Quarterly
Financial Stability Assessment Report

Issue: 30, 2024 (III)
July-September 2024

Bangladesh Bank

Quarterly

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Financial Stability Department
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This report is based on unaudited and provisional data of banks and financial institutions available up to September 30, 2024 unless stated otherwise.

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Contents

List of Charts

List of Tables

List of Appendices

ACRONYMS

ADR	Advance-to-Deposit Ratio
BB	Bangladesh Bank
BDT	Bangladeshi Taka
BRICS	Brazil, Russia, India, China and South Africa
BRPD	Banking Regulation and Policy Department
CAR	Capital Adequacy Ratio
CASPI	CSE All Share Price Index
CCB	Capital Conservation Buffer
CPI	Consumer Price Index
CRAR	Capital to Risk-weighted Asset Ratio
CRR	Cash Reserve Ratio
CSE	Chittagong Stock Exchange
CSE30	CSE 30 Index
CSI	CSE Shari'ah Index
CY	Calendar Year
DAX	Deutscher Aktienindex (German stock index)
DF	Doubtful
DFIM	Department of Financial Institutions and Markets
DOS	Department of Off-site Supervision
DSE	Dhaka Stock Exchange
DSES	DSEX Shari'ah Index
DS30	DSE 30 Index
DSEX	DSE Broad Index
DJIA	Dow Jones Industrial Average
FE	Foreign Exchange
FCBs	Foreign Commercial Banks
FCs	Finance Companies
FoB	Free on Board
FSD	Financial Stability Department
FSV	Forced Sale Value
FTSE	Financial Times Stock Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
MSCI	Morgan Stanley Capital International
NASDAQ	National Association of Securities Dealers Automated Quotations
MPD	Monetary Policy Department
NPL	Non-performing Loan
NSFR	Net Stable Funding Ratio
OECD	Organization for Economic Co-operation and Development
PCBs	Private Commercial Banks
P/E Ratio	Price-Earnings Ratio
ROA	Return on Assets
ROE	Return on Equity
RWA	Risk-weighted Assets

SOCBs	State-owned Commercial Banks
SDBs	Specialized Development Banks
SLR	Statutory Liquidity Requirement
SS	Sub-Standard
USA	The United States of America
USD	US Dollar
UK	The United Kingdom

EXECUTIVE SUMMARY

This report conveys the assessment of Bangladesh Bank on the resilience of the financial system of Bangladesh to various risks and vulnerabilities during the July-September quarter of the calendar year 2024 (CY24). The report also discusses a range of issues having implications for the stability of the domestic financial system.

The global economy has shown resilience despite a strong and synchronized tightening of monetary policies worldwide, with most countries effectively controlling inflation. Global growth has remained steady, although some nations, particularly low-income developing countries impacted by rising conflicts, have experienced notable downward growth revisions. Global trade expanded alongside higher output during the review period, while industrial production maintained stable growth. Commodity prices dropped and are anticipated to decrease further, while major stock market indices demonstrated an upward trend.

The economy of Bangladesh is facing diverse macroeconomic challenges, including slow economic growth, elevated inflation, downturn in foreign exchange reserves, negative position of Balance of Payment and depreciation of local currency. The average annual inflation rate increased to 9.97 percent, 68 basis points higher than the corresponding quarter of the previous year. During the quarter, wage earners' remittance inflow registered a decrease of 4.32 percent. At end-September 2024, the gross foreign exchange reserves reached at USD 24.86 billion, which would cover 4.6 months' worth of import payments on prospective basis. The exchange rate of BDT against the USD stood at 120.00, experiencing a depreciation of 1.75 percent during the review quarter.

Banking industry demonstrated a declining trend in profitability along with a significant deterioration in asset quality in the review quarter. The aggregate assets in the banking industry decreased by 0.87 percent and reached BDT 25,240.13 billion at end-September 2024. A significant increase in Non-Performing Loans caused a substantial decline in the asset quality. Further, the provision maintenance ratio stood at 69.50 percent, declining by 8.76 percentage points in the review quarter. Profitability measured by Return on Assets (ROA) and Return on Equity (ROE) decreased marginally in the review period and stood at 0.38 percent and 7.42 percent respectively.

Banking sector's risk-based capital adequacy ratio decreased in the review quarter. At end-September 2024, the Capital to Risk-weighted Assets Ratio of the banking sector stood at 6.86 percent, 3.78 percentage points lower compared to the previous quarter. However, most of the banks were able to comply with regulatory capital requirements. The Tier-1 capital ratio experienced a decline of 3.48 percentage points and stood at 4.13 percent. In terms of liquidity, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained above regulatory requirements.

Stress test results based on end-September 2024 exhibited a moderate level of resilience of the banking sector to different shock scenarios. Credit risk, among the broad risk factors, remained the most prominent risk factor in terms of its impact on the banks' capital adequacy. Stress test results indicate that the shock namely default of top 03 borrowers is likely to have the highest impact on the banking sectors' resilience in terms of capital adequacy, which is followed by the increase in NPLs by 3 percent. In case of a combined shock (excluding default of top large borrowers and increase in NPLs of the highest outstanding sector), the CRAR of the banking industry would fall down to 0.59 percent from 6.86 percent of pre-shock CRAR.

Finance Companies (FCs) showed a worsening trend in their performance due to further decline in asset quality and profitability. Total assets and profitability of FCs demonstrated a downswing compared to April-June 2024 quarter. Total assets of the FCs decreased to BDT 994.93 billion, rendering 1.22 percent reduction from the previous quarter. Moreover, the non-performing loan ratio reached 35.52 percent after rising by 2.37 percentage points. The annualized Return on Assets (ROA) decreased to -3.02 percent in the review quarter, down from -2.44 percent in the previous quarter. The risk-based capital adequacy ratio of FCs decreased by 11.62 percentage points and recorded at -14.93 percent at end-September 2024. However, FCs' Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) increased noticeably.

Bangladesh capital market demonstrated a mixed trend. Dhaka Stock Exchange (DSE) recorded increases in market capitalization and turnover compared to the end of June 2024. However, Chittagong Stock Exchange (CSE) saw a decline in turnover. Despite the growth in DSE's market capitalization, its share of GDP remains relatively low, raising concerns when compared to both developed and developing economies. Nevertheless, the capital market in Bangladesh poses little risk to the stability of the banking sector in the short term, as banks' exposure to the market is well below the regulatory threshold, ensuring stability in the financial system.

In the review quarter, BB has taken several diversified policy initiatives to ensure the stability of the domestic financial system. BB issued exit policy for recovery/settlement of loans, issued agricultural and rural credit policy, refixed interest rate corridor, and introduced revolving fund for CMSMEs under SMEDP-2.

CHAPTER 1: MACROECONOMIC DEVELOPMENTS

1.1 Global Macroeconomic Situation

Despite a sharp and coordinated monetary tightening worldwide, the global economy has remained resilient. Regardless of significant downward growth revisions in some countries, especially low-income developing nations affected by escalating conflicts, global growth has remained robust and is projected to grow at 3.2 percent in both 2024 and 2025. During the review period, global trade grew alongside increased output, and industrial production worldwide showed stable growth. Commodity prices declined and are expected to fall in the coming days, while major stock market indices exhibited an upward trend.

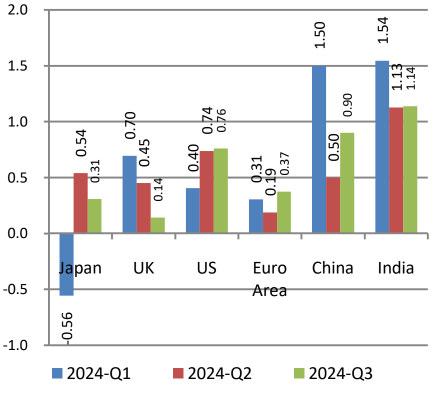
1.1.1 Global GDP Growth

Global economic activities demonstrated steady momentum during the review quarter, as evidenced by relatively stable GDP growth and an increase in world trade volume.

The Eurozone, comprising of 20 member countries, recorded an economic growth rate of 0.37 percent in the third quarter, slightly higher than the growth observed in the second quarter of 2024. Within the region, France achieved growth of 0.38 percent while Italy experienced negligible contraction. The German economy recorded a growth of 0.1 percent following a contraction in the previous quarter.

The GDP growth of the United Kingdom declined to 0.14 percent in the review quarter compared to 0.45 percent growth in the previous quarter while the US economy expanded by 0.76 percent.

Chart 1.1: Quarterly GDP Growth of Major Economies



Source: OECD.

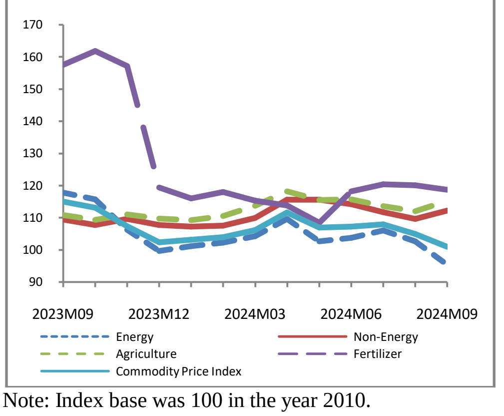
In Asia, major economies showed continued resilience. Robust industrial production enabled China to achieve moderate growth of 0.9 percent during the review quarter, despite a slowdown in export growth. India's economy remained relatively stable, registering 1.14 percent growth, supported by strong domestic demand and a growing working-age population. Meanwhile, Japan recorded 0.31 percent growth, which was lower than that of the previous quarter. South Korea's economy rebounded with a growth of

0.09 percent, following a contraction in the previous quarter.

1.1.2 Global Inflation

Amid worldwide monetary tightening, the global economy remained remarkably resilient and evaded the risk of recession. As mentioned in the IMF's World Economic Outlook (October 2024), global headline inflation is expected to fall to 3.5 percent by the end of 2025. However, the persistence of core inflation, mainly driven by elevated services prices, is slowing the disinflation process and making it harder to normalize monetary policy. The price of non-energy and agricultural commodities decreased moderately, while the energy price dropped notably in the review quarter, helping the overall index to decline by 6.27 points. The price index of agricultural commodities and fertilizer stood at 115.14 and 118.72 respectively at end-September 2024.

Chart 1.2: Commodity Price Index



Note: Index base was 100 in the year 2010.
Source: World Bank.

Although tensions in the Middle East remained intensified, energy prices were observed to decline considerably. The energy price index stood at 95.37 at the end of September 2024, reflecting 8.39 points decrease from the end of June 2024 and 22.36 points drop from the end of September 2023, offering a bit relief to energy-importing countries.

Although the non-energy price index declined by 1.97 points at end-September 2024 compared to the previous quarter, the same increased by 2.79 points in comparison to end-September 2023 (Chart 1.2).

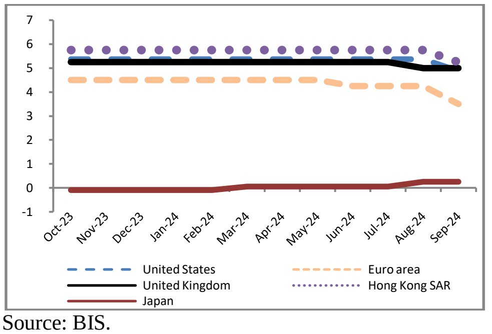
1.1.3 Global Financial Condition

The global financial condition remained relatively resilient in the review quarter. Most central banks adjusted their policy rates. Major stock indices across the globe appreciated moderately.

1.1.3.1 Global Monetary Policy Response

Most advanced economies decreased their policy rates in the review quarter as inflation expectations are declining day by day. In the Euro Area, policy rates were reduced by 75 basis points in the review quarter while the United States, the United Kingdom, and Hong Kong SAR reduced their rates by 50, 25 and 50 basis points respectively. However, policy rates of those countries remained elevated to counterbalance the inflationary pressure. Conversely, Japan increased its policy rate by 20 basis points, which reached 0.25 percent at the end of the review quarter, which was relatively lower than other advanced economies (Chart 1.3).

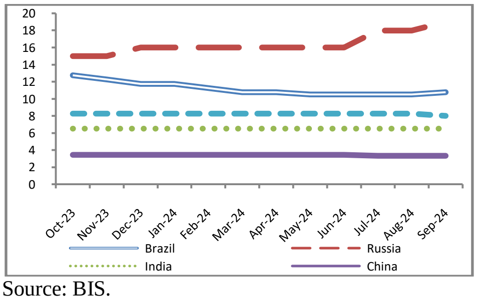
Chart 1.3: Policy Rates of Advanced Economies' Central Banks



Source: BIS.

In the review quarter, mixed behavior was observed in the policy rates of BRICS nations. Compared to the previous quarter, the policy rates of Brazil and Russia increased by 25 and 300 basis points respectively, while the same increased by only 10 and 25 basis points for China and South Africa respectively. However, the policy rates of India remained unchanged in the review quarter (Chart 1.4).

Chart 1.4: Policy Rates of BRICS' Central Banks

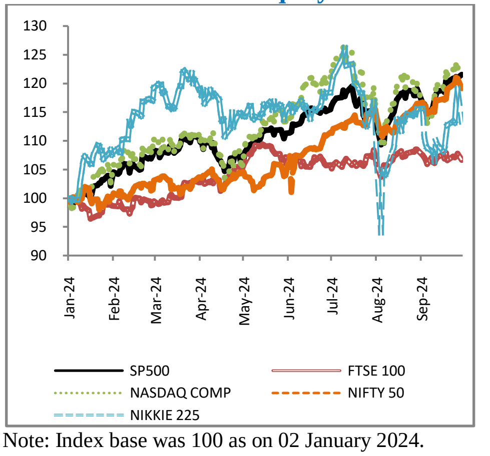


Source: BIS.

1.1.3.2 Global Equity Market

Most of the major stock indices exhibited an upward trend in the review quarter. Major indices such as SP500, FTSE 100, NASDAQ Composite, and Nifty 50 increased while NIKKIE 225 decreased in the review quarter (Chart 1.5).

Chart 1.5: Selected Equity Markets[1]



Note: Index base was 100 as on 02 January 2024.
Source: The Wall Street Journal, FSD Calculation.

1.1.4 Global Trade and Production

Both the global exports and imports experienced slower growth in the review quarter compared to the previous quarter. In the review quarter, the volume of global exports and imports increased by 0.6 percent and 1.0 percent respectively compared to those of the previous quarter.

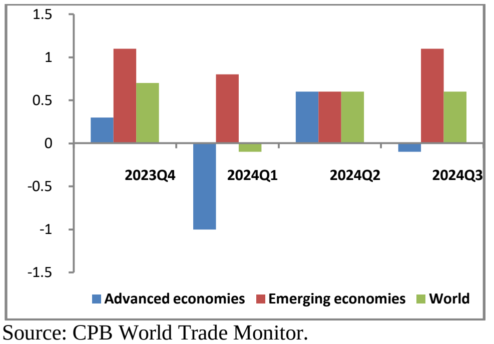
[1]S&P 500, NASDAQ Composite, FTSE 100, NIKKEI 225, NIFTY 50 are stock indices listed on major stock exchanges of the US,UK, Japan and India respectively.

Chart 1.6: Global Merchandise Export and Import Growth

Note: Volumes (s.a.)
Source: CPB World Trade Monitor.

Industrial production in emerging economies increased by 1.1 percent during the review quarter, driven primarily by China, Latin America, Africa, and the Middle East. In contrast, industrial production of prime economies such as the United States, the Euro Area, and other advanced economies declined in the review quarter. However, industrial production in Japan increased in the review quarter compared to the previous quarter. Overall, global industrial production exhibited 0.6 percent growth during the last two consecutive quarters (Chart 1.7).

Chart 1.7: Global Industrial Production Growth



Source: CPB World Trade Monitor.

1.2 Domestic Macroeconomic Situation

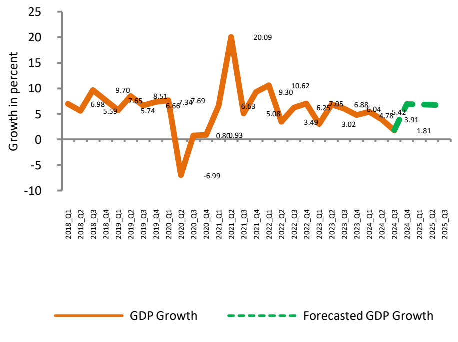
The economy of Bangladesh is facing diverse macroeconomic challenges such as slow economic growth, elevated inflation, decline in wage earners' remittance, downturn in foreign exchange reserves, negative position of Balance of Payment (BOP) and depreciation of local currency. Nevertheless, uplift in exports and decrease in imports are illuminating the potential of improving the external trade deficit. Furthermore, it is expected that the government and Bangladesh Bank's decisive measures would have favorable results in the days ahead. However, the private sector's investment may be restrained if the government's dependency on borrowing from the banking industry continues in the upcoming days.

1.2.1 Gross Domestic Product (GDP)

During the third quarter (Q3[2]) of 2024, the real GDP grew by 1.81 percent compared to that of Q3 of 2023 (6.04 percent). The forecasted[3] GDP growth till Q2 of 2025 is likely to remain stable without significant fluctuations (Chart 1.8).

[2] Q3 indicates July-September quarter.
[3] The forecasting is made by linear regression using single variable.

Chart 1.8:Quarterly Real GDP Growth

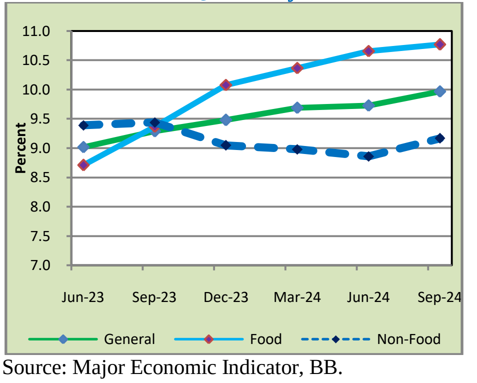


Source: BBS; Calculation: FSD, BB.

1.2.2 Inflation

Despite a number of policy initiatives by Bangladesh Bank, inflation remained high at end-September 2024. The headline inflation rose to 9.97 percent (twelve-month average, base year 2021-2022[4]), 24 basis points higher than that of end-June 2024. Food inflation increased by 11 basis points and reached 10.77 percent. Further, non-food inflation increased by 31 basis points and stood at 9.17 percent. However, compared to the same quarter of the previous year (September 2023), the headline inflation rose by 68 basis points, mainly driven by 140 basis points increase in food inflation. The non-food inflation declined by 27 basis points during the same period (Chart 1.9).

Chart 1.9: Quarterly Inflation



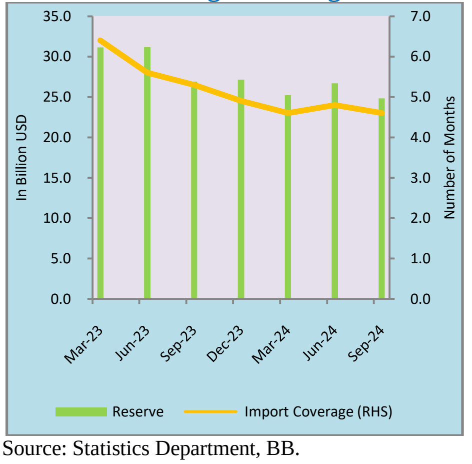
Source: Major Economic Indicator, BB.

1.2.3 Foreign Exchange Reserves and its Import Coverage

In comparison with the preceding quarter, both the import coverage and gross foreign exchange reserves declined during the review quarter. At end-September 2024, the gross foreign exchange reserves declined by 6.93 percent compared to that of end-June 2024 and stood at USD 24.86 billion (USD 19.86 billion as per BPM6). The gross reserves were sufficient to cover 4.6 months' import payments (CIF) on a prospective basis compared to 4.8 months' coverage at end-June 2024 (Chart 1.10). However, the gross reserves dropped 7.62 percent during the review quarter in comparison with September 2023.

[4]Twelve-month average food and non-food indices have been calculated after shifting the base year from FY06 to FY22.

Chart 1.10: Foreign Exchange Reserves

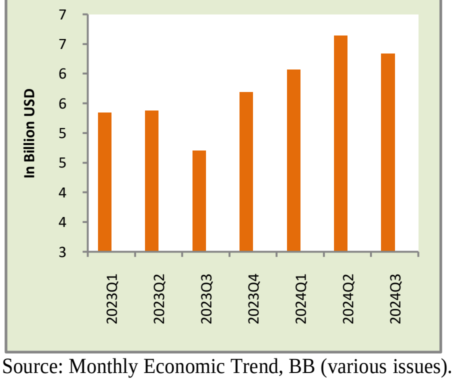


Source: Statistics Department, BB.

1.2.4 Wage Earners' Remittance

Wage earners' remittance inflow decreased moderately in the review quarter after experiencing an increasing trend in the previous three consecutive quarters. Remittances stood at USD 6.54 billion in the review quarter, 4.32 percent down from the previous quarter. However, remittance inflow rose by 33.31 percent in the review quarter compared to the same quarter in 2023 (Chart 1.11).

Chart 1.11: Wage Earners' Remittance

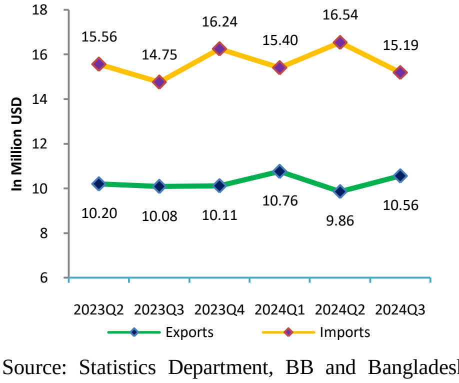


Source: Monthly Economic Trend, BB (various issues).

1.2.5 Exports (FOB) and Imports (FOB)

The external trade deficit narrowed in the review quarter due to increasing exports and declining imports. Aggregate exports[5] increased by 7.07 percent during the review quarter compared to those of the previous quarter and stood at USD 10.56 billion while aggregate imports[6] decreased by 8.16 percent and reached USD 15.19 billion for the same period. Moreover, in comparison with the same quarter of the previous year, exports and imports increased by 4.76 percent and 2.99 percent respectively in the review quarter (Chart 1.12).

Chart 1.12: Exports (FOB) and Imports (FOB)



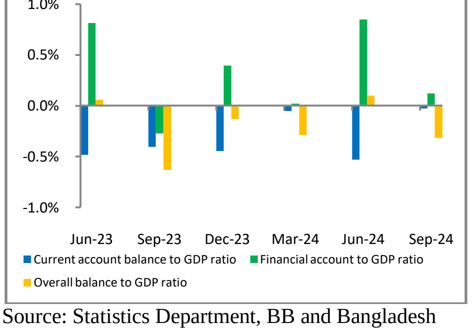
Source: Statistics Department, BB and Bangladesh Bank Quarterly.

[5]NBR revised and provided the export shipment data to Bangladesh Bank and EPB by adjusting multiple entries from October 2023 to March 2024. The export (FOB) has been adjusted for export from EPZ to Bangladesh, CMT exports etc.
[6]The import (FOB) has been adjusted for freight, goods procured in ports etc.

1.2.6 Balance of Payment

After remaining positive in the previous quarter, the Balance of Payments turned negative during July-September 2024, mainly attributed to a substantial decrease in the financial account, albeit a significant improvement in current account balance. Consequently, the overall balance to GDP ratio declined to negative 0.32 percent and financial account balance to GDP ratio and current account balance to GDP ratio stood at 0.12 percent and negative 0.03 percent respectively (Chart 1.13).

Chart 1.13: Balance of Payment Position



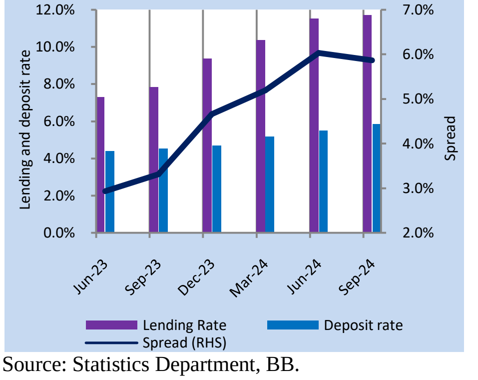
Source: Statistics Department, BB and Bangladesh Bank Quarterly.

1.2.7 Interest Rate

Interest rates have been rising in the banking sector in recent quarters. The weighted average lending rate increased by 18 basis points at end-September 2024 compared to that of end-June 2024 while the weighted average deposit rate rose by 35 basis points for the same period. At end-September 2024, the weighted average lending and deposit rate reached 11.70 percent and 5.84 percent respectively.

The spread[7] shrank by 17 basis points in the review quarter and stood at 5.86 percent (Chart 1.14). In comparison with the same quarter of 2023, the spread increased by 2.55 percentage points. The increase in interest rate may be driven by the adoption of contractionary monetary policy.

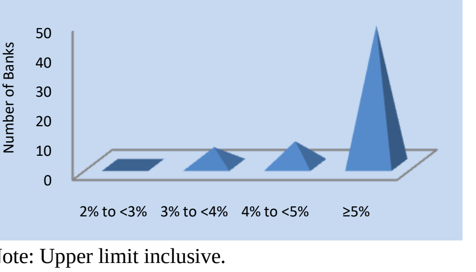
Chart 1.14: Interest Rate Spread



Source: Statistics Department, BB.

Among the 61 scheduled banks, over two-thirds were found to have a spread of at least 5 percent. Besides, 8 banks operated with a spread between 4 and 5 percent, whereas the remaining 6 banks maintained a spread of less than 4 percent (Chart 1.15).

Chart 1.15: Number of Banks by Interest Rate Spread

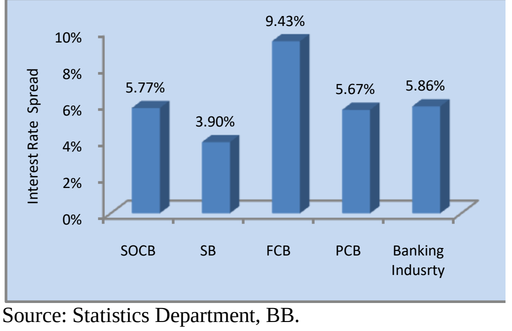


Note: Upper limit inclusive.
Source: Statistics Department, BB

[7]Difference between weighted average lending rate and weighted average deposit rate.

The Specialized Banks (SDBs) had the lowest spread (3.90 percent) at end-September 2024, whereas the Foreign Commercial Banks (FCBs) maintained the highest spread (9.43 percent) for the same period (Chart 1.16).

Chart 1.16: Cluster-wise Interest Rate Spread

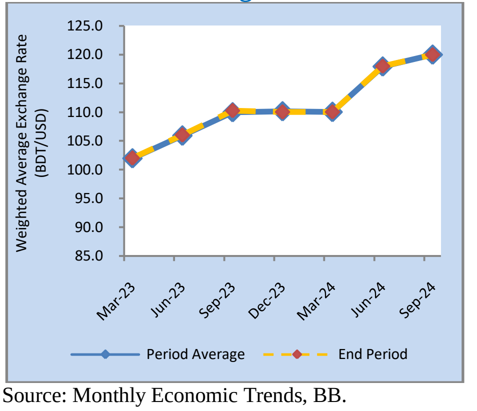


Source: Statistics Department, BB.

1.2.8 Exchange Rate

The Bangladeshi Taka (BDT) has been losing value against the USD for several consecutive quarters. During July-September 2024, the BDT depreciated by 1.75 percent, and the exchange rate of BDT per USD[8] stood at 120.00. Moreover, in comparison with end-September 2023, the local currency depreciated by 9.12 percent at end-September 2024 (Chart 1.17).

Chart 1.17: Exchange Rate Movement

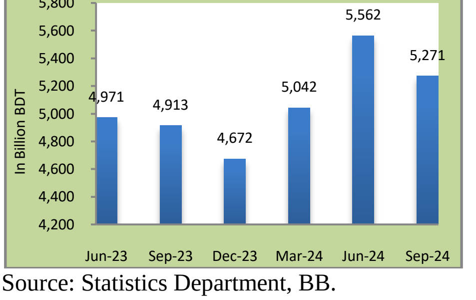


Source: Monthly Economic Trends, BB.

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

Throughout the review quarter, the banking system's credit to the government decreased by 5.22 percent from the previous quarter and appeared at BDT 5,271 billion at the end of September 2024. However, compared to the same quarter of 2023, the Government credit from the banking sector increased by 7.28 percent at end-September 2024 (Chart 1.18).

Chart 1.18: Credit to the Government. (Gross) by the Banking System



Source: Statistics Department, BB.

[8]BDT per USD on period-average basis.

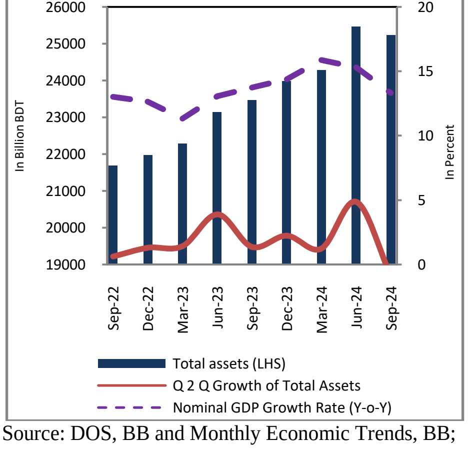
CHAPTER 2: BANKING SECTOR PERFORMANCE

At end-September 2024, total assets of the banking sector decreased marginally. Asset quality deteriorated considerably, resulting a downward trend in the profitability indicators particularly Return on Assets (ROA) and Return on Equity (ROE).

2.1 Assets Structure

In the review period, total assets of the banking sector stood at BDT 25,240.13 billion, registering 0.87 percent decline from that of end-June 2024 (Chart 2.1).

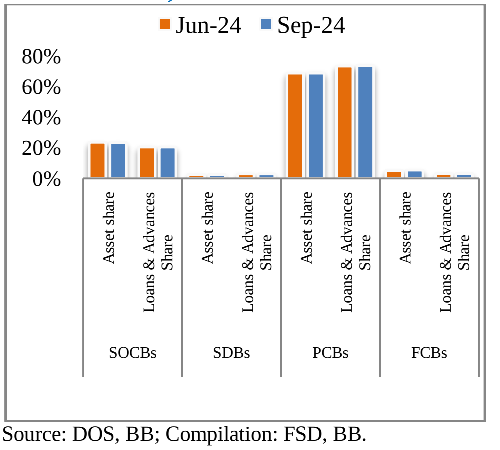
Chart 2.1: Asset Size of the Banking Industry



Source: DOS, BB and Monthly Economic Trends, BB; Compilation: FSD, BB.

Total assets decreased in the review period due to deterioration in several asset categories such as cash in hand, balance with Bangladesh Bank and Sonali Bank, balance with other banks and finance companies (FCs), and bills discounted and purchased. The Assets-to-GDP[9] ratio was at 47.86 percent at end-September 2024, observing a decrease of 1.32 percentage points compared to end-June 2024. In the review quarter, the PCB cluster held the major shares of the banking sector's total assets, and loans and advances, which were 68.99 percent and 73.81 percent respectively, followed by SOCB cluster with 23.32 percent and 20.38 percent respectively. The shares of PCB, FCB and SDB clusters in the sector’s total assets improved slightly during the review period. In case of sector’s loans and advances, the shares of SOCB, SDB and FCB clusters recorded a marginal decrease while that of PCB cluster got a slight upturn in the review quarter (Chart 2.2).

Chart 2.2: Cluster-wise Share of Banking Sector Assets, and Loans and Advances



Source: DOS, BB; Compilation: FSD, BB.

[9]GDP at current market price for the financial year 2024-25 is taken into account where the base year is 2015-16.

Among the different categories of assets, loans and advances was the principal segment holding 65.20 percent of the sector's total assets at the end of September 2024, followed by investments, and other assets (Table 2.1).

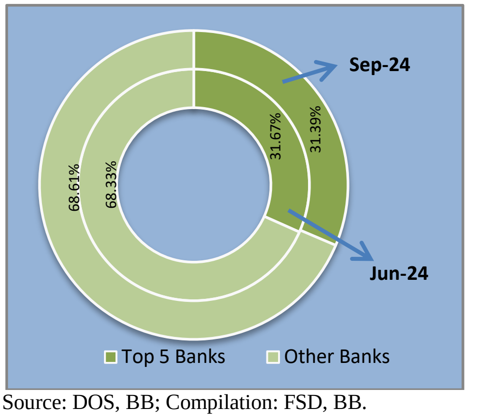
Table 2.1: Asset Structure of the Banking Sector

Component of Assets	% of Total Assets (End- June'24)	% of Total Assets (End-Sept'24)	Change (PP)
Cash in hand	1.18	1.12	-0.06%
Balance with Bangladesh Bank and Sonali Bank	5.01	2.87	-2.14%
Balance with other banks and Financial Companies	3.61	3.13	-0.48%
Money at call and short notice	0.31	0.52	0.20%
Investment at cost	17.29	17.80	0.51%
Loans and Advances	63.71	65.20	1.48%
Bill discounted and purchased	3.17	2.71	-0.46%
Fixed Assets	1.19	1.20	0.01%
Other Assets	4.45	5.38	0.93%
Non-banking assets	0.08	0.08	0.00%

Note: PP-Percentage Point. Figures/estimates may not add up due to rounding off.
Source: DOS, BB; Compilation: FSD, BB.

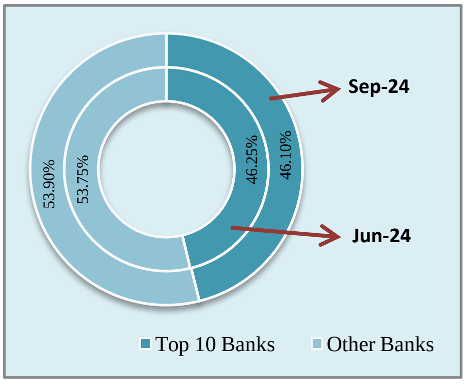
Asset concentration ratio[10] of both the top 10 and the top 05 banks slightly declined in the review quarter. As of end-September 2024, the top 05 banks held 31.39 percent of the banking sector's total assets, which was 0.27 percentage point lower than that of end-June 2024. For the top 10 banks, the ratio was 46.10 percent at end-September 2024, which was 0.14 percentage point lower than that of the previous quarter (Chart 2.3 and Chart 2.4).

Chart 2.3: Asset Concentration of Top 05 Banks



Source: DOS, BB; Compilation: FSD, BB.

Chart 2.4: Asset Concentration of Top 10 Banks



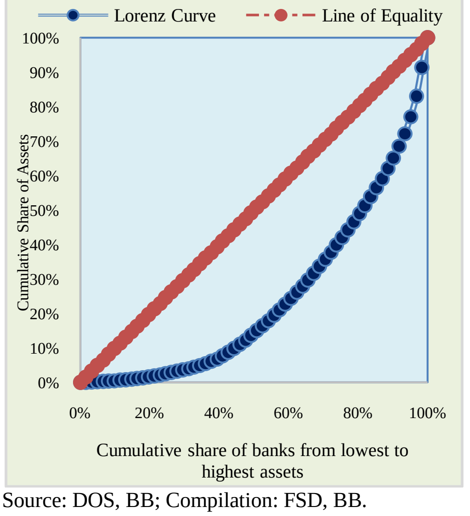
Source: DOS, BB; Compilation: FSD, BB.

In the review quarter, the Gini Coefficient, which is determined based on the Lorenz Curve, has been used to depict the presence of unequal asset concentration in the banking sector. The Lorenz Curve reveals that top 20 percent of banks hold 51.04 percent of banking sector's assets, indicating a moderate level of concentration in asset structure (Chart 2.5). At the end of September 2024, the computed Gini

[10]Asset concentration ratio of top 5 or 10 banks (based on their asset size) is defined as the ratio of total assets of top 5 or 10 banks respectively over the total assets of the banking sector.

Coefficient[11] was 0.511, indicating a moderate level of unequal distribution among the banks.

Chart 2.5: Banking Sector Asset Concentrations - Lorenz Curve

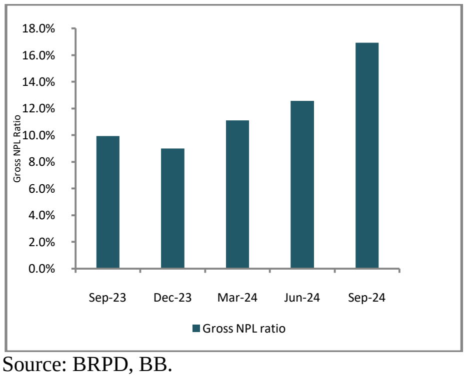


Source: DOS, BB; Compilation: FSD, BB.

2.2 Asset Quality

The banking sector's Non-Performing Loan (NPL) ratio[12] increased by 4.37 percentage points compared to the preceding quarter and reached 16.93 percent at end-September 2024 (Chart 2.6).

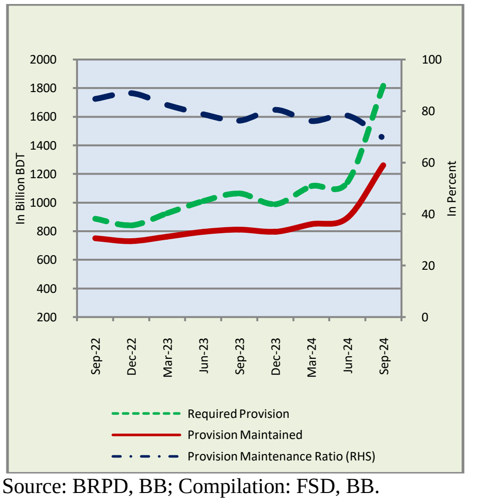
Chart 2.6: NPL Ratios of the Banking Sector



Source: BRPD, BB.

The required provision in the banking sector increased by 59.06 percent and registered at BDT 1,815.92 billion in the review quarter. On the other hand, maintained provision was BDT 1,262.13 billion. As a result, total provision shortfall was recorded at BDT 553.79 billion and provision maintenance ratio stood at 69.50 percent in relation to the required provision (Chart 2.7).

Chart 2.7: Banking Sector Loan Loss Provision

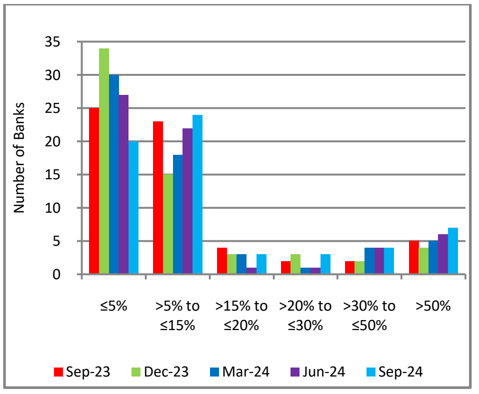


Source: BRPD, BB; Compilation: FSD, BB.

The distribution of banks, based on their gross NPL ratios, illustrated that the number of banks having NPL ratio within 5 percent decreased in the review quarter compared to the previous quarter (Chart 2.8). At end-September 2024, 20 banks maintained a non-performing loan (NPL) ratio within 5 percent, showing a decrease from the 27 banks within the same range in the previous quarter. On the contrary, at end-September 2024, the number of banks having NPL ratio more than 50 percent increased to 7 from 6 at end-June 2024.

[11] A value of zero expresses perfect equality whereas a value of one refers to perfect inequality.
[12] Ratio of non-performing loans to total outstanding loans inclusive of domestic banking unit (DBU) and off- shore banking unit (OBU).

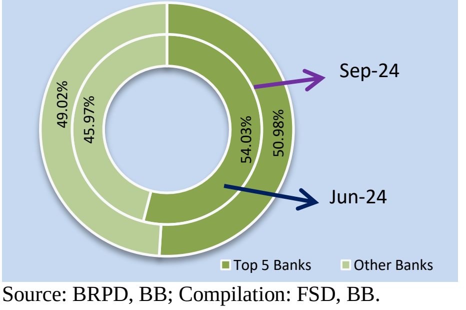
Chart 2.8: Distribution of Banks by NPL Ratio



Source: BRPD, BB; Compilation: FSD, BB.

In the review quarter, the NPL concentration[13] among the top 5 banks decreased by 3.05 percentage points whereas for the top 10 banks, this concentration increased by 0.26 percentage point, respectively compared to the preceding quarter. At the end of September 2024, the top 5 and the top 10 banks' NPL concentrations were 50.98 percent and 70.84 percent, respectively (Chart 2.9 and Chart 2.10). High level of NPL among a few banks is a major concern for the overall banking sector's soundness.

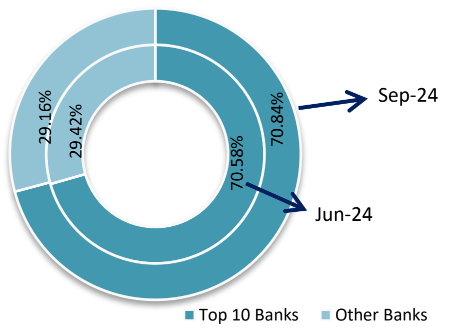
Chart 2.9: NPL Concentration in Top 5 Banks



Source: BRPD, BB; Compilation: FSD, BB.

[13]NPL concentration for top 5 and top 10 banks is defined as the NPLs of top 5 and top 10 banks respectively to total NPLs of the banking system. Here, top 5 and top 10 banks are defined based on their size of NPLs.

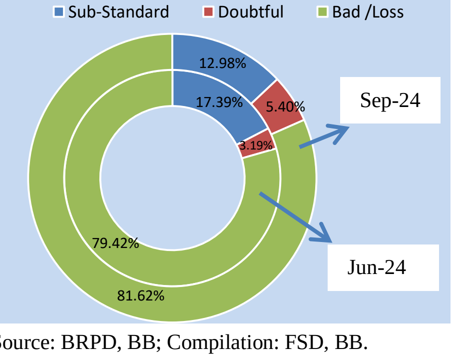
Chart 2.10: NPL Concentration in Top 10 Banks



Source: BRPD, BB; Compilation: FSD, BB.

The Bad and Loss loans, the largest portion of total NPLs, increased in September 2024 compared to the preceding period. The share of Bad and Loss category was 81.62 percent while Sub-standard and Doubtful loans constituted 12.98 percent and 5.40 percent, respectively (Chart 2.11).

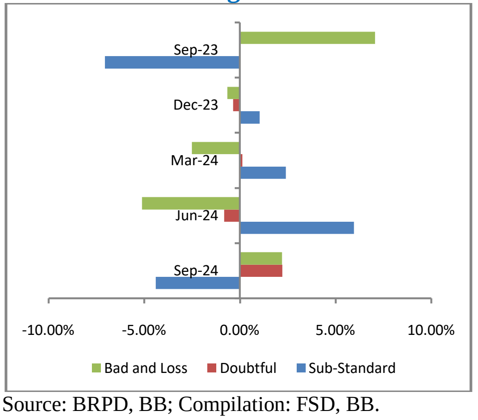
Chart 2.11: NPLs Composition



Source: BRPD, BB; Compilation: FSD, BB.

In the review period, the proportion of Bad and Loss loans, and Doubtful loans to total NPLs increased by 2.20 percentage points and 2.21 percentage points, respectively, whereas the proportion of Sub-standard loans decreased by 4.40 percentage points compared to the preceding period (Chart 2.12).

Chart 2.12: Proportional Shift of NPLs Categories

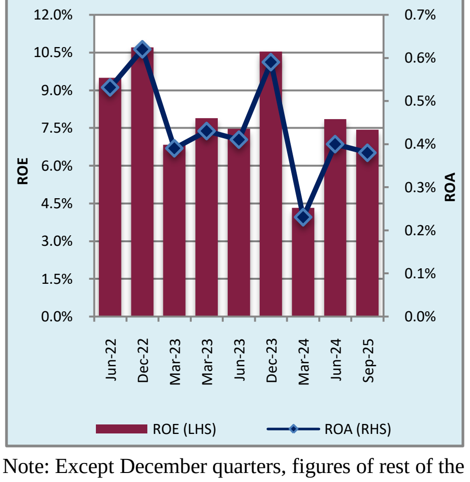


Source: BRPD, BB; Compilation: FSD, BB.

2.3 Profitability

The banking sector's profitability indicators, determined by Return on Assets (ROA) and Return on Equity (ROE), experienced a decline of 0.02 and 0.43 percentage point respectively in the review quarter compared to the preceding quarter. At end-September 2024, the banking sector's ROA and ROE stood at 0.38 percent and 7.42 percent, respectively (Chart 2.13).

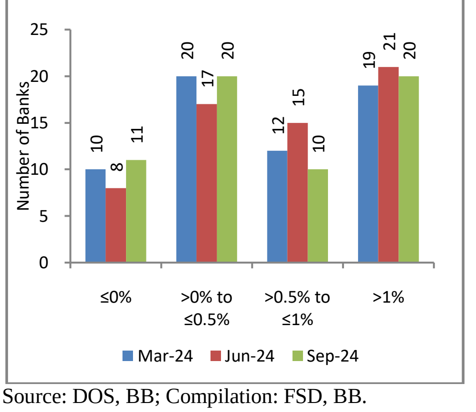
Chart 2.13: ROA and ROE of the Banking Sector



Note: Except December quarters, figures of rest of the quarters are annualized.
Source: DOS, BB; calculation: FSD, BB.

At end-September 2024, 31 banks had ROA within 0.50 percent while the remaining 30 banks exceeded the aforementioned value. The corresponding number of banks in the previous period was 25 and 36, respectively (Chart 2.14).

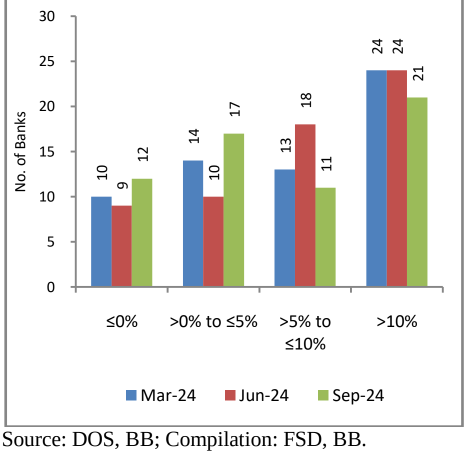
Chart 2.14: Distribution of Banking Sector Return on Assets (ROA)



Source: DOS, BB; Compilation: FSD, BB.

In the review quarter, 29 banks had a Return on Equity (ROE) within 5 percent, while 19 banks recorded ROE in the same range in the previous quarter. Besides, 21 banks registered an ROE exceeding 10 percent in the review quarter (Chart 2.15).

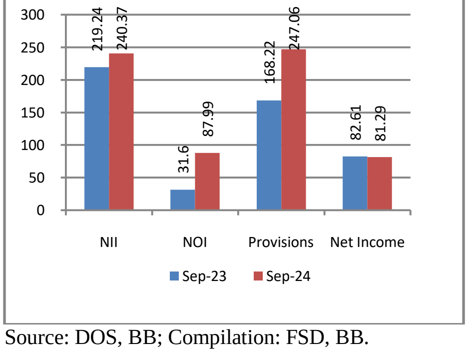
Chart 2.15: Distribution of Banking Sector Return on Equity (ROE)



Source: DOS, BB; Compilation: FSD, BB.

The banking sector's net income fell from BDT 82.61 billion at end-September 2023 to BDT 81.29 billion in the review quarter (Chart 2.16). Net income reduced due to a significant allocation for loan loss provision.

Chart 2.16: Decomposition of Earnings of Banking Sector



Source: DOS, BB; Compilation: FSD, BB.

In September 2024 quarter, total assets of Finance Companies (FCs) declined compared to the previous quarter. Moreover, asset quality worsened and Return on Assets (ROA), one of the major profitability indicators, further deteriorated.

3.1 Growth of Assets, Liabilities and Shareholders' Equity

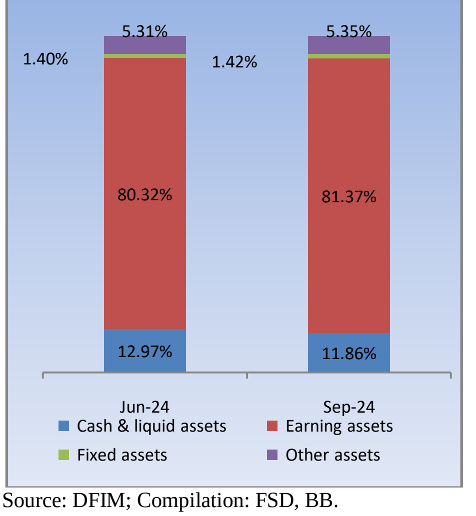
Total assets of the FCs stood at BDT 994.93 billion at end-September 2024, which was 1.22 percent lower than the previous quarter. Amongst the segments of total assets, cash and liquid assets, fixed assets, and other assets decreased by 9.64 percent, 0.22 percent and 0.34 percent respectively. On the other hand, earning assets rose by 0.07 percent in the review quarter.

In the review quarter, FCs' borrowings[14] decreased by 2.63 percent, while deposits and other liabilities increased by 4.54 percent and 2.86 percent respectively. However, the total shareholders' equity of the FCs reduced to BDT -81.43 billion in the review quarter from BDT -47.21 billion at end-June 2024.

3.1.1 Assets: Composition and Contribution

At the end of September 2024, total earning assets (loans and advances, leases, and investments) constituted the largest portion of finance companies' total assets with 81.37 percent. The shares of cash and liquid assets, fixed assets, and other assets were 11.86 percent, 1.42 percent and 5.35 percent respectively (Chart 3.1).

Chart 3.1: Composition of Assets



Source: DFIM; Compilation: FSD, BB.

At the end of September 2024, cash and liquid assets, fixed assets and other assets contributed negatively in the growth of assets by 1.25 percent, 0.003 percent and 0.02 percent respectively. On the contrary, the earning assets contributed positively (0.06 percent) in the review quarter.

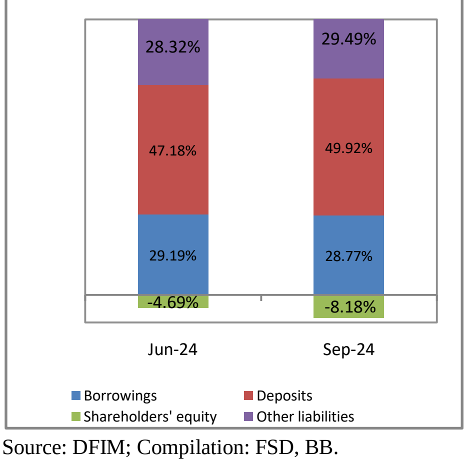
3.1.2 Liabilities: Composition and Contribution

In the review quarter, FCs' total fund comprised of deposits (49.92 percent), borrowings (28.77 percent), shareholders' equity (-8.18 percent) and other liabilities (29.49 percent). At end-September 2024, the share of

[14] Borrowings from other banks, financial institutions and agents

deposits and other liabilities increased by 2.74 percentage points and 1.17 percentage points respectively whereas the share of borrowings and shareholders' equity declined by 0.42 percentage point and 3.49 percentage points respectively compared to those of end-June 2024 (Chart 3.2).

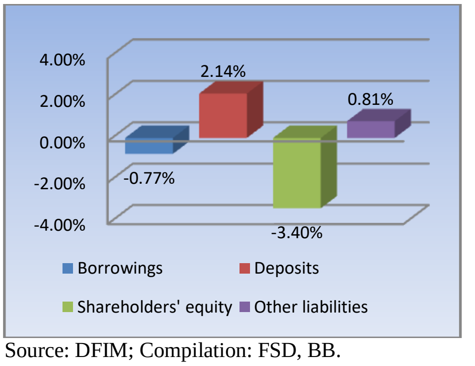
Chart 3.2: Composition of Liabilities



Source: DFIM; Compilation: FSD, BB.

In the review quarter, the decline in total liabilities and shareholders' equity was mainly attributed to the decrease in borrowings and shareholders' equity. These two had negative contributions of 0.77 percent and 3.40 percent in that order. In contrast, deposits and other liabilities had positive contribution of 2.14 percent and 0.81 percent respectively (Chart 3.3).

Chart 3.3: Contribution of Different Components in Growth of Total Liabilities and Shareholders' Equity at end-September 2024

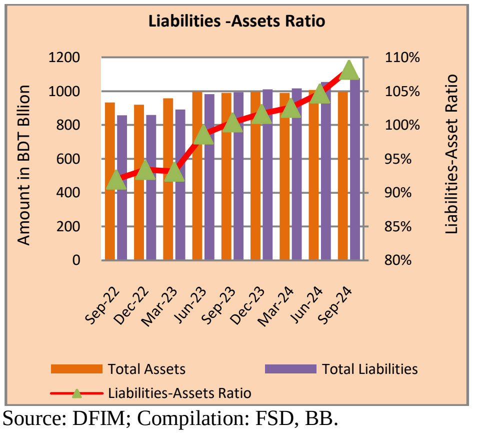


Source: DFIM; Compilation: FSD, BB.

3.1.3 Liabilities-Assets Ratio

The liabilities to assets ratio reached 108.18 percent at end-September2024, which was 3.50 percentage points higher than that of end-June 2024 (Chart 3.4).

Chart 3.4: FCs' Liabilities-Assets Ratio



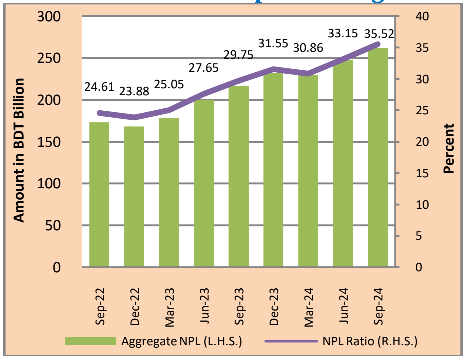
Source: DFIM; Compilation: FSD, BB.

3.2 Asset Quality

At end-September 2024, FCs' non-performing loans and leases rose by 5.88 percent and reached at BDT 261.63 billion from BDT 247.11 billion at end-June 2024. The ratio of non-performing loans and leases to total loans and leases registered at

35.52 percent at end-September 2024, which was 2.37 percentage points higher than that of end-June 2024 (Chart 3.5).

Chart 3.5: FCs' Non-performing Loans

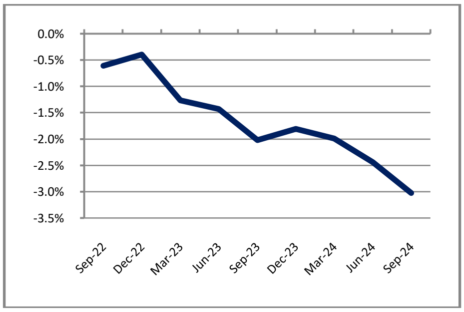


Source: DFIM; Compilation: FSD, BB.

3.3 Profitability

During the review period, the aggregate Return on Assets (ROA) of finance companies declined to -3.02 percent from -2.44 percent in the previous quarter (Chart 3.6).

Chart 3.6: FCs' ROA

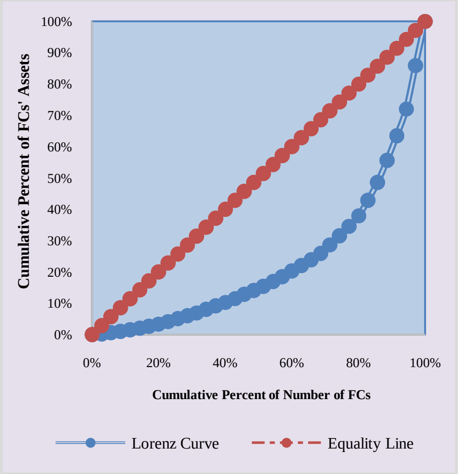


Source: DFIM; Compilation: FSD, BB.

3.4 Asset Concentration

Asset concentration of the FC sector has been analyzed using the Lorenz curve and Gini coefficient. In the review quarter, the largest 20 percent finance companies possessed about 62 percent of total assets. It demonstrates the presence of moderate concentration in asset distribution of the FC sector (Chart 3.7). The calculated Gini coefficient at end-September 2024 was 0.546, implying an unequal distribution of assets among the FCs.

Chart 3.7: FCs' Asset Concentration-Lorenz Curve



Source: DFIM; Compilation: FSD, BB.

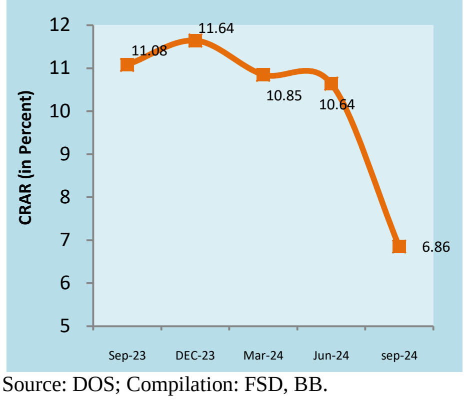
CHAPTER 4: BANKING SECTOR CAPITAL ADEQUACY AND LIQUIDITY

45 banks were able to maintain the minimum required level of capital, though Capital to Risk-Weighted Asset Ratio (CRAR) of the sector declined in the review quarter. The banking sector, as a whole, met the regulatory liquidity standards in terms of SLR, LCR, and NSFR.

4.1 Capital Adequacy

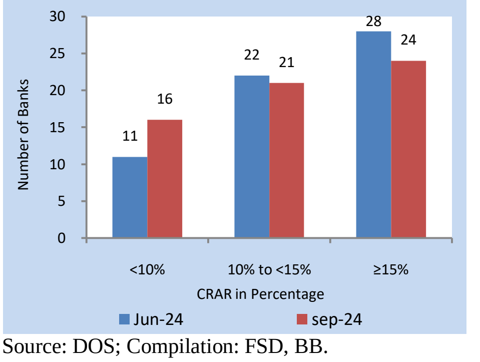
The banking sector maintained BDT 1,075.79 billion as regulatory capital against the minimum requirement of BDT 1,608.34 billion in the review quarter. The sector's quarterly CRAR experienced a downfall at end-September 2024 compared to that of the previous quarter. The aggregate CRAR appeared at 6.86 percent at the end of the review quarter, which was 10.64 percent at end June-2024 (Chart 4.1). However, 45 out of 61 banks maintained CRAR of 10.00 percent or above during the review quarter (Chart 4.2).

Chart 4.1: Banking Sector CRAR



Source: DOS; Compilation: FSD, BB.

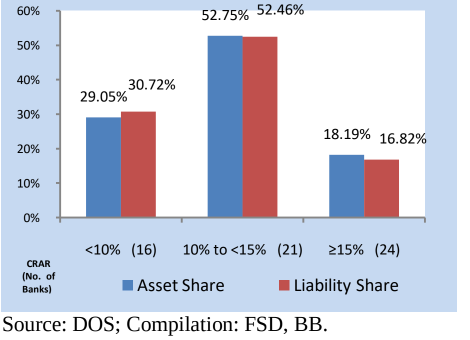
Chart 4.2: Distribution of Banks based on CRAR at end-September 2024



Source: DOS; Compilation: FSD, BB.

At the end-September 2024, 21 banks, having the CRAR ranging from 10.00 percent to less than 15.00 percent, held the majority of the banking sector's total assets (52.75 percent) and total liabilities (52.46 percent). However, 16 banks with less than 10.00 percent CRAR held 29.05 percents of the banking sector's total assets and 30.72 percents of the total liabilities. In addition, 24 banks with more than 15.00 percent CRAR held 18.19 percents of the banking sector's total assets and 16.82 percents of the total liabilities (Chart 4.3).

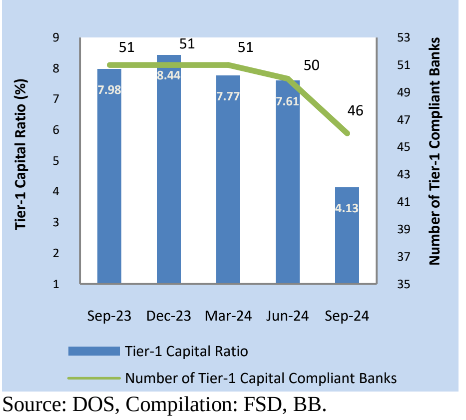
Chart 4.3: Banks' shares in Assets, and Liabilities based on CRAR at end-September 2024



Source: DOS; Compilation: FSD, BB.

The banking sector's Tier-1 capital ratio was 4.13 percent in the review quarter, which experienced a downward shift compared to that of the previous quarter (Chart 4.4). The Tier-1 capital ratio was lower than the regulatory minimum requirement of 6.00 percent.

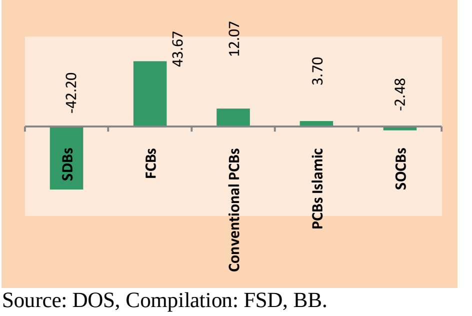
Chart 4.4: Banking Sector's Tier-1 Capital Ratio



Source: DOS, Compilation: FSD, BB.

During the review quarter, the Foreign Commercial Banks (FCBs) had the highest CRAR (43.67 percent) and the Specialized Development Banks (SDBs) had the lowest CRAR (-42.20 percent) (Chart 4.5). The CRAR of the SOCBs (-2.48 percent) became negative in this quarter compared to 5.44 percent in the previous quarter.

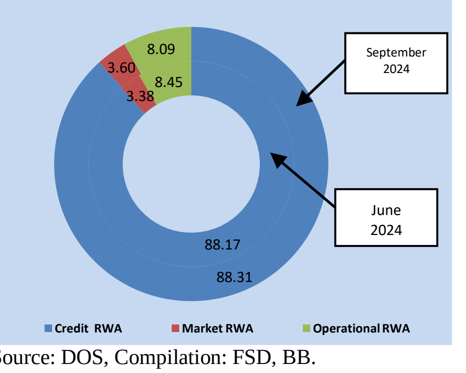
Chart 4.5: Banks' Cluster-wise CRAR at end-September 2024



Source: DOS, Compilation: FSD, BB.

Total risk-weighted assets (RWA) consists of credit RWA, market RWA and operational RWA. The corresponding shares of each RWA category were 88.31 percent, 3.60 percent and 8.09 percent, respectively. There were nominal changes in RWA categories during the review quarter compared to the previous quarter (Chart 4.6).

Chart 4.6: Distribution of RWA at end-September 2024



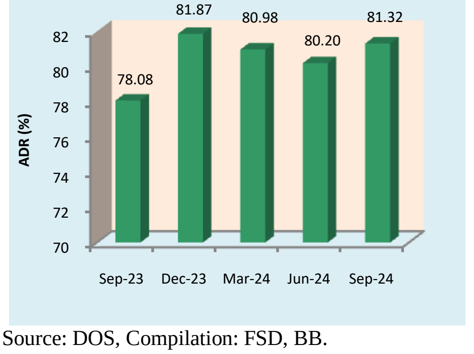
Source: DOS, Compilation: FSD, BB.

In the review quarter, 39 out of 61 banks on solo basis and 22 out of 40 banks on consolidated basis met the regulatory Capital Conservation Buffer (CCB) requirement of 2.50 percent. The banking sector's aggregate CCB was lower than the regulatory requirement in the same period.

4.2 Liquidity

At end-September 2024, the banking sector maintained the Cash Reserve Ratio (CRR) at the rate of 3.27 on daily basis, which was lower than the minimum requirement of 3.5 percent. On the other hand, the sector maintained Statutory Liquidity Ratio (SLR) at the rate of 20.60 percent, which was 9.42 percentage points higher than the minimum requirement. At the end of September 2024, the banking sector's Advance to Deposit Ratio (ADR) stood at 81.32 percent which was 1.12 percentage points higher than that of June 2024 (Chart 4.7).

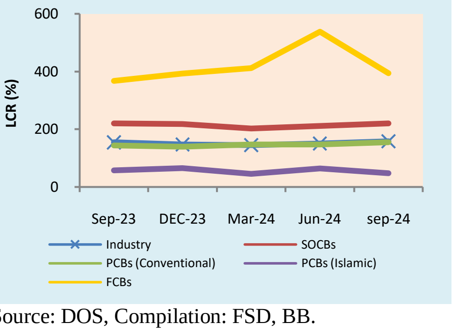
Chart 4.7: Banking Sector ADR



Source: DOS, Compilation: FSD, BB.

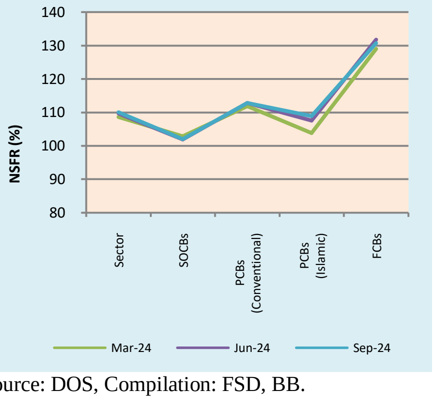
The banking sector had Liquidity Coverage Ratio (LCR) of 158.30 percent (Chart 4.8) and the Net Stable Funding Ratio (NSFR) of 110.09 percent (Chart 4.9). Both the ratios increased marginally compared to those of the previous quarter. Notwithstanding, some banks were found to undergo some pressure in liquidity management.

Chart 4.8: Banking Sector LCR



Source: DOS, Compilation: FSD, BB.

Chart 4.9: Banking Sector NSFR

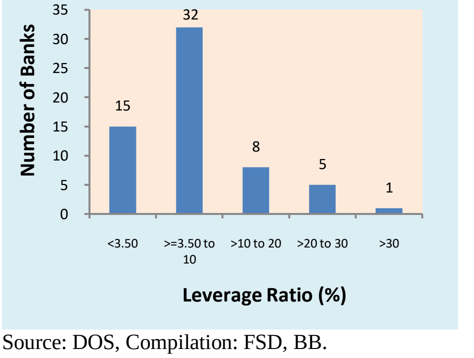


Source: DOS, Compilation: FSD, BB.

4.3 Leverage Ratio

At the end-September 2024, the banking sector's leverage ratio appeared at 2.46 percent on solo basis. 46 out of 61 banks were found complaint with regulatory leverage ratio of 3.50 percent (Chart 4.10)

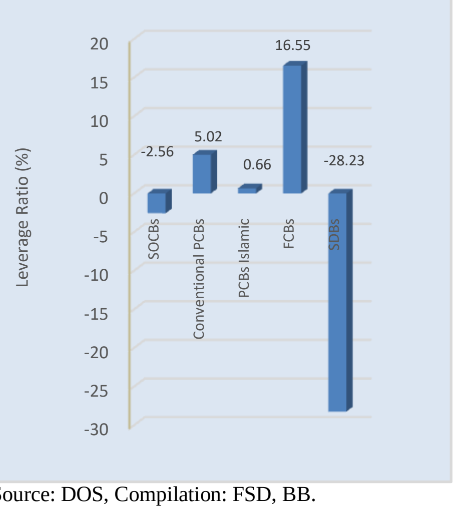
Chart 4.10: Leverage Ratio of Banks at end-September 2024



Source: DOS, Compilation: FSD, BB.

While considering the clusters of banks it was observed that, the SDBs, SOCBs and Islamic PCBs failed to maintain minimum leverage ratio. However, Conventional PCBs maintained required level of leverage ratio. FCBs were found to operate with higher leverage ratio in relation to other banks' clusters (Chart 4.11).

Chart 4.11: Leverage Ratio of Bank Clusters at end-September 2024 (Solo basis)



Source: DOS, Compilation: FSD, BB.

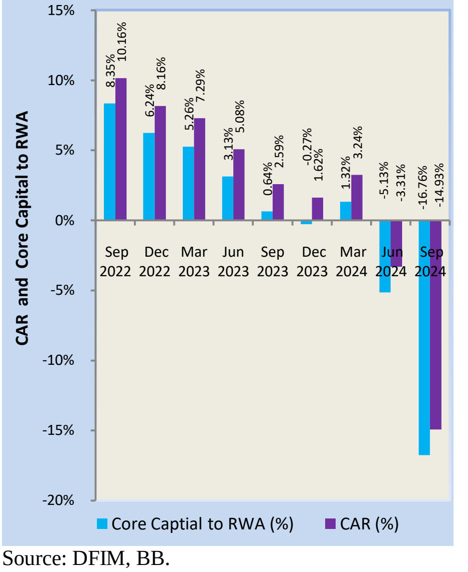
CHAPTER 5: FINANCE COMPANIES' CAPITAL ADEQUACY AND LIQUIDITY

At the end of September 2024, the Capital Adequacy Ratio (CAR) and the core capital (Tier-1 capital) ratio of the Finance Companies (FCs) decreased noticeably compared to the previous quarter. On the other hand, CRR and SLR maintained were higher than the required level.

5.1 Capital Adequacy

During the review quarter, CAR and Tier-1 capital ratio of the FCs were -14.93 percent and -16.76 percent, respectively (Chart 5.1). The above mentioned ratios declined further, by 11.62 and 11.63 percentage points, respectively, compared to the preceding period. Among 35 FCs, 14 managed to meet the required CAR, while 16 maintained the minimum core capital during the quarter. Notably, aggregate CAR and Tier-1 capital ratios of the FCs were significantly below the minimum regulatory requirement[15] and it appears as a concern for the stability of the overall financial system.

Chart 5.1: Core Capital to RWA and Capital Adequacy Ratio of FCs



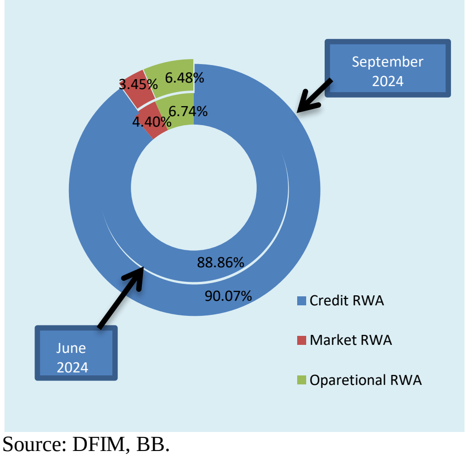
Source: DFIM, BB.

5.2 Risk-Weighted Assets (RWA)

At end-September 2024, the total risk-weighted assets (RWA) of the FCs rose to BDT 647.48 billion from BDT 643.13 billion at end-June 2024. The distribution of RWA among credit, market, and operational risks accounted for 90.07 percent, 3.45 percent, and 6.48 percent, respectively, of the total RWA (Chart 5.2). During the review quarter, credit risk increased by 1.21 percentage points while market risk and operational risk declined by 0.96 and 0.26 percentage point respectively, compared to the previous period.

[15]Minimum regulatory requirement of CAR for FCs is 10%

Chart 5.2: Components-wise RWA of FCs

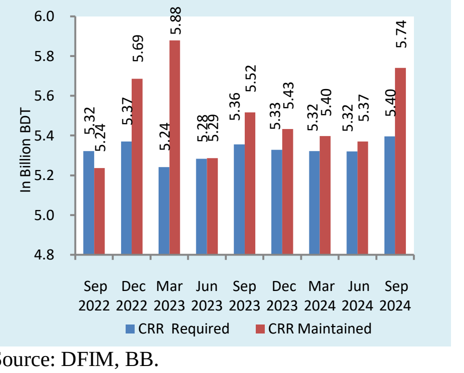


Source: DFIM, BB.

5.3 Liquidity

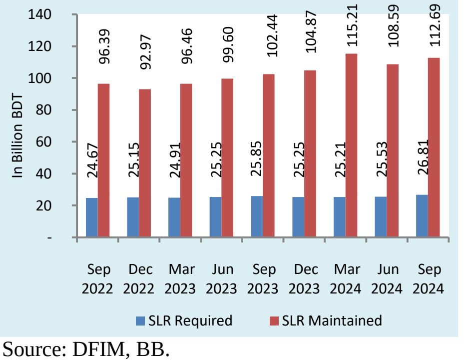
At end-September 2024, the FCs maintained an aggregate Cash Reserve Ratio (CRR) of BDT 5.74 billion, marking a 6.90 percent increase from BDT 5.37 billion at end-June 2024 (Chart 5.3). Meanwhile, the Statutory Liquidity Ratio (SLR) maintained by FCs was BDT 112.69 billion, significantly exceeding the required level of BDT 26.81 billion (Chart 5.4). Compared to June 2024, the SLR maintained by the FCs rose by 3.78 percent at end-September 2024.

Chart 5.3: Cash Reserve Ratio (CRR) of FCs



Source: DFIM, BB.

Chart 5.4: Statutory Liquidity Ratio (SLR) of FCs



Source: DFIM, BB.

CHAPTER 6: STRESS TEST AND RESILIENCE OF THE BANKING SECTOR

Financial Stability Department (FSD) performs stress testing on scheduled banks in quarterly basis to determine their resilience under different plausible shock scenarios. This chapter presents the results of stress testing conducted on individual banks as well as the banking industry. Results of stress testing as of September 2024 depict that the banking sector would be moderately vulnerable to different minor shock scenarios.

6.1 Credit, Market, and Combined Shocks

At end-September 2024, sixteen (16) out of sixty one (61) scheduled banks could not maintain the minimum regulatory requirement of capital to risk-weighted assets ratio (CRAR) of 10.00 percent at pre-shock scenario. Hence, the remaining 45 banks were considered for the analysis of this quarter. Chart 6.1 delineates the number of non-compliant banks in terms of CRAR for different minor shocks, which indicates that the majority of the banks would be able to maintain the minimum required CRAR against different adverse shocks during the review quarter. Table 6.1 shows the pre-shock and after-shock CRAR of the banking sector for different minor shock scenarios, which indicates that the shock namely default of top 03 borrowers is likely to have the highest impact on the banking sectors' resilience in terms of capital adequacy, which is followed by the increase in NPLs by 3.00 percent, and negative shift in the NPL categories by 5.00 percent. However, banking sectors' capital erosion would remain insignificant for all shock scenarios of market risk except interest rate risk. The following subsections describe the details of the different shock scenarios and the associated results.

6.1.1 Credit Shocks

a) **Increase in Non-performing Loans (NPLs):** In the case of a 3.00 percent increase in NPLs, 03 banks would fail to maintain the minimum required CRAR of 10.00 percent.

b) **Increase in NPLs due to Default of Top Borrowers:** If top 03 borrowers of each bank defaulted, 13 banks would fail to maintain the minimum required CRAR.

c) **Fall in the Forced Sale Value (FSV) of Mortgaged Collateral:** In case of a 10.00 percent decline in the FSV of mortgaged collateral, 02 banks would not be able to maintain the minimum required CRAR.

d) **Negative Shift in the NPL Categories:** If existing NPLs shifted to downward categories by 5.00 percent, 02 banks would fail to maintain the minimum required CRAR.

e) **Increase in NPLs in the Highest Outstanding Sector:** If 3.00 percent of performing loan of the highest exposed sector downgraded to bad/loss category, 02 banks would not be able to maintain the minimum required CRAR.

6.1.2 Market Shocks

a) **Interest Rate Risk:** If the interest rate changed by 1.00 percent, 01 bank would become non-compliant in maintaining the minimum required CRAR.

b) **Exchange Rate Risk:** If the overall net exchange position of the individual bank charged by 5.00 percent, 01 bank would fail to maintain the minimum required CRAR.

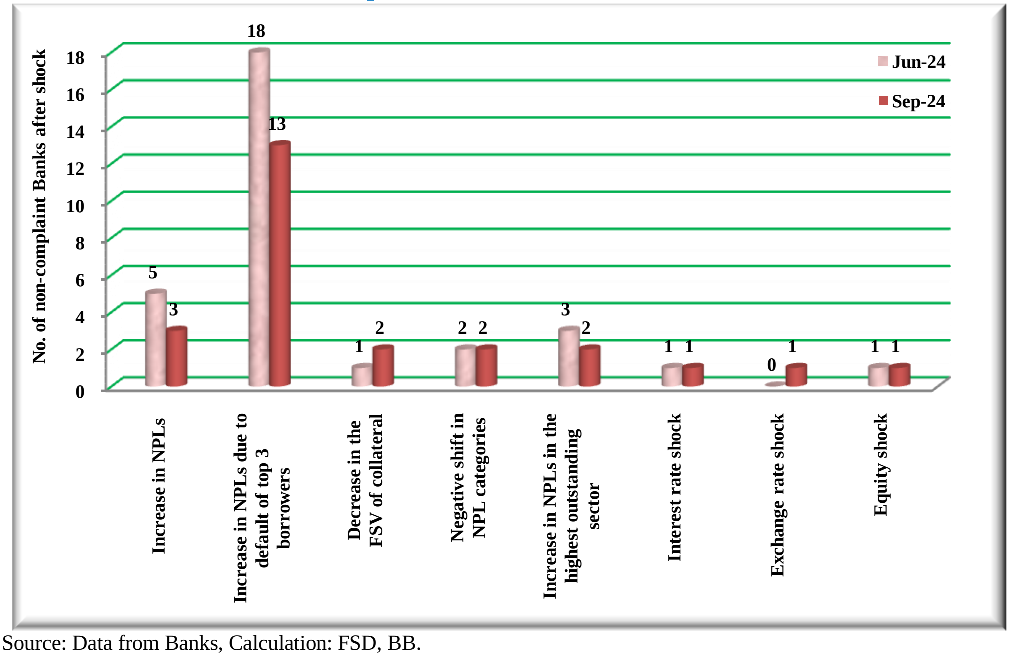
c) **Equity Price Risk:** If the current market value of all the securities listed in the stock exchanges fell by 10.00 percent, 01 bank would not be able to maintain the minimum required CRAR.

6.1.3 Combined Shock

This test examines the performance of individual banks by combining the results of different shocks related to credit and market risks. In case of combined shock[16], 13 banks would not be able to maintain the minimum required CRAR.

[16]Except default of top borrowers and increase in NPLs of the highest outstanding sector.

Chart 6.1: Number of Non-compliant Banks in case of Different Minor Shock Scenarios



Source: Data from Banks, Calculation: FSD, BB.

Table 6.1: The Results of Different Minor Shock Scenarios in the Banking Sector

(In Percent)

Description	September 2024	Fall in CRAR Due to Respective Shock
Pre-shock CRAR	**6.86**	
After-Shock CRAR		
Credit Risks		
Increase in NPLs by 3%	**4.73**	**2.13**
Default of top 3 borrowers	**2.82**	**4.04**
Negative shift in the NPLs categories by 5%	**5.02**	**1.84**
Decrease in the forced sale value (FSV) of mortgaged collateral by 10%	**5.67**	**1.19**
Performing loans of the highest exposed sector directly downgraded to bad/loss category by 3%	**6.38**	**0.48**
Market Risks		
Change in interest rate by 1%	**6.12**	**0.74**
Change in exchange rate by 5%	**6.79**	**0.07**
Fall in equity prices by 10%	**6.55**	**0.31**
Combined Shock	**0.59**	**6.27**

Source: Data from Banks, Calculation: FSD, BB.

6.2 Liquidity Shock

This shock assesses a bank's ability to withstand a liquidity run in case of a 2.00 percent excess cash withdrawal compared to the usual scenario for five consecutive working days. Table 6.2 shows the liquidity stress scenario in the banking sector at end-September 2024. The table indicates that the banking system as a whole would remain resilient against stated liquidity[17] stress scenario.

Table 6.2: Liquidity Risk in the Banking Sector: End-June 2024

Liquidity Stress*	Minor Stress Result
Day 1	1
Day 2	1
Day 3	1
Day 4	1
Day 5	1

Notes: 1: *Five (05) consecutive working days.
2: '1' indicates that the system is liquid and '0' is not liquid.
Source: Data from banks, Calculation: FSD, BB

[17] Stress Testing guidelines (2011) considers all types of assets for calculating liquidity of a bank.

CHAPTER 7: CAPITAL MARKET DEVELOPMENT

The global capital market and the capital market of Bangladesh exhibited a mixed trend during the review quarter. The market capitalization and turnover of the Dhaka Stock Exchange (DSE) increased during the review period compared to the previous quarter. On the other hand, the Chittagong Stock Exchange (CSE) experienced a declining trend in its turnover. The market capitalization of DSE as a percentage of GDP, is quite low compared to other economies. However, the capital market of Bangladesh exhibits little impact on the stability of the banking sector in the near term because of banks' much lower exposure to the capital market than the regulatory limit.

7.1 Global Capital Market

Mixed trends were observed in global capital markets during July-September, 2024 compared to April-June, 2024. The MSCI Emerging Markets Index, DJIA, and DAX indices grew significantly during the period.The corresponding indices increased by 7.79 percent, 8.21 percent, and 5.97 percent respectively. However, Nikkei 225 index fell by 4.20 percent (Table 7.1).

Table 7.1: Quarterly Performance of Leading Indices

Name of Index	June 24	September 24	Change (%)
MSCI Emerging Markets Index	1086.25	1170.85	7.79
DJIA (USA)	39118.86	42330.15	8.21
Nikkei 225 (Japan)	39583.08	37919.55	-4.20
DAX (Germany)	18235.45	19324.93	5.97
FTSE 100 (UK)	8164.12	8236.95	0.89

Source: msci.com and DSE Monthly review; Compilation: FSD, BB.

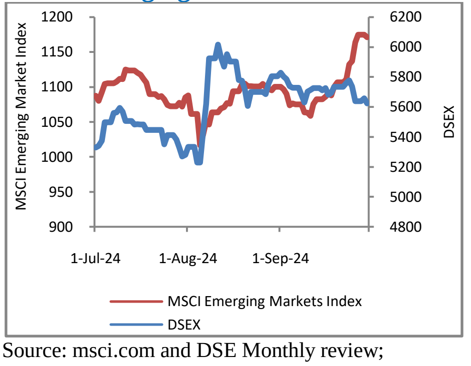
7.2. DSEX and MSCI Emerging Markets Index

During July-September 2024, both the MSCI Emerging Markets Index[18] and DSEX[19] were observed to have a positive trajectory. At the end of September 2024, the MSCI Index closed at 1170.85, which was 1086.25 at the end of June 2024. A similar pattern was observed in the DSEX, which ended at 5624.50 at end-September 2024 compared to 5328.40 at end-June 2024. However, the MSCI Index had a standard deviation of approximately 28.23 which demonstrated less volatility in comparison to DSEX's standard deviation of approximately 189.05 (Chart 7.1).

[18]https://www.msci.com/end-of-day-data-search

[19]DSE Broad Index

Chart 7.1: Performance of DSEX and MSCI Emerging Markets Index



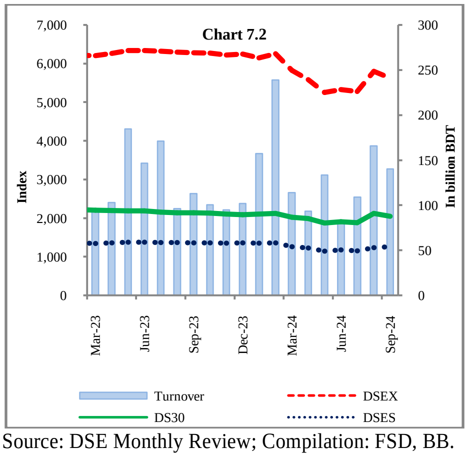
Source: msci.com and DSE Monthly review; Compilation: FSD, BB.

7.3 Dhaka Stock Exchange (DSE)

7.3.1 DSE Performance

In the review quarter, the turnover on the DSE stood at BDT 415.63 billion compared to BDT 310.67 billion in the previous quarter, exhibiting a significant increase of 33.78 percent. Additionally, the major indices of the DSE, namely DSEX, DS30 , and DSES showed an upward trend at the end of September 2024 compared to previous quarter end (Chart 7.2).

Chart 7.2: DSE Performance

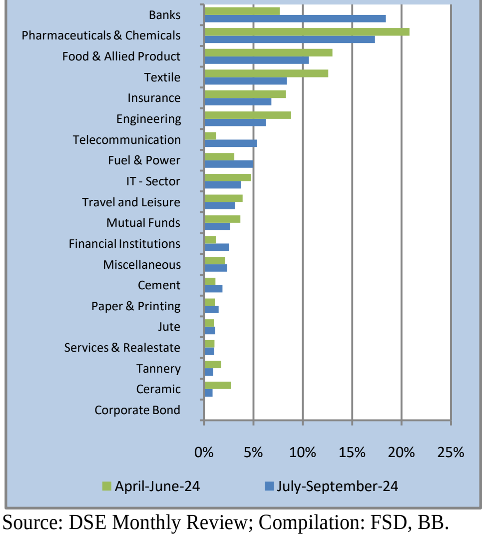


Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.2 Sectoral Turnover at DSE

The Banking sector accounted for the largest share of the total turnover on the DSE during the review quarter, with 18.40 percent, followed by the Pharmaceuticals & Chemicals sector with 17.29 percent, and the Food & Allied Products sector with 10.59 percent (Chart 7.3). Furthermore, the financial sector, comprising of banks, finance companies, and insurance companies accounted for approximately 27.76 percent of the total turnover on the DSE during review quarter, representing a significant increase from the 17.15 percent in the preceding quarter.

Chart 7.3: Contribution of Sectors in Turnover during April-June and July-September 2024



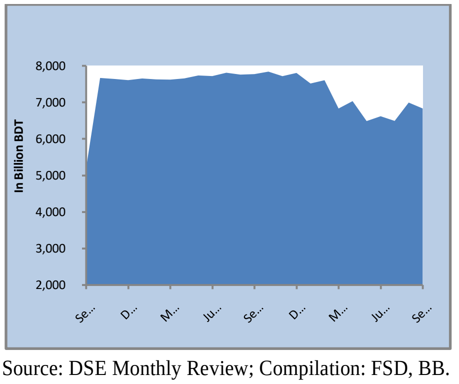
Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.3 Market Capitalization

During the review quarter, the DSE market capitalization experienced an increase compared to the previous quarter. It reached BDT 6,834.12

billion from BDT 6,621.56 billion, marking a rise of 3.21 percent from the end of June 2024 (Chart 7.4). The market capitalization to GDP[20] ratio was 12.96 percent in the review quarter, which was 12.79 percent in the preceeding quarter. In comparison to other economies[21], the market capitalization of DSE as a percentage of GDP is quite low.

Chart 7.4: Market Capitalization Trend of DSE

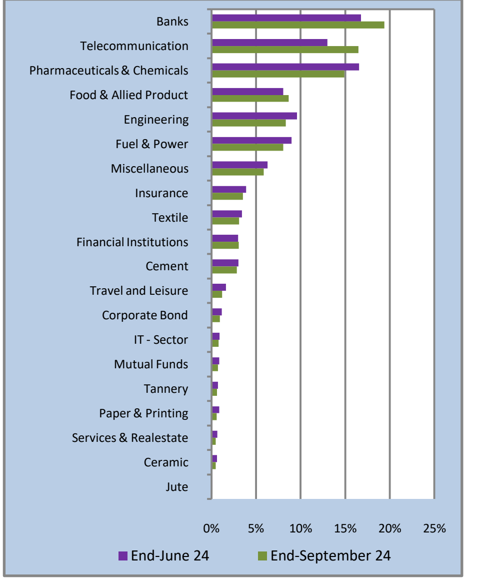


Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.4 DSE Sectoral Market Capitalization

As of end-September 2024, the Banking sector dominated with the largest share of 19.40 percent of the total market capitalization, followed by the telecommunication sector with 16.48 percent, the pharmaceuticals & chemicals sector with 14.92 percent, and the food & allied products sector with 8.67 percent (chart 7.5). In the previous quarter, the respective market shares of these sectors were 16.77 percent, 13.00 percent, 16.57 percent, and 8.06 percent.

Chart 7.5: DSE Sectoral Market Capitalization at end-June 2024 and at end-September 2024

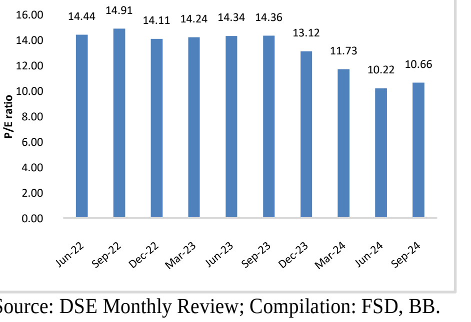


Source: DSE Monthly Review; Compilation: FSD, BB.

7.3.5 Price/Earnings (P/E) Ratio

Despite downward trend in the weighted average market P/E ratio of the DSE's listed companies over the past few quarters, the ratio rose to 10.66 at the end of September 2024 from 10.22 at the end of June 2024 (Chart 7.6).

Chart 7.6: DSE P/E Ratio



Source: DSE Monthly Review; Compilation: FSD, BB.

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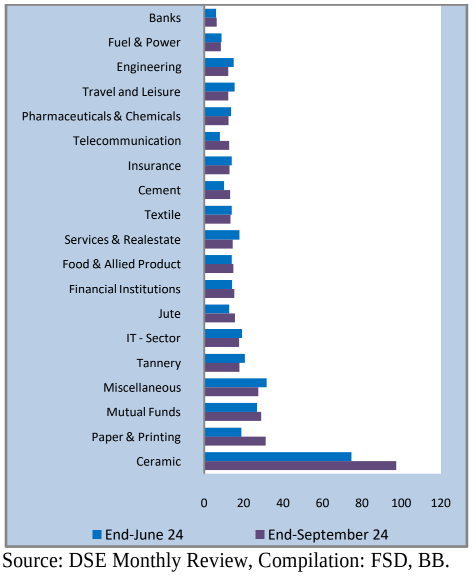
[20]Represents sum of GDP of four consecutive quarters at Current Market Prices, Base: 2015-16, Source: BBS website.
[21](Monthly Review, Dhaka Stock Exchange PLC, October 2024; Vol 39, No 10.)

At end-September 2024, the ceramic sector had the highest P/E ratio at 97.27, followed by the paper & printing sector at 31.07, and mutual funds at 28.93. In comparison, these sectors had P/E ratios of 74.63, 18.8, and 26.78, respectively at the end of June 2024. On the other hand, at end-september 2024, the banking sector had the lowest P/E ratio at 6.4, followed by fuel & power at 8.46, and engineering at 12.1. At the end of June 2024, these ratios were 5.94, 8.7, and 14.97, respectively (Chart 7.7).

Chart 7.7: DSE Sectoral P/E Ratio

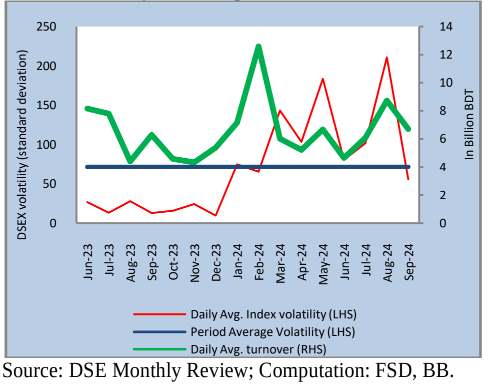


Source: DSE Monthly Review, Compilation: FSD, BB.

7.3.6 Index Volatility and Market Liquidity

Chart 7.8 delineates the month-on-month daily average turnover, daily average index volatility, and the period's average volatility. From June 2023 to September 2024, market volatility and turnover as a measure of liquidity observed to have 21.20 percent positive correlation.

Chart 7.8: DSEX Volatility and Month-wise Daily Average DSE Turnover



Source: DSE Monthly Review; Computation: FSD, BB.

For the same period, the highest volatility in daily DSEX index was observed in August 2024 (with a standard deviation of 210.86), whereas the least volatility was recorded in December 2023 (with a standard deviation of 9.54). The average volatility was 71.74 in the period.

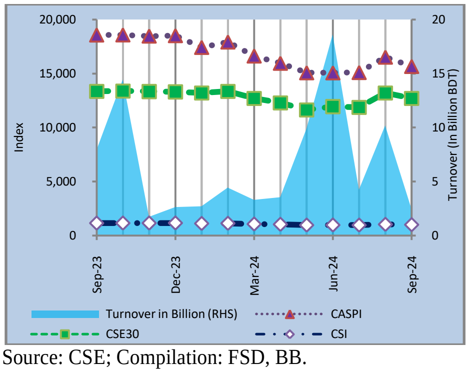
7.4 Chittagong Stock Exchange (CSE)

7.4.1 CSE Performance

From the end of June to end of September 2024, the major CSE indices showed an increasing trend. CASPI[22], CSE30, and CSI all had an upturn of 3.93 percent, 6.31 percent, and 3.04 percent, respectively (Chart 7.9).

[22] CSE All Share Price Index

Chart 7.9: CSE Performance



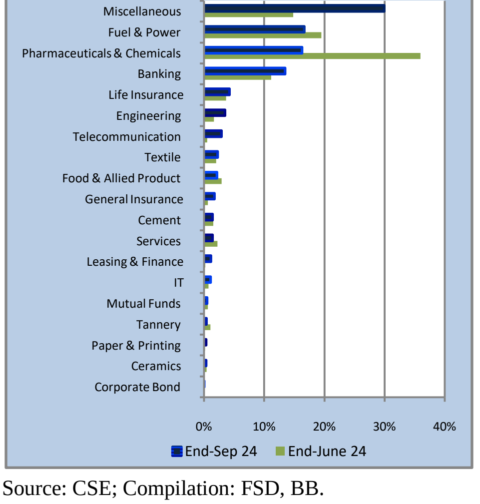
Source: CSE; Compilation: FSD, BB.

The CSE turnover in July-September quarter of 2024 declined to BDT 16.93 billion from BDT 32.07 billion of the previous quarter. The turnover declined by 47.19 percent from 2nd quarter to 3rd quarter of 2024.

7.4.2 Sectoral Turnover at CSE

In the review period, fuel & power sector accounted for the largest share of total CSE turnover with 16.68 percent, which was followed by pharmaceuticals and chemicals sector with 16.32 percent, and banking sector with 11.16 percent (Chart 7.10).

Chart 7.10: CSE Sectoral Turnover at End-June 2024 and End-September 2024

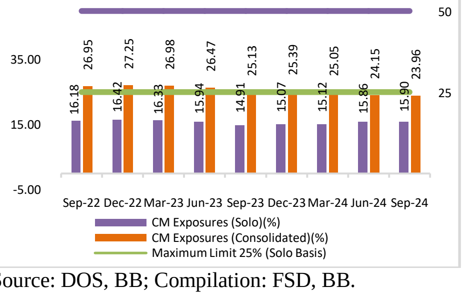


Source: CSE; Compilation: FSD, BB.

7.5 Banking Sector's Exposures and Financial Stability

Capital market has the potential to influence the financial sectors ignificantly, particularly the banking sector, through banks' investments in the capital market. A bank can have capital market exposures of maximum 25 percent on solo basis and 50 percent on consolidated basis of its total prescribed capital components[23]. As of end-September 2024, capital market exposures of banks on solo and consolidated basis were 15.90 percent and 23.96 percent respectively, while the corresponding figures were 15.86 percent and 24.15 percent in the previous quarter (Chart 7.11). Over the last two years, banking sector's capital market exposures on solo and consolidated basis remained within the regulatory limits.

Chart 7.11: Banking Sector's Exposure in Capital Market



Source: DOS, BB; Compilation: FSD, BB.

However, Banks should remain vigilant about market volatility, as it can significantly impact their earnings derived from capital market activities.

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[23] Represented by paid up capital, statutory reserve, retained earnings and balance of non repayable share premium account, as per Department of Offsite Supervision (DOS) circular no-02, dated 16-9-2023.

CHAPTER 8: RECENT STABILITY INITIATIVES OF BANGLADESH

From July to September, Bangladesh experienced a period of political uncertainty while its' economy grappled with high inflation, low FDI, natural disasters, and a significant debt burden. In response to these challenges, Bangladesh Bank (BB) introduced several policy measures to address the economic adversities. Some of those key measures are stated below:

8.1 Exit Policy for Recovery/ Settlement of Loans

Bangladesh Bank has issued a circular which provides a structured approach to banks for recovery or settlement of adversely classified loans that become difficult to recover or settle due to uncontrollable challenges leading to insufficient cash flow of the concerned borrowers. *[Ref: BRPD Circular No. 13, Date: 08 July, 2024]*

8.2 Repayment/Adjustment of Loans of Borrowers Affected by Recent Floods

According to a circular issued by Bangladesh Bank, loan repayment conditions have been relaxed to borrowers of agricultural and cottage, micro, small and medium enterprise (CMSME) sectors in the flood affected areas of the country. *[Ref: BRPD Circular Letter No. 39, Date: 01 September, 2024]*

8.3 Loan Facility for Payment of Salaries and Allowances to Workers of Active Export-Oriented Industries

To ensure uninterrupted production Bangladesh Bank (BB) instructed scheduled banks to allow loan facilities to active export-oriented industries that have been facing difficulties to pay their employees' salaries due to the domestic political situation and the global economic environment. Term loans will be provided to active export-oriented industries based on the banker-customer relationship, to cover salaries and allowances for August 2024. *[Ref: BRPD Circular Letter No. 40, Date: 01 September, 2024]*

8.4 L/C Margin on Import Financing

Bangladesh Bank has issued a circular letter stating that the cash margin rate for opening import L/C will be determined based on the banker-customer relationship. This instruction will be applied to all products, except for certain luxury goods and domestically produced import substitutes, mentioned in the circular letter, which will require a 100% cash margin. *[Ref: BRPD Circular Letter No. 41, Date: 05 September, 2024]*

8.5 Agricultural and Rural Credit Policy and Program for the FY 2024-2025

Bangladesh Bank (BB) has issued Agricultural and Rural Credit Policy and Program for FY 2024-2025 to ensure consistent credit flow to farmers and marginalized communities. The initiative focuses on increasing agricultural productivity, generating employment opportunities, and alleviating poverty through improved rural financing. The agricultural credit target for the scheduled banks is set at BDT 380 billion for the FY 2024-2025 which is 8.57 percent higher than that of the previous fiscal year. *[Ref: ACD Circular No. 01, Date: 29 August, 2024]*

8.6 Guarantee Fee against Credit Guarantee Facilities to Cottage, Micro, Small & Medium Enterprises (CMSMEs) and Financial Inclusion Sector

To address the need to make credit guarantee facilities more cost-effective and accessible to entrepreneurs, Bangladesh Bank has reduced fees payable against credit guarantee facility for entrepreneurs in CMSMEs and financial inclusion sectors. Banks or finance companies participating in the scheme are required to pay a guarantee fee at the rate of 0.50 percent for the first year of the loan and 0.25 percent for the following years *[Ref: CGD Circular Letter No. 01, Date: 01 July, 2024]*

8.7 Refinancing Scheme for Marginal/Landless Farmers, Low Income Professionals, School Banking Account Holders and Small Businessmen with Tk.10/50/100 Account Holders

Bangladesh Bank has issued a circular letter announcing an increase in the funds for the refinancing scheme targeting marginal/landless farmers, low-income professionals, school banking account holders, and small entrepreneurs with BDT 10/50/100 account holders. In response to the growing demand, the need to provide credit facilities to areas affected by floods on priority basis and to promote financial inclusion for marginalized communities, the revolving refinancing scheme fund has been raised from BDT 5 billion to BDT 7.5 billion. *[Ref: FID Circular Letter No. 01, Date: 29 September, 2024]*

8.8 Regarding Fund Transfer from Domestic Banking to Offshore Banking Operations

Offshore Banking Operations (OBOs) has been permitted to borrow funds from their Domestic Banking Units (DBUs) up to 30% of their regulatory capital to facilitate their operations (OBOs) and keeping their business uninterrupted. However, OBOs with borrowings exceeding this 30% limit were directed to bring their borrowings within the limit by December 31, 2024. *[Ref: FEPD*

Circular Letter No.13, Date: 20 August, 2024.]

8.9 Interest Rate on Borrowing from Export Development Fund (EDF)

Considering the global market trends, it has been decided that interest rate on EDF loans to ADs will be charged by Bangladesh Bank at Secured Overnight Financing Rate (SOFR) + 0.5% pa, while ADs will charge to manufacturer-exporters at SOFR+1.50% pa. *[Ref: FEPD Circular No.15, Date: 1 September, 2024.]*

8.10 Re-fixation of Interest Rate Corridor (IRC)

Bangladesh Bank (BB) has increased the policy rate (repo rate) from 9 percent to 9.50 percent to control and contain high inflation. Besides, the upper limit of the policy rate corridor for the Standing Lending Facility (SLF) has been increased to 11 percent from 10.50 percent, while the lower limit for the Standing Deposit Facility (SDF) has been raised to 8 percent from 7.50 percent. The central bank will pursue a contractionary monetary policy until inflationary pressure gets normalized. *[Ref: MPD Circular No.04, Date: 24 September, 2024.]*

8.11 পরিশোধ ও নিষ্পত্তি ব্যবস্থা আইন, ২০২৪ (Payment and Settlement System Act, 2024)

The "Payment and Settlement System Act, 2024"(Act No. 9 of 2024) has been enacted in view of mitigating the risks associated with transactions, clearing and settlement of money and payments through effective supervision and control, and protecting the interests of customers. . The Act was published in the Bangladesh Gazette on July 4, 2024. *[Ref: PSD Circular Letter No.09, Date: 01 August, 2024.]*

8.12 Revolving Fund for CMSMEs under Second Small and Medium Sized Enterprise Development Project (SMEDP-2)

In order to foster the growth of the CMSME sector and improve financial inclusion, a revolving refinancing fund has been introduced under the Second Small and Medium-Sized Enterprise Development Project (SMEDP-2). Bangladesh Bank has issued a circular detailing policy guidelines for providing refinancing benefits to banks and finance companies to facilitate financing to cottage, micro, small and medium industries. *[Ref: SMEDP-2 Circular No.01, Date: 05 September, 2024.]*

APPENDICES

Appendix I: CPI Inflation (12-month Average)

(Percent)

Month	Inflation (General)	Inflation (Food)	Inflation (Non-Food)
Sep-22	6.96	7.04	6.84
Dec-22	7.70	7.75	7.62
Mar-23	8.39	8.31	8.53
Jun-23*	9.02	8.71	9.39
Sep-23*	9.29	9.37	9.44
Dec-23*	9.48	10.08	9.05
Mar-24*	9.69	10.37	8.98
Jun-24*	9.73	10.66	8.86
Sep-24	9.97	10.77	9.17

Base: 2005-06 till March 2023; 2021-2022 in June 2023 and onwards.

*Note: Twelve month average food and non-food indices have been calculated after shifting of base from FY06 to FY22 (from Major Economic Indicator, BB).

Appendix II: Foreign Exchange Reserve

(Amount in Billion USD)

Month-end	International Reserve
Jun-22	41.83
Sep-22	36.48
Dec-22	33.75
Mar-23	31.14
Jun-23	31.20 (24.75 as per BPM6)
Sep-23	26.91 (21.06 as per BPM6)
Dec-23	27.13 (21.87 as per BPM6)
Mar-24	25.23 (19.91 as per BPM6)
Jun-24	26.71[P] (21.79 as per BPM6)
Sep-24	24.86 (19.86 as per BPM6)

P=Provisional.

Appendix III: Wage Earners' Remittance

(Amount in Billion USD)

Quarter	Amount
Jun-22	5.73
Sep-22	5.67
Dec-22	4.82
Mar-23	5.54
Jun-23	5.58
Sep-23	4.91
Dec-23	5.89
Mar-24	6.27
Jun-24	6.84
Sep-24	6.54

Appendix IV: Exports and Imports

(Amount in Billion USD)

Quarter	Aggregate Exports (F.O.B)	Aggregate Imports (F.O.B)
Sep-22	11.80	19.35
Dec-22	11.37	18.78
Mar-23	10.61	15.81
Jun-23	10.20	15.56
Sep-23	10.08	14.75
Dec-23	10.11	16.24
Mar-24	10.76	15.40
Jun-24	9.86	16.54
Sep-24	10.56	15.19

P=Provisional, RP=Revised but Provisional.

Appendix V: Interest Rate (Weighted Average) Spread

(In Percent)

Period	Lending Rate	Deposit Rate	Spread
Jun-22	7.09	3.97	3.12
Sep-22	7.12	4.09	3.03
Dec-22	7.22	4.23	2.99
Mar-23	7.31	4.35	2.96
Jun-23	7.31	4.38	2.93
Sep-23	7.83	4.52	3.31
Dec-23	9.36	4.70	4.66
Mar-24	10.36	5.17	5.19
Jun-24	11.52	5.49	6.03
Sep-24	11.70	5.84	5.86

Appendix VI: Weighted Average Exchange Rate

(BDT/USD)

Quarter	Period Average	End Period
Jun-22	92.03	93.45
Sep-22	95.62	96.00
Dec-22	98.85	99.00
Mar-23	101.96	102.00
Jun-23	105.88	106.00
Sep-23	109.97	110.25
Dec-23	110.15	110.00
Mar-24	110.00	110.00
Jun-24	117.99	118.00
Sep-24	120.00	120.00

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

(Amount in Billion BDT)

Period	Amount
Jun-22	3,990.80
Sep-22	4,018.22
Dec-22	4,042.00
Mar-23	4,361.00
Jun-23	4,970.72
Sep-23	4,913.37
Dec-23	4,671.75
Mar-24	5,041.77
Jun-24	5,561.52
Sep-24	5,271.00

Appendix VIII: Asset to GDP Ratio

(Amount in billion BDT)

Quarter	Total assets	Quarterly Growth of Total Assets	Quarterly Change in Total Asset amount	Quarterly GDP	Quarterly Growth of GDP	Quarterly Asset/GDP
Sep-22	21680.49	0.62%	134.07	40917.06	13.03%	52.99%
Dec-22	21962.39	1.30%	281.90	42268.84	12.64%	51.96%
Mar-23	22275.20	1.42%	312.81	43278.37	11.32%	51.47%
Jun-23	23142.84	3.90%	867.64	44908.35	13.07%	51.53%
Sep-23	23457.74	1.36%	314.90	46542.95	13.75%	50.40%
Dec-23	23983.97	2.24%	526.24	48356.11	14.40%	49.60%
Mar-24	24280.84	1.24%	296.87	50154.25	15.89%	48.41%
Jun-24	25462.60	4.87%	1181.76	51777.13	15.30%	49.18%
Sep-24	25240.13	-0.87%	-222.47	52739.75	13.31%	47.86%

Appendix IX: Asset Structure of the Banking Industry

(Amount in Billion BDT)

PROPERTY AND ASSETS	JUN-23	SEP-23	DEC-23	MAR-24	JUN-24	SEP-24
Cash in hand	197.22	241.28	251.36	308.13	300.81	282.82
Balance with Bangladesh Bank and its Agent Bank	934.96	842.11	1,111.08	760.29	1,275.15	724.80
Balance with other banks and financial companies (including Money at call and short notice)	1,022.55	964.57	879.19	879.38	997.90	919.81
Investment	3,803.26	3,910.27	3,785.19	4,080.26	4,401.66	4,491.88
Loans and Advances (including bill discounted and purchased)	15,702.88	15,939.70	16,491.45	16,709.72	17,031.30	17,139.23
Fixed Assets	291.81	291.12	294.12	299.34	302.64	302.98
Other Assets	1,186.27	1,264.80	1,155.45	1,225.16	1,132.26	1,357.39
Non-banking assets	3.88	3.88	16.13	18.56	20.88	21.23
Total Assets	**23,142.84**	**23,457.73**	**23,983.97**	**24,280.84**	**25,462.60**	**25,240.14**

Appendix X: Banking Sector Assets and NPL Concentration (End-Sep, 2024)

(Amount in Billion BDT)

Assets	Top 5 Banks	Other Banks	Top 10 Banks	Other Banks
Amount	7,924.09	17,316.05	11,636.03	13,604.11
Share (%)	31.39%	68.61%	46.10%	53.90%
NPL	**Top 5 banks**	**Other banks**	**Top 10 banks**	**Other banks**
Amount	1,452.76	1,397.01	2,018.91	830.87
Share (%)	50.98%	49.02%	70.84%	29.16%

Appendix XI: Banking Sector NPL Ratio

(Amount in billion BDT)

Quarter	NPL	NPL Ratio (%)
Dec-21	1,032.74	7.93
Mar-22	1,134.41	8.53
Jun-22	1,252.57	8.96
Sep-22	1,343.96	9.36
Dec-22	1,206.57	8.16
Mar-23	1,316.21	8.80
Jun-23	1560.39	10.11
Sep-23	1553.98	9.93
Dec-23	1456.33	9.00
Mar-24	1822.95	11.11
Jun-24	2113.92	12.56
Sep-24	2849.77	16.93

Appendix XII: Distribution of Banks by NPL Ratio Range

Range	Number of Banks as at end period						
	Mar-23	June-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
≤2%	6	7	8	10	8	8	6
>2% to ≤3%	7	4	1	1	3	4	3
>3% to ≤5%	18	17	16	23	19	15	11
>5% to ≤10%	14	18	20	12	16	19	20
>10% to ≤15%	5	3	3	3	2	3	4
>15% to ≤20%	3	3	4	3	3	1	3
>20%	8	9	9	9	10	11	14
Total	61	61	61	61	61	61	61

Appendix XIII: Banking Sector Loan Loss Provisions

(Amount in billion BDT)

PERIOD	REQUIRED PROVISION	PROVISION MAINTAINED	PROVISION MAINTENANCE RATIO (%)
Sep-22	886.83	751.54	84.74
Dec-22	841.57	731.48	86.92
Mar-23	926.20	763.21	82.40
June-23	1010.31	795.67	78.76
Sep-23	1063.75	811.04	76.24
Dec-23	989.41	796.80	80.53
Mar-24	1114.70	848.84	76.15
Jun-24	1141.66	893.55	78.27
Sep-24	1815.92	1262.13	69.50

Appendix XIV: Banking Sector Classified Loans Ratios

PERIOD	CLASSIFIED LOANS TO TOTAL LOANS	SUB-STANDARD LOANS TO CLASSIFIED LOANS	DOUBTFUL LOANS TO CLASSIFIED LOANS	BAD LOANS TO CLASSIFIED LOANS
Sep-22	9.36%	7.81%	3.97%	88.21%
Dec-22	8.16%	6.79%	4.54%	88.67%
Mar-23	8.80%	8.43%	4.62%	86.95%
Jun-23	10.11%	15.07%	4.26%	80.67%
Sep-23	9.93%	8.02%	4.26%	87.72%
Dec-23	9.00%	9.05%	3.90%	87.06%
Mar-24	11.11%	11.44%	4.02%	84.54%
Jun-24	12.56%	17.39%	3.19%	79.42%
Sep-24	16.93%	12.98%	5.40%	81.62%

Appendix XV: Classified Loan Composition (September 2024)

(Amount in billion BDT)

PARTICULARS	AMOUNT	PERCENT OF TOTAL
Substandard (SS)	369.98	12.98%
Doubtful (DF)	153.86	5.40%
Bad/Loss (BL)	2325.93	81.62%
Total Classified Loan	2849.77	100.00%

Appendix XVI: Banking Sector ROA Range

Quarter	ROA Range			
	≤0%	> 0% to ≤0.5%	> 0.5% to ≤1%	> 1%
Sep-22	9	15	20	16
Dec-22	8	11	17	24
Mar-23	12	16	17	16
Jun-23	11	15	21	14
Sep-23	10	15	18	18
Dec-23	8	9	17	27
Mar-24	10	20	12	19
Jun-24	8	17	15	21
Sep-24	11	20	10	20

Note: ROAs have been annualized from respective quarterly ratios except the quarter of December.

Appendix XVII: Banking Sector ROE Range

Quarter	ROE Range			
	≤0%	> 0% to ≤5%	> 5% to ≤10%	> 10%
Sep-22	8	10	16	26
Dec-22	8	7	13	32
Mar-23	12	15	14	20
Jun-23	11	11	14	25
Sep-23	10	13	13	25
Dec-23	8	6	11	36
Mar-24	10	14	13	24
Jun-24	9	10	18	24
Sep-24	12	17	11	21

Note: ROEs have been annualized from respective quarterly ratios except the quarter of December.

Appendix XVIII: Banking Sector ROA and ROE

Ratio	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
ROA*	0.53%	0.62%	0.39%	0.43%	0.41%	0.59%	0.23%	0.40%	0.38%
ROE*	9.48%	10.70%	6.83%	7.88%	7.46%	10.54%	4.32%	7.85%	7.42%

Note: *All are annualized except the quarter of December. P-provisional

Appendix XIX: Cluster-wise decomposition of Earnings

Amount in billion BDT

	SOCBs		PCBs (Excluding IBs)		FCBs		SBs		IBs		Industry	
	Sep-23	Sep-24	Sep-23	Sep-24	Sep-23	Sep-24	Sep-23	Sep-24	Sep-23	Sep-24	Sep-23	Sep-24
NII	3.10	-13.23	117.44	135.10	28.35	38.09	-0.66	-0.15	71.01	80.56	219.24	240.37
NOI	37.22	47.10	4.90	47.37	22.91	31.47	-5.01	-4.58	-28.43	-33.37	31.60	87.99
Prov.	43.19	44.75	79.83	136.04	19.13	23.60	-	0.30	26.07	42.46	168.22	247.06
NI	-2.88	-10.88	42.51	46.42	32.13	45.97	-5.66	-4.94	16.51	4.72	82.61	81.29

Note: NII, NOI, Prov. and NI represent net interest income, net operating income, provisions and net income.

Appendix XX: FIs' Liability and Equity Composition

(Amount in Billion BDT)

Particulars	June-24	September-24
Borrowing	294.02	286.28
Deposits	475.14	496.71
Capital	-47.21	-81.43
Others	285.22	293.37
Total	1,007.17	994.93

Source: DFIM; Compilation: FSD, BB.

Appendix XXI: FIs' Asset Composition

(Amount in Billion BDT)

Particulars	June-24	September-24
Cash & liquid assets	130.62	118.03
Earning assets	808.99	809.55
Fixed assets	14.11	14.08
Others assets	53.45	53.27
Total	1,007.17	994.93

Source: DFIM; Compilation: FSD, BB.

Appendix XXII: FIs' Classified Loans and Leases

(Amount in Billion BDT)

Quarter	Aggregate NPL	NPL Ratio (%)
Sep-22	173.27	24.61
Dec-22	168.21	23.88
Mar-23	178.54	25.05
Jun-23	199.51	27.65
Sep-23	216.58	29.75
Dec-23	232.09	31.55
Mar-24	229.61	30.86
Jun-24	247.11	33.15
Sep-24	261.63	35.52

Source: DFIM, BB.

Appendix XXIII: FIs' ROA & ROE

(In percent)

Quarter	Aggregate ROA	Aggregate ROE
Sep-22	-0.40%	-7.85%
Dec-22	-1.27%	-5.95%
Mar-23	-1.32%	-19.26%
Jun-23	-1.43%	-20.67%
Sep-23	-2.02%	-
Dec-23	-1.81%	-
Mar-24	-1.99%	-
Jun-24	-2.44%	-
Sep-24	-3.02%	-

Note: The displayed ratios are annualized figures from respective quarterly/half yearly ratios.
Source: FIs; Compilation: FSD, BB.

Appendix XXIV: Banking Sector Regulatory Capital Position- Solo Basis

(Amount in billion BDT)

Capital	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Minimum Capital Requirement	1466.24	1461.36	1505.07	1537.31	1608.34
Total Capital Requirement	1581.07	1656.23	1590.44	1594.58	1075.79

Appendix XXV: Banking Sector CRAR Distribution

CRAR	Number of Banks (at End Period)				
	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
<10%	10	10	11	11	16
10% to <15%	25	19	22	22	21
15% and above	26	32	28	28	24
Compliant Banks	51	51	50	50	45

Appendix XXVI: Banking Sector Asset and Liability Share based on CRAR as at end-Sep 2024

CRAR	No. of Banks	Asset Share (%)	Liability Share (%)
<10%	16	29.05	30.72
10% to <15%	21	52.75	52.46
15% and above	24	18.19	16.82
Total	61	100.00	100.00

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

Particulars	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Tier-1 Capital Ratio (%)	7.98	8.44	7.77	7.61	4.13
No. of Tier-1 capital compliant banks	51	51	51	50	46
Overall CRAR (%)	11.08	11.64	10.85	10.64	6.86
No. of CRAR compliant banks	51	51	50	50	45

Appendix XXVIII: Bank Cluster-wise CRAR at end-September 2024

Bank Clusters	CRAR %
SOCBs	-2.48
Conventional PCBs	12.07
Islamic PCBs	3.70
SDBs	-42.20

Appendix XXIX: Distribution of Risk Weighted Assets (RWA) of the Banking Industry

(In Percentage)

RWA	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
RWA for Credit Risk	88.15	88.32	88.22	88.17	88.31
RWA for Market Risk	3.81	3.10	3.22	3.38	3.60
RWA for Operational Risk	8.04	8.58	8.57	8.45	8.09

Appendix XXX: Capital Conservation Buffer (CCB) at end-September 2024

Particulars	No. of Compliant Banks	No. of banks considered	Aggregate CCB (%)
Solo	39	61	0%
Consolidated	22	40	0%

Appendix XXXI: CRR and SLR at end-September 2024

Bank Clusters	CRR (in percentage)		SLR (in percentage)	
	Required	Maintained	Required	Maintained
SOCBs	3.50%	4.28%	13.01%	26.65%
PCBs (Conventional)	3.50%	3.52%	10.45%	16.62%
FCBs	3.50%	5.88%	12.79%	47.70%
SDBs	3.50%	3.90%	0.00%	0.00%
PCB (Islamic Shari'ah based)	3.50%	0.89%	5.50%	5.52%
Industry	3.50%	3.27%	11.18%	20.60%

*CRR on bi-weekly average basis; SDBs are exempted from maintaining SLR.

Appendix XXXII: Banking Sector Advance-to-Deposit Ratio (ADR)

Period	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
ADR (in percent)	78.08	81.87	80.98	80.20	81.32

Appendix XXXIII: Number of Banks according to Range of Leverage Ratio - Solo Basis

Leverage Ratio	Jun-24	Sep-24
<3.50%*	11	15
≥3.50% to 10%	36	32
>10% to 20%	8	8
>20% to 30%	4	5
>30%	2	1

* The minimum regulatory requirement of leverage ratio has been changed from 3.25 percent to 3.50 percent.

Appendix XXXIV: Bank Cluster-wise Leverage Ratio - Solo Basis

(In Percentage)

Bank Clusters	Sep-24
SOCBs	-2.56
Conventional PCBs	5.02
Islamic Sharia Banks	0.66
FCBs	16.55
SBs	-28.23

Appendix XXXV: Bank Cluster-wise LCR and NSFR

(In Percentage)

Bank Clusters	LCR & NSFR									
	Sep-23		Dec-23		Mar-24		Jun-24		Sep-24	
	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR	LCR	NSFR
SOCBs	220.61	106.02	218.68	102.93	202.62	102.84	211.75	101.91	220.90%	102.01%
PCBs (Conventional)	143.53	111.65	139.23	111.10	147.06	111.83	146.74	112.85	154.59%	112.78%
PCBs (Islamic)	58.76	107.64	66.09	104.25	45.98	103.83	65.03	107.58	48.56%	108.92%
FCBs	367.92	131.72	393.15	130.42	412.14	128.97	537.51	131.77	394.14%	130.78%
Industry	154.69	110.28	147.69	108.36	145.46	108.58	151.01	109.70	158.30%	110.09%

NB: BDBL, BKB, PKB, RAKUB are exempted from maintaining LCR & NSFR.

Appendix XXXVI: FCs' CRR and SLR

(Amount in Billion BDT)

Quarter End	Aggregate CRR			Aggregate SLR		
	Required	Maintained	Surplus/Shortfall	Required	Maintained	Surplus/Shortfall
Sep-22	5.32	5.24	(0.09)	24.67	96.39	71.72
Dec-22	5.37	5.69	0.32	25.15	92.97	67.82
Mar-23	5.24	5.88	0.64	24.91	96.46	71.55
Jun-23	5.28	5.29	0.01	25.25	99.60	74.35
Sep-23	5.36	5.52	0.16	25.85	102.44	76.59
Dec-23	5.33	5.43	0.10	25.26	104.87	79.61
Mar-24	5.32	5.40	0.08	25.22	115.21	89.99
Jun-24	5.32	5.37	0.05	25.53	108.59	83.06
Sep-24	5.40	5.74	0.34	26.81	112.69	85.88

Appendix XXXVII: Capital Adequacy Ratio (CAR) of FC Sector

Particulars	End Sep-22	End Dec-22	End Mar-23	End Jun-23	End Sep-23	End Dec-23	End Mar-24	End Jun-24	End Sep-24
CAR (%)	10.16	8.16	7.29	5.08	2.59	1.62	3.24	(3.31)	(14.93)

Appendix XXXVIII: Overall Risk-weighted Assets and Tier 1 Capital of FC Sector

(Amount in Billion BDT)

Particulars*	End Sep-22	End Dec-22	End Mar-23	End Jun-23	End Sep-23	End Dec-23	End Mar-24	End Jun-24	End Sep-24
Credit RWA	620.4	592.06	633.11	613.36	610.84	603.92	589.46	571.47	583.18
Market RWA	40.76	25.18	24.63	25.15	24.79	24.95	22.93	28.31	22.31
Operational RWA	47.08	41.31	47.88	44.07	43.84	42.43	40.61	43.35	41.99
Total RWA	**708.24**	**658.55**	**705.62**	**682.58**	**679.47**	**671.30**	**653.00**	**643.13**	**647.48**
Core Capital (Tier -1)	59.11	41.08	35.72	21.34	4.33	(1.81)	8.64	(33.01)	(108.54)
Supplementary Capital	12.85	12.63	13.74	13.33	13.28	12.69	12.54	11.71	11.88
Eligible Capital	**71.96**	**53.71**	**49.46**	**34.67**	**17.61**	**10.88**	**21.17**	**(21.30)**	**(96.66)**

Appendix XXXIX: DSEX and MSCI Emerging Markets Index

Date	DSEX	Date	MSCI Emerging Markets Index
1-Sep-24	5829.37	1-Sep-24	1099.92
2-Sep-24	5803.71	2-Sep-24	1096.34
3-Sep-24	5786.52	3-Sep-24	1090.17
4-Sep-24	5739.07	4-Sep-24	1073.59
5-Sep-24	5728.65	5-Sep-24	1076.09
8-Sep-24	5679.31	8-Sep-24	1074.89
9-Sep-24	5629.54	9-Sep-24	1063.44
10-Sep-24	5702.83	10-Sep-24	1062.88
11-Sep-24	5713.96	11-Sep-24	1058.69
12-Sep-24	5726.52	12-Sep-24	1075.62
15-Sep-24	5711.77	15-Sep-24	1082.3
17-Sep-24	5681.60	17-Sep-24	1090.51
18-Sep-24	5694.14	18-Sep-24	1087.75
19-Sep-24	5735.27	19-Sep-24	1100.15
22-Sep-24	5734.97	22-Sep-24	1106.44
23-Sep-24	5760.39	23-Sep-24	1110.66
24-Sep-24	5777.96	24-Sep-24	1132.04
25-Sep-24	5736.51	25-Sep-24	1136.8
26-Sep-24	5639.13	26-Sep-24	1163.38
29-Sep-24	5658.12	29-Sep-24	1174.52
30-Sep-24	5624.50	30-Sep-24	1170.85

Appendix XL: DSE Performance

Month	*(In Billion BDT)*		Index		
	Turnover	Market Capitalization	DSEX	DS30	DSES
Jul-22	122.84	5028.78	6133.96	2193.58	1339.48
Aug-22	254.72	5188.23	6457.22	2283.06	1398.67
Sep-22	354.80	5199.14	6512.89	2330.42	1419.73
Oct-22	210.92	7669.18	6307.34	2226.71	1377.43
Nov-22	163.27	7642.41	6235.95	2214.33	1370.18
Dec-22	72.31	7609.37	6206.81	2195.30	1358.84
Jan-23	117.27	7654.72	6267.05	2219.60	1366.01
Feb-23	86.29	7630.09	6216.95	2220.98	1359.66
Mar-23	94.06	7623.66	6206.80	2209.44	1349.33
Apr-23	102.96	7656.91	6262.69	2202.42	1359.83
May-23	184.62	7737.19	6339.74	2189.02	1377.00
Jun-23	146.80	7720.78	6344.09	2192.82	1377.00
Jul-23	171.28	7812.79	6324.81	2157.41	1370.92
Aug-23	96.52	7760.58	6299.5	2141.61	1372.52
Sep-23	113.06	7774.76	6284.63	2140.36	1359.6
Oct-23	100.69	7842.67	6278.66	2133.87	1362.73
Nov-23	94.98	7718.17	6223.03	2108.32	1353.21
Dec-23	102.06	7806.50	6246.50	2093.83	1364.13
Jan-24	157.47	7517.34	6153.34	2103.93	1351.96
Feb-24	239.16	7607.24	6254.54	2126.80	1359.82
Mar-24	114.03	6833.04	5829.70	2021.30	1266.31
Apr-24	93.57	7035.11	5584.65	1995.31	1227.51
May-24	133.56	6489.22	5221.96	1874.84	1143.70
Jun-24	83.55	6621.56	5328.40	1909.64	1180.01
July-24	109.175	6493.87	5280.47	1886.19	1153.97
Aug-24	165.959	6995.82	5804.42	2124.71	1241.26
Sep-24	140.496	6834.12	5624.50	2053.36	1263.73

Appendix XLI: Sectoral Turnover at DSE

Sectors	Apr-June-24	Jul-Sep-24
Corporate Bond	0.01%	0.02%
Ceramic	2.72%	0.88%
Tannery	1.73%	0.95%
Services & Real estate	1.06%	1.04%
Jute	1.01%	1.14%
Paper & Printing	1.09%	1.50%
Cement	1.17%	1.89%
Miscellaneous	2.13%	2.37%
Financial Institutions	1.21%	2.53%
Mutual Funds	3.69%	2.66%
Travel and Leisure	3.93%	3.16%
IT - Sector	4.78%	3.75%
Fuel & Power	3.08%	4.98%
Telecommunication	1.24%	5.38%
Engineering	8.84%	6.26%
Insurance	8.29%	6.83%
Textile	12.59%	8.36%
Food & Allied Product	12.99%	10.59%
Pharmaceuticals & Chemicals	20.80%	17.29%
Banks	7.65%	18.40%

Appendix XLII: Sectoral Market Capitalization at DSE

Sector	End-June 24	End-Sep 24
Jute	0.10%	0.11%
Ceramic	0.60%	0.45%
Services & Real estate	0.64%	0.48%
Paper & Printing	0.86%	0.58%
Tannery	0.73%	0.60%
Mutual Funds	0.85%	0.72%
IT - Sector	0.90%	0.78%
Corporate Bond	1.15%	0.92%
Travel and Leisure	1.61%	1.19%
Cement	3.02%	2.84%
Financial Institutions	2.98%	3.05%
Textile	3.43%	3.08%
Insurance	3.87%	3.52%
Miscellaneous	6.30%	5.86%
Fuel & Power	8.97%	8.03%
Engineering	9.60%	8.33%
Food & Allied Product	8.06%	8.67%
Pharmaceuticals & Chemicals	16.57%	14.92%
Telecommunication	13.00%	16.48%
Banks	16.77%	19.40%

Appendix XLIII: Sectoral P/E Ratio at DSE

Sector	End-June 24	End-Sep 24
Banks	5.94	6.4
Fuel & Power	8.7	8.46
Engineering	14.97	12.1
Travel and Leisure	15.33	12.12
Pharmaceuticals & Chemicals	13.59	12.3
Telecommunication	7.95	12.67
Insurance	13.93	12.84
Cement	10.09	13.2
Textile	13.92	13.35
Services & Real estate	17.83	14.44
Food & Allied Product	13.95	14.77
Financial Institutions	14.07	15.27
Jute	12.61	15.62
IT - Sector	19.17	17.61
Tannery	20.57	17.83
Miscellaneous	31.57	27.37
Mutual Funds	26.78	28.93
Paper & Printing	18.8	31.07
Ceramic	74.63	97.27

Appendix XLIV: Price/Earnings Ratio of Capital Market

Quarter	DSE P/E Ratio	CSE P/E Ratio
Jun-21	18.50	17.68
Sep-21	20.12	19.97
Dec-21	16.29	17.29
Mar-22	15.63	16.80
Jun-22	14.44	15.61
Sep-22	14.91	16.08
Dec-22	14.11	14.35
Mar-23	14.24	14.25
Jun-23	14.34	14.16
Sep-23	14.36	18.74
Dec-23	13.12	14.69
Mar-24	11.73	12.84
Jun-24	10.22	11.56
Sep-24	10.66	12.55

Appendix XLV: DSE Broad Index (DSEX) Volatility and DSE Turnover

Month	Daily Average Index Volatility[24]	Daily Average DSE Turnover (In crore BDT)
Jan-23	40.82	509.90
Feb-23	35.57	454.20
Mar-23	21.81	470.30
Apr-23	26.10	572.00
May-23	28.07	879.10
Jun-23	26.66	815.60
Jul-23	13.08	778.50
Aug-23	27.96	438.70
Sep-23	12.75	628.10
Oct-23	15.51	457.70
Nov-23	24.16	431.70
Dec-23	9.54	537.20
Jan-24	74.64	715.80
Feb-24	65.28	1258.70
Mar-24	143.22	600.10
Apr-24	103.18	519.80
May-24	183.46	667.80
Jun-24	80.34	464.10
Jul-24	101.84	606.50
Aug-24	210.86	873.5
Sep-24	55.42	669

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

Appendix XLVI: CSE Performance

Month	(In Billion BDT)	Index		
	Turnover	CASPI	CSE30	CSI
Oct-22	4.91	18,622.82	13,281.64	1,186.57
Nov-22	3.59	18,408.51	13,201.73	1,169.88
Dec-22	2.87	18,328.02	13,207.07	1,160.95
Jan-23	2.84	18,513.67	13,277.45	1,172.71
Feb-23	2.03	18,326.02	13,300.72	1,158.45
Mar-23	3.22	18,288.35	13,341.81	1,148.76
Apr-23	1.37	18,451.91	13,460.29	1,161.04
May-23	3.22	18,714.52	13,411.25	1,175.40
Jun-23	13.81	18,702.20	13,398.21	1,176.32
Jul-23	3.27	18683.43	13357.57	1171.84
Aug-23	2.234	18633.19	13390.56	1175.13
Sep-23	7.91	18580.58	13358.74	1167.70
Oct-23	14.44	18589.42	13378.96	1170.47
Nov-23	1.74	18479.52	13339.11	1171.02
Dec-23	2.64	18520.14	13304.52	1178.65
Jan-24	2.72	17427.99	13199.22	1131.44
Feb-24	4.45	17928.39	13346.41	1148.70
Mar-24	3.31	16628.71	12696.57	1079.79
Apr-24	3.56	15953.06	12280.93	1051.52
May-24	9.89	15072.20	11632.88	982.71
Jun-24	18.62	15066.82	11943.43	990.22
Jul-24	4.25	15093.13	11869.05	981.00
Aug-24	10.20	16520.24	13199.92	1047.74
Sep-24	2.49	15659.66	12697.19	1020.34

Appendix XLVII: Sectoral Turnover at CSE

Sectors	Contribution of Sectors	
	Apr-Jun, 2024	Jul-Sep, 2024
Corporate Bond	0.07%	0.00%
Ceramics	0.18%	0.34%
Paper & Printing	0.21%	0.37%
Tannery	0.42%	0.42%
Mutual Funds	0.55%	0.53%
IT	0.63%	1.12%
Leasing & Finance	0.64%	1.15%
Services	0.72%	1.39%
Cement	1.08%	1.42%
General Insurance	1.54%	1.71%
Food & Allied Product	1.67%	2.15%
Textile	2.00%	2.28%
Telecommunication	2.24%	2.92%
Engineering	2.91%	3.48%
Life Insurance	3.64%	4.24%
Banking	11.16%	13.50%
Pharmaceuticals & Chemicals	14.84%	16.32%
Fuel & Power	19.50%	16.68%
Miscellaneous	35.96%	29.97%

Appendix XLVIII: Capital Market Exposures of Banks

Period	Solo basis (%)	Consolidated basis (%)
Jun-21	14.40	23.90
Sep-21	16.05	27.09
Dec-21	15.71	25.49
Mar-22	15.83	26.19
Jun-22	15.51	25.15
Sep-22	16.18	26.95
Dec-22	16.42	27.25
Mar-23	16.33	26.98
Jun-23	15.94	26.47
Sep-23	14.91	25.13
Dec-23	15.07	25.39
Mar-24	15.12	25.05
Jun-24	15.86	24.15
Sep-24	15.9	23.96

This report is prepared by Financial Stability Department, Bangladesh Bank, Head Office, Motijheel, Dhaka-1000, Bangladesh.

The report is based on data and information available as of end-September 2024, unless stated otherwise.

The report can be accessed through internet at https://www.bb.org.bd/en/index.php/publication/publictn/2/60

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