Banking Sector Performance, Regulation and Bank Supervision

5.01 During FY21, the main priority of Bangladesh Bank (BB) was to maintain resilience and stability of financial system as well as to support the government initiatives of recovering the economy from the challenging domestic and global market conditions caused by the ongoing COVID-19 pandemic. Almost all the large financial markets around the world have been extremely affected due to the lockdown and other restrictive measures aiming at restricting the escalation of pandemic. Bangladesh also lost the pace of internal production as well as export earnings due to regional or countrywide lockdown during the first wave of the pandemic. However, while the pandemic subsided and the economy started to recover in response to the various policy measures taken by the government and BB, second wave of the pandemic hit again in April 2021. Despite being under enormous pressure created by the internal and external situations of the financial market, all scheduled banks of the country remained operational for normal business hours or for specified time in every working day during the lockdown period to provide regular banking services to their customers throughout the pandemic over the last one year and a half. To assist 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, BB has issued 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 various directives for banks to follow from time to time for preventing the outbreak of COVID-19 by maintaining proper office environment in the banks 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, implementation of the government’s stimulus packages for different segments of the economy and refinance schemes to provide liquidity support to those packages, introduction of special fund for capital market investment, restriction on dividend payouts with a view to

Table 5.01 Bank Types, Number of Banks and Their Assets and Deposits Shares

(In billion BDT)

Bank types	2019						2020					
	Number of banks	Number of branches	Total bssets	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	6	3773	3995.4	24.5	3038.6	25.0	6	3798	4616.7	25.1	3570.2	25.9
SBs	3	1483	357.5	2.2	312.7	2.6	3	1492	401.0	2.1	350.6	2.5
PCBs	41	5257	11048.2	67.8	8269.6	68.1	43	5395	12378.7	67.3	9287.0	67.3
FCBs	9	65	897.2	5.5	524.4	4.3	9	67	1009.6	5.5	590.1	4.3
Total	59	10578	16298.3	100.0	12145.3	100.0	61	10752	18406.0	100.0	13797.9	100.0

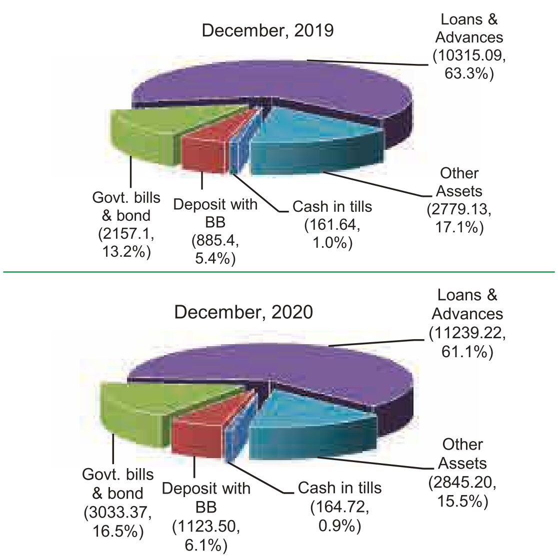
Note: 1. All banks, except BKB and RAKUB, prepare their balance sheet on calendar year basis, and are obliged to submit their audited balance sheet at the end of every calendar year. That is why banks' performance-related figures are stated in calendar year basis.

2. Figures reported by Department of Off-site Supervision are different from those of Statistics Department due to different data collecting methods.

Source: Department of Off-site Supervision and Banking Regulation and Policy Department, Bangladesh Bank.

Chart 5.01 Aggregate Industry Assets

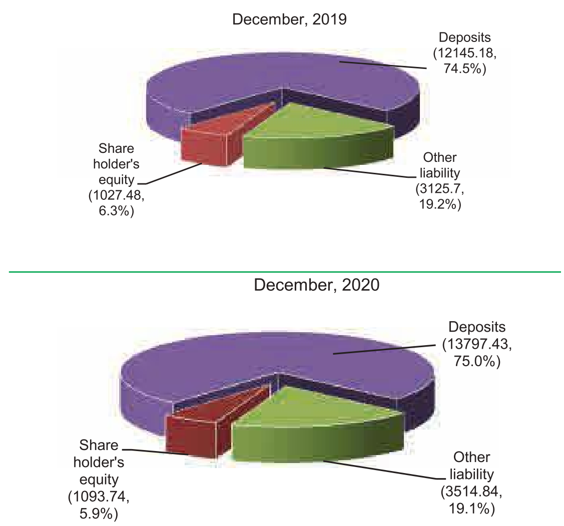
(In billion BDT)



Source: Department of Off-site Supervision, Bangladesh Bank.

Chart 5.02 Aggregate Industry Liabilities

(In billion BDT)



Source: Department of Off-site Supervision, Bangladesh Bank.

strengthening banks' capital base to improve their risk resilience capacity under present situation, etc. Other major policies and circulars issued during the financial year were guidelines on interest rate risk in the banking book for effective measurement and management of interest rate risk by banks, guidelines on country risk management (GCRM) for banks to address the risk of both on and off-balance sheet exposures to minimise loss of banks caused by adverse events in a foreign country, policy regarding verification of audited financial statements submitted by borrowers before loan approval/renewal and preserving the same in the loan file, policy for post import financing, etc. Besides, as part of supervisory activities, BB conducted regular and special on-site inspections throughout the year. The performance of the risk management committees of the board of directors of banks were evaluated routinely. Special monitoring was continued by BB to oversee the liquidity level of the banking sector and consequently, a sufficient and strong level of aggregate liquidity was observed at the end of FY21. Moreover, BB continued its efforts to reduce overall NPLs of the banking sector.

Banking Sector Performance

5.02 Depending on the ownership structure, there are four categories of scheduled banks in Bangladesh: state-owned commercial banks (SCBs), specialised banks (SBs), private commercial banks (PCBs) and foreign commercial banks (FCBs). Total number of scheduled banks operating in FY21 was 61. Two new banks (the Bengal Commercial Bank Limited and the Citizens Bank Limited) received licence and started their operation. The number of bank branches stood at 10,752 at the end of December 2020 which was 10,578 at the end of December 2019. Bank types, number of banks and their assets and deposits shares are shown in Table 5.01.

5.03 In 2020, the SCBs held 25.1 percent share of the total assets which was 24.5 percent in 2019. PCBs' share of the total assets was 67.3 percent in 2020 which was 67.8 percent in 2019. The FCBs held 5.5 percent share of the total assets in 2020, showing no change over the last year. The SBs' share of the total assets was 2.1 percent in 2020 which was 2.2 in 2019. At the end of December 2020, total assets of the banking sector stood at BDT 18406.0 billion which was 12.9 percent higher than that of the previous year (Table 5.01).

5.04 Total deposits of the banking sector stood at BDT 13797.9 billion in 2020 which was 13.6 percent higher than BDT 12145.3 billion in 2019. From the year 2019 to 2020, considering the share in total deposit of the banking sector, SCBs' share increased from 25.0 percent to 25.9 percent, PCBs' share decreased from 68.1 percent to 67.3 percent, FCBs' share remained unchanged at 4.3 percent and SBs' share decreased from 2.6 percent to 2.5 percent (Table 5.01).

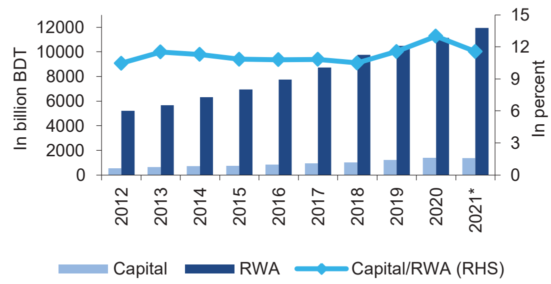
Banking Network by Branches

5.05 As on 30 June 2021 the total number of branches of 61 scheduled banks were 10,793 (Appendix 4, Table I). Among total branches, 5239 of the branches (48.5 percent) were in rural areas and the rest 5554 branches (51.5 percent) were in urban areas. The SCBs had 2039 rural branches and 1762 urban branches. Specialised banks had 1216 rural branches and 288 urban branches. Private commercial banks had 1984 rural branches and 3437 urban branches. Foreign commercial banks had 67 urban branches.

Aggregate Balance Sheet

5.06 In 2020, the total assets of the banking sector stood at BDT 18,406.01 billion, which was 12.9 percent higher than that in 2019.

Chart 5.03 Aggregate Capital Adequacy Position



* 30 June 2021.
Source: Department of Off-site Supervision, Bangladesh Bank.

Table 5.02 Capital to Risk Weighted Assets Ratio by Types of Banks

(In percent)

Bank Types	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021
SCBs	8.1	10.8	8.3	6.4	5.9	7.0	10.3	5.0	9.6	6.8
SBs	-7.8	-9.7	-17.3	-32.0	-33.7	-32.8	-31.7	-32.0	-32.9	-32.2
PCBs	11.4	12.6	12.5	12.4	12.4	12.2	12.8	13.6	13.7	13.3
FCBs	20.6	20.2	22.6	25.6	25.4	23.3	25.9	24.5	28.4	28.5
Total	**10.5**	**11.5**	**11.3**	**10.8**	**10.8**	**10.8**	**12.1**	**11.6**	**12.5**	**11.6**

Source: Department of Off-site Supervision, Bangladesh Bank.

During this period, SCBs' assets rose by 15.6 percent and that of PCBs' increased by 12.0 percent. The aggregate banking sector assets consisted of BDT 11,239.22 billion as loans and advances (61.1 percent of total assets), BDT 164.72 billion as cash in tills including foreign currencies, BDT 1,123.50 billion as deposit, with BB including foreign currencies, BDT 3,033.37 billion as investment in treasury securities (government bills and bonds) and BDT 2,845.20 billion as other assets during the period (Chart 5.01).

5.07 Deposits continued to be the main sources of funds of the banking industry in FY21 and it constituted 74.96 percent of the total amount of liability and shareholders' equity (excluding inter-bank) in 2020. Total shareholders' equity of the banks was BDT 1093.74 billion at the end of December 2020 which was BDT 1021.14 billion in 2019 (Chart 5.02).

Capital Adequacy

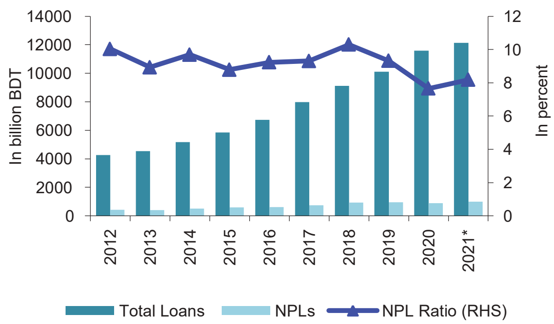
5.08 Capital adequacy focuses on the overall position of bank's capital and the protection of the depositors and other creditors from potential losses that a bank might incur. It helps banks to absorb possible losses due to credit default, market and other operational risks during its normal course of businesses. 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 1395.78 billion as on 31 December 2020, which decreased to BDT 1381.09 billion at the end of June 2021.

5.09 Table 5.02 shows the capital to risk weighted assets ratio (CRAR) by types of banks. It was observed that the CRAR of SCBs, PCBs and FCBs were 6.8, 13.3 and 28.5 percent respectively as on 30 June 2021. Two SBs–BKB and RAKUB–failed to maintain MCR on risk weighted assets basis. Besides, 5 SCBs and 4 PCBs could not maintain the minimum required CRAR. The CRAR of the banking industry as a whole was 11.6 percent at the end of June 2021 (Chart 5.02).

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 2020, the gross NPL ratio of the banking sector stood at 7.7 percent. FCBs had the lowest and SCBs had the highest gross NPL ratio [Table 5.03 (a)]. FCBs' gross NPL ratio was 3.5 percent, whereas those of SCBs, PCBs and SBs were 20.9, 4.7 and 13.3 percent respectively at the end of December 2020.

Chart 5.04 Aggregate Position of NPLs to Total Loans



* Up to June 2021.
Source: Department of Off-site Supervision, Bangladesh Bank.

Table 5.03(a) Ratio of Gross NPLs to Total Loans by Types of Banks

(In percent)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021
SCBs	11.3	23.9	19.8	22.2	21.5	25.0	26.5	30.0	23.9	20.9	20.6
SBs	24.6	26.8	26.8	32.8	23.2	26.0	23.4	19.5	15.1	13.3	11.4
PCBs	2.9	4.6	4.5	4.9	4.9	4.6	4.9	5.5	5.8	4.7	5.4
FCBs	3.0	3.5	5.5	7.3	7.8	9.6	7.0	6.5	5.7	3.5	3.9
Total	**6.1**	**10.0**	**8.9**	**9.7**	**8.8**	**9.2**	**9.3**	**10.3**	**9.3**	**7.7**	**8.2**

Source: Department of Off-site Supervision, Bangladesh Bank .

Table 5.03(b) Ratio of Net NPL to Net Total Loans by Types of Banks

(In percent)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021
SCBs	-0.3	12.8	1.7	6.1	9.2	11.1	11.2	11.3	6.1	0.0	2.5
SBs	17.0	20.4	19.7	25.6	6.9	10.5	9.7	5.7	3.0	1.3	-0.6
PCBs	0.2	0.9	0.6	0.8	0.6	0.1	0.2	0.4	-0.1	-1.5	-1.2
FCBs	-1.8	-0.9	-0.4	-0.9	-0.2	1.9	0.7	0.7	0.2	-0.6	-0.4
Total	**0.7**	**4.4**	**2.0**	**2.7**	**2.3**	**2.3**	**2.2**	**2.2**	**1.0**	**-1.2**	**-0.5**

Source: Department of Off-site Supervision, Bangladesh Bank.

5.11 The ratio of gross NPLs to total loans and advances indicates a mixed trend in the banking sector during 2011-2020. NPL ratio of the sector was 6.1 percent in 2011 and after a sharp increase (10 percent) in 2012; it reduced to 8.9 percent at the end of 2013. Later, in 2014 NPL ratio again increased to 9.7 percent but further declined to 8.8 percent in 2015. Though in recent years there observed an upward trend in NPL ratio but a downward movement of NPL ratio was found since 2019. At the end of June

2021, it stood at 8.2 percent (Table 5.03(a); Chart 5.04).

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, special recovery programme, etc.) for increasing recovery against loans have been taken by the banks. Besides, several policy initiatives have also been taken in time by BB to reduce NPLs through restructuring, rescheduling, recovery, one time exit and write-off.

5.13 The ratio of net NPLs (net of provisions and interest suspense) to net total loans (net of provisions and interest suspense) of the banking sector was negative (-1.2 percent) at the end of December, 2020 (Table 5.03 (b)). The net NPLs ratios were 0.003, 1.3, -1.5 and -0.6 percent for the SCBs, SBs, PCBs and FCBs respectively at the end of December 2020.

5.14 Available information suggests that all types of banks have experienced a declining trend of NPLs in 2020 except the SBs where the amount of NPLs remained stable. However, the amounts of NPLs in all types of banks slightly increased at the end of June 2021 except in SBs where the amount of NPLs decreased (Table 5.04). As of June 2021, the NPLs of the SCBs, SBs, PCBs and FCBs were BDT 438.36 billion, BDT 36.85 billion, BDT 491.91 billion and BDT 24.93 billion respectively and for the whole banking sector it was BDT 992.05 billion.

5.15 Table 5.05 shows the aggregate amount of NPLs, the required provision and the actual provision maintained by the banks from 2011 to June 2021. It is found that although aggregate provision maintained by the banking system as a whole was higher than the required provision in 2011 and thereafter it exhibits a continuous shortfall until June 2021. In 2011, provision maintenance ratio was 103.0. The ratio showed declining trend from 2014 to 2017. In 2017 it was 84.7 percent, which improved significantly to 99.8 percent in 2020, though further declined to 92.13 percent at the end of June 2021.

5.16 A comparative position of provision against loans (for both classified and unclassified) of four types of banks for 2019, 2020 and June 2021 is shown in Table 5.06. From the Table, it is observed that all the four types of banks, except SCBs, were able to maintain the required provision against loans in 2019. But from 2020 to June 2021 only PCBs and FCBs were able to maintain the required aggregate provision while SCBs and SBs were unable to maintain required aggregate provision.

Table 5.04 Amount of NPLs by Types of Banks

(In billion BDT)

Bank Types	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021
SCBs	91.7	215.2	166.1	227.6	272.8	310.3	373.3	487.0	439.9	422.7	438.4
SBs	56.5	73.3	83.6	72.6	49.7	56.8	54.3	47.9	40.6	40.6	36.9
PCBs	72.0	130.4	143.1	184.3	253.3	230.6	294.0	381.4	441.7	403.6	491.9
FCBs	6.3	8.5	13.0	17.1	18.2	24.1	21.5	22.9	21.0	20.4	24.9
Total	**226.5**	**427.4**	**405.8**	**501.6**	**594.0**	**621.8**	743.1	939.2	**943.2**	**887.3**	**992.1**

Source: Department of Off-site Supervision, Bangladesh Bank.

Table 5.05 Required Provision and Provision Maintained by all Banks

(In billion BDT)

All Banks	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021
Amount of NPLs	226.4	427.3	405.8	501.6	594.1	621.7	743.0	939.1	943.3	887.7	992.1
Required Provision	148.2	242.4	252.4	289.6	308.9	362.1	443.0	570.4	613.2	648.0	709.5
Provision maintained	152.7	189.8	249.8	281.6	266.1	307.4	375.3	504.3	646.6	646.8	653.7
Excess(+)/ shortfall(-)	4.6	-52.6	-2.6	-7.9	-42.8	-54.7	-67.7	-66.1	-66.6	-1.2	-55.8
Provision maintenance ratio (%)	103.0	78.3	99.0	97.2	86.1	84.9	84.7	88.4	89.2	99.8	92.1

Source: Department of Off-site Supervision, Bangladesh Bank.

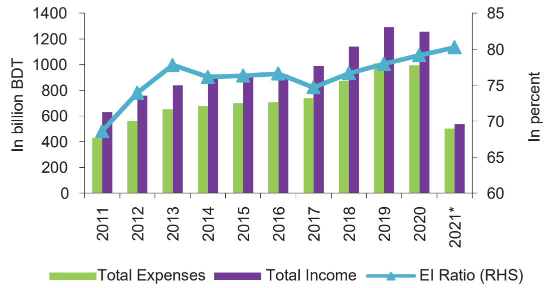
5.17 In order to rectify an unnecessarily and artificially inflated size of the balance sheet, a uniform guideline for loan write-off was introduced in 2003. In this regard, a new policy was introduced in February 2019 through BRPD circular (no.01). Banks may now write off bad/loss loans complying with the conditions covered by the new policy guidelines. The cumulative amount of written-off loans by different bank categories is shown in Table 5.07.

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 the 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 The expenditure to total income (EI) ratio of the banking sector which was 79.2 percent at the end of December 2020 (Table 5.08). As evident from the table, the EI ratio of the SBs was 158.1 percent, the highest among the bank categories in 2020 mainly due to high operating expenses of these banks. The EI ratios of the SCBs, PCBs and FCBs were 83.2, 79.6 and 46.2 percent respectively in December 2020. The EI ratios of all bank categories showed a decreasing trend

Chart 5.05 Trends in Aggregate Position of Income and Expenditure in the Banking Industry



* Up to June 2021
Source: Department of Off-site Supervision, Bangladesh Bank.

Table 5.06 Comparative Position of Provision Adequacy

(In billion BDT)

Year	Items	SCBs	SBs	PCBs	FCBs
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	Required provision	290.8	25.3	315.2	16.6
	Provision maintained	241.6	23.7	361.2	20.3
	Provision maintenance ratio (%)	83.1	93.5	114.6	122.2
2021 June	Required provision	302.9	23.3	364.7	18.6
	Provision maintained	195.6	23.1	411.1	23.9
	Provision maintenance ratio (%)	64.6	99.1	112.7	128.2

Source: Department of Off-site Supervision, Bangladesh Bank.

Table 5.07 Written-off Bad Debts by Types 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	30 June 21
SCBs	82.4	72.9	107.2	154.8	210.3	220.4	224.4	226.2	232.2	179.4	232.9
SBs	32.0	24.5	32.6	34.2	5.6	5.6	5.6	5.6	5.8	3.8	6.1
PCBs	77.1	64.9	109.7	127.7	155.5	189.4	216.7	246.5	294.3	239.4	316.3
FCBs	2.4	2.6	3.7	4.4	5.1	7.2	8.6	10.7	12.3	10.1	13.6
Total	**193.9**	**164.9**	**253.2**	**321.1**	**376.5**	**422.6**	**455.3**	**489.0**	**544.6**	**432.7**	**568.9**

Source: Department of Off-site Supervision, Bangladesh Bank.

compared to those of the last year except PCBs. The EI ratio of the banking sector stood at 80.2 percent at the end of June 2021. Increasing trend in EI ratio particularly operating expenses to total expenses had negative impacts on the net profits of the banks.

Earnings and Profitability

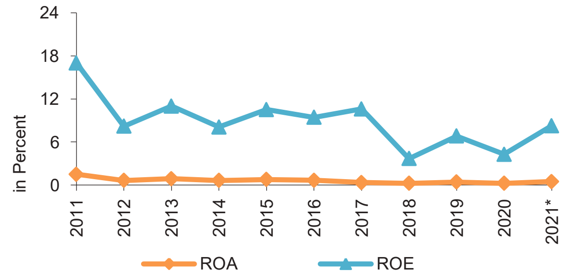
5.20 Although various indicators are used to determine the earnings and profitability, the most representative and widely used ones are return on assets (ROA), return on equity (ROE) and net interest margin (NIM).

5.21 Earnings measured by ROA and ROE differ among the bank categories. ROA and ROE of the four types of banks from 2012 to June 2021 are shown in Table 5.09. ROA of the SCBs and SBs were always less than the industry average. The ROA of SCBs improved marginally (0.1 percent) in June 2021 compared to -1.1 percent in 2020. On the other hand, after experiencing an increasing trend from 2012 to 2016, the ROA of the PCBs have declined in recent years. Though ROA of FCBs showed a decreasing trend from 2014 to 2018, it always remained at a strong position. ROA of the banking sector stood at 0.5 percent in June 2021.

5.22 Table 5.09 presents that the ROE of the SCBs stood at -29.6 percent in 2020 which was -13.7 percent in 2019. ROE of SBs in terms of loss recovery has improved from -17.0 percent in 2019 to -13.9 percent in 2020 and ROE of PCBs decreased to 10.2 percent from 11.2 percent during the same period. ROE of FCBs fell down to 13.1 percent in 2020 from 13.4 in 2019. Aggregate ROE of the banking sector stood at 8.3 percent in June 2021. Trends of aggregate profitability for all banks are given in Chart 5.06.

5.23 Net interest margin (NIM) of the banking industry stood at 2.7 percent in 2020 which was 3.1 percent in 2019 (Table 5.10). The NIM for all the types of banks (SCBs, SBs, PCBs and FCBs) dropped in 2020 as compared to those in 2019. It reveals that NIM for PCBs and FCBs were always higher than the industry average. NIM for SCBs was negative (-0.3 percent) in 2013, afterwards it

Chart 5.06 Trends in Aggregate Profitability in the Banking Industry



* Up to June 2021
Source: Department of Off-site Supervision, Bangladesh Bank.

Table 5.08 Expenditure-Income Ratio by Types of Banks

(In percent)

Bank types	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021
SCBs	62.7	73.2	84.1	84.1	84.5	90.2	81.3	80.5	84.9	83.2	87.1
SBs	88.6	91.2	94.8	99.5	113.9	137.8	124.0	144.6	159.8	158.1	176.7
PCBs	71.7	76.0	77.9	75.8	75.5	73.5	73.8	76.7	77.6	79.6	76.2
FCBs	47.3	49.6	50 .4	46.8	47.0	45.7	46.6	47.5	48.8	46.2	44.9
Total	**68.6**	**74.0**	**77.8**	**76.1**	**76.3**	**76.6**	**74.7**	**76.6**	**78.0**	**79.2**	**80.2**

Source: Department of Off-site Supervision, Bangladesh Bank.

showed a mixed trend from 2014 to 2020. However, NIM for overall banking sector exhibited a downward trend from 2014 to 2020 except a slight increase in 2018. NIM for overall banking sector stood at 2.5 percent at the end of June 2021 (Table 5.10).

Liquidity

5.24 An 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).

5.25 Overall advance-deposit ratio (ADR) in

Table 5.09 Profitability Ratio by Types of Banks

(In percent)

Bank types	ROA										ROE									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021	2012	2013	2014	2015	2016	2017	2018	2019	2020	End June 2021
SCBs	-0.56	0.59	-0.55	-0.04	-0.16	0.21	-1.30	-0.61	-1.07	0.13	-11.87	10.93	-13.46	-1.47	-6.02	3.45	-29.61	-13.68	-29.57	2.94
SBs	0.06	-0.40	-0.68	-1.15	-2.80	-0.62	-2.77	-3.31	-3.01	-3.20	-1.06	-5.81	-5.97	-5.79	-13.88	-3.07	-13.47	-17.04	-13.85	-14.41
PCBs	0.92	0.95	0.99	1.00	1.03	0.89	0.79	0.77	0.70	0.68	10.17	9.76	10.26	10.75	11.09	12.01	10.98	11.16	10.22	10.12
FCBs	3.27	2.98	3.38	2.92	2.56	2.24	2.23	2.30	2.13	1.48	17.29	16.93	17.67	14.59	13.08	11.31	12.42	13.43	13.10	9.26
Total	**0.64**	**0.90**	**0.64**	**0.77**	**0.68**	**0.74**	**0.25**	**0.43**	**0.25**	**0.50**	**8.20**	**11.10**	**8.09**	**10.51**	**9.42**	**10.60**	**3.86**	**6.83**	**4.28**	**8.26**

Source: Department of Off-site Supervision, Bangladesh Bank.

the banking sector stood at 72.7 percent in December 2020 and 71.6 percent in June 2021. The prudential limits of ADR for conventional and Islamic *Shariah*-based banks were 87 percent and 92 percent respectively during this period.

5.26 All scheduled banks are required to maintain cash reserve ratio (CRR) bi-weekly at 4.0 percent against their average total demand and time liabilities (ATDTL) of the preceding two months with an obligation to maintain daily minimum 3.5 percent. The statutory liquidity reserve (SLR) for the conventional banks was 13.0 percent and for the Islamic *Shariah*-based banks it was 5.5 percent of their ATDTL of the preceding two months. Four banks (three specialised and BDBL) are exempted from the maintenance of SLR, but those banks have to maintain CRR at the same rate like other scheduled banks.

5.27 Banks having off-shore banking operation (OBO) have to maintain CRR and SLR for the liabilities arising from that operation. However, scheduled banks having off-shore banking operation are required to maintain minimum 2.0 percent CRR on bi-weekly average basis with a provision of minimum 1.5 percent on daily basis of the average total demand and time liabilities (ATDTL) of the preceding two months. Available information suggests that FCBs maintained the highest SLR followed by the

Table 5.10 Net Interest Margin by Types of Banks

(In billion BDT)

Bank types	2012	2013	2014	2015	2016	2017	2018	2019	2020	June 2021
SCBs	1.18	-0.32	1.96	1.62	1.75	1.98	2.35	1.94	1.75	1.38
SBs	2.92	1.98	1.50	1.43	0.76	2.05	0.62	0.01	-0.21	-0.73
PCBs	3.06	2.77	4.11	3.85	3.89	3.52	3.55	3.52	2.97	2.92
FCBs	5.56	3.73	5.98	6.08	4.99	4.35	4.30	4.21	4.05	3.36
Total	**2.79**	**2.02**	**3.56**	**3.28**	**3.27**	**3.13**	**3.22**	**3.12**	**2.67**	**2.48**

Source: Department of Off-site Supervision, Bangladesh Bank.

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

(In percent)

Bank types	2012	2013	2014	2015	2016	2017	2018	2019	2020	June 2021
SCBs	29.2	44.3	42.0	41.4	40.0	30.4	24.8	27.3	37.8	40.8
SBs	12.0	15.3	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PCBs	26.3	28.0	28.2	19.7	17.8	14.8	14.2	16.4	20.9	20.9
FCBs	37.5	46.2	56.9	51.8	48.2	43.8	48.4	29.7	40.7	40.9
Total	**27.1**	**32.5**	**32.7**	**26.5**	**24.9**	**19.9**	**18.2**	**19.9**	**26.2**	**27.3**

Source: Department of Off-site Supervision, Bangladesh Bank.

SCBs and PCBs in 2020. The SLR eligible assets as percentage of ATDTL of SBs are shown zero as they are exempted from maintenance of SLR (Table 5.11).

5.28 As on 30 June 2021, the liquidity coverage ratio (LCR) of the banking sector was 211.7 percent (against minimum requirement of 100 percent), indicating that banks had a reasonable buffer of high quality assets to cover the cash outflow for a minimum of next 30 calendar days under stressed scenario. The net stable funding ratio (NSFR) of the banking sector, as a whole, was 109.4 percent in June 2021 indicating that banks were also more dependent on stable funding rather than volatile funding to expand their business activities.

Islamic Banking

5.29 Depending on the mode of operations (e.g. conventional and Islamic *Shariah* based), there are three types of banks: full-fledged conventional banks, full-fledged Islamic *Shariah* based banks and banks with dual operations. In FY21, among 61 licensed banks 8 PCBs operated as full-fledged Islamic banks and 22 conventional banks (including two SCBs and three FCBs) were involved in Islamic banking through their Islamic banking branches. The Islamic banks have continued to show strong growth as reflected by their increasing market share in terms of assets, financing and deposits of the total banking system. Total deposits of the Islamic banks and Islamic banking branches of the conventional banks stood at BDT 3207.8 billion at the end of December 2020 which accounted for 22.6 percent of total deposits (BDT 14187.8 billion) of the banking sector. On the other hand, total credit of the Islamic banks and Islamic banking branches of the conventional banks stood at BDT 2871.4 billion at the end of December 2020 which accounted for 25.9 percent of total credit (BDT 11095.6 billion) of the banking sector (Table 5.12).

Legal Framework and Prudential Regulations

Risk Based Capital Adequacy (RBCA) for Banks

5.30 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 6.0 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 4.5 percent of total risk weighted assets (RWA) for all time.

5.31 Banks have been submitting capital adequacy reports/statements following new Basel III accord since the quarter ended in March 2015. It has been found that capital to risk weighted asset ratio (CRAR) of the banking industry stood at 11.6 percent at the end of June 2021 while CET1 was 7.6 percent which broadly signify fulfilment of Basel III capital adequacy requirements. However, out of 61 scheduled banks 9 failed to maintain CET1 and 11 failed to maintain minimum capital requirements, i.e. CRAR.

5.32 Under Basel III, banks are required to build up additional capital conservation buffer (CCB). Maintenance of CCB by banking industry as a whole stood at 1.63 percent at the end of June 2020 which slightly declined to 1.57 percent at the end of June 2021. Considering individual bank level, 42 banks have already fulfilled the CCB requirements.

5.33 In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, BB introduced the minimum requirement of leverage ratio at 3.0 percent which stood at 4.4 percent at the end of June 2021, where at the individual bank level, 50 banks have already fulfilled the minimum requirements.

Table 5.12 Comparative Position of the Islamic Banking Sector (as of end December 2020)

(In billion BDT)

Particulars	Islamic banks		Conventional banks* (Conventional +Islamic)		Islamic banking		All banking sector	
	2020	2019	2020	2019	2020	2019	2020	2019
1	2		3		4=2+3		5	
Number of banks	8	8	22	18	30	26	58	58
Deposits	3016.6	2582.0	191.2	152.0	3207.8	2734.0	14187.8	12541.3
Credits	2725.2	2433.7	146.2	124.7	2871.4	2558.4	11095.6	10258.9
Investment deposit ratio (IDR in percent)	84.4	89.0	67.2	72	83.3	88.1	72.7	77.3
Liquidity: Excess(+)/ Shortfall(-)**	273.7	224.7	22.7	15.8	296.4	240.5	2046.3	1056.8

* Conventional banks which have Islamic banking branches maintain CRR and SLR separately.
** The head offices of the respective banks maintain a combined liquidity position.
Source: Department of Off-site Supervision, Bangladesh Bank.

Loan Classification

5.34 At the beginning of the FY13, Bangladesh Bank reformed the loan classification and provisioning policy to align with the international best practice. Bangladesh Bank also clarified the difference between “Defaulted Loans” (a legal term, which enable banks to take some specific action against the borrowers) and “Classified Loans” (an accounting term). However, due to pandemic situation of COVID-19, BB temporarily brought some relaxations in the objective criteria of loan classification for facilitating business environment and quickly recovering economic growth. Accordingly, BB informed the banks that loan classification status existed on 01 January 2020 cannot be downgraded till 31 December 2020. Later on instead of further extension of the classification deferral facility, it was decided that remaining amount of the term-loan can be extended by 50.0 percent (maximum 2 years) based on banker-customer relationship. In case of continuous and demand loans only the interest servicing borrowers can be unclassified till June 2022 and December 2022 respectively. Moreover, banks were allowed to defer its entire due till March 2021 to June 2021 based on banker-customer relationship. Bangladesh Bank also relaxed its loan classification and provisioning rules to facilitate cottage, micro and small industries of the country and to encourage participation of banks in disbursing loans to cottage, micro and small industries.

Implementation of Risk Based Supervision in BB

5.35 The CAMELS rating system continues to be the most important supervisory tool for the evaluation of banks’ overall health. However, gradually risk-based supervision (RBS) is being accepted as a more effective supervisory framework for financial institution worldwide. Suggested by the Basel committee for Banking supervision, RBS is an international standard or framework which acts to address the risks inherent in the financial system. To make its supervisory framework of the banking system more effective and robust, the BB is continuously adopting international best practices. In continuation, with the technical assistance of the IMF, the BB has started the process of implementing RBS to strengthen the supervisory framework. To provide working support to the IMF mission, an interdepartmental working group consisting members from departments related to bank regulation and supervision has been formed with the approval of the honorable Governor dated 8 April 2019. To support the efforts of the working group and the IMF mission, a working cell has also been set up at the Department of Off-site Supervision. The RBS implementation exercise is being carried out on three banks selected on a pilot basis. Besides, preparation of the RBS manual is also in progress. Once implemented successfully, RBS is expected to transform the current supervisory framework into a more robust and effective one which, in turn, will contribute to maintaining the stability of the banking system.

Off-site Supervision of Banks

5.36 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 FY21, the department took some innovative initiatives to strengthen banking supervision for intensive and rapid analysis of the financial health of the banks.

Risk Management Activities of Banks

5.37 BB revised six core risk 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 potential risks and improve their resilience capacity. At present, BB is monitoring implementation status of various instructions according to those guidelines.

5.38 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, and compliance status of BB instructions as submitted by the concerned bank and other sources.

On-site Supervision of Banks

5.39 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 obligation, currently BB's eight departments of banking inspection (DBI) are engaged in conducting on-site supervision activities. These inspection departments mainly conduct their on-site supervision activities on SCBs, SBs, PCBs (including banks operating under Islamic *Shariah*), FCBs and other financial institutions including Investment Corporation of Bangladesh (ICB) and money changers. They conduct different types of on-site inspections such as (i) comprehensive/regular/traditional inspection (ii) core risks evaluation and (iii) special/surprise inspection.

5.40 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. Inspections are also conducted to examine the compliance of the core risk management guidelines on 'asset liability management', 'credit/ investment risk management', 'internal control and 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' and customers. During FY21, BB's eight departments of banking inspection have conducted a total number of 1484 on-site inspections on various banks under their jurisdiction where total number of comprehensive inspections and special inspections were 1115 and 247 respectively. A number of head offices of the local banks and country offices of the foreign commercial banks were also taken under the core risk evaluation process in FY21. Moreover, BB's inspection departments carried out a number of inspections to review accuracy of the statement of internal capital adequacy assessment (ICAAP) of banks. A summary of on-site supervision carried out by BB's eight departments of banking inspection (DBI) is shown in Table 5.13.

5.41 The Department of Foreign Exchange Inspection (DFEI) is also devoted to conduct on-site inspection on the issues related to foreign exchange transaction, foreign trade financing and foreign exchange risk management of banks. The inspection jurisdiction of this department covers the functions of off-shore banking units, exchange houses and overseas branches/operations of local banks. This department also supervises foreign exchange transactions of money changers. The inspections of this department are carried out broadly in two dimensions–'regular' and 'special' which are done on both on-site and off-site basis. The inspections of DFEI are segregated in following types: comprehensive inspection on authorized dealer (AD) branches, FX risk management inspection, cash incentive inspection, inspection on money changers and special inspection on authorised dealer (AD) branches, offshore banking and money changers. Due to COVID-19 pandemic, on-site inspections were conducted at a limited scale in FY21. During this period, the number of inspections conducted by DFEI were as follows:

Comprehensive inspection on authorised dealer branches	31
Inspections on foreign exchange risk management	58
Special inspections on money changers	15
Special inspections on foreign trade and foreign exchange related irregularities	15
Total	**119**

Table 5.13 A Summary of On-site Banking Inspections in FY21

(In number)

Name of the Departments	Comprehensive Inspections		Special Inspections	Core Risk Inspections	Quick Summary Inspections	**Total Inspections**
	Head Offices	Branches				
DBI -1	4	38	14	18	-	**74**
DBI -2	28	210	52	-	-	**290**
DBI -3	11	227	52	-	-	**290**
DBI -4	33	222	55	-	-	**310**
DBI -5	11	227	50	-	-	**288**
DBI -6	5	10	10	5	37	**67**
DBI -7	5	10	5	5	31	**56**
DBI -8	12	62	9	26	-	**109**
Total	**109**	**1006**	**247**	**54**	**68**	**1484**

Source: Department of Off-site Supervision, Bangladesh Bank.

5.42 Financial Integrity and Customer Services Department (FICSD) of BB closely monitors various complaints received from the customers regarding general banking, credit and foreign exchange transaction. This department also conducts special on-site inspection for the customers and general public as and when deems necessary. This department is working relentlessly to settle the customer's hassles against various banking and financial services. As a part of customer awareness initiatives, the department has aimed to increase publicity in the print and electronic media for the benefit of the customers and general public. During the FY21, a total of 4273 complaints were received by the department through the dedicated hot-line numbers (16236), mobile-apps, e-mails, letters from which a total of 4180 complaints i.e. 97.82 percent were resolved. Vigilance and Anti-fraud Division of FICSD is always busy to conduct special on-site inspections throughout the year to detect fraud, irregularities, etc. with a view to minimise corruption. Many of the special inspections were 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 the FY21, a total of 130 special inspections were carried out by FICSD of which the number of inspection conducted on the private commercial banks, state-owned commercial banks, specialised banks, NBFIs and foreign commercial banks were 102, 19, 2, 6 and 1 respectively.

5.43 FICSD monitors the service status of banks regularly. An institutional framework has also been developed for the banks/NBFIs regarding complaint management. To lodge complaint against the banks and NBFIs, all the necessary activities are also taken by them according to the earlier issued guidelines of FICSD. This department monitors the implementation status of those guidelines by the banks/NBFIs.

5.44 To commemorate the centennial birth of the father of the nation ‘‘Bangabandhu Sheikh Mujibur Rahman” FICSD arranged a meeting with banks and NBFIs to acquire hype and grievance free financial system which would help to develop awareness culture amongst the customers and bankers regarding complaint management. Numerous queries were answered through hotline number ‘‘16236” telephone calls for the easy banking of the customers. In a nutshell, FICSD is not only providing quality services to settle customer complaints, it is also working to increase financial literacy awareness among customers, so that they can achieve confidence in the financial system.

Financial Stability and Macro Prudential Supervision

5.45 A resilient, robust and stable financial system is crucial for stable economic growth and development of any country. In this perspective, Financial Stability Department (FSD) of Bangladesh Bank, since its inception, is working diligently for designing and implementing various macro-prudential and risk monitoring tools. The department has also been identifying, assessing and quantifying plausible risks and vulnerabilities in the financial system and analysing their outlook from financial stability perspective. Moreover, the department conducts some research works on globally recognised contemporary stability issues. Outcomes of the risk assessment tools and research works are shared with concerned departments of Bangladesh Bank to provide them important and significant inputs towards strengthening resilience of the overall banking sector. Along with focusing on different contemporary issues like COVID-19 pandemic, the department publishes Financial Stability Report (FSR), Quarterly Financial Stability Assessment Report (QFSAR), Bangladesh Systemic Risk Dashboard (BSRD), and Composite Financial Stability Index (CFSI). Besides, reports on some other areas, namely Financial Projection Model (FPM), Central Database for Large Credit (CDLC) are prepared and shared with other related departments of BB. In March 2021, FSD published a paper titled, “Economic and Financial Stability Implications of COVID-19: Bangladesh Bank and Government’s Policy Responses”. This paper contained an assessment of the risks and vulnerabilities posed by COVID-19 pandemic to the financial system of Bangladesh, and the initiatives taken by the government as well as Bangladesh Bank to mitigate the adverse impacts of the pandemic. Moreover, the paper revealed policy responses, structural changes and issues relating to developments and regulations of the financial sector in the wake of the pandemic, which might have implications for the stability of the financial system of Bangladesh. In particular, the report focused on the major transmission channels of shock waves of COVID-19 to the four main sectors of Bangladesh economy namely real sector, fiscal sector, external sector, and monetary and financial sector. An aggregate transmission framework including these four sectors was incorporated in the report that depicted how the impact of COVID-19 can propagate through these sectors to eventually hit the macro-financial stability. Importantly, the report contained scenario or technical analysis to assess the impact of COVID-19 on the respective sectors and its implications for financial stability. The report was uploaded to the website of Bangladesh Bank.

5.46 For assessing the overall strength and weakness of banks and NBFIs, FSD publishes FSR annually aiming to contribute towards the enhancement of risk awareness among the stakeholders of the financial system. Besides, with a view to disclosing the key trends, risks and vulnerabilities in the financial system of Bangladesh to the relevant stakeholders, the department publishes Quarterly Financial Stability Assessment Report (QFSAR). Stress tests are being conducted on individual banks and the banking system as a whole on a quarterly basis to ascertain their resilience against plausible financial shocks. Major findings are communicated to the concerned departments of BB to take necessary measures. To mitigate the identified risk from the outcomes of stress tests, banks are advised to take early initiatives accordingly. Besides, the department regularly publishes the aggregate results of the stress test in the FSR and QFSAR to raise awareness of the stakeholders of the financial system.

5.47 Financial Projection Model (FPM), a forecasting tool developed under the technical assistance from the World Bank, is used semi-annually for projecting performance of the banks under different hypothetical scenarios. The model conducts projections for next 12 (twelve) quarters about various aspects of the banking industry. Historical micro data along with current and expected financial sector and macroeconomic conditions are considered in formulating assumptions and stressed scenarios.

5.48 Interbank Transaction Matrix (ITM) is an advanced analytical tool used for measuring the positions and sources of liquidity in the interbank market. It also analyses the composition and functions of the interbank network systems, through which contagion and its peripheral effects can be understood more clearly and thus prudent and timely policy decisions can be made and disseminated effectively and efficiently. Report on ITM is generated on quarterly basis. Besides, dynamic analysis of the health of the banks is performed by the Bank Health Index (BHI) and HEAT map semi-annually to carry out an analysis of the health of the banks from liquidity, solvency and earning perspectives.

5.49 With a view to avoid any adverse effect to the domestic financial system resulting from the failure of the Domestic Systemically Important Banks (D-SIBs), the department identifies D-SIBs semi-annually as the impact of the failure of a D-SIB would be significantly greater than that of a non-systemic bank. Moreover, large credit exposures of non-financial corporation's (NFCs) are analysed quarterly using the central database for large credit (CDLC). The database helps to identify those assets in advance, loan and advances in particular, which may cause financial distress.

5.50 In order to identify plausible systemic risk and providing early warning signs to the financial system, the department has been preparing Bangladesh Systemic Risk Dashboard (BSRD) on half-yearly basis since the second half of 2016. It contains analysis on a set of qualitative and quantitative systemic risk indicators of the financial system of Bangladesh, summarising seven key risk areas namely macro risk, credit risk, funding and liquidity risk, market risk, profitability and solvency risk, inter-linkages risk, and structural risk. This dashboard is regularly uploaded to the website of Bangladesh Bank. To measure the overall stability situation of Bangladesh's financial system as well as to monitor build-up of systemic risk therein, the department prepares Composite Financial Stability Index (CFSI) on a half-yearly basis. More specifically, this tool has been developed to measure the volatility in the overall financial system. It aggregates eighteen different indicators under three broad sub-indices namely Banking Soundness Index (BSI), Financial Vulnerability Index (FVI) and Regional Economic Climate Index (RECI). These indicators encompass the major 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 as well as any build-up of systemic stress. CFSI report is published in FSR regularly.

5.51 The Coordination Committee Technical Group (CCTG), formed under the framework titled 'Coordinated Supervision framework for Bangladesh Financial System', assists the Coordination Committee of Financial Sector Regulators (BSEC, RJSC, IDRA and MRA). The CCTG members meet periodically for exchanging ideas and information, and promoting cooperation among various regulators of the financial system.

5.52 FSD introduced financial stability map (FSM) that facilitates to analyse and capture probable threats to Bangladesh macro-financial system by considering eight different components (external economy, domestic economy, households, non-financial corporations, fiscal condition, financial market condition, capital and profitability, and funding and liquidity) and 37 indicators related to macro-financial system. It provides a comprehensive assessment of the stability condition of Bangladesh macro-financial system. The summary of the findings from the analysis is published in FSR regularly.

Banking Sector Infrastructure for Financial Stability and Customer Protection

Deposit Insurance Systems in Bangladesh

5.53 Deposit Insurance System (DIS) is a measure to protect bank depositors, especially the small depositors, in the event of losses caused by a liquidated bank's inability to pay its debts when payable. The purpose of DIS is to maintain market discipline and provide safety nets to the public in the financial sector against the applicable rate of premium in the event of bank failure. The direct role for deposit insurance is bank depositor's protection which is an essential component of a sound and stable banking system.

5.54 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 "Bank Amanat Bima Ain, 2000". Deposit insurance system in Bangladesh is now being administered by the said Act. In accordance with the Act, BB is authorised to maintain a fund called "Deposit Insurance Trust Fund" (DITF). 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 5.14.

5.55 The deposit insurance system in Bangladesh is limited to a pay-box system. 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 and 31 December), and investing the fund in the Bangladesh Government Treasury Bond (5 Years and 10 Years), interbank repo and Bangladesh Bank bill. 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, DITF will pay to each depositor of that bank an amount equal to his/her deposit not exceeding BDT one hundred thousand, as per the provision of "Bank Amanat Bima Ain, 2000".

5.56 Moreover, BB has taken initiative for the amendment of "Bank Amanat Bima Ain-2000" to "Amanat Surakkha Ain-2021". After several discussions and meetings, the latest draft of the proposed "Amanat Surakkha Ain-2021" was sent to Ministry of Finance (MoF) which is now under active consideration of the government for approval. In the proposed "Amanat Surakkha Ain-2021" BB suggested to bring the NBFIs under the umbrella of deposit insurance system as well as to increase the deposit insurance coverage limit up to BDT two hundred thousand. BB issued a circular (DID circular no. 03, dated 17 October 12) regarding DIS for increasing public awareness. Apart from these, information of DIS is available in the Bangladesh Bank website. Anyone interested about DIS can easily get access to the Bangladesh Bank website and get information about the benefits and limitations of the deposit insurance system of Bangladesh.

Activities of Credit Information Bureau

5.57 Credit Information Bureau (CIB) was set up in Bangladesh Bank (BB) on 18 August, 1992 with the objective of minimising the extent of default loans. CIB has been providing its online services since 19 July 2011. The 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 was improved significantly in terms of efficiency and quality. The Online system of CIB is playing an important role to maintain a risk free lending procedure in the banking industry.

5.58 The CIB database consists of detailed credit information in respect of borrowers, co-borrowers and guarantors having outstanding amount of BDT 1 and above. The total number of borrowers was 40,86,977 at the end of June 2021 while it was 33,98,371 during the same period of previous year. This number recorded an increase of around 20.26 percent compared to the same of previous year. The total number of classified borrowers in banks/NBFIs was 4,389,141 at the end of June 2021 which was around 15.37 percent higher comparing with the same period of last year. In June 2020 the number was 3,80,635. The total outstanding amount of loans and advances of the banking and non-banking financial institutions stood at BDT 12,826.42 billion (including BLW amount) in June 2021 which recorded an increase of around 7.56 percent compared with BDT 11,924.79 billion in June 2020. Furthermore, total classified outstanding amount recorded an increase of around 4.73 percent in June 2021 over the same period of last year. The classified amount was BDT 1,639.84 billion in June 2021 while it was BDT 1,565.75 billion in June 2020.

Table 5.14 The Recent Position of DITF

Particulars	Unaudited figure (as on 31 December 2020)	Premium rate*	Coverage amount
Total fund	BDT101.15 billion	-	Up to BDT 100 thousand (per bank per depositor)
Total time and demand liabilities	BDT 15024.62 billion	-	
Insurable deposit to total demand and time liabilities@	75.78%	-	
Covered deposit of total insurable deposit	23.82%	-	
Fully insured deposit	90.91%	-	
Sound bank categories	-	0.08%	
Early warning bank categories	-	0.09%	
Problem bank categories	-	0.10%	

* Effective from 2013.

@ Figures reported by DID are different from Department of Off-site Supervision and Statistics Department due to different data collecting methods.

Source: Deposit Insurance Department (DID), Bangladesh Bank.

5.59 Credit Information Bureau of Bangladesh Bank undertakes several initiatives with a view to increase the score of 'Depth of Credit Information Index' which is a part of 'Getting Credit-Doing Business' report prepared by the World Bank for achieving desired ranking of Bangladesh. To this end, CIB 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). As a result of this, information of total number of individuals and firms stood at 10,022,612 in June 2021. Now 24 months credit history is available in CIB report of a borrower. Besides, steps have already been undertaken to allow the borrower access (individuals as well as firms) to the CIB online database.

5.60 In order to prepare a collateral database of immovable assets (land/building, flat, capital machineries); CIB has started to develop a collateral information system. In this database 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 such a system is to prevent fraud/forgery that arises from mortgaging unlawfully the same property against new loans sanctioned by banks/NBFIs. Another initiative has been taken to establish Credit Information Bureau for Micro Finance Institutions (MF-CIB) by signing a MoU between Microcredit Regulatory Authority (MRA) and Bangladesh Bank which is now under process of implementation.