foreign currency financial liabilities		377,802,965	316,635,806
Local currency financial liabilities			
Notes in circulation	21	1,307,303,718	973,633,449
Deposits from banks and financial institutions	22	608,937,407	503,017,274
Short-term borrowings	23	263,401,402	180,721,995
Other local currency financial liabilities	24	159,202,708	173,881,247
Total local currency financial liabilities		2,338,845,235	1,831,253,965
Total liabilities		2,716,648,200	2,147,889,771
Equity			
Capital	25	30,000	30,000
Retained earnings	32	15,759,609	17,210,948
Revaluation reserves	26	71,492,208	70,204,248
Currency fluctuation reserve	27	25,812,199	26,663,944
Statutory funds	28	16,117,046	15,567,046
Non statutory funds	29	14,167,170	14,219,468
Other reserves	30	11,630,176	11,337,676
General reserve	31	4,900,500	4,800,500
Total equity		159,908,908	160,033,830
Total liabilities and equity		2,876,557,108	2,307,923,601

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Jaker Hossain
General Manager (Current Charge)
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

Bangladesh Bank
Separate Statement of Financial Position as at 30 June 2016

Assets	Notes	2016 Taka '000	2015 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	45,017,497	21,015,860
Foreign investments	5	2,034,674,417	1,684,393,258
Assets held with International Monetary Fund	6.01	208,949,924	131,148,185
Gold and Silver	7	7,278,889	6,414,663
Claims from Gold transactions	8	38,849,350	34,181,082
Foreign currency loans to banks	9	132,234,324	127,742,085
Other foreign currency financial assets	10	13,292,207	6,680,465
Total foreign currency financial assets		2,480,296,608	2,011,575,598
Local currency financial assets			
Taka coin and cash balances	11.01	4,514,122	321,706
Securities purchased under agreement to resell	12	8,480,000	-
Loans to the Government of Bangladesh	13	199,109,179	112,289,585
Local currency investments	14.01	16,715,000	17,795,000
Local currency loans to banks, financial institutions and employees	15.01	104,337,052	105,913,487
Other local currency financial assets	16.01	3,432,361	169,283
Total local currency financial assets		336,587,714	236,489,061
Total financial assets		2,816,884,322	2,248,064,659
Non-financial assets			
Property, plant and equipment	17.01	38,277,961	38,508,515
Intangible assets	18	310,986	445,179
Other non-financial assets	19.01	3,545,143	4,158,581
Total non-financial assets		42,134,090	43,112,275
Total assets		2,859,018,412	2,291,176,934
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Deposits from banks and financial institutions	20	147,635,399	149,159,932
Liabilities with International Monetary Fund	6.02	230,167,566	167,475,874
Total foreign currency financial liabilities		377,802,965	316,635,806
Local currency financial liabilities			
Notes in circulation	21	1,307,303,718	973,633,449
Deposits from banks and financial institutions	22	608,937,407	503,017,274
Short-term borrowings	23	263,401,402	180,721,995
Other local currency financial liabilities	24.01	157,291,212	171,327,094
Total local currency financial liabilities		2,336,933,739	1,828,699,812
Total liabilities		2,714,736,704	2,145,335,618
Equity			
Capital	25	30,000	30,000
Retained earnings	32.01	6,782,579	9,568,604
Revaluation reserves	26.01	65,492,038	64,204,078
Currency fluctuation reserve	27	25,812,199	26,663,944
Statutory funds	28	16,117,046	15,567,046
Non statutory funds	29	14,167,170	14,219,468
Other reserves	30	11,630,176	11,337,676
General reserve	31.01	4,250,500	4,250,500
Total equity		144,281,708	145,841,316
Total liabilities and equity		2,859,018,412	2,291,176,934

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Jaker Hossain
General Manager (Current Charge)
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

Bangladesh Bank
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

Income	Notes	2016 Taka '000	2015 Taka '000
Income on foreign currency financial assets			
Interest income	33	17,454,853	11,925,063
Commission and discounts	34	1,513,917	333,593
Total income on foreign currency financial assets		18,968,770	12,258,656
Income from local currency financial assets			
Interest income	36	10,855,126	15,043,034
Commission and discounts	37	787,996	1,382,469
Sales to other parties by subsidiary		1,969,620	1,931,237
Other income		5,475,430	347,606
Total income from local currency financial assets		19,088,172	18,704,346
Total income		38,056,942	30,963,002
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense	35	(318,753)	(163,563)
Commission and other expenses		(219,169)	(256,150)
Total expenses on foreign currency financial liabilities		(537,922)	(419,713)
Expenses on local currency financial liabilities			
Interest expense	39	(8,019,538)	(1,873,588)
Commission and other expenses	40	(3,917,654)	(3,153,009)
Total expenses on local currency financial liabilities		(11,937,192)	(5,026,597)
Other expenses			
General and administrative expenses	41	(16,422,064)	(14,267,927)
Total other expenses		(16,422,064)	(14,267,927)
Total expenses		(28,897,178)	(19,714,237)
Foreign currency revaluation gain/(loss) - unrealised		(5,343,169)	(36,521,334)
Foreign currency revaluation gain/(loss) - realised		(851,744)	(96,292)
Profit/(loss) for the year		2,964,851	(25,368,861)
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		5,513,437	(4,823,824)
Silver revaluation gain/(loss)		19,057	(74,807)
Revaluation gain/(loss) on financial instruments		2,049,023	4,507,599
Total other comprehensive income		7,581,517	(391,032)
Total comprehensive income for the year		10,546,368	(25,759,893)

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Jaker Hossain
General Manager (Current Charge)
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

Bangladesh Bank
Separate Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

Income	Notes	2016 Taka '000	2015 Taka '000
Income on foreign currency financial assets			
Interest income	33	17,454,853	11,925,063
Commission and discounts	34	1,513,917	333,593
Total income on foreign currency financial assets		18,968,770	12,258,656
Income from local currency financial assets			
Interest income	36.01	9,698,529	14,084,803
Commission and discounts	37	787,996	1,382,469
Dividend income		120,000	25,000
Other income	38	5,446,490	323,836
Total income from local currency financial assets		16,053,015	15,816,108
Total income		35,021,785	28,074,764
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense	35	(318,753)	(163,563)
Commission and other expenses		(219,169)	(256,150)
Total expenses on foreign currency financial liabilities		(537,922)	(419,713)
Expenses on local currency financial liabilities			
Interest expense	39	(8,019,538)	(1,873,588)
Commission and other expenses	40	(3,917,654)	(3,153,009)
Total expenses on local currency financial liabilities		(11,937,192)	(5,026,597)
Other expenses			
Note printing expenses		(3,318,647)	(3,817,289)
General and administrative expenses	41.01	(11,502,946)	(8,423,247)
Total other expenses		(14,821,593)	(12,240,536)
Total expenses		(27,296,707)	(17,686,846)
Foreign currency revaluation gain/(loss) - unrealised		(5,343,169)	(36,521,334)
Foreign currency revaluation gain/(loss) - realised		(851,744)	(96,292)
Profit/(loss) for the year		1,530,165	(26,229,708)
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		5,513,437	(4,823,824)
Silver revaluation gain/(loss)		19,057	(74,807)
Revaluation gain/(loss) on financial instruments		2,049,023	4,507,599
Total other comprehensive income		7,581,517	(391,032)
Total comprehensive income for the year		9,111,682	(26,620,740)

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Jaker Hossain
General Manager (Current Charge)
Accounts & Budgeting Department

Abu Hena Mohd. Razee Hassan
Deputy Governor

Fazle Kabir
Governor

Bangladesh Bank
Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

Taka '000

Particulars	Non - distributable											Distributable	Equity
	Capital	Revaluation reserve				Currency fluctuation reserve	Statutory fund	Non-statutory funds	Other reserves		General reserve	Retained earnings	
		Gold and Silver	Foreign currency accounts	Financial instruments	Property, plant & equipment				Asset renewal & replacement reserve	Interest reserve			
Balance as at 1 July 2014	30,000	15,550,641	51,091,529	-	40,474,443	26,760,236	15,017,046	14,222,452	3,034,485	8,128,574	4,700,500	22,525,327	201,535,233
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(16,050)	(16,050)
Dividend paid for 2013-2014	-	-	-	-	-	-	-	-	-	-	-	(15,627,781)	(15,627,781)
Total comprehensive income for the year	-	(4,898,630)	(36,521,334)	4,507,599	-	(96,292)	-	-	-	-	-	11,248,766	(25,759,893)
Utilisation of funds ¹	-	-	-	-	-	-	-	(102,984)	-	-	-	-	(102,984)
Prior year adjustment ²	-	-	-	-	-	-	-	-	-	-	-	5,303	5,303
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	291,500	(116,883)	-	(824,617)	-
Transfer to general reserve	-	-	-	-	-	-	-	-	-	-	100,000	(100,000)	-
Balance as at 30 June 2015	30,000	10,652,011	14,570,195	4,507,599	40,474,443	26,663,944	15,567,046	14,219,468	3,325,985	8,011,691	4,800,500	17,210,948	160,033,830
Dividend paid for 2014-2015	-	-	-	-	-	-	-	-	-	-	-	(9,568,603)	(9,568,603)
Total comprehensive income for the year	-	5,532,494	(5,343,169)	2,049,023	-	(851,744)	-	-	-	-	-	9,159,764	10,546,368
Utilisation of funds ¹	-	-	-	-	-	-	-	(152,298)	-	-	-	-	(152,298)
Adjustment against revaluation	-	-	-	(950,389)	-	-	-	-	-	-	-	-	(950,389)
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	292,500	-	100,000	(1,042,500)	-
Balance as at 30 June 2016	30,000	16,184,505	9,227,026	5,606,233	40,474,443	25,812,200	16,117,046	14,167,170	3,618,485	8,011,691	4,900,500	15,759,609	159,908,908

¹ Please refer to note no. 29.

² This amount represents income from derecognition of property, plant and equipment which were not recorded in the prior year.

Bangladesh Bank
Separate Statement of Changes in Equity
For the year ended 30 June 2016

Taka '000

Particulars	Non - distributable											Distributable	Equity
	Capital	Revaluation reserve				Currency fluctuation reserve	Statutory fund	Non-statutory funds	Other reserves		General reserve	Retained earnings	
		Gold and Silver	Foreign currency accounts	Financial instruments	Property, plant & equipment				Asset renewal & replacement reserve	Interest reserve			
Balance as at 1 July 2014	30,000	15,550,641	51,091,529	-	34,474,273	26,760,236	15,017,046	14,222,452	3,034,485	8,128,574	4,250,500	15,643,831	188,203,567
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(16,050)	(16,050)
Dividend paid for 2013-2014	-	-	-	-	-	-	-	-	-	-	-	(15,627,781)	(15,627,781)
Total comprehensive income for the year	-	(4,898,630)	(36,521,334)	4,507,599	-	(96,292)	-	-	-	-	-	10,387,918	(26,620,740)
Utilisation of funds ¹	-	-	-	-	-	-	-	(102,984)	-	-	-	-	(102,984)
Prior year adjustment ²	-	-	-	-	-	-	-	-	-	-	-	5,303	5,303
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	291,500	(116,883)	-	(824,617)	-
Balance as at 30 June 2015	30,000	10,652,011	14,570,195	4,507,599	34,474,273	26,663,944	15,567,046	14,219,468	3,325,985	8,011,691	4,250,500	9,568,604	145,841,316
Dividend paid for 2014-2015	-	-	-	-	-	-	-	-	-	-	-	(9,568,603)	(9,568,603)
"Total comprehensive income for the year"	-	5,532,494	(5,343,169)	2,049,023	-	(851,744)	-	-	-	-	-	7,725,078	9,111,682
Utilisation of funds ¹	-	-	-	-	-	-	-	(152,298)	-	-	-	-	(152,298)
Adjustment against revaluation	-	-	-	(950,389)	-	-	-	-	-	-	-	-	(950,389)
Appropriation of profit to other funds	-	-	-	-	-	-	550,000	100,000	292,500	-	-	(942,500)	-
Balance as at 30 June 2016	30,000	16,184,505	9,227,026	5,606,233	34,474,273	25,812,200	16,117,046	14,167,170	3,618,485	8,011,691	4,250,500	6,782,579	144,281,708

¹ Please refer to note no. 29.

² This amount represents income from derecognition of property, plant and equipment which were not recorded in the prior year.

Bangladesh Bank
Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
Cash flows from operating activities		
Interest received	18,615,066	17,320,021
Interest paid	(8,318,207)	(2,037,150)
Received from customer	1,971,391	1,515,822
Fees, commission and other income received	7,748,249	1,873,282
Commission and discounts paid	(4,136,823)	(3,456,192)
Payments to employees, suppliers, govt. etc.	(17,976,114)	(12,868,135)
Funds advanced from/(to) banks and employees	1,534,682	3,445,120
(Increase)/decrease in other assets	(8,911,482)	(358,475)
Currency issued	333,670,270	126,462,849
Increase/(decrease) in other liabilities	(15,138,567)	(21,364,483)
Net cash from operating activities	309,058,464	110,532,659
Cash flows from investing activities		
Investment income received	9,650,570	6,764,070
(Increase)/decrease in foreign treasury bills and bonds	(1,092,334)	(277,059,508)
(Increase)/decrease in other investments	(5,414,378)	(20,829,203)
(Increase)/decrease in Government securities	(86,819,593)	56,569,155
(Increase)/decrease in foreign currency investment	(6,194,913)	(38,524,845)
(Increase)/decrease in investments in debenture	907,697	1,958,132
Additions to property, plant and equipment	(653,261)	(566,686)
Disposal of property, plant and equipment	3,549	2,397
Settlement of liabilities with IMF	(15,110,058)	(3,536,036)
Net cash used in investing activities	(104,722,723)	(275,222,523)
Cash from financing activities		
Dividend paid to the Government of Bangladesh	(9,568,603)	(15,627,781)
Net cash (used in)/from financing activities	(9,568,603)	(15,627,781)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents as at 1 July	194,767,138	(180,317,645)
Cash and cash equivalents as at 30 June	152,288,221	332,605,866
	347,055,359	152,288,221
Cash and cash equivalents include		
Foreign currency accounts	45,017,497	21,015,860
Foreign investments with maturity of three months or less	1,296,827,378	949,687,576
Taka coin and cash balances	16,684,618	14,483,987
Securities purchased under agreement to resell	8,480,000	-
Foreign currency deposits from banks and financial institutions	(147,615,325)	(149,159,932)
Short term borrowings	(263,401,402)	(180,721,995)
Deposits from banks and financial institutions	(608,937,407)	(503,017,274)
Cash and cash equivalents as at 30 June	347,055,359	152,288,221

Bangladesh Bank
Separate Statement of Cash Flow
For the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
Cash flows from operating activities		
Interest received	18,611,320	16,508,623
Interest paid	(8,318,207)	(2,037,150)
Fees, commission and other income received	7,748,403	1,850,124
Commission and discounts paid	(4,136,823)	(3,456,192)
Payments to employees and suppliers	(13,564,188)	(11,249,458)
Funds advanced from/(to) banks and employees	1,663,972	3,495,228
(Increase)/decrease in other assets	(8,911,482)	(358,475)
Currency issued	333,670,270	126,462,849
Increase/(decrease) in other liabilities	(15,138,567)	(21,364,483)
Net cash from operating activities	311,624,697	109,851,067
Cash flows from investing activities		
Dividends received	120,000	25,000
Investment income received	8,692,802	6,764,070
(Increase)/decrease in foreign treasury bills and bonds	(1,092,334)	(277,059,508)
(Increase)/decrease in other investments	(5,414,378)	(20,829,203)
(Increase)/decrease in Government securities	(86,819,593)	56,569,155
(Increase)/decrease in foreign currency investment	(6,194,913)	(38,524,845)
(Increase)/decrease in investments in debenture	1,080,000	(10,790,000)
Additions to property, plant and equipment	(562,091)	(513,444)
Disposal of property, plant and equipment	3,395	1,784
Settlement of liabilities with IMF	(15,110,058)	(3,536,036)
Net cash used in investing activities	(105,297,172)	(287,893,026)
Cash from financing activities		
Dividend paid to the Government of Bangladesh	(9,568,603)	(15,627,781)
Net cash (used in)/from financing activities	(9,568,603)	(15,627,781)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents as at 1 July	196,758,922	(193,669,741)
Cash and cash equivalents as at 30 June	138,125,940	331,795,682
Cash and cash equivalents includes		
Foreign currency accounts	45,017,497	21,015,860
Foreign investments with maturity of three months or less	1,296,827,377	949,687,576
Taka coin and cash balances	4,514,122	321,706
Securities purchased under agreement to resell	8,480,000	-
Foreign currency deposits from banks and financial institutions	(147,615,325)	(149,159,932)
Short term borrowings	(263,401,402)	(180,721,995)
Deposits from banks and financial institutions	(608,937,407)	(503,017,274)
Cash and cash equivalents as at 30 June	334,884,862	138,125,940

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

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 (P.O. No. 127 of 1972). The Bank is domiciled in Bangladesh and the head office of the Bank is situated at Motijheel C/A, Dhaka-1000.

The Bank has 10 (ten) branch offices situated at the following locations:

Location	Address
Motijheel Office	Motijheel C/A, Dhaka-1000
Chittagong Office	Notun/617, Shahid Sohrwardi Road, Chittagong
Rajshahi Office	Natore Road, Majhi Hata, Boalia, Rajshahi-6000
Bogra Office	Holding - 1683, Thonthonia, Bogra-5800
Rangpur Office	Bangladesh Bank Rangpur Office, Rangpur-5400
Khulna Office	1, Ratan Sen Road, Khulna-9100
Barishal Office	Deen Bondhu Sen Road, Barishal-8200
Sylhet Office	VIP Road, Taltola, Sylhet-3100
Sadarghat Office	Bahadurshah Road, Sadarghat, Dhaka-1000
Mymensingh Office	29, Durgabari Road, Mymensingh-2200

The Bank has exclusive agency arrangement with Sonali Bank Limited for carrying out certain specific treasury related functions across the country. As at 30 June 2016, 593 branches of Sonali Bank Limited were engaged in daily treasury functions under the referred agency arrangement with the Bank.

As per the Article 7A of the Bangladesh Bank Order, 1972, functions of the Bank among others include:

- to formulate and implement monetary policy;
- 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 these.
- to hold and manage the official foreign reserves of Bangladesh;
- to promote, regulate and ensure a secure and efficient payment system including the issue of bank notes; and
- to regulate and supervise banking companies and financial institutions.

The Bank also acts as the banker to the Government as per Article 16(18) of the Bangladesh Bank Order, 1972.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

The entire share capital of the Bank had been allotted to the Government of Bangladesh as per Article 4(2) of the Bangladesh Bank Order, 1972.

The Bank has a fully owned subsidiary company named The Security Printing Corporation (Bangladesh) Ltd. ("SPCBL" or "the subsidiary") which was formed on 22nd April, 1992 for the purpose of printing and supplying of currency notes. The Bank and its subsidiary are collectively referred to as "the Group". Refer to note 3.01(a) and 14.02.

2. Basis of preparation of the financial statements

2.01 Statement of compliance

The consolidated and separate financial statements of the Group and the Bank respectively have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The compliance status of these IFRSs is as follows:

	Compliance status
IAS 1: Presentation of Financial Statements	Complied
IAS 2: Inventories	Complied
IAS 7: Statement of Cash Flows	Complied
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Complied
IAS 10: Events after the Reporting Period	Complied
IAS 11: Construction Contracts	Not applicable
IAS 12: Income Taxes	Complied
IAS 16: Property, Plant and Equipment	Complied
IAS 17: Leases	Complied
IAS 18: Revenue	Complied
IAS 19: Employee Benefits	Complied
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	Complied
IAS 21: The Effects of Changes in Foreign Exchange Rates	Complied
IAS 23: Borrowing Costs	Complied
IAS 24: Related Party Disclosures	Complied
IAS 26: Accounting and Reporting by Retirement Benefit Plans	Not applicable
IAS 27: Separate Financial Statements	Complied
IAS 28: Investment in Associates and Joint Ventures	Not applicable
IAS 32: Financial Instruments: Disclosure and Presentation	Complied
IAS 33: Earnings Per Share	Not applicable
IAS 34: Interim Financial Reporting	Not applicable
IAS 36: Impairment of Assets	Complied
IAS 37: Provisions, Contingent Liabilities and Contingent assets	Complied

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	Compliance status
IAS 38: Intangible Assets	Complied
IAS 39: Financial Instruments: Recognition and Measurement	Complied
IAS 40: Investment Property	Not applicable
IAS 41: Agriculture	Not applicable
IFRS 1: First time Adoption of International Financial Reporting Standards	Complied
IFRS 2: Share based Payment	Not applicable
IFRS 3: Business Combinations	Complied
IFRS 4: Insurance Contracts	Not applicable
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Not applicable
IFRS 6: Exploration for and Evaluation of Mineral Resources	Not applicable
IFRS 7: Financial Instruments: Disclosures	Complied
IFRS 8: Operating Segments	Not applicable
IFRS 10: Consolidated Financial Statements	Complied
IFRS 11: Joint Arrangements	Not applicable
IFRS 12: Disclosure of Interests in Other Entities	Complied
IFRS 13: Fair Value Measurement	Complied

2.02 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following material items in the consolidated and separate statements of financial position ("the statement of financial position"):

Basis of measurement	Material items
"Fair Value (FV)"	Gold and silver
	Claims from gold transactions;
	Property, plant and equipment(PPE)
	US Dollar Treasury bills, foreign bonds
Present Value (PV)	Government Treasury bills and bonds;
	Bangladesh House Building Finance Corporation (BHBFC) debentures;ICB Islamic Bank Limited shares.
	Liability for the defined benefit obligation

2.03 Functional and presentation currency

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

2.04 Relationship between Issue Department and Banking Department

Under the Bangladesh Bank Order, 1972, 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. Accordingly, 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. The separation into departments is made within the Bank and reports on both the Banking and Issue Departments (together referred as "statement of affairs") are made internally and submitted to the Ministry of Finance throughout the year at weekly interval. The annual financial statements are prepared on a combined basis to include all the assets and liabilities of the Bank. The assets backing the note issue as at the year end are disclosed in note 21.

2.05 Use of estimates and judgments

Preparation of the 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 an ongoing 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 actuarial 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 prior period presented in which the error occurred. While preparing financial statements as at 30 June 2016 no such material prior period errors were identified.

3 Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

3.01 Basis of consolidation

(a) *Subsidiary*

SPCBL is the wholly owned subsidiary of the Bank. It is responsible for printing and supplying the Bank with currency notes based on the requirements from time to time. SPCBL sells these notes to the Bank at a specified mark-up agreed beforehand between the Bank and SPCBL. SPCBL is also engaged in printing of security products for other parties besides the Bank.

(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 the subsidiary are eliminated to the extent of the Group's interest in the subsidiary. 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

Foreign currency transactions are translated into Taka at the rates ruling on the dates of transactions in compliance with IAS 21 : The Effects of Changes in Foreign Exchange Rates. Foreign currency denominated monetary assets and liabilities are translated to the functional currency at the exchange rate at the reporting date. Foreign currency denominated non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Foreign currency gains and losses are reported in profit or loss on a net basis as either exchange gain or loss depending on whether foreign currency movements are in a net gain or net loss position. At the reporting date the exchange rate of Taka against major foreign currencies held by the Group used in preparing the financial statements was as follows:

Foreign currency	Exchange rates (in taka)	
	2016	2015
US Dollar	78.40000	77.8004
Australian Dollar	58.40800	59.9686
Canadian Dollar	60.66703	62.2652
EURO	87.05536	86.6152
Pound Sterling	104.31904	122.2556
CNY	11.75694	12.5414
JPY	0.75932	0.6355
SDR	109.66592	109.4185
SGD	58.21206	57.7583
SEK	9.27010	9.3777

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

3.03 Foreign exchange gain/loss

Realised foreign exchange gain/loss 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 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 realised revaluation reserve.

The difference between realised revaluation reserve account and the ledger balance is accounted as unrealised exchange gain/loss for the period and is recognised in the statement of profit or loss for the year. Subsequently the realised and unrealised gain/loss have been transferred to currency fluctuation reserve and foreign currency revaluation reserve respectively in the statement of financial position.

3.04 Financial assets and liabilities

Financial assets comprise among others foreign currency accounts, foreign investments, assets held with International Monetary Fund (IMF), gold and silver, claims on gold transactions, foreign currency loans to banks, other foreign currency financial assets, taka coin and cash balances, securities purchased under agreement to resell, 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 in both local and foreign currencies, liabilities with IMF, notes in circulation, short term borrowings 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 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 a party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

(b) Classification and subsequent measurement

Classification of financial assets and liabilities for the purpose of measurement subsequent to initial recognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement is made in the following manner:

(1) Financial assets and financial liabilities at fair value through profit or loss.

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

- classified as held for trading; or
- 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:

- they are acquired or incurred principally for the purpose of selling or purchasing them in the near term;
- 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
- they are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

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

- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- assets or liabilities contains an embedded derivative that significantly modifies the cash flow that would otherwise be required under the contract.

(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 held to maturity other than:

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

A sale or reclassification of a more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for 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 reclassification after the Group has collected substantially all of the asset's original principal; and
- sales or reclassification 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, foreign bonds, US dollar treasury bills and investment in debentures are classified as held to maturity investments unless the reclassification as available-for-sale is required in the circumstances described above.

(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:

- those that the Group intends to sell immediately or in near term, which are classified as held for trading, and those that the Group has, upon initial recognition, designated as at fair value through profit or loss;
- those that the Group has, upon initial recognition, designated as available for sale; or
- 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 receivables are initially measured at fair value plus transaction cost directly attributable to the acquisition of the financial assets, 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, ways and means advances, overdraft block and current loans to Government of Bangladesh, securities purchased under agreement to resell, local currency loans to banks, financial institutions and employees and other local currency financial assets are classified as loans and receivables.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

(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, claims from gold transactions and shares of ICB Islamic Bank Limited are classified as available-for-sale financial assets. Swift shares are measured at cost as there is no quoted market price for these shares.

Shares of The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) are measured at cost in the separate financial statement of the Bank in accordance with IAS 27 Separate Financial Statements.

(5) 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

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

Effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial instruments, and any revisions to these estimates are recognised in profit or loss. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums and discounts.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

(d) *Fair value measurement principles*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(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 other comprehensive income (OCI). When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in OCI is transferred to the statement of profit or loss. 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 profit or loss. Gains and losses on subsequent measurement of loans and receivables and held to maturity financial instruments are recognised in the statement of profit or 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 the statement of profit or loss.

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. 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 are derecognised when sold and corresponding receivables from the buyer for the payment are recognised when the asset is delivered to the buyer.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

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 profit or loss.

(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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

3.05 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 arising upon translation are recognised in the statement of profit or loss and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve (refer to note 3.03 for accounting policy on foreign exchange gain/loss).

3.06 Foreign investments

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks for periods less than 1(one) year in designated foreign currencies, overnight investment, foreign currency treasury bills purchased at a discount and interest bearing foreign bonds. The carrying amount of these investments in foreign currency at each reporting date is translated to the functional currency at the exchange rate on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred to revaluation reserve - foreign currency accounts.

3.07 Other foreign currency financial assets

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

3.08 Taka coin and cash balances

Taka coin and cash balances represents the face value of unissued one, two and five taka coins and notes held by the Bank purchased from the Government at respective face values, cash and cash equivalents held with SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

Ways and Means Advance (WMA)

When total payments to the Government exceed total deposits from the Government, the excess of payment over receipt, with a limit not exceeding Tk.40,000 million (2015: Tk. 40,000 million), is treated as WMA with interest being charged thereon at the repo rate. WMA is realised only after full recovery of Government overdraft-current account balance.

Overdraft - current and block

Government borrowing in excess of the Tk. 40,000 million limit set for WMA are recognised as overdraft-current with a limit not exceeding Tk. 40,000 million (2015: Tk. 40,000 million). Interest is charged thereon at a rate one percent higher than the 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 full recovery of overdraft-current account balance is then adjusted against WMA.

Overdraft block was formerly known as Government treasury bills. At the beginning of the financial year 2006-2007 the balance of Government treasury bills was transferred to overdraft-block account. From the financial year 2007 and onwards an amount of Taka 15,000 million has been repaid every year by the Government. Interest is charged thereon at the rate of 91 day treasury bill.

Treasury bills and bonds

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 those from the Government. These are measured at fair value at each statement of financial position date.

3.10 Local currency investments

Group investment comprises investment in debenture of BHBFC, shares of the ICB Islamic Bank Ltd and short term deposit with local commercial banks. Investment in debentures and shares are measured at fair value.

3.11 Local currency loans to banks, financial institutions and employees

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

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

3.12 Gold and Silver

Physical gold and silver are stored at Motijheel branch of the Bank. These are stated at market value. Valuation gains and losses are recognised in OCI and are reported under gold and silver revaluation reserves in the statement of changes in 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 measured at market value. The interest accrual is recognised under 'Interest income - foreign currency operations'.

3.13 Property, plant and equipment (PPE)

(a) Recognition and measurement

Items of PPE are initially recognised at cost and subsequently carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and impairment losses if any.

Land and buildings, appearing as items of PPE 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 is recognised in OCI and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in OCI reduces the amount accumulated in equity under the heading of revaluation surplus.

The Bank revalued its land as at 30 June 2014 and other items of PPE were revalued as at 1 July 2009 by an independent valuer. The Bank has a policy to revalue all items of property, plant and equipment every five years. This year Bank has formulated new policy on recognition and measurement of PPE based on which July 01, 2016 dated revaluation in under process.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

The Subsidiary's property, plant and equipment were revalued as at 1 July 2013 by an independent valuer. The revalued property, plant and equipment reflecting the fair values of the assets are incorporated in the consolidated financial statements.

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. The 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; and
- (iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued on the basis of replacement costs.

(c) *Subsequent costs*

Cost of replacing a part of PPE 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 PPE are recognised in the statement of profit or loss 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 allocate 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 included in the cost of another asset. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

<u>Class of Property, plant and equipment (PPE)</u>	<u>Bank</u>	<u>SPCBL</u>
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%	-
Low value assets	100%	-
Security equipment	20%	-
Currency museum and artifacts	5%	-

(f) *Borrowing cost capitalisation*

The Bank capitalises borrowing costs in accordance with the provision of IAS 23: Borrowing Costs as part of the cost of assets that are directly attributable to the acquisition, construction, or production of a qualifying asset if following conditions are met:

- It is probable that they will result in future economic benefits to the entity;
- The costs can be measured reliably.

If borrowing costs do not meet both the criteria, they are recognized as expenses. For the purpose of capitalisation, a qualifying assets is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(g) *Impairment*

The carrying value of the Bank's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account. For the assets that have indefinite useful life, the recoverable amount is estimated at each balance sheet date. The recoverable amount of asset is the greater of net selling price and value in use. The estimated future cash flows are discounted to their present value using discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.14 Intangible assets and their amortisation

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses if any.

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 amortisation 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, the Bank engages in repurchase agreements involving Government treasury bills and bonds (which is used as a collateral for repurchase transactions). 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, 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:

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

- (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, medical allowances or any others are charged as expenses in the statement of profit or loss.

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 recognises expenses for these plans in the statement of profit or loss.

(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 (CPF)

Bank and employees contribute to the fund, which invests in various securities. The Bank commits a return of 13% on the balance of the contributed amount. In the event that the return from securities is lower than the committed return of 13%, the shortfall, if any, would be paid by the Bank and is recognised in the statement of profit or loss. Bank's obligations for contributions to the above fund are recognised as an expense in the statement of profit or loss as incurred.

(b) *Defined benefit plans*

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

(i) General Provident Fund (GPF)

Employees contribute at various rates (within 5-25 percent) of their basic salaries to the fund. No contributions are made by the Bank for the above fund. The provident fund invests in various securities and the Bank has committed a return of 13% (2015: 13%). Any shortfall in the return from investments is funded by the Bank by charging in its statement of profit or loss.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

(ii) Pension scheme

Employees are entitled to pension amounting to maximum of 90 percent (2015: 80 percent) of their last basic salary. 50 percent of the pension amount is paid as a lump sum computed at the rate of Taka 230 (2015: Taka 230) per Taka 1 surrendered from the pension. Employees may choose to surrender the remaining 50 percent for a lump sum payment computed at the rate of Taka 115 (2015: Taka 115) per Taka 1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to medical allowance in cash (Taka 1,500 per month upto age 65 years and Taka 2,500 after 65 years) even after retirement as prescribed by the government.

The Bank actuarially valued its pension liabilities as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income. Based on the new National Pay Scale-2015, actuarial valuation process is underway following the "Bangladesh Bank Procurement Regulations-2004 (BBPR)" and is expected to be in effect in next financial year.

(iii) Gratuity scheme

The Bank actuarially valued its gratuity scheme and measured its liability for defined benefit obligation as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income.

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 profit or loss when the plan amendment or curtailment occurs.

(iv) Leave encashment

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 eighteenth months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

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. All employees after retirement are entitled a maximum of Taka 1,000 per year in the form of medicine.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

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.

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 outflow of resources embodying economic benefits will be required to settle the obligations a reliable estimate can be made of the amount of the obligation.

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. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and any changes in the estimates are applied prospectively.

3.21 Notes in circulation

Currency issued by the 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 the statement of profit or loss over the useful lives of the related assets.

3.23 Interest income and expenses

Interest income and expenses are recognised in the statement of Profit or Loss and Other Comprehensive Income using the effective interest rate 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 2016

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 receipt of income is established.

3.26 Income tax

(a) Bangladesh Bank

The Bank is not subject to income taxes on any of its income, stamp duties, and customs duties on Gold, Silver, coins, currency notes, security papers and any other goods that may be specified by the Government as per Article 73, 74 and 75 of Bangladesh Bank Order, 1972.

(b) Subsidiary

The Subsidiary is subject to income tax. 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 profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Present applicable income tax rate is 35%.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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 taxable 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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

3.27 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. Up to the date the financial statements were authorized for issue, no events have occurred which require to disclose in the financial statements.

3.28 New accounting standards and changes in accounting policy

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements. The various amendments to standards, including any consequential amendments to other standards, with the date of initial application of 1 January 2015 have been considered. However, these amendments have no material impact on the financial statements of the Group.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. However, the Group has not early applied the following new standards in preparing these financial statements.

(a) IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of the financial instruments, a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is yet to assess the potential impact of IFRS 9 on its financial statements.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and BFRI 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is yet to assess the potential impact of IFRS 15 on its financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016	2015
	<u>Taka '000</u>	<u>Taka '000</u>
4 Foreign currency accounts		
Represents the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.		
Balance held with		
Other Central Banks	19,919,793	19,546,523
Foreign commercial banks	25,097,704	1,469,337
Total	<u>45,017,497</u>	<u>21,015,860</u>
5 Foreign investments		
Overnight Investment	136,235,070	247,393,553
Short term deposits with overseas commercial banks	1,115,920,187	674,465,879
US Dollar treasury bills	15,654,912	83,279,606
Foreign bonds	766,864,248	679,254,220
Total	<u>2,034,674,417</u>	<u>1,684,393,258</u>
6 International monetary fund (IMF) related assets and liabilities		
6.01 Assets held with International Monetary Fund		
Quota	116,969,649	58,352,886
Quota(IMF) paid by Government*	(14,546,567)	-
SDR holding	106,516,991	72,789,125
Interest receivable on SDR holding	9,851	6,174
Total	<u>208,949,924</u>	<u>131,148,185</u>
*The amount represents 25% of increased quota amount (SDR 533.30 million) which was paid in foreign currency debiting directly from government account. The quota increase was effected in this year.		
6.02 Liabilities with International Monetary Fund		
IMF Securities	102,024,849	56,675,010
IMF-1 and IMF-2 account	1,612,895	1,617,261
SDR allocation	55,974,033	55,847,748
IMF Extended Credit Facility (ECF)	70,181,802	50,016,838
Loan under the Poverty Reduction and Growth Facility (PRGF)	369,245	3,314,286
Interest payable	4,742	4,732
Total	<u>230,167,566</u>	<u>167,475,874</u>

Bangladesh has been a member of the International Monetary Fund ("IMF") since 1972. The Bank also 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 IMF. As depository, Bangladesh Bank maintains the IMF's currency holdings and ensures that the assets and liabilities of IMF membership are properly reflected in its accounts and presented in its financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

The quota of Bangladesh is its membership subscription. Quota is the amount of money that each IMF member country is required to contribute to the IMF. A member must pay its subscription in full upon joining the fund; up to 25 percent must be paid in SDRs or widely accepted currencies such as the US Dollar, the EURO, the YEN or the Pound Sterling, while the rest is paid in the member's own currency. The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the IMF 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.

IMF has revalued SDR against Bangladesh currency (Taka) on 30 April 2016. Accordingly, IMF related assets and liabilities were translated to Taka at the exchange rate ruling at 30 June 2016 (converted into Taka at the rate Taka 109.66592 per one SDR).

	2016 Taka '000	2015 Taka '000
7 Gold and Silver		
Gold	7,033,504	6,188,335
Silver	245,385	226,328
Total	7,278,889	6,414,663

The Bank has in total 443,112.24 troy ounce of gold and 168,728.15 troy ounce of silver under its holding.

8 Claims from Gold transactions	38,849,350	34,181,082
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These represent claims against gold loan to Standard Chartered Bank, London and HSBC, London for 3 to 12 months. The physical gold are held on site by Bank of England, London.

9 Foreign currency loans to banks		
Export Development Fund (EDF) Dollar investment	132,234,324	127,742,085
Rupali Bank Karachi*	10,508	10,735
Less: Provision for loan losses (for Rupali Bank Karachi)	(10,508)	(10,735)
Total	132,234,324	127,742,085

*This non-convertible account was created in 1979 on request of Bangladesh Bank. The purpose of creating the account is to adjust some unadjusted export bills prior to our independence. The principal amount of this account can not be remitted, transferred and converted. But the interest can be transferred after paying tax and complying the rules of the State Bank of Pakistan.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

10 Other foreign currency financial assets	2016 Taka '000	2015 Taka '000
Swift shares	80	80
Interest receivable	6,926,757	6,680,385
Other receivable*	6,365,370	-
Total	13,292,207	6,680,465

Bank has bought one share of SWIFT as part of membership of the said organization. Face value of the share is equivalent to Taka 80,474.57.

* In February 2016, several unauthorised transactions were processed by Federal Reserve Bank of New York resulting in Taka 6,365 million (Taka equivalent of USD 81.19 million) being paid out of the Bank's account held with it into third party accounts held with Rizal Commercial Banking Corporation, The Philippines (RCBC). Despite instructions from the Bank to halt onward payments, RCBC allowed those account holders to pay out a significant portion of these monies to other recipients.

The Bank has initiated procedures to recover the monies and has appointed external legal counsel to assist in the process. To date the Anti-Money Laundering Council Secretariat of The Philippines has collected an amount relating to this heist. Furthermore, we understand the Bangko Sentral ng Pilipinas has fined RCBC BDT 1,650 million (taka equivalent of Peso 1,000 million) in connection with the above transactions. The Bank's management concurs with external legal counsel who is confident of recovery. Accordingly these amounts are being reported as other foreign currency financial assets in these financial statements.

11 Consolidated Taka coin and cash balances

Taka coin	4,497,610	303,316
Cash balances (separate)	16,512	18,390
Cash balances (SPCBL)	12,170,496	14,162,281
Total	16,684,618	14,483,987

11.01 Taka coin and cash balances

Taka coin	4,497,610	303,316
Cash balances	16,512	18,390
Total	4,514,122	321,706

Taka coin and cash balances represents the face value of unissued one, two and five taka coins and notes held by the Bank purchased from the Government at respective face values, cash and cash equivalents held by SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

12 Securities purchased under agreement to resell	8,480,000	-
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When commercial banks sell financial assets to the Bank entering into 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 recognized in the financial statements.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
13 Loans to the Government of Bangladesh		
Ways and means advance (WMA)	40,000,000	24,354,400
Overdraft - current (ODC)	40,315,900	-
Overdraft - block (ODB)	71,850,000	86,850,000
Treasury bills	15,628,805	-
Treasury bonds	31,314,474	1,085,185
Total	199,109,179	112,289,585
14 Consolidated local currency investments		
Short term money market investments*	634,804	462,501
Debenture - BHBFC	4,715,000	5,795,000
Shares- ICB Islamic Bank Limited**	7,452	7,452
Others	4,136	4,134
Total	5,361,392	6,269,086

*These represent the total amount of term deposits by SPCBL with different local commercial banks.

**SPCBL holds 745,200 shares of Taka 10 each of ICB Islamic Bank Ltd. (Formerly the Oriental Bank Ltd.) as per Bangladesh Bank Circular No - BRPD (R-1) 651/9(10)/2007-446 dated 2 August 2007.

14.01 Local currency investments

Debenture - BHBFC (Note - 14.a)	4,715,000	5,795,000
Investment in subsidiary (Note 14.b)	12,000,000	12,000,000
Total	16,715,000	17,795,000

14.a Debenture - BHBFC represents subscription by the Bank of debentures issued by BHBFC from time to time.

Rate of interest	Balance as on 30 June 2016
4.5%	1,700,000
5%	3,015,000
Total	4,715,000

14.b Investment in subsidiary

The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) is the wholly owned subsidiary of the Bank. For the year ended 30 June 2015, SPCBL paid Taka 120 million as dividend.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
15 Consolidated local currency loans to banks, financial institutions and employees		
(i) Local currency loans to banks and financial institutions		
State owned banks:		
Commercial Banks	3,999,640	4,963,167
Specialised Banks*	29,431,830	33,362,448
	33,431,470	38,325,615
Provision for impairment (Note 15.a)	(64,362)	(140,426)
	33,367,108	38,185,188
Other banks and financial institutions:		
Private banks	2,903,250	3,019,500
Other loans and advances	28,549,486	26,172,779
	31,452,736	29,192,279
Interest receivable	8,237,801	8,429,740
Total (i)	73,057,645	75,807,208
(ii) Local currency loans and advances to employees		
Loans and advances to employees	32,805,304	31,782,362
Provision for loan losses (Note 15.b)	(269,881)	(549,357)
Total (ii)	32,535,423	31,233,004
Total loans (i + ii)	105,593,068	107,040,212

15.01 Local currency loans to banks, financial institutions and employees

(i) Local currency loans to banks, financial institutions

State owned banks:		
Commercial Banks	3,999,640	4,963,167
Specialised Banks *	29,431,830	33,362,448
	33,431,470	38,325,615
Provision for impairment (Note 15.a)	(64,362)	(140,426)
	33,367,108	38,185,188
Other banks and financial institutions:		
Private banks	2,903,250	3,019,500
Other loans and advances	28,549,486	26,172,779
	31,452,736	29,192,279
Interest receivable	8,237,801	8,429,740
Total (i)	73,057,645	75,807,208

*Specialised banks include banks catering the specific needs of different economic sectors as described below:

Banks	Specialized Sectors
Bangladesh Krishi Bank	Agricultural
Rajshahi Krishi Unnayan Bank	Agricultural

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
(ii) Local currency loans and advances to employees		
Loans and advances to employees	31,549,288	30,655,637
Provision for loan losses (Note 15.b)	(269,881)	(549,357)
Total (ii)	31,279,407	30,106,279
Total loans (i+ii)	104,337,052	105,913,487
15.a Provision for impairment		
Opening balance	140,427	206,952
Charges/(released) during the year	(76,065)	(66,525)
Total	64,362	140,427
15.b Provision for loan losses		
Opening balance	549,357	495,271
Charged/(released) during the year	(279,476)	54,086
Total	269,881	549,357

Provision for impairment is an asset type account which is kept against possible future loss on interest from loans. The released amount is due to write back of provision of rescheduled demand loan.

Provision for loan losses is also an asset type account maintained for adjusting loss (both principal and interest) from staff advance.

16 Consolidated other local currency financial assets

Unutilised Financial Sector Support Project (FSSP) Fund (Note 24.04)	2,546,112	-
Interest receivables (Bangladesh bank)	886,249	169,283
Interest receivables (SPCBL)	361,786	362,365
Total	3,794,147	531,648

16.01 Other local currency financial assets

Unutilised Financial Sector Support Project (FSSP) Fund (Note 24.04)	2,546,112	-
Interest receivables	886,249	169,283
Total	3,432,361	169,283

Interest receivables include interest receivable on Government Treasury bills and bonds, debenture-HBFC etc.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

17 Consolidated Property Plant & Equipment

i) 30 June 2016

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets	Capital work in progress	Total
Cost												
As at 1 July 2015	36,551,304	5,063,845	4,230,264	1,797,945	176,453	243,028	268,980	2,016	-	-	1,626,590	49,960,425
Addition during the year	-	15,642	119,890	15,278	31,188	19,185	119,543	-	19,172	528	3,311,532	3,651,959
Transfers during the year	-	158,341	-	16,282	999,641	-	43,964	-	-	-	(1,218,227)	-
Disposals during the year	-	-	(37,136)	(243)	(9,388)	(3,597)	(2,413)	(1)	-	-	-	(52,777)
Reclassification	-	(2)	(1,268)	(3,542)	(41,270)	(12)	(10,611)	(3)	-	56,707	-	-
As at 30 June 2016	36,551,304	5,237,827	4,311,751	1,825,721	1,156,624	258,604	419,464	2,012	19,172	57,235	3,719,895	53,559,607
Accumulated depreciation												
As at 1 July 2015	-	1,191,118	906,995	1,322,263	89,227	169,192	130,204	998	-	-	-	3,809,997
Charge for the year	-	262,844	228,237	278,847	65,390	33,474	46,003	247	239	6,244	-	921,525
Disposals during the year	-	-	(37,116)	(194)	(6,070)	(3,596)	(2,405)	(1)	-	-	-	(49,382)
Reclassification	-	(1)	(1,068)	(3,043)	(23,438)	(11)	(8,129)	(3)	-	35,692	-	-
As at 30 June 2016	-	1,453,961	1,097,048	1,597,872	125,109	199,059	165,673	1,241	239	41,937	-	4,682,140
Net book value												
As at 30 June 2016	36,551,304	3,783,866	3,214,703	227,849	1,031,515	59,545	253,791	771	18,933	15,298	3,719,895	48,877,467
As at 30 June 2015	36,551,304	3,872,727	3,323,269	475,682	87,226	73,836	138,776	1,018	-	-	1,626,590	46,150,428

Land includes Taka 27,539 million of leasehold land, all on standard terms of thirty to ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

ii) 30 June 2015

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets	Capital work in progress	Total
Cost												
As at 1 July 2014	36,551,304	4,829,898	4,103,203	1,681,243	158,129	241,289	216,021	811	-	-	1,580,747	49,362,645
Addition during the year	-	10,296	98,642	118,830	18,489	3,586	16,053	1,205	-	-	340,454	607,555
Transfers during the year	-	228,753	28,838	-	-	-	37,020	-	-	-	(294,611)	-
Disposals during the year	-	(5,102)	(419)	(2,128)	(165)	(1,847)	(114)	-	-	-	-	(9,775)
As at 30 June 2015	36,551,304	5,063,845	4,230,264	1,797,945	176,453	243,028	268,980	2,016	-	-	1,626,590	49,960,425
Accumulated depreciation												
As at 1 July 2014	-	938,987	688,352	989,711	75,411	134,134	94,432	796	-	-	-	2,921,823
Charge for the year	-	253,445	219,034	333,895	13,894	36,905	35,884	202	-	-	-	893,259
Disposals during the year	-	(1,314)	(391)	(1,343)	(78)	(1,847)	(112)	-	-	-	-	(5,085)
As at 30 June 2015	-	1,191,118	906,995	1,322,263	89,227	169,192	130,204	998	-	-	-	3,809,997
Net book value												
As at 30 June 2015	36,551,304	3,872,727	3,323,269	475,682	87,226	73,836	138,776	1,018	-	-	1,626,590	46,150,428
As at 30 June 2014	36,551,304	3,890,911	3,414,851	691,532	82,718	107,155	121,589	15	-	-	1,580,747	46,440,822

Land includes Taka 17,080 million of leasehold land, all on standard terms of thirty to ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

17.01 Property, plant and equipment

i) 30 June 2016

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets	Capital work in progress	Total
Cost												
As at 1 July 2015	32,892,704	3,851,836	1,110,080	1,797,945	137,746	220,288	268,980	2,016	-	-	1,574,417	41,856,012
Addition during the year	-	12,574	36,140	15,278	30,686	15,336	119,543	-	19,172	528	237,418	486,676
Transfers during the year	-	158,341	-	16,282	999,641	-	43,964	-	-	-	(1,218,227)	-
Disposals during the year	-	-	(1,749)	(243)	(9,388)	(3,597)	(2,413)	(1)	-	-	-	(17,390)
Reclassification	-	(2)	(1,268)	(3,542)	(41,270)	(12)	(10,611)	(3)	-	56,707	-	-
As at 30 June 2016	32,892,704	4,022,749	1,143,203	1,825,721	1,117,415	232,015	419,464	2,012	19,172	57,235	593,608	42,325,298
Accumulated depreciation												
As at 1 July 2015	-	1,075,587	611,900	1,322,263	54,930	151,613	130,204	999	-	-	-	3,347,497
Charge for the year	-	204,218	82,103	278,847	64,320	31,614	46,003	247	239	6,244	-	713,835
Disposals during the year	-	-	(1,729)	(194)	(6,070)	(3,596)	(2,405)	(1)	-	-	-	(13,995)
Reclassification	-	(1)	(1,068)	(3,043)	(23,438)	(11)	(8,129)	(3)	-	35,692	-	-
As at 30 June 2016	-	1,279,805	691,206	1,597,873	89,741	179,620	165,673	1,242	239	41,937	-	4,047,337
Net book value												
As at 30 June 2016	32,892,704	2,742,944	451,997	227,848	1,027,674	52,395	253,791	770	-	-	593,608	38,277,961
As at 30 June 2015	32,892,704	2,776,249	498,180	475,682	82,816	68,675	138,776	1,017	-	-	1,574,417	38,508,515

Land includes Taka 27,539 million of leasehold land, all on standard terms of thirty to ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

ii) 30 June 2015

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Low value assets	Capital work in progress	Total
Cost												
As at 1 July 2014	32,892,704	3,621,579	1,032,518	1,681,243	119,475	216,702	216,021	811	-	-	1,578,493	41,359,546
Addition during the year	-	6,606	51,397	118,830	18,436	3,586	16,053	1,205	-	-	288,281	504,394
Transfers during the year	-	228,753	26,584	-	-	-	37,020	-	-	-	(292,357)	-
Disposals during the year	-	(5,102)	(419)	(2,128)	(165)	-	(114)	-	-	-	-	(7,928)
As at 30 June 2015	32,892,704	3,851,836	1,110,080	1,797,945	137,746	220,288	268,980	2,016	-	-	1,574,417	41,856,012
Accumulated depreciation												
As at 1 July 2014	-	881,406	534,073	989,711	42,157	116,186	94,432	796	-	-	-	2,658,761
Charge for the year	-	195,495	78,219	333,896	12,850	35,427	35,886	203	-	-	-	691,977
Disposals during the year	-	(1,314)	(392)	(1,344)	(78)	-	(113)	-	-	-	-	(3,241)
As at 30 June 2015	-	1,075,587	611,900	1,322,263	54,930	151,613	130,204	999	-	-	-	3,347,497
Net book value												
As at 30 June 2015	32,892,704	2,776,249	498,180	475,682	82,816	68,675	138,776	1,017	-	-	1,574,417	38,508,515
As at 30 June 2014	32,892,704	2,740,173	498,445	691,532	77,318	100,516	121,589	15	-	-	1,578,493	38,700,785

Land includes Taka 17,080 million of leasehold land, all on standard terms of thirty to ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
18 Intangible assets		
Intangible asset at cost	1,372,978	1,183,974
Accumulated amortisation	(1,074,976)	(865,368)
Capital work in progress	12,984	126,573
Total	310,986	445,179
Balance represents the accumulated value of Enterprise Resources Planning (ERP), Core Banking Solutions (CBS), Enterprise Data Warehouse (EDW), Real Time Gross Settlement (RTGS), Bangladesh Automated Clearing House (BACH), Bangladesh Electronic Fund Transfers Network (BEFTN), Credit Information Bureau (CIB) and Bank's in-house built software.		
19 Consolidated other non financial assets		
Prepayments and advances	1,118,496	1,144,229
Stock	6,358,400	6,986,234
Sundry debtors	572,747	1,007,415
Total	8,049,643	9,137,878
19.01 Other non-financial assets		
Prepayments and advances	3,500,890	4,127,278
Stock (printed books, forms and papers, office supplies and stock of medicine)	44,253	31,303
Total	3,545,143	4,158,581
20 Deposits from banks and financial institutions		
Foreign currency deposits from commercial banks	71,333,857	78,892,716
Asian Clearing Union (ACU)	76,275,538	70,261,285
Interest payable on ACU	26,004	5,930
Total	147,635,399	149,159,932
21 Notes in circulation		
Notes in circulation	1,307,303,830	973,633,537
Cash in hand	(112)	(88)
Total	1,307,303,718	973,633,449

Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June was as follows:

Denomination	Number in pieces	2016	2015
5 Taka coin*	-	-	3,977,936
5 Taka note*	-	-	3,869,281
10 Taka note	1,271,368,126	12,713,681	12,624,789
20 Taka note	542,323,893	10,846,478	8,305,738
50 Taka note	235,908,322	11,795,416	8,981,646
100 Taka note	774,167,220	77,416,722	70,750,012
500 Taka note	1,065,649,754	532,824,877	443,373,444
1000 Taka note	661,706,656	661,706,656	421,750,690
Total	4,551,123,971	1,307,303,830	973,633,537

*As per Bangladesh Coinage (Amendment) Act, 2015, 5 Taka note/coin has been declared as currency note instead of bank note.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
Liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with Article 30 of Bangladesh Bank Order, 1972, this liability is supported by the following assets:		
Gold	7,033,504	6,188,335
Silver	245,385	226,328
Approved foreign exchange	1,210,000,000	870,000,000
Bangladesh Government securities	43,647,893	67,036,120
Shares	12,000,000	-
Taka coin	4,497,610	303,316
Other loans and advances	29,879,438	29,879,438
Total	1,307,303,830	973,633,537

22 Deposits from banks and financial institutions

State-owned commercial banks	155,859,879	123,192,501
Government specialised banks	15,848,188	15,432,346
Private banks	400,449,820	333,576,946
Foreign banks	30,806,924	26,183,067
Financial institutions	5,944,039	4,620,696
Other banks	28,557	11,718
Total	608,937,407	503,017,274

Deposits from banks and financial institutions comprise required reserve deposits Cash Reserve Ratio (CRR) calculated at a rate of 6.5 percent (2015: 6.5 percent) on the bank's liability base, together with balances held for settlement purposes.

23 Short term borrowings

Securities sold under agreement to repurchase	-	166,350,000
Bangladesh Bank bills	263,401,402	14,371,995
Total	263,401,402	180,721,995

Securities sold under agreement to repurchase and Bangladesh Bank bills are instruments used by the Bank to withdraw liquidity from the market. The balances at the year end reflect market conditions at that date.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

	2016	2015
	Taka '000	Taka '000
24 Consolidated other local currency financial liabilities		
Government deposits	5,078	5,033
Other deposits (Note 24.02)	99,471,207	121,568,330
Bank notes adjusting account-demonetised Pakistani notes	3,230	3,230
Sundry creditors account	3,422,430	4,222,001
Interest suspense account	737	732
Deposits from donor agencies	24,529,182	22,337,551
Inter branch adjustments (suspense)	(376,565)	(211,897)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	7,599,787	6,618,747
Provision for gratuity*	1,880,884	1,470,184
Provision for leave encashment	1,615,301	1,534,606
Small and medium enterprise fund-Government	1,772,064	1,772,064
Loan from Govt of Bangladesh-Central Bank Strengthening Project (note-24.03)	2,649,828	2,721,734
Loan from Govt of Bangladesh-Fin. Sector Support Project (note-24.04)	2,561,267	-
DFID -RPP Project	2,357	137,029
Small and medium enterprise fund ADB-2	7,332,907	7,332,907
Deferred tax liability	1,064,787	1,133,504
Others-subsidiary	1,661,805	1,421,567
Fund for small investor affected in capital market	3,757,614	1,043,971
Miscellaneous	-	521,144
Total	159,202,708	173,881,247
24.01 Other local currency financial liabilities		
Government deposits	5,078	5,033
Other deposits (note 24.02)	99,471,207	121,568,330
Bank notes adjusting account-demonetised Pakistani notes	3,230	3,230
Sundry creditors account	4,560,216	4,222,919
Interest suspense account	737	732
Deposits from donor agencies	24,529,182	22,337,551
Inter branch adjustments (suspense)	(376,565)	(211,897)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	7,599,787	6,618,747
Provision for gratuity*	1,677,236	1,470,184
Provision for leave encashment	1,496,259	1,534,606
Small and medium enterprise fund - Government	1,772,064	1,772,064
Loan from Govt of Bangladesh - Central Bank Strengthening Project (note-24.03)	2,649,828	2,721,734
Loan from Govt of Bangladesh-Fin. Sector Support Project (note-24.04)	2,561,267	-
DFID-RPP Project	2,357	137,029
Small and medium enterprise fund ADB-2	7,332,907	7,332,907
Fund for small investor affected in capital market	3,757,614	1,043,971
Miscellaneous	-	521,144
Total	157,291,212	171,327,094

*Refer to note 45 for details.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
24.02 Other deposits comprise Bangladesh Government special islamic bonds fund deposit, employees provident fund deposit, liquidator bank deposit, schedule bank's insurance fund deposit, security deposit, employees co-operative societies deposits and other sundry deposits.		

24.03 Central Bank Strengthening Project fund (CBSP) - Liability

Government of Bangladesh (GoB) signed a Credit Agreement with the International Development Association (IDA) for a Project named Central Bank Strengthening Project (CBSP). The related Credit Reference is IDA 3792 BD and the Project was meant for "Improvement of efficiency of the Bank through functional reforms and large scale automation of its' business process". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and the Bank to this effect for execution of the project. The total cost of the project was Taka 3,892 million (USD 55.60 million), of which IDA provided Taka 3,060 million (USD 43.71 million) through Government and the rest Taka 832 million (USD 11.88 million) was funded by the Bank. The project started in late 2003 and was completed on 30 April 2013.

The Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 30 years starting from 1 December 2013 to 1 June 2043 as per revised schedule. In the year end 2015-2016, outstanding dues against the Project was Taka 2,649.83 million on account of Government.

24.04 Financial Sector Support Project (FSSP)

Government of Bangladesh (GoB) signed a credit agreement with the International Development Association (IDA) for a Project named Financial Sector Support Project (FSSP) for amount of SDR 213,400,000. The related credit reference is 5664 BD and the Project was meant for "Improvement of the recipient's financial market infrastructure, the regulatory and oversight capacity of the project implementing entity and access to long term financing for private firms in Bangladesh". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and Bangladesh Bank on 27 August 2015 to this effect for execution of the Project. The Project is scheduled to close on 30 September 2020.

The subsidiary loan will be denominated in taka and the Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 38 years including a grace period of 6 years for each disbursement from the proceeds of the credit.

25 Capital	30,000	30,000
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The entire capital of the Bank stands vested in and allocated to the Government as per Article 4(1) and 4(2) of the Order.

26 Consolidated revaluation reserves

Revaluation reserve - gold and silver (note 26.02)	16,184,506	10,652,011
Revaluation reserve - foreign currency accounts (note 26.03)	9,227,026	14,570,195
Revaluation reserve - property, plant and equipment (note 26.04)	40,474,443	40,474,443
Revaluation reserve - financial instruments (note 26.05)	5,606,233	4,507,599
Total	71,492,208	70,204,248

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
26.01 Revaluation reserves		
Revaluation reserve - Gold and Silver (note 26.02)	16,184,506	10,652,011
Revaluation reserve - foreign currency accounts (note 26.03)	9,227,026	14,570,195
Revaluation reserve - property, plant and equipment (note 26.04)	34,474,273	34,474,273
Revaluation reserve - financial instruments (note 26.05)	5,606,233	4,507,599
Total	65,492,038	64,204,078
26.02 Revaluation reserve - Gold and Silver		
<p>The Bank accounts for the gain/loss on revaluation of gold and silver in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve-gold and silver, which forms part of equity.</p>		
26.03 Revaluation reserve - foreign currency accounts		
<p>The Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve-foreign currency, which forms part of equity.</p>		
26.04 Revaluation reserve - property, plant and equipment		
<p>The Group accounts for the gain/loss on revaluation of property, plant and equipment in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve - property, plant and equipment, which forms part of equity.</p>		
26.05 Revaluation reserve - financial instruments		
<p>The Bank accounts for the gain/loss on revaluation of financial instruments in the statement of profit or loss and other comprehensive income subsequently transferred to a separate account - revaluation reserve- financial instrument, which forms part of equity.</p>		
27 Currency fluctuation reserve	25,812,199	26,663,944
<p>The Bank credited the realised gain on revaluation of foreign currencies to the statement of profit or loss and other comprehensive income and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.</p>		
28 Statutory funds	Note	
Rural credit fund	28.01	5,800,000
Agricultural credit stabilisation fund	28.02	5,600,000
Export credit fund	28.03	1,300,000
Industrial credit fund	28.04	2,337,852
Credit guarantee fund	28.05	879,194
Total		15,567,046
<p>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.</p>		

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

		2016 Taka '000	2015 Taka '000
28.01 Rural credit fund			
<p>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 banks and rural credit agencies. An appropriation of Taka 200 million was made for this fund during the year.</p>			
28.02 Agricultural credit stabilisation fund			
<p>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.</p>			
28.03 Export credit fund			
<p>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.</p>			
28.04 Industrial credit fund			
<p>As per Article 62 of Bangladesh Bank Order, 1972 the fund was created for making of short term and medium term loans and advances to co-operative banks. An appropriation of Taka 150 million was made for this fund during the year.</p>			
28.05 Credit guarantee fund			
<p>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.</p>			
29 Non statutory funds	Note		
Small and medium enterprise fund	29.01	7,000,000	6,000,000
Housing refinance fund		5,570,000	6,570,000
Human resources development fund	29.02	297,170	349,468
Monetary management fund	29.03	200,000	200,000
Rural agri product processing industries refinance fund	29.04	1,000,000	1,000,000
Disaster management and social responsibility fund	29.05	100,000	100,000
Total		14,167,170	14,219,468
29.01 Small and medium enterprise fund			
<p>This fund was created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinancing facilities to the schedule banks and financial institutions against 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.</p>			
29.02 Human resources development fund			
<p>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. at home and abroad. Appropriation of this fund was made from the dividend payable to Government for the year 2010-2011.</p>			

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
29.03 Monetary management fund		
<p>Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation to this fund was made from the dividend payable to Government for the year 2010-2011.</p>		
29.04 Rural agri product processing industries refinance fund		
<p>This fund was created in 2001 for the purpose of financing rural agri product processing industries. Under this scheme, there are 37 agri product processing industries sectors. This fund plays an important role for developing the agri product sectors in Bangladesh. Government of The People's Republic of Bangladesh declared this sector as "Thrust sector" in "National Industry Policy 2010" by giving priority for development and expansion of agri based industries.</p>		
29.05 Disaster management and social responsibility fund		
<p>This fund was created by the approval of Board of Directors (6th meeting of 2013), minutes no. -BD-341(2013-06)/50 on 17 June 2013. Primarily, the fund, Taka 50 million as donation, was collected from Bangladesh Bank's 2012-2013 profit and subsequently Taka 50 million will be deducted from each year's profit transferring the amount to this fund. From financial year 2014-2015, Taka 100 million has been contributed deducting from each year's profit.</p>		
30 Other reserves		
Asset renewal and replacement reserve (30.01)	3,618,485	3,325,985
Interest reserve (30.02)	8,011,691	8,011,691
Total	11,630,176	11,337,676
30.01 Asset renewal and replacement reserve		
<p>Every year an amount equivalent to depreciation charge against buildings and installations is transferred to this fund during profit appropriation.</p>		
30.02 Interest reserve		
<p>It was introduced in the financial year 2006-2007 as per decision of the Board and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank.</p>		
31 Consolidated general reserve		
Bangladesh Bank (separate) (note 31.01)	4,250,500	4,250,500
The Security Printing Corporation (Bangladesh) Ltd. (SPCBL)	650,000	550,000
Total	4,900,500	4,800,500
31.01 General reserve	4,250,500	4,250,500
<p>As per Article 59 of Bangladesh Bank Order, 1972 securities having 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 over the years.</p>		

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
32 Consolidated retained earnings		
Opening balance	17,210,948	22,525,327
Adjustment against due from Government	-	(16,050)
Appropriation of profit to other funds	(942,500)	(824,617)
Dividend paid	(9,568,603)	(15,627,781)
Prior year adjustment	-	5,303
Transferred to general reserve	(100,000)	(100,000)
Profit for the period	9,159,764	11,248,766
Closing balance	15,759,609	17,210,948
32.01 Retained earnings		
Opening balance	9,568,604	15,643,831
Adjustment against due from Government	-	(16,050)
Appropriation of profit to other funds	(942,500)	(824,617)
Dividend paid	(9,568,603)	(15,627,781)
Prior year adjustment	-	5,303
Profit for the period	7,725,078	10,387,918
Closing balance	6,782,579	9,568,604
33 Interest income		
Loans to banks	2,466,751	1,603,486
Short-term deposits with commercial banks	5,053,776	3,729,054
Bonds	9,601,163	6,359,498
US Dollar treasury bills	147,671	63,883
Claims from Gold transactions	138,034	129,213
Others	47,458	39,928
Total	17,454,853	11,925,063
34 Commission and discounts		
Commission on foreign currency operations	97,838	214,918
Others	1,416,079	118,675
Total	1,513,917	333,593
35 Interest expense on foreign Currency Financial Liabilities		
Deposits	171,894	91,558
Asian Clearing Union (ACU)	102,734	20,230
IMF	30,355	30,887
Central Bank Strengthening Project	13,770	20,887
Total	318,753	163,563

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
36 Consolidated interest income on local currency financial assets		
Securities purchased under agreement to resell	3,395	1,473,884
Government securities	790,378	1,050,143
Loans and advance to Government	4,160,462	6,830,530
Debentures	249,466	311,388
Loans to banks financial institution and employees	4,556,084	4,478,140
Short-term money market deposits	1,095,341	898,949
Total	10,855,126	15,043,034
36.01 Interest income		
Securities purchased under agreement to resell	3,395	1,473,884
Government securities	790,378	1,050,143
Loans and advance to Government	4,160,462	6,830,530
Debentures	249,466	311,388
Loans to banks, financial institution and employees	4,494,828	4,418,858
Total	9,698,529	14,084,803
37 Commission and discounts		
Commission income from Government	8,885	5,749
Miscellaneous commission income	779,111	586,458
Gain/(loss) on sale of treasury bonds	-	790,263
Total	787,996	1,382,469
38 Other income		
Exchange A/C (local income)	44	82
Exchange A/C-Remittance Sold (local)	2	41
Exchange A/C-T T discount (local)	123	2,347
Exchange earned account	685	-
Gain on asset sale or derecognition	2,893	599
Miscellaneous - write back of provision	355,542	66,525
Grant income	134,672	254,242
Cost reimbursement of Taka 5 note	4,952,529	-
Total	5,446,490	323,836
39 Interest expense		
Bangladesh Bank bills	5,529,753	736,118
Securities sold under agreement to repurchase	2,489,785	1,137,470
Total	8,019,538	1,873,588
40 Commission and other expenses		
Agency charges (note 40.01)	3,485,956	2,642,465
Under writing commission on treasury bills & bonds (note 40.02)	418,212	488,067
Other expenses	13,486	22,477
Total	3,917,654	3,153,009

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
40.01 Agency charges		
Agency charges paid to Sonali Bank Limited for acting as agent of Bangladesh Bank.		
40.02 Under writing commission on treasury bills & bonds		
Underwriting commission paid to primary dealers for issuing Govt. treasury bill and bond.		
41 Consolidated general and administrative expenses		
Staff costs (note 41 (a))	9,646,922	6,164,947
Depreciation	921,525	893,262
Amortisation (intangible assets)	209,608	242,113
Directors' fees	1,017	720
Audit fees	8,544	8,337
Stationery	119,873	104,629
Rent, electricity etc.	349,738	309,294
Remittance of treasure	43,709	44,130
Donations	165,446	120,626
Telephone	98,309	93,962
Repairs & maintenance	337,659	425,922
Materials	2,516,328	3,206,419
Provision for Workers' Profit Participation Fund	122,001	115,931
Income tax and Value Added Tax (VAT)	1,264,921	778,138
Deferred tax	(68,717)	538,693
Miscellaneous	685,181	1,220,803
Total	16,422,064	14,267,926
41.(a) Staff costs		
Salary	2,699,637	1,759,589
House rent	539,223	540,646
Contribution to contributory provident fund	599,046	(95,219)
Pension and gratuity	2,917,100	1,595,850
Leave encashment	212,005	2,013
General and incentive bonus	1,255,310	1,085,931
Income tax paid to Government	-	(4,319)
Medical expenses	313,849	266,931
Training	176,478	154,327
Travel expenses	290,645	206,888
Lunch	318,526	304,225
Other staff costs	325,103	348,084
Total	9,646,922	6,164,947

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

	2016 Taka '000	2015 Taka '000
40.01 General and administrative expenses		
Staff costs (note 41.01(a))	8,932,882	5,745,212
Depreciation	713,835	691,977
Amortisation	209,608	242,113
Directors' fee	647	481
Audit fee	8,294	8,294
Stationery	117,843	102,716
Rent	243,341	227,251
Remittance of treasure	43,371	44,130
Donations	151,193	120,626
Telephone	97,430	93,784
Repairs	312,077	386,731
Miscellaneous	672,425	759,933
Total	11,502,946	8,423,247
41.01(a) Staff costs		
Salary	2,454,807	1,577,827
House rent	539,223	540,646
Contribution to contributory provident fund	397,543	(95,219)
Pension and gratuity	2,917,100	1,566,700
Leave encashment	184,500	-
General and incentive bonus	1,137,041	1,012,128
Income tax paid to Government	-	(4,319)
Medical expenses	304,961	258,201
Training	175,737	153,483
Travel expenses	279,917	206,888
Lunch	283,348	271,267
Other staff costs	258,705	257,609
Total	8,932,882	5,745,212

42 Financial instruments-fair values and risk management

42.01 a. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

Consolidated

i) 30 June 2016

Taka '000

Particulars	Carrying amount					Fair value				
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value										
US Dollar Treasury bills	-	-	-	15,654,912	-	15,654,912	15,654,912	-	-	15,654,912
Foreign bonds	-	-	-	766,864,248	-	766,864,248	766,864,248	-	-	766,864,248
Gold and Silver	-	-	-	7,278,889	-	7,278,889	7,278,889	-	-	7,278,889
Claims from Gold transaction	-	-	-	38,849,350	-	38,849,350	38,849,350	-	-	38,849,350
Treasury bills	-	-	-	15,628,805	-	15,628,805	-	15,628,804	-	15,628,804
Treasury bonds	-	-	-	31,314,474	-	31,314,474	-	31,314,474	-	31,314,474
Swift shares	-	-	-	80	-	80	-	-	80	80
Debenture - House Building Finance Corporation	-	-	-	4,715,000	-	4,715,000	-	4,715,000.00	-	4,715,000
Share of ICB Islamic Bank Limited	-	-	-	7,452	-	7,452	7,452	-	-	7,452
	-	-	-	880,313,211	-	880,313,211	828,654,851	51,658,279	80	880,313,210
Financial assets not measured at fair value										
Taka coin and cash balances	16,684,618	-	-	-	-	16,684,618	-	-	-	-
Foreign currency accounts	45,017,497	-	-	-	-	45,017,497	-	-	-	-
Overnight investment	136,235,070	-	-	-	-	136,235,070	-	-	-	-
Short-term deposits with overseas commercial banks	1,115,920,187	-	-	-	-	1,115,920,187	-	-	-	-
Asset held with IMF	208,949,924	-	-	-	-	208,949,924	-	-	-	-
Foreign currency loans to banks	132,234,324	-	-	-	-	132,234,324	-	-	-	-
Interest receivable	6,926,757	-	-	-	-	6,926,757	-	-	-	-
Other receivable	6,365,370	-	-	-	-	6,365,370	-	-	-	-
Ways and means advance	40,000,000	-	-	-	-	40,000,000	-	-	-	-
Overdraft - block	71,850,000	-	-	-	-	71,850,000	-	-	-	-
Overdraft - current	40,315,900	-	-	-	-	40,315,900	-	-	-	-
Securities purchased under agreement to resell	8,480,000	-	-	-	-	8,480,000	-	-	-	-
Short term money market investments	634,804	-	-	-	-	634,804	-	-	-	-
Loan to commercial banks	3,999,640	-	-	-	-	3,999,640	-	-	-	-
Loan to specialised banks	29,431,830	-	-	-	-	29,431,830	-	-	-	-
Loan to private banks	2,903,250	-	-	-	-	2,903,250	-	-	-	-
Other loans and advances	28,549,486	-	-	-	-	28,549,486	-	-	-	-
Interest receivable	8,237,801	-	-	-	-	8,237,801	-	-	-	-
Loans and advances to employees	32,535,423	-	-	-	-	32,535,423	-	-	-	-
Other local currency financial assets	3,432,361	-	-	-	-	3,432,361	-	-	-	-
	1,938,704,241	-	-	-	-	1,938,704,241	-	-	-	-
Financial liabilities measured at fair value										
Nil	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value										
Liabilities with IMF	-	-	-	-	230,167,566	230,167,566	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	-	71,333,857	71,333,857	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	-	76,275,538	76,275,538	-	-	-	-
Notes in circulation	-	-	-	-	1,307,303,718	1,307,303,718	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	-	608,937,407	608,937,407	-	-	-	-
Short-term borrowings	-	-	-	-	263,401,402	263,401,402	-	-	-	-
	-	-	-	-	2,557,419,488	2,557,419,488	-	-	-	-

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

Consolidated

ii) 30 June 2015

Taka '000

Particulars	Carrying amount						Fair value			
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value										
US Dollar Treasury bills	-	-	-	83,279,606	-	83,279,606	83,279,606	-	-	83,279,606
Foreign bonds	-	-	-	679,254,220	-	679,254,220	679,254,220	-	-	679,254,220
Gold and Silver	-	-	-	6,414,663	-	6,414,663	6,414,663	-	-	6,414,663
Claims from Gold transaction	-	-	-	34,181,082	-	34,181,082	34,181,082	-	-	34,181,082
Treasury bonds	-	-	-	1,085,185	-	1,085,185	-	1,085,185	-	1,085,185
Swift shares	-	-	-	80	-	80	-	-	80	80
Debenture - House Building Finance Corporation	-	-	-	5,795,000	-	5,795,000	-	5,795,000.00	-	5,795,000
Share of ICB Islamic Bank Limited	-	-	-	7,452	-	7,452	7,452	-	-	7,452
	-	-	-	810,017,288	-	810,017,288	803,137,023	6,880,185	80	810,017,288
Financial assets not measured at fair value										
Taka coin and cash balances	14,483,987	-	-	-	-	14,483,987	-	-	-	-
Foreign currency accounts	21,015,860	-	-	-	-	21,015,860	-	-	-	-
Overnight investment	247,393,553	-	-	-	-	247,393,553	-	-	-	-
Short term deposits with overseas commercial banks	674,465,879	-	-	-	-	674,465,879	-	-	-	-
Asset held with IMF	131,148,185	-	-	-	-	131,148,185	-	-	-	-
Foreign currency loans to banks	127,742,085	-	-	-	-	127,742,085	-	-	-	-
Interest receivable	6,680,385	-	-	-	-	6,680,385	-	-	-	-
Ways and means advance	24,354,400	-	-	-	-	24,354,400	-	-	-	-
Overdraft - block	86,850,000	-	-	-	-	86,850,000	-	-	-	-
Short-term money market investments	462,501	-	-	-	-	462,501	-	-	-	-
Loan to commercial banks	4,963,167	-	-	-	-	4,963,167	-	-	-	-
Loan to specialised banks	33,362,448	-	-	-	-	33,362,448	-	-	-	-
Loan to private banks	3,019,500	-	-	-	-	3,019,500	-	-	-	-
Other loans and advances	26,172,779	-	-	-	-	26,172,779	-	-	-	-
Interest receivable	8,429,740	-	-	-	-	8,429,740	-	-	-	-
Loans and advances to employees	31,233,004	-	-	-	-	31,233,004	-	-	-	-
Other local currency financial assets	531,648	-	-	-	-	531,648	-	-	-	-
	1,442,309,121	-	-	-	-	1,442,309,121	-	-	-	-
Financial liabilities measured at fair value										
Nil	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value										
Liabilities with IMF	-	-	-	-	167,475,874	167,475,874	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	-	78,892,716	78,892,716	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	-	70,261,285	70,261,285	-	-	-	-
Notes in circulation	-	-	-	-	973,633,449	973,633,449	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	-	503,017,274	503,017,274	-	-	-	-
Short-term borrowings	-	-	-	-	180,721,995	180,721,995	-	-	-	-
	-	-	-	-	1,974,002,593	1,974,002,593	-	-	-	-

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

Separate

i) 30 June 2016

Taka '000

Particulars	Carrying amount					Fair value				
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value										
US Dollar Treasury bills	-	-	-	15,654,912	-	15,654,912	15,654,912	-	-	15,654,912
Foreign bonds	-	-	-	766,864,248	-	766,864,248	766,864,248	-	-	766,864,248
Gold and Silver	-	-	-	7,278,889	-	7,278,889	7,278,889	-	-	7,278,889
Claims from Gold transaction	-	-	-	38,849,350	-	38,849,350	38,849,350	-	-	38,849,350
Treasury bills	-	-	-	15,628,805	-	15,628,805	-	15,628,804	-	15,628,804
Treasury bonds	-	-	-	31,314,474	-	31,314,474	-	31,314,474	-	31,314,474
Swift shares	-	-	-	80	-	80	-	-	80	80
Investment in subsidiary	-	-	-	12,000,000	-	12,000,000	-	-	12,000,000	12,000,000
Debenture - House Building Finance Corporation	-	-	-	4,715,000	-	4,715,000	-	4,715,000.00	-	4,715,000
	-	-	-	892,305,759	-	892,305,759	828,647,399	51,658,279	12,000,080	892,305,759
Financial assets not measured at fair value										
Taka coin and cash balances	4,514,122	-	-	-	-	4,514,122	-	-	-	-
Foreign currency accounts	45,017,497	-	-	-	-	45,017,497	-	-	-	-
Overnight investment	136,235,070	-	-	-	-	136,235,070	-	-	-	-
Short-term deposits with overseas commercial banks	1,115,920,187	-	-	-	-	1,115,920,187	-	-	-	-
Asset held with IMF	208,949,924	-	-	-	-	208,949,924	-	-	-	-
Foreign currency loans to banks	132,234,324	-	-	-	-	132,234,324	-	-	-	-
Interest receivable	6,926,757	-	-	-	-	6,926,757	-	-	-	-
Other receivable	6,365,370	-	-	-	-	6,365,370	-	-	-	-
Ways and means advance	40,000,000	-	-	-	-	40,000,000	-	-	-	-
Overdraft - block	71,850,000	-	-	-	-	71,850,000	-	-	-	-
Overdraft - current	40,315,900	-	-	-	-	40,315,900	-	-	-	-
Securities purchased under agreement to resell	8,480,000	-	-	-	-	8,480,000	-	-	-	-
Loan to commercial banks	3,999,640	-	-	-	-	3,999,640	-	-	-	-
Loan to specialised banks	29,431,830	-	-	-	-	29,431,830	-	-	-	-
Loan to private banks	2,903,250	-	-	-	-	2,903,250	-	-	-	-
Other loans and advances	28,549,486	-	-	-	-	28,549,486	-	-	-	-
Interest receivable	8,237,801	-	-	-	-	8,237,801	-	-	-	-
Loans and advances to employees	31,279,407	-	-	-	-	31,279,407	-	-	-	-
Other local currency financial assets	3,432,361	-	-	-	-	3,432,361	-	-	-	-
	1,924,642,925	-	-	-	-	1,924,642,925	-	-	-	-
Financial liabilities measured at fair value										
Nil	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value										
Liabilities with IMF	-	-	-	-	230,167,566	230,167,566	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	-	71,333,857	71,333,857	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	-	76,275,538	76,275,538	-	-	-	-
Notes in circulation	-	-	-	-	1,307,303,718	1,307,303,718	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	-	608,937,407	608,937,407	-	-	-	-
Short-term borrowings	-	-	-	-	263,401,402	263,401,402	-	-	-	-
	-	-	-	-	2,557,419,488	2,557,419,488	-	-	-	-

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

Seperate

ii) 30 June 2015

Taka '000

Particulars	Carrying amount						Fair value			
	Loans and receivables	Held-to-maturity	Fair value through profit or loss	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value										
US Dollar Treasury bills	-	-	-	83,279,606	-	83,279,606	83,279,606	-	-	83,279,606
Foreign bonds	-	-	-	679,254,220	-	679,254,220	679,254,220	-	-	679,254,220
Gold and Silver	-	-	-	6,414,663	-	6,414,663	6,414,663	-	-	6,414,663
Claims from Gold transaction	-	-	-	34,181,082	-	34,181,082	34,181,082	-	-	34,181,082
Treasury bonds	-	-	-	1,085,185	-	1,085,185	-	1,085,185	-	1,085,185
Swift shares	-	-	-	80	-	80	-	-	80	80
Debenture - House Building Finance Corporation	-	-	-	5,795,000	-	5,795,000	-	5,795,000	-	5,795,000
Investment in subsidiary	-	-	-	12,000,000	-	12,000,000	-	12,000,000	-	12,000,000
	-	-	-	822,009,836	-	822,009,836	803,129,571	18,880,185	80	822,009,836
Financial assets not measured at fair value										
Taka coin and cash balances	321,706	-	-	-	-	321,706	-	-	-	-
Foreign currency accounts	78,892,716	-	-	-	-	78,892,716	-	-	-	-
Overnight investment	247,393,553	-	-	-	-	247,393,553	-	-	-	-
Short-term deposits with overseas commercial banks	674,465,879	-	-	-	-	674,465,879	-	-	-	-
Asset held with IMF	167,475,874	-	-	-	-	167,475,874	-	-	-	-
Foreign currency loans to banks	127,742,085	-	-	-	-	127,742,085	-	-	-	-
Interest receivable	6,680,385	-	-	-	-	6,680,385	-	-	-	-
Ways and means advance	24,354,400	-	-	-	-	24,354,400	-	-	-	-
Overdraft - block	86,850,000	-	-	-	-	86,850,000	-	-	-	-
Loan to commercial banks	4,963,167	-	-	-	-	4,963,167	-	-	-	-
Loan to specialised banks	33,362,448	-	-	-	-	33,362,448	-	-	-	-
Loan to private banks	3,019,500	-	-	-	-	3,019,500	-	-	-	-
Other loans and advances	26,172,779	-	-	-	-	26,172,779	-	-	-	-
Interest receivable	8,429,740	-	-	-	-	8,429,740	-	-	-	-
Loans and advances to employees	30,655,637	-	-	-	-	30,655,637	-	-	-	-
Other local currency financial assets	169,283	-	-	-	-	169,283	-	-	-	-
	1,520,949,151	-	-	-	-	1,520,949,151	-	-	-	-
Financial liabilities measured at fair value										
Nil	-	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value										
Liabilities with IMF	-	-	-	-	167,475,874	167,475,874	-	-	-	-
Foreign currency deposits by commercial banks	-	-	-	-	78,892,716	78,892,716	-	-	-	-
Asian Clearing Union (ACU)	-	-	-	-	70,261,285	70,261,285	-	-	-	-
Notes in circulation	-	-	-	-	973,633,449	973,633,449	-	-	-	-
Local currency deposits from banks and financial institutions	-	-	-	-	503,017,274	503,017,274	-	-	-	-
Short-term borrowings	-	-	-	-	180,721,995	180,721,995	-	-	-	-
	-	-	-	-	1,974,002,593	1,974,002,593	-	-	-	-

As at 30 June 2016 and 30 June 2015, the group holds level 3 financial instruments only on Swift shares. Management believes that the fair value of these shares is equal to its carrying amount. A Level 3 reconciliation table has not been disclosed as no change in fair value of investment from last year.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

42.1 b. Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Fair value have been based on management assumptions according to the portfolio of the asset and liability base.

Fair value of foreign securities available-for-sale is based on quoted market prices, at the financial position date (2015: foreign securities available-for-sale at fair value). Local currency financial investments includes shares in SPCBL with a value of Taka 12,000,000,000 (2015: Taka 12,000,000,000) & Debentures of HBFC with a value of Taka 4,715,000,000 (2015: Taka 5,795,000,000) 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.

Loans to Government (overdraft-block and current) are carried at cost as the interest accrued is recovered on a daily basis. Treasury bills and bonds are classified as available-for-sale and are carried at fair value. 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.

42.2 Financial risk management

The Group has exposure to the following risks arising from financial instruments :

- I. Credit risk
- II. Liquidity risk
- III. Market risk
- IV. Operational risk

Risk management framework

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 Group's policies for controlling risks and exposures.

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 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 create exposure to a range of operational and reputational risks also.

The Bank's 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 by the Government as prescribed in Article 65 (1) of the Bangladesh Bank Order, 1972. Auditing arrangements are overseen by the 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. Audit Committee reports to the Board of Directors on its activities.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

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 that the risk management framework is consistent with financial market best practices. Risk tables in this note are all based on the Bank's portfolio as reported in its statement of financial position.

I. Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. 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, with mitigates to credit risk including both the Bank's rigorous monitoring activities and, in many cases, guarantees from the government.

a. Concentration of credit exposure

The group's significant end-of-year concentrations of credit exposure, based on the country/region in which the issuers' parent was located, were as follows:

Particulars	2016		2015	
	Consolidated	Separate	Consolidated	Separate
Bangladesh	490,742,050	488,307,361	383,214,010	379,088,552
Other Asian countries	508,556,752	508,556,752	351,138,303	351,138,303
United States of America	553,473,258	553,473,258	673,787,180	673,787,180
Europe	348,938,013	348,938,013	478,108,449	478,108,449
Australia	100,229,192	100,229,192	80,433,234	80,433,234
Others	817,379,746	817,379,746	285,508,941	285,508,941
Total	2,819,319,012	2,816,884,322	2,252,190,116	2,248,064,658

b. Credit exposures by credit rating

Following tables represents the Group's foreign currency financial assets (excluding foreign currency loans to banks) mainly based on Moody's credit rating of the issuer (or equivalent Moody's rating in case of rating by other agencies). 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.

However, the Group's local currency financial assets along with foreign currency loans to banks are based on credit rating from Credit Rating Information and Services Limited, Credit Rating Agency of Bangladesh Limited, Emerging Credit Rating Limited, National Credit Rating Limited, Alpha Credit Rating Limited, ARGUS Credit Rating Services Limited etc. which were preferred by respective institutions.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

Consolidated

Particulars	Credit Rating	2016		2015	
		Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets

i) Foreign currency financial assets

Foreign currency accounts	P-1	45,017,497	1.60%	21,015,860	0.94%
Overnight investment	P-1	136,235,070	4.84%	247,393,553	11.02%
Short-term deposits with overseas commercial banks	P-1	1,115,920,187	39.68%	674,465,879	30.03%
US Dollar treasury bills	P-1	15,654,912	0.56%	83,279,606	3.71%
Foreign bonds	Aaa	459,707,614	16.35%	487,878,147	21.72%
Foreign bonds	Aa1, Aa2	156,194,683	5.55%	66,104,229	2.94%
Foreign bonds	Aa3	19,270,684	0.69%	30,244,944	1.35%
Foreign bonds	Aa, A1, A2	15,863,063	0.56%	15,613,757	0.70%
Foreign bonds	A3, A+	13,130,544	0.47%	13,706,400	0.61%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	102,697,661	3.65%	65,706,743	2.93%
Foreign currency loans to banks	A	12,872,134	0.46%	1,327,493	0.06%
Foreign currency loans to banks	Aaa to Aa	118,090,758	4.20%	92,993,790	4.14%
Foreign currency loans to banks	Baa, B	1,271,431	0.05%	1,364,649	0.06%
Foreign currency loans to banks	Unrated	-	0.00%	32,056,154	1.43%
Claims from Gold transactions	Aa2	38,849,350	1.38%	34,181,082	1.52%
Assets held with International Monetary Fund	Unrated	208,949,924	7.43%	131,148,185	5.84%
Other foreign currency financial assets	Unrated	13,292,207	0.47%	6,680,465	0.30%
Total		2,473,017,719	87.94%	2,005,160,934	89.29%

ii) Local currency financial assets

Loans to the Government of Bangladesh	Ba3	199,109,179	7.08%	112,289,585	5.00%
Securities purchased under agreement to resell	A+	8,480,000	0.30%	-	0.00%
Local currency investments	-	5,361,392	0.19%	6,269,086	0.28%
Loans to banks, financial institutions	A	17,468,686	0.62%	50,042	0.00%
Loans to banks, financial institutions	Aaa to Aa	15,669,742	0.56%	7,110,357	0.32%
Loans to banks, financial institutions	Ba to B	156,363	0.01%	14,010	0.00%
Loans to banks, financial institutions	Baa	224,165	0.01%	284,714	0.01%
Loans to banks, financial institutions	Unrated	39,538,689	1.41%	68,348,084	3.04%
Loans to employees	-	32,535,423	1.16%	31,233,004	1.39%
Other local currency financial assets	-	3,794,147	0.13%	531,648	0.02%
Taka coin and cash balances	-	16,684,618	0.59%	14,483,987	0.64%
Total		339,022,404	12.06%	240,614,519	10.71%
Total financial assets (i+ii)		2,812,040,123	100.00%	2,245,775,453	100.00%

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

Seperate

Particulars	Credit Rating	2016		2015	
		Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets

i) Foreign currency financial assets

Foreign currency accounts	P-1	45,017,497	1.60%	21,015,860	0.94%
Overnight investment	P-1	136,235,070	4.85%	247,393,553	11.04%
Short-term deposits with overseas commercial banks	P-1	1,115,920,187	39.72%	674,465,879	30.09%
US Dollar treasury bills	P-1	15,654,912	0.56%	83,279,606	3.72%
Foreign bonds	Aaa	459,707,614	16.36%	487,878,147	21.76%
Foreign bonds	Aa1, Aa2	156,194,683	5.56%	66,104,229	2.95%
Foreign bonds	Aa3	19,270,684	0.69%	30,244,944	1.35%
Foreign bonds	Aa, A1, A2	15,863,063	0.56%	15,613,757	0.70%
Foreign bonds	A3, A+	13,130,544	0.47%	13,706,400	0.61%
Foreign bonds	B1, Ba1, Baa1, Baa2, Baa3	102,697,661	3.66%	65,706,743	2.93%
Foreign currency loans to banks	A	12,872,134	0.46%	1,327,493	0.06%
Foreign currency loans to banks	Aaa to Aa	118,090,758	4.20%	92,993,790	4.15%
Foreign currency loans to banks	Baa, B	1,271,431	0.05%	1,364,649	0.06%
Foreign currency loans to banks	Unrated	-	0.00%	32,056,154	1.43%
Claims from Gold transactions	Aa2	38,849,350	1.38%	34,181,082	1.52%
Assets held with International Monetary Fund	Unrated	208,949,924	7.44%	131,148,185	5.85%
Other foreign currency financial assets	Unrated	13,292,207	0.47%	6,680,465	0.30%
Total		2,473,017,719	88.02%	2,005,160,934	89.45%

ii) Local currency financial assets

Loans to the Government of Bangladesh	Ba3	199,109,179	7.09%	112,289,585	5.01%
Securities purchased under agreement to resell	A+	8,480,000	0.30%	-	0.00%
Local currency investments	-	16,715,000	0.59%	17,795,000	0.79%
Loans to banks, financial institutions	A	17,468,686	0.62%	50,042	0.00%
Loans to banks, financial institutions	Aaa to Aa	15,669,742	0.56%	7,110,357	0.32%
Loans to banks, financial institutions	Ba to B	156,363	0.01%	14,010	0.00%
Loans to banks, financial institutions	Baa	224,165	0.01%	284,714	0.01%
Loans to banks, financial institutions	Unrated	39,538,689	1.41%	68,348,084	3.05%
Loans to employees	-	31,279,407	1.11%	30,106,279	1.34%
Other local currency financial assets	-	3,432,361	0.12%	169,283	0.01%
Taka coin and cash balances	-	4,514,122	0.16%	321,706	0.01%
Total		336,587,714	11.98%	236,489,061	10.55%
Total financial assets (i+ii)		2,809,605,433	100%	2,241,649,996	100%

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

c. Collateral held and other credit enhancements, and their financial effect

The group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

2016		2015	
Amount (Taka '000)	Principal type of Collateral	Amount (Taka '000)	Principal type of Collateral

i) Foreign currency financial assets

Foreign currency loans to banks	132,234,324	None	127,742,085	None
Claims from Gold transactions	38,849,350	None	34,181,082	None
Assets held with International Monetary Fund	208,949,924	None	131,148,185	None

ii) Local currency financial assets

Loans to the Government of Bangladesh	199,109,179	None	112,289,585	None
Securities purchased under agreement to resell	8,480,000	Marketable securities	-	Marketable securities
Local currency loans to banks, financial institutions and employees	105,593,068	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property	107,040,212	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property

II. Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

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.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

The table below summaries the maturity profile of the group'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:

Consolidated

30 June 2016

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	45,017,497	-	-	-	-
Foreign investments	656,864,021	661,490,116	186,315,608	553,265,034	-
Assets held with International Monetary Fund	106,526,842	-	-	-	102,423,081
Gold and Silver	7,278,889	-	-	-	-
Claims from Gold transactions	19,188,519	-	19,816,850	-	-
Foreign currency loans to banks	15,881,064	48,795,700	67,557,561	-	-
Total	850,756,833	710,285,815	273,690,019	553,265,034	102,423,081
Local currency financial assets					
Taka coin and cash balances	16,684,618	-	-	-	-
Securities purchased under agreement to resell	8,480,000	-	-	-	-
Loans to the Government of Bangladesh	82,617,694	5,744,999	23,599,171	71,315,974	15,831,340
Local currency investments	-	260,000	3,424,804	650,000	1,026,588
Local currency loans to banks, financial institutions and employees	3,022,886	4,981,491	22,491,874	37,467,864	37,628,954
Total	110,805,199	10,986,490	49,515,848	109,433,838	54,486,882
Total financial assets	961,562,031	721,272,306	323,205,867	662,698,872	156,909,964
Foreign currency financial liabilities					
Deposits from banks and financial institutions	147,635,399	-	-	-	-
Liabilities with International Monetary Fund	1,612,895	4,742	369,245	45,116,910	183,063,773
Total	149,248,294	4,742	369,245	45,116,910	183,063,773
Local currency financial liabilities					
Notes in circulation	1,307,303,718	-	-	-	-
Deposits from banks and financial institutions	608,937,407	-	-	-	-
Short-term borrowings	263,401,402	-	-	-	-
Other local currency financial liabilities	8,268,212	580,378	88,067,545	32,716,273	29,570,300
Total	2,187,910,739	580,378	88,067,545	32,716,273	29,570,300
Total financial liabilities	2,337,159,033	585,120	88,436,790	77,833,183	212,634,073
Maturity gap	(1,375,597,002)	720,687,185	234,769,077	584,865,689	(55,724,109)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

30 June 2015

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	21,015,860	-	-	-	-
Foreign investments	554,652,038	399,923,459	139,913,581	614,504,078	-
Assets held with International Monetary Fund	72,789,125	-	6,174	-	58,352,886
Gold and Silver	6,414,663	-	-	-	-
Claims from Gold transactions	16,874,920	-	17,438,800	-	-
Foreign currency loans to banks	10,858,252	42,841,228	74,042,606	-	-
Total	682,604,858	442,764,686	231,401,160	614,504,078	58,352,886
Local currency financial assets					
Taka coin and cash balances	14,483,987	-	-	-	-
Loans to the Government of Bangladesh	24,354,400	-	15,000,000	61,000,000	11,922,800
Local currency investments	315,000	-	1,239,086	3,700,000	1,015,000
Local currency loans to banks, financial institutions and employees	1,872,484	7,043,445	20,964,276	39,691,518	72,669,324
Total	41,025,871	7,043,445	37,203,362	104,391,518	85,607,124
Total financial assets	723,630,729	449,808,131	268,604,522	718,895,596	143,960,010
Foreign currency financial liabilities					
Deposits from banks and financial institutions	149,159,931	-	-	-	-
Liabilities with International Monetary Fund	1,621,992	-	-	3,314,286	162,539,596
Total	150,781,923	-	-	3,314,286	162,539,596
Local currency financial liabilities					
Notes in circulation	973,633,449	-	-	-	-
Short-term borrowings	180,721,995	-	-	-	-
Deposits from banks and financial institutions	503,017,274	-	-	-	-
Other local currency financial liabilities	-	62,538,213	111,488,171	-	-
Total	1,657,372,718	62,538,213	111,488,171	-	-
Total financial liabilities	1,808,154,641	62,538,213	111,488,171	3,314,286	162,539,596
Maturity gap	(1,084,523,912)	387,269,919	157,116,351	715,581,310	(18,579,586)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

Separate

30 June 2016

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	45,017,497	-	-	-	-
Foreign investments	656,864,021	661,490,116	186,315,608	553,265,034	-
Assets held with International Monetary Fund	106,526,842	-	-	-	102,423,081
Gold and Silver	7,278,889	-	-	-	-
Claims from Gold transactions	19,188,519	-	19,816,850	-	-
Foreign currency loans to banks	15,881,064	48,795,700	67,557,561	-	-
Total	850,756,833	710,285,815	273,690,019	553,265,034	102,423,081
Local currency financial assets					
Taka coin and cash balances	4,514,122	-	-	-	-
Securities purchased under agreement to resell	8,480,000	-	-	-	-
Loans to the Government of Bangladesh	82,617,694	5,744,999	23,599,171	71,315,974	15,831,340
Local currency investments	-	260,000	2,790,000	650,000	13,015,000
Local currency loans to banks, financial institutions and employees	3,018,886	4,973,491	22,459,874	37,235,787	36,649,014
Total	98,630,703	10,978,490	48,849,044	109,201,761	65,495,355
Total financial assets	949,387,535	721,264,306	322,539,063	662,466,795	167,918,436
Foreign currency financial liabilities					
Deposits from banks and financial institutions	147,635,399	-	-	-	-
Liabilities with International Monetary Fund	1,612,895	4,742	369,245	45,116,910	183,063,773
Total	149,248,294	4,742	369,245	45,116,910	183,063,773
Local currency financial liabilities					
Notes in circulation	1,307,303,718	-	-	-	-
Deposits from banks and financial institutions	608,937,407	-	-	-	-
Short-term borrowings	263,401,402	-	-	-	-
Other local currency financial liabilities	9,405,999	580,378	85,352,343	32,716,273	29,247,609
Total	2,189,048,526	580,378	85,352,343	32,716,273	29,247,609
Total financial liabilities	2,338,296,820	585,120	85,721,588	77,833,183	212,311,382
Maturity gap	(1,388,909,284)	720,679,185	236,817,475	584,633,612	(44,392,946)

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

30 June 2015

Taka '000

Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	21,015,860	-	-	-	-
Foreign investments	554,652,038	399,923,459	139,913,581	614,504,078	-
Assets held with International Monetary Fund	72,789,125	-	6,174	-	58,352,886
Gold and Silver	6,414,663	-	-	-	-
Claims from Gold transactions	16,874,920	-	17,438,800	-	-
Foreign currency loans to banks	10,858,252	42,841,228	74,042,606	-	-
Total	682,604,858	442,764,686	231,401,160	614,504,078	58,352,886
Local currency financial assets					
Taka coin and cash balances	321,706	-	-	-	-
Loans to the Government of Bangladesh	24,354,400	-	15,000,000	61,000,000	11,922,800
Local currency investments	145,000	170,000	765,000	3,700,000	13,015,000
Local currency loans to banks, financial institutions and employees	1,872,484	7,043,445	20,964,276	39,564,793	71,669,324
Total	26,693,590	7,213,445	36,729,276	104,264,793	96,607,124
Total financial assets	709,298,448	449,978,131	268,130,436	718,768,871	154,960,010
Foreign currency financial liabilities					
Deposits from banks and financial institutions	149,159,931	-	-	-	-
Liabilities with International Monetary Fund	1,621,992	-	-	3,314,286	162,539,596
Total	150,781,923	-	-	3,314,286	162,539,596
Local currency financial liabilities					
Notes in circulation	973,633,449	-	-	-	-
Short-term borrowings	180,721,995	-	-	-	-
Deposits from banks and financial institutions	503,017,274	-	-	-	-
Other local currency financial liabilities	-	62,538,213	108,934,018	-	-
Total	1,657,372,718	62,538,213	108,934,018	-	-
Total financial liabilities	1,808,154,641	62,538,213	108,934,018	3,314,286	162,539,596
Maturity gap	(1,098,856,193)	387,439,919	159,196,418	715,454,585	(7,579,586)

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

III. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an investment committee. 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

30 June 2016

In thousands taka

Particulars	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	22,476,916	-	5,936,796	4,066,716	8,998,235	388,288	464,468	1,994,396	-	691,682
Overnight investment	135,663,360	-	571,710	-	-	-	-	-	-	-
Short term deposits in overseas commercial banks	956,731,836	-	2,612,643	72,797,255	-	31,301,524	34,335,407	16,614,019	-	1,527,504
Treasury bills	15,654,912	-	-	-	-	-	-	-	-	-
Foreign bonds	660,054,396	-	85,860,561	6,884,624	-	2,481,245	7,895,976	3,687,446	-	-
Loan to other banks	132,234,324	-	-	-	-	-	-	-	-	-
Claims from Gold transaction	-	38,849,350	-	-	-	-	-	-	-	-
Interest receivable	5,280,073	86,334	1,163,462	71,982	-	51,528	223,416	48,538	9,851	1,425
Asset held with IMF	-	-	-	-	-	-	-	-	208,940,073	-
Total	1,928,095,817	38,935,684	96,145,171	83,820,576	8,998,235	34,222,584	42,919,267	22,344,398	208,949,924	2,220,610
Liabilities										
Deposits from other banks, financial institutions and ACU	146,217,472	-	1,080,051	328,135	9,563	179	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	-	102,024,849	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	369,245	-
SDR allocation	-	-	-	-	-	-	-	-	55,974,033	-
Extended credit facility	-	-	-	-	-	-	-	-	70,181,802	-
Others	-	-	-	-	-	-	-	-	1,617,637	-
Total	146,217,472	-	1,080,051	328,135	9,563	179	-	-	230,167,566	-
Net	1,781,878,345	38,935,684	95,065,120	83,492,442	8,988,673	34,222,405	42,919,267	22,344,398	(21,217,643)	2,220,610

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

30 June 2015

Taka '000

Particulars	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian \$ equivalent	Australian \$ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	456,204	-	6,576,637	2,294,103	9,162,609	581,064	716,823	938,753	-	289,666
Overnight investment	244,402,177	-	2,991,376	-	-	-	-	-	-	-
Short-term deposits in overseas commercial banks	516,728,208	-	4,331,991	79,055,301	-	27,628,702	32,905,057	12,312,831	-	1,503,789
Treasury bills	83,279,606	-	-	-	-	-	-	-	-	-
Foreign bonds	570,457,535	-	86,313,413	7,434,308	-	2,561,816	8,210,537	4,276,691	-	-
Loan to other banks	127,742,085	-	-	-	-	-	-	-	-	-
Claims from Gold transaction	-	34,181,082	-	-	-	-	-	-	-	-
Interest receivable	4,987,491	89,138.08	1,080,017	121,090	-	56,313	305,877	38,573	-	1,886
Asset held with IMF	-	-	-	-	-	-	-	-	131,148,185	-
Total	1,548,053,305	34,270,220	101,293,434	88,904,803	9,162,609	30,827,895	42,138,294	17,566,849	131,148,185	1,795,341
Liabilities										
Deposits from other banks, financial institutions and ACU	147,778,657	-	972,876	397,554	7,558	3,286	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	-	-
Securities	-	-	-	-	-	-	-	-	56,675,010	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	3,314,286	-
SDR allocation	-	-	-	-	-	-	-	-	55,847,748	-
Extended credit facility	-	-	-	-	-	-	-	-	50,016,838	-
Others	-	-	-	-	-	-	-	-	1,621,992	-
Total	147,778,657	-	972,876	397,554	7,558	3,286	-	-	167,475,874	-
Net	1,400,274,649	34,270,220	100,320,558	88,507,249	9,155,051	30,824,609	42,138,294	17,566,849	(36,327,690)	1,795,341

Currency risk sensitivity analysis

During the year, if the Taka had weakened 10 percent against the principal currencies in its foreign reserves portfolio with all other variables held constant, loss for the year would have been Taka 477 million lower, (2015: Taka 3,662 million). Conversely, if the Taka had strengthened 10 percent against the same currencies with all other variables held constant, the Bank would have experienced a increase of loss for the year of Taka 477 million, (2015: Taka 3,662 million). Profit/Loss is very sensitive to changes in exchange rate movements. The Bank as part of its core functions holds substantial foreign currency assets.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The group 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. Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2016 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. The table below summaries all financial instruments in their re-pricing period, which is equivalent to the remaining term of maturity:

Consolidated

Taka '000

Particulars	Balance as at 30 June 2016	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	45,017,497	45,017,497	-	-	-	0.08%
Foreign investments	2,034,674,417	1,296,827,377	190,264,395	547,582,644	-	1.37%
Assets held with International Monetary Fund	208,949,924	106,526,842	-	-	102,423,081	0.05%
Claims from Gold transactions	38,849,350	19,118,547	19,730,803	-	-	0.39%
Foreign currency loans to banks	132,234,324	64,676,763	67,557,561	-	-	1.89%
Total Foreign currency financial assets	2,459,725,512	1,532,167,026	277,552,759	547,582,644	102,423,081	

Local currency financial assets

Securities purchased under agreement to resell	8,480,000	8,480,000	-	-	-	9.36%
Loans to the Government of Bangladesh	199,109,179	88,362,693	23,599,171	71,315,974	15,831,340	4.92%
Local currency investments	5,361,392	260,000	3,424,804	650,000	1,026,588	2.08%
Local currency loans to banks, financial institutions and employees	105,593,068	8,004,377	22,491,874	37,467,864	37,628,954	4.20%
Total Local currency financial assets	318,543,639	105,107,071	49,515,848	109,433,838	54,486,882	

Liabilities

Foreign currency financial liabilities

Deposits from banks and financial institutions	147,635,399	147,635,399	-	-	-	0.42%
Liabilities with International Monetary Fund	230,167,566	1,617,637	369,245	45,116,910	183,063,773	0.05%
Total foreign currency financial liabilities	377,802,965	149,253,036	369,245	45,116,910	183,063,773	

Local currency financial liabilities

Short-term borrowings	263,401,402	263,401,402	-	-	-	5.67%
Total local currency financial liabilities	263,401,402	263,401,402	-	-	-	

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

Taka '000

Particulars	Balance as at 30 June 2015	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	21,015,860	21,015,860	-	-	-	0.08%
Foreign investments	1,684,393,258	949,687,576	129,939,874	604,765,809	-	0.71%
Assets held with International Monetary Fund	131,148,185	72,789,125	6,174	-	58,352,886	0.03%
Claims from Gold transactions	34,181,082	-	34,181,082	-	-	0.38%
Foreign currency loans to banks	127,742,085	53,699,480	74,042,606	-	-	1.10%
Total Foreign currency financial assets	1,998,480,469	1,097,192,040	238,169,735	604,765,809	58,352,886	
Local currency financial assets						
Loans to the Government of Bangladesh	112,289,585	24,354,400	15,000,000	61,002,991	11,932,194	6.08%
Local currency investments	6,269,086	789,086	765,000	3,700,000	1,015,000	5.37%
Local currency loans to banks, financial institutions and employees	107,040,212	2,732,034	14,275,197	22,458,470	67,574,511	4.20%
Total Local currency financial assets	225,598,884	27,875,520	30,040,197	87,161,461	80,521,705	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	149,159,932	149,159,931	-	-	-	0.08%
Liabilities with International Monetary Fund	167,475,874	1,621,992	-	3,314,286	162,539,596	0.04%
Total foreign currency financial liabilities	316,635,806	150,781,923	-	3,314,286	162,539,596	
Local currency financial liabilities						
Short-term borrowings	180,721,995	-	-	-	-	5.67%
Total local currency financial liabilities	180,721,995	-	-	-	-	

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2016

Separate

Taka '000

Particulars	Balance as at 30 June 2016	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	45,017,497	45,017,497	-	-	-	0.08%
Foreign investments	2,034,674,417	1,296,827,377	190,264,395	547,582,644	-	1.37%
Assets held with International Monetary Fund	208,949,924	106,526,842	-	-	102,423,081	0.05%
Claims from Gold transactions	38,849,350	19,118,547	19,730,803	-	-	0.39%
Foreign currency loans to banks	132,234,324	64,676,763	67,557,561	-	-	1.89%
Total Foreign currency financial assets	2,459,725,512	1,532,167,026	277,552,759	547,582,644	102,423,081	

Local currency financial assets

Securities purchased under agreement to resell	8,480,000	8,480,000	-	-	-	9.36%
Loans to the Government of Bangladesh	199,109,179	88,362,693	23,599,171	71,315,974	15,831,340	4.92%
Local currency investments	16,715,000	260,000	2,790,000	650,000	13,015,000	2.08%
Local currency loans to banks, financial institutions and employees	104,337,052	7,992,377	22,459,874	37,235,787	36,649,014	4.45%
Total Local currency financial assets	328,641,231	105,095,071	48,849,044	109,201,761	65,495,355	

Liabilities**Foreign currency financial liabilities**

Deposits from banks and financial institutions	147,635,399	147,635,399	-	-	-	0.42%
Liabilities with International Monetary Fund	230,167,566	1,617,637	369,245	45,116,910	183,063,773	0.05%
Total foreign currency financial liabilities	377,802,965	149,253,036	369,245	45,116,910	183,063,773	

Local currency financial liabilities

Short-term borrowings	263,401,402	263,401,402	-	-	-	2.96%
Total local currency financial liabilities	263,401,402	263,401,402	-	-	-	

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

Taka '000

Particulars	Balance as at 30 June 2015	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	21,015,860	21,015,860	-	-	-	0.08%
Foreign investments	1,684,393,258	949,687,576	129,939,874	604,765,809	-	0.71%
Assets held with International Monetary Fund	131,148,185	72,789,125	6,174	-	58,352,886	0.03%
Claims from Gold transactions	34,181,082	16,821,198	17,359,884	-	-	0.38%
Foreign currency loans to banks	127,742,085	53,699,480	74,042,606	-	-	1.10%
Total Foreign currency financial assets	1,998,480,469	1,114,013,238	221,348,537	604,765,809	58,352,886	
Local currency financial assets						
Loans to the Government of Bangladesh	112,289,585	24,354,400	15,000,000	61,002,991	11,932,194	6.08%
Local currency investments	17,795,000	315,000	765,000	3,700,000	13,015,000	5.37%
Local currency loans to banks, financial institutions and employees	105,913,487	2,732,034.33	14,275,197	22,458,470	66,447,785	4.17%
Total Local currency financial assets	235,998,072	27,401,434	30,040,197	87,161,461	91,394,979	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	149,159,932	149,159,931	-	-	-	0.07%
Liabilities with International Monetary Fund	167,475,874	1,621,992	-	3,314,286	162,539,596	0.06%
Total foreign currency financial liabilities	316,635,806	150,781,923	-	3,314,286	162,539,596	
Local currency financial liabilities						
Short-term borrowings	180,721,995	180,721,995	-	-	-	5.67%
Total local currency financial liabilities	180,721,995	180,721,995	-	-	-	

Interest rate risk sensitivity analysis

During the year, if interest rates had been 100 basis points higher with all other variables constant, profit for the year would have been Taka 25,114 million higher (2015: Taka 10,093 million), arising mainly as a result of higher interest income on financial assets. Conversely, if interest rates had been 100 basis point lower with all other variables held constant, profit for the year would have been Taka 25,114 million lower (2015: Taka 10,093 million) arising mainly as a result of lower 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.

IV. Operational risks

Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

external factors other than credit, market and liquidity risks, such as those arising from human error, failure of internal processes and systems, legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the group's operations.

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 for staff and specific internal control systems designed for the various activities of the group. Compliance with corporate policies and departmental internal control systems are managed by the management of the department and an active internal audit function.

43 Contingent liabilities

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2016 amounting to Taka 35,280.17 million (2015: Taka 70,020.36 million) in favour of International Islamic Trade Finance Corporation (Taka 35,280.00 million) and Rvl Fund A/C - IFAD Loan No. 194 BA Kurigram District (Taka 0.17 million) which are secured by counter guarantees from the Government of Bangladesh.

44 Operating segments

The Bank's operation is concentrated in one geographical area - Bangladesh and as such comprise a single operating segment for the purpose of IFRS 8, the relevant standard for such segmentation. While the Bank is required by the Bangladesh Bank Order to report revenue and expenses by references to the functions carried out by the Bank viz. Issue and banking department, these activities do not constitute separate operating segments for the purpose of IFRS 8.

45 Actuarial valuation of defined benefit plans

Most recent actuarial valuation was performed in the year 2011-12 by an independent actuarial firm. According to the valuation report, the estimated obligation of the pension fund as at 30 June 2012 was Taka 4,745,764 thousands and for gratuity fund was Taka 1,069,800 thousands. For subsequent years, the obligations were calculated based on the recommendation made by the actuarial firm.

As at 30 June 2016 the obligation for pension fund and gratuity fund was calculated to Taka 7,599,787 thousand and Taka 1,677,236 thousand respectively. The balance of the funds is as under:

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

Particulars	Pension plans		Gratuity plans	
	2016	2015	2016	2015
Taka '000				
Amounts recognised in the reporting date				
Balance at the beginning of the year	6,618,747	5,738,714	1,470,184	1,553,726
Paid during the year	(1,936,060)	(696,667)	(153,548)	(83,542)
Current year's contribution/transfer	2,917,100	1,576,700	360,600	-
Balance of the fund	7,599,787	6,618,747	1,677,236	1,470,184
Actuarial assumptions				
Particulars	Pension plans		Gratuity plans	
	2016	2015	2016	2015
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).

Sensitivity

If the discount rate had been 100 basis points lower with all other variables constant, contribution for pension fund and gratuity fund for the year would have been Taka 66.19 million and Taka 14.70 million higher respectively, arising mainly as a result of lower discount income. Conversely, if discount rate had been 100 basis point higher with all other variables held constant, contribution for the same during the year would have been Taka 66.19 million and Taka 14.70 million lower arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

46 Capital commitments

As at 30 June 2016, the Bank had outstanding capital commitments of Taka. 172.68 million with respect to different air conditioner purchase and installation along with security instrument and generator purchase. (2015: Taka 4.85 million).

47 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 IAS 24 : Related Parties Disclosure, 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.

Bank is fully owned by the Government of Bangladesh. Government has interests in various entities such as state owned banks, specialised banks and corporations. Bank deals with these entities on the directives of the Government in line with the its monetary policy objectives.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

The outstanding as at the reporting date and average balances during the year with respect to related parties included in the statement of financial position are as follows:

	Taka '000			
	2016		2015	
	Outstanding	Average	Outstanding	Average
Outstanding balances with the Government of Bangladesh				
Ways and means advance	40,000,000	32,177,200	24,354,400	12,177,200
Overdraft - block (refer note 13)	71,850,000	79,350,000	86,850,000	109,180,000
Overdraft - current	40,315,900	20,157,950	-	-
Treasury bills	15,628,805	7,814,403	-	1,163,584
Treasury bonds	31,314,474	16,199,830	1,085,185	18,054,980
Other assets (interest receivable)	738,645	384,068	29,491	405,312
	199,847,824	156,083,450	112,319,076	140,981,076

Other liabilities:

Deposits	5,078	5,055	5,033	20,602,091
Loan from Government of Bangladesh	5,211,095	3,966,415	2,721,734	2,743,157
	5,216,173	3,971,470	2,726,767	23,345,248

Balances related to subsidiary (SPCBL)

Other assets (prepayments and advances)	3,222,274	3,674,776	4,127,278	3,574,366
Other liabilities (sundry creditors)	1,137,787	1,236,453	1,335,120	1,483,314

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

	Taka '000	
	2016	2015
Income and expenses related to Government		
Interest income	4,950,840	7,880,673
Commission received	8,885	5,749
	4,959,725	7,886,421
Expenses		
Agency charges	3,485,956	2,642,465
Under writing commission on treasury bills and bonds	418,212	484,864
	3,904,168	3,127,329
Income and expenses related to subsidiary		
Dividend income	120,000	25,000
Note printing expenses	3,318,647	3,817,289
Key management personnel		
Salaries, wages and other benefits (refer note 47.06)	4,175	3,969

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

47.01 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;
- (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 3,142,387 million (in 2015 : Tk. 2,800,540 million) and paid Taka 3,198,349 million (in 2015: 2,866,080 million) on behalf of the Government. As at 30 June 2016, total outstanding balance was Taka 199,109 million.

- (f) Assets under management:

	Taka '000	
	2016	2015
Japan Debt Relief Grant	1,098,314	918,989

The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

47.02 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 Taka 249.47 million which included in the interest income.

47.03 Transactions with controlled entities

During the year, as a part of it's business operations the Bank incurred expense of Taka 3,318.65 million (2015: Taka 3,817.29 million) as note printing cost was paid to The Security Printing Corporation (Bangladesh) Ltd. which is included in the statement of

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

profit or loss of the Bank. It is a 100% owned subsidiary of the Bank. This transactions are eliminated in preparing consolidated financial statements. During the year, The Security Printing Corporation (Bangladesh) Ltd. paid dividend an amounting to Taka 120 million (2015: Taka 25 million) as per decision of their Board.

47.04 Transactions with retirement benefit plans

During the year, the group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as 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 45.

47.05 Board of Directors of Bangladesh Bank and Key Management Personnel

	Members of Board Directors	Executive Committee Members	Audit Committee Members
Mr. Fazle Kabir - appointed as the Chairman of the Board of Directors for a period of four years from 20 March 2016 and also holds the post of Governor of the Bangladesh Bank.	Chairman	-	-
Mr. Abu Hena Mohd. Razee Hassan - appointed as a Director of the Board of Bangladesh Bank on 10 April 2016 and also holds the post of Deputy Governor, Bangladesh Bank.	Member	-	-
Dr. Jamaluddin Ahmed, FCA - appointed as a Director of the Board of Bangladesh Bank from 13 March 2016 for a period of three years.	Member	-	-
Dr. Rushidan Islam Rahman - appointed as a Director of the Board of Bangladesh Bank from 13 March 2016 for a period of three years and also holds the post of Research Director, Bangladesh Institute of Development Studies (BIDS).	Member	-	-
Mr. Mahub Ahmed - appointed as a Director of the Board of Bangladesh Bank from 27 July 2014 to until further order and holds the post of Senior Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.	Member	-	-

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2016

	Members of Board Directors	Executive Committee Members	Audit Committee Members
<p>Mr. Md. Nojibur Rahman - appointed as a Director of the Board of Bangladesh Bank from 25 January 2015 to until further order and holds the post of Senior Secretary, Internal Resources Division & Chairman, National Board of Revenue, Government of the People's Republic of Bangladesh.</p>	Member	-	-
<p>Mr. Md. Eunosur Rahman - appointed as a Director of the Board of Bangladesh Bank from 22 March 2016 to until further order and also holds the post of Secretary, Bank and Financial Institutions Division, Ministry of Finance, Government of the Peoples Republic of Bangladesh.</p>	Member	-	-
Number of meetings held during the year	12	3	5

* Till 30 June 2016, Executive Committee & Audit Committee is yet to be formed after tenure expiration of members of last committee.

47.06 Remuneration of members of the Board of Directors and Key management personnel

Members of the Board of Directors received remuneration totalling Taka 647,010 (2015: Taka 523,392) and the Governor received salary totalling Taka 1,029,170.80 (2015: Taka 590,400). 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 totalling Taka 3,145,798.87 (2015: Taka 2,855,520) and in addition, they availed official residence as well as transport.

48 Events after the reporting date

Subsequent to the statement of financial position date, no events have occurred which require adjustments to/or disclose in the financial statements.

49 Directors' responsibility for financial reporting

The Board of Directors approved the financial statement on 29 August 2016.

Appendix–1

Chronology of Major Policy Announcements: FY16

Chronology of Major Policy Announcements: FY16

A. Policy Announcements on Banking and Financial Sector Development

- July 2015
- Bangladesh Bank (BB) has announced Agricultural and Rural Credit Policy and Programme for FY16 with a disbursement target of Taka 164.0 billion, projecting around 5.5 percent growth over FY15. All the scheduled banks and Bangladesh Rural Development Board (BRDB) have been directed to follow the instructions of the above mentioned policy and programme.
- July 2015
- In order to identify, assess and mitigate money laundering and terrorist financing risks "Money Laundering and Terrorist Financing Risk Assessment Guidelines for Financial Institution" has been prepared and all financial institutions have been instructed to follow the guidelines.
- September 2015
- The System Rules for Bangladesh Real Time Gross Settlement (BD-RTGS) System have been prepared. These Rules define operational aspects of BD-RTGS together with the duties and obligations of all participants including BB. These rules shall be applicable to all participants that are authorized by BB and have signed their agreement hereto.
- September 2015
- To bring greater expertise and harmonization to risk management activities of all banks and exercise international best practices, a new reporting format namely 'Comprehensive Risk Management Report (CRMR)', an organogram for a separate risk management division, and a structure of risk management committee at management level have been prepared to be followed by banks. Banks have been asked to submit risk management report and minutes of meeting of risk management committee to BB on monthly basis and to follow other instructions in this regard.
- September 2015
- 'New CIB Online Solution' for all scheduled banks and financial institutions has been prepared by BB through its own initiative. Live operation of the online solution has been started since 1 October 2015. All scheduled banks and financial institutions have been instructed to follow the direction of new solution.
- October 2015
- Considering the needs of multiple phases of testing for implementing RTGS system, BB extended the System Integration Testing (SIT) completion timeline up to October 2015 and the Go Live date has been revised on 29 October 2015. All scheduled banks have been requested to undertake necessary steps to prepare themselves for the live operation of BD-RTGS.

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- October 2015
- According to Financial Reporting Act, 2015 all banking companies established as Public Interest Institutions are required to submit a Financial Statement prepared in accordance with Financial Reporting Standard and Auditing Standard as per Article 40 of the said act along with an auditor's report of any prescribed auditor. As per the Financial Reporting Act, 2015, two new sub-sections have been added after to the sub-section (1) of section-38 of Bank-Company Act, 1991. All scheduled banks are instructed to comply with the rules mentioned in the new sub-section.
- October 2015
- In order to ensure the factual reflection of the classified loans and reduce the risk of non-payment, it has been decided that financial institutions will not renew any revolving loan account without adjusting its overdue amount.
- October 2015
- Financial Reporting Act, 2015 has been compiled in order to bring the reporting activities of "Public Interest Institutions" under well governed structure, formulate standards for accounting and auditing, and ensure proper compliance, implementation, monitoring and other activities related to these. This Act was published in Bangladesh Gazette on 9 September 2015 which has been enacted from the same date. A new section titled as '23ka' has been included in Financial Institutions Act, 1993 [Act no. 27 of 1993] by dint of section 61 of Financial Reporting Act, 2015.
- October 2015
- According to guidelines of the BB circular on "Managing Core Risks in Financial Institutions: Asset Liability Management", all financial institutions have been instructed to submit Statement of Liquidity Profile and Statement of Affairs.
- November 2015
- Some amendments have been brought into the 'Guidelines on ICT Security for Banks and Non-bank Financial Institutions'. All financial institutions have been instructed to comply with the amended guideline.
- December 2015
- BB has introduced a new oversight framework for large exposures to identify and manage the low quality assets well ahead of time before they appear as a cause to financial distress. At this onset, BB has established a Central Database for Large Credit (CDLC) to monitor the large exposures in a more structured way.
- January 2016
- Considering potential for buffalo rearing in char and hoar areas due to conventional environment and custom, BB has instructed all scheduled banks to undertake necessary measures to distribute more agricultural credit among farmers/firms for buffalo rearing in different areas of the country including char and hoar areas.
- January 2016
- To make the guidelines on stress testing for financial institutions more effective and up-to-date, the guidelines have been revised as follows:

- a) The standard scenarios of shock levels will remain the same i.e. default of top 3 (as minor shock), top 5 (as moderate shock) and top 10 (as major shock). But instead of assuming 100 percent of the loans/leases disbursed to top borrowers as defaulted (as shocks), only 80 percent of those loans/leases will be assumed as defaulted in different shocks.
- (b) Government Guarantees and Hypothecation including collateral agreement of Financial Institutions operating loans/leases activities to specialized sectors will be considered as eligible securities in case to case basis.
- (c) Weighted Insolvency Ratio (WIR) ratings have been amended as follows:

Existing Scenario Total	Revised Scenario Total	Rating	Zone
WIR<10%	WIR<15%	1	Green
10%≤WIR<20%	15%≤WIR<25%	2	Yellow
20%≤WIR<40%	25%≤WIR<45%	3	
40%≤WIR<60%	45%≤WIR<60%	4	Red
WIR≥60%	WIR≥60%	5	

- January 2016
- An amendment has been made regarding refinance scheme worth Taka 200 crore for Taka 10 account holders to bring dynamism in the of disbursement and recovery process. All scheduled banks have been instructed to comply with the following procedures:
 - Banks may determine one or more installments in its sole discretion to recover entire loan in case of loan disbursed directly to the consumer level for sectors stated in the agricultural credit policies.
 - Under the scheme, CIB report will not be required in case of single borrower up to Taka 50000. However, banks will have to ensure not to provide any credit facilities in favour of the defaulted borrowers.
- January 2016
- Integrated risk management guidelines for financial institutions have been prepared to adopt with improved policies and procedures in line with international best practices. The guidelines encompass all the probable risks associated with financing companies. The policies and procedures of the integrated risk management guidelines have been formulated in light with all the earlier guidelines. The guidelines will be treated as supplement to the existing risk management guidelines. All financial institutions have been instructed to comply with this new amendment.
- February 2016
- Banks have been advised to undertake the following initiatives to ensure security in ATM Transactions:

- a) Anti skimming and PIN shield devices should be installed in the existing ATM booths within one month.
 - b) Video footage of ATM booths should be reviewed regularly to identify and prevent anything suspicious.
 - c) Customer cards information and PIN numbers which seems to be captured/ stolen should be voided and reissued immediately in case of own bank's cards. In case of other banks, concern card issuing bank should be informed immediately requesting to do the same. Such suspicious video footage should be sent to law enforcement agencies requesting for necessary action.
 - d) A monthly inspection report should be submitted to Payment Systems Department of BB after conducting regular examination in ATM booths on random basis.
 - e) Guards of ATM booths must be provided necessary training on measures to repel fraud. Moreover, guards must be cautious about the customers wearing cap, sun glasses and carrying bags.
 - f) Automatic SMS alert should be sent for every transaction instantly at the time of withdrawal of money from ATM booths.
- March 2016
- 'Guidelines on Credit Risk Management (CRM) for Banks' have been amended to identify and mitigate new risks evolved over time. All banks and financial institutions have been instructed to comply with the amended guidelines.
- March 2016
- Some amendments have been made into the 'Guidelines on Internal Control and Compliance in Banks' to mitigate banking related risks. All banks and financial institutions have been instructed to comply with the amended guidelines.
- March 2016
- BB has issued guidelines regarding investment of Financial Institutions (FIs) in non-listed special purpose funds registered with Bangladesh Securities and Exchange Commission (BSEC) and instructed all FIs to follow the guidelines. The Guidelines are as follows:
 - a) The aggregate investment in such funds made by any FI shall not exceed 50 percent of its paid up capital.
 - b) The investment in such a single fund made by any FI shall not exceed 10 percent of its paid up capital or 20 percent of that particular fund, whichever is lower.
 - c) The investment decision in such funds must be approved by Board of Directors of FIs and before making commitment to invest, FIs shall obtain approval from BB.

- d) The trustee of the fund shall declare that-
 - i. No investment shall be made to purchase the share/debenture/bond or any other instruments of investor FI and its related party by such funds;
 - ii. The fund has no financial claim over any bank and FI and no investment shall be made that may create such claim over any bank or FI in future.
 - e) Investment in such funds shall be excluded from the limit mentioned in section 16 of the Financial Institutions Act, 1993.
- March 2016
- Banks have been advised to take the following initiatives in the case of card-based transactions to ensure the safety and facing the risks:
 - a) The use of personal identification number (PIN) while settling transactions by clients through their credit and debit cards using point of sale (POS) machines to be made mandatory. The merchants will have to settle the transactions through POS in presence of the clients and clients themselves will give PIN by online PIN authorization process. Manual Key entry Mode in POS has been abolished.
 - b) Instant mobile-phone SMS (short message) alert should be sent for every card based transactions to the clients on mandatory basis.
 - c) The acquirer bank of the POS machines will have to take responsibility and ensure the networking security so that merchants appointed by the bank cannot breach the system or leak any data of the cardholders.
 - d) POS devices with cords have to be replaced by cordless POS.
 - e) Point-to-Point Data Encryption for all terminals under the network of card based POS transactions has to be ensured.
 - f) Banks will have to attach Posters with all ATM booths and merchant points of the POS machines to inform the clients about accurate use of the credit and debit cards with illustration of "use of cards by giving PIN correctly with proper safety measures and privacy".
- May 2016
- According to the Bank Company Act, 1991, the loan borrowed by any individual, organization or group will not exceed a certain limit of the capital set by the central bank, but a condition is that the ceiling will not exceed 25 percent of the bank's capital by any means. BB set the single borrower exposure limit at 15 percent of the capital in line with the said act, but ceiling is exempted for some special cases. BB has clarified that despite the exemption of 15 percent ceiling for some special cases, the ceiling of 25 percent as per the Bank Company Act will remain applicable. As such, all scheduled banks have been asked to bring down their overexposure within the fixed limit by 31 December 2016.

- May 2016
 - In order to motivate women entrepreneurs in productive investments, it has been decided to allow providing 100 percent refinance/ pre-finance at preferential interest rate (bank rate + maximum 5 percent spread) to women led enterprises under the Two Step Loan (TSL) Fund of JICA assisted Financial Sector Project for the Development of Small and Medium Sized Enterprises (FSPDSME).
- June 2016
 - The upper limit of interest rate of agricultural and rural credit has been re-determined at 10 percent instead of 11 percent considering the downward trend of interest rate on deposits and advances.

B. Policy Announcements on Monetary Sector Development

- January 2016
 - The repo and reverse repo rates of interest have been reduced by 50 basis points and re-fixed at 6.75 percent and 4.75 percent respectively from 7.25 percent and 5.25 percent respectively.
- February 2016
 - With a view to modernising and bringing dynamism in the investment activities of Bangladesh Government Islami Investment Bond (GIIB), BB has introduced Islami Bond System (IBS) for auctioning, issuance and redemption of Islami Bond. In this connection, all Islami Bond investors have been instructed to use 'System Generated Advice' instead of using 'Scrip'.
- February 2016
 - In order to rationalise the investment of scheduled banks in government securities, some amendments have been made regarding bidding/underwriting obligations of primary dealers' (PDs) in auctions of government securities. The bidding of each PD will be equal to its underwriting obligation and total amount of the bidding obligations will be equal to the full notified amount of each auction. BB will announce the obligations on a quarterly basis. Besides, the accepted amount of non-competitive bids in an auction will not exceed 30 percent of notified amount. If the notified amount in an auction is unsubscribed or the auction committee decides to accept an amount less than the notified amount, the remaining amount will be devolved on the PDs according to their underwriting obligations on pro-rata basis. BB may at its discretion take full or some portion of the devolvement on itself from time to time. All devolvement on PDs will be at the cut-off yield of that auction.
- April 2016
 - With a view to implementing monetary policy and effective liquidity management, BB has introduced 7-day and 14-day BB Bills alongside its existing 30-day BB Bill.

C. Policy Announcements on External Sector Development

- July 2015
 - To further ease the foreign exchange transaction reporting by Authorised Dealers (ADs) requirement of hard copy submission of EXP and IMP Forms with monthly returns to BB has been phased out. In this regard after

settlement, ADs are required to retain those Forms with them for record and eventual inspection for a period of 5 (five) years.

- July 2015
 - With a view to obtaining foreign loan easily, BB has allowed the AD banks to hold collaterals on behalf of foreign lenders in respect of external borrowing by industrial enterprises as approved by the Board of Investment [Now Bangladesh Investment Development Authority (BIDA)]. Besides, approval from BB will not be required for issuing guarantees by the borrowers such as corporate guarantee, personal guarantee, third party guarantee etc. as per loan agreement, favoring foreign lenders in case of external borrowing approved by the Board of Investment (Now BIDA).
- August 2015
 - Money Changers have been allowed to sell releasable foreign currency of USD 1,000 or equivalent other foreign currency to be carried by each Hajj pilgrim.
- September 2015
 - The Foreign Exchange Regulation Act, 1947 has been amended by the Parliament of Bangladesh on 6 September 2015 and the amendment has been named as Foreign Exchange Regulation (Amendment) Act, 2015. All together ten (10) sections have been amended. The details have been shown in a separate box of this publication.
- September 2015
 - It has now been decided that declaration on Form C against inward remittances (other than remittances sent by Bangladeshi nationals working abroad) shall not be required up to USD 10,000 or equivalent other foreign currencies which was USD 5,000 or equivalent earlier.
- September 2015
 - To facilitate study abroad by Bangladeshi students in permissible courses, general permission has been given to deposit foreign currency to be blocked in designated bank accounts or student accounts abroad for visa/admission processing.
- October 2015
 - To facilitate the online payment of visa processing fees, all AD banks have been allowed to make the online payment of visa processing fees through ICC (International Credit Card) or Virtual Cards as per requirement of concerned Embassies/High commissions.
- October 2015
 - In order to provide long term financing mainly for small and medium scale manufacturing firms, a refinancing scheme in foreign currency namely Long Term Financing Facility (LTFF) has been introduced under the Financial Sector Support Project (FSSP) financed by the International Development Association (IDA). Under the project, BB will provide long term financing in foreign currency (Long term Financing Facility- LTFF) to the eligible banks and financial institutions for on-lending/re-financing to mainly small and medium scale enterprises in the country for purchasing capital machinery and equipment for up-gradation, expansion or for newly set up manufacturing

- industries, relocating factories to designated industrial zones, etc. with a maturity from 3 to 10 years.
- December 2015 • AD banks have been allowed to extend mortgage loans in Taka to NRBs working abroad for the purpose of housing in Bangladesh subject to observance of the existing guidelines of Prudential Regulations for Consumer Financing. The housing finance facility provided to NRBs will not exceed the debt equity ratio of 50:50.
- December 2015 • It has been decided that EDF loan will be admissible against back to back import LCs for input procurements by Type C industries in EPZs.
- December 2015 • From January 2016 requirement to submit the TM (Travel and Miscellaneous) Forms and supporting documents related to such forms with the monthly/periodic returns to BB by ADs have been waived by BB. Presently, ADs are required to report such type of transactions properly in the Online TM monitoring System of BB.
- January 2016 • As per the decision of ACU Board of Directors Meeting, the minimum threshold amount to be routed through ACU member central banks under ACU arrangement has been set at ACU Dollar or ACU Euro 500 (Five hundred).
- January 2016 • With a view to facilitate access to financing in foreign exchange in export oriented textiles & textile products and leather manufacturing sectors to import capital machinery and accessories, a Green Transformation Fund (GTF) of Taka 200 million has been created. The GTF is a revolving fund and loan from the GTF will be offered in US Dollar to ADs for on-lending/re-financing to eligible borrowers. Interest shall be charged to ADs against the financing at six-month USD LIBOR plus 2.25 percent.
- January 2016 • BB has issued a Notification allowing incoming passengers irrespective of their resident status to bring gold or silver in bullion/ingot form into Bangladesh up to the prescribed limit in terms of relevant Baggage Rules in force issued under the Customs Act, 1969.
- February 2016 • The limit of international cards for online payment has been increased from USD 100 (one hundred) or its equivalent to USD 300 (three hundred) or its equivalent per transaction against legitimate purchases of goods and services (downloadable application software, e-books magazine/newspaper subscription fees etc.) from reputed and reliable sources abroad.
- March 2016 • BB has allowed ADs to issue guarantees in foreign currency up to Saudi Riyal (SR) 200,000 to the official pilgrimage (Umrah) service providers in Saudi Arabia. Earlier the said limit was SRs 100,000.
- March 2016 • All ADs involved in foreign exchange transactions have been instructed to comply with the "Export Policy 2015-18" issued by the Ministry of Commerce.

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- March 2016
- "Import Policy Order, 2015-18" has been issued by the Ministry of Commerce. All ADs involved in foreign exchange transactions have been instructed to comply with the policy.
- March 2016
- Guidelines on Foreign Risk Management have been amended. All banks and financial institutions have been instructed to comply with the amended guidelines.
- April 2016
- In a bid to boost exports, plastic products have been added to the list of items selected for cash incentives on exports. Plastic exporters will get 10 percent cash incentive based on 'freight on board' value. Factories that have bond licenses and get duty draw-back facility or located in the EPZs will not be eligible for the incentives.
- April 2016
- Government has amended existing ceiling for cash incentive against export of frozen shrimp and other fishes. The ceiling has been refixed at USD 4.98 for shrimp per pound and USD 1.97 for other fishes per pound.
- April 2016
- To encourage export business, Government has decided to provide cash incentive against export of furniture. In case of export of furniture, exporters will get 15 percent cash incentive based on 'freight on board' value. Factories that have bond licenses and get duty draw-back facility or located in the EPZs will not be eligible for the incentives.
- April 2016
- It has been decided to provide 2 percent additional special cash incentive against the export of textiles in Euro zone with existing 4 percent cash incentive effective from FY16.
- April 2016
- To promote export, the cash incentive against the export of leather products has been enhanced from 12.50 percent to 15 percent effective from FY16.
- May 2016
- ADs have been allowed to release foreign exchange without visa to the resident Bangladesh nationals proceeding to the countries/zones with provision of visa on port entry/ arrival basis upto the unused annual travel quota entitlement applicable for country concerned subject to complying with other relevant instructions. The facility will also be applicable for official visits abroad by the officials of Government/Semi-Government and Autonomous bodies. Earlier, ADs were allowed to issue upto USD 200 in such cases.
- June 2016
- AD banks have been allowed to effect remittance towards publication related fees of articles for publication in international journals written by resident Bangladeshi nationals under some stipulations.

Appendix-2
Bangladesh Bank's Research in FY16

A Summary of Recent Research Activities in Bangladesh Bank and a Near/Medium Term Agenda

Some of the key outputs of the Research Department (RD), Monetary Policy Department (MPD) and Chief Economists Unit (CEU) are summarised here. Besides, some other on-going analytical/research work in other parts of BB are also touched briefly. All are grouped under the following categories (a) synthesis analysis of overall and topic-specific developments in the Bangladesh economy (b) empirical research on specific economic/financial sector issues and (c) development of new analytical tools and capacity building.

A. Synthesis Analysis/Reports Related to The Bangladesh Economy and Their Frequencies

- BB Annual Report: First draft prepared by Research Department with inputs from other departments and edited by Chief Economist, Senior Economic Adviser and Economic Adviser.
- Monetary Policy Statement (MPS): A bi-annual announcement of policy stance along with an update of half yearly economic developments - Jointly prepared by CEU and MPD.
- Bangladesh Bank Quarterly (BBQ): An analysis of the past quarters economic developments along with a near term outlook - prepared by CEU.
- Monthly Economic Indicators (MEI): A monthly update on key macroeconomic indicators prepared by MPD.
- Quarterly Financial Stability Assessment Report (QFSAR): An analysis of the past quarters financial changes, risk assessment and development prepared by FSD.
- Financial Stability Report (FSR): An annual basis review of the core indicators of financial stability in the Bangladesh Economy and assessment of the resilience of domestic financial system as well as significant development in the financial system based on the financial data of previous year prepared by FSD.
- Bangladesh: A Stable and Vibrant Economy. An illustrative time series approach- jointly produced by CEU, MPD, RD, Foreign Exchange Policy Department and Statistics Department (SD).
- Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank prepared by Sustainable Finance Department.
- Background papers for National Budget document and 'Economic Review of Bangladesh' an annual publication of Ministry of Finance prepared by Research Department.

- Prepare a manuscript of the book titled "Activities of the Banks, Insurances and Financial Institutions" by Research Department and published by the MoF (yearly).
- Foreign Direct Investment (FDI) in Bangladesh: A half-yearly survey report prepared by SD.
- Developments of Islamic Banking in Bangladesh: A quarterly update on the Islamic banking performance in Bangladesh prepared by RD.
- Quarterly Report on Remittance Inflows: A quarterly report on the inflow of remittances in Bangladesh prepared by RD.
- Quarterly Review on RMG: A quarterly review on the development of RMG sector in Bangladesh prepared by RD.
- Quarterly Analysis on Government Revenue Receipts: A quarterly analysis on the revenue earnings by the government in Bangladesh prepared by RD.
- Monthly Report on Government Borrowing from Domestic Sources: A report prepared by RD.
- Monthly Report on Agricultural and Rural Financing: A report prepared by RD.
- Outstanding Principal Liabilities Against the Facilities Received from the IMF: A yearly report prepared by RD.

B. Empirical Analysis of Specific Economic/Financial Sector Issues in FY16 and On-going

(i) Monetary policy / inflation related

- Price and Income Elasticity of Imports in Bangladesh: An ARDL Bounds Test Approach (BB Working Paper, WP No. 1601, MPD).
- Determining the Growth-maximizing Threshold Level of Inflation in Bangladesh (BB Working Paper, WP No. 1602, RD).
- Effectiveness of Monetary Transmission Channels in Bangladesh: Evidence from a Floating Exchange Rate Regime (BB Working Paper, WP No. 1607, RD).
- Forecasting Inflation and Output in Bangladesh: Evidence from a VAR Model (BB Working Paper, WP No. 1610, RD and MPD).
- Forecasting Bangladesh's Inflation Using Seasonal ARIMA Models (for MPS, CEU).
- Constructing property price index (Special research work in progress, RD)
- The Effectiveness of Monetary Targeting Framework in Bangladesh (Work in progress, CEU).

- The Effect of Monetary Policy Rate Changes on Market Rates: The Bangladesh Experience (Work in progress, CEU).
- The Relative Importance of Core and Headline Inflation in Bangladesh: Which One to Take for Monetary Policy (Work in progress, CEU).
- Assessing the Linkage among Financial Stability, Economic Growth and Monetary Policy. (Work in progress, FSD).
- Macroprudential Policies for Financial Stability: Does It Matter for Emerging Economy? (A paper presented at 'Annual banking Conference, 2015' organized by BIBM).

(ii) Financial sector related

- NGO/NPO Sector Assessment of Bangladesh: Regulatory Framework Review & Terrorist Financing Risk Assessment, Bangladesh Bank, 2015 (BB Special Research Work, SRW No.1505, BFIU).
- A Survey Report on an Enquiry into the Causes of High Increase in Loans to the Small and Medium Enterprises (SME) and Its Economic Impact-An edited English version (BB Special Research Work, SRW No.1601, RD).
- Impact Assessment of Agricultural Credit Program for the Sharecroppers in FY2015 Implemented by BRAC under Refinancing Scheme of Bangladesh Bank (BB Special Research Work, SRW No.1602, RD) .
- Does Agricultural Credit Play Any Role in Reducing Rural Poverty in Bangladesh? (BB Working Paper, WP No. 1604, RD).
- Nexus between Bank's Liquidity and Profitability in Bangladesh: An Empirical Overview (BB Working Paper, WP No. 1612, RD).
- Examining the Interaction between the Policy rate and Lending rate in Bangladesh (BB Working Paper, WP No. 1613, MPD).
- Is the Capital Market of Bangladesh Efficient? (BB Working Paper, WP No. 1614, CEU).
- Examining Potentials of Sukuk in Financing Infrastructure Projects in Bangladesh (Journal of Islamic Economics, Banking and Finance, Vol-12, No. 2, April-June, 2016).
- Islamic Banking in Bangladesh: Current Status, Challenges and Policy Options (Thoughts on Economics, Vol. 25 (1& 2), January-June 2015 (Published in 2016).
- Interest Rate Spread; Probable Causes and Remedies: A Bangladesh Perspective (An analytical report presented in the 371th board meeting by the Economic Adviser of the bank).

- Does Microcredit Support get Women Empowerment? Case of Non-Governmental Organizations (NGOs) in Bangladesh (Global Journal of Human-Social Science: An Arts & Humanities-Psychology, Vol. 15, Issue 10).
- Credit Risk Arising in The Banks from Loans Sanctioned against Inadequate Collateral (Special research work in progress, jointly by RD, BRPD, DOS and DBI).
- Mobile Banking and Economic Development in Bangladesh (Special research work in progress, jointly by BB and DU)
- Islamic microfinance in Bangladesh-Prospects and Potentialities (Special research work in progress, RD)
- National Lottery in Bangladesh and its potentialities (Special research work in progress, RD)
- Changes of Loan Classification, Rescheduling, Provisioning and Write off Policies and Its Impact Analysis: An overview (Work in progress, CEU).
- Factors Affecting the Nonperforming Loans in Commercial Banks of Bangladesh (Work in progress, CEU).
- How Mutual Funds Affect the Capital Market in Bangladesh? (Work in progress, CEU)
- How to Make the Secondary Market for Government Securities More Dynamic in Bangladesh? (Work in progress, CEU).
- The Role of SME Loans on Employment Generation: Bangladesh Perspective ((Work in progress, RD).
- The Nexus between Bank Credit and Economic Growth in Bangladesh (Work in progress, RD)
- Lending rate and Nonperforming Loan: Examining the Relationship in Bangladesh (Work in progress, CEU).
- Lending Rate Behavior in State owned Commercial banks and Private Commercial banks in Bangladesh (Work in progress, CEU).
- An Analysis of Systemic Risk in Bangladesh Banking Sector: Systemic Contingent Claim Approach (SCCA) (work in progress, FSD).
- Assessment of Inter-bank Transmission of Credit Risk (work in progress, FSD).
- Financial Inclusion Index at District Levels in Bangladesh: A Distance-based Approach (BB WP No. 1603, CEU).

- Financial Inclusion and Shadow Banking (Work in Progress, FID and BIBM).
- Relationship between Real Interest Rates and Savings in SAARC Countries (Work in progress, CEU).
- Savings and Income Inequality of Bangladesh (Work in progress, RD).
- Analyzing the Behavior of Interest Rate Spread in Bangladesh (Work in progress, RD).

(iii) External sector related

- The Impact of the Real Effective Exchange Rate on Real Export Earnings in Bangladesh (BB Working Paper, WP No. 1605, MPD and RD).
- Real or Nominal Shocks: What Drives the Exchange Rate Movements in Bangladesh? (BB Working Paper, WP No. 1606, RD and SME & SPD).
- Revisiting the Marshall-Lerner Condition in the Bangladesh Economy: A Cointegration Approach (BB Working Paper, WP No. 1608, MPD).
- Does the Import of Capital Goods Spur Manufacturing Output Growth in Bangladesh? (BB Working Paper, WP No. 1611, RD).
- Equilibrium Exchange Rate estimation for Taka- A Cointegration Analysis (BANK PARIKRAMA - a journal of banking and finance, Vol. XL, Nos. 1-4, March-December 2015).
- The Determinants of Demand for International Reserves in Bangladesh (Journal of the Institute of Bankers Bangladesh, Vol-61, No.2, July-December, 2014 (Published in 2016).
- Revisiting the Feildstein-Horioka Puzzle: The Case of Bangladesh (accepted for publishing in Thoughts on Economics- a journal of Islamic Economics Research Bureau: for 2016 Issue).
- A Survey Report on the Utilization of Worker's Remittances in Bangladesh (Special research work in progress, RD).
- Trade Misinvoicing and Related Issues in Bangladesh" (Special research work in progress, jointly by RD, Bol and NBR
- Effects of Exchange Rate Movements on Current Account Balance in Bangladesh (Work in progress, CEU).
- Does Foreign Borrowing Worsening Domestic Credit Demand? (Work in progress, CEU)
- Is Bangladesh Ready to Make its Capital Account Convertible? (Work in progress, CEU)

- Is Inflow of foreign Loans in Bangladesh Sensitive to Interest Rate Differentials? (Work in progress, RD).

(iv) Real sector related

- Public and Private Investment Nexus in Bangladesh: Crowding-in or out? (BB Working Paper, WP No. 1609, CEU).
- The Impact of Geographic Surroundings on Economic Growth: A Panel Data Approach (BB Working Paper, WP No. 1615, RD and MPD).
- An Empirical Inquiry into the validity of Wagner's Law in South Asia: A Panel Unit Root and Cointegration Analysis (BBTA Journal: Thoughts on Banking and Finance, Vol. 5, Issue 1, January-June 2016)
- Forecasting Output Growth of Bangladesh (for MPS, CEU).
- The Behavior of Saving and Investment in Bangladesh (Work in progress, CEU).
- Savings Behaviour in Bangladesh (Work in progress).

C. Development of New Analytical Tools and Capacity Building

- BBTA Journal on 'Thoughts on Banking and Finance' has been published since 2012. Till date, volume-4, issue-1 of the Journal has been published whose Executive Editor is a Research Department staff deputed to Bangladesh Bank Training Academy.
- In-house seminars disseminating work by external academics and in-house research included topics such as human development index, financing environmental conservation for ensuring sustainable development : the role of banking sector in Bangladesh perspective, monetary policy and critical issues for Bangladesh Bank, the role of insights and innovation in growth: the case study with the creation of Grameen Phone, etc.
- A two day long international workshop on 'Macroeconomic Stability, Private Sector Development, and Economic Growth' organized jointly by BB and UNDESA.
- A Public Lecture by DR. Kaushik Basu, Senior Vice-President and Chief Economist, The World Bank.
- Two training on econometric research with time series and panel data provided to research officials of Bangladesh Bank by the visiting US and Canadian academic scholars.

Appendix–3

Bangladesh: Some Selected Statistics

Table I Trends of Major Macroeconomic Indicators

Indicators	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15 ^R	FY16 ^P
1	2	3	4	5	6	7	8	9	10	11
1. GDP growth (at FY06 constant market prices)	7.1	6.0	5.1	5.6	6.5	6.5	6.0	6.1	6.6	7.1
2. Growth of broad money (M2)	17.1	17.6	19.2	22.4	21.3	17.4	16.7	16.1	12.4	16.3
3. GDP deflator (percentage change) [®]	6.5	7.9	6.8	7.1	7.9	8.2	7.2	5.7	5.9	6.7
4. CPI inflation (base: FY96=100)	7.2	9.9	6.7	7.3	8.8	8.7 [®]	6.8 [®]	7.4 [®]	6.4 [®]	5.9 [®]
5. Foreign exchange reserves (million US Dollar)	5077	6149	7471	10750	10912	10364	15315	21508	25025	30168
6. Net foreign assets (Taka billion)	328.7	373.2	474.6	670.7	695.3	742.8	1120.7	1552.9	1885.6	2316.6
7. Exchange rate (Taka/Dollar)	69.0	68.6	68.8	69.2	71.2	79.1	79.9	77.7	77.7	78.3
8. REER index as of end June (base: FY01=100)	86.6	86.0	91.3	97.7	100.0 ^{***}	100.6 ^{***}	110.1 ^{***}	114.4 ^{***}	130.6 ^{***}	137.9 ^e
9. Per capita GDP in Taka (at current market prices)	38773	43719	48359	53961	61198	69614	78009	86266	96004	108378
	(As percentage of GDP) [®]									
10. Domestic savings	20.8	19.2	20.3	20.8	20.6	21.2	22.0	22.1	22.2	25.0
11. Investment	26.2	26.2	26.2	26.3	27.4	28.3	28.4	28.6	28.9	29.7
12. Revenue income	9.0	9.6	9.1	9.5	10.2	10.9	10.7	10.5	9.6	10.2
13. Revenue expenditures	7.7	8.3	8.7	8.4	8.5	8.5	8.3	8.2	7.9	8.7
14. Revenue surplus (+) / Revenue deficit (-)	1.3	1.3	0.4	1.1	1.7	2.4	2.4	2.3	1.7	1.5
15. Annual Development Programme (ADP)	3.9	3.6	2.8	3.2	3.6	3.6	4.1	4.1	4.0	5.3
16. Other expenditures	0.6	3.0	1.1	1.1	1.9	2.4	2.1	1.7	1.7	1.3
17. Total expenditures	12.2	14.9	12.5	12.7	14.0	14.5	14.5	14.0	13.5	15.3
18. Overall budget deficit (excluding grants)	3.2	5.3	3.4	3.2	3.9	3.6	3.8	3.6	3.9	5.0
19. Overall budget deficit (including grants)	2.8	4.6	3.1	2.8	3.6	3.2	3.3	3.1	3.7	4.7
20. Financing of overall budget deficit (a+b)*	2.8	4.6	3.1	2.8	3.6	3.2	3.3	3.1	3.7	4.7
a. Net foreign financing	0.9	1.4	0.4	0.8	0.3	0.3	0.5	0.3	0.3	1.1
b. Net domestic financing (i+ii)	1.8	3.2*	2.7	2.0	3.3	2.9	2.8	2.8	3.4	3.6
i. Bank borrowings	1.2	1.7	1.9	-0.3	2.7	2.6	2.3	1.3	0.03	1.8
ii. Non-bank borrowings	0.6	0.3	0.8	2.3	0.6	0.3	0.5	1.5	3.3	1.8
21. Government debt outstanding (i+ii)	38.6	37.1	35.9	32.3	32.4	31.8	30.0	29.2	27.5	27.2
i. Domestic debt	14.3	15.0	15.5	14.7	15.2	15.2	15.1	15.1	15.2	15.5
ii. External debt**	24.3	22.1	20.4	17.6	17.2	16.6	14.9	14.1	12.3	11.7
22. Current account balance : surplus(+)/deficit(-)	1.2	0.8	2.4	3.2	-1.3	-0.3	1.6	0.8	1.5	1.7

* Including non-cash bond (liabilities of BPC) of Taka 75.23 billion.

** Excluding IMF loan.

*** Base: 2010-11=100 & 10 currency basket.

® Base 2005-06.

^e Estimate, ^P Provisional, ^R Revised.

Source: Bangladesh Bank, Bangladesh Bureau of Statistics and Budget in Brief 2015-16 & 2016-17.

Table II Medium-Term Macroeconomic Framework: Key Indicators

Indicators	Actual				Revised Budget	Projection			
	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	
	1	2	3	4	5	6	7	8	9
Real Sector									
Real GDP Growth (%)	6.5	6.0	6.1	6.6	7.1	7.2	7.4	7.6	
CPI inflation (%)	8.7	6.8	7.4	6.4	6.2	5.8	5.6	5.5	
Gross investment (% of GDP)	28.3	28.4	28.6	28.9	29.4	31.0	31.8	32.7	
Private	22.5	21.7	22.0	22.1	21.8	23.3	24.0	24.7	
Public	5.8	6.6	6.5	6.8	7.6	7.7	7.8	8.0	
Fiscal Sector (% of GDP)									
Total revenue	10.9	10.7	10.4	9.6	10.3	12.4	12.7	13.1	
Tax revenue	9.0	9.0	8.6	8.5	9.0	10.7	11.0	11.3	
Non-tax revenue	1.8	1.7	1.8	1.1	1.3	1.6	1.7	1.8	
Public expenditure	14.4	14.6	14.0	13.4	15.3	17.3	17.6	18.0	
Annual Development Programme (ADP)	3.6	4.1	4.1	3.9	5.3	5.6	5.9	6.1	
Overall balance	-3.6	-3.9	-3.6	-3.8	-5.0	-5.0	-4.9	-4.9	
Financing	3.6	3.9	3.6	3.8	5.0	5.0	4.9	4.9	
Domestic financing	2.9	2.8	2.8	3.4	3.6	3.4	3.4	3.4	
External financing (net)	0.7	1.1	0.7	0.4	1.5	1.7	1.7	1.7	
Money and Credit (% change)									
Domestic credit	18.8	11.0	11.6	10.0	15.5	15.6	16.1	16.1	
Credit to the private sector	19.7	10.8	12.3	13.2	14.8	15.0	15.0	15.0	
Broad money (M2)	17.4	16.7	16.1	12.4	15.0	15.6	15.6	15.7	
External sector (% change)									
Exports (f.o.b)	6.2	10.7	12.1	3.3	10.0	10.0	11.0	12.0	
Imports (f.o.b)	2.4	0.8	8.9	4.5	9.0	11.0	12.0	12.0	
Remittances	11.6	11.6	-1.5	7.5	3.0	10.0	11.0	11.0	
Current account balance (% of GDP)	-0.3	1.5	0.8	0.4	0.3	-0.2	-0.4	-0.6	
Gross foreign exchange reserve (USD billion)	10.4	15.3	21.5	25.0	28.0	31.3	35.3	40.0	
Gross foreign exchange reserve (months of imports)	3.2	4.6	5.9	6.5	6.7	6.8	6.8	6.9	
GDP (at FY06 current market prices) (Taka billion)	10552	11989	13437	15158	17296	19610	22231	25198	

Source: Bangladesh Economic Review, 2016.

Table III Gross Domestic Product (GDP), Investment and Savings

(Taka Billion)								
Items/Sectors	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1	2	3	4	5	6	7	8	9
1. GDP (at FY06 current market prices)	7050.7	7975.4	9158.3	10552.0	11989.2	13436.7	15158.0	17328.6
2. Gross investment at current prices	1847.7	2093.3	2511.3	2982.2	3403.7	3839.9	4378.6	5138.4
a) Private	1543.3	1720.5	2029.8	2374.2	2607.5	2960.0	3344.7	3983.5
b) Public	304.4	372.8	481.5	608.0	796.2	879.9	1033.9	1154.9
3. Gross domestic savings at current prices	1433.5	1659.7	1888.4	2239.1	2642.4	2968.2	3358.8	4328.3 ^P
a) Private	1341.8	1553.6	1767.6	2096.7	2468.6	2765.3	3125.6 ^P	3812.0 ^P
b) Public	91.7	106.1	120.8	143.5	173.8	202.9	233.4 ^P	320.0 ^P
4. Sectoral Share of GDP (at FY06 constant prices)								
i. Agriculture	1003.4	1065.1	1112.6	1146.1	1174.4	1225.7	1266.5	1301.8
a) Agriculture and forestry	796.8	849.0	882.1	903.3	916.6	951.5	974.8	992.3
1. Crops and horticulture	580.9	624.9	649.0	660.4	664.3	689.4	702.0	708.1
2. Animal farming	116.2	119.1	122.2	125.5	128.9	132.6	136.7	141.1
3. Forest and related services	99.7	105.0	110.8	117.5	123.4	129.6	136.1	143.1
b) Fishing	206.6	216.1	230.5	242.8	257.8	274.2	291.7	309.5
ii. Industry	1450.0	1552.0	1692.0	1851.6	2030.1	2195.7	2408.0	2675.1
a) Mining and quarrying	88.4	95.6	99.1	105.9	115.8	121.3	132.9	150.0
b) Manufacturing	934.6	996.7	1096.5	1205.7	1329.9	1446.5	1595.7	1782.2
i) Large and medium scale	749.3	796.3	884.8	980.0	1084.4	1185.4	1312.3	1473.1
ii) Small scale	185.3	200.4	211.8	225.7	245.6	261.1	283.4	309.1
c) Electricity, gas and water supply	67.4	74.1	84.0	92.9	101.3	105.9	112.4	127.4
d) Construction	359.6	385.5	412.4	447.1	483.05	522.1	567.0	615.5
iii. Services	3010.7	3177.2	3374.7	3596.6	3794.9	4008.4	4240.9	4505.8
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	767.3	812.2	866.5	924.6	981.7	1047.8	1114.3	1186.7
b) Hotel and restaurants	40.9	43.4	46.1	49.0	52.2	55.7	59.5	63.7
c) Transport, storage and communication	595.1	640.1	694.1	757.6	805.1	853.8	904.7	959.7
d) Financial intermediations	157.3	167.1	184.6	211.8	231.1	247.9	267.2	287.9
e) Real estate, renting and business activities	424.4	440.8	457.9	475.9	495.1	516.2	538.9	563.0
f) Public administration and defence	174.5	188.8	205.5	221.0	235.4	251.7	276.4	308.0
g) Education	122.9	129.3	136.6	147.2	156.5	167.8	181.2	202.5
h) Health and social work	106.3	113.6	120.8	125.4	131.4	138.0	145.2	156.1
i) Community, social and personal services	621.9	641.9	662.6	684.2	706.4	729.6	753.5	778.4
Total GVA at constant basic price	5464.1	5794.3	6179.2	6594.3	6999.4	7429.8	7915.4	8482.7
Tax less subsidy	286.5	276.7	284.2	290.6	299.6	311.6	333.2	352.7
GDP (at FY06 constant market prices)	5750.6	6071.0	6463.4	6884.9	7299.0	7741.4	8248.6	8835.4

P Provisional.

Source: Bangladesh Bureau of Statistics.

Table IV Growth and Sectoral Share of GDP (at FY06 constant prices)

Sectors	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1	2	3	4	5	6	7	8	9
Growth in percent								
i. Agriculture	3.5	6.2	4.5	3.0	2.5	4.4	3.3	2.8
a) Agriculture and forestry	3.1	6.6	3.9	2.4	1.5	3.8	2.5	1.8
1. Crops and horticulture	2.8	7.6	3.9	1.8	0.6	3.8	1.8	0.9
2. Animal farming	2.4	2.5	2.6	2.7	2.7	2.8	3.1	3.2
3. Forest and related services	5.5	5.3	5.6	6.0	5.0	5.0	5.1	5.1
b) Fishing	4.9	4.6	6.7	5.3	6.2	6.4	6.4	6.1
ii. Industry	6.9	7.0	9.0	9.4	9.6	8.2	9.7	11.1
a) Mining and quarrying	10.5	8.2	3.6	6.9	9.4	4.7	9.6	12.8
b) Manufacturing	6.7	6.7	10.0	10.0	10.3	8.8	10.3	11.7
i) Large and medium scale	6.5	6.3	11.1	10.8	10.7	9.3	10.7	12.3
ii) Small scale	7.3	8.2	5.7	6.6	8.8	6.3	8.5	9.1
c) Electricity, gas and water supply	7.3	10.0	13.4	10.6	9.0	4.5	6.2	13.3
d) Construction	6.6	7.2	7.0	8.4	8.0	8.1	8.6	8.6
iii. Services	5.1	5.5	6.2	6.6	5.5	5.6	5.8	6.3
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	5.9	5.9	6.7	6.7	6.2	6.7	6.4	6.5
b) Hotel and restaurant	5.9	6.0	6.2	6.4	6.5	6.7	6.8	7.0
c) Transport, storage and communication	8.1	7.6	8.4	9.2	6.3	6.1	6.0	6.1
d) Financial intermediations	-0.03	6.3	10.4	14.8	9.1	7.3	7.8	7.7
e) Real estate, renting and other business activities	3.8	3.9	3.9	3.9	4.0	4.3	4.4	4.5
f) Public administration and defence	7.1	8.2	8.8	7.5	6.5	6.9	9.8	11.4
g) Education	5.9	5.2	5.6	7.8	6.3	7.3	8.0	11.7
h) Health and social work	3.0	6.8	6.3	3.8	4.8	5.1	5.2	7.5
i) Community, social and personal services	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3
GDP (at constant market prices)	5.1	5.6	6.5	6.5	6.0	6.1	6.6	7.1
Sectoral share (percent of GDP)								
i. Agriculture	18.4	18.4	18.0	17.4	16.8	16.5	16.0	15.4
a) Agriculture and forestry	14.6	14.7	14.3	13.7	13.1	12.8	12.3	11.7
1. Crops and horticulture	10.6	10.8	10.5	10.0	9.5	9.3	8.9	8.4
2. Animal farming	2.1	2.1	2.0	1.9	1.8	1.8	1.7	1.7
3. Forest and related services	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7
b) Fishing	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7
ii. Industry	26.5	26.8	27.4	28.1	29.0	29.6	30.4	31.5
a) Mining and quarrying	1.6	1.7	1.6	1.6	1.7	1.6	1.7	1.8
b) Manufacturing	17.1	17.2	17.8	18.3	19.0	19.5	20.2	21.0
i) Large and medium scale	13.7	13.7	14.3	14.9	15.5	16.0	16.6	17.4
ii) Small scale	3.4	3.5	3.4	3.4	3.5	3.5	3.6	3.6
c) Electricity, gas and water supply	1.2	1.3	1.4	1.4	1.5	1.4	1.4	1.5
d) Construction	6.6	6.7	6.7	6.8	6.9	7.0	7.2	7.3
iii. Services	55.1	54.8	54.6	54.5	54.2	54.0	53.6	53.1
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	14.0	14.0	14.0	14.0	14.0	14.1	14.1	14.0
b) Hotel and restaurant	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8
c) Transport, storage and communication	10.9	11.1	11.2	11.5	11.5	11.5	11.4	11.3
d) Financial intermediations	2.9	2.9	3.0	3.2	3.3	3.3	3.4	3.4
e) Real estate, renting and other business activities	7.8	7.6	7.4	7.2	7.1	7.0	6.8	6.6
f) Public administration and defence	3.2	3.3	3.3	3.4	3.4	3.4	3.5	3.6
g) Education	2.3	2.2	2.2	2.2	2.2	2.3	2.3	2.4
h) Health and social work	2.0	2.0	2.0	1.9	1.9	1.9	1.8	1.8
i) Community, social and personal services	11.4	11.1	10.7	10.4	10.1	9.8	9.5	9.2
Total GVA at constant basic price	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bangladesh Bureau of Statistics.

Table V Development of Government Budgetary Operation

(Taka Billion)

Description	FY10	FY11	FY12	FY13	FY14	FY15	FY16 ^R	FY17 (Budget)
1	2	3	4	5	6	7	8	9
1. Revenue and foreign grants	791.2	950.5	1182.6	1350.1	1467.3	1482.9	1824.3	2482.7
i. Revenues	759.1	929.9	1146.9	1281.3	1403.8	1459.7	1774.0	2427.5
a) Tax revenue	624.9	795.5	952.3	1074.5	1160.3	1288.0	1554.0	2104.0
b) Non-tax revenue	134.2	134.4	194.7	206.8	243.4	171.7	220.0	323.5
ii. Foreign grants	32.2	20.6	35.7	68.8	63.6	23.2	50.3	55.2
2. Expenditures	1016.1	1282.7	1524.3	1740.1	1882.1	2043.8	2645.7	3406.1
i. Non-development revenue expenditure	670.1	774.7	893.0	993.8	1105.7	1189.9	1503.8	1889.7
ii. Non-development capital expenditure	61.6	53.9	71.6	49.4	104.4	105.3	133.7	267.8
iii. Loans & advances (net)	9.3	72.5	140.6	169.6	77.2	90.5	47.1	84.3
iv. Annual Development Programme	255.5	332.8	375.1	494.7	553.3	603.8	910.0	1107.0
v. Other expenditures	19.6	48.8	44.0	32.6	41.5	54.3	51.1	57.3
3. Overall deficit (excluding grants)	257.0	352.8	377.4	458.9	478.3	584.1	871.7	978.5
4. Overall deficit (including grants)	224.9	332.2	341.7	390.0	414.8	560.9	821.4	923.4
5. Financing	218.6	332.2	341.7	390.0	414.8	560.8	821.4	923.4
i. Foreign borrowing - net	60.4	26.3	36.3	58.1	33.5	49.1	199.6	307.9
Foreign borrowing	110.0	80.6	95.1	133.0	119.4	119.9	270.5	389.5
Amortisation	-49.7	-54.3	-58.9	-74.9	-85.9	-70.8	-70.8	-81.6
ii. Domestic borrowing - net	158.2	305.9	305.4	331.9	381.4	511.7	621.8	615.5
Borrowing from banking system (net)	-20.9	252.1	271.9	274.6	181.7	5.1	316.8	389.4
Non-bank borrowing (net)	179.1	53.8	33.5	57.3	199.7	506.6	305.0	226.1
Memorandum item : GDP (at current market prices)*	6905.7	7875.0	9147.8	10379.9	11810.0	15136.0	17295.7	19610.2

* Estimate of the finance Division (Base Year 2005-06).

^R Revised.

Source : Budget in brief 2010-11, 2011-12, 2013-14, 2014-15, 2015-16 and 2016-17, MoF.

Table VI Money and Credit

(Taka Billion)

Particulars	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1	2	3	4	5	6	7	8	9
1. Broad money (M2) ^①	2965.0	3630.3	4405.2	5171.1	6035.1	7006.2	7876.1	9163.8
2. Total domestic credit ^①	2868.5	3378.3	4308.9	5149.7	5717.4	6379.1	7015.3	8012.8
a) Government sector	689.3	670.7	901.8	1070.7	1195.8	1302.7	1269.3	1302.7
i) Government (net) ^{①②}	580.1	542.5	732.3	917.3	1101.2	1175.3	1102.6	1142.2
ii) Other public sector	109.2	128.1	169.5	153.4	94.6	127.4	166.7	160.5
b) Private sector	2179.3	2707.6	3407.1	4079.0	4521.6	5076.4	5746.0	6710.1
3. Broad money as % of GDP* (at current market prices)	48.2	52.3	48.1	49.0	50.3	52.1	52.0	52.9
Growth in percent								
1. Broad money (M2) ^①	19.2	22.4	21.3	17.4	16.7	16.1	12.4	16.3
2. Total domestic credit ^①	16.1	17.8	27.5	19.5	11.0	11.6	10.0	14.2
a) Government sector	21.1	-2.7	34.5	18.7	11.7	8.9	-2.6	2.6
i) Government (net) ^{①②}	24.1	-6.5	35.0	25.3	20.1	6.7	-6.2	3.6
ii) Other public sector	7.5	17.3	32.3	-9.5	-38.4	34.7	30.9	-3.7
b) Private sector	14.6	24.2	25.8	19.7	10.8	12.3	13.2	16.8

* Base year 2005-06.

① Figures correspond to end June.

①② Includes adjustment of bonds issued by the Government.

Notes: (1) Government securities and treasury bills are shown at cost price from June 2002 onwards.

(2) Advances are on gross basis.

Sources: (1) Statistics Department, Bangladesh Bank.

(2) Bangladesh Bureau of Statistics.

Table VII 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	
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*	170.19	8.69	183.65	7.72	152.94	10.21	170.33	5.55	179.74	2.56	158.27	10.21
FY13*	181.73	6.78	193.24	5.22	166.97	9.17	184.04	8.05	194.58	8.26	170.53	7.75
FY14*	195.08	7.35	209.79	8.57	176.22	5.54	196.86	6.97	210.15	8.00	179.82	5.45
FY15*	207.58	6.40	223.80	6.68	186.79	5.99	209.17	6.25	223.43	6.32	190.88	6.15
FY16*	219.86	5.92	234.77	4.90	200.74	7.47	220.74	5.53	232.87	4.23	205.19	7.50
FY16*												
Jul-15	208.64	6.35	224.88	6.53	187.81	6.08	212.65	6.36	227.78	6.07	193.26	6.80
Aug-15	209.68	6.29	225.99	6.39	188.77	6.13	215.03	6.17	231.91	6.06	193.39	6.35
Sep-15	210.75	6.24	227.09	6.25	189.80	6.22	218.21	6.24	235.85	5.92	195.59	6.73
Oct-15	211.81	6.21	228.19	6.15	190.83	6.30	219.62	6.19	237.44	5.89	196.77	6.67
Nov-15	212.86	6.20	229.25	6.09	191.84	6.36	219.38	6.05	236.61	5.72	197.29	6.56
Dec-15	213.91	6.19	230.28	6.05	192.94	6.41	220.45	6.10	236.57	5.48	199.78	7.05
Jan-16	214.98	6.20	231.09	5.90	194.31	6.65	222.87	6.07	236.42	4.33	205.50	8.74
Feb-16	215.96	6.15	231.81	5.70	195.65	6.84	222.58	5.62	235.81	3.77	205.61	8.46
Mar-16	216.96	6.10	232.55	5.49	196.97	7.03	223.25	5.65	236.99	3.89	205.64	8.36
Apr-16	217.95	6.04	233.28	5.27	198.29	7.21	223.37	5.61	237.15	3.84	205.70	8.34
May-16	218.89	5.97	233.99	5.07	199.55	7.36	220.15	5.45	231.86	3.81	205.13	7.92
Jun-16	219.86	5.92	234.77	4.90	200.74	7.47	220.74	5.53	232.87	4.23	205.19	7.50

* New Base 2005-06 with weight for food 56.18 and non-food 43.82.

Source: Bangladesh Bureau of Statistics.

Table VIII Quantum Index of Medium and Large-scale Manufacturing Industry (base: FY06=100)

SL.	Major industry group	Weight	FY13	FY14	FY15	FY16
1.	General Index of Manufacturing	100.00	195.19	213.22	236.11	267.88
2.	Food products	10.84	219.10	241.52	333.07	385.10
3.	Beverages	0.34	189.81	243.19	230.06	269.75
4.	Tobacco products	2.92	144.66	149.65	147.37	135.48
5.	Textile	14.07	142.41	139.68	122.81	138.90
6.	Wearing apparels	34.84	265.83	293.70	304.76	338.73
7.	Leather and related products	4.40	139.76	147.83	140.48	125.44
8.	Wood and products of wood and cork	0.33	238.81	243.39	269.88	301.72
9.	Paper and paper products	0.33	160.43	151.95	174.68	181.08
10.	Printing and reproduction of recorded media	1.83	124.36	127.73	140.91	147.83
11.	Coke and refined petroleum products	1.25	101.54	92.76	96.79	94.03
12.	Chemicals and chemical products	3.67	84.62	80.41	77.49	92.60
13.	Pharmaceuticals and medicinal chemical	8.23	178.79	230.60	290.98	319..26
14.	Rubber and plastic products	1.56	244.87	263.84	292.69	338.14
15.	Other non-metallic mineral products	7.12	139.51	144.18	182.78	258.34
16.	Basic metals	3.15	136.41	150.20	187.13	202.85
17.	Fabricated metal products except machinery	2.32	149.03	164.33	182.30	200.53
18.	Computer, electronic and optical products	0.15	99.0	105.46	148.37	231.89
19.	Electrical equipment	0.73	128.53	132.06	164.56	214.12
20.	Machinery and equipment n.e.c	0.18	155.86	172.68	204.89	279.14
21.	Motor vehicles, trailers and semi trailers	0.13	186.62	205.84	178.83	331.63
22.	Other transport equipment	0.73	138.21	152.88	340.12	592.41
23.	Furniture	0.88	109.14	101.12	116.35	132.02

Source: Bangladesh Bureau of Statistics.

Table IX Reserve Money and its Components

(Taka billion)

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)
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	475.6
2009	360.5	34.0	231.6	1.4	627.5
2009	461.6	43.1	234.7	2.1	741.4
2011	548.0	57.3	290.1	2.0	897.3
2012	584.2	64.8	326.6	2.4	978.0
2013	675.5	78.2	368.0	3.1	1124.9
2014	769.1	85.8	440.0	3.9	1298.8
2015	879.4	102.1	498.4	4.9	1484.8
2016	1220.7	102.3	603.0	6.0	1932.0

* Balances of DMBs with BB excluding foreign currency clearing account balances since June 2002 and Reserve Money has been revised accordingly.

Source: Statistics Department, Bangladesh Bank.

Table X Reserve Money and Its Sources

(Taka billion)

Year (End June)	Bangladesh Bank's claims on				Total	Net foreign assets	Other assets (net)	Reserve money
	Government (net)	Scheduled banks	Other official entities and financial institutions	Private sectors				
1	2	3	4	5	6=(2+3+4+5)	7	8	9=(6+7+8)
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	-115.3	274.1
2006	249.8	63.4	10.1	14.3	337.6	186.4	-184.5	339.5
2007	259.3	64.4	9.9	15.8	349.4	287.7	-242.9	394.2
2008	259.3	73.3	9.5	17.0	359.1	328.1	-211.6	475.6
2009	284.7	68.5	8.5	20.2	381.9	432.3	-186.7	627.5
2010	214.7	66.1	8.3	25.9	315.0	611.8	-185.4	741.4
2011	317.1	186.1	7.8	31.4	542.4	613.4	-258.5	897.3
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
2014	38.4	62.8	12.0	42.7	156.0	1475.0	-332.2	1298.8
2015	8.1	56.6	21.6	46.4	132.7	1774.0	-421.9	1484.8
2016	133.7	60.2	20.2	49.7	263.8	2189.0	-520.8	1932.0

Source: Statistics Department, Bangladesh Bank.

Table XI Deposits of Public and Private Sectors

Year (End June)	(Taka billion)					
	Demand deposits ¹			Time deposits ¹		
	Public ²	Private	Total	Public ²	Private ³	Total
1	2	3	4	5	6	7
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
2014	115.3	600.2	715.5	1080.9	4828.4	5909.3
2015	119.2	683.6	802.8	1376.5	5283.7	6660.2
2016	139.2	853.4	992.6	1548.1	5955.1	7503.2
	Share in Percent					
2000	20.9	79.1	100	19.9	80.1	100
2001	20.7	79.3	100	19.1	80.9	100
2002	18.0	82.0	100	17.1	82.9	100
2003	18.3	81.7	100	17.1	82.9	100
2004	16.6	83.4	100	17.5	82.5	100
2005	18.1	81.9	100	18.1	81.9	100
2006	17.1	82.9	100	17.4	82.6	100
2007	16.2	83.8	100	17.5	82.5	100
2008	16.3	83.7	100	18.1	81.9	100
2009	17.0	83.0	100	18.1	81.9	100
2010	13.6	86.4	100	18.4	81.6	100
2011	16.7	83.3	100	18.9	81.1	100
2012	18.0	82.0	100	19.5	80.5	100
2013	17.8	82.2	100	18.7	81.3	100
2014	16.1	83.9	100	18.3	81.7	100
2015	14.8	85.2	100	20.7	79.3	100
2016	14.0	86.0	100	20.6	79.4	100

¹ Exclude interbank items.

² Include government deposit.

³ Include wage earners' deposits.

Source: Statistics Department, Bangladesh Bank.

Table XII Selected Statistics of Scheduled Banks

(Taka billion)

Particulars	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
1	2	3	4	5	6	7	8	9
1. Bank deposits (exclude interbank items)	2786.8	3368.7	4104.8	4900.4	5729.7	6625.7	7463.4	8496.3
(A) Demand deposits	302.3	416.2	481.1	510.6	557.4	643.4	723.8	897.6
(B) Time deposits	2300.7	2750.4	3374.2	4073.8	4799.0	5589.8	6268.0	7039.5
(C) Restricted deposits	0.7	0.3	0.3	0.2	0.8	0.3	0.4	0.5
(D) Government deposits	183.1	201.8	249.2	315.7	372.5	392.2	471.2	558.7
2. Borrowings from the Bangladesh Bank	61.0	58.5	178.3	216.6	94.4	55.3	48.2	183.9
3. Cash in tills	34.0	43.1	57.3	64.8	78.2	85.8	102.1	102.3
4. Balances with the Bangladesh Bank including FCD	287.7	294.2	384.0	472.4	453.4	558.5	568.5	672.9
5. Balances with other banks in Bangladesh	74.4	94.1	104.3	120.2	159.4	168.8	159.3	206.6
6. Money at call and short notice	20.8	36.5	29.4	57.4	53.0	49.9	25.3	51.7
7. Total investment[@]	480.8	552.2	754.3	967.3	1361.1	1698.8	1744.3	1793.6
(A) Government securities & treasury bills*	442.8	487.9	639.1	831.7	1208.1	1493.3	1524.2	1536.7
(B) Others	38.0	64.3	115.3	135.5	153.0	205.5	220.1	256.9
8. Bank credit (exclude interbank items and foreign bills)	2198.4	2720.6	3409.3	4056.6	4372.0	4883.4	5534.0	6428.8
(A) Advances in Bangladesh**	2081.3	2579.9	3198.9	3818.1	4172.9	4682.9	5333.7	6188.3
(B) Inland bills purchased and discounted	117.2	140.7	210.4	238.5	199.0	193.5	200.3	240.5
9. Credit/deposit ratio (excluding specialised banks)	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.8

[@] Include Treasury bills/bonds issued by the Government and all other investment (share/debenture, reverse repo, etc.)

* Government securities and treasury bills are shown at cost price.

** Advances are on gross basis.

Source: Statistics Department, Bangladesh Bank.

Table XIII Movements in Selected Interest Rates* (end period)

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1	2	3	4	5	6	7	8	9
Bank rate	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Treasury bill rates								
28-day	-	-	-	-	-	-	-	-
91-day	6.8	2.2	5.6	5.7	8.4	6.9	5.4	3.9
182-day	7.8	3.6	5.5	6.2	10.2	7.5	6.4	4.7
364-day	8.3	4.6	6.2	6.2	10.4	8.0	6.8	5.2
Call money rates								
Borrowing	1.7	6.6	10.9	15.0	7.2	6.3	5.8	3.7
Lending	1.7	6.6	10.9	15.0	7.2	6.3	5.8	3.7
Scheduled banks rates								
Deposits	7.0	6.0	7.3	8.2	8.5	7.8	6.8	5.5
Advances	11.9	11.3	12.4	13.8	13.7	13.1	11.7	10.4

* Weighted average, except bank rate.

Source: 1) Monetary Policy Department, Bangladesh Bank.

2) Statistics Department, Bangladesh Bank.

Table XIV Government Borrowing Position from the Banking System

(Taka billion)				
Sl. No.	Particulars	Objective	Outstanding as on 30 June 15	Outstanding as on 30 June 2016 ^P
1	2	3	4	5
A. Bangladesh Bank				
1.	Ways and Means Advances	To increase Government cash balance	24.35	40.0
2.	Overdraft		0.0	40.32
3.	Overdraft Block		86.85	71.85
4.	Devolvement		1.07	46.79
	a) Treasury Bills		0.0	15.63
	b) Treasury Bonds		1.07	31.16
5.	Government Currency Liabilities		8.23	20.26
6.	Advances to Autonomous and Semi-autonomous Bodies		0.0	0.0
7.	Accrued Interest		0.03	0.74
8.	Government Deposits [@] /(-)		-1.36	-0.47
9.	BB's Balances of GIIB Fund (-)		-111.08	-85.90
A. Total : (1 +...+ 9) *			8.09	133.59
B. Deposit Money Banks (DMBs)				
1. Government Treasury Bills			305.45	240.61
i)	Treasury Bills (Less than 1 year)	To increase Government cash balance	305.45	240.61
2. Bangladesh Govt. Treasury Bonds (BGTB)			924.75	1008.30
i)	2-years Bangladesh Govt. Treasury Bonds ¹		87.40	85.22
ii)	5-years Bangladesh Govt. Treasury Bonds	To increase long-term investment of	265.51	263.37
iii)	10-years Bangladesh Govt. Treasury Bonds	different banks, non-bank financial	352.28	385.96
iv)	15-years Bangladesh Govt. Treasury Bonds	institutions and employees	128.60	153.65
v)	20-years Bangladesh Govt. Treasury Bonds	GF of different companies	90.95	120.10
3. Others Treasury Bonds (a+b)			143.30	138.88
a) 1 Year and above but less than 5 years (Specialised Bonds)			2.0	0.0
i)	3-Years and 4-years (BPC) Treasury Bond bearing 7.0 percent interest ³	To repay the loan of Bangladesh Petroleum Corporation	2.0	0.0
b) 5 Years and above (Specialised Bonds)			141.30	138.88
i)	6, 7 & 10-years (BJMC&BTMC) interest free Treasury Bond-2016, 2017 & 2020	To repay the loan of BJMC & BTMC	6.78	6.78
ii)	25-years (Jute) Treasury Bond-2018 bearing 5.0 percent interest	To compensate for the liquidation of jute sector credit	0.77	0.53
iii)	25-years (Jute) Treasury Bond-2019 bearing 5.0 percent interest ⁴	To compensate for the liquidation of jute sector credit	0.53	0.37
iv)	25-years (Jute) Treasury Bond-2020 bearing 5.0 percent interest ¹	To reimburse one-third of the debt due to jute mills' loan write-off by the private banks.	0.14	0.12

Table XIV (Contd.) Government Borrowing (net) from the Banking System

(Taka billion)				
Sl. No.	Particulars	Objective	Outstanding as on 30 June 2015	Outstanding as on 30 June 2016 ^P
1	2	3	4	5
v)	10-years to 15-years (BPC) Treasury Bond bearing 5.0 percent interest ²	To repay the loan of Bangladesh Petroleum Corporation	31.23	29.23
vi)	5-years and 6-years (BPC) Treasury Bond bearing 7.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	21.0	21.0
vii)	5-years to 13-years BJMC Treasury Bond bearing 5.0 percent interest	To repay the loan of BJMC	21.5	21.5
viii)	7-years SPTB-2020 bearing 7.0 percent interest		20.0	20.0
ix)	8-years SPTB-2021 bearing 7.0 percent interest	To increase Government cash balance	20.0	20.0
x)	10-years SPTB-2023 bearing 7.0 percent interest		19.35	19.35
4.	Sub-Total : (1+2+3)		1373.50	1387.79
5.	Prize Bond/Income Tax Bond		0.32	0.30
6.	Government's other Securities		0.03	0.03
7.	Advances to Food Ministry		5.91	5.49
8.	Advances to Other Ministries		11.78	14.54
9.	Advances to Auto./Semi-Autonomous Bodies		15.66	19.08
10.	Accrued Interest		33.44	29.09
11.	Deposits of Ministries and Departments (-)		-176.15	-218.06
12.	Deposits of Auto./Semi-Autonomous Bodies (-)		-295.01	-340.69
13.	SBs's Balances of GIIB Fund (i+ii)		109.59	84.14
	i) Investment to GIIB Fund		134.99	121.89
	ii) Borrowing from GIIB Fund (-)		-25.40	-37.75
B.	Total (4+...+13)		1079.07	981.71
	Grand Total (A+B)		1087.16	1115.30

Notes: @/ Including other deposits.

* Including GIIB Fund.

¹ 2 year Bangladesh Government Treasury Bond was introduced in May 2013.

² An amount of Taka 2.0 billion was paid in September 2015 against the outstanding of Taka 31.225 billion in June 2015.

³ An amount of Taka 2.0 billion was paid in October 2015 against the outstanding of Taka 2.0 billion in June 2015.

⁴ An amount of Taka 0.16 billion was paid in June 2016 against the outstanding of Taka 0.53 billion in June 2015.

Source: Debt Management Department, Statistics Department, Bangladesh Bank (Figures of Treasury Bills and Bonds (Including Special Bonds) are collected from DMD).

^P Provisinal.

Table XV Government Borrowing from Other than Banks

(Taka billion)

Sl. No.	Particulars	FY15				FY16			
		Sale	Repayment		Net Sale	Sale	Repayment		Net Sale
1	2	3	4	5	6 = (3-4)	7	8	9	10 = (7-8)
NSD Instruments									
1.	Defence Savings Certificate	0.0	0.054	0.089	-0.054	0.0	0.05	0.05	-0.05
2.	5-year Bangladesh Savings Certificate	64.75	34.27	17.43	30.49	61.99	24.11	9.82	37.88
3.	3-year Savings Certificate	0.0	0.0	0.0	0.0	0.0	0.11	0.0	-0.11
4.	Bonus Savings Certificate	0.0	0.004	0.0	-0.004	0.0	0.0	0.0	0.0
5.	6-month interest bearing Savings Certificate	0.0	0.05	0.03	-0.05	0.0	0.01	0.0	-0.01
6.	Family Savings Certificate	150.72	10.19	34.03	140.53	191.50	44.38	48.99	147.13
7.	3-month interest bearing Savings Certificate	113.24	29.27	18.30	83.97	142.74	58.44	24.87	84.31
8.	Jamanat Savings Certificate	0.0	0.001	0.0	-0.001	0.0	0.05	0.004	-0.05
9.	Pensioner Savings Certificate	19.57	16.50	8.17	3.07	34.65	16.99	7.73	17.66
10.	Post Office Savings Bank	65.35	41.74	10.06	23.60	88.06	50.03	13.07	38.02
	a) General Account	13.25	12.11	0.46	1.13	17.46	14.44	0.42	3.02
	b) Fixed Account	52.1	29.63	9.6	22.47	70.60	35.59	12.65	35.0
	c) Bonus Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.	Postal Life Insurance	0.87	0.93	0.0	-0.06	0.69	0.95	0.01	-0.25
12.	Prize Bond	0.68	0.47	0.14	0.22	0.68	0.48	0.14	0.21
13.	Wage Earners' Development Bond	8.24	3.95	9.08	4.28	12.28	2.02	5.52	10.26
14.	3-year National Investment Bond	0.0	0.01	0.003	-0.01	0.0	0.01	0.002	-0.01
15.	USD Premium Bond	0.43	0.34	0.17	0.08	0.46	0.41	0.25	0.05
16.	USD Investment Bond	2.75	1.49	0.7	1.26	4.05	2.18	1.07	1.87
17.	Total (1+...+16)	426.60	139.27	98.20	287.32	537.10	200.22	111.53	336.91
			Outstanding as on 30 June 2015		Net Changes		Outstanding as on 30 June 2016		Net Changes
18.	Govt. Treasury Bills/Bonds		235.75		59.47		240.94		5.17
	i) Government Treasury Bills		8.84		8.11		3.12		-5.73
	ii) Bangladesh Govt. Treasury Bonds (BGTBs)		226.91		51.36		237.82		10.90
	a) 2-year Bangladesh Government Treasury Bonds		8.66		3.77		4.69		-3.97
	b) 5-year Bangladesh Government Treasury Bonds		58.69		8.54		60.90		2.20
	c) 10-year Bangladesh Government Treasury Bonds		88.16		25.87		98.22		10.06
	d) 15-year Bangladesh Government Treasury Bonds		28.56		7.08		30.63		2.07
	e) 20-year Bangladesh Government Treasury Bonds		42.84		6.1		43.38		0.54
19.	Total Non-bank Government borrowing (net) (17+18)				346.79				342.08

Sources: National Savings Directorate, Debt Management Department, Bangladesh Bank.

Table XVI Balance of Payments*

(Million US Dollar)								
Items	FY10	FY11	FY12	FY13	FY14	FY15 ^R	FY16 ^P	
1	2	3	4	5	6	7	8	
Trade balance	-5155	-9935	-9320	-7009	-6794	-6965	-6274	
Export f.o.b.(including EPZs)	16233	22592	23989	26567	29777	30697	33441	
Of which : Readymade garments (RMG)	12497	17914	19090	21516	24492	25491	28094	
Import f.o.b (including EPZs)	21388	32527	33309	33576	36571	37662	39715	
Services	-1233	-2612	-3001	-3162	-4096	-3186	-2793	
Credit	2478	2573	2694	2830	3115	3084	3530	
Debit	3711	5185	5695	5992	7211	6270	6323	
Primary income	-1484	-1454	-1549	-2369	-2635	-2869	-2582	
Credit	52	124	193	120	131	76	103	
Debit	1536	1578	1742	2489	2766	2945	2685	
Of which : Official interest payments	215	345	373	476	427	366	402	
Secondary Income	11596	12315	13423	14928	14934	15895	15355	
Official transfers	127	103	106	97	83	75	68	
Private transfers	11469	12212	13317	14831	14851	15820	15287	
of which: Workers' remittances	10987	11513	12734	14338	14116	15170	14717	
Current account balance	3724	-1686	-447	2388	1409	2875	3706	
Capital account	512	642	482	629	598	496	478	
Capital transfers	512	642	482	629	598	496	478	
Financial account	-651	651	1436	2770	2855	1925	1610	
Foreign direct investment (net)	913	775	1191	1726	1474	1830	2001	
Portfolio investment (net)	-117	109	240	368	937	379	124	
Other investment (net)	-1447	-233	5	676	444	-284	-515	
MLT loans (excluding suppliers credit)	1589	1032	1539	2085	2404	2472	2904	
MLT amortisation payments	687	739	789	906	1018	910	849	
Other long term loans (net)	-151	-101	79	-150	477	-35	-7	
Other short-term loans (net)	62	531	242	-193	-838	-105	-435	
Other assets	-902	-661	---	---	---	---	--	
Trade credit (net)	-1043	-135	-1118	-250	-340	-2508	-2110	
Commercial bank	-315	-160	52	90	-241	802	-18	
Assets	410	452	443	396	898	86	347	
Liabilities	95	292	495	486	657	888	329	
Errors and omissions	-720	-263	-977	-659	621	-923	-758	
Overall balance	2865	-656	494	5128	5483	4373	5036	
Reserve assets	-2865	656	-494	-5128	-5483	-4373	-5036	
Bangladesh Bank	-2865	656	-494	-5128	-5483	-4373	-5036	
Assets	3616	-481	293	5196	5933	4249	5322	
Liabilities	751	175	-201	68	450	-124	286	

* This classification is based on BPM6 manual.

--- Other assets has been discontinued from FY12 and onwards as per recommendation of IMF.

^P Provisional, ^R Revised.

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.

Source: Statistics Department, Bangladesh Bank.

Table XVII Category-wise Exports

(Million US Dollar)

Items	FY10	FY11	FY12	FY13	FY14	FY15 ^R	FY16 ^P
1	2	3	4	5	6	7	8
A. Frozen food	445.20	625.00	598.40	543.80	638.19	568.03	535.77
1. Fish	89.10	133.50	108.10	58.00	52.46	49.08	47.07
2. Shrimps	348.30	477.80	471.70	454.90	550.16	509.72	472.37
3. Others	7.80	13.70	18.60	30.90	35.57	9.23	16.33
B. Agricultural products	242.40	333.90	402.70	535.70	615.08	586.05	596.06
1. Vegetables	46.80	71.70	77.40	110.30	147.55	103.24	104.34
2. Tobacco	52.30	70.90	68.70	60.20	58.68	68.45	54.98
3. Cut flower	39.80	42.90	50.50	41.40	39.34	11.36	4.73
4. Fruits	17.40	37.70	57.20	71.90	61.84	38.48	20.23
5. Others	86.10	110.70	148.90	251.90	307.67	364.52	411.78
C. Manufactured products	15517.10	21969.30	23300.80	25947.80	28923.35	30054.86	33109.99
1. Petroleum bi-products	301.20	260.70	275.40	314.00	162.34	77.55	297.01
2. Chemical products	102.90	104.80	103.00	93.00	93.18	111.92	123.65
3. Plastic products	50.60	68.80	88.70	84.50	85.70	100.57	89.00
4. Leather & leather products (Other than leather footwear)	255.16	353.22	429.56	561.35	745.63	646.70	666.12
5. Cotton & cotton products	95.20	135.00	113.00	125.00	115.60	107.04	102.76
6. Raw jute	196.30	357.30	266.30	229.90	126.39	111.57	173.17
7. Jute goods	591.72	757.70	701.10	800.70	698.10	756.96	746.41
8. Specialised textiles	186.00	164.60	138.80	124.50	108.76	106.99	108.72
9. Knitwear	6483.30	9482.10	9486.40	10475.90	12049.81	12426.79	13355.42
10. Woven garments	6013.40	8432.40	9603.30	11039.90	12442.07	13064.61	14738.74
11. Home textile	539.30	788.80	906.10	791.50	792.53	804.34	753.01
12. Footwear*	204.10	297.80	335.51	419.30	550.11	673.27	714.01
13. Engineering products	311.10	309.55	375.50	367.50	366.63	447.04	510.08
14. Others	215.88	511.95	577.50	676.70	586.50	619.51	762.63
Total (A+B+C)	16204.70	22928.20	24301.90	27027.40	30186.62	31208.94	34257.18
Of which exports from EPZs	2150.50	2800.90	3425.50	3828.80	4480.27	4957.79	5439.33

* Includes leather footwear.

^P Provisional, ^R Revised.

Source: Export Promotion Bureau.

Table XVIII Category-wise Imports

Items	(USD Million)					
	FY11	FY12	FY13	FY14	FY15 ^R	FY16 ^P
1	2	3	4	5	6	7
A. Food Grains	2058.2	822.0	576.6	906.2	1490.6	1057.6
1. Rice	867.5	226.8	15.7	102.8	508.0	112.2
2. Wheat	1190.7	595.2	560.9	803.4	982.6	945.4
B. Other Commodities	34034.2	36162.8	36713.2	39710.2	39213.1	41863.2
1. Milk & cream	216.6	224.1	230.1	280.3	277.2	215.0
2. Spices	101.0	87.5	78.8	107.0	182.4	198.5
3. Oil seeds	96.2	258.6	358.0	453.6	374.0	532.1
4. Edible oil	2598.3	3526.8	3016.9	2946.3	923.8	1436.4
5. Pulses (all sorts)	234.4	275.7	485.9	318.6	434.3	477.5
6. Sugar	723.0	1349.1	779.5	852.2	788.7	651.7
7. Clinker	530.6	532.0	569.3	633.2	638.4	571.2
8. Crude petroleum	289.3	304.0	60.7	72.3	316.0	383.9
9. POL	2445.5	2972.9	3005.5	3371.5	2075.7	2255.8
10. Chemicals	1225.7	1334.8	1411.6	1577.5	1723.7	1845.3
11. Pharmaceutical products	199.9	185.0	197.5	210.8	136.9	236.2
12. Fertiliser	1530.7	1370.0	1265.2	940.9	1338.9	1111.8
13. Dyeing and tanning materials	351.0	378.1	445.3	543.1	599.0	583.8
14. Plastics and rubber articles thereof	1359.9	1508.8	1577.3	1822.2	2052.3	1942.7
15. Raw cotton	2589.3	1966.2	2255.4	2464.3	2295.5	2233.0
16. Yarn	2065.3	1495.5	1675.4	1816.9	1851.2	1959.4
17. Textile & textile articles thereof	3942.7	4382.3	5071.1	5360.5	5742.0	6193.1
18. Staple fibre	700.2	779.4	877.9	1010.1	1078.0	1172.4
19. Iron, steel & other base metals	2184.7	2586.4	2865.2	2899.4	3265.0	3226.7
20. Capital machinery	3085.0	2394.3	2250.0	2819.1	3320.5	3398.5
21. Others	7564.9	8251.3	8236.6	9210.4	9799.5	11238.2
Total imports c.i.f.	36092.4	36984.8	37289.8	40616.4	40703.7	42920.8
Total imports f.o.b.	32527.0	33309.0	33576.0	36571.0	37662.0	39715.0
Of Which imports by EPZs	1985.1	2115.7	2444.7	3077.0	3138.1	3272.6

^P Provisional, ^R Revised.

Source: Compiled by Statistics Department of Bangladesh Bank using the data of National Board of Revenue (NBR).

Table XIX Sector-wise Comparative Statement of Opening, Settlement and Outstanding of Import LCs

(USD Million)									
Sectors/ Commodities	FY15			FY16			% Changes during FY16 over FY15		
	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	5168.1	4749.6	1712.2	4808.7	4600.7	1713.2	-7.0	-3.1	0.1
(% of Total)	(12.0)	(12.4)	(7.7)	(11.1)	(11.5)	(7.1)			
a) Food grains (rice & wheat)	1736.9	1498.0	373.4	1087.3	1116.7	295.2	-37.4	-25.5	-20.9
b) Other than food grain	3431.1	3251.6	1338.7	3721.5	3484.0	1418.0	8.5	7.2	5.9
B. Intermediate goods	3690.0	3354.3	1472.5	3835.4	3351.0	1865.0	3.9	-0.1	26.7
(% of Total)	(8.6)	(8.7)	(6.6)	(8.9)	(8.4)	(7.7)			
C. Industrial raw materials	16144.6	15181.3	7017.8	16828.1	15668.2	7884.0	4.2	3.2	12.3
(% of Total)	(39.9)	(40.9)	(36.8)	(37.3)	(39.8)	(35.1)			
D. Petroleum and									
Petroleum products	3372.8	3462.4	1111.0	2197.8	2441.7	764.2	-34.8	-29.5	-31.2
(% of Total)	(7.8)	(9.0)	(5.0)	(5.1)	(6.1)	(3.1)			
E. Capital machinery	4354.8	3096.8	5131.7	4802.1	3533.5	6146.4	10.3	14.1	19.8
(% of Total)	(10.1)	(8.1)	(23.1)	(11.1)	(8.8)	(25.3)			
F. Machinery for									
miscellaneous industry	4057.2	3772.0	2069.1	4255.0	4304.8	2095.2	4.9	14.1	1.3
(% of Total)	(9.4)	(9.8)	(9.3)	(9.8)	(10.7)	(8.6)			
G. Others	6281.3	4838.8	3679.0	6608.3	6176.3	3839.8	5.2	27.6	4.4
% of Total	(14.6)	(12.6)	(16.6)	(15.3)	(15.4)	(15.8)			
Total :	43068.8	38455.2	22193.3	43335.3	40076.2	24307.8	0.6	4.2	9.5
Of which, back to back	6830.8	6201.8	3026.1	7462.8	6925.7	3303.6	9.3	11.7	9.2

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
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
2014	1669,665	21,508
2015	1964,974	25,025
2016	2365,189	30,168

Source : Accounts & Budgeting Department, Bangladesh Bank.

Table XXI Period Average Taka-US Dollar Exchange Rates

Year	Taka per US Dollar
1	2
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
FY14	77.72
FY15	77.68
FY16	78.26

Source: Statistics Department, Bangladesh Bank.

Table XXII Country-wise Workers' Remittances

(USD Million)

Countries	FY10	FY11	FY12	FY13	FY14	FY15	FY16
1	2	3	4	5	6	7	8
Saudi Arabia	3427.05	3290.03	3684.36	3829.45	3118.88	3345.23	2960.13
UAE	1890.31	2002.63	2404.78	2829.40	2684.86	2823.77	2714.97
UK	827.51	889.60	987.46	991.59	901.23	812.34	862.12
Kuwait	1019.18	1075.75	1190.14	1186.93	1106.88	1077.78	1037.79
USA	1451.89	1848.51	1498.46	1859.76	2323.32	2380.19	2413.82
Italy	182.19	215.58	244.75	233.23	269.59	260.16	349.74
Qatar	360.91	319.36	335.26	286.89	257.53	310.15	431.57
Oman	349.08	334.31	400.93	610.11	701.08	915.26	911.42
Singapore	193.46	202.33	311.46	498.79	429.11	443.44	389.17
Germany	16.50	25.64	34.99	25.81	26.94	21.16	26.13
Bahrain	170.14	185.93	298.46	361.70	459.39	554.34	486.57
Japan	14.74	15.21	22.16	21.18	17.06	16.30	22.67
Malaysia	587.09	703.73	847.49	997.43	1064.68	1381.53	1324.22
Other countries	497.35	541.71	582.72	728.87	867.76	975.27	1000.84
Total	10987.40	11650.32	12843.42	14461.14	14228.31	15316.92	14931.16

Source : Foreign Exchange Policy Department, Bangladesh Bank.

Table XXIII List of Scheduled Banks
(As on 30 June 2016)

State-owned/government controlled banks (6+2=8)

State-owned commercial banks (6)

Sonali Bank Limited
 Janata Bank Limited
 Agrani Bank Limited
 Rupali Bank Limited*
 Bangladesh Small Industries and Commerce Bank Limited
 Bangladesh Development Bank Limited

Specialised banks (2)

Bangladesh Krishi Bank
 Rajshahi Krishi Unnayan Bank

Private commercial banks (39)

Pubali Bank Limited
 Uttara Bank Limited
 AB Bank Limited
 International Finance Investment and Commerce (IFIC) Bank Limited
 Islami Bank Bangladesh Limited
 National Bank Limited
 The City Bank Limited
 United Commercial Bank Limited
 ICB Islamic Bank Limited
 Eastern Bank Limited
 National Credit and Commerce Bank Limited
 Prime Bank Limited
 Southeast Bank Limited
 Dhaka Bank Limited
 Al-Arafah Islami Bank Limited
 Social Islami Bank Limited
 Dutch-Bangla Bank Limited
 Standard Bank Limited
 One Bank Limited
 Export Import (EXIM) Bank of Bangladesh Limited
 Mercantile Bank Limited
 Bangladesh Commerce 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 was raised to 90 percent as on 30 June 2016.

Table XXIII (Contd.) List of Scheduled Banks
(As on 30 June 2016)

Mutual Trust Bank Limited
First Security Islami Bank Limited
The Premier Bank Limited
Bank Asia Limited
Trust Bank Limited
Shahjalal Islami Bank Limited
Jamuna Bank Limited
BRAC Bank Limited
South Bangla Agriculture and Commerce Bank Limited
NRB Commercial Bank Limited
Union Bank Limited
Meghna Bank Limited
Midland Bank Limited
The Farmers Bank Limited
NRB Bank Limited
Modhumoti Bank Limited
NRB Global Bank Limited

Foreign commercial banks (9)

Commercial Bank of Ceylon PLC
Standard Chartered Bank
Habib Bank Limited
State Bank of India
National Bank of Pakistan
Citibank N.A
Woori Bank
The HSBC Limited
Bank Alfalah Limited

Source: Banking Regulation and Policy Department.

Table XXIV List of Financial Institutions*
(As on 30 June 2016)

1. Saudi-Bangladesh Industrial and Agricultural Investment Company Limited
2. The UAE-Bangladesh Investment Company Limited
3. Infrastructure Development Company Limited
4. Phoenix Finance and Investments Limited
5. Uttara Finance and Investments Limited
6. GSP Finance Company (Bangladesh) Limited
7. Reliance Finance Limited
8. Delta Brac Housing Finance Corporation Limited
9. Lanka Bangla Finance Limited
10. Prime Finance & Investment Limited
11. People's Leasing and Financial Services Limited
12. Bay Leasing and Investment Limited
13. Bangladesh Industrial Finance Company Limited
14. IDLC Finance Limited
15. Union Capital Limited
16. National Housing Finance and Investments Limited
17. International Leasing and Financial Services Limited
18. Islamic Finance and Investment Limited
19. Premier Leasing & Finance Limited
20. Fareast Finance & Investment Limited
21. First Finance Limited
22. United Finance Limited
23. MIDAS Financing Limited
24. Bangladesh Finance and Investment Company Limited
25. Industrial and Infrastructure Development Finance Company Limited
26. FAS Finance & Investment Limited
27. Industrial Promotion and Development Company of Bangladesh Limited
28. National Finance Limited
29. Hajj Finance Company Limited
30. Bangladesh Infrastructure Finance Fund Limited
31. Agrani SME Financing Company Limited
32. Meridian Finance and Investments Limited
33. CAPM Venture Capital and Finance Limited

* Licensed by the Bangladesh Bank under Financial Institutions Act, 1993.
Source: Department of Financial Institutions and Market.

Table XXV List of Major Publications**ANNUAL**

1. Annual Report (Bangla)
2. Annual Report (English)
3. Export Receipts
4. Import Payments
5. Balance of Payments

HALF YEARLY

1. Monetary Policy Review
2. Foreign Direct Investment in Bangladesh

QUARTERLY

1. Scheduled Bank Statistics
2. Bangladesh Bank Quarterly
3. Quarterly Financial Stability Assessment Report

MONTHLY

1. Economic Trends
2. Bangladesh Bank Parikrama

Appendix-4
Banking Performance Indicators
(Table: I-XIII)

Table I Banking System Structure

(billion Taka)

Bank types	2016 (June)					
	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits
SCBs	06	3700	3219.1	26.1	2447.4	29.0
DFIs	02	1407	302.2	2.5	247.4	2.9
PCBs	39	4271	8254.6	67.0	5382.3	63.8
FCBs	09	75	550.6	4.5	358.9	4.3
Total	56	9453	12326.4	100.0	8436.0	100.0

Source: Bangladesh Bank

Table II Capital to Risk Weighted Assets Ratio by Type of Banks

(Percent)

Bank types	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	6.9	9.0	8.9	11.7	8.1	10.8	8.3	6.4	5.8
DFIs	-5.3	0.4	-7.3	-4.5	-7.8	-9.7	-17.3	-32.0	-34.7
PCBs	11.4	12.1	10.1	11.5	11.4	12.6	12.5	12.4	11.9
FCBs	24.0	28.1	15.6	21.0	20.6	20.2	22.6	25.6	23.8
Total	10.1	11.6	9.3	11.4	10.5	11.5	11.3	10.8	10.3

Source: Bangladesh Bank

Table III NPL Ratios by Type of Banks

(Percent)

Bank types	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	25.4	21.4	15.7	11.3	23.9	19.8	22.2	21.5	25.7
DFIs	25.5	25.9	24.2	24.6	26.8	26.8	32.8	23.2	26.1
PCBs	4.4	3.9	3.2	2.9	4.6	4.5	4.9	4.9	5.4
FCBs	1.9	2.3	3.0	3.0	3.5	5.5	7.3	7.8	8.3
Total	10.8	9.2	7.3	6.1	10.0	8.9	10.0	8.8	10.1

Source: Bangladesh Bank

Table IV Ratio of net NPL to Total Loans by Type of Banks

Bank types	(Percent)								
	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	5.9	1.9	1.9	-0.3	12.8	1.7	6.1	9.2	11.8
DFIs	17.0	18.3	16.0	17.0	20.4	19.7	25.5	6.9	10.8
PCBs	0.9	0.5	0.00	0.2	0.9	0.6	0.8	0.6	0.6
FCBs	-2.0	-2.3	-1.7	-1.8	-0.9	-0.4	-0.9	-0.2	0.9
Total	2.8	1.7	1.3	0.7	4.4	2.0	2.7	2.3	2.8

Source: Bangladesh Bank

Table V Amount of NPLs

Bank types	(billion Taka)								
	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	127.6	117.5	107.6	91.7	215.2	166.1	227.6	272.8	300.8
DFIs	37.3	42.1	49.7	56.5	73.3	83.6	72.6	49.7	58.2
PCBs	57.0	61.7	64.3	72.0	130.4	143.1	184.3	253.3	253.2
FCBs	2.9	3.5	5.5	6.3	8.5	13.0	17.1	18.2	21.6
Total	224.8	224.8	227.1	226.4	427.3	405.8	501.6	594.1	633.7

Source: Bangladesh Bank

Table VI Required Provision and Provision Maintained-All Banks

All banks	(billion Taka)								
	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
Amount of NPLs	224.8	224.8	227.1	226.4	427.3	405.8	501.6	594.1	633.7
Required provision	136.1	134.8	149.2	148.2	242.4	252.4	289.6	308.9	361.8
Provision maintained	126.2	137.9	142.3	152.7	189.8	249.8	281.6	266.1	317.3
Excess (+)/ shortfall(-)	-9.9	3.1	-6.9	4.6	-52.6	-2.6	-7.9	-42.8	-44.5
Provision maintenance ratio (%)	92.7	102.3	95.4	103.0	78.3	99.0	97.2	86.1	87.7

Source: Bangladesh Bank

Table VII Comparative Position of Provision Adequacy

Year	Items	(billion Taka)			
		SCBs	SBs	PCBs	FCBs
2013	Required provision	107.8	38.3	94.8	116.
	Provision maintained	122.3	17.4	97.8	12.3
	Provision maintenance ratio (%)	113.5	45.5	103.2	106.0
2014	Required provision	128.6	37.1	108.7	15.3
	Provision maintained	135.3	14.7	115.3	16.2
	Provision maintenance ratio (%)	105.2	39.6	106.1	105.9
2015	Required provision	140.4	26.4	126.0	16.1
	Provision maintained	94.7	28.4	126.6	16.5
	Provision maintenance ratio (%)	67.5	107.6	100.5	102.5
2016 June	Required provision	169.7	30.4	146.2	15.5
	Provision maintained	114.6	28.5	158.0	16.3
	Provision maintenance ratio (%)	67.5	93.8	108.1	105.2

Source: Bangladesh Bank

Table VIII Writing-off Bad Debts in Different Bank Categories

(billion Taka)

Bank types	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13	30 June 14	30 June 15	30 June 16
SCBs	48.4	64.5	70.5	82.4	72.9	107.2	154.8	210.3	220.4
DFIs	31.0	31.8	31.8	32.0	24.5	32.6	34.2	5.6	5.6
PCBs	49.4	54.7	69.6	77.1	64.9	109.7	127.7	155.5	189.4
FCBs	1.7	2.0	2.1	2.4	2.6	3.7	4.4	5.1	7.2
Total	130.5	153.0	174.0	193.9	164.9	253.3	321.1	376.5	423.2

Source: Bangladesh Bank

Table IX Expenditure-Income Ratio by Type of Banks

(Percent)

Bank types	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	89.6	75.6	80.7	62.7	73.2	84.1	84.1	84.5	99.2
DFIs	103.7	112.1	87.8	88.6	91.2	94.8	99.5	113.9	132.2
PCBs	88.4	72.6	67.6	71.7	76.0	77.9	75.8	75.5	73.5
FCBs	75.8	59.0	64.7	47.3	49.6	50.4	46.8	47.0	45.0
Total	87.9	72.6	70.8	68.6	74.0	77.8	76.1	76.3	79.8

Source: Bangladesh Bank

Table X Profitability Ratios by Type of Banks

(Percent)

Bank types	Return on assets (ROA)										Return on equity (ROE)									
	2008	2009	2010	2011	2012	2013	2014	2015	2016 June	2008	2009	2010	2011	2012	2013	2014	2015	2016 June		
SCBs	0.7	1.0	1.1	1.3	-0.6	0.6	-0.6	-0.04	-0.2	22.5	26.2	18.4	19.7	-11.9	10.9	-13.6	-1.5	-9.5		
DFIs	-0.6	0.4	0.2	0.1	0.1	-0.4	-0.7	-1.2	-2.0	-6.9	171.7	-3.2	-0.9	-1.1	5.8	-5.97	-5.8	-9.5		
PCBs	1.4	1.6	2.1	1.6	0.9	1.0	1.0	1.0	0.7	16.4	21.0	20.9	15.7	10.2	9.8	10.3	10.8	9.4		
FCBs	2.9	3.2	2.9	3.2	3.3	3.0	3.4	2.9	2.7	17.8	22.4	17.0	16.6	17.3	16.9	17.7	14.6	13.2		
Total	1.2	1.4	1.8	1.5	0.6	0.9	0.6	0.8	0.4	15.6	21.7	21.0	17.0	8.2	11.0	8.1	10.5	7.1		

Source: Bangladesh Bank

Table XI Net Interest Income by Type of Banks

(billion Taka)

Bank types	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	7.9	12.1	19.8	34.3	14.9	-5.4	39.7	40.4	15.6
DFIs	1.9	1.9	6.2	4.9	4.7	3.8	2.1	1.7	1.9
PCBs	48.5	56.7	82.8	91.4	114.7	118.2	205.8	222.6	118.9
FCBs	12.6	10.7	13.0	16.1	19.6	15.8	26.6	28.2	12.4
Total	70.9	81.5	121.9	146.7	153.8	132.3	274.2	292.9	148.7

Source: Bangladesh Bank

Table XII Liquidity Ratio by Type of Banks

(Percent)

Bank types	2008	2009	2010	2011	2012	2013	2014	2015	2016 June
SCBs	32.9	25.1	27.2	31.3	29.2	44.3	42	41.4	40.1
DFIs	13.7	9.6	21.3	6.9	12.0	15.3	6.6	0.0	0.0
PCBs	20.7	18.2	21.5	23.5	26.3	28	28.2	19.7	18.5
FCBs	31.3	31.8	32.1	34.1	37.5	46.2	56.9	51.8	46.0
Total	24.8	20.6	23	25.4	27.1	32.5	32.7	26.5	25.3

Source: Bangladesh Bank

Table XIII 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	4962	3723	8685	1117.1	4988.2	6105.3	450.6	3987.8	4438.4
2014	5150	3890	9040	1326.0	5605.2	6931.1	505.1	4571.2	5076.3
2015	5187	3944	9131	1575.09	6364.72	7939.81	571.26	5227.32	5798.59
2016**	5360	4093	9453	1685.68	6788.85	8474.53	622.24	5593.32	6215.56

* As of end December, ** As of End June.

Source: Bangladesh Bank

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