Banking Sector Performance, Regulation and Bank Supervision

5.1 The performance of the banking sector of Bangladesh has been largely affected by the COVID-19 pandemic situation for the last four months of FY20. Almost all the large financial markets around the world have been extremely impaired due to the lockdown aiming at hindering the escalation of pandemic. Bangladesh has also lost huge export earnings and its pace of internal production has been reduced significantly due to 66 (sixty six) days long countrywide lockdown. Both the internal and external situations of the financial market have created enormous pressure on the banking sector. Despite these, all scheduled banks of the country remained operational for specified time in every working day during the lockdown period to provide regular banking services to their customers. Moreover, to help the scheduled banks and non-bank financial institutions (NBFIs) to survive in this critical situation and to continue their contribution in revamping the country's economy, Bangladesh Bank (BB) has announced a series of policies and prudential measures from the very beginning of the pandemic situation. These include but not limited to, re-fixation of the regulatory liquidity ratios to ensure additional liquidity in the banking sector, issuance of sufficient prudential guidelines to maintain proper office environment in the banks for continuing the business activities in a limited scale as well as compensation package for the employees as frontline workers during the lock down period, easing of foreign trade and foreign currency transaction regulations, temporary relaxation in the loan classification policy, modeling and implementation of the Govt. stimulus packages for different segments of the economy and refinance schemes to provide liquidity support to those packages and introduction of special fund for capital market investment, etc. Furthermore, the pre-announced ceiling of lending rate was also introduced from April 01, 2020. As a part of supervisory activities, regular and special on-site inspections have been conducted throughout the year. The performance of the Risk Management Committee at the board level of banks is also being evaluated regularly. Special monitoring has been continued by BB to oversee the liquidity level of the banking sector which results in a sufficient and strong level of

Table 5.1 Banking Systems Structure, Assets and Deposits

(In billion BDT)

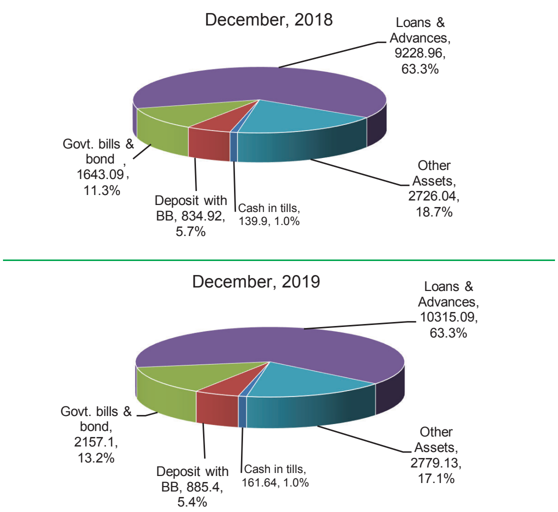
Bank types	2018						2019					
	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total Deposits	Share in industry deposits (in percent)	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total Deposits	Share in industry deposits (in percent)
SCBs	06	3746	3732.2	25.6	2868.4	26.6	06	3773	3995.4	24.51	3038.6	25.0
SBs	03	1412	324.0	2.2	286.0	2.6	03	1483	357.5	2.2	312.7	2.6
PCBs	41	5060	9769.7	67.0	7127.2	66.0	41	5257	11048.2	67.8	8269.6	68.1
FCBs	09	68	747.1	5.2	517.2	4.8	09	65	897.2	5.5	524.4	4.3
Total	**59**	**10286**	**14572.9**	**100.0**	**10798.7**	**100.0**	**59**	**10578**	**16298.4**	**100.0**	**12145.2**	**100.0**

Note: All banks, except BKB and RAKUB, 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.

Source: DOS and BRPD, BB.

Chart 5.1 Aggregate Industry Assets

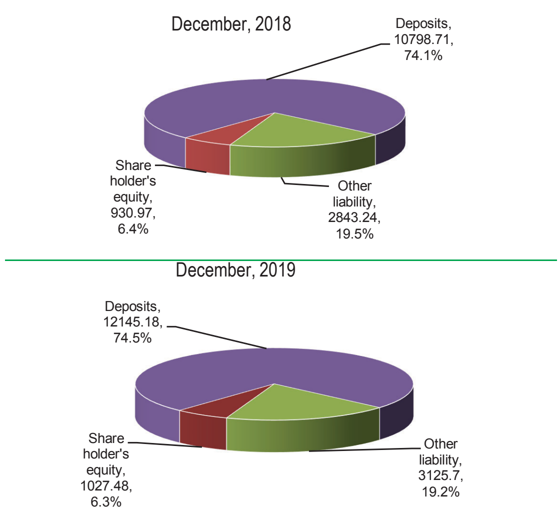
(In billion BDT)



Source: DOS, BB.

Chart 5.2 Aggregate Industry Liabilities

(In billion BDT)



Source: DOS, BB.

aggregate liquidity at the end of FY20. Besides, BB continues its efforts to reduce overall NPLs of the banking sector. At the end of FY20, the overall NPL ratio and Capital to Risk weighted Asset Ratio (CRAR) stood at 9.56 percent and 11.63 percent respectively.

Banking Sector Performance

5.2 Depending on the ownership structure, there are four categories of scheduled banks in Bangladesh: state-owned commercial banks (SCBs), state-owned development financial institutions (SBs), private commercial banks (PCBs) and foreign commercial banks (FCBs). Total number of scheduled banks operated in 2019 was 59. Two (02) new banks (Prabashi Kallyan Bank, Community Bank) have received license and started their operation. Besides, one new bank (Bengal Commercial Bank) has got license as scheduled bank as on 23 February 2020. The number of bank branches increased to 10,578 at the end of December 2019 from 10,286 of December 2018 (Appendix 4, Table I). On the other hand, depending on the mode of operations (e.g. conventional and Islami Shariah based), there are three type of banks: full-fledged conventional banks, full-fledged Islami Shariah based banks and banks with dual operation. Information on the banking structure and activities by type of banks is shown in Table 5.1.

5.3 In 2019, the SCBs held 24.5 percent share of the total assets which was 25.6 percent in 2018. PCBs' share of the total assets increased slightly to 67.79 percent in 2019 from 67.0 percent in 2018. The FCBs held 5.5 percent share of the total assets in 2019, showing an increase of 0.3 percent over the last year. The SBs' share of the total assets was 2.2 percent in 2019 which was same in 2018. At the end of December 2019, total assets of the banking sector stood at BDT 16298.4 billion which was 11.84 percent higher than that of the previous year (Table-5.1).

5.4 Total deposits of the banking sector stood at BDT 12145.2 billion in 2019 which was BDT 10798.7 billion in 2018, showing an increase of 12.46 percent. From the year 2018 to 2019, considering the share in total deposit of the banking sector, SCBs' share decreased from 26.6 percent to 25.0 percent, PCBs' share increased from 66.0 percent to 68.1 percent, FCBs' share decreased from 4.8 percent to 4.3 percent and SBs' share remained same which was 2.6 percent in both years (Table 5.1).

Banking Network by Branches

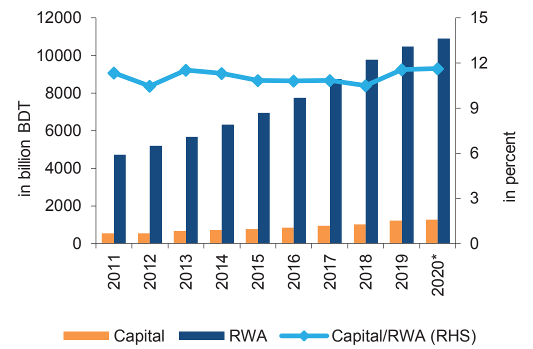
5.5 As on 31 December 2019, total number of branches of the 59 scheduled banks were 10,578 (Appendix 4, Table. I). Among these, 48.51 percent (5131) of the bank branches were in rural areas and the rest (5447 branches or 51.49 percent) were in urban areas. The SCBs had 2018 rural branches and 1755 urban branches. Specialized banks had 1205 rural branches and 278 urban branches. Private commercial banks had 1908 rural branches and 3349 urban branches. Foreign commercial banks had total 65 branches.

Aggregate Balance Sheet

5.6 In 2019, total assets of the banking sector stood at BDT 16,298.4 billion showing an increase of 11.8 percent over the total assets in 2018. During this period, the SCBs' assets rose by 7.1 percent and that of the PCBs' increased by 13.1 percent. The aggregate banking sector assets consisted of BDT 10315.1 billion as loans and advances (63.3 percent of total assets), BDT 161.6 billion as cash in tills including foreign currencies, BDT 885.4 billion as deposit with BB including foreign currencies, BDT 2157.1 billion as investment in treasury securities and BDT 2,779.1 billion as other assets during the period (Chart 5.1).

5.7 Deposits continued to be the main sources of funds of the banking industry in

Chart 5.3 Aggregate Capital Adequacy Position



*30 June 2020
Source: DOS, BB.

Table 5.2 Capital to Risk Weighted Assets Ratio by Type of Banks

(In percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	11.7	8.1	10.8	8.3	6.4	5.9	7.0	10.3	5.0	6.9
SBs	-4.5	-7.8	-9.7	-17.3	-32.0	-33.7	-32.8	-31.7	-32.0	-36.5
PCBs	11.5	11.4	12.6	12.5	12.4	12.4	12.2	12.8	13.6	13.3
FCBs	21.0	20.6	20.2	22.6	25.6	25.4	23.3	25.9	24.5	24.4
Total	**11.4**	**10.5**	**11.5**	**11.3**	**10.8**	**10.8**	**10.8**	**12.1**	**11.6**	**11.6**

Source: DOS, BB.

FY20 and it (excluding inter-bank) constituted 74.5 percent of the total amount of liability and shareholders' equity in 2019. Total shareholders' equity of the banks was BDT 1027.5 billion at the end of December 2019 which was BDT 931.0 billion in 2018 (Chart 5.2).

Capital Adequacy

5.8 Capital adequacy focuses on the overall position of bank's capital and the protection of the depositors and other creditors from potential losses that a bank might incur. It helps banks to absorb possible losses due to credit, market and operational risks that a bank might be exposed to during its normal course of business. 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 BDT 4.0 billion as capital, whichever is higher. The aggregate amount of regulatory capital of the banking sector was BDT 1211.35 billion as on 31 December 2019 which increased to BDT 1267.09 billion at the end of June 2020.

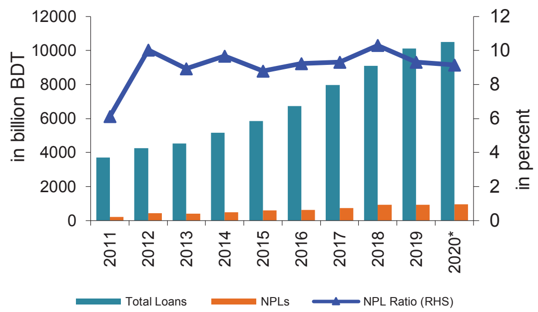
5.9 Table 5.2 shows the Capital to Risk Weighted Assets Ratio (CRAR) by type of banks. It is observed that the CRAR of SCBs, PCBs and FCBs were 6.93, 13.31 and 24.35 percent respectively as on 30 June 2020. Both the SBs failed to maintain MCR on risk weighted assets basis. Besides, 4 SCBs and 3 PCBs could not maintain the minimum required CRAR. The CRAR of the banking industry as a whole was 11.63 percent at the end of June 2020 (Chart 5.3).

Asset Quality

5.10 The most important indicator to demonstrate the asset quality is the ratio of gross Non-Performing Loans (NPLs) to total loans and net NPLs to net total loans. At the end of December 2019, the gross NPL ratio of the banking sector stood at 9.32 percent. Table 5.3 (a) shows that FCBs had the lowest and SCBs had the highest gross NPL ratio. FCBs' gross NPL ratio was 5.74 percent, whereas those of SCBs, PCBs and SBs were 23.86, 5.78 and 15.13 percent respectively at the end of December 2019.

5.11 From the table 5.3(a), it is observed that the ratio of gross NPLs to total loans and advances indicates a mixed trend in the banking sector during the period from 2011 to June 2020. NPL ratio of the banking sector was 6.1 percent in 2011. But the ratio sharply increased to 10.0 percent in 2012 mainly due to adaptation of new loan classification policy. From 2013, a fluctuating trend of NPL ratio was observed and it was 9.32 percent as on 31 December 2019. At the end of June 2020, NPL ratio of the banking sector stood at 9.16 percent [Table 5.3(a)].

Chart 5.4 Aggregate Position of NPLs to Total Loans



*Up to 30 June 2020
Source: BRPD, BB.

Table 5.3(a) Ratio of Gross NPLs to Total Loans by Type of Banks

(in percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	11.3	23.9	19.8	22.2	21.5	25.0	26.5	30.0	23.9	22.7
SBs	24.6	26.8	26.8	32.8	23.2	26.0	23.4	19.5	15.1	15.9
PCBs	2.9	4.6	4.5	4.9	4.9	4.6	4.9	5.5	5.8	5.9
FCBs	3.0	3.5	5.5	7.3	7.8	9.6	7.0	6.5	5.7	5.5
Total	**6.1**	**10.0**	**8.9**	**9.7**	**8.8**	**9.2**	**9.3**	**10.3**	**9.3**	**9.2**

Source: BRPD, BB.

Table 5.3 (b) Ratio of Net NPL to Net Total Loans by Type of Banks

(in percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	-0.3	12.8	1.7	6.1	9.2	11.1	11.2	11.3	6.1	3.2
SBs	17.0	20.4	19.7	25.5	6.9	10.5	9.7	5.7	3.0	2.7
PCBs	0.2	0.9	0.6	0.8	0.6	0.1	0.2	0.4	-0.1	-0.5
FCBs	-1.8	-0.9	-0.4	-0.9	-0.2	1.9	0.7	0.7	0.2	-0.4
Total	**0.7**	**4.4**	**2.0**	**2.7**	**2.3**	**2.3**	**2.2**	**2.2**	**1.0**	**0.2**

Source: BRPD, BB.

5.12 Comparatively poor assessment and inadequate follow-up and supervision of the loans have eventually resulted into the current situation of poor asset quality of SCBs and SBs. However, various measures (i.e. strengthening of recovery unit and special recovery program) for increasing recovery against non-performing loans have been taken by the banks. Besides, several policy initiatives regarding restructuring, rescheduling, recovery, one time exit and write-off of classified loans have also been taken by Bangladesh Bank to reduce NPLs.

5.13 Table 5.3 (b) shows that the ratio of net NPLs (net of provisions and interest suspense) to net total loans (net of provisions and interest suspense). Net NPL ratio of the banking sector was 1.02 percent in December 2019. The net NPLs ratios were 6.12, 3.00, -0.07 and 0.19 percent for the SCBs, SBs, PCBs and FCBs respectively at the end of December 2019. Net NPL ratio of the banking sector stood at 0.15 percent at the end of June 2020.

5.14 Table 5.4 shows the amount of NPLs of the four type of banks from 2011 to June 2020. During 2011 to 2019, the amount of NPLs of SCBs, PCBs and FCBs have increased by BDT 348.2 billion, BDT 369.7 billion and BDT 14.7 billion respectively and the amount of NPLs of SBs have decreased by BDT 15.9 billion. As of June 2020, the total volume of non-performing loans (NPLs) of the banking sector was BDT 961.2 billion.

5.15 Table 5.5 shows the aggregate amount of NPLs, the required provision and the actual provision maintained by the banks from 2011 to June 2020. The table shows that there was provision shortfall against NPLs in the banking sector except for the year 2011. In 2011, provision maintenance ratio was 103.0 percent. The ratio showed declining trend from 2014 to 2017 and from 2018 the situation started to improve slightly with the ratio standing at 89.15 percent in 2019. As of June 2020, provision maintenance ratio of the banking industry was 93.12 percent.

Table 5.4 Amount of NPLs by Type of Banks

(in billion BDT)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	91.7	215.2	166.1	227.6	272.8	310.3	373.3	487.0	439.9	429.4
SBs	56.5	73.3	83.6	72.6	49.7	56.8	54.3	47.9	40.6	45.2
PCBs	72.0	130.4	143.1	184.3	253.3	230.6	294.0	381.4	441.7	465.9
FCBs	6.3	8.5	13.0	17.1	18.2	24.1	21.5	22.9	21.0	20.6
Total	**226.5**	**427.4**	**405.8**	**501.6**	**594.0**	**621.8**	**743.1**	**939.2**	**943.3**	**961.2**

Source: BRPD, BB.

Table 5.5 Required Provision and Provision Maintained-all Banks

(in billion BDT)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
Amount of NPLs	226.4	427.3	405.8	501.6	594.1	621.7	743.0	939.1	943.3	961.2
Required Provision	148.2	242.4	252.4	289.6	308.9	362.1	443.0	570.4	613.2	654.0
Provision maintained	152.7	189.8	249.8	281.6	266.1	307.4	375.3	504.3	646.6	609.0
Excess(+)/ shortfall(-)	4.6	-52.6	-2.6	-7.9	-42.8	-54.7	-67.7	-66.1	-66.6	-45.0
Provision maintenance ratio (%)	103.0	78.3	99.0	97.2	86.1	84.9	84.7	88.4	89.2	93.1

Source: BRPD, BB.

5.16 A comparative position of provision against loans (for both classified and unclassified) of four type of banks from 2018 to June 2020 is shown in Table 5.6. From the table, it is observed that SBs, PCBs and FCBs, except SCBs, were able to maintain required provision against loans from 2018 to June 2020. However, provision maintenance ratio of SCBs has increased slightly in June 2020.

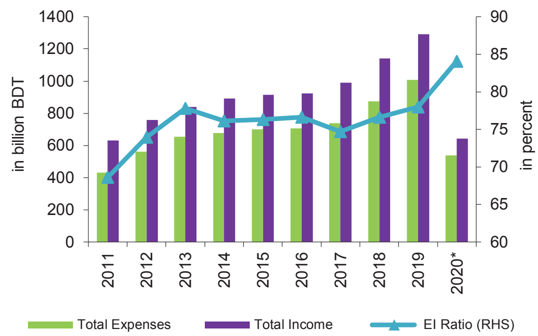
5.17 In order to rectify an unnecessarily and artificially inflated size of the balance sheet, a uniform guideline for write off loans was introduced in 2003 by Bangladesh Bank. Furthermore, a new policy was introduced in February 2019 in this regard via BRPD circular no.01 dated February 6, 2019. Banks may write off their bad/loss loans complying with the terms and conditions covered by the new policy guidelines. The cumulative amount of written-off loans by different bank categories is given in Table 5.7.

Management Soundness

5.18 Sound management is one of the important pre-requisites for the strength and growth of any financial institution. Although there is no direct means to measure management soundness but 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 of a financial institution. Besides, issues such as technical competence and leadership of mid and senior level management, compliance with banking laws and regulations, implementation of internal policies, ability to implement strategic plan and taking timely initiatives, etc. are taken into consideration to measure the quality of management.

5.19 Table 5.8 shows that the Expenditure to total Income (EI) ratio of the banking sector was 78.0 percent at the end of December 2019. As evident from table, the EI ratio of the SBs was 159.8 percent which is the highest among the bank categories in 2019 mainly due to high operating expenses of these banks. The EI ratios of the SCBs, PCBs and FCBs were 84.9, 77.6 and 48.8 percent respectively in

Chart 5.5 Trends in Aggregate Position of Income and Expenditure in the Banking Industry



*Up to 30 June 2020
Source: DOS, BB.

Table 5.6 Comparative Position of Provision Adequacy

(In billion BDT)

Year	Items	SCBs	SBs	PCBs	FCBs
2018	Required provision	289.3	23.4	241.1	16.6
	Provision maintained	210.6	25.9	250.2	17.6
	Provision maintenance ratio (%)	72.8	110.7	103.8	106.0
2019	Required provision	275.9	21.1	300.6	16.0
	Provision maintained	197.4	22.5	309.3	17.5
	Provision maintenance ratio (%)	71.7	106.7	102.9	109.2
2020 June	Required provision	276.9	23.9	337.5	15.9
	Provision maintained	216.9	25.3	347.8	19.0
	Provision maintenance ratio (%)	78.4	105.8	103.0	121.1

Source: BRPD, BB.

Table 5.7 Writing-off Bad Debts by Type of Banks

(In billion BDT)

Bank Types	30 June 11	30 June 12	30 June 13	30 June 14	30 June 15	30 June 16	30 June 17	30 June 18	30 June 19	30 June 20
SCBs	82.4	72.9	107.2	154.8	210.3	220.4	224.4	226.2	232.2	179.4
SBs	32.0	24.5	32.6	34.2	5.6	5.6	5.6	5.6	5.8	3.8
PCBs	77.1	64.9	109.7	127.7	155.5	189.4	216.7	246.5	294.3	239.4
FCBs	2.4	2.6	3.7	4.4	5.1	7.2	8.6	10.7	12.3	10.1
Total	**193.9**	**164.9**	**253.2**	**321.1**	**376.5**	**422.6**	**455.3**	**489.0**	**544.6**	**432.7**

Source: BRPD, BB.

December 2019. The EI ratios of all bank categories showed an increasing trend compared to that of the last year. The EI ratio of the banking sector stood at 84.10 percent at the end of June 2020. The increasing trend in EI ratio particularly operating expenses to total expenses has the negative impacts on the net profits and management soundness of the banks. Chart 5.5 shows the expenditure-income ratio of the banking sector.

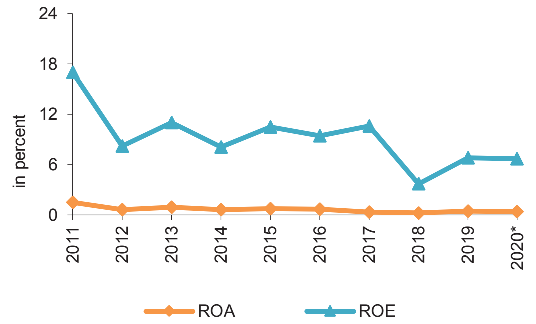
Earnings and Profitability

5.20 Although various indicators are used to determine earnings and profitability, the most representative and widely used ones are return on assets (ROA), return on equity (ROE) and net interest margin (NIM).

5.21 Earnings as measured by ROA and ROE differ among the bank categories. Table 5.9 shows ROA and ROE of four type of banks during the period from 2011 to June 2020. The table illustrates that the ROA of the SCBs and SBs were always less than the industry average ROA. The ROA of SCBs has slightly improved (-0.61percent) in 2019 as compared to that (-1.30 percent) of 2018. On the other hand, after showing an increasing trend from 2012 to 2016, ROA of PCBs has gradually declined in the recent years. Though ROA of FCBs showed a decreasing trend from 2014 to 2018 but it always remained in a strong position. ROA of the banking sector stood at 0.42 percent in June 2020.

5.22 Table 5.9 also presents that ROE of the SCBs stood at -13.68 percent in 2019 which was -29.61 percent in 2018. ROE of SBs also fell down to -17.04 percent in 2019 whereas ROE of PCBs increased to 11.16 percent in 2019 from 10.98 percent in 2018. ROE of FCBs has been in declining trend since 2015 but in 2019, it has increased to 13.43 percent. ROE of the banking sector stood at 6.68 percent in June 2020. Trends in aggregate profitability for all banks are given in chart 5.6.

Chart 5.6 Trends in Aggregate Profitability in the Banking Industry



*Up to 30 June 2020
Source: DOS, BB.

Table 5.8 Expenditure-Income Ratio by Type of Banks

(In percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	62.7	73.2	84.1	84.1	84.5	90.2	81.3	80.5	84.9	85.8
SBs	88.6	91.2	94.8	99.5	113.9	137.8	124.0	144.6	159.8	189.0
PCBs	71.7	76.0	77.9	75.8	75.5	73.5	73.8	76.7	77.6	82.6
FCBs	47.3	49.6	50.4	46.8	47.0	45.7	46.6	47.5	48.8	45.5
Total	68.6	74.0	77.8	76.1	76.3	76.6	74.7	76.6	78.0	84.1

Source: DOS, BB.

5.23 Table 5.10 shows that Net Interest Margin (NIM) of the banking industry stood at 3.12 percent in 2019 which was 3.22 percent in 2018. The NIM for all the type of banks (SCBs, SBs, PCBs and FCBs) dropped off in 2019 as compared to that of 2018. Analysis of the indicator reveals that NIM for PCBs (except 2011) and FCBs was always higher than the industry average. NIM for SCBs was negative 0.32 percent in 2013, afterwards it showed a mixed trend during the period from 2014 to 2019. However, NIM for overall banking sector was significantly high (3.56 percent) in 2014, afterwards it exhibited a downward trend up to 2019 except an increase in 2018. NIM for overall banking sector stood at 2.70 percent at the end of June 2020 (Table 5.10).

Table 5.9 Profitability Ratios by Type of Banks

(In percent)

Bank types	ROA										ROE									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020	2011	2012	2013	2014	2015	2016	2017	2018	2019	End June 2020
SCBs	1.3	-0.56	0.59	-0.55	-0.04	-0.16	0.21	-1.30	-0.61	0.04	19.7	-11.87	10.93	-13.46	-1.47	-6.02	3.45	-29.61	-13.68	0.81
SBs	0.1	0.06	-0.40	-0.68	-1.15	-2.80	-0.62	-2.77	-3.31	-5.11	-0.9	-1.06	-5.81	-5.97	-5.79	-13.88	-3.07	-13.47	-17.04	-22.86
PCBs	1.6	0.92	0.95	0.99	1.00	1.03	0.89	0.79	0.77	0.58	15.7	10.17	9.76	10.26	10.75	11.09	12.01	10.98	11.16	8.48
FCBs	3.2	3.27	2.98	3.38	2.92	2.56	2.24	2.23	2.30	2.19	16.6	17.29	16.93	17.67	14.59	13.08	11.31	12.42	13.43	13.80
Total	1.5	0.64	0.90	0.64	0.77	0.68	0.74	0.25	0.43	0.42	17.0	8.20	11.10	8.09	10.51	9.42	10.60	3.86	6.83	6.68

Source: DOS, BB.

Liquidity

5.24 Effective liquidity management helps to ensure bank's ability to meet cash flow obligations, which are uncertain as they are affected by external events and other agents' behaviour. Indicators like advance-deposit ratio (ADR), statutory liquidity ratio (SLR), interbank call money rate, and repo rate show the real picture of liquidity of the banking sector. On the other hand, one can evaluate bank's strength to survive in any liquidity stressed situation through liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) by assuming a hypothetical scenario.

5.25 Overall advance deposit ratio (ADR) in the banking sector stood at 76.2 percent in June 2020. The regulatory maximum limit of ADR for conventional banks and investment deposit ratio (IDR) for Islamic Shariah based banks were 87 percent and 92 percent respectively.

5.26 All scheduled banks have to maintain Cash Reserve Ratio (CRR) averaging 4.00 percent daily on a biweekly basis against average total demand and time liabilities (ATDTL) of the second preceding month, with an obligation to maintain daily minimum 3.50 percent cash against the same ATDTL held by the bank. The current rate of SLR (statutory liquidity reserve) for conventional banks is 13.00 percent of ATDTL. In case of Islamic Shariah based banks, the rate of SLR is 5.50 percent of their ATDTL. Four banks (three specialized banks and BDBL) are exempted from maintenance of SLR, but these banks have to maintain CRR at the same rate like other scheduled banks. Banks have to maintain CRR in cash with Bangladesh Bank.

5.27 Banks having Off-shore Banking Operation (OBO) have to maintain CRR and SLR for the liabilities arising from their operation

Table 5.10 Net Interest Margin by Type of Banks

(In percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	June 2020
SCBs	3.66	1.18	-0.32	1.96	1.62	1.75	1.98	2.35	1.94	1.87
SBs	3.70	2.92	1.98	1.50	1.43	0.76	2.05	0.62	0.01	-0.91
PCBs	3.19	3.06	2.77	4.11	3.85	3.89	3.52	3.55	3.52	2.95
FCBs	5.57	5.56	3.73	5.98	6.08	4.99	4.35	4.30	4.21	4.21
Total	3.48	2.79	2.02	3.56	3.28	3.27	3.13	3.22	3.12	2.70

Source: DOS, BB.

Table 5.11 SLR Eligible Assets as Percentage of ATDTL by Type of Banks

(In percent)

Bank types	2011	2012	2013	2014*	2015	2016	2017	2018	2019	June 2020
SCBs	31.3	29.2	44.3	42.0	41.4	40.0	30.4	24.8	27.3	30.8
SBs	6.9	12.0	15.3	6.6	0.0	0.0	0.0	0.0	0.0	0.0
PCBs	23.5	26.3	28.0	28.2	19.7	17.8	14.8	14.2	16.4	18.0
FCBs	34.1	37.5	46.2	56.9	51.8	48.2	43.8	48.4	29.7	37.9
Total	25.4	27.1	32.5	32.7	26.5	24.9	19.9	18.2	19.9	22.3

* The calculation of liquidity ratio has been changed from 01 February 2014 (MPD Circular no. 02/2013)

Source: DOS, BB.

at the same rate applicable for Domestic Banking Operation (DBO) from 01 September 2019. A circular in this regard was issued in February 2019.

5.28 Table 5.11 shows SLR eligible assets as a percentage of ATDTL by type of banks. FCBs have the highest ratio followed by the SCBs. The ratio for SBs is shown zero as they do not need to maintain SLR.

5.29 As on 30 June 2020, the Liquidity Coverage Ratio (LCR) of the banking sector was 213.52 percent (against minimum requirement of 100 percent), indicating that almost all banks had a reasonable buffer of high-quality liquid assets to cover the cash outflow for a minimum of next 30 calendar days under any stressed scenario. The Net Stable Funding Ratio (NSFR) of the banking sector, as a whole, was 110.57 percent in June 2020 indicating that banks are more dependent on stable funding rather than volatile fund to expand their business activities.

Islamic Banking

5.30 In FY20, out of 59 scheduled banks in Bangladesh, 08 PCBs operated as full-fledged Islamic banks and 18 conventional banks (including two FCBs) were involved in Islamic banking through Islamic banking branches. The Islami banks have continued to show strong growth as reflected by the increasing market share in terms of assets, financing and deposits of the total banking industry. A brief picture of the performance of Islami banks is given in Table 5.12. Total deposits of the Islami banks and Islami banking branches of the conventional banks stood at BDT 2734.1 billion at the end of December 2019 which accounted for 21.8 percent of total deposits (BDT 12541.3 billion) of the banking sector. On the other hand, total credit of the Islami banks and Islami banking branches of the conventional banks stood at BDT 2558.4 billion at the end of December 2019 which accounted for 24.9 percent of total credit (BDT 10258.9 billion) of the banking sector (Table 5.12).

Legal Framework and Prudential Regulations

Risk Based Capital Adequacy (RBCA) for Banks

5.31 According to the road map of the phase-in arrangements, December 2019 was the final timeline for the implementation of Basel III framework by the banks. Basel III framework requires increasing the level as well as the quality of capital that banks must hold. Banks are expected to maintain a minimum total capital ratio of 10.0 percent, where 6.00 percent is to be maintained as Tier-1 capital. Besides, all banks must hold Common Equity Tier 1 (CET1) capital (the highest quality and most loss absorbing form of capital) in an amount of at least 4.50 percent of total Risk Weighted Assets (RWA) at all time.

5.32 Banks have been submitting capital adequacy reports/statements following new Basel III accord from the quarter ended in March 2015. It is found that Capital to Risk Weighted Asset Ratio (CRAR) of the banking industry stood at 11.63 percent at the end of June 2020 while CET1 was 7.70 percent which fulfilled Basel III Capital Adequacy Requirements. However, at individual level, 7 and 10 banks out of 59 scheduled banks failed to maintain CET1 and minimum capital requirements, i.e CRAR respectively.

5.33 Under Basel III, banks will have to build up additional Capital Conservation Buffer

Table 5.12 Comparative Position of The Islamic Banking Sector (as of end December 2019)

(In billion BDT)

Particulars	Islamic banks		Conventional banks* (Conventional+Islamic)		Islamic banking		All banking secto	
	2019	2018	2019	2018	2019	2018	2019	2018
1	2		3		4=2+3		5	
Number of banks	8	8	18	16	26	24	58	57
Deposits	2582.0	2196.7	152.0	124.6	2734.1	2321.3	12541.3	11165.3
Credits	2433.7	2153.8	124.7	110.8	2558.4	2264.6	10258.9	9246.4
Investment deposit ratio (IDR in %)	89.0	91.5	71.9	78.4	88.1	90.8	77.3	77.5
Liquidity: excess(+)/shortfall(-)**	224.7	52.3	15.8	3.2	240.5	55.5	1056.8	763.7

*Conventional banks which have Islami banking branches maintain CRR and SLR separately.
**The head offices of the respective banks maintain a combined liquidity position.
Source: DOS, BB.

(CCB). Maintenance of CCB has ended up with 2.50 percent in 2019. CCB of the banking industry stood at 1.63 percent at the end of June 2020. Besides, at individual level, 37 banks have already fulfilled the CCB requirements.

5.34 In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, Bangladesh Bank introduced the minimum requirement of leverage ratio as 3 percent. This ratio of the banking industry stood at 4.58 percent at the end of June 2020 where at individual level, 49 banks have already fulfilled the minimum requirements.

5.35 Internal Capital Adequacy Assessment Process (ICAAP), as a part of the implementation of Pillar II of Basel III is going on. Banks have to evaluate their internal processes and strategies to ensure adequate capital resources covering all material risks and submit the ICAAP reports to BB. Supervisory Review Evaluation Process (SREP) inspections are conducted by the concerned departments of BB. Based on the findings of ICAAP reports (base year 2018) and SREP inspection reports (base year 2018), a series of bilateral meeting with the banks have been arranged since 05 March 2020 and meeting with 13 banks have been completed by 22 March 2020. Due to Covid-19 situation the ICAAP (for base year 2018) has not been completed yet. It was observed from the last three meetings of different years that estimated additional capital requirement for residual risk, which arises mainly due to documentation error, was the highest among the pillar II risks. Apart from that, strategic risks and appraisal of core risks management practice were the other major concerns for the banks. Banks were advised to take necessary measures based on the outcome of these meetings.

Loan Classification

5.36 Recent COVID-19 pandemic situation has critically worsened overall economic and business environment in the country. With a view to facilitating the existing business environment and aligning with the macroeconomic cycle, some amendments have been brought in the objective criteria of loan classification policy of BB declared in 2013. Two circulars have been issued in this context on 19 March 2020 and 15 June 2020 respectively to facilitate the borrowers through the deferral of the loan classification. Moreover by issuing a circular on July 21, 2020 Bangladesh Bank relaxed the loan classification and provisioning rules to facilitate cottage, micro and small industries of the country and to encourage participation of the banks in disbursing loans to cottage, micro and small sectors.

Box 5.1 Banking Services and Customer Care: Bangladesh Bank's Initiatives

FICSD has been playing a vital role in bringing discipline and desired changes in the financial sector by resolving various types of complaints of the customers. Like previous years, FICSD has broadened its scope to resolve various types of complaints from the customers during FY20. The activities of FICSD during FY20 are as under:

1) FICSD receives complaints from the complainants through phone, fax, web-based complaint box, mails/emails and some popular social communications media or directly during the office hour of working days. In addition, a mobile apps "BB Complaints", has been developed in order to ease the complaint receiving process from the customers. This Department is well aware of upgrading complaint management system; and working relentlessly to incorporate user friendly features.

2) Category-wise complaints: It reveals from the table that Remittance related complaints were the highest i.e. 24.36 percent among total complaints so far received through three means (over phone, written and online, mobile apps system). Complaints regarding General Banking, Foreign Trade Bill, Loans and Advances were 18.06, 9.72 and 9.60 percent respectively. Complaints regarding Cards (Debit cards/Credit Cards/ATM Cards) is 8.75 percent, Local Trade Bill 5.03 percent, Service Dissatisfaction 3.87 percent, Fees and Charges 2.78 percent, Bank Guarantee 2.38 percent, Mobile Banking 2.30 percent, Notes and Coins 1.78 percent, Legal Notice 1.43 percent, Cheque forgery 0.69 percent and Miscellaneous types of complaints were 9.21 percent. It is worth mentioning that the commencing of telephone short code (16236) has facilitated 'one stop' service. The overall arrangement of complaint management has extended the horizon of FICSD from local arena to international arena and people from various parts of the world (immigrants or foreigners) access to our system easily for submitting their complaints when aggrieved. The success of settling the complaints was almost 100 percent from our end.

Table: Category wise statement of Complaints in FY20

Category of Complaints	No. of Complaints				
	Phone	Written form	Online	Mobile apps	Total
General Banking	261	504	11	6	782
Bank Guarantee	16	86	0	1	103
Notes and Coins	73	4	0	0	77
Service Dissatisfaction	88	74	5	1	168
Legal Notice	3	58	1	0	62
Mobile Banking	61	32	5	2	100
Loans and Advances	88	321	4	3	416
Fees and Charges	84	32	4	0	120
Local Trade Bill	33	182	3	0	218
Foreign Trade Bill	18	392	5	6	421
Cheque forgery	11	18	1	0	30
Remittance	197	837	13	8	1055
Cards(Debit cards/Credit Cards/ ATM Cards)	175	188	16	0	379
Others/Miscellaneous	95	295	6	3	399
Total	1203	3023	74	30	4330

3) Special Inspection conducted by the department during FY20: FICSD closely scrutinizes the financial sector of Bangladesh in order to prevent and minimize corruption and fraud-forgeries through conducting special inspections. Total 62 numbers of special inspections were conducted in FY20. Many of the special inspections were carried out on the basis of complaints received from various sources, while some were carried out proactively or as per the instruction of the higher authority on different occasions.

4) FICSD is working to promote financial literacy awareness and update the customer protection guideline time to time for introducing a proactive and efficient Customer Protection regime across the banking industry.

Supervision of Banks

5.37 CAMELS rating continues to be the most important supervisory tools for evaluation of banks' overall health. However, Bangladesh Bank (BB) is continuously adopting international regulations and best practices on bank supervision and continues its quest for developing more effective supervisory tools to uplift and ensure a sound and stable performance of the banks. Since Risk-Based Supervision (RBS) is rapidly becoming the dominant approach to regulatory supervision tool to supervise the financial institutions around the world, BB is in a process to move towards RBS approach to promote an efficient, fair, safe and stable banking system for the benefit and protection of all stakeholders. In this regard, it can be mentioned that meanwhile IMF is providing technical assistance (TA) to BB for strengthening its supervisory capacity through implementation of effective risk-based supervision.

Off-site Supervision of Banks

5.38 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 supervisory activities namely (i) off-site supervision and (ii) on-site inspection. Department of Off-site Supervision (DOS) of BB is accountable for conducting off-site supervision of banks. During FY20, the department has taken some more innovative initiatives to strengthen banking supervision for intensive and rapid analysis of the financial health of the banks.

Risk Management Activities of Banks

5.39 BB has revised six core risks management guidelines to ensure robustness, efficiency and effectiveness of risk management system for the banking sector. Besides, the guideline issued in 2012 named 'Risk Management Guideline for Banks' has been revised and already been put into effect to facilitate banks in adopting contemporary methods to identify, measure, monitor and control the risks and thus improve their resilience capacity. At present, BB is monitoring banks' implementation progress of various instructions given in those guidelines.

5.40 BB assigns a comprehensive risk management rating for each bank on half yearly basis based on the information of Comprehensive Risk Management Report (CRMR), minutes of executive risk management committee (ERMC) meetings and board risk management committee (BRMC) meetings, compliance status of BB instructions as submitted by the concerned bank and other sources.

On-site Inspection of Banks

5.41 Under the continuous supervision/ surveillance system, the overall financial condition of the banks operating in Bangladesh is monitored throughout the year on the basis of periodic on-site inspections conducted by the concerned departments of Bangladesh Bank. As part of statutory function, currently six departments of BB namely Department of Banking Inspection-1 (DBI-1), Department of Banking Inspection-2 (DBI-2), Department of Banking Inspection-3 (DBI-3), Department of Banking Inspection-4 (DBI-4), Department of Foreign Exchange Inspection (DFEI) and Financial Integrity and Customer Services Department (FICSD) are conducting on-site inspection activities. These six departments conduct on-site inspection on SCBs, SBs, PCBs (including banks operating under Islamic Shariah), FCBs and other financial institutions including Investment Corporation of Bangladesh (ICB) and money changers. These departments conduct different types of inspections, which may be summarized into three major categories like (i) comprehensive/ regular/traditional inspection (ii) Core risks evaluation and (iii) special/surprise inspection.

5.42 The overall performance of the banks (such as capital adequacy, asset quality, liquidity, earnings, management competence, etc.) is evaluated in a comprehensive inspection and banks are rated from "1" to "5" scale in ascending order based on the evaluation. The on-site inspection departments also monitor the compliance of the suggestions or recommendations made in the inspection reports. Inspection is also conducted to examine the compliance of the core risk management guidelines on Asset Liability Management, Credit/Investment Risk Management, Internal Control & Compliance, and Information Systems Security issued by the Bangladesh Bank. Special/surprise inspections are conducted for specific purposes or to investigate complaints received from the banks' customers.

5.43 During FY20, Department of Banking Inspection-1 (DBI-1) conducted a total number of 609 inspections on 30 banks, among which comprehensive inspections were 304 and special inspections were 305. Head offices/ country offices (FCBs) of the banks as well as some selected branches have been taken under the purview of the core risk inspection. Moreover, to review the accuracy of the statement of ICAAP of banks, the department carried out inspections in this regard. The department also arranged meeting of Supervision Committee of Bangladesh Bank on bi-monthly basis presided over by the Deputy Governor, in charge of major supervision departments. Different policies and operational issues covering supervision were discussed in the meeting.

5.44 Department of Banking Inspection-2 (DBI-2) conducts inspections on 06 state-owned commercial banks (SCBs) [Sonali Bank Limited, Janata Bank Limited, Agrani Bank Limited, Rupali Bank Limited, Basic Bank Limited, and Bangladesh Development Bank Limited] and 01 State-owned Financial Institution [Investment

Corporation of Bangladesh]. During FY20, DBI-2 conducted a total number of 166 inspections on the SCBs/FIs' head offices and branches. The department conducted comprehensive inspections on 6 head offices and 115 branches which included 66 large branches and 49 small branches of SCBs. It also conducted 43 special inspections and 2 core risk inspections on the SCBs. Besides, the department conducted comprehensive inspection on the head office and 5 branches of Investment Corporation of Bangladesh during the period.

5.45 DBI-3 has to conduct comprehensive inspection on specialized banks, namely Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnayan Bank (RAKUB), Ansar-VDP Unnayan Bank, Karmasangsthan Bank, Grameen Bank, Probashi Kallyan Bank, Palli Sanchay Bank and SME activities of all banks and NBFIs. During FY20, DBI-3 conducted comprehensive inspections on 294 bank branches which included 06 head offices, 28 large branches, 260 small branches including 85 SME service centers and SME/Agriculture branches. This department also conducted 08 risk based inspections during the period.

5.46 DBI-4 conducts inspection on 08 Shariah-based Islami banks, 03 NRB banks (established by non-resident Bangladeshis) and 09 foreign commercial banks with special emphasis on regulatory and supervisory compliances. During FY20, DBI-4 conducted a total number of 355 inspections on banks' head/country offices and branches. During the period, DBI-4 conducted comprehensive inspections on 105 branches and on 20 head/country offices of the banks. Within this time-frame, the department carried out inspections on Core Risks of 20 branches and 20 head/country offices to review the implementation progress of Core Risk Management Guidelines. Moreover, to review the accuracy of the statement of ICAAP of the banks, the department carried out inspections in this regard.

5.47 Department of Foreign Exchange Inspection (DFEI) conducts inspection on foreign trade financing, treasury functions and foreign exchange risk management of banks, foreign exchange transactions of banks and money changers. Regular and special inspection on both onsite and off-site basis are conducted by the department. DFEI mainly focuses on quarterly comprehensive inspection on authorized dealer branches of banks, yearly FX risk management inspection on head office of banks, yearly inspection on money changers and special inspection on authorized dealer branches of banks, offshore banking and money changers. In FY20, the department conducted a total number of 165 inspections out of which 82 were comprehensive inspections on authorized dealer branches of banks, 57 were inspections on foreign exchange risk management, 07 were special inspections on money changers and 19 were special inspections on foreign trade and foreign exchange related irregularities.

5.48 Bangladesh Bank, as the regulatory authority of banks and financial institutions, closely monitors the standardization of customer services along with maintenance of stability in the financial sector. With a view to achieving this objective, Financial Integrity and Customer Services Department (FICSD) has been proving its efficiency since its inception. This department has been working relentlessly to settle the customers' complaints against banking and financial services. As a part of customer awareness program and to protect the interest of the customers, the department has taken initiative to increase publicity through the print and electronic media. FICSD has conducted special inspections on general banking, credit and foreign exchange transaction in various banks throughout the year and several actions were taken accordingly. During FY20, a total number of 3,570 complaints were received by the department through the dedicated hot-line numbers (16236), mobile-apps, e-mails, letters from which a total number of 3,539 complaints (99.13 percent) were resolved.

5.49 FICSD also conducts special on-site inspections if necessary. Vigilance and Anti-fraud division of FICSD is always prepared to conduct such inspections throughout the year to detect fraud and irregularities with a view to minimizing corruption. Most of the special inspections are carried out on the basis of complaints received from various sources, while some are carried out pro-actively or on the instruction of the senior management. During FY20, the highest number of special inspections was carried out on private commercial banks (PCBs) which are 38 out of total 62 inspections. The number of inspections conducted on state-owned commercial banks (SCBs), specialized development banks (SBs), and NBFIs were 12, 01 and 11 respectively.

5.50 FICSD has developed an awareness culture among the customers and bankers regarding complaint management by circulating and amending the "Guideline on Customer Services and Complaints Management" from time to time. FICSD monitors the implementation status of the guidelines by the banks regularly. An institutional framework has also been developed for the banks/FIs regarding complaint management. Moreover, to commemorate the centennial birth of the father of the nation ''Bangabandhu Sheikh Mujibur Rahman" FICSD arranged a meeting with banks and FIs to develop hype and grievance free financial system. Thus, FICSD is not only providing quality services to settle customer complaints, but also working to increase financial literacy and awareness among public so that their confidence in the financial system remains strong.

Financial Stability and Macro Prudential Supervision

5.51 A resilient, robust and well-supervised financial system is indispensable for stable economic growth and development of a country. To build a strong and resilient financial system, Financial Stability Department (FSD) is working relentlessly since its inception in 2012. In its effort, plausible risks and vulnerabilities of the financial system are identified, assessed and measured to evaluate their outlook through model-based risk identification and monitoring toolkits. The department has also developed a number of macro-prudential supervisory tools and accomplishes some research works on globally recognized contemporary stability issues. Outcomes of the risk assessment tools and research works are shared with concerned departments of BB to provide them with necessary inputs towards enhancing the resilience of the financial sector.

5.52 FSD publishes Financial Stability Report (FSR) annually analysing the strength and weakness of banks and FIs as well as the financial system, with an aim of raising risk awareness among the stakeholders of the financial system. The department also publishes

Quarterly Financial Stability Assessment Reports (QFSAR) to disclose the key trends, risks and fragilities to the relevant stakeholders. With a view to assessing resilience of banks against plausible adverse shocks, quarterly stress tests are conducted on individual banks and system-wide basis. Critical findings are shared with the concerned departments of BB for letting them take necessary measures. Besides, to mitigate the identified risks, based on the outcomes of stress tests, banks are advised to take necessary measures accordingly.

5.53 FSD forecasts the performance of the banks semi-annually using Financial Projection Model (FPM). The projection is performed for subsequent three years using both static and dynamic hypothetical scenarios. In formulating assumptions and stressed scenarios, historical micro data along with current and expected financial sector and macroeconomic conditions are taken into consideration. Besides, the department prepares quarterly report on Interbank Transaction Matrix (ITM) that facilitates monitoring liquidity management practices of banks and unearths plausible liquidity stress. The department also analyzes the health of the banks semi-annually by using a dynamic tool, namely Bank Health Index (BHI) and HEAT map that helps to monitor every single bank in time and cross-sectional dimensions.

5.54 To avoid substantial disruption to the domestic financial system resulted from failure of Domestic Systemically Important Banks (D-SIBs), FSD identifies D-SIBs semi-annually since the failure (if any) of a D-SIB is significantly greater than that of a non-systemic bank. To oversee the D-SIBs, a framework for additional supervision mechanism has also been developed. Furthermore, risk associated with Non Financial Corporates (NFCs) are analyzed quarterly using the 'Central Database for Large Credit (CDLC)' to circumvent large credit concentration and identify assets in advance that may cause financial distress.

5.55 In order to reveal the risks and vulnerabilities in the macro-financial system of Bangladesh, a risk dashboard titled “Bangladesh Systemic Risk Dashboard (BSRD)” has been developed which is composed of a set of qualitative and quantitative indicators related to macro risk, credit risk, funding and liquidity risk, market risk, profitability and solvency risk together with inter-linkages amongst them in the context of Bangladesh financial system. The BSRD is being released in the website of Bangladesh Bank on a half-yearly basis.

5.56 To measure overall stability of the Bangladesh Financial System, FSD prepares a Composite Financial Stability Index (CFSI) on semi-annual basis. CFSI integrates eighteen indicators under three sub-indices [(Banking Soundness Index (BSI), Financial Vulnerability Index (FVI) and Regional Economic Climate Index (RECI)]. The indicators enfold the key soundness aspects of the banking sector, financial sector, real sector and external sector to form a single composite indicator, which indicates the stability condition of the financial system.

5.57 To provide technical support to the Coordination Committee of Financial Sector Regulators (BSEC, RJSC, IDRA, MRA), a Coordination Council Technical Group (CCTG) has been formed under the framework titled 'Coordinated Supervision framework for Bangladesh Financial System'.

The CCTG met three times during FY20 with a view to exchanging ideas and information, and promoting cooperation among various regulators of the financial system.

5.58 FSD has introduced a Financial Stability Map (FSM) containing analyses on probable stress in the Bangladesh macro-financial system taking into account eight different components (external economy, domestic economy, households, non-financial corporations, fiscal condition, financial market condition, capital and profitability, and funding and liquidity) and other 37 indicators. FSM provides a snapshot of the stability condition of Bangladesh macro-financial system and its coverage is much wider than the already existing tool (CFSI) used in FSD. Most recent FSM has been published in the annual Financial Stability Report 2019.

Banking Sector Infrastructure for Financial Stability and Customer Protection

Deposit Insurance Systems in Bangladesh

5.59 Deposit Insurance System (DIS) is a measure to protect bank depositors, especially the small depositors from losses caused by a bank's inability to pay its debts when it is due. The purpose of DIS is to maintain market discipline and provide safety nets to the public at the minimum cost in the event of a bank's failure. The direct role for deposit insurance is customer protection. So it appears to be an essential component of a sound/ stable modern banking system.

5.60 In Bangladesh, Deposit Insurance System was first introduced in August, 1984 in the name of "The Bank Deposit Insurance Ordinance 1984". In July 2000, the ordinance was replaced by an Act called “Bank Amanat Bima Ain- 2000”. Deposit Insurance Systems in Bangladesh are now being administered by the said Act. In accordance with the Act, Bangladesh Bank (BB) is authorized to bring up a fund called Deposit Insurance Trust Fund (DITF) and the Board of Directors of BB acts as the Trustee Board of the DITF. The DITF is now being administered and managed under the guidance of the Trustee Board. In addition, Bangladesh Bank is one of the members of International Association of Deposit Insurers (IADI). The recent position of DITF is shown in Table 5.13.

5.61 The deposit insurance system in Bangladesh is limited to a pay-box function. In accordance with the “Bank Amanat Bima Ain-2000” - the main functions of DIS are: collecting premium from all scheduled banks on half-yearly basis (30 June/31 December), investing the fund in the Bangladesh Government Treasury Bond (5 Years/10 Years), interbank repo and Bangladesh Bank Bill and 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, BB will pay to each depositor of that bank an amount equal to his/her deposits not exceeding BDT 01(one) hundred thousand, as per the provision of “Bank Amanat Bima Ain, 2000”.

5.62 Moreover, BB has recently taken initiative for the amendment of “Bank Amanat Bima Ain- 2000” to “Amanat Surakkha Ain-2020”. After several discussion and meeting, the latest draft of the proposed “Amanat Surakkha Ain-2020” has been sent to Ministry of Finance (MoF) which is now under active consideration for finalization. In the proposed “Amanat Surakkha Ain-2020” BB has suggested to bring the NBFIs under the umbrella of DIS as well as to increase the deposit insurance coverage limit. Apart from these, all information on DIS is available in the Bangladesh Bank website. Anyone, who is interested about DIS can easily access to the website and be informed about the benefits and limitations of the DIS of Bangladesh.

Activities of Credit Information Bureau

5.63 Credit Information Bureau (CIB) was set up in Bangladesh Bank (BB) on 18 August 1992 with the objective of minimizing the extent of default loans. CIB has been providing its online services since 19 July, 2011. The new CIB online solution developed by BB's internal resources started its live operation on 01 October, 2015. With the adoption of highly sophisticated ICT facilities the performance of the CIB services has been improved significantly in terms of efficiency and quality. The online system of CIB is playing an important role to facilitate a risk free lending procedure in the banking industry.

5.64 CIB has taken several initiatives with a view to increasing the score of 'Depth of Credit Information Index' which is a part of 'Getting Credit' of Doing Business Report prepared by World Bank for achieving higher ranking position by Bangladesh among all other countries in the world. To this end, CIB has already fulfilled the World Bank’s condition with regard to the CIB data coverage by resetting the reporting threshold of data submission at BDT 1(one) and increased credit history of a CIB report from 12 months to 24 months. Besides, in order to allow the borrowers’ access (individuals as well as firms) to the CIB online database, a draft of chapter IV of Bangladesh Bank Order 1972 has been prepared by incorporating some sub-articles in the chapter IV and by amending some sub-articles of the chapter IV. The draft was sent to the Ministry of Finance for taking necessary actions in order to enact it as law.

Table 5.13 The Recent Position of DITF

Particulars	Unaudited figure (as on 31 December 2019)	Premium rate*	Coverage Amount
Total fund	87.47 billion BDT	---	Up to BDT 100 thousand (Per bank Per Depositor)
Total time and demand liabilities	13102.78 billion BDT	---	
Insurable deposit to total demand and time liabilities	77.66%	---	
Covered deposit of total insurable deposit	23.10%	---	
Fully insured deposit	92.17%	---	
Sound bank categories	---	0.08%	
Early warning bank categories	---	0.09%	
Problem bank categories	---	0.10%	

* Effective from 2013
Source: Deposit Insurance Department, BB.

6.65 Moreover, with the approval of Governor, CIB has started to develop a Collateral Information System in order to prepare a collateral database of immovable assets (land/ building, flat, and capital machineries). In this database system, information on collateral that is mortgaged by borrowers against sanctioned loans/advances of banking/non-banking financial institutions will be stored. The main purpose of developing this system is to prevent fraud/forgery arises from mortgaging unlawfully the same property against new loans sanctioned by banks/FIs. Another initiative has been taken to establish Credit Information Bureau for Micro Finance Institutions (MF-CIB) by signing an MoU between Microcredit Regulatory Authority (MRA) and Bangladesh Bank. Now, development of MF-CIB system is under process.

5.66 The CIB database consists of detailed credit information in respect of borrowers, co-borrowers and guarantors having outstanding amount of BDT 01 and above. The total number of borrowers stood at 33, 98,371 at the end of June, 2020 while it was 25,80,949 in June 2019 showing an increase of around 32 percent. The total number of classified borrowers in banks/ FIs was 3,80,635 at the end of June, 2020 which was around 21 percent higher than that (313,494) of the last year. The total outstanding amount of loans and advances of the banking and non-banking financial institutions stood at BDT 11,92,479 crore (including BLW amount) in June, 2020 which showed an increase of around 11 percent compared to BDT 10,75,904 crore in June 2019. Furthermore, the total amount of classified loans was BDT 1,56,575 crore in June, 2020 while it was BDT 1,71,304 crore in June, 2019 showing a decrease of around 9 percent over the period.