



# Annual Report

## 2019-2020



**Bangladesh Bank**

# Annual Report

(July 2019-June 2020)



**BANGLADESH BANK**  
(The Central Bank of Bangladesh)



Letter of Transmittal  
**BANGLADESH BANK**

Dhaka  
23 December 2020

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

Dear Senior Secretary,

In terms of Article 40 (2) of the Bangladesh Bank Order, 1972 (P. O Number 127) I have the honour to submit to the Government of the People's Republic of Bangladesh the Annual Report of the Bangladesh Bank for the financial year 2019-2020. Audited Accounts of the Bank for the financial year was forwarded earlier on 27 August 2020.

Yours faithfully,



(Fazle Kabir)  
Governor



## Board of Directors

Mr. Fazle Kabir	Chairman
Mr. Md. Ashadul Islam	Director
Mr. Abu Hena Md. Rahmatul Muneem <sup>(i)</sup>	Director
Mr. Abdur Rouf Talukder	Director
Mr. S. M. Moniruzzaman	Director
Mr. Mahbub Ahmed <sup>(ii)</sup>	Director
Mr. A. K. M. Aftab ul Islam, FCA	Director
Mr. Md. Nazrul Huda <sup>(iii)</sup>	Director
Mr. Kazi Sayedur Rahman	Secretary

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\* As on 30 June, 2020.

- (i) Mr. Abu Hena Md. Rahmatul Muneem was appointed as Director of the Board in place of Mr. Md. Mosharrof Hossain Bhuiyan, NDC with effect from 09 January 2020 while Mr. Md. Mosharrof Hossain Bhuiyan, NDC has served as Director of the Board up to 08 January 2020.
- (ii) Mr. Mahbub Ahmed was appointed as Director of the Board with effect from 03 September 2019.
- (iii) Mr. Md. Nazrul Huda was appointed as Director of the Board with effect from 05 January 2020.



## Governor

Fazle Kabir

## Deputy Governors

S.M. Moniruzzaman

Ahmed Jamal

## Head of BFIU

Abu Hena Mohd. Razee Hassan

## Executive Directors

Dr. Md. Akhtaruzzaman\*

Ashok Kumar Dey

Kazi Sayedur Rahman

A. K. M. Fazlul Haque Mia\*\*

Mohd. Humayun Kabir

Md. Shafiqul Islam

Dr. Abul Kalam Azad

Md. Serajul Islam

Joarder Israil Hossain

Md. Masud Biswas

Md. Shah Alam

Laila Bilkis Ara

A.K.M. Fazlur Rahman

Md. Eskandar Miah

Syed Tariquzzaman

Abu Farah Md. Naser

Md. Mosharraf Hossain Khan

Debdulal Roy\*\*\*

Manoj Kumar Biswas

Nurun Nahar

A.K.M. Mohiuddin Azad

Swapan Kumar Roy

Asish Kumar Dasgupta\*\*\*\*

Qazi Enayet Hussain

Md. Sultan Masud Ahmed

Md. Awlad Hossain Chowdhury

Dr. Md. Habibur Rahman\*\*\*\*\*

Noor-Un-Nahar

Muhammad Zakir Hasan\*\*\*\*\*

Md. Ashraful Alam

Md. Rezaul Islam

Mohammad Ahmed Ali

Lila Rashid

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As on 30 June, 2020.

\*Executive Director (Research) on deputation as Director General of Bangladesh Institute of Bank Management (BIBM)

\*\* Executive Director (Statistics)

\*\*\*Executive Director (Programming)

\*\*\*\*Executive Director (Research)

\*\*\*\*\*Executive Director (Maintenance)



## Departments\*/Units/Cells and Projects of the Head Office and their Heads#

Accounts & Budgeting Department	Md. Forkan Hossain, General Manager Md. Rajab Ali, General Manager
Agricultural Credit Department	Md. Habibur Rahman, General Manager
SMAP PIU Project under ACD	Md. Amzad Hossain Khan, Project Director (General Manager) †
Bangladesh Bank Training Academy	Nurun Nahar, Executive Director Md. Zamal Mollah, General Manager A.B.M. Sadeque, General Manager S.M. Abdul Hakim, General Manager Dipankar Bhattacharjee, General Manager Md. Shaiful Alam, General Manager Md. Mostafizur Rahman Sarder, General Manager Mohammed Abdul Halim, General Manager Chandan Saha, Systems Manager Md. Monjurul Haque, General Manager Md. Zakir Hossain Chowdhury, General Manager Md. Sawkatul Alam, General Manager Arief Hossain Khan, General Manager Md. Nazrul Islam, General Manager Dr. Md. Ezazul Islam, General Manager Ashim Kumar Majumder, General Manager Md. Tafazzal Hossain, General Manager Mansura Parvin, General Manager Md. Khurshid Alam, General Manager Md. Anwar Hossain, General Manager Md. Shazzad Hossain, General Manager Jiban Krishno Roy, General Manager Md. Mortuz Ali, General Manager Mohammad Mamunul Hoque, General Manager Mohammad Ali, General Manager G.M. Abul Kalam Azad, General Manager Md. Golam Mostafa, General Manager Md. Zulkar Nayn, General Manager Rup Ratan Pine, General Manager Md. Shahidul Islam, General Manager A F M Shahinul Islam, General Manager Parimal Chandra Chakraborty, General Manager† Mohammad Murshid Alam, General Manager Md. Rafiqul Islam, General Manager Md. Anwarul Islam, General Manager Shaikh Md. Salim, General Manager Md. Shafiqul Islam, General Manager Saiful Islam, General Manager Dr. Md. Kabir Ahmed, General Manager Jagannath Chandra Ghosh, General Manager A.K.M. Ehsan, Project Director (General Manager) † Maksuda Begum, General Manager Mohammad Khurshid Wahab, General Manager Kazi Rafiqul Hassan, General Manager Mohammad Jamal Uddin, General Manager Md. Abdul Hakim, General Manager Rokeya Khatun, General Manager Md. Shahin Ul Islam, General Manager† Kazi Aktarul Islam, General Manager Md. Mahbul Haque, General Manager Pankaj Kumar Mallick, Chief Maintenance Engineer Mohammed Ishaque Miah, Systems Manager Md. Amir Hossain Pathan, Systems Manager Md. Hanif Miah, General Manager Md. Sadrul Huda, General Manager® Md. Abul Bashar, General Manager Md. Julhas Uddin, General Manager Md. Mezbaul Haque, General Manager Mahfuza Akther, General Manager Dr. Sayera Younus, General Manager Md. Mahbub Rahman Khan, General Manager Md. Abdul Kayum, General Manager Luthfe Ara Begum, General Manager Tasnim Fatema, General Manager Main Uddin Ahmed, General Manager Lt. Col. (Retd.) Md Shamimur Rahman, PSC, General Manager® Husne Ara Shikha, General Manager Md. Abdul Mannan, Project Director (General Manager) † Md. Nurul Amin, Project Director (General Manager) † Md. Ibrahim Bhuiyan, General Manager Sabita Yasmin, General Manager Tarun Kanti Ghosh, General Manager Md. Mohib Ullah Mia, General Manager Mrinal Kanti Sarker, General Manager Md. Towhiduzzaman Chowdhury, General Manager Md. Kohinur Hossain, General Manager Dr. Muhammad Amir Hossain, General Manager Khondkar Morshed Millat, General Manager
Bangladesh Financial Intelligence Unit	
Bankers Selection Committee Secretariat	
Banking Regulation and Policy Department	
Chief Economist's Unit	
Common Services Department-1	
Common Services Department-2	
Credit Information Bureau	
Debt Management Department	
Department of Banking Inspection-1	
Department of Banking Inspection-2	
Department of Banking Inspection-3	
Department of Banking Inspection-4	
Department of Communications and Publications	
Department of Currency Management	
Department of Financial Institutions and Market	
Department of Foreign Exchange Inspection	
Department of Off-site Supervision	
Deposit Insurance Department	
Equity and Entrepreneurship Fund Unit	
Expenditure Management Department-1	
Expenditure Management Department-2	
Financial Inclusion Department	
Financial Institutions Inspection Department	
Financial Integrity and Customer services Department	
Financial Sector Support and Strategic Planning Department	
Financial Stability Department	
Foreign Exchange Investment Department	
Foreign Direct Investment Promotion Project	
Foreign Exchange Operation Department	
Foreign Exchange Policy Department	
Forex Reserve and Treasury Management Department	
Governor's Secretariat	
Grihayan Toghil and Fund Management Unit	
Human Resources Department-1	
Human Resources Department-2	
ICT Infrastructure Maintenance and Management Department	
Information Systems Development and Support Department	
Integrated Supervision Management Department	
Internal Audit Department	
Law Department	
Monetary Policy Department	
Payment Systems Department	
Research Department	
Research Department-Library	
Secretary's Department	
Security Management Department	
SME and Special Programmes Department	
RMG-PIU under SMESPD	
Credit Guarantee Scheme (CGS) Unit	
Special Studies Cell	
Statistics Department	
Sustainable Finance Department	

\* As per alphabetical arrangement. # As of 30 June, 2020. † On deputation. ® Contractual Basis

Note: 1) Md. Jaker Hossain, General Manager, Bishnu Pada Biswas, Md. Ali Akbar Faraji and Md. Rafiqul Islam, General Manager, Prokash Chandra Bairagi, General Manager, Md. Azizul Haque, General Manager are on deputation with Microcredit Regulatory Authority, Bangladesh Institute of Bank Management, Institute of Bankers Bangladesh, The Security Printing Corporation Bangladesh Limited respectively.

2) Wahida Nasrin, General Manager, and Md. Ruhul Amin, General Manager are attached with HRD-1.

## Branch Offices\* and Office Heads#

Barishal	Swapan Kumar Das, General Manager® Sk. Zakir Hossain, General Manager
Bogura	Md. Ashraful Alam, Executive Director Mohammad Rafiqul Islam-2, General Manager Dr. Md. Sirajul Haque, General Manager
Chattogram	Mohammad Ahmed Ali, Executive Director A.B.M. Zahurul Huda, General Manager S.M. Rezaul Karim, General Manager
Khulna	Swapan Kumar Roy, Executive Director S.M. Hasan Reza, General Manager Gobinda Lal Gaine, General Manager
Motijheel	Md. Mosharraf Hossain Khan, Executive Director Md. Awlad Hossain Chowdhury, Currency Officer (Executive Director) Md. Obaidul Hoque, General Manager Nirmal Kumar Sarker, General Manager Shantonu Kumar Roy, General Manager Dr. Maksuda Begum, Chief Medical Officer (General Manager) Dr. Rabeya Akther, Chief Consultant (General Manager)
Mymensingh	Md. Shahidul Islam, General Manager
Rajshahi	Md. Sultan Masud Ahmed, Executive Director Samir Kumar Biswas, General Manager Sudha Rani Das, General Manager
Rangpur	Noor-Un-Nahar, Executive Director Md. Saiful Islam Khan, General Manager Manoj Kumar Howlader, General Manager
Sadarghat	Tulshi Ranjan Saha, General Manager
Sylhet	Qazi Enayet Hussain, Executive Director Md. Abul Kalam, General Manager Md. Sirajul Islam, General Manager

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\* As per alphabetical arrangement. ® Executive Director (Current Charge).

# As of 30 June, 2020 (Includes Executive Directors and General Managers).



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## List of Abbreviations

A&BD	Accounts & Budgeting Department	BPC	Bangladesh Petroleum Corporation
A/C	Account	BPO	Bangladesh Post Office
ACC	Anti-Corruption Commission	BPSSR	Bangladesh Payment and Settlement Systems Regulations
ACD	Agricultural Credit Department	BRDB	Bangladesh Rural Development Board
ACU	Asian Clearing Union	BRPD	Banking Regulation & Policy Department
ACUD	Asian Clearing Union Dollar	BSBL	Bangladesh Samabaya Bank Limited
ADB	Asian Development Bank	BSEC	Bangladesh Securities and Exchange Commission
ADP	Annual Development Programme	BSS	Banking Supervision Specialists
ADs	Authorised Dealers	CAB	Current Account Balance
AFI	Alliance for Financial Inclusion	CAMD	Capital Adequacy and Market Discipline
AML	Anti Money Laundering	CAMEL	Capital Adequacy, Asset Quality, Management, Earnings and Liquidity
APG	Asia Pacific Group on Money Laundering	CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
ASEAN	Association of South East Asian Nations	CAMLCO	Chief Anti Money Laundering Compliance Officer
ATA	Anti-Terrorism Act	CAR	Capital Adequacy Ratio
ATDTL	Average Total Demand and Time Liabilities	CBS	Core Banking Solution
ATDP	Agro- based Industries and Technology Development Project	CBSP	Central Bank Strengthening Project fund
ATM	Automated Teller Machine	CCB	Capital Conservation Buffer
BACH	Bangladesh Automated Clearing House	CCB	Counter-cyclical Capital Buffer
BACPS	Bangladesh Automated Cheque Processing Systems	CDLC	Central Depository for Large Credit
BB	Bangladesh Bank	CDMC	Cash and Debt Management Committee
BBQ	Bangladesh Bank Quarterly	CDMTC	Cash and Debt Management technical committee
BBIN-MVA	Bangladesh, Bhutan, India and Nepal Motor Vehicle Agreement	CET1	Common Equity Tier-1
BBS	Bangladesh Bureau of Statistics	CEU	Chief Economist's Unit
BBTA	Bangladesh Bank Training Academy	CFC	Chlorofluorocarbon
BCBS	Basel Committee on Banking Supervision	CFT	Combating the Financing of Terrorism
BDBL	Bangladesh Development Bank Limited	CIB	Credit Information Bureau
BDT	Bangladesh Taka	CID	Criminal Investigation Department
BEZA	Bangladesh Economic Zones Authority	CIF	Cost, Insurance and Freight
BEFTN	Bangladesh Electronic Fund Transfer Network	CIPC	Customers' Interests Protection Centre
BFIU	Bangladesh Financial Intelligence Unit	CIT	Cheque Imaging and Transaction
BGAPMEA	Bangladesh Accessories & Packaging Manufacturers & Exporters Association	CMI	Capital Market Intermediaries
BGIIB	Bangladesh Government Islamic Investment Bond	CP	Commercial paper
BGMEA	Bangladesh Garment Manufactures & Exporters Association	CPF	Contributory Provident Fund
BGTBs	Bangladesh Government Treasury Bonds	CPI	Consumer Price Index
BHBFC	Bangladesh House Building Finance Corporation	CRAR	Capital to Risk-weighted Asset Ratio
BHI	Bank Health Index	CRMR	Comprehensive Risk Management Report
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation	CRO	Chief Risk Officer
BIC	Basel Implementation Cell	CRR	Cash Reserve Requirement
BIG-B	Bay of Bengal Industrial Growth Belt	CSE	Chittagong Stock Exchange
BIRP	Bank Intervention Resolution Plan	CSR	Corporate Social Responsibility
BKB	Bangladesh Krishi Bank	CTRs	Cash Transaction Reports
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association	DBI-1	Department of Banking Inspection-1
BoP	Balance of Payments	DBI-2	Department of Banking Inspection-2
		DBI-3	Department of Banking Inspection-3
		DBI-4	Department of Banking Inspection-4

DC	Data Centre	FICSD	Financial Integrity and Customer Service Department
DFEI	Department of Foreign Exchange Inspection	FID	Financial Inclusion Department
DFIM	Department of Financial Institutions & Market	FIID	Financial Institutions Inspection Department
DFIs	Development Finance Institutions	FLE	Financial Literacy Programme
DIS	Deposit Insurance System	FoB	Free on Board
DITF	Deposit Insurance Trust Fund	FPM	Financial Projection Model
DMD	Debt Management Department	FRTMD	Forex Reserve & Treasury Management Department
DMS	Document Management System	FSD	Financial Stability Department
DNFBP	Designated Non-Financial Business or Profession	FSPDSME	Financial Sector Project for the Development of Small and Medium-sized Enterprise
DNS	Deferred Net Settlement	FSR	Financial Stability Report
DOS	Department of Off-site Supervision	FSSP	Financial Sector Support Project
DSIB	Domestic Systematically Important Bank	FTA	Free Trade Agreement
DRR	Diagnostic Review Report	FY	Fiscal/Financial Year (July- June)
DSE	Dhaka Stock Exchange	GDE	Gross Domestic Expenditure
DSEX	Dhaka Stock Exchange Broad Index	GDP	Gross Domestic Product
DSGE	Dynamic stochastic general equilibrium	GDS	Gross Domestic Savings
DRS	Disaster Recovery Site	GFSR	Global Financial Stability Report
DvP	Delivery versus Payment	GHG	Green House Gas
ECF	Extended Credit Facility	GIIB	Government Islamic Investment Bond
EDD	Environmental Due Diligence	GNI	Gross National Income
EDF	Export Development Fund	GNS	Gross National Savings
EDW	Enterprise Data Warehouse	GPF	General Provident Fund
EEF	Equity and Entrepreneurship Fund	GoB	Government of Bangladesh
EFT	Electronic Fund Transfer	GTF	Green Transformation Fund
EGBMP	Enterprises Growth and Bank Modernisation Programme	GVA	Gross Value Added
EI	Expenditure-Income	H1	First Half
ELA	Emergency Liquidity Assistance	H2	Second Half
EMT	Executive Management Team	HBFC	House Building Finance Corporation
EPB	Export Promotion Bureau	HFT	Held for Trade
EPZ	Export Processing Zone	HHI	Herfindahl-Hirschman Index
ERD	Economic Relations Division	HHK	Hybrid Hoffman Kiln
ERM	Environmental Risk Management	HPI	House Price Index
ERP	Enterprise Resource Planning	HRD-1	Human Resources Department-1
ERQ	Exporters' retention quota	HRD-2	Human Resources Department-2
ERR	Environmental Risk Rating	HTM	Held to Maturity
ESMF	Environmental and Social Management Framework	IAD	Internal Audit Department
ESRM	Environmental and Social Risk Management	IADI	International Association of Deposit Insurers
ETP	Effluent Treatment Plant	IAMCL	ICB Asset Management Company Ltd
EU	European Union	IASB	International Accounting Standards Board
EWS	Early Warning System	ICAAP	Internal Capital Adequacy Assessment Process
EZ	Economic Zone	ICB	Investment Corporation of Bangladesh
FAO	Food and Agriculture Organisation	ICML	ICB Capital Management Ltd
FATF	Financial Action Task Force	ICT	Information and Communication Technology
FCBs	Foreign Commercial Banks	IDA	International Development Association
FCK	Fixed Chimney Kiln	IDCOL	Infrastructure Development Company Limited
FDC	Far Data Centre	IDIPA	Information for Deposit Insurance Premium Assessment
FDI	Foreign Direct Investment	IESH	Inflation Expectation Survey of Households
FDIPP	Foreign Direct Investment Promotion Project	IFRSs	International Financial Reporting Standards
FEOD	Foreign Exchange Operation Department	IFS	International Financial Statistics
FIs	Financial Institutions		

IFSB	Islamic Financial Services Board	MSFSCIP	Marginal and Small Farm System Crop Intensification Project
ILF	Intraday Liquidity Facility		
IMF	International Monetary Fund	MSMEs	Micro, Small and Medium Enterprises
IPFF	Investment Promotion & Financing Facility	MTMF	Medium Term Macroeconomic Framework
IPO	Initial Public Offering	NAFTA	North American Free Trade Agreement
IR	Insolvency Ratio	NBFIs	Non-bank Financial Institutions
ISDSD	Information Systems Development and Support Department	NBR	National Board of Revenue
ISMD	Integrated Supervision Management Department	NCDP	Northwest Crop Diversification Project
ISO	International Organisation for Standardisation	NDA	Net Domestic Assets
ISS	Integrated Supervision System	NDC	Near Data Centre
ISTCL	ICB Securities Trading Company Ltd.	NEER	Nominal Effective Exchange Rate
IT	Information Technology	NFA	Net Foreign Assets
ITM	Inter-bank Transaction Matrix	NFAs	No-Frill Accounts
JICA	Japan International Cooperation Agency	NFCD	Non-Resident Foreign Currency Deposit
JLP	Joint Learning Program	NGOs	Non-Governmental Organisations
JPY	Japanese Yen	NII	Net Interest Income
KYC	Know Your Customer	NIM	Net Interest Margin
KSA	Kingdom of Saudi Arabia	NITA	Non-resident Investor Taka Account
L/C	Letter of Credit	NNPL	Net Non-performing Loans
LAN	Local Area Network	NOC	No Objection Certificate
LATR	Loan against Trust Receipt	NPLs	Non-performing Loans
LCR	Liquidity Coverage Ratio	NPO	Non-profit organisation
LCAF	Letter of Credit Authorization Form	NPS	National Payment Switch
LEA	Law Enforcement Agencies	NPSB	National Payment Switch, Bangladesh
LFI	Local Finance Initiatives	NRB	Non-resident Bangladeshi
LIBOR	London Interbank Offered Rate	NSD	National Saving Directorate
LOLR	Lender of Last Resort	NSC	National Saving Certificates
LSF	Liquidity Support Facility	OBIEE	Business Intelligence Enterprise Edition
LTF	Long Term Financing	OCI	Other comprehensive income
LTFE	Long Term Financing Facility	OECD	Organisation for Economic Co-operation and Development
M2	Broad Money	OIC	Organization of Islamic Cooperation
MANCOM	Management Committee	OMO	Open Market Operation
MC	Money Changers	OPGSPs	Online Payment Gateway Service Providers
MCR	Minimum Capital Requirements	OTC	Over the Counter
MDGs	Millennium Development Goals	PCBs	Private Commercial Banks
ME	Mutual Evaluation	PCI DSS	Payment Card Industry Data Security Standard
MEI	Monthly Economic Indicators	PDs	Primary Dealers
MER	Mutual Evaluation Report	PFDS	Public Food Distribution System
MFIs	Microfinance Institutions	PF	Proliferation Financing
MFS	Mobile Financial Services	PFI	Participating Financial Institution
MI	Market Infrastructure	PIAR	Pre-Inspection Assessment Report
ML	Money Laundering	PKSF	Palli Karma Sahayak Foundation
MLT	Medium and Long Term	POL	Petroleum, Oil and Lubricants
MMT	Million Metric Tons	POS	Partner Organisations
MoF	Ministry of Finance	POS	Point of Sale
MoU	Memorandum of Understanding	PPE	Property, plant and equipment
MPD	Monetary Policy Department	PPP	Public Private Partnership
MPS	Monetary Policy Statement	PRGF	Poverty Reduction and Growth Facility
MRA	Microcredit Regulatory Authority	PSD	Payment Systems Department
MRMR	Monthly risk management report	PSO	Payment Systems Operator
MSCI	Morgan Stanley Capital International	QFSAR	Quarterly Financial Stability Assessment Report

QIIP	Quantum Index of Industrial Production	SMESDP	Small and Medium-sized Enterprise Sector Development Project
QRR	Quick Review Report		
RAKUB	Rajshahi Krishi Unnayan Bank	SME&SPD	SME & Special Programmes Department
RBCA	Risk Based Capital Adequacy	SPCBL	Security Printing Corporation (Bangladesh) Ltd.
RCBC	Rizal Commercial Banking Corporation	SPM	Suspended Particulate Matter
RD	Research Department	SR	Saudi Riyal
REER	Real Effective Exchange Rate	SREP	Supervisory Review Evaluation Process
Repo	Repurchase Agreement	SRP	Supervisory Review Process
RM	Reserve Money	STRs	Suspicious Transaction Reports
RMD	Risk Management Division	SWIFT	Society for Worldwide Interbank Financial Telecommunication
RMG	Ready Made Garments		
RMP	Risk Management Paper	TA	Technical Assistance
RMU	Risk Management Unit	TDTL	Total Demand and Time Liabilities
ROA	Return on Assets	TF	Terrorist Financing
ROE	Return on Equity	TFP	Total Factor Productivity
RPPI	Property Price Index	TM	Travel and Miscellaneous
RTGS	Real Time Gross Settlement	TMSS	Thengamara Mohila Sabuj Sangha
RUIM	Removable User Identity Module	TSL	Two Step Loan
RWA	Risk Weighted Assets	TWS	Trader Work Station
S&P	Standard and Poor's	UAE	United Arab Emirates
SAARC	South Asian Association for Regional Cooperation	UBSP	Urban Building Safety Project
		UK	United Kingdom
SBs	Specialised Banks	UNCDF	United Nations Capital Development Fund
SC	Steering Committee	US	United States
SCBs	State -owned Commercial Banks	USA	United States of America
SCDP	Second Crop Diversification Project	USD	US Dollar
SD	Statistics Department	VAR	Vector Autoregression
SDC	Swiss Agency for Development and Cooperation	VAT	Value Added Tax
		VPN	Virtual Private Network
SDGs	Sustainable Development Goals	VSBK	Vertical Shaft Brick Kiln
SDR	Special Drawing Rights	WAN	Wide Area Network
SFD	Sustainable Finance Department	WAR	Weighted Average Resilience
SEBI	Securities and Exchange Board of India	WAR-WIR	Weighted Average Resilience-Weighted Insolvency Ratio
SEC	Securities and Exchange Commission		
SEIP	Skills for Employment Investment Programme	WEO	World Economic Outlook
SHOGORIP	Shashya Gudam Rin Prokalpa	WFE	World Federation of Exchanges
SIM	Subscriber Identity Module	WG	Working Group
SLR	Statutory Liquidity Ratio	WIR	Weighted Insolvency Ratio
SMEs	Small and Medium-sized Enterprises	WMA	Ways and Means Advance
SMEDP	Small and Medium-sized Enterprise Development Project	WP	Working Paper
		WTO	World Trade Organisation



## Macroeconomic Performance and Prospects

### Global Economic Outlook

1.1 Global economic growth decelerated in 2019 compared to that of 2018 due mainly to weak demand and trade disputes between the USA and China. The outbreak of COVID-19 pandemic and its massive adverse effects have pushed the global economic growth into negative zone in 2020. Governments worldwide have imposed widespread closures, lock-down, isolation and restrictions of movement of domestic and international transports in order to contain the spread of the virus. As a result, the COVID-19 pandemic has triggered the deepest global recession since World War II and global economic activity is projected to contract sharply by 4.4 percent in 2020. However, growth is anticipated to pick up to 5.2 percent in 2021 subject to effective implementation of monetary and fiscal stimulus packages, restoration of normal economic activities and fading of the pandemic. In advanced economies, growth declined to 1.7 percent in 2019 from 2.2 percent in 2018 and it is projected to decline to -5.8 percent in 2020 and increase to 3.9 percent in 2021. In emerging market and developing economies, growth is forecasted to decline to -3.3 percent in 2020 and then pick up to 6.0 percent in 2021 (Table 1.1).

1.2 In the United States, growth declined to 2.2 percent in 2019 from 3.0 percent in 2018. It is projected to further decrease to -4.3 percent in 2020 and rebound to 3.1 percent in 2021. In the euro area, growth decreased to 1.3 percent in 2019 from 1.8 percent in 2018 and is projected to drop further to -8.3 percent

**Table 1.1 World Economic Outlook  
Projections for 2020 and 2021**

	(annual percentage change)			
	Actual		Projections	
	2018	2019	2020	2021
<b>World Output</b>	<b>3.5</b>	<b>2.8</b>	<b>-4.4</b>	<b>5.2</b>
<b>Advanced Economies</b>	<b>2.2</b>	<b>1.7</b>	<b>-5.8</b>	<b>3.9</b>
United States	3.0	2.2	-4.3	3.1
Euro area	1.8	1.3	-8.3	5.2
Germany	1.3	0.6	-6.0	4.2
France	1.8	1.5	-9.8	6.0
Italy	0.8	0.3	-10.6	5.2
Spain	2.4	2.0	-12.8	7.2
Japan	0.3	0.7	-5.3	2.3
United Kingdom	1.3	1.5	-9.8	5.9
Canada	2.0	1.7	-7.1	5.2
Other advanced economies <sup>1</sup>	2.7	1.7	-3.8	3.6
<b>Emerging Market and Developing Economies</b>	<b>4.5</b>	<b>3.7</b>	<b>-3.3</b>	<b>6.0</b>
Emerging and developing Asia	6.3	5.5	-1.7	8.0
China	6.7	6.1	1.9	8.2
ASEAN-5 <sup>2</sup>	5.3	4.9	-3.4	6.2
<b>South Asia</b>				
Bangladesh	7.9	8.2	3.8	4.4
India	6.1	4.2	-10.3	8.8
Pakistan	5.5	1.9	-0.4	1.0
Sri Lanka	3.3	2.3	-4.6	5.3
<b>World Trade Volume (goods and services)</b>	<b>3.9</b>	<b>1.0</b>	<b>-10.4</b>	<b>8.3</b>
<b>Imports</b>				
Advanced Economies	3.6	1.7	-11.5	7.3
Emerging Market and Developing Economies	5.0	-0.6	-9.4	11.0
<b>Exports</b>				
Advanced Economies	3.5	1.3	-11.6	7.0
Emerging Market and Developing Economies	4.1	0.9	-7.7	9.5
<b>Commodity Prices (U.S. dollars)</b>				
Oil	29.4	-10.2	-32.1	12.0
Nonfuel (Average based on world commodity import weights)	1.3	0.8	5.6	5.1
<b>Consumer prices</b>				
Advanced Economies	2.0	1.4	0.8	1.6
Emerging Market and Developing Economies <sup>3</sup>	4.9	5.1	5.0	4.7
<b>South Asia</b>				
Bangladesh	5.8	5.5	5.6	5.9
India	3.4	4.8	4.9	3.7
Pakistan	3.9	6.7	10.7	8.8
Sri Lanka	4.3	4.3	4.7	4.6

Source: WEO, October 2020, IMF.

1 Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

2 Indonesia, Malaysia, Philippines, Thailand, Vietnam.

3 Excludes Venezuela and includes Argentina.

in 2020 and bounce back to 5.2 percent in 2021. However, growth in the United Kingdom increased to 1.5 percent in 2019 from 1.3 percent in 2018 and is projected to decline to



-9.8 percent in 2020. Japan's economy is set to shrink by 5.3 percent in 2020.

1.3 In China, growth decreased to 6.1 percent in 2019 from 6.7 percent in 2018. China's growth is projected to slow down further to 1.9 percent in 2020 and then pick up to 8.2 percent in 2021. India's economic growth also decelerated from 6.1 percent in 2018 to 4.2 percent in 2019 and is projected to decrease further to -10.3 percent in 2020 and then pick up to 8.8 percent in 2021.

1.4 In advanced economies, inflation declined to 1.4 percent in 2019 from 2.0 percent in 2018 mainly due to lower commodity prices. Following weaker economic activity, inflation is expected to dip further to 0.8 percent in 2020. It is projected to pick up to 1.6 percent in 2021, thanks to forecasted economic activity. Inflation in emerging market and developing economies, excluding Venezuela and including Argentina, slightly increased to 5.1 percent in 2019 from 4.9 percent in 2018; while it is projected to decline to 5.0 percent in 2020 and 4.7 percent in 2021.

1.5 World trade volume growth declined considerably to just 1.0 percent in 2019 from 3.9 percent in 2018. It is projected at -10.4 percent in 2020 reflecting weaker demand for goods and services and at 8.3 percent in 2021. The growth rate of imports for advanced economies declined from 3.6 percent in 2018 to 1.7 percent in 2019. Projections suggest that imports will suffer a deep contraction of 11.5 percent in 2020 and will experience a rise of 7.3 percent in 2021. In emerging markets and developing economies, growth rate of imports decreased significantly from 5.0 percent in 2018 to -0.6 percent in 2019. It is

projected to be -9.4 percent in 2020 and at 11.0 percent in 2021. Exports growth of advanced economies decreased to 1.3 percent in 2019 from 3.5 percent in 2018. It is projected to be -11.6 percent in 2020 and at 7.0 percent in 2021. Exports growth of emerging markets and developing economies declined to 0.9 percent in 2019 from 4.1 percent in 2018. It is expected that exports of emerging markets and developing economies will experience growth of -7.7 percent in 2020 and 9.5 percent in 2021.

1.6 According to IMF's WEO of October 2020, there remains pervasive uncertainty about the forecast of global economic output in 2021. The forecast depends on public health and economic factors that are inherently difficult to predict. The first source of uncertainty is related to the path of the pandemic, the needed public health response, and the associated domestic activity disruptions, most notably for contact-intensive sectors. The second source of uncertainty lies in the extent of global spillovers from soft demand, weaker tourism, and lower remittances. The third source of uncertainty rests on a set of factors comprising financial market sentiment and its implications for global capital flows. Moreover, there remains uncertainty surrounding the damage to supply potential—which will depend on the persistence of the pandemic shock, the size and effectiveness of the policy response, and the extent of sectoral resource mismatches. Following severe fallouts of the pandemic, all economic regions are projected to experience negative growth in 2020 for the first time.

1.7 According to Global Financial Stability Report of October 2020, a sharp easing financial conditions since late March 2020 helped prevent a financial crisis and cushion

the impact of COVID-19 on the economy. Following unprecedented and timely policy response, near-term global financial stability risks have been addressed. Necessary policy supports have helped maintain the flow of credit to the economy and avoid adverse macro-financial feedback loops, creating a bridge to recovery. However, vulnerabilities are rising, intensifying financial stability concerns in some countries. Vulnerabilities have increased in the nonfinancial corporate sector, as firms have taken on more debt to cope with cash shortages, and in the sovereign sector, as fiscal deficits have widened to support the economy. As the crisis unfolds, corporate liquidity pressures may create insolvency crisis due to the delay of recovery. The disconnection between rising market valuations and the evolution of the economy still persists. If policy supports are maintained, current asset valuations could be sustained for some time. However, if policy supports are reassessed or the recovery is delayed, the odds of a sharp adjustment may rise.

### Developments in the Bangladesh Economy

1.8 Bangladesh Bureau of Statistics (BBS) estimated real GDP growth of 5.2 percent in FY20, much lower from 8.2 percent in FY19. Though Bangladesh recorded robust growth rates during the last couple of years, the outbreak of COVID-19 pandemic during the last quarter of FY20 affected national economy adversely, leading to the fall in growth. Following negative impacts of COVID-19, all major sectors witnessed a lower growth. However, the growth rate in FY20 was highest in South Asian region. The outbreak of COVID-19 has created serious impediments in attaining key monetary program objectives viz., keeping

**Table 1.2 Sectoral GDP Growth**

(at FY06 constant prices)			
	FY11-FY20 (average)	FY19	FY20 <sup>P</sup>
<b>1. Agriculture</b>	<b>3.46</b>	<b>3.92</b>	<b>3.11</b>
a) Agriculture and forestry	2.65	3.15	2.08
i) Crops and horticulture	1.96	1.96	0.89
ii) Animal farming	3.04	3.54	3.04
iii) Forest and related services	5.76	8.34	6.36
b) Fishing	6.20	6.21	6.10
<b>2. Industry</b>	<b>9.85</b>	<b>12.67</b>	<b>6.48</b>
a) Mining and quarrying	7.32	5.88	4.38
b) Manufacturing	10.55	14.20	5.84
i) Large and medium scale	11.06	14.84	5.47
ii) Small scale	8.28	10.95	7.78
c) Electricity, gas and water supply	9.04	9.58	6.16
d) Construction	8.67	10.25	9.06
<b>3. Services</b>	<b>6.12</b>	<b>6.78</b>	<b>5.32</b>
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.71	8.14	5.02
b) Hotel and restaurants	6.80	7.57	6.46
c) Transport, storage and communication	6.87	7.19	6.19
d) Financial intermediations	8.60	7.38	4.46
e) Real estate, renting and other business activities	4.48	5.23	4.85
f) Public administration and defence	8.11	6.40	6.02
g) Education	7.89	7.66	6.19
h) Health and social works	6.91	11.79	9.96
i) Community, social and personal services	3.42	3.72	3.61
<b>GDP (at FY06 constant market prices)</b>	<b>6.76</b>	<b>8.15</b>	<b>5.24</b>

<sup>P</sup> Provisional

Source: BBS.

annual average CPI inflation within 5.5 percent and achieving 8.2 percent real GDP growth target for FY20. Annual average CPI inflation stood at 5.7 percent at end June 2020.

### Growth Performance

1.9 According to the provisional estimates by BBS, gross domestic product (GDP) of Bangladesh grew by 5.2 percent in FY20, while it was 8.2 percent in FY19. The sectoral GDP growth composition is presented in Table 1.2.

1.10 Agriculture sector contributed 13.3 percent of GDP and growth of this sector moderated from a base of 3.9 percent in FY19 to 3.1 percent in FY20. This growth was mainly supported by the growth of fishing, forest related services and animal farming sub-sector.

1.11 Industry sector contributed 35.4 percent of GDP, and grew by 6.5 percent in FY20, lower from 12.7 percent in FY19. This growth was mainly supported by the growth of manufacturing and construction. As a result of COVID-19, both large and medium, and small scale industrial sub-sector recorded lower growth of 5.5 percent and 7.8 percent respectively.

1.12 The services sector accounts for the largest share of GDP. In FY20, 51.3 percent of GDP came from this sector which was 51.4 percent in FY19. Service sector grew by 5.3 percent, much lower than 6.8 percent growth in FY19. All components of services sector like- health and social works, financial intermediations, wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods, hotel and restaurants, and transport, storage and communication experienced lower growth in FY20.

1.13 On the demand side, private consumption grew by 4.0 percent underpinned by a record inflow of remittances at USD 18.2 billion in FY20. Moreover, public consumption grew by 7.2 percent during the same period. As a result, total consumption growth stood at 4.2 percent and it contributed 2.9 percentage points to the growth of GDP. On the other hand, total investment contributed to 2.3 percentage point to the growth. Contribution of net exports to GDP became zero as the contribution of exports was offset by the contribution of imports to GDP.

### Savings and Investment

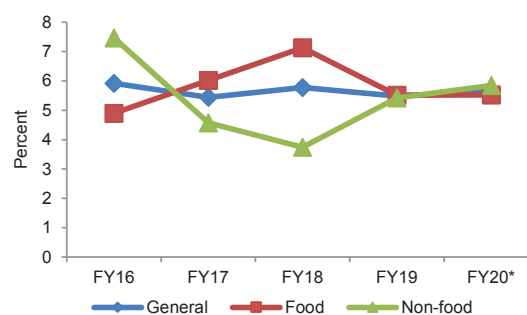
1.14 Although the provisional data report a reduction of investment growth in FY20 from a

**Chart 1.1 Trends in Domestic Savings and Investment**



<sup>P</sup> Provisional  
Source : BBS.

**Chart 1.2 Trends in National CPI Inflation (12 month average : base FY06 = 100)**



Source : BBS and BB.

year earlier, total investment as percentage of GDP increased to 31.8 percent in FY20 from 31.6 percent in FY19. Over the same period, both the ratios of public investment to GDP and private investment to GDP registered around 10 basis points increase and stood at 8.1 percent and 23.6 percent respectively in FY20.

1.15 The provisional data report that gross national savings as percentage of GDP increased to 30.1 percent in FY20 from 29.5 percent in FY19. Similarly, domestic savings as percentage of GDP increased by 28 basis points and stood at 25.3 percent during the

same period. Gross domestic savings at current market price grew a little faster (11.2 percent) than the investment (10.6 percent) resulting in a slight decrease in domestic savings-investment gap as percentage of GDP to 6.4 percent in FY20 from 6.5 percent in FY19 (Chart 1.1).

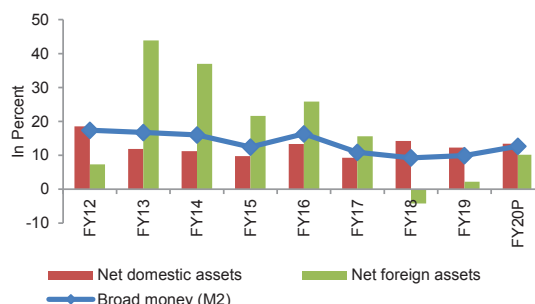
### Price Developments

1.16 The twelve month average general CPI inflation was recorded 5.7 percent in June 2020 with gradually increasing by 17 basis points during FY20, which exceeded the targeted ceiling of 5.5 percent (Chart 1.2). This higher general CPI inflation was the result of higher non-food inflation on the back of higher remittance inflows and disruption of supply chains due to the COVID-19 pandemic. Food inflation remained almost similar in June 2020 though non-food inflation increased compared to the same month of the previous fiscal year. With minor fluctuations the food inflation remained unchanged at 5.5 percent in June 2020 as in June 2019, while non-food inflation increased to 5.9 percent in June 2020 from 5.4 percent in June 2019. The non-food and non-energy 'core' component of CPI inflation also showed fluctuations throughout the fiscal year and stood at 5.8 percent in June 2020 from 5.5 percent in June 2019, indicating a rising inflationary pressure.

### Money and Credit Developments

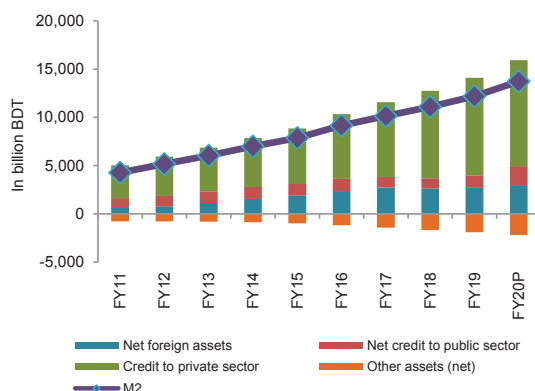
1.17 In FY20, Bangladesh Bank's monetary and financial policies prioritized the government's inclusive and sustainable growth agenda by fostering price and financial stability. During the period, monetary programme aimed at ensuring adequate flow of quality credit to support the job friendly economic growth and inflation targets, while promoting domestic

**Chart 1.3 Trends in Growth of Monetary Aggregates**



<sup>P</sup> Provisional  
Source : MPD, BB

**Chart 1.4 Trends in Sources of Broad Money**



<sup>P</sup> Provisional  
Source : MPD, BB.

and external financial stability. Some major policy initiatives were taken by Bangladesh Bank to ensure adequate liquidity supply for the implementation of government's stimulus packages aimed at combating the economic downdrafts of the coronavirus pandemic. Bangladesh Bank's repo rate was reduced by 75 basis points, compared to that of FY19, to 5.25 percent in FY20. Meanwhile, CRR on bi-weekly average and daily basis were reduced by 150 points to 4.0 percent and 3.5 percent

in FY20 from 5.5 percent and 5.0 percent in FY19, respectively.

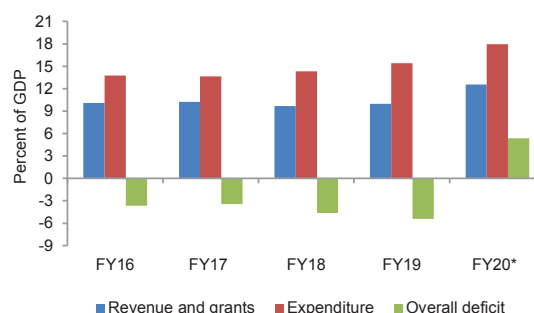
1.18 Broad money (M2) growth accelerated in FY20 to 12.7 percent from 9.9 percent in FY19 but, ended up slightly short of the FY20 monetary programme target growth of 13.0 percent. The growth in broad money was driven by growth in net domestic assets (NDA) stemming from huge growth of public sector credit. NDA grew by 13.4 percent in FY20 against the target growth of 15.5 percent and 12.3 percent actual growth in FY19 (Chart 1.3). Net foreign assets (NFA) increased by 10.2 percent in FY20 against the programmed growth of 4.2 percent mainly due to IMF's support under Rapid Financing Instrument and Rapid Credit Facility extended to Bangladesh for addressing the challenges posed by COVID-19.

1.19 Domestic credit grew by 13.7 percent, lower than the targeted growth of 17.4 percent for FY20 and slightly higher than the actual growth of 12.4 percent in FY19, mainly due to the substantial increase of credit flow (53.4 percent) to the public sector from the banking system.

1.20 Private sector credit grew by 8.6 percent in FY20, much lower than the targeted growth of 14.8 percent for FY20 and actual growth of 11.3 percent in FY19. However, the lower growth in credit to private sector might be attributed to banks' adherence towards quality credit and COVID-19 led lockdown. Sources of broad money are shown in Chart 1.4.

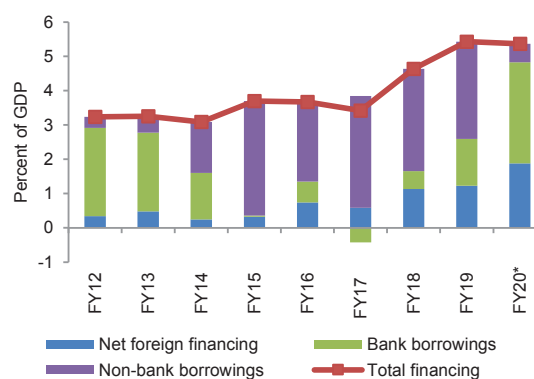
1.21 Reserve Money (RM) grew by 15.7 percent, higher than the programmed growth of 12.0 percent for FY20, and much higher than the actual growth of 5.3 percent recorded in

**Chart 1.5 Trends in Revenue, Expenditure and Overall Budget Deficit**



\* Revised Budget  
Source : MoF.

**Chart 1.6 Trends in Deficit Financing**



\* Revised Budget  
Source : MoF.

FY19. Reserve money growth exceeded the programmed level mainly due to higher than targeted growth of NFA.

1.22 At the end of FY20, the weighted average interest rate on bank advances significantly decreased to 8.0 percent from 9.6 percent in FY19. The weighted average interest rate on deposits decreased slightly to 5.1 percent at the end of FY20 from 5.4 percent at the end of FY19. As a result the spread also narrowed down to 2.9 percent at the end of FY20 from 4.2 percent at the end of FY19.

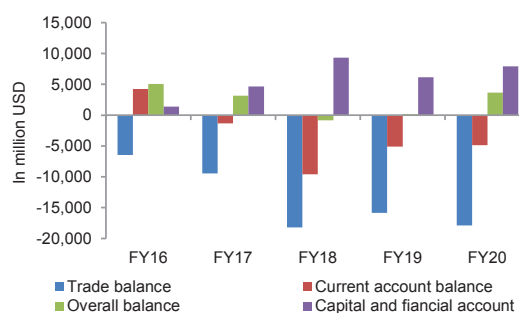
## Public Finance

1.23 Attaining SDGs and their targets had been the spotlight of government's fiscal policy in FY20. The FY20 was the terminal year of 7th Five Year Plan, hence the budget also emphasised on the implementation of the plan. The budget aims to optimally mobilize public resources to attain sustainable and inclusive growth. To this end in the national budget for FY20, government proposed an overall deficit (including grants) of 4.8 percent of GDP. However, this deficit increased to 5.3 percent of GDP in the revised budget for FY20, which was 5.4 percent of GDP in FY19. The deficit was largely financed by domestic sources, contribution of which decreased slightly to 3.5 percent of GDP in FY20 from 4.2 percent of GDP in FY19. The Government's financing from banking system increased from 1.4 percent of GDP in FY19 to 2.9 percent of GDP in FY20, while financing from non-bank sources decreased from 2.8 percent of GDP to 0.5 percent of GDP over the same period (Chart 1.5 and 1.6).

1.24 The targeted growth of total revenue collection was revised downward to 38.2 percent from 49.9 percent in the original budget for FY20, which was greater than the actual revenue growth of 16.3 percent in FY19. Total revenue-GDP ratio decreased to 12.4 percent in the revised budget from 13.5 percent set in the original budget for FY20, but remained higher than 9.9 percent in FY19.

1.25 Public expenditure as percentage of GDP increased from 15.4 percent in FY19 to 17.9 percent in FY20 revised budget. The volume of public expenditure grew by 28.1 percent in FY20 compared to FY19. Recurrent

**Chart 1.7 Trends in Balance of Payment**



Source : SD, BB.

expenditure in FY20 revised budget stood at 9.8 percent of GDP which was 8.4 percent in FY19 (Chart 1.5). Hence, total outstanding public debt as percent of GDP stood at 31.7 in FY20 from 29.6 in FY19.

## External Sector

1.26 Exports shrank by a larger margin than imports did in FY20. Exports fell by 17.1 percent while imports' decline was 8.6 percent. The total exports (f.o.b) in FY20 stood at USD 32830 million, which was USD 39604 million in FY19. On the other hand, the total imports (f.o.b) was USD 50691 million in FY20 in contrast to USD 55439 million in FY19. As a result, the trade deficit widened further and was recorded USD 17861 million in FY20, which was USD 15835 million in the preceding fiscal year. Current account balance stood at USD (-) 4849 million in FY20 against USD (-) 5102 million in FY19. Workers' remittances inflow, which was USD 18205 million in FY20, set the base for improved current account position. FY20's overall balance (USD 3655 million) was higher than that of the preceding fiscal year by a large margin riding on huge financial account build-up (Chart 1.7 and Appendix-3, Table-XVI).



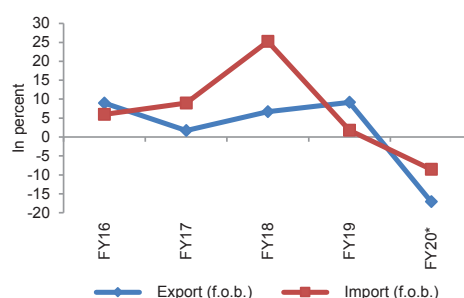
1.27 According to Export Promotion Bureau (EPB) export shipment data, FY20 export earnings decreased by 16.9 percent. On the other hand, the preceding fiscal year had export earnings growth of 10.6 percent. Export as percentage of GDP fell to 10.2 percent in FY20 against 13.4 percent in FY19. Only six types of products, namely vegetables, fruits, tobacco, fish, raw jute, and jute goods had positive export growth in the fiscal year under report. Contrary to these items, the rest array of products had decline in exports, of which petroleum bi-products, woven garments, knitwear, home textile and shrimps were notable.

1.28 Import (f.o.b) declined by 8.6 percent in FY20 against 1.8 percent increase in FY19 (chart 1.8). Import as percentage of GDP stood at 15.4 percent in FY20, while it was 18.3 percent in FY19. Foodgrains, mainly wheat, import payments rose by 7.8 percent in FY20. Other major import items which had increases in FY20, included crude petroleum, oil seeds, pulses, pharmaceutical products, spices and sugar. On the other hand, import of capital machinery, yarn, fertilizer and metals suffered drastic fall in the fiscal year under report.

1.29 Gross international foreign exchange reserves stood at USD 36,073 million at the end of June 2020 covering 8.5 months of import payments. Workers' remittances which grew by 10.9 percent constituted the main pillar of the reserves.

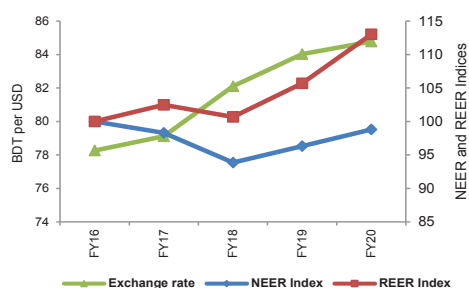
1.30 The annual average exchange rate stood at BDT 84.8 per USD in June 2020 against BDT 84.0 per USD in June 2019. Hence, the average exchange rate depreciated by 0.9 percent in FY20, which was lower than 2.3 percent depreciation in the preceding

**Chart 1.8 Trends in Export and Import Growth**



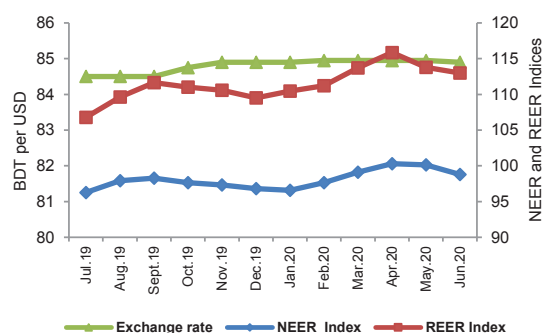
\* Provisional.  
Source : SD, BB.

**Chart 1.9 Trends in NEER and REER Indices and Nominal Exchange Rate**



Note: NEER and REER indices FY16=100, are calculated against 15 currency basket.  
Source: MPD, BB.

**Chart 1.10 Recent Movements of NEER and REER Indices and Nominal Exchange Rate**



Note: NEER and REER indices FY16=100, are calculated against 15 currency basket.  
Source: MPD, BB.

fiscal year. With a view to ensuring stability in the local foreign exchange market, BB sold USD 835 million and purchased USD

877 million during the FY20. However, the nominal effective exchange rate (NEER) index (FY16=100) calculated against 15-currency basket increased by 2.6 percent in FY20. Similarly, the real effective exchange rate (REER) index (FY16=100) increased by 6.9 percent in the same fiscal year (Chart 1.9 and 1.10). The increases in NEER and REER indices in FY20 indicated appreciation of BDT in the international market.

1.31 Outstanding external debt stock increased from USD 38475.5 million at the end of FY19 to USD 44202.2 million at the end of FY20. Similarly, the outstanding external debt to GDP ratio also increased from 12.7 percent to 13.4 percent over the period.

### **Near and Medium-Term Outlook for Bangladesh Economy**

1.32 In spite of weaker growth performance in FY20, the government of Bangladesh has set the real GDP growth target for FY21 at 8.2 percent. This growth outlook is underpinned by both the domestic and external demand recovery prospects. The COVID-19 pandemic broke out in the last quarter of FY20, which eventually lead to country-wide lockdown till May 2020. Economic activities almost stalled during the lockdown period as the government enforced closure of offices and factories and ban on transportation. However, the government immediately undertook massive stimulus packages which acted as a buffer against economic losses. The main component of the stimulus packages was to channel fresh working capital at a subsidized rate to the industry and service sectors severely hit by the pandemic. The packages also included funds for workers' salary, which aimed to uphold

consumption demand of the workers and employees. Special credit allocation was made for the agriculture sector. In order to ensure food grains availability to the low-income population the government provided funds as subsidy.

1.33 Economic recovery largely depends on the strict implementation of the packages. Prudent government measures are expected to put the economy back on the growth track. While the export earnings in FY20 had a huge slump, the first three months' earnings of FY21 was higher compared with that of the same period of the preceding fiscal year. In the same manner, disbursement of agricultural and non-farm rural credit plunged in FY20. The amount of agricultural and non-farm rural credit disbursement till October 2020 outperformed the volume disbursed during the same period of the preceding fiscal year. Workers' remittances inflow till September 2020 surpassed the amount accumulated during the same period of the preceding fiscal year. The gross foreign exchange reserves of BB stood at 40.8 billion as of end October 2020, which was 25.8 percent higher than that of the same period of FY20.

1.34 The target for FY21 average inflation rate has been set at 5.4 percent. Given the current subdued economic activities, inflationary pressure is unlikely to build up in the forthcoming months. Adequate domestic food grains production along with fall in international commodity and fuel prices is expected to have favourable impact on inflation situation. Considering these facts BB has projected average inflation range of 5.0-5.9 percent for FY21 and 5.0-5.9 percent for FY22. However, excess liquidity stemming from the stimulus packages may engender inflationary bubbles in the periods ahead, hence strong vigilance would be required.



1.35 BB has announced its monetary policy stance (MPS) for FY21. The stance is essentially expansionary and accommodative for all growth support needs while ensuring inflation target as well. The prime objectives of the MPS FY21 are the economic recovery from the adversity of the pandemic and rehabilitation of production capacity. The MPS undertakes a strategy to provide adequate financial support to the priority sectors like agriculture, CMSMEs, and manufacturing industries.

1.36 In order to restore normal administrative and economic activities the government withdrew general lockdown in June 2020. Gradual easing of restrictions was implemented with strict health guidelines. There have been signs of improvement in respect of health issues and economic recovery. However, the subsequent spells of the pandemic are still feared to pose serious risks to the economy. On the external front, global recession, oil price volatility, and trade wars may slow down the domestic recovery.

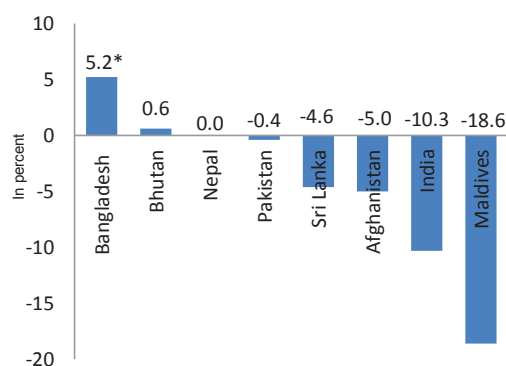
## The Real Economy

2.1 The domestic economy of Bangladesh upheld its precise path and accelerating real GDP growth supported by broad-based economic activities until February of FY20. The global economic halt due to COVID-19 outbreak along with the confirmation of the outbreak locally in March 2020 have created some serious impediments to the achievement of real GDP growth of 8.2 percent in FY20. According to provisional estimates of BBS, real GDP of Bangladesh stood at BDT 11637.4 billion, recording 5.2 percent growth in FY20. However, this growth is the highest in the South Asian region (chart 2.1). Before the pandemic, the country was enjoying a higher growth path for the last few years and achieved a higher growth ever 8.2 percent in FY19, which topped all the countries in the Asia-pacific region.

2.2 Though various sectors of the economy were not performing as expectation during the first three quarters, growth of remittance and industrial production index was in line with the growth target of 8.2 percent. Afterwards, the first positive case of corona virus identified on March and to contain its spread government announced a national general holiday from March 26 to May 30. As a result, economic activities drastically plummeted during the last quarter of FY20 resulting a 2.9 percentage point fall in the growth compared to FY19, which was the largest one-year fall of growth since FY91.

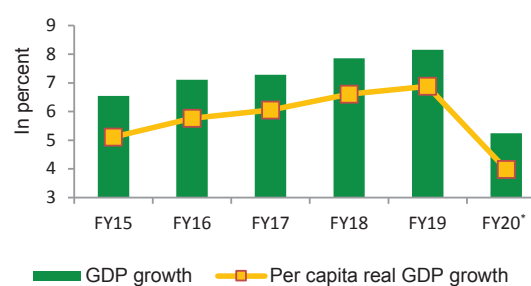
2.3 Provisional data of BBS showed that GDP at current market price was BDT 27963.8 billion for FY20 which was 10.0 percent higher compared to the preceding year. In FY20, per capita real GDP and GNI was estimated at

**Chart 2.1 Growth in South Asian Countries in FY20**



Source: \*BBS.  
WEO, October 2020, IMF (Projection for 2020).

**Chart 2.2 Trends in Bangladesh Real GDP Growth**



\* Provisional  
Source: BBS.

BDT 69452.1 and BDT 72781.4 respectively. During the same period, per capita nominal GDP and GNI were estimated at BDT 166888.2 (USD 1970.1) and BDT 174888.2 (USD 2064.6) respectively.

### Sectoral Growth Rate of GDP

2.4 Growth decomposition shows that,

although growth rate moderated due to COVID-19 pandemic in FY20, the industry sector continued to achieve the highest growth followed by services and agriculture sector. This reflects the sustainability of growth of the economy.

### Agriculture Sector

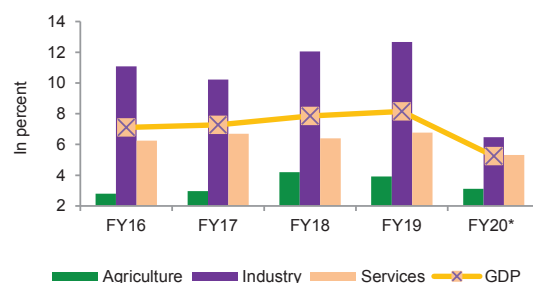
2.5 The growth of agriculture sector decreased slightly to 3.1 percent in FY20 from 3.9 percent in FY19. The growth rate dropped due to moderation of growth in all sub sectors of agriculture viz. crops and horticulture, animal farming, forest and related services and fishing.

2.6 Among the subsectors, fishing achieved a growth of 6.1 percent in FY20 against 6.2 percent growth in FY19. Growth in agriculture and forestry subsector fell from 3.2 percent in FY19 to 2.1 percent in FY20. Under agriculture and forestry subsector, forest and related services registered the highest growth of 6.4 percent in FY20 which was 8.3 percent in FY19. Moreover, growth in animal farming and crops and horticulture subsectors also fell from 3.5 and 2.0 percent in FY19 to 3.0 and 0.9 percent in FY20 respectively.

### Industry Sector

2.7 The industry sector, constituting more than one-third of gross value-added (GVA) in the economy, grew by around 6.5 percent in FY20, far below from 12.7 percent in FY19. This drop in growth was mainly led by low growth in all subsectors of industry hampered by ongoing COVID-19 pandemic. Among the subsectors, mining and quarrying; manufacturing; electricity, gas and water supply; and construction registered the growth of 4.4, 5.8, 6.2 and 9.1 percent in FY20 against 5.9, 14.2, 9.6 and 10.3 percent in FY19 respectively. The large

**Chart 2.3 Trends in Sectoral Growth**



\* Provisional  
Source: BBS.

**Table 2.1 Sectoral Growth Rate of GDP**

(Base year: FY06)

	FY17	FY18	FY19	FY20 <sup>P</sup>
<b>1. Agriculture</b>	<b>2.97</b>	<b>4.19</b>	<b>3.92</b>	<b>3.11</b>
a) Agriculture and forestry	1.96	3.47	3.15	2.08
i) Crop and horticulture	0.96	3.06	1.96	0.89
ii) Animal farming	3.31	3.40	3.54	3.04
iii) Forest and related services	5.60	5.51	8.34	6.36
b) Fishing	6.23	6.37	6.21	6.10
<b>2. Industry</b>	<b>10.22</b>	<b>12.06</b>	<b>12.67</b>	<b>6.48</b>
a) Mining and quarrying	8.89	7.00	5.88	4.38
b) Manufacturing	10.97	13.40	14.20	5.84
i) Large and medium scale	11.20	14.26	14.84	5.47
ii) Small scale	9.82	9.25	10.95	7.78
c) Electricity, gas and water supply	8.46	9.19	9.58	6.16
d) Construction	8.77	9.92	10.25	9.06
<b>3. Services</b>	<b>6.69</b>	<b>6.39</b>	<b>6.78</b>	<b>5.32</b>
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	7.37	7.45	8.14	5.02
b) Hotel and restaurants	7.13	7.28	7.57	6.46
c) Transport, storage and communication	6.76	6.58	7.19	6.19
d) Financial intermediations	9.12	7.90	7.38	4.46
i) Monetary intermediation (banks)	9.95	8.51	7.38	4.19
ii) Insurance	2.05	1.63	4.96	4.05
iii) Other financial intermediation	9.06	9.05	11.55	9.48
e) Real estate, renting and business activities	4.80	4.98	5.23	4.85
f) Public administration and defence	9.15	8.47	6.40	6.02
g) Education	11.35	7.01	7.66	6.19
h) Health and social work	7.63	7.02	11.79	9.96
i) Community, social and personal services	3.62	3.65	3.72	3.61
<b>Total GVA at constant basic price</b>	<b>7.23</b>	<b>7.90</b>	<b>8.36</b>	<b>5.42</b>
<b>GDP (at constant market price)</b>	<b>7.28</b>	<b>7.86</b>	<b>8.15</b>	<b>5.24</b>

<sup>P</sup> Provisional  
Source: BBS.

### Box 2.1 Blue Economy of Bangladesh: Prospects and Challenges

The Oceanic Economy popularly known as blue economy has emerged as a crucial development issue for optimum use of the oceans, seas and marine resources for sustainable development. Among the sustainable development goals (SDGs), SDG-14 focuses on sustainable use of the oceans, seas and marine resources for sustainable development. Ocean assets provide food and energy which are essential ingredients of human life. By overlooking the three-fourth proportion of the surface of earth, it is tough to achieve sustainable economic development by 2030. Given this, Bangladesh has adopted steps to ensure sustainable use the oceans, seas and marine resources attaining inclusive development and goal related to SDG-14.

Bangladesh has 710 km long coastline with an exclusive economic zone of 200 Nautical Miles inside the Bay of Bengal. Marine fisheries contribute 19.4% of the total fish production of the country. Besides, on an average, 81% of the international tourists visit Cox's Bazaar in Bangladesh. The ocean of Bangladesh is contributing a noteworthy role to its overall socio-economic growth through increasing up the economic activities across the country and especially to the coastal zone at southern part. A new economic area for Bangladesh is demarcated in the Bay of Bengal. Already, Bangladesh has taken steps to flourish its Blue Economy in order to utilize its new marine resources. Since 2015, the Government of Bangladesh (GoB) has undertaken a number of consultations and workshops on Blue Economy. In addition, Seventh-Five Year Plan of Bangladesh has mentioned twelve actions for maintaining a prosperous and sustainable Blue Economy, which include fisheries, renewable energy, human resources, transshipment, tourism and climate change among others. Moreover, in 2017, the "Blue Economy Cell" under Ministry of Foreign Affairs (MoFA), GoB has been established with the mandate to coordinate Blue Economy initiatives across sectoral ministries. Blue Economy has the prospect to contribute Bangladesh economy on a much higher level. Twenty six potential Blue Economy sectors have been identified by the MoFA which include the fishery, maritime trade and shipping, energy, tourism, coastal protection, maritime safety and surveillance for development of blue economy in Bangladesh.

**Shipping:** Mostly the Bangladesh's external freight trade is seaborne (2018) which is 90% of the total freight trade of the country. Therefore, it appears that our economy may heavily depend on freight trade in future. So, to retain the huge amount of freight charges within the country, incentives might be provided to local shipping companies to add more ships to the existing fleet. Besides, coastal shipping, seaports, passenger ferry services, inland water way transport, ship building and ship recycling industries should get more importance to carry on sustainable economic growth of our country.

**Fishery:** Experts opine that fish alone has 500 varieties besides snails, shell-fish, crabs, sharks, octopuses and other animals. It is estimated that Bangladesh catches only 0.70 million tons of fish every year out of the total 8 million tons of fish available in the Bay of Bengal. It is worthwhile to mention that 15 percent of the protein is provided from sea resources for the people across the world. As many people depend on oceans for their livelihood and foods, increased efforts are needed to save ocean resources.

**Oil and gas:** Bangladesh is yet to assess the true potential of its offshore gas prospects. Bangladesh could also have gas fields in its area of the sea. Bangladesh possess some gas fields in the land and like Myanmar, Bangladesh may have the potentials to get more gas fields in the sea which may add

to the total reserve of gas of the country. Besides, oil and gas, sea salt, ocean renewable energy, blue energy (osmosis) and biomass, aggregates mining (sand, gravel, etc.) and marine genetic resource should get more attention as ocean resources. Therefore, these plenty of potential may contribute to our sustainable economic development in future.

**Tourism:** Globally, coastal tourism is the largest market segment and represents 5 per cent of world GDP and contributes 6-7 per cent of total employment. In 150 countries, it is one of five top export earners. It is the main source of foreign exchange for one-half of Least Developed Countries (LDCs). Coastal tourism includes a) beach-based recreation and tourism, b) tourist activities in proximity to the sea, and c) nautical boating including yachting and marinas. Sustainable tourism can create new employment opportunities and reduce poverty. So, Bangladesh can earn foreign exchange from tourism industry which may contribute to GDP growth as well as help achieve SDGs by 2030. It is reported that the country has 75 outer-islands which could be utilized for tourists both local and foreign. Exploring and exploiting these resources through the use of appropriate technology, the economy of Bangladesh can grow rapidly.

Bangladesh gained a defined maritime zone in the Bay of Bengal after a longtime dispute settlement of maritime boundary with India and Myanmar. Bangladesh may pay attention in advancing its Blue Economy to utilize its vast sea region with sea-based resources through ensuring a sustainable balance between the protection of marine ecosystem and marine resources. Now, Bangladesh can create more spaces to ensure economic growth through fresh investments in marine trade and commerce. The country has so far, explored only a few number of Blue Economy sectors such as fisheries and aquaculture, shipbuilding, ship breaking, salt generation and port facilities. Besides, most of these sectors are following traditional methods. Therefore, there still remains ample opportunities as well as challenges for exploring large number of blue economy sectors, safeguarding mangrove and ocean grass, addressing environmental changes and managing carbon discharge, and introducing innovative technology for further development to contribute in achieving sustainable development goals.

and medium scale and small scale subsectors of manufacturing sector also registered lower growth at (5.5 and 7.8 percent respectively) in FY20 compared to 14.8 and 11.0 percent growth respectively in FY19.

2.8 Provisional data on Quantum Index of Industrial Production (QIIP) of FY20 showed a growth of only 0.3 percent which was much lower than the growth of the same period of preceding year (Appendix-3, Table-VIII). Out of the major groups of manufacturing industry, pharmaceuticals and medicinal chemical; machinery and equipment n.e.c; textile; printing and reproduction of recorded media; computer,

electronic and optical products; other non-metallic mineral products; food products; wood and products of wood and cork; and paper and paper products experienced higher growth (31.7, 18.6, 13.7, 13.3, 12.8, 9.2, 6.9, 6.1 and 6.0 percent respectively) in FY20. While tobacco products; other transport equipment; rubber and plastic products; and fabricated metal products except machinery registered lower growth during same period. In contrast, manufacture of motor vehicles, trailers and semi trailers; coke and refined petroleum products; electrical equipment; and wearing apparels declined sharply by 53.5, 36.6, 23.1 and 16.8

percent respectively during FY20 compared to the previous year.

### Service Sector

2.9 Despite some moderation, the service sector, comprising more than half of GVA, registered a modest growth of 5.3 percent in FY20. Within the sector, larger growth impulse in FY20 primarily came from health and social work (10.0 percent) and other financial intermediation (9.5 percent). Among the sub-sectors of services, wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; hotel and restaurants; transport, storage and communication; financial intermediation; real estate, renting and business activities; public administration and defense; education; and community, social and personal services registered the growth of 5.0, 6.5, 6.2, 4.5, 4.9, 6.0, 6.2 and 3.6 percent in FY20 which was 8.1, 7.6, 7.2, 7.4, 5.2, 6.4, 7.7 and 3.7 percent in FY19 respectively (Table 2.1).

### Sectoral Share of GDP

2.10 The sectoral decomposition of the share of GDP shows that the service sector continued to achieve the largest share of GDP followed by industry and agriculture sector.

2.11 The services sectors' share in GDP stood at 51.3 percent in FY20 as compared to 51.4 percent in the preceding year. Among the subsectors of service, the shares of Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; financial intermediations; real estate, renting and business activities; and public administration and defence remained same at 13.9, 3.4, 6.1 and 3.7 percent in FY20

**Table 2.2 Sectoral Share of GDP**

(Base year: FY06)

	FY18	FY19	FY20 <sup>P</sup>
<b>1. Agriculture</b>	<b>14.23</b>	<b>13.65</b>	<b>13.35</b>
a) Agriculture and forestry	10.67	10.15	9.83
i) Crop and horticulture	7.51	7.06	6.76
ii) Animal farming	1.53	1.47	1.43
iii) Forest and related services	1.62	1.62	1.64
b) Fishing	3.56	3.49	3.52
<b>2. Industry</b>	<b>33.66</b>	<b>35.00</b>	<b>35.36</b>
a) Mining and quarrying	1.78	1.74	1.72
b) Manufacturing	22.85	24.08	24.18
i) Large and medium scale	19.07	20.21	20.22
ii) Small scale	3.78	3.87	3.96
c) Electricity, gas and water supply	1.54	1.55	1.57
d) Construction	7.50	7.63	7.89
<b>3. Services</b>	<b>52.11</b>	<b>51.35</b>	<b>51.30</b>
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	13.95	13.92	13.87
b) Hotel and restaurants	0.75	0.74	0.75
c) Transport, storage and communication	11.13	11.01	11.09
d) Financial intermediations	3.45	3.42	3.39
i) Monetary intermediation (banks)	2.97	2.95	2.91
ii) Insurance	0.30	0.29	0.29
iii) Other financial intermediation	0.18	0.18	0.19
e) Real estate, renting and business activities	6.31	6.13	6.09
f) Public administration and defence	3.71	3.65	3.67
g) Education	2.46	2.44	2.46
h) Health and social work	1.83	1.89	1.97
i) Community, social and personal services	8.52	8.15	8.01
<b>Total GVA at constant basic price</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

<sup>P</sup> Provisional

Source: BBS.

respectively. On the other hand, the share of hotel and restaurants; transport, storage and communication; education; and health and social works slightly increased to 0.8, 11.1, 2.5 and 2.0 percent in FY20 from 0.7, 11.0, 2.4 and 1.9 percent in FY19 (Table 2.2).

2.12 The contribution of the industry sector to GDP increased to 35.4 percent in FY20 from 35.0 percent in FY19. Among the subsectors of industry, the shares of manufacturing; and construction increased slightly to 24.2, and 7.9

percent in FY20 from 24.1, and 7.6 percent in FY19 respectively. However, the share of mining and quarrying; and electricity, gas and water supply subsectors remained same at 1.7 and 1.6 percent respectively during the same period (Table 2.2).

2.13 Contribution of agriculture sector to GDP has been declining and shifting towards service and industry sector as per development paradigm during the last several years. The share of agriculture slightly went down to 13.4 percent in FY20 from 13.7 percent in FY19. Among the subsectors of the agriculture sector, share of agriculture and forestry subsector to GDP declined to 9.8 percent in FY20 from 10.2 percent in FY19, while the share of fishing subsector remained same at 3.5 percent in FY20 (Table 2.2).

### GDP based on Expenditure

2.14 Looking at the expenditure-based GDP at current market price in FY20, there was a statistical discrepancy of BDT 124.7 billion between gross domestic expenditure (GDE) and gross domestic product (GDP). In FY19 the amount of statistical discrepancy was BDT 110.4 billion (Table 2.3).

2.15 Gross Domestic Expenditure (GDE) reflects the aggregate demand originating from domestic economic activities, measured as the sum of domestic consumption and investment, along with resource balance (exports-imports). Domestic demand was estimated at BDT 29766.6 billion at current market prices in FY20 which was 9.9 percent higher than that of FY19. Net export was estimated at BDT (-) 1678.1 billion in FY20.

2.16 Total consumption expenditure and trade deficit accounted for 74.4 percent and

**Table 2.3 GDP by Expenditure Groups  
(At current market price)**

Particulars	(billion BDT)		
	FY18	FY19	FY20 <sup>P</sup>
Domestic demand(1+2)	24395.22	27089.36	29766.60
Consumption(1)	17365.87	19062.66	20886.72
Private	15935.31	17468.25	19141.64
Government	1430.54	1594.41	1745.09
Investment(2)	7029.36	8026.70	8879.88
Private	5235.18	5985.83	6608.37
Public	1794.17	2040.87	2271.51
Resource balance(3-4)	-1945.08	-1554.17	-1678.08
Exports(3)	3330.93	3895.91	3742.02
Imports(4)	5276.01	5450.08	5420.10
Gross domestic expenditure	22450.14	25535.19	28088.52
Gross domestic product	22504.79	25424.83	27963.78
Statistical discrepancy	54.65	-110.36	-124.74

<sup>P</sup> Provisional  
Source: BBS.

**Table 2.4 Savings and Investment  
(As percent of GDP)**

Particulars	FY17	FY18	FY19	FY20 <sup>P</sup>
<b>Investment</b>	<b>30.51</b>	<b>31.23</b>	<b>31.57</b>	<b>31.75</b>
Private	23.10	23.26	23.54	23.63
Public	7.41	7.97	8.03	8.12
<b>Domestic Savings</b>	<b>25.33</b>	<b>22.83</b>	<b>25.02</b>	<b>25.31</b>
<b>National Savings</b>	<b>29.64</b>	<b>27.42</b>	<b>29.50</b>	<b>30.11</b>

<sup>P</sup> Provisional  
Source: BBS.

6.0 percent of GDE respectively in FY20. In nominal terms, investment increased by 10.6 percent while consumption increased by 9.6 percent during the same period.

### Savings and Investment

2.17 Gross Domestic Savings (GDSs) at current market price, stood at 25.3 percent of GDP in FY20, higher than 25.0 percent of GDP in the previous fiscal year. Gross National Savings (GNSs) increased to 30.1 percent of GDP in FY20 from 29.5 percent in FY19.



### Box 2.2 Outbreak of COVID-19 and Output Gap in Bangladesh

Output gap, the difference between actual output and potential output, is commonly used to measure the business cycle position of an economy. Potential output is generally defined as the maximum level of output that can be produced without creating inflationary pressure in the economy. Output gap contains important information about near-term inflationary pressure. Positive output gap (when actual output is higher than the potential) implies that economy is overheating because of excess aggregate demand, creating inflationary pressures. Conversely, negative output gap, which is an indication of excess capacity in the economy, tends to put downward pressure on inflation and employments.

After growing by around 6 percent for a decade, Bangladesh's real GDP growth exhibited a fresh surge since 2014 and picked up steadily to 8.15 percent in 2019 from 6 percent in 2013, while inflation remained broadly stable. This strong growth performance led economists and policy makers to understand whether this growth surge was a result of a permanent shift of output path to a higher growth trajectory on the back of capacity augmentation or merely due to cyclical factors. Valid information on output gap and associated potential output can answer this question. Besides, real GDP growth moderated to 5.24 percent in 2020, as economic activities were remarkably shattered by a prolonged lockdown measures since late March 2020 in the face of COVID-19 outbreak. Devising appropriate policies aiming at faster growth recovery crucially requires understanding the current size of output gap in the economy. However, neither potential output nor output gap is directly observable. Hence, they need to be estimated. Given this backdrop, the objective of this note is to estimate output gap in Bangladesh for 1982-2020<sup>1</sup>.

Two popular approaches to estimating potential output are: (i) filtering—extracting the trend and the cycle from actual output applying pure statistical techniques and (ii) production function—projecting output from its underlying drivers. This note relies on production function technique to estimate potential output in the light of neoclassical growth theory assuming the relationship between output and factors of production in Bangladesh can be described by a Cobb-Douglas production function with constant returns to scale of following form:

$$Y_t = A_t K_t^\alpha L_t^{1-\alpha} \dots \dots (1)$$

where Y, K, L, and A stand for real GDP or aggregate output, real capital stock, labor input, and total factor productivity (TFP), respectively. The coefficient  $\alpha$  represents the share of capital in total output.

As there is no official data on capital stock in Bangladesh and labor market data are available in an irregular fashion and with a considerable lag, this note estimates potential output using the relationship between investment and GDP growth derived from the production function under cost minimization and the relationship between investment and capital on steady state.

On steady state, it can be shown that

$$\Delta Y_t = \theta_1 * \Delta K_t \quad \text{where } \theta_1 \text{ is a constant} \quad \dots \dots (2) \text{ and}$$

$$\Delta K_t = \left( \frac{g}{g+\delta} \right) I_t \quad \text{where } g \text{ is steady state investment growth rate and } \delta \text{ is rate of depreciation} \quad \dots \dots (3)$$

$$\text{Substituting (3) in (2): } \Delta Y_t = \lambda I_t \quad \text{here } \lambda = \theta_1 * \left( \frac{g}{g+\delta} \right) \quad \dots \dots (4)$$

<sup>1</sup> Throughout the note, year means fiscal year, which starts in July and ends in June.



Equation (4) shows that, in long run (steady state), an increase in investment expenditure leads to a rise in GDP growth. In this exercise, potential output path of the economy is calculated from this long run relationship between GDP growth and investment. To the end, equation (4) is estimated using an ARDL dynamic equation of following form<sup>2</sup> :

$$\Delta(\Delta y_t) = \alpha_1 + \alpha_2 \Delta y_{t-1} + \alpha_3 i_{t-1} \dots\dots(5)^3$$

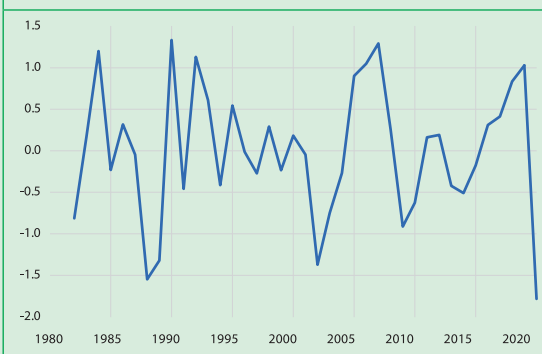
	Coefficient
$\alpha_1$	-33.00 (0.00)
$\alpha_2$	-1.123 (0.00)
$\alpha_3$	0.014 (0.00)
$\bar{R}^2=0.62$	$F(-\alpha_3/\alpha_2)=86.68$

Note: p-values are in the parenthesis

As the estimated F-statistic is large enough (86.68) to reject the null hypothesis of no cointegration at any conventional level of significance, we can conclude that there is long run relationship between output growth and investment. The estimated value of  $y_t (\hat{y}_t)$  obtained from equation (5) reflects potential output. Then output gap is calculated as the percentage deviation of observed output from estimated potential output and is presented in chart 1.

The estimation results suggest that Bangladesh economy had been operating with an increasing positive output gap since 2016, which reached 1.0% in 2019. However, output gap became negative (1.8%) in 2020 with the outbreak of COVID-19, implying that there is a considerable amount of excess capacity in the economy.

**Chart : Output Gap: 1982-2020**



2 Unit root tests ensure that no variable is I(2). For brevity, unit root test results have not been reported here, but can be obtained from author upon request.  
 3  $y_t$  and  $i_t$  (lowercase) are the logarithmic form of  $Y_t$  and  $I_t$

2.18 Investment as a percent of GDP stood at 31.8 in FY20 from 31.6 in FY19. Private and public investment to GDP ratio slightly increased to 23.6 and 8.1 percent in FY20 from 23.5 and 8.0 percent respectively in FY19 (Table 2.4).

2.19 Gross Domestic Savings (GDSs) and Gross National Savings (GNS) at current market prices increased by 11.2 and 12.3 percent respectively in FY20 compared to FY19. Domestic savings-investment gap as

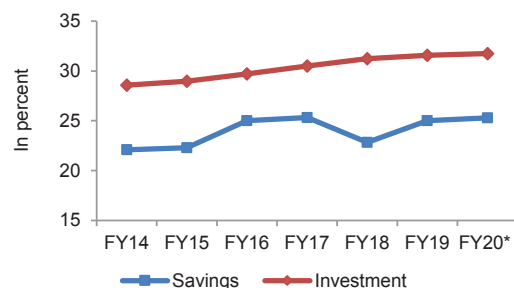
percent of GDP reduced to 6.4 percent in FY20 from 6.6 percent in FY19 (Chart 2.4).

### Growth Outlook

2.20 The Government has set the target of real GDP growth at 8.2 percent for FY21. Although the target appears to be ambitious, still it is achievable considering that the COVID-19 related pandemic situation will improve and the economy will rebound strongly following a V-shaped recovery path aided by the successful and timely implementation of the stimulus packages undertaken by the Government and Bangladesh Bank amounting to BDT 1201.5 billion which is 4.3 percent of GDP.

2.21 With the easing of containment and social distancing in domestic economy during the last month of FY20, economic activities were getting back their momentum, though, slowly. However, at the beginning of FY21, outbreaks of monsoon floods in the northern,

**Chart 2.4 Trends in Savings and Investment**  
(In percent of GDP)



\* Provisional  
Source: BBS.

north-eastern and south-eastern region of the country was devastating and destroyed many houses and roads including embankments. Livelihood or economic activities, functioning of local markets, crops, livestock and fisheries have been severely affected, creating downside risks to the growth outlook.

## Price and Inflation

### Overview

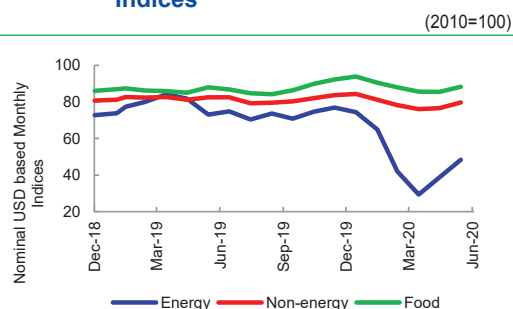
3.1 The global inflation environment remained benign during 2019 because of low commodity prices and accommodative monetary policy stance undertaken by most central banks across the world. Global inflation eased to 2.3 percent in 2019 from 2.5 percent in the previous year. But, during the first half of 2020, industrial production and supply chains were disrupted by the rapid and unprecedented breakout of the COVID-19 and consequential lockdown across most countries. In Bangladesh, the twelve-month point-to-point general inflation crept up from 5.5 percent in June 2019 to 6.0 percent in June 2020 because of uncertainty and supply chains disruption caused by the COVID-19 pandemic. The twelve-month point-to-point food inflation edged up to 6.5 percent in June 2020 from 5.4 percent in June 2019. On the other hand, the twelve-month point-to-point non-food inflation eased to 5.2 percent at end June 2020 from 5.7 percent of end June 2019 amidst volatility due to subdued demand for elastic items. Consequently, headline twelve-month average inflation<sup>1</sup> stood at 5.7 percent in FY20, slightly higher than the target of 5.5 percent due to food availability and a number combined fiscal and monetary policy measures taken by the government and Bangladesh Bank.

### Global Inflation Scenario

3.2 The World Bank Commodity Price

<sup>1</sup> Headline twelve-month average inflation is measured based on the year-on-year percentage change of twelve-month average National CPI (a combination of rural and urban CPI), base 2005-06=100, source: Bangladesh Bureau of Statistics).

**Chart 3.1 International Commodity Price Indices**



Source: World Bank Commodity Price Data, World Bank.

Data showed that rice price stood at USD 520 per metric ton in June 2020, increasing from USD 420 per metric ton in June 2019 with some volatility; While wheat prices went down to USD 200.5 per metric ton from USD 222.4 per metric ton amid volatility. Monthly indices of world bank commodity price data (Chart 3.1) showed that food price index remained stable around USD 88 during June 2019 to June 2020 with some fluctuations in the range of USD 84.2- 93.9. In non-food category, before the COVID-19 in November-December 2019, oil prices picked up to USD 63.4 per barrel in December 2019 from USD 54.0 in December 2018. However, oil prices dropped sharply in January - April 2020 by the COVID-19 led lockdown. Oil price plunged to USD 21.0 per barrel in April 2020, the historical lowest since January 2016, and increased at USD 39.5 in June 2020.

3.3 The rapid transmission of the COVID-19 pandemic across the world has changed the global economic scenario along with losses of human lives and livelihoods. The surge of the COVID-19 in the third quarter of FY20 led lockdown across the globe and

contracted the world economic activities, weakening demand condition. Reflecting these developments in the global commodity prices braced consumer price inflation in early 2020 in a number of economies. During the period, many emerging markets and developing economies including advanced economies experienced easing of inflation, although a sort of pressure from rising food prices triggered by the COVID-19 was also visible.

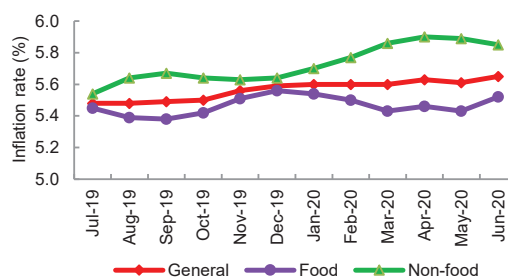
### Inflation in Bangladesh

3.4 The twelve-month point to point general inflation increased to 6.0 percent in June 2020 amid fluctuations from 5.5 percent in June 2019, driven by the increase in food inflation, emanated mostly from uncertainty due to the COVID-19 pandemic. Point to point food inflation moderated to 4.9 percent in March 2020 with minor fluctuations from 5.4 percent of June 2019 due to adequate supply of food while there was a pickup of 6.5 percent in June 2020 caused by disruption of supply chain. On the other hand, a moderate pressure in point to point non-food is experienced in the second half of FY20 on the back of higher remittance inflows and increase in medical care along with health related expenses. However, point to point non-food inflation eased to 5.2 percent in June 2020 due to subdued demand for elastic items because of losing employment and cut of salaries. Consequently, headline twelve-month average inflation went up to 5.7 percent in June 2020, slightly higher than the target ceiling as well as actual inflation of 5.5 percent recorded in June 2019 (Chart 3.2 and appendix-3, Table VII).

3.5 In FY20, twelve-month average food inflation experienced broadly a stable trend with a trifling volatility ranging from 5.4 to 5.6 percent and ended up with 5.5 percent in June

**Chart 3.2 Trends of CPI Inflation in FY20**

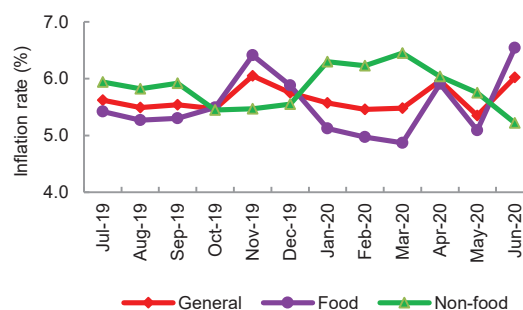
(twelve-month average : FY06=100)



Source: BBS.

**Chart 3.3 Trends of CPI Inflation in FY20**

(Point-to-point : FY06=100)



Source: BBS.

**Table 3.1 Annual Average CPI based Inflation**

(FY06=100)

Group	Weight	FY17	FY18	FY19	FY20
<b>a. National level</b>					
General Index	100.00	231.82 (5.44)	245.22 (5.78)	258.65 (5.48)	273.26 (5.65)
Food	56.18	248.90 (6.02)	266.64 (7.13)	281.33 (5.51)	296.96 (5.56)
Non-food	43.82	209.92 (4.57)	217.76 (3.73)	229.58 (5.43)	243.00 (5.85)
<b>b. Rural</b>					
General Index	100.00	231.02 (4.95)	244.17 (5.69)	256.74 (5.15)	271.20 (5.63)
Food	61.41	243.08 (5.55)	259.86 (6.90)	273.55 (5.27)	289.08 (5.68)
Non-food	38.59	211.83 (3.88)	219.21 (3.48)	230.01 (4.93)	242.74 (5.53)
<b>c. Urban</b>					
General Index	100.00	233.29 (6.35)	247.17 (5.95)	262.17 (6.07)	277.06 (5.68)
Food	46.52	263.09 (7.10)	283.19 (7.63)	300.30 (6.04)	315.83 (5.17)
Non-food	53.48	207.38 (5.54)	215.83 (4.08)	229.00 (6.10)	243.34 (6.26)

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

2020 from 5.5 percent in June 2019 (Chart 3.2). Annual point-to-point food inflation exerts a mixed trend, following uptrend till November 2019, downtrend up to March 2020 and then again takes the shape of rising trend emanating mainly from uncertainty and disruption of supply chains due to the COVID-19 led shutdown. At the end of June 2020, the annual point-to-point food inflation jumped to 6.5 percent from 5.4 percent in June 2019 (Chart 3.3 and Appendix-3, Table VII).

3.6 On the other hand, in FY20, except a stable situation during October-December 2019, the annual average non-food inflation gradually increased and ruled headline inflation (Chart 3.2). The average non-food inflation rose to 5.9 percent in June 2020 from 5.4 percent in June 2019. In contrast, annual point-to-point non-food inflation followed moderately an erratic trend in FY20. The annual point-to-point non-food inflation went up to 6.5 percent in March 2020 from 5.7 percent in June 2019; then started falling, reaching 5.2 percent in June 2020, on the back of subdued demand due to two months' general holiday and lockdown (Chart 3.3 and Appendix-3, Table VII).

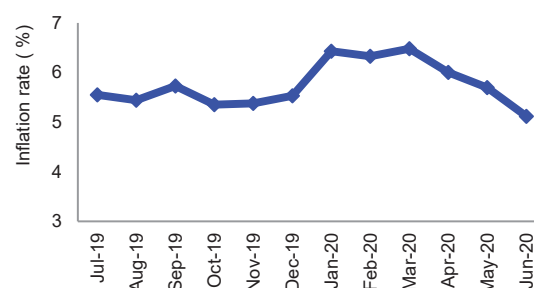
3.7 Core inflation (excludes prices of food and energy) on point-to-point basis also showed an irregular trend in FY20. However, core inflation decreased by 54 basis points to 5.1 percent in June 2020 from 5.7 percent in June 2019 (Chart 3.4).

### Rural and Urban Inflation

3.8 The annual average rural inflation increased to 5.6 percent in June 2020 from 5.2 percent in June 2019. The average food and non-food inflation of rural area also increased in June 2020 as compared to the previous year.

**Chart 3.4 Core CPI Inflation**

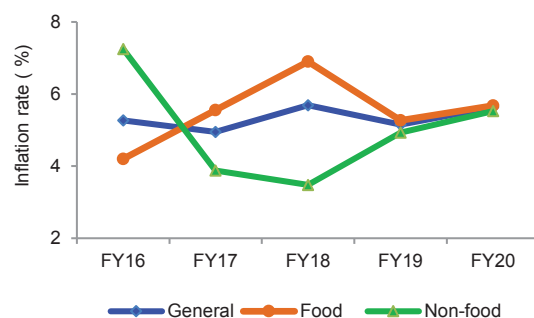
(point-to-point)



Source: BBS, and RD, BB.

**Chart 3.5 Rural CPI Inflation**

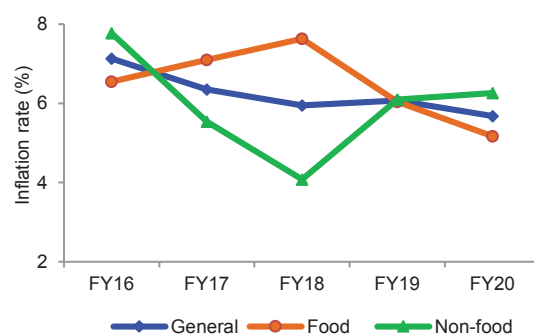
(twelve-month average : FY06=100)



Source: BBS.

**Chart 3.6 Urban CPI Inflation**

(twelve-month average : FY06=100)



Source: BBS.

Rural food inflation rose to 5.7 percent in June 2020 from 5.3 percent in June 2019 and non-food inflation leaped from 4.9 percent in June 2019 to 5.5 percent in June 2020 (Table 3.1

**Table 3.2 Annual Average National Level CPI by Consumption Basket Sub-groups**

(base: FY06=100)

Group/sub-group	Weight	FY18	FY19	FY20	% Change FY19	% Change FY20
General index	100	245.22	258.65	273.26	5.48	5.65
1. Food, beverage and tobacco	56.18	266.64	281.33	296.86	5.51	5.52
2. Non-food of which	43.82	217.77	229.58	243	5.42	5.85
i) Clothing & footwear	6.84	255.24	277.64	290	8.78	4.45
ii) Gross rent, fuel & lighting	14.88	200.25	206.98	220.7	3.36	6.63
iii) Furniture, furnishing, household equipment & operation	4.73	249.68	265.25	282.67	6.24	6.57
iv) Medical care & health expenses	3.47	209.28	215.31	230.07	2.88	6.86
v) Transport and communications	5.8	218.8	235.23	248.48	7.51	5.63
vi) Recreation, entertainment, education & cultural services	4.28	183.65	186.72	190.13	1.67	1.83
vii) Miscellaneous goods and services	3.82	223.81	239.87	259.27	7.18	8.09

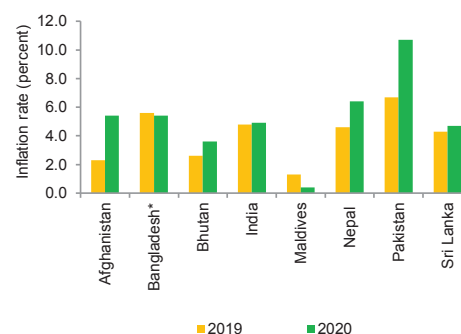
Source: BBS.

and Chart 3.5).

3.9 On the other hand, the annual average general and food inflation in urban area went down in June 2020 as compared to the previous year while non-food inflation slightly went up, with a bit volatility. Urban general inflation eased to 5.7 percent in June 2020 from 6.1 percent in June 2019. Urban food inflation declined from 6.0 percent in June 2019 to 5.2 percent in June 2020. However, the average urban non-food inflation rose to 6.3 percent in June 2020 from 6.1 percent in June 2019 (Table 3.1 and Chart 3.6).

### Inflation in SAARC and peer Asian Countries

3.10 Table 3.3 displays cross-country comparison of the trends of inflation of Bangladesh with SAARC and some South and East Asian peer economies. Among the SAARC countries, in 2019, Pakistan had the highest inflation rate of 6.7 percent followed by Bangladesh (5.6 percent), India (4.8 percent), Nepal (4.6 percent), and Sri Lanka (4.3 percent). Maldives experienced the lowest rate of inflation at 1.3 percent in 2019 in this region. Bhutan and Afghanistan registered 2.6 percent and 2.3 percent inflation in 2019 respectively. However, almost all other SAARC countries except Bangladesh and Maldives projected

**Chart 3.7 Inflation in SAARC Countries**

Note: All figures are end of the period

Sources: 1. BBS.

2. WEO, October 2020, IMF.

**Table 3.3 Inflation in SAARC and Other Asian Countries**

Countries	End of the period				
	2016	2017	2018	2019	2020 <sup>P</sup>
1. Afghanistan	4.4	5.0	0.6	2.3	5.4
2. Bangladesh <sup>®</sup>	5.5	5.7	5.6	5.6	5.4
3. Bhutan	3.3	4.3	3.7	2.6	3.6
4. India	4.5	3.6	3.4	4.8	4.9
5. Maldives	0.8	2.3	1.4	1.3	0.4
6. Nepal	9.9	4.5	4.1	4.6	6.4
7. Pakistan	2.9	4.1	3.9	6.7	10.7
8. Sri Lanka	4.0	6.6	4.3	4.3	4.7
<b>Other Asian Countries</b>					
9. Indonesia	3.5	3.8	3.3	2.8	2.1
10. Korea	1.0	1.9	1.5	0.4	0.5
11. Malaysia	2.1	3.8	1.0	0.7	-1.1
12. Myanmar	9.1	4.6	5.9	8.6	6.1
13. Singapore	-0.5	0.6	0.4	0.6	-0.4
14. Thailand	0.2	0.7	1.1	0.7	-0.4

<sup>P</sup> ProjectionSources: <sup>®</sup> BBS.

WEO, October 2020, IMF.

higher inflation for 2020 than actual inflation of 2019 (Table 3.3 and Chart 3.7).

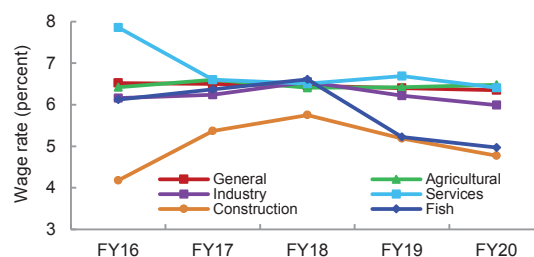
### Wage Rate Trends

3.11 The growth of general wage rate index stood at 6.4 percent in FY20 similar to growth of 6.4 percent in FY19. Among the sub-sectors of general wage index, agriculture sector indices growth improved by 6 basis points to 6.5 percent, while the industry and service sector indices growth decelerated in FY20 as compared to the previous year. However, among the sub-sectors of industry sector, the index of production sector registered the highest growth rate of 8.2 percent in FY20, while the construction sector scored the lowest growth rate of 4.8 percent in FY20 (Table 3.4 and Chart 3.8).

### Near Term Inflation Outlook

3.12 In line with the restrained growth outlook, there exists huge uncertainty regarding inflation projection. Reflecting the weak economic activities such as lower aggregate demand, hence, lower commodity prices (including historical low price of fuel), some economies have revised inflation projection downward for 2020. On the other hand, headline inflation is likely to increase in many countries in 2020 due to the unleash of restrained demand as buyers increase consumption which they could not buy due to lockdown, and the disruption of production and supply chains. However, in advanced economies, inflation is projected at 0.8 percent in 2020. Similarly, in emerging market and developing economies, inflation is projected at 5.0 percent. Consistent with the anticipated pickup in economic activity for undertaking different fiscal (stimulus spending and others) and monetary measures

**Chart 3.8 Growth Rate of Wage Index**  
(FY11 = 100)



Source: BBS.

**Table 3.4 Trends in Wage Rate Indices**  
(base: 2010-11=100)

	FY17	FY18	FY19	FY20
<b>General</b>	<b>141.46</b> (6.50)	<b>150.59</b> (6.46)	<b>160.23</b> (6.40)	<b>170.39</b> (6.35)
<b>Agriculture</b>	<b>141.22</b> (6.59)	<b>150.27</b> (6.41)	<b>159.92</b> (6.42)	<b>170.28</b> (6.48)
Agriculture	141.19 (6.60)	150.23 (6.40)	159.91 (6.44)	170.32 (6.51)
Fish	143.19 (6.37)	152.63 (6.61)	160.59 (5.22)	168.58 (4.97)
<b>Industry</b>	<b>140.27</b> (6.24)	<b>149.45</b> (6.55)	<b>158.74</b> (6.22)	<b>168.24</b> (5.99)
Construction	137.43 (5.37)	145.32 (5.75)	152.86 (5.19)	160.17 (4.77)
Production	146.01 (7.22)	157.81 (8.08)	170.66 (8.14)	184.65 (8.21)
<b>Services</b>	<b>145.01</b> (6.60)	<b>154.44</b> (6.51)	<b>164.78</b> (6.69)	<b>175.33</b> (6.41)

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

**Table 3.5 Global Inflationary Situation**

	End of the period			
	2018	2019	2020 <sup>P</sup>	2021 <sup>P</sup>
World	3.6	3.5	3.2	3.4
Advanced Economies	2.0	1.4	0.8	1.6
Euro Area	1.8	1.2	0.4	0.9
Emerging Market and Developing Economies	4.9	5.1	5.0	4.7
Emerging and Developing Asia	2.7	3.3	3.2	2.9
Bangladesh	5.8	5.5	5.6	5.9
China	2.1	2.9	2.9	2.7
India	3.4	4.8	4.9	3.7
Pakistan	3.9	6.7	10.7	8.8
Sri Lanka	4.3	4.3	4.7	4.6
United States	2.4	1.8	1.5	2.8

<sup>P</sup> Projection  
Source: WEO, October 2020, IMF.



to restore economic activities, global headline inflation is expected to rise marginally in 2021.

3.13 In 2021, consumer price inflation is expected to increase at 1.6 percent in advanced economies and 0.9 percent in euro area (World Economic Outlook, October 2020). In contrast, in emerging market and developing economies and, emerging and developing Asia inflation is projected to be marginally lower for 2021 than 2020 (Table 3.5).

3.14 In the latest publication– ‘Food Outlook, June 2020’, Food and Agriculture Organization (FAO) has forecasted world cereal production at 2780.5 million tonnes for 2020, nearly 69.6 million tonnes higher than 2019, assuming normal weather for the remainder of the season and based on the conditions of crops already harvested and in the ground. Among the global cereal items, one of the major item–rice production is set at 508.7 million tonnes for 2020 against the production of 500.6 million tonnes in 2019. In contrast, global wheat production is forecasted slightly lower than the previous year’s good harvest at 758.3 million tonnes for 2020.

3.15 In Bangladesh, total government procurement of food grains stood at 1.9 million metric tons in FY20, lower by 0.6 million metric ton than that of FY19. Government and private imports of food-grains were 6.4 million metric tons in FY20, which was about 0.6 million metric

tons higher than the imports of food-grain in FY19. The government distributed 2.8 million metric tons of food grains under its Public Food Distribution System (PFDS) in FY20, which was slightly higher than the preceding financial year’s amount.

3.16 In this backdrop, Bangladesh government has set a target of the annual average inflation rate 5.4 percent for FY21. During the first two months of FY21 (July-August), the average headline inflation remained stable at 5.7 percent level but slightly higher than the annual target, although the average food inflation up surged to 5.6 percent in August 2020 from 5.5 percent in June 2020, while non-food inflation declined to 5.7 percent in August 2020 from 5.9 percent in June 2020. Crop losses related to the recent widespread, prolonged and severe floods and the COVID-19 pandemic triggered in the recent increases of headline inflation while there were good harvest of rice– ‘Boro’ and ‘Aus’ in FY20. This domestic price pressure is likely to continue in coming months. Moreover, external shocks arising from increasing food prices in the international markets may also put pressure on domestic inflation. However, BB’s expansionary and accommodative monetary policy stance for FY21 along with the government initiatives in combating the COVID-19 fallout would help to keep inflation stable within the target level.



## Money and Credit

### Performance of Monetary and Credit Policy in FY20

4.1 The monetary policy stance and monetary programme for FY20 was drawn-up with the dual objectives of maintaining price stability and supporting inclusive, equitable, and environmentally sustainable economic growth. Monetary policy stance and monetary programmes for FY20 were cautiously accommodative for all growth support needs with the target of attaining GDP growth rate at 8.2 percent alongside containing CPI-based annual average inflation within the targeted ceiling of 5.5 percent.

4.2 Until February of FY20, the domestic economy of Bangladesh upheld its precise path of moderating inflation and accelerating real GDP growth supported by the broad based economic activities. The emergence of novel corona virus pandemic in the late December 2019 confounds the world to an incomprehensible halt. With the confirmation of the COVID-19 outbreak locally spread in March 2020, a serious impediment created on the achievement of the key objectives of FY20 monetary policy - keeping annual CPI average inflation within target ceiling and attaining real GDP growth at the desired rate. As a result, annual average CPI based inflation stood at 5.7 percent in FY20, slightly up from target ceiling of FY20 and actual inflation of 5.5 percent in FY19. The annual average non-food inflation, particularly relating to health care and medical expenses, and disruption of supply chains due to corona virus pandemic were largely responsible for this higher inflation. The real GDP growth also tumbled which has been

**Table 4.1 Programme and Actual Monetary and Credit Development**

(In billion BDT)

Particulars	End June 2019	End June 2020	
	Actual	Programme	Actual
1. Net foreign assets	2704.5 (2.1)	2818.2 (4.2)	2980.8 (10.2)
2. Net domestic assets (a+b)	9483.7 (+12.3)	10954.5 (+15.5)	10750.3 (+13.4)
a) Domestic Credit (i+ii)	11387.1 (+12.4)	13365.9 (+17.4)	12943.1 (+13.7)
i) Credit to the public sector <sup>1</sup>	1284.5 (21.7)	1768.2 (+37.7)	1970.4 (53.4)
ii) Credit to private sector	10102.6 (+11.3)	11597.7 (+14.8)	10972.7 (+8.6)
b) Other items (net)	-1903.4	-2411.4	-2192.7
3. Narrow money (i+ii)	2725.0 (+7.2)	-	3276.4 (+20.2)
i) Currency outside banks	1542.9 (+9.5)	-	1921.1 (+24.5)
ii) Demand deposits <sup>2</sup>	1182.2 (+4.4)	-	1355.3 (+14.6)
4. Time Deposits	9463.2 (+10.7)	-	10454.7 (+10.5)
5. Broad money (1+2) or (3+4)	12188.2 (+9.9)	13772.7 (+13.0)	13731.1 (+12.7)

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

<sup>1</sup> This includes net credit to government and government lending fund has been treated as deposit in calculating claims on government (net).

<sup>2</sup> Demand deposits of monetary authority are excluded.

Source: MPD and SD, BB.

provisionally estimated at 5.2 percent for FY20, significantly lower than the target as well as actual growth (8.2 percent) recorded in FY19. The real GDP growth declined in FY20 due to both supply and demand side factors owing to long and sustained worldwide lockdowns caused by COVID-19 pandemic. In the supply side, the economic activities, particularly in the manufacturing and service sectors remarkably declined in FY20. Similarly, both the domestic and external demand declined sharply as reflected in the growth of imports (-8.6 percent) and exports (-16.9 percent) in FY20.

### **Box 4.1 Transformation to Interest Rate-based Monetary Policy Framework**

With the rapid developments in theory of monetary policy, the practice of monetary policy framework has greatly been evolved since the early 1990s. Meanwhile many central banks around the globe especially in the industrialized/developed countries have transformed their long-existed monetary policy framework mostly from the Quantity Theory based monetary aggregate targeting regime to interest rate or inflation targeting regime depending on their own status of economic and financial developments. Likewise other central banks around the world, Bangladesh Bank (BB) has its own institutional arrangement under which monetary policy decisions are made and executed. BB's current monetary policy framework is essentially a monetary aggregate targeting based on the ideology that broad money (M2) is largely determined by reserve money (RM) through money multiplier. Under this framework, broad money (M2) is considered as intermediate target and reserve money consisting of currency outside banks plus cash in tills and cash balances of the deposit money banks (DMBs) with Bangladesh Bank as operating target.

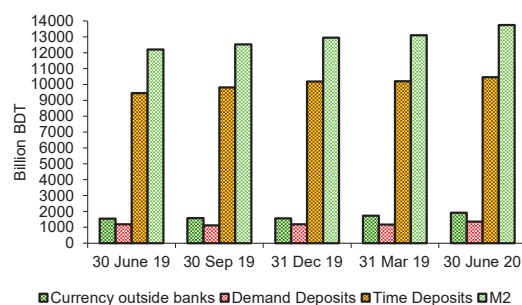
To reach its reserve money target, Bangladesh Bank controls liquidity in the market on a day-to-day basis using various indirect monetary policy tools such as auctions based repo and reverse repo operations, buying and selling of Bangladesh Bank bills including government's debt instruments comprising of various treasury bills and bonds. If required, BB sporadically uses its available direct monetary policy instruments such as change in cash reserve ratio (CRR) and or the statutory liquidity ratio (SLR) depending on the macroeconomic situation and liquidity position of banks. Bangladesh Bank also intervenes in foreign exchange market to reduce undue volatility in the exchange rate of Taka against other currencies and for maintaining export competitiveness. In addition, Bangladesh Bank uses refinancing lines and mandatory credit quotas to steer credit allocation in priority sectors of the economy, as well as a variety of regulatory measures to promote financial inclusion, inclusive growth and environmental stability.

Bangladesh has experienced a significant transformation from its agrarian based to an outward-oriented industry and service sectors based economy during the last three decades or more. With the implementation of structural adjustment policies and gradual opening of external sector, Bangladesh economy has consistently exhibited a strong real GDP growth performance in the recent years and is now proceeding towards a middle-income country status where controlling monetary aggregates by using reserve money may appear to be tricky and thus transmit of monetary policy decisions in the real sectors of the economy may be inadequate. Therefore, BB is proceeding with preparatory work for adopting a policy interest rates focused monetary policy regime in which policy interest rates exert direct impact on prices in the financial and real sectors, rather than indirectly through a monetary aggregate (broad money) as in the policy regime now in use. The intended regime is expected to quicken and heighten efficiency in transmission of intentions of monetary policy. The process of shifting current monetary policy regime may be initiated by introducing flexible monetary targeting (FMT) for gradually transformation to an interest rate targeting framework. The IMF SARTTAC is currently extending technical assistance in BB's ongoing preparatory work for transformation towards inflation targeting framework.

4.3 Although the achievements of prime objectives were slightly lower than the targets, the monetary policy stance and programme executed in FY20 were largely successful in narrowing the current account deficit of BoP from USD 5.1 billion in FY19 to USD 4.9 billion in FY20 which help to excel up the growth of net foreign assets of the banking system. Most of the monetary and credit aggregates also remained consistent with the programmed paths in FY20. Broad money (M2) growth (12.7 percent) remained very close to the target ceiling of 13.0 percent. Although credit to public sector experienced an elevated growth path as compared to its programme, domestic credit growth remained well below the programme ceiling.

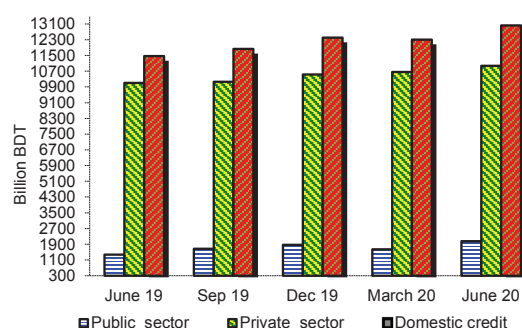
4.4 Favourable policy measures undertaken by government as well as Bangladesh Bank to boost remittance inflows, slow and steady depreciation of BDT, strict monitoring on compliance with macro prudential advance-deposit ratios and lower internal and external demand worked together well to moderate import demand and workers' remittance inflows and, thereby, contributes to reduce the current account deficit. The Government's 2.0 percent cash incentive programme and BB's initiatives of easing money transfer process along with the policy of gradual depreciation of BDT against the USD played pivotal role in augmenting remittance inflows (10.9 percent growth) in FY20. Supported by larger inflows from remittances and significant amount of surplus in financial account balance emerged from medium, long-term loans and FDI inflows, foreign exchange reserve reached to a record high of USD 36.4 billion at the end of June 2020. BB's policy measures including reducing CRR and repo rate along with providing enhanced repo and refinance facilities to banks with timely

**Chart 4.1 Movements in the Components of Broad Money (M2)**



Source: MPD and SD, BB.

**Chart 4.2 Movements in Domestic Credit and its Components**



Source: MPD and SD, BB.

intervention in the foreign exchange market helped maintain stability in both the inter-bank local currency and foreign exchange and as such BDT-USD exchange rate (month end) depreciated only by 0.5 percent at the end of June 2020. The comfortable level of foreign exchange reserve as well as stability in the exchange rate is now instilling the confidence of foreign investors on the strength and stability of the growing Bangladesh economy.

### Money and Credit Situation

4.5 To pursue the growth supportive monetary policy stance and to attain the inflation target, the growth of major anchor variables of the monetary and credit policy and programme viz. broad money (M2), reserve

money and domestic credit were set to be within 13.0 percent, 12.0 percent and 17.4 percent respectively for FY20. Broad money actually grew closely to the programme level of 12.7 percent against the targeted 13.0 percent. Although credit to public sector as well as actual NFA growth outpaced the programme path, NDA remained well below the programmed level due mainly to slow growth of credit to private sector, which also helped keep broad money within the programmed level. The growth in private sector credit experienced a moderating trend throughout the whole fiscal year (FY20) initially due to the banks' adherence towards quality lending which was further aggravated by the outbreak of corona virus. Therefore, private sector credit grew by 8.6 percent against the targeted growth of 14.8 percent in FY20. The public sector credit including net credit to the government significantly grew by 53.4 percent against the programmed growth of 37.7 due mainly to slow growth of NBR revenue collection, subdued sale of national saving certificates while the government spending followed an increasing trend for the implementation of massive stimulus package to mitigate the blow of corona virus pandemic. However, domestic credit grew moderately by 13.7 percent against the targeted 17.4 percent due to slow pace in credit to private sector, the leading contributing sector to the domestic credit. The monetary and credit programme vis-à-vis their actual outcome and development of the major components of broad money are presented in Table 4.1 and Charts 4.1 and 4.2 respectively.

### Reserve Money developments

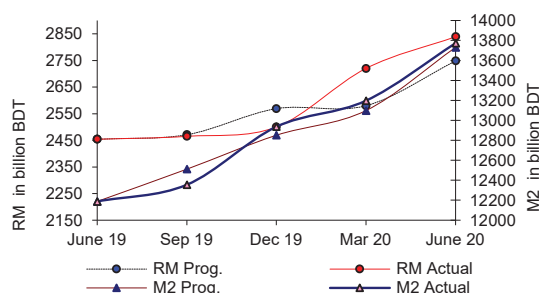
4.6 Bangladesh Bank uses reserve money (RM) as an operating target to modulate liquidity consistent with the overall monetary projection as well as keeping broad money (M2) in line

**Table 4.2 Programmed and Actual Growth of Reserve Money and its Components**  
(in Billion BDT)

Particulars	End June 2019	End June 2020	
	Actual	Programme	Actual
Net foreign assets <sup>1</sup> ®	2458.8	-	2697.3
Net foreign assets <sup>2</sup> ®	2439.4	2474.0	2704.8
Net domestic assets <sup>1</sup>	-4.8	-	141.3
Net domestic assets <sup>2</sup>	-14.6	274.5	133.9
Domestic Credit	335.0	382.4	498.3
	(41.4)	(+14.1)	(48.7)
Credit to the public sector <sup>3</sup>	281.5	328.9	430.4
	(55.1)	(+16.8)	(52.9)
Credit to deposit money banks <sup>4</sup>	53.5	53.5	67.9
	-(3.4)	(+0.0)	(27.0)
Other items (net)	-320.4	-107.9	-364.4
Reserve money	2454.0	2748.5	2838.6
	(+5.3)	(+12.0)	(+15.7)
Currency issued	1703.9	2020.9	2080.9
	(+10.0)	(+18.6)	(+22.1)
Deposits of banks with BB <sup>5</sup>	750.1	727.6	757.7
	-(3.9)	(-3.0)	(1.0)
Money multiplier	4.97	5.01	4.84

Note: Figures in the parentheses indicate y-o-y percentage changes.  
<sup>1</sup> Calculated from monetary survey using end of period exchange rates.  
<sup>2</sup> Calculated using constant exchange rates of end June 2019.  
<sup>3</sup> Govt. lending fund is treated as deposit in calculating net credit to Govt.  
<sup>4</sup> Considers only loans and advances to DMBs.  
<sup>5</sup> Excluding foreign currency clearing account balance and non-bank deposits.  
 ® Excluding foreign currency clearing account balance and offshore bank account.  
 Source: MPD and SD, BB.

**Chart 4.3 Programmes and Actual Developments of M2 and RM**



Source: MPD and SD, BB.

with the target path to attain the price stability. Bangladesh Bank's own instruments along with government's treasury bills and bonds are used to track RM for maintaining M2 growth within the projected level.

### Box 4.2 Policy Measures of Bangladesh Bank in Addressing Economic Fallout due to COVID-19

The outbreak of COVID-19 has created a large-scale socio-economic impact on countries around the globe. According to World Bank's Global Economic Prospects, June 2020 global GDP was expected to contract by 5.2 percent during 2020 and the pandemic is likely to have adverse effect over the coming years. This scenario can be seen from the chart; all types of economies are expected to experience slump in 2020 and recover by 2021.

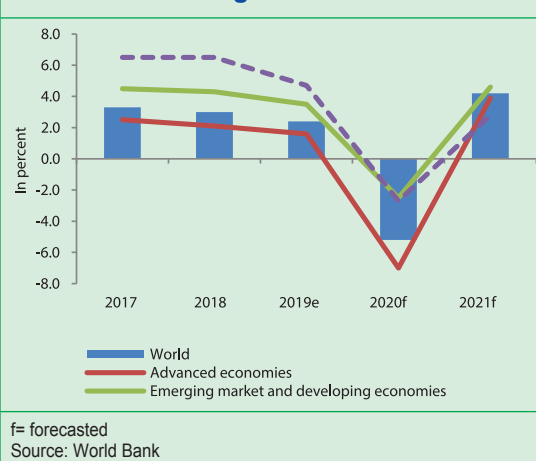
COVID-19 also shook up the Bangladesh economy, GDP recorded 5.24 percent growth in FY20, which was much lower than our budgetary target of 8.20 percent. Export declined by 16.93 percent at the end of FY20 while import decreased by 8.56 percent. Domestic consumption, private investment etc. suffered setback due to lower demand and prolonged lockdown. To deal with the economic fallout due to COVID-19 Bangladesh has announced a series of stimulus packages amounting close to BDT 1.11 trillion (about 4 percent of GDP 2019), consisting of both fiscal and monetary measures. Most of the packages are composed of bank loans using bank's own

capital with some support by Bangladesh Bank's refinancing schemes. With a large part of the package channeled through the banking system, banks are faced with rising demand for bank lending. To contain the negative fallout from the COVID-19 outbreak, the focus of Bangladesh Bank (BB) is to ensure that there is adequate liquidity in the financial system to support the operations of banks.

BB used its full range of tools to support the economy through the challenging time include reduction of the repo rate in two steps by 75 basis points (bps) to 5.25 percent and the cash reserve requirement (CRR) by 150 bps to 3.5 percent on a daily basis and to 4 percent on a bi-weekly average basis. CRR was cut to 1.5 percent (daily basis) and 2.0 percent (bi-weekly basis) for offshore banking operation and 1.0 percent (daily basis) and 1.5 percent (bi-weekly basis) for Non-bank Financial Institutions (NBFIs). BB expanded provision of the repo facility with a 360-day tenor special repo to support exporters, farmers and to facilitate the implementation of the government stimulus packages. BB initiates outright purchase of treasury bonds and bills from the secondary market at the market rate from banks and non-bank financial institutions after these institutions meet the statutory liquidity ratio (SLR). As some banks and financial institutions act as primary dealer of such securities, this will help ease their liquidity. BB raised the advance/investment-deposit ratio (ADR/IDR) by 2.0 percentage points, increasing ADR to 87 percent for the conventional banks, and IDR to 92 percent for the Shariah-based Islamic banks.

Besides, BB announced a number of refinance scheme to support the flow of credit to the households and businesses. These facilities include :

Chart: Real GDP growth forecast



**Interest payment subsidies for working capital :** Government introduced interest payment subsidies for working capital loans by banks to businesses: (i) BDT 330 billion loans to COVID-19 impacted industries and service sector firms and (ii) BDT 200 billion loans to Cottage, Micro, Small and Medium Enterprises (CMSMEs). In this connection, BB has launched two revolving refinance schemes of BDT 150 billion for (i) and BDT 100 billion for (ii) to ensure adequate liquidity of banks.

**Injection of fund into EDF:** Facilitation of exports by enhancing the size of BB's Export Development Fund by USD 1.5 billion to USD 5.0 billion with lower interest rates.

**Pre-shipment credit refinance scheme:** BDT 50 billion refinance schemes by BB to provide short-term working capital for raw materials, manufacturing, insurance and freight based on evidence of an export commitment;

**Low-income professionals, farmers, and marginal/ micro-businessmen :** BDT 50 billion refinancing scheme to support the working capital of small and medium farmers; and BDT 30 billion scheme to assist the COVID-19 affected low-income professionals, farmers, and marginal/ micro-businessmen.

**Working capital for agricultural businesses:** Introduced stimulus package of BDT 50 billion for working capital of small and medium farmers (working capital dependent agricultural business excluding crop industries e.g. horticulture, fish firm, poultry, dairy, animal husbandry). The affected customers will be able to avail up to 20 percent extra of the existing loan facilities. BB will charge only 1 percent from banks and the banks will charge 4 percent from the customers. The loan will be repayable within 18 months including 6 months grace period. BB also asked all banks to form Quick Response Team (QRT) consisting of senior officials at the headquarters so that the QRT can take quick decisions to counter issues arising from COVID-19 pandemic. For the crop sector, BB advised banks to provide agricultural loan at 4% from banks' own funds whereas BB will reimburse banks with 5% interest as subsidy.

BB also announced some foreign trade related initiatives to facilitate trade. Previously, bullet repayment was possible for raw material import by industrial units for their own use under supplier's/ buyer's credit regardless of shipment value. Moreover, bullet repayment was possible for import amounting to USD 0.50 million or equivalent with usance period between six months to one year. Now, BB also announced that bullet payment will be permissible for other usance imports besides specified import transaction under supplier's/ buyer's credit.

In addition, BB has taken measures to defer non-performing loan classification, waive credit card fees and interests, suspend loan interest payments, impose restrictions on bank dividend payments, extend tenures of trade instruments, and ensure access to financial services. The recent BB initiative regarding formation of a credit guarantee scheme to support cottage, micro and small enterprises that lack adequate assets to pledge for bank loans is noteworthy.

With all these policy measures, BB provides a bridge by stepping in and supporting lending throughout the economy so that the COVID-19 pandemic related challenges could be recovered fast.

4.7 In line with the projected broad money growth, monetary programme is set at 12.0 percent growth of RM for FY20 while actual growth stood at 15.7 percent. Actual growth of reserve money surpasses the target due mainly to increase in net foreign assets

(NFA) as well as hefty growth of credit to public sector including government. Owing to slow pace of import accompanied by strong inflows of remittances, medium and long-term loan, NFA of Bangladesh Bank increased by BDT 265.4 billion in FY20 against the



programmed increase of BDT 34.6 billion. On the other hand, net domestic asset (NDA) of Bangladesh Bank increased by BDT 148.5 billion in FY20 against the programmed increase of BDT 289.1 billion. Domestic credit, the major component of NDA registered 48.7 percent growth in FY20, against the projected 14.1 percent growth for FY20. Domestic credit growth substantially increased due to increase in BB's credit to public sector along with credit to deposit money banks. BB's credit to public sector increased by BDT 148.9 billion or 52.9 percent as compared to the programmed increase of BDT 47.4 billion or 16.8 percent. BB's credit to deposit money banks also increased by BDT 14.4 billion and stood at BDT 67.9 billion at the end of June 2020 as compared to the programmed level of BDT 53.5 billion. Against the projected liability of BDT 107.9 billion, actual liability in other items (net) stood at BDT 364.4 billion at the end of June 2020. Reduction of liability in other items (net) as per the projection mainly hindrances by increasing liability in BB's capital account, government Islamic investment bond (GIIB) fund and unclassified liability. In spite of enhanced liability in other items (net), reserve money grew faster than programme level due to vigorous growth in domestic credit (DC) as well as increase in net foreign assets (NFA) of BB. Programmed and Actual growth of RM during FY20 can be seen in Table 4.2. Actual developments of M2 and RM against their respective programmed paths can also be seen in Chart 4.3.

4.8 Money multiplier decreased to 4.84 in FY20 as compared to 5.01 in FY19. Money multiplier is usually affected by the behavior of banks, individuals as well as central bank

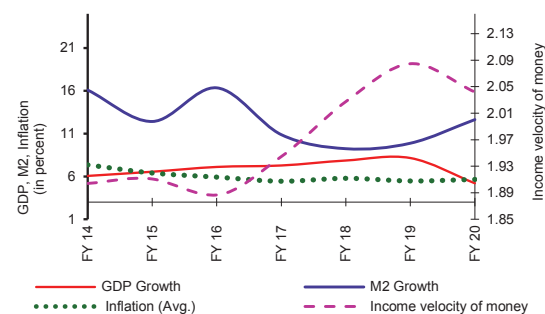
**Table 4.3 Income Velocity of Money**

Year	GDP at current market prices	Broad Money (M <sup>2</sup> )	Income velocity of money
FY 14	13436.74	7006.24	1.92 (-3.52)
FY 15	15158.02	7876.14	1.92 (0.0)
FY 16	17328.64	9163.78	1.89 (-1.56)
FY 17	19758.15	10160.76	1.94 (2.65)
FY 18	22504.79	11099.81	2.03 (4.64)
FY 19	25424.83	12196.12	2.08 (2.46)
FY 20	27963.78	13737.35	2.04 (-1.92)

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

Source: MPD and SD, BB, and BBS.

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



Source: MPD and SD, BB, and BBS.

due to change in reserve-deposit ratio and currency-deposit ratio. Reserve-deposit ratio decreased to 0.077 in FY20 from 0.086 in FY19, while currency-deposit ratio increased to 0.163 in FY20 as compared to 0.145 in FY19. A rapid growth of currency holdings by the public due to the pandemic situation of corona virus led to increase in currency deposit ratio and decrease in reserve-deposit ratio which interactively contributed to decrease the size of money multiplier in FY20.

### Income Velocity of Money

4.9 The income velocity of money slightly decreased to 2.04 in FY20 from 2.08 in FY19 (Table 4.3). The income velocity of money decreased after a continued increasing trend for the previous three consecutive years, reflecting M2 growth was faster than the growth of nominal income indicating slow pace of economic activities in spite of BB's expansionary monetary policy measures taken to boost up the economy. As a result, the change of income velocity of broad money declined by 1.92 percent in FY20 against 2.46 percent increase in FY19. The magnitudes of income velocity of money and their changes during FY14-FY20 are shown in Table 4.3. Movements of the growth of GDP at current market prices, broad money (M2) growth, annual average inflation and income velocity of money during FY14-FY20 are shown in Chart 4.4.

### Bank Credit

4.10 Outstanding bank credit (excluding foreign bills and inter-bank items) in FY20 rose by BDT 898.26 billion or 8.95 percent to BDT 10940.07 billion against the increase of 11.64 percent in FY19. The rise in the bank credit occurred due to increasing of advances by banks while bills purchased and discounted by banks slightly decreased in FY20. Advances increased by BDT 964.39 billion or 9.91 percent in FY20 against the increase of 11.74 percent in FY19. Bills purchased and discounted decreased by BDT 66.13 billion or 21.63 percent in FY20 against the increase of 8.40 percent in FY19. The quarterly position of bank credit and its components are given in Table 4.4.

**Table 4.4 Quarterly Position of Bank Credit\***  
(In billion BDT)

Outstanding as of	Advances	Bills	Total Credit
30 June19	9736.14 (96.96)	305.68 (3.04)	10041.81
30 Sep 19	9818.47 (97.10)	293.60 (2.90)	10112.07
31 Dec 19	10230.64 (97.24)	290.29 (2.76)	10520.93
31 Mar 20	10400.98 (97.62)	253.63 (2.38)	10654.61
30 June20	10700.53 (97.81)	239.55 (2.19)	10940.07

Figure in parentheses indicate percentage shares of total bank credit.

\*Excluding foreign bills and inter bank credit.

Source: MPD and SD, BB.

**Table 4.5 Quarterly Positions of Bank Deposit\***  
(In billion BDT)

Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 June19	1182.18	9463.18	827.79	11473.15
30 Sep 19	1121.79	9810.61	769.29	11701.69
31 Dec 19	1184.83	10184.97	849.84	12219.64
31 Mar 20	1167.04	10197.14	846.43	12210.60
30 June20	1355.28	10454.71	880.99	12690.99

\*Excluding inter bank and restricted deposits.

Source: MPD and SD, BB.

### Bank Deposits

4.11 Bank deposits (excluding inter-bank items) increased by BDT 1217.84 billion or 10.61 percent to BDT 12690.99 billion during FY20 against 9.89 percent increase in FY19. The rise in total bank deposits was shared by all kinds of deposits. Demand deposits increased by BDT 173.11 billion or 14.64 percent to BDT 1355.28 billion in FY20 against 4.42 percent increase in FY19. Time deposits increased by BDT 991.53 billion or 10.48 percent to BDT 10454.71 billion in FY20 against 10.67 percent increase in FY19. Government deposits increased by BDT 53.2 billion or 6.43 percent to BDT 880.99 billion in FY20 against 9.2 percent increase in FY19. Quarterly position of bank deposits has been shown in Table 4.5.



### Credit/Deposit Ratio

4.12 The credit/deposit ratio of the scheduled banks excluding the specialized banks was 0.86 at the end of June 2020 which was 0.88 at the end of June 2019 (Table 4.7). Marginal decrease in credit to deposit ratio indicates that deposit growth was slightly faster than the credit growth.

### Scheduled Banks' Borrowing from BB

4.13 Scheduled banks' borrowings from the Bangladesh Bank sharply increased by BDT 149.30 billion or 42.21 percent in FY20 to BDT 503 billion at the end of June 2020 which increased by 9.40 percent in FY19. The switching over of the Government borrowing policy from non-bank sources to banking sources and an unusually high demand of cash withdrawals by the depositors due to pandemic situation of corona virus were responsible for this sharp increase of scheduled banks borrowing from the BB in FY20.

### Scheduled Banks Balances with BB and their Cash in Tills

4.14 Balances of scheduled banks with Bangladesh Bank increased by BDT 7.58 billion or 1.00 percent in FY20 and stood at BDT 757.68 billion at the end of June 2020 which increased by 3.88 percent in FY19. Cash in tills of scheduled banks decreased by BDT 1.2 billion or 0.75 percent in FY20 and stood at BDT 159.8 billion at the end of June 2020 which increased by 14.81 percent in FY19.

### Cash Reserve Requirement (CRR)

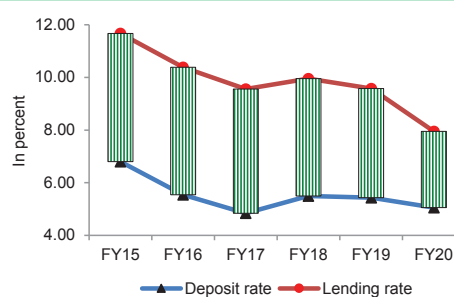
4.15 On the backdrop of economic downturn emerged from the COVID-19 pandemic, the Cash Reserve Requirement (CRR) for the scheduled banks with the Bangladesh Bank

**Table 4.6 Trends in Weighted Average Interest Rates of Scheduled Banks and their Spreads**

Items	as of end June (percent)					
	FY15	FY16	FY17	FY18	FY19	FY20
Deposit rate	6.80	5.54	4.84	5.50	5.43	5.06
Lending rate	11.67	10.39	9.56	9.95	9.58	7.95
Spread	4.87	4.85	4.72	4.45	4.15	2.89

Source: SD, BB.

**Chart 4.5 Trends in Weighted Average Interest Rates of Scheduled Banks**



Source: SD, BB.

**Table 4.7 Liquidity Indicators**

(In percent)

As On	ADR	LCR	NSFR	Call Money Rate	Credit Deposit ratio
30 Jun 2019	77.49	177.28	111.56	4.54	0.88
30 Sep 2019	76.58	187.79	112.70	5.02	0.86
31 Dec 2019	77.34	200.50	111.24	5.07	0.86
31 Mar 2020	77.77	192.55	109.75	5.17	0.87
30 Jun 2020	76.22	213.52	110.57	5.02	0.86

ADR and call money rate has shown in percentage.

Source: DOS, SD and MPD, BB.

was reduced by 150 basis points in two parcels to 4.0 percent of their total demand and time liabilities to enhance adequate liquidity in the economy in FY20. It may be mentioned here that banks are required to maintain CRR at the rate of 4.0 percent on bi-weekly average basis provided that the CRR would not be less than 3.5 percent in any day with effect from 15 April, 2020.

### Statutory Liquidity Ratio (SLR)

4.16 According to the amendment of sub section (2) under section 33 of the Bank Company Act, 1991, it was 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, will not be less than 13.0 percent of their total demand and time liabilities, and (b) for the *shariah* based Islami banks- this rate shall not be less than 5.5 percent. This became effective on February 01, 2014 and remained unchanged in FY20.

### Bank Rate

4.17 After introduction of repo and reverse repo windows for banks on November 6, 2003; the use of bank rate became very much limited. However, BB has prudently been using bank rate mostly for providing refinance facilities to banks and penalizing them for any departure from maintenance of CRR as per set rules of BB. The bank rate remained unchanged at 5.00 percent in FY20.

### Interest Rates on Deposits and Lending

4.18 BB's efforts towards rationalization of market lending rate and enhancement of banks intermediation efficiency through reduction of spread between the deposit and lending rates continued in FY20. Both lending and deposit interest rates are seen to be following declining trends particularly towards the end of FY20. The gap between lending and deposit interest rates (interest rate spread), viewed as a measure of intermediation efficiency of banks, has also been markedly narrowed since April 2020 due mainly to BB's direction of rationalization

**Table 4.8 Excess Liquid Assets of Various bank-groups**

(in billion BDT)

As On	State-owned Banks	Specialized Banks	Private Banks (Other than Islamic)	Islamic Banks	Foreign Banks	Total
30-Jun-19	397.03	0.00	274.64	58.37	126.12	856.16
30-Sep-19	330.61	0.00	356.17	60.58	142.18	889.54
31-Dec-19	425.58	0.00	399.94	87.28	144.09	1056.89
31-Mar-20	368.18	0.00	340.26	61.63	129.30	899.37
30-Jun-20	546.73	0.00	556.85	93.52	198.68	1395.78

ADR and call money rate has shown in percentage.  
Source: DOS and MPD, BB.

of interest rates/profits on banks' lending and investment, with effective from 01 April 2020. Along with the reduction in the intermediation spread, both the deposits and advances have maintained growing trends in FY20 supported by the government's execution of discipline on the issuance of NSCs. Following BB's liquidity enhancing monetary policy measures as well as policy direction of interest rates/profits on banks' lending interest rate spread (the gap between deposits and lending rates) remarkably narrowed down to 2.89 percent in FY20 from 4.15 in FY19. Table 4.6 and Chart 4.5 contain weighted average interest rates of scheduled banks on deposit and lending along with their spread during FY15 to FY20.

### Liquidity Management Framework

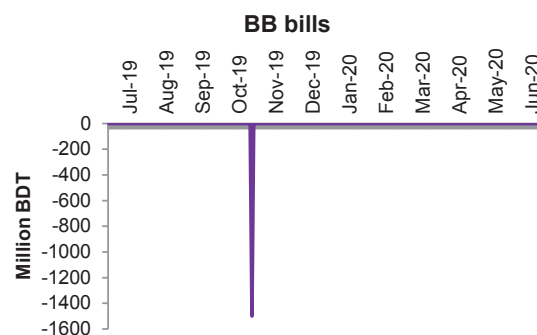
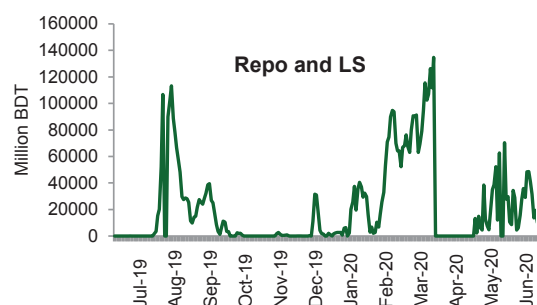
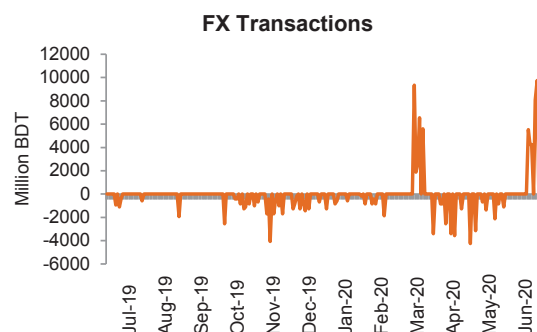
4.19 BB's current monetary policy regime is highly bonded with liquidity management especially for maintaining stability in call money rate, long-term interest rate as well as exchange rate and for promoting economic growth alongside maintaining price stability. Through controlling liquidity in the banking system by using various monetary policy instruments, BB tries to keep reserve money within the target

path mostly for achieving price stability.

4.20 Lower than expected tax revenue generation and slow net sales of National Saving Certificate (NSC) forced the government to switch borrowing from non-bank to banks to meet up ADP related expenditure in FY20. As a result, credit demand in the banking system was high especially during the first half of FY20, thereby; surplus liquid assets (in excess of CRR and SLR) with banks remained at a reasonable level during that period. Moreover, in the backdrop of the COVID-19 outbreak, BB pursued various liquidity enhancing policy measures including reduction of CRR, purchase of government securities from banks and FIs, introduction of long-term repo facilities up to 360-day, along with the adoption of several refinance schemes facilitate to extend liquidity in the money market. As a result, excess liquid assets (in excess of CRR and SLR) of scheduled banks stood higher at BDT 1395.78 billion at the end of June 2020, though a lion share of this surplus liquidity holding by the banks remained in the form of government securities.

4.21 Alongside BB's ongoing expansionary policy measures, its drives of buying foreign currency from the market started during the last quarter of FY20 also helped restoring normalcy in both the money and foreign exchange markets, stabilizing the call money rate within the corridor of the repo and reverse repo rates and keeping the BDT-USD exchange rate competitive.

**Chart 4.6 Liquidity Management Operations During FY20**



Source: MPD, BB.

## 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)

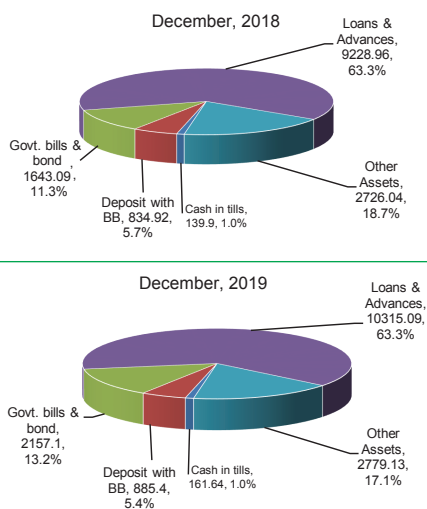
Bank types	2018						2019					
	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total Deposits	Share in industry deposits (in percent)	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total Deposits	Share in industry deposits (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
<b>Total</b>	<b>59</b>	<b>10286</b>	<b>14572.9</b>	<b>100.0</b>	<b>10798.7</b>	<b>100.0</b>	<b>59</b>	<b>10578</b>	<b>16298.4</b>	<b>100.0</b>	<b>12145.2</b>	<b>100.0</b>

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.

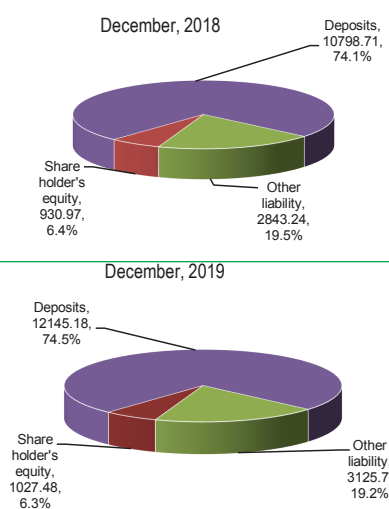
aggregate liquidity at the end of FY20. Besides, BB continues its efforts to reduce overall NPLs of the banking sector. At the end of FY20, the overall NPL ratio and Capital to Risk weighted Asset Ratio (CRAR) stood at 9.56 percent and 11.63 percent respectively.

### 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

**Chart 5.2 Aggregate Industry Liabilities**

(In billion BDT)



Source: DOS, BB.

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

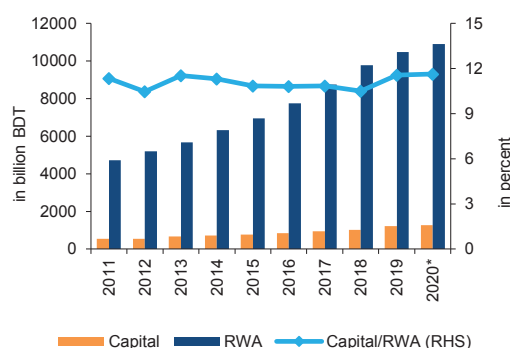
5.5 As on 31 December 2019, total number of branches of the 59 scheduled banks were 10,578 (Appendix 4, Table. I). Among these, 48.51 percent (5131) of the bank branches were in rural areas and the rest (5447 branches or 51.49 percent) were in urban areas. The SCBs had 2018 rural branches and 1755 urban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

Bank types	(In percent)									
	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
<b>Total</b>	<b>11.4</b>	<b>10.5</b>	<b>11.5</b>	<b>11.3</b>	<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>12.1</b>	<b>11.6</b>	<b>11.6</b>

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.

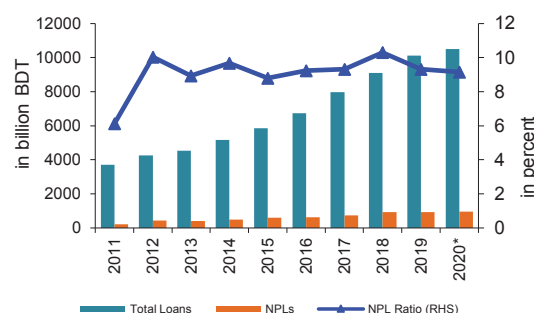
5.9 Table 5.2 shows the Capital to Risk Weighted Assets Ratio (CRAR) by type of banks. It is observed that the CRAR of SCBs, PCBs and FCBs were 6.93, 13.31 and 24.35 percent respectively as on 30 June 2020. Both the SBs failed to maintain MCR on risk weighted assets basis. Besides, 4 SCBs and 3 PCBs 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

**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**

Bank types	(in percent)									
	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
<b>Total</b>	<b>6.1</b>	<b>10.0</b>	<b>8.9</b>	<b>9.7</b>	<b>8.8</b>	<b>9.2</b>	<b>9.3</b>	<b>10.3</b>	<b>9.3</b>	<b>9.2</b>

Source: BRPD, BB.

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

Bank types	(in percent)									
	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
<b>Total</b>	<b>0.7</b>	<b>4.4</b>	<b>2.0</b>	<b>2.7</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>2.2</b>	<b>1.0</b>	<b>0.2</b>

Source: BRPD, BB.

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)].

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,

**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
<b>Total</b>	<b>226.5</b>	<b>427.4</b>	<b>405.8</b>	<b>501.6</b>	<b>594.0</b>	<b>621.8</b>	<b>743.1</b>	<b>939.2</b>	<b>943.3</b>	<b>961.2</b>

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.

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.

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	
<b>Total</b>	<b>193.9</b>	<b>164.9</b>	<b>253.2</b>	<b>321.1</b>	<b>376.5</b>	<b>422.6</b>	<b>455.3</b>	<b>489.0</b>	<b>544.6</b>	<b>432.7</b>	

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**

Bank types	(In percent)									
	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**

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

**Table 5.10 Net Interest Margin by Type of Banks**

Bank types	(In percent)									
	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**

Bank types	(In percent)									
	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.

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

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 sector	
	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) [Sonal 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

**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.

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.

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.



## Sustainable and Inclusive Banking

6.1 The concern for environmental sustainability and inclusive growth has given mass recognition to the concept of corporate social responsibility and inclusive finance. The potential benefits of the concept has gained the interest of the regulatory authorities, society, NGOs, employees, customers as well as the international bodies to the issue. In this regard, the concern for environmental sustainability and inclusive growth by the banks has given rise to the concept of Green Banking, Sustainable Finance and Financial Inclusion. In an emerging economy like Bangladesh, environmental management needs to be the key focus area of the business fraternity and especially the banking industry being the major intermediary. Addressing environmental and social risks associated with financing activities by banks/FIs is a 'must do' step in credit approval, monitoring and evaluation. Accordingly, Bangladesh Bank has also integrated issues of socially responsible initiatives and financial inclusion along with core banking activities of banks/FIs driving towards sustainable banking practices. Sustainable banking mainly focuses on three

broad categories—green banking, corporate social responsibility and financial inclusion.

### Green Banking

6.2 Green banking initiatives of Bangladesh Bank (BB) has broadly categorized into the following aspects: effective policy initiatives, stricter monitoring of green banking activities of banks and NBFIs, refinance support from BB in diverse green products/sectors/green projects/initiatives and BB's own initiatives for environmental management.

### Policy Initiatives

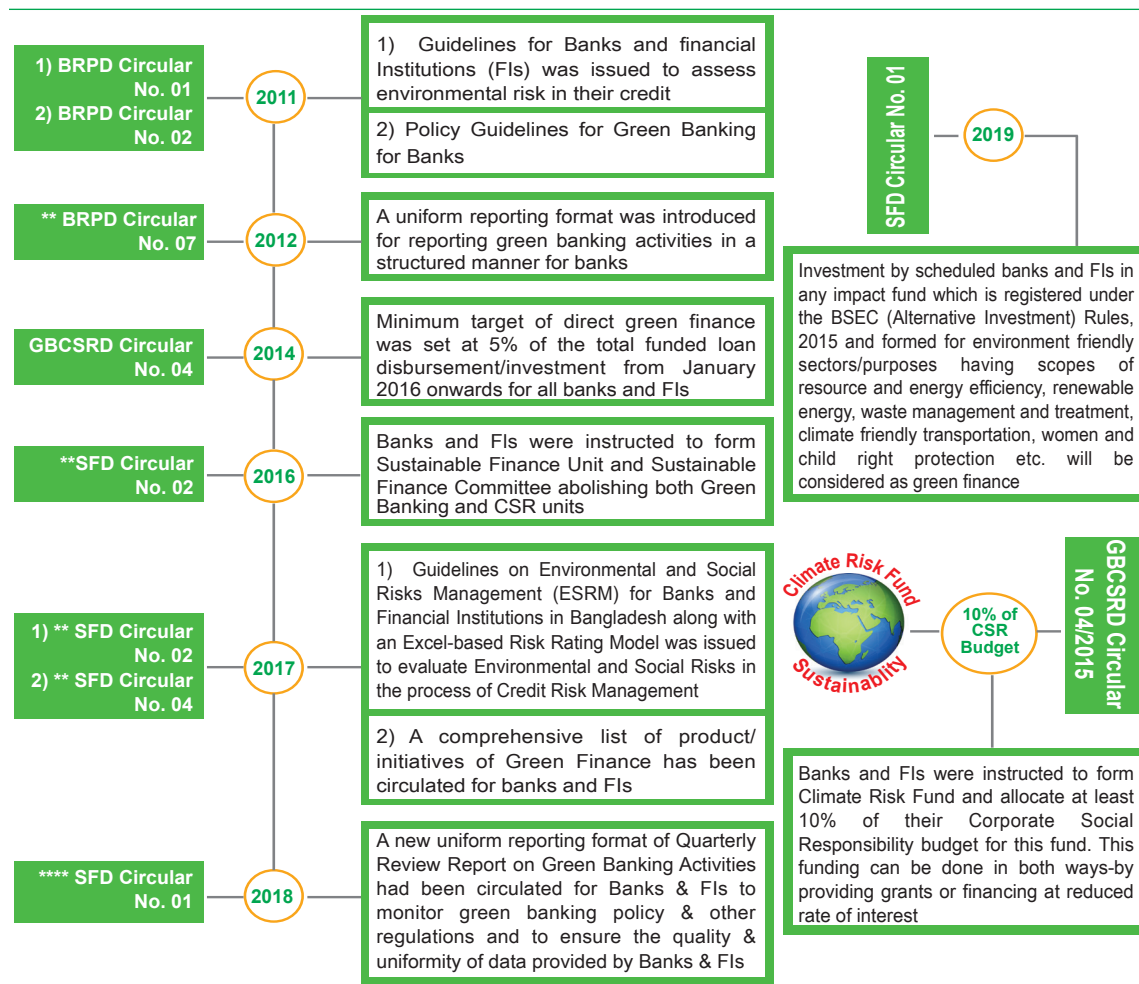
6.3 Bangladesh Bank addressed Environmental Risk Management for the first time in 2011 and Policy Guidelines for Green Banking for Banks in the same year. In 2013, Financial Institutions (FIs) were brought under green banking activities. Meanwhile government's development plans including National Sustainable Development Strategy (NSDS) 2010-2021, Perspective Plan of Bangladesh: 2010 – 2021, 7th Five Year Plan, globally adopted Sustainable Development

**Table 6.1 Green Finance in FY20**

(million BDT)

Types of Bank/FI	Category of Green Finance								Total
	Renewable Energy	Energy Efficiency	Alternative Energy	Waste Management	Recycling & Recyclable Product	Green Brick Manufacturing	Green Establishment	Misc.	
SOCBs (06)	7.48	0.00	0.00	660.05	290.85	363.25	579.85	7.43	1,908.91
DFIs (02)	8.33	0.00	0.00	0.01	0.00	0.00	0.00	1.49	9.83
PCBs (40)	1,979.41	6,398.37	10.08	8,878.87	8,298.55	8,402.90	3,2737.93	2,962.65	69,668.75
FCBs (09)	608.60	327.70	0.00	283.80	4.60	0.00	33,072.40	35.59	34,332.69
<b>Bank's Total</b>	<b>2,603.83</b>	<b>6,726.07</b>	<b>10.08</b>	<b>9,822.72</b>	<b>8,594.00</b>	<b>8,766.15</b>	<b>66,390.18</b>	<b>3,007.16</b>	<b>1,05,920.18</b>
FIs (33)	942.36	2,819.03	6.00	240.00	272.69	432.13	350.00	233.00	5,295.20
<b>Grand Total</b>	<b>3,546.19</b>	<b>9,545.09</b>	<b>16.08</b>	<b>10,062.72</b>	<b>8,866.69</b>	<b>9,198.28</b>	<b>66,740.18</b>	<b>3,240.16</b>	<b>1,11,215.39</b>

Source: SFD, BB.

**Chart 6.1 Policy Initiatives for Green Banking**

Goals (SDGs), Combating Covid-19 have been considered during policy formulation and monitoring of green banking activities by banks and NBFIs. Chart 6.1 depicts green banking policy initiatives.

### Green Finance

6.4 The total amount of disbursement as green finance during FY20 has been BDT 105.9 billion by Banks and BDT 5.3 billion by NBFIs. Category-wise amount of green finance by banks and FIs are given in Table 6.1 and the percentage in Chart 6.2 respectively. Chart 6.3

shows the trend in total green finance (directly disbursed) by Banks and NBFIs during last 5 years and a significant upward trend from FY17. Chart 6.4 shows the trend in the percentage of green finance of total funded loan disbursed during last 5 years and a gradual upward trend from FY17.

### Environmental and Social Risk Management

6.5 Environmental and Social Risk Rating (ESRR) is obligatory above the threshold as mentioned in guidelines on ESRM for banks and NBFIs. The number of projects rated



by Environmental and Social Due Diligence (ESDD) checklist during the year is 63,267. Total amount of BDT 2,104.11 billion disbursed in 55,825 rated projects in FY20. Chart 6.5 shows the trend in ESRR by banks and NBFIs during last 5 years.

### Climate Risk Fund

6.6 Total amount of BDT 476.8 million has been utilized from climate risk fund by banks and NBFIs in FY20. This amount of Taka has been utilized as grant and no concessional loan.

### Online Banking and Energy Efficiency

6.7 Green banking policy has pursued the banks to establish online branches and bring the branches powered by solar energy. The number of branches powered by solar energy was 610 at the end of FY20.

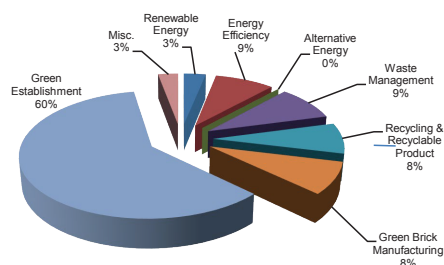
### BB's In-house Environmental Management

6.8 BB has taken a number of rigorous initiatives to make its in house operational activities more environment friendly, energy efficient and technologically advanced ones. Chart 6.6 exhibits the significant steps taken towards in house green practices by BB.

### BB's Refinance Schemes for Green Products/Initiatives

6.9 A revolving refinance scheme of BDT 2.0 billion was established in 2009 with a view to broadening finance for green products or initiatives at lower cost of fund which increased to 4.0 billion subsequently. Initially, 6 green products or initiatives were identified to extend the refinance facility under this scheme. Later on, considering the market demand and expert opinions from the technical advisory

**Chart 6.2 Share of Category-wise Green Finance in FY20**



Source: SFD, BB.

**Table 6.2 Disbursement trend of BB Refinance Scheme for Green Product/Initiatives**

Product	(million BDT)				
	FY16	FY17	FY18	FY19	FY20
Bio Gas	84.8	46.6	10.5	4.56	1.24
Solar Home System	114.7	35.3	0	0.19	0.45
Solar Irrigation Pump	0.6	0	0	0	0
Solar Assembly Plant	16.3	0	0	0	0
Solar Mini Grid	10	0	0	0	0
Effluent Treatment Plant	58	179.6	60	108.44	132.5
HHK Technology In Brick Kiln	177.8	10	0	5	100
Vermicompost	1.6	1.3	0	0.79	1.26
Green Industry	400	0	500	152.33	198.7
Safe working Environment	35.7	55.3	81.97	39.96	88.1
Organic Manure From Slurry	0.2	0.1	0	0	0
Paper Waste Recycling	20	20	0	0	0
Energy Efficient Technology	0	0.6	13	10	46.29
Total	919.7	348.8	665.47	321.27	568.54

Source: SFD, BB.

committee, time to time experts and stake holders' consultations, Bangladesh Bank has enhanced the eligible green products/initiatives for refinance under the scheme from 6 to 55 (Table 6.3) till FY20.

6.10 Participatory Banks/ Financial Institutions (PFI) are allowed to charge maximum interest rate of 7.0-8.0 Percent on financing in green products/initiatives under the scheme. However, due to the consideration of Government's priority to agriculture sector "Solar Irrigation Pumping System" has been given priority over the conventional diesel

and electricity run pumps. In accordance with the Government's policy, Bangladesh Bank has set maximum interest rate at 7.0 percent for financing of Participatory Banks/Financial Institution (PFI) in 'Solar Irrigation Pumping System' under the refinance scheme.

6.11 The cumulative amount refinanced under the scheme up to June, 2020 stood at BDT 4,687.1 million. In FY20, total disbursement under the BB's refinance was BDT 568.5 million. The disbursement trend from FY16 to FY20 and product wise disbursement figure are presented in Table 6.2 and Chart 6.7 respectively.

#### Financing Brick Kiln Efficiency Improvement Project Supported by the Asian Development Bank (ADB)

6.12 Asian Development Bank (ADB) supported revolving relending facility – "Financing Brick Kiln Efficiency Improvement Project" – was established in Bangladesh Bank (BB) in June 2012 with a view to improving the brick sector especially environment friendly brick kilns through efficient use of technology and energy resulting in reduced Green House Gas (GHG) and Suspended Particulate Matter (SPM). The total amount of this relending facility is USD 50.0 million. The project has two parts – Part-A: USD 30.00 million is for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part-B: USD 20.0 million is for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. Total USD 50.00 million equivalent to BDT 4039.7 million relending facility has been disbursed to 19 subprojects through 19 Participating Financial Institutions (PFIs) till December 2019. The tenure of the project ended in December 2019 with full disbursement.

**Table 6.3 List of Eligible Green Products/ Initiatives under "Refinance Scheme for Green Products/ Initiatives"**

Sl. No	Green Product/Initiatives
1	Solar Home System
2	Solar Pico Grid
3	Solar Nano Grid
4	Solar Micro Grid
5	Solar Mini Grid
6	Solar Park
7	Net Metering Rooftop Solar System
8	Solar Irrigation Pumping System
9	Solar Pump for Drinking Water
10	Solar Photovoltaic (PV) Assembly/Manufacturing Plant
11	Solar Cooker Assembly/Manufacturing Plant
12	Solar Water Heater Assembly/Manufacturing Plant
13	Solar Air Heater & Cooling System Assembly/Manufacturing Plant
14	Solar Powered Cold Storage
15	Solar Home System
16	Solar Pico Grid
17	Solar Nano Grid
18	Solar Micro Grid
19	Solar Mini Grid
20	Solar Park
21	Net Metering Rooftop Solar System
22	Solar Irrigation Pumping System
23	Solar Pump for Drinking Water
24	Solar Photovoltaic (PV) Assembly/Manufacturing Plant
25	Solar Cooker Assembly/Manufacturing Plant
26	Solar Water Heater Assembly/Manufacturing Plant
27	Solar Air Heater & Cooling System Assembly/Manufacturing Plant
28	Solar Powered Cold Storage
29	Solar Home System
30	Solar Pico Grid
31	Solar Nano Grid
32	Solar Micro Grid
33	Solar Mini Grid
34	Solar Park
35	Net Metering Rooftop Solar System
36	Solar Irrigation Pumping System
37	Solar Pump for Drinking Water
38	Solar Photovoltaic (PV) Assembly/Manufacturing Plant
39	Solar Cooker Assembly/Manufacturing Plant
40	Solar Water Heater Assembly/Manufacturing Plant
41	Solar Air Heater & Cooling System Assembly/Manufacturing Plant
42	Solar Powered Cold Storage
43	Solar Home System
44	Solar Pico Grid
45	Solar Nano Grid
46	Solar Micro Grid
47	Solar Mini Grid
48	Solar Park
49	Net Metering Rooftop Solar System
50	Solar Irrigation Pumping System
51	Solar Pump for Drinking Water
52	Solar Photovoltaic (PV) Assembly/Manufacturing Plant
53	Solar Cooker Assembly/Manufacturing Plant
54	Solar Water Heater Assembly/Manufacturing Plant
55	Solar Air Heater & Cooling System Assembly/Manufacturing Plant

Source: SFD, BB.

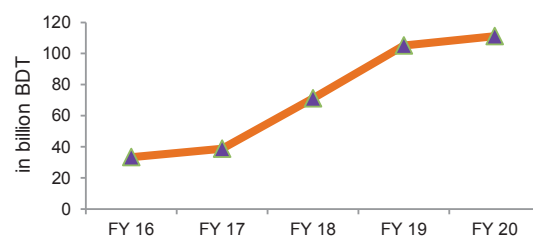
### Green Transformation Fund (GTF)

6.13 The latest step of Bangladesh bank in fostering sustainable finance is to create Green Transformation Fund. In February 2016, BB has announced its intention to create a new longer term refinancing window of USD 200 million naming Green Transformation Fund (GTF). Though initially the fund was available only for export oriented textile, leather and jute sectors, it became available for all export oriented sectors in June, 2019 to ensure sustainable export growth of the country and for transforming to a greener economy. It is intended to facilitate access to financing in foreign exchange by all manufacturer- exporters in export oriented 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, Waste management, Resource efficiency and recycling, Renewable energy and Energy efficiency, Heat and temperature management, Air ventilation and circulation efficiency and Work environment improvement initiatives (FE Circular No. 02/2016). In April, 2020 Euro 200.0 million along-with the existing USD 200.0 was introduced in GTF. The disbursement from GTF up to FY20 is USD 410.3 lac in 7 projects. Disbursements from the Euro part of GTF are expected very soon.

### Refinance Scheme for Islamic Banks and Financial Institutions for Investment in Green Products/Initiatives

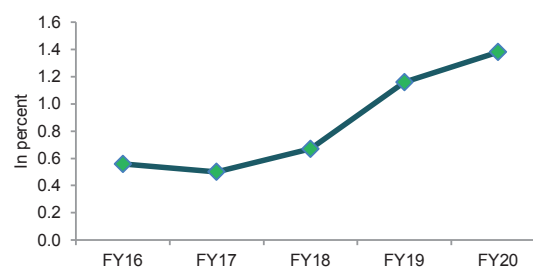
6.14 In September 2014, Bangladesh Bank introduced an “Islamic Refinance Fund” with the surplus liquidity of SLR of shariah based Islamic banks. To encourage the further involvement of the shariah based banks and

#### Chart 6.3 Trends in Total Green Finance



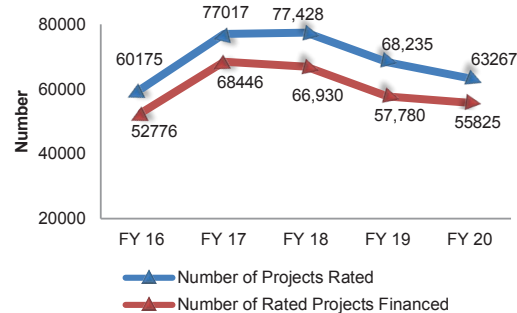
Source: SFD, BB.

#### Chart 6.4 Trends in Share of Green Finance in Total Funded Loan Disbursed



Source: SFD, BB.

#### Chart 6.5 Trends in ESRR by Banks and NBFIs



Source: SFD, BB.

NBFIs in green finance, Bangladesh Bank launched a refinance scheme for Islamic banks and FIs operated by “Islamic Refinance Fund”. Over time, considering the modification in the country’s economic structural conditions, advanced technology, gradually rising demand for the eco-friendly products/initiatives,

Bangladesh Bank has issued an integrated and comprehensive SFD “master circular” on April 05, 2018. According to this circular, the scheme has been renamed as “Refinance Scheme for Islamic Banks and Financial Institutions for Investment in Green Products/Initiatives”. BB enhanced the product range under this scheme from 50 to 51 and segregated these products into 8 categories which include renewable energy, energy-efficient and energy-savings technology, alternative energy, waste management, recycling and recyclable product, environment friendly brick production, environment friendly installations and miscellaneous. The cumulative amount of refinance under the scheme up to June 2020 stood at BDT 489.62 million. Total disbursement under this scheme during FY20 was BDT 71.62 million.

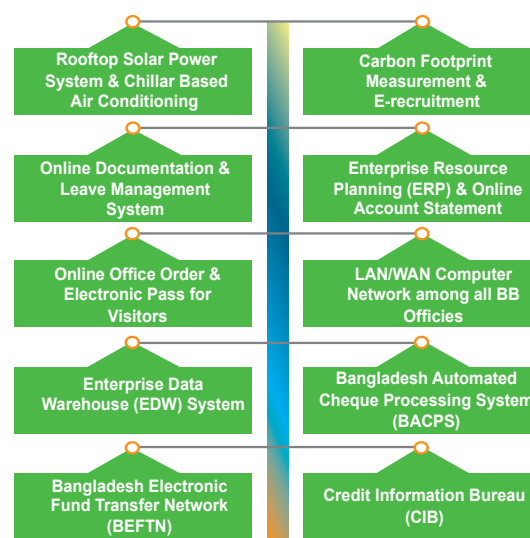
### Corporate Social Responsibility

6.15 BB issued CSR policies and guidelines on June 2008 and December 2014 for mainstreaming CSR in banks and NBFIs in Bangladesh and for end use monitoring of CSR engagements of the financial sector. These policies and guidelines clearly state the requirement of administrative setup, budgetary allocation, expected range/coverage of CSR activities and end use monitoring process of CSR expenditures and activities. Besides that, on June, 2015 BB issued reporting format for monitoring CSR activities of banks and FIs.

### CSR Activities of Banks and NBFIs

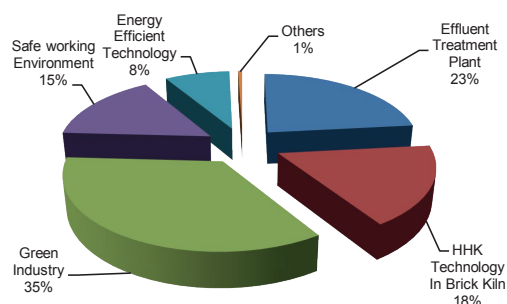
6.16 Total amount of CSR expenditure by banks and NBFIs in FY20 was BDT 9399.67 million while the amount was BDT 5203.47 million in FY19. The sector-wise CSR expenditure scenario of banks and FIs are

**Chart 6.6 BB's In-house Green Practice**



Source: SFD, BB.

**Chart 6.7 Product-wise Refinance Disbursement in FY20**



Source: SFD, BB.

**Table 6.4 CSR Expenditure of Banks and NBFIs in FY20**

Sectors	Banks		NBFIs	
	Amount	Sectoral Share (percent)	Amount	Sectoral Share (percent)
Education	1809.4	19.5	9.3	6.4
Health	1457.0	15.7	73.0	50.5
Humanitarian & disaster relief	2624.2	28.4	46.6	32.2
Environment	435.4	4.7	0.7	0.5
Cultural welfare	1042.2	11.3	3.3	2.3
Infrastructural development	66.0	0.7	1.9	1.3
Income generating activities	00.9	0.0	3.4	2.3
Others	1820.0	19.7	6.4	4.4
Total	9255.1	100.0	144.6	100.0

Source: SFD, BB.

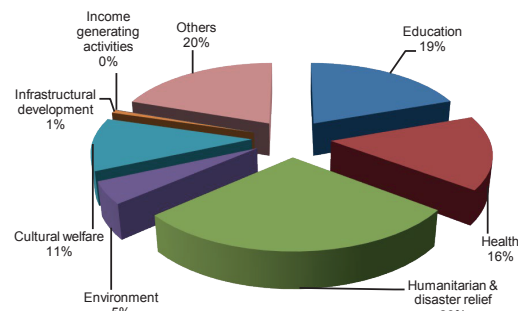
stated in Table 6.4. Bank's total CSR expenditure in FY20 is BDT 9255.1 million. Banks contributed 28.4, 19.7, 19.6 and 15.8 percent to humanitarian and disaster relief, others, education and health sectors respectively of the total CSR activities. Expenditure on cultural welfare and environment in underprivileged area are 11.3 and 4.7 percent respectively. Besides, only 0.7 percent of total CSR expenditure contributed to infrastructural development. Banks' CSR expenditure in income generating activities is insignificant during FY20. Share of expenditure in CSR programs of banks in FY20 are shown in Chart 6.8.

6.17 NBFIs reported direct CSR expenditure of BDT 144.57 million in FY20. NBFIs major shares of CSR expenditure contributed to health and humanitarian and disaster relief sectors 50.46 and 32.25 percent respectively. However, they spent 6.45, 4.42, 2.34, 2.28 and 1.33 percent in Education, Others, Income generating activities, Cultural welfare and Infrastructure development sectors respectively. Only 0.47 percent of total CSR expenditure contributed to Environment sector in FY20. Share of expenditure in CSR programs of NBFIs in FY20 are shown in Chart 6.9.

### BB's Own CSR Activities

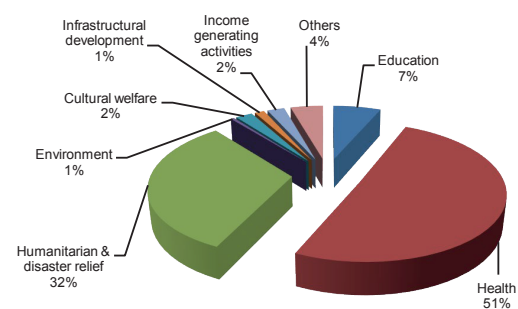
6.18 BB has established "Bangladesh Bank Disaster Management and Social Responsibility Fund" by transferring taka 50 million from its annual profit each year to conduct its own CSR activities in different areas such as education, health, environment, empowerment, human resources development, etc. with a view to developing the backward sectors of Bangladesh and ensuring its sustainable development. Later the fund was extended to BDT 100.0 million in

**Chart 6.8 Share of Sector-wise CSR Expenditure of Banks in FY20**



Source: SFD, BB.

**Chart 6.9 Share of Sector wise CSR Expenditure of NBFIs in FY20**



Source: SFD, BB.

**Table 6.5 Sector-wise Expenditure of BB's CSR Fund in FY20**

Sectors	Amount (In million BDT)	Sectoral Share (percent)
Education	18.02	36.41
Health	10.44	21.09
Research	8.37	16.90
Human Resources Development/ Capacity Building	0.90	1.82
Disaster Management	0.14	0.29
Infrastructure Development	11.06	22.35
Culture	0.18	0.36
Others	0.38	0.78
<b>Total</b>	<b>49.49</b>	<b>100.00</b>

Source: SFD, BB.

FY15. BB has sanctioned BDT 49.5 million in FY20 which was BDT 41.8 million (contribution from BB's profit and bank interest) in FY19 from the fund. The sector wise allocation of CSR expenditure in FY20 is shown in table 6.5.

### Financial Inclusion Activities in Bangladesh

6.19 Financial inclusion has emerged as one of the most effective policies to achieve inclusive and sustainable economic development. In line with this policy objective, Bangladesh Bank (BB) has been engaged in the exploration of innovative initiatives to bring the financially excluded people under the umbrella of formal financial services. As part of these initiatives, BB has been promoting multi-faceted and affordable alternative delivery channels including the digital services to make formal financial services available at the doorsteps of the mass people.

6.20 As per the responsibilities conferred upon vide various statues, acts including the parent law 'The Bangladesh Bank Order, 1972', Bangladesh Bank has been committed to promote financial inclusion activities to facilitate the best use of economic resources. As a part of this mission, BB has taken different initiatives to improve the access to credit and other financial services especially for the unbanked and poor populace of the country who generally left out of the financial services.

6.21 Bangladesh Bank has committed for a greater financial inclusion of under-served productive sectors and brought new dimensions in financial markets for rapid poverty eradication, inclusive economic and social progress. In order to meet the commitments and targets within the stipulated time and to monitor the self-progress, BB has started outlying it's commitments to the nation through publishing 'Strategic Plan' since 2010. In the latest Strategic Plan for 2020-2024, Bangladesh Bank has set several action plans which have been coupled with the indicators for deepening financial inclusion in Bangladesh.

On implementation of those action plans, it is expected that financial services will be reached out to all including the underprivileged people, gender gap will be reduced, and finally the usage of financial services will be increased to the expected level.

6.22 In addition to the institutional goals, Bangladesh Bank has played an instrumental role in preparing the country's first financial inclusion strategy, the National Financial Inclusion Strategy (NFIS). The draft of NFIS has been finalized and awaited approval from the Cabinet. In the finalized draft, the commitment for financial inclusion of all citizens by 2024 has been reaffirmed.

### Early Stages of Financial Inclusion in Bangladesh

6.23 The nationalization of the banks in 1972 facilitated in reaching out to more remote places and diversifying banking services for a greater population. Another important step was the establishment of Bangladesh Krishi Bank (a specialized bank for financing the agricultural sector) in 1973, which facilitated access to agricultural finance to a large portion of the rural population. Meanwhile, microfinance institutions also found their ground to grow their operation as aide delivery channel and operating microcredit at the rural level.

6.24 As the time evolved, in 1982, Bangladesh Bank started licensing of private commercial banks in Bangladesh that increased financial access points and thus helped more people to be on-boarded in the financial system. With the emergence of mobile and internet, Digital Financial Services (DFS) boosted the financial inclusion in Bangladesh further, especially in the last decade. Among



the available DFS, Mobile banking has gained much popularity and helped more unbanked people to use financial services.

6.25 In FY20, Bangladesh Bank with its various initiatives, remained focused on reaching out to more unbanked and underprivileged people, exploring new areas and ensuring quality and affordable financial services.

### Financial Inclusion through Conventional Channels

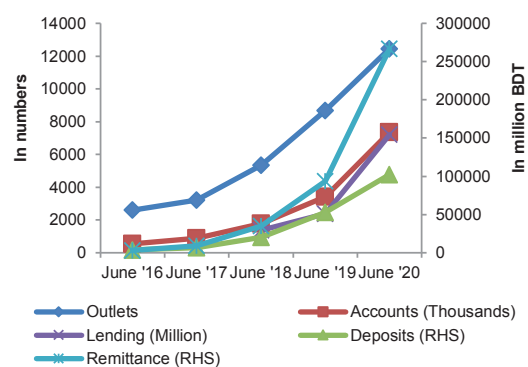
#### Expansion of Branch Network of the Banks

6.26 The conventional and comprehensive way of extending banking services to the areas where there is a need for those services as well as business prospect for the banks is the full-fledged branch banking. Earlier, banks were permitted to maintain a ratio of 4:1 for setting new branches in the urban and rural areas till 2011. With a view to reaching more rural areas with banking services, Bangladesh Bank issued a circular on bank-branch expansion in 2011 and re-fixed the rural urban branch ratio to 1:1. In FY20, a total of 192 new bank branches were opened. The number of bank branches as on 30 June 2020 stood at 10,588.

#### Sub-branches and Bank Booths

6.27 In 2012, Bangladesh Bank allowed banks to establish Small and Medium Enterprise (SME) branches, Agri-branches, collection booths and business development centers. These new channels are bringing more unbanked and underprivileged people under the formal banking network. Such branches are providing limited scale banking services and operating within a limited expenditure under the supervision of a nearby full-fledged branch of

**Chart 6.10 Trends in Agent Banking Activities**



Source: FID, BB.

the bank.

### Financial Inclusion through Alternative Channels

#### Agent Banking

6.28 Bangladesh Bank allowed scheduled banks to extend banking services through agents in 2013. Agents of a bank can offer limited-scale banking and financial services under a valid agency agreement. Through this system banks can extend their services to the remote areas without setting up a branch or employing their own officials to the remote location. This new system is cost efficient for the banks as well as suitable for a local entrepreneur to act for a bank in their locality. As a result, Agent Banking is gaining much popularity in the remote areas.

6.29 Financial inclusion has gained a pace through Agent Banking in the rural areas creating endless possibilities for both banks and their customers. Agent banking is helping banks in mobilizing deposits, disbursing credit and most importantly distributing inbound foreign remittances. Even in the time of spreading COVID-19, when every other business and

banking activities saw a downturn, the Agent Banking has still made a significant progress.

6.30 As of June 2020, 28 banks have been licensed for Agent Banking and 23 of them are actively engaged. A total of 8,764 agents have been engaged with 12,449 outlets, which is 45.75 and 43.57 percent higher than the previous fiscal year respectively. Total number of accounts up to 30 June 2020 is 7,358,190 and total balance of these accounts is BDT 102.20 billion. The distribution of foreign remittance through agent banking in the FY20 was Tk. 173.02 billion which was 196.52 percent higher than BDT58.35 billion in FY19. Trends in agent banking activities are shown in chart 6.10.

#### **Introduction of Automated Teller Machine (ATM)**

6.31 Worldwide, ATMs are making significant contribution towards creating branchless banking. Considering the comfort and convenience of the customers, Bangladesh Bank encourages banks to introduce ATMs for their customers. This avenue allowed banks to provide allied services such as debit card, credit card, POS/online transactions, etc. The first ATM in Bangladesh was introduced in 1993. As on 30 June 2020, the number of ATMs in Bangladesh is 11,047.

#### **Electronic Payment Services**

6.32 The popularization of POS and e-Commerce services helped customers to make domestic and overseas payments with ease and convenience. Specially, with the evolvement of technology, these services helped to financially include the tech-savvy young generation. Bangladesh Bank also introduced Bangladesh Automated Cheque

Processing Systems (BACPS) in 2010, Bangladesh Electronic Funds Transfer Network (BEFTN) in 2011, National Payment Switch Bangladesh (NPSB) in 2012 and Real Time Gross Settlement System (RTGS) in 2015. These technical moves increased the speed of money and thus reduced time required for making interbank transactions significantly. As the usage of these services increases, the cost reduces and induces financial inclusion.

#### **Mobile Financial Services**

6.33 Bangladesh Bank has introduced Mobile Financial Services (MFS) in 2011. Initially MFS was used as a mode of payment instrument, but later MFS is being used as a medium of deposit mobilization also. MFS has experienced a rapid growth since the mobile phone network is omnipresent all over in Bangladesh. Bangladesh Bank has also introduced a tiered KYC and electronic documentation for opening an MFS account which further accelerated financial inclusion.

6.34 At the early stage, MFS transactions were limited to Cash-in/Cash-out (CICO), but now all mode of transactions including Person to Person (P2P), Person to Business (P2B), Business to Person (B2P), Person to Government (P2G) and Government to Person (G2P) are allowed and popularly used.

6.35 MFS has grown exponentially since the inception and the growth continued in FY20. In a recent move, in line with the Government's decision, Bangladesh Bank has instructed all MFS companies to open accounts of the garment workers, receivers of government subsidies, stipend, scholarship, etc. and allow them withdrawal of their hard-earned money with subsidized cash-out fee. The number of



registered and active MFS clients increased by 22.47 and 18.83 percent respectively during this fiscal year. The transaction number and volume were also increased by 28.35 and 41.38 percent respectively.

### Licensing of PSPs and PSOs

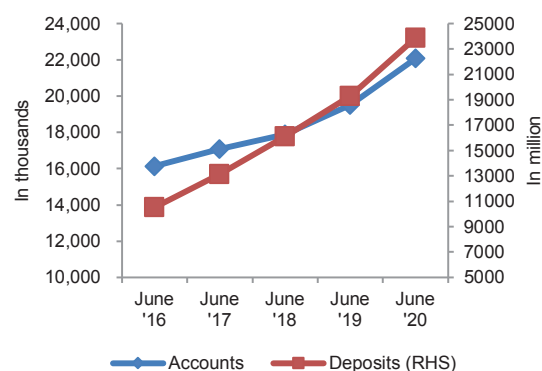
6.36 As a part of financial inclusion and deepening financial services, Bangladesh Bank has been providing licenses for Payment Services Providers (PSP) and Payment System Operators (PSO) under the "Bangladesh Payment and Settlement Systems Regulation-2014 (BPSSR-2014)". PSPs are facilitating payment(s) or payment processes directly to the customers and settling their transactions through a scheduled bank or financial institution, such as e-Wallet, Mobile Wallet, etc. PSOs are engaging as fintech companies who operate as settlement systems for payment activities between/among participants, such as payment gateway, payment aggregator, etc. As of June 2020, a total of 7 PSPs and PSOs are in operation and their activities are helping financial inclusion in Bangladesh.

### Initiatives for Marginal and Specialised Segments

#### No-Frill Accounts

6.37 The focus of financial inclusion in Bangladesh rests mainly on low-income groups. Since the financial service is regarded as an important prerequisite for poverty alleviation and improving living standard, Bangladesh Bank issued a set of directives to the commercial and specialized banks to onboard the poor, marginalized and special segment of population to the formal banking system and to retain them in the system through opening a special type of bank accounts with zero or nominal charges and

**Chart 6.11 Trends in No-frill Accounts**



Source: FID, BB.

free of unnecessary fees or frills. Those accounts are commonly known as No-Frill Accounts (NFA). NFAs require simplified Know-Your-Customer requirement and documentation. Bangladesh Bank guided commercial banks for opening NFAs for farmers, recipients of the social security programs, freedom fighters, small life insurance policyholders, garment workers, cleaning workers of the city corporations, footwear and leather goods makers, small-scale factory workers, physically-challenged persons, street urchins, dwellers of the former enclaves, flood affected marginal people, small businessmen, etc. In addition, Banks were instructed to offer higher interest rate against the deposits of those accounts. NFAs have been playing a pivotal role in respect to financial inclusion over the years.

6.38 As of June 2020, a total number of 2,20,70,630 NFAs have been opened under the financial inclusion program. The number was 1,94,98,045 in June 2019 indicating an annual growth of 13.19 percent. The total amount of deposits in the NFAs reached BDT 23,867.4 million in June 2020 compared to BDT 19,301.9 million in June 2019 indicating 23.65 percent of annual growth during last year. Trends in NFAs are shown in chart 6.11.

### School Banking

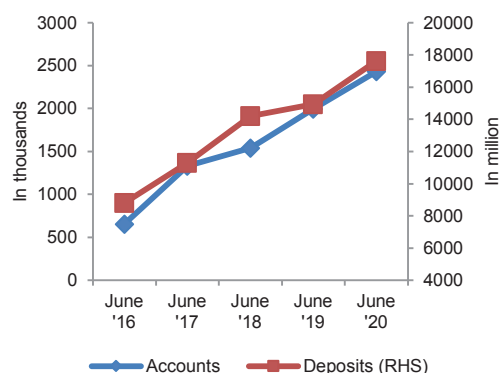
6.39 One of the most significant milestones in the financial inclusion initiatives of Bangladesh Bank is the introduction of School Banking. To develop savings habit at a very early age, the program introduces banking services and modern banking technology to students of age less than 18 years. Bangladesh Bank issued directives for the banks to introduce school banking in November 2010, later framed a comprehensive policy in October 2013. These policies have preceded the directive to convert school banking accounts to general savings accounts once the students reach the age of 18 years (subject to the consent of the account holder).

6.40 In light of these policies, banks can open student accounts with a minimum deposit of BDT 100 and no service charges. Moreover, these accounts offer attractive interest rates, debit card facility and school-centric financial education programs. 55 banks out of 60 banks operating in Bangladesh have so far offered school banking. Total number of students accounts under school banking initiatives has increased to 24,31,602 in June 2020 with a total deposit of BDT 17,628.2 million. The number of accounts and amount of deposit have increased by 4,35,572 (or 21.82 percent) and BDT 2684.2 million (or 17.96 percent) respectively in June 2020 from June 2019. Chart 6.12 shows the picture of school banking accounts in Bangladesh.

### Banking for the Working Children

6.41 Bangladesh Bank has directed banks to provide financial services to street urchin and working children to secure their hard-earned money and help them to grow a saving attitude. Children who do not have parents can

**Chart 6.12 Trends in School Banking Activities**



Source: FID, BB.

open accounts in the banks with the help of the registered Non-Government Organizations (NGOs). The NGOs involved in this process are fully responsible for the account operation and for the welfare of the account holders. No fees are charged on these accounts.

6.42 Up to June 2020, 19 banks have opened 10,029 street urchin and working children accounts through the help of 23 NGOs. The total amount of deposits in these accounts is BDT 3.87million. The number of accounts for street urchin and working children has been increased by 4,882 in June 2020 compared to that of June 2019, indicating 94.85 percent increase over the last year.

### Introduction of Refinance Packages

#### BDT 2.0 Billion Refinance Scheme for BDT 10 Account Holders

6.43 In 2014, a revolving refinance fund of BDT 2.0 billion has been created from Bangladesh Bank's own source to facilitate the rural economic activities by expanding the income-generating activities of the low-income marginal/small traders affected by natural

disasters as well as small/marginal farmers with accounts of BDT 10 to provide access to credit to the financial services-strapped people under institutional financial services. The scheme has been used to refinance loans provided by banks directly and also through Micro-Financial Institutions (MFI) linkage. Under this scheme, the banks under contract can lend up to BDT 50,000 to the accountholders of BDT 10 for one-year period without any collateral. In contrast to the disbursement of these loans, Bangladesh Bank provides refinance facility to banks at bank rate. The maximum interest rate of this loan is 9.5 percent, which is calculated in reducing balance method. Besides, banks also get a rebate incentive at a rate of 3.5 percent against successful reclaiming of disbursed loans under this fund.

#### **Refinance Scheme of BDT 30.0 Billion for COVID-19 Affected Marginal People**

6.44 In order to tackle the adverse impact of COVID-19 on marginal people, Bangladesh Bank announced a BDT 30.0 billion refinance scheme on 20 April 2020. The objective of the scheme is to provide the poor and marginal people with access to credit through Microfinance Institutions (MFI). The maximum limit for the loan is BDT 75,000 for individual and BDT 3,00,000 for a group of people. In case of a small enterprise, the maximum limit of loan is BDT 10,00,000 and a group of small enterprise are eligible to get maximum BDT 30,00,000. All credits under this scheme are to be given only to the members of MFIs for the period of one year for an individual and maximum 02 years for micro-enterprises. 42 scheduled banks have already agreed upon a contract with Bangladesh Bank to disburse the fund under the scheme to the MFIs who are given eligibility

certificate by Microcredit Regulatory Authority (MRA). Banks will be charged only 1.0 percent per annum by Bangladesh Bank and they will lend to MFIs at 3.5 percent per annum. The end-users who are affected by the COVID-19, are eligible to get the fund at maximum rate of 9.0 percent per annum. It is mentionable that remittance-providing workers who are returning from abroad due to COVID-19 situation, are also eligible to get credits under the scheme. Thus, this refinance scheme opened a great scope for the marginal people to carry on their livelihoods amidst the corona crisis.

#### **Financial Literacy and Consumer Empowerment**

6.45 Financial literacy of the citizen is a prerequisite to make a sustainable financial inclusion. With a view to making financial inclusion initiatives more successful, Bangladesh Bank has taken numerous initiatives. An interactive web portal for financial literacy has been hosted on the official website of BB. The portal contains basic financial literacy documents, cartoons, story books, games, audio-visuals, calculator, etc. on different financial issues and financial services. Several television commercials, radio broadcasting commercials, advertisements in the newspaper, flyers, pamphlets, leaflets, video documentary have been made and released for building public awareness on financial literacy.

6.46 Bangladesh Bank has identified 'Strengthen financial education & financial literacy initiatives' as an important core objective in the Strategic Plan for 2020-2024. With a view to increase public awareness, formulate financial literacy and financial education policy, Bangladesh

Bank has designed a special programme named 'School Banking Conference' in 2014. School Banking Conferences are arranged at the district-level of Bangladesh. Students from different educational institutions, parents, teachers, government officials, journalists of that locality participate, learn and share financial knowledge through various activities. Considering financial literacy as a foundational learning for the future citizen, Bangladesh Bank has been working to include a special chapter on financial literacy in the national curriculum for the secondary level education.

6.47 In addition to the above-mentioned programs and initiatives, Bangladesh Bank arranges different financial awareness campaign such as open credit disbursement program, awareness raising campaign under different schemes and projects, special fairs such as Banking Fair, SME Fair, Women Entrepreneur Fair, etc.

### **International Collaboration and Knowledge Sharing**

6.48 Bangladesh Bank has built partnership with some international strategic alliances and become member of international organizations to boost financial inclusion, financial deepening and also to ensure an enabling and inclusive financial environment in Bangladesh.

6.49 Governor of Bangladesh Bank was the Chair of the Board of Directors of Alliance for Financial Inclusion (AFI) till September 2019. AFI (<https://www.afi-global.org>) is a global knowledge exchange platform of 99 regulators from 88 countries for financial inclusion.

6.50 The Maya Declaration, a member institution's self-commitment regarding financial inclusion has been introduced by AFI

in September 2011 at the AFI Global Policy Forum in Riveria Maya, Mexico. Bangladesh Bank signed the Maya Declaration and made 46 commitments of which 37 commitments have successfully been achieved till June 2020.

6.51 Bangladesh Bank has also been made Vice-chair of the Financial Inclusion Working Group of the Organization of Islamic Cooperation (OIC). This working group of the central banks of the Islamic countries is working for the promotion of financial inclusion as well as for improving access to finance, financial education and consumer protection.

6.52 It is well-mentionable that due to significant progress in financial inclusion, Bangladesh Bank has been awarded with the AFI Policy Award in 2014, The Child and Youth Finance International (CYFI)'s Global Inclusion Award for 2016 and 2017, AFI Gender Inclusive Ambassador award in 2018.

### **Other Financial Inclusion Initiatives**

#### **Introduction of e-KYC and Simplified Account Opening Form**

6.53 Bangladesh Bank is committed to ensure affordable and faster financial services for the citizen to promote financial inclusion and to achieve several national objectives including sustainable development goals (SDGs). As the modern financial ecosystem require customer identification and due diligence with minimum possible time, Bangladesh Bank took initiative to introduce electronic know-your-customer (e-KYC) in 2016. Since the digitalization enable easy access of customer, even from the remote location, into the financial services, this may pose some underlying risks. Furthermore, the verification of identity is an integral part

to complete the Know Your Customer (KYC) processes necessary for compliance with Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regulation.

6.54 The inability of financial institutions to properly verify prospective clients will lead to financial exclusion. Considering the pros and cons and a trustworthy identification mechanism through e-KYC, Bangladesh Bank issued a guideline in January 2020. Banks are instructed to implement e-KYC by December 2020.

6.55 In order to promote financial inclusion, Bangladesh Bank reviewed the account opening form used by the Banks and introduced a simplified form in February 2020. The simplified form is designed to offload the burden of the marginalized clients from submission of many documents based on their risk exposure. Bangladesh Bank also asked all banks introduce simplified forms by 30 June 2020 replacing the existing and long account opening forms burdened with information.

6.56 The account opening forms were updated to make account opening more customer-friendly in accordance with the evolution of information technology, improvement of financial infrastructure and to facilitate faster information flow with the assistance of technology. Apart from the requirements of the simplified forms, the banks have been allowed to seek additional information from customers if they deem it necessary.

### **Deepening of Access to Finance through Agricultural Credit Programme**

6.57 Bangladesh Bank has been pursuing annual agricultural credit policy to increase financial inclusion and access to finance in the

rural areas. The policy also aims at reaching every corner to rejuvenate rural economy each year. In addition to financial inclusion, agricultural credit policy helps employment generation, increases agricultural production and ensures food safety for the country.

6.58 Short-term agricultural credits are generally disbursed to the farmers for the production of crops and those are repayable within a calendar year. So, agricultural credit supply needs to be continued through policy initiatives to retain them in the financial systems. In FY20, a total of BDT 227.5<sup>1</sup> billion has been disbursed to 3.1 million borrowers of which 1.5 million were women.

### **Narrowing the Gender Gap**

6.59 As per the Global Findex, 2017 published by the World Bank, the prevailing gender gap in accessing financial services in Bangladesh is 29 percent. In order to reduce the gap and to increase the pie for the female counterpart, Bangladesh Bank has taken different initiatives which help increasing financing inclusion through widening the access to finance. Banks are instructed to extend fresh credit facilities in favor of at least 3 Women Entrepreneurs per branch annually. Furthermore, to encourage the women's participation in getting credit, banks are instructed to setup a dedicated desk in each branch and to form a Women Entrepreneur Development Unit at their head office to help and monitor the women entrepreneurship and allied activities. The policy measures taken by Bangladesh Bank already impacted positively on the share of women in financial services.

<sup>1</sup> Agricultural & Rural Credit Policy and Programme for the FY21.



### Enhancing Eligible Collateral Base for Greater Access to Finance

6.60 Sufficient collateral is one of the important prerequisites to avail loan from any bank or financial institution in Bangladesh. Among the collaterals, immovable fixed assets are most widely acceptable. Hence, financing to escalate the cottage, micro, small and medium enterprise (CMSME) industry hinders due to lack of adequate immovable collateral. Movable assets can be considered as alternative source of collateral for the CMSME loans. A project named 'Secured lending and movable collateral reform in Bangladesh' has been undertaken jointly by Bangladesh Bank, Ministry of Finance and International Finance Corporation (IFC) of World Bank Group. The objective of this project is to generate the acceptability of transferable or movable assets through reformation of eligible collateral. Consequently, widen the periphery of eligible assets considered as collateral and to ease financing intricacy for the CMSME entrepreneurs.

### Regulatory Changes in Financial Inclusion in FY20

#### Issuance of e-KYC Guidelines

6.61 Bangladesh Financial Intelligence Unit issued the e-KYC guidelines for the financial institutions including banks, non-bank financial institutions, insurance companies, capital market intermediaries, MFS, DFS and the other companies licensed by the Bangladesh Bank. Every financial institution is expected to implement this Guideline by December 2020. This e-KYC guideline contains a set of instructions for the financial institutions to enable them to conduct customer due diligence in a digital means based on the national ID

(NID) card and the bio-metrics data stored against each NID card. The key objective of promoting e-KYC is to enable quick onboarding of customer by verifying customer identity through digital means which can leverage saving of time and provide ease both for the client and service providers.

### Regulatory Responses due to COVID-19

6.62 Bangladesh Bank has taken several steps in Covid-19 pandemic situation, including the following:

- Uninterrupted digital financial services in different sectors by enhancing transaction limit and waivers of fees;
- Disbursement of Salary, Wages and Government Social Safety Net benefit through the workers'/customers bank account or mobile wallets;
- Disbursement of Government allowance of distressed population affected by providing cash assistance to 5 million poor families who have lost their profession during the corona virus pandemic through Mobile Financial Services (MFS) and BDT10 account;
- Formed a Revolving Refinance Scheme with an initial fund of BDT30 billion for providing credit facilities to ensure inclusive growth;
- Developed financial assistance package of BDT 200 billion for capital loan/ investment facility for Cottage, Micro, Small and Medium Enterprises (CMSME) and BDT 100 billion Refinance Scheme for CMSME sector to provide working capital facility.

## Performance, Regulation and Supervision of NBFIs

7.1 Non-Bank Financial Institutions (NBFIs) have been playing a crucial role by providing additional financial services that cannot be usually provided by the banks. The NBFIs, with more multifaceted products and services have taken their place in the competitive financial market to satisfy the changing demands of the customers. NBFIs also play an important role in the capital market as well as in real estate sector of Bangladesh. Like the banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities. The NBFIs are regulated and supervised by Bangladesh Bank under two core departments: (a) Department of Financial Institutions and Markets (DFIM) and (b) Financial Institutions Inspection Department (FIID). DFIM basically formulates the regulations, policies and guidelines, and conducts Off-site supervision on NBFIs. On the other hand, FIID basically performs On-site supervision and handle customer complaints regarding NBFIs.

### License and Regulations

7.2 The authority of granting licenses to NBFIs and their regulations and control are vested in Bangladesh Bank by the Financial Institution Act, 1993. Under the Act, Financial Institution Regulation 1994 was issued with the approval of the government. Besides, there are prudential regulations and guidelines for NBFIs issued by BB under section 18 (Chha) of FI Act 1993. According to Circular no. 5 dated 24 July 2011 minimum paid up capital requirement for an ongoing FI is BDT 1.0 billion. However paid up capital and reserves cannot be less than minimum ratio of Risk Weighted Asset as set by Bangladesh Bank.

**Table 7.1 Trends in Structure of NBFIs**

	2014	2015	2016	2017	2018	2019	2020*
No. of NBFIs	31	32	33	34	34	34	35
Government-owned	3	3	3	3	3	3	3
Joint-venture	10	10	11	12	12	12	13
Private	18	18	19	19	19	19	19
New branches	20	15	14	30	8	11	3
Total branches	195	210	224	254	262	273	276

\* As of 30 June 2020.

Source: DFIM, BB.

7.3 NBFIs may access public funds, either directly or indirectly through term deposits (minimum 3 months duration), commercial papers (CPs), bonds and debentures. Depositors of NBFIs are not covered under the Deposit Insurance Scheme by the Bangladesh Bank. NBFIs are not allowed to deal with gold and foreign exchange. Nonetheless, they may obtain foreign currency loan from abroad subject to prior approval of the Bangladesh Bank. NBFIs are subject to some prudential guidelines/limits in terms of income recognition, asset classification and provisioning norms; single and group borrower limits; capital market exposures; classification and valuation for the investment portfolio; CRR/SLR requirements; accounting and disclosure and supervisory reporting requirements.

7.4 At present, there are 35 NBFIs operating in Bangladesh (including Peoples Leasing & Financial Services Limited, which is under liquidation). Bangladesh Bank has issued license to a new financial institution named 'Strategic Finance and Investment Limited' in the year 2020. Among the NBFIs, three are government-owned, 13 are joint ventures with foreign participation, and the rest 19 are private-sector companies. The number of branches of

NBFIs stood at 276 as on 30 June 2020. Among the branches, 94 are set up in the district of Dhaka and the rest 182 are located in 36 districts across the country. The ownership structure of the NBFIs and their branch expansion related data are shown in Table 7.1.

### Assets

7.5 Total asset of NBFIs at the end of June 2020 was BDT 860.33 billion, which was BDT 871.50 billion at the end of 2019.

### Investment

7.6 NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in industrial sector. Sector wise composition of NBFIs' investment at the end of June 2020 was as follows: industry 46.45 percent, real estate 19.41 percent, margin loan 2.22 percent, trade and commerce 13.84 percent, merchant banking 3.34 percent, agriculture 2.30 percent and others 12.44 percent (Chart 7.2).

7.7 NBFIs are allowed to invest in the capital market up to 25 percent of their paid up capital and reserve as per section 16 of Financial Institutions Act, 1993. At the end of December 2019, all NBFIs' total investment in capital market was BDT 18.83 billion compared to BDT 17.74 billion in December 2018. As of 30 June 2020, NBFIs total investment in capital market stood at BDT 17.98 billion which is accounted for 2.09 percent of the total assets of all NBFIs.

### Deposits

7.8 Total deposits of the NBFIs at the end of December 2019 went down to BDT 451.93 billion (60.00 percent of total liabilities) from

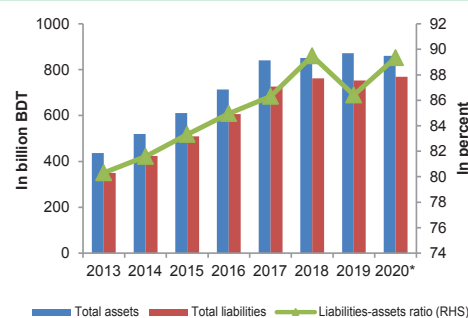
**Table 7.2 Trends in Assets, Liabilities and Deposits of NBFIs**

	(billion BDT)							
	2013	2014	2015	2016	2017	2018	2019	2020*
Total assets	436.3	520.1	611.0	713.9	839.9	851.6	871.5	860.3
Total liabilities	350.4	424.2	509.0	606.5	726.0	739.6	753.1	768.7
Liabilities-assets ratio	80.3	81.5	83.3	85.0	86.4	86.8	86.4	89.3
Total deposit	198.3	238.5	318.1	382.4	468.0	466.2	451.9	441.2
Deposit as % of total liabilities	56.6	56.2	62.5	63.1	64.4	63.0	60.0	57.4

\* As of 30 June 2020.

Source: DFIM, BB.

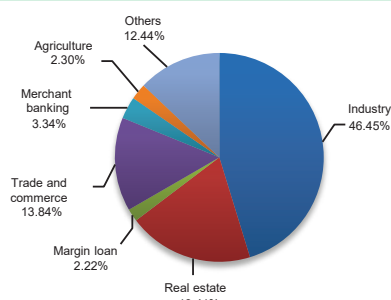
**Chart 7.1 Trends in Assets, Liabilities of NBFIs and their Ratios**



\* As of 30 June 2020.

Source: DFIM, BB.

**Chart 7.2 Investment Pattern of NBFIs as of 30 June 2020**



Source: DFIM, BB.

BDT 466.26 billion (63.03 percent of total liabilities) at the end of 2018 showing an overall decrease of 3.07 percent. At the end of June 2020, total deposit of NBFIs stood at BDT 441.17 billion (Table 7.2 and Chart 7.1).



### Other Liabilities and Equity

7.9 Total liability of the industry increased to BDT 753.12 billion at the end of December 2019 from BDT 739.69 billion that of December 2018. At the end of June 2020, total liability and equity stood at BDT 768.71 billion and BDT 91.62 billion respectively.

### Bond and Securitisation Activity

7.10 NBFIs play a significant role for the development of bond market through issuing different types of Bonds. By taking NOC from the Department of Financial Institutions and Markets (DFIM) of BB, eleven instruments of bond with nominal value of BDT. 23.50 billion have been floated in the market up to June, 2020.

### Performance and Rating of NBFIs

7.11 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.

### Capital Adequacy

7.12 Capital adequacy focuses on the total position of NBFIs' capital and protects the depositors from the potential shocks of losses that a FI might incur. It helps absorbing major financial risks related to credit, market, interest rate, etc. NBFIs in Bangladesh have been instructed under the Basel III Accord to maintain Capital Adequacy Ratio (CAR) of not less than 10.0 percent with at least 5.0 percent in core capital.

### Asset Quality

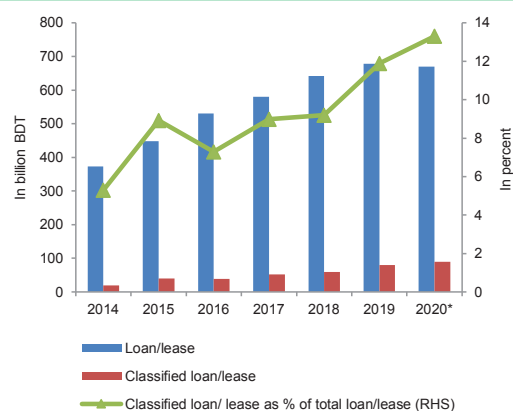
7.13 Non Performing Loan (NPL) ratio is

**Table 7.3 Trends in Total Loan/Lease and Classified Loan/Lease**

	(billion BDT)						
	2014	2015	2016	2017	2018	2019	2020
Loan/lease	372.8	448.5	530.7	580.4	641.9	678.1	669.54
Classified loan/lease	19.7	40.0	38.7	52.1	59.2	80.4	70.34
Classified loan/ lease as % of total	5.3	8.9	7.3	8.9	9.2	11.9	10.51

\* As of 30 June 2020.  
Source: DFIM, BB.

**Chart 7.3 Trends in NBFIs' Total, Classified Loan/Lease and their Ratios**



\*As of 30 June 2020.  
Source: DFIM, BB.

an indicator of asset quality. This is the ratio of gross non-performing loan/lease to total loan/lease. At the end of June 2020, the NPL for NBFIs was 13.29% percent. In the total asset composition of all NBFIs, the amount of loans, lease and advances was 77.82 percent during the said period. The trends of the ratio of gross non-performing loan/lease to total loan/lease is shown at table 7.3.

### Earnings and Profitability

7.14 Earnings and profitability of an FI 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 2020 were 0.24 and 2.21 respectively (Table 7.4).

### Liquidity

7.15 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 bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5 percent. Note that, at the end of FY 20, in order to mitigate the impacts of COVID-19 on financial institutions and their clients, the Cash Reserve Requirement (CRR) lowered from 2.50 percent to 1.50 percent on bi-weekly basis and from 2.00 percent to 1.00 percent on daily basis to increase the money supply at the Financial institutions end.

### 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 FI's asset-liability position, earnings and capital. When evaluating this sensitivity component, consideration should be given to management's ability to identify, measure, and control market risk via the implementation of effective Core Risk Management System. Vulnerability of the FI in a stressed situation emanated 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.

### Composite CAMELS Rating

7.17 At the end of June 2019, out of 34 NBFIs, the composite CAMELS rating of 14 were "2 or Satisfactory", 10 were "3 or Fair",

**Table 7.4 Trends in Profitability of NBFIs**

	2012	2013	2014	2015	2016	2017	2018	2019	2020*
Return on equity (ROE)	10.4	7.5	9.9	9.9	6.9	8.3	7.45	7.64	2.21
Return on asset (ROA)	1.9	1.5	1.8	1.8	1	1.14	0.98	1.04	0.24

\* As of 30 June 2020.  
Source: DFIM, BB.

7 were "4 or Marginal" and 1 were "5 or Unsatisfactory". One FI is yet to come under this rating and another one is on liquidation process.

### Legal Reform and Prudential Regulations

7.18 As part of the ongoing initiative, Bangladesh Bank emphasizes the improvement in financial strength and transparency of NBFIs and undertakes some legal and regulatory policy measures."Guidelines on Commercial Paper for Financial Institutions" has been revised to introduce some best practices and to set standards that will facilitate financial institutions to perform efficiently regarding CP in a more organized way.

### Capital Adequacy and Progress of BASEL Accord Implementation in NBFIs

7.19 Basel-II norms was implemented in the NBFIs from 1 January 2012. Prudential guidelines on capital adequacy and market discipline (CAMD) have been issued to promote international best practices and to make the capital of NBFIs more risk sensitive as well as more shock resilient. NBFIs have to follow the guidelines as statutory compliance. Under Basel-II, NBFIs operating in Bangladesh are instructed to maintain the Minimum Capital Requirement (MCR) at 10.0 percent of the Risk Weighted Assets (RWA) or BDT 1.0 billion whichever is higher.

### Corporate Governance in NBFIs

7.20 BB has taken some policy measures in order to put in place good corporate governance framework for NBFIs. BB has clearly specified the authority, responsibility and functions of the Board of Directors, Executive Committee, Audit Committee, Management and Chief Executive Officer of NBFIs. The required number of Directors in the Board ranges from 9 to 11. The Board sets and approves the vision/mission, annual strategic business plan, key performance indicators, core risk management guidelines, etc. The Managing Director/Chief Executive Officer (CEO) is responsible to conduct day to day functions and materialization of the strategic business plan.

### Asset Classification and Provisioning

7.21 NBFIs are required to maintain provision for expected losses on loans, advances, leases, investments considering some objective criteria as well as qualitative judgment. Assets are classified as standard, 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. At the end of June 2020, the total outstanding of loan/lease was BDT 670.21 billion of which NPL was BDT 89.05 billion (13.29 percent of total loan/lease, table 7.3).

### Loan Rescheduling Policy

7.22 Loans/Lease rescheduling is an arrangement to accommodate the borrower in financial difficulty, to avoid a default situation. For the purpose of rescheduling of loans/leases, NBFIs must receive down payments from clients as specified in relevant DFIM (Department of Financial Institutions & Market)

circular. NBFIs will 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.

### 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 these, with a view to address and manage all the risks in a more prudent and organized way the 'Integrated Risk Management Guidelines for Financial Institutions' have also been issued to adopt improved policies and procedures in line with internationally best practices for their risk management framework. The Guidelines encompass all the probable risks that include credit risk, market risk, liquidity risk, operational risk, compliance risk, strategic risk, reputational risk, environmental risk, and money laundering risk.

### Stress Testing

7.24 Stress testing is a simulation technique used to test the resilience of different Financial Institutions under a set of exceptional, but plausible assumptions through a series of tests. Stress testing alerts FI management to adverse unexpected outcomes related to a variety of risks (Interest rate, Credit, Equity and liquidity). Stress Test rating scale of 1 to 5 and zonal positioning through Weighted Average Resilience-Weighted Insolvency Ratio (WAR-WIR) Matrix have been introduced to develop auto-generated Recommended Action Plan.

NBFIs are conducting stress testing on quarterly basis.

### Non-Bank Financial Institutions Inspection

7.25 During FY19, Financial Institutions Inspection Department (FIID) conducted total 42 comprehensive inspections on Head offices and branches of financial institutions. Details of inspections conducted by the department are shown in table 7.5. This department also monitors implementation status/progress of the recommendations made in the inspection reports.

### Consumer Protection Regulations

#### Schedule of Charges

7.26 BB has rationalized 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 so that the clients can easily notice them. They are also advised to post the same information in their websites. BB monitors these issues and NBFIs are required to submit semi-annual statements in these regard. No charge/commission like commitment fee, supervision fee and cheque dishonor fee can be charged.

### Guidelines on Products and Services, and Commercial Paper of Financial Institutions in Bangladesh

7.27 Along with the banks, the financial institutions with their customized 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

**Table 7.5 Inspections Conducted by FIID**

Name of Inspection	Number
Head office comprehensive inspection of NBFIs	16
Branch comprehensive inspection	0
Core Risk Inspection (off-site)	0
FICL Inspection (Quick Summary Report)	33
Special Inspection (on request)	05

Source: FIID, BB.

outlined the different characteristics of products and services offered by NBFIs which helps financial institutions to adapt with the changing environment also to promote sound risk management system and bring discipline in launching new products and services.

7.28 In order to set some regulations regarding commercial papers 'Guidelines on Commercial Papers for Financial Institutions' have been introduced. This allowed Financial Institutions to get involved in commercial papers as investor, issuer, guarantor, and Issuing and paying agent by fulfilling the terms and conditions as mentioned in the guidelines. The existing guidelines have been revised by DFIM circular letter no-02 dated on February 27, 2020 to ensure best practices and to set standards that will facilitate financial institutions to perform efficiently regarding commercial papers in a more organized way.

### Cost of Funds Index for NBFIs

7.29 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 on a monthly basis. 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. The cost of fund of FI's in December 2019 was 9.20 percent which decreased to 8.74 percent in June 2020.

#### **Regulations on CMMS (Corporate Memory Management System) for Financial Institutions**

7.30 As part of formulation and implementation of National Integrity Strategy (NIS), a circular has been issued for preservation and use of information of the Penalized Employees of Financial Institutions through CMMS.

#### **Measures To Mitigate Covid-19 Impact on Financial Institutions**

7.31 Like elsewhere across the globe, the COVID-19 pandemic has brought uncertainties

in financial and economic sector in Bangladesh. Bangladesh Bank has taken several policy measures to mitigate the impacts of COVID-19 on financial institutions and their clients. Some of those policies are: keeping classification status of loan/lease/advance unchanged from January to September 2020, lowering the Cash Reserve Requirement (CRR) from 2.5 percent to 1.5 percent on bi-weekly basis and from 2.0 percent to 1.0 percent on daily basis, restructuring and revolving loan renewal facilities on easy terms and conditions. Moreover, Bangladesh Bank facilitates interest rate subsidy and refinance scheme for pandemic affected clients of Financial Institutions and Banks under the government stimulus packages for lending working capital in industries and service sector, and CMSME (Cottage, Micro, Small, and Medium Enterprises) sector.

## Financial Markets

8.1 Bangladesh Bank (BB) undertook several measures during FY20 in terms of liquidity management by easing access and transaction norms, and maintained stability in the foreign exchange market by keeping BDT-USD exchange rate competitive, while affirmed vigilant surveillances to secure the integrity of financial markets. BB has used its available policy tools to ensure adequate liquidity, normal functioning of the markets and the stability of the financial system in the face of the interruption caused by COVID-19.

### Financial Market Highlights in FY20

- Slower deposit growth along with strong government borrowings from banks lead to some liquidity constraint in the banking system in FY20, while demand for liquidity increased substantially. Consequently call money market rate went through some upward pressure and picked up to 5.1 percent in March 2020 from 4.5 percent in December 2019.
- To improve the liquidity situation, BB set up a downward modification of its Cash Reserve Requirement (CRR) and repo rate from 5.5 percent to 5.0 percent and from 6.0 percent to 5.75 percent respectively in March 2020.
- In the backdrop of COVID-19 outbreak, BB further cut its CRR and repo rate from 5.0 percent to 4.0 percent and 5.75 percent to 5.25 percent respectively in April 2020, which lead to a significant rise in the liquidity in the banking system, despite a falling in deposit growth. Consequently call money market rate witnessed downward movement from April and onward in FY20. The reverse repo rate remained unchanged at 4.75 percent in FY20.
- BB has introduced 360 days term repo in FY20 to support the longer term liquidity needs in the money market.
- In FY20, BB announced to buy back government securities from the secondary market as some banks and NBFIs act as primary dealers of such securities to ease their liquidity.
- Substantial rise in liquidity in the banking system contributed to a decrease in the interest rate on most of the treasury bills and bonds of different maturities while the interest rates on longer term bonds remained mostly unchanged.
- BB's timely intervention in the foreign exchange market including purchase of USD from the market helped to maintain normal behavior in USD interbank market. Consequently exchange rate of BDT against USD remained broadly stable in FY20.

### Overview of Financial Markets

8.2 Financial markets give strength to the economy by making finance available at the right place. In terms of regulatory framework, the financial system of Bangladesh is comprised of three broad fragmented sectors, Formal Sector, Semi-Formal Sector and the Informal Sector. The formal financial sector consists of



money market (banking system, microcredit institutions, non-bank financial institutions and interbank foreign exchange market), the capital market (stock markets), bond market and the insurance market. Operational activities of these institutions are governed by a number of regulators such as Bangladesh Bank (banking system), Bangladesh Securities and Exchange Commission (stock market operations), Insurance Development and Regulatory Authority (insurance companies) and Microcredit Regulatory Authority (micro credit institutions). Ministry of Finance also has some oversight role in certain aspects. All these institutions play a crucial role in the country's money and capital markets including government securities and foreign exchange market.

## I. Money Market

### Call Money Market Activities in FY20

8.3 The money market in Bangladesh experienced a moderate volatility in FY20. Addressing the demand of banks, on day-to-day basis, BB meticulously used government debt management and open market operations (OMOs) tools to balance the call money market. BB's scrupulous policy measures help banks to maintain liquidity contributing stable weighted average interest rate in the call money market ranging from 3.46 percent to 5.14 percent (Table 8.1 and Chart 8.1). During FY20, the volume of interbank call money decreased by BDT 57.99 billion, which was 4.67 percent lower comparing FY19.

### Repo Auctions held in FY20

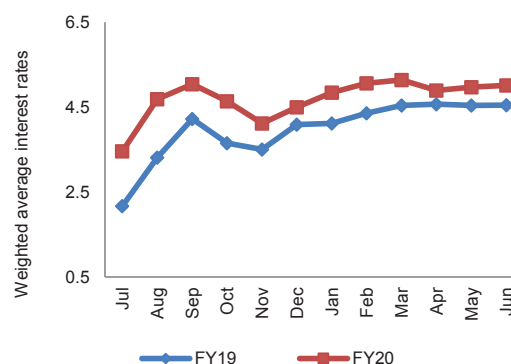
8.4 Bangladesh Bank usually conducts various types of Repo (overnight Repo, Term

**Table 8.1 Volume of Trade and Weighted Average Interest Rates in Call Money Market**

Periods	Volume of trade (billion BDT)	Weighted average interest rates (%)	Volume of trade (billion BDT)	Weighted average interest rates (%)
	FY19		FY20	
July	1306.15	2.17	1594.33	3.46
August	1582.95	3.31	795.05	4.69
September	1623.26	4.22	1159.19	5.04
October	1441.34	3.65	1656.88	4.64
November	1393.83	3.50	1209.83	4.12
December	1296.75	4.09	1071.08	4.50
January	1365.60	4.12	1110.32	4.84
February	952.04	4.36	751.02	5.06
March	1012.40	4.54	273.67	5.14
April	719.10	4.57	1267.61	4.89
May	1129.68	4.54	1437.02	4.97
June	1085.87	4.55	1887.01	5.01
<b>Average</b>	<b>1242.41</b>	<b>3.97</b>	<b>1184.42</b>	<b>4.70</b>

Source: DMD, BB.

**Chart 8.1 Movements in Call Money Rate**



Source: MPD, BB.

Repo, Liquidity Support Facility (LSF) and special Repo) auctions to provide overnight liquidity facility to banks at a pre-determined and auction based rates as against the collateral market and face value of government treasury bills, bonds and Bangladesh Bank Bills to maintain their liquidity requirements. The rates of interest for overnight Repo, Special Repo and LSF were 5.25 percent, 8.25 percent and 5.25 percent respectively in FY20 necessitate



**Table 8.2 Repo Auctions - FY20**

Total number of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%) <sup>®</sup>
		Number of bids	Face value (billion BDT)	Number of bids	Face value (billion BDT)	
171	1-Day/3-Day	4206	4373.00	4206	4373.00	5.25-9.00
	7-Day	1414	899.82	1414	899.82	5.35-6.25
	14-Day	79	59.65	79	59.65	5.50-6.00
	28-Day	142	145.97	142	145.97	5.50-6.00
	<b>Total</b>	<b>5841</b>	<b>5478.44</b>	<b>5841</b>	<b>5478.44</b>	<b>5.25-9.00*</b>

\* Overall interest rate range of different tenors.

<sup>®</sup> The current rate of overnight repo is 4.75 percent effective from 30 July, 2020 which was previously 5.25 percent effective from 12 April, 2020.  
Source: MPD, BB.

for financial market and boosting investment and to achieve broad objective of monetary policy.

Under repo programme, the repayment duration is between 1-day to 360-days as per BB regulations. To fulfil periodical need of liquidity term repo for 7, 14 and 28 days were introduced on June 06, 2018. Additionally, 360 days term repo was introduced on May 13, 2020 to support the longer term liquidity need, though no bid was received against this instrument in FY20. Term repo rate is fixed through auction competitive bids taking into account overnight repo rate as benchmark. A total of 171 Repo auctions were held during FY20. In all 5841 bids for BDT 5478.44 billion were received of which all bids were accepted (Table 8.2). During FY19 total 635 bids for BDT 1135.40 billion were received and all bids were accepted. The volume of accepted amounts increased by BDT 4343.04 billion during FY20. The interest rate against the accepted bids was ranging 5.25-9.00 percent per annum, which was 6.00-9.00 percent per annum in FY19.

### Reverse Repo Auctions held in FY20

8.5 In line with the broad objective of monetary policy, Bangladesh Bank uses Reverse Repo to mop up excess liquidity from the banks to keep the Reserve Money and Money Multiplier on track impacting currency, reserves and deposits. In case of Reverse Repo, BB abstained from providing any collateral to the banks. In FY20, the interest rate of Reverse Repo (policy rate) was higher (4.75 percent) comparing BB Bills rate (Table-8.4) signalling the market to maintain reasonable interest rate on bank deposits protecting the marginal savers. A total of 09 reverse repo auctions were held during FY20. A total of 10 bids for BDT 21.80 billion were received but no bid was accepted under reverse repo during FY20 (Table 8.3).

### Bangladesh Bank Bill Auctions held in FY20

8.6 To conduct effective management and sterilize liquidity of the banking system, operations of 7-day and 14-day Bangladesh Bank Bill were introduced in April, 2016 and 30-

**Table 8.3 Reverse Repo Auctions - FY20**

Total auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%) <sup>®</sup>
		Number of bids	Face value (billion BDT)	Number of bids	Face value (billion BDT)	
9	1-Day/2-Day	9	17.20	-	-	-
	3-Day/7-Day	1	4.60	-	-	-
	<b>Total</b>	<b>10</b>	<b>21.80</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>®</sup> The current rate of reverse repo is 4.00 percent effective from 30 July, 2020 which was previously 4.75 percent effective from 14 January, 2016.  
Source: MPD, BB.

**Table 8.4 Auctions of Bangladesh Bank Bill - FY20**

Tenor of bill	Bids offered		Bids accepted		Outstanding bills as of end June 2020 (billion BDT)	Weighted average yield (WAR) range (%)	
	Number	Face value (billion BDT)	Number	Face value (billion BDT)		FY19	FY20
7-Day	18	21.50	2	1.50	0.00	0.01-0.17	2.96
14-Day	3	1.55	-	-	0.00	0.02-0.10	-
30-Day	-	-	-	-	0.00	-	-
<b>Total</b>	<b>21</b>	<b>23.05</b>	<b>2</b>	<b>1.50</b>	<b>0.00</b>	<b>0.01-0.17</b>	<b>2.96</b>

Source: MPD, BB.

day Bangladesh Bank Bill which was revived in FY10 were continued in FY20 as a tool of OMOs. Among 7-day, 14-day and 30-day Bangladesh Bank Bills, BB meticulously only used 7-day Bangladesh Bank Bill considering the overall liquidity of the economy and 2 bids of 7-day Bangladesh Bank bill were accepted in FY20. With a view to maintaining stable interest rate, exchange rate, inflation and optimum return on bank deposits, Bangladesh Bank cautiously used the selective 7-day BB Bill as a tool of OMOs with lower return for banks (institutional investors) in FY20. The outcomes of Bangladesh Bank Bill auctions in FY20 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 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 one is to provide a mechanism for financing Government budget deficit and the second one for managing excess liquidity prevailing in the market. In FY20, a total of 22 Primary Dealers (PDs) banks acted as underwriters and market makers with commitments to bid in auctions. Apart from that, the auction committee may also devolve the unsubscribed amount to Bangladesh Bank/ PD and non PD banks considering the auction rate, market timing,

**Table 8.5 Auctions of Government Treasury Bills - FY20**

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 2020 (billion BDT)	Weighted average yield (WAR) range (%)	
	Number	Face value (billion BDT)	Number	Face value (billion BDT)		FY19	FY20
14-Day	356	319.21	98	100.10	0.00	2.09-6.42	4.92-7.52
91-Day	2607	1129.34	1058	482.81	122.00	0.55-6.97	5.51-7.92
182-Day	1733	760.38	696	313.51	185.00	1.29-7.19	6.66-8.56
364-Day	1620	710.05	664	304.34	355.00	2.46-7.31	7.19-8.70
Devolvement on BB				302.24			
<b>Total</b>	<b>6316</b>	<b>2918.98</b>	<b>2516</b>	<b>1503.00</b>	<b>662.00</b>	<b>0.55-7.31</b>	<b>4.92-8.70</b>

Source: MPD, BB.

**Table 8.6 Auctions of Bangladesh Government Treasury Bonds-FY20**

Tenor of bonds	Bids offered		Bids accepted		Outstanding bonds as of end June 2020 (billion BDT)	The range of annual weighted average yield (%)
	Number	Face value (billion BDT)	Number	Face value (billion BDT)		
2-Year	1192	470.65	416	177.70	302.00	7.4753-8.5656
Devolvement on BB				34.30		
3-Year	26	5.33	03	1.12	5.00	6.4998
Devolvement on BB				3.88		
5-Year	1238	450.36	515	169.82	461.50	8.0317-9.1269
Devolvement on BB				38.18		
10-Year	1096	375.36	535	141.73	723.15	8.4703-9.2638
Devolvement on BB				53.27		
15-Year	628	261.31	218	51.83	350.16	8.6877-9.4989
Devolvement on BB				15.67		
20-Year	638	173.53	242	57.89	326.37	8.9047-9.7381
Devolvement on BB				15.61		
<b>Total</b>	<b>4818</b>	<b>1736.54</b>	<b>1929</b>	<b>761.00</b>	<b>2168.18</b>	<b>6.4998-9.7381*</b>

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

Source: MPD, BB.

macroeconomic and liquidity situation of banks. In FY20, the auction committee devolved a good amount of money to BB curbing higher rate and financing the government at a lower cost and keeping momentum in the weekly valuations of Government Treasury Bills for held for trade (HFT) and calculating of book value of held to maturity (HTM) securities maintained for Statutory Liquidity Requirement (SLR) purpose with amortization.

8.8 Weekly auctions of 14-Day, 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 FY20. The results of Treasury Bills auctions in FY20 are summarised at Table-8.5. The range of annual weighted average yields of most of the Treasury Bills increased in FY20 as compared to FY19 reflecting liquidity tightness in the market. A total of 6316 bids amounting to BDT 2918.98 billion were received of which 2516 bids amounting to BDT 1503.00 billion (including BDT 302.24 billion as devolved

amount) were accepted in FY20. The weighted average yield-to-maturity against the accepted bids was ranged from 4.92 percent to 8.70 percent. In FY19, a total of 4312 bids amounting to BDT 2138.91 billion were received, of which BDT 921.00 billion (including BDT 293.71 billion as devolved amount) were accepted.

### Bangladesh Government Treasury Bonds (BGTBs) Auctions

8.9 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 consultation with the Ministry of Finance of the Government of the People's Republic of Bangladesh, considering liquidity situation and status of macroeconomic indicators. The BGTB auction committee determined cut-off coupon rate used for bond pricing. Banks are eligible to use Government Treasury Bills and BGTBs for 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 norms. This bills and bonds are eligible for trading in the secondary market using MI module of Bangladesh Bank.

8.10 A total of 4818 bids for BDT 1736.54 billion were received and 1929 bids for BDT 761.00 billion were accepted, of which BDT 160.91 billion was devolved on BB. The amount of outstanding bonds was increased by BDT 615.31 billion or 39.62 percent to BDT 2168.18 billion at the end of June 2020 from BDT 1552.87 billion at the end of June 2019. The weighted average annual yield-to-maturity for the treasury bonds ranged from 6.4998 percent to 9.7381 percent in FY20. The summary of auctions of Bangladesh Government Treasury Bonds during FY20 is given in Table 8.6.

#### Floating Rate Treasury Bond (FRTB)

8.11 Allowing the variability of interest rate and diversity of market for the first time in FY19 the Government with collaboration of BB has introduced 03-Year Floating Rate Treasury Bond (FRTB) as on 25 March, 2019. FRTB will encourage robust bond pricing mechanism allowing secondary bond market development in Bangladesh. Both individuals and institutional investors are eligible to purchase and hold the FRTBs. According to the mood of operations resident and non-resident investors can purchase the FRTB using particular bank accounts. The non-resident can transfer interest (coupon) and resale or redemption proceeds abroad in foreign currency.

8.12 91-Days BCR is primarily used to set the rate of floating rate instruments of government. It is a daily rate based on the

**Table 8.7 Bangladesh Government Islamic Investment Bond**

Particulars	(billion BDT)		
	FY 18	FY 19	FY 20
Sale	92.95	107.11	131.88
Financing	81.20	84.80	67.82
Net balance	11.75	22.31	64.06

Source: Motijheel Office, BB.

cut-off yield of 91-Days Treasury Bills auction announced by BB on its website daily. 91-Days BCR is a compound rate calculated from the average interest rate of 91-Day Treasury Bills summing the previous 91-Days. Capturing the volatility, the interest rate on the FRTB is determined calculating the BCR and adding a spread (mark-up) set by the lenders.

#### Bangladesh Government Islamic Investment Bond (Islamic Bond)

8.13 Government provides guarantee against the Bangladesh Government Islamic Investment Bond (BGIIB) pool of funds formed by the Islamic banks and individuals in order to develop money market in Islamic banking sector. Virtually, government does not borrow money from this sector. The return of the bonds depends on investment in line with the Islamic Shariah savings rate and other related factors reflected in the balance sheet of the respective Islamic bank. The operation of 6-month BGIIB was introduced in FY04. Further, 3-month BGIIB was introduced in January, 2015. The auction of 1-year and 2-year Islamic Bonds have been suspended since January 2015. Currently, 3-month and 6-month maturity BGIIBs are operated in accordance with the rules of Islamic Shariah. As per rules, Bangladeshi institutions, individuals and non-resident Bangladeshis who agree to share profit or loss in accordance with

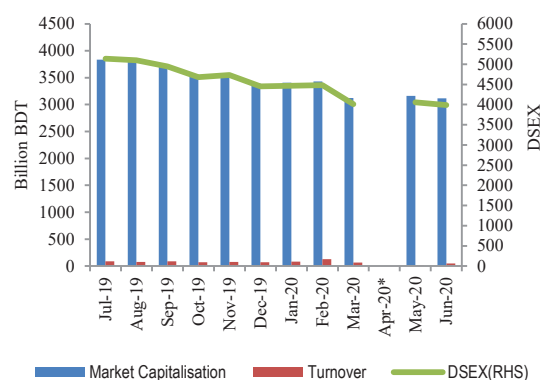
Islamic Shariah may buy these bonds. As of end June 2020, the total sale against this bond amounted to BDT 131.88 billion while balance of total amount of financing stood at BDT 67.82 billion and net balance against the BGIB stood at BDT 64.06 billion. As of end June 2019, the total sale against BGIB was BDT 107.11 billion and the financing was BDT 84.80 billion and net balance of BDT 22.31 billion. The sale amount of BGIB was increased in FY20. The amount of net balance was also increased in FY20 comparing FY19 due mainly to higher amount of supply and demand of funds by the Islamic banks. The overall transaction of BGIBs are summarised in Table 8.7.

### NRB Savings Bond

8.14 The Government had introduced 03 types of NRB Savings Bond namely, Wage Earner Development Bond (WEDB), US Dollar Investment Bond (DIB) and US Dollar Premium Bond (DPB) with a view to encouraging the wage earners and Non-Resident Bangladeshi (NRB) people to invest and increasing the remittance inflow. Target groups for WEDB (Maturity 5 years, available in the denomination of BDT and interest rate 12.0 percent in BDT) are general Bangladeshi wage earners or Bangladeshi nationals who are gainfully employed in abroad.

8.15 On the contrary, Target groups for DIB (Maturity 3 years, available in the denomination of USD and interest rate 6.5 percent in USD) and DPB (Maturity 3 years, available in the denomination of USD and interest rate 7.5 percent in BDT) are Non-Resident Bangladeshi people holding a Non-Resident Account (F.C Account). By selling NRB Savings Bond, the Government raises fund for covering up budget deficit and encourages wage earners and

**Chart 8.2 Trends in Market Behaviour of DSE**



\*= data not available.  
Source: Dhaka Stock Exchange.

Non-Resident Bangladeshi people to invest hard-earned remittance in productive sector. In FY20, remittance inflow invested in NRB Savings Bond is 1.05 percent.

## II. Capital Market

### Capital Market Activities in FY20

8.16 Capital market is considered the second largest segment of financial system in the country. It plays significant role in the economy by providing funds for the long term investment and development which contributes to economic growth. The market comprised of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), where DSE is pioneering in the exploration of economic advancement of the country. The instruments in these exchanges are equity securities (shares), debentures and corporate bonds. The regulator body of capital market is Bangladesh Securities and Exchange Commission (BSEC). Bangladesh Bank has been playing proactive role also to steady functioning and development of the market as well. In collaboration with DSE, third and final workshop of technical series titled 'Practical tips for preparing your

next report: Bringing it all together' under Global Report Initiative (GRI) conducted on 22 January 2020. Moreover, DSE and Shenzhen Stock Exchange jointly designed, developed and launched CNI-DSE Select Index (CDSET) on 30 December 2019. Chart 8.2 shows that Dhaka Stock Exchange (DSE) broad index and the market capitalisation of DSE were decreasing during July-December in FY20. However, both the index and the market capitalisation were increasing during January-February, but had decreased in March. During May-June, the index and market capitalisation showed declining trend. The DSE index and the market capitalisation decreased to 4452.93 and BDT 3395.51 billion respectively at the end of December 2019. Having with a downward trend, the index and the market capitalisation stood at 3989.1 and BDT 3119.7 billion respectively at the end of FY20 (Table 8.8).

### Primary Issuance

8.17 Five companies have collected new equity of BDT 3.0 billion from the capital market through public placements in FY20, which was much higher amounting BDT 4.2 billion collected by the 15 companies in FY19. In FY20, no new equity issued through private placements, that was BDT 0.4 billion in FY19. The volume of public offerings was oversubscribed, more than 06 times in FY20, indicating a shortage of new securities in the primary market. Bonus shares worth of BDT 18.3 billion were issued in FY20 by 95 companies against retained profits. This was lower than BDT 31.4 billion issued by 150 companies in FY19. On the other hand, right shares amounting to BDT 2.1 billion issued by two companies in FY20 whereas, no right shares were issued in FY19.

**Table 8.8 Activities of Dhaka Stock Exchange (DSE)**

Particulars	End June		
	FY18	FY19	FY20
No. of listed securities*	572	584	589
Issued equity and debt* (billion BDT)	1219.7	1268.6	1299.8
Equity through private placement & IPOs (billion BDT)	0.2	4.2	3.0
Market capitalisation (billion BDT)	3847.3	3998.2	3119.7
Turnover in value (billion BDT)	1590.9	1459.7	780.4
Turnover in volume (no. in billion)	45.8	36.9	26.0
DSE Broad Index (DSEX)®	5405.5	5421.6	3989.1

\* Including companies, mutual funds, debentures

® 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 Activities of Chittagong Stock Exchange (CSE)**

Particulars	End June		
	FY18	FY19	FY20
No. of listed securities*	312	326	331
Issued equity and debt* (billion BDT)	656.9	712.9	735.9
Market capitalisation (billion BDT)	3123.5	3293.3	2447.6
Turnover in value (billion BDT)	109.9	84.8	53.1
Turnover in volume (no. in billion)	3.5	2.5	1.7
All-share Price Index	16558.3	16634.2	11332.6

\* Including companies, mutual funds and debentures.

Source: Chittagong Stock Exchange

### Secondary Market Activities

8.18 As percentage of market capitalisation, secondary market are dominated by the manufacturing sector with 39.8 percent share followed by services and miscellaneous sector (34.2 percent), financial sector (25.9 percent) and bonds (0.2 percent) at the end of FY20. In the DSE, market capitalisation decreased by 22.0 percent to BDT 3119.7 billion at the end of FY20 from BDT 3998.2 billion at the end of FY19 (Table 8.8) which is 11.2 percent of GDP (at current market price). In case of the CSE, it also decreased by only 25.7 percent to BDT 2447.6 billion at the end of FY20 which is 8.8 percent of GDP (at current market price). Amount of turnovers in the secondary



market at DSE and CSE have decreased by 46.5 percent and 37.4 percent respectively in FY20 as compared to FY19. DSE broad index (DSEX) have decreased by 26.4 percent to 3989.1 while CSE all-share price index have decreased by 31.9 percent to 11332.6 in FY20 (Table 8.8 and Table 8.9).

### Non-Resident Portfolio Investment

8.19 Gross investment inflow in shares and securities of the companies listed with the stock exchanges by non-residents through Non-Resident Investor's Taka Account (NITA) decreased to BDT 51.3 billion in FY20 from BDT 55.8 billion in FY19. On the other hand, gross outflow as sale proceeds and dividend of share/securities has decreased to BDT 39.8 billion in FY20 from BDT 48.8 billion in FY19. From the beginning (April 1992) to June 2020, the gross portfolio investment inflow stood at BDT 445.9 billion against gross outflow of BDT 365.4 billion as sale proceeds and dividend.

### Activities of the Investment Corporation of Bangladesh

8.20 The Investment Corporation of Bangladesh (ICB) was established with the aim of accelerating the pace of industrialisation and developing a well organised and vibrant capital market, particularly securities market in Bangladesh. ICB's activities on capital market development programme have been expanded through the formation and operation of the three subsidiary companies namely ICB Capital Management Ltd (ICML), ICB Asset Management Company Ltd. (IAMCL) and ICB Securities Trading Company Ltd. (ISTCL).

8.21 During FY20, the ICML provided underwriting assistance to the issues of

shares and debentures of BDT 0.2 billion to 05 companies and performed the responsibilities of issue manager of 08 companies of BDT 2.4 billion. The IAMCL emerged as one of the fast expanding asset management companies of the country. The company has floated 9 closed-end and 14 open-ended mutual funds up to end June 2020. Besides, the company has floated various regular and special types of mutual funds as well. The net investment in portfolios of the 23 mutual funds of the company stood at BDT 3.9 billion in FY20. The ISTCL emerged as the largest stock broker with Depository Participant (DP) Services in the country as well as total turnover of BDT 96.6 billion in FY20 which was 11.6 percent of total turnover of both DSE and CSE.

8.22 The parent ICB itself sold unit certificates amounting to BDT 3.1 billion against repurchase of unit certificates amounting to BDT 1.5 billion in FY20. Total investment against the investors' accounts stood at BDT 3.8 billion while deposit received stood at BDT 0.9 billion in FY20. The loans approved by the ICB stood at BDT 4.0 billion in investment accounts of investors in FY20. Total commitments for investment made by the ICB in FY20, stood at BDT 5.3 billion of which investment in equity was BDT 0.5 billion. The total amount of commitments was BDT 15.6 billion in FY19.

### Scheduled Banks Investments in Capital Market Securities

8.23 Holdings of capital market assets (equities, debentures) excluding investment on Government Treasury Bills/Bonds and Bangladesh Government Islamic Investment Bond (BGIIB) by the scheduled banks stood at BDT 480.7 billion at the end of June 2020 as



against BDT 446.9 billion at the end of June 2019. Outstanding advances of the scheduled banks against shares and securities amounted to BDT 54.4 billion at the end of June 2020, which was BDT 44.0 billion at the same period of the previous year.

### Measures Supporting Capital Market Development in FY20

8.24 Bangladesh Securities and Exchange Commission (BSEC) has taken several measures to safeguard investors' interest, ensured compliance of securities laws and maintained coordination during FY20. Some of the important measures are cited below:

- BSEC introduced online report submission system for market intermediaries and launched Customer Complaint Address Module (CCAM) and External Data Request Processing (EDRP) for speedy resolution and delivery of information.
- BSEC and ADB jointly organized 4 daylong Seminar titled 'Regional Seminar on Financial Literacy and Investor Protection'.
- In order to risk reduction of stock exchange transactions, Central Counter Party Bangladesh Limited (CCBL), has been established for clearing and settlement.
- The period from 26 March, 2020 to 30 May, 2020 has been excluded for all capital market related organizations in counting time for complying securities related obligation to BSEC or stock exchanges due except declaration of price sensitive information by issuing a directive dated June 02, 2020.
- BSEC has taken initiative to hire an experienced Digital Transformation Consultant for modern digital transformation in the capital market.
- BSEC directed both the stock exchange markets to collect fast integrated data and to start submission and distribution activities on the online platform.
- Workshops have conducted on integrity, innovation, anti-money laundering and reform of capital market related various laws and formulation of new rules.

### III. Credit Market

#### Scheduled Banks' Advances by Economic Purposes

8.25 The advances of scheduled banks by economic purposes showed an upward trend during FY20 (Table 8.10). Total amount of advances stood at BDT 10486.9 billion at the end of June 2020 which was 10.2 percent higher than the amount of BDT 9514.5 billion at the end of June 2019. In recent years, major changes have been viewed in the trends in total bank advances classified by economic purpose. Of the total advances, transport sector recorded a leading growth by 86.3 percent followed by working capital financing (13.5 percent), industrial sector (12.8 percent), trade and commerce (11.4 percent) and agriculture, fishing and forestry (5.6 percent) in FY20 compared to that of FY19. Construction sector showed low improvement by 2.7 percent only, whereas, others sector depicted negative increment of 1.6 percent in FY20.

8.26 Sector-wise contributions of total advances show that the trade and commerce sector played the leading role (33.7 percent)

followed by working capital financing (21.3 percent), advances for industry (20.6 percent), others sector (9.5 percent), construction (9.0 percent), agriculture, fishing and forestry (4.6 percent) and transport (1.3 percent) in FY20. Sector-wise contributions of total advances are shown in Chart 8.3.

### Industrial Term Loans of Banks and Financial Institutions

8.27 Disbursement of industrial term loans by banks and financial institutions decreased by 8.2 percent to BDT 742.6 billion in FY20. The recoveries also decreased by 8.9 percent to BDT 697.2 billion in FY20. The outstanding balance showed a positive growth of 13.7 percent and stood at BDT 2773.5 billion as of end June 2020. However, the overdue increased by 1.3 percent in FY20 and as percentage of outstanding loans decreased to 15.5 as of end June 2020 (Table 8.11).

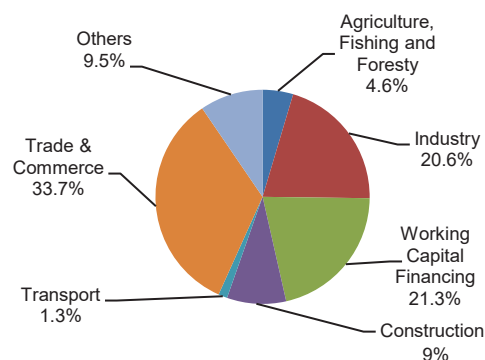
8.28 Private commercial banks (PCBs) had the major shares (65.3 percent) in the total outstanding loans amounting to BDT 2773.5 billion as of end June 2020, making them major players in industrial term lending (Table 8.11 and Chart 8.4). Though six SCBs and two specialised banks together had 20.8 percent shares of outstanding loans, with very high levels of overdue loans, their actual role in current lending was quite minor, as they disbursed only BDT 77.8 billion (10.5 percent) out of total disbursed loans amounting to BDT 742.6 billion in FY20. In case of disbursement, PCBs had the major amount (BDT 579.6 billion) in FY20, followed by SCBs (BDT 75.2 billion), financial institutions (BDT 43.3 billion), foreign banks (BDT 41.9 billion) and specialised banks (BDT 2.6 billion).

**Table 8.10 Advances of Scheduled Banks by Economic Purposes**

Sector	End June		
	FY19	FY20 <sup>P</sup>	% change
Agriculture, Fishing and Forestry	457.9	483.6	5.6
Industry	1913.6	2159.6	12.8
Working Capital Financing	1963.0	2228.7	13.5
Construction	912.1	936.7	2.7
Transport	76.0	141.6	86.3
Trade & Commerce	3175.9	3537.4	11.4
Others	1016.0	999.4	-1.6
<b>Grand Total</b>	<b>9514.5</b>	<b>10486.9</b>	<b>10.2</b>

<sup>P</sup> Provisional  
Source: SD, BB.

**Chart 8.3 Sector-wise Shares of Total Advances in FY20**



Source: SD, BB.

8.29 The foreign banks had very low overdue loans (3.2 percent of outstanding) as of end June 2020. Overdue loans were also lower in private commercial banks (11.3 percent) and financial institutions (16.9 percent). Overdue loans of the SCBs and the specialised banks were very high (29.5 percent and 32.3 percent respectively) as of end June 2020. Since two specialised banks— BKB and RAKUB are basically agriculture sector lenders, their role in industrial term lending is insignificant.

### Investment Promotion and Financing Facility II (IPFF II) Project

8.30 Bangladesh Bank, on behalf of the Finance Division of Ministry of Finance, has

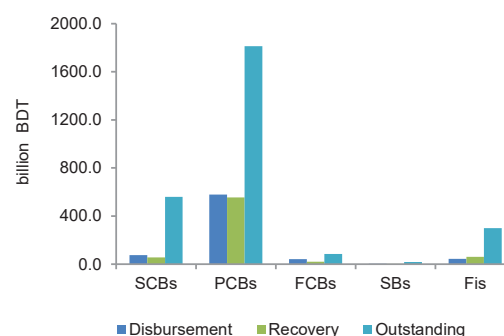
**Table 8.11 Industrial Term Loans of Banks and Financial Institutions**

(billion BDT)

Lender	Disbursement		Recovery		Outstanding		Overdue		Overdue as % of outstanding	
	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20
SCBs	27.1	75.2	56.6	57.0	473.2	559.4	225.6	165.3	47.7	29.5
PCBs	615.4	579.6	606.9	554.7	1583.8	1812.3	160.0	204.3	10.1	11.3
Foreign banks	27.6	41.9	14.8	21.3	66.9	84.2	2.5	2.7	3.7	3.2
Specialised banks (BKB, RAKUB)	9.7	2.6	7.1	2.2	16.2	18.1	4.7	5.8	29.0	32.3
Financial institutions	128.7	43.3	80.3	62.0	298.2	299.5	30.4	50.6	10.2	16.9
<b>Total</b>	<b>808.5</b>	<b>742.6</b>	<b>765.7</b>	<b>697.2</b>	<b>2438.3</b>	<b>2773.5</b>	<b>423.2</b>	<b>428.7</b>	<b>17.4</b>	<b>15.5</b>

Source: SME&amp;SPD, BB

been implementing Investment Promotion and Financial Facility II (IPFF II) Project (July, 2017-June, 2022), co-financed by Government of Bangladesh and the World Bank, with a view to promoting private sector led infrastructure development and enhancing capacities of participating Banks and NBFIs in response to fill up the continuous demand for long term financing in infrastructure sector. Under the on-lending component of the IPFF II project, long term infrastructure financing facility is being extended against infrastructure projects in eligible sectors like power generation, port development, water supply and sewerage, economic zones, Information and Communication Technology, health and education. 12 Banks and 5 NBFIs have been enlisted as Participating Financial Institution (PFI) up to June 2020. In on-lending component, USD 5.0 million and BDT 0.5 billion and BDT 2.8 billion have been disbursed to the sub-project Bangladesh Technosity Limited at Bangabandhu HiTech City in Kaliakair, Gazipur and Meghna Industrial Economic Zone Limited (MIEZL) in Narayanganj respectively. Technical Assistance (TA) Component is being utilized to provide IPFF II project's operating expenses and consultancy services of Public-Private

**Chart 8.4 Industrial Term Loans of Banks and Financial Institutions in FY20**

Source: SME&amp;SPD, BB.

Partnership (PPP) Authority and Bangladesh Infrastructure Finance Fund Limited (BIFFL) for enhancing and building the capacity of the stakeholders.

### Equity and Entrepreneurship Fund (EEF)/ Entrepreneurship Support Fund (ESF)

8.31 Equity and Entrepreneurship Fund (EEF) was formed by the Government with budgetary allocation of BDT 1.0 billion in FY01 to encourage investments in risky but innovative agro-based/food processing and ICT industries. Later the honorable Finance Minister has approved a loan based policy with heading 'Entrepreneurship Support Fund (ESF)'

instead of equity model. The reformed policy is conducive to secure government money. On the other hand, entrepreneurs will get the loan at 2 percent simple interest rate with grace period of 4 years and relaxed condition. EOI (Expression of Interest) for the fund has been receiving since 12 August, 2018 under newly reformed policy in food processing & agro-based and ICT sectors. The number of EOI received up to June 30, 2020 against food processing & agro-based and ICT sector is 3443 and 19 respectively. As per the sub-agency agreement signed between Bangladesh Bank (BB) and Investment Corporation of Bangladesh (ICB) on June 1, 2009 regarding the transfer of operational activities of EEF and another sub-agency agreement related to ESF signed on the 20th May, 2019 between Bangladesh Bank and ICB, ICB is now performing the operational activities of EEF and ESF while EEF Unit of Bangladesh Bank is performing the activities relating to policy formulation, fund management and performance monitoring.

8.32 Up to 30 June 2020, a total of 2063 projects (including 1923 agro-based/food processing projects involving EEF support of BDT 34.6 billion and 140 ICT projects involving EEF support of BDT 2.2 billion) got EEF Sanction. Cumulative disbursement of EEF assistance stood at BDT 14.7 billion in 1027 food processing and agro-based projects and BDT 1.3 billion in 104 ICT projects at the end of June, 2020. So far, a total of 349 agro based companies and 66 ICT companies have bought back shares amounting to BDT 3.3 billion and BDT 0.3 billion respectively. Employment opportunity has been created for 55,000 people in the EEF assisted projects. Rural infrastructures have also been developed as a

result of implementation of the EEF agro-based projects. World class software developed by EEF assisted ICT projects are being used in the domestic market and these are also being exported.

### Housing Finance

8.33 Total outstanding of housing loans from banks and financial institutions as of end June 2020 amounted to BDT 930.3 billion (Table 8.12), which was 8.5 percent of total credit to the private sector. In recent years, major changes have taken place in total housing loan portfolios. Private banks with ample deposit resources have expanded their housing loan activities. These banks had the dominant position (Table 8.12) with the largest amount of BDT 489.3 billion in outstanding housing loans as of end June 2020. The SCBs had the second highest amount of BDT 242.0 billion and other banks had BDT 40.6 billion in total outstanding of housing loans as of end June 2020. 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.

8.34 The state-owned House Building Finance Corporation (HBFC) had an amount of BDT 33.3 billion in outstanding housing loans as of end June 2020. The sources of Corporation's fund are paid-up capital provided 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 FY19 and FY20, BDT 4.3 billion and BDT 4.2 billion were disbursed out of recoveries of BDT 5.3 billion and BDT 4.6 billion respectively.

8.35 Grihayan Tahobil 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 stretching from 3 to 10 years. Up to June 2020, the Grihayan Tahobil has been released BDT 3.5 billion through 616 NGOs for rural housing programme which have covered 404 upazilas of 64 districts of the country and 84050 houses have already been constructed. As of end of June 2020, Tahobil has recovered BDT 2.3 billion against the total recoverable amount of BDT 2.4 billion and the recovery rate is 96.8 percent.

8.36 Under Grihayan Tahobil Schemes of constructing dormitories/women hostels, a 12 storied women hostel has been constructed at Ashulia, Savar, Dhaka with the collaboration and supervision of the Department of Women Affairs at the cost of BDT 0.2 billion. Now, this dormitory is ready to provide residential facilities to 744 women workers. In addition, an agreement between Grihayan Tahobil and BEPZA has already been signed for the construction of a dormitory for female workers working in Mongla EPZ at the cost of BDT 0.2 billion.

8.37 Besides, Grihayan Tahobil has initiated for enhancing loan facilities to the member companies of BGMEA to build hostels/

**Table 8.12 Outstanding Housing Loans**

(billion BDT)

Lenders	Outstanding as of end June		
	FY18	FY19	FY20 <sup>P</sup>
a. Specialised housing finance providers	83.6	88.5	89.4
i. HBFC	31.0	32.5	33.3
ii. Delta-Brac Housing Finance	42.2	43.9	43.2
iii. National Housing Finance and Investment limited	10.4	12.1	12.9
b. Banks	675.7	735.7	771.9
i. PCBs	473.8	489.1	489.3
ii. SCBs	176.7	211.2	242.0
iii. Other banks (foreign and specialised)	25.2	35.4	40.6
c. Other financial institutions	60.9	68.5	68.0
d. Micro-credit lenders			
Grameen Bank	0.7	1.1	1.0
<b>Total</b>	<b>820.9</b>	<b>893.8</b>	<b>930.3</b>

<sup>P</sup> Provisional.

Sources: DFIM and SD, BB; HBFC and Grameen Bank.

dormitories for the poor garments workers. Moreover, Grihayan Tahobil has sanctioned BDT 0.02 billion in favour of the project Ghore Fera Karmosuchi implementing by Bangladesh Krishi Bank and the first instalment of BDT 0.01 billion has already been released. Grihayan Tahobil has sanctioned BDT 0.3 billion for the construction of labor hostel/dormitories by the Department of Labor in the area of Kalur Ghat, Chattogram and Bander, Narayanganj. Apart from the housing loan activities Grihayan Tahobil disbursed BDT 0.1 billion as a grant to the poor people who are affected by natural calamities like Sidr, Aila, etc.

#### IV. Foreign Exchange Market

8.38 Foreign Exchange Market plays an important role by facilitating international trade and financial transactions. The players in the foreign exchange market of Bangladesh are the Bangladesh Bank, authorized dealers, and customers. Bangladesh Bank is empowered by

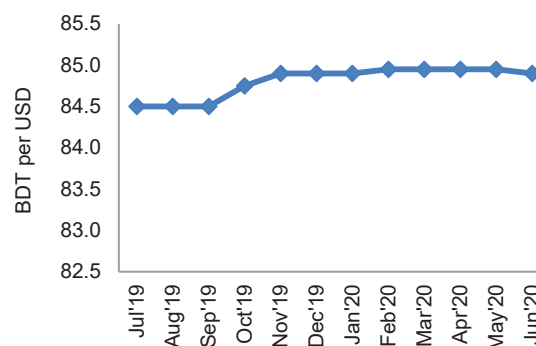
the Foreign Exchange Regulation Act of 1947 to regulate the foreign exchange regime. It, however, does not operate directly and instead, regularly watches activities in the market and intervenes, if necessary, through commercial banks. From time to time it issues guidelines for market participants in the light of the country's monetary policy stance, foreign exchange reserve position, balance of payments, and overall macro-economic situation. The phenomenal growth of inter-bank transactions was due mainly to relaxation of exchange control regulations and expansion of the activities of the Bangladesh Foreign Exchange Dealers Association (BAFEDA) formed on 12 August 1993.

8.39 The inter-bank foreign exchange market is an important segment of the foreign exchange market. It is a wholesale market through which most currency transactions are channeled. It is mainly used for trading among bankers. The three main components of the interbank market are: the spot market, the forward market and future market.

### Exchange Rate

8.40 Bangladesh Bank (BB) introduced floating exchange rate since 2003. Under the managed floating exchange rate regime, banks are free to set their own rates for inter-bank and customer transactions. Bangladesh Bank may purchase and sell US dollar as and when it deems necessary to maintain stability in the foreign exchange market. Exchange rate stood at BDT 84.90 as of end June 2020 compared to BDT 84.50 as of end June 2019 (Chart 8.5). In FY20, exchange rate depreciated by 0.47 percent compared to 0.89 percent depreciation in FY19.

**Chart 8.5 BDT-USD Exchange Rates (month end) in FY20**



Source: MPD, BB

### Foreign Exchange Reserves

8.41 Foreign Exchange Reserves is another significant part for stabilizing foreign exchange market. Foreign exchange reserves are the foreign assets held or controlled by the central banks. BB's gross foreign reserves comprises major currencies (G-7), gold and Special Drawing Rights (SDR). The reserves are generally used to finance the balance of payments imbalances or to control exchange rates. It is an important indicator for gauging an economies' ability to absorb external shock. Foreign Exchange Reserves stood at USD 36.04 billion in FY20, which was USD 32.72 billion in FY19. The current Foreign Exchange Reserves is sufficient to pay import liability of 7.87 months.

8.42 Bangladesh Bank closely monitors the foreign exchange market to avoid undue volatility in the exchange rate. To facilitate the foreign exchange liquidity and ensure stability and smooth market activities, BB sold USD 0.84 billion and purchased USD 0.88 billion in local inter-bank market in FY20.



## Agriculture and CMSME Finance

9.1 Agriculture plays an important role as a priority sector of Bangladesh economy. It's also the main source of rural employment and income generating sector of the country. The contribution of the agriculture in Bangladesh GDP is approximately 13.35 percent (constant price 2005-06 base). According to Labour Force Survey 2017, Bangladesh Bureau of Statistics, around 41.0 percent of the total workforce is directly engaged on agriculture. Besides ensuring food security, the agriculture sector has been playing an important role to meet up the nutrition demand, increase export earnings and augment total internal production of the country as a whole.

9.2 In line with the government policy direction, Bangladesh Bank formulated "Agricultural and rural credit policy and program" to ensure adequate flow of funds to agricultural and rural economy properly, timely, easier and hassle-free way to the farmers level. With a view to improving the socio-economic condition of the country along with an underscored role of the agriculture and rural sector, agricultural and rural credit policy and program is being implemented through all scheduled banks. The role of the agriculture is immense even to encounter environmental calamity and the negative impact of climatic changes. So, it is essential to develop the agriculture sector for the economic development of the country. During FY20, BDT 227.49 billion (94.30 percent of target) has been disbursed as agricultural and rural credit against the target of BDT 241.24 billion through all scheduled (state-owned, commercial and specialized) banks (Table 9.1).

**Table 9.1 Comparative Statement of Disbursement and Recovery of Agricultural Loan\***

Disbursement	(billion BDT)		
	FY18	FY19	FY20
<b>1. Disbursement (Target)</b>	<b>204.0</b>	<b>218.0</b>	<b>241.2</b>
a) Crops loan (Other than tea)	102.9	116.9	131.9
b) Purchase and installation of irrigation equipment	7.8	6.2	13.0
c) Livestock	27.1	27.1	24.4
d) Marketing of agricultural goods	3.5	3.4	5.7
e) Fisheries	23.1	25.0	24.5
f) Poverty alleviation	12.6	11.9	15.8
g) Other agricultural activities	27.0	27.5	26.1
<b>2. Actual disbursement</b>	<b>213.9</b>	<b>236.2</b>	<b>227.5</b>
a) Crops loan (Other than tea)	103.4	118.8	114.0
b) Purchase and installation of irrigation equipment	2.7	3.2	2.7
c) Livestock	30.6	32.5	31.7
d) Marketing of agricultural goods	1.1	1.2	1.3
e) Fisheries	24.6	26.8	26.1
f) Poverty alleviation	21.5	19.5	20.9
g) Other agricultural activities	30.0	34.3	30.9
<b>3. Term structure of loan disbursed</b>	<b>213.9</b>	<b>236.2</b>	<b>227.5</b>
a) Short term	178.7	199.3	191.5
b) Longer term	35.3	36.9	36.0
<b>4. Recovery</b>	<b>215.0</b>	<b>237.3</b>	<b>212.5</b>
<b>5. Due for Recovery</b>	<b>286.6</b>	<b>304.6</b>	<b>279.8</b>
<b>6. Total Outstanding loan</b>	<b>406.0</b>	<b>429.7</b>	<b>455.9</b>
<b>7. Overdue</b>	<b>72.1</b>	<b>66.9</b>	<b>60.6</b>
<b>8. Overdue as Percent of outstanding</b>	<b>17.8</b>	<b>15.6</b>	<b>13.3</b>

\* Excluding BRDB and BSBL

Source: ACD, BB.

### The Major Achievement of Agricultural Credit Program in FY20

9.3 The implementation of some important initiatives of this program are as follows:

- Around 3.07 million farmers availed agricultural and rural credit of which 1.51 million women got BDT 83.60 billion from different banks.
- Around BDT 6.76 billion was disbursed among about 0.102 million farmers through 15,522 open credit disbursement programs arranged by different banks.



- Around 2.35 million small and marginal farmers avail BDT 163.00 billion agricultural loans from different banks.
- About BDT 0.21 billion of agricultural and rural credit was disbursed among about 7179 farmers living in less developed area like haor, char, etc.
- Around 10.2 million bank accounts were opened by farmers in the state-owned commercial banks with an initial deposit of BDT 10 only.
- In the three Hill Tract districts, more than BDT 0.80 billion was disbursed by BKB among 20,666 tribal farmers at only 5.0 percent interest rate.

### Credit Disbursement to Agriculture

9.4 In recent years, agricultural and rural finance program seems to have boosted up as the Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs) along with State-owned Commercial bank (SCBs) came forward to disburse agricultural credit in the country. The actual disbursement of BDT 227.49 billion in FY20 against the disbursement target of BDT 241.24 billion was 3.67 percent lower than the actual disbursement of BDT 236.16 billion in FY19.

Table 9.1 shows the comparative position of overall disbursement and recovery of agricultural loan during FY18-FY20 and Charts 9.1 and 9.2 show targets and actual disbursement of agricultural loan.

9.5 About 84.19 percent of disbursement was short-term lending and the rest 15.81 percent was in the form of long-term loans for irrigation equipment, agricultural machinery, livestock etc. The credit for the production of crops constituted 59.50 percent of the total short-term loans during FY20 (Table 9.1).

9.6 The total outstanding loan in the agricultural sector (all banks) in FY20 increased by BDT 26.19 billion or 6.09 percent to BDT 455.93 billion from BDT 429.74 billion in FY19 (Table 9.2).

9.7 Two specialized banks, BKB, RAKUB and six SCBs played key role in the disbursement of agricultural and rural credit. The contribution of foreign and private commercial banks was also imperative in this regard. The BKB and FCBs have exceeded the disbursement target by 12.67 and 8.98 percent respectively and SCBs, RAKUB and PCBs have failed to achieve the disbursement target by 19.87, 5.06 and 11.02 percent respectively in FY20 (Table 9.2). Apart from this, BRDB and BSBL disbursed

**Table 9.2 Agricultural Credit Performance by Banks\***

(billion BDT)

	FY16	FY17	FY18	FY19	FY20					Total
					SCBs	BKB	RAKUB	PCBs	FCBs	
Disbursement Target	164.00	175.50	204.00	218.00	31.95	55.00	16.80	130.68	6.81	<b>241.24</b>
Actual disbursement	176.50	209.99	213.93	236.16	25.60	61.97	15.95	116.54	7.42	<b>227.49</b>
Recovery	170.60	188.41	215.03	237.34	25.55	52.59	16.86	111.00	6.44	<b>212.45</b>
Overdue	56.78	67.08	72.11	669.16	20.93	17.05	15.62	6.98	0.00	<b>60.60</b>
Outstanding	344.80	390.48	406.01	429.74	110.73	175.59	44.76	119.57	5.28	<b>455.93</b>

\*Excluding BRDB and BSBL  
Source: ACD, BB.

BDT 8.18 billion from their own sources which raised the total disbursement to BDT 235.67 billion (including banks) during FY20.

### Credit Recovery

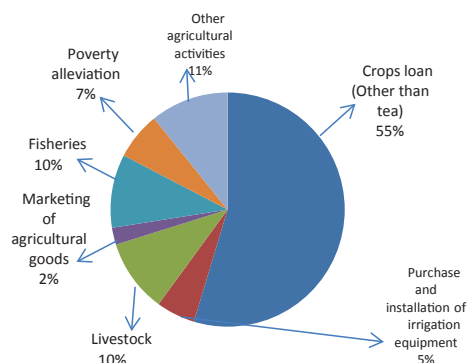
9.8 During FY20, recovery of agricultural credit decreased by 10.49 percent to BDT 212.45 billion from BDT 237.34 billion in FY19. Consequently, the rate of recovery as a percent of due for recovery of agricultural credit was 46.60 percent during FY20 which was lower than that of 55.23 percent in FY19 (Table 9.1).

9.9 The overdue as percentage of outstanding agricultural loan decreased from 15.57 percent at the end of June 2019 to 13.29 percent at the end of June 2020 (Table 9.1 and 9.2). It is important that banks should take appropriate measures to disburse credit to the right farmer for harvesting of crop and to conduct proper intensive supervision to ensure smooth recovery.

### Sources of Agricultural Finance

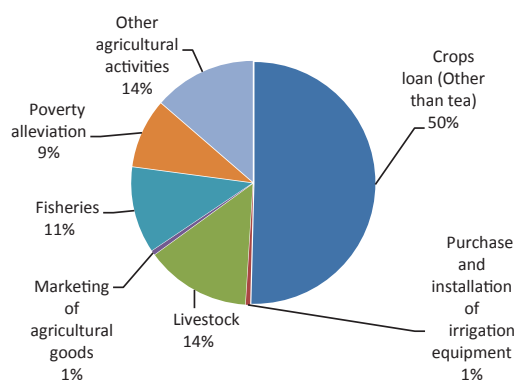
9.10 Two specialized banks (BKB, RAKUB) and six SCBs played key role in disbursement of agricultural and rural finance. In addition to that PCBs are playing significant role in the annual disbursement of agricultural loans. In FY20, two specialized banks (BKB, RAKUB) and six SCBs disbursed BDT 103.52 billion or 45.51 percent, PCBs BDT 116.54 billion or 51.23 percent and FCB BDT 7.42 billion or 3.26 percent respectively of the total disbursement of BDT 227.49 billion (Table 9.2). The SCBs' overdue loans as percent of their agricultural outstanding loans stood at 18.90 percent at the end of FY20, while the overdue loans of RAKUB and BKB were recorded to 34.90 and 9.71 percent respectively of their outstanding loans (Table 9.2). The PCBs' overdue loans as

**Chart 9.1 Targets for Agricultural Credit Disbursement in FY20**



Source: ACD, BB.

**Chart 9.2 Actual Agricultural Credit Disbursement in FY20**



Source: ACD, BB.

percentage of their outstanding loans stood at 5.59 percent at the end of FY20.

### Interest Subsidy from Government (Budgetary Allocation)

9.11 Credit disbursement at concessional interest rate for specified crops:

There is a large demand for pulses, oil seeds, spices and maize in the country. But the production of these crops is not sufficient. In order to encourage on production of such crops and disburse loan for these crops by the state-owned (commercial and specialized) banks

at concessional interest rate in cultivation of pulses, oil seeds, spices and maize at farmers level has been set at 4.0 percent from 1 July 2010 under interest-loss subsidy facilities of the government. Along with the state-owned (commercial and specialized) banks, PCBs and FCBs disburse loan from FY12 against their annual agricultural and rural credit target in pulse, oil seed, spices and maize cultivation under the government's facility of 5.0 percent interest subsidy. The scenario of this sector is shown in Table 9.3.

9.12 During FY20, 36 banks availed BDT 0.02 billion as five percent interest subsidy against their disbursement and actual recovery of FY19 on import substitute crops (Pulse, Oilseed, Spices and Maize). During FY20, BDT 1.07 billion disbursed by banks on import substitute crops and corresponding interest subsidy is under process to release as per policy.

### Interest Subsidy from Bangladesh Bank

#### Scheme for the Disbursement of agricultural loan at 4.0 percent concessional interest rate for grain and crop sector to mitigate the crisis due to outbreak of the Novel Corona virus

9.13 Due to outbreak of the Novel Corona virus, it is necessary to provide agricultural loan at low interest rate for continuing food production and food supply at normal level. With this view banks are instructed through the ACD circular-02 dated: 27 April 2020 to provide agricultural loan at 4 percent concessional rate (maximum) for cultivating grain crops, cash crops, vegetables and tuber crops as mentioned in agricultural and rural credit policy and program. Against the disbursement of these loans, banks will be reimbursed at 5.0 percent as interest loss from Bangladesh

**Table 9.3 Credit Disbursement for Specified Crops**

FY	Target	Actual Disbursement	(million BDT)
			Percentage
FY19	1094.80	1088.05	99.38%
FY20	1233.25	1065.69	86.41%

Source: ACD, BB.

Bank. These facilities will be continued up to 30 June 2021 effective from 1 April 2020. To avail the reimbursement facility, banks have to ensure that loans are disbursed directly to the farmers at maximum 4.0 percent through their own network. Beside these, they have to follow other norms and rules and regulations of the annual agricultural and rural credit policy. After the completion of the financial year, banks can claim the reimbursement amount against the adjusted/repaid loans to Bangladesh Bank. Bangladesh Bank will justify the claims at random basis by inspecting minimum 10 percent of the claimed amount. Then the reimbursement will be made from Bangladesh Bank's own source. During FY20, BDT 2.86 billion disbursed by the banks at the end user level under this scheme.

### Refinance Facility from Bangladesh Bank

#### Refinance facility under Government Guarantee

9.14 With a view to enriching country's economy and food security, BB has been continually supporting BKB and RAKUB by providing refinance facility under government guarantee. The rate of interest at the PFI level is 5.0 percent and ultimate borrower level is 9.0 percent and loan tenure is maximum 01 year. During FY20, BKB and RAKUB have availed BDT 1 billion and BDT 5.0 billion respectively as refinance facility from Bangladesh Bank against their agricultural and rural credit finance.

### Refinance Scheme for Milk Production and Artificial Insemination

9.15 In order to ensure nutrition security for mass people of the country and to reduce dependency on imported milk and milk products as well as to promote self-employment for unemployed youth, BB has introduced a refinance scheme for milk production and artificial insemination sector with a fund of BDT 2.00 billion since 2015. Fourteen participating banks and financial institutions entered into a participation agreement with Bangladesh Bank to avail refinance facility and interest subsidy at 5.0 percent. The banks and financial institutions get refinance from Bangladesh Bank against their disbursed amount. After recovery of the loans from the borrowers, the concerned banks and financial institutions will be eligible for 5.0 percent interest subsidy from the government against their disbursed amount subject to fulfillment of terms and conditions. Up to FY20, the participating banks and financial Institutions have disbursed BDT 2.0 billion to the end borrowers. A total of 18,429 borrowers benefitted from the scheme.

### Refinance Scheme for the Jute Sectors

9.16 In FY15, BB undertook a revolving refinance scheme of BDT 2.0 billion is extended to BDT 3.0 billion by adding BDT 1.0 billion to provide working capital to jute goods manufacturing companies and jute exporters. As on 30 June 2020, total 5.16 billion has been refinanced among 197 beneficiaries since inception of the scheme. Total 0.25 billion has been refinanced among 8 beneficiaries during FY20.

### Special Stimulus Refinance Scheme for Agriculture Sector

9.17 The recent outbreak of the Novel

Corona virus is likely to lead to a series of adverse conditions, including a reduction in food production in the future. According to the annual agricultural policy, banks distribute loans to the crop sector at a minimum of 60.0 percent of their total target. As a result, the ongoing credit flow in the crop sector is sufficient. For this reason, sufficient cash flow should be ensured to the current capital-based agricultural sectors. In this context, a re-financing scheme of BDT 50 billion has been formulated for the current capital-based agriculture sector (Horticulture, Fish Farming, Poultry, Dairy and Livestock Sector) to ensure adequate funding. Under this refinance scheme banks will disburse agricultural loan to the borrower level at 4.0 percent interest rate. On the other hand, PFI will be refinanced from Bangladesh Bank at 1.0 percent interest rate. Under this scheme, PFI will be able to distribute loans to customers by 30 September 2020. The scheme would be conducted according to ACD Circular no-1, dated 13 April 2020. The scheme is funded by Bangladesh Bank's own source and the nature of the fund is non revolving. Forty three PFI signed the participation agreement with BB to avail refinance facility from the scheme. During FY20, BDT 44.03 billion allocated among 43 PFI's and BDT 1.72 billion disbursed among 7,201 beneficiaries.

### Demand Loan

9.18 Apart from refinance scheme of BB and refinance against Government guarantee, a special type of finance is assisted by BB to meet up the regular agricultural credit flow. Those are demand loan by 90 days of maturity against DP note. During FY20, BKB availed BDT 18 billion and RAKUB availed BDT 7.0 billion of demand loan.

### **Donor-financed Revolving Funds of Grameen Bank, Managed by Bangladesh Bank**

#### **Swedish International Development Authority (SIDA) Grant**

9.19 The grant was provided by the Swedish International Development Authority (SIDA). The total size of the grant is BDT 0.24 billion. This grant is governed as per loan agreement signed between the Government of Bangladesh and Grameen Bank (GB) on 30 November 1986. GB repays the half-yearly installments of principal and revolving funds on 15 March and 15 September each year to Bangladesh Bank (BB), and BB revolves the repayment amount on the same day of payment made by Grameen Bank.

#### **Norwegian Agency for International Development (NORAD) Grant**

9.20 The grant was provided by the Norwegian Agency for International Development (NORAD). The total size of the grant is BDT 0.26 billion. This grant is governed as per loan agreement signed between the Government of Bangladesh and Grameen Bank (GB) on 4 August 1986. GB repays the half-yearly installments of principal and revolving funds on 15 March and 15 September each year to Bangladesh Bank (BB), and BB revolves the repayment amount on the same day of payment made by Grameen Bank.

#### **Grameen Bank House Loan Scheme**

9.21 The grant was provided by the Netherland Government. The total size of the grant is BDT 0.04 billion. This revolving grant is governed as per the loan agreement signed between the Bangladesh Bank (BB) and Grameen Bank (GB) on 24 November 1985. Under this scheme, members of Grameen

Bank get the loan for construction of houses. GB repays the half-yearly installments revolving funds on 15 December each year to BB, and BB revolves the repayment amount on the same day of payment made by Grameen Bank.

### **Development Partner's Funded Agricultural Credit Related Project/Programme Operated under Bangladesh Bank's Supervision**

#### **Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project (SMAP)**

9.22 With a view to increasing agricultural productivity and diversity of the small and marginal farmers of Bangladesh by financing agricultural loans and providing agricultural technical support service to farmers through Microfinance Institutions, thereby contributing to the sound development of agricultural finance and the agricultural sector of Bangladesh this revolving pre-finance project formed and started its journey in 2015. Japan International Cooperation Agency (JICA) is the donor agency for this project and GoB portion of this project is contributed by Bangladesh Bank. The total project cost is BDT 8.23 billion. The tenure of the project is 2014-2021. To avail pre-finance facility from the projects, 11 participating Microfinance Institutions (PMFIs) signed an agreement with BB. During FY20, BDT 5.98 billion has been disbursed to 70,000 end borrowers through 11 PMFIs. Total 19.75 billion has been disbursed among 3,48,491 (approximately) end borrowers in which 83 percent are female beneficiaries have been benefitted since the starting operation. Future planning/projection of the project: Operations have already been started for developing 30 model branches, which were picked up earlier from 1400 branches (approximate) that are operating for



implementing SMAP. The vision of SMAP-PIU is to extract and incorporate all distinctive activities of model branches in other branches. Besides disbursing credit, Technical Support Services (TSS), a unique part of the project, have been provided to end borrowers of this project for familiarizing themselves with new scientific cultivation method, new agro- machinery and a new method of cattle rearing etc.

### **ADB Funded Second Crop Diversification Project (SCDP)**

9.23 The project was built on the successful activities of NCDP and expands the activities to new project areas. Loan component of the project are USD 26 million by ADB. The project starts its operation in 2011. For wholesale of credit the participation agreement signed between BB & BASIC Bank Ltd. and Eastern Bank Ltd. on 2011. Project implementation area covers 54 upazilas of 25 districts of north and south-western zone of Bangladesh. As of June 30, 2020, total fund BDT 2.04 billion disbursed to the end borrower from beginning of the project. The number of farmers covered by the project is 2,04,000.

### **Marginal and Small Farm Systems Crop Intensification Project (MSFSCIP)-Kurigram District**

9.24 The project is financed by the International Fund for Agricultural Development (IFAD) and the loan component is BDT 0.14 billion. The project is implementing at the nine thana of Kurigram district. Four PFI signed a participation agreement with BB. Project period was from 1987 to 1997, but refinancing is still going on as revolving fund. PFI availed refinance from BB at bank rate. At the beneficiary level interest rate are determined by the PFI. As of

30 June 2020, the balance of revolving fund was BDT 0.05 billion.

### **Pre-finance under Government Guarantee**

#### **Ansar-VDP Unnayan Bank**

9.25 Bangladesh Bank provides pre-finance facility to Ansar-VDP Unnayan Bank for implementing its “Agricultural Credit Programme”. The objective of this facility is to extend credit facilities to the members of Ansar-VDP aimed towards poverty alleviation and expanding income generating activities. These loans are provided against government guarantee covering the loan amount and interest accrued thereon. As of 30 June 2020, the outstanding principal of loans is BDT 2.75 billion. Bangladesh Bank provides these loans at bank rate (5 percent) and the maximum interest rate at borrower level is 9 percent. As on 30 June 2020, a total number of 26,556 beneficiaries have been benefitted from this programme since inception. During FY20, 4934 beneficiaries have been benefitted from this programme.

#### **Karmasangsthan Bank**

9.26 Karmasangsthan Bank avail pre-finance facility time to time from Bangladesh Bank. It extends credit facilities to its customers in the fisheries and livestock sector out of the loan facility. The main sub-sectors are shrimp culture, fishes, cow rearing, beef fattening, dairy farming and such other areas. These loans are provided against government guarantee covering the loan amount and interest thereon.

As on 30 June 2020, a total of BDT 4.0 billion has been provided to Karmasangsthan Bank of which BDT 1.0 billion is 5-years term loan, BDT 2.9 billion is 3 years mid-term loan and 0.10 billion is 1 year short-term revolving loan

renewable up to 3 years depending on fulfillment of few conditions. Bangladesh Bank provides these loans at bank rate and Karmasangsthan Bank currently charge a maximum of 9.0 percent from its customers. The loans provided by Karmasangsthan Bank to its customers should comply with the annual agricultural and rural credit policy published by Bangladesh Bank. As on 30 June 2020, a total of 33078 beneficiaries have been benefitted from this programme. Total number of beneficiaries was 11,926 in the FY20.

### Financing Cottage, Micro, Small and Medium Enterprises (CMSMEs)

9.27 Cottage, Micro, Small and Medium Enterprises (CMSMEs) have been playing a significant role in employment generation, poverty reduction and overall economic growth of the country. BB has established a new department named “SME & Special Programmes Department” (SMESPD) in 31 December 2009 dedicated for CMSME development in Bangladesh. SMESPD started its journey towards the development of CMSMEs in Bangladesh by improving existing environment in the banking sector through regulatory and policy interventions. Banks and NBFIs have given much emphasis on financing to CMSMEs.

9.28 Moreover, BB has undertaken different refinance schemes to provide relatively low

cost funding to encourage banks and NBFIs in CMSME financing. To develop CMSME sector, BB has continued its refinance facilities in FY20 for banks and NBFIs against their financing to CMSMEs. Currently, BB is providing refinance facilities to banks and NBFIs from refinancing scheme for agro-based product processing industry; small enterprise; new entrepreneurs in cottage, micro and small industry; islamic shariah-based financing; JICA assisted financial sector project for the development of SME (FSPDSME) fund and JICA assisted urban Building Safety Project (UBSP). Banks and NBFIs have come forward for financing and development of CMSMEs under close monitoring and supervision of BB. In FY20, all banks and NBFIs have disbursed an amount of BDT 1538.13 billion against 6,91,664 CMSMEs. On the other hand, 57,228 women led CMSME enterprises received financing of BDT 51.78 billion in FY20 from banks and NBFIs.

### Target-based Disbursement for CMSME Credit

9.29 A target-based lending to CMSMEs has been initiated since 2010. Until 2019, lending target calculation process was disbursement based. From 2020, lending target is being determined using Net Outstanding method:

$$\left( \frac{\text{Total Loans and Advances Outstanding} - \text{Total Classified Loan Outstanding}}{\text{Total CMSME Loans and Advances Outstanding} - \text{Total CMSME Classified Loan Outstanding}} \right)$$

**Table 9.4 Disbursement of CMSME Credit by Banks and NBFIs**

Period	Sub-Categories			Total	Women Entrepreneur
	Manufacturing	Service	Trading		
FY12	183.84	35.09	379.19	598.12	23.11
FY13	233.04	42.02	518.41	793.46	24.72
FY14	251.29	60.60	594.47	906.36	36.51
FY15	323.50	98.94	680.43	1102.87	39.68
FY16	329.97	141.33	819.38	1290.68	54.88
FY17	373.78	184.44	999.63	1557.85	45.96
FY18	488.71	266.91	802.47	1558.09	121.74
FY19	578.07	342.48	703.72	1624.27	60.01
FY20	553.20	339.62	645.31	1538.13	51.78

Source : SME&SPD, BB.



**Table 9.5 Statement of Refinance on CMSMEs Under Different Refinance Schemes of BB (up to June 2020)**

(billion BDT)

Name of Fund	Amount Refinance				No. of Beneficiary (Sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
1. Refinance Scheme for Agro-based Industries in Rural Areas	8.26	3.43	7.72	19.41	2,791	-	-	2,791
2. Small Ent. Refinance Scheme:	10.37	25.13	8.94	44.44	13,644	19,985	5,920	39,549
i) Small enterprise Refinance Scheme	9.63	22.91	8.27	40.81	12,884	18,624	5,603	37,111
ii) Small enterprise Refinance Scheme- Extension 2014	0.74	2.22	0.67	3.63	760	1361	317	2,438
3. New Enterprises Refinance Fund for CMSEs	0.015	0.25	0.018	0.28	267	19	210	496
4. Islamic Shariah-based Refinance Fund	3.84	0.61	1.29	5.74	199	557	55	811
5. JICA FSPDSME	0.90	5.55	3.47	9.92	725	34	536	1,295
6. JICA UBSP	-	-	0.55	0.55	5	-	-	5
7. IDA Fund (EGBMP)	0.80	1.33	1.00	3.13	1,368	1,306	486	3,160
8. SMESDP (ADB-1)	1.45	1.32	0.58	3.35	800	2,096	368	3,264
9. SMEDP (ADB-2)	-	5.68	1.79	7.47	3,765	7,435	2,445	13,645
<b>Grand Total</b>	<b>25.64</b>	<b>43.30</b>	<b>25.36</b>	<b>94.30</b>	<b>23,564</b>	<b>31,432</b>	<b>10,020</b>	<b>65,016</b>

Source : SME&amp;SPD, BB.

based calculation process which is initiated by SMESPD Circular No. 02: Master Circular on CMSME Financing, dated September 05, 2019.

9.30 During the first half (January-June) of 2020, banks and NBFIs have disbursed BDT 658.3 billion as CMSME credit. The Net Outstanding of CMSME credit is 1902.9 billion which is 87.3 percent of the annual CMSME Net Outstanding target (2178.7 billion) for 2020, set by banks and NBFIs.

### Refinance Schemes

9.31 In addition to regular financing from their own fund, banks and NBFIs are also making short to long term financing to CMSMEs through refinance schemes of BB. SMESPD of BB, with the help of government and different development partners, is implementing a total of six pre-finance/refinance schemes for banks and NBFIs currently against their disbursed

CMSME credit. All these funds are revolving in nature. In addition to those, three other refinance schemes have been successfully completed (Table 9.5). A total amount of BDT 94.30 billion has been provided to different banks and NBFIs under different refinance/pre-finance schemes up to June 2020 against 65,016 enterprises. Out of the total refinance, BDT 25.64 billion has been provided as working capital, BDT 43.30 billion as medium term loan, and BDT 25.36 billion as long term loan.

### BB's Refinance/Pre-finance Facilities to Banks And NBFIs for Promoting CMSMEs

#### Refinance Scheme for Agro-based Product Processing Industries in Rural Area

9.32 In order to boost up agro product-processing industries in the areas outside divisional headquarters and Narayanganj town, BB launched a scheme of BDT 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 BDT 2.0 billion in 2012; BDT 4.0 billion in 2013, BDT 4.5 billion in 2015, BDT 7.0 (approx) billion in 2018-19 and later on BDT 14.0 billion in 2020. Under this fund, refinancing facilities are being provided to banks and NBFIs at 3.0 percent and beneficiary of CMSMEs are getting funds at preferential interest rate within 7.0 percent (3.0 percent + maximum 4.0 percent spread). An amount of BDT 19.41 billion has been disbursed under this scheme till the end of June, 2020 against 2,791 enterprises on revolving basis (Table-9.5).

9.33 From 2004 to 2020 banks and NBFIs have financed in 33 different sectors by taking refinance facility from this fund. Sector-wise refinance for agro-based product processing fund till June 2020 is shown in Table 9.6.

### Small Enterprise Refinance Scheme

9.34 Bangladesh Bank introduced a refinancing scheme named Small Enterprise Fund (SEF) of BDT 1.0 billion out of its own fund for supporting the development of small enterprises in the country back in 2004. Later on, to meet up the increasing demand from end

**Table 9.6 Sector-wise Refinance Classification (Agro-based Product Processing) till June 2020**

Sector	Percent
Rice industry	50.17
Agro feed	9.60
Maida	7.12
Bakery	6.34
Agro machine	4.24
Poultry	4.21
Others	18.32

Source : SME&SPD, BB.

borrower especially from women entrepreneurs the fund size has been increased to BDT 15 billion. For accounting purpose, small enterprise refinance scheme maintains 2 different accounts; as mentioned in Table-9.6. This is a revolving fund in nature. Hence, recovered amount against refinance is used for further refinance. Up to June 2020, BDT 44.44 billion has been refinanced under this fund among 39,549 enterprises (Table- 9.7).

### Refinance Scheme for New Entrepreneurs' in Cottage, Micro and Small Enterprise (CMSE) Sector

9.35 In order to provide start-up capital to new cottage, micro and small enterprises, BB has created a fund worth BDT 1.0 billion from its own source in 2014. Under this fund,

**Table 9.7 Refinancing under Small Enterprise Refinance Scheme**

(billion BDT)

Name of Fund	Amount Refinance			Total Loan	No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan		Industry	Trade	Service	Total
<b>A. Small Enterprise Refinance Scheme</b>								
1 Bank (20)	8.55	11.43	3.60	23.58	7,856	13,467	3,419	24,742
2 NBFIs (23)	1.08	11.49	4.66	17.23	5,028	5,157	2,184	12,369
<b>Sub-Total</b>	<b>9.63</b>	<b>22.92</b>	<b>8.26</b>	<b>40.81</b>	<b>12,884</b>	<b>18,624</b>	<b>5,603</b>	<b>37,111</b>
<b>B. Small Enterprise Refinance Scheme (Extension-2014)</b>								
1 Bank (27)	0.67	0.67	0.27	1.61	358	934	169	1461
2 NBFIs (17)	0.07	1.55	0.40	2.02	402	427	148	977
<b>Sub-Total</b>	<b>0.74</b>	<b>2.22</b>	<b>0.67</b>	<b>3.63</b>	<b>760</b>	<b>1,361</b>	<b>317</b>	<b>2,438</b>
<b>Grand Total</b>	<b>10.37</b>	<b>25.14</b>	<b>8.93</b>	<b>44.44</b>	<b>13,644</b>	<b>19,985</b>	<b>5,920</b>	<b>39,549</b>

Source : SME&SPD, BB.

**Table 9.8 Refinancing from New Entrepreneurs Refinance Fund**

(billion BDT)

Banks/NBFIS	Amount Refinance				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
1 Banks (8)	0.0127	0.0604	0.0113	0.0844	105	19	100	224
2 NBFIs (4)	0.0023	0.1855	0.0070	0.1948	162	-	110	272
<b>Total</b>	<b>0.0150</b>	<b>0.2459</b>	<b>0.0183</b>	<b>0.2792</b>	<b>267</b>	<b>19</b>	<b>210</b>	<b>496</b>

Source : SME&amp;SPD, BB.

the prospective entrepreneurs selected and trained by recognized public and private training providers have the opportunity to get up to BDT 2.5 million CMSE loan with collateral security and up to BDT 1.0 million CMSE loan without collateral security. Rate for such credit is limited at maximum 7.0 percent (3.0 percent for BB + maximum 4.0 percent spread). As of 30 June 2020, a total of 496 new entrepreneurs have been refinanced worth BDT 279.2 million from this scheme (Table 9.8).

#### Refinance Scheme for Islamic Shariah-based Financing

9.36 With the objective of increasing the involvement of Islamic banks and NBFIs in CMSMEs financing, a special refinance fund under Islamic Shariah mode was created in BB vide BRPD circular no. 13 dated 18 September 2014. Under this fund, Islamic banks and NBFIs will get refinance against their financing to “agro-based industries”, “small entrepreneurs’

(including women entrepreneur)” and “new entrepreneurs’ in cottage, micro and small enterprise sector”. At the end of June 2020, BDT 5.74 billion has been refinanced to banks and NBFIs against their financing to 811 enterprises (Table 9.9).

#### JICA funded FSPDSME Project’s Two Step Re/Pre-finance Fund

9.37 A loan agreement was signed between JICA, Japan and the Government of Bangladesh in 2011 for SME development and financing. As per the loan agreement, BB is implementing the “Financial Sector Project for the Development of Small and Medium-Sized Enterprise (FSPDSME)-BD-P67” project. The objective of the project was to create a medium to long-term financing market for SMEs specially for the productive investments. The Fund size was 5,000.00 million Japanese Yen including a technical assistance component. A total of 25 banks and 21 NBFIs signed participating

**Table 9.9 CMSME Refinance Scheme for Islamic Shariah-Based Financing in “Agro-Based Industries”, “Small Entrepreneurs’ (including Women Entrepreneur)” and “New Entrepreneurs’ in Cottage, Micro & Small Enterprise Sector”**

(billion BDT)

Banks/NBFIS	Amount Refinance				No. of Beneficiary (sector wise)			
	Working Capital	Mid Term Loan	Long Term Loan	Total Loan	Industry	Trade	Service	Total
1 Banks (3)	3.49	0.13	0.0028	3.62	117	492	32	641
2 NBFIs (1)	0.35	0.48	1.29	2.12	82	65	23	170
<b>Total</b>	<b>3.84</b>	<b>0.61</b>	<b>1.2928</b>	<b>5.74</b>	<b>199</b>	<b>557</b>	<b>55</b>	<b>811</b>

Source : SME&amp;SPD, BB.

agreements with SMESPD, BB. Refinancing or pre-financing facilities were being provided to participating financial institutions (PFIs) at the bank rate (currently 5 percent) for on lending to CMSME sub-projects of productive investment for medium to long-term duration at the market rate. In the backdrop of tragic incidence of Rana Plaza collapse, a special initiative to finance the RMG sector for the improvement of safe working environment was taken under the JICA assisted FSPDSME project in 2013. RMG factories which are members of BGMEA and/or BKMEA with labor employment of 100 - 2,000 provided that the factory building was owned by the applicant entrepreneur would get loan facility up to BDT 0.10 billion for the purpose of retrofitting, rebuilding and relocation of their factory buildings. The FSPDSME project was completed successfully within the project period (by the end of June 2016). Meanwhile, the project received full allocation of two step loan (TSL) fund from JICA for disbursing the revolving fund to the accredited PFIs. As on June 2020, BDT 9.92 billion has been refinanced against 1295 enterprises (Table 9.5).

#### **Urban Building Safety Project (UBSP)**

9.38 For the purpose of creating a safe working environment in the RMG sector through retrofitting, rebuilding and relocation of vulnerable RMG industries, the “Urban Building Safety Project” has been taken under the 36th Japanese ODA package. A loan agreement between the Government of Japan (represented by JICA) and Government of Bangladesh has been signed on 13 December 2015. Under this agreement, JICA will provide JPY 12,086 million; of which JPY 4,129 million (equivalent to BDT 2.68 billion) is earmarked for TSL purposes. The TSL component will be

managed and implemented by SMESPD, BB in accordance with approved operating guideline of the project. A total of 26 banks and 10 NBFIs signed participating agreements with SMESPD, BB until June 2020. As on June 2020, BDT 0.55 billion has been refinanced against five (05) enterprises (Table 9.5).

#### **New Entrepreneurs Creation and Entrepreneurship Development**

9.39 BB not only engaged itself for mainstreaming banks and NBFIs in financing CMSME enterprises, but also has taken steps for creating of new entrepreneurs and entrepreneurship development. The Government of Bangladesh (GoB) has taken a project titled “Skills for Employment Investment Program (SEIP)” with the assistance of Asian Development Bank (ADB) and Swiss Agency for Development and Cooperation (SDC) to scale up skills of young workers and new entrants. BB is serving as the implementing agency of the project. SEIP project aimed to provide market oriented job training to 10,964 people at the end of December 2019. BB has also undertaken training programme for additional 600 trainees with the unspent money of Tranche-1. In this regard, as of June 2020, 11,484 trainees have been enrolled in different courses out of which 11,246 trainees received certificate after successful completion and 8,038 trained personnel have been employed in different CMSME sectors.

#### **Programme to Support Safety Retrofits and Environmental Upgrades in the Bangladeshi Ready-Made Garment (RMG) Sector Project (SREUP)**

9.40 SMESPD of BB is implementing a project specially designed to strengthen economic sustainability of the RMG sector

named “Program to Support Safety Retrofits and Environmental Upgrades in the Bangladeshi Ready-Made Garment (RMG) Sector Project (SREUP)”. With Euro 50 million credit and Euro 14.29 million grant facilities from Agence Française de Développement (AFD) and other developing partners such as European Union (EU), KfW Development Bank, German Agency for International Cooperation (GIZ) and BB, this project has been initiated to develop sustainable, safe and environment friendly RMG sector through financial and technical support. As the title suggests the overall objective of the project is to provide technical assistance to the banking sector and RMGs of Bangladesh to enhance the capability of investing in RMG sector to ensure RMGs' full compliance with “Accord and Alliance” (group of American and EU Buyers) as well as respective national regulations. Thus the project aims to investment and incentivize grants in the RMGs safety retrofitting, environment and safety up gradation which will make them compliant to boost up the export of RMGs in Bangladesh. For the RMG owners, interest rate would be maximum 7.0 percent in order to be attractive for factories. Repayment period of the loan would be in the range of 3 to 5 years. The project implementation period is from 1 January 2018 to 31 December 2022. BB has signed participation agreement with 7 banks and 2 NBFIs. The selected banks and NBFIs as PFI are: Southeast Bank Ltd, One Bank Ltd, NCC Bank Ltd, Bank Asia Ltd, Mutual Trust Bank Ltd, IDLC Finance Ltd and IPDC Finance Limited, Mercantile Bank Ltd and The City Bank Ltd. RMG owners can take the loan facility from these banks/NBFIs under this project. This project has an aim of upgrading around 150

factories. This intervention would help to sustain the RMG sectors' contribution to the economy as well as the export earning of Bangladesh by helping RMG factories to remain in the capacity of maintaining and developing their commercial partnerships with foreign retailers.

### **Local Finance Initiatives (LFI) Support to SMEs in Bangladesh**

9.41 A pilot project in the name of “Local Finance Initiatives (LFI) – support to SMEs in Bangladesh” has been initiated by BB with the support of United Nations Capital Development Fund (UNCDF). The objective of this project was to support prospective Women CMSME entrepreneurs in certain SME clusters for business development and making them eligible to avail loan facility from the banking sector by providing collateral support. The size of the seed money for issuing credit guarantee is BDT 0.016 billion. A total of 21 credit guarantee has been issued valued BDT 0.018 billion against bank financing of BDT 0.023 billion.

### **Steps Taken by BB for Development of CMSMEs until June 2020**

9.42 Major initiatives of BB for promoting credit flow to CMSME sector are:

- CMSME credit disbursement target has been revised to be increased to 25 percent by 2021 with minimum 1.0 percent increment in each year.
- To ensure sector-wise distribution of overall CMSME credit portfolio, a target for at least 40.0 percent for manufacturing, 25.0 percent for service and a maximum ceiling of 35.0 percent for trading has been instructed by BB to be achieved by all banks/NBFIs within 2021.

- CMSMEs have been redefined in line with the National Industrial Policy-2016 and ‘turnover’ for trading concern has been added as an additional criterion for sector determination.
- Banks and NBFIs are instructed to disburse 50.0 percent of the total CMSME loan to cottage, micro and small (CMSs) sector by 2021.
- Maximum credit limits for different types of CMSMEs have been imposed and ‘trading industry’ has been removed from medium and cottage category.
- Banks and NBFIs are instructed to provide three (03) months grace period for one (01) year term loan and three to six (03/06) months grace period for medium to long term loan based on banker-customer relationship.
- To enhance CMSME activities, quarterly monitoring meeting is held with SME heads of banks and NBFIs regularly. Also, CMSME monitoring cell has been established in all branches of BB. Banks and NBFIs are also performing three (03) stages SME monitoring for better outcome.
- New Entrepreneurs Refinance Scheme in CMSE sector allows collateral security free financing more than BDT 1.00 million on case to case basis and collateral security supported financing up to BDT 2.5 million for new entrepreneurs.
- Cluster based financing to CMSMEs has been expedited. Banks and NBFIs are advised to formulate a cluster development policy for strengthening existing clusters and developing new clusters.
- To overcome financial challenges due to outbreak of COVID-19 pandemic government announced stimulus packages of BDT 200.0 billion for the CMSME sector in the country. Under this package, the banks will provide working capital support to the CMSME sector at 9.0 percent interest rate, of which the entrepreneurs will pay 4.0 percent and the rest 5.0 percent will be reimbursed by the government to the banks and NBFIs as subsidy (SMESPD Circular No-01, Date: 13/04/2020 and SMESPD Circular Letter No.-02, Date-07/05/2020). SME & Special Programmes Department has started working on this package.
- Bangladesh Bank also introduced BDT 100.0 billion Refinance Scheme (Revolving) to provide working capital facility for the CMSMEs. Within this stimulus packages banks and NBFIs can avail this refinance facility up to 50.0 percent of their disbursed amount against stimulus packages at 4.0 percent interest rate (SMESPD Circular No.-02, Date-26/04/2020). SME & Special Programmes Department has formed/created two COVID-19 Team (Headed by two Deputy General Managers) to implement this Refinance Scheme (Revolving) facility smoothly and successfully.

### **Special Incentives for Women Entrepreneurs**

9.43 Sustainable economic development is barely possible without women empowerment. For mainstreaming women in economic activities, SMESPD has taken a number of policy initiatives so as to ensure financial facilities for women entrepreneurs on simple



terms and conditions. Some of the initiatives of BB are outlined below :

- To ensure loan facility for CMSME women entrepreneurs, banks and NBFIs are instructed to disburse at least 15.0 percent of the total CMSME loan among women entrepreneurs;
- Instructions have been given for establishing separate 'Women Entrepreneurs Dedicated Help Desk' in each branch of every bank and NBF. If possible. All banks/FIs are also advised to employ a female official in the desk to provide suggestions and services towards women entrepreneurs regarding project preparation, loan application process etc.
- Instructions were given to banks and NBFIs to consider sanctioning loan up to BDT 2.5 million to women entrepreneurs without collateral security but against personal guarantee under the refinance facilities provided by BB.
- In order to include a large number of micro women entrepreneurs in the CMSME credit facilities, a policy of group-based lending has been initiated.
- In order to expedite the process of women entrepreneurship development, BB has opened a separate "Women Entrepreneurs Development Unit" in its head office and branch offices. All banks and NBFIs are also advised to open such unit.
- A maximum lending cap of 9.0 percent (bank rate + maximum 4.0 percent spread) has been imposed for financing to women led enterprises under all refinancing scheme.

- All banks and NBFIs are advised to find out and train at least three (03) prospective CMSME women entrepreneurs who have not received any financing yet per branch and finance at least one (01) of them in each year.

### Policy Initiatives for Women Entrepreneurs

9.44 Financial Inclusion has been prioritized in Bangladesh Bank's policy to include small entrepreneurs and a large number of women in financial activities. To ensure this, Bangladesh Bank has taken a number of policy initiatives for women entrepreneurs. These are as follows:

- According to the policy of SME & Special Programmes Department as regards financing women entrepreneurs banks/ NBFIs must maintain 10.0 percent of their total CMSME loan portfolio and the percentage will have to be raised at least 15.0 percent by 2024. This will include more women in the financial system which will ultimately expedite the women in economic empowerment.
- The size of Bangladesh Bank own source fund 'Small Enterprise Refinance Scheme' has been increased from BDT 8.5 billion to BDT 15.0 billion to include more entrepreneurs specially women entrepreneurs from remote areas in the financial activities. The eligibility criteria of availing CMSME Refinance Facility by the state owned commercial banks has been relaxed to expedite the process.
- To encourage women entrepreneurs for taking CMSME initiatives, Refinance Facility is being provided at lower rate of interest. Banks and NBFIs can avail Refinance Facility at 3.0 percent interest rate (which was earlier 5.0 percent) from



- BB against their disbursed CMSME loan so that the customer can avail the same at 7.0 percent interest rate (which was earlier 9).
- To tackle financial challenges due to outbreak of COVID-19 pandemic Govt. announced stimulus packages of BDT 200.0 billion for the CMSME sector in the country. Banks/NBFIs should disburse at least 5.0 percent of their total allotted portion of the said package annually to the Women Entrepreneurs.
  - Bangladesh Bank also introduced BDT 100.0 billion Refinance Scheme (Revolving) to provide working capital facility for the CMSMEs within this stimulus packages. Banks and NBFIs can avail this refinance facility up to 50.0 percent of their disbursed amount against stimulus packages at 4.0 percent interest rate. Women Entrepreneurs can also avail these facilities.
  - Minimum 15.0 percent of all refinance windows has been allotted for the women entrepreneurs. For greater inclusion of marginal and home based women entrepreneurs loan limit has been set up to BDT 10,000 and group based lending of up to BDT 50,000 is permitted.
  - Regulatory provision for collateral free loan for women entrepreneurs is up to BDT 1.0 million and against personal/ supplementary guarantee up to BDT 2.5 million has been made (SMESPD Master Circular No.-02, Date-05/09/2019). Banks and NBFIs have been advised to consider social security, personal guarantee & group guarantee, also advised not to put any pressure to or compel them for guarantee of specific person viz high officials, well-off relatives and husband.
  - Bangladesh Bank Introduced simplified loan application Form in Bengali for CMSME Entrepreneurs including Women Entrepreneurs to reduce difficulties in meeting documentation requirements (SMESPD Master Circular No.-02, Date-25/09/2016). Banks & NBFIs have been advised to give information to the CMSME entrepreneurs within 10 working days of receiving complete loan application.
  - Bangladesh Bank advised all banks and NBFIs to provide 03-06 months grace period facility for the term loan (1-5 year) in favor of Cottage, Micro and Small (CMSME) Entrepreneurs including women entrepreneurs based on banker-customer relationship.
  - To extend credit facilities to new women entrepreneurs instruction has been given to all branches of banks and NBFIs to find out at least three women interested in having enterprise or becoming women entrepreneurs 'within the catchment area for imparting training in the field of their interest for capacity building and above all extend credit facilities to minimum one of those training receivers.
  - To strengthen monitoring activities of women entrepreneur's development initiatives banks and NBFIs are advised to set up Women entrepreneurs' Development Unit (WEDU) in all of their Head Office including Regional Offices (if any).
  - To ensure prompt services for Women Entrepreneurs Banks and Financial Institutions are advised to set up separate "Women Entrepreneur's Dedicated Desk" in each branch of Banks and NBFIs. The desk is advised to provide support to prospective women about

the preparation of loanable business proposal, marketing strategies etc..

- Recently Bangladesh Bank issued Lead Banks Guidelines (15 January 2020) and developed a Lead Bank Calendar to disseminate CMSME related information in the grassroots level through discussion, seminar and view exchange programmes (Virtual Meeting through Zoom App.) This Lead Bank will also work for the implementation of Government stimulus packages, refinance schemes and women entrepreneurs development activities.
- Instruction has been given to banks and NBFIs for prioritizing women entrepreneurs in extending credit facilities and to take capacity building initiatives for their existing and prospective women clients.
- Bangladesh Bank has also made several remarkable initiatives to create entrepreneurs specially women entrepreneurs. BB is working on Credit Guarantee Scheme to create greater access to finance for SMEs, specially to women entrepreneurs, in different cluster areas.
- If any women entrepreneur face problem or harassment in availing CMSME loan facility or interested to know CMSME related information, advice, and consultation they can contact directly Problem Solutions Centre of SME & Special Programmes Department, submitting written application etc.

### Selection of Lead Banks in Each District to Coordinate with Other Local Scheduled Banks for SME Lending

9.45 Our Stand: Bangladesh Bank issued Lead Bank Guidelines (15 January 2020) and

**Table 9.10 Microcredit Operations of the Grameen Bank and Large MFIs**

	(billion BDT)		
	FY18	FY19	FY20
<b>1. Disbursement</b>	<b>964.65</b>	<b>1072.33</b>	<b>944.24</b>
i) Grameen Bank	243.21	251.37	205.02
ii) BRAC	318.06	396.12	360.99
iii) ASA	296.81	283.68	252.16
iv) TMSS	43.23	49.67	43.91
v) BURO Bangladesh	63.34	91.48	82.20
<b>2. Recovery</b>	<b>906.23</b>	<b>996.08</b>	<b>879.44</b>
i) Grameen Bank	225.60	245.06	204.90
ii) BRAC	285.76	350.40	325.62
iii) ASA	299.51	284.57	236.21
iv) TMSS	38.28	45.09	40.96
v) BURO Bangladesh	57.08	70.95	71.75
<b>3. Outstanding Loans</b>	<b>561.44</b>	<b>638.45</b>	<b>702.68</b>
i) Grameen Bank	152.20	158.51	158.62
ii) BRAC	184.71	230.43	265.80
iii) ASA	161.99	161.10	177.05
iv) TMSS	23.50	28.82	30.93
v) BURO Bangladesh	39.04	59.58	70.27
<b>4. Loans Overdue</b>	<b>13.28</b>	<b>14.08</b>	<b>16.37</b>
i) Grameen Bank	0.50	0.92	1.54
ii) BRAC	4.39	3.57	6.36
iii) ASA	6.35	6.47	6.41
iv) TMSS	0.74	1.16	0.85
v) BURO Bangladesh	1.30	1.95	1.20
<b>5. Overdue as percentage of outstanding</b>	<b>3.33</b>	<b>3.28</b>	<b>1.71</b>
i) Grameen Bank	0.33	0.58	0.97
ii) BRAC	2.38	1.50	2.39
iii) ASA	3.92	4.02	3.62
iv) TMSS	3.13	4.04	2.74
v) BURO Bangladesh	3.33	3.28	1.71

Source: Microcredit Regulatory Authority (MRA)

developed a Lead Bank Calendar for the year 2020. This is a yearly calendar of selected lead Bank for every district. Lead Bank disseminates CMSME related information like CMSME target based lending, sector wise financing, women entrepreneur financing in the grass root level through discussion, seminar, view exchange programmes (Virtual Meeting through Zoom App). At the outbreak of COVID-19 Pandemic Lead Bank Terms of Reference (TOR) has been revised.

- Lead Bank is playing an important role in organizing CMSME view exchange programmes engaging all divisional/district level bank branches, Association of Chamber of Commerce, Investors, businessman, entrepreneurs', Bangladesh Small and Cottage Industries Corporation (BSCIC) in consultation with Bangladesh Bank Branch Offices. At the outbreak of COVID-19 pandemic government announced stimulus packages of BDT 200.0 billion for the CMSME sector in the country. Lead Bank also works for implementation of the stimulus package.
- Bangladesh Bank introduced BDT 100.0 billion Refinance Scheme (Revolving) to provide working capital facility for the CMSMEs within the stimulus packages. Banks and NBFIs can avail this refinance facility up to 50.0 percent of their disbursed amount against stimulus packages at 4.0 percent interest rate. Women Entrepreneurs can also avail these facilities. Lead Bank will also play a pivotal role in implementing BB Refinance Schemes and women entrepreneurs development activities.
- Lead Bank also facilitates affected entrepreneurs specially women entrepreneurs due to outbreak of COVID-19 to avail hassle free and less time consuming credit facilities under stimulus packages.

#### **Microcredit Operations of the Grameen Bank and the Large MFIs**

9.46 The success of Bangladesh microfinance operation is now a globally

accepted issue. To institutionalize this microfinance operation and build up an inclusive financial market for economic development of the country, Microcredit Regulatory Authority (MRA) as the regulator of the microfinance sector is working dynamically. Since the inception, MRA is regulating MFI's and its microfinancing activities through MRA-act, MRA-regulations, circular, off-site supervision and on-site supervisions. MRA has already issued 877 licenses for microfinance operation and cancelled 118 licenses due to non-compliance till June 2020. In FY20, the 759 licensed MFIs disbursed more than BDT 1352.0 billion to more than 30 million clients. The total savings of microfinance sector was more than BDT 302.0 billion.

9.47 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 disbursed by PKSF to 278 POs was BDT 38.7 billion in FY20, which was BDT 1.7 billion or 4.5 percent higher than BDT 37.0 billion in FY19.

9.48 Grameen Bank was established with the vision of poverty eradication, i.e. the economic emancipation and advancement of social status of the poor. In FY20, the total amount of loan disbursed by Grameen Bank is BDT 205.0 billion. Out of this, BDT 204.9 billion has been repaid.

## Public Finance

10.1 Government fiscal operations aim to mobilize resources and ensure optimal allocation of government spending in order to attain sustainable and inclusive economic growth which in turn would help to alleviate poverty, reduce inequality and raise the standard of living of the people. As a developing country, for an increase in investment spending, Bangladesh follows a deficit budget. Still, budget deficit has been kept at a reasonable as well as the tolerable level at 5.5 percent of GDP in order to ensure the desired macroeconomic development and stability. A provisional estimate by Bangladesh Bureau of Statistics (BBS) hints that GDP grew at 5.2 percent only due to the worldwide shut down in economic activities caused by COVID-19 outbreak against the target of 8.2 percent in FY20.

### FY20: Budget and Fiscal Outcome Revenue Receipts

10.2 In the budget for FY20, revenue target was set considering various administrative and legal reforms, complete automation in collection process, compulsory TIN certificate for receiving different utility services, mandatory submission of return for the TIN holders, curtailing tax exemption, widening the tax net and tax base through survey, setting Electric Fiscal Device (EFD) for each business entity. As a result, the NBR revenue collection increased significantly in FY20 than that of the last few years.

10.3 In the revised budget for FY20, total revenue receipts targeted at BDT 3480.7 billion, which was 7.9 percent lower than the initial target. It was 38.2 percent higher than the

**Table 10.1 Government Revenue and Expenditure**

Items	(In billion BDT)					
	FY19 <sup>#</sup>	FY19 as % of GDP <sup>#</sup>	FY20 <sup>*</sup>	FY20 as % of GDP <sup>*</sup>	FY21 <sup>®</sup>	FY21 as % of GDP <sup>®</sup>
<b>1. Total revenue</b>	<b>2518.8</b>	<b>9.9</b>	<b>3480.7</b>	<b>12.4</b>	<b>3780.0</b>	<b>11.9</b>
a. Tax	2259.6	8.9	3130.7	11.2	3450.0	10.9
b. Non-tax	259.2	1.0	350.0	1.2	330.0	1.0
<b>2. Total expenditure</b>	<b>3916.9</b>	<b>15.4</b>	<b>5015.8</b>	<b>17.9</b>	<b>5680.0</b>	<b>17.9</b>
a. Operating	2381.1	9.4	2952.8	10.5	3481.8	11.0
b. ADP	1472.9	5.8	1929.2	6.9	2051.5	6.5
c. Others	62.9	0.2	133.8	0.5	146.7	0.4
<b>3. Budget deficit</b>	<b>1398.1</b>	<b>5.5</b>	<b>1535.1</b>	<b>5.5</b>	<b>1900.0</b>	<b>6.0</b>

<sup>#</sup> Actual, <sup>\*</sup> Revised Budget, <sup>®</sup> Proposed Budget  
Source : Budget in Brief, 2018-19, MoF and BBS.

actual revenue receipts in FY19. The revised target for tax revenue collection constituted 89.9 percent of the total revenue receipts which was 38.6 percent higher than that of the actual tax collected in FY19. Similarly, the revised target for non-tax revenue collection for FY20 was 35.0 percent higher than the actual collection for that of FY19 (Table 10.1).

10.4 In the revised budget for FY20, total revenue receipts as percentage of targeted GDP stood at 12.4 percent which was 9.9 percent in FY19. The target for total tax revenue receipts as a percentage of GDP revised at 11.2 percent in FY20 which was 8.9 percent in FY19. Similarly, total non-tax revenue as percentage of GDP targeted at 1.2 percent in FY20 which was 1.0 percent in FY19.

### Expenditure

10.5 The total expenditure in the revised budget for FY20 amounted to BDT 5015.8 billion (17.9 percent of GDP) which tends to be 28.1 percent higher than the actual expenditure in FY19. The operating expenditure in the revised

budget for FY20 targeted at BDT 2952.8 billion (10.5 percent of GDP) which was 24.0 percent higher than the actual operating expenditure of BDT 2381.1 billion in FY19 (Table 10.1).

10.6 In the revised budget for FY20, direct taxes on income and profit increased by 52.9 percent to BDT 1028.9 billion from BDT 672.9 billion in FY19. Receipts from stamp duty (non-judicial), excise duty, land revenue, import duty, value-added tax (VAT), supplementary duty, and other taxes and duties increased by 133.3, 128.5, 110.5, 38.7, 29.2, 22.7 and 34.5 percent respectively in FY20 compared to those of FY19. However, receipts from export duty and taxes on the vehicle are revised to decrease by 57.4 and 55.3 percent respectively in the revised budget for FY20 compared to the actual collection for that in FY19 (Table 10.2).

10.7 Under the non-tax revenue head, interest, administrative fees and charges, non-commercial sales, receipts for services rendered, and dividend and profit increased by 250.9, 212.3, 170.6, 94.1 and 31.5 percent respectively in FY20 compared to those of FY19. On the contrary, fines, penalties and forfeiture, capital revenue, and rent and leases revised to decrease by 63.1, 51.2 and 11.7 percent respectively over the same period (Table 10.2). Compositions of revised tax revenue receipts for FY20 and targeted tax revenue receipts for FY21 are depicted in Chart 10.1 and Chart 10.2 respectively.

10.8 The Annual Development Programme (ADP) in the revised budget for FY20 amounted to BDT 1929.2 billion (6.9 percent of GDP) which was 31.0 percent higher than the actual ADP in FY19. From the sectoral allocation, it is found that nearly, 41.5 percent of the total ADP was planned to spend on the infrastructure

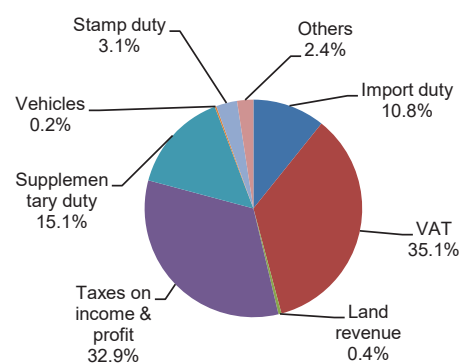
**Table 10.2 Composition of Revenue Receipts**  
(in billion BDT)

Items	FY19 <sup>#</sup>	FY20 <sup>*</sup>	FY21 <sup>@</sup>
<b>1. Tax revenue</b>	<b>2259.6</b>	<b>3130.7</b>	<b>3450.0</b>
<b>A. NBR Tax revenue</b>	<b>2186.2</b>	<b>3005.0</b>	<b>3300.0</b>
i) Taxes on income and profit	672.9	1028.9	1039.5
ii) Import duty	242.8	336.8	378.1
iii) Export duty	1.2	0.5	0.6
iv) Supplementary duty	384.3	471.4	578.2
v) Value Added Tax (VAT)	850.1	1098.5	1251.6
vi) Excise duty	23.4	53.5	36.9
vii) Other taxes and duties	11.5	15.5	15.3
<b>B. Non NBR Tax revenue</b>	<b>73.4</b>	<b>125.7</b>	<b>150.0</b>
i) Narcotics and liquor duty	0.8	1.1	1.2
ii) Taxes on vehicles	16.8	7.5	8.0
iii) Land revenue	6.7	14.0	16.7
iv) Stamp duty (non judicial)	42.0	98.0	118.5
v) Surcharge	7.2	5.1	5.6
<b>2. Non-tax revenue</b>	<b>259.2</b>	<b>350.0</b>	<b>330.0</b>
i) Administrative fees and charges	28.0	87.3	65.1
ii) Dividend and profit	26.5	34.9	17.5
iii) Interest	15.1	53.1	87.2
iv) Capital revenue	2.6	1.3	3.4
v) Receipts for services rendered	39.6	76.9	49.7
vi) Tolls	6.8	6.6	8.1
vii) Fines, penalties and forfeiture	6.9	2.5	4.9
viii) Non commercial sales	9.0	24.4	28.0
ix) Rents and leases	5.7	5.0	5.8
x) Other non-tax revenue and receipts	119.1	58.0	60.4
<b>Total</b>	<b>2518.8</b>	<b>3480.7</b>	<b>3780.0</b>

<sup>#</sup> Actual, <sup>\*</sup> Revised Budget, <sup>@</sup> Proposed Budget.

Source : Budget in Brief, 2020-21, MoF.

**Chart 10.1 Composition of Tax Revenue\*-FY20**



<sup>\*</sup> Revised Budget

Source: Budget in Brief 2020-21, MoF.

sector (power, oil, gas and natural resources, transport and communication), 17.0 percent

on the social sector (education and religion, and health, nutrition, population and family welfare), and 3.8 percent on agriculture sector respectively (Table 10.3).

### Budget Deficit and its Financing in FY20

10.9 In the revised budget for FY20, total deficit (excluding grants) revised at BDT 1535.1 billion which was 5.5 percent of the GDP (Table 10.1). The domestic borrowing component of the deficit financing was BDT 973.5 billion (3.5 percent of the GDP) in FY20. Of this component, BDT 824.2 billion (2.9 percent of the GDP) was bank borrowing and BDT 149.2 billion (0.5 percent of the GDP) was non-bank borrowing which was mainly through sales of national savings schemes (Chart 10.3). The foreign financing component (excluding grants) of the budget deficit was BDT 527.1 billion (1.9 percent of the GDP) (Table 10.4).

### Major Revenue Measures in FY20 Budget

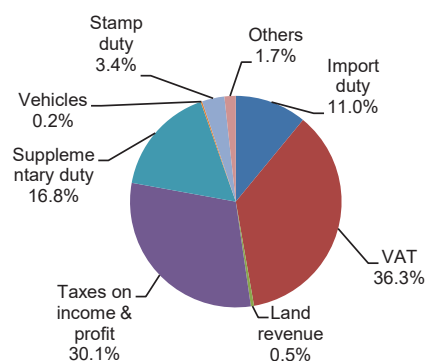
#### Direct Tax

10.10 Direct taxes on income and profit are considered as one of the principal sources of government revenue. It accounted for 32.9 percent share of the total tax revenue in the revised budget for FY20 compared to 29.8 percent in FY19. Marginal changes were made on direct taxes in the national budget for FY20 which are included below:

#### Taxes on Individual Income Remained Unaltered in FY20

- Tax exempted income limit for general taxpayer remained the same at BDT 2,50,000, but tax exempted income limit for parents of children with disabilities at BDT 3,00,000.
- Tax exemption threshold for women and

**Chart 10.2 Composition of Tax Revenue\*-FY21**



\* Proposed Budget  
Source: Budget in Brief 2020-21, MoF.

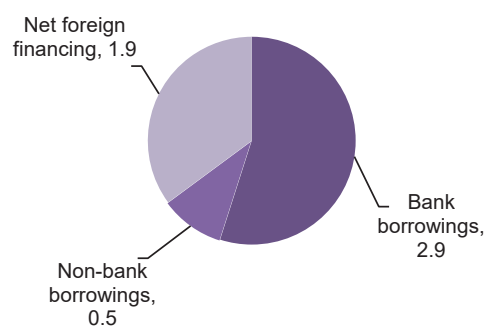
**Table 10.3 Sectoral Shares in ADP Expenditure**

Sectors	(In Percent)		
	FY19*	FY20*	FY21®
Agriculture	4.1	3.8	4.1
Transport	12.8	26.1	25.4
Education & religion	9.3	10.6	11.4
Physical planning, water supply & housing	12.2	12.0	12.6
Power	13.9	12.8	12.1
Rural development & institutions	9.1	7.5	7.6
Health, nutrition, population & family welfare	6.5	6.4	6.4
Water resources	3.0	2.8	2.7
Industries	1.2	1.7	1.8
Oil, gas & natural resources	1.3	1.0	0.9
Communication	1.2	1.6	1.3
Others	25.3	13.9	13.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

\*Revised, ®Proposed  
Source : Revised Annual Development Programme, 2018-19, 2019-20 and Annual Development Programme 2020-21, Ministry of Planning

**Chart 10.3 Deficit Financing\* (including Grants) : FY20**

(Percent of GDP)



\* Revised  
Source: Budget in Brief, 2020-21, MoF.



senior citizens aged 65 years or above remained the same at BDT 3,00,000.

- Tax exempted income limit for physically challenged individual remained the same at BDT 4,00,000.
- Tax exempted income limit for war-wounded gazetted freedom fighters remained the same at BDT 4,25,000.
- Tax rate for income of non-resident and income of Co-operative Society remained unaltered at 30.0 percent and 15.0 percent respectively.
- Existing minimum tax for a taxpayer, except company taxpayer, BDT 5,000 for the residents of Dhaka North City Corporation, Dhaka South City Corporation and Chittagong City Corporation, BDT 4,000 for the residents of any other city corporation, and BDT 3,000 for the residents of any other area is kept unchanged.

### Taxes on Corporate Income

- Tax rate for publicly traded company remained the same at 25.0 percent as well as that of publicly traded bank, insurance and financial institution including bank, insurance and financial institutions approved by the Government in 2013 kept unchanged at 37.5 percent.
- Tax rate for non-publicly traded company remained the same at 35.0 percent and that of non-publicly traded bank, insurance and financial institutions kept unchanged at 40.0 percent.
- Tax rate for merchant banks remained the same at existing 37.5 percent.
- Tax rate for cigarette, bidi, zarda, chewing tobacco, gul or any other tobacco

manufacturing company remained the same at existing 45.0 percent.

- Tax rates for publicly traded and non-publicly traded mobile phone operators remained the same at 40.0 percent and 45.0 percent respectively.
- Tax rate on the dividend income has been kept unchanged at existing 20.0 percent.
- To encourage payment of dividend in cash, 15.0 percent tax on stock dividend distributed to the shareholders by any listed company has been imposed.
- It has been proposed to impose 15.0 percent additional tax on so much of retained earnings and reserves as it exceeds 50.0 percent of the paid up capital of the company.

### Value Added Tax (VAT)

10.11 Value Added Tax (VAT) is the single largest source of tax revenue collection in Bangladesh. VAT representing 35.1 percent of total tax revenue increased by 29.2 percent to BDT 1098.5 billion in FY20 compared to BDT 850.1 billion in FY19. The marginal changes on VAT in the national budget for FY20 included:

The new Value Added Tax and Supplementary Duty Act, 2012 has been finalized which is empowered with online VAT related services, abolition of price declaration system before the supply of goods and provision to maintain sufficient balance in the Account Current Register etc.

### VAT Impositions and Expansions

- Encourage the small and medium sector (SMEs) by giving opportunity to pay turnover tax at 4 percent rate in the case



of annual turnover from BDT 5 million to BDT 30 million;

- The VAT rate has been fixed at 5.0 percent for the local traders;
- Along with the standard VAT rate of 15.0 percent, there will be reduced rates of 5.0 percent, 7.5 percent and 10.0 percent for specific goods and services;
- Considering the sensitivity of the product, the VAT rate at the trading stage of pharmaceutical and petroleum products was fixed at 2.4 percent and 2.0 percent respectively.

### VAT Exemptions

- The small and marginal traders with an annual turnover up to BDT 5 million was exempted to keep them out of the VAT net;
- Considering the interest of poor and marginalized people, the production and supply of bread, hand-made biscuits and hand-made cakes up to the value of BDT 150 per kg was exempted from VAT;
- For incentivizing the agricultural sector, the local supply of agricultural machineries such as Power ripper, Power tiller operated seeder, Combined harvester, Low lift pump, Rotary tiller etc. was exempted from VAT;
- The rent of a business showroom run by women entrepreneurs was exempted from VAT;
- The supply of natural gas, suppliers and electricity in the case of investment in Bangladesh Economic Zone (BEZA) was exempted from VAT;
- VAT was exempted for Rooppur nuclear

**Table 10.4 Composition of Budget Financing**

Items	(In billion BDT)		
	FY19 <sup>#</sup>	FY20 <sup>*</sup>	FY21 <sup>@</sup>
Domestic Financing	1068.5	973.5	1099.8
Bank borrowing	345.9	824.2	849.8
Non-bank borrowing	722.6	149.2	250.0
Foreign financing (net)	312.9	527.1	760.0
Budget Deficit (including grants)	1381.3	1500.5	1859.9
Budget Deficit (excluding grants)	1398.1	1535.1	1900.0
GDP (Memorandum Item)	25424.8 <sup>1</sup>	27963.8	31718.0

<sup>#</sup>Actual, <sup>\*</sup>Revised, <sup>@</sup>Targeted

Source : Budget in Brief, 2020-21, MoF and BBS.

power plant project on the procurement of services from freight forwarders, clearing and forwarding agencies, insurance companies, suppliers and banking services.

### Customs Duty and Taxes

10.12 To ensure necessary protection to the promising domestic industries under global competing scenario, helping expand of the export oriented industries, maintaining competitiveness of Bangladesh economy, simplifying and facilitating trade and commerce the existing duty –tax structures have been rationalized from time to time. Besides, inconsistent duty-tax structures have been corrected to combat against smuggling and false declarations. Import duty increased by 38.7 percent to BDT 336.8 billion in FY20 compared to BDT 242.8 billion in FY19. The proposed changes on custom duties and taxes in the national budget for FY20 include:

- Considering the protection of local farmers, existing highest rate of customs duty at 25.0 percent and recently imposed 25.0 percent regulatory duty will remain unchanged on rice import;
- Zero rates are kept unchanged for the prime

- ingredients of agricultural sector, especially for fertilizer, seeds, and insecticides;
- To protect local dairy industry, customs duty on this milk powder import was increased to 10.0 percent from existing 5.0 percent;
  - Existing specific duty was increased to BDT 3000.00/MT on import of raw sugar, to BDT 6,000.00/MT for refined sugar. Regulatory duty will be 30.0 percent instead of 20.0 percent for both refined and raw sugar import;
  - Rice bran is the prime raw material of rice bran oil. As there is a huge demand from local rice bran industries, export duty of rice bran proposed to increase from 10.0 percent to 25.0 percent to discourage exports;
  - To protect domestic tyre and tube industry, it was proposed to increase regulatory duty from 3.0 percent to 5.0 percent on the importation of 16-inch tyre, motorcycle tyre and tube used in CNG baby taxi and light vehicles;
  - Customs duty of smart phone increased to 25.0 percent from existing 10.0 percent to help protect the local manufacturers of this sector. However, customs duty of feature phone will remain unchanged at existing 10.0 percent as it is used by relatively poor people;
  - Import duty for natural honey in bulk was increased to 15.0 percent from existing 10.0 percent;
  - Import duty for olive oil wrapped/canned up to 2.5 kilogram was increased to 25.0 percent from existing 10 percent;
  - All single or multi phase AC/DC motor are now subject to 10.0 percent of import duty;
  - In order to improve the traffic congestion situation and develop the public sector transport system, issuance or renewal of all kinds of vehicles registration, route permit, fitness certificates, ownership certificate etc. except for passenger buses, trucks, lorries, three wheeler, ambulances and school buses are now subject to 10.0 percent of supplementary duty;
  - the supplementary duty increased to 25.0 percent from existing 20.0 percent on chartered aircrafts and helicopters service;
  - Ice-cream are now subject to 5.0 percent of supplementary duty;
  - It has been proposed to increase the supplementary duty from existing 5.0 percent to 10.0 percent of the services provided through mobile phone SIM/ RIM card;
  - The price of every 10 sticks of low segment cigarette are fixed at BDT 37 and the supplementary duty rate at 55.0 percent, medium segment cigarette at BDT 63 and the supplementary duty rate to 65.0 percent, high segment and premium segment cigarette at BDT 93 and BDT 123 respectively and keep the supplementary duty rate to existing 65.0 percent;
  - The price of 25 sticks of non-filter bidi was fixed at BDT 14 and supplementary duty rate at 35.0 percent and the price of 20 sticks filter bidi at BDT 17 and supplementary duty rate at 40.0 percent;
  - The minimum retail price were fixed at BDT 30 per 10 grams for zarda and at BDT 15 per 10 grams for gul and the supplementary duty rate was fixed at 50.0 percent;

- Supplementary duty for particle board was increased to 20.0 percent from existing 10.0 percent;
- Decrease of existing export duty of building bricks from 25.0 percent to 15.0 percent;
- The duty of lightning arrester, bond seal paint and Fire retardant paint was reduced to 5.0 percent to save valuable life and electrical equipment from lightening;
- Concessionary rate during the import of fire frightening equipment have been extended to other Vat registered service oriented organizations;
- To prevent gold smuggling, a reduction of duty of gold under Passenger (non-tourist) and Baggage (import) Rules-2016 and for commercial import, from BDT 3000.00/11.664 gm to BDT 2000.00/11.664 gm was proposed;
- Ethylene/propylene imported by VAT registered PVC/PET resin manufacturing industry in economic zone was exempted from existing 5.0 percent of import duty and now subject to 3.0 percent regulatory duty;
- Cotton seeds are now subject to 5.0 percent of regulatory duty but exempted from the existing 5.0 percent of import duty;
- Import duty was reduced to 5.0 percent for steel plate imported by VAT registered refrigerator manufacturing industry ;
- It was proposed to withdraw existing 10.0 percent export duty on unmanufactured tobacco to reduce domestic availability of these harmful products;
- Exemptions and concessionary rate of duties of some pharmaceutical raw materials including that of cancer medicines have been proposed. Moreover, regulatory duty proposed to decrease from 20.0 percent to 10.0 percent on import of liquid Oxygen, Nitrogen, Argon and Carbon Dioxide for making these lifesaving gases available to the poor patients at low cost;
- Tubes, pipes and hoses of plastics, PVC Screen and various textile fabrics that are used in footwear industry have been exempted from supplementary and regulatory duty;
- To encourage poultry sector, Ammonia Binder (Feed grade), Liver Protector, renal protector, respiratory protector, Vaccine stabilizer used Poultry/Dairy/ Fish feed production has been exempted from tax;
- Approximately 43 ingredients that are used as raw materials to prepare medicine of cancer have been exempted from customs duty;
- Various components for compressor manufacturing and lift industry on which all duty-taxes are exempted except either 1 percent or 5 percent customs duty.

### **FY21 Budget and the Way Forward**

10.13 The budget of FY21 has been formulated aiming at higher GDP growth, lower inflation and gearing up investment. In the budget for FY21, the GDP growth target has been set at 8.2 percent, average inflation rate at 5.4 percent and the budget deficit is expected to be within 6.0 percent of GDP.

10.14 The total size of the budget for FY21 is set at BDT 5680.0 billion, which is 17.9 percent of the GDP and 13.2 percent higher than the revised budget for FY20. The estimated outlay

for Annual Development Programme (ADP) for FY21 stands at BDT 2051.5 billion, which is about 6.5 percent of GDP. This developmental expenditure turns out 6.3 percent higher than that of the revised budget of the previous fiscal year. In the ADP for FY21, about 25.4 percent of this development outlay has been allocated to transport sector (roads, railway, bridges and others related to transport), 17.8 percent to the human resource sector (education, and health, nutrition, population and family welfare), 14.4 percent to overall agricultural sector (agriculture, rural development and institutions and water resources), 13.0 percent to power and energy sector, 12.6 percent to physical planning, water supply and housing sector, and 13.8 percent to other sectors (Table 10.5).

10.15 Different ministries and divisions have been categorized into three main groups based on their allocation of business. These are social infrastructure, physical infrastructure and general services. In the proposed budget for FY21, about 27.4 percent of total outlay has been allocated for social infrastructure, of which 24.7 percent is set for human resources sector (education, health, science and technology and other related sectors). About 29.4 percent of total outlay has been allocated for physical infrastructure, of which 12.3 percent goes to wider agriculture and rural development, 10.8 percent to overall communication sector and 4.7 percent to power and energy sector. About 24.7 percent of total outlay has been allocated for general service sector. An allocation of 6.5 percent of total outlay has been allocated for PPP projects, financial assistance for different industries, subsidies and equity investment in state-owned commercial and financial institutions.

**Table 10.5 Composition of Revenue Expenditure**  
(In billion BDT)

Sectors	FY17#	FY18*	FY19@
Social sector	1105.1	1362.8	1517.5
Public services	330.0	804.0	1131.6
Interest on domestic debt	460.2	528.0	582.5
Defense	299.9	326.5	344.3
Public order and safety	270.2	274.4	286.7
Interest on foreign debt	34.5	48.7	55.5
Agriculture sector	236.0	270.2	299.8
Transport and communication	378.3	584.9	645.8
Energy and power	371.9	261.5	267.6
Local government and rural development	314.9	404.7	395.7
Housing	60.2	74.5	69.4
Others	55.7	75.6	83.7
<b>Total</b>	<b>3916.9</b>	<b>5015.8</b>	<b>5680.0</b>

#Actual, \*Revised, @Targeted

Source : Budget in Brief, 2020-21, MoF.

**Table 10.6 Composition of Social Sector Revenue Expenditure**  
(In billion BDT)

	FY19#	FY19*	FY21@
Education & technology	632.4	770.4	857.6
Health	186.8	236.9	292.5
Recreation, culture and religious affairs	44.5	47.4	47.9
Labour and employment	2.2	3.7	3.5
Social security and welfare	239.2	304.4	316.0
<b>Total</b>	<b>1105.1</b>	<b>1362.8</b>	<b>1517.5</b>

#Actual, \*Revised, @Targeted

Source : Budget in Brief, 2020-21, MoF.

10.16 Apart from these three major categories, 11.2 percent of total outlay has been allocated for interest repayment and the rest 0.8 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

### Revenue Receipts for FY21

10.17 The revenue receipts in FY21 is targeted to grow by 8.6 percent to BDT 3780.0 billion compared to BDT 3480.7 billion of the revised budget for FY20. The tax revenue

receipts are expected to increase by 10.2 percent but in the contrary the non-tax revenue collection are expected to decrease by 5.7 percent compared to that of the revised budget for FY20. Total revenue-GDP ratio is targeted to be 11.9 percent in the FY21 compared to 12.4 percent in FY20 (Table 10.1). Receipts from the direct taxes on income and profits is targeted to increase by 1.0 percent in FY21 compared to the revised budget for FY20 that still constitutes 30.1 percent of the total revenue. On the other hand, 15.8 percent growth is targeted for indirect taxes (VAT, import duty, supplementary duty, and export duty). Among non-tax revenue sources, receipts from interest have been targeted to increase by 64.2 percent in FY21 compared to the revised budget for FY20 (Table 10.2).

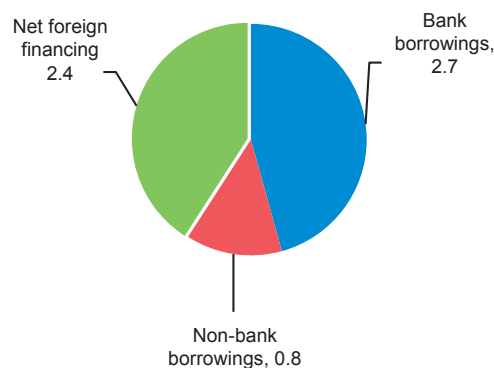
10.18 Receipts from other non-tax revenue and receipts such as capital revenue, fine, penalties and forfeiture, tolls, receipts from rent and leases and non-commercial sales are expected to rise by 171.4, 94.5, 23.7, 15.4 and 14.7 percent respectively in FY21. On the other hand, receipts from dividend and profit, service rendered and administrative fees and charges are expected to decline by 49.9, 35.5 and 25.4 percent respectively in FY21 compared to that of the revised budget for FY20.

### Expenditure for FY21

10.19 The total public expenditure in FY21 is expected to increase by 13.2 percent to BDT 5680.0 billion compared to the revised budget for FY20. The operating expenditure is expected to grow by 17.9 percent, the ADP by 6.3 percent, other expenditure by 9.7 percent over the revised budget for FY20. The targeted operating expenditure for FY21 is set at BDT 3481.8 billion (Table 10.1). About 26.7 percent

**Chart 10.4 Deficit Financing\* (including Grants) : FY21**

(Percentage of GDP)



\* Targeted  
Source: Budget in Brief 2020-21, MoF.

of the total expenditure has been allocated for the social sector (Table 10.5), of which the major portion of this sector (96.6 percent) will go to education and technology, social security and welfare, and health sector (Table 10.6).

### Deficit Budget and its Financing in FY21

10.20 The budget deficit (excluding grants) for FY21 is estimated at BDT 1900.0 billion which is BDT 364.9 billion higher than that of the revised budget for FY20. The targeted budget deficit-GDP ratio for the FY21 is 6.0 percent which was 5.5 percent in the revised budget for FY20. The deficit is expected to be financed through borrowing from domestic banks and non-bank sources to the tune of BDT 1099.8 billion (3.5 percent of GDP) and external financing to the tune of BDT 760.0 billion (2.4 percent of GDP) in FY21 (Charts 10.4) against BDT 973.5 billion (3.5 percent of GDP) and BDT 527.1 billion (1.9 percent of GDP) in the revised budget for FY20 respectively. Of total domestic borrowing, BDT 849.8 billion is targeted to be financed from the banking system and BDT 250.0 billion from non-banking sources (Table 10.4).

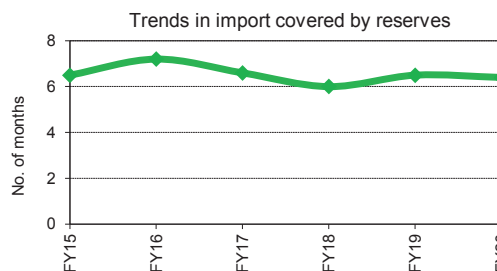
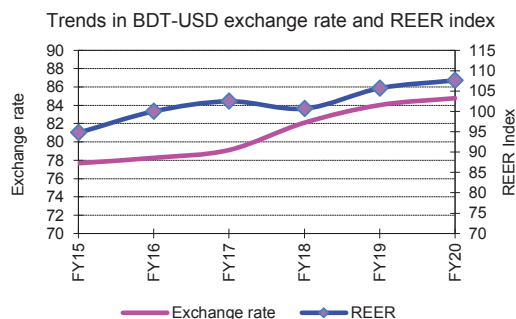
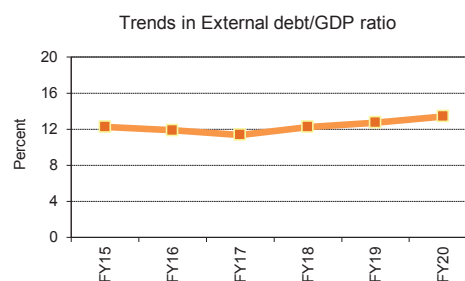
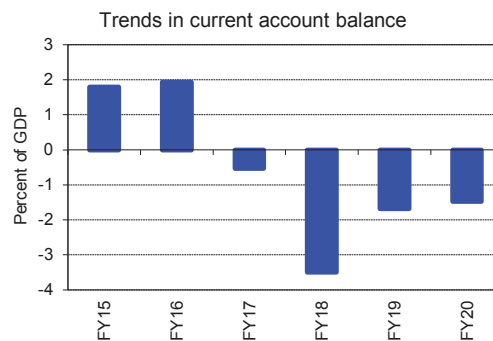
## External Sector

### External Trade and the Balance of Payments

11.1 In 2020, global trade experienced sharp decline of -11.9 percent compared to the previous year due to weaker demand for goods and services, come off in cross-border tourism and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions). Following COVID-19 pandemic, the global labour market has been affected badly specially for low-skilled workers who do not have the option to continue their works from home. According to the world economic outlook, among approximately two billion informally employed workers worldwide, the International Labour Organization estimates about 80.0 percent have been significantly affected. In FY20, external sector of Bangladesh has affected seriously due to the COVID-19 pandemic.

11.2 The current account deficit stood at 1.5 percent of GDP in FY20 which was 1.7 percent of GDP in FY19. Nominal exchange rate stood at BDT 84.78 as of end June 2020 compared to BDT 84.03 as of end June 2019 (period average). The nominal effective exchange rate (NEER) of BDT, calculated against a trade weighted 15 currency basket (base: FY16=100), appreciated by 2.6 percent in FY20. Similarly, the real effective exchange rate (REER) of BDT appreciated by 1.8 percent in FY20. Foreign exchange reserve stood at USD 36.0 billion at the end of June 2020. However, the reserve coverage of imports decreased but remains broadly adequate at around 6.4 months of prospective imports. Outstanding external debt stock of Bangladesh increased at the end of

**Chart 11.1 Key Indicators of External Sectors**



Source: SD, BB.



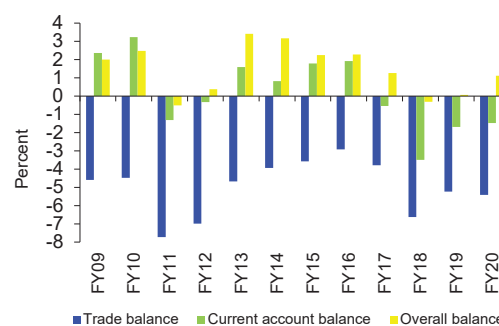
FY20. The outstanding external debt to GDP ratio increased to 13.4 percent in FY20 from 12.7 percent in FY19. The overall scenario of major external sector indicators in FY20, are shown in Chart 11.1.

### Balance of Payment

11.3 Comparatively lower export growth than import growth led to the increase in trade deficit in FY20 compared to the FY19. The trade deficit grew by 12.8 percent to USD 17861 million during FY20 compared to the deficit of USD 15835 million in FY19. The deficit in both services account and primary income decreased to USD 2987 million (6.0 percent) and USD 2776 million (7.3 percent) respectively in FY20. However, secondary income significantly increased by 11.1 percent from USD 16903 million in FY19 to USD 18775 million in FY20 due to dramatically increase in private transfers mostly workers' remittances. As a result the deficit of current account declined to USD 4849 million in FY20 which was USD 5102 million in FY19. The decrease in current account deficit was mainly happened due to the decline deficit in primary Income and services account and the increase in surplus in secondary income. The balance in the capital account and financial account increased to USD 256 million and USD 7658 million respectively in FY20 from USD 239 million and USD 5907 million respectively in FY19. The net outcome of all these made the overall balance a surplus of USD 3655 million in FY20 compared to a surplus of USD 179 million in FY19 (Table XVI of Appendix-3).

11.4 Foreign Direct Investment (FDI) has played a positive role for developing the Bangladesh economy. FDI is limited but it has various uses in the different sector of our economy. As a potential source of

**Chart 11.2 Trends in Trade, Current Account and Overall Balances**



Source: SD, BB.

**Chart 11.3 Trends in Export Earnings**



Source: EPB.

foreign exchange reserves, FDI needs to be encouraged. FDI has been emphasized by the Government in its 7th five year plan and has undertaken various policies for adequate incentives in attracting foreign investors. However, net FDI inflow decreased significantly by 42.5 percent to USD 1510 million in FY20. On the other hand, portfolio investment increased significantly by 61.4 percent to USD 276 million in FY20 compared to USD 171 of preceding year (Table XVI of Appendix-3).

11.5 Merchandise exports (fob) decreased by 17.1 percent to USD 32830 million and imports (fob) also decreased by 8.6 percent to USD 50691 million in FY20 (Chart 11.3). The balance of payments position is given in Table XVI of Appendix-3.

## Exports

11.6 Due to COVID-19, export earnings drastically decreased by 16.9 percent to USD 33674.1 million in FY20 from USD 40535.0 million in FY19 (Table 11.1). Readymade Garments (woven garments and knitwear products) continued to occupy a lion share (above four fifths) of the total export.

### Composition of Exports

11.7 Ready Made Garments (woven and knitwear): Woven and knitwear products, which accounts for about 83.0 percent of total export earnings, registered a decrease in receipts from USD 34133.3 million in FY19 to USD 27949.2 million in FY20. Woven and Knitwear products showed a sharp decrease of 18.6 and 17.6 percent respectively in FY20 compared to FY19.

11.8 Leather: During FY20, export earnings from leather and leather products decreased by 22.6 percent to USD 318.9 million in FY20 from USD 411.9 million in FY19.

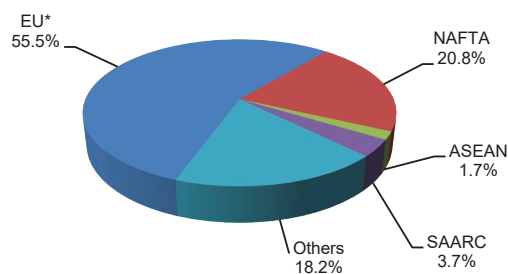
11.9 Frozen food: Earnings from frozen foods comprises mainly of shrimps, decreased during FY20. Shrimp and fish valued at USD 407.9 million were exported in FY20, against USD 425.0 million in FY19.

11.10 Footwear: Export earnings from footwear products stood at USD 755.9 million in FY20 from USD 879.4 million in FY19.

11.11 Chemical Products: Chemical products export earning stood at USD 198.9 million in FY20 against USD 205.2 million in FY19.

11.12 Tea: During FY20 export earnings from tea increased by 10.6 percent compared to the previous fiscal year's growth.

**Chart 11.4 Destinal Pattern of Exports in FY20**



\*Including Great Britain  
Source: EPB and SD, BB.

**Table 11.1 Composition of Merchandise Exports**

Items	(In million USD)		
	FY19	FY20	% change
1) Raw jute	112.5	129.9	15.5
2) Jute goods	703.8	752.5	6.9
3) Tea	2.8	3.1	10.6
4) Leather and leather products	411.9	318.9	-22.6
5) Frozen shrimps and fish	425.0	407.9	-4.0
6) Woven garments	17244.7	14041.2	-18.6
7) Knitwear products	16888.5	13908.0	-17.6
8) Chemical products	205.2	198.9	-3.1
9) Petroleum by-product	203.7	23.5	-88.5
10) Engineering products	341.3	292.9	-14.2
11) Specialised textiles	143.9	116.0	-19.4
12) Footwear	879.4	755.9	-14.0
13) Others	2972.3	2725.5	-8.3
<b>Total:</b>	<b>40535.0</b>	<b>33674.1</b>	<b>-16.9</b>

Source: EPB.

11.13 Jute goods (excluding carpets): Export earnings from jute goods increased by 6.9 percent to USD 752.5 million in FY20 from USD 703.8 million in FY19.

11.14 Raw jute: In FY20, raw jute increased by 15.5 percent to USD 129.9 million compared to USD 112.5 million in FY19.

### Destination of Exports

11.15 An important feature of export diversification is the geographical diversity of export destination countries. By looking at the share of different regions, it is observed that over the years Bangladesh's exports to NAFTA,

SAARC and ASEAN+3 regions increased but it decreased in EU and others region. In FY20, 55.5 percent (56.4 percent in FY19) of exports were destined for the EU area while 20.8 percent (20.8 percent in FY19) entered into the NAFTA bloc. Exports to the SAARC, ASEAN and other countries were 3.7, 1.7 and 18.2 percent respectively of the total exports in FY20 (Chart 11.4).

### Export Development Fund (EDF)

11.16 The EDF commenced its operation in 1989 with the participation of International Development Association (IDA) and Government of Bangladesh (GOB) having an initial fund amounting to USD 30.16 million to provide foreign exchange refinance facilities to boost up export sector. As export posted a significant growth, the volume of the EDF fund was enhanced by Bangladesh Bank from time to time. On 7 April, 2020 the fund was further enhanced to USD 5.00 billion from 3.50 billion to facilitate export trade due to overcome the COVID-19 related disruptions in export business.

11.17 The direct as well as deemed exporters may avail EDF loan for input imports against export LC/firm export contract/inland back to back L/C through Authorized Dealer (AD) banks. Type C industries in export processing zone (EPZ) can also avail EDF loan against back to back import L/Cs for input procurements.

11.18 To overcome the loss of export due to recent COVID-19 related pandemic/ disruption, a number of policies have been declared by Bangladesh Bank in line with Government incentive packages. Important policy support includes lowering the EDF interest rate to 2.0 percent from USD LIBOR+1.50%. A new

**Table 11.2 Composition of Merchandise Imports** (based on customs records)

(million USD)			
Items	FY19	FY20 <sup>P</sup>	% changes
<b>A. Food grains</b>	1551.6	1672.0	7.8
1. Rice	115.1	21.5	-81.3
2. Wheat	1436.5	1650.5	14.9
<b>B. Other food items</b>	4312.6	4887.9	13.3
1. Milk & cream	360.8	341.2	-5.4
2. Spices	327.1	351.1	7.3
3. Oil seeds	796.4	1182.7	48.5
4. Edible oil	1656.3	1617.3	-2.4
5. Pulses (all sorts)	469.5	662.2	41.0
6. Sugar	702.5	733.4	4.4
<b>C. Consumer and intermediate goods</b>	27565.7	25732.9	-6.6
1. Clinker	993.3	878.6	-11.5
2. Crude petroleum	415.5	730.9	75.9
3. POL	4561.5	4626.6	1.4
4. Chemical	2472.0	2533.4	2.5
5. Pharmaceutical products	245.9	293.8	19.5
6. Fertiliser	1301.4	1035.2	-20.5
7. Tanning & dyeing extracts	779.2	697.3	-10.5
8. Plastics & rubber articles thereof	2757.2	2609.8	-5.3
9. Raw Cotton	3082.2	2960.6	-3.9
10. Yarn	2444.9	1901.0	-22.2
11. Textile & articles thereof	7284.4	6380.2	-12.4
12. Staple fibre	1228.2	1085.5	-11.6
<b>D. Capital goods and others</b>	10658.9	8578.3	-19.5
1. Iron, steel & other base metal	5246.3	4997.0	-4.8
2. Capital machinery	5412.6	3581.3	-33.8
<b>E. Others</b>	15825.9	13913.6	-12.1
<b>Total Import (cif)</b>	59914.7	54784.7	-8.6
Of which EPZ	4031.5	3487.7	-13.5
<b>Total Import (fob)</b>	55438.5	50691.0	-8.6

<sup>P</sup> Provisional

Source: Compiled by SD, BB using data of NBR.

window has been opened for settlement of import payments against back to back L/Cs under supplier's/ buyer's credit for which extension of usance period/ refinancing for extendable tenure is not available.

11.19 A borrower-wise maximum exposure limit of EDF is followed to streamline the credit discipline. At present, maximum USD 30.00 million is allowed to a single party against member mills of BGMEA and BTMA. However, this limit is maximum USD 20.00 million for knitwear, USD 20.00 million for leather goods

& footwear and 15.00 million for ceramic wares, dyed yarn and USD 2.00 million for accessories and packaging and USD 1.00 million for plastic goods manufacturers and USD 0.50 million for exporters irrespective of sectors.

11.20 In general, the reimbursement from the EDF is initially made for a tenor of 180 days with a provision for further extension up to 90 days, if requires for delay in repatriation of related export proceeds of the exporter concerned. But for pandemic situation it can be extended for further 180 days from the maturity date.

11.21 On revolving basis, the total disbursement from EDF in FY20 stood at USD 6.18 billion which was USD 6.08 billion in FY19. The outstanding balance at the end of June, 2020 stood at USD 4.45 billion which was USD 3.29 billion in corresponding time of the previous year. A total number of 56 banks availed EDF refinancing facilities and the total number of borrowers was 1348 at the end of June, 2020.

### Imports

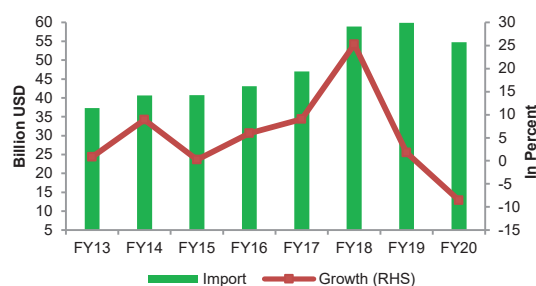
11.22 Due to COVID-19, imports (fob) stood at USD 50691 million in FY20 which was 8.6 percent lower than the previous FY19. Import of food grains achieved a higher growth of 7.8 percent in FY20 mainly due to wheat import. Import for other food items increased by 13.3 percent to USD 4887.9 million in FY20 from USD 4312.6 million in FY19. Import of oil seeds and pulses (all sorts) recorded a significant growth of 48.5 percent and 41.0 percent respectively in FY20. Except negative growth of milk and cream (5.4 percent) and edible oil (2.4 percent) all other food items of imports showed positive growth. Consumer and intermediate goods achieved at USD 25732.9 million in FY20 from USD 27565.7 million in FY19. For the pandemic

**Table 11.3 Trends in Terms of Trade of Bangladesh**

Year	Export price index	Import price index	(Base FY06=100)
			Commodity terms of trade
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	182.40	212.37	85.89
FY16	195.95	224.94	87.11
FY17	206.61	237.18	87.11
FY18	214.31	246.03	87.11
FY19	225.95	259.38	87.11
FY20	237.28	277.03	85.65

Source: BBS.

**Chart 11.5 Trends in Imports Recorded at Customs**



Source: Compiled by SD, BB using data of NBR.

situation, all items of capital goods and others categories recorded at USD 8578.3 million in FY20 which was lower than the previous fiscal year. Imports by EPZ decreased by 13.5 percent to USD 3487.7 million in FY20 compared to USD 4031.5 million in FY19 (Table 11.2).

### Terms of Trade

11.23 The terms of trade was 85.65 in FY20 which was 87.11 in FY19. The export price index and the import price index grew 5.01 percent and 6.80 percent respectively during the year (Table 11.3).

### Workers' Remittances

11.24 Inward remittances from Bangladeshi nationals working abroad continued to play a vital role in strengthening the current account balance. Remittance receipts increased by 10.9 percent to USD 18205.01 million in FY20 from USD 16419.63 million in FY19.

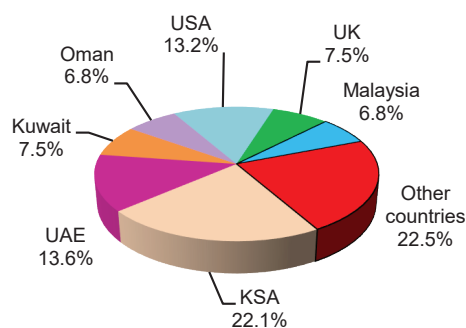
11.25 Due to government incentive, simplification of sending remittances in formal channel and different supportive policy regarding remittances helped expatriates to increase remittance inflows again. To facilitate the formal channel, Bangladesh Bank reduced the security deposit requirement for the exchange houses abroad to establish drawing arrangement with local banks. Presently, commercial banks have 1312 drawing arrangements with more than 334 exchange houses all over the world for collecting remittances.

11.26 During FY20, the highest amount (22.06 percent) of remittances came from Saudi Arabia followed by the United Arab Emirates (UAE) (13.58 percent), United States of America (13.20 percent), Kuwait (7.54 percent), United Kingdom (7.50 percent), Oman (6.81 percent) and Malaysia (6.76 percent). All other countries contributed to 22.55 percent of total remittance over the same period. Country wise remittances inflow in FY20 is shown in Chart 11.6.

### Foreign Aid

11.27 Total official foreign aid receipts increased by 11.1 percent and stood at USD 7272.0 million in FY20 from USD 6542.6 million received in FY19 (Table 11.4). Total foreign aid commitment was USD 9554.4 million during FY20. In FY20, there was no food aid

**Chart 11.6 Country Wise Wage Earners' Remittances in FY20**



Source: SD, BB.

disbursement, though the disbursement was USD 22.6 million in FY19. The disbursement of project aid stood at USD 7272.0 million in FY20 which was USD 6520.0 million in FY19.

11.28 Total outstanding official external debt as of 30 June 2020 stood at USD 44202.2 million (13.4 percent of GDP in FY20) against USD 38475.5 million as of 30 June 2019 (12.7 percent of GDP in FY19). Repayment of official external debt and services amounted to USD 1726.2 million (excluding repurchases from the IMF) in FY20 which was USD 132.4 million or 8.3 percent higher than the repayment of USD 1593.8 million in FY19. Out of the total repayments, principal repayments amounted to USD 1269.5 million while interest repayments stood at USD 456.7 million in FY20, against USD 1202.3 million and USD 391.5 million respectively in FY19. The debt service payment as percentage of exports stood at 5.3 percent in FY20 which was 4.0 percent in FY19.

### Foreign Exchange Market Operations and Exchange Rate Movements

11.29 During FY20, BB sold USD 835 million in the local inter-bank market while BB purchased USD 877 million. BB's proactive

foreign exchange liquidity management and supervision ensured stability and smooth market activities throughout the FY20.

### Foreign Exchange Reserves

11.30 BB's gross foreign reserves comprises major currencies (G-7), gold and Special Drawing Rights (SDR). At the beginning of FY20 foreign exchange reserves was USD 32.74 billion which rose to USD 36.03 billion at the end of the year.

11.31 Through diversifying the foreign asset portfolio into bonds (issued by sovereign, supranational and highly rated foreign commercial banks), US Government Treasury Bills and Notes, and short-term deposits with globally reputed foreign commercial banks, BB puts best efforts to ensure optimum return on foreign exchange reserve investments. BB is also active in the New York Fed's Repo process which yields fair returns at a very low-risk rate. Moreover, BB offers foreign exchange refinance schemes to local exporters through the Export Development Fund (EDF) and the Green Transformation Fund (GTF). In addition, with the assistance of the International Development Association (IDA), BB provides long-term support to Bangladesh's manufacturing sector through a separate window called the Long Term Financing Facility (LTFF).

### Reserve Management Strategy

11.32 BB's reserve management strategy and operational procedures were strongly influenced by developments in both domestic and international financial markets as well as various key aspects of macroeconomic policy stances. The most important elements of the policy framework are - the monetary policy structure, the exchange rate policy and

**Table 11.4 Foreign Aid Receipts and Debt Repayments\***

Particulars	(million USD)		
	FY18	FY19 <sup>R</sup>	FY20 <sup>P</sup>
<b>1. Receipts</b>	6369.4	6542.6	7272.0
i) Food aid	13.5	22.6	0.0
ii) Project aid	6355.9	6520.0	7272.0
<b>2. Repayments (MLT)</b>	1409.2	1593.8	1726.2
i) Principal	1110.4	1202.3	1269.5
ii) Interest	298.8	391.5	456.7
<b>3. Outstanding external debt as of end June</b>	33511.8	38475.5	44202.2
<b>4. Outstanding debt as percentage of GDP</b>	12.2	12.7	13.4
<b>5. External debt services (MLT) as percentage of exports</b>	3.9	4.0	5.3

<sup>P</sup> Provisional, <sup>R</sup> Revised.

\*Excluding transactions with the IMF.

Source: ERD, MoF.

**Table 11.5 Trends in Gross Foreign Exchange Reserves of Bangladesh Bank**

Months	(End month, in million USD)				
	FY16	FY17	FY18	FY19	FY20
July	25469	30039	32994	32106	32093
August	26175	31165	33596	32927	32776
September	26379	31386	32817	31958	31832
October	27058	31895	33453	32078	32438
November	26408	31371	32624	31056	31729
December	27493	32092	33227	32016	32689
January	27139	31724	32695	31280	32382
February	28059	32557	33369	32236	32803
March	28266	32215	32402	31787	32389
April	29106	32519	33096	32123	32928
May	28803	32246	32349	31345	33226
June	30168	33493	32944	32717	35853

Source: A&BD, BB.

regime, the external debt situation, and the geopolitical scenario. Currently, the reserve management operations of BB are carried out following the Reserve Management Guidelines (RMG) approved by the Board of Directors of BB. Generally, reserves are held to absorb external shocks, to ensure smooth payment obligations and to maintain the stability of the domestic currency. To contain counterparty risks at a minimum level, BB maintains current account with major central banks and invests in money market through commercial banks having strong credit ratings assigned by the



international rating agencies (e.g. Standard and Poor's, Moody's and Fitch). To minimize exchange rate risk and ensure the value of reserves, currency composition has been diversified among the major currencies and is being reviewed periodically to keep pace with the developments in the international monetary and exchange rate policy. Reserves have been divided into two tranches viz: liquidity tranche and investment tranche to meet payment obligations of government and others by maintaining adequate liquidity and generate optimum returns.

11.33 Investment duration and currency benchmark, as set out in the RMG, are carefully followed to minimize interest rate risks and exchange rate risks, while reserve management and investment functions have been segregated among three independent reporting units viz., Front Office, Middle Office and Back Office to mitigate operational risks. However, in line with the stipulated liquidity restrictions and market & credit risk limits, BB diversified its portfolio investments into gold, T-bills, repos, short-term deposits, and high-rated sovereign, supranational, and corporate bonds. BB has always been maintaining a prudent and vigilant approach regarding the placement of funds with reputed overseas commercial banks and investments in securities out of its foreign exchange reserves.

#### Transactions under the Asian Clearing Union (ACU)

11.34 Transactions with ACU (Asian Clearing Union) member countries during FY20 substantially decreased in terms of net volume compared to the preceding year. Receipts though slightly increased from ACUD 193.54 million to ACUD 194.12 million, payments

**Table 11.6 Receipts and Payments of Bangladesh Under the ACU**

(million USD)				
Head of transaction	FY18	FY19	FY20	% change
1. Receipts	189.21 (1584.09)	193.54 (1635.37)	194.12 (1648.08)	0.30%
2. Payments	8088.52 (67718.48)	7,042.90 (59512.52)	5,680.90 (48230.83)	-19.34%
Net: Surplus (+)/ Deficit (-)	-7,899.31 (-66,134.39)	-6,849.36 (-57,877.15)	-5,486.78 (-46,582.75)	-19.89%

1. Figures in parentheses indicate amount of taka in crore  
2. Closing Weighted Average Exchange rate as of 30-06-2020 i.e. USD/BDT = 84.9000  
Source: FRTMD, BB.

**Table 11.7 Outstanding Principal Liabilities against the Facilities Received from the IMF**

(million SDR)				
Facilities	Amount drawn/ purchased up to June 2020	Outstanding principal liabilities as of end June 2019	Installment Repayment in FY20	Outstanding principal liabilities as of end June 2020
ECF	639.96	557.6793	91.4230	466.2563
RFI	355.53	Nil	Nil	355.53
RCF	177.77	Nil	Nil	177.77
Total	1173.26	557.6793	91.4230	999.5563

Source: FRTMD, BB.

decreased by 19.34 percent to ACUD 5,680.90 million during the period. In ACU transaction scenario, the overall position of Bangladesh remained a net debtor during FY20. Transactions with ACU member countries during the last three years are shown in Table 11.6.

#### Transactions with the IMF

11.35 The IMF Executive Board approved a total amount of SDR 639.96 million a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) in April 2012. Bangladesh has already received the full amount of ECF. The last installment of ECF was received in October 2015. Recently, IMF Executive has approved an amount of SDR 355.53 million under the Rapid Financing Instrument (RFI) and a disbursement of SDR 177.77 million under the Rapid Credit Facility

(RCF) on 29 May 2020 for Bangladesh. Bangladesh has drawn total amount of SDR 355.53 million for RFI and SDR 177.77 million for RCF up to June, 2020. The repayment of ECF was started in October, 2017. During FY20 the total amount of repayment of ECF stood at SDR 91.4230 million. The total principal outstanding liability of ECF to the IMF stood at SDR 466.2563 million at the end of FY20 (Table 11.7). The service charge paid to the IMF amounted of SDR 5.6992 million in FY20. Total outstanding to the IMF stood at SDR 999.56 million at the end of June, 2020. Under the 14th General Review of Quotas, Bangladesh's Quota in the IMF is SDR1066.6 million.

### Major Changes in Foreign Exchange Regulations

11.36 During FY20, Bangladesh Bank in its ongoing endeavor to further ease the foreign exchange regulations embarked upon the following notable changes :

- **Adjustments of bank charges associated with refund transactions:** Bank charges associated with refund transactions are treated as usual charges. To accommodate usual bank charges deducted while on refund transactions, it has been decided to allow such normal bank charges (at actual) to resolve cases of unmatched overdue bill of entry. Authorized Dealers (ADs) are advised to apply to Bangladesh Bank for recording the refund and deducted bank charges information under the menus of 'Refund' and 'Bank Charges' respectively against the concerned IMP (form) reported earlier to the Online Import Monitoring System(OIMS).
- **Transactions from private foreign currency (PFC) account for trade settlement:** Funds from PFC accounts may be used for payment of admissible imports in terms of Import Policy Order in force. Payment for legitimate services is also admissible, subject to compliance of regulations on taxes deduction. Balances held in this accounts may also usable for payment in advance against import of legitimate goods and services.
- **Enhancement of private travel entitlement of foreign exchange:** It has been decided to enhance private travel entitlement to USD 12,000 or equivalent per adult passenger during a calendar year without limiting to regions or countries of travel. Other instructions regarding release of foreign exchange for travel abroad will remain unchanged.
- **Cash incentive on wage earners remittance:** The government announced 2% cash incentive for foreign currency to be remitted through banking channel into the country. The objective of providing cash incentives is to stimulate wage earners and remitters to continue flow of foreign remittances in larger volume to contribute the ongoing economic development of the country. The cash incentive would be effective from 1 July, 2019. Foreign remittances worth of USD 5,000 (Five Thousand) or BDT 5,00,000 (half million) will not require any documents to receive incentive.
- **Discounting of direct and deemed export bills in foreign exchange:** Guidelines for Foreign Exchange Transaction (GFET), (2018) restricted

placement of fund by offshore banking operation to domestic banking unit. In accordance with the revised instructions regarding offshore banking operation, general authorization for arrangement of fund through OBUs contained in shall stand revoked.

- **Working capital loans from abroad by foreign owned/controlled companies:** Foreign owned/controlled companies engaged in manufacturing activities may pay interest on short term loans extended by parent companies/shareholders abroad in their home currency subject to observance of some instructions.
- **Outward remittances on account of IT expenses through digital wallet:** ADs may release IT expenses within the limit of USD 500 on behalf of individual developers/freelancers through their notional accounts (digital wallet) maintained with Online Payment Gateway Service Providers (OPGSPs) in accordance with FE Circular.
- **Repatriation of export proceeds through online payment gateway service providers:** It has been decided to enhance the maximum limit per transaction to USD 10,000 from USD 5,000 to repatriate remittances against small value service exports in non-physical form.
- **Cash incentive against exports for the FY20:** Government announced cash incentive favoring 35 items of shipping goods for the FY20 to foster the export growth of the country.
- **Export subsidy against export of consumer electronics, electrical home and kitchen appliances:** Government announced export subsidy against export of Consumer Electronics, Electrical Home and Kitchen Appliances to encourage export trade of the country. Necessary instructions and criteria for receiving the subsidy have been elucidated.
- **Release of foreign exchange for attending seminar, conference, workshop, training etc. abroad:** For the convenience of private sector participants for attending seminar, conference, workshop, training etc. abroad irrespective of countries or regions ADs are allowed to release foreign exchange to them at the scale up to USD 400 per diem.
- **Not to open Letter of Credit (L/C) in favor of importers without the new 13-digit BINs:** According to the statement of NBR (National Board of Revenue) on 29 September 2019, it has been decided that ADs shall not issue L/C favoring any importer without 13-digit BIN (Business Identification Number).
- **Release of foreign exchange for performing Umrah Hajj:** Authorized Dealers (ADs) may affect outward remittances, on behalf of Umrah Hajj agents licensed by the Ministry of Religious Affairs, to official Umrah Hajj service agents/providers at Kingdom of Saudi Arabia (KSA) against their Umrah Hajj packages sold to intending pilgrims for performing Umrah Hajj, subject to observance of the several instructions.

- **Limit of EDF to leather goods and footwear industrial sectors:** It has been decided that ADs can borrow fund from EDF against their loans to manufacturer-exporters of leather goods and footwear industrial sectors for input procurement up to maximum single borrower limit of 20 million USD.
- **Interest rate on borrowing from EDF:** To facilitate export trade, it has been decided that interest rates on EDF loans to ADs will be charged by Bangladesh Bank at six-month USD LIBOR + 0.50%, while ADs will charge interest to manufacturer-exporters at six-month USD LIBOR + 1.50%; for disbursements until 30 June, 2020 from the date of this circular.
- **Enhancement of loan limit from EDF:** It has now been decided to enhance the limit of foreign currency financing to manufacturer-exporters for input procurement from USD 15.00 million to USD 20.00 million for member mills of BKMEA.
- **Interest rate on borrowing from Export Development Fund (EDF):** To facilitate export trade due to COVID-19 related disruptions in super cession of the FE Circular No. 45, dated 31 December, 2017 relating to interest rates, it has been decided that interest rates on EDF loans to ADs will be charged by Bangladesh Bank at 1.00% pa, while ADs will charge interest to manufacturer-exporters at 2.00% pa; for disbursements until further instructions.
- **Advance payment against imports-liberalization/relaxation:** To facilitate import transactions, it has now been decided to enhance advance payment against imports-liberalization/relaxation limit to USD 10,000.00 from USD 5,000.00 or equivalent other foreign currency.
- **Use of international cards (IC) from Bangladesh for online payments abroad:** It is advised that ADs shall take necessary arrangements to guard against illegitimate online payments abroad through ICs from Bangladesh like payments for participating in online casino/gambling, trading in forex/stock exchanges, purchase of crypto currencies/lottery ticket, purchase of goods/services originated in Bangladesh, etc.
- **Transfer of remunerations to foreign currency (FC) accounts in the names of foreign nationals employed in branch offices/liaison offices of foreign companies in Bangladesh:** To facilitate payment of remuneration, it has been decided that net income of foreign nationals employed in branch offices/liaison offices of foreign companies duly approved by BIDA may be credited to their FC accounts maintained and operated in terms of GFET, 2018 subject to following some instructions.
- **Foreign exchange transactions for IT/software firms:** It has been decided to enhance the limit of outward remittance to USD 40,000 from USD 30,000 including international card facility up to USD 8,000 for IT/software firms who are members of

BASIS to meet their bonafide business expenses in a calendar year.

- **Import and export of currency notes:** Bangladesh Bank enhanced the limit of foreign currency to USD 10,000 or its equivalent from USD 5,000 with incoming passengers without declaration to the Customs Authorities bringing in if foreign currency is permissible while the concerned person are landing in Bangladesh from abroad.
- **Transfer of remunerations to foreign currency (FC) accounts in the names of foreign nationals employed in EPZ/EZ/HTP companies in Bangladesh:** Net income of foreign nationals employed in EPZ/EZ/HTP companies may be credited to their FC accounts maintained and operated according to GFET subject to observing several instructions for ADs.
- **Inward remittances on account of refund against import payment:** Refund against non-receipt/short receipt of goods from supplier as per LC/Contract/IMP may be settled by inward remittances from the legitimate sources irrespective of supplier through banking channel subject to observation of several instructions.
- **Relaxation of foreign exchange regulations for trade transactions facilities:** ADs may allow to extend the tenure of realization of export proceeds and submission of bill of entry up to 60 days, usance period of back to back LCs opened under supplier's/buyer's credit up to 180 days, as additional time from permissible period of 180 days, for bonafide grounds required to settle the payments and applications for extension of EDF loans up to 180 days from prevailing extendable tenure of 90 days and repatriation of export bills at discounted price for bonafide grounds up to 10 percent of fob value without prior approval.
- **Remittance on account of bonus by foreign nationals working in Bangladesh:** Foreign nationals can remit upto 75.0 percent of their bonus after deduction of applicable taxes and payment thereof at one-go without spreading over the subsequent 12 months.
- **Import of industrial raw materials—extension of usance period:** With a view to minimizing COVID-19 pandemic related disruptions to input imports by industrial importers, it has been decided to allow the Authorized Dealers to extend the usance period upto a maximum of 360 days instead of current 180 days depending on the actual needs of their concerned clients.
- **Advance payment against imports of life saving drugs, etc:** To facilitate urgent medical imports required for containment of COVID-19, ADs are allowed to affect advance payment up to USD 500,000.00 or equivalent other foreign currency without repayment guarantee for import of corona virus related life saving drugs, medical kits/equipment and other essential medical items.
- **Introduction of Euro in Green Transformation Fund (GTF):** BB

decided to introduce EURO 200.00 (two hundred) million along with the existing USD 200.00 (two hundred) million in GTF. Accordingly, participating ADs will now be in a position to draw loans in euro from GTF at EURIBOR plus 1.00 percent for the admissible purposes.

- **Working capital loans from abroad by foreign owned/controlled companies:** Given the prevailing COVID-19 pandemic related disruptions, it has been decided that foreign owned/controlled companies operating in Bangladesh irrespective of sectors may access short term working capital loans, for the tenure of one year extendable to another one year, from their parent companies/shareholders abroad to meet actual needs for payments of 3-month wages and salary to staff.
- **Issuance of letters of credit (LCs) with realization clause:** With a view to facilitating export trade during COVID-19 pandemic, it has been decided that input procurements under back to back LCs/usance LCs may be issued with realization clause on behalf of exporters operating outside specialized zones with some provisions.
- **Issuance of international debit cards (IDCs) against annual travel entitlements:** It has been decided that ADs may issue IDCs in favor of eligible persons against their annual travel entitlements, subject to observance of the several instructions.
- **Discounting of direct and deemed export bills in foreign exchange out of own sources:** ADs may discount

usance export (direct and deemed) bills in foreign exchange out of their own sources to facilitate smooth transactions provided that the fund is not committed for otherwise use.

- **Transfer of remunerations to foreign currency (FC) accounts in the names of foreign nationals employed in admissible companies in Bangladesh:** To bring flexibility in executing transactions from FC accounts, it has been decided that up to 75 percent of net monthly income in equivalent foreign currency may be credited to FC accounts of the expatriate employees maintained and operated according to GFET from FC accounts of their employers subject to observance of several instructions.
- **Export under open account credit terms against payment undertaking/ payment risk coverage with option of early payment arrangement on non-recourse basis:** To bring easy access to finance by exporters, it has been decided that Authorized Dealers (ADs) may allow exporters to ship goods on sales contracts under open account credit terms within the statutory period subject to compliance with several instructions.

### Anti-money Laundering Surveillance

11.37 The financial system is frequently facing threats to its integrity as criminals, money launderers and tax evaders try to use it as a conduit to launder funds, evade taxes and even finance terrorist activities. Strong Anti Money Laundering and Combating the financing of Terrorism (AML/CFT) measures prevent money launderers and terrorists to abuse financial system. These measures include formulating



respective laws, regulations, directives and other policies; conducting proper supervision on reporting organizations, exchanging information both the domestic and international level; conducting prosecutions of the criminals accordingly and building awareness among reporting organizations, regulatory authorities and mass people. Proper Customer Due Diligence system and stringent transaction monitoring of the reporting organizations and significant punishment measures for criminals keep launderers away from the legitimate financial channels. These measures have some explicit effects in reducing capital flight from the country and also have impact on the stability of the financial sector.

13.38 As empowered by Money Laundering Prevention Act 2012 and Anti Terrorism Act 2009 Bangladesh Financial Intelligence Unit (BFIU) is the central agency and coordinator of all kind of AML/CFT activities in Bangladesh. BFIU has taken a number of initiatives during FY20 in order to prevent money laundering and combat financing of terrorism. Notable of them are mentioned below:

### Reporting Agencies and their Regulatory Regime

- BFIU issued a comprehensive circular for commercial banks for prevention of money laundering (ML), terrorist financing (TF) and proliferation financing of weapons of mass destruction (PF).
- BFIU issued a circular regarding issuance of Guidelines on Electronic Know Your Customer (e-KYC).
- BFIU issued a circular on Guidelines for Prevention of Trade Based Money Laundering.

### Receiving Suspicious Transaction Report (STR) and Dissemination of the Same

11.39 BFIU received 3675 Suspicious Transaction Reports and Suspicious Activity Reports during FY20. Out of those BFIU disseminated 78 intelligence reports to the Law Enforcement Agencies (LEAs) for further actions. As per section 31 of Money Laundering Prevention Rules 2019 BFIU received feedback of the disseminated cases from the respective LEAs.

### National Initiatives

- In FY20 BFIU signed Memorandum of Understandings (MoUs) with Anti-Corruption Commission, Bangladesh Police and Bangladesh Securities and Exchange Commission to enhance cooperation and exchange of information relating to ML/TF.
- On behalf of the Government BFIU coordinated the formulation of "National Strategy Paper for Preventing Money Laundering and Combating Financing of Terrorism 2019-21". The strategy paper includes 11 (Eleven) strategies and 137 (One Hundred Thirty Seven) action items for implementing those strategies. Implementation of those strategies will strengthen the AML/CFT regime of Bangladesh.

### International Cooperation

- To exchange information relating ML/TF, BFIU signed nine Memorandum of Understandings (MoUs) with the FIUs of Guatemala, Paraguay, Qatar, Tonga, Latvia, Andorra, Ecuador, Seychelles and Mauritius in FY20. Including these

new nine MoUs, BFIU has altogether signed 77 MoUs with the FIU of different countries till June, 2020.

- During FY20 BFIU received 18 (eighteen) requests from the foreign FIUs for ML and TF related information and provided the information accordingly. BFIU also made 103 (one hundred and three) requests to the FIU of different countries.
- BFIU provided Technical Assistance (TA) to the FIUs of Bhutan and Maldives for getting Egmont group membership as the co-sponsor with the FIUs of Korea and Sri Lanka respectively. As part of the TA a delegation from BFIU and Korean FIU made an on-site visit to Bhutan in November, 2019.
- BFIU provided expert for the ADB's expert team to provide TA to Vietnam for its up-coming mutual evaluation.

### Impart Domestic Training and Workshop

- BFIU in cooperation with United Nations Capital Development Fund organized a workshop on "Enabling AML/CFT Compliance in expanding Digital Financial Services (DFS) for Low-Income Segments" in March, 2020 for the DFS Provider institutions of Bangladesh.
- BFIU and United Nations Office for Counter-Terrorism (UNOCT) jointly organized a workshop on "BFIU-UNOCT National Capacity Building on Countering the Financing of Terrorism Measures for Non-profit Organizations" in December, 2020.
- BFIU organized a workshop on "Advanced Course on Financial Crime

Investigation" in November, 2019. 30 officials from all relevant law enforcement agencies participated in the workshop.

- BFIU and the United States Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training jointly organized "5th US-Bangladesh Bilateral Banking Dialogue" for the Chief Executive Officers (CEOs) of scheduled banks of Bangladesh in the USA in October, 2019. Around 20 CEOs of different scheduled banks participated in the program.
- BFIU organized a 3 day Chief Anti Money Laundering Compliance Officers (CAMLCO) Conference for all Banks in February, 2020. Governor, Bangladesh Bank inaugurated the conference where 114 senior compliance officials of all scheduled banks participated. "Whistle Blowing a Tool for Identification of Financial Crime: Challenges and Opportunities" was the theme of the conference.
- BFIU organized a 2 days CAMLCO Conference for insurance companies in December, 2019. CAMLCOs of all life and non-life insurance companies participated in the conference.
- Bangladesh Institution of Bank Management arranged 11 AML/CFT Training program and BFIU provided required resource persons for those programs;
- BFIU provided required resource persons on 68 occasions while reporting organizations arranged training on AML/CFT issues.

- BFIU provided required resource persons on 39 occasions while different relevant stakeholder organizations organized capacity building programs on financial crime investigations.

#### **Participation in Different International and Local Conference/Meeting/Workshops**

11.40 Bangladesh as a founding member of the Asia/Pacific Group on money laundering (APG), the Financial Action Task Force (FATF) style regional body for Asia and the Pacific region, has led the organization as Co-Chair for the period 2018-2020 and Head of BFIU successfully completed the tenure as Co-Chair. As a responsibility of Co-chair, Bangladesh was scheduled to host the 23rd General Meeting of

APG in July, 2020 which has been cancelled due to COVID-19 pandemic. Other than APG, BFIU has been maintaining continued engagement with all the international bodies such as Egmont Group, FATF, the Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation, United Nations Office on Drugs and Crime, World Bank, International Monetary Fund etc. to boost international efforts in this arena. Bangladesh actively participated in various international initiatives undertaken by these organizations and other foreign FIUs in FY20. Furthermore, as the main coordinating agency for prevention of ML, TF as well as PF, BFIU actively participated in a number of local conference/meeting/workshops arranged by other government agencies.

## Payment and Settlement Systems

12.1 An efficient payment system plays an important role in monetary transmission in the country's economy. A robust payment and settlement system ensures smooth flow of money and contributes to the economic growth. The infrastructure of modern payment systems is capable of delivering services in rural and remote areas which facilitates the path of financial inclusion and economic development.

### Scope of Payment Systems

12.2 Considering the importance of payment and settlement system in Bangladesh, the Payment Systems Department (PSD) of Bangladesh Bank operates in three broad areas, namely Operations, Policy & Regulation and Oversight. At present, Bangladesh Bank operates four major inter-bank payment systems. Three of these systems are for Retail Value namely Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Funds Transfer Network (BEFTN), National Payment Switch Bangladesh (NPSB) and one for High Value i.e. Bangladesh Real Time Gross Settlement (BD-RTGS) System. On the other hand, the department provides licenses to operate as mobile financial services, e-money services, and Internet-based payment gateway services. In last decade, FinTech or digital financial service innovations have become transformative force in the financial markets. FinTech brings efficiency improvements, risk reduction and greater financial inclusion with a challenge of monitoring and mitigating new risks arising from the technology. Realizing the above factors, to unleash the opportunity of new innovation BB has launched a regulatory

innovation office in last December. In parallel, Bangladesh Bank regulates and oversees country's payment systems and services. All the activities of this department are focused to ensure that country's payment systems are safe and efficient and are aligned with the international best practice standards.

### Bangladesh Automated Clearing House (BACH)

12.3 Established in 2010, Bangladesh Automated Clearing House operates two inter-bank payment wings - the Bangladesh Automated Cheque Processing System (BACPS) and the Bangladesh Electronic Funds Transfer Network (BEFTN). Both the systems operate in batch processing and Deferred Net Settlement (DNS) mode. The central BACH system receives transactions (through instruments or instructions) from the member banks in 24/7 basis while these are processed and settled at a pre-fixed time. After each clearing cycle a single multilateral netting figure on each participating bank is settled by posting it to their respective account maintained with Bangladesh Bank. The system is based on a centralized processing centre at Bangladesh Bank, Head Office, Dhaka and a Near Data Centre (NDC) at Mirpur.

### Bangladesh Automated Cheque Processing Systems (BACPS)

12.4 BACPS uses the Cheque Imaging and Truncation (CIT) technology for clearing the paper-based instruments (i.e. cheque, pay order, dividend and refund warrants, etc) electronically. This electronic cheque

presentment technique made possible to bring the whole country under single clearing umbrella. The clearing cycle has been brought down to t+1 for regular value cheques and t+0 for high value cheques.

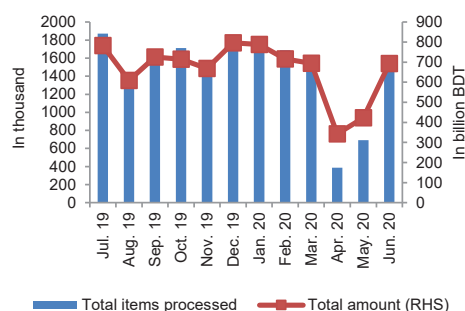
### BACPS Transaction Status

12.5 During the last fiscal year ended on 30 June 2020, some 17.61 million regular value and 2.08 million high value cheques and other instruments were cleared valuing BDT 7,951.37 billion and BDT 13,391.51 billion respectively. Chart 12.1 and Chart 12.2 show the trends of instruments and amount cleared in respect of regular and high value cheques respectively in FY20.

### Bangladesh Electronic Funds Transfer Network (BEFTN)

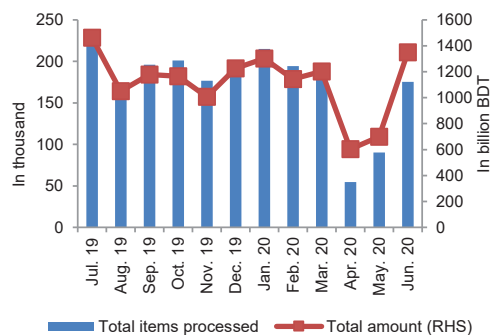
12.6 BEFTN started its Live Operation since February, 2011 with a view to establish a paper-less electronic payment method for secured & cost-effective transaction. BEFTN is a faster and efficient alternative to paper-based clearing and settlement system. Recently, the upgraded version of Bangladesh Automated Clearing House (BACH) has launched which facilitates clearing and settlement of electronic fund transfer twice a day. A wide range of credit transfers such as salary payment, foreign and domestic remittances, social safety net payments, interest and principal payment of Sanchayapatra, company dividends, retirement benefits could be settled through EFT credits while utility bill payments, loan repayments, insurance premiums, corporate to corporate payments could be accommodated in EFT debits. Bangladesh Government is an early adopter of the EFT network, in each month around 2-2.5 million government payments are made through EFT network for salaries

**Chart 12.1 Number of Regular Value Cheque and Amount in FY20**



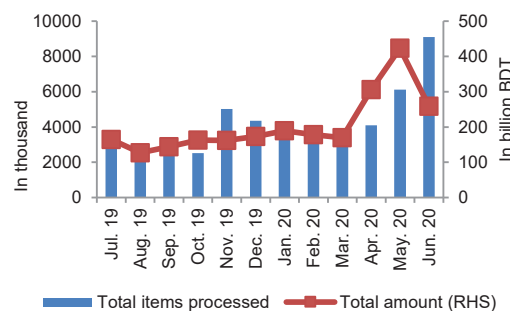
Source: PSD, BB.

**Chart 12.2 Number of High Value Cheque and Amount in FY20**



Source: PSD, BB.

**Chart 12.3 Number of Credit Entries and Amount in FY20**



Source: PSD, BB.

of government officials, social safety net payments like; old age allowance, allowances for the widow, destitute and deserted women, allowances for the financially insolvent disabled.

### Transaction Status of BEFTN

12.7 During FY20, some 50.44 million EFT credit transactions valuing BDT 2458.54 billion and a total of 3.73 million EFT debit transactions valuing BDT 229.60 billion have been completed through BEFTN. During this period, increasing trend in credit as well as debit transactions in respect of number and amount has been observed. Chart 12.3 and Chart 12.4 show the trend of EFT credit and debit transactions respectively in FY20.

### Mobile Financial Services (MFS)

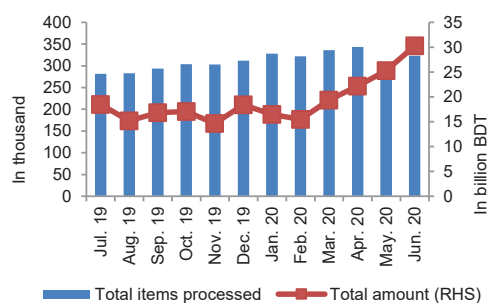
12.8 The financial sector in Bangladesh is continuously growing in response to the evolving needs of the vibrant economy. Rapid expansion of mobile phone users, modernization of payments and financial system based on IT infrastructure, country-wide reach of mobile operators network, availability of internet throughout the country have opened up the opportunities of access to payment and finance for the underserved, unbanked/under-banked and low income group of population through cost efficient and prompt Mobile Financial Services (MFS.)

As of June 30, 2020 total 14 banks and 1 subsidiary of bank have been permitted to provide MFS. Bangladesh Bank permits only bank-led MFS providers to operate in the country.

The permitted Mobile Financial Services in broad categories are:

- i. 'Cash-in' to and 'Cash-out' from MFS accounts through agent locations, bank branches, ATM, linked bank account and other methods determined by BB;
- ii. Person to Business payments like utility bill payments, merchant payments, mobile

**Chart 12.4 Number of Debit Entries and Amount in FY20**



Source: PSD, BB.

**Table 12.1 MFS Transaction Limit**

Particulars		No. of registered customers (in million)	Transaction amount (in billion BDT)
Cash-in	Daily	5	30,000/-
	Monthly	25	2,00,000/-
Cash-out	Daily	5	25,000/-
	Monthly	20	1,50,000/-
Person to Person (P2P)	Daily	--	25,000/-
	Monthly	--	2,00,000/-

Source: PSD, BB.

**Table 12.2 Present Scenario of MFS in Bangladesh**

Months	No. Agent (in million)	No. of registered customers (in million)	No. of transaction (in million)	Transaction amount (in billion BDT)
Jul. 19	0.94	73.10	227.41	374.77
Aug. 19	0.95	73.60	204.22	355.13
Sep. 19	0.95	75.98	212.37	354.33
Oct. 19	0.95	77.39	227.25	377.63
Nov. 19	0.97	78.59	230.42	379.19
Dec. 19	0.97	79.65	227.42	406.48
Jan. 20	0.98	80.92	230.09	421.03
Feb. 20	0.99	81.86	226.11	413.35
Mar. 20	0.99	82.58	235.86	397.85
Apr. 20	1.00	84.98	217.56	290.29
May. 20	1.00	87.94	281.78	476.01
Jun. 20	1.00	88.70	256.10	448.30

Source: PSD, BB.

top up, deposits into savings accounts/schemes with banks, loan repayments to banks/non-bank financial institutions



(NBFIs)/non-governmental organizations-microfinance institutions (NGO-MFIs), insurance premium payments to insurance companies and so forth;

- iii. Business to Person payments like salary disbursements, dividend/refund warrant/ discount payments, etc.
- iv. Person to Person payments (One MFS personal account to another MFS personal account with the same MFS provider or another MFS provider as well as the payments from one MFS account to a bank account and vice versa with the same parent bank or of another bank);
- v. Business to Business payments like vendor payments, supply chain management payments, etc;
- vi. Online and e-commerce payments;
- vii. Government to Person payments such as pension payments, old age allowances, freedom-fighter allowances, subsidy payments to farmers and so forth;
- viii. Person to Government payments such as tax, fee, levy payments, toll charge, fine, etc;
- ix. Disbursement of BDT against inward foreign remittances collected by banks;
- x. Loan disbursements to borrowers, vendor payments, etc; and
- xi. Other payments approved by BB. Table 12.2 shows the present scenerio of MFS in Bangladesh and Chart 12.5 shows the market share of different MFS in June 2020.

**Special Usage of Mobile Financial Services (MFS) during COVID-19 Pandemic**

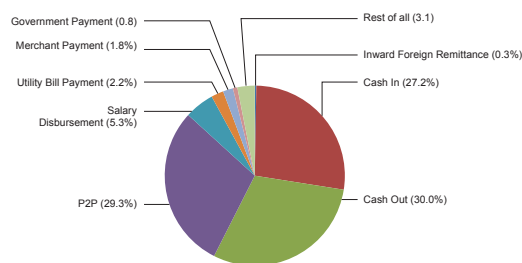
12.9 Bangladesh along with the whole

**Table 12.3 Number of Card, ATM and POS in Bangladesh**

Terminal	As on June, 2019	As on June, 2020	Growth ( %)
Card	17239902	21905710	27.06
ATMs	10722	11047	3.03
POS	52846	65946	24.79

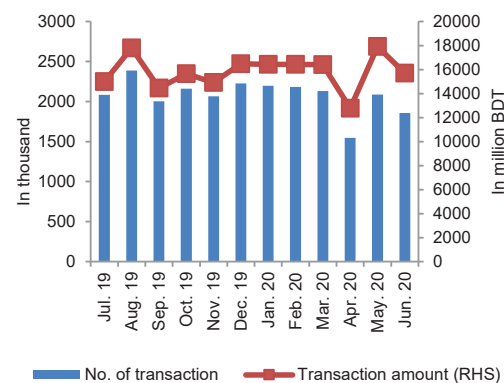
Source: PSD, BB.

**Chart 12.5 Market Share of Different Services in MFS in June 2020**



Source: PSD, BB.

**Chart 12.6 Trends in Interbank ATM Transactions in FY20**



Source: PSD, BB.

world has experienced an unprecedented outbreak of COVID-19 where the central bank has to come up with new business model to keep the payment ecosystem active to meet the new requirements of people. In case of Bangladesh, MFS has become a tool of trade to achieve many of the goals and to keep

### **BOX 12.1 Prospects of Digital Banking in Bangladesh**

Usage of technology in every sphere of life is in the core of 4th Industrial Revolution (4IR). The financial sector is at the forefront of 4IR globally and Bangladesh is not an exception of that. Technological Innovations in financial services popularly known as Fintech brings disruptions to the conventional banking system. However, the wide acceptance of technology by this millennium generation forced financial market to revisit and adjust the way of doing business by adopting technology. Two aspects of such digital revolution in banking business are: (i) Digitization and (ii) Digitalization. Banking digitizing means converting currently manual or paper-based documentation into digital format and changing the business rules/procedures to accommodate those. Whereas digitalizing of banking is a whole new way of doing business. Digitalization of Banking or Digital Banking is the application of technology to ensure seamless end-to-end electronic processing of banking operations/ transactions. Digital Banking is also known as Electronic Banking, Cyber Banking, or Virtual Banking which can be conducted from anywhere. Usually it works in state through processing manner, initiated by the client, ensuring maximum utility to the client in terms of availability, usefulness and cost. For bank, it reduces operating costs, minimizes errors and enhances services i.e overall provides a better user experience as a whole. Financial technologies e.g. Internet of Things, Blockchain Technology, Augmented reality (AR), virtual reality (VR), Open APIs, Big Data, Machine Learning, Robo advice, Smart contracts and Cloud computing, etc. could be used separately or all together to bring numerous benefits to the financial system as well as to consumers.

This new business model of Digital Banking is getting very popular throughout the world especially at the retail level. Traditional banks understand the growing customer demand for digital access and convenience and aware of the emergence of new competition within and outside the banking industry. Banks also recognize adoption of various existing and emerging technologies will optimize their workflow and lower operational costs. On the other hand, the Fintech companies successfully address the gaps left by traditional financial institutions along with new product development and innovating existing products and services. The agility to adopt the latest technologies, combined with best practices from other industries has enabled Fintechs to develop these competitive advantages. From the experience of other countries it has been found that, collaboration between traditional banks and Fintech firms often resulted in the best form of digital bank. Countries like Australia, Brazil, Singapore, Hong Kong, Malaysia, UAE, KSA have already successfully implemented Digital Banking to meet the ever growing client demand. The prospect of such banking services in Bangladesh has already been partially demonstrated by the Mobile Financial Services providers in the country like Rocket, bKash and others.

But it is important to remember that every benefit has some inherent risk. High proliferation of Digital Banking also fight with certain associated risk e.g. Security Risks, Breach of Privacy, Disparity in Services, Cybercrime, Systemic risks, etc. So, for the particular targeted client segment of Digital Banking who wants to experience the benefits of improved consumer experience, benefits of reduced costs, and to have greater transparency in all services also need to develop a richer insight into own financial well-being along with actionable advice on steps. Regulators also need to take appropriate stance to strike the balance between innovations customer protection and monetary policy transmission.

Banks in Bangladesh have already realized the importance and opportunities of Digital Banking in the country and are experimenting different models like creating partnership with MFS to offer banking services or creating subsidiaries with Fintech firms for offering digital banking services. However, necessary policy to unleash the opportunity created by Digital Banking is to be adopted by the regulators to materialize the concept of Digital Banking. Therefore, Digitalization of Banking industry is no longer an option, it's a simple bare necessity – the collaboration of banking and Fintech will be the key to flourish.

financial activities uninterrupted. MFS played a crucial role in distributing various government payments in different forms among low-paid and jobless people. Moreover, BB has taken policy initiatives to adjust limit and charges to ensure the maximum benefit for the population at distress.

- i. The Government has provided subsidies to the export oriented industries in form of soft loans to pay the workers' salaries which will have to be distributed only through the workers' bank account or mobile wallets. Under such circumstances, the MFS providers have been instructed to open new MFS wallets for the workers of export oriented industries and 2.2 million new mobile wallets have been opened after the instructions were issued. Moreover, the providers have been instructed to keep the agent points open, active and with sufficient cash to serve the worker's needs. Also, the cash-out charge of salaries have been reduced to 0.8 percent from 1.85 percent.
- ii. The Government has provided cash assistance to 50 lakh families who lost their livelihood due to COVID-19 pandemic through mobile wallets and four (04) major MFS providers have been used as the distribution channel to reach the beneficiary.
- iii. The Electronic Know Your Customer (e-KYC) procedure has been adopted by the MFS market.
- iv. Initiatives have been taken to introduce 'Personal Retail Account' for the micro-merchants.

- v. On the basis of increasing demand of MFS market and to maintain the market equilibrium, Bangladesh Bank has increased the MFS transaction limit on 19 May, 2019. Person to Person (P2P) transaction limit of MFS has been enhanced from BDT 75,000 to BDT 200,000 for the purpose of customers' convenience during COVID-19 pandemic (Table 12.1).

### Summary of MFS Data

12.10 As of June 30, 2020, a total of 1.00 million agents have been serving 88.70 million registered customers. Total number of agents, customers, number and value of transactions are still growing, which is a clear indication of increasing usage of MFS in the country. MFS market is not only growing in number of accountholders and agents, but last year significant change also has been observed in products and customers behavior. Link between banks and MFS providers' makes users' life easy to do banking transaction, paying utility bill and various fees staying at home. Even after that, cash in and cash out consists more than 50 percent of the market-which is a clear indication of the scope of flourishing both for new services and for providers.

### National Payment Switch Bangladesh (NPSB)

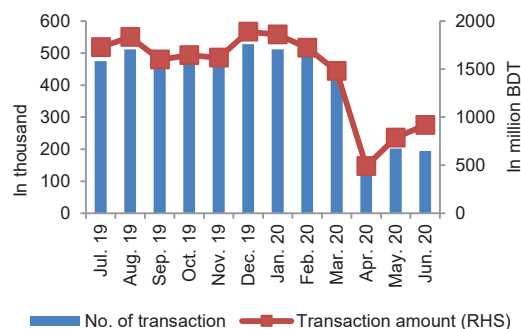
12.11 In order to facilitate interbank electronic payments originating from different channels like Automated Teller Machines (ATM), Point of Sales (POS), internet, etc. Bangladesh Bank introduced National Payment Switch Bangladesh (NPSB) on December 27, 2012. The main objective of NPSB was to act as

a mother switch and to connect all child switches in the country. At present, 54 banks are operating card business in Bangladesh. Among them, interbank ATM transactions of 53 banks and POS transactions of 52 banks are being routed through NPSB. Internet Banking Fund Transfer (IBFT) through NPSB was started in November, 2017. Currently, NPSB is processing IBFT transactions originate from 25 banks. In addition, other banks are also likely to join IBFT transactions through NPSB soon. The number and volume of the interbank ATM, POS and Internet Banking Fund Transfer transactions through NPSB are growing fast. Chart 12.6, 12.7 and 12.8 show the trends of NPSB interbank ATM, POS and IBFT transaction number and associated amount till 30 June, 2020. Payment Systems Department (PSD) of Bangladesh Bank is working closely with all banks and stakeholders to develop a modern payment eco-system in the country. NPSB is contributing to popularize card based electronic payment in Bangladesh. As a result, number of cards and several card based payment terminals are growing very fast. Table 12.3 shows the growth of card, ATM and POS in Bangladesh.

### Real Time Gross Settlement (BD-RTGS) System

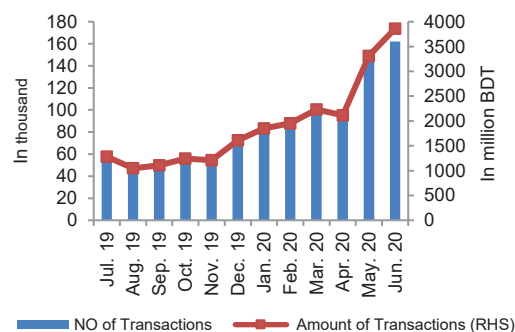
12.12 With its introduction in 2015, BD-RTGS opened a new horizon in the payment ecosystem accommodating instant settlement of large value and time critical payments in the country. The system is designed to settle high value (BDT 1, 00,000 ≥) local currency transactions as well as domestic foreign currency transactions. More than 9,915 branches of 56 scheduled banks are now connected to this system out

**Chart 12.7 Trends in Interbank POS Transactions in FY20**



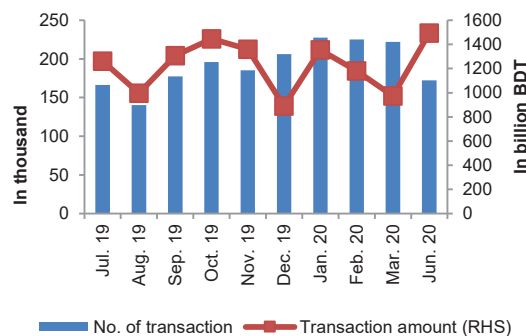
Source: PSD, BB.

**Chart 12.8 Trends in IBFT Transactions in FY20**



Source: PSD, BB.

**Chart 12.9 Trends in RTGS Transactions in FY20**



Note: System was closed in April & May, 2020 due to general holidays in COVID-19 situation.

Source: PSD, BB.

of existing 10,500 branches of 59 schedule banks. The system is currently handling only local currency transactions. In FY20, the total number of transactions was 1.92 million and the total amount of transactions was 12,220 billion. However, during general holidays due to COVID-19 pandemic RTGS system was not in operation in the month of April and May, 2020. Trend of RTGS transactions in FY20 is shown in chart 12.9.

### Alternate Delivery Channel and Licensing

12.13 With a view to promote, regulate and ensure a secure, efficient and cashless electronic payment system in the country, Bangladesh Bank issues license to FinTech entities in two broad categories; these are: Payment System Operator (PSO) and Payment Service Provider (PSP). Currently, there are four PSOs and three PSPs operational in the country while dozens others are in different phase of licensing process.

12.14 In broad categorization, PSPs provide e-wallet services while PSOs provide merchant aggregation, payment gateway and switching solution services. Recently, Bangladesh Bank has published guidelines for interested entities to provide white label ATM and Merchant Acquiring Services. These new companies will fall under PSO category and is expected to increase ATM and POS penetration throughout the country especially in the rural Bangladesh.

### Legal and Regulatory Framework

12.15 Bangladesh Bank has already published a number of legal and regulatory guidelines supporting the electronic transactions within the country. The existing legal and regulatory

frameworks of the payment and settlement system of Bangladesh are as followed:

- “Bangladesh Automated Cheque Processing Systems (BACPS) Operating Rules and Procedures” was published on January 11, 2010 and its’ revised edition named “BACPS Operating Rules and Procedures V 2.0” was published on December 05, 2019.
- “Bangladesh Electronic Funds Transfer Network (BEFTN) Operating Rules” was published on August 10, 2010.
- “Guidelines on Mobile Financial Services for the banks” was published on September 22, 2011 and its’ revised edition was published on July 30, 2018.
- “Bangladesh Payment and Settlement Systems Regulations (BPSSR), 2014” was published on May 15, 2014.
- “Bangladesh Real Time Gross Settlement (BD-RTGS) System Rules” was published on September 09, 2015.

12.16 Besides, in order to meet the ever-increasing demand for faster and efficient payment methods, Payment Systems Department (PSD) has been working closely with several international organizations to develop safe, secured and efficient national payments infrastructure adhering to the international best practices. Necessary steps have been taken to enact the “Payment and Settlement Systems Act”. Furthermore, for ensuring the automation of government’s various payment and collection procedures such as paying salaries and different types of allowances, social safety allowance and collecting VAT, Tax, Duties etc., PSD is also working closely with the government.

### Payment System Oversight

12.17 Payment systems oversight is a specialized form of supervision of Payment, Clearing and Settlement Systems undertaken by Central Banks around the globe. It is treated as one of the key functions of Bangladesh Bank (BB) to achieve the objectives of safety and efficiency of payment systems by monitoring and assessing existing and planned payment systems and inducing policy changes as and where necessary.

12.18 Payment Systems Department formally started oversight functions from the year 2016. To strengthen and streamline oversight activities BB worked closely with regulatory and oversight experts of the World Bank and come up with “Payment Systems Oversight Policy Framework-2019” which has been approved and made enforceable from January 2019. This Policy Framework will help to ensure effective oversight of payment systems, instruments, procedures and all the related parties licensed by the BB. It explains why and how Bangladesh Bank oversees its payment and settlement systems and also recognizes the fields of BB’s oversight responsibilities.

12.19 As per the Payment Systems Oversight Policy Framework, Bangladesh Bank monitor payment systems and participants by collecting template-based off-site information on a regular basis. It also takes into account the findings of other departments regarding payment systems issues and the information collected through market intelligence. In parallel BB performs onsite inspection for validation of collected information as well.

12.20 Oversight is also engaged in reviewing legal and regulatory framework of payment

systems, setting standards, ensuring fair access, protecting consumer rights, etc. Oversight will assess payment systems, processes, participants, providers and instruments using appropriate national standards as well as international best practices. As a part of oversight, self-assessment of payment platforms as well as Non Bank PSP/PSOs have been started. Assessment is done based on the collected data where various analytical tools are being used, identify potential risk and reports are prepared thereby. And suggestion and recommendations are put forward where it deems necessary. Besides, Oversight publishes ‘Payment Systems Indicators: Quarterly Update’ on regular basis which may be treated as a significant input of maintaining sustainable financial stability.

### Other Payment Systems Initiatives

12.21 In order to fulfil the ever-growing demand for faster and efficient payment methods, Payment Systems Department (PSD) has been working closely with the international organizations to develop safe, secure and efficient national payment infrastructure conforming to international best practices. Bangladesh Bank has finalized the draft ‘National Payment and Settlement Systems Act’ which is now under final review considering comments of different stakeholders. In addition, PSD is working closely with the government for automating their various kinds of payments and receipts including payroll, social safety net payments, receipt of VAT, Tax, Customs duty, etc.

### Regulatory Fintech Facilitation Office (RFFO)

12.22 Technological innovation and its successful implementation have created a new horizon in digital financial service. Digital



financial innovation is playing a significant role to build digital financial infrastructure by creating new business model, providing financial inclusion through new type of financial services. To materialize the benefit, it is immensely important to make co-ordination between innovation, risk and policy regulations. It is mandatory to consider and analyze the granular aspects of these innovative fintechs who are fostering financial sector and innovating new ideas, so that people can avail highest benefit from these fast approaching fintechs within proper legal framework.

12.23 Considering the above, Bangladesh Bank established Regulatory Innovation Office for Fintech in October, 2019 to ease the entry process of these Fintechs in financial sector by providing required regulatory assistance to set up proper infrastructure and bring them within specific jurisdiction. This office is later renamed

as Regulatory Fintech Facilitation Office (RFFO).

12.24 This office will analyse, whether the proposed innovative idea of any Fintech is required for the country, whether it is contradictory with any existing policies or services in the country and whether these new ideas are within the legal periphery of the country. Besides these activities, this office will also analyze the permanence of any innovation idea by applying it within a limited scale and in a controlled scope.

12.25 Regulatory Fintech Facilitation Office will extend their range of operations not only by providing regulatory assistance to the new incumbents but also make harmonization among banks and other regulatory organizations to improve customer experience and applied excellence.

## Human Resources and Organisational Management

13.1 The present chapter highlighted the initiatives to improve governance structure and manage the human resources of Bangladesh Bank. It also uphold the functions of different committee of the board including BB governance and IT activities.

### Governance Structure

#### Board of Directors

13.2 Under the section 9(3) of Bangladesh bank Order, 1972 (President's Order No. 127 of 1972) later amended as Bangladesh Bank (Amendment) Act, 2020, the Board of Directors is the apex body in governance structure of Bangladesh Bank. The Board comprises the Governor, one Deputy Governor, four Directors who are not Government officials and three Government officials. All the Directors of the Board are nominated by the Government. The Board of Bangladesh Bank for FY20 has partly been reconstituted. Mr. Fazle Kabir, Governor of the Bangladesh Bank, is the Chairman of the Board of Directors. Mr. Abu Hena Md. Rahmatul Muneem, Senior Secretary of Internal Resources Division (IRD) and Chairman of National Board of Revenue (NBR), Ministry of Finance was appointed as Director of the Board in place of Mr. Md. Mosharrof Hossain Bhuiyan, NDC with effect from 09 January 2020 while, Mr. Md. Mosharrof Hossain Bhuiyan, NDC has served as Director of the Board up to 08 January 2020. Dr. Jamaluddin Ahmed, FCA has served as Director of the Board up to 20 August 2019. Mr. Mahbub Ahmed was appointed as Director of the Board with effect from 03 September 2019. Mr. Md. Nazrul Huda was appointed as Director of the Board with

effect from 05 January 2020. There were 08 members in the Board of Directors as on 30 June 2020, yet awaiting for one more member from non-government officials to be appointed to the Board. During FY20, 10 (Ten) meetings of the Board of Directors were held.

### Executive Committee

13.3 Under section 12(1) of Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) later amended as Bangladesh Bank (Amendment) Act, 2020, the Executive Committee (EC) is presently constituted as follows:

Mr. Fazle Kabir	Chairman
Mr. Md. Ashadul Islam	Member
Mr. S. M. Moniruzzaman	Member
Mr. Mahbub Ahmed	Member
Mr. Kazi Sayedur Rahman	Secretary

Mr. Mahbub Ahmed was appointed as Member of the Executive Committee with effect from 10 October 2019. During FY20, 07 (seven) meetings of the Executive Committee were held.

### Audit Committee of the Board

13.4 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 the auditing process.

The members of the Audit committee presently are as follows:

Mr. Md. Ashadul Islam	Convener
Mr. Mahbub Ahmed	Member
Mr. A. K. M. Aftab ul Islam, FCA	Member
Mr. Md. Nazrul Huda	Member

Dr. Jamaluddin Ahmed, FCA has served as Member of the Audit Committee up to 20 August 2019. Mr. Mahbub Ahmed was appointed as Member of the Audit Committee with effect from 10 October 2019. Mr. Md. Nazrul Huda was appointed as Member of the Audit Committee with effect from 12 January 2020. 04 (four) meetings of the Audit Committee were held during the FY20.

13.5 According to the Internal Audit Department Charter approved by the Audit Committee of the Board of Directors of BB, Internal Audit Department (IAD) identified 58 (fifty eight) auditable units (departments / offices /units /cells) and prepared the audit plan for FY20. Programmes were conducted four times a year in the 11 (eleven) auditable units, twice a year in the 9 (nine) auditable units and once a year in the 3 (three) auditable units identified as high risk, and twice a year in the 2 (two) auditable units and once a year in the other 33 (thirty three) auditable units identified as medium or low risk. The audit reports were placed before the Governor and the Audit Committee of the Board. Six meetings of the Audit Committee were held during FY20. It is mentionable that the implementation of Annual Audit Plan (FY20) was delayed due to country-wide public holidays and movement restriction for Covid-19. The guidance/ directives/ recommendations received by IAD from the Governor and the Audit Committee were conveyed to the relevant auditable units for implementation. Progress reports on implementation of these guidance/ directives/

recommendations were placed before the meetings of the Audit Committee.

### Executive Management Team (EMT)

13.6 The Executive Management Team (EMT) consists of Governor, 02 Deputy Governors, and all Executive Directors. This team reviews the implementation status of Bank's overall activities. During FY20, no meeting of the Executive Management Team was held.

### Human Resources Initiatives

#### New Appointment in Different Posts

13.7 A total of 227 officials/ staffs have been appointed in different posts during FY20. New Appointment during FY20 was as follows:

Assistant Director	194
Assistant Director (Engineering-Mechanical)	7
Assistant Director (Engineering-Civil)	11
Assistant Director (Ex Cadre -Law)	5
Staff	10
Total	227

#### Creation/ Abolition of Posts

13.8 In FY20, 260 new posts of officials and 27 posts of staffs were created. Considering the importance of the job, 197 posts of officials and 141 posts of staffs were upgraded during this period. The posts from which these were upgraded were abolished during the process. At the end of the period the total number of sanctioned post stood at 9,473 as compared to 9,186 of the previous year.

#### Sanctioned and Working Strength of Officials and Staff

13.9 The sanctioned and working strength of the Bank as on 30 June, 2020 were as follows:

Category	Sanctioned strength	Working strength	Vacant
Class-I	5,857	4,351	1,506
Class-II	1,276	660	616
Class-III	1,572	1,136	436
Class-IV	768	244	524
<b>Total</b>	<b>9,473</b>	<b>6,391</b>	<b>3,082</b>

During FY20, working strength of officials (Class-I and Class-II) increased by 5.32 percent to 5,011 from 4,758 and that of staffs (Class-III & Class-IV) decreased by 12.77 percent to 1,380 from 1,582. At the end of the period, the ratio of officials to staff remains nearly 3.63:1. About 32.53 percent of the sanctioned posts remained vacant on 30 June, 2020.

### Promotion

13.10 During the reporting year 984 Officials and 180 staffs were promoted to their next higher grade. In FY20, 19.63 percent of the officials and 13.04 percent of the staffs working in the Bank were awarded promotion.

### Number of Officials on Deputation/ Lien

13.11 At the end of FY20, 69 officials of the Bank were working on deputation at different institutions of the country and abroad. On 30 June 2020, 7 officials were on lien of which 5 were working within the country and 2 abroad.

### Reorganization/ Newly Established Units/ Divisions of the Bank

13.12 During FY20, a Unit named "Risk Management Unit" has established under Forex Reserve and Treasury Management Department. An independent unit named "Cyber Security Unit" has established to monitor the activities of cyber security related issues. Two sections named "Inflation Expectation Survey Section" and "Residential Price Section" have established under Research Department.

### Initiative to Automate the Joining Process in Recruitment System

13.13 The SRMS (Smart Recruitment Management System) is an online based mobile friendly application software that has been developed with the help of ISDSD to automate the joining process, Data entry related issues and expedite to overall recruitment system. Major features of this system are work load distribution, tracking, monitoring and scheduling of all recruitment related activities, online offer letters, online reporting of joining (support Unicode), generate the LSMW (Legacy System Migration Workbench) Template with all the required information of the recruited employees to upload the information directly to ERP system. In addition the Bangla Information (Captured during online reporting) can be used in various tasks like preparation of ID card, seniority list and Promotion Eligibility List. Above all, this system will make the overall recruitment process more reliable and dynamic.

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

13.14 The number of officials/ staffs of the Bank retired/ resigned/ died/ compulsorily retired/ removed/ suspended or dismissed during FY20 was as under:

Retirement	169
Voluntary retirement	04
Resignation	11
Death	29
Compulsory Retirement	3
Removal	1
Suspension	4
Dismissal From Service	2
<b>Total</b>	<b>223</b>

### Welfare Activities and Approval of Scholarship

13.15 During FY20, an amount of BDT 4.85 million has been provided to the children of the officials and staffs as scholarship and BDT .04 million has been given as medical assistance from the Karmachary/ Karmakarta Kallan Tahbil, established under the auspicious of the Governor. Beside these, during FY20, an amount of BDT 108.78 million has been allotted to Bangladesh Bank schools, mosques, clubs, day care centre and freedom fighters welfare units etc. to carry out their recreation and welfare activities.

### Foreign Training and Study

13.16 During FY20, a total of 424 officials of the Bank participated in different training courses/ seminars/ workshops. Moreover, 41 officials were on deputation/ leave for higher study abroad during the same period.

### Domestic Training and Study

13.17 During FY20, a total of 392 officials of the Bank participated in different local training courses/ seminars/ workshops organized by different institutions (Other than BBTA) within the country. Moreover, 10 officials were allowed to participate in higher study within the country.

### Training Courses, Workshops and Seminars Conducted by Bangladesh Bank Training Academy (BBTA) during FY20

13.18 Bangladesh Bank Training Academy (BBTA) conducts a wide range of activities to attain objectives of transforming itself a world-class center of excellence for imparting quality training to the officers of Bangladesh Bank as well as commercial banks, financial institutions and Government and non-

government organisations. 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 programs for the trainers with the help of trained personnel of advanced and specialized institutions at home and abroad. BBTA conducted a total of 90 training courses, workshops and seminars during FY20 of which 58 of them were held at the BBTA premises and 32 were held at other offices of Bangladesh Bank. Due to worldwide COVID-19 pandemic total number of training courses has been declined to 90 in FY20 as compared to 141 in FY19. A total of 3693 participants participated in the above mentioned courses. The courses conducted by the BBTA during FY20 are shown in Table 13.1.

**Table 13.1 Different Training Courses, Workshops and Seminars Organized by Bangladesh Bank Training Academy during FY20**

Sl. no	Subjects	Number of courses	Number Of Participants
1	2	3	4
A.	Foundation Courses	5	282
1)	Foundation Training Course (AD-Specialized)	1	33
2)	Foundation Training Course (AD) –37 <sup>th</sup> Batch	1	69
3)	Foundation Training Course (AD) –38 <sup>th</sup> Batch	1	65
4)	Foundation Training Course (AD) –39 <sup>th</sup> Batch	1	65
5)	1 <sup>st</sup> Foundation Training Course (Cash Officer)	1	50
B.	Other Training Course	83	3212
i)	For the Officials of Bangladesh Bank	37	986
1)	Advanced Course on MS Word/Excel/PowerPoint	2	40
2)	Banking Laws and Regulations	2	54
3)	Central Banking: Present and Future Challenges	1	32

4) Core Risk Management	1	23	9) International Trade Finance	3	120
5) Communicative English	1	29	10) Money & Banking Data Reporting	6	221
6) English Language Proficiency Course	1	25	11) Training Program on SDGs	1	30
7) ERP-MM Module	1	15	12) ToT on CIB Business Rules and Collateral Database	1	22
8) Etiquette and Personal Grooming	2	60	13) ToT on Important Guidelines of BB and ISS Reporting	1	24
9) Financial Inclusion	1	35	14) ToT on "Foreign Exchange Transaction Reporting "	1	32
10) In-Service Training	1	24	15) ToT on Money and Banking Data Reporting	1	22
11) Islamic Banking & Finance	1	27	16) ToT on "NPL Management: Handling Legal Issues, Writ Petition etc.	1	26
12) IT Auditing	1	27	17) ToT on trade Based Money Laundering	1	27
13) Leadership Development	1	23	C. Workshops/Seminars/Lecture Sessions	2	199
14) Monetary Policy Formulation and Implementation Process in Bangladesh Bank	3	73	1) Executive Development Seminar	1	80
15) Network and Hardware Security Awareness	1	34	2) Integrity and Anticorruption in Financial Sector	1	119
16) Orientation Course for New Supervisors	3	119	<b>Grand Total (A+B+C+D)</b>	<b>90</b>	<b>3693</b>
17) Payment & Settlement System in Bangladesh	2	58	Source: BBTA, BB.		
18) Presentation Skills for Enhancing Managerial Performance	2	41	<b>Financial Sector Support Project (FSSP)</b>		
19) Safety, Security and Disaster Management	1	29	13.19 The Financial Sector Support Project (FSSP) is being 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 project has commenced on 01 July 2015 and will end on 31 March 2021. 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. Total amount of fund received from IDA is USD 273.26 million, out of which USD 232.41 million has been disbursed. On the other hand, USD 36.88 million has been disbursed up to June, 2020 from BB end.		
20) Strategic planning, Management & Leadership Development Course for DGMs	1	23	13.20 The project will be implemented through three major components over the project term. The components are (a)		
21) Techniques of Inspection of Banks and NBFIs and Report writing (Including Foreign exchange Inspection & ISS Reporting)	2	40			
22) Techniques of Inspection of Banks and Report writing	1	23			
23) ToT on Prevention of Money Laundering & Terrorist Financing	1	32			
24) ToT on Risk Based Supervision	1	22			
25) Understanding and Analysis of Financial Statement of Bank	2	51			
26) Understanding Economic Indicators	1	27			
ii) For the officials of Commercial Banks	46	2226			
1) CIB Business Rules and Collateral Database	13	765			
2) Combating Money Laundering and Terrorist Financing and Trade Based Money Laundering	1	40			
3) Detection, Disposal of Forged & Mutilated Notes	5	363			
4) Environmental & Social Risk Management and Green Financing	1	31			
5) Foreign Direct Investment and External Debt Reporting	1	42			
6) Foreign Exchange Transaction Reporting	4	151			
7) Guidelines on NRB Saving Bonds (Wage-Earner Development Bond, US\$ Investment Bond and US\$ Premium Bond)	3	191			
8) Integrated Supervision System (ISS) Reporting	2	119			



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, (c) Serving as a catalyst for developing a financial market in long-term finance market segment. Specific objectives of these components are as follows:

### **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 of the Government payments, (b) expanding and modernizing Credit Information Bureau (CIB) by including credit information of the Microfinance Sector (MFI) and increasing reliability of credit reporting system, and (c) 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 organizations to embrace the new technologies and align their regular functions with the technology based new processes. Till June, 2020, 03 consultants have been recruited and 07 IT packages have been procured and 02 IT packages are undergoing Tender Evaluation Process to construct 03 data centers under this component. Already one data center and one near data center has been established and partially operative at present. Construction of one disaster recovery center (DRS) is ongoing at BB Rajshahi Office. IT Governance and

Risk Management Specialist was hired under FSSP and the specialist put recommendation on IT Governance of BB. Credit Information Monitoring Specialist was hired under FSSP for the development of CIB at Micro Credit Regulatory Authority (MRA). The specialist reviewed the Microfinance sector's ability to participate in a Credit information sharing scheme and designed the requirements of the MFI sector for a CIB. Finally, he prepared and submitted an action plan for establishing credit information database for MRA. Bangladesh Bank hired an international consultant firm for Preparation of Information System Strategy Paper (ISSP) for the State owned Commercial Banks (SOCBs), State owned Insurance Companies (SOICs), Development Financial Institutions (DFIs), Insurance Development Regulatory Authority (IDRA) and Bangladesh Insurance Academy (BIA). Accordingly, the consultant firm submitted Information System Strategy Paper (ISSP) and recommendation on business process re-engineering for Sonali Bank Limited, Janata Bank Limited, Agrani Bank Limited, Basic Bank Limited, Rupali Bank Limited; Bangladesh Development Bank Limited (BDBL), Bangladesh Krishi Bank (BKB), Rajshahi Krishi Unnyan Bank (RAKUB), Ansar-VDP Unnyan Bank, Prabasi Kallyan Bank, Karmasangsthan Bank; Shadharan Bima Corporation (SBC), Jibon Bima Corporation (JBC), Insurance Development and Regulatory Authority (IDRA), and Bangladesh Insurance Academy (BIA).

### **Strengthening Regulatory and Supervisory Capacity**

13.22 The project expects to provide technical assistance towards the development and adoption of the 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 advisor/consultant(s) or firm(s) to help building the system and develop the capacity to review and strengthen prudential regulations in future. Under this component, Resident Macro Prudential Regulation Specialist has completed his mission. A Supervision Specialist (Firm) is working on developing roadmap to introduce effective Risk Based Supervision (RBS) in line with Basel Committee on Banking Supervision (BCBS) recommendations (including but not limited to Pillar 2). They will review supervisory organisation and governance, support the preparation, conduct and review of on-site examination and propose amendments. They will assess corporate governance frameworks and practices, including risk management, internal control and audit functions in banks and FIs. They will address the FSAP recommendations related to supervisory issues. At the end of the assignment, they will submit final recommendation.

### 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 the productive sector of the country. As a result, the 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 the manufacturing sectors for maintaining 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, especially in US Dollar, which would be channeled by BB to eligible participating 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 the 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. The PFI agreement has been signed with 31 scheduled banks and USD 280.04 million has been sanctioned from which USD 246.08 million has been disbursed till June, 2020. Besides, an Environmental Regulations Compliance Specialist (National) and an Advisor for Long Term Project Financing have completed their tenure. One Environmental and Social Safeguards and compliance reporting workshop has been conducted in FY 2019-20 in order to disseminate the safeguards knowledge to the relevant officials of BB and borrowers. Around 60 officials from BB and borrowers participated in the workshop.

### Capacity Building

13.24 One Masters program for BB officials at the Asian Institute of Technology (AIT), Thailand, is ongoing under FSSP fund. Moreover, training programmes are arranged at National Institute

### Box 13.1 Cyber Security and Bangladesh Bank's Role

Cyber security is the practice of defending computers, servers, mobile devices, electronic systems, networks, and data from malicious attacks. It's also known as information technology security or electronic information security. The term applies into a variety of contexts, from business to mobile computing, and can be divided into a few common categories.

Application security focuses on keeping software and devices free of threats. Network security is the practice of securing a computer network from intruders, whether targeted attackers or opportunistic malware. Information security protects the integrity and privacy of data, both in storage and in transit. Operational security includes the processes and decisions for handling and protecting data assets. The permissions users have when accessing a network and the procedures that determine how and where data may be stored or shared all fall under this umbrella.

The global cyber threat continues to evolve at a rapid pace, with a rising number of data breaches each year. A report by Risk Based Security revealed that a shocking 7.9 billion records have been exposed by data breaches in the first nine months of 2019 alone. This figure is more than double (112%) of the number of records exposed in the same period in 2018. With the scale of the cyber threat set to continue to rise, the International Data Corporation predicts that worldwide spending on cyber-security solutions will reach a massive \$133.7 billion by 2022. Governments across the globe have responded to the rising cyber threat with guidance to help organizations implement effective cyber-security practices.

In the U.S., the National Institute of Standards and Technology (NIST) has created a cyber-security framework. To combat the proliferation of malicious code and aid in early detection, the framework recommends continuous, real-time monitoring of all electronic resources.

The threats countered by cyber-security are three-fold:

1. Cybercrime includes single actors or groups targeting systems for financial gain or to cause disruption.
2. Cyber-attack often involves politically motivated information gathering.
3. Cyberterrorism is intended to undermine electronic systems to cause panic or fear.

Some common methods used to threaten cyber-security are: Malware like Virus, Trojans, Spyware, Ransomware, Adware, etc. Besides this Botnets, SQL injection, Phishing, Vishing, Smishing, DNS Phishing, Farming, Man-in-the-middle attack, Denial-of-service attack, etc are mentionable cyber attack. Dridex malware (December 2019), Romance scams (February 2020), Emotet malware (late 2019), etc are some latest cyber threats of the world.

End-user protection or endpoint security is a crucial aspect of cyber security. After all, it is often an individual (the end-user) who accidentally uploads malware or another form of cyber threat to their desktop, laptop or mobile device.

Cyber-security measures protect end users and systems in the following way: First, cyber-security relies on cryptographic protocols to encrypt emails, files, and other critical data. This not only protects information in transit, but also guards against loss or theft.

Here are some top cyber safety tips: update your software and operating system, use anti-virus software, use strong passwords (not easily guessable), do not open email attachments from unknown senders (These could be infected with malware), do not click on links in emails from unknown senders or

unfamiliar websites(This is a common way that malware is spread), avoid using unsecure WiFi networks in public places (Unsecure networks leave you vulnerable to man-in-the-middle attacks), etc.

Bangladesh bank has taken different measures regarding cyber security. Different training and awareness program are arranged on a regular basis through IT departments and Human resources department. Bank has already formed a separate Cyber Security Unit (CSU) and appointed a security specialist from outside who is posted as the head of that unit. CSU is responsible for ensuring IT security, information security and cyber security of Bangladesh Bank.

Besides, Bangladesh Bank has published EOI for PCI DSS certification and evaluation is going on. Moreover, ISO 27001 certification is under process. Both IT departments and PSD are working on this issue. As per the instruction of Ministry of ICT and Ministry of Finance Bangladesh Bank asked all banks and NBFIs to get PCI DSS and ISO 27001 certification with the mentioned deadlines.

Bangladesh Bank is going to implement Security Operation Center (SOC) soon. Security Information and Event Management (SIEM), Anti Advanced Persistent Threat (Anti-APT), Privileged Access Management (PAM) solutions are going to be implemented soon. Vulnerability Assessment & Penetration Testing (VAPT) is performed through Information Systems Development and Support Department (ISDSD), ICT Infrastructure Maintenance and Management Department (ICTIMMD) and Cyber Security Unit (CSU) to protect valuable data and systems from malicious attacks.

of Bank Management (NIBM), Pune, India for participants of foundation training courses of BB. Several training programmes are also arranged for BB officials at home and abroad under this component.

13.25 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 more advanced level and an additional production capacity will be created which will result in increase of real output in the country.

### Information and Communication Technology (ICT)

13.26 During FY20, ISDSD (former ISDD and ITOCD) has performed its regular software development and data processing activities through existing applications software as well as conducted various IT systems procurement and implementation activities. Following

Information Systems and related tasks have been completed during this period.

### ICT Strategy Implementation

13.27 In FY20, ISDSD has implemented several ICT strategy as per the defined strategy in ICT strategy 2017-2021 for Bangladesh Bank.

### IT Security and Awareness Building

13.28 To build more secured ICT infrastructure as a part of remediation plan several security devices and technology have been deployed in Bangladesh Bank. Besides, training on IT security awareness is a continuous process, which is going on in association with other departments to build IT security awareness among the Bangladesh Bank officials.

### Information Systems Development

13.29 Information Systems and related tasks have been completed during FY20 as shown in the following table 13.2.

**Table 13.2 Statement on Information Systems and Related Tasks during FY20**

Sl. No.	Name of the Software/ Information Systems	Brief description of	
1	2	3	
1.	Tax calculation software for <i>Sanchayapatra</i>	Developed as system for Tax calculation for <i>Sanchayapatra</i> based on the information of National Identification Number (NID) and <i>Sanchayapatra</i> .	
2.	Software Quality Assurance	<b>Vulnerability Assessment Checklist:</b> Draft of Vulnerability Assess Checklist has been prepared. The approval process is going on for finalization.  <b>Procedure for SQAT:</b> Draft of Software Quality Assurance and Testing procedure has been prepared. The approval process is going on for finalization.	
3.	Pension Management System	Development of Pension Management System has been finished based on Business Requirements. The software is now under User Acceptance Testing for implementation.	
4.	Enterprise Support Fund (ESF)	Development of ESF System has been finished based on Business Requirements. The implementation is under process.	
5.	Enterprise Data Warehouse (EDW)	New data components as per new requirements from different departments added and hence designed new mappings, reports and dashboards. OBU (Offshore Banking Unit) and OFCs (Other Financial Corporations) data are two challenges we are working about, for the coming days.	
6.	Redesigning of BB Website	Redesigning of existing BB website has been completed with the approval of the competent authority. This process has been initiated in line with the circular of the ministry.	Integrated Supervision System (ISS) coverage expanded as required from ISMD. Now it covers Financial Institutions as well as banks. New dashboards and reports designed for FIs is going on regular basis.
7.	Website for BFIU	According to the requirement of BFIU an independent website has been developed for its functionalities. Some changes have been proposed by BFIU in the website and accordingly ISDSD is now making necessary changes.	
8.	BB Medical System	An online system has been developed for applying to enjoy the beyond ceiling facilities in BB Medical Centre recently.	On the other hand Web based centralized medical system for BB is under development.
9.	Certifying Authority(CA)	Tender has been evaluated and notification of award has already been given to M/S Spectrum Engineering Consortium Ltd.	
10.	Electronic Platform of <i>Sanchoybond</i> and Electronic Dealing System	Electronic Platform for <i>Sanchaybond</i> : Online purchasing and encashment of <i>Sanchaybond</i> from own desk for Non Resident Bangladeshis (NRB) has been automated through this system.	Electronic dealing System: Call money market for Banks has been made online through this system.
11.	CBS Portal	--	

Source: ISDSD, BB.

## Bangladesh Bank's Accounts for 2019-2020

14.1 The financial statements of Bangladesh Bank for FY20 have been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). Executive summary of the financial statements of Bangladesh Bank (excluding its subsidiary, the SPCBL) is represented below.

### Income

14.2 Total operating income of the Bank (excluding Foreign Currency (FC) revaluation gain/loss) for FY20 increased by BDT 10.43 billion (13.79%) to BDT 86.08 billion compared to BDT 75.65 billion in FY19. On the other hand, total operating income of the bank including FC revaluation increased by BDT 0.80 billion (0.89%) to BDT 90.35 billion than that of previous year. The sources of income are set out in table 14.1.

### Income from Foreign Currency Financial Assets

14.3 Bank's income from the foreign currency financial assets decreased by BDT 10.20 billion (17.04%) to BDT 49.66 billion in FY20 compared to BDT 59.86 billion in FY19 due to decrease in interest rate on investment in foreign currency for COVID-19 pandemic.

### Income from Local Currency Financial Assets

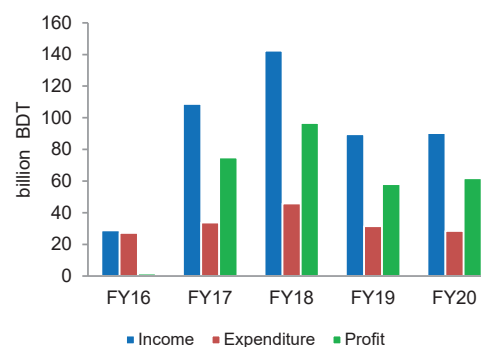
14.4 Bank's income from local currency financial assets increased by BDT 20.63 billion (130.65%) to BDT 36.42 billion in FY20 compared to BDT 15.79 billion in FY19. The amount of government borrowings from central bank increased than that of previous year significantly.

**Table 14.1 Bangladesh Bank's Income**

	(In billion BDT)	
	FY19	FY20
<b>Operating Income</b>		
<b>A. Income from foreign currency financial assets</b>	<b>59.86</b>	<b>49.66</b>
Interest income	59.36	49.32
Commission and discounts	0.50	0.34
<b>B. Income from local currency financial assets</b>	<b>15.79</b>	<b>36.42</b>
Interest income	13.82	33.77
Commission & discounts	1.59	2.27
Dividend income & misc.	0.36	0.36
Other Income	0.02	0.02
<b>Total : (A+B)</b>	<b>75.65</b>	<b>86.08</b>
<b>C. Foreign exchange revaluation gain/(loss)</b>	<b>13.90</b>	<b>4.27</b>
Realised gain/(loss)	11.60	30.91
Unrealised gain/(loss)	2.30	(26.64)
<b>Total : (A+B+C)</b>	<b>89.55</b>	<b>90.35</b>

Source: A&BD, BB.

**Chart 14.1 Trends in BB's Income, Expenditure and Profit**



Source: A&BD, BB.

So interest on Government Securities, Loans to Government, REPO and Commission and Discounts increased.

### Foreign Currency Revaluation Gain

14.5 The Bank made a gain of BDT 4.27 billion on foreign currency revaluation in FY20 compared to 13.90 billion in FY19 as the important reserve currency USD got weakened against BDT.



## Expenditure

14.6 Total expenditure of the Bank decreased by BDT 2.93 billion (9.33%) to BDT 28.49 billion in FY20 compared to BDT 31.42 billion in FY19. The details of expenditure are shown in the Table 14.2.

## Financial Expenses

14.7 Financial expenses decreased slightly by BDT 0.01 billion (0.09%) to BDT 10.98 billion in FY20 compared to BDT 10.99 billion in FY19. This was mainly due to offsetting interest rate change in foreign and local currency financial liabilities.

## Other Expenses

14.8 Other expenses decreased by BDT 2.92 billion (14.29%) to BDT 17.51 billion in FY20 compared to BDT 20.43 billion in FY19. Such reduction was due to less expense of note printing and miscellaneous purposes under general and administrative expenses.

## Profit for the Year

14.9 Operating profit of the Bank (excluding FC revaluation gain/loss) is BDT 57.59 billion in FY20 compared to BDT 44.22 billion in FY19. Operating profit of the Bank (including foreign currency revaluation gain/loss) is BDT 61.86 billion in FY20 compared to BDT 58.12 billion in previous year.

## Other Comprehensive Income

14.10 During the year, the Bank experienced valuation gain amounting to BDT 22.45 billion. This valuation gain was appropriated to the reserve account. Revaluation gain arose mainly due to increase in value of Financial Instruments and Gold in the international market.

## Profit Appropriation

14.11 Out of BDT 57.59 billion profit an amount of BDT 0.25 billion were transferred to

**Table 14.2 Bangladesh Bank's Expenditure**

(In billion BDT)			
Particulars	FY19	FY20	
<b>A. Financial cost</b>	<b>10.99</b>	<b>10.98</b>	
<b>Expenses on foreign currency financial liabilities</b>	<b>3.82</b>	<b>3.2</b>	
Interest on foreign currency financial liabilities	3.66	2.92	
Commission & other expenses on foreign currency financial liabilities	0.16	0.28	
<b>Expenses on local currency financial liabilities</b>	<b>7.17</b>	<b>7.78</b>	
Interest expense on local currency financial liabilities	0.23	0.25	
Commission & other local currency financial liabilities	6.94	7.53	
<b>B. Other expenses</b>	<b>20.43</b>	<b>17.51</b>	
Note printing	4.81	3.14	
General & administrative expenses	15.62	14.37	
<b>Total expenditure (A+B)</b>	<b>31.42</b>	<b>28.49</b>	

Source: A&BD, BB.

statutory fund, BDT 0.10 billion to Bangladesh Bank Disaster Management and Social responsibility fund, BDT 0.25 billion to Asset Renewal and Replacement Reserve. BDT 0.03 billion were adjusted against dues from government and additional BDT 1.50 billion were transferred to statutory funds. After the adjustments BDT 55.46 billion was deposited to the government account which is BDT 12.29 billion more than FY19.

## Statement of Financial Position of Banking and Issue Department

### Assets

14.12 Foreign currency financial assets increased by BDT 289.59 billion (10.06%) to BDT 3,167.25 billion in FY20 compared to BDT 2,877.66 billion in FY19.

14.13 Local currency financial assets increased by BDT 198.38 billion (44.59%) to BDT 643.29 billion in FY20 compared to BDT 444.91 billion in FY19. Such significant increase was mainly due to increase of Repo securities and loans to the Government.

14.14 Non financial assets of the Bank increased by BDT 1.42 billion to BDT 41.28 billion in FY20.

### Liabilities

14.15 Foreign currency financial liabilities increased by BDT 11.72 billion (2.70%) to BDT 446.29 billion in FY20 from BDT 434.57 billion in FY19. This is due to increase in foreign currency Deposit of Banks and Financial Institutions in Bangladesh Bank.

14.16 Local currency financial liabilities increased by BDT 436.14 billion (16.92%) to BDT 3,013.22 billion in FY20 compared to BDT 2,577.09 billion in FY19 due mainly to increase in notes in circulation.

### Notes in Circulation

14.17 Notes in circulation increased by BDT 376.92 billion (22.32%) to BDT 2,065.53 billion in FY20 compared to BDT 1,688.60 billion in FY19. Notes in circulation (BDT 2,005.53 billion) is backed by BDT 11.35 billion with gold and silver, BDT 2,010.00 billion with approved foreign currency reserve, BDT 9.45 billion with Bangladesh Government securities, BDT 4.83 billion with BDT coins and BDT 29.88 billion with other domestic assets.

### Equity

14.18 Total equity of the Bank increased by BDT 41.54 billion (11.84%) to BDT 392.31 billion in FY20 compared to BDT 350.77 billion in the previous year. The equity of the bank is enumerated below:

- i. Capital of the bank remain unchanged at BDT 0.03 billion;
- ii. Retained earnings increased by BDT 13.82 billion to BDT 56.99 billion in FY20

compared to BDT 43.17 billion in FY19;

- iii. Revaluation reserve decreased by BDT 3.69 billion to BDT 215.17 billion in FY20 compared to BDT 218.86 billion in FY19 ;
- iv. Currency fluctuation reserve increased by BDT 30.90 billion to BDT 71.26 billion in FY20 compared to BDT 40.36 billion in FY19;
- v. Balance of statutory fund increased by BDT 0.25 billion to BDT 16.52 billion in FY20 compared to BDT 16.27 billion in FY19 as appropriation was made for Rural credit fund, Agricultural credit fund and Industrial credit fund ;
- vi. Other reserves increased by 0.25 billion to BDT 12.45 billion in FY20 from BDT 12.20 billion in FY19;
- vii. General reserve of the bank remains unchanged at BDT 4.25 billion.

### Foreign Currency Reserve

14.19 Foreign currency reserve increased by BDT 295.00 billion (10.67%) to BDT 3,059.54 billion in FY20 compared to BDT 2,764.54 billion in FY19.

### Consolidation

14.20 During the year, the accounts of The Security Printing Corporation (Bangladesh) Ltd. (SPCBL), a 100 percent owned subsidiary of Bangladesh Bank have been consolidated with the accounts of Bangladesh Bank.

### Auditors

14.21 The financial statements of Bangladesh Bank for FY20 were jointly audited by MABS & J Partners, Chartered Accountants, Bangladesh and Howladar Yunus & Co, Chartered Accountants, Bangladesh.

# **BANGLADESH BANK**

AUDITED FINANCIAL STATEMENTS

As at and for the year ended 30 June 2020

## Independent Auditors' Report

### To the Government of the People's Republic of Bangladesh

#### Opinion

We have audited the accompanying consolidated and separate financial statements (together referred to as "financial statements") of Bangladesh Bank ("the Bank") and its subsidiary ("the Group"), which comprise the consolidated and separate statements of financial position as at 30 June 2020, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 2020, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in Note-2.01.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh (ICAB) Bye Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

1. In Note # 3.14 to the consolidated financial statements, the Bank disclosed accounting policy for its Gold and Silver physically stored at Motijheel Office. Such policy is not in compliance with para-90 of IAS-2.
2. In Note # 6 to the consolidated financial statements, the Bank disclosed its assets and liabilities held with International Monetary Fund (IMF). As on 30 June 2020, assets held with IMF stood at BDT 204.22 billion and liabilities held with IMF stood at BDT 222.33 billion. The Bank, in the aforementioned Note, also disclosed that 'Bangladesh' (meaning the Government of the Peoples' Republic of Bangladesh) is a member of the IMF and that Bangladesh Bank is a 'fiscal agent and depository' for the IMF. Therefore, the IMF assets & liabilities and income and expenses (BDT 0.67 billion and BDT 0.35 billion respectively) held/recognized by the Bank on behalf of the Government of the Peoples' Republic of Bangladesh does not constitute as assets

& liabilities and income and expenses of Bangladesh Bank, in accordance with para 4.44 & 4.46 and 4.47 & 4.49 of the Conceptual Framework for Financial Reporting.

3. As per Para-23 of IAS 21, at the end of each reporting period foreign currency monetary items, to be translated using closing rate. In Note # 6.02 to the consolidated financial statements, the Bank disclosed the method of revaluation of International Monetary Fund (IMF) Securities, IMF 1 & 2 Accounts using the SDR exchange rate prevailing as on 30 April 2020 to agree with the balances shown in the Financial Statements of IMF, which do not conform to the provision of IAS-21.
4. In Note # 9 to the consolidated financial statements, the Bank disclosed and explained the merits of their case of BDT 5,224 million of the Bank's funds fraudulently taken out through unauthorized SWIFT transactions in February 2016 with the conclusion that the amount so fraudulently taken out are still considered recoverable primarily based on lawyers' report.
5. In Note # 15.1, 16 & 24.04 to the consolidated financial statements, the Bank disclosed revaluation reserve relating to the revaluation of its non-financial assets (any item of PPE or intangible asset having cost/ revalued amount of over BDT 100,000) on 31 January 2018. Provision of para-36 of IAS-16 was not complied with during the said revaluation.

Moreover, as per Para 41 of IAS 16, some of the surplus of revalued assets may be transferred as the asset is used by an entity. In such a case, the amount of the surplus amount transferred would be the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost. However, full amount of depreciation on revalued assets have been charged in the profit or loss account as Depreciation. In consequence of this practice, the assets will be depreciated fully but revaluation reserve will remain intact at the expiry of useful life of the assets for not being made any transfer from revaluation reserve to retained earnings.

6. The provision of the gratuity fund is BDT 1,669,876,000 and provision for pension fund is BDT 21,132,671,000 as on 30 June 2020. The provisions for the funds were made on the basis of the assumptions included in the actuary valuation report of 30 June 2016, which expired as on 30 June 2018. Moreover, no actuarial valuation of the fund was done after 30 June 2016 by the bank. Whereas, para 58 of IAS 19 requires the determination of the net defined benefit liability (or asset) to be carried out with sufficient regularity such that the amounts recognized in the financial statements do not differ materially from those that would be determined at end of the reporting period.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters in our report.

## 1. Foreign Investments

The Bank's assets held in foreign investments amounting to BDT 2,433.13 billion, equivalent to 62.85% of the Bank's total assets, impact of which is significantly material to the financial statements. These investments are held with overseas commercial banks for periods in different types of investment categories. The valuation and presentation of foreign investments in the financial statements pose significant audit risk.

Our audit procedures to address the risks of material misstatement relating to foreign investments, which was considered to be a significant risk, included:

- Assessment of the design and testing of the operating effectiveness of management's control in assessing the carrying value of foreign investments.
- Sending of direct confirmation to the related banks to confirm the balances of SAP. Upon receipt of the confirmation, necessary reconciliations were made.
- Detailed analysis of exchange rates used and valuation processes, recalculation of interest income, and evaluation of recognition, measurement, presentation and disclosures in the financial statements in accordance with the related IFRSs.

The Bank's disclosures about foreign investments are included in Note 3.08 and Note 5 to the financial statements.

## 2. Balances with International Monetary Fund (IMF)

The Bank's assets held with international Monetary Fund (IMF) as on the closing date amounted to BDT 204.22 billion, equivalent to 5.28% of total assets, impact of which is material to the financial statements. The quota amount of SDR 533.30 million was increased by 25% on 24 February 2016 through the payment of foreign currency debiting directly from the government account. Due to the unique structure, terms and valuation of these assets, it was considered significant issue to our audit.

The Bank has issued IMF Securities (promissory notes) against the membership subscription with IMF and has been allocated SDR on the basis of member's quota. Liabilities with the IMF represents around 5.74% of the total liabilities of the Bank. The valuation of liabilities with the International Monetary Fund (IMF) was considered significant issue to our audit as that gives rise to foreign currency translation requirements and periodic interest accruals.

Our audit procedures to address the risks of material misstatement relating to assets held with International Monetary Fund, included checking the SDR amount from IMF website, and subsequently testing the exchange rates used to translate this amount at the closing date. Furthermore, we reviewed the basis of computation of interest income on SDR Holding and the transactions undertaken during the year. In addition, our procedures included examination of relevant documents of IMF and interest accrued on SDR Allocation during the year and re-computation to confirm the amount of liabilities with IMF using the prevailing conversion rate as per IAS-21.



The Bank's disclosures about assets held with the International Monetary Fund are included in Note 6.01 and Liabilities with International Monetary Fund (IMF) in Note 6.02 to the financial statements.

### 3. Valuation of Gold & Silver

The Bank maintains gold & silver as stock and investment, equivalent to BDT 67.68 billion, which is one of the asset backings for Notes in Circulation. The valuation of these gold and silver are carried out in line with the international market which is subject to market volatility and other external economic factors. Given the unique nature of the asset, the valuation methodology adopted and associated risks, it was considered significant matter to our audit.

Our audit procedures included reviewing the valuation methodology adopted and carrying out physical verification of gold & silver on a sample basis. Our procedures also included issuing balance confirmations and recalculation of gold and silver value in line with the prevailing market rate and assessment of asset backing for Notes in Circulation.

The Bank's disclosures about gold & silver are included in Note 3.14 and Note 7 to the financial statements.

### 4. Foreign Currency Loans to Banks

The Bank's assets held with foreign currency loans to banks amounted to BDT 401.26 billion, equivalent to 10.36% of total assets, impact of which is material to the financial statements.

Our audit procedures to address the risk of material misstatement relating to Foreign Currency Loans to Banks included:

- Testing the effectiveness of controls over the existence of loans through external confirmations from respective banks and evaluation of the assets held with EDF, LTFF and GTF Investments in BDT using the exchange rate prevailing at on 30 June 2020. We also matched the calculated figure with the amounts disclosed in the financial statements of the Bank for the year ended 30 June 2020.
- Checking as to whether the interest calculation is automated or not. We observed that EDF interests are calculated automatically in e-Refinance software and subsequently confirmed the balance of interest from e-Refinance software against the General Ledgers.

The Bank's disclosures about Foreign Currency Loans to Banks are included in Note 8 to the financial statements.

### 5. Transactions with Government of the Peoples' Republic of Bangladesh

Bangladesh Bank is primarily responsible for managing banking transactions on behalf of Government of the Peoples' Republic of Bangladesh including loans and donations received from foreign entities, collection and administration of funds of various ministries and the national exchequer. Given the unique nature as well as the high volume of transactions undertaken by Bangladesh Bank with and for the Government of the Peoples' Republic of Bangladesh, it was considered significant to our audit.

The Bank's assets held as Loans to the Government of the Peoples' Republic of Bangladesh amounted to BDT 420.09 billion, equivalent to 10.85% of total assets, impact of which is material to the financial statements. These investments are held with the Government of Bangladesh which have a period of both less or more than one year.

Our audit procedures to address the risk of material misstatement relating to Loans to the Government of the Peoples' Republic of Bangladesh included:

- Assessment of the design and testing of the operating effectiveness of management's control in assessing the carrying value of Loans to the Government of the Peoples' Republic of Bangladesh.
- Detailed analysis of auction rates, valuation processes, recalculation of interest income, presentation and disclosures in the financial statements in accordance with the related IFRSs.

The Bank's disclosures about Loans to the Government of the Peoples' Republic of Bangladesh are included Note 3.11 and Note 11 to the financial statements.

## 6. Notes in Circulation

Issuance of Banknotes is one of the key roles of the bank as defined in the Bangladesh Bank Order- 1972 and is a key audit matter due to:

- high interest to the users of the financial statements;
- the balance is significantly relevant to the Bangladesh Bank's Statement of Financial Position; and
- complexity in assessing the accuracy of the liability for banknotes on issue that are placed in circulation in the economy.

The balance of banknotes on issue represents the value of all bank notes on issue in Bangladesh and the liability is measured at face value of all bank notes issued less any bank notes cancelled/destroyed.

To audit the banknotes on issue, we performed the following audit procedures:

- Tested those general controls which are relevant to the accurate recording of the issuance and return of bank notes within the system responsible for recording the balance of banknotes on issue.
- We performed a comparison of current year's movements against prior year's patterns. We also performed a trend analysis on banknotes on issue against prior periods focusing on the number of notes issued by denomination.
- Our procedures also included an assessment of the asset backing maintained by Bangladesh Bank in line with section 30 of the Bangladesh Bank Order, 1972 and reviewed the process to determine the demand for notes and the ordering process for printing notes.
- Our audit procedures included communicating with the concerned department to understand the note issue process and carrying out physical inspection of assets held at the Bank premises against Notes in Circulation on a sample basis.

The Bank's disclosures about Notes in Circulation are included in Note 19 to the financial statements.

### Other Matters

- The financial statements of Bangladesh Bank for the year ended 30 June 2019 were audited by
- ACNABIN, Chartered Accountants and MABS & J Partners, Chartered Accountants, who expressed an unmodified opinion with an emphasis of matters on those statements on 27 August 2019; and
- The financial statements of the subsidiary, The Security Printing Corporation Bangladesh Limited ended on 30 June 2020 have been jointly audited by us

### Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercised professional judgment and maintain professional scepticism throughout the audit We also:

- Identified and assessed the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, designed and performed audit procedures

responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or condition that may cast significant doubt on the Group's ability to continue as a going concern. If we concluded that a material uncertainty exists, we were required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.
- Evaluated the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Terms of Reference (ToR) issued by the Ministry of Finance - Financial Institutions Division, Government of the People's Republic of Bangladesh, we also report the following:

- Nothing has come to our attention which indicates that the IT based accounting systems generated information are not free from material error and noncompliance;
- Nothing has come to our attention which indicates that charging of depreciation on Dead-Stock (Capital Assets) and immovable properties are not in line with applicable financial reporting framework except for the matters disclosed in the Emphasis of Matters paragraph;
- Internal control measures undertaken by the Bank appeared to be adequate with immaterial control deficiencies as identified in the Management Report;
- We have reviewed the compliance of audit observation of previous year and reported on the same in the Management Report;
- We have checked the authenticity of financial information and data supplied to the International Monetary Fund (IMF) by the Bank; and
- We have reviewed the compliance of decisions taken by the Board of Directors of the Bank.

**Muhammad Farooq, FCA**  
Managing Partner  
Howladar Yunus & Co  
Chartered Accountants

**C R Mazumder, FCA**  
Managing Partner  
MABS & J Partners  
Chartered Accountants

26 August, 2020  
Dated, Dhaka, Bangladesh.

**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2020

*In thousand Tk.*

Particulars	Notes	30-Jun-20	30-Jun-19
<b>ASSETS</b>			
<b>Foreign currency financial assets</b>			
Foreign currency accounts	4	44,502,998	49,033,700
Foreign investments	5	2,433,129,585	2,243,972,983
Assets held with International Monetary Fund	6.01	204,220,488	216,211,507
Gold and silver	7	67,676,977	53,693,670
Foreign currency loans to banks	8	401,255,896	295,579,770
Other foreign currency financial assets	9	16,464,662	19,168,109
<b>Total foreign currency financial assets</b>		<b>3,167,250,607</b>	<b>2,877,659,739</b>
<b>Local currency financial assets</b>			
Taka coin and cash balances	10	18,314,332	16,890,261
Securities purchased under agreement to resell		71,590,246	176,631
Loans to the Government of Bangladesh	11	420,090,708	313,912,578
Local currency investments	12	7,677,275	7,072,446
Local currency loans to banks, financial institutions and employees	13	123,264,805	102,728,416
Other local currency financial assets	14	9,983,008	9,444,952
<b>Total local currency financial assets</b>		<b>650,920,374</b>	<b>450,225,284</b>
<b>Total financial assets</b>		<b>3,818,170,981</b>	<b>3,327,885,023</b>
<b>Non-financial assets</b>			
Property, plant and equipment	15	48,401,259	48,481,905
Intangible assets	16	432,604	225,903
Other non-financial assets	17	4,378,642	3,678,294
<b>Total non-financial assets</b>		<b>53,212,505</b>	<b>52,386,102</b>
<b>Total assets</b>		<b>3,871,383,486</b>	<b>3,380,271,125</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>LIABILITIES</b>			
<b>Foreign currency financial liabilities</b>			
Deposits from banks and financial institutions	18	223,955,687	199,851,719
Liabilities with International Monetary Fund	6.02	222,329,785	234,719,957
<b>Total foreign currency financial liabilities</b>		<b>446,285,472</b>	<b>434,571,676</b>
<b>Local currency financial liabilities</b>			
Notes in circulation	19	2,065,528,167	1,688,603,874
Deposits from banks and financial institutions	20	763,574,307	757,853,808
Short term borrowings	21	-	95
Other local currency financial liabilities	22	185,559,294	131,159,613
<b>Total local currency financial liabilities</b>		<b>3,014,661,768</b>	<b>2,577,617,390</b>
<b>Total liabilities</b>		<b>3,460,947,240</b>	<b>3,012,189,066</b>
<b>EQUITY</b>			
Capital	23	30,000	30,000
Retained earnings	30	70,385,443	55,813,625
Revaluation reserves	24	218,849,670	222,569,344
Currency fluctuation reserve	25	71,264,137	40,357,497
Statutory funds	26	16,517,046	16,267,046
Non statutory funds	27	15,640,551	15,645,148
Other reserves	28	12,448,899	12,198,899
General reserve	29	5,300,500	5,200,500
<b>Total equity</b>		<b>410,436,246</b>	<b>368,082,059</b>
<b>Total liabilities and equity</b>		<b>3,871,383,486</b>	<b>3,380,271,125</b>

The accompanying notes from 1 to 47 form an integral part of these financial statements.

Md. Forkan Hossain  
General Manager  
Accounts & Budgeting Department

Ahmed Jamal  
Deputy Governor

Fazle Kabir  
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

Muhammad Farooq, FCA  
Managing Partner  
Howladar Yunus & Co., Chartered Accountants

C R Mazumder, FCA  
Managing Partner  
MABS & J Partners, Chartered Accountants

26 August, 2020  
Dated, Dhaka, Bangladesh.



**BANGLADESH BANK**  
**SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

*In thousand Tk.*

Particulars	Notes	30-Jun-20	30-Jun-19
<b>ASSETS</b>			
<b>Foreign currency financial assets</b>			
Foreign currency accounts	4	44,502,998	49,033,700
Foreign investments	5	2,433,129,585	2,243,972,983
Assets held with International Monetary Fund	6.01	204,220,488	216,211,507
Gold and silver	7	67,676,977	53,693,670
Foreign currency loans to banks	8	401,255,896	295,579,770
Other foreign currency financial assets	9	16,464,662	19,168,109
<b>Total foreign currency financial assets</b>		<b>3,167,250,606</b>	<b>2,877,659,739</b>
<b>Local currency financial assets</b>			
Taka coin and cash balances	10.01	4,845,937	4,995,763
Securities purchased under agreement to resell		71,590,246	176,631
Loans to the Government of Bangladesh	11	420,090,708	313,912,578
Local currency investments	12.01	15,945,000	15,945,000
Local currency loans to banks, financial institutions and employees	13.01	121,544,971	101,015,582
Other local currency financial assets	14.01	9,272,340	8,866,275
<b>Total local currency financial assets</b>		<b>643,289,202</b>	<b>444,911,829</b>
<b>Total financial assets</b>		<b>3,810,539,808</b>	<b>3,322,571,568</b>
<b>Non-financial assets</b>			
Property, plant and equipment	15.01	39,665,782	39,302,095
Intangible assets	16	432,604	225,903
Other non-financial assets	17.01	1,181,633	330,206
<b>Total non-financial assets</b>		<b>41,280,019</b>	<b>39,858,204</b>
<b>Total assets</b>		<b>3,851,819,827</b>	<b>3,362,429,772</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>LIABILITIES</b>			
<b>Foreign currency financial liabilities</b>			
Deposits from banks and financial institutions	18	223,955,687	199,851,719
Liabilities with International Monetary Fund	6.02	222,329,785	234,719,957
<b>Total foreign currency financial liabilities</b>		<b>446,285,472</b>	<b>434,571,676</b>
<b>Local currency financial liabilities</b>			
Notes in circulation	19	2,065,528,167	1,688,603,874
Deposits from banks and financial institutions	20	763,574,307	757,853,808
Short term borrowings	21	-	95
Other local currency financial liabilities	22.01	184,119,617	130,627,778
<b>Total local currency financial liabilities</b>		<b>3,013,222,091</b>	<b>2,577,085,555</b>
<b>Total liabilities</b>		<b>3,459,507,563</b>	<b>3,011,657,231</b>
<b>EQUITY</b>			
Capital	23	30,000	30,000
Retained earnings	30.01	56,989,387	43,166,766
Revaluation reserves	24.01	215,171,744	218,856,685
Currency fluctuation reserve	25	71,264,137	40,357,497
Statutory funds	26	16,517,046	16,267,046
Non statutory funds	27	15,640,551	15,645,148
Other reserves	28	12,448,899	12,198,899
General reserve	29.01	4,250,500	4,250,500
<b>Total equity</b>		<b>392,312,264</b>	<b>350,772,541</b>
<b>Total liabilities and equity</b>		<b>3,851,819,827</b>	<b>3,362,429,772</b>

The accompanying notes from 1 to 47 form an integral part of these financial statements.

Md. Forkan Hossain  
General Manager  
Accounts & Budgeting Department

Ahmed Jamal  
Deputy Governor

Fazle Kabir  
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

Muhammad Farooq, FCA  
Managing Partner  
Howladar Yunus & Co., Chartered Accountants

C R Mazumder, FCA  
Managing Partner  
MABS & J Partners, Chartered Accountants

26 August, 2020  
Dated, Dhaka, Bangladesh.

**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 JUNE 2020

*In thousand Tk.*

Particulars	Notes	2019-20	2018-19
<b>INCOME</b>			
<b>Income on foreign currency financial assets</b>			
Interest income	31	49,319,958	59,361,114
Commission and discounts	32	342,443	502,880
<b>Total income on foreign currency financial assets</b>		<b>49,662,401</b>	<b>59,863,994</b>
<b>Income from local currency financial assets</b>			
Interest income	34	34,837,116	14,799,784
Commission and discounts	35	2,266,887	1,588,759
Sales to other parties by subsidiary		1,823,236	1,511,897
Other income		35,270	28,775
<b>Total income from local currency financial assets</b>		<b>38,962,509</b>	<b>17,929,215</b>
<b>Total income</b>		<b>88,624,910</b>	<b>77,793,209</b>
<b>EXPENSES</b>			
<b>Expenses on foreign currency financial liabilities</b>			
Interest expense	33	(2,921,959)	(3,654,316)
Commission and other expenses		(281,261)	(162,663)
<b>Total expenses on foreign currency financial liabilities</b>		<b>(3,203,220)</b>	<b>(3,816,979)</b>
<b>Expenses on local currency financial liabilities</b>			
Interest expense	37	(250,438)	(226,221)
Commission and other expenses	38	(7,526,537)	(6,948,077)
<b>Total expenses on local currency financial liabilities</b>		<b>(7,776,975)</b>	<b>(7,174,298)</b>
<b>Other expenses</b>			
General and administrative expenses	39	(18,614,603)	(21,258,837)
<b>Total other expenses</b>		<b>(18,614,603)</b>	<b>(21,258,837)</b>
<b>Total expenses</b>		<b>(29,594,798)</b>	<b>(32,250,114)</b>
Foreign currency revaluation gain/(loss) - unrealised		(26,639,757)	2,298,956
Foreign currency revaluation gain/(loss) - realised		30,906,640	11,596,172
<b>Profit before tax</b>		<b>63,296,995</b>	<b>59,438,223</b>
Current tax expense		(484,472)	(460,540)
Deferred tax income/(expense)		85,727	(66,442)
<b>Profit for the year</b>		<b>62,898,250</b>	<b>58,911,240</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
<b>Other comprehensive income</b>			
Gold revaluation gain/(loss)		13,946,439	6,454,538
Silver revaluation gain/(loss)		36,868	(9,713)
Revaluation gain/(loss) on financial instruments		8,466,069	894,714
<b>Total other comprehensive income</b>		<b>22,449,376</b>	<b>7,339,539</b>
<b>Total comprehensive income for the year</b>		<b>85,347,626</b>	<b>66,250,779</b>

The accompanying notes from 1 to 47 form an integral part of these financial statements.

Md. Forkan Hossain  
General Manager  
Accounts & Budgeting Department

Ahmed Jamal  
Deputy Governor

Fazle Kabir  
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

Muhammad Farooq, FCA  
Managing Partner  
Howladar Yunus & Co., Chartered Accountants

C R Mazumder, FCA  
Managing Partner  
MABS & J Partners, Chartered Accountants

26 August, 2020  
Dated, Dhaka, Bangladesh.

**BANGLADESH BANK**  
**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 30 JUNE 2020

*In thousand Tk.*

Particulars	Notes	2019-20	2018-19
<b>INCOME</b>			
<b>Income on foreign currency financial assets</b>			
Interest income	31	49,319,958	59,361,114
Commission and discounts	32	342,443	502,880
<b>Total income on foreign currency financial assets</b>		<b>49,662,401</b>	<b>59,863,994</b>
<b>Income from local currency financial assets</b>			
Interest income	34.01	33,770,407	13,822,971
Commission and discounts	35	2,266,887	1,588,759
Dividend income		360,000	360,000
Other income	36	23,472	18,007
<b>Total income from local currency financial assets</b>		<b>36,420,766</b>	<b>15,789,737</b>
<b>Total income</b>		<b>86,083,167</b>	<b>75,653,731</b>
<b>EXPENSES</b>			
<b>Expenses on foreign currency financial liabilities</b>			
Interest expense	33	(2,921,959)	(3,654,316)
Commission and other expenses		(281,261)	(162,663)
<b>Total expenses on foreign currency financial liabilities</b>		<b>(3,203,220)</b>	<b>(3,816,979)</b>
<b>Expenses on local currency financial liabilities</b>			
Interest expense	37	(250,438)	(226,221)
Commission and other expenses	38	(7,526,537)	(6,948,077)
<b>Total expenses on local currency financial liabilities</b>		<b>(7,776,975)</b>	<b>(7,174,298)</b>
<b>Other expenses</b>			
Note printing expenses		(3,145,991)	(4,812,199)
General and administrative expenses	39.01	(14,367,592)	(15,622,953)
<b>Total other expenses</b>		<b>(17,513,583)</b>	<b>(20,435,152)</b>
<b>Total expenses</b>		<b>(28,493,778)</b>	<b>(31,426,429)</b>
Foreign currency revaluation gain/(loss) - unrealised		(26,639,757)	2,298,956
Foreign currency revaluation gain/(loss) - realised		30,906,640	11,596,172
<b>Profit for the year</b>		<b>61,856,272</b>	<b>58,122,430</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
<b>Other comprehensive income</b>			
Gold revaluation gain/(loss)		13,946,439	6,454,538
Silver revaluation gain/(loss)		36,868	(9,713)
Revaluation gain/(loss) on financial instruments		8,466,069	894,714
<b>Total other comprehensive income</b>		<b>22,449,376</b>	<b>7,339,539</b>
<b>Total comprehensive income for the year</b>		<b>84,305,648</b>	<b>65,461,969</b>

The accompanying notes from 1 to 47 form an integral part of these financial statements.

\_\_\_\_\_  
 Md. Forkan Hossain  
 General Manager  
 Accounts & Budgeting Department

\_\_\_\_\_  
 Ahmed Jamal  
 Deputy Governor

\_\_\_\_\_  
 Fazle Kabir  
 Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

\_\_\_\_\_  
 Muhammad Farooq, FCA  
 Managing Partner  
 Howladar Yunus & Co., Chartered Accountants

\_\_\_\_\_  
 C R Mazumder, FCA  
 Managing Partner  
 MABS & J Partners, Chartered Accountants

26 August, 2020  
 Dated, Dhaka, Bangladesh.

**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED 30 JUNE 2020

Particulars	Non - distributable										Distributable		Equity
	Capital	Revaluation reserves			Currency fluctuation reserve	Statutory funds	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	
<b>Balance as at 01 July 2018</b>	30,000	16,732,667	162,575,391	(5,532,883)	38,827,707	28,761,325	15,717,046	15,645,941	4,326,785	7,522,114	5,100,500	18,777,646	308,484,238
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(9,397)	(9,397)
Dividend paid for 2017-2018	-	-	-	-	-	-	-	-	-	-	-	(6,893,472)	(6,893,472)
Total comprehensive income for the year	-	6,444,825	-	894,714	-	-	-	-	-	-	-	58,911,240	66,250,779
Reallocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilisation of funds	-	-	-	-	-	-	(100,794)	-	-	-	-	-	(100,794)
Derecognition of reserve on account of sale and maturity of assets	-	-	-	356,786	(28,817)	-	-	-	-	-	-	22,736	350,705
Appropriation of profit to other funds	-	-	2,298,956	-	-	11,596,172	550,000	100,000	350,000	-	100,000	(14,985,128)	-
<b>Balance as at 30 June 2019</b>	30,000	23,177,492	164,874,347	(4,281,383)	38,798,890	40,357,497	16,267,046	15,645,148	4,676,785	7,522,114	5,200,500	55,813,626	368,082,059
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(18,214)	(18,214)
Dividend paid for 2018-2019	-	-	-	-	-	-	-	-	-	-	-	(43,148,554)	(43,148,554)
Prior Year Adjustment	-	-	-	-	-	-	-	-	-	-	-	(227,514)	(227,514)
Total comprehensive income for the year	-	13,983,307	-	8,466,069	-	-	-	-	-	-	-	62,898,250	85,347,626
Reallocation	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilisation of funds	-	-	-	-	-	-	-	(104,597)	-	-	-	-	(104,597)
Derecognition of reserve on account of sale and maturity of assets	-	-	-	505,440	(34,733)	-	-	-	-	-	-	34,733	505,439
Appropriation of profit to other funds	-	-	(26,639,757)	-	-	30,906,640	250,000	100,000	250,000	-	100,000	(4,966,883)	-
<b>Balance as at 30 June 2020</b>	30,000	37,160,799	138,234,590	4,690,126	38,764,157	71,264,137	16,517,046	15,640,551	4,926,785	7,522,114	5,300,500	70,385,443	410,436,246

**BANGLADESH BANK**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2020

Particulars	Non distributable											Distributable		Equity
	Capital	Revaluation reserves			Currency fluctuation reserve	Statutory funds	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				
<b>Balance as at 01 July 2018</b>	30,000	16,732,667	162,575,391	(5,532,883)	35,092,312	28,761,325	15,717,046	15,645,941	4,326,785	7,522,114	4,250,500	6,842,333	308,484,238	
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(9,397)	(9,397)	
Dividend paid for 2017-2018	-	-	-	-	-	-	-	-	-	-	-	(6,893,472)	(6,893,472)	
Total comprehensive income for the year	-	6,444,825	-	894,714	-	-	-	-	-	-	-	58,122,430	65,461,969	
Reallocation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Utilisation of funds	-	-	-	-	-	-	(100,794)	-	-	-	-	-	(100,794)	
Derecognition of reserve on account of sale and maturity of assets	-	-	-	356,786	(6,081)	-	-	-	-	-	-	-	350,705	
Appropriation of profit to other funds	-	-	2,288,956	-	-	11,596,172	550,000	100,000	350,000	-	-	(14,895,128)	-	
<b>Balance as at 30 June 2019</b>	30,000	23,177,492	164,874,347	(4,281,383)	35,086,231	40,357,497	16,267,046	15,645,148	4,676,785	7,522,114	4,250,500	43,166,766	350,772,541	
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(18,214)	(18,214)	
Dividend paid for 2018-2019	-	-	-	-	-	-	-	-	-	-	-	(43,148,554)	(43,148,554)	
Total comprehensive income for the year	-	13,983,307	-	8,466,069	-	-	-	-	-	-	-	61,856,272	84,305,648	
Reallocation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Utilisation of funds	-	-	-	-	-	-	(104,597)	-	-	-	-	-	(104,597)	
Derecognition of reserve on account of sale and maturity of assets	-	-	-	505,440	-	-	-	-	-	-	-	-	505,440	
Appropriation of profit to other funds	-	-	(26,639,757)	-	-	30,906,640	250,000	100,000	250,000	-	-	(4,866,883)	-	
<b>Balance as at 30 June 2020</b>	30,000	37,160,799	138,234,590	4,690,126	35,086,231	71,264,137	16,517,046	15,640,551	4,926,785	7,522,114	4,250,500	56,989,387	392,312,264	

**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2020

Particulars	In thousand Tk	
	2019-20	2018-19
<b>Cash flows from operating activities</b>		
Profit for the year	63,556,994	59,798,224
<b>Adjustments:</b>		
Depreciation	1,212,696	1,145,935
Prior year adjustment	-	60,535
Loan Loss provision	(926,188)	935,943
Investment income from Short Term Deposit, Foreign Bills and Bonds	(37,486,610)	(45,435,856)
Investment Income from local Treasury Bills and Bonds	(22,638,538)	(7,943,257)
Interest from Claims from Gold Transactions	-	(1,973)
Dividend Income	(360,000)	(360,000)
	<b>3,458,353</b>	<b>8,199,550</b>
Tax Paid during the year	(588,674)	(557,680)
Payment from WPPF	(88,200)	(97,111)
Provision to WPPF	94,775	88,200
(Increase) / decrease in Foreign Currency Loans to Banks	(171,238,142)	(31,046,817)
(Increase) / decrease in Other Receivable on Foreign Currency Loans Loans	(772,464)	(1,041,648)
(increase) / decrease in Loans to Government	(35,813,500)	68,610,300
(increase)/ decrease in Local Currency loans to Banks, financial institutions and employees	(22,110,857)	5,188,881
increase/(decrease) in interest payable on SDR allocation	(103,896)	14,937
(increase)/decrease in other local currency financial assets	(429,434)	7,443,695
(increase)/decrease in other non-financial assets	(1,252,444)	1,972,240
increase/(decrease) in Notes in Circulation	376,924,293	154,472,050
increase/(decrease) in Other Local Currency Financial liabilities	54,825,159	13,934,697
	<b>199,446,617</b>	<b>218,981,743</b>
<b>Net cash from operating activities</b>	<b>202,904,970</b>	<b>227,181,293</b>
<b>Cash flows from investing activities</b>		
Settlement with liabilities with IMF	(295,257)	(2,555,402)
Investment Income from Short Term Deposit, US Treasury Notes, Foreign Bills and Bonds	37,486,610	45,293,776
Investment in Foreign Bills, US Treasury Notes and Bonds	107,905,781	244,591,318
Investment in foreign Short Term Deposits	(61,330,193)	(44,967,114)
Income from Claims from Gold Transactions	-	42,552
Investment Income from local Treasury Bills and Bonds	22,638,538	6,416,809
Investment in Local Treasury Bills and Bonds	(168,707,653)	(170,181,286)
Other Local Investment	202,640	(342,475)
Addition of fixed assets and intangible assets	(360,344)	(1,528,278)
Proceeds from disposal of fixed assets	-	-
<b>Net cash used in investing activities</b>	<b>(62,459,878)</b>	<b>76,769,901</b>
<b>Cash flows from financing activities</b>		
Dividend paid to the Government of Bangladesh	(43,148,554)	(6,893,472)
<b>Net cash (used in)/from financing activities</b>	<b>(43,148,554)</b>	<b>(6,893,472)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>97,296,538</b>	<b>297,057,722</b>
Opening balance of cash and cash equivalents	364,847,766	67,790,045
<b>Cash and cash equivalents as at 30 June</b>	<b>462,144,304</b>	<b>364,847,766</b>
<b>Cash and cash equivalents includes</b>		
Foreign currency accounts	44,502,998	49,033,700
Foreign investments with maturity of three months or less	1,315,266,722	1,256,220,143
Taka coin and cash balances	18,314,332	16,890,262
Securities purchased under agreement to resell	71,590,246	176,631
Foreign currency deposits from banks and financial institutions	(223,955,687)	(199,619,066)
Short term borrowings	-	(95)
Deposits from banks and financial institutions	(763,574,306)	(757,853,809)
<b>Cash and cash equivalents as at 30 June</b>	<b>462,144,304</b>	<b>364,847,766</b>



**BANGLADESH BANK**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 30 JUNE 2020

Particulars	In thousand Tk	
	2020	2019
<b>Cash flows from operating activities</b>	61,856,272	58,122,429
Profit for the year		
<b>Adjustments:</b>	835,078	790,143
Depreciation	-	60,535
Prior year adjustment	(926,188)	935,943
Loan Loss provision	(37,486,610)	(45,435,856)
Investment income from Short Term Deposit, Foreign Bills and Bonds	(22,638,538)	(7,943,257)
Investment Income from local Treasury Bills and Bonds	-	(1,973)
Interest from Claims from Gold Transactions	(360,000)	(360,000)
Dividend Income	<u>1,280,013</u>	<u>6,167,963</u>
(Increase) / decrease in Foreign Currency Loans to Banks	(171,238,142)	(31,046,817)
(Increase) / decrease in Other Receivable on Foreign Currency Loans	(772,464)	(1,041,648)
(increase) / decrease in Loans to Government	(35,813,500)	68,610,300
(increase)/ decrease in Local Currency loans to Banks, financial institutions and employees	(20,529,387)	5,324,548
increase/(decrease) in interest payable on SDR allocation	(103,896)	14,937
(increase)/decrease in other local currency financial assets	(406,065)	9,384,838
(increase)/decrease in other non-financial assets	(851,427)	197,124
increase/(decrease) in Notes in Circulation	376,924,293	154,472,050
increase/(decrease) in Other Local Currency Financial liabilities	53,491,839	12,048,347
	<u>200,701,251</u>	<u>217,963,680</u>
<b>Net cash from operating activities</b>	<u>201,981,264</u>	<u>224,131,643</u>
<b>Cash flows from investing activities</b>		
Settlement with liabilities with IMF	(295,257)	(2,555,402)
Investment Income from Short Term Deposit, US Treasury Notes, Foreign Bills and Bonds	37,486,610	45,293,776
Investment in Foreign Bills, US Treasury Notes and Bonds	107,905,781	244,591,318
Investment in foreign Short Term Deposits	(61,330,193)	(44,967,114)
Income from Claims from Gold Transactions	-	42,552
Investment Income from local Treasury Bills and Bonds	22,638,538	6,416,809
Investment in Local Treasury Bills and Bonds	(168,707,653)	(170,181,286)
Addition of fixed assets and intangible assets	(1,167,896)	(830,753)
Dividend Received	360,000	360,000
<b>Net cash used in investing activities</b>	<u>(63,110,070)</u>	<u>78,169,900</u>
<b>Cash flows from financing activities</b>		
Dividend paid to the Government of Bangladesh	(43,148,554)	(6,893,472)
<b>Net cash (used in)/from financing activities</b>	<u>(43,148,554)</u>	<u>(6,893,472)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>95,722,640</u>	<u>295,408,071</u>
Opening balance of cash and cash equivalents	352,953,269	57,545,198
<b>Cash and cash equivalents as at 30 June</b>	<u>448,675,909</u>	<u>352,953,269</u>
<b>Cash and cash equivalents includes</b>		
Foreign currency accounts	44,502,998	49,033,700
Foreign investments with maturity of three months or less	1,315,266,722	1,256,220,143
Taka coin and cash balances	4,845,937	4,995,764
Securities purchased under agreement to resell	71,590,246	176,630.70
Foreign currency deposits from banks and financial institutions	(223,955,687)	(199,619,066)
Short term borrowings	-	(95)
Deposits from banks and financial institutions	(763,574,306)	(757,853,809)
<b>Cash and cash equivalents as at 30 June</b>	<u>448,675,909</u>	<u>352,953,269</u>

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

**1 Reporting entity**

Bangladesh Bank ("the Bank"), a statutory body, is the Central Bank and apex regulatory body for the country's monetary and financial system 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
Chattogram Office	Notun/617, Shahid Sohrwardi Road, Chattogram
Rajshahi Office	Natore Road, Majhi Hata, Boalia, Rajshahi-6000
Bogura Office	Holding - 1683, Thonthonia, Bogura-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 2020, 731 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 2020

The entire 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 and 13.01.

### 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 Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The compliance status of these IASs and IFRSs are 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 12: Income Taxes	Complied
IAS 16: Property, Plant and Equipment	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: 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
IAS 38: Intangible Assets	Complied
IAS 40: Investment Property	Not applicable
IAS 41: Agriculture	Not applicable
IFRS 1: First time Adoption of International Financial Reporting Standards	Not applicable
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 9: Financial Instruments	Complied
IFRS 10: Consolidated Financial Statements	Complied

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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IFRS 11: Joint Arrangements	Not applicable
IFRS 12: Disclosure of Interests in Other Entities	Complied
IFRS 13: Fair Value Measurement	Complied
IFRS 14: Regulatory Deferrals Accounts	Not applicable
IFRS 15: Revenue from Contract with Customers	Complied
IFRS 16: Leases	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
Amortised cost	Bangladesh Government Treasury bills; US Dollar Treasury bills, foreign bonds.
Fair value through OCI	Bangladesh Government Treasury bonds; US Treasury Notes. Gold and silver; Claims from gold transactions.
Present Value (PV)	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.

## 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 notes issued 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 19.

## 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

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, judgments 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 Comparative information**

In presentation of the financial statements, comparative information in respect of the previous year have been given in accordance with IAS-1 & IAS-8. The narrative and descriptive information have been given in notes to the financial statements, where relevant, for the understanding of the current year's financial statements.

### **2.07 Restatement/Reclassification**

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 the consolidated financial statements for the year ended 30 June, 2020, no 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.

### **3.01 Basis of consolidation**

The consolidated financial statements have been prepared in accordance with International Accounting Standard-27, "Separate Financial Statements" and International Financial Reporting Standard (IFRS)-10 "Consolidated Financial Statements".

#### **Subsidiary**

The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) is the subsidiary of the Bank. The Bank holds 11,998,994 shares in SPCBL. For compliance with the requirements of the minimum number of seven shareholders of a public limited company as per The Companies Act-1994, 1000 shares were allotted to the Governor of Bangladesh Bank, and, Deputy Governor of Bangladesh bank, Managing Director of The SPCBL, Secretary of Financial

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Institution Division of Ministry of Finance, Additional secretary of Ministry of Home Affairs, Joint Secretary of Internal Resources Division and Director General of Bangladesh Postal Department were allotted one share each. However, Bangladesh Bank is the beneficial owner of all these shares. In a strict sense, The non-controlling interest (NCI) comes to BDT 2,390,986 only as on 30 June, 2020. Since the NCI is not material, and according to the commercial substance the beneficial owner is the Bank, the Bank does not recognise non-controlling interest. SPCBL is responsible for printing and supplying the Bank with bank notes based on the requirements from time to time. It 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.

**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 Novel Coronavirus (COVID-19) impact**

COVID-19 pandemic has occurred during the reporting period and Bangladesh Government has taken many initiatives to cushion the sudden economic fallout of COVID-19 including offering stimulus packages for business sectors ranging from large industries to SMEs. Among those stimulus packages, most of the packages will be managed by the Bangladesh Bank under its different refinance scheme. It is mentionable that the fund disbursement under those refinance scheme during the reporting period is insignificant to the total declared package. The disbursed amount under different stimulus packages in the form of refinance scheme is accordingly reported inclusively under local currency loans to banks and financial institutions. Those stimulus packages are offered at the rate of 1-5% with the maturity of maximum 3 years.

**3.03 Current changes to IFRS**

**IFRS 16 - Leases**

IFRS 16 'Leases' provides a single lessee accounting model, requiring lessees to record all leases on the statement of financial position, unless the lease term is under 12 months or the underlying asset has a low value. Effective from January 1, 2019, the Bank adopted IFRS 16 Leases and the related amendments. The adoption of IFRS 16 resulted in changes to the Bank's accounting policies for the recognition and measurement of leases for which the Bank is a lessee. The Bank's accounting policy for leases is discussed in Note 3.15(h).



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### 3.04 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 BDT)	
	30-Jun-20	30-Jun-19
US Dollar	84.9000	84.5000
Australian Dollar	58.5980	59.3190
Canadian Dollar	62.5507	64.5531
EURO	95.3512	96.0596
Pound Sterling	105.2675	107.2559
CNY	12.0117	12.3034
JPY	0.7867	0.7833
SDR	116.7969	117.4719
SGD	60.9432	62.4908
SEK	9.1106	9.1041

### 3.05 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.

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**3.06 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.

**(b) Classification and subsequent measurement**

Classification of financial assets and liabilities for the purpose of measurement subsequent to initial recognition in accordance with IFRS 9 *Financial Instruments* is made in the following manner:

**(1) Financial Assets & Financial liabilities carried at amortised cost :**

A financial asset shall be measured at amortised cost if both of the following conditions are met

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Foreign bonds, US dollar treasury bills, Treasury bills of the Government of Bangladesh, equity investment in HBFC debentures and swift share are classified as amortised cost 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.

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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.

(2) Fair value through other comprehensive income :

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Us Treasury Notes, gold and silver, bonds of the Government of Bangladesh, equity investment (investment in SPCBL, shares of ICB Islamic Bank Limited are classified as fair value through other comprehensive income.

(3) Financial assets and financial liabilities at fair value through profit or loss:

A financial asset is measured at fair value through profit or loss -

- unless it is measured under above stated two classification.
- However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

**(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 irrecoverability.

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

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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.

**(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

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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.

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) De-recognition**

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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability. On de-recognition 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 de-recognised when sold and corresponding receivables from the buyer for the payment are recognised when the asset is delivered to the buyer.

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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**

Judgment is required when determining whether there is objective evidence that impairment exists and, if so, the appropriate amount of ECLs to recognize. The measurement of ECLs reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date regarding past events, current conditions and forecasts of future economic conditions. Financial assets are categorized into the following three stages depending on their assessed credit risk:

Stage 1 Financial assets are categorized as Stage 1 when first recognized. The Bank records an allowance for 12-month ECLs in profit or loss, and interest revenue is calculated on the gross carrying amount of the asset.

Stage 2 Financial assets are categorized as Stage 2 when they have experienced a significant increase in credit risk since initial recognition. The Bank records an allowance for lifetime ECLs, and interest revenue is calculated on the gross carrying amount of the asset.

Stage 3 Financial assets are categorized as Stage 3 when they are considered credit-impaired. The Bank records an allowance for lifetime ECLs, and interest revenue is calculated based on the net carrying amount of the asset (gross carrying amount less the loss allowance), rather than on its gross carrying amount.

ECLs are estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

Being Central Bank, the Bank always manages the financial assets in prudent way with high quality counterpart. Thus in assessing ECLs on these instruments, the Bank has applied the minimal risk practical expedient available under IFRS 9 due to their high credit quality. The Bank continuously monitors relevant economic and financial developments.

All the Bank's financial assets subject to impairment assessments are Stage 1 and are considered to have low credit risk. There were no transfers of financial instruments between stages during the reporting period. The Bank did not record any ECLs on its financial instruments as at June 30, 2020.



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**(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.

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.

**3.07 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 3.05 for accounting policy on foreign exchange gain/loss).

**3.08 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 & treasury notes. 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.

**3.09 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.

**3.10 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.

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### 3.11 Loans to the Government of Bangladesh

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

#### ***Ways and Means Advance (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.60,000 million (2019: Tk. 40,000 million), is treated as WMA with interest being charged thereon at the reverse 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. 60,000 million limit set for WMA are recognised as overdraft-current with a limit not exceeding Tk. 60,000 million (2019: Tk. 40,000 million). Interest is charged thereon at a rate one percent higher than the reverse repo rate. Any recovery or surplus realised by the Bank from the Government is first applied to the overdraft-current account balance. Any surplus remaining after 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.

### 3.12 Local currency investments

Group investment comprises investment in debenture of Bangladesh House Building Finance Corporation (BHBFC), shares of the ICB Islamic Bank Ltd and short term deposit with local commercial banks. Investment in debentures are measured at amortized cost and shares are measured at fair value.

### 3.13 Local currency loans to banks, financial institutions and employees

These comprise loans to state owned, private, and specialised commercial banks, other

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scheduled banks and financial institutions and loans to the Bank employees. These are reported net of allowances for loan impairment losses if any.

### 3.14 Gold and silver

Physical gold and silver are stored at Motijheel branch of the Bank and Bank of England. 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'.

### 3.15 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 subsequently other items of PPE were revalued as at 31 January 2018 by an independent valuer, S.F. Ahmed & Co. Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

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- (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, furniture and fixtures, mechanical equipment, motor vehicles, computer & networking, artefacts and currency museum, intangible assets, electrical installation and gas installation were revalued using a combination of approaches which include depreciated replacement cost for building and civil construction and market considerations for other assets.

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.

**(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:

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Class of Property, plant and equipment (PPE)	Bank	SPCBL
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 Artefacts	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.

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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.

**(h) Leases**

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into (or changed) on or after 1 January 2019. The Bank recognizes a right-of-use leased asset and lease liability at the lease commencement date.

The Bank recognizes right-of-use assets and lease liabilities for the leases – i.e. these leases are on-balance sheet. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Right-of-use assets are measured at the amount of the lease liability on adoption. Leases are recognized at the commencement of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. The liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicated in the lease or if that rate cannot be determined, the Bank's incremental borrowing rate. The Bank presents right-of-use assets in "Property Plant and Equipment" (Note 15) and lease liabilities in "Other Local Currency Financial Liabilities" (Note 22) in the Statement of Financial Position.

**3.16 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

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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.

**3.17 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.

**3.18 Employee benefits**

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by an employee. Employee benefits are recognised as:

- (a) a liability (accrued expense) when an employee has provided service in exchange for employee benefits to be paid in the future; and
- (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

**3.19 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.



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**3.20 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%) 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% (2019: 13%). Any shortfall in the return from investments is funded by the Bank by charging in its statement of profit or loss.

**(ii) Pension scheme**

Employees are entitled to pension amounting to maximum of 90% (2019: 90%) of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Tk. 230 (2019: Tk. 230) per Tk. 1 surrendered from the pension. Employees will receive their pension monthly over the remaining lifetime against remaining 50% of the pension amount .

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All employees irrespective of joining date are entitled to medical allowance in cash (Tk. 1,500 per month up to age 65 years and Tk. 2,500 after 65 years) even after retirement as prescribed by the government.

The Bank actuarially valued its pension liabilities as at 30 June 2016. 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.

### **(iii) Gratuity scheme**

The Bank actuarially valued its gratuity scheme and measured its liability for defined benefit obligation as at 30 June 2016. 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 the statement of profit or loss and 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.

### **3.21 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.

### **3.22 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.

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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.

### **3.23 Notes in circulation**

Bank notes issued by the Bank represents a claim on the Bank in favour of the holder. The liability for bank notes in circulation is recorded at face value in the financial statements.

### **3.24 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.

### **3.25 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.

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.

### **3.26 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.

### **3.27 Dividend income**

Dividend income is recognised in the separate financial statements of the Bank when the right to receipt of income is established.

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**3.28 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 32.5% ( 2019: 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 subsidiary to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

**3.29 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.

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	<u>2020</u>	<u>2019</u>
<b>4 Foreign currency accounts</b>		
Represents the equivalent accumulated value of different foreign currency account held with other central banks and with foreign commercial banks located outside Bangladesh.		
<b>Balance held with</b>		
Other central banks	34,448,203	19,095,848
Foreign commercial banks	10,054,795	29,937,852
<b>Total</b>	<b><u>44,502,998</u></b>	<b><u>49,033,700</u></b>
<b>5 Foreign investments</b>		
Overnight investment	219,412,852	142,024,849
Short term deposits with overseas commercial banks	1,340,280,046	1,120,605,668
US Dollar treasury bills	84,815,473	84,024,892
Foreign bonds	578,346,333	619,953,124
US treasury notes	210,274,881	277,364,450
<b>Total</b>	<b><u>2,433,129,585</u></b>	<b><u>2,243,972,983</u></b>
<b>6 International Monetary Fund related assets and liabilities</b>		
<b>6.01 Assets held with International Monetary Fund</b>		
Quota	124,575,574	125,295,529
Quota(IMF) paid by Government*	(14,546,567)	(14,546,567)
SDR holding	94,179,557	105,244,139
Interest receivable on SDR holding	11,924	218,406
<b>Total</b>	<b><u>204,220,488</u></b>	<b><u>216,211,507</u></b>
*The amount represents 25% of increased quota amount (SDR 533.30 million) which was paid in foreign currency from from government account. The quota increase was effected in 2016.		
<b>6.02 Liabilities with International Monetary Fund</b>		
IMF securities	147,915,814	107,534,734
Advances to Government against RFI from IMF*	(41,268,430)	-
IMF-1 and IMF-2 account	1,604,725	1,604,800
SDR allocation	59,613,736	59,958,244
IMF Extended Credit Facility (ECF)	54,457,304	65,511,647
Interest payable	6,636	110,532
<b>Total</b>	<b><u>222,329,785</u></b>	<b><u>234,719,957</u></b>

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	2020	2019
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Bangladesh has been a member of the International Monetary Fund ("IMF") since 1972. The Bank acts as both the fiscal agent and the depository for the IMF. As fiscal agent, Bangladesh Bank is authorised to carry out all operations and transactions with the 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.

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.

Bangladesh Bank has revalued IMF Securities, IMF 1 & 2 Account using the SDR exchange rate prevailing as on 30 April, 2020 to agree with the balances shown in the financial statements of IMF. The other accounts namely SDR Allocation, IMF Extended Credit Facility etc. were translated to Taka at the exchange rate ruling at 30 June 2020.

\*On request of the Government of Bangladesh for emergency financing due to COVID-19 pandemic, IMF approved a purchase of SDR 355.53 million ( about US dollar 488 million or 33.33% of quota) under the Rapid Financing Instrument (RFI) to address the urgent balance-of-payments and fiscal needs of Bangladesh. As depository, Bangladesh Bank received the fund on 02.06.2020 and deposited the same amount to a Government account as per prior consent of IMF. However, ministry of finance has a promissory note against RFI financing in requirement of IMF and is recorded by Bangladesh Bank in the Securities Account, an account maintained on behalf of IMF as depository, against creating a contra account named " Advances to Government against RFI from IMF".

## 7 Gold and silver

Gold	67,421,684	53,475,245
Silver	255,293	218,425
<b>Total</b>	<b>67,676,977</b>	<b>53,693,670</b>

The Bank has in total 449,143.46 troy ounce of gold and 168,728.27 troy ounce of silver

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	2020	2019
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under its holding. Out of the total holding, 375,202.41 troy ounces of gold are held at Bank of England which is subjected to lending operation and 73,941.05 troy ounces of gold & 168,728.27 troy ounce of silver are stored at own local vault of Bangladesh Bank.

**8 Foreign currency loans to banks**

Export Development Fund (EDF) Dollar investment	378,307,247	278,078,622
Long Term Financing Facility (LTFF) Investment under FSSP	17,575,898	15,619,101
Green Transformation Fund	5,372,752	1,882,047
Rupali Bank Karachi*	8,500	8,533
Less: Provision for loan losses (for Rupali Bank Karachi)	(8,500)	(8,533)
<b>Total</b>	<b>401,255,896</b>	<b>295,579,770</b>

\*This non-convertible account was created in 1979 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.

**9 Other foreign currency financial assets**

Swift shares	80	80
Interest receivable	11,240,438	13,943,885
Other receivable*	5,224,144	5,224,144
<b>Total</b>	<b>16,464,662</b>	<b>19,168,109</b>

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 unauthorized transactions were processed by Federal Reserve Bank of New York resulting in BDT 6,365 million (equivalent 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 Bangladesh Bank to halt onward payments, RCBC allowed those account holders to pay out a significant portion of these monies to other recipients. On the basis of mutual legal assistance request of Bangladesh Bank, the Philippine Department of Justice has been extending all sorts of legal assistance along with appointing government lawyer in the Philippine court on behalf of Bangladesh for recovery of the heisted money of Bangladesh. Furthermore, 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 has already recovered BDT 1,146.59 million (equivalent of USD 14.61 million). Account frozen order and asset preservation order has been issued by respective Philippine court as well as civil forfeiture



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	2020	2019
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case is under process against stolen monies. Bangladesh Bank, Federal Reserve Bank of New York & Federal Bureau of Investigation of USA are also working on it collaboratively. On the process of recovering the heisted money, a "Resolution and Assistance Agreement" was signed between Bangladesh Bank and Federal Reserve Bank of New York on 29 Jan, 2019 and Bangladesh Bank filed a law suit against 7(Seven) persons, 20(Twenty) institutions and 25(Twenty five) anonymous persons & institutions at the District Court for the Southern District of New York, USA on 31 Jan, 2019. In response to the law suit, the defendants filed an affidavit of Motion to dismiss.

After the hearing, United States District Court for the Southern District of New York issued a decree on 20 March, 2020 which includes following two judgments: 1) The defendant plea of Motion to dismiss has been dismissed following the forum non conveniens doctrine. 2) Bangladesh Bank's accusation, placed under Racketeer Influenced and Corrupt Organizations Act(RICO), against RCBC and others has not been accepted for trial due to technical reasons. Based on Bangladesh Bank's appointed law firm Cozen O'Connor's recommendation in response to the judgment given, Bangladesh Bank has appealed against the judgment of United States District Court for the Southern District of New York. In addition, Bangladesh Bank filed a law suit against RCBC and others at the New York County Supreme Court on 27 May, 2020.

It may be mentioned that earlier on the Bangladesh Bank's management concurred with external legal counsel who is confident of recovery. By dismissing the defendant plea of Motion to dismiss by the United States District Court for the Southern District of New York, Bangladesh Bank's stance of filing a law suit to recover the heisted money has been established. Considering the above facts, the remaining unrecovered amounts are being reported as other foreign currency financial assets in these financial statements since the recovery process is underway through legal procedure.

**10 Consolidated Taka coin and cash balances**

Taka coin	4,839,751	4,974,704
Cash balances	13,474,581	11,915,557
<b>Total</b>	<b>18,314,332</b>	<b>16,890,261</b>

**10.01 Taka coin and cash balances**

Taka coin	4,839,751	4,974,704
Cash balances	6,187	21,059
<b>Total</b>	<b>4,845,937</b>	<b>4,995,763</b>

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	2020	2019
Taka coin and cash balances represent 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 Somali Bank Limited, Mymensingh branch.		
<b>11 Loans to the Government of Bangladesh</b>		
Ways and means advance (WMA)	60,000,000	14,228,800
Overdraft - current (ODC)	5,042,300	-
Overdraft - block (ODB)	11,850,000	26,850,000
Treasury bills	83,942,450	144,784,447
Treasury bonds	259,255,958	128,049,331
<b>Total</b>	<b>420,090,708</b>	<b>313,912,578</b>

**12 Consolidated local currency investments**

Short term money market investments*	3,724,823	3,119,994
Debenture - BHBFC	3,945,000	3,945,000
Shares- ICB Islamic Bank Limited**	7,452	7,452
<b>Total</b>	<b>7,677,275</b>	<b>7,072,446</b>

\*These represent the total amount of term deposits by SPCBL with different local commercial banks.

\*\*SPCBL holds 745,200 shares of Tk.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.

**12.01 Local currency investments**

Debenture - BHBFC	3,945,000	3,945,000
Investment in subsidiary	12,000,000	12,000,000
<b>Total</b>	<b>15,945,000</b>	<b>15,945,000</b>

**13 Consolidated local currency loans to banks, financial institutions and employees**

**(i) Local currency loans to banks and financial institutions**

State owned banks:

Commercial banks	3,347,446	4,219,138
Specialised banks*	54,315,833	40,484,822
	<b>57,663,278</b>	<b>44,703,960</b>
Provision for impairment (Note 13.a)	(6,728,955)	(7,848,948)
	<b>50,934,323</b>	<b>36,855,012</b>

Other banks and financial institutions:

Private banks	2,929,454	3,049,000
Other loans and advances	25,946,590	21,902,157
	<b>28,876,044</b>	<b>24,951,157</b>
Interest receivable	1,092,608	478,880

**Total (i)** **80,902,975** **62,285,049**

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	2020	2019
<b>(ii) Local currency loans and advances to employees</b>		
Loans and advances to employees	43,195,506	41,083,272
Provision for loan losses (Note 13.b)	(833,676)	(639,904)
<b>Total (ii)</b>	<b>42,361,830</b>	<b>40,443,367</b>
<b>Total loans (i+ii)</b>	<b>123,264,805</b>	<b>102,728,416</b>

### 13.01 Local currency loans to banks, financial institutions and employees

#### (i) Local currency loans to banks and financial institutions

State owned banks:		
Commercial banks	3,347,446	4,219,138
Specialised banks*	54,315,833	40,484,822
	<b>57,663,278</b>	<b>44,703,960</b>
Provision for impairment (Note 13.a)	(6,728,955)	(7,848,948)
	<b>50,934,323</b>	<b>36,855,012</b>
Other banks and financial institutions:		
Private banks	2,929,454	3,049,000
Other loans and advances	25,946,590	21,902,157
	<b>28,876,044</b>	<b>24,951,157</b>
Interest receivable	1,092,608	478,880
<b>Total (i)</b>	<b>80,902,975</b>	<b>62,285,049</b>

#### (ii) Local currency loans and advances to employees

Loans and advances to employees	41,475,672	39,370,437
Provision for loan losses (Note 13.b)	(833,676)	(639,904)
<b>Total (ii)</b>	<b>40,641,996</b>	<b>38,730,533</b>
<b>Total loans (i+ii)</b>	<b>121,544,971</b>	<b>101,015,582</b>

\*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

### 13.a Provision for impairment

Opening balance	7,848,948	7,015,005
Charges/(Released) during the year	(1,119,993)	833,943
<b>Total</b>	<b>6,728,955</b>	<b>7,848,948</b>

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	<u>2020</u>	<u>2019</u>
<b>13.b Provision for loan losses</b>		
Opening balance	639,904	536,765
Charged/(Released) during the year	193,772	103,139
<b>Total</b>	<b><u>833,676</u></b>	<b><u>639,904</u></b>

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.

**14 Consolidated other local currency financial assets**

Unutilised Financial Sector Support Project (FSSP) Fund	3,347,233	6,157,288
Interest receivables	6,631,639	3,283,529
Others	4,136	4,136
<b>Total</b>	<b><u>9,983,008</u></b>	<b><u>9,444,952</u></b>

**14.01 Other local currency financial assets**

Unutilised Financial Sector Support Project (FSSP) Fund	3,347,233	6,157,288
Interest receivables	5,925,107	2,708,988
<b>Total</b>	<b><u>9,272,340</u></b>	<b><u>8,866,275</u></b>

Interest receivables include interest receivable on Government Treasury bills and bonds, Debenture-HBFC etc.

## BANGLADESH BANK : NOTES TO THE FINANCIAL STATEMENTS

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### 15 Property, Plant and Equipment Consolidated

30 June 2020

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artefacts & Currency Museum	Low value assets	Right of use of leased assets	Capital work in progress	Total
<b>Cost</b>														
As at 1 July 2019	36,551,304	7,096,233	7,768,765	2,084,719	647,387	323,305	805,661	2,552	76,575	1,735	65,704	-	1,901,452	57,325,391
Addition during the year	-	21,283	40,657	178,908	29,948	22,384	43,043	112	4,481	120	4,756	288,607	694,397	1,328,696
Transfers during the year	-	8,385	803,049	-	-	-	-	-	-	-	-	-	(811,434)	-
Disposals during the year	-	-	(304)	-	-	(3,593)	-	-	-	-	-	-	-	(3,896)
<b>As at 30 June 2020</b>	<b>36,551,304</b>	<b>7,125,901</b>	<b>8,612,168</b>	<b>2,263,627</b>	<b>677,335</b>	<b>342,096</b>	<b>848,704</b>	<b>2,664</b>	<b>81,056</b>	<b>1,855</b>	<b>70,460</b>	<b>288,607</b>	<b>1,784,415</b>	<b>58,650,191</b>
<b>Accumulated depreciation</b>														
As at 1 July 2019	-	3,066,418	2,924,075	1,788,055	275,878	286,656	408,814	1,986	28,089	38	63,477	-	-	8,843,486
Prior year adjustment	-	-	227,514	-	-	-	-	-	-	-	-	-	-	227,514
Charge for the year	-	398,048	379,264	105,510	64,431	20,831	120,434	287	15,885	88	3,611	73,404	-	1,181,793
Disposals during the year	-	-	(303)	-	-	(3,558)	-	-	-	-	-	-	-	(3,861)
<b>As at 30 June 2020</b>	<b>-</b>	<b>3,464,466</b>	<b>3,530,550</b>	<b>1,893,565</b>	<b>340,309</b>	<b>303,929</b>	<b>529,248</b>	<b>2,273</b>	<b>43,974</b>	<b>126</b>	<b>67,088</b>	<b>73,404</b>	<b>-</b>	<b>10,248,932</b>
<b>Net book value</b>														
As at 30 June 2020	36,551,304	3,661,435	5,081,618	370,062	337,026	38,167	319,456	391	37,082	1,729	3,372	215,203	1,784,415	48,401,259
As at 30 June 2019	36,551,304	4,029,815	4,844,690	296,664	371,509	36,649	396,847	566	48,486	1,697	2,227	-	1,901,452	48,481,905

\* The Bank's leases primarily consist of leases for rental of office space of Sena Kallyan Bhaban situated at Motijheel, Dhaka. In this regard, rental agreements were signed with effect from July 1, 2019.

**BANGLADESH BANK : NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

30 June 2019

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artefacts & Currency Museum	Low value assets	Right of use of leased assets	Capital work in progress	Total
<b>Cost</b>														
As at 1 July 2018	36,551,304	6,334,301	5,746,716	2,032,080	1,149,348	328,712	503,982	2,416	54,488	40	63,642	-	3,405,349	56,172,378
Addition during the year	-	40,947	29,391	89,323	29,033	-	306,850	136	22,087	1,695	2,062	-	1,006,755	1,528,278
Transfers during the year	-	724,270	2,261,526	55,414	(530,558)	-	-	-	-	-	-	-	(2,510,652)	-
Disposals during the year	-	(3,285)	(268,519)	(89,104)	(436)	(5,407)	(2,433)	-	-	-	-	-	-	(369,184)
Revaluation Adjustment	-	-	(349)	(2,994)	-	-	(2,738)	-	-	-	-	-	-	(6,081)
<b>As at 30 June 2019</b>	<b>36,551,304</b>	<b>7,096,233</b>	<b>7,768,765</b>	<b>2,084,719</b>	<b>647,387</b>	<b>323,305</b>	<b>805,661</b>	<b>2,552</b>	<b>76,575</b>	<b>1,735</b>	<b>65,704</b>	<b>-</b>	<b>1,901,452</b>	<b>57,325,391</b>
<b>Accumulated depreciation</b>														
As at 1 July 2018	-	2,506,602	2,804,835	1,784,872	356,013	252,481	319,913	1,726	15,105	1	60,344	-	-	8,101,892
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	359,302	381,239	92,275	122,178	39,582	91,334	260	12,984	37	3,133	-	-	1,102,324
Transfers during the year	-	201,961	-	-	(201,961)	-	-	-	-	-	-	-	-	-
Disposals during the year	-	(1,447)	(261,999)	(89,092)	(352)	(5,407)	(2,433)	-	-	-	-	-	-	(360,730)
<b>As at 30 June 2020</b>	<b>-</b>	<b>3,066,418</b>	<b>2,924,075</b>	<b>1,788,055</b>	<b>2,75,878</b>	<b>286,656</b>	<b>408,814</b>	<b>1,986</b>	<b>28,089</b>	<b>38</b>	<b>63,477</b>	<b>-</b>	<b>-</b>	<b>8,843,486</b>
<b>Net book value</b>														
As at 30 June 2019	36,551,304	4,029,815	4,844,690	296,664	371,509	36,649	396,847	566	48,486	1,697	2,227	-	1,901,452	48,481,905
As at 30 June 2018	36,551,304	3,827,699	2,941,881	247,208	793,335	76,231	184,069	690	39,383	39	3,298	-	3,405,349	48,070,486

## BANGLADESH BANK : NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

### 15.01 Property, Plant and Equipment

#### Separate

30 June 2020

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artefacts & Currency Museum	Low value assets	Right of use of leased assets	Capital work in progress	Total
<b>Cost</b>														
As at 1 July 2019	32,892,704	5,875,900	886,503	2,084,719	608,468	284,473	805,661	2,552	76,575	1,735	65,704	-	1,440,592	45,025,585
Addition during the year	-	5,542	14,979	178,908	28,510	22,341	43,043	112	4,481	120	4,756	288,607	576,498	1,167,896
Transfers during the year	-	8,385	255,705	-	-	-	-	-	-	-	-	-	(264,090)	-
Disposals during the year	-	-	-	-	-	(3,593)	-	-	-	-	-	-	-	(3,593)
<b>As at 30 June 2020</b>	<b>32,892,704</b>	<b>5,889,827</b>	<b>1,157,187</b>	<b>2,263,627</b>	<b>636,978</b>	<b>303,221</b>	<b>848,704</b>	<b>2,664</b>	<b>81,056</b>	<b>1,855</b>	<b>70,460</b>	<b>288,607</b>	<b>1,753,000</b>	<b>46,189,888</b>
<b>Accumulated depreciation</b>														
As at 1 July 2019	-	2,264,691	669,874	1,788,056	240,052	258,413	408,814	1,986	28,089	38	63,477	-	-	5,723,490
Charge for the year	-	349,318	54,830	105,510	63,805	17,002	120,434	287	15,885	88	3,611	73,404	-	804,175
Disposals during the year	-	-	-	-	-	(3,558)	-	-	-	-	-	-	-	(3,558)
<b>As at 30 June 2020</b>	<b>-</b>	<b>2,614,009</b>	<b>724,704</b>	<b>1,893,566</b>	<b>303,857</b>	<b>271,857</b>	<b>529,248</b>	<b>2,273</b>	<b>43,974</b>	<b>126</b>	<b>67,088</b>	<b>73,404</b>	<b>-</b>	<b>6,524,106</b>
<b>Net book value</b>														
<b>As at 30 June 2020</b>	<b>32,892,704</b>	<b>3,275,818</b>	<b>432,483</b>	<b>370,061</b>	<b>333,121</b>	<b>31,364</b>	<b>319,456</b>	<b>391</b>	<b>37,082</b>	<b>1,729</b>	<b>3,372</b>	<b>215,203</b>	<b>1,753,000</b>	<b>39,665,782</b>
<b>As at 30 June 2019</b>	<b>32,892,704</b>	<b>3,611,209</b>	<b>216,629</b>	<b>296,663</b>	<b>368,416</b>	<b>26,060</b>	<b>396,847</b>	<b>566</b>	<b>48,486</b>	<b>1,697</b>	<b>2,227</b>	<b>-</b>	<b>1,440,592</b>	<b>39,302,097</b>

\* The Bank's leases primarily consist of leases for rental of office space of Sena Kallyan Bhaban situated at Motijheel, Dhaka. In this regard, rental agreements were signed with effect from July 1, 2019.



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30 June 2019

Particulars	Land	In thousand Tk.											Total				
		Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artefacts & Currency Museum	Low value assets	Right of use of leased assets		Capital work in progress			
<b>Cost</b>																	
As at 1 July 2018	32,892,704	5,117,742	1,108,307	2,032,080	111,238	289,880	503,982	2,416	54,488	40	63,642	-	1,393,578	-	-	44,570,097	
Addition during the year	-	37,173	27,681	89,323	28,224	-	306,850	136	22,087	1,695	2,062	-	315,523	-	-	830,753	
Transfers during the year	-	724,270	19,383	55,414	(530,558)	-	-	-	-	-	-	-	(268,509)	-	-	-	
Disposals during the year	-	(3,285)	(268,519)	(89,104)	(436)	(5,407)	(2,433)	-	-	-	-	-	-	-	-	(369,184)	
Revaluation Adjustment	-	-	(349)	(2,994)	-	(2,738)	-	-	-	-	-	-	-	-	-	(6,081)	
<b>As at 30 June 2019</b>	<b>32,892,704</b>	<b>5,875,900</b>	<b>886,503</b>	<b>2,084,719</b>	<b>608,468</b>	<b>284,473</b>	<b>805,661</b>	<b>2,552</b>	<b>76,575</b>	<b>1,735</b>	<b>65,704</b>	<b>-</b>	<b>1,440,592</b>	<b>-</b>	<b>-</b>	<b>45,025,585</b>	
<b>Accumulated depreciation</b>																	
As at 1 July 2018	-	1,753,281	852,554	1,784,873	321,091	228,800	319,913	1,726	15,105	1	60,344	-	-	-	-	5,337,688	
Charge for the year	-	310,896	79,319	92,275	121,274	35,020	91,334	260	12,984	37	3,133	-	-	-	-	746,532	
Transfers during the year	-	201,961	-	-	(201,961)	-	-	-	-	-	-	-	-	-	-	-	
Disposals during the year	-	(1,447)	(261,999)	(89,092)	(352)	(5,407)	(2,433)	-	-	-	-	-	-	-	-	(360,730)	
<b>As at 30 June 2019</b>	<b>-</b>	<b>2,264,691</b>	<b>669,874</b>	<b>1,788,056</b>	<b>240,052</b>	<b>258,413</b>	<b>408,814</b>	<b>1,986</b>	<b>28,089</b>	<b>38</b>	<b>63,477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,723,490</b>	
<b>Net book value</b>																	
As at 30 June 2019	32,892,704	3,611,209	216,629	296,663	368,416	26,060	396,847	566	48,486	1,697	2,227	-	1,440,592	-	-	39,302,095	
As at 30 June 2018	32,892,704	3,364,461	255,753	247,207	790,147	61,080	184,069	690	39,383	39	3,298	-	1,393,578	-	-	39,232,410	

**BANGLADESH BANK**  
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	2020	2019
<b>16 Intangible assets</b>		
Intangible asset at cost	1,391,116	1,357,168
Accumulated amortisation	(1,350,789)	(1,319,886)
Capital work in progress	392,277	188,621
<b>Total</b>	<b>432,604</b>	<b>225,903</b>

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.

<b>17 Consolidated other non-financial assets</b>		
Prepayments and advances	550,809	841,678
Stock	2,872,451	2,209,476
Sundry debtors	955,382	627,140
<b>Total</b>	<b>4,378,642</b>	<b>3,678,294</b>

**17.01 Other non-financial assets**

Prepayments and advances	1,068,452	241,918
Stock	113,181	88,288
<b>Total</b>	<b>1,181,633</b>	<b>330,206</b>

**18 Deposits from banks and financial institutions**

Foreign currency deposits from commercial banks	163,082,231	113,152,758
Asian Clearing Union (ACU)	60,860,437	86,466,308
Interest payable on ACU	13,019	232,653
<b>Total</b>	<b>223,955,687</b>	<b>199,851,719</b>

**19 Notes in circulation**

Notes in circulation	2,065,528,250	1,688,603,904
Cash in hand	(84)	(30)
<b>Total</b>	<b>2,065,528,167</b>	<b>1,688,603,874</b>

Notes in circulation represents currency issued having a claim on Bangladesh Bank. However, cash in hand balance is the amount of issued bank note held at the Banking department of the Bank. The denomination of notes in circulation as at 30 June was as follows:

Denomination	Number in pieces	2020	2019
10 Taka note	1,515,370,139	15,153,701	15,193,241
20 Taka note	655,921,886	13,118,438	13,623,508
50 Taka note	345,700,971	17,285,049	17,122,630
100 Taka note	1,090,036,260	109,003,626	93,503,709
200 Taka note	12,302,706	2,460,541	-
500 Taka note	1,704,721,361	852,360,681	688,263,420
1000 Taka note	1,056,146,215	1,056,146,215	860,897,379
<b>Total</b>	<b>6,380,199,538</b>	<b>2,065,528,250</b>	<b>1,688,603,877</b>

**BANGLADESH BANK**  
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	<b>2020</b>	<b>2019</b>
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	11,099,416	8,803,458
Silver	255,293	218,425
Approved foreign exchange	2,010,000,000	1,610,000,000
Bangladesh Government securities	9,454,352	34,727,877
Taka coin	4,839,751	4,974,704
Other loans and advances	29,879,438	29,879,438
<b>Total</b>	<b>2,065,528,250</b>	<b>1,688,603,903</b>

**20 Deposits from banks and financial institutions**

State owned commercial banks	213,891,586	212,655,663
Government specialised banks	13,469,507	15,547,880
Private banks	459,120,852	474,544,437
Foreign banks	71,167,575	47,346,293
Financial institutions	5,889,269	7,729,916
Other banks	35,518	29,619
<b>Total</b>	<b>763,574,307</b>	<b>757,853,808</b>

Deposits from banks and financial institutions comprise required reserve deposits Cash Reserve Ratio (CRR) calculated at a rate of 5.5% (2017: 6.5%) on the bank's liability base, together with balances held for settlement purposes.

**21 Short term borrowings**

Bangladesh Bank bills	-	95
<b>Total</b>	<b>-</b>	<b>95</b>

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.

**22 Consolidated other local currency financial liabilities**

Government deposits	5,061	5,061
Other deposits (Note 22.02)	83,304,043	33,279,504
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	8,074,358	6,593,983
Lease liability ( Note: 22.03)	222,320	-

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	2020	2019
Interest suspense account	106,721	106,242
Deposits from donor agencies	39,287,344	40,208,634
Inter branch adjustments (suspense)	242,727	(734,531)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	21,132,671	19,541,744
Provision for gratuity*	2,150,108	2,070,771
Provision for leave encashment	3,223,410	3,089,783
Loan from Govt. of Bangladesh - Central Bank Strengthening Project ( Note 22.04)	2,420,326	2,477,702
Loan from Govt. of Bangladesh-Fin. Sector Support Project ( Note 22.05)	22,381,642	21,534,142
Deferred tax liability	575,083	660,810
Others - subsidiary	1,211,464	1,099,523
Fund for small investor affected in capital market	968,625	972,855
Miscellaneous	1,352	1,352
<b>Total</b>	<b>185,559,294</b>	<b>131,159,613</b>

**22.01 Other local currency financial liabilities**

Government deposits	5,061	5,061
Other deposits (Note 22.02)	83,304,043	33,279,504
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	9,194,911	8,352,750
Lease liability ( Note: 22.03)	222,320	-
Interest suspense account	106,721	106,242
Deposits from donor agencies	39,287,344	40,208,634
Inter branch adjustments (suspense)	242,727	(734,531)
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension*	21,132,671	19,541,744
Provision for gratuity*	1,669,876	1,816,844
Provision for leave encashment	2,929,959	2,813,441
Loan from Govt. of Bangladesh - Central Bank Strengthening Project ( Note 22.04)	2,420,326	2,477,702
Loan from Govt. of Bangladesh-Fin. Sector Support Project ( Note 22.05)	22,381,642	21,534,142
Fund for small investor affected in capital market	968,625	972,855
Miscellaneous	1,352	1,352
<b>Total</b>	<b>184,119,617</b>	<b>130,627,778</b>

\*Refer to note 43 for details.

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	2020	2019
<b>22.02</b> 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.		
<b>22.03 Lease liability</b>		
Recognized against Right of Use asset for rented office space of Sena Kallyan Bhaban situated at Motijheel, Dhaka. Total amount of lease liabilities fall within maturity of one to five years.		
<b>22.04 Central Bank Strengthening Project fund (CBSP)</b>		
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 Tk. 3,892 million (USD 55.60 million), of which IDA provided Tk. 3,060 million (USD 43.71 million) through Government and the rest Tk. 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 December 01, 2013 to June 01, 2043 as per revised schedule		
<b>22.05 Financial Sector Support Project (FSSP)</b>		
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 August 27, 2015 to this effect for execution of the Project. The Project is scheduled to close on September 30, 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.		
<b>23 Capital</b>	<b>30,000</b>	<b>30,000</b>

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.

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	2020	2019
<b>24 Consolidated revaluation reserves</b>		
Revaluation reserve - gold and silver (Note 24.02)	37,160,800	23,177,493
Revaluation reserve - foreign currency accounts (Note 24.03)	138,234,589	164,874,346
Revaluation reserve - property, plant and equipment (Note 24.04)	38,764,156	38,798,889
Revaluation reserve - financial instruments (Note 24.05)	4,690,125	(4,281,384)
<b>Total</b>	<b><u>218,849,670</u></b>	<b><u>222,569,344</u></b>

**24.01 Revaluation reserves**

Revaluation reserve - gold and silver (Note 24.02)	37,160,800	23,177,493
Revaluation reserve - foreign currency accounts (Note 24.03)	138,234,589	164,874,346
Revaluation reserve - property, plant and equipment (Note 24.04)	35,086,230	35,086,230
Revaluation reserve - financial instruments (Note 24.05)	4,690,125	(4,281,384)
<b>Total</b>	<b><u>215,171,744</u></b>	<b><u>218,856,685</u></b>

**24.02 Revaluation reserve - gold and silver**

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.

**24.03 Revaluation reserve - foreign currency accounts**

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.

**24.04 Revaluation reserve - property, plant and equipment**

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.

**24.05 Revaluation reserve - financial instruments**

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.

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	2020	2019
<b>25 Currency fluctuation reserve</b>	<b>71,264,137</b>	<b>40,357,497</b>

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.

	<b>Note</b>		
<b>26 Statutory funds</b>			
Rural credit fund	26.01	6,500,000	6,400,000
Agricultural credit stabilisation fund	26.02	6,500,000	6,400,000
Export credit fund	26.03	1,300,000	1,300,000
Industrial credit fund	26.04	1,337,852	1,287,852
Credit guarantee fund	26.05	879,194	879,194
<b>Total</b>		<b>16,517,046</b>	<b>16,267,046</b>

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.

#### 26.01 Rural credit fund

This fund was created as per Article 60(1) of Bangladesh Bank Order, 1972 for making of short term, medium term and long term loans and advances to co-operative bank, scheduled bank and rural credit agencies. An appropriation of Taka 100 million was made for this fund during the year.

#### 26.02 Agricultural credit stabilisation fund

This fund was created as per Article 61 of Bangladesh Bank Order, 1972 for making of loans and advances to apex co-operative banks. An appropriation of Taka 100 million was made for this fund during the year.

#### 26.03 Export credit fund

As per Article 63 of Bangladesh Bank Order, 1972 this fund was created for making of medium term and short term loans and advances to scheduled banks and other credit institutions for financing export from Bangladesh. No appropriation was made for this fund during the year.

#### 26.04 Industrial credit fund

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 50 million was made for this fund during the year.

#### 26.05 Credit guarantee fund

As per clause 24 of Article 16 of Bangladesh Bank Order, 1972 the Fund was created by appropriating profit every year as per decision of the Board of Directors to cover the loss sustained by scheduled banks for making small loans to cottage industries. No appropriation was made for this fund during the year.



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		2020	2019
<b>27</b>	<b>Non statutory funds</b>		
	<b>Note</b>		
	Small and medium enterprise fund	7,000,000	7,000,000
	Housing refinance fund	4,660,000	4,660,000
	Human resources development fund	270,551	275,148
	Monetary management fund	200,000	200,000
	Rural Agri product processing industries refinance fund	3,410,000	3,410,000
	Disaster management and social responsibility fund	100,000	100,000
	<b>Total</b>	<b>15,640,551</b>	<b>15,645,148</b>

#### 27.01 Small and medium enterprise fund

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.

#### 27.02 Human resources development fund

Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order, 1972 and decision taken by the Board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. at home and abroad. Appropriation to this fund was made from the dividend payable to Government for the year 2010-2011.

#### 27.03 Monetary management fund

Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation to this fund was made from the dividend payable to Government for the year 2010-2011.

#### 27.04 Rural Agri product processing industries refinance fund

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. 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.

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	2020	2019
<b>27.05 Disaster management and social responsibility fund</b>		
<p>This fund was created by the approval of Board of Directors (341 Board Meeting held in 2013). Primarily, the fund, Tk. 50 million as donation, was collected from Bangladesh Bank's 2012-2013 profit and subsequently Tk. 50 million will be deducted from each year's profit transferring the amount to this fund. From financial year 2014-2015, Tk. 100 million has been contributed deducting from each year's profit.</p>		
<b>28 Other reserves</b>		
Asset renewal and replacement reserve (28.01)	4,926,785	4,676,785
Interest reserve (28.02)	7,522,114	7,522,114
<b>Total</b>	<b>12,448,899</b>	<b>12,198,899</b>
<b>28.01 Asset renewal and replacement reserve</b>		
<p>Every year an amount equivalent to depreciation charge against buildings and installations is transferred to this fund during profit appropriation.</p>		
<b>28.02 Interest reserve</b>		
<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>		
<b>29 Consolidated general reserve</b>	<b>5,300,500</b>	<b>5,200,500</b>
<b>29.01 General reserve</b>	<b>4,250,500</b>	<b>4,250,500</b>
<p>As per Article 59 of Bangladesh Bank Order, 1972 securities having value of Tk. 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>		
<b>30 Consolidated retained earnings</b>		
Opening balance	55,813,625	18,838,181
Adjustment against due from Government	(18,214)	(9,397)
Dividend paid	(43,148,554)	(6,893,472)
Prior year adjustment	(227,514)	(60,535)
Derecognition of reserve on account of sale and maturity of assets	34,733	22,736
Profit for the period	62,898,250	45,016,112
Appropriation of profit to other funds	(4,866,883)	(1,000,000)
Transferred to general reserve	(100,000)	(100,000)
<b>Closing balance</b>	<b>70,385,443</b>	<b>55,813,625</b>

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	<u>2020</u>	<u>2019</u>
<b>30.01 Retained earnings</b>		
Opening balance	43,166,766	6,902,868
Adjustment against due from Government	(18,214)	(9,397)
Dividend paid	(43,148,554)	(6,893,472)
Prior year adjustment	-	(60,535)
Appropriation of profit to other funds	(600,000)	(1,000,000)
Profit for the period	57,589,389	44,227,302
<b>Closing balance</b>	<b><u>56,989,387</u></b>	<b><u>43,166,766</u></b>
<b>31 Interest income on foreign currency financial assets</b>		
Loans to banks	10,594,584	12,641,359
Short term deposits with commercial banks	20,970,451	23,534,245
Foreign bonds and US treasury notes	15,694,225	19,972,864
US treasury bills	1,386,137	1,928,746
Claims from gold transactions	-	1,973
Others	674,562	1,281,927
<b>Total</b>	<b><u>49,319,958</u></b>	<b><u>59,361,114</u></b>
<b>32 Commission and discounts</b>		
Commission on foreign currency operations	342,443	120,280
Others	-	382,600
<b>Total</b>	<b><u>342,443</u></b>	<b><u>502,880</u></b>
<b>33 Interest expenses on foreign currency financial liabilities</b>		
Deposits	1,853,605	1,676,296
Asian Clearing Union (ACU)	715,604	1,318,534
IMF	352,750	633,811
<b>Total</b>	<b><u>2,921,959</u></b>	<b><u>3,628,640</u></b>
<b>34 Consolidated interest income on local currency financial assets</b>		
Securities purchased under agreement to resell	3,376,172	354,521
Government securities	22,638,538	7,943,257
Loans and advance to Government	3,778,190	1,987,578
Debentures	197,250	197,250
Loans to banks, financial institution and employees	3,863,533	3,420,340
Short term money market deposits	983,433	896,838
<b>Total</b>	<b><u>34,837,116</u></b>	<b><u>14,799,784</u></b>

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	<b>2020</b>	<b>2019</b>
<b>34.01 Interest income</b>		
Securities purchased under agreement to resell	3,376,172	354,521
Government securities	22,638,538	7,943,257
Loans and advance to Government	3,778,190	1,987,578
Debentures	197,250	197,250
Loans to banks, financial institution and employees	3,780,257	3,340,365
<b>Total</b>	<b>33,770,407</b>	<b>13,822,971</b>
<b>35 Commission and discounts</b>		
Commission income from Government sources	9,285	11,582
Miscellaneous commission income	2,257,602	1,577,177
<b>Total</b>	<b>2,266,887</b>	<b>1,588,759</b>
<b>36 Other income</b>		
Exchange A/C	63	284
Gain on asset sale or de-recognition	1,646	3,722
Penal Interest	11,144	14,001
Misc. Income	10,618	-
<b>Total</b>	<b>23,472</b>	<b>18,007</b>
<b>37 Interest expense</b>		
Bangladesh Bank bills	756	7,889
Interest Expense- FSSP	224,580	218,332
Interest expense - CBSP	25,102	25,675
<b>Total</b>	<b>250,438</b>	<b>251,896</b>
<b>38 Commission and other expenses</b>		
Agency charges (Note 38.01)	6,998,000	6,766,608
Under writing commission on treasury bills & bonds (Note 38.02)	470,300	167,014
Other expenses	58,237	14,455
<b>Total</b>	<b>7,526,537</b>	<b>6,948,077</b>
<b>38.01 Agency charges</b>		
Agency charges paid to Sonali Bank Limited for acting as agent of Bangladesh Bank.		
<b>38.02 Under writing commission on treasury bills &amp; bonds</b>		
Underwriting commission paid to primary dealers for issuing Govt. treasury bill and bond.		

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	2020	2019
<b>39 Consolidated general and administrative expenses</b>		
Staff costs (Note 39 (a))	11,821,247	12,151,672
Depreciation	1,181,793	1,102,324
Amortisation	30,903	43,611
Directors' fees	1,177	1,050
Audit fees	8,869	8,869
Stationery	95,909	67,362
Rent, electricity etc.	299,201	382,502
Remittance of treasure	56,225	52,672
Donations	230,572	225,724
Telephone	115,754	113,376
Repairs & maintenance	386,038	335,497
Materials	1,941,199	2,981,433
Provision for Workers' Profit Participation Fund	94,775	88,200
Income tax and Value Added Tax	286,072	626,955
Miscellaneous	2,064,869	3,077,589
<b>Total</b>	<b>18,614,603</b>	<b>21,258,836</b>

**39 (a) Staff costs**

Salary	3,072,275	2,917,520
House rent	1,165,085	1,092,054
Contribution to contributory provident fund	768,038	863,203
Pension and gratuity	2,934,766	2,557,100
Leave encashment	294,866	1,050,336
General and incentive bonus	1,771,563	1,741,293
Medical expenses	463,998	471,115
Training	118,317	182,170
Travel expenses	446,255	427,528
Lunch	268,611	307,405
Other staff costs	517,473	541,948
<b>Total</b>	<b>11,821,247</b>	<b>12,151,672</b>

**39.01 General and administrative expenses**

Staff costs (Note 39.01(a))	10,837,317	10,771,420
Depreciation	804,175	746,532
Amortization	30,903	43,611
Directors' fee	635	654
Audit fee	8,294	8,294

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	<b>2020</b>	<b>2019</b>
Stationery	92,991	64,378
Rent	200,018	273,815
Remittance of treasure	55,904	52,304
Donations	209,698	202,183
Telephone	114,991	112,653
Repairs	375,435	289,457
Miscellaneous	1,637,233	3,057,652
<b>Total</b>	<b>14,367,592</b>	<b>15,622,953</b>

**39.01(a) Staff costs**

Salary	2,737,825	2,592,036
House rent	1,165,085	1,092,054
Contribution to contributory provident fund	493,638	163,203
Pension and gratuity	2,934,766	2,557,100
Leave encashment	255,489	995,363
General and incentive bonus	1,590,940	1,638,179
Medical expenses	450,943	457,302
Training	117,390	180,491
Travel expenses	432,606	414,757
Lunch	240,073	272,613
Other staff costs	418,564	408,322
<b>Total</b>	<b>10,837,317</b>	<b>10,771,420</b>

## BANGLADESH BANK : NOTES TO THE FINANCIAL STATEMENTS

### AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

#### 40 Financial instruments-Fair values and risk management

##### 40.1 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.

Particulars	30 June 2020						Total	Level 1	Level 2	Level 3	Total	
	Amortised Cost	Fair value through OCI	Carrying amount		Fair value							
			Fair value through OCI	Fair value through profit or loss	Level 1	Level 2						Level 3
<b>Financial assets measured at fair value</b>												
US treasury bills	84,815,473	-	-	-	-	84,815,473	84,815,473	-	-	-	84,815,473	
Foreign bonds	578,346,333	-	-	-	-	578,346,333	578,346,333	-	-	-	578,346,333	
US Treasury Notes	-	210,274,881	-	-	-	210,274,881	210,274,881	-	-	-	210,274,881	
Gold and silver	-	67,676,977	-	-	-	67,676,977	67,676,977	-	-	-	67,676,977	
Treasury bills	-	83,942,450	-	-	-	83,942,450	83,942,450	83,942,450	-	-	83,942,450	
Treasury bonds	-	259,255,958	-	-	-	259,255,958	259,255,958	259,255,958	-	-	259,255,958	
Swift shares	80	-	-	-	-	80	80	-	-	80	80	
Debtenture - House Building Finance Corporation	3,945,000	-	-	-	-	3,945,000	3,945,000	3,945,000	-	-	3,945,000	
	<b>667,106,885</b>	<b>621,150,266</b>	-	-	-	<b>1,288,257,152</b>	<b>941,113,663</b>	<b>347,143,408</b>	<b>80</b>	<b>80</b>	<b>1,288,257,152</b>	
<b>Financial assets not measured at fair value</b>												
Taka coin and cash balances	18,314,332	-	-	-	-	18,314,332	-	-	-	-	-	
Foreign currency accounts	44,502,998	-	-	-	-	44,502,998	-	-	-	-	-	
Overnight investment	219,412,852	-	-	-	-	219,412,852	-	-	-	-	-	
Short term deposits with overseas commercial banks	1,340,280,046	-	-	-	-	1,340,280,046	-	-	-	-	-	
Asset held with IMF	204,220,488	-	-	-	-	204,220,488	-	-	-	-	-	
Foreign currency loans to banks	401,255,896	-	-	-	-	401,255,896	-	-	-	-	-	
Interest receivable	11,240,438	-	-	-	-	11,240,438	-	-	-	-	-	
Other receivable	5,224,144	-	-	-	-	5,224,144	-	-	-	-	-	
Ways and means advance	60,000,000	-	-	-	-	60,000,000	-	-	-	-	-	
Overdraft - block	11,850,000	-	-	-	-	11,850,000	-	-	-	-	-	
Overdraft - current	5,042,300	-	-	-	-	5,042,300	-	-	-	-	-	
Short term money market investments	75,315,069	-	-	-	-	75,315,069	-	-	-	-	-	
Share of ICB Islamic Bank Limited	7,452	-	-	-	-	7,452	-	-	-	-	-	
Loan to commercial banks	3,347,446	-	-	-	-	3,347,446	-	-	-	-	-	
Loan to specialised banks	47,586,877	-	-	-	-	47,586,877	-	-	-	-	-	
Loan to private banks	2,929,454	-	-	-	-	2,929,454	-	-	-	-	-	
Other loans and advances	25,946,590	-	-	-	-	25,946,590	-	-	-	-	-	
Interest receivable	1,092,608	-	-	-	-	1,092,608	-	-	-	-	-	
Loans and advances to employees	42,361,830	-	-	-	-	42,361,830	-	-	-	-	-	
Other local currency financial assets	9,983,008	-	-	-	-	9,983,008	-	-	-	-	-	
	<b>2,529,913,826</b>	-	-	-	-	<b>2,529,913,826</b>	-	-	-	-	-	
<b>Financial liabilities measured at fair value</b>												
Nil	-	-	-	-	-	-	-	-	-	-	-	
<b>Financial liabilities not measured at fair value</b>												
Liabilities with IMF	222,329,785	-	-	-	-	222,329,785	-	-	-	-	-	
Foreign currency deposits by commercial banks	163,082,231	-	-	-	-	163,082,231	-	-	-	-	-	
Asian Clearing Union (ACU)	60,873,456	-	-	-	-	60,873,456	-	-	-	-	-	
Notes in circulation	2,065,528,167	-	-	-	-	2,065,528,167	-	-	-	-	-	
Local currency deposits from banks and financial institutions	763,574,307	-	-	-	-	763,574,307	-	-	-	-	-	
	<b>3,275,387,946</b>	-	-	-	-	<b>3,275,387,946</b>	-	-	-	-	-	

In thousand Tk.



**BANGLADESH BANK : NOTES TO THE FINANCIAL STATEMENTS**  
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Particulars	30 June 2019					Total	Fair value			Total
	Amortised Cost	Fair value through OCI	Carrying amount	Fair value through profit or loss	Total		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value</b>										
US treasury bills	84,024,892	-	84,024,892	-	84,024,892	-	-	-	84,024,892	-
Foreign bonds	619,953,124	-	619,953,124	-	619,953,124	-	-	-	619,953,124	-
US Treasury Notes	-	277,364,450	277,364,450	-	277,364,450	-	-	-	277,364,450	-
Gold and silver	-	53,693,670	53,693,670	-	53,693,670	-	-	-	53,693,670	-
Treasury bills	-	144,784,447	144,784,447	-	144,784,447	-	144,784,447	-	144,784,447	-
Treasury bonds	-	128,049,331	128,049,331	-	128,049,331	-	128,049,331	-	128,049,331	-
Swift shares	80	-	80	-	80	-	-	80	80	-
Debtenture - House Building Finance Corporation	3,945,000	-	3,945,000	-	3,945,000	-	3,945,000	-	3,945,000	-
	<b>707,923,096</b>	<b>603,891,898</b>	<b>1,311,814,995</b>	<b>1,035,036,136</b>	<b>276,778,777</b>	<b>80</b>	<b>1,311,814,995</b>	<b>80</b>	<b>1,311,814,995</b>	<b>80</b>
<b>Financial assets not measured at fair value</b>										
Taka coin and cash balances	16,890,261	-	16,890,261	-	16,890,261	-	-	-	16,890,261	-
Foreign currency accounts	49,033,700	-	49,033,700	-	49,033,700	-	-	-	49,033,700	-
Overnight investment	142,024,849	-	142,024,849	-	142,024,849	-	-	-	142,024,849	-
Short term deposits with overseas commercial banks	1,120,605,668	-	1,120,605,668	-	1,120,605,668	-	-	-	1,120,605,668	-
Asset held with IMF	216,211,507	-	216,211,507	-	216,211,507	-	-	-	216,211,507	-
Foreign currency loans to banks	295,579,770	-	295,579,770	-	295,579,770	-	-	-	295,579,770	-
Interest receivable	13,943,885	-	13,943,885	-	13,943,885	-	-	-	13,943,885	-
Other receivable	5,224,144	-	5,224,144	-	5,224,144	-	-	-	5,224,144	-
Ways and means advance	14,228,800	-	14,228,800	-	14,228,800	-	-	-	14,228,800	-
Overdraft - block	26,850,000	-	26,850,000	-	26,850,000	-	-	-	26,850,000	-
Short term money market investments	3,296,625	-	3,296,625	-	3,296,625	-	-	-	3,296,625	-
Share of ICB Islamic Bank Limited	7,452	-	7,452	-	7,452	-	-	-	7,452	-
Loan to commercial banks	4,219,138	-	4,219,138	-	4,219,138	-	-	-	4,219,138	-
Loan to specialised banks	32,635,874	-	32,635,874	-	32,635,874	-	-	-	32,635,874	-
Loan to private banks	3,049,000	-	3,049,000	-	3,049,000	-	-	-	3,049,000	-
Other loans and advances	21,902,157	-	21,902,157	-	21,902,157	-	-	-	21,902,157	-
Interest receivable	478,880	-	478,880	-	478,880	-	-	-	478,880	-
Loans and advances to employees	40,443,367	-	40,443,367	-	40,443,367	-	-	-	40,443,367	-
Other local currency financial assets	9,444,952	-	9,444,952	-	9,444,952	-	-	-	9,444,952	-
	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>	<b>2,016,070,029</b>
<b>Financial liabilities measured at fair value</b>										
Nil	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>										
Liabilities with IMF	234,719,957	-	234,719,957	-	234,719,957	-	-	-	234,719,957	-
Foreign currency deposits by commercial banks	113,152,758	-	113,152,758	-	113,152,758	-	-	-	113,152,758	-
Asian Clearing Union (ACU)	86,698,961	-	86,698,961	-	86,698,961	-	-	-	86,698,961	-
Notes in circulation	1,688,603,874	-	1,688,603,874	-	1,688,603,874	-	-	-	1,688,603,874	-
Local currency deposits from banks and financial institutions	757,853,808	-	757,853,808	-	757,853,808	-	-	-	757,853,808	-
Short term borrowings	95	-	95	-	95	-	-	-	95	-
	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>	<b>2,881,029,453</b>

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Particulars	30 June 2020						Total	Level 1	Fair value		Total
	Amortised Cost	Fair value through OCI	Carrying amount	Fair value through profit or loss		Total			Level 2	Level 3	
				Fair value	Fair value through OCI						
<b>Financial assets measured at fair value</b>											
US treasury bills	84,815,473					84,815,473	84,815,473				84,815,473
Foreign bonds	578,346,333					578,346,333	578,346,333				578,346,333
US Treasury Notes		210,274,881				210,274,881	210,274,881				210,274,881
Gold and silver		67,676,977				67,676,977	67,676,977				67,676,977
Treasury bills		83,942,450				83,942,450	83,942,450				83,942,450
Treasury bonds		259,255,958				259,255,958	259,255,958				259,255,958
Swift shares	80					80	80				80
Investment in subsidiary		12,000,000				12,000,000			12,000,000		12,000,000
Debtenture - House Building Finance Corporation	3,945,000					3,945,000	3,945,000				3,945,000
	<b>667,106,885</b>	<b>633,150,266</b>				<b>1,300,257,152</b>	<b>941,113,663</b>	<b>347,143,408</b>	<b>12,000,080</b>		<b>1,300,257,152</b>
<b>Financial assets not measured at fair value</b>											
Taka coin and cash balances	4,845,937					4,845,937					
Foreign currency accounts	44,502,998					44,502,998					
Overnight investment	219,412,852					219,412,852					
Short term deposits with overseas commercial banks	1,340,280,046					1,340,280,046					
Asset held with IMF	204,220,488					204,220,488					
Foreign currency loans to banks	401,255,896					401,255,896					
Interest receivable	11,240,438					11,240,438					
Other receivable	5,224,144					5,224,144					
Ways and means advance	60,000,000					60,000,000					
Overdraft - block	11,850,000					11,850,000					
Overdraft - current	5,042,300					5,042,300					
Securities purchased under agreement to resell	71,590,246					71,590,246					
Loan to commercial banks	3,347,446					3,347,446					
Loan to specialised banks	47,586,877					47,586,877					
Loan to private banks	2,929,454					2,929,454					
Other loans and advances	25,946,590					25,946,590					
Interest receivable	1,092,608					1,092,608					
Loans and advances to employees	40,641,996					40,641,996					
Other local currency financial assets	9,272,340					9,272,340					
	<b>2,510,282,654</b>					<b>2,510,282,654</b>					
<b>Financial liabilities measured at fair value</b>											
Nil											
<b>Financial liabilities not measured at fair value</b>											
Liabilities with IMF											
Foreign currency deposits by commercial banks	222,329,785					222,329,785					
Asian Clearing Union (ACU)	163,082,231					163,082,231					
Notes in circulation	60,873,456					60,873,456					
Local currency deposits from banks and financial institutions	2,065,528,167					2,065,528,167					
	763,574,307					763,574,307					
	<b>3,275,387,946</b>					<b>3,275,387,946</b>					

In thousand Tk.

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Particulars	30 June 2019					Fair value			Total
	Amortised Cost	Fair value through OCI	Fair value through profit or loss	Carrying amount		Level 1	Level 2	Level 3	
				Fair value	Fair value through profit or loss				
<b>Financial assets measured at fair value</b>									
US treasury bills	84,024,892	-	-	84,024,892	-	84,024,892	-	-	84,024,892
Foreign bonds	619,953,124	-	-	619,953,124	-	619,953,124	-	-	619,953,124
US Treasury Notes	-	277,364,450	-	277,364,450	-	277,364,450	-	-	277,364,450
Gold and silver	-	53,693,670	-	53,693,670	-	53,693,670	-	-	53,693,670
Treasury bills	-	144,784,447	-	144,784,447	-	144,784,447	-	-	144,784,447
Treasury bonds	-	128,049,331	-	128,049,331	-	128,049,331	-	-	128,049,331
Swift shares	80	-	-	80	-	80	-	-	80
Investment in subsidiary	-	12,000,000	-	12,000,000	-	12,000,000	-	-	12,000,000
Debtenture - House Building Finance Corporation	3,945,000	-	-	3,945,000	-	3,945,000	-	-	3,945,000
	<b>707,923,096</b>	<b>615,891,898</b>	-	<b>1,323,814,994</b>	<b>1,035,036,136</b>	<b>276,778,778</b>	<b>12,000,080</b>	-	<b>1,323,814,994</b>
<b>Financial assets not measured at fair value</b>									
Taka coin and cash balances	4,995,763	-	-	4,995,763	-	-	-	-	-
Foreign currency accounts	49,033,700	-	-	49,033,700	-	-	-	-	-
Overnight investment	142,024,849	-	-	142,024,849	-	-	-	-	-
Short term deposits with overseas commercial banks	1,120,605,668	-	-	1,120,605,668	-	-	-	-	-
Asset held with IMF	216,211,507	-	-	216,211,507	-	-	-	-	-
Foreign currency loans to banks	295,579,770	-	-	295,579,770	-	-	-	-	-
Interest receivable	13,943,885	-	-	13,943,885	-	-	-	-	-
Other receivable	5,224,144	-	-	5,224,144	-	-	-	-	-
Ways and means advance	14,228,800	-	-	14,228,800	-	-	-	-	-
Overdraft - block	26,850,000	-	-	26,850,000	-	-	-	-	-
Overdraft - current	-	-	-	-	-	-	-	-	-
Securities purchased under agreement to resell	176,631	-	-	176,631	-	-	-	-	-
Loan to commercial banks	4,219,138	-	-	4,219,138	-	-	-	-	-
Loan to specialised banks	32,635,874	-	-	32,635,874	-	-	-	-	-
Loan to private banks	3,049,000	-	-	3,049,000	-	-	-	-	-
Other loans and advances	21,902,157	-	-	21,902,157	-	-	-	-	-
Interest receivable	478,880	-	-	478,880	-	-	-	-	-
Loans and advances to employees	38,730,533	-	-	38,730,533	-	-	-	-	-
Other local currency financial assets	8,866,275	-	-	8,866,275	-	-	-	-	-
	<b>1,998,756,574</b>	-	-	<b>1,998,756,574</b>	-	-	-	-	<b>1,998,756,574</b>
<b>Financial liabilities measured at fair value</b>									
Nil	-	-	-	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Liabilities with IMF	234,719,957	-	-	234,719,957	-	-	-	-	-
Foreign currency deposits by commercial banks	113,152,758	-	-	113,152,758	-	-	-	-	-
Asian Clearing Union (ACU)	86,698,961	-	-	86,698,961	-	-	-	-	-
Notes in circulation	1,688,603,874	-	-	1,688,603,874	-	-	-	-	-
Local currency deposits from banks and financial institutions	757,853,808	-	-	757,853,808	-	-	-	-	-
Short term borrowings	95	-	-	95	-	-	-	-	-
	<b>2,881,029,453</b>	-	-	<b>2,881,029,453</b>	-	-	-	-	<b>2,881,029,453</b>

As at 30 June 2020 and 30 June 2019, the Group holds level 3 financial instruments only on Swift shares and investment in subsidiaries. Management believes that the fair value of these shares are 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.

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**40.1 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 is based on quoted market prices, at the financial position date .Local currency financial investments includes shares in SPCBL with a value of BDT 12,000,000,000 (2019: BDT 12,000,000,000) & Debentures of HBFC with a value of BDT 3,945,000,000 (2019: BDT 3,945,000,000) 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 Fair Value Through Other Comprehensive Income (OCI) and are carried at fair value. Loans to banks, financial institutions and employees are carried at amortized cost and are net of provisions for impairment. The fair value approximates their carrying value.

**40.2 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.

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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.

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 recognized 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 counterparties 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 Bank's significant end-of-year concentrations of credit exposure, based on the country/region in which the issuers' parent was located, were as follows:

In thousand Tk.

Particulars	2020		2019	
	Consolidated	Separate	Consolidated	Separate
Bangladesh	1,081,012,505	1,020,168,827	768,124,172	762,810,718
Other Asian countries	642,688,150	642,688,150	482,490,754	482,490,754
United States of America	510,456,654	510,456,654	793,787,467	793,787,467
Europe	950,982,598	950,982,598	404,312,894	404,312,894
Australia	45,197,003	45,197,003	139,640,311	139,640,311
Others	641,046,576	641,046,576	739,587,095	739,587,095
<b>Total</b>	<b>3,871,383,486</b>	<b>3,810,539,808</b>	<b>3,327,942,693</b>	<b>3,322,629,239</b>

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**b. Credit exposures by credit rating**

Following tables represent 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 Bank'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.

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**Consolidated**

In thousand Tk.

Particulars	Credit Rating	2020		2019	
		Amount	% of financial assets	Amount	% of financial assets
<b>i) Foreign currency financial assets</b>					
Foreign currency accounts	P-1	44,502,998	1.19%	49,033,700	1.50%
Overnight investment	P-1	219,412,852	5.85%	142,024,849	4.34%
Short term deposits with overseas commercial banks	P-1	1,340,280,046	35.74%	1,120,605,668	34.23%
US Dollar treasury bills	P-1	84,815,473	2.26%	84,024,892	2.57%
Foreign bonds	Aaa	303,697,194	8.10%	346,714,205	10.59%
Foreign bonds	Aa1, Aa2, Aa3	67,717,374	1.81%	99,161,679	3.03%
Foreign bonds	A1, A2, A3	69,118,557	1.84%	62,257,038	1.90%
Foreign bonds	Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2, B3	137,813,207	3.67%	111,820,203	3.42%
US Treasury Notes	Aaa	210,274,881	5.61%	277,364,450	8.47%
Foreign currency loans to banks	A	19,304,160	0.51%	29,735,398	0.91%
Foreign currency loans to banks	Aaa to Aa	381,462,716	10.17%	264,714,243	8.08%
Foreign currency loans to banks	Baa, Ba, B	489,021	0.01%	993,325	0.03%
Foreign currency loans to banks	Unrated	-	0.00%	136,804	0.00%
Assets held with International Monetary Fund	Unrated	204,220,488	5.45%	216,211,507	6.60%
Other foreign currency financial assets	Unrated	16,464,662	0.44%	19,168,109	0.59%
<b>Total</b>		<b>3,099,573,629</b>	<b>82.64%</b>	<b>2,823,966,070</b>	<b>86.25%</b>
<b>ii) Local currency financial assets</b>					
Loans to the Government of Bangladesh	Ba3	420,090,708	11.20%	313,912,578	9.59%
Securities purchased under agreement to resell	A	71,590,246	1.91%	176,631	0.01%
Local currency investments	Unrated	7,677,275	0.20%	7,072,446	0.22%
Loans to banks, financial institutions	A	7,060,632	0.19%	18,619,637	0.57%
Loans to banks, financial institutions	Aaa to Aa	13,976,370	0.37%	12,876,761	0.39%
Loans to banks, financial institutions	Ba to B	9,529,611	0.25%	174,813	0.01%
Loans to banks, financial institutions	Baa	131,344	0.00%	23,344	0.00%
Loans to banks, financial institutions	Unrated	50,205,017	1.34%	30,590,495	0.93%
Loans to employees	-	42,361,830	1.13%	40,443,367	1.24%
Other local currency financial assets	-	9,983,008	0.27%	9,444,952	0.29%
Taka coin and cash balances	-	18,314,332	0.49%	16,890,261	0.52%
<b>Total</b>		<b>650,920,372</b>	<b>17.36%</b>	<b>450,225,283</b>	<b>13.75%</b>
<b>Total financial assets (i+ii)</b>		<b>3,750,494,001</b>	<b>100.00%</b>	<b>3,274,191,353</b>	<b>100.00%</b>



**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

**Separate**

In thousand Tk.

Particulars	Credit Rating	2020		2019	
		Amount	% of financial assets	Amount	% of financial assets
<b>i) Foreign currency financial assets</b>					
Foreign Currency Accounts	P-1	44,502,998	1.19%	49,033,700	1.50%
Overnight investment	P-1	219,412,852	5.86%	142,024,849	4.34%
Short term deposits with overseas commercial banks	P-1	1,340,280,046	35.81%	1,120,605,668	34.28%
US Dollar treasury bills	Aaa	84,815,473	2.27%	84,024,892	2.57%
Foreign bonds	Aaa	303,697,201	8.11%	346,714,205	10.61%
Foreign bonds	Aa1, Aa2, Aa3	67,717,356	1.81%	99,161,679	3.03%
Foreign bonds	A1, A2, A3	69,118,561	1.85%	62,257,038	1.90%
Foreign bonds	Baa1, Baa2, Baa3, Ba1, Ba2, Ba3, B1, B2, B3	137,813,214	3.68%	111,820,203	3.42%
US Treasury Notes	Aaa	210,274,881	5.62%	277,364,450	8.49%
Foreign currency loans to banks	A	19,304,160	0.52%	29,735,398	0.91%
Foreign currency loans to banks	Aaa to Aa	381,462,716	10.19%	264,714,243	8.10%
Foreign currency loans to banks	Baa, Ba, B	489,021	0.01%	993,325	0.03%
Foreign currency loans to banks	Unrated	-	0.00%	136,804	0.00%
Assets held with International Monetary Fund	Unrated	204,220,488	5.46%	216,211,507	6.61%
Other foreign currency financial assets	Unrated	16,464,662	0.44%	19,168,109	0.59%
<b>Total</b>		<b>3,099,573,629</b>	<b>82.81%</b>	<b>2,823,966,070</b>	<b>86.39%</b>
<b>ii) Local currency financial assets</b>					
Loans to the Government of Bangladesh	Ba3	420,090,708	11.22%	313,912,578	9.60%
Securities purchased under agreement to resell	A	71,590,246	1.91%	176,631	0.01%
Local currency investments	Unrated	15,945,000	0.43%	15,945,000	0.49%
Loans to banks, financial institutions	A	7,060,632	0.19%	18,619,637	0.57%
Loans to banks, financial institutions	Aaa to Aa	13,976,370	0.37%	12,876,761	0.39%
Loans to banks, financial institutions	Ba to B	9,529,611	0.25%	174,813	0.01%
Loans to banks, financial institutions	Baa	131,344	0.00%	23,344	0.00%
Loans to banks, financial institutions	Unrated	50,205,017	1.34%	30,590,495	0.94%
Loans to employees	-	40,641,996	1.09%	38,730,533	1.18%
Other local currency financial assets	-	9,272,340	0.25%	8,866,275	0.27%
Taka coin and cash balances	-	4,845,937	0.13%	4,995,764	0.15%
<b>Total</b>		<b>643,289,201</b>	<b>17.19%</b>	<b>444,911,831</b>	<b>13.61%</b>
<b>Total financial assets (i+ii)</b>		<b>3,742,862,830</b>	<b>100%</b>	<b>3,268,877,901</b>	<b>100%</b>

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

**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.

In thousand Tk.

Particulars	2020		2019	
	Amount	Principal type of Collateral	Amount	Principal type of Collateral
<b>i) Foreign currency financial assets</b>				
Foreign currency loans to banks	401,255,896	Debit Authorization	295,579,770	Debit Authorization
Assets held with International Monetary Fund	204,220,488	None	216,211,507	None
<b>ii) Local currency financial assets</b>				
Loans to the Government of Bangladesh	420,090,708	Govt. Guarantee	313,912,578	Govt. Guarantee
Local currency loans to banks, financial institutions and employees	121,544,971	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property	101,015,582	- 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.

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:

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

**Consolidated**

<b>30 June 2020</b>						In thousand Tk.
<b>Particulars</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	
<b>Foreign currency financial assets</b>						
Foreign currency accounts	44,502,998	-	-	-	-	-
Foreign investments	750,532,080	649,368,719	431,750,387	601,478,398	-	-
Assets held with International Monetary Fund	94,179,557	11,924	-	-	110,029,006	-
Gold and silver	67,676,977	-	-	-	-	-
Foreign currency loans to banks	413,232	181,512	11,128,301	382,397,327	7,135,525	-
Other foreign currency financial assets	11,240,438	-	-	5,224,144	80	-
<b>Total</b>	<b>968,545,282</b>	<b>649,562,155</b>	<b>442,878,689</b>	<b>989,099,869</b>	<b>117,164,611</b>	<b>-</b>
<b>Local currency financial assets</b>						
Taka coin and cash balances	18,314,332	-	-	-	-	-
Securities purchased under agreement to resell	71,590,246	-	-	-	-	-
Loans to the Government of Bangladesh	70,296,609	55,711,517	63,784,841	94,998,525	135,299,217	-
Local currency investments	-	-	3,724,823	-	3,952,452	-
Local currency loans to Banks, FIs and employees	2,118,803	31,680,819	11,268,524	29,126,383	49,070,276	-
Other local currency financial assets	9,983,008	-	-	-	-	-
<b>Total</b>	<b>172,302,998</b>	<b>87,392,336</b>	<b>78,778,187</b>	<b>124,124,907</b>	<b>188,321,944</b>	<b>-</b>
<b>Total financial assets</b>	<b>1,140,848,280</b>	<b>736,954,491</b>	<b>521,656,876</b>	<b>1,113,224,776</b>	<b>305,486,555</b>	<b>-</b>
<b>Foreign currency financial liabilities</b>						
Deposits from banks and financial institutions	223,955,687	-	-	-	-	-
Liabilities with International Monetary Fund	1,611,361	-	-	54,457,304	166,261,119	-
<b>Total</b>	<b>225,567,048</b>	<b>-</b>	<b>-</b>	<b>54,457,304</b>	<b>166,261,119</b>	<b>-</b>
<b>Local currency financial liabilities</b>						
Notes in circulation	2,065,528,167	-	-	-	-	-
Deposits from banks and financial institutions	763,574,307	-	-	-	-	-
Other local currency financial liabilities	6,413	24,801,969	1,650,429	60,073,463	99,210,987	-
<b>Total</b>	<b>2,829,108,887</b>	<b>24,801,969</b>	<b>1,650,429</b>	<b>60,073,463</b>	<b>99,210,987</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>3,054,675,935</b>	<b>24,801,969</b>	<b>1,650,429</b>	<b>114,530,768</b>	<b>265,472,106</b>	<b>-</b>
<b>Maturity gap</b>	<b>(1,913,827,655)</b>	<b>712,152,522</b>	<b>520,006,447</b>	<b>998,694,009</b>	<b>40,014,450</b>	<b>-</b>

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

<b>30 June 2019</b>						In thousand Tk.
<b>Particulars</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	
<b>Foreign currency financial assets</b>						
Foreign currency accounts	49,033,700	-	-	-	-	
Foreign investments	686,809,820	569,410,324	410,717,896	577,034,945	-	
Assets held with International Monetary Fund	105,244,139	218,406	-	-	110,748,961	
Gold and silver	53,693,670	-	-	-	-	
Foreign currency loans to banks	37,145,544	121,799,478	121,350,912	9,014,864	6,268,973	
Other foreign currency financial assets	13,943,885	-	5,224,144	-	80	
<b>Total</b>	<b>945,870,758</b>	<b>691,428,208</b>	<b>537,292,952</b>	<b>586,049,809</b>	<b>117,018,014</b>	
<b>Local currency financial assets</b>						
Taka coin and cash balances	16,890,261	-	-	-	-	
Securities purchased under agreement to resell	176,631	-	-	-	-	
Loans to the Government of Bangladesh	24,659,865	67,902,282	95,708,781	58,639,807	67,001,843	
Local currency investments	-	-	3,119,994	-	3,952,452	
Local currency loans to Banks, FIs and employees	1,652,256	12,034,702	16,019,983	31,514,440	41,507,035	
Other local currency financial assets	9,444,952	-	-	-	-	
<b>Total</b>	<b>52,823,965</b>	<b>79,936,984</b>	<b>114,848,758</b>	<b>90,154,247</b>	<b>112,461,330</b>	
<b>Total financial assets</b>	<b>998,694,723</b>	<b>771,365,192</b>	<b>652,141,710</b>	<b>676,204,056</b>	<b>229,479,344</b>	
<b>Foreign currency financial liabilities</b>						
Deposits from banks and financial institutions	199,851,719	-	-	-	-	
Liabilities with International Monetary Fund	1,715,332	-	-	65,511,647	167,492,978	
<b>Total</b>	<b>201,567,051</b>	<b>-</b>	<b>-</b>	<b>65,511,647</b>	<b>167,492,978</b>	
<b>Local currency financial liabilities</b>						
Notes in circulation	1,688,603,874	-	-	-	-	
Deposits from banks and financial institutions	757,853,808	-	-	-	-	
Short term borrowings	95	-	-	-	-	
Other local currency financial liabilities	6,413	24,011,844	1,005,378	58,031,866	48,104,113	
<b>Total</b>	<b>2,446,464,190</b>	<b>24,011,844</b>	<b>1,005,378</b>	<b>58,031,866</b>	<b>48,104,113</b>	
<b>Total financial liabilities</b>	<b>2,648,031,241</b>	<b>24,011,845</b>	<b>1,005,378</b>	<b>123,543,513</b>	<b>215,597,091</b>	
<b>Maturity gap</b>	<b>(1,649,336,518)</b>	<b>747,353,348</b>	<b>651,136,332</b>	<b>552,660,543</b>	<b>13,882,254</b>	

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

**Separate**

In thousand Tk.

<b>30 June 2020</b>					
<b>Particulars</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
<b>Foreign currency financial assets</b>					
Foreign currency accounts	44,502,998	-	-	-	-
Foreign investments	750,532,080	649,368,719	431,750,387	601,478,398	-
Assets held with International Monetary Fund	94,179,557	11,924	-	-	110,029,006
Gold and silver	67,676,977	-	-	-	-
Foreign currency loans to banks	413,232	181,512	11,128,301	382,397,327	7,135,525
Other foreign currency financial assets	11,240,438	-	-	5,224,144	80
<b>Total</b>	<b>968,545,282</b>	<b>649,562,155</b>	<b>442,878,689</b>	<b>989,099,869</b>	<b>117,164,611</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	4,845,937	-	-	-	-
Securities purchased under agreement to resell	71,590,246	-	-	-	-
Loans to the Government of Bangladesh	70,296,609	55,711,517	63,784,841	94,998,525	135,299,217
Local currency investments	-	-	650,000	-	15,295,000
Local currency loans to Banks, FIs and employees	2,118,803	31,680,819	11,268,524	29,126,383	47,350,442
Other local currency financial assets	9,272,340	-	-	-	-
<b>Total</b>	<b>158,123,936</b>	<b>87,392,336</b>	<b>75,703,365</b>	<b>124,124,907</b>	<b>197,944,659</b>
<b>Total financial assets</b>	<b>1,126,669,218</b>	<b>736,954,491</b>	<b>518,582,054</b>	<b>1,113,224,776</b>	<b>315,109,270</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	223,955,687	-	-	-	-
Liabilities with International Monetary Fund	1,611,361	-	-	54,457,304	166,261,119
<b>Total</b>	<b>225,567,048</b>	<b>-</b>	<b>-</b>	<b>54,457,304</b>	<b>166,261,119</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	2,065,528,167	-	-	-	-
Deposits from banks and financial institutions	763,574,307	-	-	-	-
Other local currency financial liabilities	6,413	24,801,969	1,075,347	59,673,080	98,746,777
<b>Total</b>	<b>2,829,108,887</b>	<b>24,801,969</b>	<b>1,075,347</b>	<b>59,673,080</b>	<b>98,746,777</b>
<b>Total financial liabilities</b>	<b>3,054,675,935</b>	<b>24,801,969</b>	<b>1,075,347</b>	<b>114,130,385</b>	<b>265,007,896</b>
<b>Maturity gap</b>	<b>(1,928,006,717)</b>	<b>712,152,522</b>	<b>517,506,707</b>	<b>999,094,392</b>	<b>50,101,373</b>

**BANGLADESH BANK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

In thousand Tk.

<b>30 June 2029</b>					
<b>Particulars</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
<b>Foreign currency financial assets</b>					
Foreign currency accounts	49,033,700	-	-	-	-
Foreign investments	686,809,820	569,410,324	410,717,896	577,034,945	-
Assets held with International Monetary Fund	105,244,139	218,406	-	-	110,748,961
Gold and silver	53,693,670	-	-	-	-
Foreign currency loans to banks	37,145,544	121,799,478	121,350,912	9,014,864	6,268,973
Other foreign currency financial assets	13,943,885	-	5,224,144	-	80
<b>Total</b>	<b>945,870,758</b>	<b>691,428,208</b>	<b>537,292,952</b>	<b>586,049,809</b>	<b>117,018,014</b>
<b>Local currency financial assets</b>					
Taka coin and cash balances	4,995,763	-	-	-	-
Securities purchased under agreement to resell	176,631	-	-	-	-
Loans to the Government of Bangladesh	24,659,865	67,902,282	95,708,781	58,639,807	67,001,843
Local currency investments	-	-	-	650,000	15,295,000
Local currency loans to banks, financial institutions and employees	1,652,256	12,034,702	15,884,315	31,514,440	39,929,869
Other local currency financial assets	8,866,275	-	-	-	-
<b>Total</b>	<b>40,350,790</b>	<b>79,936,984</b>	<b>111,593,096</b>	<b>90,804,247</b>	<b>122,226,712</b>
<b>Total financial assets</b>	<b>986,221,548</b>	<b>771,365,192</b>	<b>648,886,048</b>	<b>676,854,057</b>	<b>239,244,726</b>
<b>Foreign currency financial liabilities</b>					
Deposits from banks and financial institutions	199,851,719	-	-	-	-
Liabilities with International Monetary Fund	1,715,332	-	-	65,511,647	167,492,978
<b>Total</b>	<b>201,567,051</b>	<b>-</b>	<b>-</b>	<b>65,511,647</b>	<b>167,492,978</b>
<b>Local currency financial liabilities</b>					
Notes in circulation	1,688,603,874	-	-	-	-
Deposits from banks and financial institutions	757,853,808	-	-	-	-
Short term borrowings	95	-	-	-	-
Other local currency financial liabilities	6,413	24,011,844	344,568	58,479,003	47,785,951
<b>Total</b>	<b>2,446,464,190</b>	<b>24,011,844</b>	<b>344,568</b>	<b>58,479,003</b>	<b>47,785,951</b>
<b>Total financial liabilities</b>	<b>2,648,031,241</b>	<b>24,011,844</b>	<b>344,568</b>	<b>123,990,650</b>	<b>215,278,929</b>
<b>Maturity gap</b>	<b>(1,661,809,693)</b>	<b>747,353,348</b>	<b>648,541,480</b>	<b>552,863,407</b>	<b>23,965,797</b>

## BANGLADESH BANK : NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

### III. Market risk

Market risk is the probability of experiencing losses due to changes in market prices – such as foreign exchange rates, interest rates and equity prices – which 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 on daily/weekly basis as approved by the Investment Committee.

#### Foreign currency monetary assets and liabilities

In thousand Tk.

30 June 2020	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
<b>Assets</b>											
	Held in other Central Banks and cash deposit abroad	7,843,389	-	10,119,336	9,534,985	12,802,283	1,483,251	723,411	634,051	-	1,362,294
	Overnight investment	188,087,460	-	31,325,392	-	-	-	-	-	-	-
	Short term deposits in overseas commercial banks	1,120,263,720	-	-	115,202,609	-	31,754,877	38,824,483	33,407,333	-	827,023
	Treasury bills	84,815,473	-	-	-	-	-	-	-	-	-
	Foreign bonds	448,750,185	-	110,082,498	4,824,648	-	4,382,037	9,826,461	480,505	-	-
	US Treasury Notes	210,274,881	-	-	-	-	-	-	-	-	-
	Loan to other Banks	401,255,896	-	-	-	-	-	-	-	-	-
	Claims from gold transaction	-	67,676,977	-	-	-	-	-	-	-	-
	Interest receivable	9,793,759	-	828,437	190,780	-	56,969	184,242	182,513	-	3,738
	Asset held with IMF	-	-	-	-	-	-	-	-	204,220,488	-
	<b>Total</b>	<b>2,471,084,762</b>	<b>67,676,977</b>	<b>152,355,662</b>	<b>129,753,022</b>	<b>12,802,283</b>	<b>37,677,134</b>	<b>49,568,596</b>	<b>34,704,402</b>	<b>204,220,488</b>	<b>2,193,054</b>
<b>Liabilities</b>											
	Deposits from other banks, financial institutions and ACU	194,136,305	-	29,394,964	408,893	14,705	819	-	-	-	-
	Liabilities to IMF	-	-	-	-	-	-	-	-	222,329,785	-
	<b>Total</b>	<b>194,136,305</b>	<b>-</b>	<b>29,394,964</b>	<b>408,893</b>	<b>14,705</b>	<b>819</b>	<b>-</b>	<b>-</b>	<b>222,329,785</b>	<b>-</b>
	<b>Net</b>	<b>2,276,948,457</b>	<b>67,676,977</b>	<b>122,960,698</b>	<b>129,344,129</b>	<b>12,787,578</b>	<b>37,676,315</b>	<b>49,568,596</b>	<b>34,704,402</b>	<b>(16,109,297)</b>	<b>2,193,054</b>



**BANGLADESH BANK : NOTES TO THE FINANCIAL STATEMENTS**

AS AT AND FOR THE YEAR ENDED 30 JUNE 2020

In thousand Tk.

<b>30 June 2019</b>		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
<b>Particulars</b>											
<b>Assets</b>											
Held in other Central Banks and cash deposit abroad	28,952,779	-	5,358,324	1,682,243	-	10,686,202	768,892	781,120	571,222	-	551
Overnight investment	133,349,450	-	8,675,399	-	-	-	-	-	-	-	-
Short term deposits in overseas commercial banks	909,487,418	-	-	104,982,925	-	-	32,875,511	39,103,089	32,165,670	-	1,991,055
Treasury bills	84,024,892	-	-	-	-	-	-	-	-	-	-
Foreign bonds	491,679,877	-	106,549,860	5,857,130	-	-	4,511,897	9,383,234	1,971,126	-	-
US Treasury Notes	277,364,450	-	-	-	-	-	-	-	-	-	-
Loan to other Banks	295,579,771	-	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	53,693,670	-	-	-	-	-	-	-	-	-
Interest receivable	11,983,284	-	1,031,857	254,640	-	-	151,928	326,322	192,775	-	3,079
Asset held with IMF	-	-	-	-	-	-	-	-	-	216,211,507	-
<b>Total</b>	<b>2,232,421,921</b>	<b>53,693,670</b>	<b>121,615,440</b>	<b>112,776,938</b>	<b>10,686,202</b>	<b>38,308,228</b>	<b>49,593,765</b>	<b>34,900,793</b>	<b>216,211,507</b>	<b>1,994,685</b>	
<b>Liabilities</b>											
Deposits from other banks, financial institutions and ACU	194,558,078	-	4,402,738	883,243	7,463	197	-	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	-	234,719,957	-
<b>Total</b>	<b>194,558,078</b>	<b>-</b>	<b>4,402,738</b>	<b>883,243</b>	<b>7,463</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>234,719,957</b>	<b>-</b>
<b>Net</b>	<b>2,037,863,843</b>	<b>53,693,670</b>	<b>117,212,702</b>	<b>111,893,695</b>	<b>10,678,739</b>	<b>38,308,031</b>	<b>49,593,765</b>	<b>34,900,793</b>	<b>18,508,450</b>	<b>1,994,685</b>	

**Currency risk sensitivity analysis**

During the year, if the Taka had weakened 10 per cent against the principal currencies in its foreign reserves portfolio with all other variables held constant, profit for the year would have been Tk. 426.68 million higher, (2019: Tk.1,304 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a decrease of profit for the year of Tk. 426.68 million higher, (2019: Tk.1,304 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.

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**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 2020 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 summarises all financial instruments in their re-pricing period, which is equivalent to the remaining term of maturity:

**Consolidated**

Particulars	Balance as at 30 June 2020	Re-pricing period			Weighted average interest	
		In thousand Tk.				
		0 to 3 months	3 to 12 months	1 to 5 years		
<b>30 June 2020</b>						
<b>Assets</b>						
<b>Foreign currency financial assets</b>						
Foreign currency accounts	44,502,998				0.00%	
Foreign investments	2,433,129,585	1,399,900,799	431,750,387	601,478,398	1.23%	
Assets held with International Monetary Fund	204,220,488	94,191,481			0.40%	
Foreign currency loans to banks	401,255,896	594,743	11,128,301	382,397,327	2.27%	
Other foreign currency financial assets	16,464,662	11,240,438		5,224,144	0.00%	
<b>Total Foreign currency financial assets</b>	<b>3,099,573,629</b>	<b>1,550,430,459</b>	<b>442,878,689</b>	<b>989,099,869</b>	<b>117,164,611</b>	
<b>Local currency financial assets</b>						
Loans to the Government of Bangladesh	420,090,708	126,008,127	63,784,841	94,998,525	135,299,217	7.27%
Local currency investments	7,677,275		3,724,823		3,952,452	3.49%
Local currency loans to banks, financial institutions and employees	123,264,805	33,799,622	11,268,524	29,126,383	49,070,276	3.12%
<b>Total Local currency financial assets</b>	<b>551,032,788</b>	<b>159,807,748</b>	<b>78,778,187</b>	<b>124,124,907</b>	<b>188,321,944</b>	
<b>Liabilities</b>						
<b>Foreign currency financial liabilities</b>						
Deposits from banks and financial institutions	223,955,687	223,955,687				0.83%
Liabilities with International Monetary Fund	222,329,785	1,611,361		54,457,304	166,261,119	0.19%
<b>Total foreign currency financial liabilities</b>	<b>446,285,472</b>	<b>225,567,048</b>	<b>-</b>	<b>54,457,304</b>	<b>166,261,119</b>	
<b>Local currency financial liabilities</b>						
Short term borrowings		763,574,307				0.00%
<b>Total local currency financial liabilities</b>	<b>-</b>	<b>763,574,307</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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30 June 2019	Particulars	Balance as at 30 June 2019	Re-pricing period			Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	
<b>Assets</b>						
<b>Foreign currency financial assets</b>						
	Foreign currency accounts	49,033,700	49,033,700	-	-	0.92%
	Foreign investments	2,243,972,983	1,256,220,143	410,717,896	577,034,945	2.36%
	Assets held with International Monetary Fund	216,211,507	105,462,545	-	-	1.10%
	Foreign currency loans to banks	295,579,770	158,945,022	121,350,912	9,014,864	3.46%
	Other foreign currency financial assets	19,168,109	13,943,885	5,224,144	-	0.00%
	<b>Total Foreign currency financial assets</b>	<b>2,823,966,069</b>	<b>1,583,605,295</b>	<b>537,292,952</b>	<b>586,049,809</b>	<b>117,018,014</b>
<b>Local currency financial assets</b>						
	Loans to the Government of Bangladesh	313,912,578	92,562,147	95,708,781	58,639,807	6.37%
	Local currency investments	7,072,446	-	3,119,994	-	3.49%
	Local currency loans to banks, financial institutions and employees	102,728,416	13,686,958	16,019,983	31,514,440	4.03%
	<b>Total Local currency financial assets</b>	<b>423,713,440</b>	<b>106,249,105</b>	<b>114,848,758</b>	<b>90,154,247</b>	<b>112,461,330</b>
<b>Liabilities</b>						
<b>Foreign currency financial liabilities</b>						
	Deposits from banks and financial institutions	199,851,719	199,851,719	-	-	1.98%
	Liabilities with International Monetary Fund	234,719,957	1,715,332	-	65,511,647	1.10%
	<b>Total foreign currency financial liabilities</b>	<b>434,571,676</b>	<b>201,567,051</b>	<b>-</b>	<b>65,511,647</b>	<b>167,492,978</b>
<b>Local currency financial liabilities</b>						
	Short term borrowings	95	95	-	-	0.00%
	<b>Total local currency financial liabilities</b>	<b>95</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**Separate**

Particulars	Balance as at 30 June 2020	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
<b>Assets</b>						
<b>Foreign currency financial assets</b>						
Foreign currency accounts	44,502,998					0.00%
Foreign investments	2,433,129,585	1,399,900,799	431,750,387	601,478,398		1.23%
Assets held with International Monetary Fund	204,220,488	94,191,481			110,029,006	0.40%
Foreign currency loans to banks	401,255,896	594,743	11,128,301	382,397,327	7,135,525	2.27%
Other foreign currency financial assets	16,464,662	11,240,438		5,224,144	80	0.00%
<b>Total Foreign currency financial assets</b>	<b>3,099,573,629</b>	<b>1,550,430,459</b>	<b>442,878,689</b>	<b>989,099,869</b>	<b>117,164,612</b>	
<b>Local currency financial assets</b>						
Loans to the Government of Bangladesh	420,090,708	126,008,127	63,784,841	94,998,525	135,299,217	7.27%
Local currency investments	15,945,000				15,295,000	3.49%
Local currency loans to banks, financial institutions and employees	121,544,971	33,799,622	11,268,524	29,126,383	47,350,442	3.11%
<b>Total Local currency financial assets</b>	<b>557,580,679</b>	<b>159,807,748</b>	<b>75,053,364</b>	<b>124,124,907</b>	<b>197,944,659</b>	
<b>Liabilities</b>						
<b>Foreign currency financial liabilities</b>						
Deposits from banks and financial institutions	223,955,687	223,955,687				0.83%
Liabilities with International Monetary Fund	222,329,785	1,611,361		54,457,304	166,261,119	0.19%
<b>Total foreign currency financial liabilities</b>	<b>446,285,472</b>	<b>225,567,048</b>	<b>-</b>	<b>54,457,304</b>	<b>166,261,119</b>	
<b>Local currency financial liabilities</b>						
Deposits from banks and financial institutions	763,574,307	763,574,307				0.00%
<b>Total local currency financial liabilities</b>	<b>763,574,307</b>	<b>763,574,307</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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30 June 2019	Particulars	Balance as at 30 June 2019	Re-pricing period				Weighted average interest
			In thousand Tk.				
			0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
<b>Assets</b>							
<b>Foreign currency financial assets</b>							
Foreign currency accounts		49,033,700	-	-	-	0.92%	
Foreign investments		2,243,972,983	410,717,896	577,034,945	-	2.36%	
Assets held with International Monetary Fund		216,211,507	-	-	110,748,961	1.10%	
Foreign currency loans to banks		295,579,770	121,350,912	9,014,864	6,268,973	3.46%	
Other foreign currency financial assets		19,168,109	5,224,144	-	80	0.00%	
<b>Total Foreign currency financial assets</b>		<b>2,823,966,069</b>	<b>537,292,952</b>	<b>586,049,809</b>	<b>117,018,014</b>		
<b>Local currency financial assets</b>							
Loans to the Government of Bangladesh		313,912,578	95,708,781	58,639,807	67,001,843	6.37%	
Local currency investments		15,945,000	-	650,000	15,295,000	3.49%	
Local currency loans to banks, financial institutions and employees		101,015,582	15,884,315	31,514,440	39,929,869	4.02%	
<b>Total Local currency financial assets</b>		<b>430,873,160</b>	<b>111,593,096</b>	<b>90,804,247</b>	<b>122,226,712</b>		
<b>Liabilities</b>							
<b>Foreign currency financial liabilities</b>							
Deposits from banks and financial institutions		199,851,719	-	-	-	1.98%	
Liabilities with International Monetary Fund		234,719,957	-	65,511,647	167,492,978	1.10%	
<b>Total foreign currency financial liabilities</b>		<b>434,571,676</b>	<b>-</b>	<b>65,511,647</b>	<b>167,492,978</b>		
<b>Local currency financial liabilities</b>							
Short term borrowings		95	-	-	-	0.18%	
Deposits from banks and financial institutions		757,853,808	-	-	-	0.00%	
<b>Total local currency financial liabilities</b>		<b>95</b>	<b>-</b>	<b>-</b>	<b>-</b>		

**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 Tk. 35,348.23 million higher (2019: Tk. 28,040 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 Tk. 35,348.23 million lower (2019: Tk. 28,040 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.

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**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 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 behavior. 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.

**41 Contingent liabilities**

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2020 amounting to Taka 25,470.31 million (2019: Taka 25,350.207 million) in favour of International Islamic Trade Finance Corporation & others which are secured by counter guarantees from the Government of Bangladesh.

**42 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 9, 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 9.

**43 Actuarial valuation of defined benefit plans**

Most recent actuarial valuation was performed as at 30 June 2016 basis by an independent actuarial firm, AIR Consulting. According to the valuation report, the estimated obligation of the pension fund as at 30 June 2016 was Taka 15,494,646 thousands and for gratuity fund was Taka 1,217,791 thousands. For subsequent years, the obligations are calculated based on the recommendation made by the actuarial firm.

As at 30 June 2020 the obligation for pension fund and gratuity fund was calculated to Taka 21,132,671 thousands and Taka 1,669,876 thousands respectively. The balances of the funds are as under:

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In thousand Tk.

Particulars	Pension plans		Gratuity plans	
	2020	2019	2020	2019
<b>Amounts recognised in the reporting date</b>				
Balance at the beginning of the year	19,541,744	18,115,072	1,816,844	1,872,395
Paid during the year	(1,343,839)	(1,130,428)	(161,403)	(55,551)
Current year's contribution/transfer	2,934,766	2,557,100	14,435	-
<b>Balance of the fund</b>	<b>21,132,671</b>	<b>19,541,744</b>	<b>1,669,876</b>	<b>1,816,844</b>
<b>Actuarial assumptions</b>				
Discount rate	7.50%	7.50%	6.10%	6.10%
Salary growth rate	5%	5%	5%	5%

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 195.67 million and Taka 15.47 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 195.67 million and Taka 15.47 million arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

#### 44 Capital commitments

As at 30 June 2020, the Bank had outstanding capital commitments of Taka. 139.08 million with respect to different civil, mechanical and electrical engineering purchase. ( 2019: 321.85 million).

#### 45 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.



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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:

Particulars	2020		2019	
	Outstanding	Average	Outstanding	Average
In thousand Tk.				
<b>Outstanding balances with the government of Bangladesh</b>				
Ways and means advance	60,000,000	37,114,400	14,228,800	27,114,400
Overdraft - block	11,850,000	19,350,000	26,850,000	34,350,000
Overdraft - current	5,042,300	2,521,150	-	13,919,550
Treasury bills	83,942,450	114,363,449	144,784,447	96,800,632
Treasury bonds	259,255,958	193,652,645	128,049,331	93,606,812
Other assets (interest receivable)	5,821,049	4,233,223	2,645,397	1,882,172
	<b>425,911,757</b>	<b>371,234,866</b>	<b>316,557,975</b>	<b>267,673,566</b>
<b>Other liabilities</b>				
Deposits	5,061	5,061	5,061	5,041
Loan from government of Bangladesh	24,801,969	24,406,906	24,011,844	13,273,461
	<b>24,807,030</b>	<b>24,411,967</b>	<b>24,016,905</b>	<b>13,278,501</b>
<b>Balances related to subsidiary (SPCBL)</b>				
Other assets (Prepayments and advances)	880,339	440,170	-	33,443
Other liabilities (Sundry creditors)	1,120,625	1,438,886	1,757,147	1,412,771

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

	In thousand Tk.	
	2020	2019
<b>Income and expenses related to government</b>		
Interest income	26,416,728	9,930,835
Commission received	9,285	11,582
	<b>26,426,014</b>	<b>9,942,417</b>
<b>Expenses</b>		
Agency charges	6,998,000	6,766,608
Under writing commission on treasury bills and bonds	470,300	167,014
	<b>7,468,300</b>	<b>6,933,622</b>
<b>Income and expenses related to subsidiary (The Security Printing Corporation)</b>		
Dividend income	360,000	360,000
Note printing expenses	3,145,991	4,812,199
<b>Key management personnel</b>		
Salaries, wages and other benefits (refer note 45.06)	5,684	4,237

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**45.01 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 5,720,321 million (in 2019 : Tk. 4,601,320 million) and paid Taka 5,771,135 million (in 2019: 4,547,709 million) on behalf of the Government. As at 30 June 2020, total outstanding balance was Taka 420,090.71 million.

- (f) Assets under management:

	In thousand Tk.	
	2020	2019
<b>Japan Debt Relief Grant</b>	<b>118,137</b>	<b>117,625</b>

The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

**45.02 Transactions with entities in which the Bank has significant investments**

During the year, the Bank received debenture interest from House Building Finance Corporation (HBFC) amounting to Tk. 197.25 million which included in the interest income.

**45.03 Transactions with controlled entities**

During the year, as a part of its business operations the Bank incurred expense of Taka 3,552.28 million (2019: Taka 4,812.20 million) as note printing cost was paid to The Security Printing Corporation (Bangladesh) Ltd. which is included in the statement of profit or loss of the Bank. It is a 100% owned subsidiary of the Bank. This transactions are eliminated

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in preparing consolidated financial statements. During the year, The Security Printing Corporation (Bangladesh) Ltd. paid dividend an amounting to Taka 360 million (2019: 360 million) as per decision of their Board.

**45.04 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 43.

**45.05 Board of Directors of Bangladesh Bank and Key Management Personnel as on 30 June, 2020**

Name	Chairman/ Members of the Board of 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 March 20, 2016 and reappointed on contract on 20 March, 2020 upto 03 July, 2020. He also holds the post of Governor of the Bangladesh Bank.	Chairman	Chairman	-
Mr. Md. Ashadul Islam - appointed as a Director of the Board of Bangladesh Bank from September 09, 2018 until further order and also holds the post of Senior Secretary, Financial Institutions Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.	Member	Member	Convenor
Mr. Abu Hena Md. Rahmatul Muneem- appointed on January 09, 2020 as a Director of the Board of Bangladesh Bank as contract service which is subject to being in current position and also holds the post of Senior Secretary, Internal Resources Division & Chairman, National Board of Revenue, Govt. of the Peoples Republic of Bangladesh.	Member	-	-

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Name	Chairman/ Members of the Board of Directors	Executive Committee members	Audit committee members
Mr. Abdur Rouf Talukder - appointed as a Director of the Board of Bangladesh Bank from August 05, 2018 until further order and also holds the post of Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.	Member	-	-
Mr. Mahbub Ahmed - appointed on September 03, 2019 as a Director of the Board of Bangladesh Bank.	Member	Member	Member
Mr. A. K. M. Aftab ul Islam, FCA - reappointed on January 01, 2020 as a Director of the Board of Bangladesh Bank.	Member	-	Member
Mr. Md. Nazrul Huda - appointed on January 05, 2020 as a Director of the Board of Bangladesh Bank.	Member	-	Member
Mr. S. M. Moniruzzaman - appointed on October 08, 2018 as a Director of the Board of Bangladesh Bank and also holds the post of Deputy Governor, Bangladesh Bank.	Member	Member	-
<b>Number of meetings held during the year</b>	<b>10</b>	<b>7</b>	<b>4</b>

#### 45.06 Remuneration of members of the Board of Directors and Key management personnel

Members of the Board of Directors received remuneration totalling Tk. 635,490.00 (2019: Tk. 653,910.00) and the Governor received totalling Tk. 1,218,400.00 ( 2019: Tk. 1,218,400.00). In addition, the Governor is entitled to a free furnished house for his residence and full time transport facility. Other key management personnel of the Bank received totalling Tk.2,977,200.00 ( 2019: Tk. 3,018,863.47) and in addition, they are entitled to official residence as well as transport.

#### 46 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.

#### 47 Directors' responsibility for financial reporting

The Board of Directors approved the financial statement on 26 August 2020.



Appendix-1  
**Chronology of Major Policy Announcements: FY20**





## Chronology of Major Policy Announcements: FY20

### A. Policy Announcements on Banking and Financial Sector Development

- July 2019
- Bangladesh Bank has announced Agricultural and Rural Credit Policy and Programme for FY20. The disbursement target of agricultural and rural credit has been set to BDT 24124 crore for FY20, which is 10.66 percent higher than the previous fiscal year.
- July 2019
- All scheduled banks shall form a “Special Monitoring Cell” headed by concerned Deputy Managing Director to monitor Classified Loan Accounts of equal to or more than BDT 100 crore and this cell will submit “Quarterly Statement of Classified Loans amounting BDT 100 crore and above” to respective bank’s managing committee. This report will also be submitted to BRPD of Bangladesh Bank through EDW.
- August 2019
- Financial institutions have been allowed to borrow maximum 40 percent of their equity value from the call money market.
- August 2019
- Total amount (book value) of assumed immovable/permanent assets of banks shall not exceed 30 percent of their paid-up capital value. All scheduled banks have been asked not to purchase sedan cars with more than BDT 50 lakh and sport utility vehicle with more than BDT 1 crore. In case of renting new space or relocating branches, banks are asked to limit it within 6,000 square feet in the urban areas and 3,000 square feet in the rural areas. The BB also asked banks to refrain from making excessive expenses in the name of business development, branding and advertisement.
- September 2019
- While sorting and packing fresh and re-issuable notes, to ensure durability scheduled banks have been prohibited from writing numbers, putting signature or seal or any sort of writing on the bank notes. Scheduled banks have also been disallowed to staple any bundle-packet of bank notes except that of BDT 1000 note.
- September 2019
- For any accumulated investment below BDT 5 lac in savings instruments, deduction of the source tax on the yield has been reduced to 5 percent instead of the existing 10 percent. For above 5 lac investment, 10 percent source tax shall be applied on the yield as before.
- September 2019
- Conventional banks have been allowed to keep the Advance-Deposit Ratio (ADR)/Investment-Deposit Ratio (IDR) at 85 percent (81.5 percent + excess 3.5 percent based on the decision of the board of the bank considering

- overall economic indices) and Islami Shariah-based banks at 90 percent (89.0 percent + excess 1.0 percent based on the decision of the board of the bank considering overall economic indices).
- October 2019
- All the scheduled banks are instructed to fix the interest rate for financing onion imports at maximum 9 percent with a view to containing the price spiral of onion. The banks are also advised to set a lower margin for opening letters of credit (LCs) for onion import.
- October 2019
- Subject to the compliance of “BACPS Operating Rules and Procedure” and circulars/circular letters issued by Bangladesh Bank related to BACH, cheque clearing procedure shall be carried out through local currency. EFT transaction shall constitute two sessions each day. The first session shall be from 12:01 am to 2:00 pm and the second one from 2:01 pm to 11.59 pm. The scheduled banks shall place separate files for debit and credit transactions instead of submitting single file for both transactions. Return function shall have to be accomplished within next available session in case of debit and credit transactions. Except these transactions, other EFT transactions shall have to be conducted through existing “BEFTN Operating Rules” and related circular/circular letter issued by BB.
- October 2019
- To enhance deposit in banking sector and make small amount depositors bank oriented, all scheduled banks have been instructed not to charge any account maintenance fee (AMF) up to weighted average balance of BDT 10,000 for savings account. Biannual AMF for weighted average balance of above BDT 10,000 to BDT 25,000 is fixed at BDT 100, for that of above 25,000 to 2,00,000 at BDT 200, above 2,00,000 to 10,00,000 at BDT 250 and for beyond 10,00,000 at BDT 300. AMF for Current Accounts is permitted to charge maximum of BDT 300 half yearly.
- November 2019
- Considering the price hike of construction materials, the maximum per party limit in respect of housing finance by the banks will be BDT 20 million. The housing finance facility shall be provided at a maximum debt equity ratio of 70:30.
- January 2020
- Depositors who belong to 12-digit-TIN category shall enjoy 10 percent tax at source instead of 15 percent. The same shall apply to the paid interest on call money deposit, deposit accepted from foreign source/in foreign currency. However, source tax on the interest of deposits of all tax exempted fund, like- pension fund, gratuity fund, provident fund etc, shall be 5 percent. Source tax shall be deducted at the time of crediting interest on deposits as per Income Tax Ordinance, 1984. In this regard, it has been made mandatory

- to deduct source tax each time the interest is paid to the account instead that of once on maturity.
- February 2020
- Fifty percent of the fund received under Annual Development Programmeme (ADP) and operating budget and own surplus fund of autonomous, semi-autonomous organizations and government-owned companies is allowed to be deposited at the private banks or non-bank financial institutions operating in Bangladesh. The surplus fund of the aforementioned sources may be deposited at the state-owned commercial banks at maximum 5.50 percent interest rate and 50 percent of the total surplus fund is permitted to be deposited as fixed deposit at the private commercial banks at maximum 6 percent. However, the fund meant for provident fund, pension fund and endowment shall remain excluded of the directive.
- February 2020
- To patronize the competency of small, medium and large industries, businesses and services, in all categories of unclassified loans/investments but credit card, the maximum rate of interest/profit is set at 9 percent. If a borrower becomes default even at this margin/ceiling, banks are allowed to impose additional 2 percent penal interest/profit on loan/investment of the corresponding borrower for the tenure it remains default. Apart from the 2 percent additional charge, banks are barred from the imposition of any additional interest/profit/penal interest/additional charge on their loan/investment. The rate of interest/profit for pre-shipment export loan shall remain unchanged at prevailing 7 percent. The balance of loans to manufacturing segment of the small and medium entrepreneurs including industry sector from the current year cannot anyhow be less than the average loan balance to those sectors in the preceding three years.
- March 2020
- To cope with the changing environments of Coronavirus pandemic, every scheduled bank shall form a “Central Quick Response Team” constituting the high officials of the respective bank in the Head Office so that the Central Quick Response Team may take quick and effective decisions on behalf of the bank. Likewise, a “Quick Response team” shall have to be formed in every divisional/zonal/area office to take special decisions locally. The name, designation, mobile number etc. of the team members shall have to be displayed at the website of the respective bank.
- March 2020
- Cash officials/staffs serving in cash counter of the branches of all scheduled banks must wear mask and hand gloves while receiving from and paying money to the customer. They are also asked to use hand sanitizer, or wash hands with soap after calculating/sorting notes every time.

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- |            |   |
|------------|---|
| March 2020 | <ul style="list-style-type: none"><li>● Scheduled banks and financial institutions are allowed to sell the excess government securities to the Bangladesh Bank at market rate after maintaining required Statutory Liquidity Reserves (SLR). Bangladesh Bank strengthened purchase of government securities from the secondary market to tackle impending liquidity management crisis brought on by the COVID-19 pandemic.</li></ul>  |
| April 2020 | <ul style="list-style-type: none"><li>● A stimulus fund worth BDT 50 billion is formed from the budgetary allocation of the government to combat the negative impact of the COVID-19 on exports. The said stimulus fund is allowed to be disbursed as interest-free loans/investments to the active export oriented industries for paying a maximum of three months salaries and allowances to the workers-staffs of the industries. However, scheduled banks under concern are allowed to charge a maximum of 2 percent single time service charge to execute their administrative expenses against their loans to export oriented industries.</li></ul>   |
| April 2020 | <ul style="list-style-type: none"><li>● The rate of margin of letter of credit (LC) for importing baby food is set at maximum 5 percent to contain and stabilize the food crisis worldwide emerged from COVID-19.</li></ul>   |
| April 2020 | <ul style="list-style-type: none"><li>● Cash Reserve Ratio (CRR) is re-fixed at 4 percent on bi-weekly average basis from that of previous 5 percent and 3.5 percent on daily basis from earlier 4.5 percent with effect from April 15, 2020.</li></ul>   |
| April 2020 | <ul style="list-style-type: none"><li>● Advance-Deposit Ratio for conventional banks is enhanced by 2 percentage point from earlier 85 (Eighty Five) percent and set at 87 percent. On the other hand, Investment-Deposit Ratio for Islami shariah-based banks and for Islami banking activities of the conventional banks is also augmented by 2 percentage point from previous 90 percent and fixed at 92 percent.</li></ul>  |
| April 2020 | <ul style="list-style-type: none"><li>● Bangladesh government announced a financial stimulus package worth BDT 300 billion for the worst affected institutions of industrial and service sector to mitigate probable economic impacts due to breakout of the COVID-19. Under the package, the said institutions shall avail of working capital loan/investment facility from the banks against their own fund. The rate of interest is set at maximum 9 percent, of which 4.5 percent interest shall be borne by the borrower and the rest 4.5 percent shall be subsidized to the participating bank by the government. The tenure of the package is three years but the maturity of the loan/investment is one year.</li></ul> |
| April 2020 | <ul style="list-style-type: none"><li>● Bangladesh government announced a special incentive package worth BDT 200 billion for the badly affected entrepreneurs of Cottage, Micro, Small and Medium Enterprises due to COVID-19 pandemic to revive the</li></ul>   |

sector. Entrepreneurs shall avail of working capital loan/investment facility from the banks and financial institutions. Interest rate for the facility shall be maximum 9 percent under the package, out of which borrower shall pay 4 percent interest and the government shall pay the rest 5 percent interest as subsidy to the related bank or financial institution. The tenure of the package is set at three years.

- April 2020
- A refinance scheme worth BDT 50 billion is constructed for providing working capital in the agriculture sector (horticulture, pisciculture, poultry, dairy and livestock sectors) to combat the probable loss in this sector emerged from the COVID-19 pandemic. The fund under concern shall be financed from the own source of Bangladesh Bank. The title of the scheme shall be “Special Stimulative Refinance Scheme in Agriculture Sector.” Participating banks shall enjoy one percent refinance facility from Bangladesh Bank and the rate of interest at the customer level shall be four percent.
- April 2020
- A refinance scheme titled “Refinance Scheme for Professionals, Farmers and Marginal/Small businessman of low income, 2020” is created by Bangladesh Bank. The refinance scheme worth BDT 30 billion shall be financed from the own source of Bangladesh Bank. The tenure of the scheme is fixed at three years. Bangladesh Bank shall charge one percent interest against the refinance to the financing banks, whereas financing banks shall realize 3.5 percent interest against their finance to the microcredit institutions.
- April 2020
- A refinance scheme worth BDT 150 billion is constructed by Bangladesh Bank from its own source for providing working capital loan/investment facilities in large industrial and service sector. The title of the scheme is “Refinance Scheme for providing working capital loan/investment facilities in large industrial and service sector.” The tenure of the scheme is set at 3 years. The rate of interest shall be 4 percent on quarterly basis.
- April 2020
- Bangladesh Bank constructed a revolving refinance scheme of BDT 100 billion from its own source for CMSME sector to provide working capital facility to the Entrepreneurs to minimize the effect of coronavirus pandemic in this sector. The tenure of the scheme is estimated at three years. The rate of interest for the refinance scheme is four percent on quarterly basis.
- April 2020
- Scheduled banks are instructed to provide loans in agricultural products such as paddy, wheat, grain/crop corn, cash crop, vegetables etc along with import substitute products at 4 percent concessional rate to ensure smooth supply of these products in coming days. The tenure of the scheme is from April 01, 2020 to June 30, 2021 and the rate of interest at the farmer

- level is maximum 4 percent. Banks shall avail of 5 percent interest-loss reimbursement facilities against their disbursed loans from Bangladesh Bank.
- April 2020
- Refinance scheme for environment-friendly products is revised as “Refinance Scheme for Green Products /Initiatives /Projects” and the size of the fund of this scheme is enhanced to BDT 4 billion from that of BDT 2 billion to support the increasing demand of this sector. Under the scheme, the fund is allowed to disburse only against term loans. Bangladesh bank shall charge interest rate at bank rate against the finance to participatory banks and banks shall charge interest rate varied from 7 to 8 percent at customer level depending on the term of the loan.
- May 2020
- Scheduled banks are directed to transfer attributed/attribution interest from 01 April 2020 to 31 May 2020 to non-interest bearing blocked account considering the business situation due to breakout of the COVID-19. And interest transferred to blocked account is not allowed to be realized from the debtor and is also barred from transferring to income account of the banks until further notice. If already transferred, then it must be adjusted through reverse entry.
- May 2020
- Scheduled banks, mobile financial service providers and Directorate of Posts are instructed to provide constant and uninterrupted service to materialize the government decision to disburse cash assistance for 5 million distressed families through Mobile Financial Service (MFS). Each family is entitled to receive BDT 2500 under this cash assistance from the government.
- June 2020
- Scheduled banks are barred from declassification of any loan/ investment standard occupied on January 01, 2020 till September 30, 2020. However, if any loan/investment standard improves by the time, those standards of loans/ investment are allowed to classify following proper norms. All installments of the term loans, including agriculture and micro-credits and investment, between January 01, 2020 to September 30, 2020 shall be considered as deferred. The installment size and numbers shall be re-fixed in October 2020. If any installment of loans/investments of a borrower remains unpaid/ due within the time, those installments shall not be considered as default.
- June 2020
- Financial institutions which accept time deposit are allowed to maintain 1.5 percent CRR on bi-weekly weighted average basis. And this reserve cannot anyhow be less than 1 percent on daily average basis.

## B. Policy Announcements on Monetary Sector Development

- September 2019
- Scheduled banks have been allowed to invest both in SOLO and consolidated basis in the capital market from their excess liquidity. The upper limit of investment shall be less than 25 percent of bank's capital on SOLO basis and 50 percent on consolidated basis. Banks have hereby been permitted to invest in the capital market through their own portfolio in the form of direct investment and their subsidiaries in the form of lending for investment. Opening new BO account has been made mandatory for investing the liquid fund. The facility shall be availed in the form of REPO of treasury bond or bill from their excess liquidity. The liquidity support shall be provided after taking 5 percent margin of the REPO value of treasury bond or bill. Initial repayment tenure has been set at 28 days and the tenure shall be extended to six months on successful fund uses. Interest rate has been fixed at 6 percent.
- March 2020
- The existing Repo interest rate of Bangladesh Bank is reduced by 25 basis points and re-fixed at 5.75 percent from that of 6.00 percent while Reverse Repo rate will remain unchanged at 4.75 percent. This instruction will be effective from March 24, 2020.
- April 2020
- The existing repo interest rate of Bangladesh Bank is reduced by 50 (Fifty) basis point from annual 5.75 percent and is re-fixed at 5.25 percent effective from April 12, 2020.

## C. Policy Announcements on External Sector Development

- July 2019
- Authorized Dealer (Ads) have been allowed to borrow funds from EDF against their loans to manufacturer-exporters of leather goods and footwear industrial sectors for input procurements up to maximum single borrower limit of USD 20.00 million.
- July 2019
- Private travel entitlement has been enhanced to USD 12,000 or equivalent per adult passenger during a calendar year from USD 5,000 and USD 7,000 for travel to SAARC member countries and Myanmar, and for travel to other countries respectively. In accordance with the decision, global limit of travel entitlement for an adult passenger shall stand at USD 12,000 during a calendar year without limiting to regions or countries of travel. For minors (below 12 years in age) the applicable quota, as before, will be half the amount admissible for adults.
- August 2019
- For any inward remittance from abroad, remittance collecting bank shall provide 2 percent cash incentive on the remitted amount converted into



- BDT by fulfilling proper regulation to the beneficiary or to be transferred to beneficiary's bank account. But the repatriation of the remittance must take place through legal channel like-foreign exchange houses or banks which have agreement with Bangladesh Bank. An expatriate shall not require submitting any document to remit maximum USD 1500 each time to avail the incentive. To get the incentive against receipt of more than USD 1500 or equivalent foreign currency, the beneficiaries shall have to submit legal documents.
- August 2019
- Offshore banking operations have been allowed to discount/purchase accepted usance/deferred export bills against direct and deemed exports of products produced in Bangladesh.
- September 2019
- The maximum limit to repatriate remittances against small value service exports in non-physical form has been enhanced per transaction to USD 10,000 from USD 5,000 through Online Payment Gateway Service Providers (OPGSPs).
- September 2019
- Producers-Exporters producing consumer electronics, electrical home and Kitchen appliances domestically for export shall enjoy 10 percent export subsidy on net FOB value, not applicable for specialized zones (EPZ, EZ). In this regard, the rate of local value addition must be a minimum of 30 percent for these products.
- October 2019
- For the convenience of private sector participants for attending seminar, conference, workshop, training etc. abroad irrespective of countries or regions, Authorized Dealers (ADs) are allowed to release foreign exchange to them at the scale of upto USD 400 per diem for the actual period of programme to be held along with one additional day as transit on the basis of invitation letters received in the name of the applicants or their employer institutions.
- October 2019
- Producers-exporters producing readymade garments at their own workshop for export shall enjoy 1 (one) percent export subsidy on net FOB value. In this regard, the rate of local value addition must be a minimum of 30 percent for these products. The corresponding privilege is also admissible for the Type-C institutions under local ownership located in special zones (EPZ, EZ) for export to the EU, the USA and Canada. However, the fund to be offered as cash incentive is not realizable if found violating rules in case of availing the privilege.
- October 2019
- Subject to 30 percent local value addition against the export of related products produced in Type-C industries (under indigenous ownership)

- in Economic Zone/High-tech Park, 4 percent new products/new market expansion assistance, irrespective of country/region, shall be applied in the current FY20 against their export.
- November 2019
- Interest rates on EDF loans to ADs will be charged by Bangladesh Bank at six-month USD LIBOR + 0.50 percent, while ADs will charge interest to manufacturer-exporters at six-month USD LIBOR + 1.50 percent; for disbursements until June 30, 2020 from the date of this circular.
- November 2019
- Two percent cash incentive shall be admissible against the inflows of remittance of maximum USD 1,500/ equivalent to other foreign currencies/ BDT 150,000 without any documents. Above that amount, the timeframe for submitting required documents is extended to 15 working days from that of earlier 5 days.
- November 2019
- Advance payment limit against admissible imports is enhanced to USD 10,000.00 from USD 5,000.00 or equivalent to other foreign currency.
- December 2019
- Foreign remittance of maximum BDT 1,25,000, including 2 percent cash incentive, inflowed through the banking channel is now allowed to be deposited by the banks to the beneficiaries MFS account. This transaction benefit is admissible only for foreign remittance through proper banking channel.
- December 2019
- The excess cash benefit for Small and Medium Industry under export oriented Ready Made Garments (Knit, woven and Sweater) shall be admissible only for a single party among the parties- Readymade garments/Textile-made product producer-exporter, Textile producer and Thread producer as before. However, subject to the specific mentioning of receiver name and address in internal back-to-back Letter of Credit, the receivers of existing substitute cash incentive and the excess benefit for Small and Medium Industry may vary. If the beneficiaries of the above mentioned benefits are different, the name and address of the beneficiaries, according to the benefits, must be mentioned in the related internal back-to-back Letter of Credit. In this regard, submission of application and audit activities are allowed to perform separately.
- January 2020
- All the head offices/ principal offices of the authorized dealer banks involved in foreign currency transactions are asked to remain alert to thwart any fraudulent attempt to divert payments/export proceeds from foreign buyers to different bank accounts by sending spam emails containing the name of the exporters to the importers in case of TT payments system of exports proceeds.

- January 2020
- The exporter-producer of locally produced readymade garments (RMG)/ textile products (like-Teri-towel and specialized textile) shall be privileged with 1 (one) percent special cash assistance on net FOB value against their export admissible in the fiscal year 2019-2020. The facility is equally admissible for the Type-C institutions under local ownership located in specialized zones (EPZ, EZ) against their export in the EU, USA and Canada. The said privilege and duty draw-back/ bond privilege are allowed to be simultaneously availed. If any irregularity is, however, found in providing the facility, the fund is realizable by debiting the payee-bank account maintained with the Bangladesh Bank and punitive measures shall be initiated against the officials implicated with irregularities, if proven.
- January 2020
- The limit to remit with international card facility by the Authorized Dealers (ADs) on behalf of IT/Software firms who are members of BASIS, for meeting bonafide current payment needs, is enhanced to USD 40,000 in a calendar year from USD 30,000. Within the limit of USD 40,000, international cards may be issuable for USD 8,000 instead of USD 6,000 which may be refilled subject to availability of the limit and observance of specified formalities.
- January 2020
- Subject to the compliance of the regulations followed in foreign currency transactions by the importers, all the head offices/ principal offices of the authorized dealer banks are instructed to initiate letters of credit and provide all necessary support to the importers for the uninterrupted, prompt and speedy supply of the essential commodities (onion, garlic, lentils, chickpeas, dried chillies, cinnamon/cassia, clove, cardamom, seeds of coriander, seeds of cumin, ginger, turmeric, bay leaves, edible soya bean oil, edible palm oil, sugar and edible salt, excluding beet salt) in the local market.
- January 2020
- Stamp duty is not attributable to the exporters of bill of exchange against deferred/usance export bills as per the Stamp Act, 1899. So, the stamp duty on the deferred export bill of exchange at the rate of 0.2 percent formerly levied on exporters is waived.
- January 2020
- The rice processors-exporters, who process rice in locally owned firms by collecting domestically produced paddy, shall receive 15 percent export subsidy against their export in the current fiscal year 2019-2020. However, the said export privilege shall not be admissible for the institutions located in specialized zones (EPZ, EZ).
- February 2020
- The limit of foreign currency brought in without declaration to the Custom Authorities and taken out while proceeding abroad by a concerned person is enhanced to USD 10,000 or its equivalent from USD 5,000 or its equivalent.

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- February 2020
- The limit to borrow maximum USD 15.00 million by the Authorized Dealers (ADs) from EDF against their foreign currency financing to manufacturer-exporters for input procurement is enhanced to USD 20.00 million for member mills of BKMEA.
- March 2020
- Authorized Dealers (ADs) are allowed to effect advance payment up to USD 500,000.00 or equivalent to other foreign currency without repayment guarantee for import of coronavirus related life-saving drugs, medical kits/ equipment and other essential medical items. This instruction will be valid till September 30, 2020.
- April 2020
- Interest rates on EDF loans to Authorized Dealers (ADs) will be charged by Bangladesh Bank at 1.00 percent per annum, while ADs will charge interest to manufacturer-exporters at 2.00 percent per annum; for disbursements until further instructions. The size of EDF has been enhanced to USD 5 billion.
- April 2020
- Bangladesh Bank introduced a refinance scheme titled “Refinance Scheme for Pre-shipment Credit” worth BDT 50 billion from its own source for the locally produced export oriented industries to fight the crisis in this sector arisen from the COVID-19 pandemic. The tenure of the scheme is three years. The rate of interest at the customer level is 6 percent, of which Bangladesh bank shall charge 3 percent interest rate to the banks for the refinance facility. The maturity of the loan shall be one year.
- May 2020
- Loan limit from Export Development Fund (EDF) has been enhanced from existing limit of USD 25 million to USD 30 million for refinancing from EDF to ADs against their foreign currency financing, for input procurement to member mills of BGMEA and BTMA.



Appendix-2  
**Bangladesh Bank's Research in FY20**





## **A Summary of Recent Research Work/Reports in Bangladesh Bank and a Near/ Medium Term Agenda**

Some of the key outputs of Research Department (RD), Monetary Policy Department (MPD), Governor's Secretariat (GS), Chief Economist's Unit (CEU), Statistics Department (SD), Financial Stability Department (FSD), Sustainable Finance Department (SFD) and some other departments of BB are summarised here. All are grouped under the following categories (A) Synthesis Analysis/ Reports related to Bangladesh Economy; and (B) Empirical Research on Specific Economic/ Financial Sector Issues.

### **A. Synthesis Analysis/ Reports related to Bangladesh Economy and their Frequencies**

1. BB Annual Report: First draft prepared by RD with inputs collected from other Departments of BB.
2. Monetary Policy Statement (MPS): An annual announcement of policy stance along with an update of yearly economic developments - prepared by MPD.
3. Financial Stability Report (FSR): An annual report on core indicators of financial stability in 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.
4. Outstanding Principal Liabilities against the Facilities Received from the IMF: A yearly report prepared by RD.
5. Preparation of manuscript of the book titled "Report of Financial Institutions 2019-2020" -prepared by RD and published by the MoF (yearly).
6. Foreign Direct Investment (FDI) in Bangladesh: A half-yearly survey report - prepared by SD.
7. Half-yearly CSR Reports of Banks and Financial Institutions: A half-yearly report - prepared by SFD.
8. Bangladesh Systemic Risk Dash Board: A bi-annual report prepared by FSD.
9. BBTA Journal on 'Thoughts on Banking and Finance' has been published since 2012. Till date, volume-6, issue-2 of the Journal has been published.
10. Bangladesh Bank Quarterly (BBQ): An analysis of the past quarters economic developments along with a near term outlook – prepared by CEU.
11. Quarterly Financial Stability Assessment Report (QFSAR): An analysis of the past quarters financial changes, risk assessment and development - prepared by FSD.
12. Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank - prepared by SFD.

13. Developments of Islamic Banking in Bangladesh: A quarterly update on the Islamic banking performance in Bangladesh - prepared by RD.
14. Quarterly Report on Remittance Inflows: A quarterly report on the inflow of remittances in Bangladesh - prepared by RD.
15. Quarterly Review on RMG: A quarterly review on the development of RMG sector in Bangladesh - prepared by RD.
16. Quarterly Analysis on Government Revenue Receipts: A quarterly analysis on the revenue earnings by the Government of Bangladesh - prepared by RD.
17. Major Economic Indicators (MEI): A monthly update on key macroeconomic indicators - prepared by MPD.
18. Monthly Report on Government Borrowing from Domestic Sources: A report prepared by RD.
19. Monthly Report on Agricultural and Rural Financing: A report prepared by RD.

## **B. Empirical Analysis of Specific Economic/ Financial Sector Issues in FY20**

### **(i) Monetary Policy / Inflation Related**

1. Inflation Trend and Persistence in Bangladesh: An Empirical Analysis. (BB Working Paper Series, WP2001, CEU)
2. Nominal Interest Rate, Inflation and Money Market Link in Bangladesh: An Econometric Analysis; Asian Journal of Humanity, Art and Literature. (<https://i-proclaim.my/journals/index.php/ajhal/article/view/501>, CEU)
3. How the banking system is creating a two-way inflation in an economy. PLOS ONE Journal, (<https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0229937>, DBI-4)

### **(ii) Financial Sector Related**

1. Assessment of Banks Insolvency and Stability: Evidence from the Private Banks in Bangladesh (Annual Banking Conference 2019, Bangladesh Institute of Bank Management, CEU)
2. Financial Inclusion Landscape in Bangladesh: Strength and Weakness(1<sup>st</sup> International FIN-B Financial Inclusion Conference and Inclusion Fair 2019, CEU)
3. Potential of the ceramics Industry in Bangladesh.( BB Policy note, PN1902, CEU)
4. Survey on Impact Analysis of Access to Finance in Bangladesh.(BB special Research Work,SRW1903, CEU)
5. The implication of foreign credit and higher saving certificate rate on banks' liquidity in Bangladesh (<https://www.bb.org.bd/pub/research/workingpaper/wp1903.pdf>, GS)

6. Comprehensive Framework on the Development of the Bond Market in Bangladesh.

(<https://www.bb.org.bd/pub/special/bondmarketframework.pdf>, 2019, DMD)

**(iii) Real Sector Related**

1. A Survey on Investment in National Savings Certificates (NSCs) of Bangladesh (Special Research Work: SRW No. 1901, [https://www.bb.org.bd/pub/research/sp\\_research\\_work/srw1901.pdf](https://www.bb.org.bd/pub/research/sp_research_work/srw1901.pdf), GS).
2. Investment Absorption Capacity and Current Macroeconomic Conditions of Bangladesh (BB Working Paper: <https://www.bb.org.bd/pub/research/workingpaper/wp1902.pdf>, GS).
3. Global Economic Crisis Due to Novel Coronavirus (COVID-19): Challenges and Overcome for Bangladesh Economy. Journal of Economics and Sustainable Development. (Page: 88-100, Vol: 11, No. 10, 2020, SD).
4. A Microeconometric Analysis of Youth NEET in Bangladesh: What Factors Affect to be "Not in Employment, Education or Training". The Dhaka University Studies. (Vol: 72, No: 1 &2, 2020, MPD).
5. "Pace and Prospects of Light Engineering Sector in the Economic Development of Bangladesh"- a chapter of the book named "Bangladesh's Economic and Social Progress: From a Basket Case to a Development Model", 2020, Palgrave Macmillan, Springer Nature, Singapore, prepared by RD.

**(iv) External Sector Related**

1. "SAARCFINANCE Collaborative study on Reducing the Cost of Cross-border Remittances among SAARC Countries", (Collaborative study), web portal: [https://www.bb.org.bd/saarcfinance/collaborativestudy\\_1.pdf](https://www.bb.org.bd/saarcfinance/collaborativestudy_1.pdf).



**Appendix -3**  
**Bangladesh: Some Selected Statistics**



**Table-I Trends in Major Macroeconomic Indicators**

Indicators	FY16	FY17	FY18	FY19 <sup>R</sup>	FY20 <sup>P</sup>
1	2	3	4	5	6
1. GDP growth (at FY06 constant market prices)	7.11	7.28	7.86	8.15	5.24
2. Growth of broad money (M2)	16.35	10.88	9.24	9.88	12.66
3. Growth of GDP deflator (base: FY06=100)	6.73	6.28	5.60	4.46	4.51
4. CPI Inflation Rate (12-month average) <sup>†</sup>	5.92	5.44	5.78	5.48	5.65
5. Foreign exchange reserves (billion USD)	30.17	33.49	32.94	32.72	36.04
6. Net foreign assets of the banking system (billion BDT)	2331.36	2666.97	2646.74	2724.00	2973.36
7. Exchange rate (BDT/USD, Period Average)	78.26	79.12	82.10	84.03	84.78
8. REER index as of end June <sup>@</sup>	100.00	102.48	100.69	105.70	107.63
9. Per capita GDP in BDT (at current market prices)	108378.49	122152.42	137517.83	153577.93	166888.17
(As percentage of GDP)					
10. Domestic savings	24.98	25.33	22.83	25.02	25.31
11. Investment	29.65	30.51	31.23	31.57	31.75
12. Revenue income	9.98	10.18	9.62	9.91	12.45*
13. Recurrent expenditures	8.33	8.33	7.95	8.57	9.83*
14. Revenue surplus (+) / Revenue deficit (-)	1.65	1.86	1.67	1.34	2.62*
15. Annual Development Programme (ADP)	4.58	4.26	5.31	5.79	6.90*
16. Total expenditures	13.76	13.64	14.30	15.41	17.94*
17. Overall budget deficit (excluding grants)	-3.78	-3.46	-4.68	-5.46	-5.49*
18. Overall budget deficit (including grants)	-3.67	-3.42	-4.64	-5.43	-5.37*
19. Financing of overall budget deficit (a+b)	3.67	3.42	4.64	5.43	5.37*
a. Net foreign financing	0.74	0.59	1.14	1.23	1.89*
b. Net domestic financing (i+ii)	2.93	2.83	3.50	4.20	3.48*
i. Bank borrowings	0.61	-0.42	0.52	1.36	2.95*
ii. Non-bank borrowings	2.32	3.25	2.98	2.84	0.53*
20. Government debt outstanding (i+ii)	27.66	27.02	28.05	29.61	31.68
i. Domestic debt	15.78	15.67	15.82	16.89	18.29
ii. External debt <sup>#</sup>	11.88	11.35	12.23	12.72	13.39
21. Current account balance : surplus(+)/deficit(-)	1.92	-0.53	-3.49	-1.69	-1.47

<sup>R</sup> Revised, <sup>P</sup> Provisional<sup>†</sup>base: FY06=100.<sup>@</sup>base: FY16=100 with 15 currency basket.

\* Revised Budget for FY20.

<sup>#</sup> Excluding IMF loan.

Source: BB, BBS and Budget in Brief (various issues), MoF.



**Table-II (a) Medium-Term Macroeconomic Framework: Key Indicators**

Indicators	FY17	FY18	FY19	FY20	Projection		
					FY21	FY22	FY23
1	3	4	5	6	7	8	8
<b>Real Sector</b>							
Real GDP Growth (%)	7.3	7.9	8.2	5.2	8.2	8.3	8.4
CPI Inflation (%)	5.4	5.8	5.5	5.6	5.4	5.3	5.2
Investment (% of GDP)	30.5	31.2	31.6	31.7	33.5	34.5	35.6
Private	23.1	23.3	23.5	23.6	25.3	26.6	27.7
Public	7.4	8.0	8.0	8.1	8.1	7.9	7.9
<b>Fiscal Sector (% of GDP)</b>							
Total Revenue	10.2	9.6	9.9	12.4 <sup>R</sup>	11.9	12.1	12.2
Tax Revenue	9.0	8.6	8.9	11.2 <sup>R</sup>	10.9	11.0	11.1
Of which NBR Tax Revenue	8.7	8.3	8.6	10.7 <sup>R</sup>	10.4	10.5	10.6
Non-tax Revenue	1.2	1.0	1.0	1.2 <sup>R</sup>	1.0	1.1	1.1
Public Expenditure	13.6	14.3	15.4	17.9 <sup>R</sup>	17.9	17.1	17.2
Of which ADP	4.3	5.3	5.8	6.9 <sup>R</sup>	6.5	6.5	6.5
<b>Overall Balance</b>	-3.4	-4.7	-5.5	5.5 <sup>R</sup>	-6.0	-5.0	-5.0
<b>Financing</b>	3.4	4.7	5.5	5.5 <sup>R</sup>	6.0	5.0	5.0
Domestic Financing	0.7	1.2	1.3	2.0 <sup>R</sup>	2.5	2.1	2.1
External Financing (net)	2.8	3.5	3.9	3.5 <sup>R</sup>	3.5	2.9	2.9
<b>Money and Credit (Year-on-year % change)</b>							
Domestic Credit	11.2	14.7	12.3	14.0	17.2	18.5	18.3
Credit to the Private Sector	15.7	16.9	11.3	8.6	16.7	16.8	16.8
Broad Money (M2)	10.9	9.2	9.9	12.7	12.5	12.5	12.5
<b>External sector</b>							
Exports f.o.b (% change)	1.7	6.7	9.2	-17.1	15.0	10.8	11.0
Imports f.o.b (% change)	9.0	25.2	1.8	-8.6	10.0	8.0	7.0
Remittances (% change)	-14.5	17.3	9.6	10.9	15.0	10.0	10.0
Current Account Balance (% of GDP)	-0.5	-3.5	-1.7	-1.5	0.1	0.4	0.8
Gross Foreign Exchange Reserve (Billion USD)	33.5	32.9	32.7	36.0	40.2	45.0	50.0
Forex Reserve in Months of Import	6.6	6.0	6.5	6.4	8.8	9.1	9.5
<b>Memorandum Item</b>							
GDP at current market prices (billion BDT)	19758.2	22504.8	25424.8	27963.8	31718	35834	40456

<sup>R</sup> According to Revised Budget for FY20.

Source: Bangladesh Economic Review, 2020, MoF.

**Table II (b) Stimulus Package to address COVID-19 and Economic Recovery**

S. L	Name of the package	Allocation (billion BDT)
1	Special Fund for salary support to workers of export-oriented manufacturing industries including ready-made garments	50.00
2	Providing low interest working capital loans to affected industries and service sector enterprises to ensure their business continuation	400.00
3	Providing low interest working capital loans to micro, cottage, small and medium enterprises including cottage industries	200.00
4	Expanding the Export Development Fund (EDF) to USD 5 billion from USD 3.5 billion and setting its interest rate to only 2 percent to enhance the facility to import raw materials under back-to-back letter of credit	127.50
5	Introducing Pre-Shipment Credit Refinance Scheme to enhance the capacity of exporters	50.00
6	Providing special honorarium equivalent to two months' basic salary to the doctors, nurses, medical workers engaged in serving corona patients	1.00
7	Providing appropriate compensation to doctors, nurses and health workers engaged in serving corona patients as well as to employees of field administration, law enforcement agencies, armed forces and other directly involved government employees engaged in implementing instructions of the government in case of coronavirus infection, or providing appropriate compensation to their families in case of death	7.50
8	Free distribution of 5 lakh metric tons of rice and 1 lakh metric tons of wheat to the poor who have suddenly become jobless due to the coronavirus outbreak	25.00
9	Selling rice at BDT 10 per kg under the Open Market Sale (OMS) among low-income people badly affected by the coronavirus outbreak	7.70
10	Providing direct cash transfer of BDT 2,500 each to 50 lakh beneficiary families across the country to protect the ultra-poor who have become jobless and lost their income due to the outbreak of corona virus	12.58
11	Increasing the number of beneficiaries of old age allowance, widow and divorcee allowance and disability allowance by a total of 11 lakh to protect the poor from the adverse effects of coronavirus	8.15
12	Allocating fund for the construction of home for homeless people affected by the coronavirus	21.30
13	Increasing the target for procurement and distribution of paddy by 2 lakh metric tons to ensure fair price of paddy and keep the price of rice stable in the market in the aftermath of the coronavirus outbreak.	8.60
14	Providing support for farm mechanization	32.20
15	Enhancing the amount of agricultural subsidy	95.00
16	Establishing an Agriculture Refinance Scheme to ensure easy loans for farmers	50.00
17	Establishing a refinance scheme for low income professionals, farmers, and small traders	30.00
18	Providing low interest loans to rural poor farmers, expatriate migrant workers and trained youth and unemployed youth for establishing business and self-employment in agriculture and agro-related production and services, small business, small and cottage industries	20.00
19	Providing subsidy for partial remission of commercial bank's suspended interest of April and May of 2020	20.00
20	Credit guarantee scheme for the SME sector	20.00
21	Social safety net program for the helpless workers in the RMG, leather goods and footwear industries	15.00
<b>Total (In BDT)</b>		<b>1201.53</b>
<b>Total (in USD)</b>		<b>14014 million</b>
<b>As % of GDP</b>		<b>4.30</b>

Source: Bangladesh Economic Review 2020, MoF.

**Table-III Trends in Gross Domestic Product (GDP), Investment and Savings**

(Billion BDT)								
Items/Sectors	FY13	FY14	FY15	FY16	FY17	FY18	FY19 <sup>R</sup>	FY20 <sup>P</sup>
1	2	3	4	5	6	7	8	9
1. GDP (at current market prices)	11989.2	13436.7	15158.0	17328.6	19758.2	22504.8	25424.8	27963.8
2. Gross investment at current prices	3403.7	3839.9	4378.7	5138.4	6028.3	7029.4	8026.7	8879.9
a) Private	2607.5	2960.0	3344.7	3983.5	4563.6	5235.2	5985.8	6608.4
b) Public	796.2	879.9	1033.9	1154.9	1464.7	1794.2	2040.9	2271.5
3. Gross domestic savings at current prices	2642.4	2968.2	3358.8	4328.3	5004.6	5138.9	6362.2	7077.1
4. Gross national savings at current prices	3660.0	3927.0	4398.8	5332.2	5857.2	6170.2	7500.4	8419.7
<b>5. Sectoral GDP (at FY06 constant prices)</b>								
<b>i. Agriculture</b>	<b>1174.4</b>	<b>1225.7</b>	<b>1266.5</b>	<b>1301.8</b>	<b>1340.5</b>	<b>1396.6</b>	<b>1451.4</b>	<b>1496.4</b>
a) Agriculture and forestry	916.6	951.5	974.8	992.3	1011.7	1046.9	1079.9	1102.3
1. Crops and horticulture	664.3	689.4	702.0	708.1	714.9	736.8	751.2	757.9
2. Animal farming	128.9	132.6	136.7	141.0	145.7	150.6	156.0	160.7
3. Forest and related services	123.4	129.6	136.1	143.1	151.1	159.5	172.7	183.7
b) Fishing	257.8	274.2	291.7	309.5	328.8	349.7	371.5	394.1
<b>ii. Industry</b>	<b>2030.1</b>	<b>2195.7</b>	<b>2408.0</b>	<b>2675.1</b>	<b>2948.7</b>	<b>3304.3</b>	<b>3722.9</b>	<b>3964.2</b>
a) Mining and quarrying	115.8	121.3	132.9	150.0	163.3	174.7	185.0	193.1
b) Manufacturing	1329.9	1446.5	1595.7	1782.2	1977.7	2242.7	2561.2	2710.7
1. Large and medium scale	1084.4	1185.4	1312.3	1473.1	1638.2	1871.8	2149.7	2267.2
2. Small scale	245.6	261.1	283.4	309.1	339.5	370.9	411.5	443.5
c) Power, gas and water supply	101.3	105.9	112.4	127.4	138.2	150.9	165.3	175.5
d) Construction	483	522.1	567.0	615.5	669.5	736.0	811.4	884.9
<b>iii. Services</b>	<b>3794.9</b>	<b>4008.4</b>	<b>4240.9</b>	<b>4505.8</b>	<b>4807.3</b>	<b>5114.4</b>	<b>5461.3</b>	<b>5751.8</b>
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	981.7	1047.8	1114.3	1186.7	1274.2	1369.1	1480.6	1555.0
b) Hotel and restaurants	52.2	55.7	59.5	63.7	68.2	73.2	78.7	83.8
c) Transport, storage and communication	805.1	853.8	904.7	959.7	1024.6	1092.1	1170.6	1243.0
d) Financial intermediations	231.1	247.9	267.2	287.9	314.1	338.9	363.9	380.2
e) Real estate, renting and business activities	495.1	516.1	538.9	563.0	590.0	619.4	651.7	683.3
f) Public administration and defence	235.4	251.6	276.4	308.0	336.2	364.6	388.0	411.3
g) Education	156.5	167.8	181.3	202.5	225.5	241.3	259.8	275.8
h) Health and social work	131.4	138.0	145.2	156.1	168.0	179.8	201.1	221.1
i) Community, social and personal services	706.4	729.6	753.5	778.4	806.5	836.0	867.1	898.4
<b>Total GVA at constant basic price</b>	<b>6999.4</b>	<b>7429.8</b>	<b>7915.4</b>	<b>8482.7</b>	<b>9096.5</b>	<b>9815.3</b>	<b>10635.6</b>	<b>11212.5</b>
Tax less subsidy	299.6	311.6	333.2	352.7	382.5	409.1	422.3	424.9
<b>GDP (at FY06 constant market prices)</b>	<b>7299</b>	<b>7741.4</b>	<b>8248.6</b>	<b>8835.4</b>	<b>9479.0</b>	<b>10224.4</b>	<b>11057.9</b>	<b>11637.4</b>

<sup>R</sup> Revised, <sup>P</sup> Provisional.

Source: BBS.

**Table-IV Trends in Growth and Sectoral Share of GDP (at FY06 constant prices)**

Items/Sectors	FY13	FY14	FY15	FY16	FY17	FY18	FY19 <sup>R</sup>	FY20 <sup>P</sup>
1	2	3	4	5	6	7	8	9
Growth in percent								
<b>i. Agriculture</b>	<b>2.5</b>	<b>4.4</b>	<b>3.3</b>	<b>2.8</b>	<b>3.0</b>	<b>4.2</b>	<b>3.9</b>	<b>3.1</b>
a) Agriculture and forestry	1.5	3.8	2.5	1.8	2.0	3.5	3.2	2.1
1. Crops and horticulture	0.6	3.8	1.8	0.9	1.0	3.1	2.0	0.9
2. Animal farming	2.7	2.8	3.1	3.2	3.3	3.4	3.5	3.0
3. Forest and related services	5.0	5.0	5.1	5.1	5.6	5.5	8.3	6.4
b) Fishing	6.2	6.4	6.4	6.1	6.2	6.4	6.2	6.1
<b>ii. Industry</b>	<b>9.6</b>	<b>8.2</b>	<b>9.7</b>	<b>11.1</b>	<b>10.2</b>	<b>12.1</b>	<b>12.7</b>	<b>6.5</b>
a) Mining and quarrying	9.4	4.7	9.6	12.8	8.9	7.0	5.9	4.4
b) Manufacturing	10.3	8.8	10.3	11.7	11.0	13.4	14.2	5.8
1. Large and medium scale	10.7	9.3	10.7	12.3	11.2	14.3	14.8	5.5
2. Small scale	8.8	6.3	8.5	9.1	9.8	9.3	11.0	7.8
c) Electricity, gas and water supply	9.0	4.5	6.2	13.3	8.5	9.2	9.6	6.2
d) Construction	8.0	8.1	8.6	8.6	8.8	9.9	10.3	9.1
<b>iii. Services</b>	<b>5.5</b>	<b>5.6</b>	<b>5.8</b>	<b>6.3</b>	<b>6.7</b>	<b>6.4</b>	<b>6.8</b>	<b>5.3</b>
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.2	6.7	6.4	6.5	7.4	7.5	8.1	5.0
b) Hotel and restaurant	6.5	6.7	6.8	7.0	7.1	7.3	7.6	6.5
c) Transport, storage and communication	6.3	6.1	6.0	6.1	6.8	6.6	7.2	6.2
d) Financial intermediations	9.1	7.3	7.8	7.7	9.1	7.9	7.4	4.5
e) Real estate, renting and other business activities	4.0	4.3	4.4	4.5	4.8	5.0	5.2	4.8
f) Public administration and defence	6.5	6.9	9.8	11.4	9.2	8.5	6.4	6.0
g) Education	6.3	7.3	8.0	11.7	11.4	7.0	7.7	6.2
h) Health and social work	4.8	5.1	5.2	7.5	7.6	7.0	11.8	10.0
i) Community, social and personal services	3.3	3.3	3.3	3.3	3.6	3.7	3.7	3.6
<b>GDP (at constant market prices)</b>	<b>6.0</b>	<b>6.1</b>	<b>6.6</b>	<b>7.1</b>	<b>7.3</b>	<b>7.9</b>	<b>8.2</b>	<b>5.2</b>
Sectoral share (As Percent of GDP)								
<b>i. Agriculture</b>	<b>16.8</b>	<b>16.5</b>	<b>16.0</b>	<b>15.4</b>	<b>14.7</b>	<b>14.2</b>	<b>13.7</b>	<b>13.3</b>
a) Agriculture and forestry	13.1	12.8	12.3	11.7	11.1	10.7	10.2	9.8
1. Crops and horticulture	9.5	9.3	8.9	8.4	7.9	7.5	7.1	6.8
2. Animal farming	1.8	1.8	1.7	1.7	1.6	1.5	1.5	1.4
3. Forest and related services	1.8	1.7	1.7	1.7	1.7	1.6	1.6	1.6
b) Fishing	3.7	3.7	3.7	3.7	3.6	3.6	3.5	3.5
<b>ii. Industry</b>	<b>29.0</b>	<b>29.6</b>	<b>30.4</b>	<b>31.5</b>	<b>32.4</b>	<b>33.7</b>	<b>35.0</b>	<b>35.4</b>
a) Mining and quarrying	1.7	1.6	1.7	1.8	1.8	1.8	1.7	1.7
b) Manufacturing	19	19.5	20.2	21.0	21.7	22.9	24.1	24.2
1. Large and medium scale	15.5	16.0	16.6	17.4	18.0	19.1	20.2	20.2
2. Small scale	3.5	3.5	3.6	3.6	3.7	3.8	3.9	4.0
c) Electricity, gas and water supply	1.5	1.4	1.4	1.5	1.5	1.5	1.6	1.6
d) Construction	6.9	7.0	7.2	7.3	7.4	7.5	7.6	7.9
<b>iii. Services</b>	<b>54.2</b>	<b>54.00</b>	<b>53.6</b>	<b>53.1</b>	<b>52.9</b>	<b>52.1</b>	<b>51.4</b>	<b>51.3</b>
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	14.0	14.1	14.1	14.0	14.0	14.0	13.9	13.9
b) Hotel and restaurant	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.8
c) Transport, storage and communication	11.5	11.5	11.4	11.3	11.3	11.1	11.0	11.1
d) Financial intermediations	3.3	3.3	3.4	3.4	3.5	3.5	3.4	3.4
e) Real estate, renting and other business activities	7.1	7.0	6.8	6.6	6.5	6.3	6.1	6.1
f) Public administration and defence	3.4	3.4	3.5	3.6	3.7	3.7	3.7	3.7
g) Education	2.2	2.3	2.3	2.4	2.5	2.5	2.4	2.5
h) Health and social work	1.9	1.9	1.8	1.8	1.9	1.8	1.9	2.0
i) Community, social and personal services	10.1	9.8	9.5	9.2	8.9	8.5	8.2	8.0
<b>Total GVA at constant basic price</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>R</sup> Revised, <sup>P</sup> Provisional.

Source: BBS.

**Table- V Trends in Government Budgetary Operation**

(Billion BDT)

Description	FY14	FY15	FY16	FY17	FY18	FY19	FY20 <sup>R</sup>	FY21 (Budget)
1	2	3	4	5	6	7	8	9
1. Revenue and foreign grants	1467.3	1482.9	1748.4	2019.1	2174.2	2535.6	3515.2	3820.1
i. Revenues	1403.7	1459.7	1729.5	2012.1	2165.6	2518.8	3480.7	3780.0
a) Tax revenue	1160.3	1288.0	1518.9	1780.8	1943.3	2259.6	3130.7	3450.0
b) Non-tax revenue	243.4	171.7	210.7	231.4	222.3	259.2	350.0	330.0
ii. Foreign grants	63.6	23.2	18.9	7.0	8.7	16.8	34.5	40.1
2. Expenditures	1882.1	2043.8	2384.3	2695.0	3218.6	3916.9	5015.8	5680.0
i. Recurrent expenditure	1105.7	1189.9	1444.3	1644.9	1788.8	2178.1	2749.1	3111.9
ii. Capital expenditure	104.4	105.3	123.8	113.6	125.9	203.0	203.7	369.9
iii. Loans & advances (net)	77.2	90.5	10.6	26.0	12.4	-17.1	32.9	42.1
iv. Annual Development Programme	553.3	603.8	793.5	840.9	1195.4	1472.9	1929.2	2051.5
v. Other expenditures	41.5	54.3	12.1	69.6	96.1	80.0	100.9	104.6
3. Overall deficit (excluding grants)	478.3	584.2	654.8	682.9	-1053.1	-1398.1	-1535.1	-1900.0
4. Overall deficit (including grants)	414.8	560.9	635.9	675.9	-1044.4	-1381.3	-1500.5	-1859.9
5. Financing	414.9	560.8	636.0	675.9	1044.4	1381.3	1500.5	1859.9
i. Foreign borrowing - net	33.5	49.1	128.7	116.0	256.2	312.9	527.1	760.0
Foreign borrowing	119.4	119.9	195.5	188.0	331.3	447.9	636.6	888.2
Amortisation	-85.9	-70.8	-66.9	-72.0	-75.1	-135.0	-109.5	-128.2
ii. Domestic borrowing - net	381.4	511.7	507.3	559.9	788.2	1068.5	973.4	1099.8
Borrowing from banking system (net)	181.7	5.1	106.1	-83.8	117.3	345.9	824.2	849.8
Non-bank borrowing (net)	199.7	506.6	401.2	643.6	670.8	722.6	149.2	250.0
<b>Memorandum item : GDP*</b>	<b>11810.0</b>	<b>15136.0</b>	<b>17295.7</b>	<b>19560.6</b>	<b>22504.8</b>	<b>25361.8</b>	<b>28057.0</b>	<b>31718.0</b>

<sup>R</sup> Revised Budget.

\* Estimate of the finance division at current market prices

Source : Budget in Brief (various issues), MoF.

**Table-VI Trends in Money and Credit\***

(Billion BDT)

Particulars	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20 <sup>P</sup>
1	2	3	4	5	6	7	8	9
1. Broad money (M <sub>2</sub> ) <sup>®</sup>	6035.1	7006.2	7876.1	9163.8	10160.8	11099.8	12196.1	13737.4
2. Total domestic credit <sup>®</sup>	5717.4	6379.1	7015.3	8012.8	8906.7	10216.3	11468.8	13076.3
A) Government sector	1195.8	1302.7	1269.3	1302.7	1146.1	1141.0	1366.3	2103.7
i) Government (net) <sup>®®</sup>	1101.2	1175.3	1102.6	1142.2	973.3	949.0	1132.7	1811.5
ii) Other public sector	94.6	127.4	166.7	160.5	172.8	192.0	233.6	292.2
B) Private sector	4521.6	5076.4	5746.0	6710.1	7760.6	9075.3	10102.6	10972.7
3. Broad money (M <sub>2</sub> ) as % of GDP (at current market prices)	50.3	52.1	52.0	52.9	51.4	49.3	48.0	49.1
4. M <sub>3</sub> as % of GDP (at current market prices)	56.7	59.0	60.0	62.1	62.4	61.1	60.3	60.9
	Growth in percent							
1. Broad money (M <sub>2</sub> ) <sup>®</sup>	16.7	16.1	12.4	16.3	10.9	9.2	9.9	12.6
2. Total domestic credit <sup>®</sup>	11.0	11.6	10.0	14.2	11.2	14.7	12.3	14.0
A) Government sector	11.7	8.9	-2.6	2.6	-12.0	-0.4	19.8	54.0
i) Government (net) <sup>®®</sup>	20.1	6.7	-6.2	3.6	-14.8	-2.5	19.4	59.9
ii) Other public sector	-38.4	34.7	30.9	-3.7	7.7	11.1	21.6	25.1
B) Private sector	10.8	12.3	13.2	16.8	15.7	16.9	11.3	8.6
3. M <sub>3</sub>	15.3	16.5	14.8	18.3	14.6	11.4	11.6	11.1

<sup>P</sup> Provisional<sup>®</sup> Figures correspond to end June<sup>®®</sup> 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) SD, BB.

(2) BBS.

**Table-VII Consumer Price Index (CPI) and Rate of Inflation - National  
(base: FY06=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		56.18		43.82		100.00		56.18		43.82	
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
FY17	231.82	5.44	248.90	6.02	209.92	4.57	233.86	5.94	250.35	7.51	212.72	3.67
FY18	245.22	5.78	266.64	7.13	217.77	3.74	246.82	5.54	265.33	5.98	223.09	4.87
FY19	258.65	5.48	281.32	5.51	229.58	5.42	260.44	5.52	279.65	5.40	235.82	5.71
FY20	273.26	5.65	296.86	5.52	243.00	5.85	276.12	6.02	297.95	6.54	248.13	5.22
<u>FY20</u>												
Jul-19	259.82	5.48	282.54	5.45	230.68	5.54	263.69	5.62	284.54	5.42	236.95	5.94
Aug-19	260.98	5.48	283.75	5.39	231.78	5.64	266.96	5.49	289.60	5.27	237.93	5.82
Sep-19	262.17	5.49	285.00	5.38	232.89	5.67	271.90	5.54	296.81	5.30	239.96	5.92
Oct-19	263.35	5.50	286.29	5.42	233.93	5.64	273.30	5.47	298.99	5.49	240.38	5.45
Nov-19	264.65	5.56	287.80	5.51	234.97	5.63	273.60	6.05	299.26	6.41	240.71	5.47
Dec-19	265.88	5.59	289.17	5.56	236.03	5.64	272.97	5.75	297.69	5.88	241.28	5.55
Jan-20	267.10	5.60	290.39	5.54	237.24	5.70	276.16	5.57	300.11	5.12	245.46	6.30
Feb-20	268.29	5.60	291.57	5.50	238.44	5.77	275.63	5.46	299.13	4.97	245.49	6.23
Mar-20	269.49	5.60	292.73	5.43	239.68	5.86	276.83	5.48	300.74	4.87	246.17	6.45
Apr-20	270.79	5.63	294.15	5.46	240.85	5.90	278.39	5.96	303.39	5.91	246.34	6.04
May-20	271.95	5.61	295.33	5.43	241.97	5.89	273.53	5.35	294.08	5.09	247.17	5.75
Jun-20	273.26	5.65	296.86	5.52	243.00	5.85	276.12	6.02	297.95	6.54	248.13	5.22

Source: BBS.



**Table-VIII Quantum Index of Medium and Large-Scale Manufacturing Industry (base: FY06=100)**

Sl. No.	Major Industry Group	Weight	FY17	FY18	FY19	FY20 <sup>P</sup>
1.	General Index of Manufacturing	100.00	297.89	342.47	392.82	393.82
2.	Food products	10.84	410.42	501.16	562.70	601.27
3.	Beverages	0.34	257.61	240.41	272.74	255.30
4.	Tobacco products	2.92	139.57	138.51	138.59	144.82
5.	Textile	14.07	168.39	195.19	200.27	227.68
6.	Wearing apparels	34.84	343.74	388.62	443.05	368.69
7.	Leather and related products	4.40	194.13	292.22	348.58	346.69
8.	Wood and products of wood and cork	0.33	325.26	339.52	356.42	378.00
9.	Paper and paper products	0.33	183.67	185.38	187.58	198.88
10.	Printing and reproduction of recorded media	1.83	155.62	162.22	178.89	202.75
11.	Coke and refined petroleum products	1.25	182.74	100.80	109.74	69.57
12.	Chemicals and chemical products	3.67	104.04	100.50	133.22	119.73
13.	Pharmaceuticals and medicinal chemical	8.23	424.30	507.53	670.41	883.03
14.	Rubber and plastic products	1.56	359.79	411.94	442.63	445.92
15.	Other non-metallic mineral products	7.12	341.85	381.85	443.72	484.74
16.	Basic metals	3.15	174.04	185.27	188.14	173.65
17.	Fabricated metal products except machinery	2.32	246.01	274.34	298.00	298.31
18.	Computer, electronic and optical products	0.15	353.33	178.57	246.05	277.60
19.	Electrical equipment	0.73	342.77	337.58	366.35	281.80
20.	Machinery and equipment n.e.c	0.18	406.37	548.73	641.00	760.23
21.	Motor vehicles, trailers and semi trailers	0.13	559.61	438.44	614.11	285.54
22.	Other transport equipment	0.73	560.00	604.43	607.53	625.03
23.	Furniture	0.88	151.44	184.81	193.84	184.29
Growth in percent						
1.	General Index of Manufacturing		11.20	14.97	14.70	0.26
2.	Food products		6.57	22.11	12.28	6.86
3.	Beverages		-4.50	-6.68	13.45	-6.40
4.	Tobacco products		3.02	-0.76	0.06	4.50
5.	Textile		21.23	15.92	2.60	13.69
6.	Wearing apparels		1.48	13.06	14.01	-16.78
7.	Leather and related products		54.76	50.53	19.29	-0.54
8.	Wood and products of wood and cork		7.80	4.38	4.98	6.05
9.	Paper and paper products		1.43	0.93	1.19	6.03
10.	Printing and reproduction of recorded media		5.27	4.24	10.28	13.34
11.	Coke and refined petroleum products		94.34	-44.84	8.87	-36.61
12.	Chemicals and chemical products		12.35	-3.40	32.56	-10.13
13.	Pharmaceuticals and medicinal chemical		32.90	19.62	32.09	31.72
14.	Rubber and plastic products		6.40	14.49	7.45	0.74
15.	Other non-metallic mineral products		32.33	11.70	16.20	9.24
16.	Basic metals		-14.20	6.45	1.55	-7.70
17.	Fabricated metal products except machinery		22.68	11.52	8.62	0.10
18.	Computer, electronic and optical products		52.37	-49.46	37.79	12.82
19.	Electrical equipment		60.08	-1.51	8.52	-23.08
20.	Machinery and equipment n.e.c		45.58	35.03	16.82	18.60
21.	Motor vehicles, trailers and semi trailers		68.75	-21.65	40.07	-53.50
22.	Other transport equipment		-5.47	7.93	0.51	2.88
23.	Furniture		14.71	22.04	4.89	-4.93

<sup>P</sup> Provisional

Source: BBS.

**Table-IX Trends in Reserve Money and its Components**

(Billion BDT)

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)
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
2017	1375.3	137.3	727.3	6.7	2246.6
2018	1409.2	140.2	780.4	7.6	2337.4
2019	1542.9	161.0	750.1	7.9	2461.9
2020	1921.1	159.8	757.7	6.2	2844.8

\* Balances of DMBs with BB excluding foreign currency clearing account balances since June'2002 and Reserve Money has been revised accordingly.  
Source: SD, BB.

**Table-X Trends in Reserve Money and its Sources**

(Billion BDT)

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)	
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	2188.9	-520.7	1932.0	
2017	129.8	50.5	21.6	49.8	251.7	2520.3	-525.4	2246.6	
2018	225.7	55.8	23.7	51.5	356.7	2535.1	-554.4	2337.4	
2019	311.9	53.9	23.8	47.9	437.5	2572.0	-547.5	2461.9	
2020	421.2	137.6	25.5	53.4	637.8	2860.4	-653.3	2844.8	

Source: SD, BB.

**Table-XI Trends in Deposits of Public and Private Sector**

(Billion BDT)

Year (End June)	Demand deposits <sup>1/</sup>			Time deposits <sup>1/</sup>		
	Public <sup>2/</sup>	Private	Total	Public <sup>2/</sup>	Private <sup>3/</sup>	Total
1	2	3	4	5	6	7
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	1638.3	5871.4	7509.7
2017	192.1	971.5	1163.6	1781.0	6480.8	8261.8
2018	204.1	1071.0	1275.1	2034.0	7131.9	9165.9
2019	247.7	1105.9	1353.6	2164.9	7954.6	10119.5
2020	274.8	1267.2	1541.9	2230.7	8918.4	11149.1
	Share in Percent					
2004	16.6	83.4	100.0	17.5	82.5	100.0
2005	18.1	81.9	100.0	18.1	81.9	100.0
2006	17.1	82.9	100.0	17.4	82.6	100.0
2007	16.2	83.8	100.0	17.5	82.5	100.0
2008	16.3	83.7	100.0	18.1	81.9	100.0
2009	17.0	83.0	100.0	18.1	81.9	100.0
2010	13.6	86.4	100.0	18.4	81.6	100.0
2011	16.7	83.3	100.0	18.9	81.1	100.0
2012	18.0	82.0	100.0	19.5	80.5	100.0
2013	17.8	82.2	100.0	18.7	81.3	100.0
2014	16.1	83.9	100.0	18.3	81.7	100.0
2015	14.8	85.2	100.0	20.7	79.3	100.0
2016	14.0	86.0	100.0	21.8	78.2	100.0
2017	16.5	83.5	100.0	21.6	78.4	100.0
2018	16.0	84.0	100.0	22.2	77.8	100.0
2019	18.3	81.7	100.0	21.4	78.6	100.0
2020	17.8	82.2	100.0	20.0	80.0	100.0

<sup>1/</sup> Exclude inter-bank items.<sup>2/</sup> Include government deposit.<sup>3/</sup> Include wage earners' deposits.

Source: SD, BB.

**Table-XII Trends in Selected Statistics of Scheduled Banks**

(Billion BDT)

Particulars	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
1	2	3	4	5	6	7	8	9
<b>1. Bank deposits (exclude inter-bank items)</b>	<b>5729.7</b>	<b>6625.7</b>	<b>7463.4</b>	<b>8496.3</b>	<b>9425.9</b>	<b>10441.5</b>	<b>11473.6</b>	<b>12691.5</b>
(A) Demand deposits	557.4	643.4	723.8	897.6	1018.9	1132.2	1182.2	1355.3
(B) Time deposits	4799.0	5589.8	6268.0	7039.5	7760.0	8550.9	9463.2	10454.7
(C) Restricted deposits	0.8	0.3	0.4	0.5	0.5	0.5	0.5	0.5
(D) Government deposits	372.5	392.2	471.2	558.7	646.5	757.9	827.8	881.0
2. Borrowings from the Bangladesh Bank	94.4	55.3	48.2	183.9	243.9	323.3	353.7	503.0
3. Cash in tills	78.2	85.8	102.1	102.3	137.3	140.2	161.0	159.8
4. Balances with the Bangladesh Bank including FCD	453.4	558.5	568.5	672.9	815.9	871.6	866.9	869.9
5. Balances with other banks in Bangladesh	159.4	168.8	159.3	206.6	285.8	444.3	441.8	355.3
6. Money at call and short notice	53.0	49.9	25.3	51.7	65.4	46.7	65.4	74.4
<b>7. Total investment @</b>	<b>1361.1</b>	<b>1698.8</b>	<b>1744.3</b>	<b>1798.7</b>	<b>1787.5</b>	<b>1848.0</b>	<b>2130.7</b>	<b>2745.3</b>
(A) Government securities & treasury bills *	1208.1	1493.3	1524.2	1536.7	1476.5	1492.7	1663.6	2264.6
(B) Others	153.0	205.5	220.1	262.0	311.0	355.3	467.1	480.7
<b>8. Bank credit (exclude inter-bank items and foreign bills)</b>	<b>4372.0</b>	<b>4882.2</b>	<b>5533.4</b>	<b>6428.3</b>	<b>7456.1</b>	<b>8762.5</b>	<b>9824.5</b>	<b>10735.3</b>
(A) Advances in Bangladesh **	4172.9	4688.7	5333.1	6187.8	7166.6	8480.5	9518.8	10495.7
(B) Inland bills purchased and discounted	199.0	193.5	200.3	240.5	289.4	282.0	305.7	239.5
9. Credit/deposit ratio (excluding specialised banks)	0.8	0.7	0.7	0.8	0.8	0.8	0.9	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 from June 2002.

\*\* Advances are on gross basis.

Source: SD, BB

**Table-XIII Movements in Selected Interest Rates (end period)**

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1	2	3	4	5	6	7	8	9
Bank rate	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
<b>Treasury bill rates*</b>								
91-day	8.40	6.90	5.39	3.92	3.78	3.89	6.92	6.87
182-day	10.20	7.50	6.40	4.65	4.31	4.42	7.07	7.00
364-day	10.40	8.00	6.78	5.22	4.47	4.60	7.29	7.41
<b>Call money rates*</b>								
Borrowing	7.20	6.25	5.79	3.70	3.93	3.41	4.55	5.01
Lending	7.20	6.25	5.79	3.70	3.93	3.41	4.55	5.01
<b>Scheduled banks rates*</b>								
Deposits	8.50	7.79	6.80	5.54	4.84	5.50	5.43	5.06
Advances	13.70	13.10	11.69	10.39	9.56	9.95	9.58	7.95

Note: Weighted average except Bank rate.

Source: MPD and SD, BB.

**Table-XIV Government Domestic Borrowing from the Banking System**

(Billion BDT)

Sl. No.	Particulars	Objectives	Outstanding as on 30 June 19	Outstanding as on 30 June 20 <sup>p</sup>
1	2	3	4	5
<b>A. Bangladesh Bank</b>				
1	Ways and Means Advances	To increase Government cash balance	14.22	60.00
2	Overdraft		0.00	5.04
3	Overdraft Block		26.85	11.85
4	Devolvement		278.45	346.72
	a) Treasury Bills		144.78	83.94
	b) Treasury Bonds		133.67	262.77
5	Government Currency Liabilities		20.26	20.26
6	Advances to Autonomous and Semi-autonomous Bodies		0.00	0.00
7	Accrued Interest		2.65	5.82
7	Government Deposits <sup>@</sup> (-)		-0.35	-0.33
8	BB's Balances of GIB Fund (-)		-24.58	-65.94
<b>A. Total : (1 +...+ 9)*</b>			<b>317.50</b>	<b>383.42</b>
<b>B. Deposit Money Banks (DMBs)</b>				
<b>1. Government Treasury Bills</b>			<b>286.66</b>	<b>523.31</b>
i)	Treasury Bills (Less than 1 year)	To increase Government cash balance	286.66	523.31
<b>2. Bangladesh Govt. Treasury Bonds (BGTB)</b>			<b>1125.66</b>	<b>1538.39</b>
i)	2-years Bangladesh Govt. Treasury Bonds		113.31	236.39
ii)	3-years(FRTB) Bangladesh Govt. Treasury Bonds <sup>1/</sup>	To increase long-term investment of	1.12	1.12
iii)	5-years Bangladesh Govt. Treasury Bonds	different banks, non-bank financial	219.15	315.29
iv)	10-years Bangladesh Govt. Treasury Bonds	institutions and employees GF of	393.65	497.49
v)	15-years Bangladesh Govt. Treasury Bonds	different companies	209.74	249.86
vi)	20-years Bangladesh Govt. Treasury Bonds		188.68	238.25
<b>3. Others Treasury Bonds (a+b)</b>			<b>107.98</b>	<b>106.88</b>
<b>a) 1 Year and above but less than 5 years (Specialized Bonds)</b>			0.41	0.41
i)	3-Years interest free Frozen Food Treasury Bond 2021	To repay the loan of Frozen Food Industries	0.41	0.41
<b>b) 5 Years and above (Specialized Bonds)</b>			<b>107.57</b>	<b>106.48</b>
i)	10-years (BJMC&BTMC) interest free Treasury Bond-2020	To repay the loan of BJMC & BTMC	2.04	2.04
ii)	25-years (Jute) Treasury Bond-2019 bearing 5.0 percent interest	To compensate for the liquidation of jute sector credit	0.00	0.00
iii)	25-years (Jute) Treasury Bond-2020 bearing 5.0 percent interest <sup>2/</sup>	To reimburse one-third of the debt due to jute mills' loan write-off by the private banks.	0.03	0.02
iv)	12-years to 15-years (BPC) Treasury Bond bearing 5.0 percent interest <sup>3/</sup>	To repay the loan of Bangladesh Petroleum Corporation	28.23	27.23



**Table-XIV (contd.) Government Domestic Borrowing from the Banking System**

(Billion BDT)

Sl. No.	Particulars	Objectives	Outstanding as on 30 June 19	Outstanding as on 30 June 20 <sup>P</sup>
1	2	3	4	5
v)	9-years to 13-years BJMC Treasury Bond bearing 5.0 percent interest	To repay the loan of BJMC	17.92	17.92
vi)	7-years SPTB-2020 bearing 7.0 percent interest <sup>4/</sup>		20.00	0.00
vii)	8-years SPTB-2021 bearing 7.0 percent interest	To increase Government cash balance	20.00	20.00
viii)	10-years SPTB-2023 bearing 7.0 percent interest		19.35	19.35
ix)	07-years Hanif Flyover SPTB-2026 bearing 5.0 percent interest <sup>5/</sup>		0.00	14.39
x)	07-years interest free Hanif Flyover SPTB-2026 <sup>6/</sup>	To repay the loan of Hanif Flyover	0.00	5.54
<b>4.</b>	<b>Sub-Total : (1+2+3)</b>		<b>1520.29</b>	<b>2168.59</b>
5.	Prize Bond/Income Tax Bond		0.25	0.31
6.	Government's other Securities		0.04	0.05
7.	Advances to Food Ministry		12.63	5.73
8.	Advances to Other Ministries		16.79	17.02
9.	Advances to Autonomous/ Semi-Autonomous Bodies		19.60	24.35
10.	Accrued Interest		20.77	27.30
11.	Deposits of Ministries and Departments (-)		-365.95	-348.50
12.	Deposits of Autonomous/ Semi-Autonomous Bodies (-)		-461.84	-532.50
13.	SBs's Balances of GIIB Fund (i+ii)		20.58	62.03
i)	Investment to GIIB Fund		105.29	129.72
ii)	Borrowing from GIIB Fund (-)		-84.71	-67.69
<b>B.</b>	<b>Total : (4+...+13)</b>		<b>783.16</b>	<b>1424.39</b>
	<b>Grand Total : A+B</b>		<b>1100.66</b>	<b>1807.81</b>

Notes: @ Including other deposits.

\* Including GIIB Fund

<sup>P</sup> Provisional<sup>1/</sup> 3-Year (FRTB) Bangladesh Govt. Treasury Bond has been issued on 27th March, 2019.<sup>2/</sup> An amount of BDT 1.7 crore was paid in July 2019 against the outstanding of BDT 3.4 crore in June 2019<sup>3/</sup> An amount of BDT 100 crore was paid in September 2019 against the outstanding of BDT 2822.5 crore in June 2019.<sup>4/</sup> An amount of BDT 2000 crore was paid in June 2020 against the outstanding of BDT 2000 crore in June 2019.<sup>5/</sup> 7-Years Hanif Flyover SPTB was issued on 30 September, 2019 with an amount of BDT 1438.5 crore.<sup>6/</sup> 7-Years interest free Hanif Flyover SPTB was issued on 30 September, 2019 with an amount of BDT 554.0 crore.

Source: DMD and SD, BB.

**Table-XV Government Domestic Borrowing from other than Banks**

(Billion BDT)

Sl. No.	Particulars	FY19				FY20			
		Sale	Repayment		Net Sale	Sale	Repayment		Net Sale
			Principal	Interest			Principal	Interest	
1	2	3	4	5	6 = (3-4)	7	8	9	10 = (7-8)
<b>NSD Instruments</b>									
1.	Defence Savings Certificate	0.00	0.01	0.01	-0.01	0.00	0.00	0.01	0.00
2.	5-year Bangladesh Savings Certificate	103.73	37.64	9.43	66.09	84.91	42.00	10.90	42.91
3.	3-year Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Bonus Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.	6-month interest bearing Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.	Family Savings Certificate	269.31	121.14	123.62	148.17	167.56	185.28	148.35	-17.72
7.	3-month interest bearing Savings Certificate	272.34	121.16	61.82	151.18	138.44	170.20	66.71	-31.76
8.	Jamanat Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9.	Pensioner Savings Certificate	50.44	17.97	22.03	32.47	45.91	21.09	19.19	24.82
10.	Post Office Savings Bank	186.98	98.24	20.01	88.74	216.47	103.45	24.01	113.03
	a) General Account	32.02	28.71	0.66	3.31	44.63	31.66	3.52	12.97
	b) Fixed Account	154.95	69.52	19.35	85.43	171.84	71.79	20.49	100.05
	c) Bonus Account	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11.	Postal Life Insurance	0.95	0.85	0.28	0.10	0.99	0.85	0.28	0.15
12.	Prize Bond	0.82	0.42	0.30	0.40	0.79	0.37	0.27	0.42
13.	Wage Earners' Development Bond	13.67	3.12	9.50	10.55	13.41	1.88	9.93	11.53
14.	3-year National Investment Bond	0.00	0.01	0.00	-0.01	0.00	0.02	0.25	-0.02
15.	USD Premium Bond	0.48	0.31	0.27	0.17	0.30	0.41	0.22	-0.11
16.	USD Investment Bond	4.72	3.17	1.68	1.55	2.49	1.44	0.95	1.05
<b>17.</b>	<b>Total : (1+...+16)</b>	<b>903.42</b>	<b>404.03</b>	<b>248.96</b>	<b>499.39</b>	<b>671.28</b>	<b>526.99</b>	<b>281.05</b>	<b>144.28</b>
			<b>Outstanding as on</b>	<b>Net</b>	<b>Outstanding as on</b>	<b>Net</b>			
			<b>30 June 2019</b>	<b>Changes</b>	<b>30 June 2020</b>	<b>Changes</b>			
18.	Govt. Treasury Bills/Bonds		302.86	39.61	387.60	84.74			
	i) Government Treasury Bills		9.32	7.01	20.58	11.26			
	ii) Bangladesh Govt. Treasury Bonds (BGTBs)		293.54	32.60	367.02	73.48			
	a) 2-year Bangladesh Government Treasury Bonds		1.27	-0.65	11.75	10.48			
	b) 3-year (FRTB) Bangladesh Government Treasury Bonds		0.00	0.00	0.00	0.00			
	c) 5-year Bangladesh Government Treasury Bonds		61.83	1.13	79.32	17.48			
	d) 10-year Bangladesh Government Treasury Bonds		124.99	15.81	150.15	25.16			
	e) 15-year Bangladesh Government Treasury Bonds		51.32	10.47	63.18	11.85			
	f) 20-year Bangladesh Government Treasury Bonds		54.13	5.83	62.63	8.50			
<b>19.</b>	<b>Total Non-bank Government Borrowing (net) : (17+18)</b>			<b>539.00</b>		<b>229.02</b>			

Sources: National Savings Directorate, and DMD, BB.

**Table-XVI Trends in Balance of Payments\***

(Million USD)							
Item	FY14	FY15	FY16	FY17	FY18	FY19 <sup>P</sup>	FY20 <sup>P</sup>
1	2	3	4	5	6	7	8
<b>Trade balance</b>	<b>-6794</b>	<b>-6965</b>	<b>-6460</b>	<b>-9472</b>	<b>-18178</b>	<b>-15835</b>	<b>-17861</b>
Export f.o.b.(including EPZ)	29777	30697	33441	34019	36285	39604	32830
Of which : Readymade garments (RMG)	24492	25491	28094	28150	30615	34133	27949
Import f.o.b (including EPZ)	36571	37662	39901	43491	54463	55439	50691
<b>Services</b>	<b>-4096</b>	<b>-3186</b>	<b>-2708</b>	<b>-3288</b>	<b>-4201</b>	<b>-3177</b>	<b>-2987</b>
Credit	3115	3084	3523	3621	4540	7153	6770
Debit	7211	6270	6231	6909	8741	10330	9757
<b>Primary income</b>	<b>-2635</b>	<b>-2252</b>	<b>-1915</b>	<b>-1870</b>	<b>-2641</b>	<b>-2993</b>	<b>-2776</b>
Credit	131	76	74	82	146	192	172
Debit	2766	2328	1989	1952	2787	3185	2948
Of which : Official interest payments	427	366	382	384	597	760	887
<b>Secondary income</b>	<b>14934</b>	<b>15895</b>	<b>15345</b>	<b>13299</b>	<b>15453</b>	<b>16903</b>	<b>18775</b>
Official transfers	83	75	67	59	51	41	19
Private transfers	14851	15820	15278	13240	15402	16862	18756
of which: Workers' remittances	14116	15170	14717	12769	14982	16420	18205
<b>Current account balance</b>	<b>1409</b>	<b>3492</b>	<b>4262</b>	<b>-1331</b>	<b>-9567</b>	<b>-5102</b>	<b>-4849</b>
<b>Capital account</b>	<b>598</b>	<b>496</b>	<b>464</b>	<b>400</b>	<b>331</b>	<b>239</b>	<b>256</b>
Capital transfers	598	496	464	400	331	239	256
<b>Financial account</b>	<b>2855</b>	<b>1267</b>	<b>944</b>	<b>4247</b>	<b>9011</b>	<b>5907</b>	<b>7658</b>
Foreign direct investment (gross inflows) <sup>®</sup>	---	2525	2502	3038	3290	4946	3241
Of which: FDI net inflows	1474	1172	1285	1653	1778	2628	1510
Portfolio investment	937	379	139	457	349	171	276
Other investment	444	-284	-480	2137	6884	3108	5872
MLT loans (excluding suppliers credit)	2404	2472	3033	3218	5987	6263	6996
MLT amortization payments	1018	910	849	895	1113	1202	1257
Other long term loans (net)	477	-35	-110	-153	141	302	438
Other short term loans (net)	-838	-105	-435	1030	1508	272	931
Trade credit (net)	-340	-2508	-2101	-1185	-1270	-2716	-966
Commercial Bank	-241	802	-18	122	1631	189	-270
Assets	898	86	347	178	-50	367	-242
Liabilities	657	888	329	300	1581	556	-512
<b>Errors and omissions</b>	<b>621</b>	<b>-882</b>	<b>-634</b>	<b>-147</b>	<b>-632</b>	<b>-865</b>	<b>590</b>
<b>Overall balance</b>	<b>5483</b>	<b>4373</b>	<b>5036</b>	<b>3169</b>	<b>-857</b>	<b>179</b>	<b>3655</b>
<b>Reserve assets</b>	<b>-5483</b>	<b>-4373</b>	<b>-5036</b>	<b>-3169</b>	<b>857</b>	<b>-179</b>	<b>-3655</b>
Bangladesh Bank	-5483	4373	5036	-3169	857	-179	-3655
Assets	5933	4249	5322	3208	-633	-155	3250
Liabilities	450	-124	286	39	224	-334	-405

<sup>R</sup> Revised, <sup>P</sup> Provisional, <sup>®</sup> Gross inflows of FDI are reported from FY15.

\* This classification is based on BPM6 manual.

Note: 1. Customs record is used to calculate Import (f.o.b .)

2. Disinvestment, repayments of loans & loss have been deducted as per BPM6 and it includes in financial account calculation instead of gross FDI.

Source: SD, BB.

**Table-XVII Trends in Category-wise Exports**

(Million USD)							
Items	FY14	FY15	FY16	FY17	FY18	FY19	FY20
1	2	3	4	5	6	7	8
<b>A. Frozen food</b>	<b>638.2</b>	<b>568.1</b>	<b>535.8</b>	<b>526.5</b>	<b>508.4</b>	<b>500.4</b>	<b>456.2</b>
1. Fish	52.5	49.1	47.1	44.0	58.3	63.8	75.3
2. Shrimps	550.2	509.7	448.6	446.0	408.7	361.1	332.7
3. Others	35.6	9.2	40.1	36.4	41.4	75.5	48.2
<b>B. Agricultural products</b>	<b>615.1</b>	<b>586.1</b>	<b>596.1</b>	<b>553.2</b>	<b>673.7</b>	<b>909.0</b>	<b>862.1</b>
1. Vegetables	147.6	103.2	104.3	81.0	78.0	99.7	164.0
2. Tobacco	58.7	68.5	55.0	46.6	56.4	63.3	80.4
3. Cut flower	39.3	11.4	4.7	0.1	0.1	5.4	0.0
4. Fruits	61.8	38.5	20.2	2.7	2.2	0.3	0.5
5. Others	307.7	364.5	411.8	422.8	537.0	740.2	617.2
<b>C. Manufactured products</b>	<b>28923.4</b>	<b>30054.9</b>	<b>33125.4</b>	<b>33576.3</b>	<b>35486.0</b>	<b>39125.7</b>	<b>32355.9</b>
1. Petroleum bi-products	162.3	77.6	297.0	243.8	33.7	203.7	23.5
2. Chemical products	93.2	111.9	123.7	140.0	150.7	205.2	198.9
3. Plastic products	85.7	100.6	89.0	117.0	98.5	119.8	100.5
4. Leather & Leather products (Other than Leather Footwear)	745.6	646.7	666.2	697.0	519.9	411.9	318.9
5. Cotton & cotton products	115.6	107.0	102.8	109.5	124.9	152.2	133.6
6. Raw jute	126.4	111.6	173.2	167.8	155.7	112.5	129.9
7. Jute goods	698.1	757.0	746.4	794.6	869.9	703.8	752.5
8. Specialized textiles	108.8	107.0	108.7	106.1	110.0	143.9	116.0
9. Knitwear	12049.8	12426.8	13355.4	13757.3	15188.5	16888.5	13908.0
10. Woven garments	12442.1	13064.6	14738.7	14392.6	15426.3	17244.7	14041.2
11. Home textile	792.5	804.3	753.0	799.1	878.7	851.7	758.9
12. Footwear	550.1	673.3	714.0	777.8	809.7	879.4	755.9
13. Engineering products	366.6	447.0	510.1	688.8	356.0	341.3	292.9
14. Others	586.5	619.5	747.2	784.8	763.7	867.0	825.3
<b>Total (A+B+C)</b>	<b>30186.6</b>	<b>31208.9</b>	<b>34257.2</b>	<b>34655.9</b>	<b>36668.2</b>	<b>40535.0</b>	<b>33674.1</b>
Of which exports from EPZ	4480.3	4957.8	5439.3	5213.6	5785.3	6030.2	4943.7
<b>Growth of export (compared to previous year)</b>	11.7	3.4	9.8	1.2	5.8	10.5	-16.9

Source : EPB.

**Table-XVIII Trends in Category-wise Imports**

(Million USD)

Items	FY15	FY16	FY17	FY18	FY19 <sup>R</sup>	FY20 <sup>P</sup>
1	2	3	4	5	6	7
<b>A. Food Grains</b>	<b>1490.6</b>	<b>1061.8</b>	<b>1286.4</b>	<b>3098.8</b>	<b>1551.6</b>	<b>1672.0</b>
1. Rice	508.0	112.8	89.3	1604.5	115.1	21.5
2. Wheat	982.6	949.0	1197.1	1494.3	1436.5	1650.5
<b>B. Other Commodities</b>	<b>39213.1</b>	<b>42060.7</b>	<b>45718.8</b>	<b>55766.5</b>	<b>58363.1</b>	<b>53112.7</b>
1. Milk & cream	277.2	216.0	253.6	321.7	360.8	341.2
2. Spices	182.4	199.6	268.9	282.4	327.1	351.1
3. Oil seeds	374	534.1	432.4	571.1	796.4	1182.7
4. Edible oil	923.8	1450.0	1625.6	1863.2	1656.3	1617.3
5. Pulses (all sorts)	434.3	479.9	671.4	433.9	469.5	662.2
6. Sugar	788.7	656.4	988.5	913.0	702.5	733.4
7. Clinker	638.4	573.9	643.8	765.7	993.3	878.6
8. Crude petroleum	316.0	385.8	477.6	365.2	415.5	730.9
9. POL	2075.7	2275.4	2897.6	3652.3	4561.5	4626.6
10. Chemicals	1723.7	1853.1	1975.5	2315.0	2472.0	2533.4
11. Pharmaceutical products	136.9	237.2	245.6	252.7	245.9	293.8
12. Fertiliser	1338.9	1116.9	737.4	1005.6	1301.4	1035.2
13. Dyeing and tanning materials	599.0	586.7	606.7	695.0	779.2	697.3
14. Plastics and rubber articles thereof	2052.3	1951.1	2220.3	2525.1	2757.2	2609.8
15. Raw cotton	2295.5	2244.9	2528.9	3235.4	3082.2	2960.6
16. Yarn	1851.2	1968.7	1971.8	2351.0	2444.9	1901.0
17. Textile & textile articles thereof	5742.0	6220.5	6038.0	6859.5	7284.4	6380.2
18. Staple fibre	1078.0	1018.1	1016.6	1179.7	1228.2	1085.5
19. Iron, steel & other base metals	3265.0	3235.7	3771.0	4831.9	5246.3	4997.0
20. Capital machinery	3320.5	3555.5	3816.8	5462.4	5412.6	3581.3
21. Others	9799.5	11301.2	12530.8	15884.7	15825.9	13913.6
<b>Total Imports c.i.f.</b>	<b>40703.7</b>	<b>43122.5</b>	<b>47005.2</b>	<b>58865.3</b>	<b>59914.7</b>	<b>54784.7</b>
<b>Total Imports f.o.b.</b>	<b>37662.0</b>	<b>39901.0</b>	<b>43491.0</b>	<b>54463.2</b>	<b>55438.5</b>	<b>50691.0</b>
Of Which Import by EPZ	3138.1	3286.9	3190.7	3756.0	4031.5	3487.7

<sup>R</sup> Revised, <sup>P</sup> Provisional

Source: Compiled by SD of BB using the data of NBR.

**Table-XIX Sector-wise Comparative Statement of Opening, Settlement and Cancellation of Import LCs**

Sectors/ Commodities	FY19		FY20			(Million USD)		
	Fresh Opening	Settlement	Cancelled	Fresh Opening	Settlement	Cancelled	% Changes during FY20 over FY19	
	1	2	3	4	5	6	7	8
A. Consumer goods	5,773.70	5,342.35	88.74	6,040.01	5,544.02	55.76	+4.61	+3.77
% of Total	9.86	9.40	12.01	11.47	10.87	14.02		
a) Food grains (rice & wheat)	1,262.88	1,275.33	27.98	1,456.12	1,351.14	0.39	+15.30	+5.94
b) Other than food grain	4,510.82	4,067.03	60.76	4,583.89	4,192.88	55.37	+1.62	+3.09
B. Intermediate goods	6,246.26	5,798.59	88.09	4,787.10	4,778.78	84.00	-23.36	-17.59
% of Total	10.67	10.20	11.92	9.09	9.37	21.13		
C. Industrial raw materials	20,304.91	19,500.46	165.58	18,899.54	17,663.66	105.01	-6.92	-9.42
% of Total	34.69	34.31	22.41	35.89	34.62	26.41		
D. Petroleum and Petroleum products	4,149.58	4,173.71	3.60	4,302.14	3,853.45	3.03	+3.68	-7.67
% of Total	7.09	7.34	0.49	8.17	7.55	0.76		
E. Capital machinery	6,078.95	4,735.94	169.50	4,606.18	4,333.13	40.67	-24.23	-8.51
% of Total	10.39	8.33	22.94	8.75	8.49	10.23		
F. Machinery for miscellaneous industry	3,964.32	3,506.24	30.44	2,906.06	2,836.78	12.80	-26.69	-19.09
% of Total	6.77	6.17	4.12	5.52	5.56	3.22		
G. Others	12,015.08	13,771.24	192.94	11,122.69	12,014.87	96.29	-7.43	-12.75
% of Total	20.53	24.23	26.11	21.12	23.55	24.22		
a) Commercial sector	3,461.00	3,705.62	115.12	2,953.49	3,035.63	40.61	-14.66	-18.08
b) Industrial sector	8,554.09	9,178.41	77.82	8,169.20	8,319.20	55.68	-4.50	-9.36
c) Rooppur Nuclear Power Plant*	0.00	887.21	0.00	0.00	660.04	0.00		-25.60
<b>Total</b>	<b>58,532.80</b>	<b>56,828.53</b>	<b>738.89</b>	<b>52,663.72</b>	<b>51,024.68</b>	<b>397.57</b>	<b>-10.03</b>	<b>-10.21</b>
Of which, back to back LCs	9,104.71	9,497.51	86.61	7,528.72	7,361.83	38.11	-17.31	-22.49

\*Total settlement of Rooppur Nuclear Power Plant project is USD 2240.64 million.

Source: FEOD, BB.

**Table-XX Trends in Foreign Exchange Reserves**

Year (End June)	Total reserves	
	million BDT	million USD
1	2	3
2003	141,753	2,470
2004	163,241	2,705
2005	186,769	3,024
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	1,190,896	15,315
2014	1,669,665	21,508
2015	1,946,601	25,025
2016	2,365,189	30,168
2017	2,699,492	33,493
2018	2,758,082	32,943
2019	2,764,545	32,717
2020	3,059,544	36,037

Source : A&amp;BD, BB.



**Table-XXI Trends in BDT-USD Exchange Rates**

Year	BDT per USD	
	(period average)	(end period)
1	2	3
FY11	71.1719	74.1450
FY12	79.0963	81.8200
FY13	79.9326	77.7650
FY14	77.7218	77.6300
FY15	77.6746	77.8050
FY16	78.2637	78.4000
FY17	79.1192	80.5950
FY18	82.1009	83.7250
FY19	84.0263	84.5000
FY20	84.7811	84.9000

Source: SD, BB

**Table-XXII Trends in Country-wise Workers Remittances**

(Million USD)

Countries	FY16	FY17	FY18	FY19	FY20	FY20 as % of Total
1	2	3	4	5	6	7
Saudi Arabia	2955.55	2267.22	2591.58	3110.40	4015.16	22.06
UAE	2711.74	2093.54	2429.96	2540.41	2472.56	13.58
USA	2424.32	1688.86	1997.95	1842.86	2403.40	13.20
Kuwait	1039.95	1033.31	1199.70	1463.35	1372.24	7.54
UK	863.28	808.16	1106.01	1175.63	1364.89	7.50
Oman	909.65	897.71	958.19	1066.06	1240.54	6.81
Malaysia	1337.14	1103.62	1107.21	1197.63	1231.30	6.76
Qatar	435.61	576.02	844.06	1023.91	1019.60	5.60
Italy	351.31	510.78	662.22	757.88	699.15	3.84
Singapore	387.24	300.99	330.16	368.33	457.40	2.51
Bahrain	489.99	437.14	541.62	470.08	437.18	2.40
South Korea	64.78	80.65	96.29	112.51	177.84	0.98
South Africa	22.57	85.12	153.15	168.14	168.06	0.92
France	157.91	104.80	134.40	159.42	160.53	0.88
Jordan	56.74	91.02	111.16	126.28	126.78	0.70
Lebanon	82.92	103.86	115.72	126.85	86.99	0.48
Canada	55.10	49.54	57.56	62.90	77.15	0.42
Australia	69.15	52.03	56.56	57.15	61.32	0.34
Germany	25.89	31.75	40.20	60.62	52.75	0.29
Greece	18.99	22.53	39.43	42.94	52.30	0.29
Other countries	516.21	485.08	488.19	589.84	632.92	3.48
<b>Total</b>	<b>14931.16</b>	<b>12769.45</b>	<b>14981.69</b>	<b>16419.63</b>	<b>18205.01</b>	<b>100.00</b>

Sources : Upto FY16: FEPD, BB.  
From FY17: SD, BB.

**Table-XXIII List of Scheduled Banks**

(As on 30 June 2020)

Banks	Date of Commencement	Remarks
<b>1. State Owned/ government controlled banks (6+3=9)</b>		
<b>1.1. State Owned Commercial Banks (6)</b>		
1. Sonali Bank Limited	26/03/1972	From 26/03/1972 to 15/11/2007 Sonali Bank.
2. Janata Bank Limited	26/03/1972	From 26/03/1972 to 15/11/2007 Janata Bank.
3. Agrani Bank Limited	26/03/1972	From 26/03/1972 to 15/11/2007 Agrani Bank.
4. Rupali Bank Limited	26/03/1972	From 26/03/1972 to 14/12/1986 Rupali Bank.
5. Bangladesh Development Bank Limited	31/10/1972	From 31/10/1972 to 31/12/2009 Bangladesh Shilpa Bank. Bangladesh Shilpa Rin Sangstha was merged with Bangladesh Development Bank Limited in 03/01/2010.
6. Basic Bank Limited	21/01/1989	-
<b>A.2. Specialized Banks (3)</b>		
1. Bangladesh Krishi Bank	31/03/1973	Before 01/04/1973 was Agricultural Development Bank of Bangladesh.
2. Rajshahi Krishi Unnayan Bank	15/03/1987	-
3. Probashi Kallyan Bank	30/07/2018	-
<b>B. Private Commercial Banks (42)</b>		
1. Uttara Bank Limited	26/03/1972	From 26/03/1972 to 15/09/1983 Uttara Bank.
2. Pubali Bank Limited	26/03/1972	From 26/03/1972 to 24/01/1985 Pubali Bank.
3. AB Bank Limited	12/04/1982	-
4. National Bank Limited	23/03/1983	-
5. The City Bank Limited	27/03/1983	-
6. Islami Bank Bangladesh Limited	30/03/1983	-
7. IFIC Bank Limited	24/06/1983	-
8. United Commercial Bank Limited	29/06/1983	-
9. ICB Islamic Bank Limited	20/05/1987	From 1988 Al-Baraka Islami Bank Limited and then 2004 to 28/04/2008 The Oriental Bank Limited
10. Eastern Bank Limited	16/08/1992	-
11. National Credit And Commerce Bank Limited	17/05/1993	-
12. Prime Bank Limited	17/04/1995	-
13. Southeast Bank Limited	25/05/1995	-
14. Dhaka Bank Limited	05/07/1995	-
15. Al-Arafah Islami Bank Limited	27/09/1995	-
16. Social Islami Bank Limited	22/11/1995	-
17. Dutch-Bangla Bank Limited	03/03/1996	-
18. Bangladesh Commerce Bank Limited	16/09/1998	-
19. Mercantile Bank Limited	02/06/1999	-
20. Standard Bank Limited	03/06/1999	-
21. One Bank Limited	14/07/1999	-

**Table-XXIII (contd.) List of Scheduled Banks**

(As on 30 June 2020)

Banks	Date of Commencement	Remarks
22. EXIM Bank Limited	03/08/1999	Converted into Islami Bank in July, 2004.
23. Mutual Trust Bank Limited	24/10/1999	-
24. First Security Islami Bank Limited	25/10/1999	Converted into Islami Bank in 2009.
25. The Premier Bank Limited	26/10/1999	-
26. Bank Asia Limited	27/11/1999	-
27. Trust Bank Limited	29/11/1999	-
28. Jamuna Bank Limited	25/04/2001	-
29. Shahajalal Islami Bank Limited	10/05/2001	-
30. BRAC Bank Limited	01/07/2001	-
31. Union Bank Limited	25/03/2013	-
32. Meghna Bank Limited	03/04/2013	-
33. Midland Bank Limited	09/04/2013	-
34. NRB Commercial Bank Limited	18/04/2013	-
35. Padma Bank Ltd.	25/04/2013	Before 29/01/2019 The Farmers Bank Ltd.
36. South Bangla Agriculture & Commerce Bank Limited	28/04/2013	-
37. NRB Bank Limited	28/04/2013	-
38. Modhumoti Bank Limited	16/06/2013	-
39. Shimanto Bank Limited	21/07/2016	-
40. NRB Global Bank Limited	29/07/2013	-
41. Community Bank Bangladesh Limited	01/11/2018	-
42. Bengal Commercial Bank Limited	23/02/2020	-
<b>C. Foreign Commercial Banks (9)</b>		
1. Standard Chartered Bank	13/05/1972	-
2. State Bank of India	05/05/1975	-
3. Habib Bank Limited	03/06/1976	-
4. National Bank of Pakistan	18/04/1994	-
5. Citi Bank N.A.	24/06/1995	-
6. Woori Bank	21/09/1996	Before 1996 Hanil Bank
7. The HSBC Limited	17/12/1996	-
8. Commercial Bank of Ceylon PLC	06/11/2003	-
9. Bank Alfalah Limited	24/04/2005	-

Source: BRPD, BB

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**Table-XXIV List of Financial Institutions\***

(As on 30 June 2020)

**A. State-owned financial institutions (3)****Sole owner**

1. Agrani SME Financing Company Limited
2. Bangladesh Infrastructure Finance Fund Limited
3. Infrastructure Development Company Limited (IDCOL)

**B. Joint Venture (2+11=13)****i) Bangladesh Government with Foreign Government (2)**

1. Saudi-Bangladesh Industrial & Agricultural Investment Company Limited (SABINCO)
2. The UAE-Bangladesh Investment Company Limited

**ii) Domestic Company with Foreign Company (11)**

1. Bangladesh Industrial Finance Company Limited (BIFC)
2. CVC Finance Limited
3. Delta Brac Housing Finance Corporation Ltd. (DBH)
4. GSP Finance Company (Bangladesh) Limited (GSPB)
5. Hajj Finance Company Limited
6. IPDC Finance Ltd
7. LankaBangla Finance Ltd.
8. Lankan Alliance Finance Limited
9. Strategic Finance and Investment Limited
10. United Finance Limited
11. Uttara Finance and Investments Limited

**C. Private financial institutions (19)**

1. Bangladesh Finance & Investment Co. Ltd.
2. Bay Leasing & Investment Limited
3. Fareast Finance & Investment Limited
4. FAS Finance & Investment Limited
5. First Finance Limited
6. IDLC Finance Limited
7. Industrial and Infrastructure Development Finance Company (IIDFC) Limited
8. International Leasing and Financial Services Limited
9. Islamic Finance and Investment Limited
10. Meridian Finance and Investment Ltd.
11. MIDAS Financing Ltd. (MFL)
12. National Finance Ltd
13. National Housing Finance and Investments Limited
14. People's Leasing and Financial Services Ltd
15. Phoenix Finance and Investments Limited
16. Premier Leasing & Finance Limited
17. Prime Finance & Investment Ltd
18. Reliance Finance Limited
19. Union Capital Limited

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\* Licensed by the Bangladesh Bank under Financial Institutions Act, 1993.

Note: Ranked alphabetically.

Source: DFIM, BB

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## Appendix-4

### **Banking Performance Indicators**

(Table: I-XIII)





**Table-I Banking System Structure**

(billion BDT)

Bank Types	2020 (June)					
	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits
SCBs	6	3775	4222.7	24.6	3193.8	25.4
SBs	3	1483	368.3	2.2	324.6	2.6
PCBs	42	5265	11562.2	67.4	8497.9	67.5
FCBs	9	65	994.6	5.8	569.0	4.5
<b>Total</b>	<b>60</b>	<b>10588</b>	<b>17147.8</b>	<b>100.0</b>	<b>12585.3</b>	<b>100.0</b>

Source: DOS and BRPD, BB.

**Table-II Capital to Risk Weighted Assets Ratio by Type of Banks**

(Percent)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
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
<b>Total</b>	<b>11.4</b>	<b>10.5</b>	<b>11.5</b>	<b>11.3</b>	<b>10.8</b>	<b>10.8</b>	<b>10.8</b>	<b>12.1</b>	<b>11.6</b>	<b>11.6</b>

Source: DOS, BB.

**Table-III Ratio of Gross NPLs to Total Loans by Type of Banks**

(Percent)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
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
<b>Total</b>	<b>6.1</b>	<b>10.0</b>	<b>8.9</b>	<b>9.7</b>	<b>8.8</b>	<b>9.2</b>	<b>9.3</b>	<b>10.3</b>	<b>9.3</b>	<b>9.2</b>

Source: BRPD, BB.

**Table-IV Ratio of Net NPL to Net Total Loans by Type of Banks**

Bank Types	(Percent)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
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
<b>Total</b>	<b>0.7</b>	<b>4.4</b>	<b>2.0</b>	<b>2.7</b>	<b>2.3</b>	<b>2.3</b>	<b>2.2</b>	<b>2.2</b>	<b>1.0</b>	<b>0.2</b>

Source: BRPD, BB.

**Table-V Amount of NPLs by Type of Banks**

Bank Types	(billion BDT)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
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
<b>Total</b>	<b>226.5</b>	<b>427.4</b>	<b>405.8</b>	<b>501.6</b>	<b>594.0</b>	<b>621.8</b>	<b>743.1</b>	<b>939.2</b>	<b>943.3</b>	<b>961.2</b>

Source: BRPD, BB.

**Table-VI Required Provision and Provision Maintained-all Banks**

All Banks	(billion BDT)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
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.

**Table-VII Comparative Position of Provision Adequacy**

Year	Items	(billion BDT)			
		SCBs	SBs	PCBs	FCBs
2017	Required provision	216.9	26.1	184.3	15.6
	Provision maintained	134.3	26.2	198.2	16.5
	Provision maintenance ratio (%)	61.9	100.4	107.5	105.8
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	353.0	22.3	321.2	15.8
	Provision maintained	284.5	25.4	293.1	17.3
	Provision maintenance ratio (%)	80.6	113.9	91.3	109.5
2020 June	Required provision	276.9	23.9	337.5	15.7
	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-VIII Writing-off Bad Debts by Type of Banks**

(billion BDT)

Bank Types	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
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
<b>Total</b>	<b>193.9</b>	<b>164.9</b>	<b>253.2</b>	<b>321.1</b>	<b>376.5</b>	<b>422.6</b>	<b>455.3</b>	<b>489.0</b>	<b>544.6</b>	<b>432.7</b>

Source: BRPD, BB.

**Table-IX Expenditure-Income Ratio by Type of Banks**

(Percent)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
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
<b>Total</b>	<b>68.6</b>	<b>74.0</b>	<b>77.8</b>	<b>76.1</b>	<b>76.3</b>	<b>76.6</b>	<b>74.7</b>	<b>76.6</b>	<b>78.0</b>	<b>84.1</b>

Source: DOS, BB.

**Table-X Profitability Ratios by Type of Banks**

(Percent)

Bank Types	Return on assets (ROA)										Return on equity (ROE)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
SCBs	1.3	-0.6	0.6	-0.6	0.0	-0.2	0.2	-1.3	-0.6	0.04	19.7	-11.9	10.9	-13.5	-1.5	-6.0	3.5	-29.6	-13.7	0.8
SBs	0.1	0.1	-0.4	-0.7	-1.2	-2.8	-0.6	-2.8	-3.3	-5.1	-0.9	-1.1	-5.8	-6.0	-5.8	-13.9	-3.1	-13.5	-17.0	-22.9
PCBs	1.6	0.9	1.0	1.0	1.0	1.0	0.9	0.8	0.8	0.6	15.7	10.2	9.8	10.3	10.8	11.1	12.0	11.0	11.2	8.5
FCBs	3.2	3.3	3.0	3.4	2.9	2.6	2.2	2.2	2.3	2.2	16.6	17.3	16.9	17.7	14.6	13.1	11.3	12.4	13.4	13.8
<b>Total</b>	<b>1.5</b>	<b>0.6</b>	<b>0.9</b>	<b>0.6</b>	<b>0.8</b>	<b>0.7</b>	<b>0.7</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>17.0</b>	<b>8.2</b>	<b>11.1</b>	<b>8.1</b>	<b>10.5</b>	<b>9.4</b>	<b>10.6</b>	<b>3.9</b>	<b>6.8</b>	<b>6.7</b>

Source: DOS, BB.

**Table-XI Net Interest Margin by Type of Banks**

Bank Types	(percent)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 June
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
<b>Total</b>	<b>3.48</b>	<b>2.79</b>	<b>2.02</b>	<b>3.56</b>	<b>3.28</b>	<b>3.27</b>	<b>3.13</b>	<b>3.22</b>	<b>3.12</b>	<b>2.70</b>

Source: DOS, Bangladesh Bank

**Table-XII SLR Eligible Assets as Percentage of ATDTL by Type of Banks**

Bank Types	(percent)									
	2011	2012	2013	2014*	2015	2016	2017	2018	2019	2020 June
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
<b>Total</b>	<b>25.4</b>	<b>27.1</b>	<b>32.5</b>	<b>32.7</b>	<b>26.5</b>	<b>24.9</b>	<b>19.9</b>	<b>18.2</b>	<b>19.9</b>	<b>22.3</b>

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

Source: DOS, BB

**Table-XIII Branch, Deposit and Advance in the Banking System-Rural and Urban**

Year	Number of branch			Deposit (billion BDT)			Advance (billion BDT)		
	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	5334	4063	9397	1575.1	6364.7	7939.8	571.3	5227.3	5798.6
2016	5466	4188	9654	1843.9	7150.3	8994.1	680.0	6006.6	6686.6
2017	5624	4331	9955	2028.7	7837.0	9865.7	839.8	7087.0	7926.8
2018	4985	5301	10286	2142.8	8223.6	10366.4	863.1	7607.1	8470.2
2019	5131	5447	10578	2543.2	9601.3	12144.5	1035.0	9000.5	10035.5
2020 (June)	5136	5452	10588	2619.2	10022.5	12641.7	1084.5	9402.4	10486.9

Source: SD, BB.

## **List of Major Publications**

### **ANNUAL**

1. Annual Report (Bangla)
2. Annual Report (English)
3. Financial Stability Report
4. BFIU Annual Report
5. Export receipts\*
6. Import payments\*
7. Balance of payments\*
8. Monetary Policy Statement\*

### **HALF YEARLY**

1. 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 Parikroma

\*There is no hard copy for sale, only softcopy available in website  
Source: Department of Communications and Publications , BB.

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[www.bb.org.bd](http://www.bb.org.bd)

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