Quarterly
Financial Stability Assessment Report

Bangladesh Bank
Financial Stability Department

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Chief Advisor

Ahmed Jamal, Deputy Governor

Coordinator

Abu Farah Md. Naser, Executive Director

Editor

Md. Kabir Ahmed, PhD, General Manager

Contributors

1. Mohammad Jamal Uddin, Deputy General Manager
2. Parikshit Chandra Paul, Deputy General Manager
3. Mohammad Zahir Hussain, Deputy General Manager
4. Md. Ala Uddin, Deputy General Manager
5. Abeda Rahim, Joint Director
6. Kazi Arif uz Zaman, PhD, Joint Director
7. Shamima Sharmin, Joint Director
8. Iftekhar Ahmed Robin, PhD, Joint Director
9. Nure Asma Nadia, Joint Director
10. Farzana Islam, Joint Director
11. Md. Raisul Islam, Joint Director
12. Sumanta Kumar Saha, CFA, Joint Director
13. Md. Kamrul Islam, Joint Director
14. Mohammad Arif Hasan, Joint Director
15. Muhammad Jahangir Alam, Deputy Director
16. Kazi Md. Masum, Deputy Director
17. Rayhana Wazed Ruma, Deputy Director
18. Nishat Jahan, Deputy Director
19. Md. Mosharaf Hossain, Deputy Director
20. Md. Harun Or Rashid, Deputy Director
21. Uttam Chandra Paul, Deputy Director
22. Afsana Chowdhury, Deputy Director
23. Tanjir Ahmed Emon, Deputy Director
24. Kawser Ahmed Nahid, Deputy Director
25. Md. Barkat Ullah, Deputy Director
26. Mehedi Hasan Khan, Assistant Director
27. Md. Hasib, Assistant Director

Data/Write-up Support

1. Banking Regulation and Policy Department
2. Department of Financial Institutions and Markets
3. Department of Off-site Supervision
4. Foreign Exchange Policy Department
5. Statistics Department
6. SME & Special Programmes Department.

This report is based on unaudited and provisional data of banks and financial institutions available up to June 30, 2019 unless stated otherwise.

Web link of this report: https://www.bb.org.bd/pub/index.php

Message from the Governor

Global growth remains subdued during April-June 2019 compared to that of the preceding quarter, which could partially be attributed to weaker performance in a number of jurisdictions, e.g., Europe and Asia. Waves of tariff impositions by the USA and China on each other, disruptions in global trade and supply chain as well as uncertainties associated with Brexit may intensify stresses on future global outlook. Moreover, monetary stimulus by the Federal Reserve and broadly accommodative monetary policy stance by other advanced economies may have mixed effects on the financial conditions of emerging market as well as developing economies.

Albeit the aforementioned global uncertainties, macro-financial system of Bangladesh remained broadly stable in the review quarter owing to stable inflation, increased inflow of wage earners' remittance and foreign exchange reserve. Banking sector exhibited considerable growth aided by improvement in deposit growth, asset quality, and profitability. Also, financial institutions (FIs) showed improvement in terms of capital adequacy and liquidity.

To strengthen the resilience and stability of the banking and FI sectors, we have taken a number of initiatives recently. Notably, we have created an in-house Cyber Security Unit and also instructed the banks to create cyber incidence response team. We have also instructed the banks to provide 2(two) percent cash incentive on inward wage earners' remittance. We have raised prudential limits of Advance-to-Deposit Ratio (ADR) of banks. We hope these measures would soften liquidity condition in the system. Furthermore, introduction of some formalities related to purchase of national savings certificate (e.g., mandatory use of bank accounts, e-TIN) would also help to improve liquidity situation in the banking sector. What is more, Bangladesh Bank has taken steps to provide temporary liquidity assistance in the capital market through banks' own portfolio investment or loan to the banks' subsidiary companies operating in the capital market. Nevertheless, some other measures could add value in enhancing resilience of the banking and FI sectors. For curving NPL situation, financial services providers of these two sectors need to strengthen corporate governance. Moreover, the FIs could explore long-term funding sources rather than relying on bank-dependent funding.

I hope the stakeholders will get a good insight into the stability attributes of the review quarter from this report. Finally, I would like to convey my heartfelt thanks to my colleagues of the Financial Stability Department who put their diligent efforts in preparing this report.

Fazle Kabir
Governor

Message from the Deputy Governor

Amid the subdued global growth, the macroeconomic situation of Bangladesh was reasonably stable in the review quarter. With a real GDP growth exceeding the 8.0 percent mark, Bangladesh remains as one of the fastest growing economies in the world. Moreover, monetary policy stance of Bangladesh Bank helped maintain the headline inflation within the target level. Higher inflow of wage earners' remittances and slowdown in imports largely contributed to the improvement in the country's current account balance along with the accumulation of higher foreign exchange reserves.

During the period, the banking sector exhibited considerable growth aided mainly by a pickup in deposit growth along with a slightly improved asset quality and profitability. Though this seemingly optimistic scenario is expected to provide the much needed impetus to the banking sector performance, Bangladesh Bank is well aware of the downside risks of the still existing high level of stressed assets. To this end, Bangladesh Bank, in collaboration with the government, has been putting together relentless efforts such as revising the loan classification and provisioning policy, providing incentives to 'Good Borrowers', facilitating banks' accessibility to the funds of autonomous and semi-autonomous bodies' received under the government's annual development program, issuing policy for off-shore banking operations of banks and implementing web-based national savings scheme, among other issues.

Through our quarterly Financial Stability Assessment Report (QFSAR), we continuously attempt to explore new ideas that might have implications for our financial stability. In the current issue, in addition to our regular discussions regarding contemporary developments relevant to financial system stability, two special features have been incorporated-the first one investigates the relationship between Banks and FIs in Bangladesh in the context of concentration risks and systemic issues of the sectors stemming from each other while the other attempts to look at the inter-linkages between Bank and Capital Market from the viewpoint of financial stability in Bangladesh. I believe such new perspectives will add value to the stakeholders by making them aware of the ever evolving systemic issues of the financial sector.

I hope this report will continue to keep the stakeholders updated regarding the current status of and the developments in the country's financial system. Finally, I appreciate the dedication and efforts of the officials of Financial Stability Department involved in preparing the report.

Ahmed Jamal
Deputy Governor

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Acronyms

ADs	Authorised Dealers
ADR	Advance-to-Deposit Ratio
B/L	Bad and Loss
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BDT	Bangladesh Taka
BPS	Basis Points
BRPD	Banking Regulation and Policy Department
CAR	Capital Adequacy Ratio
CPI	Consumer Price Index
CRAR	Capital to Risk-weighted Asset Ratio
CRR	Cash Reserve Ratio
CSE	Chittagong Stock Exchange
CY	Calendar Year
DFIs	Development Finance Institutions
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
EMEs	Emerging Market Economies
FCBs	Foreign Commercial Banks
FIs	Financial Institutions
FOB	Free on Board
FSD	Financial Stability Department
FSV	Forced Sale Value
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GFET	Guidelines for Foreign Exchange Transactions
IS	Interest Suspense
NPL	Non-performing Loan
PCBs	Private Commercial Banks
P/E Ratio	Price Earnings Ratio
QFSAR	Quarterly Financial Stability Assessment Report
ROA	Return on Assets
ROE	Return on Equity
RWA	Risk-weighted Assets
SCBs	State-owned Commercial Banks
SLR	Statutory Liquidity Requirement
SME	Small and Medium-sized Enterprise
TSL	Two-Step Loan
USA	United States of America
USD	United States Dollar
UK	United Kingdom
WAR	Weighted Average Resilience
WIR	Weighted Insolvency Ratio

Executive Summary

This report discusses the resilience of the Bangladesh financial system to risks and vulnerabilities, both endogenous and exogenous, during the April-June quarter of the calendar year 2019-the review quarter. The report also discusses different financial sector issues having implications to stability of the Bangladesh financial system.

Global economic growth demonstrated a slowdown during the review quarter. Growth in major advanced economies slowed down markedly during the quarter largely due to dwindling consumer and business confidence in those economies and unmitigated trade tension and geopolitical uncertainties. Inflation outlook in major advanced economies remained subdued below the target level. Global trade and investment experienced slowdown during the same period mainly due to protracted period of trade tension between the world's two largest economies US and China. The subsequent tightening in global financial conditions prompted major advanced as well as emerging market economies to adopt easy monetary stance. For instance, US Federal Reserve drew back from their target monetary tightening and maintained interest rate lower than the expected level. Overall, the global economic outlook appeared to exhibit a few vulnerabilities during the review quarter.

The domestic macroeconomic situation was stable. During the review quarter, though food inflation decreased and non-food inflation increased, annual average general inflation remained almost same as that of the previous quarter. In the review quarter, both import payments and export receipts decreased by 10.1 and 7.7 percent respectively while wage earners' remittance increased by 4.1 percent over the preceding quarter. Current account balance as well as overall balance of payment showed improvement. Also, gross foreign exchange reserves increased to USD 32.7 billion at end-June 2019, which is equivalent to meeting more than five months' imports. The nominal exchange rate of BDT per USD depreciated further during the period to maintain the competitiveness of export.

The banking sector appeared to be resilient in the review period. Aided by a pickup in deposit growth, the asset size of the banking sector recorded a considerable growth compared to that of the preceding quarter. Loans and advances continued to possess the dominant share in total assets. However, share of loans and advances decreased while combined share of balance with BB and investments increased at end-June 2019 compared to those of the previous period. Both gross and net nonperforming loan (NPL) ratio went down marginally at end-June 2019 compared to those of end-March 2019. However, the gross NPL ratio of PCBs deteriorated slightly despite the overall improvement of the industry's ratio. Compared to the preceding period, provision maintenance ratio increased at the end of the review period. Profitability also increased during the period as both ROA and ROE increased over the previous period. Most importantly, capital to risk-weighted assets ratio (CRAR) of the banking sector maintained the uptrend and stood at 11.7 percent at end-June 2019; Tier-1 capital ratio also increased notably to 8.1 percent. Moreover, liquidity situation improved slightly as evident from decreased advance-to-deposit ratio (ADR).

Financial Institutions (FIs) sector exhibited mixed trend in the review quarter. One FI went through the process of liquidation during the review period. As a typical consequence, the asset size of FIs sector declined compared to that of end-March 2019. Deposits were the main component of FIs' liabilities while loans and leases continued to dominate the asset composition. Share of FIs' deposits in total liabilities declined notably while share of borrowings increased at end-June 2019 compared to the corresponding position of end-March 2019. However, liabilities-to-assets ratio declined as capital increased moderately. Both gross and net NPL ratio of FIs increased at end-June 2019. FIs' profitability showed an increase during the quarter compared to that of the preceding quarter. Moreover, FIs' capital adequacy ratio (CAR) increased significantly and stood at 16.8 percent at end-June 2019. During the review quarter, FIs maintained the required Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) well above the regulatory minimum requirement.

The banking and FIs sectors demonstrated a reasonable level of resilience under stressed scenarios. Stress tests on banks based on June 2019 data revealed that default of top borrowers would have the most adverse impact on banks' capital adequacy. Besides, increase in NPLs in general and increase in NPL in the highest outstanding sector would have significant effects under minor shock scenarios. Overall, credit risk remained the most dominant risk factor for banks under different level of shock scenarios. During the period, the banking system appeared to be reasonably resilient against the market and liquidity risks. Stress test on FIs revealed that a majority of them would remain resilient under various stress scenarios as of end-June 2019.

The domestic capital market turned bearish during the review quarter. Compared to the preceding quarter, major equity indices, market turnover and market capitalization in both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited a decline in the review period. Price-earnings (P/E) ratio also decreased during the same period. Analysis of sectoral turnover revealed that depressed trading of the shares of top contributing sectors played a major role in the bearish market scenario. Besides, capital market exposure of the banking sector was much below the regulatory maximum limit, which appeared to minimize possibility of any stability concern from the capital market in the near term.

Bangladesh Bank (BB) took a number of initiatives during the review quarter, which have implications to domestic financial system stability. Some of the important initiatives taken by BB were revision of loan classification and provisioning policy, instructions to provide incentives to good borrowers, revision of policy for offshore banking operations of banks in Bangladesh, issuance of loan/lease/investment write-off policy for financial institutions, instructions regarding investment in non-listed securities and investment in special purpose vehicle, alternative investment fund or similar fund/funds by scheduled banks, implementation of national savings scheme online management system and modifications in various foreign exchange regulations to smoothen the foreign exchange market in Bangladesh, among other issues.

Chapter 1: Macroeconomic Developments

1.1 Global Macroeconomic Situation

Following a marginal recovery in the first quarter of 2019, GPD growth in the second quarter declined in most of the advanced economies. A number of factors contributed to the global slowdown of economic activities. Most conspicuous are the dwindling consumer and business confidence in the advanced economies, unmitigated trade tension and some geopolitical uncertainties.

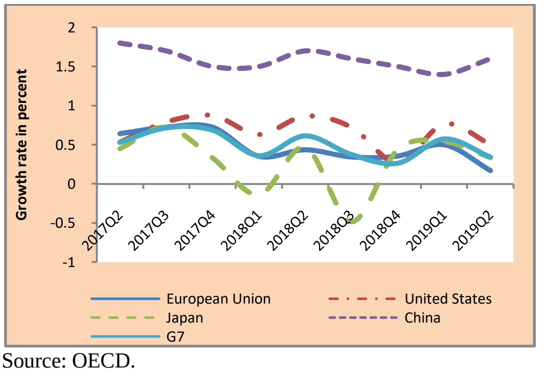
1.1.1 Global GDP Growth

GDP growth of G7, which represents the major economies of the world, has slowed down markedly in the second quarter of 2019. Among the countries within G7, United Kingdom and Germany recorded negative growth. United States and Japan had decelerated GDP growth, but posted at above par of the other advance economies. The EU countries as a whole registered the lowest GDP growth in the review quarter compared to the preceding quarter. After having some quarters of decelerated growth, China recovered marginally in the second quarter of 2019 (Chart 1.1).

1.1.2 Global Inflation Outlook

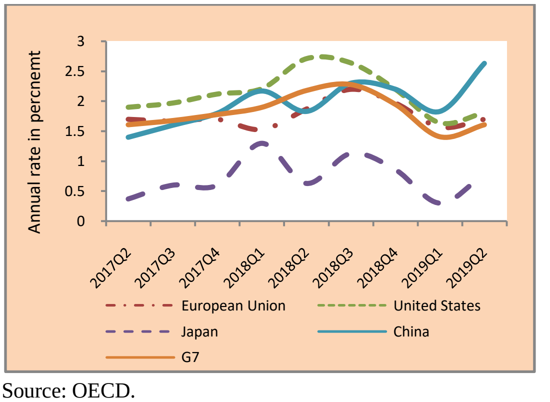
Inflation in European Union and G7 remained subdued in the review quarter. United States and Japan experienced similar degree of inflation recording below their target level. Meanwhile, China had relatively steeper rate of inflation (Chart1.2).

Chart 1. 1 GDP Growth-Quarterly



Source: OECD.

Chart 1. 2 Global Inflation



Source: OECD.

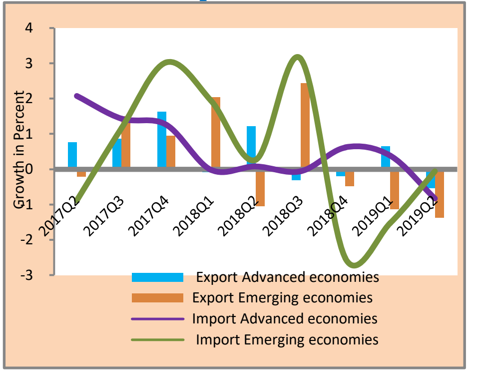
1.1.3 Global Financial Condition

The weakening economic expansion, softening inflationary pressure, and escalating trade tension prompted the central banks of both developed and developing countries to take easy monetary stance. US Federal Reserve drew back from their target monetary tightening and kept the interest rate lower than expected. To encourage credit growth, European Central Bank (ECB) deferred any hike in interest rate and introduced longer-term refinancing scheme. Besides, central banks of a number of emerging economies also resorted to similar monetary stances to lower financing cost of the investors.

1.1.4 Global Trade and Investment

Growth volume of export and import turned to into negative both in advanced and emerging economies in the second quarter of 2019 (Chart 1.3). Decline in the demand for consumer durables and machinery had downward effect on world trade. What is more, Global Value Chain (GVC) experienced some disruption largely due to protracted period of trade tension between world's two largest economies US and China. As mutual demand for final products of these two countries weakened, the associated demand for intermediate and capital goods in the GVC also fell that led to a negative market sentiment among the investors and remained a significant factor for them to put off further investment.

Chart 1. 3 Quarterly Growth of Export and Import Volume



Source: CPB World trade monitor.

1. 2 Domestic Macroeconomic Situation

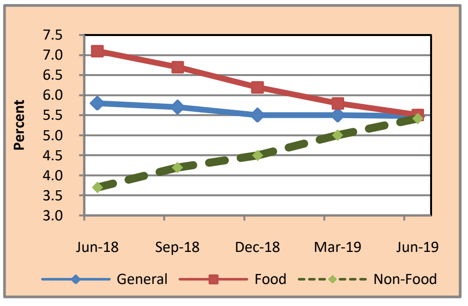
Against the backdrop of global perspective, macroeconomic situation of Bangladesh demonstrated moderate level of stability during the review quarter, attributable to stable inflation, increased flow in wage earners' remittance and foreign exchange reserve.

1.2.1 Inflation

At end-June 2019, annual average CPI inflation (base 2005-06=100), food and non-food CPI inflation were in a converging point near to 5.5 percent. However, food inflation decreased to 5.5 percent from 5.8 percent of the preceding quarter, while non-food inflation rose to 5.4 percent from 5.0.

It is noteworthy that at end-June 2018, inflation (general), food and non-food inflation were 5.8 percent, 7.1 percent and 3.7 percent respectively (Chart 1.4).

Chart 1. 4 Inflation

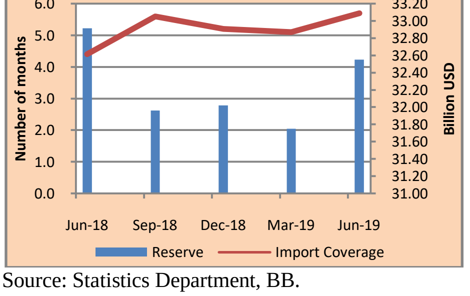


Source: Bangladesh Bureau of Statistics, Base 2005-06=100.

1.2.2 Foreign Exchange Reserve and its Import Coverage

At end-June 2019, the gross foreign exchange reserves reached USD 32.7 billion, recording 2.8 percent increase from USD 31.8 billion of end-March 2019 and 0.6 percent decrease from end-June 2018. The reserve position was equivalent to meeting more than five months' imports of goods and services (Chart 1.5).

Chart 1. 5 Foreign Exchange Reserves

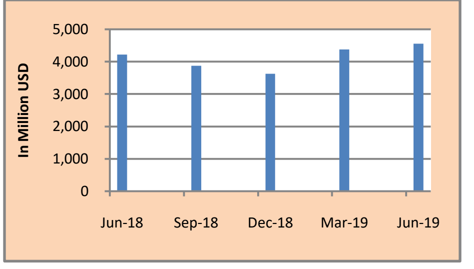


Source: Statistics Department, BB.

1.2.3 Wage Earners' Remittance

Remittance from Bangladeshi nationals working abroad stood at USD 4,550.7 million during the review quarter, recording an increase of 7.8 percent from same period of the previous calendar year. However, compared with the March quarter of 2019, increase in remittance inflow was 4.1 percent (Chart 1.6).

Chart 1. 6 Wage Earners' Remittance

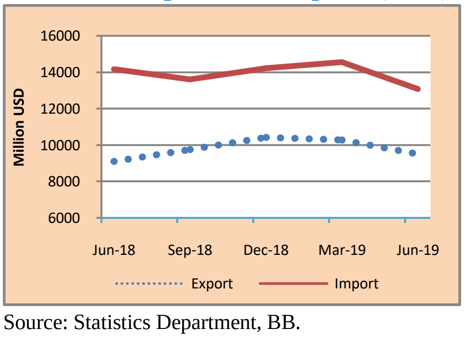


Source: Monthly Economic Trends, BB (various issues).

1.2.4 Imports and Exports

In the review quarter, aggregate import payment[1] decreased by 10.1 percent from USD 14,544 million of the preceding quarter. On the other hand, export receipts stood at USD 9,506 million, recording a decreased of 7.5 percent from USD 10,276 million of the preceding quarter. However, in comparison with the same quarter of previous year, export receipts recorded a 4.4 percent increase (Chart 1.7).

Chart 1. 7 Exports and Imports (FOB)



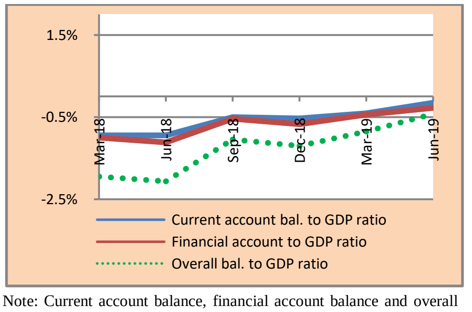
Source: Statistics Department, BB.

[1] On FOB basis.

1.2.5 Current Account Balance

Current account balance to GDP ratio stood at -0.1 percent as of end-June 2019 recording significant improvement compared to the same of the last few quarters. Financial account to GDP ratio also showed improvement during the period. Consequently, overall balance to GDP ratio also improved (chart 1.8).

Chart 1. 8 Current Account Balance



Note: Current account balance, financial account balance and overall balance represent quarterly positions. BOP data is up to May19.

Source: Monthly Economic Trends, BB (various issues).

1.2.6 Interest Rate

The spread between weighted average lending and deposit rates stood at 4.2 percent at end-March 2019; spreads of 18 out of 57 banks were above 5.0 percent. Out of these 18 banks, 5 and 11 were in the category of FCBs and PCBs respectively. Pertinently, in June 2019, the weighted average lending and deposit rates were 9.6 percent and 5.4 percent respectively as opposed to 9.9 percent and 5.5 percent of June 2018 (Chart 1.9).

Chart 1. 9 Interest Rate Spread

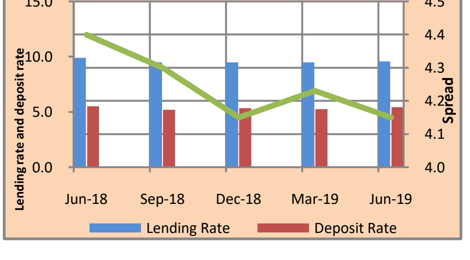
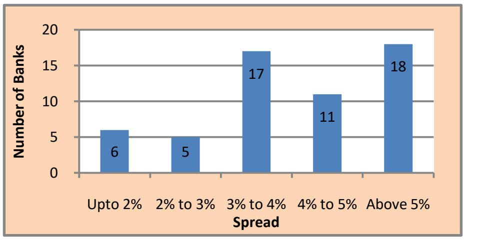


Chart 1.9 Interest Rate Spread-Contd.

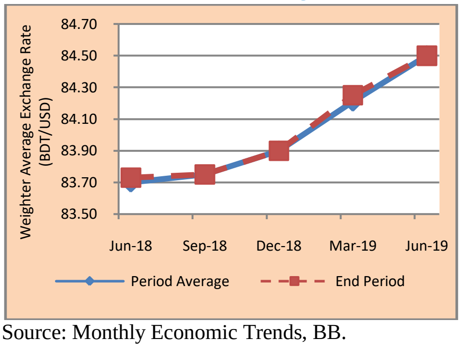


Source: Statistics Department, BB.

1.2.7 Exchange Rate[2]

Bangladeshi Taka (BDT) against US dollar (USD) continued to demonstrate a depreciation in the review qurter. Exchange rate of BDT per USD stood at 84.5 which was 84.2 in March 2019 and 83.7 in June 2018 (Chart 1.10).

Chart 1. 10 Exchange Rate



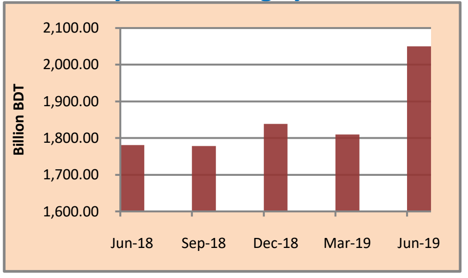
Source: Monthly Economic Trends, BB.

1.2.8 Credit to the Government (gross) by the Banking System

Credit to the Government (gross) by the banking system increased by 13.2 percent and stood at BDT 2,049.9 billion at end-June 2019 in comparison with the same of the preceding quarter. However, it increased by 15.1 percent than that of the same period of the previous year (Chart 1.11).

[2] BDT per USD on weighted average basis.

Chart 1.11 Credit to the Govt. (Gross) by the Banking System



Source: Statistics Department, BB.

Box 1: Inter-linkage between Banks and Financial Institutions

Banking sector is the dominant segment of the financial system of Bangladesh. However, in spite of smaller size, the FIs' roles are also significant because of their intense interconnectedness with banks, particularly through interbank market. The interbank market serves as a network of banks and FIs where they make transactions to manage their funding and liquidity risks. Because of their high interconnectedness a well-functioning and vibrant interbank market is essential to avoid ***'domino effect'*** in the financial system.

As banks and FIs usually have cross-holding of deposits, call money and loans, the transmission of risk is likely to be originated from these items. Stress in a connected FI or FIs might cause loss for the bank in the form of lost deposit/loan or difficulty in managing its liquidity. Similarly, FIs also face the risk of a fund constraint arising from financial stress in a bank, especially, if significant portion of their fund comes from the stressed bank.

Interbank exposures mainly consist of deposit, investment, call money and loan. Market shares of the total interbank assets are dominated by State-owned Commercial Banks (SCBs) and Private Commercial Banks (PCBs). As of June 2019, the market shares of the interbank assets of SCBs and PCBs were 37.1 percent and 29.0 percent respectively on gross exposure basis. On the other hand, the market shares of the interbank liabilities are dominated by PCBs and FIs. PCBs led the position with 44.1 percent followed by FIs with 23.3 percent of market shares.

Chart B1.1: Market Share of Total Funded Assets (June 2019)

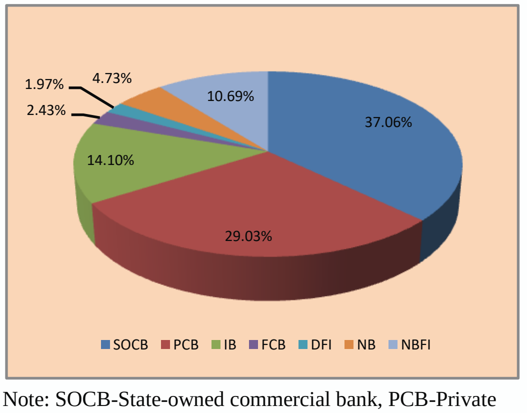
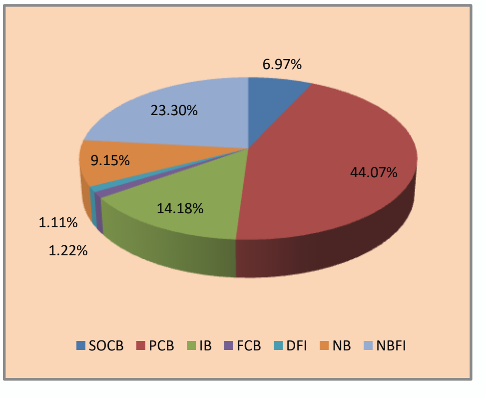


Chart B 1.2: Market Share of Total Funded Liabilities (June 2019)



Note: SOCB-State-owned commercial bank, PCB-Private Commercial Bank, IB-Islamic Shari'ah Bank, FCB-Foreign Commercial Bank, DFI-Development Finance Institution, NB-New Bank, NBFI-Non-bank Financial Institution.

Over the last four and a half years (from December 2015 to June 2019) FIs' asset size increased by 20.7 percent, while their market share remained almost static. At the same time, their liabilities increased by 31.1 percent. After 2016, their total exposure as well as market share increased substantially on the liability side.

Chart B 1.3 Market Share of Total Funded Assets

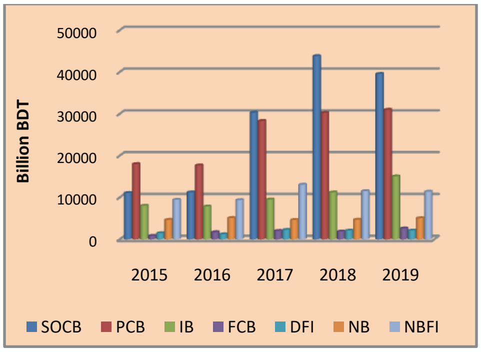


Chart B 1.4 Market Share of Total Funded Liabilities

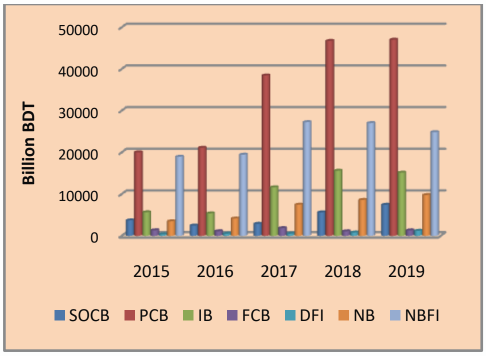


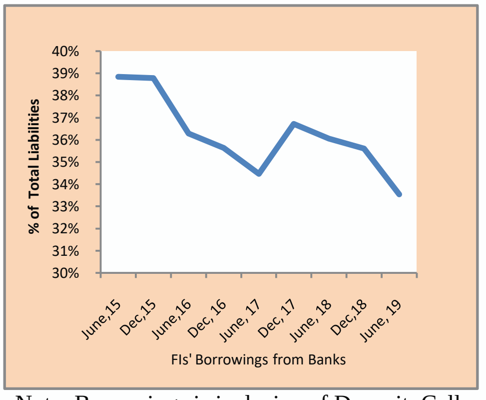
Table B 1.1: Net Fund Flow from Bank to FI (Figures in Billion BDT)

Time	Bank to FIs	FIs to Bank	Net Fund Flow
Jun 2019	221.41	86.82	134.59
Dec 2018	242.40	87.30	155.10
Jun 2018	244.92	96.38	148.54
Dec 2017	242.06	99.92	142.14
Jun 2017	207.57	101.59	105.98
Dec 2016	195.23	78.87	116.36
Jun 2016	187.05	80.38	106.67
Dec 2015	176.91	81.82	95.09
Jun 2015	160.41	82.52	77.89

As of June 2019, FIs received BDT 221.4 billion (gross) from banks, whereas net fund flow was BDT 134.6 billion from banks to FIs. In the last 05 years, net fund flow from banks to FIs increased by 72.8 percent, while fund flow from FIs to banks increased by only 5.2 percent. It is evident that, in comparison with the banks, FIs are mainly recipients and major beneficiary from this market.

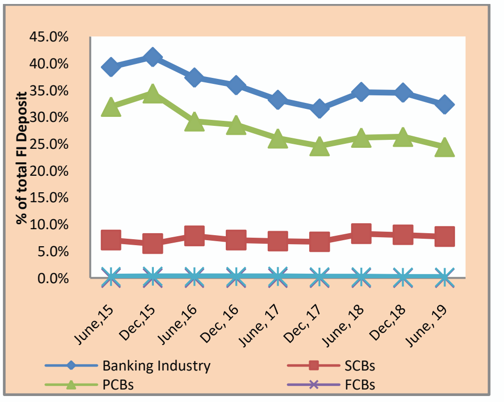
FIs owed a significant portion of their total liabilities to banks, though their dependency on the banking sector has shrunk down to 33.8 percent in June 2019 (Chart B1.5) from 39 percent of June 2015 with some fluctuations during this period. Their dependency on the banking sector has been reduced by 5 percentage points in the last five years, which is a good sign from the stability point of view.

Chart B1.5: FIs Total Borrowings from Banks as a percentage of Their Total Liabilities



Note: Borrowings is inclusive of Deposit, Call Money, Loans & Investment

Chart B1.6: Percentage of Deposit Supplied by Banks to FIs



Banks' deposit in FIs reached its peak in December 2015, when FIs received 41.2 percent of their deposits from banks (Chart B1.6). As of June 2019, banking sector alone provided 32.3 percent of FIs' deposit, where PCBs provided the highest amount of deposit (24.4 percent) followed by SCBs (7.7 percent). However, banks' deposits in FIs showed a declining trend for the last five years.

Individual bank-wise analysis shows that deposits and lending from banks to FIs were moderately concentrated (Chart B1.7 and B1.8). It can be observed that the highest exposure (deposit) of an individual bank to FI sector was less than 3 percent while highest exposure in terms of lending was less than 5 percent.

Chart B1.7: Percentage of FIs' Deposits Supplied by an Individual Bank

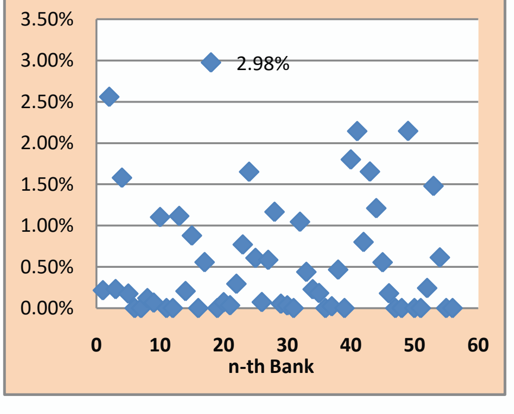
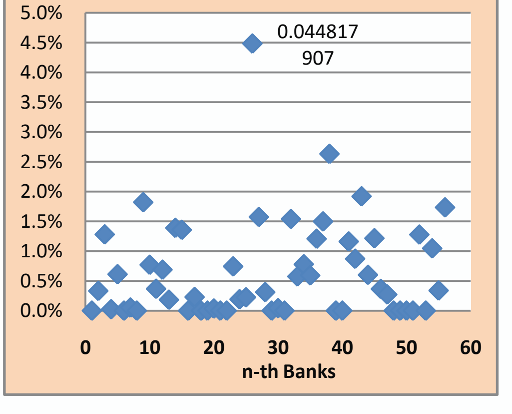
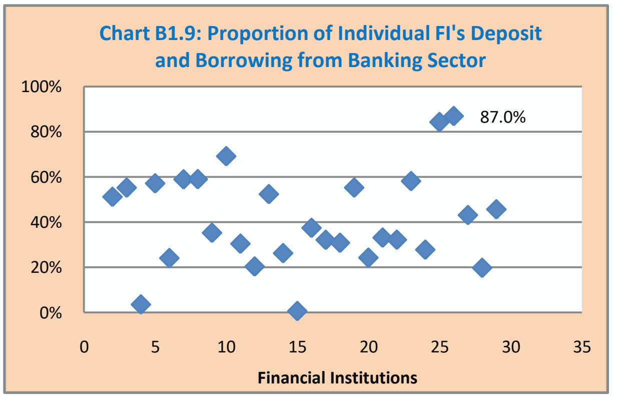


Chart B1.8: Percentage of FIs' Borrowings from an Individual Banks



The Chart B1.9 shows share of individual FI's aggregate deposit and borrowings from the entire banking sector.

It appears that around one third of the FIs' considerably depends on banking sector for their funding, i.e., deposits and borrowings.



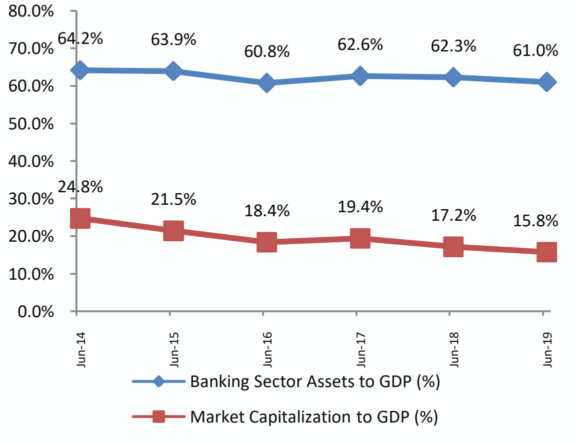
Considerable dependency of some FIs on banks might cause funding constraint during stress situation. Therefore, FIs could explore alternative sources of funding rather than relying on bank-dependent funding.

Box2: Financial Stability: Inter-linkages between Bank and Capital Market in Bangladesh

Bank and capital market are two main sources of finance and they can effectively channelize fund to the deficit unit of an economy and thereby play a pivotal role in strengthening financial stability. Moreover, a deep and vibrant capital market can support the financial stability further by overcoming the maturity mismatch of bank-based financing. However, since the banking sector and capital market are, to some extent, interconnected, there is a possibility that risks originated in one sector might be transmitted to the other one and may create system-wide vulnerabilities. The main objective of this study is to examine the channels through which contagion effect might transmit from one sector to another.

Bangladesh economy, like any other developing countries, is dominated by banks while the share of market capitalization in GDP is still relatively low (Chart B2.1).

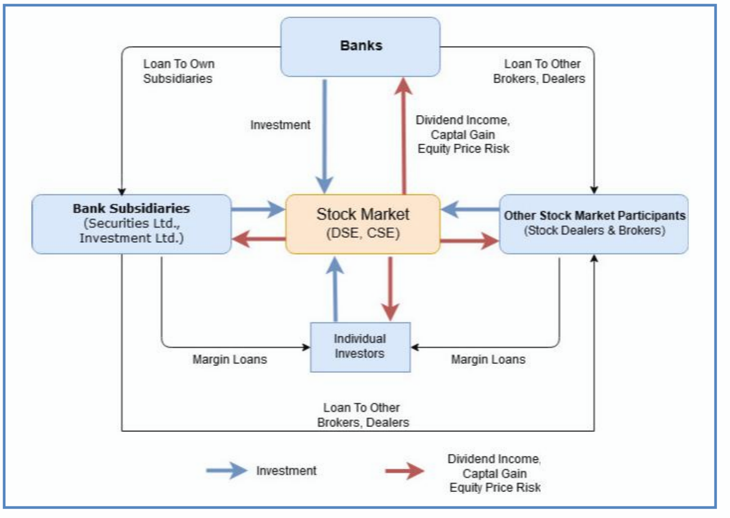
Chart B2.1: Banking Sector Assets to GDP and Market Capitalization to GDP



Note: The market capitalization of Dhaka Stock Exchange (the prime bourse of the country) is considered for Market Capitalization to GDP ratio.
Data Source: FSD; DSE Monthly Review (various issues).

However, banks and capital market are linked in various ways, which are illustrated in Chart B2.2. Such inter-linkages may arise from the banks' investment in the capital market on solo (only bank) as well as consolidated basis (banks and their subsidiaries). Banks' solo investment in the capital market constitutes their own investment in shares, mutual funds, bond/debentures, and placements. Additionally, loan to own capital market subsidiaries, loan to others for merchant banking and brokerage activities, loan to a stock dealer are also considered as banks' solo basis investment exposures. For consolidated exposure, investment in shares, mutual funds, bond/debentures, placement shares and margin/bridge loans by subsidiary companies of the bank are taken into account.

Chart: B2.2: Linkages between Bank and Capital Market Performances

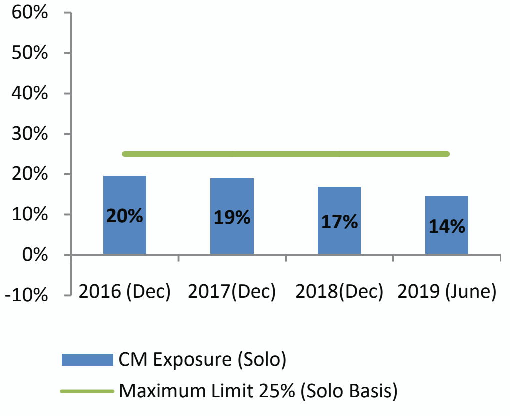


Generally, dividend, interest income and capital gain are the main objectives of banks from such investment at the cost of bearing equity price risk. So, the performance of the capital market may have a substantial impact on banks as a bank may incur loss from its investment exposure and the risk is higher for higher exposure in the capital market. Furthermore, as institutional investors, banks can directly influence the capital market through their investment in various securities. Banks can influence the capital market indirectly by providing equity or loan to their own capital market subsidiaries and other capital market participants. As most PCBs are enlisted in the capital market and banking sector is one of the largest segments in that market, performance of those banks (i.e., CRAR, NPL, ROA, ROE) may significantly influence overall performance (e.g., index, market capitalization) of the capital market through share price. Therefore, central bank's monetary policy including capital market exposure guidelines for banks may have implications for stock price movement.

Considering the current scenario, capital market exposure of banks (in aggregate) is found to remain well below the regulatory limit[3] and has been gradually declining since 2016 (Charts B2.3 and B2.4). This indicates that equity price shock may not pose any major stability threat to the banking sector in the near term.

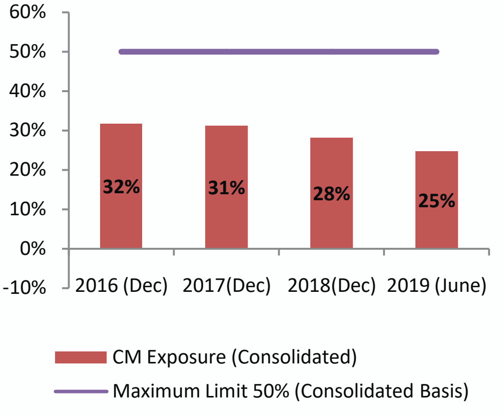
[3]the maximum allowable limit to investment in the capital market is 25 percent and 50 percent of the prescribed capital (sum of paid-up capital, statutory reserve, retained earnings and share premium) on solo and consolidated basis respectively.

Chart B2.3: Trend in Capital Market Exposure (Solo) of Banks



Data Source: DOS.

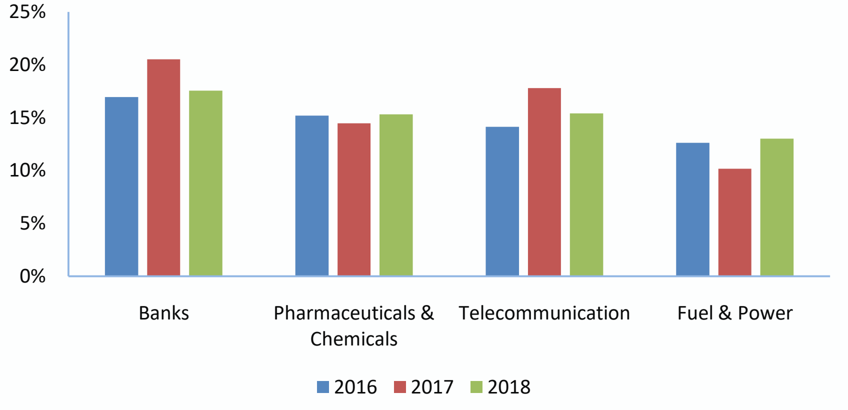
Chart B2.4: Trend in Capital Market Exposure (Consolidated) of Banks



Data Source: DOS.

Chart B2.5 shows the top four sectors' market capitalization in DSE during 2016-2018. The chart shows that banking sector's share in DSE's total market capitalization was more than 15 percent share of the total market capitalization.

Chart B2.5: Top Four Sector's Market Capitalization in DSE during 2016-2018



Data Source: DSE Monthly Review-December 2018.

Chart B2.6 shows that banks' share in market capitalization and DSE broad index-DSEX-move together. Furthermore, Chart B2.7 indicates that both banks' share in market turnover and DSEX are also moving together towards the same direction.

Chart B2.6: Banks' Share in Market Capitalization and DSEX

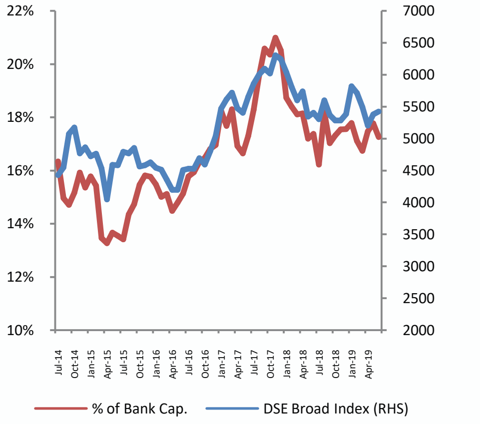
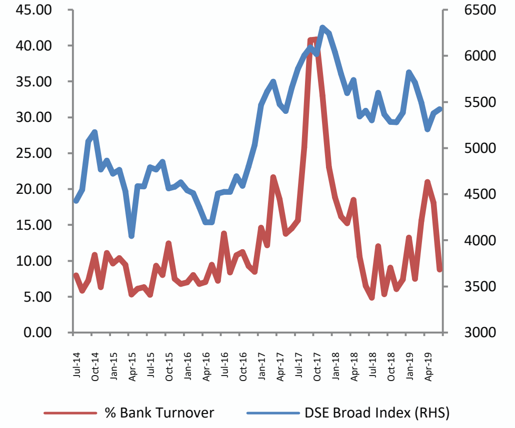


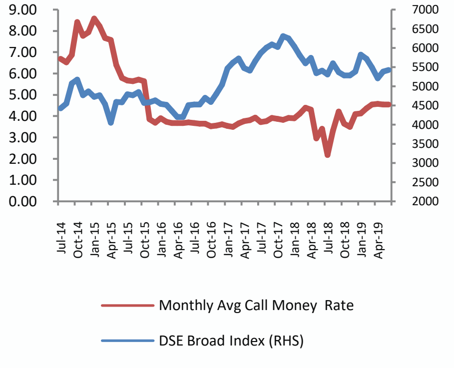
Chart B2.7: Banks' Share in Market Turnover and DSEX



Data Source: Monthly Economic Trends, BB and DSE.

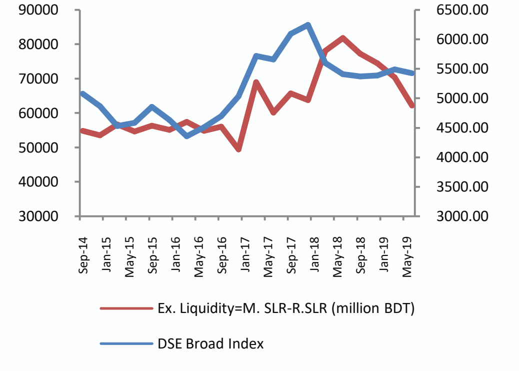
Chart B2.8 shows that DSE broad index, in general, was higher when monthly average call money rate was lower and vice versa. Chart B2.9 exhibits the positive relationship between excess liquidity of the banking system and DSE broad index. Both of these charts imply that generally DSE broad index is positively associated with banking sector's liquidity.

Chart B2.8 Monthly Average Call Money Rate and DSEX



Source: Monthly Economic Indicator and DSE

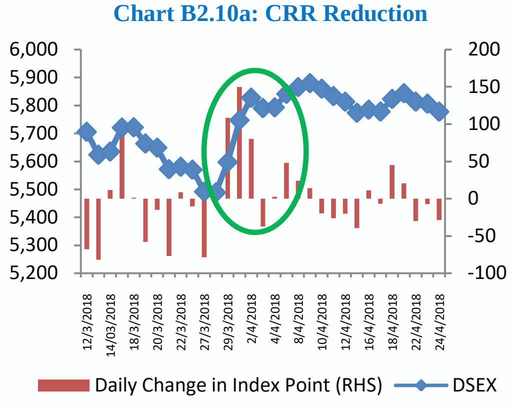
Chart B2.9 Excess Liquidity of the Banking System and DSEX

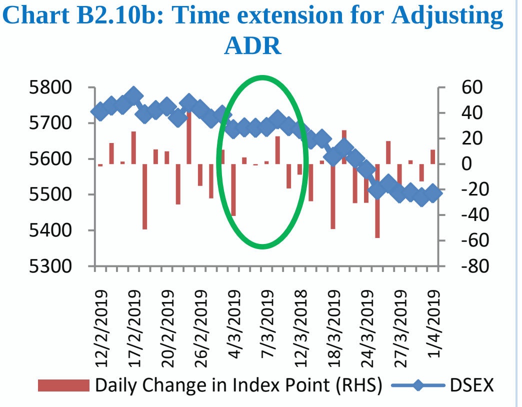


Note: M.SLR=Maintained SLR, R.SLR=Required SLR
Data Source: FSD.

Event analysis shows that the CRR reduction in early 2018 had a positive impact on the capital market index (Chart B.10a). However, time extension for ADR adjustment (Chart B2.10b) appears to have modest impact, probably due to market participants' similar expectations.

Chart B2.10: Effect of various central banking policies on capital market





Chapter 2: Banking Sector Performance

The banking sector experienced considerable growth in June 2019 quarter aided by pick up in deposit growth. Furthermore, asset quality also improved which exerted a positive impact on the industry's profitability.

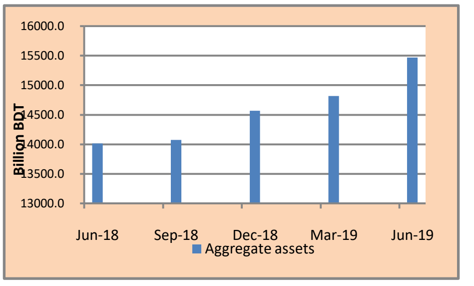
2.1 Assets Structure

The balance sheet size[4] of the banking sector increased by 4.4 percent from end-March 2019 and reached to BDT 15,470.9 billion at end-June 2019 (Chart 2.1). The growth could primarily be attributed to a recent pick up in deposit growth rate (deposit increased by 3.9 percent in June quarter). The assets-to-GDP ratio reached 61.0 percent at end-June 2019[5], which as 65.8 at end-March 2019 (using GDP data for financial year 2018-19).

Maximum portion (67.8 percent) of the banking sector's assets were held by the PCBs. Loans and advances, the largest segment among the asset items constituted 66.2 percent of total assets during the review quarter (same to the share recorded at end end-March, 2019) [Chart 2.2].

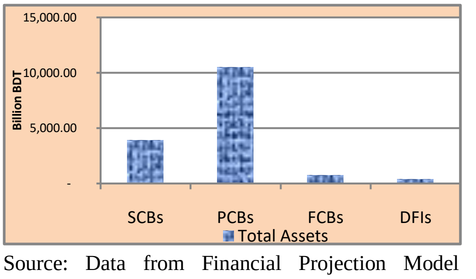
[4] Taking into account only scheduled banks.
[5] Taking into account GDP at current market price for the financial year 2018-19.

Chart 2.1 Asset Size of the Banking Industry



Source: Data from Financial Projection Model (FPM), FSD, BB.

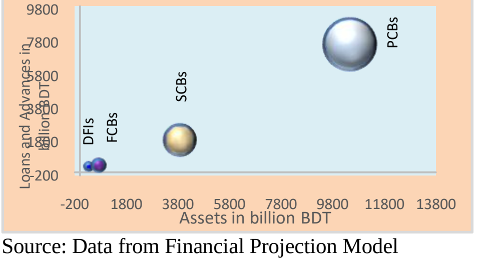
Chart 2.2 Bank Cluster-wise Assets at end-June 2019



Source: Data from Financial Projection Model (FPM), FSD, BB.

The share of loans and advances in the asset mix has slightly declined in June 2019 quarter while Balance with BB experienced notable increase (Chart 2.3).

Chart 2.3 Banking Sector Assets and Loans/ Advances: End-June 2019



Source: Data from Financial Projection Model (FPM), Compilation: FSD, BB.
Notes: PCB-Private Commercial Bank.
SCB-State-owned Commercial Bank.
FCB- Foreign Commercial Bank.
DFI-Development Finance Institution.

Table 2. 1 Asset Structure of the Banking Industry

Component of Assets	% of Total asset (as on Mar'19)	% of Total asset (as on Jun'19)	Change
Cash in hand	1.0%	1.1%	0.1%
Balance with BB and its Agent Bank	5.2%	5.8%	0.6%
Balance with other banks and FIs	6.0%	5.8%	-0.2%
Investment	13.7%	14.0%	0.3%
Loans and Advances	67.2%	66.2%	-1.0%
Fixed Assets	1.6%	1.5%	-0.1%
Other Assets	5.2%	5.5%	0.3%
Total Assets	**100.0%**	**100.0%**	**0.0%**

Source: Data from Financial Projection Model (FPM), Compilation: FSD, BB.

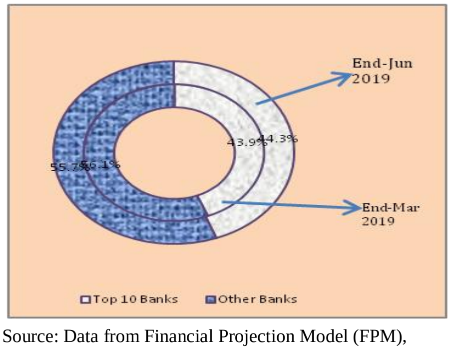
Table 2.1 depicts the share of different assets structure in the banking industry. Balance with Bangladesh Bank and its agent banks as well as investment in government and other securities increased by 60 basis points and 30 basis points respectively at end-June, 2019 compared to those of the previous quarter. On the other hand, the shares of loans and advances declined by 100 basis points; balance with other banks and FIs declined by 20 basis points in this quarter.

The asset concentration ratios of the top 5 and top 10 banks against the total banking assets increased slightly in the June quarter, 2019. The ratios were 30.4 percent and 44.3 percent at end-June 2019 which were 30.2 percent and 43.9 percent respectively at end-March, 2019 (Chart 2.4 and 2.5). An increase in asset concentration is undesirable from a financial stability standpoint as it amplifies the influence and potential risk of only a few institutions over the entire financial system.

Chart 2. 4 Top 5 banks based on Assets Size

Source: Data from Financial Projection Model (FPM), Compilation: FSD, BB.

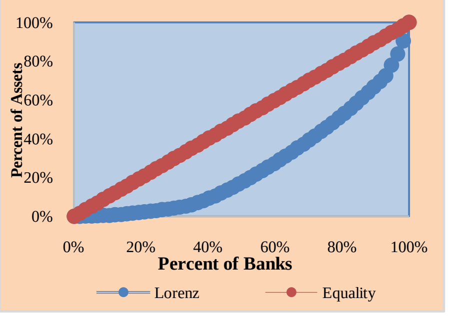
Chart 2. 5 Top 10 banks based on Assets Size



Source: Data from Financial Projection Model (FPM), Compilation: FSD, BB.

Banking sector asset concentration has also been illustrated using the Lorenz Curve and Gini Coefficient. The position of the Lorenz Curve, shown in Chart 2.6, indicated the presence of a moderate concentration in assets of the banking industry. The calculated Gini coefficient of 0.469 also supported the presence of moderate concentration in assets. It is worth noting that, there has been no major change in asset concentration in the banking sector compared to end-March, 2019.

Chart 2. 6 Banking Sector Asset Concentrations: Lorenz Curve



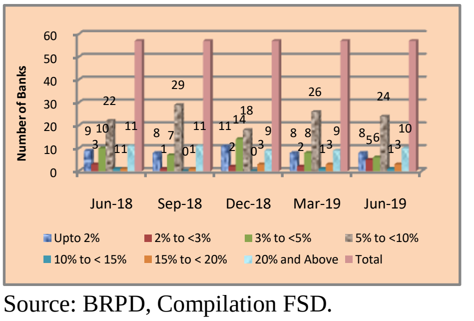
Note: Assets are displayed from lowest to highest (in ascending order) from the origin.
Source: FSD Staff calculation.

2.2 Asset Quality

Gross NPL (GNPL) ratio [6] slightly decreased in the review quarter from that of the preceding quarter but increased from the same quarter of the previous calendar year. Non-performing loans net of specific loan loss provisions and interest suspense to total loans (net NPL) ratio also decreased slightly compared to end-March 2019. It is mentionable that compared to end-March 2019, the net NPL ratio decreased by 50 basis points (2.5 percent at end-June, 2019) whereas gross NPL ratio decreased by 20 basis points (11.7 percent at end-June 2019). The decrease in NPL ratio is a positive sign from a financial stability point of view. The improvement in the NPL situation could be attributed to various initiatives taken by the Bangladesh Bank. However, despite the improvement, the existing NPL level is still high. Bangladesh Bank is working relentlessly to bring it down to a more moderate level.

Compared to March 2019 quarter, the gross NPL ratio (GNPL) ratio has declined in each category of banks except the PCBs in the June 2019 quarter. The GNPL ratio has slightly deteriorated for the PCBs but their net NPL ratio improved due to adequate provisioning. The number of banks having NPL of 10 percent or higher has increased in recent quarters (Chart 2.7) which seems to be a sign of stress for the banking industry.

Chart 2. 7 Distribution of banks by NPL ratio

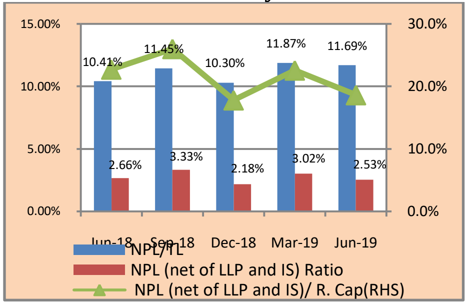


Source: BRPD, Compilation FSD.

Banks have to be prudent in managing their NPL and ensure asset quality for the industry. Net NPL to regulatory capital declined to 18.6 percent at end-June 2019 from 22.6 percent of end-March 2019 (Chart 2.8). This decline is a positive indicator from the financial stability standpoint indicating improved resiliency of the banking sector.

[6] Non-performing loan to total loan ratio.

Chart 2. 8 NPL Ratio of the Banking Industry

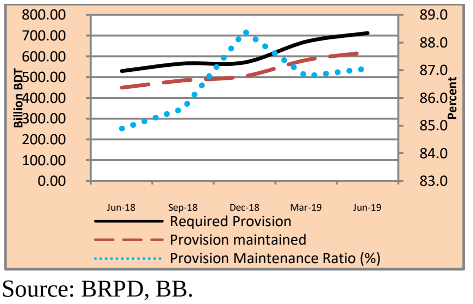


Source: BRPD, BB.

The provision maintenance ratio, at end-June 2019, rose to 87.1 percent from 86.8 percent recorded in the preceding quarter (Chart 2.9). The main reason behind the rise was a relatively higher increase in provision maintenance compared to the increase in the required provision. The maintained provision increased by BDT 38.1 billion between June and March quarter.

NPL concentration in Top 5 and Top 10 banks slightly decreased in June quarter. Based on NPL size, 49.2 percent and 64.6 percent of the non-performing loans were concentrated in the Top 5 and Top 10 banks [7] respectively at end-June 2019 (Chart 2.10 & 2.11).

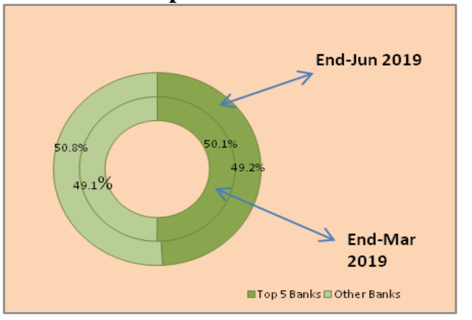
Chart 2.9 Banking Sector Loan Loss Provision



Source: BRPD, BB.

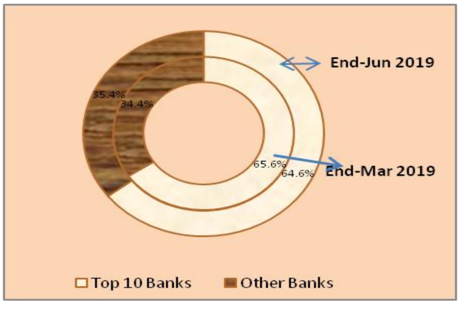
[7] Ranked in terms of Gross NPL amount.

Chart 2.10 Top 5 Banks based on NPL



Source: BRPD; Compilation FSD.

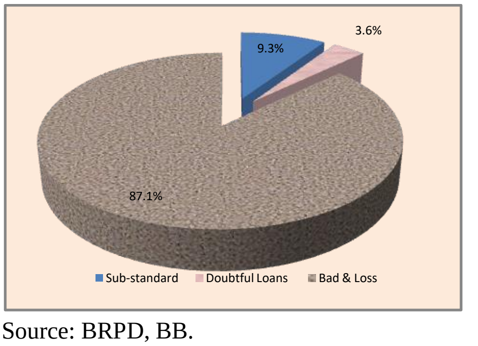
Chart 2.11 Top 10 Banks based on NPL



Source: BRPD; Compilation FSD.

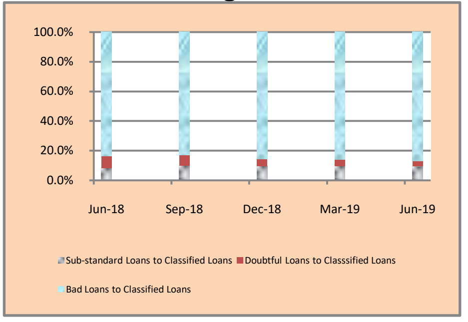
During the review quarter, the ratio of bad and loss loans to total classified loans stood at 87.1 percent while sub-standard and doubtful loans remained 9.3 percent and 3.6 percent of total NPLs respectively (Chart 2.12). The consistent high proportion of bad and loss loans in recent quarters, as shown in Chart 2.13, indicates weak governance in recovery of NPLs.

Chart 2.12 NPL Compositions of Banks



Source: BRPD, BB.

Chart 2. 13 Proportions of NPL Categories

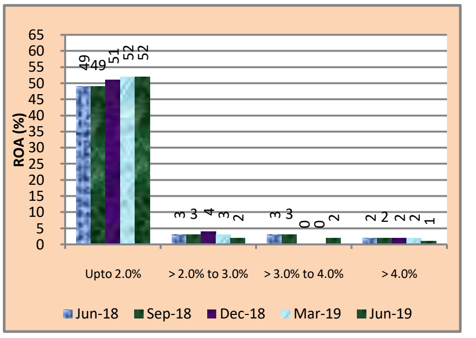


Source: BRPD, BB.

2.3 Profitability

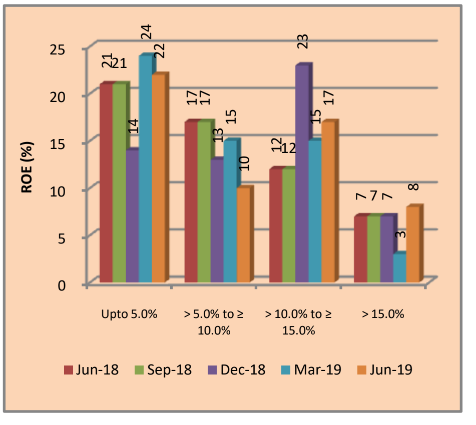
In the review quarter, the profitability of the banking sector increased which could partially be attributed to the decline in NPL that resulted in lower provision requirements. Moreover, the phased-in provision maintenance arrangement enjoyed by some of the SCBs might have also helped in boosting profitability. The ROA and ROE[8] reached 0.2 percent and 3.6 percent in June 2019 quarter which were -0.5 percent and -8.1 percent respectively in the March quarter. However, the distribution of ROA and ROE ratios of the banks (Chart 2.14 and 2.15) in June quarter shows that ROA of most banks remained below the 2 percent level while ROE remained below the 5 percent level for a large number of banks. In order to achieve substantial improvement in profitability, banks need to work relentlessly to improve their asset quality.

Chart 2.14 Distribution of Banking Sector Return on Assets (ROA)



Source: Compilation (Aggregate P/L account of banking industry): FSD, BB.

Chart 2.15 Distribution of Banking Sector Return on Equity (ROE)



Source: Compilation (Aggregate P/L account of banking industry): FSD, BB.

[8] annualized from quarterly ratios.

Chapter 3: Financial Institutions' Performance

The key financial soundness indicators demonstrated mix performance of FIs in the review quarter. Overall analysis shows that a majority of the FIs did well in respect of profitability and solvency. Capital, in aggregate, has also increased. However, overall deposit has reduced and some of the FIs faced liquidity problem due to their growing non-performing loans since long. Bangladesh Bank has been intensifying its supervision and taking frequent measures to improve the situation[9].

3.1 Growth of Assets and Liabilities

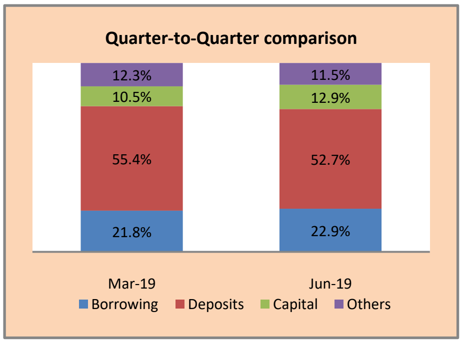
At end-June 2019, aggregate assets and liabilities (including equities) was BDT 867.8 billion. It was BDT 873.0 billion in March 2019 (including *Peoples Leasing & Financial Services Ltd.*). For consistent comparison, if *Peoples Leasing & Financial Services Ltd. was excluded*, then the aggregate assets/liabilities would have been BDT 859.8 billion at end-March 2019. At end-June 2018, aggregate assets/liabilities (excluding *Peoples Leasing & Financial Services Ltd.*) was BDT 837.9 billion. Hence, the industry experienced a descent growth of 3.6 percent on June-to-June basis. During this period, total asset (and equal liabilities) increased in 18 FIs while 15 FIs experienced the decline in aggregate assets (and equal liabilities).

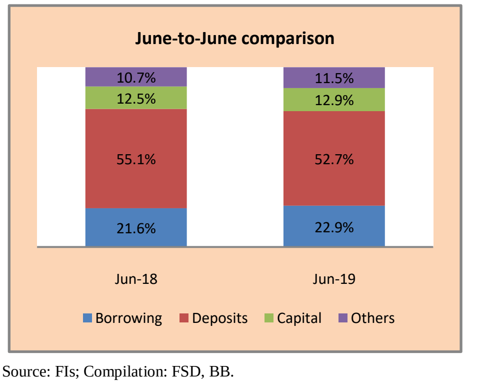
[9] Analysis of March-2019 quarter was based on 34 FIs. Since *Peoples Leasing and Financial Services Ltd.* has gone under the process of liquidation after that quarter, 33 FIs were considered for June-2019 quarter analysis.

3.2 Source of Fund: Composition and contribution

At end-June 2019, borrowings, deposits, capital, and other liabilities respectively constituted 22.9 percent, 52.7 percent, 12.9 percent, and 11.5 percent of the sources of funds of the FIs. In comparison with previous quarter, the shares of borrowings and capital increased by 1.1 and 2.4 percentage points respectively whereas deposit and other liabilities decreased by 2.7 and 0.8 percentage points respectively. On June-to-June basis, the share of deposit has declined by 2.5 percentage point while the shares of borrowing, capital, and other liabilities have increased (Chart 3.1).

Chart 3.1 Compositions of Sources of Fund



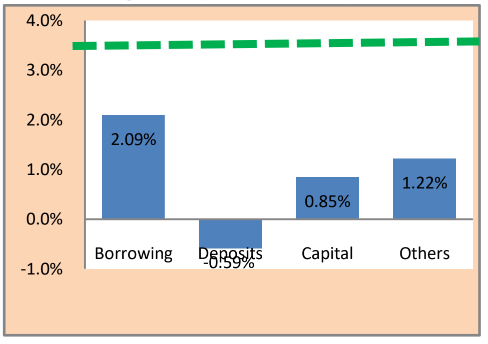


Source: FIs; Compilation: FSD, BB.

Comparison on June-to-June basis shows that the shares of borrowing and capital in aggregate liabilities increased by 1.3 and

0.4 percentage points respectively while the share of deposits declined by 2.4 percentage points (Chart 3.2).

Chart 3. 2 Contributions of components in Liability growth (June 18-June 19)



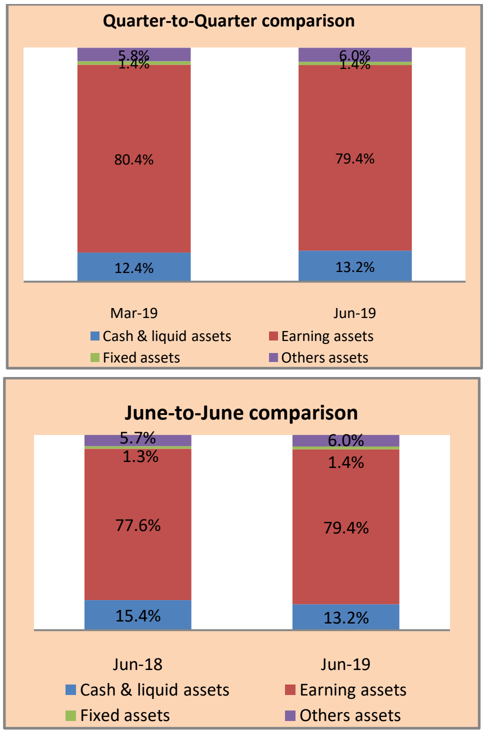
Source: FIs; Compilation: FSD, BB.

3.3 Assets: Composition and Contribution

Earning assets (i.e., Loans and leases, and Investment) of FIs constituted 79.4 percent of aggregate assets at end-June 2019. The rest of the *Total Assets* comprised of cash and liquid assets, fixed assets and other assets; shares of these components were 13.2 percent, 1.4 percent, and 6.0 percent respectively.

When compared with end-March 2019 positions, the share of cash and liquid assets, and other assets increased by 0.8 and 0.2 percentage point respectively, whereas share of earning assets decreased by 1.0 percentage point. The proportion of fixed assets remains unchanged. On a June-to-June basis, share of cash and liquid asset decreased by 2.2 percentage points while the shares of earning asset, fixed assets, and other assets increased by 1.8, 0.1, and 0.3 percentage points respectively (Chart 3.3).

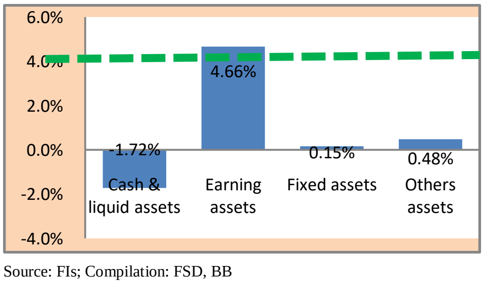
Chart 3. 3 Composition of Assets



Source: FIs; Compilation: FSD, BB

Earning assets contributed the highest 4.66 percent in *Total Asset* growth of 3.6 percent over the June-to-June basis. Contributions of fixed assets and other assets are 0.15 and 0.48 percent respectively, while cash and liquid asset pulled back the growth with negative growth of 1.72 percent.

Chart 3. 4 Contributions of components in Assets growth (June 18-June 19)



Source: FIs; Compilation: FSD, BB

3.4 Changes in the Components of Liabilities and Assets

As Table 3.1 refers, the amount of deposit decreased in 24 FIs during June 2018-June 2019 period which seems to be a major concern for the industry. However, 26 FIs were able to increase their capital base during this period.

Table 3.1: Changes in Components of Liability (Jun 2018-June 2019)

(Number of FIs)

	Borrowing	Deposit	Capital	Others	Total Liab.
Increase	17	9	26	25	18
Decrease	16	24	7	8	15

Data also reveals that cash and liquid asset has decreased in 22 FIs; indicating that liquidity situation in this sector is experience some deterioration.

Table 3.2: Changes in Components of Asset in FIs (Jun 2018-June 2019)

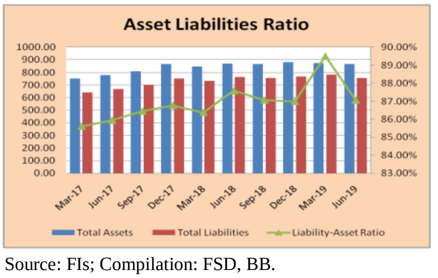
(Number of FIs)

	Cash & liquid assets	Earning assets	Fixed assets	Others assets	Total Asset
Increase	11	16	16	21	18
Decrease	22	17	17	12	15

3.5 Liabilities-Assets Ratio

The liabilities-to-assets ratio stood at 87.1 percent at the end-June 2019 which was 2.4 percentage points lower than the previous quarter. The reduction in deposit and other liabilities reduced the growth of the total liabilities as well as the liabilities-to-assets ratio (Chart 3.5).

Chart 3. 5 FIs' Liabilities-Assets Ratio

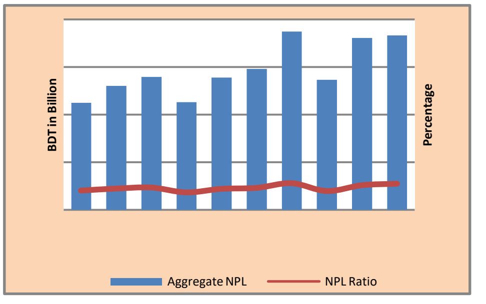


Source: FIs; Compilation: FSD, BB.

3.6 Asset Quality

FIs' classified loans and leases increased by 1.4 percent points (excluding the NPL of Peoples Leasing and Financial Services Ltd.) from the previous quarter. It stood at BDT 73.2 billion at end-June 2019 from BDT 72.2 billion at end-March 2019. The ratio of classified loans and leases rose to 11.0 percent at end-June 2019, which is 0.6 percentage points higher than the previous quarter, and 1.8 percentage points higher on June-to-June basis.

Chart 3. 6 FIs' Non-performing Loans



Source: DFIM, BB.

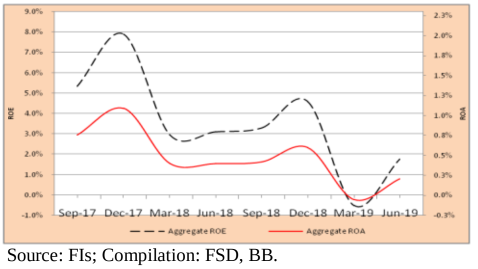
Net NPL ratio (after netting off interest suspense and provisions) was 6.0 percent at end-June 2019, which is 0.9 percentage point higher from March 2019, and 3.2percentage points higher from June 2018. Adequacy of provision was 78.0 percent at end-June 2019 which is 3.3 percentage points lower than the end-March 2019. Six FIs had provision shortfalls at this quarter.

3.7 Profitability

The Return on Assets (ROA) and Return on Equity (ROE) of this quarter stood at 0.2 percent and 1.8 percent respectively compare to -0.05 percent and -0.5 percent respectively recorded in the last quarter and 0.4 percent and 3.1 percent respectively in the same quarter of 2018[10] (Chart 3.7).

10 Here profitability indicators - ROA and ROE - are annualized from quarterly ratios.

Chart 3. 7 FIs' ROA and ROE

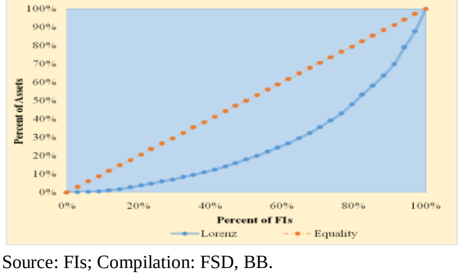


Source: FIs; Compilation: FSD, BB.

3.8 FIs Sector's Asset Concentration

FIs sector's asset concentration has been illustrated using Lorenz curve and Gini Coefficient. As depicted in Chart 3.8, the position of Lorenz Curve implies the presence of moderate concentration in the assets of the FI sector. The calculated Gini coefficient is 0.49, which also supports the presence of aforementioned type of concentration.

Chart 3. 8 FIs asset concentration: Lorenz Curve



Source: FIs; Compilation: FSD, BB.

Chapter 4: Banking Sector Capital Adequacy and Liquidity

Banking sector capital to risk-weighted assets ratio (CRAR) increased with respect to that of the previous quarter. In addition, 31 banks out of 57 were able to maintain minimum capital conservation buffer. Moreover, liquidity position slightly improved as advance-to-deposit ratio (ADR) decreased slightly.

4.1 Capital Adequacy

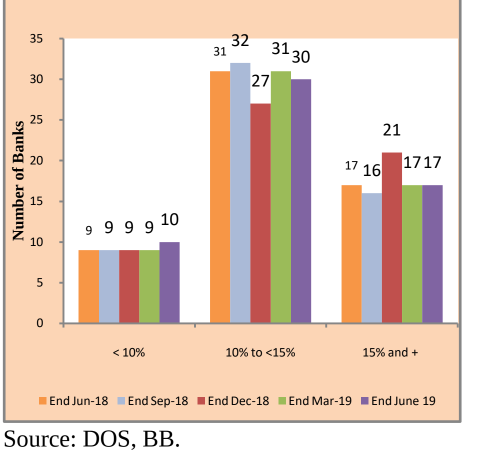
In the review quarter, 47 out of 57 banks maintained their CRARs at 10.0 percent or higher in line with Pillar 1 of the Basel III capital framework. The CRAR of the banking sector as a whole stood at 11.7 percent[11], which is 30 basis points and 80 basis points higher than the ratios recorded at end-March 2019 and end-June 2018 quarter, respectively (Chart 4.1).

Importantly, among 47 compliant ones, 30 banks' CRARs were within the range of 10-15 percent and their aggregate assets accounted for nearly 59.4 percent of the total banking industry's assets at end-June 2019 (Chart 4.2).

The trend of Tier -1 capital ratio was similar to the trend of CRAR. Tier-1 capital ratio increased to 8.1 percent at end-June 2019, increasing from 7.7 percent of the previous quarter and 7.6 percent of end-June 2018 (Chart 4.3). Whereas, the regulatory requirement of minimum Tier-1 capital ratio was 6.0 percent for those three quarters.

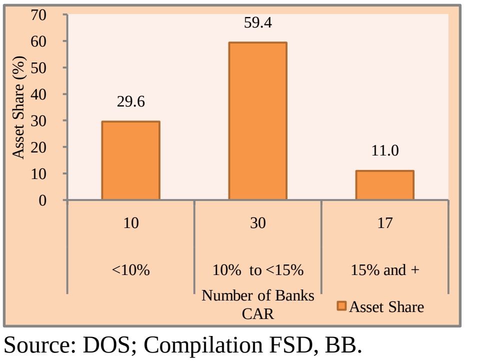
The FCBs maintained the highest CRAR in the industry while DFIs continued with negative CRAR in the review quarter (Chart 4.4).

Chart 4.1 Banking Sector Capital to Risk-Weighted Assets Ratio



Source: DOS, BB.

Chart 4.2 Asset Share of Banks based on CRAR at End-June 2019



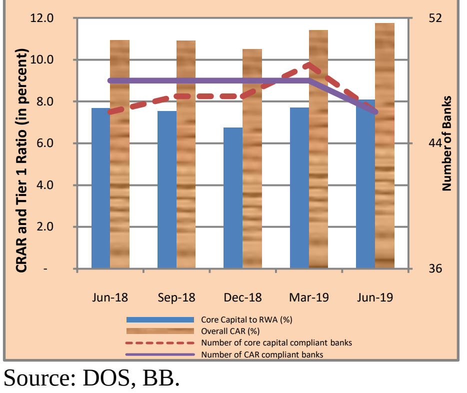
Source: DOS; Compilation FSD, BB.

At end-June 2019, total risk-weighted assets of the banking sector, arising from credit risks, accounted for 88.1 percent of the total industry's risk-weighted assets under Pillar 1 of the

[11] In the review quarter, minimum required CRAR was 10 percent.

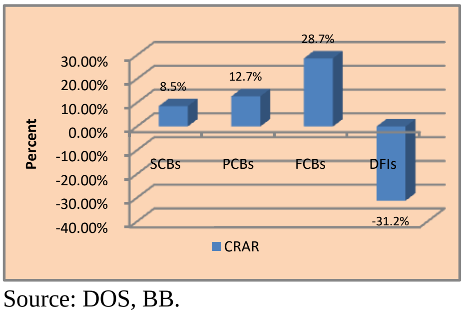
Basel III capital adequacy framework. It is mentionable that the proportion of credit risk weighted assets was 88.0 percent, same to that of the previous quarter and 87.8 percent of end-June 2018. Next positions were held by operational and market risks respectively (Chart 4.5).

Chart 4.3 Tier-1 Capital Ratio and Overall CRAR of the Banking Industry



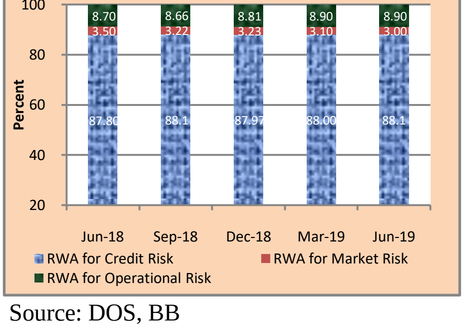
Source: DOS, BB.

Chart 4.4 Bank Cluster-wise CRAR at End-June 2019



Source: DOS, BB.

Chart 4.5 Distribution of Risk Weighted Assets



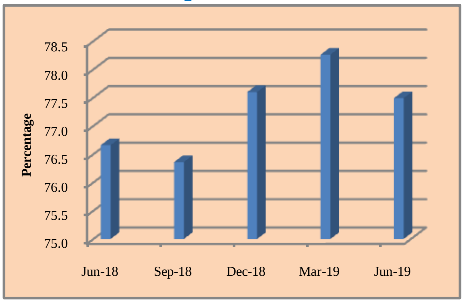
Source: DOS, BB

In the review quarter, against the regulatory requirement of 2.50 percent of total RWA, out of 57 banks, 31 were able to maintain the minimum required Capital Conservation Buffer (CCB) on a solo basis. However, in case of consolidated basis, 16 out of 36 banks fulfilled this regulatory requirement. The aggregate figure of CCB of the banking sector, in the stated quarter, was 1.74 percent and 1.93 percent on solo and consolidated basis respectively.

4.2 Liquidity

During the review quarter, Advance-to-Deposit Ratio (ADR) of the overall banking industry stood at 77.5 percent which is 0.8 percentage point lower than that of end-March 2019 and 0.8 percentage point higher than that of end-June 2018 (Chart 4.6).

Chart 4.6 Banking Sector Advance-to-Deposit Ratio



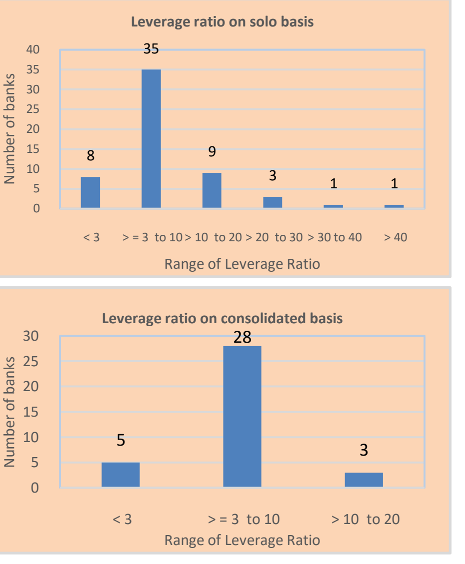
Source: DOS, BB.

4.3 Leverage ratio

In the review quarter, banking industry fulfilled the minimum regulatory requirement for leverage ratio of 3.0 percent, on both solo and consolidated basis [12]. At end-June 2019, banking industry's leverage ratio was 4.8 percent on solo basis; 48 out of 57 banks maintained a leverage ratio of 3.0 percent or higher (Chart 4.7). On the other hand, in case of consolidated basis, 31 out of 36 banks were able to fulfill the regulatory requirement. FCBs maintained the highest leverage ratio among the four banking clusters (Chart 4.8).

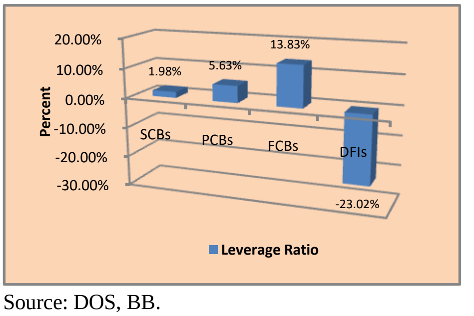
[12] In line with Basel III guidelines issued by Bangladesh Bank vide BRPD Circular No. 18 dated December 21, 2014.

Chart 4.7 Leverage Ratio of banks at end-June 2019



Source: DOS, BB.

Chart 4.8 Bank Cluster-wise Leverage ratio at End-June 2019



Source: DOS, BB.

Chapter 5: Financial Institutions' Liquidity and Capital Adequacy

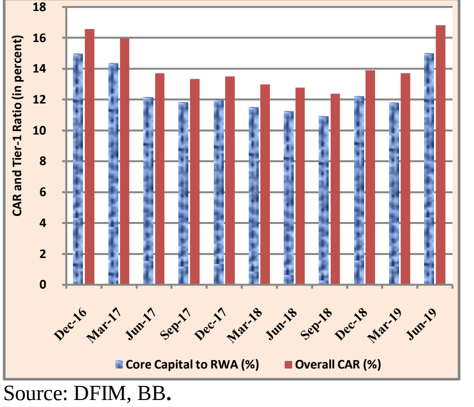
During the quarter under review, there was adequate liquidity in the FIs sector. The amount reserved as cash reserve ratio (CRR) and statutory liquidity ratio (SLR) by the FIs were higher than the required amount. Similarly, capital adequacy ratio (CAR) increased compared to that of the previous quarter. In contrast, FIs were mostly dependent on borrowed fund/deposit from banks/FIs. So, proper management of Assets-Liabilities by FIs is the prerequisite to ensure consistency in the liquidity flow.

5.1 Capital Adequacy

Capital adequacy ratio (CAR) of the FIs increased from 13.7 percent of end-March 2019 to 16.8 percent at end-June 2019. This ratio is well above the minimum regulatory requirement of Basel II framework.[13] The ratio of core capital (Tier-1) to Risk Weighted Asset (RWA) increased by 3.2 percentage points compared to the previous quarter, January-March 2019. It is mentionable that 31 out of 33 FIs were able to maintain core capital ratio while 28 succeeded to maintain CAR in the reviewed quarter.[14]

Chart 5.1 shows the trend in core capital to RWA ratio and CAR since December 2016.

Chart 5. 1 Capital Adequacy Ratio of FIs in Bangladesh



Source: DFIM, BB.

5. 2 Liquidity

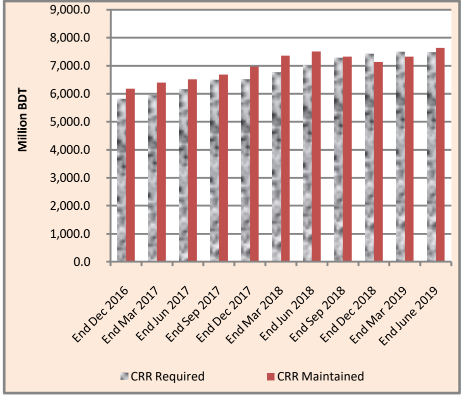
As of end-June 2019, the aggregate amount of maintained CRR of the FIs was BDT 7,634.6 million as compared to BDT 7,323.8 million at end- March 2019, recorded an increase of 4.2 percent. In addition, a total of BDT 169.3 million surplus was observed in CRR maintained against the required CRR. The amount of SLR maintained was BDT 83.1 billion at end-June 2019 against the required amount of BDT 21.0 billion. The amount of SLR maintained decreased by 9.4 percent compared to the amount maintained in

[13] FIs are required to maintain a capital adequacy ratio (CAR) of 10.0 percent with at least 5.0 percent in Tier-1 as per the Basel II framework.

[14] Total number of FIs reviewed was 33 in April-June 2019 instead of 34 in January-March 2019 as we excluded Peoples Leasing and Financial Services Ltd. due to liquidation.

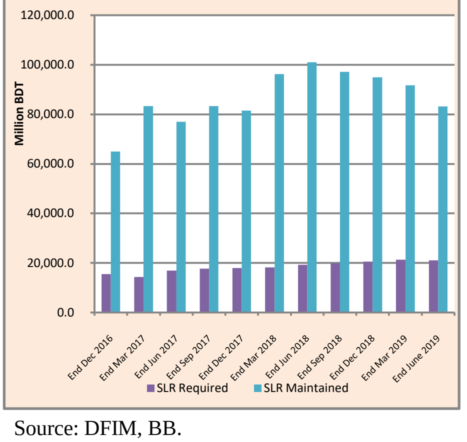
the previous quarter. Chart 5.2 and Chart 5.3 demonstrated the trend in CRR and SLR position of FIs since December 2016.

Chart 5. 2 Cash Reserve Ratio (CRR) of FIs



Source: DFIM, BB.

Chart 5. 3 Statutory Liquidity Ratio (SLR) of FIs



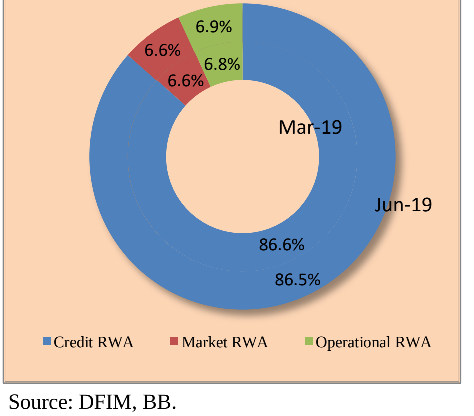
Source: DFIM, BB.

5.3 Risk Weighted Asset (RWA)

Chart 5.4 shows the different components of overall risk weighted assets (RWA) of the FIs in Bangladesh. At end-June 2019, RWA for credit, market and operational risks constituted 86.5 percent, 6.6 percent and 6.9 percent of overall RWA of the FIs respectively.

While comparing with the previous quarter, the share of operational risk RWA increased by 0.1 percentage point, whereas credit risk RWA decreased by 0.1 percentage point. The proportion of market risk RWA remained unchanged. The operational risk of FIs increased partly attributable to loss incurred by some of the FIs.

Chart 5. 4 Different components of Risk Weighted Asset (RWA) of FIs



Source: DFIM, BB.

Chapter 6: Stress Test and Resilience of the Banking and FIs Sectors

6.1 Stress Test

Bangladesh Bank conducts stress tests on banks and financial institutions (FIs) on quarterly basis.

6.2 Stress Test on Banks[15]

Stress test on banks is conducted through sensitivity analysis, incorporating impacts of the shock scenarios for credit risk, market risk and liquidity risk.

6.2.1 Individual Shocks

Banking sector's minimum required capital to risk weighted asset ratio (CRAR) was 10 percent. Out of 57 banks, 10 banks' pre-shock CRARs were below the minimum regulatory requirement. As a result, the remaining 47 banks were considered for the analyses based on end-June 2019 data. The following sub-sections present details of the shocks and the associated outcomes.

6.2.1.1 Credit Risk

a) **Increase in Non-performing Loans (NPL):** If NPLs increased by 3, 9 and 15 percent, then 3, 28 and 33 banks respectively would fail to maintain the minimum required CRAR.

b) **Increase in NPL due to Default of Top Large Borrowers:** If 3, 7 and 10 largest borrowers of each bank in the industry defaulted, then 22, 34 and 35 banks respectively would become non-compliant in maintaining the minimum required CRAR.

c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** If FSV of mortgaged collateral declined by 10, 20 and 40 percent, then it would make 1, 3 and 5 banks respectively non-compliant in maintaining the minimum required CRAR.

d) **Negative Shift in the NPL Categories:** If NPL categories shifted downward by 5, 10 and 15 percent, then 1, 8 and 10 banks respectively would become non-compliant in maintaining the minimum required CRAR.

e) **Increase in NPL in Highest Outstanding Sector:** In the event of minor, moderate and major shocks 2, 4 and 5 banks respectively would fall below the minimum regulatory requirement.

6.2.1.2 Market Risk

The banking industry[16] appeared to be resilient to exchange rate shock but slightly vulnerable to equity price and interest rate shock:

a) **Interest Rate Risk:** In the event of interest rate shock of 1, 2 and 3 percent, 1, 2 and 4 banks respectively would fail to maintain the minimum required CRAR.

[15] The analyses here are based on the data as of end-June 2019 unless stated otherwise.

[16] Only scheduled banks have been considered here.

Table 6. 2 Stress test on the Banking Sector based on Data as of End-June 2019

Shocks[17]		Banking Sector (%)
Pre-shock CRAR		**11.74**
CRAR after-shock (%)		
Credit Risks:		
Increase in NPLs:		
	Shock-1: 3%	**10.54**
	Shock-2: 9%	**7.71**
	Shock-3: 15%	**3.59**
Increase in NPLs due to default of top large borrowers		
	Shock-1: Top 3 borrowers	**9.85**
	Shock-2: Top 7 borrowers	**8.16**
	Shock-3: Top 10 borrowers	**7.29**
Fall in the FSV[18] of mortgaged collateral		
	Shock-1: 10%	**11.04**
	Shock-2: 20%	**10.33**
	Shock-3: 40%	**8.86**
Negative shift in the NPL categories		
	Shock-1: 5%	**10.99**
	Shock-2: 10%	**8.18**
	Shock-3: 15%	**6.62**
Increase in NPLs in highest outstanding sectors		
	Sector concentration 1[19] ***(Performing loan directly downgraded to B/L[20])***	
	Shock-1: 3%	**11.67**
	Shock-2: 9%	**11.53**
	Shock-3: 15%	**11.39**
	Sector concentration 2[21] ***(Performing loan directly downgraded to B/L)***	
	Shock-1: 3%	**11.61**
	Shock-2: 9%	**11.33**
	Shock-3: 15%	**11.05**
Market Risks		
Interest rate risk (change in interest rate)		
	Shock-1: 1%	**11.41**
	Shock-2: 2%	**11.07**
	Shock-3: 3%	**10.74**
Exchange rate risk (Currency appreciation/depreciation)		
	Shock-1: 5%	**11.71**
	Shock-2: 10%	**11.68**
	Shock-3: 15%	**11.65**
Equity price risk (Fall in equity prices)		
	Shock-1: 10%	**11.42**
	Shock-2: 20%	**11.10**
	Shock-3: 40%	**10.44**
Combined Shock		
	Shock-1	**8.39**
	Shock-2	**1.34**
	Shock-3	**-6.83**

[17] Shock-1 = Minor, Shock-2 = Moderate, Shock-3 = Major.
[18] FSV = Forced Sale Value.
[19] Sector with highest outstanding.
[20] B/L = Bad/Loss.
[21] Sector with second highest outstanding.

b) **Exchange Rate Risk:** In the event of currency appreciation or depreciation by 10 and 15 percent, only 1 bank would fall below the minimum regulatory requirement.

c) **Equity Price Risk:** In the event of fall in equity price by 10, 20 and 40 percent 1, 1 and 3 banks respectively would fall below the minimum regulatory requirement.

6.2.2 Combined Shock[22]

In the event of minor, moderate and major combined shocks, 14, 36 and 38 banks respectively would be below the minimum regulatory CRAR requirement.

6.2.3 Liquidity Shock

The banking system as a whole seemed to remain resilient against specified liquidity stress scenarios at end-June 2019. But 1 (one) Development Finance Institution (DFI) may face some liquidity constrain in the event of above 4% increase in average daily withdrawal of deposit.

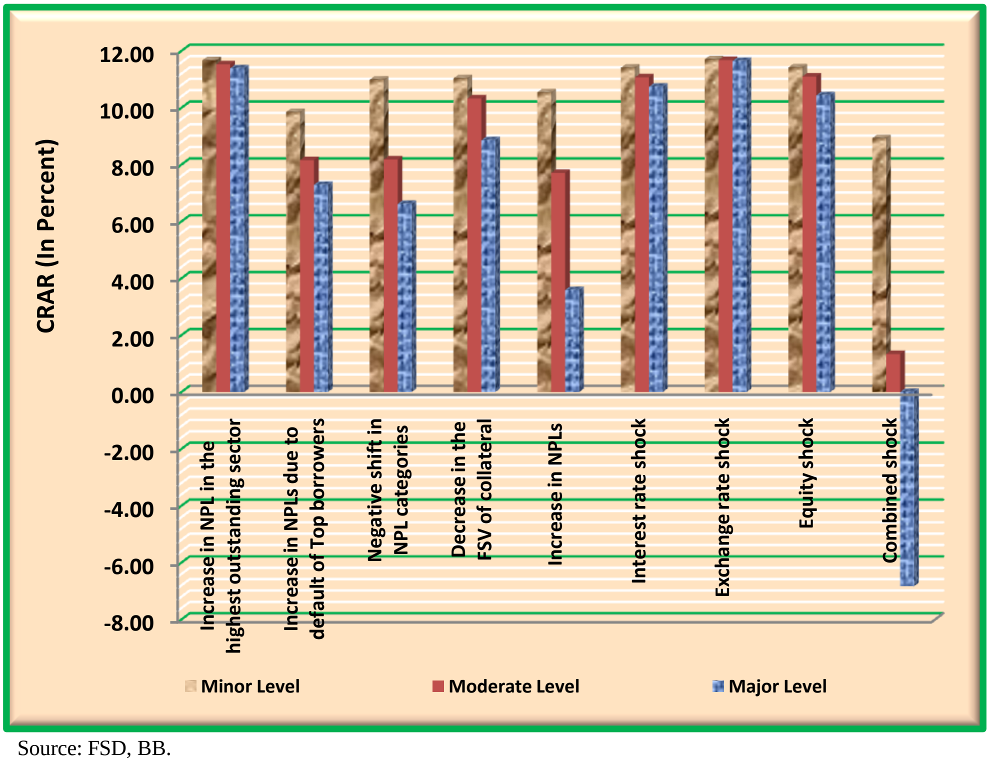
Table 6. 3 Liquidity Risk in the Banking Sector: End-June 2019

Liquidity Stress*	Stress Scenarios		
	Minor	Moderate	Major
Day 1	1	1	1
Day 2	1	1	1
Day 3	1	1	1
Day 4	1	1	1
Day 5	1	1	1

*Consecutive 5 working days.
Note: '1' indicates that the system is liquid and '0' not liquid.
Source: FSD, BB.

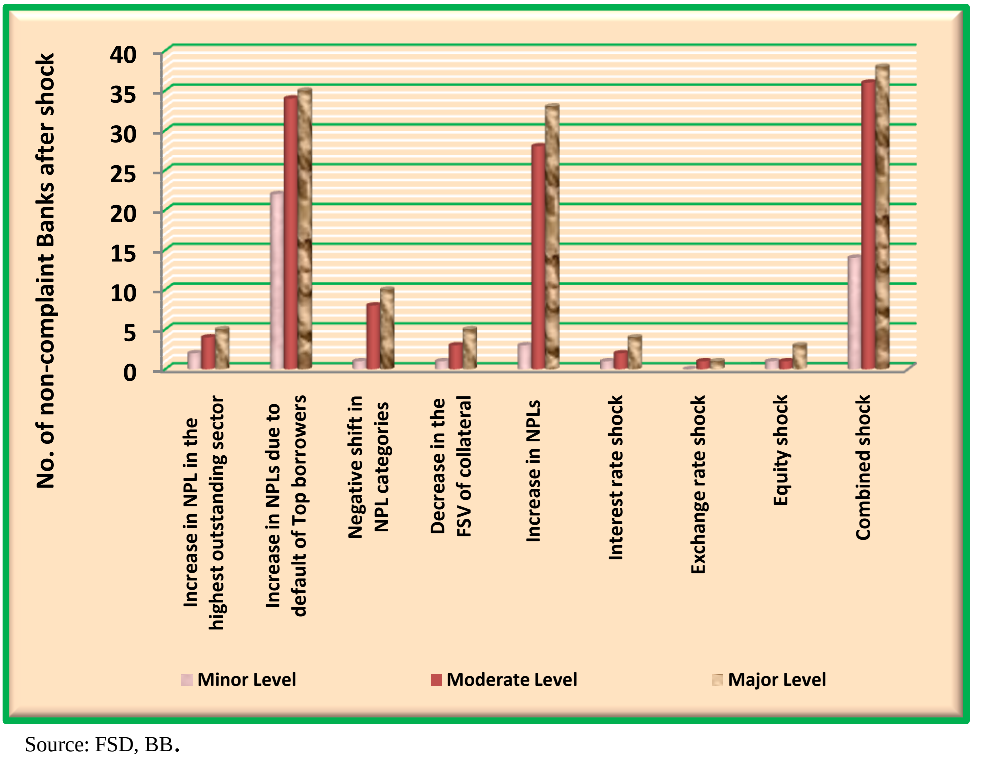
[22]Combined shock comprised of aggregate stress resulted from increase in NPLs, negative shifts in NPL categories, decrease in the FSV of the mortgaged collateral, exchange rate shock, equity price shock and interest rate shock.

Chart 6.1 Banking Sector CRAR at Different Shock Scenarios: June 2019



Source: FSD, BB.

Chart 6. 2 Number of Non-compliant Banks at Different Shock Scenarios: June 2019



Source: FSD, BB.

6.3 Stress Test on FIs

Bangladesh Bank also conducts stress tests on FIs based on a simple sensitivity analysis, in which four risk factors- credit, interest rate, equity price and liquidity- are analyzed. At end-June 2019, out of 34 FIs, 4, 18, and 11 were positioned in Green, Yellow, and Red zones respectively on the basis of stress test result.

Table 6. 4 Stress Testing: Zonal Position of FIs

(Number of FIs)

Quarter	Green	Yellow	Red
End-Jun 2017	4	17	12
End-Sep 2017	3	17	13
End-Dec 2017	4	19	10
End-Mar 2018	5	17	12
End-Jun 2018	3	18	13
End-Sep 2018	4	18	12
End-Dec 2018	4	17	13
End-Mar 2019	4	17	13
End-June 2019	4	18	11*

*1 (one) FI was under process of liquidation.

Source: DFIM, BB.

Chapter 7: Capital Market Development

In the review quarter, all the capital market indicators in both domestic bourses demonstrated a price correction compared to the positions of the preceding quarter.

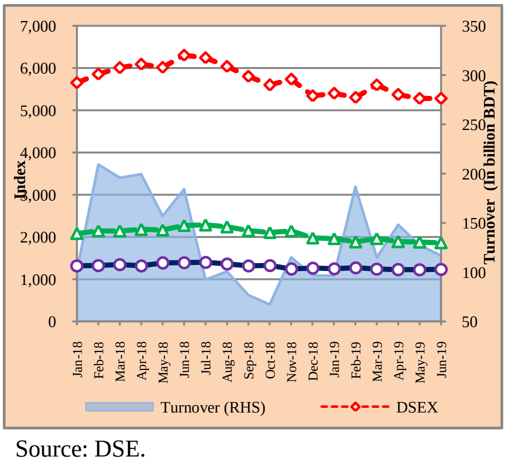
7.1 Dhaka Stock Exchange (DSE)

7.1.1 DSE Performance

DSE turnover decreased to BDT 247.6 billion during the review quarter from BDT 455.2 billion of the preceding quarter resulting in a decrease of 45.6 percent. Decreased turnover was owed to trading of the shares of every sector, except for corporate bond.

At end-June 2019, key DSE indices, such as, DSEX, DS30, and DSES decreased by 1.3 percent, 1.9 percent and 2.4 percent respectively compared to those of end-March 2019. Chart 7.1 illustrates the DSE performance for the period of January 2018 to June 2019.

Chart 7. 1 DSE Performance

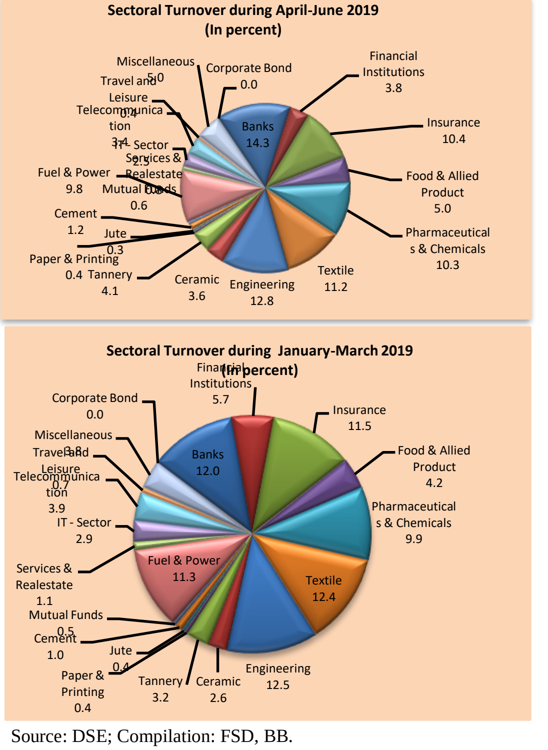


Source: DSE.

7.1.2 Sectoral Turnover

Chart 7.2 demonstrates that around 59.0 percent of the total DSE turnover was shared among five sectors namely banks (14.3 percent), engineering (12.8 percent), textile (11.2 percent), insurance (10.4 percent) pharmaceuticals and chemicals (10.3 percent). During April-June 2019 quarter, turnover of those five sectors dropped by 35.2 percent, 44.0 percent, 50.9 percent, 50.5 percent, and 43.5 percent respectively compared to those of the January-March 2019 quarter. Besides, sectoral turnover of financial institutions slumped by 63.9 percent during the reporting quarter compared to previous quarter.

Chart 7.2 Sectoral Turnover at DSE



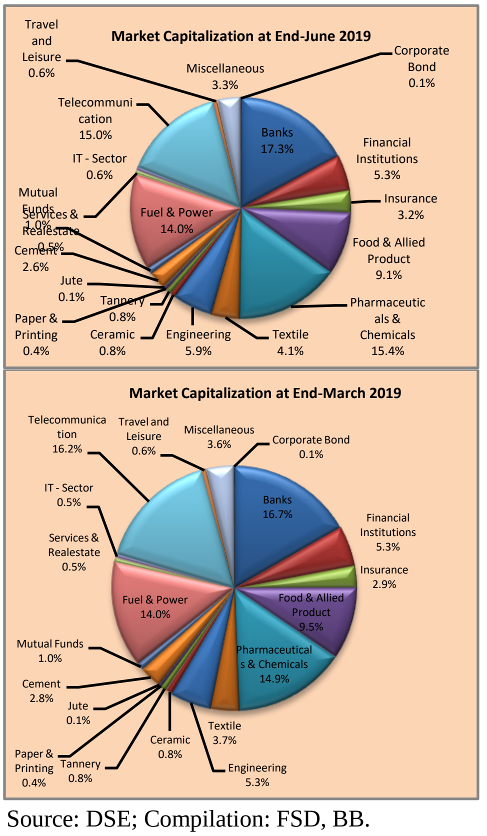
Source: DSE; Compilation: FSD, BB.

7.1.3 Market Capitalization

At end-June 2019, the market capitalization stood at BDT 3,998.2 billion, which was 2.9 percent lower than BDT 4,119.7 billion of end-March 2019. Chart 7.3 illustrates that at end-June 2019, the banking sector secured the top position with 17.3 percent share in the total market capitalization followed by pharmaceuticals & chemicals, and telecommunications with 15.4 percent and 15.0 percent respectively.

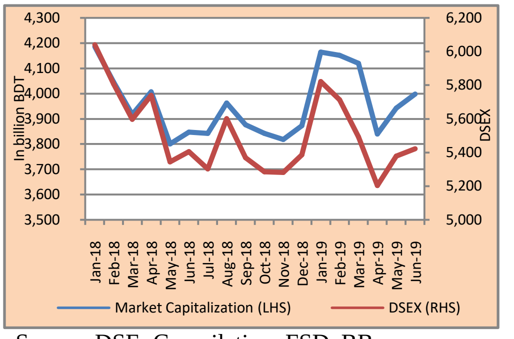
The contributions of the aforementioned sectors were 16.7 percent, 14.9 percent and 16.2 percent respectively at end-March 2019.

Chart 7. 3 Market Capitalization at DSE



Source: DSE; Compilation: FSD, BB.

Chart 7. 4 Market Capitalization and DSEX



Source: DSE; Compilation: FSD, BB.

Chart 7.4 also shows fluctuating trends in market capitalization as well as DSEX. It is to mention that though the relationship between these two graphs is positive, however, the gap between these graphs widens (shrinks) when sectors with more weights in case of indexing such as, bank and telecommunication sectors become dull (vibrant).

As a percentage of GDP[23], DSE market capitalization stood at 17.8 percent at end-June 2019 compared to 18.3 percent at end-March 2019. Shortage of quality shares alongside infrequent issuance of new IPOs and lack of a vibrant corporate bond market remained largely the obstacles towards the expansion of the capital market in Bangladesh.

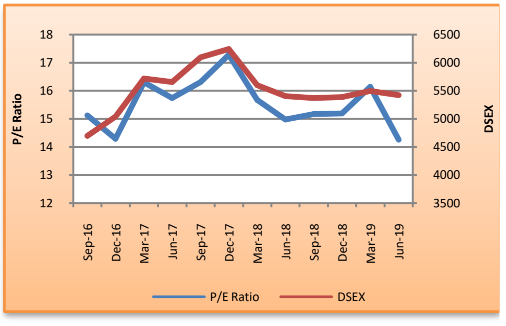
7.1.4 Price/Earnings (P/E) Ratio

The market P/E ratio decreased by 1.9 percentage points during the quarter and stood at 14.3 at end-June 2019. This was the lowest since March 2013, when the ratio was 10.8. Chart 7.5 illustrates

[23] GDP at current market price for 2017-18 period is used to calculate this ratio.

that there is a long-term positive relationship between DSE broad index (DSEX) and market P/E ratio. Since DSEX incorporates the price information of the shares listed at DSE, the movement in market price per share captured by P/E ratio is reflected in the index. The chart reveals that after a price fall during the first half of 2018, a moderate rise of P/E ratio was observed during the second half of 2018 and then got a faster momentum until first quarter of 2019. However, P/E ratio has declined sharply during the review quarter.

Chart 7. 5 P/E Ratio and DSEX

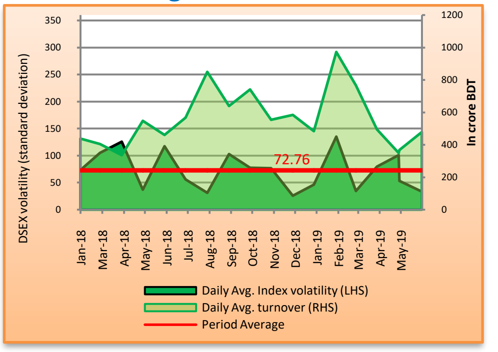


Source: DSE.

At end-June 2019, the highest P/E ratio was observed in the jute sector (305.7) followed by the cement sector (28.6). The mutual funds sector recorded the lowest P/E ratio (7.3) closely followed by the banking sector (8.3). P/E ratio of banking, and financial institutions decreased by 11.3 and 4.9 percent respectively, while, insurance sector increased by 3.6 percentage points compared to those of end-March 2019.

7.1.5 Index Volatility and Market Liquidity

Chart 7. 6 DSEX Volatility and Daily Average DSE Turnover



Source: DSE; computation: FSD, BB.

Chart 7.6 shows relatively less volatile behavior in DSEX associated with episodes of low market liquidity (i.e. turnover). Since February 2017, the highest volatility in DSEX was recorded in January 2019 along with the highest daily average turnover. However, DSEX together with turnover had been dropping since February 2019. During the review quarter, average index volatility was 62.4, which was lower compared to that of the previous quarter (83.0) and the average for the period of last eighteen months (72.8). Consequently, a continuous decrease in DSE turnover indicates susceptible liquidity in the market during the review period.

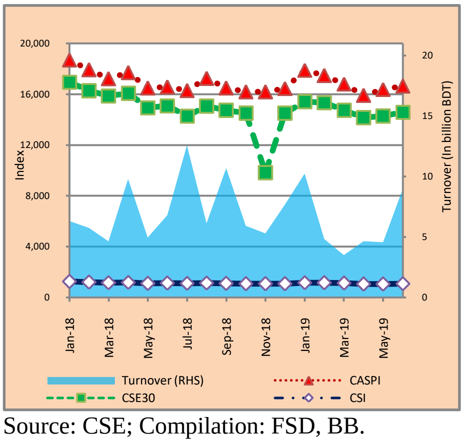
7.2 Chittagong Stock Exchange (CSE)

7.2.1 CSE Performance

Similar to DSE, CSE turnover decreased by 2.3 percent to BDT 18.1 billion during April-June 2019 from BDT 18.5 billion in the preceding quarter.

Plunge in stocks of engineering, leasing & finance, and textile sectors mainly decelerate the CSE turnover during the quarter. At the end of June 2019, the key CSE indices, such as CASPI[24], CSE30, and CSI[25] decreased by 1.0 percent, 0.9 percent, and 2.8 percent respectively compared to those of end-March 2019. Chart 7.7 presents the CSE performance for the period January 2018 to June 2019.

Chart 7. 7 CSE Performance

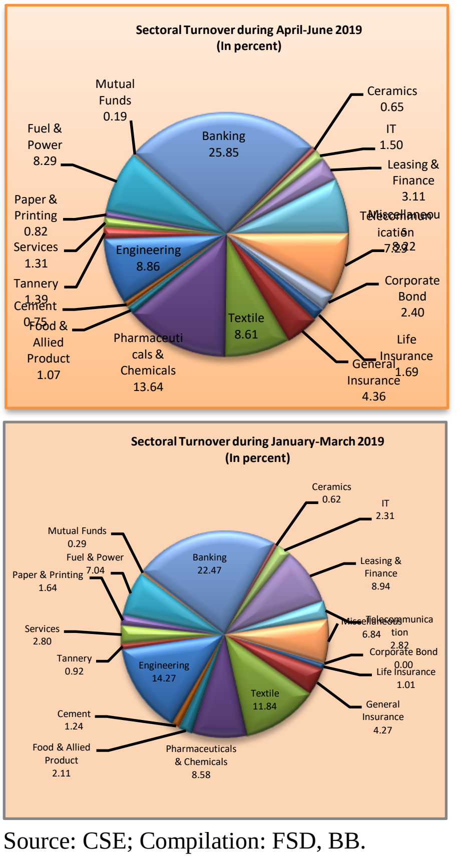


Source: CSE; Compilation: FSD, BB.

7.2.2 Sectoral Turnover

Banking sector continued to record the highest turnover at CSE during the review quarter. Chart 7.8 shows that banking sector turnover increased to 25.9 percent during the review quarter, which was 22.5 percent in the previous quarter. The other well performing sectors in terms of turnover were Pharmaceuticals & Chemicals (13.6 percent), engineering (8.9 percent), textile (8.6 percent), fuel & power (8.3 percent) and miscellaneous (8.2 percent) during the review quarter.

Chart 7. 8 Sectoral Turnover at CSE



Source: CSE; Compilation: FSD, BB.

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[24] CASPI refers to CSE All Share Price Index.

[25] CSI refers to CSE Shari'ah Index.

7.2.3 Market Capitalization

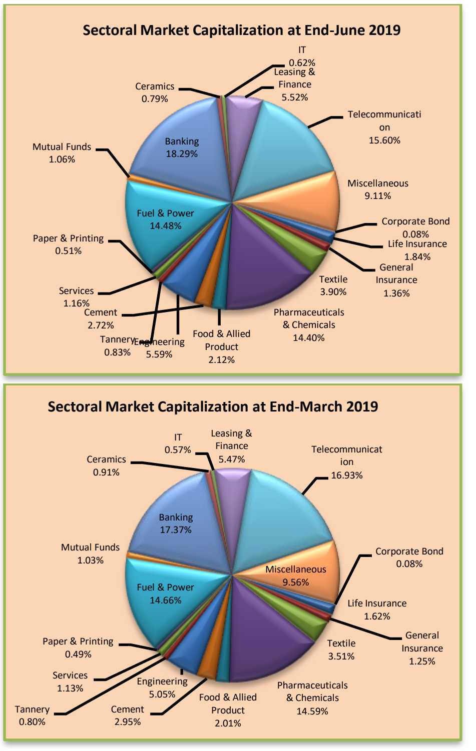
At end-June 2019, the market capitalization at CSE stood at BDT 3,293.3 billion, which is 3 percent lower than the end-March 2019 position of BDT 3,399.0 billion.

Chart 7.9 illustrates that at end-June 2019, the banking sector secured the top position with 18.3 percent share in the total market capitalization followed by telecommunications, fuel & power, pharmaceuticals & chemicals, and miscellaneous with 15.6 percent, 14.5 percent, 14.4 percent, and 9.1 percent respectively.

The contributions of the aforementioned sectors were 17.4 percent, 16.9 percent, 14.7 percent, 14.6 percent, and 9.6 percent respectively at end-March 2019.

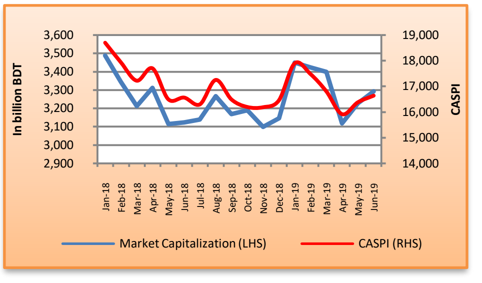
Similar to DSE, an overall downtrend was observed in market capitalization alongside CSE all share price index (CASPI) since January 2019. However, Chart 7.10 shows that the market capitalization at CSE has been somewhat stabilized at the end of June 2019. As a percentage of GDP, CSE market capitalization stood at 14.6 percent at end-June 2019 compared to 15.1 percent at end-March 2019.[26]

Chart 7. 9 Market Capitalization at CSE



Source: CSE; Compilation: FSD, BB.

Chart 7. 10 Market Capitalization and CASPI



Source: CSE.

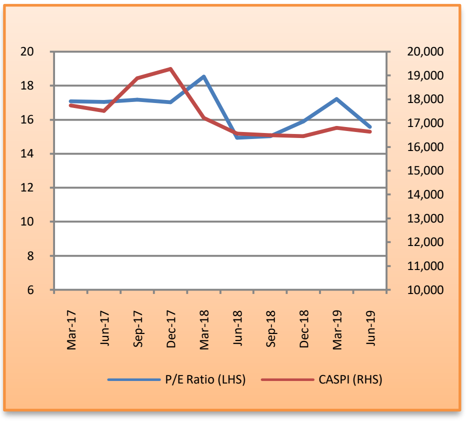
7.2.4 Price/Earnings (P/E) Ratio

The market P/E ratio reached to 15.6 at end-June 2019 compared to that of 17.2 at end-March 2019 (Chart 7.11). The highest P/E ratio was registered by cement sector (31.0) followed by information communication & technology sector (28.2), and food &

[26] GDP at current market price for 2017-18 period is used to calculate this ratio.

allied product sector (26.9). The lowest P/E was recorded by paper & printing sector (1.0) followed by banking (9.1) and general insurance sector (13.3).

Chart 7. 11 CSE P/E Ratio and CASPI



Source: CSE.

7.3 Capital Market and Financial Stability

A vibrant and liquid capital market is important to maintain the stability of the financial system. Capital market supports long term equity in the deficit unit of the economy. The absence of a profound capital market weighs on the banking sector for long term financing which may increase maturity mismatch risks for banks. Hence, a buoyant, liquid, and deep-rooted capital market is desired for the stability of the financial system.

Following a mostly buoyant market in the previous quarter, both the bourses of the country were depressed in the review quarter. Especially, decreases in turnover and indices were observed during April-June 2019.

The market capitalization and P/E ratio showed a downtrend during the review quarter. Despite moderately buoyant trading of the stocks of the banking sector, market capitalizations in both bourses were depressed mainly due to low market participation of institutional investors. In the review quarter, banks' aggregate investment in the capital market was much below than the allowable limit of Bangladesh Bank[27 & 28]. Thus, any adverse shock on equity price individually does not seem to pose any stability threat to the financial sector in the near term. On the contrary, since banking sector possesses significant part of market capitalization and turnover in both bourses, any adverse in the banking sector may have spillover effect on the capital market too.

[27]Banks' capital market exposure was 14.44% and 24.67% of regulatory capital on solo and consolidated basis respectively at end-June 2019. They were 16.68% and 27.53% respectively at end-March 2019. (*Source: DOS, BB).*

[28]Maximum allowable limit to investment in capital market: 25% and 50% of total prescribed capital components on solo and consolidated basis respectively (DOS Circular No.-02/2013 and DOS Circular Letter No.-07/2014).

Chapter 8: Recent Stability Initiatives of Bangladesh Bank

Bangladesh Bank (BB) has taken a number of policy initiatives during the second quarter (April-June) of the calendar year 2019 conducive to resilient domestic financial system stability. Some of the key initiatives are stated below:

8.1 Loan Classification and Provisioning

In the context of current business environment and economic cycle, BB has issued a circular revising the loan classification and provisioning policy. As per the revised policy, following instructions will have to be followed for the classification of loan:

A continuous loan, demand loan, fixed term loan or any installment(s)/part of installment(s) of a fixed term loan which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the "Sub-standard (SS)" category. Again, if the same loan will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the "Doubtful (DF)" category. And yet again, if the same loan will remain past due/overdue for a period of 12 (twelve) months or beyond, the entire loan will be put into the "Bad/Loss (B/L)" category.

[*Ref.: BRPD circular no. 03; date: 21-04-2019*]

8.2 Incentives for Good Borrowers

BB has issued a circular instructing the banks to follow the policy of selecting good borrowers and providing incentives in favour of them. According to the circular, a borrower will be treated as "good" by banks if their loan status remains unclassified-standard in last twelve months. Bank, at the end of September of each year, will provide at least 10 per cent rebate facility against the realized interest or profit earned from those loans in last twelve months. This rebate has to be credited to them within the December and can be continued in the following years provided that the borrowers maintain their unclassified status. However, this rebate facility will not be applicable for rescheduled/restructured loans. Besides, banks will provide other incentives to good borrowers like certificates, publication of pictures, profiles and business success stories in the annual report, special booklet/magazine, reward point and discount facilities against debit/credit card etc.

[*Ref.: BRPD circular no. 04; date: 16-05-2019*]

8.3 Banks' Access to Deposit of Government, Semi-Government, Autonomous and Semi-Autonomous Bodies' Own Fund or Fund Received under Annual Development Program (ADP)

In accordance with the directives issued by Financial Institutions Division of

Ministry of Finance, BB has issued a circular letter regarding the banks' accessibility to fund of the autonomous and semi autonomous bodies' received under government's annual development program for the purpose of project implementation and the deposit of their own fund. As per the Government directives, banks and FIs which failed to lower their lending rates to 9 per cent as per their previous commitment to the government, will not be entitled to get the said deposits.

[*Ref.: BRPD circular letter no. 08; date: 23-05-2019*]

8.4 Policy for Offshore Banking Operation of the Banks

The policy for offshore banking operation of the banks has been revised on 25 February 2019. As per the revised policy, banks are allowed to provide short-term loan to the joint venture companies of the EPZs, Economic Zones and Hi-tech parks from the offshore banking unit under the applicable terms and conditions without taking any prior permission from the Bangladesh Bank. Besides, some other changes have been made in the said circular letter.

[*Ref.: BRPD Circular letter no. 9: date: 27-05-19*]

8.5 Bangladesh Bank Refinance Scheme for Jute Sector

BB has issued a circular letter increasing the size and tenure of Bangladesh Bank Refinance Scheme for jute sector. In 2014, BB initiated this refinance scheme with BDT 2.0 billion for five years tenure to support the country's jute sector. As per this circular letter, refinance scheme has been increased to BDT 3.0 billion for next five years. In this case, banks will get the refinance at bank rate and they will provide loan to jute industry/jute exporter at an interest of maximum 8 percent.

[*Ref.: BRPD Circular letter no. 13: date: 23-06-19*]

8.6 Loan/Lease/Investment Write off policy for financial institutions

BB has issued a circular regarding write-off policy of loan/lease/ investment for the non-bank financial institutions (FIs) in the context of current financial scenario of the country. The policy incorporates the write-off procedure, activities related to recovery, reporting procedure etc. Major issues are mentioned below:

Loans/leases/investments which have been classified as "bad" for a period of three consecutive years and there have been no recovery for a long period of time and also there is no possibility of recovery in near future, can be written-off. Moreover, FIs can write-off loans/leases/investments of borrowers, who have already passed away, regardless of their classification status, without filing any suit under Money Loan Court Act 2003, if so is not required under the Act. The policy has also allowed the FIs to write-off loans/leases/investments amounting up to BDT 2(two) lacs.[29] Before writing-off

[29] 1 Lac=0.1 million

the loans/leases/investments, applicable provision needs to be maintained.

No loan/lease/investment can be written-off partially and without approval of Board of Directors. To expedite the recovery of the written-off loans/leases/investments, FIs are required to form a separate "debt collection unit" and may hire a third-party service provider. Once written-off, the concerned loan/lease/investment cannot be rescheduled or restructured again. However, FIs can determine a repayment schedule for written-off loan/lease/investment to facilitate recovery under an exit plan only. FIs are required to obtain prior approval from Bangladesh Bank for writing-off loans/ leases/investments taken by FIs' directors or their enterprises.

[Ref.: DFIM circular no. 02; date: 01-04-2019]

8.7 Accreditation of all the scheduled banks & FIs' investment in impact fund as green finance

As per SFD circular no.01/2019, all the investment of banks and FIs in *impact fund* registered under Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015 and formed for the following sectors/objectives will get the treatment of Green Finance:

Resource efficiency, air emission and quality efficiency, resource recycling, waste management, renewable energy, land contamination prevention/ mitigation, energy efficiency, land acquisition and resettlement management, water management and conservation, labor and working condition management, water use efficiency, community health and safety management, waste water and effluent treatment management, indigenous people and cultural heritage, Heat and temperature management, Women and child right protection, air ventilation and circulation efficiency, environment/ climate friendly industry/building/ brick kiln, Environment/ climate friendly transportation/vehicle, nature conservation, environment friendly agriculture, any others deemed eligible by BB. Before providing any investment commitment to this fund, scheduled banks and NBFIs will have obtain necessary permission from the concerned department of Bangladesh Bank.

[Ref.: SFD circular no. 01; date: 04-04-2019]

8.8 Investment in non-listed securities by the scheduled banks

According to BB's recent instruction, investment in equity share, non-convertible cumulative preference share, non-convertible bond, debenture, open-end mutual fund which are not listed in the capital market, will not be included in the total exposure of a bank in the capital market. BB has also issued a policy regarding investment in non-listed securities to keep the investment risk at an acceptable level. *[Ref.: DOS circular no. 02; date: 16-05-2019 & DOS circular no. 04; date: 26-05-2019]*

8.9 Investment in special Purpose Vehicle, Alternative Investment Fund or similar fund/funds by the scheduled banks

To facilitate the use of bond instead of bank loan for large scale investment in infrastructure project through special purpose vehicle, alternative investment fund or similar funds, BB has issued a circular for all scheduled banks regarding eligible sectors (Government/PPP/Private) along with investment limit and procedure of investment risk management. In case of government infrastructure project like power and energy, transportation including roads and bridges, tourism, digital infrastructure etc., the highest limit of investment is BDT 700 crore or the single borrower exposure limit whichever is lower, or 25 percent of capital/paid up capital (if applicable) in special case. If the project is under PPP, the highest investment limit is BDT 600 crore[30] or single borrower exposure limit whichever is lower, or 22 percent of capital/paid up capital (if applicable) in special case. If infrastructure project is run by private entrepreneur, the highest investment limit is BDT 600 crore or single borrower exposure limit whichever is lower, or 20 percent of capital/paid up capital (if applicable) in special case.

[Ref.: DOS circular no. 03; date: 16-05-2019]

[30] 1 crore=10 million.

8.10 Mobile Financial services (MFS) Transaction

During the review quarter, Bangladesh Bank issued a set of instructions like transaction limit and frequency, transaction procedure etc. to ensure systematic and proper use of mobile financial services (MFS).

[Ref.: PSD circular no. 01; date: 19-05-2019]

8.11 Changes in the Foreign Exchange Regulations/Transactions

BB has made a number of changes in its foreign exchange regulations/ transactions. Some key changes are stated below:

i) ***Export Development Fund (EDF):*** To facilitate export in a wider scope, it has been decided that refinance from Export Development Fund (EDF) will be admissible to authorised dealers (ADs) for bulk imports by manufacturer-exporters irrespective of sectors against eligible requirements, based on their export performance over the preceding twelve months or USD 500,000 whichever is lower. This facility and entitlement for bulk imports as referred to paragraphs from 5(b) to 5(f) of FE circular no. 45/2017 will be mutually exclusive.

[Ref.: FE circular no. 18; date: 05-05-2019]

ii) ***Usance interest rate against import under supplier's/buyer's credit:***

As per paragraph 33(a) and 33(b), chapter 7 of the Guidelines for Foreign Exchange Transactions- 2018 (GFET), Vol. 01, usance interest rate (all in cost) up to 06 (six) percent per annum is permissible against eligible imports under supplier's/buyer's credit. Considering the current global market situation, BB has decided to set the all-in-cost ceiling per annum for usance period against imports under supplier's/buyer's credit at 6-month LIBOR plus 3.50 percent spread (maximum). This revised rate ceiling shall equally be applicable for discounting of usance export bills as referred to paragraph 25, chapter 8 of Guidelines for Foreign Exchange Transactions (GFET).

[Ref.: FE circular no. 19; date: 05-05-2019]

iii) *Foreign Currency Account for International Gateway (IGW) Operators:*

Bangladesh Telecommunication Regulatory Commission (BTRC) issues operator license to International Gateway (IGW) Operators under Bangladesh Telecommunication Regulation Act, 2001 to handle international calls in accordance with the International Long Distance Telecommunications Services (ILDTS) Policy, 2010. In doing so, IGW operators receive/pay foreign currency against international incoming/outgoing calls. To facilitate the transactions, Bangladesh Bank has issued a circular notifying that ADs may open and maintain Foreign Currency Account in the name of IGW Operators having valid operator licence issued by BTRC following terms and conditions of the concerned circular.

[Ref.: FE circular no. 20; date: 09-05-2019]

iv) ***Foreign Exchange transactions by the Enterprises of Hi-Tech Parks (HTPs) in Bangladesh:*** To facilitate foreign exchange transactions for enterprises located at Hi-Tech parks (HTPs) established by Bangladesh Hi-Tech Park Authority (BHTPA) under the Act 'The Bangladesh Hi-Tech Park Authority Act, 2010 (Act no. 8 of 2010)', Bangladesh Bank has prepared a set of instructions for authorized dealers (ADs) including off-shore banking Units (OBUs) through the FEPD circular No. 21, dated 16/05/2019.

[Ref.: FE circular no. 21; date: 16-05-2019]

v) ***Import of raw materials on deferred payment basis by power generating enterprises:*** To facilitate power sector industry, it has been decided to enhance usance period up to 360 days from 180 days for import of raw materials in the case of power generating enterprises only.

[Ref.: FE circular no. 24; date: 22-05-2019]

vi) *Expansion of scope of Green Transformation Fund (GTF)*

To widen the scope of Green Transformation Fund (GTF), it has been decided that the financing from GTF will be admissible to all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment friendly initiatives keeping other instructions mentioned in FE circular No. 02, dated January 14, 2016 and its subsequent circulars unchanged.

[Ref.: FE circular letter no. 14; date: 26-06-2019]

8.12 Implementing "National savings scheme online management system"

BB has issued couple of circulars regarding implementation of "National savings scheme online management system" in accordance with the directives issued by Finance Division of Ministry of Finance. According to the circulars, principal amount and interests of national savings certificates (NSC) to be sent directly to the beneficiary's bank accounts through Bangladesh Electronic Fund Transfer Network (BEFTN). This has to be implemented within the specified time mentioned in the circulars. With the new online management system for NSC, purchase and sale of savings certificates will be fully automated which essentially help to create a detail database and therefore better policy making.

[Ref.: DMD Circular No. 01: date: 04-04-19 and DMD Circular No. 02: date: 25-04-19]

8.13 Providing agricultural loan facility to the farmers affected by Cyclone Fani

BB has issued a circular to provide agricultural loan facility to the Fani (cyclone) affected farmers whose crops were damaged. In this regard, BB instructed commercial banks to enhance their credit function to the affected areas. Moreover, banks are instructed to postpone the payment collection from the affected farmers for one year. As per the circular, banks are also instructed to reschedule the affected farmers' previous crop-loan very quickly with relaxed down payment. Even, affected farmers' previous crop-loan can be waived in some special cases with the approval of competent authority.

[Ref.: ACD Circular No. 01: date: 19-05-2019]

Appendices

Appendix I CPI Inflation (12 month Average)

(Percent)

Month	Inflation (General)	Inflation (Food)	Inflation (Non-Food)
Mar-18	5.8	7.3	3.6
Jun-18	5.8	7.1	3.7
Sep-18	5.7	6.7	4.2
Dec-18	5.5	6.2	4.5
Mar-19	5.5	5.8	5.0
Jun-19	5.5	5.5	5.4

Base: 2005-06=100

Appendix II Foreign Exchange Reserve

(Amount in million USD)

Month-end	International Reserve
Dec-17	33,227.0
Mar-18	32,403.0
Jun-18	32,916.0
Sep-18	31,960.0
Dec-18	32,020.0
Mar-19	31,750.0
Jun-19	32,550.0

Appendix III Wage Earners' Remittance

(Amount in million USD)

Quarter	Amount
Jun-17	3,574.9
Sep-17	3,387.9
Dec-17	3,920.7
Mar-18	3,828.6
Jun-18	4,220.7
Sep-18	3,868.9
Dec-18	3,626.5
Mar-19	4,373.6
Jun-19	4,550.7

Appendix IV Exports and Imports

(Amount in million USD)

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Jun-17	8,689.0	11,123.0
Sep-17	8,549.0	12,199.0
Dec-17	9,137.0	14,115.0
Mar-18	9,412.0	13,986.0
Jun-18	9,107.0	14,163.0
Sep-18	9,747.0	13,599.0
Dec-18	10,416.0	14,224.0
Mar-19	10,276.0	14,544.0
Jun-19	9,506.0	13,072.0

Appendix V Interest Rate (Weighted Average) Spread

(In percent)

Period	Lending Rate	Deposit Rate	Spread
Sep-17	9.5	4.9	4.6
Dec-17	9.4	4.9	4.5
Mar-18	9.7	5.3	4.4
Jun-18	9.9	5.5	4.4
Sep-18	9.5	5.3[R]	4.2[R]
Dec-18	9.5	5.3[R]	4.2
Mar-19	9.5	5.4[R]	4.1[R]
Jun-19	9.6	5.4	4.2

Note: R-revised.

Appendix VI Weighted Average Exchange Rate

(BDT/USD)

Quarter	Period Average	End Period
Sep-17	80.74	80.80
Dec-17	82.55	82.70
Mar-18	82.96	82.96
Jun-18	83. 72[R]	83. 70[R]
Sep-18	83.75	83.75
Dec-18	83.90	83.90
Mar-19	84. 21[R]	84. 25[R]
Jun-19	84.50	84.50

Note: R-revised.

Appendix VII Credit to the Government (Gross) by the Banking System

(Amount in billion BDT)

Period	Amount
Jun-17	1,684.5
Sep-17	1,666.0
Dec-17	1,620.0
Mar-18	1,538.1
Jun-18	1,780.9
Sep-18	1,778.4
Dec-18	1,838.2
Mar-19	1,810.1
Jun-19	2,049.9

Appendix VIII Asset Structure of the Banking Industry

(Amount in billion BDT)

Property and Assets	30-09-2018	31-12-2018	31-03-2019	31-06-2019
Cash in hand	147.4	139.7	153.0	166.0
Balance with Bangladesh Bank and its Agent Bank	810.5	853.9	766.3	903.8
Balance with other banks and financial Institutions	841.5	914.1	892.1	890.6
Investment	2,019.5	1,957.6	2,036.2	2169.3
Loans and Advances	9,258.5	9,685	9,962.9	10234.8
Fixed Assets	228.8	229.0	233.0	234.5
Other Assets	762.3	783.7	770.2	867.5
Non-banking assets	3.7	3.9	4.2	4.3
Total Assets	**14,072.2**	**14,566.9**	**14,817.9**	**15,470.8**

Note: R-revised.

Appendix IX Banking Sector Assets & NPL Concentration (Jun-2019)

(Amount in billion BDT)

ASSETS	*TOP 5 BANKS*	*OTHER BANKS*	*TOP 10 BANKS*	*OTHER BANKS*
Amount	4,705.9	10,764.9	6,847.9	8,622.9
Share (%)	30.4	69.6	44.3	55.7
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	553.1	570.9	725.6	398.3
Share (%)	49.2	50.8	64.6	35.4

Appendix X Banking Sector NPL Ratio

(Amount in billion BDT)

Quarter	Aggregate NPL	Gross NPL Ratio (NPL/TL) (%)	NPL (net of LLP and IS) Ratio (%)	NPL (net of LLP and IS)/ Req. Cap. (%)
Jun-17	741.5	10.1	2.6	19.7
Sep-17	803.1	10.7	2.9	22.4
Dec-17	743.0	9.3	2.2	17.2
Mar-18	885.9	10.8	3.3	27.6
Jun-18	893.4	10.4	2.7	22.7
Sep-18	886.0	11.5	3.3	26.0
Dec-18	939.1	10.3	2.2	17..8
Mar-19	1,108.7	11.9	3.0	22.6
Jun-19	1,124.3	11.7	2.5	18.6

Appendix XI Distribution of Banks by NPL Ratio

Range	Number of Banks as at end				
	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Up to 2.0%	9	8	11	8	8
2.0% to <3.0%	3	1	2	2	5
3.0% to <5.0%	10	7	14	8	6
5.0% to <10.0%	22	29	18	26	24
10.0% to <15.0%	1	0	0	1	1
15.0% to <20.0%	1	1	3	3	3
20.0% & above	11	11	9	9	10
Total	**57**	**57**	**57**	**57**	**57**

Appendix XII Banking Sector Loan Loss Provisions

(Amount in billion BDT)

PERIOD	*REQUIRED PROVISION*	*PROVISION MAINTAINED*	*PROVISION MAINTENANCE RATIO (%)*
Jun-17	436.4	374.5	85.8
Sep-17	463.1	399.7	86.3
Dec-17	443.0	375.3	84.7
Mar-18	492.4	412.8	83.8
Jun-18	528.8	448.9	84.9
Sep-18	564.9	483.6	85.6
Dec-18	570.4	504.3	88.4
Mar-19	670.7	582.1	86.8
Jun-19	712.4	620.2	87.1

Appendix XIII Banking Sector Classified Loans Ratios

(In percent)

PERIOD	CLASSIFIED LOANS TO TOTAL LOANS	SUB-STANDARD LOANS TO CLASSIFIED LOANS	DOUBTFUL LOANS TO CLASSIFIED LOANS	BAD LOANS TO CLASSIFIED LOANS
Jun-17	10.1	10.2	6.8	83.1
Sep-17	10.7	12.0	6.0	82.0
Dec-17	9.3	7.5	5.5	87.0
Mar-18	10.8	10.2	6.7	83.1
Jun-18	10.4	8.1	8.0	83.9
Sep-18	11.5	9.8	7.0	83.2
Dec-18	10.3	9.4	4.7	85.9
Mar-19	11.9	9.6	4.4	86.0
Jun-19	11.7	9.3	3.6	87.1

Appendix XIV Classified Loan Composition (End-June 2019)

(Amount in billion BDT)

PARTICULARS	AMOUNT	PERCENT OF TOTAL
Sub-Standard	104.8	9.3
Doubtful	40.1	3.6
Bad & Loss	979.3	87.1
Total	1124.2	100.0

Appendix XV Banking Sector ROA Range

Quarter	ROA Range			
	Up to 2.0%	> 2.0% to ≤ 3.0%	> 3.0% to ≤ 4.0%	> 4.0%
Jun-17	53	2	1	1
Sep-17	52	4	0	1
Dec-17	52	4	0	1
Mar-18	51	3	1	2
Jun-18	50[R]	4[R]	1[R]	2[R]
Sep-18	52	2	2	1
Dec-18	51	4	0	2
Mar-19	52	3	0	2
Jun-19	52	2	2	1

Notes: ROAs have been annualized from respective quarterly ratios. R=Revised

Appendix XVI Banking Sector ROE Range

Quarter	ROE Range			
	Up to 5.0%	> 5.0% to ≤ 10.0%	> 10.0% to ≤ 15.0%	> 15.0%
Jun-17	18	20	12	7
Sep-17	14	21	9	13
Dec-17	16	8	21	12
Mar-18	22	17	14	4
Jun-18	21	17	12	7
Sep-18	21	17	12	7
Dec-18	14	13	23	7
Mar-19	24	15	15	3
Jun-19	22	10	17	8

Notes: ROEs have been annualized from respective quarterly ratios.

Appendix XVII Banking Sector ROA and ROE

Ratio	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
ROA	0.8	0.3^{R}	0.4^{R}	0.3	0.3	-0.5	0.2
ROE	10.9	5.0^{R}	5.3	4.3	4.4	-8.1	3.6

Notes: 1. The figures are annualized from respective quarterly ratios; e.g.
(a) annualized ROA of 1st quarter of 2018 = (Profit in 1st quarter of 2018 x 4/Total asset at the end of 1st quarter of 2018) x 100.
(b) annualized ROA of 2nd quarter of 2018 = ((Profit in 1st quarter of 2018+Profit in 2nd quarter of 2018) x 2/Average of assets at the end of 1st and 2nd quarters of 2018) x 100.
(c) ROA of 2018 =Profits in 2018/Assets at end-December 2018) x100.
(d) Similar method applied for annualizing quarterly ROE.
2. R-revised.

Appendix XVIII FIs' Borrowing, Deposit and Capital

(Amount in billion BDT)

Particulars	Dec-2018	Mar-2019	Jun-2019
Borrowings	189.2	190.6	198.8
Deposits	487.8	483.3	457.0
Capital	114.7	91.6	112.2
Other Liabilities	90.0	107.5	99.8
Total	**881.6**	**873.0**	**867.8**

Appendix XIX FIs' Asset Composition

(Amount in billion BDT)

Particulars	Dec-2018	Mar-2019	Jun-2019
Cash & Balance with Banks/FIs	115.9	108.4	114.7
Investments	27.7	30.4	20.5
Loans & Leases	661.8	671.3	668.4
Other Assets	63.9	50.4	51.7
Fixed Assets	12.4	12.4	12.5
Total	**881.6**	**873.0**	**867.8**

Appendix XX FIs' Classified Loans and Leases

(Amount in billion BDT)

Quarter	Aggregate NPL	Aggregate NPL to total loan (%)
Dec-16	39.3	7.4
Mar-17	45.0	8.1
Jun-17	52.0	8.9
Sep-17	55.9	9.4
Dec-17	45.2	7.3
Mar-18	55.6	8.8
Jun-18	59.2	9.2
Sep-18	74.9	11.2
Dec-18	54.6	7.9
Mar-18	72.2	10.3
Jun-19	73.2	11.0

Appendix XXI FIs' ROA & ROE

(In percent)

Quarter	Aggregate ROA	Aggregate ROE
Jun-17	1.0	7.4
Sep-17	0.5	3.6
Dec-17	2.0	15.2
Mar-18	0.4	2.9
Jun-18	0.4	3.1
Sep-18	0.6	4.4
Dec-18	0.6	4.6
Mar-19	-0.05	-0.5
Jun-19	0.2	1.8

Note: The displayed ratios are annualized figures from respective quarterly ratios.

Appendix XXII Banking Sector CRAR Distribution

CAR	*NUMBER OF BANKS (AT END PERIOD)*						
	Dec-17	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**
< 10%	9	10	9	9	9	9	10
10% to ≤15%	31	31	31	32	27	31	30
15% +	17	16	17	16	21	17	17

Appendix XXIII Banking Sector Asset Share based on CRAR as at end-June 2019

CRAR	**Number of banks & their asset size**		**Asset share (%)**
	Number of banks	**Asset size (in billion BDT)**	
<10%	10	4,575.5	29.6
10% to ≤15%	30	9,192.1	59.4
15% +	17	1,703.2	11.0
Total	**57**	**15,470.8**	**100.0**

Appendix XXIV Tier-1 Capital Ratio and Overall CRAR of the Banking Industry

Particulars	**Sep-17**	**Dec-17**	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-19**	**Jun-19**
Core Capital to RWA (%)	7.5	7.0	7.7	7.6	7.0	6.8	7.7	8.1
Number of core capital compliant banks	49	50	47	46	47	47	49	46
Overall CRAR (%)	10.7	10.8	10.1	10.9	10.9	10.5	11.4	11.7
Number of CRAR compliant banks	48	48	47	48	48	48	48	46
No. of banks in the industry	57	57	57	57	57	57	57	57

Appendix XXV Distribution of Risk Weighted Assets of the Banking Industry

(Amount in billion BDT)

Particulars	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
RWA for Credit Risk	8131.3	8240.2	8589.1	8769.3	8240.2
RWA for Market Risk	325.2	301.4	314.9	309.3	301.4
RWA for Operational Risk	800.9	810.2	859.9	886.8	810.2
Total RWA	**9,257.4**	**9,351.8**	**9,763.9**	**9,965.3**	**9,351.8**

Appendix XXVI Banking Sector Regulatory Capital Position (Solo Basis)

(Amount in billion BDT)

Period	Minimum Capital Requirement	Total Regulatory Capital
Jun-17	857.0	899.6
Sep-17	873.6	901.0
Dec-17	901.5	945.6
Mar-18	927.3	911.1
Jun-18	951.3	925.8
Sep-18	959.9	1018.4
Dec-18	1000.1	1025.6
Mar-19	1019.0	1136.6
Jun-19	1030.7	1183.7

Appendix XXVII Banking Sector Advance-to-Deposit Ratio (ADR)

Period	ADR (%)
Sep-16	71.1
Dec-16	71.9
Mar-17	73.4
Jun-17	73.9
Sep-17	74.8
Dec-17	75.9
Mar-18	77.0
Jun-18	76.7
Sep-18	76.4
Dec-18	77.6[R]
Mar-19	78.3[R]
Jun-19	77.5

Appendix XXVIII Bank Cluster-wise ADR at end-June 2019

Bank wise	ADR (%)
SCBs	58.7
PCBs	85.1
FCBs	66.6
DFIs	79.8
Industry	77.5

Appendix XXIX FIs' CRR & SLR

(Amount in million BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/ Shortfall	Required	Maintained	Surplus/ Shortfall
Jun 2017	6,158.8	6,509.6	350.8	16,880.2	76,950.7	60,070.5
Sep 2017	6,485.2	6,658.6	173.4	17,645.4	83,334.0	65,688.6
Dec 2017	6,512.1	6,968.4	456.3	17,981.9	81,455.7	63,473.8
Mar 2018	6,751.9	7,358.6	606.7	18,180.7	96,227.1	78,046.4
Jun 2018	7,015.2	7,508.0	492.8	19,246.2	101.073.8	81,827.6
Sep 2018	7,279.0	7,324.2	45.2	19,904.2	97,088.2	77,184.0
Dec 2018	7,422.5	7,131.8	(290.7)	20,508.7	94,986.1	74,477.4
Mar 2019*	7,484.7	7,323.8	(160.9)	21,364.2	91,740.4	70,376.2
Jun 2019**	7,465.4	7,634.6	169.3	20,997.8	83,144.0	62,146.2

* 34 FIs were considered

** 33 FIs were considered (*Peoples leasing and Financial Services Ltd. excluded)*

Appendix XXX Capital Adequacy Ratio of FI Sector

Particulars	End Mar-18	End Jun-18	End Sep-18	End Dec-18	End Mar-19	End Jun-19
Eligible Capital to RWA (%)	13.0	12.8	12.4	13.9	13.6	16.8

Appendix XXXI Overall Risk-weighted Assets and Tier 1 Capital of FI Sector

(Amount in billion BDT)

Particulars	End Mar-18	End Jun-18	End Sep-18	End Dec-18	End Mar-19*	End Jun-19**
Risk Weighted Assets (RWA)						
Credit RWA	666.8	665.5	670.4	659.3	648.1	631.6
Market RWA	54.8	51.9	53.2	51.8	49.1	48.2
Operational RWA	43.9	45	47.3	48.3	51.2	50.1
Total RWA	**765.5**	**762.5**	**770.9**	**759.3**	**748.4**	**729.9**
Core Capital (Tier -1)	88.2	85.8	84.1	92.5	88.6	109.5
Supplementary Capital	11.5	11.6	11.4	13.2	13.6	13.2
Eligible Capital	99.7	97.4	95.5	105.7	102.2	122.7

* 34 FIs were considered

** 33 FIs were considered (*Peoples leasing and Financial Services Ltd. excluded)*

Appendix XXXII Banking Sector's After Shock CRAR at Different Shock Scenarios

(Based on data as of end-June 2019)

Shocks	CRAR after Shock (%)		
	Minor Level	Moderate Level	Major Level
Increase in NPL in the highest outstanding sector	11.67	11.53	11.39
Increase in NPLs due to default of Top borrowers	9.85	8.16	7.29
Negative shift in NPL categories	10.99	8.18	6.62
Decrease in the FSV of collateral	11.04	10.33	8.86
Increase in NPLs	10.54	7.71	3.59
Interest rate shock	11.41	11.07	10.74
Exchange rate shock	11.71	11.68	11.65
Equity shock	11.42	11.10	10.44
Combined shock	8.93	1.34	-6.83

Appendix XXXIII Number of Non-complaint Banks at Different Shock Scenarios

(Based on data as of end-June 2019)

Shocks	No. of Banks		
	Minor Level	Moderate Level	Major Level
Increase in NPL in highest outstanding sector	2	4	5
Increase in NPLs due to default of Top borrowers	22	34	35
Negative shift in NPL categories	1	8	10
Decrease in the FSV of collateral	1	3	5
Increase in NPLs	3	28	33
Interest rate shock	1	2	4
Exchange rate shock	0	1	1
Equity shock	1	1	3
Combined shock	14	36	38

Appendix XXXIV DSE Performance

Month	*(In billion BDT)*		Index		
	Turnover	Market Capitalization	DSEX	DS30	DSES
Mar-18	67.15	3,917.19	5,597.44	2,106.02	1,314.65
Apr-18	114.95	4,006.29	5,739.23	2,143.55	1,324.95
May-18	96.68	3,799.60	5,343.88	1,975.00	1,238.31
Jun-18	96.36	3,847.35	5,405.46	1,959.95	1,263.79
Jul-18	186.77	3,841.45	5,302.64	1,881.46	1,251.18
Aug-18	114.95	3,962.26	5,600.64	1,960.72	1,269.61
Sep-18	148.10	3,876.84	5,368.96	1,889.71	1,239.07
Oct-18	127.37	3,841.98	5,284.13	1,878.04	1,222.49
Nov-18	116.74	3,817.82	5,281.25	1,861.56	1,223.47
Dec-18	87.06	3,872.95	5,385.64	1,880.78	1,232.82
Jan-19	223.48	4,163.60	5,821.01	2,007.96	1,310.60
Feb-19	137.79	4,150.74	5,711.83	1,998.65	1,314.64
Mar-19	93.92	4,119.65	5,491.91	1,967.21	1,275.45
Apr-19	93.92	3,839.85	5,202.85	1,846.67	1,205.15
May-19	77.16	3,941.64	5,377.75	1,876.60	1,214.26
Jun-19	76.50	3,998.16	5,421.62	1,929.09	1,244.69

Appendix XXXV CSE Performance

Month	(In billion BDT)		Index		
	Turnover	Market Capitalization	CASPI	CSE30	CSI
Mar-18	4.63	3,213.30	17,215.11	15,875.16	1,166.32
Apr-18	9.78	3,311.71	17,693.30	16,069.06	1,186.82
May-18	4.94	3,115.49	16,491.10	14,940.48	1,103.12
Jun-18	6.78	3,123.52	16,558.51	15,092.77	1,120.37
Jul-18	12.56	3,139.76	16,296.11	14,284.23	1,114.27
Aug-18	6.11	3,267.22	17,244.19	15,059.11	1,136.06
Sep-18	10.67	3,168.92	16,483.29	14,720.68	1,099.18
Oct-18	5.90	3,190.65	16,191.65	14,499.72	1,077.34
Nov-18	5.28	3,099.68	16,182.32	9,810.66	1,072.84
Dec-18	7.67	3,146.83	16,449.51	14,500.66	1,076.78
Jan-19	10.22	3,450.03	17,890.92	15,405.79	1,162.04
Feb-19	15.21	3,424.32	17,473.49	15,346.03	1,157.71
Mar-19	3.48	3,399.04	16,803.16	14,724.32	1,120.20
Apr-19	4.63	3,118.26	15,912.87	14,146.92	1,048.61
May-19	4.55	3,227.77	16,375.76	14,272.06	1,060.01
Jun-19	8.92	3,293.30	16,634.21	14,589.68	1,088.92

Appendix XXXVI Sectoral Turnover of DSE

BROAD SECTOR	SECTOR	% OF TOTAL TURNOVER	
		2019Q1	2019Q2
Financial Sector	Banks	11.97	14.26
	Financial Institutions	5.68	3.77
	Insurance	11.48	10.45
Manufacturing	Food & Allied Product	4.22	5.00
	Pharmaceuticals & Chemicals	9.94	10.32
	Textile	12.41	11.19
	Engineering	12.46	12.83
	Ceramic	2.61	3.56
	Tannery	3.16	4.06
	Paper & Printing	0.44	0.38
	Jute	0.44	0.33
	Cement	1.05	1.24
Service & Miscellaneous	Mutual Funds	0.46	0.55
	Fuel & Power	11.29	9.84
	Services & Real estate	1.11	0.84
	IT Sector	2.87	2.52
	Telecommunication	3.88	3.39
	Travel and Leisure	0.71	0.44
	Miscellaneous	3.83	5.01
Bond	Corporate Bond	0.00	0.01
Total		**100.00**	**100.00**

Note: 2019Q1≡ March quarter 2019, 2019Q2≡ June quarter 2019.

Appendix XXXVII Sectoral Turnover of CSE

BROAD SECTOR	*SECTOR*	*% OF TOTAL TURNOVER*	
		2019Q1	**2019Q2**
Financial Sector	Banks	1.01	1.69
	Leasing &Finance	4.27	4.36
	Life Insurance	11.84	8.61
	General Insurance	8.58	13.64
Manufacturing	Food & Allied Product	2.11	1.07
	Pharmaceuticals & Chemicals	1.24	0.75
	Textile	14.27	8.86
	Engineering	0.92	1.39
	Ceramic	2.80	1.31
	Tannery	1.64	0.82
	Paper & Printing	7.04	8.29
	Cement	0.29	0.19
Service & Miscellaneous	Fuel & Power	22.47	25.85
	Services	0.62	0.65
	IT	2.31	1.50
	Telecommunication	8.94	3.11
	Mutual Funds	2.82	7.29
	Miscellaneous	6.84	8.22
Bond	Corporate Bond	0.00	2.40
Total		**100.00**	**100.00**

Note: 2019Q1≡ March quarter 2019, 2019Q2≡ June quarter 2019.

Appendix XXXVIII Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
Jun-17	15.7	17.1
Sep-17	16.3	17.2
Dec-17	17.3	17.0
Mar-18	15.7	18.5
Jun-18	15.0	14.9
Sep-18	15.2	15.0
Dec-18	15.2	15.9
Mar-19	16.1	17.2
Jun-19	14.3	15.6

Appendix XXXIX DSE Broad Index (DSEX) Volatility and DSE Turnover

Month	Daily Average Index Volatility[31]	Daily Average DSE Turnover (In crore BDT)
Oct-17	71.92	713.52
Nov-17	86.65	837.35
Dec-17	38.55	486.23
Jan-18	73.12	437.92
Feb-18	104.96	404.19
Mar-18	125.61	335.75
Apr-18	36.92	547.37
May-18	117.22	460.36
Jun-18	55.87	566.81
Jul-18	31.09	848.95
Aug-18	102.72	638.62
Sep-18	77.41	740.51
Oct-18	76.62	553.78
Nov-18	25.71	583.69
Dec-18	46.22	483.65
Jan-19	134.96	971.64
Feb-19	34.47	765.51
Mar-19	79.52	494.30
Apr-19	100.79	349.08
May-19	53.13	367.44
Jun-19	33.37	478.13

[31] Measured by average of daily standard deviation of DSEX during each month.