Annual Report
2013-2014

Bangladesh Bank

Annual Report

(July 2013-June 2014)

BANGLADESH BANK

(The Central Bank of Bangladesh)

Letter of Transmittal

BANGLADESH BANK

Dhaka
29 January 2015

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

Dear Sir,

In terms of Article 40 (2) of the Bangladesh Bank Order, 1972 (P. O Number 127) I have the honour to submit to the Government of the People's Republic of Bangladesh the Annual Report of the Bangladesh Bank for the financial year 2013-2014. Audited Accounts of the Bank for the financial year was forwarded earlier on 28 August 2014.

Yours faithfully,

(Dr. Atiur Rahman)
Governor

Board of Directors

Dr. Atiur Rahman	Chairman
Mr. Md. Abul Quasem	Director
Dr. Mustafa Kamal Mujeri	Director
Prof. Sanat Kumar Saha	Director
Dr. Sadiq Ahmed	Director
Prof. Hannana Begum	Director
Mr. Fazle Kabir	Director
Mr. Md. Ghulam Hussain	Director
Dr. M. Aslam Alam	Director
Mr. Ahmed Jamal	Secretary

Governor

Dr. Atiur Rahman

Deputy Governors

Md. Abul Quasem

Abu Hena Mohd. Razee Hassan

Shitangshu Kumar Sur Chowdhury

Nazneen Sultana

Change Management Adviser

Md. Allah Malik Kazemi

Chief Economist

Dr. Hassan Zaman

Executive Directors (General)

Md. Ahsan Ullah

Md. Ebtadul Islam

Sudhir Chandra Das

Das Gupta Asim Kumar

Md. Ataur Rahman

M. Mahfuzur Rahman

S.M. Moniruzzaman

Md. Abdul Haque

Mohammad Naushad Ali Chowdhury

Ahmed Jamal

Nirmal Chandra Bhakta

Subhankar Saha

Mohammad Masum Kamal Bhuiyan

Md. Abdur Rahim

Jinnatul Bakeya

Economic Adviser

Dr. Md. Akhtaruzzaman

Executive Director (ICT)

Gouranga Chakraborty

Executive Director (Specialised)

Md. Abdus Sattar Miah

As on 30 June 2014.

Departments of the Head Office and Department Heads*

Accounts & Budgeting Department	Badrul Haque Khan, General Manager@
Agricultural Credit & Financial Inclusion Department	Provash Chandra Mallick, General Manager
Bangladesh Bank Training Academy	Md. Ataur Rahman, Executive Director
	Sheikh Azizul Haque, General Manager
	Laila Bilkis Ara, General Manager
	A.K.M. Fazlur Rahman, General Manager
	Md. Bozlar Rahman Mollah, General Manager
	Md. Mosharraf Hossain Khan, General Manager
	Rokeya Akhter, General Manager
	Md. Abdul Awal Sarker, General Manager
	Md. Nurul Amin Bhuiyan, Systems Manager
Bangladesh Financial Intelligence Unit	Debaprosad Debnath, General Manager
Banking Regulation & Policy Department	Md. Nasiruzzaman, General Manager
Central Bank Strengthening Project Cell	Sheikh Abdullah, General Manager
Chief Economist Unit	Begum Sultana Razia, General Manager
Common Services Department-1	K.M. Gousuzzaman, General Manager
Common Services Department-2	Md. Mohsin-2, General Manager
Credit Information Bureau	Md. Lutful Kabir, General Manager
Debt Management Department	Bishnu Pada Saha, General Manager
Department of Banking Inspection-1	Ashok Kumar Dey, General Manager
Department of Banking Inspection-2	Sultan Ahmed, General Manager
Department of Banking Inspection-3	Mohammad Humayun Kabir, General Manager
Department of Banking Inspection-4	Md. Golam Mostafa, General Manager
Department of Communications and Publications	F.M. Mokammel Hoq, General Manager
Department of Currency Management	Md.Humayun Kabir, General Manager
Department of Financial Institutions & Market	Md. Shah Alam, General Manager
Department of Foreign Exchange Inspection	Md. Iskandar Mian, General Manager
Department of Off-site Supervision	S.M. Rabiul Hassan, General Manager
Deposit Insurance Department	Khagesh Chandra Debnath, General Manager
Expenditure Management Department	Mohammad Akkas Uddin, General Manager
Financial Integrity and Customer services Department	Md. Saiful Islam, General Manager
Financial Stability Department	Debashish Chakrabortty, General Manager
Foreign Exchange Investment Department	A.N.M. Abul Kashem, General Manager
Foreign Exchange Operation Department	Md. Shafiqul Islam, General Manager
Foreign Exchange Policy Department	Md. Masud Biswas, General Manager
Forex Reserve & Treasury Management Department	Kazi Sayedur Rahman, General Manager
Governor's Secretariat	A.F.M. Asaduzzaman, General Manager
Green Banking & CSR Department	Abul Mansur Ahmed, General Manager
Human Resources Department-1	Abu Farah Md. Naser, General Manager
Human Resources Department-2	Md. Azizur Rahman, General Manager
Internal Audit Department	Md. Sadrul Huda, General Manager@
Information Systems Development Department	Md. Rizwanul Hoque, Systems Manager
IT Operation & Communication Department	Qazi Nasir Ahmed, Systems Manager
Law Department	Syed Tariquzzaman, General Manager
Monetary Policy Department	Musarrat Jahan, General Manager
Payment Systems Department	K.M. Abdul Wadood, General Manager
Research Department	Bilkis Sultana, General Manager
	Md. Abdul Quaium, General Manager
	Rokeya Begum, General Manager
Secretary's Department	Dr. Abul Kalam Azad, General Manager
Security Management Department	Lt. Col. (Retd.) Md. Mahmudul Haque Khan Chowdhury, General Manager@
SME & Special Programmes Department	Md. Masum Patwary, General Manager
Special Studies Cell	Md. Elias Sikder, General Manager
Statistics Department	Md. Abdul Bari, General Manager
	A. K. M. Fazlul Haque Mian, General Manager

As per alphabetical arrangement.

Note: 1) Md. Serajul Islam, General Manager, Sheikh Mozaffar Hossain, General Manager, Mohammad Golam Haider, General Manager, Md. Mozibar Rahman, General Manager, Manoj Kumar Biswas, General Manager and Md. Shahidul Alam, General Manager are on deputation with EEF Unit, Bangladesh Institute of Bank Management, Institute of Bankers Bangladesh, Housing Fund, Microcredit Regulatory Authority and Capacity Development for the Bangladesh Bank Project Implementation Unit respectively.

2) Md. Sohrawardy, General Manager and Md. Shahidur Rahman, General Manager are attached with HRD-1.

@= Contractual Basis

* As of 30 June 2014

Branch Offices and Office Heads*

Barisal	Nurul Alam Kazi, General Manager
Bogra	Muhammad Mijanur Rahman Joddar, General Manager
Chittagong	Mohammad Masum Kamal Bhuiyan, Executive Director
Khulna	Md. Abdur Rahim, Executive Director
	Monoj Kanti Bairagi, General Manager
Motijheel	Subhankar Saha, Executive Director
	Md. Saiful Islam Khan, General Manager
	Joarder Israil Hossain (CO), General Manager
	K.M. Nakibul Alam, General Manager
	Dr. Mihir Kanti Chakroborty, Chief Medical Officer(General Manager)@
Mymensingh	Md. Abdul Hamid, General Manager
Rajshahi	Jinnatul Bakeya, Executive Director
	Md. Nazimuddin, General Manager
Rangpur	Md. Khurshid Alam, General Manager
Sadarghat	Md. Moslem Uddin, General Manager
Sylhet	Md. Mobarak Hossain, General Manager

As per alphabetical arrangement.
* As of 30 June 2014
@= Contractual Basis.

Contents

Contents

Contents

Contents

Contents

Contents

Contents

Contents

Contents

Contents

Contents

List of Abbreviations

A/C	Account
ACC	Anti-Corruption Commission
A&BD	Accounts & Budgeting Department
ACU	Asian Clearing Union
ACUD	Asian Clearing Union Dollar
ADB	Asian Development Bank
ADP	Annual Development Programme
ADs	Authorised Dealers
AML	Anti Money Laundering
ASEAN	Association of South East Asian Nations
ATA	Anti-Terrorism Act
ATDTL	Average Total Demand and Time Liabilities
ATDP	Agro- based Industries and Technology Development Project
ATM	Automated Teller Machine
BAB	Bangladesh Accreditation Board
BACH	Bangladesh Automated Clearing House
BACPS	Bangladesh Automated Cheque Processing Systems
BB	Bangladesh Bank
BBLT	Building Bridges through Leadership Training
BBS	Bangladesh Bureau of Statistics
BBTA	Bangladesh Bank Training Academy
BCWMA	Bangladesh Ceramic Wares Manufacturers' Association
BDBL	Bangladesh Development Bank Limited
BEFTN	Bangladesh Electronic Fund Transfer Network
BFIU	Bangladesh Financial Intelligence Unit
BGAPMEA	Bangladesh Accessories & Packaging Manufacturers & Exporters Association
BGIIB	Bangladesh Government Islamic Investment Bond
BGMEA	Bangladesh Garment Manufacturers & ExportersAssociation
BGTBs	Bangladesh Government Treasury Bonds
BLFCA	Bangladesh Leasing and Finance Companies Association
BIRP	Bank Intervention Resolution Plan
BIC	Basel Implementation Cell
BKB	Bangladesh Krishi Bank
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BO	Beneficiary Owner
BoP	Balance of Payments
BPO	Bangladesh Post Office
BPSSR	Bangladesh Payment and Settlement Systems Regulations
BRDB	Bangladesh Rural Development Board
BRPD	Banking Regulation & Policy Department
BSBL	Bangladesh Samabaya Bank Limited
BSEC	Bangladesh Securities and Exchange Commission
BSMMU	Bangabandhu Sheikh Mujib Medical University
BSS	Banking Supervision Specialists
BTMA	Bangladesh Textile Mills Association
BYLC	Bangladesh Youth Leadership Centre
CAMD	Capital Adequacy and Market Discipline
CAMEL	Capital Adequacy, Asset Quality, Management, Earnings and Liquidity
CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
CAMLCO	Chief Anti Money Laundering Compliance Officer
CAR	Capital Adequacy Ratio
CBSP	Central Bank Strengthening Project
CCB	Capital Conservation Buffer
CCB	Countercyclical Capital Buffer
CET1	Common Equity Tier-1
CFC	Chlorofluorocarbon
CFT	Combating the Financing of Terrorism
CFT	Counterfeiting Financial Terrorism
CIB	Credit Information Bureau
CIPC	Customers' Interests Protection Centre
CIT	Cheque Imaging and Transaction
CPI	Consumer Price Index
CRO	Chief Risk Officer
CRR	Cash Reserve Requirement
CSE	Chittagong Stock Exchange
CSR	Corporate Social Responsibility
CTRs	Cash Transaction Reports
D-SIB	Domestic Systematically Important Bank
DBI-1	Department of Banking Inspection-1
DBI-2	Department of Banking Inspection-2
DBI-3	Department of Banking Inspection-3
DBI-4	Department of Banking Inspection-4
DC	Data Centre
DFEI	Department of Foreign Exchange Inspection
DFIM	Department of Financial Institutions & Market
DFIs	Development Finance Institutions
DIS	Deposit Insurance Scheme
DITF	Deposit Insurance Trust Fund
DMD	Debt Management Department
DSE	Dhaka Stock Exchange
DOS	Department of Off-site Supervision
DRR	Diagnostic Review Report
DRS	Disaster Recovery Site
ECB	European Central Bank
ECF	Extended Credit Facility
EDD	Environmental Due Diligence
EDF	Export Development Fund
EDW	Enterprise Data Warehouse
EEF	Equity and Entrepreneurship Fund
EFT	Electronic Fund Transfer
EGBMP	Enterprises Growth and Bank Modernisation Programme
EI	Expenditure-Income
EMT	Executive Management Team
EPB	Export Promotion Bureau
EPZ	Export Processing Zone
ERM	Environmental Risk Management
ERP	Enterprise Resource Planning
ERR	Environmental Risk Rating
ETP	Effluent Treatment Plant
EU	European Union
EWS	Early Warning System

FAO	Food and Agriculture Organisation
FATF	Financial Action Task Force
FCBs	Foreign Commercial Banks
FCK	Fixed Chimney Kiln
FDI	Foreign Direct Investment
FIs	Financial Institutions
FICSD	Financial Integrity and Customer Service Department
FIU	Financial Intelligence Unit
FPM	Financial Projection Model
FRTMD	Forex Reserve & Treasury Management Department
FSD	Financial Stability Department
FSPDSME	Financial Sector Project for the Development of Small and Medium-sized Enterprise
FY	Financial Year (July- June)
GDE	Gross Domestic Expenditure
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
GFSR	Global Financial Stability Report
GNI	Gross National Income
GNS	Gross National Savings
GoB	Government of Bangladesh
GVA	Gross Value Added
H1	First Half
H2	Second Half
HBFC	House Building Finance Corporation
HHI	Herfindahl-Hirschman Index
HHK	Hybrid Hoffman Kiln
HRD-1	Human Resources Department-1
HRD-2	Human Resources Department-2
IAD	Internal Audit Department
IADI	International Association of Deposit Insurance
IAMCL	ICB Asset Management Company Ltd
IASB	International Accounting Standards Board
IBP	Inland Bill Purchase
ICAAP	Internal Capital Adequacy Assessment Process
ICB	Investment Corporation of Bangladesh
ICC	International Credit Card
ICML	ICB Capital Management Ltd
ICRG	International Cooperation and Review Group
ICT	Information and Communication Technology
IDA	International Development Agency
IDCOL	Infrastructure Development Company Limited
IFC-BICF	International Finance Corporation-Bangladesh Investment Climate Fund
IFRSs	International Financial Reporting Standards
IFS	International Financial Statistics
IIFM	Islami Interbank Fund Market
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions
IPFF	Investment Promotion & Financing Facility
IPO	Initial Public Offering
IR	Insolvency Ratio
ISA	International Standards on Auditing
ISS	Integrated Supervision System
ISTCL	ICB Securities Trading Company Ltd.
IT	Information Technology
ITM	Inter-bank Transaction Matrix
JCS	Joint Cooperation Strategy
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
KSA	Kingdom of Saudi Arabia
L/C	Letter of Credit
LAN	Local Area Network
LCR	Liquidity Coverage Ratio
LED	Light-Emitting Diode
LFMEAB	Leather Product & Footwear Manufacturers & Exporters Association of Bangladesh
LIBOR	London Interbank Offered Rate
LOLR	Lender of Last Resort
LPG	Liquefied Petroleum Gas
LSF	Liquidity Support Facility
M2	Broad Money
MANCOM	Management Committee
MANAS	Madok Draba O Nesha Nirodh Sangstha
MCR	Minimum Capital Requirements
MFIs	Microfinance Institutions
MFS	Mobile Financial Services
MLPA	Money Laundering Prevention Act
MLT	Medium and Long Term
MMT	Million Metric Tons
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPD	Monetary Policy Department
MRA	Microcredit Regulatory Authority
MRDI	Management Resources Development Initiative
MSFSCIP	Marginal and Small Farm System Crop Intensification Project
MTMF	Medium Term Macroeconomic Framework
NAFTA	North American Free Trade Agreement
NBFIs	Non-bank Financial Institutions
NCDP	Northwest Crop Diversification Project
NCT	Net Current Transfer
NDA	Net Domestic Assets
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
NFAs	No-Frill Accounts
NGOs	Non-Governmental Organisations
NII	Net Interest Income
NIM	Net Interest Margin
NITA	Non-resident Investor Taka Account
NNPL	Net Non-Performing Loans
NOC	No Objection Certificate
NPLs	Non-Performing Loans
NPS	National Payment Switch
NPSB	National Payment Switch, Bangladesh
NRB	Non-resident Bangladeshi
NSE	National Stock Exchange of India
NSFR	Net Stable Funding Ratio
OMO	Open Market Operation
OPGSPs	Online Payment Gateway Service Providers
PCBs	Private Commercial Banks
PDs	Primary Dealers
PFDS	Public Food Distribution System
PFI	Participating Financial Institution
PKSF	Palli Karma Sahayak Foundation

POL	Petroleum, Oil and Lubricants
POs	Partner Organisations
POS	Point of Sale
PPP	Public Private Partnership
PSD	Payment Systems Department
QIP	Quantum Index of Industrial Production
QRR	Quick Review Report
RAKUB	Rajshahi Krishi Unnayan Bank
RBCA	Risk Based Capital Adequacy
RBCs	Radio Broadcasting Commercials
REER	Real Effective Exchange Rate
Repo	Repurchase Agreement
RIC	Resource Integration Centre
RM	Reserve Money
RMD	Risk Management Department
RMG	Ready Made Garments
RMP	Risk Management Paper
RMU	Risk Management Unit
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real Time Gross Settlement
RWA	Risk Weighted Assets
S&P	Standard and Poor's
SAARC	South Asian Association for Regional Cooperation
SC	Steering Committee
SCBs	State -owned Commercial Banks
SCDP	Second Crop Diversification Project
SDR	Special Drawing Rights
SEC	Securities and Exchange Commission
SEF	Small Enterprise Fund
SHOGORIP	Shashya Gudam Rin Prokalpa
SLR	Statutory Liquidity Ratio
SMEs	Small and Medium Enterprises
SMEDP	Small and Medium-sized Enterprise Development Project
SMESDP	Small and Medium Enterprise Sector Development Project
SME&SPD	SME & Special Programmes Department
SMT	Senior Management Team
SPCBL	Security Printing Corporation (Bangladesh) Ltd.
SREP	Supervisory Review Evaluation Process
SRP	Supervisory Review Process
STRs	Suspicious Transaction Reports
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TA	Technical Assistance
TDTL	Total Demand and Time Liabilities
TIN	Taxpayer's Identification Number
TMSS	Thengamara Mohila Sabuj Sangha
TSL	Two Step Loan
TVCs	Television Commercials
UAE	United Arab Emirates
UK	United Kingdom
US	United States
USA	United States of America
USD	US Dollar
VAT	Value Added Tax
VC	Vice Chancellor
VPN	Virtual Private Network
VSBK	Vertical Shaft Brick Kiln
WAN	Wide Area Network
WAR	Weighted Average Resilience
WAR-WIR	Weighted Average Resilience-Weighted Insolvency Ratio
WEO	World Economic Outlook
WG	Working Group
WIR	Weighted Insolvency Ratio
WTO	World Trade Organisation

Macroeconomic Performance and Prospects

Global Economic Outlook

1.1 The global economic growth has been somewhat disappointing. According to the IMF's latest World Economic Outlook, (WEO, October 2014), global growth in the first half of 2014 fell short from what was anticipated earlier in April 2014. Due to this sluggish performance, the IMF revised its projection for global economic growth for 2014, from 3.7 percent to 3.3 percent. The growth for 2015 is projected to 3.8 percent. In the advanced economies, growth is expected to be 1.8 percent in 2014, and rise to 2.3 percent in 2015. However, in the emerging markets and developing economies, growth is expected to be 4.4 percent in 2014 and 5.0 percent in 2015.

1.2 The projection of global economic growth has been downsized by IMF for observed weak economic performance, particularly in the United States, and a less promising outlook in a number of emerging markets. Growth rate of the United States is forecast to remain unchanged at 2.2 percent in 2014, and expected to rise to 3.1 percent in 2015. In euro area the economic performance is projected to be even more disappointing. The growth is projected to be 0.8 percent in 2014 and 1.3 percent in 2015. The economic growth in Japan is likely to be affected by consumption tax hike; as a result, growth is projected to be 0.9 percent in 2014 and decline further to 0.8 percent in 2015.

Table 1.1 Overview of the World Economic Outlook projections

(annual percentage change)

	2012	2013	Projections 2014	Projections 2015
World output	**3.4**	**3.3**	**3.3**	**3.8**
Advanced economies	1.2	1.4	1.8	2.3
United States	2.3	2.2	2.2	3.1
Euro area	-0.7	-0.4	0.8	1.3
Germany	0.9	0.5	1.4	1.5
France	0.3	0.3	0.4	1.0
Italy	-2.4	-1.9	-0.2	0.8
Spain	-1.6	-1.2	1.3	1.7
United Kingdom	0.3	1.7	3.2	2.7
Japan	1.5	1.5	0.9	0.8
Canada	1.7	2.0	2.3	2.4
Other advanced economies	2.0	2.3	2.9	3.1
Emerging market and developing economies	5.1	4.7	4.4	5.0
Emerging and developing Asia	6.7	6.6	6.5	6.6
China	7.7	7.7	7.4	7.1
ASEAN-5	6.2	5.2	4.7	5.4
South Asia				
Bangladesh	6.3	6.1	6.2	6.4
India	4.7	5.0	5.6	6.4
Pakistan	3.8	3.7	4.1	4.3
Sri Lanka	6.3	7.3	7.0	6.5
World trade volume (goods and services)	**2.9**	**3.0**	**3.8**	**5.0**
Imports				
Advanced economies	1.2	1.4	3.7	4.3
Emerging and developing economies	6.0	5.3	4.4	6.1
Exports				
Advanced economies	2.0	2.4	3.6	4.5
Emerging and developing economies	4.6	4.4	3.9	5.8
Commodity prices (U.S. dollars)				
Oil	1.0	-0.9	-1.3	-3.3
Nonfuel	-10.0	-1.2	-3.0	-4.1
Consumer prices				
Advanced economies	2.0	1.4	1.6	1.8
Emerging market and developing economies	6.1	5.9	5.5	5.6
South Asia				
Bangladesh	6.2	7.5	7.2	6.7
India	10.2	9.5	7.8	7.5
Pakistan	11.0	7.4	8.6	8.0
Sri Lanka	7.5	6.9	3.8	5.4

Source: World Economic Outlook, October 2014, IMF.

Growth in emerging markets and developing economies is projected to be modest in 2015, supported mainly by stronger domestic demand. Growth in these economies is projected to decline to 4.4 percent in 2014 from 4.7 percent in 2013 and then increase to 5.0 percent in 2015. Growth in China is projected to be 7.4 percent in 2014 due to some targeted policy measures to support activity and then decline to 7.1 percent in 2015. Growth in India is expected to pick up gradually after the postelection recovery in business environment, balancing the effect of an unfavourable monsoon on agricultural growth. An overview of the WEO October 2014 projections is reproduced in Table 1.1.

1.3 Inflation in advanced economies has generally remained below the central bank targets, indicating a continued weakening of economic activities in these economies. Consumer prices in these economies are anticipated to rise to 1.6 percent in 2014 and 1.8 percent in 2015 from 1.4 percent in 2013. Inflation has remained more or less stable in emerging markets and developing economies. It is expected to decline from 5.9 percent in 2013 to 5.5 percent in 2014 and then rise to 5.6 percent in 2015 in these economies.

1.4 World trade volume growth is projected to rise from 3.0 percent in 2013 to 3.8 percent in 2014 and then increase further to 5.0 percent in 2015. The growth rate of imports for advanced economies is expected to increase from 1.4 percent in 2013 to 3.7 percent in 2014, to 4.3 percent in 2015. However, in emerging markets and developing economies, growth rate of imports is projected to decline from 5.3 percent in 2013 to 4.4 percent in 2014, and then rise to 6.1 percent in 2015. Exports of advanced economies are expected to grow by 3.6 percent in 2014 and by 4.5 percent in 2015. The same growth in emerging markets and developing economies is expected to be 3.9 and 5.8 percent in 2014 and 2015 respectively.

1.5 The global financial system is undergoing through a number of challenging transitions in its way to greater stability. According to the Global Financial Stability Report (GFSR) of October 2014, the global economic recovery continues to rely heavily on accommodative monetary policies in advanced economies even after six years of global economic and financial crisis. Monetary accommodation remains critical in supporting the economy by encouraging economic risk taking in the form of increased real spending by households and greater willingness to invest and hire by businesses. However, prolonged monetary ease may also encourage excessive financial risk taking. Although economic benefits of monetary ease are becoming more evident in some economies, market and liquidity risks have increased to the levels that could compromise financial stability if left unaddressed. Emerging markets are more vulnerable to shocks from advanced economies, as they now absorb a much larger share of the outward portfolio investment from advanced economies. Capital markets have become more significant providers of credit since the global economic and financial crises, shifting the locus of risks to the shadow banking system. The contribution of shadow banks to systemic risks in the financial system is much larger in the United States than in Euro area and United Kingdom.

1.6 The overall balance of risks to global growth outlook is still dominated by downside risks. Risks of oil price hike, asset price decline, and further economic distress are higher due to increased geopolitical tensions prevailing in many parts of the world. Global financial markets may face a risk of rise in the long-term interest rates, particularly in USA and a reversal of recent risk spread and volatility. There is a risk of secular stagnation and low potential growth in the medium term in major advanced economies. In some advanced economies, protracted low inflation or outright deflation poses risks to activity . In some emerging market economies, especially those with domestic weakness and external vulnerabilities, the effects of the worsening of the financial conditions and negative growth could be more prolonged.

Developments in the Bangladesh Economy

1.7 The Bangladesh economy maintained the growth momentum registering a 6.1 percent growth of GDP in FY14. The growth of industry sector was lower in FY14 compared to the preceding year partly due to political problem and uncertainty . Moderate growth of agriculture sector along with satisfactory growth of services sector helped to achieve the 6.1 percent growth of the overall economy. During FY14, the average inflation showed an upward trend, mainly due to increase in food inflation although the non-food inflation declined during the same period. A cautious but inclusive growth and investment friendly monetary policy stance was implemented during FY14. Policy rates were kept unchanged due to the risks of inflationary pressure and to support economic growth. Broad money (M2) registered 16.1 percent growth in FY14 against the targeted growth of 17.0 percent and the actual growth of 16.7 percent in FY13. Total domestic credit increased from 10.9 percent in FY13 to 1 1.6 percent in FY14. Private sector credit growth was 12.3 percent in FY14 which was lower against the targeted growth of 16.5 percent mainly due to sluggish credit demand, political uncertainty and stringent lending practices by banks following some scams in some banks. On the other hand, the growth of credit to the public sector declined to 8.8 percent in FY14 against the target growth of 22.9 percent due to significantly lower government borrowing from the banking sector. Instead of borrowing from banks, government collected a good amount of resources through selling National Savings Certificates. Export continued to grow from 10.7 percent in FY13 to 12.0 percent in FY14. Almost imports of all items in the import basket increased last year pushing the overall growth of imports from 0.8 in FY13 to 8.9 percent in FY14.Trade deficit declined to USD 6806 million. W orkers' remittances stood lower at USD 14115 million in FY14 compared to the preceding fiscal year , registering a negative growth of 1.6 percent. The current account balance showed a relatively small surplus of USD 1346 million in FY14 which is attributable to the negative growth of remittances. Supported by a significant surplus in the combined capital and financial account, the overall balance recorded a surplus of USD 5483 million in FY14. This contributed to foreign exchange reserves reaching USD 21508 million at the end of FY14, sufficient to meet over seven months of imports. In order to protect Bangladesh's external competitiveness Bangladesh Bank continued its interventions in the domestic foreign exchange market by purchasing foreign currencies as and when deemed appropriate. As a result, Taka-USD exchange rate remained stable during FY14.

Growth Performance

1.8 The growth of agriculture sector increased to 3.4 percent in FY14 from 2.5 percent in FY13 mainly due to favourable weather condition and enhanced government support. The sectoral GDP growth rates are presented in Table 1.2.

1.9 Industry sector growth fell to 8.4 percent in FY14 from 9.6 percent in FY13 due to supply disruptions and weak domestic demand caused by political unrest. The rate of growth in all sub-sectors of industry sector except construction decline in FY14 compared to FY13. The most notable decline is observed in the case of mining and quarrying sub-sectors.

1.10 Services sector growth slightly increased to 5.8 percent in FY14 from 5.5 percent in FY13. This was driven by the higher growth of education, health and social works, and public administration and defence sub-sectors. However, growth of financial intermediations, community, social and personal services sub-sectors remained unchanged. Education sub-sector performed well registering a growth of 8.2 percent in FY14 compared to 6.3 percent in FY13 (Table 1.2).

Table 1.2 Sectoral GDP growth rates

(at FY06 constant prices)

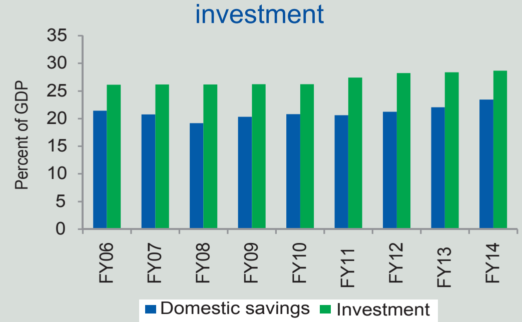
	FY06-FY14 (Average)	FY13[R]	FY14[P]
1. Agriculture	**4.4**	**2.5**	**3.4**
a) Agriculture and forestry	3.9	1.5	2.5
i) Crops and horticulture	4.0	0.6	1.9
ii) Animal farming	2.4	2.7	2.8
iii) Forest and related services	5.4	5.0	5.1
b) Fishing	6.3	6.2	6.5
2. Industry	**8.5**	**9.6**	**8.4**
a) Mining and quarrying	7.0	9.4	5.2
b) Manufacturing	9.0	10.3	8.7
i) Large and medium scale	9.3	10.7	9.2
ii) Small scale	7.7	8.8	6.6
c) Power, gas and water supply	8.7	9.0	7.4
d) Construction	7.5	8.0	8.6
3. Services	**6.0**	**5.5**	**5.8**
a) Wholesale and retail trade	6.6	6.2	6.6
b) Hotel and restaurants	6.0	6.5	6.7
c) Transport, storage and communication	8.0	6.3	6.5
d) Financial intermediations	9.8	9.1	9.1
e) Real estate, renting and other business activities	3.9	4.0	4.2
f) Public administration and defence	7.9	6.5	7.1
g) Education	7.1	6.3	8.2
h) Health and social works	5.1	4.8	5.0
i) Community, social and personal services	3.1	3.3	3.3
GDP (at FY06 constant market prices)	**6.2**	**6.0**	**6.1**

Source: Bangladesh Bureau of Statistics.
R= Revised, P= Provisional.

Savings and Investment

1.11 Gross fixed investment as a percentage of GDP increased marginally to 28.7 in FY14 from 28.4 in FY13 (Chart 1.1). Within gross fixed investment, public investment grew faster than the private investment. As a result, the share of public investment in GDP increased from 6.6 in FY13 to 7.3 percent in FY14, the share of private investment slightly decreased from 21.8 to 21.4 percent of GDP over the same period. The national savings rate remained unchanged during FY14, hovering at around of 30.5 percent of GDP. Domestic savings as a percent of GDP increased from 22.0 in FY13 to 23.4 in FY14, while the foreign savings declined accordingly. The domestic savings-investment gap as a percentage of GDP decreased to 5.3 in FY14 from 6.4 in FY13.

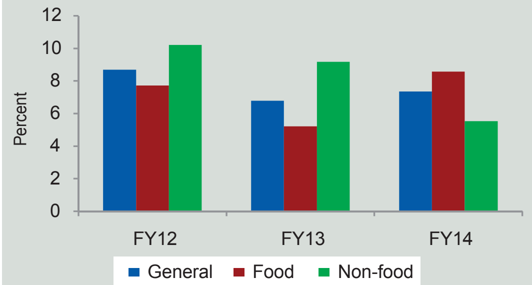
Chart 1.1 Domestic savings and investment



Price developments

1.12 The average inflation rate (base: FY06=100) increased to 7.4 percent at the end of FY14 from 6.8 percent at the end of FY13. Such an increase was driven by increase in food inflation, which increased from 5.2 percent at the end of FY13 to 8.6 percent at the end of FY14. On the other hand non-food inflation showed a gradual decline because of weaker domestic demand and stood at 5.5 percent in June 2014 compared with 9.2 percent in June 2013. Though average inflation went up, point-to-point inflation decreased to 7.0 percent in FY14 from 8.1 percent in FY13.

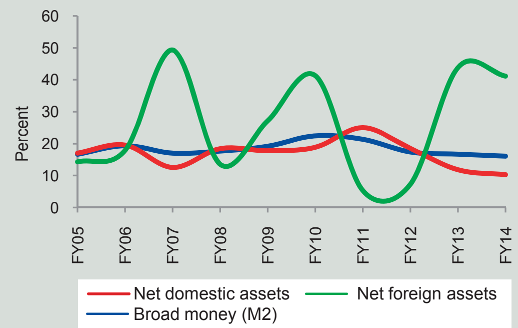
Chart 1.2 National CPI inflation (12 month average : base FY06=100)



Money and Credit Developments

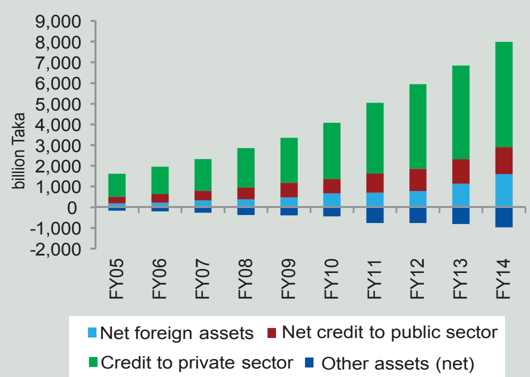
1.13 In FY14, Bangladesh Bank pursued a cautious but inclusive growth and investment friendly monetary policy against the backdrop of sharp growth of net foreign assets and risk of inflationary pressure. To keep the inflation at targeted level, BB continued to purse a restrained policy stance in both H1 and H2 of FY14 and policy rates namely repo and reverse repo rates were kept unchanged at H2 of FY13 level at 7.25 and 5.25 percent respectively. Besides, Bangladesh Bank increased the cash reserve ratio (CRR) by 50 basis points for banks to 6.5 percent from 24 June 2014.

Chart 1.3 Monetary aggregates



1.14 Broad money (M2) recorded lower growth of 16.1 percent in FY14 against the target growth of 17.0 percent and 16.7 percent actual growth in FY13.The lower growth in broad money was attributed mainly to the lower growth in net foreign assets and public sector credit. The net foreign assets (NFA) of the banking system grew by 38.6 percent which remained high against the target growth of 9.9 percent in FY14 but low compared with 50.1 percent growth in the preceding year. Lower inflow of remittance is the main reason for it. The credit to public sector increased by 8.8 percent in FY14. The growth rate of the credit to private sector increased moderately from 10.8 percent in FY13 to 12.3 percent in FY14 against the target growth of 16.5 percent. On the other hand, the growth rate

Chart 1.4 Sources of broad money (M2)



of net domestic assets (NDA) declined from 11.1 in FY13 to 1 1.0 percent in FY14, which was lower than the target growth of 18.6 percent. Sluggish credit demand is mainly responsible for it. Reserve Money (RM) grew at a rate of 15.4 percent in FY14 which was lower than the projected growth rate of 16.2 percent. Decline in lending by BB to the

Government and the commercial banks contributed to the slower growth of RM during the year.

1.15 The income velocity of money decreased to 1.93 in FY14 from 1.99 in FY13, indicating increased financial deepening in the economy.

1.16 The weighted average interest rate on bank advances and deposits declined to 13.1 percent and 7.8 percent respectively at the end of FY14 from 13.7 percent and 8.5 percent respectively at the end of FY13. However , the spread between them widened slightly to 5.3 percent from 5.1 percent over the same period.

Public Finance

1.17 The Government had undertaken a range of regulatory and structural fiscal measures to strengthen revenue collection along with to widen fiscal space through public expenditure control.

1.18 The overall budget deficit (excluding grants) to GDP ratio increased from 3.8 percent in FY13 to 4.4 percent in FY14. However, domestic financing of the budget deficit increased slightly to 3.0 percent of GDP in FY14 from 2.8 percent of GDP in FY13.

1.19 The growth of total revenue increased from 11.7 percent in FY13 to 22.3 percent in FY14. Consequently, revenue-GDP ratio increased from 10.7 percent to 1 1.6 percent over the same period.

1.20 Public expenditure as a percentage of GDP increased from 14.5 percent in FY13 to 16.0 percent in FY14. It grew by 24.3 percent in FY14 compared to 14.2 percent in FY13. Current expenditure in FY14 accounted for 8.6 percent of GDP.

Chart 1.5 Revenue receipt, revenue expenditure revenue surplus and budget deficit

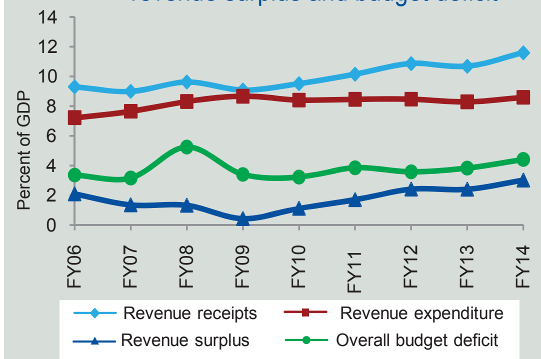
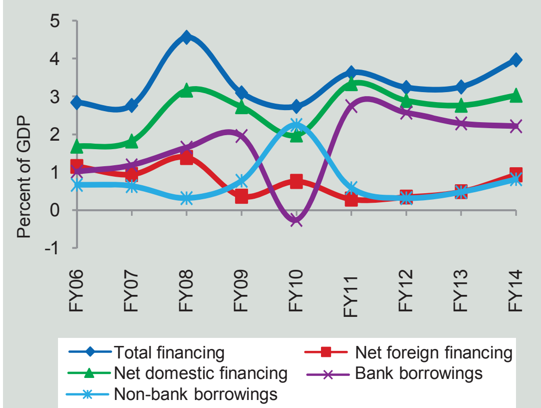


Chart 1.6 Budget deficit financing



External Sector

1.21 The export earnings (including EPZ) continued to increase from USD 26567 million in FY13 to USD 29765 million in FY14. During the same time, total import payments increased from USD 33576 million to USD 36571 million. Trade deficit declined to USD 6806 million in FY14 from USD 7009 million in FY13. The services and income account including primary income and secondary income registered a surplus of USD 8152 million. Current account balance registered a surplus of USD 1346 million in FY14, which was USD 2388 million in FY13. The capital and financial account continued to register surplus and rose to USD 3719 million in FY14 from USD 3399 million in FY13. Enhanced portfolio investment was one of the main driver of this increase. The overall balance of payments registered a surplus of USD 5483 million in FY14, implying a slight decline from the preceding year . Gross international foreign exchange reserves stood at USD 21508 million at end of FY14 representing 7.1 months of import cover.

1.22 The growth of export earnings increased from 10.7 percent in FY13 to 12.0 percent in FY14. Despite this increase of growth, total export earnings as a percentage of GDP slightly decreased from 17.7 to 17.1 over the same period as nominal GDP of the country increased by more than 12.0 percent. Notwithstanding the supply chain disruptions, robust growth of export of ready-made garments continued. While shrimps, leather , knitwear, woven garments, home textile and footwear experienced a positive growth, some of the exports items like fish, petroleum by-products, raw jute, jute goods, specialised textiles and engineering products experienced a negative growth.

1.23 Import payments as a percent of GDP decreased from 22.4 in FY13 to 21.0 percent in FY14. Imports grew at a rate of 8.9 percent in FY14 compared with the 0.8 percent growth in FY13. Total import bills for all items except petroleum and fertiliser has increased in FY14 compared to FY13.

1.24 The workers' remittance inflows experienced negative growth of 1.6 percent in FY14 compared to 12.6 percent positive growth in FY13. There are indications of a reversal of this trend.

1.25 As a result of Bangladesh Bank's vigilance and interventions, the exchange rate

Chart 1.7 Export and import growth

Chart 1.8 NEER, REER & exchange rate

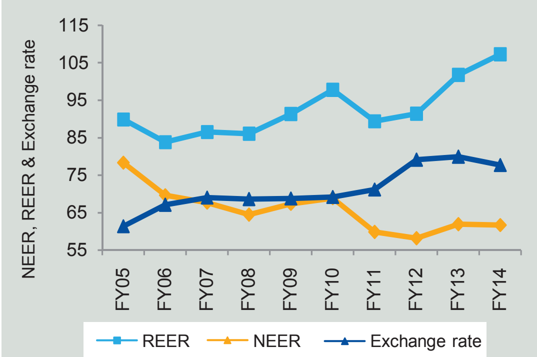
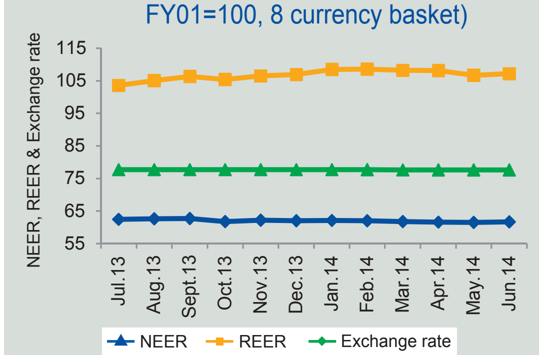


Chart 1.9 Recent movements in NEER, REER & Taka-Dollar exchange rate (base : FY01=100, 8 currency basket)



of Taka against USD remained almost stable throughout the whole FY14. The nominal exchange rate of USD stood at Taka 77.63 as of end June 2014 compared to Taka 77.77 as of end June 2013. The nominal ef fective exchange rate (NEER) of Taka, calculated against a trade weighted eight currency basket (base: FY01=100), depreciated by 0.3 percent in FY14. In contrast, the real effective exchange rate (REER) of Taka appreciated by 5.6 percent in FY14 mainly because of high domestic inflation compared to most of the trading partners.

1.26 Outstanding external debt of Bangladesh increased to USD 23626.6 million as of end FY14 from USD 22381.4 million as of end FY13. However, the outstanding debt GDP ratio declined to 13.6 from 14.9 over the same period.

Near and Medium Term Outlook for Bangladesh Economy

1.27 The prospects of the Bangladesh economy over the near and medium terms are reasonably good. The strong domestic demand base, gradually improving investment climate, decreasing uncertainty and reduced inflation are expected to lead to better economic performance. GDP growth is expected to pick up between 6.2 to 6.5 percent in FY15 keeping inflation at a reasonable level provided that macroeconomic policies must continue to support sustained expansion in agriculture and industry together with large investment in infrastructure while striving to enhance government revenue collection.

The risks of high inflation include global food price volatility, any shocks to domestic crop production and the knock-on impact of upward adjustments in public sector wages. Fiscal-monetary coordination will continue and the track record of containing Government borrowing well within budgetary limits is expected to continue. As such there is no risk of crowding out of private sector credit flow.

Bangladesh Bank will continue to focus on containing inflation to its target level of 6.5 percent while providing sufficient space in its monetary programme for lending to activities which support broad-based investment and inclusive growth objectives.

Bangladesh Bank is considering to adopt some macroprudential tools such as countercyclical capital buffer and dynamic provisioning to address pro-cyclicality which would give protection to the banks against a possible downturn that could result from build-up of systemic risks. Besides, Bangladesh Bank will continue strengthening financial supervision within the approach of Integrated Supervision while avoiding regulatory forbearance.

Efforts have been continued to maintain the country's external sector stability. Further build up in foreign exchange reserves in FY15 will continue at a more moderate pace than FY14. BB will continue to support a market-based exchange rate regime while seeking to avoid excessive exchange rate volatility.

Although restrictions in major host countries leading to a reduction in migrant workers outflows resulted in decline of remittance inflows during FY14, it is expected that remittances will increase in FY15. Government is trying to send more people with the help of recruiting countries. Bangladesh Bank projects a 12 and 15 percent growth of export earnings and import bills respectively during FY15. Bangladesh's aspiration to become a middle income country by 2021 is likely to be possible if there is good governance in financial and fiscal fronts, political stability and development of infrastructural facilities.

The Real Economy

Economic Growth

2.1 Bangladesh economy managed to maintain the growth momentum in FY14 notwithstanding the political unrest and moderate recovery of global economy . The real GDP growth increased by 0.1 percentage point; from 6.0 percent in FY13 to 6.1 percent in FY14 (Table 2.1). The nominal GDP of the country was Taka 13509.2 billion in FY14 which was about 12.7 percent higher than that of FY13. The per capita real GDP and GNI are estimated at Taka 49726.0 and Taka 53040.0 respectively in FY14. The per capita nominal GDP and GNI, however, in the same year are estimated at Taka 86731 and Taka 92510 respectively. Country's per capita real and nominal GDP increased by 4.7 and 1 1.2 percent respectively in FY14 compared to FY13 (Chart 2.1).

2.2 Aided by strong agricultural growth of 3.4 percent, GDP growth during the year was also supported by 5.8 percent modest growth in services sector and moderate growth of 8.4 percent in industry sector . The expansion of the economy during the year was broad based, reflected in positive growth by all sectors and sub-sectors of the economy . Out of the overall GDP growth of 6.1 percent in FY14, 3.1 percentage points was contributed by services sector, followed by industry sector (2.5 percentage points) and agriculture sector (0.5 percentage point).

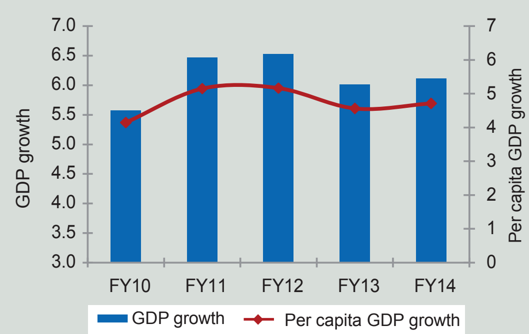
Table 2.1 Sectoral GDP growth

(at FY06 constant prices: percent)

	FY11	FY12	FY13	FY14P
1. Agriculture	**4.5**	**3.0**	**2.5**	**3.4**
a) Agriculture and forestry	3.9	2.4	1.5	2.5
i) Crops and horticulture	3.9	1.8	0.6	1.9
ii) Animal farming	2.6	2.7	2.7	2.8
iii) Forest and related services	5.6	6.0	5.0	5.1
b) Fishing	6.7	5.3	6.2	6.5
2. Industry	**9.0**	**9.4**	**9.6**	**8.4**
a) Mining and quarrying	3.6	6.9	9.4	5.2
b) Manufacturing	10.0	10.0	10.3	8.7
i) Large and medium scale	11.1	10.8	10.7	9.2
ii) Small scale	5.7	6.6	8.8	6.6
c) Power, gas and water supply	13.4	10.6	9.0	7.4
d) Construction	7.0	8.4	8.0	8.6
3. Services	**6.2**	**6.6**	**5.5**	**5.8**
a) Wholesale and retail trade	6.7	6.7	6.2	6.6
b) Hotel and restaurants	6.2	6.4	6.5	6.7
c) Transport, storage and communication	8.4	9.2	6.3	6.5
d) Financial intermediations	10.4	14.8	9.1	9.1
i) Monetary intermediation (banks)	13.0	17.6	10.9	10.5
ii) Insurance	3.7	4.4	0.6	1.8
iii) Other financial intermediation	-2.5	2.3	3.1	3.5
e) Real estate, renting and business activities	3.9	3.9	4.0	4.2
f) Public administration and defence	8.8	7.5	6.5	7.1
g) Education	5.6	7.8	6.3	8.2
h) Health and social work	6.3	3.8	4.8	5.0
i) Community, social and personal services	3.2	3.3	3.3	3.3
Total GVA at constant basic price	**6.6**	**6.7**	**6.1**	**6.2**
GDP (at constant market price)	**6.5**	**6.5**	**6.0**	**6.1**

Source: Bangladesh Bureau of Statistics.
P= Provisional.

Chart 2.1 Bangladesh real GDP growth



Agriculture Sector

2.3 The growth of agriculture sector increased to 3.4 percent in FY14 from 2.5 percent in FY13. This increase is attributable mainly to the favourable weather, continued Government support and higher disbursement of agricultural credit. Despite the increase in growth of agriculture sector, its share in total GDP declined as other sectors grew at a relatively faster rate. The share of agriculture sector in total GDP in FY14 was 16.3 percent, which was 16.8 percent in FY13.

Within agriculture sector, most of the sub-sectors performed well during FY14. Crops and horticulture sub-sector recorded a growth of 1.9 percent in FY14 as against 0.6 percent in FY13. Animal farming and fishing sub-sectors registered slightly higher growth of 2.8 and 6.5 percent in FY14 compared to 2.7 and 6.2 percent respectively in FY13. Forest and related services sub-sectors grew at a rate of 5.1 percent in FY14 compared to 5.0 percent in FY13.

2.4 The production of food grains *(Aus, Aman, Boro* and Wheat) increased by 1.3 percent; increasing from 35.09 million metric tons (MMT) in FY13 to 35.55 MMT in FY14. *Aus,* a relatively minor crop of the year, increased by 7.9 percent from 2.16 MMT in FY13 to 2.33 MMT in FY14. The *Aman,* the second largest crop of the year, increased to 13.02 MMT in FY14 from 12.9 MMT in FY13. *Boro,* the single largest crop of the year, grew by 0.7 percent; from 18.78 MMT in FY13 to 18.92 MMT in FY14. Wheat production increased by 1.6 percent; from 1.26 MMT in FY13 to 1.28 MMT in FY14. Timely delivery of agricultural inputs and other essential services contributed to the higher food grain production in FY14.

Table 2.2 Quantum index of medium and large-scale manufacturing industries (base: FY06=100)

SL.	Major industry group	Weight	FY12	FY13	FY14
1	General index of manufacturing	100.00	174.92	195.19	213.22
2	Manufacture of food products	10.84	161.34	219.10	241.52
3	Manufacture of beverages	0.34	152.46	189.81	243.19
4	Manufacture of tobacco products	2.92	136.79	144.66	149.65
5	Manufacture of textile	14.07	139.44	142.41	139.68
6	Manufacture of wearing apparels	34.84	235.44	265.83	293.70
7	Manufacture of leather and related products	4.40	132.32	139.76	147.83
8	Manufacture of wood and products of wood and cork	0.33	235.99	238.81	243.39
9	Manufacture of paper and paper products	0.33	171.34	160.43	151.95
10	Printing and reproduction of recorded media	1.83	123.23	124.36	127.73
11	Manufacture of coke and refined petroleum products	1.25	90.85	101.54	92.76
12	Manufacture of chemicals and chemical products	3.67	80.77	84.62	80.41
13	Manufacture of pharmaceuticals and medicinal chemical	8.23	169.82	178.79	230.60
14	Manufacture of rubber and plastic products	1.56	217.59	244.87	263.84
15	Manufacture of other non-metallic mineral products	7.12	138.22	139.51	144.18
16	Manufacture of basic metals	3.15	114.26	136.41	150.20
17	Manufacture of fabricated metal products except machinery	2.32	138.81	149.03	164.33
18	Manufacture of computer, electronic and optical products	0.15	114.77	99.00	105.46
19	Manufacture of electrical equipment	0.73	125.22	128.53	132.06
20	Manufacture of machinery and equipment n.e.c	0.18	178.29	155.86	172.68
21	Manufacture of motor vehicles, trailers and semi trailers	0.13	201.46	186.62	205.84
22	Manufacture of other transport equipment	0.73	158.31	138.21	152.88
23	Manufacture of furniture	0.88	100.98	109.14	101.12

Industry Sector

2.5 The growth in industry sector decreased to 8.4 percent in FY14 from 9.6 percent in FY13. The main reasons for this decrease include inadequate domestic demand and political unrests ahead of national election in the country, which took a toll on the industrial production. Among the industry sub-sectors, growth of construction increased to 8.6 percent in FY14 from 8.0 percent in FY13. However, growth of all other sub-sectors declined over the same period.

The growth of mining and quarrying sub-sector registered the highest decline, from 9.4 percent in FY13 to 5.2 percent in FY14. Growth of manufacturing sub-sector decreased to 8.7 percent from 10.3 percent over the same period. The large and medium scale manufacturing which accounted for 81.9 percent of the manufacturing sub-sector registered a growth of 9.2 percent in FY14 compared to 10.7 percent in FY13. On the other hand, small scale manufacturing registered a growth of 6.6 percent in FY14 which was 8.8 percent in FY13. Quantum Index of Industrial Production (QIP) which has been estimated for computing value added of large and medium scale industries showed a growth of 9.2 percent in FY14 (Table 2.2). Production of pharmaceuticals and medicinal chemical grew significantly (29.0 percent) in FY14. Beverages, machinery and equipment n.e.c, other transport equipments, wearing apparel, motor vehicles, trailers and semi trailers, fabricated metal products except machinery, food products, basic metal, rubber and plastic products and computer, electronic and optical products registered positive growth during FY14. The ready-made garments and knitwear, country's two key export items, showed higher growth of 13.8 percent in FY14 compared to 12.7 percent in FY13. However, manufacturing of coke and refined petroleum products, furniture, paper and paper products, chemicals and chemical products and textile experienced a negative growth in FY14.

Table 2.3 Sectoral GDP shares (in percent)

(at FY06 constant prices: percent)

	FY11	FY12	FY13	FY14P
I. Agriculture	**18.0**	**17.4**	**16.8**	**16.3**
a) Agriculture and forestry	14.3	13.7	13.1	12.6
i) Crop and horticulture	10.5	10.0	9.5	9.1
ii) Animal farming	2.0	1.9	1.8	1.8
iii) Forest and related services	1.8	1.8	1.8	1.7
b) Fishing	3.7	3.7	3.7	3.7
2. Industry	**27.4**	**28.1**	**29.0**	**29.6**
a) Mining and quarrying	1.6	1.6	1.7	1.6
b) Manufacturing	17.8	18.3	19.0	19.5
i) Large and medium scale	14.3	14.9	15.5	15.9
ii) Small scale	3.4	3.4	3.5	3.5
c) Power, gas and water supply	1.4	1.4	1.5	1.5
d) Construction	6.7	6.8	6.9	7.1
3. Services	**54.6**	**54.5**	**54.2**	**54.1**
a) Wholesale and retail trade	14.0	14.0	14.0	14.1
b) Hotel and restaurants	0.8	0.7	0.8	0.8
c) Transport, storage and communication	11.2	11.5	11.5	11.5
d) Financial intermediations	3.0	3.2	3.3	3.4
i) Monetary intermediation (banks)	2.4	2.6	2.7	2.8
ii) Insurance	0.4	0.4	0.4	0.4
iii) Other financial intermediation	0.2	0.2	0.2	0.2
e) Real estate, renting and business activities	7.4	7.2	7.1	7.0
f) Public administration and defence	3.3	3.4	3.4	3.4
g) Education	2.2	2.2	2.2	2.3
h) Health and social work	2.0	1.9	1.9	1.9
i) Community, social and personal services	10.7	10.4	10.1	9.8
Total GVA at constant basic price	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bangladesh Bureau of Statistics.
P= Provisional.

Growth of power, gas and water supply sub-sector decreased to 7.4 percent in FY14 from 9.0 percent in FY13.

Service Sector

2.6 The services sector grew at a rate of 5.8 percent in FY14, which was slightly higher than the preceding fiscal year. This growth was mainly driven by wholesale and retail trade, public administration and defence, education and health and social work sub-sectors. The wholesale and retail trade sub-sector grew at a rate of 6.6 percent in FY14 compared to 6.2 percent in FY13. The growth of public administration and defence sub-sector increased from 6.5 percent in FY13 to 7.1 percent in FY14. Health and social work sub-sector registered a 5.0 percent growth in FY14, which was 4.8 percent in FY13. The growth of education sub-sector increased from 6.3 percent in FY13 to 8.2 percent in FY14, mainly as a result of significant increase of primary school teachers. Hotel and restaurants; transport, storage and communication; and real estate, renting and business activities sub-sectors grew by 6.7, 6.5 and 4.2 percent respectively in FY14. The growth rates of these subsectors in FY13 were 6.5, 6.3 and 4.0 percent respectively. The performances of financial intermediations and community, social and personal services sub-sectors remained unchanged in FY14.

Sectoral Composition of GDP

2.7 The relative contribution of the agricultural sector to GDP is gradually declining while the contribution of industry sector is increasing (Table 2.3). The percentage share of the agriculture sector in total GDP decreased from 16.8 in FY13 to 16.3 in FY14. Similarly, the share of service sector decreased from 54.2 in FY14 to 54.1 percent in FY13. Consequently, the share of industry increased from 29.0 percent in FY13 to 29.6 percent in FY14.

2.8 The main reason for reduction in the share of agriculture in GDP is the fall in the growth of the crops and horticulture sub-sector (which comprises of 55.8 percent of the agriculture sector). The growth of this sub-sector fell from 9.5 percent in FY13 to 9.1 percent in FY14 (Table 2.3). The increase of the share of industry sector to GDP in FY14 is attributable to the increased contribution from large and medium scale manufacturing and construction subsectors. The share of power, gas and water supply sub-sectors remained unchanged between FY13 and FY14. The share of mining and quarrying decreased slightly from 1.7 percent in FY13 to 1.6 percent in FY14.

Table 2.4 GDP by expenditure groups

(at current market prices: billion Taka)

Particulars	FY11	FY12	FY13	FY14P
Domestic demand(1+2)	9781.0	11294.8	12751.0	14219.4
Consumption(1)	7269.6	8312.5	9347.3	10344.3
Private	6802.8	7780.8	8733.9	9642.2
Government	466.8	531.7	613.4	702.1
Investment(2)	2511.3	2982.2	3403.7	3875.1
Private	2029.8	2374.2	2607.5	2889.1
Public	481.5	608.0	796.2	986.0
Resource balance(3-4)	-693.9	-821.7	-865.7	-739.1
Exports(3)	1824.5	2127.5	2342.4	2669.2
Imports(4)	2518.4	2949.2	3208.1	3408.3
Gross domestic expenditure	9087.1	10473.0	11885.3	13480.3
Gross domestic product	9158.3	10552.0	11989.2	13509.2
Statistical discrepancy	71.2	79.1	104.0	28.9

Source: Bangladesh Bureau of Statistics.
P= Provisional.

Table 2.5 Domestic savings and investment

(as percent of GDP)

Particulars	FY11	FY12	FY13	FY14P
Public				
Investment	5.3	5.8	6.6	7.3
Domestic Savings	1.4	1.4	1.4	1.6
Domestic Savings-Investment gap	-3.9	-4.4	-5.2	-5.7
Private				
Investment	22.2	22.5	21.8	21.4
Domestic Savings	19.3	19.9	20.6	21.8
Domestic Savings-Investment gap	-2.9	-2.6	-1.2	0.4
Total				
Investment	27.4	28.3	28.4	28.7
Domestic Savings	20.6	21.2	22.0	23.4
Total Savings-Investment gap	-6.8	-7.1	-6.4	-5.3
National Savings	**28.9**	**29.9**	**30.5**	**30.5**

Source: Bangladesh Bureau of Statistics.
P= Provisional.

Box 2.1

Human Capital and Sustainable Economic Growth

Human capital and sustainable economic growth are mutually reinforcing although, prima facie, they may appear independent and unrelated concepts. While human capital has fostered sustained economic growth around the world, the sustained economic growth, in turn, contributed to the formation of human capital. Hence, the intertwined nature of human capital and sustainable economic growth drew attention of policymakers, both in developed and developing countries. The cross-country experiences point to the following nexus between human capital and sustainable economic growth:

First, a significant amount of growth in many developed countries cannot be explained by growth of labor and capital implying the contribution of human capital. At the same time, many developing countries, particularly the East Asian countries once known as 'East Asian Miracles' grew fast notwithstanding their resource bases only due to rapid growth of human capital. Many countries in Africa, Asia and Latin America are still suf fering from low growth mainly due to their low level of human capital. A number of theoretical and empirical studies identified human capital as the main driver of convergence in economic growth among countries.

Second, the rapidly changing technologies are also changing the economic structures. This, in turn, reduced the scope for the menial jobs making a certain level of human capital a precondition to participate in the labour market to ensure a decent living. The ongoing debate and policies across the developed world about the immigration of skilled workers underscores the global demand for human capital to sustain economic growth. Much of the sustained growth of the developed countries like USA, UK, Australia, and Canada was contributed by the skilled workers from developing countries allured to migrate through targeted and permanent residency initiatives of various types. However, the petroleum-rich countries of the Middle East are benefitted by encouraging temporary migration of skilled, semi-skilled and unskilled workers from developing countries.

Like many other countries, Bangladesh economy has gone through a radical transformation graduation from a predominantly agricultural economy to a service-sector dominated economy . The course of this transformation created many jobs for highly educated, skilled and semi-skilled labor force while relatively reducing the demand for unskilled labour . Likewise, Bangladesh's graduation from a low-income to a middle-income country will unleash many more opportunities for skilled worker.

The formation of human capital not only makes the economy globally competitive but also expands the opportunities for a greater majority of its population to lift themselves out of poverty trap. This in turn rids the economy of the scar of inequality making economic growth inclusive. Therefore, if Bangladesh is to march ahead and stay on a stable economic growth trajectory , the country cannot but prioritize human capital as a reliable source of sustainable economic growth.

Islam (2014) argues that the higher the level of economic development the greater is the demand for education and skill development that are compatible with a rapidly transforming and sustainably growing economy. Despite impressive success in primary school enrollment, Bangladesh is still trailing many developing countries in the enrollment in secondary and tertiary education, with shockingly low level of enrollment in vocational education and training (as a percentage of enrollments in secondary education). If Bangladesh aims to achieve enrollment levels that Malaysia had a few years back by 2030, and place its economy on a 7-8 percent annual growth trajectory, Islam (2014) suggests that Bangladesh has to adopt a strategy that substantially develops its human capital by investing more in secondary, tertiary, and vocational/technical education and raise enrollment targets in these sectors to 66 percent (from the current 51 percent), 36 percent (from the current 13 percent), and 10 percent (from the current 1 percent) respectively.

Needless to mention that a deliberate plan of action for promotion of human capital is necessary to set the Bangladesh economy on an inclusive and sustainable growth trajectory for making the transition to a middle-income status from the current low-income status fast and smooth.

In the services sector, while the share of wholesale & retail trade, financial intermediation, and education sub-sectors increased slightly, the share of real estate, renting and business activities, health & social work and community, social and personal services sub-sectors declined slightly in FY14. The share of rest of the sub-sectors remained unchanged during the same period (Table 2.3).

GDP by Expenditure

2.9 In FY14, expenditure based GDP was Taka 13,509.2 billion, showing a nominal increase of 12.7 percent over FY13 (Table 2.4). Gross Domestic Expenditure (GDE) is the total sum of consumption expenditure, investment expenditure of the private and public sector and the resource balance of the economy. In FY14, domestic demand (total sum of consumption, investment and government expenditure) was estimated at Taka 14,219.4 billion at current market prices reflecting an increase of 11.5 percent over FY13.

2.10 Available BBS data of FY14 indicates that consumption expenditure accounted for 76.7 percent total GDE while the rest is accounted for investment (28.75 percent) and resource balance (5.5 percent). In FY14, investment expenditure increased by 13.9 percent in nominal terms while the consumption expenditure increased by 10.7 percent.

Savings and Investment

2.11 Domestic and national savings increased moderately as the current account deficit improved in FY14. Available data indicates that Gross Domestic Savings (GDS) at current market prices grew by 19.8 percent in FY14 from 18.0 percent in FY13. The GDS as percentage of GDP also increased to 23.4 in FY14 from 22.0 in FY13 (Table 2.5, Chart 2.2).

Private sector savings as percentage share of GDP increased to 21.8 in FY14 from 20.6 in FY13. Similarly, the public sector savings as percentage share of increased to 1.6 in FY14 from 1.4 in FY13. The ratio of Gross National Savings (GNS) to GDP remained same at 30.5 in FY14. While the net current transfer (NCT) registered a growth of 13.6 percent, the growth of Net Factor Income (NFI) from abroad was negative in FY14.

Chart 2.2 Domestic savings

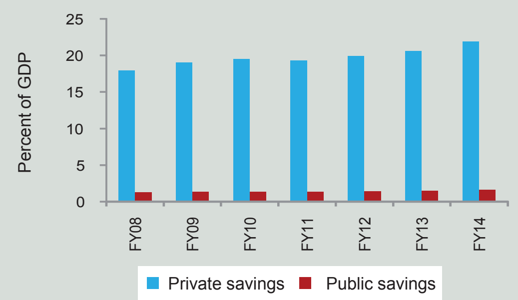
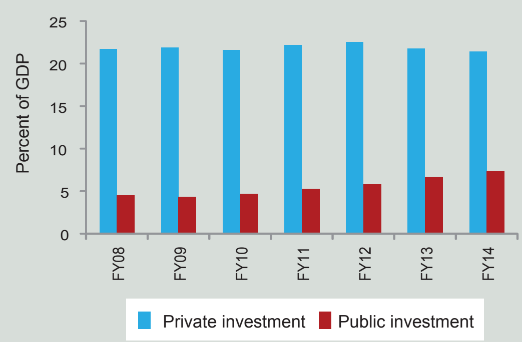


Chart 2.3 Domestic investment



2.12 Investment as percentage of GDP increased to 28.7 in FY14 from 28.4 in FY13 (Table 2.5, Chart 2.3). While the private investment as a percentage share of GDP decreased from 21.8 in FY13 to 21.4 in FY14, the percentage share of public investment in GDP increased from 6.6 to 7.3 over the same period. The increase of public investment as a percentage share of GDP in FY14 is attributable to the higher implementation rate of ADP in FY14 compared to FY13.

2.13 The domestic savings-investment gap as percentage of GDP decreased from 6.4 in FY13 to 5.3 in FY14 (Table 2.5). The domestic savings- investment gap met with net factor income from abroad.

Price and Inflation

Global Inflation Scenario

3.1 Global inflation remained controlled in 2014 while some commodity prices were still high. Decline in commodity prices, especially fuels and foods, has contributed to the decrease in inflation across the globe. Inflation in the major advanced economies like United States and the Euro area eased somewhat from 2.1 percent to 1.5 percent and 2.5 percent to 1.3 percent respectively in 2013. In the Euro area both headline and underlying inflation have fallen below 1 percent since the fourth quarter of 2013. At the same time, emerging and developing countries also experienced decline in inflation.

Consumer Prices in Bangladesh

3.2 Annual average CPI inflation (base: FY06=100) in Bangladesh showed a mixed trend in FY14. The inflation stood at 7.35 percent in June 2014 against the target of 7.0 percent set in the monetary policy statement (January-June 2014) while it was 6.78 percent in FY13 (Table 3.2, Chart 3.1).

Chart 3.1 National CPI inflation
(12-month average : base FY06=100)

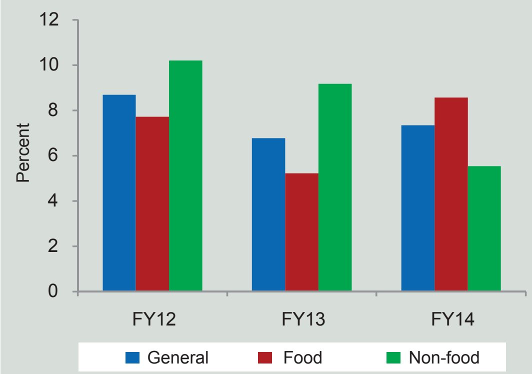


Table 3.1 Monthly change in inflation (%)

Months	General	Food	Non-food
July 13	1.49	2.25	0.38
August 13	1.42	2.08	0.44
September 13	1.48	1.87	0.90
October 13	0.92	1.15	0.56
November 13	0.39	0.49	0.26
December 13	0.54	0.76	0.19
January 14	1.19	0.84	1.71
February 14	0.20	0.24	0.14
March 14	0.15	0.13	0.17
April 14	0.05	0.02	0.08
May 14	-1.18	-1.97	0.06
June 14	0.13	-0.06	0.42

Source: Bangladesh Bureau of Statistics.

Inflationary pressure was rising from February 2013 and reached the peak in January 2014 (7.60 percent) due to higher food prices as a result of supply disruptions because of pre-election political unrest. However , the CPI inflation started to decrease from February 2014 and came down to 7.35 percent in June 2014. The falling inflation largely attributed to stable fuel price, good domestic harvest and stable exchange rate. Low growth rate of money supply and private sector credits accompanied by decline in government borrowing from Bangladesh Bank has also contributed to the reduction of inflation. The twelve month point-to-point CPI inflation has also substantially eased down to 6.97 percent in June 2014 from 8.05 percent in June 2013. The annual average and point-to-point food inflation in Bangladesh experienced mixed trends in FY14. The annual average food inflation increased to 8.57 percent in June 2014 which was 5.22 percent in June 2013. The point-to-point food inflation increased to 9.09 percent in May 2014, the peak for FY14 and then decreased to 8.00 percent in June 2014. Food inflation was high because of high retail prices as traders have to add up higher transportation cost as well as uncertainty driven risk premium over the goods transported. In addition, business entities have also sought to make up losses incurred during political unrest, which ultimately passed on to the prices. The food inflation started declining in June 2014 due to the improvements of overall political situation of the country , decrease in global and regional food prices, and advent of boro harvest in the market.

The average non-food inflation showed a declining trend during FY14 mainly due to weaker domestic demand and the central bank's cautious monetary policy. The average non-food inflation fell from 9.17 percent in June 2013 to 5.54 percent in June 2014. Point-to-point non-food inflation has also declined to 5.45 percent in June 2014 against 7.75 percent in June 2013 (Table 3.2, Chart 3.1). Decrease in prices of clothing and

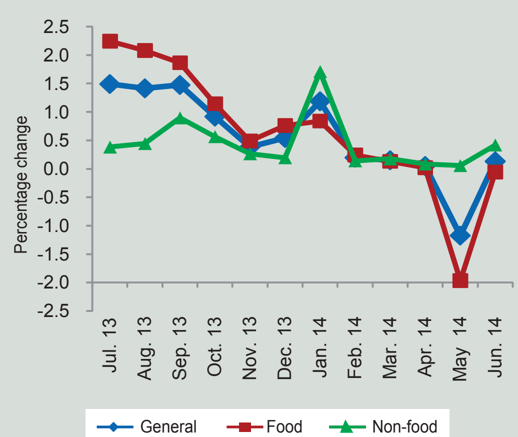
Table 3.2 Annual average CPI based inflation

(base:FY06=100)

Group	Weight	FY12	FY13	FY14
a. National level				
General index	100.00	170.19	181.73	195.08
		(8.69)	(6.78)	(7.35)
Food	56.18	183.65	193.24	209.79
		(7.72)	(5.22)	(8.57)
Non-food	43.82	152.94	166.97	176.22
		(10.21)	(9.17)	(5.54)
b. Rural				
General index	100.00	173.26	183.90	196.90
		(8.69)	(6.14)	(7.07)
Food	61.41	183.62	192.14	207.72
		(7.50)	(4.64)	(8.11)
Non-food	38.59	156.77	170.79	179.69
		(10.96)	(8.94)	(5.21)
c. Urban				
General index	100.00	164.53	177.71	191.72
		(8.70)	(8.01)	(7.89)
Food	46.52	183.71	195.91	214.85
		(8.27)	(6.64)	(9.66)
Non-food	53.48	147.84	161.88	171.61
		(9.16)	(9.49)	(6.01)

Source: Bangladesh Bureau of Statistics.
Figures in parentheses represent annual inflation.

Chart 3.2 Monthly percentage change in inflation



footwear; furniture furnishing; recreation, entertainment, education and cultural services; and other non food items contributed to decrease in non-food inflation during FY14 (Table 3.5). However, the non-food inflation started increasing in June 2014. Monthly percentage change in general, food and non-food inflation showed a mixed trend from July 2013 (Table-3.1, Chart 3.2).

3.3 In FY14, between urban and rural areas, inflation was relatively high in the former than later. In rural areas, average inflation was 7.07 percent while it was 7.89 percent in urban areas. Annual average inflation in the rural areas increased to 7.07 percent in June 2014 from 6.14 percent in June 2013 (Table 3.2, Chart 3.3). In the same areas, the food inflation reached at 8.1 1 percent from 4.64 percent and the non-food inflation decreased to 5.21 percent from 8.94 percent over the same period.

3.4 Annual average inflation in the urban areas decreased to 7.89 percent in June 2014 from 8.01 percent in June 2013 (Table 3.2, Chart 3.4). In the same areas, the food inflation reached at 9.66 percent from 6.64 percent and the non-food inflation decreased to 6.01 percent from 9.49 percent over the same period.

Total food-grain production in Bangladesh increased in FY14. The data provided by Food Planning and Monitoring Unit showed that total domestic food production recorded 35.57 million metric tons in FY14 compared with 35.09 million metric tons in FY13. This

Table 3.3 Changes in international prices of major commodities

(percentages)

Commodity	2010	2011	2012	2013	2014 (July)
Petroleum	26.4	35.8	2.7	-3.20	-0.1
Rice	-11.7	6.0	5.2	-10.6	-18.0
Wheat	0.1	41.4	-0.9	-0.31	-2.2
Palm oil	33.5	25.2	-12.7	-18.7	4.3
Soybean oil	17.5	31.5	-5.3	-12.2	-13.2
Cotton	65.0	49.3	-42.3	1.30	1.7
Sugar	15.1	25.6	-18.5	-17.15	-1.4

Source: International Financial Statistics (IFS), September, 2014.

Chart 3.3 Rural CPI inflation
(12-month average : base FY06=100)

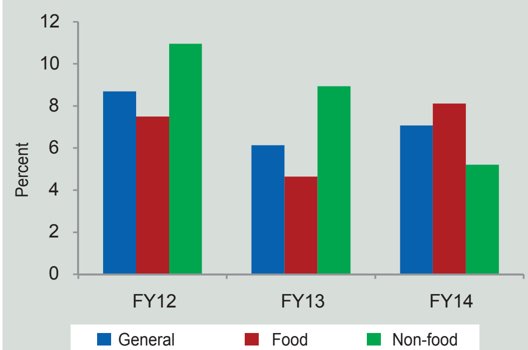


Table 3.4 Inflation in SAARC and other Asian countries #

Countries	2010	2011	2012	2013	2014 (June)
1. Bangladesh@	7.3	10.9	8.69*	6.78*	7.35*
2. India	12.0	8.9	9.3	10.9	6.5
3. Pakistan	13.9	11.9	9.7	7.7	8.2
4. Nepal	9.3	9.3	9.5	9.0	9.5 (Apr)
5. Bhutan*	7.0	8.8	10.9	7.0	8.6 (Apr)
6. Sri Lanka	6.2	6.7	7.5	6.9	2.8
7. Maldives	6.6	12.8	12.1	2.3	3.3
Other Asian countries					
8. Thailand	3.3	3.8	3.0	2.2	2.4
9. Singapore	2.8	5.3	4.5	2.4	1.8
10. Malaysia	1.7	3.2	1.7	2.1	3.3
11. Indonesia	5.1	5.4	4.3	6.4	6.7
12. Korea	3.0	4.0	2.2	1.3	1.7
13. Myanmer	7.7	5.0	1.5	5.5	6.1 (May)

#IFS, July, 2014 CPI (base: 2000=100).
@= Source: BBS, Consumer Price Index (base: FY96=100).
*= (base: FY06=100) figures relate to financial year (July-June).

Table 3.5 Annual average national level CPI by consumption basket sub-groups

(base:FY06=100)

Group/sub-group	Weight	FY12	FY13	FY14	% Change FY13	% Change FY14
1	2	3	4	5	6	7
General index	100.00	170.19	181.73	195.08	6.78	7.35
1. Food, beverage and tobacco	56.18	183.65	193.24	209.79	5.22	8.56
2. Non-food of which	43.82	152.94	166.97	176.23	9.17	5.55
i) Clothing & footwear	6.84	160.80	179.66	194.77	11.74	8.41
ii) Gross rent, fuel & lighting	14.88	143.36	155.61	163.47	8.54	5.05
iii) Furniture, furnishing, household equipment & operation	4.73	175.58	195.33	206.14	11.25	5.53
iv) Medical care & health expenses	3.47	152.63	159.66	164.06	4.61	2.76
v) Transport and communications	5.80	148.58	159.34	167.20	7.24	4.93
vi) Recreation, entertainment, education & cultural services	4.28	144.48	157.23	164.38	8.82	4.55
vii) Miscellaneous goods and services	3.82	164.57	182.54	193.75	10.92	6.14

Source: Bangladesh Bureau of Statistics

allowed Government to procure 1.43 MMT of food-grain by June 2014. As a result, the import of food-grain was lower than the originally set target for the current fiscal year . Government adopted various measures to control food inflation, like scaling up of the open market sale of food at a reduced price targeting the low income groups.

The Government distributed food grains through monetised and non-monetised channels among the poor and marginal households. To minimise the hardship of poor households, Government distributed 2.2 million tons of food-grain against the target of 2.6 million tons in FY14 through Open Market Sales, Fair Price Card, Test Relief and Vulnerable Group Feeding channels under the Public Food Distribution System (PFDS).

Bangladesh Bank adopted cautious monetary policy stance with a view to bringing inflation down to an annual 7.0 percent in FY14. BB

Chart 3.4 Urban CPI inflation
(12-month average : base FY06=100)

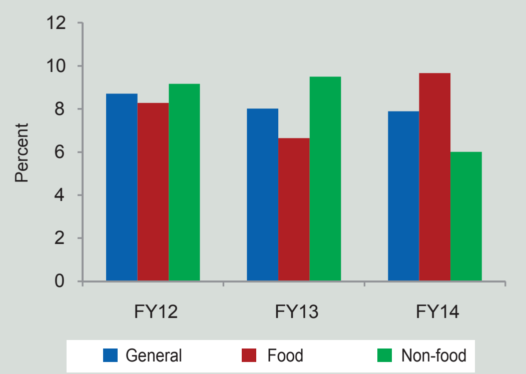


Table 3.6 Trends of wage rate indices

(base: FY70=100)

	FY10	FY11	FY12	FY13	FY14
General	5561.8	5781.64	6469.17	7422.05	8097
	(10.67)	(6.27)	(11.89)	(14.73)	(9.10)
Manufacturing	6620.3	6778.06	7221.12	7978.14	8700
	(8.03)	(3.95)	(6.54)	(10.48)	(9.05)
Construction	4755.8	4983.29	6583.09	7684.48	8238
	(10.31)	(7.56)	(32.10)	(16.73)	(7.20)
Agriculture	4985.4	5325.63	6133.58	7448.50	8283
	(16.65)	(10.87)	(15.17)	(21.44)	(11.20)
Fishery	4827.5	5043.15	5186.94	6021.01	6566
	(13.95)	(6.70)	(2.85)	(16.08)	(9.06)

Figures in parentheses are annual percentage changes.
Source: Bangladesh Bureau of Statistics.

also raised the Cash Reserve Requirement (CRR) by 50 basis points in the face of persisting inflationary pressure over the past few months. To bring inflation down, Bangladesh Bank continued to encourage banks to provide credit only for productive sectors and not in speculative purposes.

3.5 Food and non-food prices in the international markets recorded mixed developments in 2014 compared to the preceding year (Table 3.3, Chart 3.5). The price changes were only positive for palm oil and cotton (4.3 and 1.7 percent respectively) whereas the price of rice and soybean oil showed 18.0 and 13.2 percent decrease respectively.

3.6 The South Asian countries particularly SAARC countries like Bangladesh and India experienced a moderately high inflation of 7.35 percent and 6.5 percent respectively in FY14. Among the SAARC countries Nepal had the highest inflation of 9.5 percent, recorded in April 2014 (Table 3.4, Chart 3.6).

Wage Rate Trends

3.7 Wage rates for all sectors experienced lower growth in FY14 compared with FY13. The growth of general wage rate (Table 3.6, Chart 3.7) declined to 9.10 percent in FY14 from 14.73 percent in FY13. Construction sector recorded the lowest growth rate of 7.20 percent. It is also notable that the growth in general wage rate was 9.10 percent whereas the rate of consumer price inflation was 7.35 percent, implying a real increase of wage by about 1.75 percent.

Chart 3.5 Changes in international commodity prices

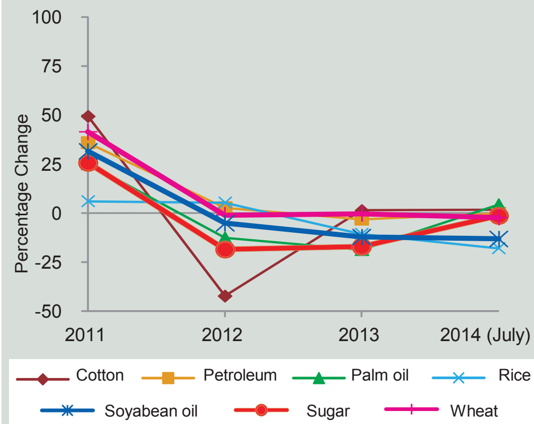


Chart 3.6 South Asian inflationary situation

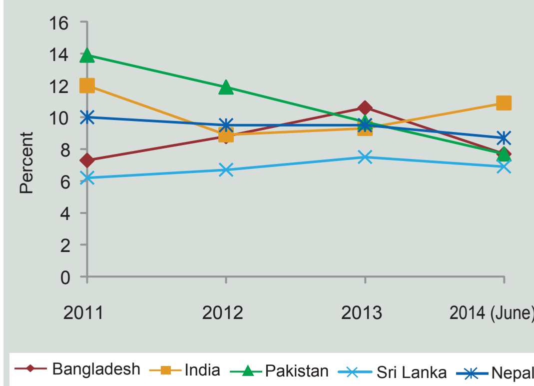


Table 3.7 Global inflationary situation

(percentage change)

	2012	2013	2014P	2015P
Advanced economies	2.0	1.4	1.6	1.8
United states	2.1	1.5	2.0	2.1
Euro area	2.5	1.3	0.5	0.9
Emerging & developing economies	6.1	5.9	5.5	5.6
Developing asia	4.7	4.7	4.1	4.2
Bangladesh	6.2	7.5	7.2	6.7
India	10.2	9.5	7.8	7.5
Sri Lanka	7.5	6.9	3.8	5.4
Pakistan	11.0	7.4	8.6	8.0

P= Projection.
Source: World Economic Outlook, October 2014.

Near Term Inflation Outlook

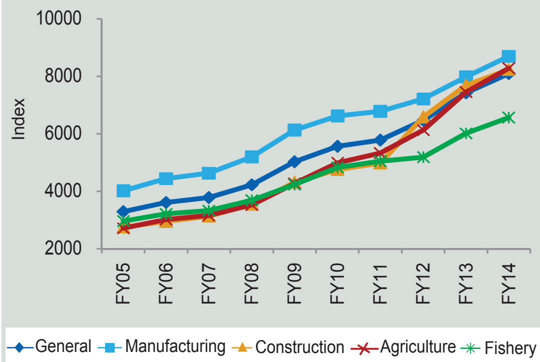
3.8 In the advanced economies like the United States and the Euro area, the headline and core inflation remained low over the past few years compared to the emerging and developing economies. In emerging Asia, headline inflation is decreasing over time but still stands to be high.

According to F AO, the world's total cereal production is likely to decrease in 2014 and trade in cereals is projected to decline in 2015. World rice production is forecast to increase in 2015 particularly in Asia mainly due to expectation of favourable weather . International trade in rice is expected to expand rapidly in 2014 to a new record sustained by ample supplies in exporting countries and increasing purchases by traditional importers. Global wheat production is also forecast to come down in 2015. It is expected that global markets are likely to face more stable situation in FY14.

Oil price are projected to decline consistent with expanding oil supply and tepid demand. It is projected to decline somewhat around USD 104.17 a barrel in 2014 and USD 97.92 a barrel in 2015.

The near-term outlook for overall global commodity prices is projected to decline. The FAO food price index averaged 209.3 points in April 2014, nearly 7.6 points, or 3.5 percent lower than April 2013 because of sharp decline of dairy , sugar and vegetable oil prices. FAO forecasts that global food prices

Chart 3.7 Wage rate index trends by sectors (base : FY70=100)



are expected to fall due to bumper harvest in the coming months. Global rice prices are expected to remain stable at least over 2014 due to good harvest owing to favourable weather.

According to World Economic Outlook (WEO), inflation is projected to decline to 1.6 percent in 2014, and increase to 1.8 percent in 2015 in advanced economies. In emerging and developing economies, inflation is projected to come down to 5.5 percent in 2014, and then slightly increase to 5.6 percent in 2015 (Table 3.7).

3.9 Although the actual inflation has already reached 7.22 percent (base: FY06=100) in September 2014, the rate is expected to come down at below 7.0 percent (base:FY06=100) within a couple of months as envisaged in Bangladesh's national budget for FY15.

Bangladesh faces some challenges to tame the inflation at the target level. Predicted wage increases may raise the aggregate demand pressure, contributing to the increase of inflation. Food inflation is also expected to increase due to increase in the cost of production. Historically, weather related risk factors affect agriculture production. Another near term risk factor is the looming threat of political uncertainty, which may erode general investors confidence. Moreover, Government is planning to increase fuel price within few months to offload the burden of subsidy. Such adjustment of fuel price can also contribute to the inflation, making it challenging to keep the inflation at target level of 7.0 percent in FY14.

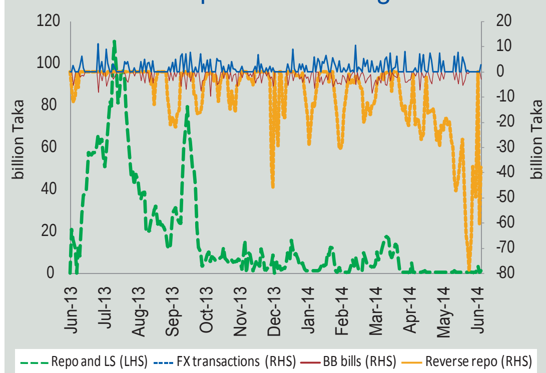
To bring down the inflation to 6.5 percent in 2015, export growth should be accelerated and significant surge of foreign assets need to be sterilised. The accomplishment of this target crucially depends on domestic bumper food, which in turn depends on weather as well as absence of supply side disruption.

Money and Credit

Stance of Monetary and Credit Policy

4.1 Bangladesh Bank pursued prudent monetary policy stances in FY14 against the backdrop of a sharp growth of net foreign assets and surging inflation in FY13. Growth and investment friendly monetary policy was undertaken during the year aiming at keeping average inflation down to 7 percent along with stimulating investment by providing sufficient credit in the productive sectors. More emphasis was given on BB's financial inclusion initiatives, especially on agriculture and SME sectors. The policy rates remained unchanged in the year in view of risks of the inflationary pressures. Macro-prudential policies and other incentives were used to support economic growth. The FY14 monetary programme was consistent to bring down the non-food point-to-point inflation falling from 7.76 percent in June 2013 to 5.45 percent in June 2014. It contributed to bring down average inflation to 7.35 percent at the end of FY14 which was slightly higher than the 7.0 percent target initially set for the year. Retail interest rates of both deposit and lending declined in FY14 where the latter declined less than the former. As a result, the interest rate spread stood at 5.31 percent at the end of FY14. The increased liquidity in the banking system for significant surge in net foreign assets needed to be sterilised via reverse repo operation with consequent costs to be incurred by BB. BB raised the CRR (Cash Reserve Ratio) by 50 basis points to 6.5 percent with effect from 24 June 2014 in order to tame persistent inflationary pressures.

Chart 4.1 Liquidity management operations during FY14



In FY14 reserve money growth (15.4 percent) which is single-most critical anchor of monetary programme and monetary policy stance remained within the programme target (16.2 percent). However, net domestic assets stood significantly lower (Taka 57.7 billion) against the programme level of Taka 266.0 billion. Broad money growth (16.1 percent) was less than the programme target (17.0 percent) due to both lower public and private sector credits growth during the year. Growth of public sector credit registered substantial decline (8.8 percent) against the target growth (22.9 percent) in FY14 mainly due to significantly lower government borrowing from the banking system than projected in both original and revised FY14 budget. This lower government borrowing was related to a sharp rise in revenue from the sales of National Savings Certificates.

Private sector credit growth ceiling was set at 16.5 percent in FY14 which is consistent with the target GDP growth and higher than the average private credit growth rate of emerging Asian Economies. However, private sector credit growth from local sources registered a 12.3 percent growth in FY14 as investors have been a bit conscious and followed a go slow strategy in the backdrop of political uncertainty, stringent lending practices by banks following scams in few banks and BB's facilitation of private sector trade credit from abroad which led to some switching to lower cost overseas financing.

Target for net foreign assets growth was adjusted upward from the earlier 8.4 percent to 9.9 percent due to sharp rise in net foreign assets, while target for net domestic assets growth cut down to 18.6 percent from earlier 19.0 percent. BB's active involvement in the interbank money and foreign exchange market helped in maintaining suf ficient liquidity and stability in the exchange rate and bring down the call money rate to 6.23 percent at the end of June 2014 from 7.17 percent a year ago.

4.2 BB announced various growth and investment friendly incentives in credit and financial policies with the aim of influencing investors and enhancing banks' lending activities in the backdrop of unstable political situation prevailed in the first half of FY14. Among these, the more remarkable ones are: relaxation in loan rescheduling; increase of

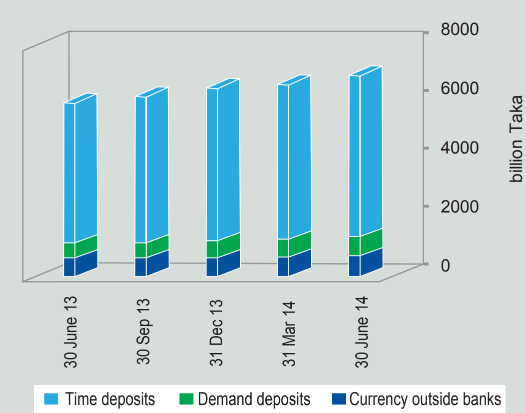
Table 4.1 Money and credit situation

(billion Taka)

	End June 13	End June 14	
	Actual	Programme	Actual
1. Net foreign assets	1120.7	1232.2	1552.9
	(50.1)	(9.9)	(38.6)
2. Net domestic assets (a+b)	4911.2	5825.2	5449.4
	(11.1)	(18.6)	(11.0)
a) Domestic credit (i+ii)	5657.4	6663.5	6311.7
	(10.9)	(17.8)	(11.6)
i) Credit to public sector 1/	1135.9	1395.9	1235.3
	(11.1)	(22.9)	(8.8)
ii) Credit to private sector	4521.6	5267.6	5076.4
	(10.8)	(16.5)	(12.3)
b) Other items (net)	-746.2	-838.3	-862.3
3. Narrow money (i+ii)	1232.9		1412.5
	(12.6)		(14.6)
i) Currency outside banks	675.5		769.1
	(15.6)		(13.8)
ii) Demand deposits 2/	557.4		643.4
	(9.2)		(15.4)
4.Time deposits	4799.0		5589.8
	(17.8)		(16.5)
5. Broad money (1+2)or(3+4)	6031.9	7057.3	7002.3
	(16.7)	(17.0)	(16.1)

Figures in the parentheses indicate y-o-y percentage changes.
1/ "Govt. lending fund" is treated as deposit in calculating claims on Govt. (net).
2/ Demand deposits of monetary authority are excluded.

Chart 4.2 M2 components



export development fund from USD 1.2 billion to USD 1.5 billion; reduction of EDF loan interest rate and inclusion of leather and ceramics sectors under EDF . Access to finance has also been broadened with more emphasis on the SME sector . About 14 million' 10 taka accounts' were opened by the end of June 2014 compared to 13.2 million at the end of June 2013. BB has also set up a 2 billion taka refinancing facility via micro finance institutions to provide small loans to those low-income rural households who have opened a '10 Taka' account. Ef forts were taken to strengthen socially responsible banking which included greater emphasis on 'green banking' and enhanced corporate social responsibility. Rapid expansion of mobile banking arrangement has helped banks to provide better and more services to the client cost-ef fectively. A fund of Taka 1.0 billion was formed by BB with the assistance of JICA for financing to reconstruct the risky building of garment sectors. With a view to attracting foreign investment, BB has relaxed restrictions on foreign investor borrowing from the local market and their access to working capital financing from their parent company.

Bangladesh Bank took measures to strengthen monetary transmission channels for more effective implementation of monetary policy. Strengthening secondary market activities for public and private credit was one of the main focuses of FY14 monetary policy . Supervisory role and capacity of Bangladesh Bank were strengthened to establish good governance including strong internal control of banks in general. Bangladesh Bank has escalated supervision in order to strengthen regulation, modernise services, deepen accountability and promote transparent and good corporate governance in banks and financial institutions. Expansion of inclusive financial service resulted in lowering liquidity risk as well as default loan risk by broadening deposit and investment base of banks and financial institutions.

The enhanced authority was given to BB over the appointment and dismissal of senior

Chart 4.3 Domestic credit and its components

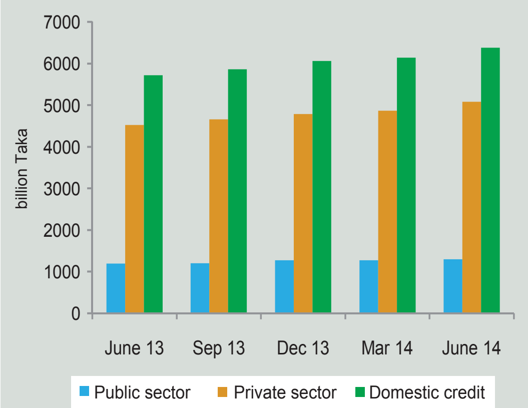
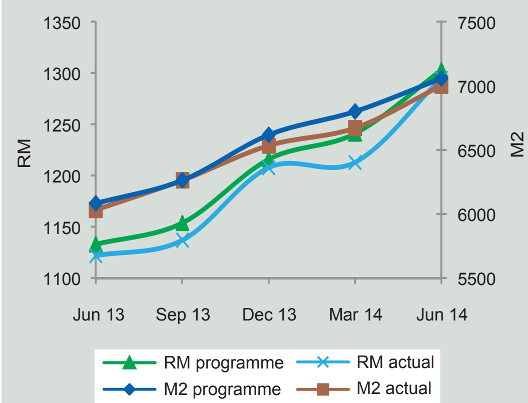


Chart 4.4 Programmes and actual developments of M2 and RM in FY14 (billion Taka)



management in SCBs. Stringent financial improvement plan was set up with the four SCBs and BASIC Banks which included different ceilings on loan growth. Debt markets became more functional with several recent auctions of Govt. T. bills & bonds over-subscribed and a sharp fall in devolvement from 34 percent in FY13 to 15.25 percent in FY14. To this end, modern online based information technology was introduced. Setting ceilings on loan growth of the bank concerned, prior approval of Bangladesh Bank for large loan and loan in excess of single borrower exposure and regular submission of statement on of f-balance sheet items to Bangladesh Bank were made mandatory under the MoU with board of directors regarding management of SCBs and specialised banks including BASIC Bank. Visible progress on implementing automation benchmarks in the SCBs was made a pre-condition for sanctioning the release of additional recapitalisation funds.

Financial sector stability is a necessity for economic development of the country . Bangladesh Bank is very much concern regarding this.

The monetary policy stance aimed at maintaining country's external sector stability . In FY14 double digit export growth of 12.0 percent with import growth of 8.9 (due to lower base effect) percent narrowed the trade deficit (Appendix-3, Table-XV).

Foreign exchange reserve reached to USD 21.5 billion in FY14, which was suf ficient to cover about 7 months of import payment. Avoiding excessive exchange rate volatility remains a key objective of BB. The nominal value of Taka against USD barely changed in FY14 while real exchange rate data indicated a marginal impact on export competitiveness.

However, BB's interventions in the foreign exchange market have protected exporters by slowing the appreciation of Taka. BB bought USD 5.15 billion from foreign exchange market in FY14.

4.3 The policy stance for FY14 was designed in line with the target of 7.2 percent real GDP growth in a scenario of 7.0 percent annual average CPI inflation. Accordingly broad money (M2) growth was programmed at 17.0 percent. Broad Money (M2) grew by 16.1 percent in FY14 against this targeted growth and 16.7 percent actual growth in FY13. The monetary programme vis-à-vis actual outcomes are presented in Table 4.1.

Table 4.2 Reserve money position

(billion Taka)

	End June 13	End June 14	
	Actual	Programme	Actual
Net foreign assets[1/@]	948.2	-	1400.2
Net foreign assets[2/@]	935.1	1036.9	1352.5
Net domestic assets[1/]	173.5	-	-105.3
Net domestic assets2/	186.7	266.0	-57.7
Domestic credit	344.2	304.2	156.9
	(-17.9)	(-11.6)	(-54.4)
Credit to the public sector[3/]	281.4	240.4	102.3
	(-20.2)	(-14.6)	(-63.7)
Credit to deposit money banks[4/]	62.8	63.8	54.6
	(-6.0)	(1.6)	(-13.1)
Other items (net)	-157.5	-38.2	-214.6
Reserve money	1121.8	1302.9	1294.8
	(15.0)	(16.2)	(15.4)
Currency issued	753.7	892.8	854.9
	(16.1)	(18.5)	(13.4)
Deposits of banks with BB[5/]	368.0	410.1	440.0
	(12.7)	(11.4)	(19.5)
Money multiplier	5.38	5.42	5.41

Figures in the parentheses indicate y-o-y percentage changes.
1/ Calculated from monetary survey using end of period exchange rates.
2/ Calculated using constant exchange rates of end June 2011.
3/ Govt. lending fund is treated as deposit in calculating net credit to Govt
4/ Considers only loans and advances to DMBs.
5/ Excluding foreign currency clearing account balance and non-bank deposits.
@ Excluding foreign currency clearing account balance and offshore bank account.

Table 4.3 Income velocity of money

(billion Taka)

Year	GDP at current market prices (base:FY06)	Broad Money (M2) (end June position)	Income velocity of money
FY08	6286.82	2486.9	2.53 (-2.69)
FY09	7050.72	2963.6	2.38 (-5.93)
FY10	7975.39	3628.2	2.20 (-7.56)
FY11	9158.29	4403.2	2.08 (-5.45)
FY12	10552.04	5171.10	2.04 (-1.92)
FY13	11989.23	6031.9	1.99 (-2.45)
FY14	13509.20	7001.8	1.93 (-3.02)

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

The growth of broad money (M2) declined due mainly to the lower growth of net foreign assets and public sector credit in FY14. Credit to the public sector declined due to higher non-bank borrowing of the government through sale of national saving certificates which was Taka 117.07 billion in FY14 compared with Taka 7.73 billion in FY13. The growth in public sector credit stood at 8.8 percent against the target 22.9 percent growth under the programme in FY14 and 1 1.1 percent actual growth in FY13. Credit to the private sector recorded 12.3 percent growth against the target growth of 16.5 percent in FY14 but it remained marginally higher than the actual growth of 10.8 percent in FY13. As a result, net domestic assets registered a 11.0 percent growth in FY14 compared with the target growth of 18.6 percent for the same year and 11.1 percent growth in FY13. On the other hand, the growth in net foreign assets stood at 38.6 percent in FY14 against the target growth of 9.9 percent under the programme and the actual growth of 50.1 percent in FY13. Higher growth in NF A then the target is the outcome of robust export growth along with moderate import growth.

Trends of broad money and its components are shown in Chart 4.2.

Reserve Money Developments

4.4 Reserve money (RM) has been used as an operating target to modulate liquidity consistent with the overall monetary projection. The weekly auctions of Government treasury bills and bonds usually influence the level of RM, while repo and reverse repo operations smoothen the money market.

Chart 4.5 Movement of GDP growth, M2 growth, rate of inflation and income velocity of money

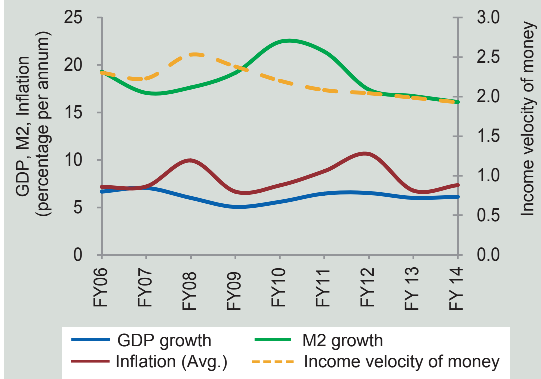


Table 4.4 Bank credit*-FY14 quarterly positions

(billion Taka)

Outstanding as of	Advances	Bills	Total
30 June 13	4283.15 (95.56)	199.01 (4.44)	4482.16
30 Sep 13	4422.62 (95.70)	198.64 (4.30)	4621.26
31 Dec 13	4567.99 (95.94)	193.53 (4.06)	4761.51
31 Mar 14	4663.81 (96.17)	185.68 (3.83)	4849.49
30 June 14	4854.00 (96.17)	193.49 (3.83)	5047.49

Figure in parentheses indicate percentage shares of total bank credit.
* Excluding foreign bills and inter-bank credit.

4.5 In line with the projected broad money growth, the monetary programme set a 16.2 percent growth of RM for FY14 but the actual growth was 15.4 percent mainly due to substantially lower level of net domestic assets of BB compared to the program level. Net domestic assets stood negative at Taka 57.7 billion against the programme level of Taka 266.0 billion. Domestic credit of BB registered negative 54.4 percent growth associated with its components; public sector credit recorded negative by 63.7 percent growth compared to negative 14.6 percent growth targeted under the program due to lower than expected growth of government borrowing from BB. In FY13 public sector borrowing from BB was negative (20.2 percent). Credit to the deposit money banks stood at Taka 54.6 billion in FY14 against the targeted amount of 63.8 billion as banks had sufficient liquidity to meet the required demand.

On the other hand, net foreign assets of BB, however, substantially increased by Taka 417.4 billion and stood at Taka 1352.5 billion against the programme level of Taka 1036.9 billion. Net foreign assets of BB rose sharply as BB bought USD 5.15 billion from the foreign exchange market in FY14 to maintain external competitiveness of Taka against the USD.

4.6 Money multiplier increased to 5.41 in FY14 from to 5.38 in FY13. Reserve-deposit ratio increased to 0.085 from 0.084, while currency-deposit decreased to 0.123 from 0.126 over the same period. Net changes in reserve-deposit ratio and currency-deposit ratio led to an increase in money multiplier . Both money multiplier and reserve money growth explain the growth in broad money . Movement of domestic credit and its components in FY14 are shown at Chart 4.3.

Actual development of M2 and RM against their respective programme path is shown in Chart 4.4.

Income Velocity of Money

4.7 The income velocity of money decreased to 1.93 in FY14 from 1.99 in FY13 (Table 4.3). The rate of decrease in FY14 was 3.02 percent as against 2.45 percent decline in FY13. Income velocity of money was on a declining trend over the past several years indicating increased monetisatio and financial deepening in the economy. Growth of GDP, M2, inflation and income velocity of money during FY06-FY14 are shown in Chart 4.5.

Table 4.5 Bank deposits*- FY14 quarterly positions

(billion Taka)

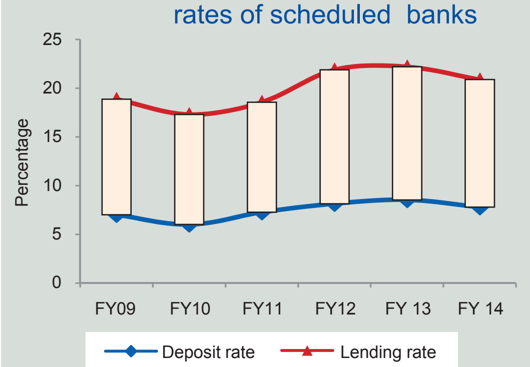
Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits
30 June 13	557.37	4799.02	372.52	5728.91
30 Sep 13	539.45	5032.87	348.71	5921.03
31 Dec 13	553.65	5253.32	394.14	6201.11
31 Mar 14	602.19	5341.95	386.19	6330.33
30 June 14	643.44	5589.32	392.18	6624.94

*Excluding inter bank and restricted deposits.

Table: 4.6 Weighted average interest rates of scheduled banks

Items	as of end June (in %)					
	FY09	FY10	FY11	FY12	FY13	FY14
Deposit rate	7.01	6.01	7.27	8.15	8.54	7.79
Lending rate	11.87	11.31	12.42	13.75	13.67	13.10
Spread	4.86	5.30	5.15	5.60	5.13	5.31

Chart 4.6 Weighted average interest rates of scheduled banks



Bank Credit

4.8 Outstanding bank credit (excluding foreign bills and inter-bank items) during FY14 increased by Taka 565.33 billion or 12.61 percent to Taka 5047.49 billion compared to an increase of 8.88 percent in FY13. The rise in bank credit during FY14 was driven by increase in advances.

Advances increased by Taka 570.85 billion or 13.33 percent in FY14, as against an increase of 10.45 percent during FY13. Bills purchased and discounted decreased by Taka 5.52 billion or 2.77 percent in FY14 as compared with the increase of 16.57 percent in FY13. The quarterly position of bank credit and its components are given at Table 4.4.

Bank Deposits

4.9 Bank deposits (excluding inter-bank items) increased by Taka 896.03 billion or 15.64 percent to Taka 6624.94 billion during FY14 compared to 16.91 percent increase in FY13. he rise in total bank deposits was contributed by time deposits and government deposits. Time deposits increased by Taka 790.30 billion or 16.47 percent and stood at Taka 5589.32 billion in FY14 compared to the growth of 17.80 percent during FY13. Government deposits increased by Taka 19.66 billion or 5.28 percent to Taka 392.18 billion in FY14 compared to 17.98 percent increase in FY13. On the other hand, demand deposits increased by Taka 86.07 billion or 15.44 percent in FY14 to Taka 643.44 billion against 9.16 percent increase in FY13. Quarterly position of bank deposits in FY14 may be seen at Table 4.5.

Credit/Deposit Ratio

4.10 The credit/deposit ratio of the scheduled banks, excluding the specialised banks was 0.79 at the end of June 2014 compared to 0.78 at the end of June 2013. Increasing credit to deposit ratio indicates higher credit growth than deposit growth.

Scheduled Banks' Borrowing from Bangladesh Bank

4.11 Scheduled banks' borrowings from the Bangladesh Bank decreased by Taka 39.15 billion or 41.46 percent to Taka 55.27 billion at the end of June 2014 compared to the decrease by 56.76 percent to Taka 94.42 billion at the end of June 2013. The fall in scheduled banks' borrowing from BB is indicative of adequate liquidity in the money market.

Balances of Scheduled Banks with the BB and their Cash in Tills

4.12 Balances of scheduled banks with the BB increased by Taka 71.95 billion or 19.55 percent to Taka 439.98 billion at the end of June 2014 compared to the increase by 12.68 percent to Taka 368.03 billion at the end of June 2013. Cash in tills of scheduled banks increased by Taka 7.58 billion or 9.69 percent to Taka 85.77 billion at the end of June 2014 compared to the increase by 20.68 percent to Taka 78.19 billion as of end June 2013.

Cash Reserve Requirement (CRR)

4.13 The Cash Reserve Requirement (CRR) for the scheduled banks with the Bangladesh Bank has been increased by 50 basis points to 6.50 percent of their total demand and time

Box 4.1

Price stability and financial stability: Bangladesh perspective

The question whether there is a trade-of f between monetary and financial stability has been one of the most interesting areas of research for central banking for many years. According to conventional wisdom, monetary policy aimed at maintaining price stability would lessen both the incidence and the severity of financial instability . The argument was that price stability obviates the information problems for both borrowers and lenders and ensures financial stability through ef ficient allocation of resources. A monetary policy that maintains price stability , thus, also would promote financial stability. Following this wisdom, a number of countries have set explicit targets for inflation and mandated control of inflation as the paramount objective of monetary policy over the past decade. Critics argue that such a narrow focus sometimes fails to protect the stability of the financial system. The recent financial crisis proves that financial stability can be endangered even if there is price stability. Thus, the crisis has revitalised the question whether monetary policy should only have a single objective of price stability or not.

The financial instability af fects monetary transmission mechanism by impairing the bank lending channel. Such impairment makes the central banks more inclined to pay attention to financial stability in their monetary strategy . Since the recent global financial crisis, central banks became more interested to address the problem of financial instability . Along these lines, the role of macro-prudential policy and monetary policy in achieving and maintaining macroeconomic and financial stability became a high priority in the agenda of policymakers.

Mainstream monetary policy approaches of developed economies seek to impact real sector primarily by influencing financing costs and occasionally by influencing liquidity volumes. Recurring cycles of financial instability and prevalence of financial exclusion show this mainstream monetary policy approach to be sub-optimal for both sustained growth and stability . In the presence of liquidity surfeits and policy laxity, markets tend to siphon of f financing away from SMEs towards speculative profit seeking that creates price bubble in commodity and asset markets and impairs financial stability. In this backdrop, Bangladesh Bank (BB), has decided to deliberately imparting some directional bias in monetary and financial policies towards supporting inclusive, sustainable growth. BB has chosen a socially responsible inclusive financing orientation as the mainstream approach for the financial sector in Bangladesh.

In the financial sector of Bangladesh, inclusive financing is bolstering financial stability by widening and diversifying the asset and deposit bases of lending institutions, reducing their credit and liquidity risk exposures. The diverse small-sized financing in the inclusive initiatives constitute a new asset base, entailing lower aggregate credit risk than from large loan exposures to a few large borrowers. At the same time, the new client base of numerous small borrowers constitute a substantial base of new deposits that are more stable than large deposits from a small number of big depositors- enhancing financial sector stability . Inclusive financing shielded small farms and businesses inBangladesh from any credit crunch in the last global financial crisis. BB's inclusive financing promotion exists within its monetary growth programme, designed to maintain price and macro-financial stability. All banks and financial institution have enthusiastically engaged themselves in nationwide financial inclusion initiatives. Financial support from these initiatives has boosted agriculture and SMEs, generating both domestic output and demand to compensate for external demand weakness from the slowdown in developed economies. Sustainability supportive policies of BB have successfully enthused banks and financial institutions into spawning new initiatives of reaching out with financial services supporting productive initiatives in underserved communities and sectors, using cost-effective mobile phone/smart card and other off branch service delivery channels enabled by a BB-led massive upgrading of the financial sector IT infrastructure.

BB's role as monetary policy authority, well integrated with macro-prudential regulation and micro-prudential supervision. Macro-prudential measures, inter alia sharpening quantitative risk focus, specifying quality specification on required capital, stress testing of banks for identifying their vulnerabilities, contingency planning for handling crisis situations, and introducing liquidity requirement specifications in the new Basel III capital regime steers country's financial system away from recurrent instability. The institutional arrangement in the financial sector was already in place for inter-regulatory co-ordination to monitor financial stability. So, BB's approach to financial stability has been proactive and preventive rather than reactive. BB considers price level stability and financial stability are very much compatible, not competing goals for monetary policy.

Mainstreaming of this approach in monetary policy garnered good outcomes in regard to upholding of price and macro financial stability. The financial sector of Bangladesh remained unscathed and resilient during the global financial crisis and subsequent global growth slowdown, actively supporting the domestic sectors and supplementing the government's fiscal efforts to uphold domestic demand.

liabilities with effect from 24 June 2014. It may be noted that banks are required to maintain CRR at the rate of 6.50 percent on average on bi-weekly basis provided that the CRR would not be less than 6.00 percent in any day.

Statutory Liquidity Ratio (SLR)

4.14 According to the amendment of subsection (2) under section 33 of Bank Company Act, 1991, it is decided that banks should maintain statutory liquidity ratio separately. For the conventional banks, the statutory liquid assets inside Bangladesh which also includes excess reserves with Bangladesh Bank, shall not be less than 13.0 percent of their total demand and time liabilities, and for the shariah based Islamic banks, this rate shall not be less than 5.5 percent. This has been in effect from 1 February 2014.

4.15 The bank rate remained unchanged at 5.0 percent in FY14. This rate has been effective from 6 November 2003.

Interest Rates on Deposits and Lending

4.16 Table 4.6 presents the weighted average interest rates of scheduled banks on deposits and lending along with the spread during FY09 to FY14. It is evident from the table that the weighted average interest rates on deposits and lending showed mixed trends during FY09-FY14. The weighted average interest rate on lending declined to 13.10 percent in FY14 from 13.67 percent in FY13 though policy rates remained unchanged as a result of fall in demand for credit and continued moral persuasion by BB. The weighted average deposit interest rate came down to 7.79 percent in FY14 compared to 8.54 percent in FY13. The large excess liquidity in the banking system contributed to lower the deposit rate. The trends of the spreads between lending and deposits rates were above 5 percent from FY10 to FY14. The spread stood at 5.31 percent in FY14 compared with 5.13 percent in the preceding year.

Banking Sector Performance, Regulation and Bank Supervision

5.1 The banking sector of Bangladesh demonstrated considerable progress in reinforcing the resilience during FY14 amid political turbulence. Bangladesh Bank (BB) continued to focus on strengthening the financial system of the country. A number of policy measures continued during the year emphasising risk management, corporate governance, stress testing, enhanced CSR and Green Banking activities in the banks as well as monitoring of fraud-forgeries through self assessment of Anti-Fraud Internal Controls. A revised guideline for CAMELS rating has been put into effect in order to make it more suitable with international standard. Monitoring of investment in shares by the scheduled banks has been stringent in light of the amendments made in the Bank Company Act in 2013. Risk Management Committee at the board level has been made mandatory to ensure proper risk management practice in the banks. Presently the banks are being rated for their overall risk management performance. The following paragraphs highlight the performance of the banking sector including the recent regulatory and supervisory measures initiated by BB.

A. Banking Sector Performance

5.2 The banking sector of Bangladesh comprises four categories of scheduled banks. These are State-owned Commercial Banks (SCBs), State-owned Development Financial Institutions (DFIs), Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs). Nine (9) newly licensed private commercial banks have started functioning in this year. So the number of banks increased from 47 in 2012 to 56 in 2013. These banks had a total number of 8685 branches as of December 2013. The number of bank branches increased from 8322 of 2012 to 8685 due to opening of new branches mainly by the PCBs, DFIs and SCBs during the year. At the end of June 2014, the total number of bank branches increased

Table 5.1 Banking systems structure

(billion Taka)

Bank types	2012						2013					
	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits
SCBs	4	3478	1831.9	26.1	1377.9	25.5	4	3520	2108.5	26.4	1631.2	26.0
DFIs	4	1440	385.5	5.5	260.4	4.8	4	1494	454.8	5.7	343.0	5.5
PCBs	30	3339	4371.5	62.2	3430.7	63.6	39	3602	4948.2	61.9	3939.3	62.8
FCBs	9	65	441.8	6.3	327.0	6.1	9	69	488.7	6.1	359.5	5.7
Total	**47**	**8322**	**7030.7**	**100**	**5396.0**	**100**	**56**	**8685**	**8000.2**	**100**	**6273.0**	**100**

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

Chart 5.1 Aggregate industry assets (Dec, 2012) (billion Taka)

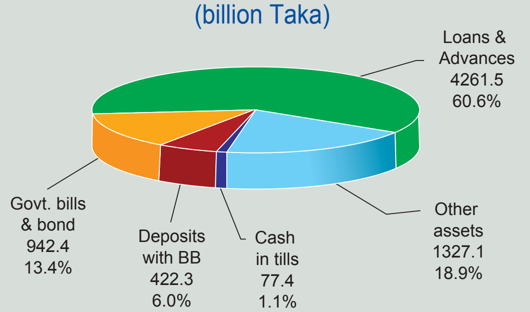
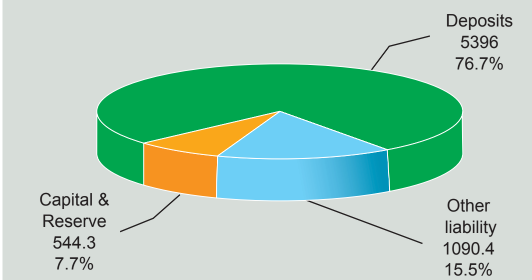
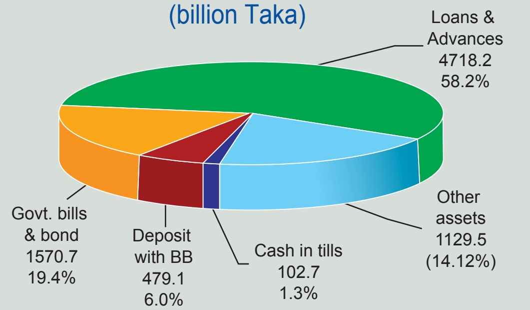


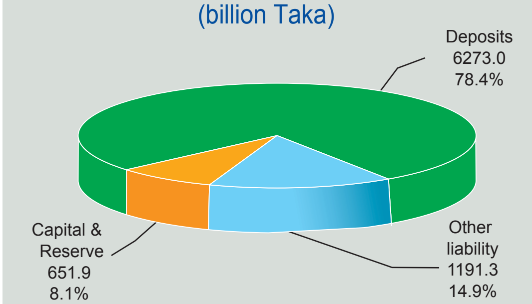
Chart 5.2 Aggregate industry liabilities (Dec, 2012) (billion Taka)



Aggregate industry assets (Dec, 2013) (billion Taka)



Aggregate industry liabilities (Dec, 2013) (billion Taka)



further to 8794, with total number of banks remained unchanged at 56 (Appendix 4, Table I). Structure of the banking sector with breakdown by type of banks is shown in Table 5.1.

5.3 In 2013, the SCBs held 26.4 percent of the total industry assets as against 26.1 percent in 2012. PCBs' share in total assets is showing persistent trend and it slightly decreased from 62.2 percent in 2012 to 61.9 percent in 2013. The FCBs held 6.1 percent of the industry assets in 2013, showing a decline by 0.2 percentage point over the previous year. The DFIs' share of assets was 5.7 percent in 2013 as compared to 5.5 percent in 2012.

5.4 Total deposits of the banks in 2013 rose to Taka 6273.0 billion from Taka 5396.0 billion in 2012 showing an overall increase by 16.3 percent compared to a 19.7 percent growth in 2012. The SCBs' share in deposits slightly increased from 25.5 percent in 2012 to 26.0 percent in 2013. PCBs' deposits in 2013 amounted to Taka 3939.3 billion or 62.8 percent of the total industry deposit compared to Taka 3430.7 billion or 63.6 percent in 2012. FCBs' deposits in 2013 slightly increased by Taka 32.5 billion over the year 2012. The DFIs' deposits in 2013 were Taka 343.0 billion compared with Taka 260.4 billion in 2012 showing an increase of 31.7 percent over the year. The total deposits growth rate declined during the year despite inclusion of 9 new banks and a large decline in interbank borrowings.

A.1. Aggregate Balance Sheet

5.5 **Assets:** Aggregate industry assets in 2013 showed an overall increase of 13.8

percent over 2012. During this period, the SCBs' assets increased by 15.1 percent and those of the PCBs' increased by 13.2 percent. Loans and advances of Taka 4718.2 billion constituted the most significant portion (58.2 percent) of the sector's aggregate assets of Taka 8000.2 billion. Cash in hand including foreign currencies was Taka 102.7 billion; deposits with BB were Taka 479.1 billion; other assets were Taka 1129.5 billion and investment in government securities were Taka 1570.7 billion (Chart 5.1).

5.6 **Liabilities and capital:** Deposits continued to be the main sources of funds of the banking industry and constituted 78.4 percent (Taka 6273.0 billion) of its aggregate liability and capital portfolio in 2013. Capital and reserves of the banks were Taka 651.9 billion (8.1 percent) in 2013, compared with Taka 544.3 billion (7.7 percent) in 2012 (Chart 5.2).

A.2. Capital adequacy

5.7 Capital adequacy focuses on the total position of banks' capital and the protection of depositors and other creditors from the potential shocks of losses that a bank might incur. It helps absorbing all possible financial risks like credit risk, market risk, operational risk, residual risk, core risks, credit concentration risk, interest rate risk, liquidity risk, reputation risk, settlement risk, strategic risk, environmental & climate change risk etc. Under Basel-II, banks in Bangladesh are instructed to maintain the Minimum Capital Requirement (MCR) at 10.0 percent of the Risk Weighted Assets (RWA) or Taka 4.0 billion as capital, whichever is higher. Under the Supervisory Review Process (SRP), banks are directed to maintain a level of "adequate" capital which is higher than the minimum required capital and sufficient to cover for all possible risks in their business. This higher level of capital for the banks is usually determined and finalised through SRP-SREP (Supervisory Review Evaluation Process, the central bank's assessment) dialogue. The amount of capital was Taka 205.8 billion as on 31 December 2008 and increased to Taka 651.9 billion at the end of December 2013, showing capital growth of 216.8 percent.

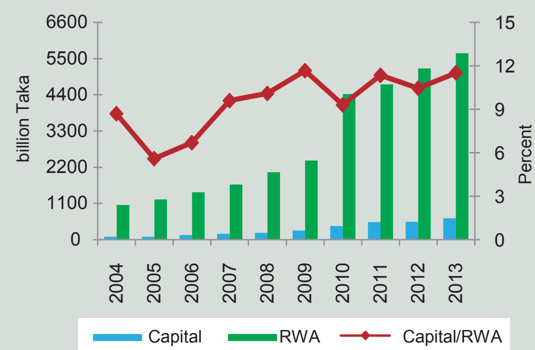
5.8 Table 5.2 shows that on 31 December 2013, in aggregate, the SCBs, DFIs, PCBs and FCBs maintained CAR of 10.8, -9.7, 12.6, and 20.2 percent respectively. But individually, 2 SCBs, 2 PCBs, 1 FCB and 3

Table 5.2 Capital to risk weighted assets ratio by type of banks

(percent)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	End June 2014
SCBs	1.1	7.9	6.9	9.0	8.9	11.7	8.1	10.8	8.7
DFIs	-6.7	-5.5	-5.3	0.4	-7.3	-4.5	-7.8	-9.7	-13.7
PCBs	9.8	10.6	11.4	12.1	10.1	11.5	11.4	12.6	12.1
FCBs	22.7	22.7	24.0	28.1	15.6	21.0	20.6	20.2	20.6
Total	**6.7**	**9.6**	**10.1**	**11.6**	**9.3**	**11.4**	**10.5**	**11.5**	**10.7**

Chart 5.3 Aggregate capital adequacy position



DFIs did not maintain the minimum required CAR. The CAR of the banking industry as a whole was 11.5 percent at end of December 2013 as against 10.5 percent at the end of 2012. Implementation of new revised policy on loan rescheduling (BRPD Circular no. 15/2013) was the main reason of increase in CAR in 2013. On the other hand, increase of classified loans resulted in rise of deficit of capital of 2 SCBs (Sonali, Rupali), 3 DFIs (BKB, BASIC, RAKUB), 2 PCBs (BCBL, ICB Islamic) and 1 FCB (NBP). The CAR of the industry was 10.7 percent at end of June 2014.

A.3. Asset Quality

5.9 Loans and advances are the major components in the asset composition of all commercial banks. The high concentration of loans and advances increases the vulnerability of assets to credit risk.

5.10 The most important indicator intended to identify the asset quality in the loan portfolio is the ratio of gross non-performing loans (NPLs) to total loans and net NPLs to net total loans. At the end of December 2013, PCBs had the lowest and DFIs had the highest ratio of gross NPLs to total loans. PCBs' gross NPLs to total loans ratio was 4.5 percent, whereas that of SCBs, FCBs and DFIs were 19.8, 5.5 and 26.8 percent respectively at the end of December 2013 (Table 5.3). The gross NPL ratios to total loans for the SCBs, PCBs, FCBs and DFIs were recorded as 23.2, 5.7, 6.2 and 33.1 percent respectively at end June 2014.

5.11 The ratio of NPL to total loans of all the banks had shown an overall declining trend from its peak (34.9 percent) in 2000 up to 2011 (6.1 percent). But the ratio increased in 2012 (10.0 percent), decreased again in 2013 (8.9 percent), then increased (10.8 percent) at end June 2014. It can be seen from Table 5.3 that the decline in NPLs to total loans ratio in recent years till 2011 can be attributed partly to some progress in recovery of long outstanding loans and partly to write-off of loans classified as 'bad' or 'loss'.

Chart 5.4 Aggregate position of NPLs to total loans

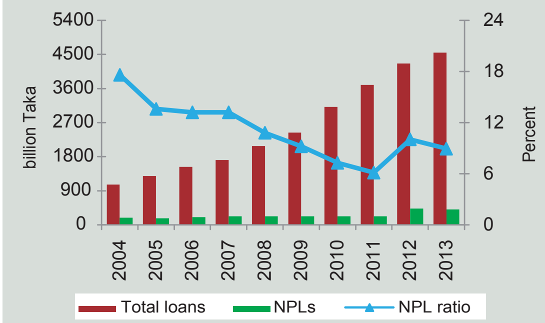


Table 5.3 NPL ratios by type of banks

(percent)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	End June 2014
SCBs	22.9	29.9	25.4	21.4	15.7	11.3	23.9	19.8	23.2
DFIs	33.7	28.6	25.5	25.9	24.2	24.6	26.8	26.8	33.1
PCBs	5.5	5.0	4.4	3.9	3.2	2.9	4.6	4.5	5.7
FCBs	0.8	1.4	1.9	2.3	3.0	3.0	3.5	5.5	6.2
Total	**13.2**	**13.2**	**10.8**	**9.2**	**7.3**	**6.1**	**10.0**	**8.9**	**10.8**

Table 5.3 (a) Ratio of net NPL to total loans by type of banks

(percent)

Bank	2006	2007	2008	2009	2010	2011	2012	2013	End June 2014
SCBs	14.5	12.9	5.9	1.9	1.9	-0.3	12.8	1.7	7.4
DFIs	23.6	19.0	17.0	18.3	16.0	17.0	20.4	19.7	26.4
PCBs	1.8	1.4	0.9	0.5	0.0	0.2	0.9	0.6	1.2
FCBs	-2.6	-1.9	-2.0	-2.3	-1.7	-1.8	-0.9	-0.4	-0.2
Total	**7.1**	**5.1**	**2.8**	**1.7**	**1.3**	**0.7**	**4.4**	**2.0**	**3.9**

But it went up again in 2012 & 2014 (end June) due to the reasons of issuance of the circular regarding new classification and rescheduling of loans and a few notable scams in the banking industry.

5.12 The SCBs and DFIs continue to have high level of NPLs mainly due to substantial loans provided by them on considerations other than commercial criteria. Furthermore, these banks were reluctant to write-off the historically accumulated bad loans because of poor quality of underlying collaterals. Recovery of NPLs, however, has showed some signs of improvement, mainly because of the steps taken with regard to internal restructuring of these banks to strengthen their loan recovery mechanism and write-off measures initiated in recent years.

5.13 Table 5.3 (a) and Chart 5.4 show that in 2013, the ratio of net NPLs (net of provisions and interest suspense) to net total loans (net of provisions and interest suspense) was 2.0 percent for the banking sector and 19.7 percent for DFIs. It is revealed in the table that DFIs' nonperforming portfolios were still high after adjustment of actual provision and interest suspense, whereas SCBs, FCBs and PCBs had excess provision against their NPLs. The net NPLs to net total loan ratios were 1.7, 0.6, and -0.4 percent for the SCBs, PCBs and FCBs respectively at the end of December 2013. The ratios were 7.4, 26.4, 1.2 and -0.2 percent for SCBs, DFIs, PCBs and FCBs at the end June 2014.

5.14. Table 5.3(b) displays the amount of NPLs of the 4 type of banks since 2006 to 2014 (end June). The amount of NPLs of the SCBs increased from Taka 115.0 billion in 2006 to Taka 166.1 billion in 2013. The PCBs recorded a total increase of Taka 99.4 billion in their NPL accounts, which stood at Taka 143.1 billion in 2013 as against Taka 43.7 billion in 2006. The amount of NPLs of the DFIs increased to Taka 83.6 billion in 2013 from Taka 41.5 billion in 2006. The amount of

Table 5.3 (b) Amount of NPLs

(billion Taka)

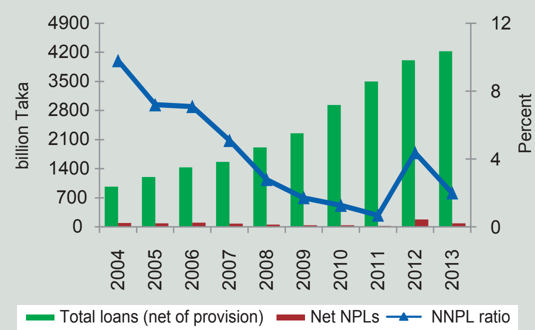
Bank	2006	2007	2008	2009	2010	2011	2012	2013	End June 2014
SCBs	115.0	137.9	127.6	117.5	107.6	91.7	215.2	166.1	197.2
DFIs	41.5	37.2	37.3	42.1	49.7	56.5	73.3	83.6	110.5
PCBs	43.7	49.2	57.0	61.7	64.3	72.0	130.4	143.1	191.5
FCBs	0.8	1.9	2.9	3.5	5.5	6.3	8.5	13.0	14.2
Total	**201.0**	**226.2**	**224.8**	**224.8**	**227.1**	**226.4**	**427.3**	**405.8**	**513.4**

Table 5.4 Required provision and provision maintained-all banks

(billion Taka)

All banks	2006	2007	2008	2009	2010	2011	2012	2013	End June 2014
Amount of NPLs	201.0	226.2	224.8	224.8	227.1	226.4	427.3	405.8	503.5
Required Provision	106.1	127.2	136.1	134.8	149.2	148.2	242.4	252.4	300.4
Provision maintained	52.9	97.1	126.2	137.9	142.3	152.7	189.8	249.8	260.4
Excess(+)/ shortfall(-)	-53.2	-30.1	-9.9	3.1	-6.9	4.6	-52.6	-2.6	40.0
Provision maintenance ratio (%)	49.9	76.3	92.7	102.3	95.4	103.0	78.3	99.0	86.7

Chart 5.4 (a) Aggregate position of NNPL to total loans (net of provision)



NPLs of the FCBs increased from Taka 0.8 billion in 2006 to Taka 13.0 billion in 2013. The amount of NPLs of SCBs, DFIs, PCBs and FCBs stood at Taka 197.2, 110.5, 191.5 and 14.2 billion respectively at the end of June 2014.

5.15 Table 5.4 shows the aggregate amount of NPLs, the required loan loss provision and the actual provision maintained by the banks from 2006 to end June 2014. Table 5.4 and Chart 5.6 depict that in aggregate, the banks have been continuously failing to maintain the required level of provisions against their NPLs from 2006 to 2013 except the year 2009 and 2011. Table 5.4 shows that in 2009 and 2011, the banking sector was able to maintain 100 percent or more of the required provisions. Banks maintained 49.9 percent of the required provision in 2006; which increased thereafter to 103.0 percent in 2011, then declined to 99.0 percent in 2013 and to 86.7 percent at end of June 2014.

The main reason for the shortfall in provision adequacy from 2000 to 2013 was the inability of some SCBs, DFIs and PCBs, including those in the problem bank category to make sufficient provisions due to inadequate profits and provision transfer for write-offs. Notably, the FCBs are in a much better position; as they have been able to make adequate provisions during the period under consideration. A comparative position of loan loss provisions as of end 2012, 2013 and 2014 (end June) is shown in Table 5.5.

5.16 Thirty seven out of thirty nine PCBs were able to maintain the required provision at the end of December 2013, but the remaining two failed due to their poor asset portfolios and earning levels.

Chart 5.5 Comparative position of NPLs by type of banks

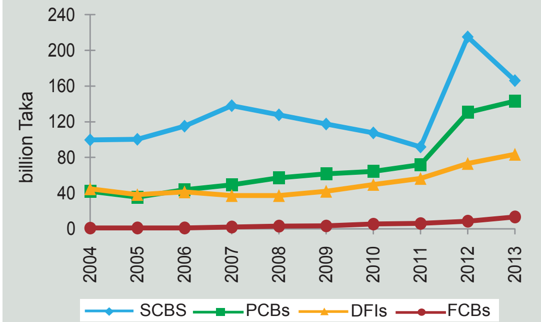


Chart 5.6 Provision adequacy position of all banks

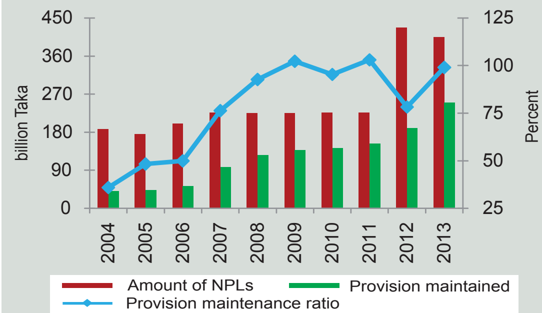


Table 5.5 Comparative position of provision adequacy

(billon Taka)

Year	Items	SCBs	SBs	PCBs	FCBs
2012	Required provision	119.2	29.8	84.4	8.9
	Provision maintained	81.9	13.6	84.9	9.3
	Provision maintenance ratio (%)	68.7	45.7	100.6	104.3
2013	Required provision	107.8	38.3	94.8	11.6
	Provision maintained	122.3	17.4	97.8	12.3
	Provision maintenance ratio (%)	113.5	45.5	103.2	106.0
2014 June	Required provision	124.2	49.3	114.4	12.5
	Provision maintained	110.7	19.3	117.9	12.5
	Provision maintenance ratio (%)	89.1	39.2	103.1	100.1

5.17 To correct an unnecessarily and artificially inflated size of the balance sheet, uniform guidelines for write-offs were introduced in 2003. According to the policy, banks may, at any time, classify write-off loans as bad/loss. Those loans, which have been classified as bad/loss for the last 5 years and above and loans for which 100 percent provisions have been kept, should be written-off immediately. The total amount of written-off bad debts from June 2007 to June 2014 in different bank categories is given in Table 5.6.

A.4. Management Soundness

5.18 Sound management is the most important and inescapable pre-requisite for the strength and concrete growth of any financial institution. It is difficult to draw any conclusion regarding management soundness based on quantitative indicators, as characteristics of a good management are rather qualitative in nature. Nevertheless, the total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee, and interest rate spread are generally used to portray management soundness. Technical competence & leadership of mid and senior-level management, compliance to plan and respond to changing circumstances, etc., are also taken into consideration in evaluating the quality of management.

5.19 As evident from Table 5.7, in 2013, the expenditure-income (EI) ratio of the DFIs was the highest among the displayed bank clusters. The EI ratio of the SCBs was 84.1 in 2013, the second highest, which could mainly be attributable to high administrative and operating expenses. The EI ratio of SCBs increased from 73.2 percent in 2012 to 84.1 percent in 2013. The EI ratio of SCBs, PCBs, FCBs declined to 83.3, 75.8, 46.5 percent respectively and rose to 112.0 percent for DFIs at end June 2014.

Table 5.6 Writing-off bad debts in different bank categories

(billion Taka)

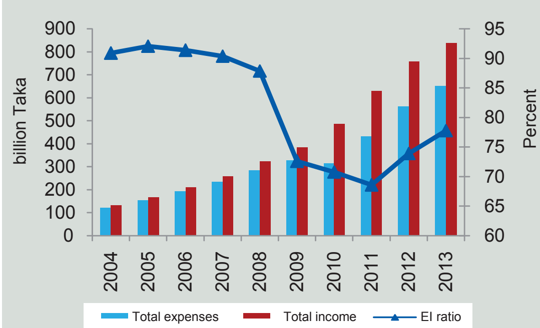
Bank types	30 June 07	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13	30 June 14
SCBs	42.8	48.4	64.5	70.5	82.4	72.9	107.2	154.8
DFIs	30.4	31.0	31.8	31.8	32.0	24.5	32.6	34.2
PCBs	45.5	49.4	54.7	69.6	77.1	64.9	109.7	127.7
FCBs	1.6	1.7	2.0	2.1	2.4	2.6	3.7	4.4
Total	**120.3**	**130.5**	**153.0**	**174.0**	**193.9**	**164.9**	**253.3**	**321.1**

Table 5.7 Expenditure-income ratio by type of banks

(percent)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	100.0	100.0	89.6	75.6	80.7	62.7	73.2	84.1	83.3
DFIs	103.5	107.7	103.7	112.1	87.8	88.6	91.2	94.8	112.0
PCBs	90.2	88.8	88.4	72.6	67.6	71.7	76.0	77.9	75.8
FCBs	71.1	72.9	75.8	59.0	64.7	47.3	49.6	50.4	46.5
Total	**91.4**	**90.4**	**87.9**	**72.6**	**70.8**	**68.6**	**74.0**	**77.8**	**77.8**

Chart 5.7 Aggregate position of income and expenditure - all banks



A.5. Earnings and Profitability

5.20 There are various indicators of earnings and profitability but the most representative and widely used one is Return on Assets (ROA), which is supplemented by Return on Equity (ROE) and Net Interest Margin (NIM).

5.21 Earnings as measured by Return on Assets (ROA) and Return on Equity (ROE) differ greatly within the industry. Table 5.8 shows ROA and ROE by type of banks.

Table 5.8 Profitability ratios by type of banks

(percent)

Bank types	Return on assets (ROA)									Return on equity (ROE)								
	2006	2007	2008	2009	2010	2011	2012	2013	2014 June	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	0.0	0.0	0.7	1.0	1.1	1.3	-0.6	0.6	-0.1	0.0	0.0	22.5	26.2	18.4	19.7	-11.9	10.9	-2.4
DFIs	-0.2	-0.3	-0.6	0.4	0.2	0.1	0.1	-0.4	-0.9	-2.0	-3.4	-6.9	-171.7	-3.2	-0.9	-1.1	5.8	-9.5
PCBs	1.1	1.3	1.4	1.6	2.1	1.6	0.9	1.0	0.8	15.2	16.7	16.4	21.0	20.9	15.7	10.2	9.8	8.4
FCBs	2.2	3.1	2.9	3.2	2.9	3.2	3.3	3.0	3.5	21.5	20.4	17.8	22.4	17.0	16.6	17.3	16.9	20.1
Total	**0.8**	**0.9**	**1.2**	**1.4**	**1.8**	**1.5**	**0.6**	**0.9**	**0.6**	**14.1**	**13.8**	**15.6**	**21.7**	**21.0**	**17.0**	**8.2**	**11.0**	**8.4**

Analysis of these indicators reveals that the ROA of the SCBs was less than the industry average. The ROA of SCBs was gradually increasing up to 2011, but it dropped down to negative (0.6 percent) in 2012 due to a huge net loss in the year. In 2013, it increased and became positive. The DFIs' situation is not getting better due to persistent operating losses incurred by BKB and RAKUB. The ROA of DFIs' deteriorated more scoring negative (0.4 percent) in 2013. PCBs' ROA showed a consistently strong position up to 2010, but it was in a decreasing trend during 2011 and 2012 due to decrease of net profit. In 2013, it didn't drop from the previous year. Though FCBs' ROA had been consistently strong during the last couple of years, it decreased slightly in 2013 and again increased in June 2014.

5.22 SCBs' ROE shows a sign of positive indication in 2013 through an increased rate of 10.9 percent whereas it dropped to 11.9 percent (negative) in 2012 due to an increased amount of provisioning required against an increased amount of NPLs. In case of DFIs, the ROE was positive in 2013 which was negative for the last couple of years. The ROE of PCBs was robust upto 2010. It was on decreasing trend for previous couple of years; it was 9.8 percent in 2013 against 15.7 percent in 2011. It declined to 8.4 percent at end June 2014. The ROE of FCBs shows steady fluctuation through out some of the previous years. The ROE of FCBs in 2010 stood at 17.0 percent, which fell to 16.9 percent in 2013 and rose to 20.1 percent at end June 2014.

Chart 5.8 Aggregate profitability-all banks

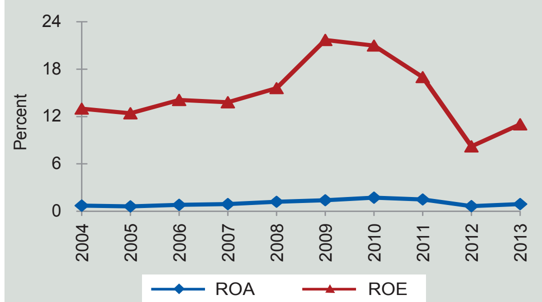


Table 5.9 Net interest income by type of bank

(billion Taka)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	9.0	7.4	7.9	12.1	19.8	34.3	14.9	-5.4	-9.3
DFIs	1.7	1.4	1.9	1.9	6.2	4.9	4.7	3.8	1.9
PCBs	25.4	36.1	48.5	56.7	82.8	91.4	114.7	118.2	63.8
FCBs	8.2	9.9	12.6	10.7	13.0	16.1	19.6	15.8	6.7
Total	**44.3**	**54.8**	**70.9**	**81.5**	**121.9**	**146.7**	**153.8**	**132.3**	**63.1**

5.23 Aggregate net interest income (NII) of the industry had consistently increased from Taka 44.3 billion in 2006 to Taka 153.8 billion in 2012. But in 2013, aggregate NII of the

Table 5.10 Liquidity ratio by type of banks

(percent)

Bank types	Liquid assets									Excess liquidity								
	2006	2007	2008	2009	2010	2011	2012	2013	2014 June	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	20.1	24.9	32.9	25.1	27.2	31.3	29.2	44.3	41.2	2.1	6.9	14.9	17.6	8.2	12.3	10.2	25.3	28.2
DFIs	11.9	14.2	13.7	9.6	21.3	6.9	12.0	15.3	10.0	3.8	5.6	4.9	7.1	2.3	1.3	1.0	4.2	1.2
PCBs	21.4	22.2	20.7	18.2	21.5	23.5	26.3	28.0	21.7	5.6	6.4	4.7	5.3	4.6	6.6	9.5	11.3	12.8
FCBs	34.4	29.2	31.3	31.8	32.1	34.1	37.5	46.2	47.1	16.4	11.2	13.3	21.8	13.2	15.3	18.7	27.4	34.9
Total	**21.5**	**23.2**	**24.8**	**20.6**	**23.0**	**25.4**	**27.1**	**32.5**	**27.4**	**5.1**	**6.9**	**8.4**	**9.0**	**6.0**	**8.4**	**9.9**	**15.4**	**17.3**

industry fell down to Taka 132.3 billion reflected mainly in the negative NII of Taka 5.4 billion by the SCBs. The NII of the PCBs showed gradual increasing trend from 2006 to 2013 whereas NII of DFIs and FCBs were fluctuating in stable condition. The decline in net interest income during the year is attributed to the shifting of investment funds from loans and advances to investments in liquid assets.

5.24 Since 2006, SCBs have been able to increase their net interest income (NII) by reducing their cost of funds up to 2011. In 2012, the NII of SCBs dropped and alarming situation occurred in 2013 due to higher interest expenses which grew faster than interest earnings. The NII of the PCBs had been significantly high during the span of time from 2006 to 2013. Overall industry NII showed a consistently upward trend from 2006 to 2012 though it went reverse in 2013 due to the lackluster performance of SCBs. The trend of NII indicates that the interest spreads of PCBs and FCBs were higher than that of SCBs and DFIs. The NII of different categories of bank declined at the end of June 2014.

Chart 5.9 Aggregate NII of the industry (billionTaka)

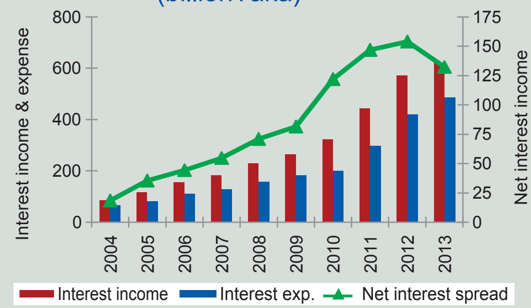
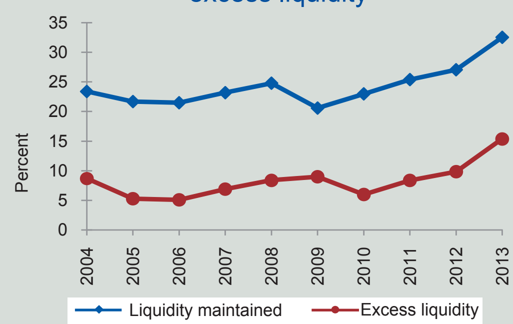


Chart 5.10 Aggregate position of excess liquidity



A.6. Liquidity

5.25 Currently the scheduled commercial banks have to maintain a CRR (Cash Reserve Ratio) averaging 6.5 percent daily on bi-weekly basis against Average Total Demand and Time Liabilities (ATDTL) of the preceding 2nd of the month, with an obligation to maintain daily minimum 6 percent cash against the same ATDTL held by the bank. The current rate of SLR (Statutory Liquidity Reserve) for conventional banks is 13 percent of time and demand liabilities. In case of

Islamic shariah-based commercial banks, the rate of SLR is 5.5 percent of their total time and demand liabilities. The specialised banks (except Basic Bank Ltd.) are exempted from maintenance of SLR, but they have to maintain the CRR at the stated rate. The banks maintain CRR in cash with Bangladesh Bank. However, they are allowed to hold Government approved securities (unencumbered portion) for maintenance of the SLR.

5.26 Table 5.10 shows that the FCBs had the highest liquidity ratios followed by the SCBs. There was an increasing trend in the percentage of liquid assets in total assets of the banks during the last four years.

A.7. CAMELS Rating

5.27 CAMELS rating is a supervisory tool to identify banks which require increased supervision. The previous CAMELS rating guideline has been reviewed by the department of Off-site Supervision with a view to adapting international best practices, upgrading with modern banking activities and assessing the banks' soundness more accurately. The updated CAMELS Rating guideline has been followed since December 2013.

The revised CAMELS rating guideline has brought not only major changes in ratios or indicators but also modifications in the qualitative evaluation questionnaire. Basel-III principles related to capital adequacy have been considered, and some other related issues have been included while reviewing the guideline. Along with emphasising best quality capital, investments in the capital market, the amount of off-balance sheet items in comparison to the capital of the banks, large loan exposures to capital, etc., are considered to calculate capital adequacy. HHI (Herfindahl-Hirschman Index) has been incorporated in the updated CAMELS rating guideline to analyse loan portfolio concentration, as a complement to percentages of classified loans and provisioning in the evaluation of asset quality. The disbursed loan amount to risk-associated different sectors has been included as well. Under this rating system, banking companies are assigned two sets of ratings- (i) performance ratings, based on six individual ratings that address six components of CAMELS (Capital, Assets, Management, Earnings, Liquidity and Sensitivity to Market Risk) and (ii) an overall composite rating, based on a comprehensive assessment of the overall condition of the banking company. Both the ratings are expressed by using a numerical scale of "1" to "5" in ascending order of supervisory concern, "1" representing the best rating, while "5" indicating the worst. Any bank rated 4 or 5, i.e., 'Marginal' or 'Unsatisfactory' under the composite CAMELS rating is generally identified as a problem bank, the activities of which are closely monitored by the BB.

5.28 BB introduced the Early Warning System (EWS) of supervision from March 2005 to address the difficulties faced by the banks in any of the areas of CAMELS. Any bank found to have difficulty in any areas of operation, is brought under the Early Warning category and monitored very closely to help improve its performance. Presently, no banks are monitored under EWS.

Table 5.11 Comparative position of the Islamic banking sector (as of end December 2013)

(billion Taka)

Particulars	Islamic banks		Dual banking (Conventional+ Islamic)		Islamic banking sector		All banking sector	
	2013	2012	2013	2012	2013	2012	2013	2012
1	2		3		4=2+3		5	
Number of banks	8	7	16	16	24	23	56	47
Deposits	1117.9	961.2	61.0	56.7	1178.9	1017.9	6273.0	5396.0
Credits	951.3	858.9	52.5	51.2	1003.7	910.1	4638.7	4318.6
Credit eeposit ratio	85.1	89.4	68.1	90.3	85.2	89.4	73.9	80.0
Liquidity: excess(+)/shortfall(-) @	91.2	51.0	3.1	0.8	94.3	51.9	955.8	505.4

@ Conventional banks which have Islamic banking branches do not maintain SLR individually.
The head offices of the respective bank maintain combinedly SLR and liquidity position.

5.29 In December 2013, CAMELS rating accomplished under the revised guidelines, no banks have been rated 1 or Strong; the rating of 28 banks were 2 or satisfactory; rating of 12 banks were 3 or fair; 6 banks were rated 4 or marginal and 1 bank received 5 or unsatisfactory rating.

A.8. Operations of Banks in Urban and Rural Areas

5.30 The number of branches and outstanding deposits and advances in the banking system classified by rural and urban areas are displayed in Appendix 4, (Table-XIII). The number of rural branches stood at 4962 (57.1 percent of total branches) at the end of December 2013. The number of branches in urban areas increased to 3723 (42.9 percent of total branches) during the same period. The number of rural branches increased at a lower rate compared with the number of urban branches. Total deposits of rural branches increased to Taka 1117.1 billion (18.3 percent of total deposits) at the end of December 2013 and the amount of urban deposits increased to Taka 4988.2 billion (81.7 percent of total deposits) at the end of December 2013. The amount of advances in rural and urban areas increased to Taka 450.6 billion (10.2 percent of total advances) and Taka 3987.8 billion (89.9 percent of total advances) respectively as on 30 December 2013.

A.9. Islamic Banking

5.31 Islamic banking systems have been operating in Bangladesh since 1983 alongside with the conventional interest based banks. In FY14 out of 56 banks in Bangladesh, 8 PCBs operated as full-fledged Islamic banks, and 16 conventional banks (including 3 FCBs) were involved in Islamic banking through Islamic banking branches. The Islamic banking industry continued to show strong growth since its inception in 1983 to December 2012, as reflected by the increased market share of the Islamic banking industry in terms of assets, financing and deposits of the total banking system. However, the performances of Islamic banks were quite subdued in 2013 which might be attributed to vulnerable business environment in 2013. A brief picture is given in Table 5.11. Total deposits of the Islamic banks and Islamic banking branches of the conventional banks stood at Taka 1178.9 billion at the end of December 2013 which was 18.8 percent of deposits of the total banking system, lower than that of in 2012. Total credit of the Islamic banks and the Islamic banking branches of the conventional banks stood at Taka 1003.8 billion at the end of December 2013 which was 21.6 percent of credit of the total banking system of the country.

B. Legal Framework and Prudential Regulations

B.1. Risk Based Capital Adequacy (RBCA) for Banks

5.32 BB introduced the Risk Based Capital Adequacy (RBCA) framework for banks from January 2010 as regulatory compliance, moreover, BB reviewed the minimum regulatory CAR and MCR of the banks in the year 2010 through revising the existing RBCA policy and banks' past capital adequacy reporting. Banks are required to maintain the CAR at greater than or equal to 10 percent of Risk Weighted Assets (RWA) from July 2011. According to Pillar-1 of Basel-II, RWA of banks is calculated against credit risk, market risk, and operational risk. Banks are instructed to submit their Capital Adequacy Statement at the end of each quarter to BB. BB is now on the move to implement the Supervisory Review Process (SRP) of RBCA framework. The key principle of the SRP is that banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level". Banks are required to form an SRP team, where the risk management unit is an integral part, and to develop a process document called Internal Capital Adequacy Assessment Process (ICAAP) for assessing their overall risk profile. Basel II has linked capital to the level of risk management. Therefore, banks should have "best practice" risk management techniques in monitoring and managing their risks.

Now, BB has declared the roadmap and action plan of the phase-in arrangements for Basel III implementation. These instructions will be adopted in a phased manner starting from July 2014, with full implementation of capital ratios by January 2019. Under the new capital adequacy framework, all banks will be required to maintain the following ratios on an ongoing basis:

i. Common Equity Tier-1 (CET1) of at least 4.5 percent of the total RWA.

ii. Tier-1 capital will be at least 6.0 percent of the total RWA which means that additional Tier-1 capital can be admitted maximum up to 1.5 percent of the total RWA.

iii. Minimum Capital to risk-weighted Asset Ratio (CRAR) of 10 percent of the total RWA i.e. Tier-2 capital can be admitted maximum up to 4.0 percent of the total RWA.

iv. In addition to minimum CAR, Capital Conservation Buffer (CCB) of 2.5 percent of the total RWA is being introduced which will be maintained in the form of CET-1.

5.33 The Supervisory Review Evaluation Process (SREP) of BB includes dialogue between BB and the bank's SRP team, followed by findings/evaluation of the bank's

ICAAP. During the SRP-SREP dialogue, BB reviews and determines any additional capital that would be required for banks on the basis of quantitative as well as qualitative judgement. The first SREP dialogue was initiated in 2011. Afterwards, to facilitate the dialogue, a revised evaluation process document was prepared by BB in May 2013. Under the process document, BB provided guidance to calculate required capital against residual risk, credit concentration risk, interest rate risk, liquidity risk, reputational risk, settlement risk, strategic risk, appraisal of core risk management practice, environmental & climate change risk and other material risks in a specified format and submit the same to BB. Information of banks' ICAAP is counter checked with the information available from both on-site inspection and off-site supervisory departments of BB. During the SRP-SREP dialogue, if the bank fails to produce their own ICAAP backed by proper evidence and rigorous review regarding risk management, the SREP team of BB applies their prudence and also uses the available information from the inspection departments in determining the adequate capital. The process document has been further revised in May 2014. On the basis of the revised process document and return format, all 56 banks (including nine new banks) submitted their ICAAP report based on 31 December 2013.

B.2. Loan Classification and Loan-Loss Provisions

5.34 Near the end of FY13, BB changed its policies on loan classification and loan-loss provisions. BB also introduced and clarified the difference between a "defaulted loan," which is a legal concept granting the bank the right to take certain actions against the borrower, and a "classified loan," which is an accounting concept that implies a certain required level of provisioning for expected losses.

B.3. Corporate Governance in Banks

5.35 BB has taken several measures in the recent past to put in place good corporate governance in banks. These included a "fit and proper" test for appointment of chief executive officers of PCBs, specifying the constitution of audit committee of the Board, enhanced disclosure requirements, etc. In continuation of the above reforms, the roles and functions of the Board and Management were redefined and clarified with a view to specifying the powers of the management and restricting the intervention of directors in day-to-day management of the bank. In this connection, related clauses of Bank Company Act, 1991 have already been amended.

C. Supervision of Banks

5.36 With a view to promoting and maintaining soundness, solvency and systematic stability of the financial sector as well as protecting the interest of depositors, BB carries out two types of supervision namely (i) off-site supervision and (ii) on-site supervision. Department of Off-site Supervision (DOS) is vigilant to conduct off-site supervision on banks. Recently DOS has made an innovation regarding banking supervision.

C.1. Banking Supervision Specialists (BSS)

5.37 In order to strengthen and intensify current banking supervision, Bangladesh Bank has recently formed 6 (six) Banking

Supervision Specialist Sections in the Department of Off-site Supervision. Each section is headed by a Banking Supervision Specialist (BSS), at the Deputy General Manager Level. Banking Supervision Specialist emphasises more on analytical works than extensive figure works of innumerable data. Banking Supervision Specialists act as early signal providers of the banks they are assigned to. They maintain extensive familiarity with condition, performance, risks, corporate governance and corporate structure of portfolio banks. They collect executive summary reports of comprehensive inspections carried out by Departments of Banking Inspection and take actions accordingly. They maintain regular co-ordination with Inspection Departments to get update on recent supervisory developments. Junior Banking Supervision Specialists monitor treasury functions, capital adequacy, ADR, etc. of portfolio banks. They prepare Diagnostic Review Report (DRR) on audited financial statements and Quick Review Report (QRR) at the required frequency. They also examine the meeting minutes of the Board of Directors, Executive/Audit Committee of the banks; monitor the progress of MOU with the SCBs and report immediately to the concern senior management.

The details of on-site supervision are given below.

C.2.On-site Inspection of Banks

5.38 As part of bank's statutory function, currently seven departments of BB namely Department of Banking Inspection-1 (DBI-1), Department of Banking Inspection-2 (DBI-2), Department of Banking Inspection-3 (DBI-3), Department of Banking Inspection-4 (DBI-4), Department of Foreign Exchange Inspection (DFEI), Financial Integrity and Customer Services Department and Bangladesh Financial Intelligence Unit (BFIU) are conducting the inspection activities. These seven departments conduct on-site inspection on SCBs, DFIs, PCBs (including banks under Islamic Shariah), FCBs and other institutions including Investment Corporation of Bangladesh (ICB) and Money Changers. These departments conduct different types of inspection which may be summarised in three major categories like (i) comprehensive/ regular/ traditional inspection; (ii) risk based/ system check inspection, and (iii) special/ surprise inspection.

5.39 The overall performance/ condition of the banks (such as capital adequacy, asset quality, liquidity, earnings, management competence etc.) is evaluated in a comprehensive inspection. Based on their performance banks are rated from 1 to 5 grades in ascending order. The on-site inspection departments also monitor implementation of the suggestions or recommendations made in the inspection reports. Risk based inspection is conducted to examine the compliance of the Core Risk Management Guidelines. Special inspections are conducted to investigate complaints received from the depositors, public or institutions.

5.40 Commercial banks having CAMELS rating between 3 and 5 are inspected every year. Banks rated 1 or 2 are inspected once in every two years. Based on the findings about provisions, income and expenditure entries, banks will be asked to correct their final account. This system has been adopted to enhance the effectiveness of on-site inspection and reduce the time gap between on-site and off-site supervision.

5.41 During FY14, DBI-1 conducted inspection on 884 branches of 28 banks including head offices. At the same time Core Risk Inspections were conducted on 8 banks that are under the jurisdiction of DBI-1 to review the progress of implementation of the core risk guidelines (Asset-Liability Management, Credit Risk Management, Information System Security and Internal Control & Compliance) issued by Bangladesh Bank. Head/Country offices of the bank as well as one branch of each bank have been taken under the purview of the core risk inspection. On the basis of 30 June 2013, a total of 200 branches including head office of 1 bank were inspected. 23 head offices and 196 branches were inspected on the basis of 31 December 2013. The banks were directed to sit in a tri-partite meeting with their Management Committee (MANCOM), inspectors of Bangladesh Bank and external auditors before finalisation of annual financial statements of the banks. DBI-1 has arranged 35 in house training sessions in 9 working days.

5.42 DBI-2 conducted comprehensive inspection on 855 bank branches including 7 head offices, 152 big branches and 696 small branches. At the same time a total number of 71 special inspections were conducted on state owned commercial banks and specialised banks. 29 risk based inspections on 6 banks were conducted. The department also conducted comprehensive inspections on 97 branches, 29 head offices and 27 special inspections on the 31 financial institutions.

5.43 DBI-3 conducted a total of 740 comprehensive inspections on banks including 5 head offices, 95 big branches, 640 small branches and 143 SME service centres, SME/agriculture branches (including inspection on some of the branches of different banks involved in SME activities). At the same time, a total number of 103 special inspections were conducted on 4 banks (including SME) and 11 risk based inspections on 2 banks.

5.44 During FY14, DBI-4 conducted 248 inspections on banks' head offices and branches. Within this timeline, the department conducted Core Risk Inspections in 19 branches and 17 head offices of a total 20 banks that are under the jurisdiction of DBI-4 to review the implementation advancements of Core Risk Management Guidelines (Asset-Liability Management, Credit Risk Management, Information System Security and Internal Control & Compliance) issued by Bangladesh Bank as well as to evaluate and monitor risk management systems and to control environment of the banks. During the period, DBI-4 also carried out comprehensive inspection in 130 branches and 19 head offices of a total 20 banks. DBI-4 conducted special inspections on 62 branches and 1 head office. During the financial year all banks listed in the local stock exchange were inspected and besides this, 1 NRB bank and 5 foreign banks were inspected before finalisation of annual financial statements. Pre-opening inspections were conducted on the newly opened 9 banks, and on the basis of these inspection reports, banks were permitted to start their operational activities.

5.45 DFEI conducts inspection on foreign trade financing, treasury functions and foreign exchange risk management of banks, foreign exchange transactions of banks and money changers. In FY14, the department conducted a total of 395 comprehensive inspections on banks, including 8 head offices and 387 authorised dealer branches. The department also conducted 45 inspections on foreign exchange risk management, 62 special inspections, 21 inspections on money changers and a good number of special inspections on foreign trade and foreign exchange related irregularities.

5.46 Customers' Interests Protection Centre (CIPC) was reconstituted as a department named Financial Integrity and Customer Services Department (FICSD) on 26 July 2012. FICSD is acting as a watchdog for spotting the early warning signs of internal and external fraud at banks and NBFIs, investigating frauds and making criminal referrals when necessary. This department is also continuing its efforts to promote security, efficiency, effectiveness, transparency and risk management of the information and communication technology (ICT) structures of banks and NBFIs.

5.47 During FY14, the department received a total of 4477 complaints through the dedicated hot line number, email and traditional letter. The department conducted 126 special inspections on banks and financial institutions operating in Bangladesh. Apart from the Customer Service Division of Head Office, the CIPCs established in 10 branch offices of Bangladesh Bank to deal with the complaints received from the bank customers of their respective areas.

In FY14, Bangladesh Financial Intelligence Unit (BFIU) has conducted system check inspections in 22 head offices and 67 bank branches under the core risk programme. The department also conducted special inspections on 4 branches of 4 banks. Besides, some other special inspections are conducted for further analysis of some STRs (Suspicious Transaction Reports). During FY14, 12 head offices, 18 branches of 19 banks have been inspected for this purpose. In addition, on the basis of allegations/ complaints received from different medias, persons, organisations, some special inspections are also conducted to look into the matter. BFIU has conducted special inspections in 8 head offices, 21 branches of 25 banks during FY14.

5.48 A number of activities on AML/CFT for the banking sector have been taken during FY14. The Anti-Terrorism Rules, 2013 and Money Laundering Prevention Rules, 2013 were enacted in FY14. For the optimum supervision, submission of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) is a major obligation for all reporting agencies including banks. The online reporting system has been introduced in FY14 by implementing the goAML software. BFIU has been receiving CTR and STR from all scheduled banks through goAML web since January 2014. 7 local workshop/training programmes and 7 regional conferences for the banking sector had been conducted in FY14 to create awareness among the bank officials. Training of Trainers (TOT) programmes have been conducted during the

Box 5.1

Strategic Changes in Supervision

BB has initiated strategic changes in bank supervision techniques and approaches to promote the institutional and systemic soundness of the banking sector of the country. The principle focus of these changes is to minimise the risk and uncertainty in order to maintain stability in the financial sector and protect the interest of the depositors. In particular, BB is shifting its strategy from compliance based approach to forward looking risk based approach aiming at matching with international best practices.

In this regard, Basel-II standard regarding capital adequacy for banks has been implemented and measures have been taken to move forward to adopt Basel-III within the shortest possible time. Two new tools for measuring liquidity under BASEL-III namely Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) have been introduced. New master circulars were issued to improve the loan classification, provisioning and rescheduling policy in line with international standard as a part of a close monitoring process. The Bank Company Act, 1991 has been amended; CAMELS Rating Guideline has been reviewed and a comprehensive guideline was issued. Banks were instructed to form a separate Risk Management Department and a Risk Management Committee consisting of members of the Board of Directors. A Risk Management Monitoring Section was formed in Bangladesh Bank, a Risk Rating System has been implemented and risk rating is introduced for CAMELS rating.

To assess the risk absorption capacity of banks and NBFIs, stress testing system has been introduced; QRR and DRR to identify the existing risks of banks and evaluate the overall condition with mandatory disclosures have been introduced. Banks have been instructed to prepare a "Self-Assessment of Anti-Fraud Internal Controls" report in order to prevent moral hazard problem and financial scam. This report is supposed to be signed by the CEO and counter-signed by the chairman of the Audit Committee. Purchase of inland bills has been banned without prior verification and approval from their head offices. An Electronic Dashboard has been set up in BB to identify the irregularities and fraudulent activities from the data collected from banks' financial statements and dif ferent departments of BB as early as possible. W eb-based corporate memory management process has been launched for keeping record of various activities to prevent possible violation of banking discipline by the of ficials and directors of banks and NBFIs.

'Financial Stability Department (FSD)' has been established in 2012 in BB for in-depth analysis of factors underlying financial stability of the country, forecasting risks that may impair stability and recommending preventive and remedial measures. 'Financial Integrity and Customer Services Department (FICSD)' has been established reforming earlier 'Customers' Interest Protection Center (CIPC)' to address the grievances of customers within the shortest possible time. 'Integrated Supervision System (ISS) Software' has been launched to monitor the major activities at each bank's head office and branches on monthly basis. A number of local and foreign trainings had been arranged to build up a group of able inspectors to use these new technology and approaches. In order to bring all the banks under intensive surveillance, a position named as Bank Supervision Specialist (BSS) has been initiated and implemented in Department of Off-site Supervision.

Several town hall meetings were arranged nationally and regionally with BB supervisory staf f to understand the ground reality and strengthen supervision activities accordingly by forming new supervision framework as per the need. In addition, the recommendations of GM conferences were implemented to sharpen the ef fectiveness of financial sector monitoring. A taskforce led by an executive director and consisting of general managers of bank supervision related departments was formed to enhance the coordination and cooperation among dif ferent departments for strengthening regulation of banking sector and corporate governance.

year to help organise in-house AML training programmes by the banks.

C.3. Off-site Monitoring of Banks

5.49 Off-site monitoring continued as a necessary complement to on-site inspection in FY14, with the introduction of new tools and procedures for more intensive and rapid analysis.

Quick Review Report

5.50 Bangladesh Bank started determining the financial positions of the banks' quarterly through Quick Review Report (QRR) with the existing supervisory tools like CAMELS Rating, Stress Testing, Financial Projection Model etc. The report focuses on major risks existing in the bank and provides possible solutions to problems.

Reviewing Minutes

5.51 During 2013, on reviewing of 1798 minutes (including Board, Executive and Audit meetings) from local scheduled banks, various gross irregularities and violations of banking laws, circulars etc. were detected. Accordingly, banks have been advised to regularise the same so that major financial indicators as well as the internal control system of the banks become regular and can achieve shock-resilient capacity.

Monitoring of the State-owned Commercial Banks (SCBs)

5.52 After restructuring the SCBs, positive impact in the financial indicators of these four banks was observed and their performances showed comparatively better position than that of the previous years. However, Bangladesh Bank is monitoring the SCBs closely under Memorandum of Understanding (MoU) since 2003. Some important rules and policies regarding loan and accounts, implementation of credit policy and core risk management guidelines are incorporated in the MoU. Moreover, in order to ensure the financial soundness, the SCBs have already prepared Credit Policy, Liquidity Risk Management Policy and Internal Control and Compliance Policy with the direction of central bank. The SCBs are advised to follow these polices meticulously. On the other hand, Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB) are also being monitored and reviewed under the MoUs of FY13. Preparation of MoUs for BKB and RAKUB for 2014 is currently under process.

C.4. Risk Management Activities of Banks

5.53 BB issued six core risk management guidelines, risk based capital adequacy guideline, and stress testing guideline to ensure robustness, efficiency and effectiveness of risk management systems for the banking sector. On 15 February 2012, BB issued another guideline called Risk Management Guideline for banks. This guideline promotes an integrated, bank-wide approach to risk management which will facilitate banks in adopting contemporary methods to identify, measure, monitor and control risks throughout their institutions

5.54 Each scheduled bank was instructed to establish an independent Risk Management Unit (RMU) in June 2009 for better risk management practices. Banks were also instructed to prepare a Risk Management Paper (RMP) containing the analysis of all types of existing and probable risks that might occur in future, place the same in their regular monthly meeting of the RMU and submit the RMP along with the decisions of the meetings to the Department of Off-site Supervision.

5.55 Banks were instructed to establish Risk Management Division (RMD) in place of Risk Management Unit and to appoint a Chief Risk Officer (CRO) from a senior management position (at least from the Deputy Managing Director level) to give more emphasis on risk management practices. BB instructed the banks to form a risk management committee whose members will be nominated by the board of directors from themselves and the company secretary of the bank will be the secretary of the Risk Management Committee. Based on the RMP , DOS regularly evaluates the risk management activities of each bank and provides constructive recommendations to improve their conditions. Banks have to execute all the recommendations and submit their compliance reports within a specified time frame.

5.56 A Risk Rating procedure has been developed to quantify all possible risks based on the RMP and other sources. This risk rating carries 15 percent weight in the management component of CAMELS rating. According to the rating of December 2013, among 47 (other than 9 new banks) scheduled banks 11 banks were rated as low risk, 27 were as moderate and the rest 9 were rated as high risk category bank.

5.57 All the banks have been obliged to submit a self-assessment report on internal control systems. The objective of this self-assessment process is to keep the operational risk at a minimum level by strengthening the internal control and compliance system of a bank. In this regard, BB has formulated a reporting format with 53 questionnaires on anti-fraud internal controls and a statement of fraud and forgeries that have taken place during a period along with the action taken against those incidences. BB is analysing these reports on quarterly basis and providing proper instructions to the banks.

C.5. Financial Stability and Macro-prudential Supervision

5.58 The Financial Stability Department (FSD) has been working actively to strengthen the macro prudential framework of the country. Since inception, this department has published Financial Stability Report (annual and quarterly) to evaluate overall financial stability which will give comprehensive analysis of the major trends.

5.59 The Department primarily designed macro stress tests to quantify the impact of possible changes in economic environment on the financial system. The Financial Projection Model (FPM) has been implemented with the technical assistance of the World Bank. Inter-bank Transaction Matrix (ITM) tool has been introduced and is used to observe liquidity management of banks and NBFIs. This matrix will help to find out the institutions which are in face of the crisis and give early warning signals for safeguarding financial institutions.

5.60 The department has developed the framework for identifying and dealing with the Domestic Systemically Important Banks (D-SIB) in its jurisdiction due to the underlying assumption that the impact of the failure of D-SIBs will be significantly greater than that of a non-systemic institution. The formulation and implementation plan of Counter-cyclical Capital Buffer (CCB) in the time of crisis is under process to resist the pro-cyclicality of financial system. The department prepared the bank intervention and resolution framework, comprising a Bank Intervention Resolution Plan (BIRP) and a contingency plan to have more ef fective tools, information in order to enable the orderly resolution of banks without any resort to taxpayers' fund.

5.61 The Department prepared the Lender of Last Resort (LOLR) framework documents and corporate 'watch list'. Development of a "Coordinated Supervision Framework" is under process.

D. Banking Sector Infrastructure for Financial Stability and Risk Management

D.1. Deposit Insurance Scheme

5.62 The Deposit Insurance Scheme (DIS) is introduced to minimise or eliminate the risk of loss of depositors' funds with banks that subsequently fail. The direct rationale for deposit insurance is customer protection. The indirect rationale for deposit insurance is that it reduces the risk of a systemic crisis involving, for example, panic withdrawals of deposits from sound banks and breakdown of the payments system. From a global point of view, deposit insurance provides many benefits and over the long term, appears to be an essential component of a viable modern banking system.

Table 5.12 The recent position of DITF

Particulars	Unaudited figure (as on 30 June 2013)	Premium rate*	Coverage amount
Total fund	33.54 (billion Taka)	-	
Total investment	-	-	
Covered deposit of total insurable deposit	36.82%	-	Up to BDT 100 thousand (per Bank per Depositor)
Insurable deposit to total D&T liabilities	82.04%		
Fully insured depositors	79.51%	-	
Sound bank categories	-	0.08%	
Early warning bank categories	-	0.09%	
Problem bank categories	-	0.10%	

* Effective from 2013

5.63 In Bangladesh, DIS was first introduced in August 1984, in terms of "The Bank Deposit Insurance Ordinance 1984", which was repealed by "The Bank Deposit Insurance Act 2000" in July 2000. DIS in Bangladesh is now being administered by the said Act. In accordance with the Act, Bangladesh Bank (BB) is authorised to administer a fund called the Deposit Insurance Trust Fund (DITF) for providing limited protection (T aka 0.10 million) to a small depositor in case of winding up of any bank. The Board of Directors of BB acts as the Trustee Board for DITF. The DITF is now being administered and managed under the guidance of the Trustee Board. In addition, Bangladesh Bank is a member of the International Association of Deposit Insurers (IADI).

5.64 In accordance with "The Bank Deposit Insurance Act 2000," the main function of DITF is collecting premium from all scheduled banks on a half yearly basis (30 June/31 December) and investing the proceeds in Government securities. The income derived from such investments is also credited to the DITF account for further investment.

Box 5.2

Performance of Credit Rating Agencies in Bangladesh

A Credit Rating Agency (CRA) also known as External Credit Assessment Institution (ECAI) rates the securities like stock or bond issued by different business entities based on their credit worthiness. Banks and Financial Institutions (FIs) are allowed to rate their borrowers by the external assessors, i.e. ECAIs. According to Basel framework, credit ratings of banks/FIs' clients are mapped with corresponding risk weights. Following this process, banks/FIs can assess total Risk Weighted Asset (RWA) against their total credit exposures. If any borrower is unrated, banks/FIs may require to give higher weight. Assessing total RWA against rated and unrated credit exposures, banks/NBFIs calculate and maintain their capital adequacies in accordance with section-13 of Bank Company Act 1991.

In this regard, Bangladesh Bank (BB) has recognised 8 ECAIs after having license from Bangladesh Securities and Exchange Commission (BSEC). They are Credit Rating Information and Services Ltd. (CRISL), Credit Rating Agency of Bangladesh (CRAB), National Credit Rating Ltd. (NCRL), Emerging Credit Rating Ltd. (ECRL), Argus Credit Rating Services Ltd. (ACRSL), Alpha Credit Rating Ltd. (ACRL), WASO Credit Rating Company (BD) Ltd. and Bangladesh Rating Agency Ltd. (BDRAL). Among them, BDRAL is licensed and recognised only for SME rating. According to BB's recognition criteria, all ECAIs' performances are reviewed annually. In order to assessing entity's credit worthiness, each ECAI has developed their own rating methodology consisting of qualitative and quantitative factors and complying with both BSEC rules and BB's recognition criteria.

At present, CRAs of Bangladesh are conducting different rating activities like entity rating, corporate debt rating, equity rating etc. Most of the CRAs have no long experience even some are very new in the industry. They have rated total 6936 clients (mostly corporate clients) during April'13-March'14. However, the number of CRAs is reasonably satisfactory considering the size of Bangladesh economy. In addition, CRAs have further opportunity to manage bigger participation in the market facilitating Basel regulation and financial globalisation.

CRAs have become important participants in financial market of Bangladesh. They play greater role in reducing information asymmetry between lenders and investors. Moreover, strong and well defined credit rating can minimise lending cost and can influence availability of credit flows as well.

5.65 To enhance the effectiveness of market discipline, BB has adopted a system of risk based deposit insurance premium rates applicable for all the banks effective from January-June 2007. Very recently the premium rate has been increased, with effect from January-June 2013. Along with the scheduled banks, BB has also taken the initiative to bring the NBFIs under the coverage of DIS, an initiative which is now under the consideration of the Ministry of Finance (MoF).

5.66 The effectiveness of DIS in reducing systemic risk will surely increase if the public become well aware of its existence and scope. With this end in mind, BB has already issued a circular regarding public awareness about DIS and more information and updates are available in the Bangladesh Bank website so that the general public can be informed on an ongoing basis about the benefits and capabilities of the DIS.

D.2. Activities of Credit Information Bureau

5.67 The Credit Information Bureau (CIB) was set up in BB on 18 August 1992 with the objective of minimising the extent of potential default loans. The CIB has been providing its online services since 19 July 201 1. The CIB online system is playing an important role to maintain a risk free lending procedure in banking industry. The system has gone through a major change over the past few years. With the adoption of highly sophisticated ICT facilities the performance of the CIB services has been improved significantly in terms of ef ficiency and quality. It has also appreciably reduced the time and physical movement for the banks/NBFIs in report generation process which ultimately leads the fast loan processing activity.

5.68 The CIB database consists of detailed credit information in respect of borrowers, owners and guarantors. CIB database covers the borrowers having outstanding amount of Taka 50000 & above. The total number of borrowers was 853,851 at the end of June 2014 recording an increase of 1.1 percent over the same month of the previous year. The classified borrowers in banks and NBFIs decreased by 2.4 percent during FY14 (end June 2014) over the previous year (end June 2013).

Sustainable Banking

6.1 Sustainable Banking creates long-term resilient and sustainable economic, social and environmental values having a green, responsible and inclusive strategy through transparent and efficient utilisation of resources. This approach is based on certain principles that not only consider profit but also economic and social benefits. The main objective of sustainable banking is to maintain financial and social stability. Under the guidelines on Corporate Social Responsibility (CSR), Bangladesh Bank has been pursuing policy and instructions in all possible areas of sustainable banking for last half of a decade. The sustainable banking initiatives of Bangladesh Bank during FY14 have been undertaken under three broad categories named green banking, corporate social responsibility and financial inclusion.

A. Green Banking

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

A.1. Policy Initiatives

6.3 In January 2011, Guidelines on Environmental Risk Management was issued to all banks and NBFIs which was first official instruction of Bangladesh Bank regarding green banking. Policy Guidelines for Green Banking was issued to the scheduled banks in February 2011. Policy guidelines for Green Banking were issued to NBFIs in August 2013 and to the new banks in September 2013. Bangladesh Bank aligned the phase out plan to implementation of policy guidelines for all banks in December 2013. Green banking and environmental risk management have been included into the terms of reference of the risk management committee of the Board of Directors of the domestic banks.

A.2. Green Finance

6.4 A total amount of Taka 398.2 billion has been disbursed during FY14 by 42 banks involved in green finance. Sector-wise contribution of the total green finance shows that the PCBs played the main role (72.8 percent) followed by FCBs (21.4 percent), NBFIs (4.0 percent), SCBs (1.2 percent) and DFIs (0.7 percent). Product-wise and direct & indirect green finance by banks are given in Table 6.1 and Table 6.2 respectively.

A.3. Environmental Risk Management (ERM)

6.5 Environmental Risk can be a facilitating element of credit risk because of its connectivity with environmental condition and climate change. Environmental Risk Rating (ERR) is obligatory above the threshold as mentioned in guidelines on ERM for banks

Table 6.1 Green finance in different products: FY14

(million Taka)

Type of banks	ETP: For installation of ETP	ETP: Projects financed having ETP	Bio-gas plant	Solar panel /renewable energy plant	Bio-fertiliser plant	HHK	Others	Green finance at reduced rate of interest
SCBs	5.87	2,963.68	4.64	262.36	13.28	1,403.09	46.50	0.00
SDBs	2.00	2,466.09	2.14	0.84	0.00	23.08	77.61	0.00
PCBs	1,205.63	266,460.23	400.79	1,475.20	1.68	3,546.38	16,667.18	47.68
FCBs	1,193.43	75,335.17	0.00	624.69	0.00	0.00	0.00	7,984.00
Total	**2,406.93**	**347,225.17**	**407.57**	**2,363.08**	**14.96**	**4,972.55**	**16,791.29**	**8,031.68**

Source: Green Banking and CSR Department, BB.

and NBFIs. ERR is applicable for the projects as well as the credit facility that fall above the threshold limit. All banks have conducted environmental risk rating in FY14. The number of projects applicable for Environmental Due Diligence (EDD) during the year is 38,893. Total amount of Taka 1580.7 billion disbursed in 30540 rated projects out of 35890 rated projects in FY14 (Table 6.3).

Table 6.2 Direct and indirect green finance: FY14

(billion Taka)

Type of banks	Direct green finance	Indirect green finance	Total green finance	Sector wise contribution
SCBs	1.7	3.0	4.7	1.2
DFIs	0.1	2.5	2.6	0.7
PCBs	23.3	266.6	289.8	72.8
FCBs	9.8	75.3	85.1	21.4
NBFIs	9.2	6.8	16.0	4.0
Total	**44.1**	**354.2**	**398.2**	

Source: Green Banking and CSR Department, BB.

A.4. Climate Risk Fund and Green Marketing

6.6 Total amount of utilisation from climate risk fund by 22 banks and for green marketing by 29 banks were Taka 440.4 and 147.7 million respectively in FY14. For the financial institutions total amount of utilisation from climate risk fund was Taka 102.4 million and total expenditure for green marketing was Taka 1.29 million in FY14. It is mentionable that there is no contribution by new banks either in climate risk fund and green marketing during FY14.

Table 6.3 Environmental risk rating of banks and NBFIs: FY14

Type of banks	No. of projects rated	No. of rated projects financed	Amount disbursed in rated projects (billion Taka)
SCBs	843	692	30.0
DFIs	1204	1204	24.4
PCBs	29023	25604	1344.3
FCBs	2649	1069	110.7
NBFIs	2171	1971	71.3
Total	**35890**	**30540**	**1580.7**

Source: Green Banking and CSR Department, BB.

A.5. Online Banking and Energy Efficiency

6.7 Forty six out of forty seven banks have online branch(es) in FY14 whereas the number of banks was forty five in FY13. Online branches are 51.9 percent of total branches in FY14 which were 47.0 percent in FY13. Following the principle of green banking, all banks has established branches powered by solar energy. The number of branches powered by solar energy stood at 315 in FY14 and this was 248 in FY13.

A.6. BB's in House Environmental Management

6.8 BB installed solar power system on its rooftop for energy efficiency and chiller based central air conditioning system for reducing CFC emission. In order to reduce paper based works, e-recruitment, e-procurement, documentation management system, leave management system, online salary and account statement, personal file update system, online office orders, electronic pass for visitors etc. have been introduced through BB intranet. In addition, all the departments of Bangladesh Bank Head Office and its nine branch offices have already been brought under computer network (LAN/WAN), connecting more than 3,500 PCs. Bangladesh Bank has introduced open data initiative for all through its dynamic website which is updated all time. Most of the regulatory reporting from banks and NBFIs are collected through web upload and Enterprise Data Warehouse (EDW) system. Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Credit Information Bureau Online and Enterprise Resources Planning (ERP) have started operation.

A.7. BB's Refinance Schemes for Green Products/Sectors

6.9 BB constructed a revolving refinance scheme amounting to Taka 2 billion from its own fund for six green products in 2009 in order to broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc. In FY14, BB enhanced the product line under this scheme from 6 to 44 and segregated these products into 9 categories which are: renewable energy, energy efficiency, solid waste management, liquid waste management, alternative energy, fire burnt brick, non fire block brick, recycling & recyclable product and miscellaneous. BB is now planning to expand the product line which is expected to be circulated in the first quarter of FY15. Total disbursement of refinance scheme for green products through BB decreased by 24.6 percent to Taka 381.5 million in FY14 which was Taka 506.1 million in FY13. Product-wise disbursement for green products under refinance scheme decreased in FY14 except in solar irrigation pump. The utilisation trend of the fund is reported in Table 6.4.

6.10 A refinance scheme namely "Financing Brick Kiln Efficiency Improvement Project"

Table 6.4 Utilisation trend of BB refinance scheme for green products

(million Taka)

Green product category	FY10	FY11	FY12	FY13	FY14
Bio gas	1.9	50.2	133.2	113.6	212.8
Solar home system	0.0	59.4	10.5	40.2	32.2
Solar irrigation pump	3.1	12.4	8.4	0.0	17.9
Effluent treatment plant	0.0	10.8	22.2	57.4	10.0
HHK technology in brick kiln	0.0	0.0	55.0	172.2	59.0
Solar assembly plant	0.0	0.0	248.8	122.7	49.6
Total	**5.0**	**132.8**	**478.1**	**506.1**	**381.5**

Source: Green Banking and CSR Department, BB.

Chart 6.1 Shares of green products in refinancing: FY14

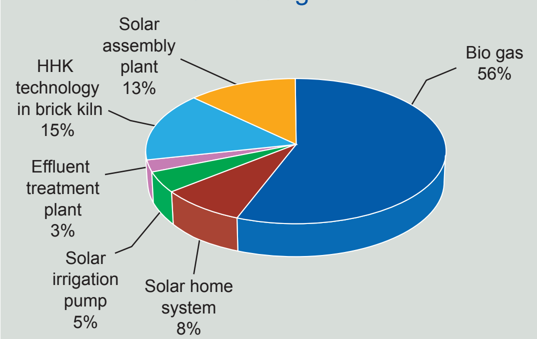


Table 6.5 Expenditure details of the BB disaster management & corporate social responsibility fund

(million Taka)

Sectors	Organisation	Project description	Amount
Education	Proyash	Education & rehabilitation of specially challenged children	2.5
Health	Dhaka Medical Collage Burn Unit VC-BSMMU	Expansion and Modernization of the Burn Unit Treatment of poor children suffered by Rheumatology.	5.0 2.0
Liberation War	Liberation War Museum Ekattor Bangladesh	Construction of 5-storied building of the museum Development of liberation war web archive	5.0 0.7
Environment	Bangladesh Bonno Prani Sheba Foundation	Purchase land for car parking & road construction	1.5
Human resources development/ capacity building	Bangladesh Fire Service and Civil Defence Management Resources Development Initiative (MRDI) Bangladesh Youth Leadership Centre (BYLC) Autistic Children Welfare Foundation Dipto	Purchase equipment for capacity building Implement the project 'CSR for Advancement & Social Emancipation (CASE)' Implement the project 'Building Bridges through Leadership Training (BBLT)' Establish Lab, specialised training for doctors & nurses Gender development, employment generation for marginal & destitute people	10.0 7.5 2.0 5.0 1.5
Others	Madok Draba O Nesha Nirodh Sangstha (MANAS) Resource Integration Centre (RIC) DC- Gopalgonj	Production of anti-drug documentary film Employment generation for/rehabilitation of old age people Aid to 50 poor families of Beledanga village.	4.0 2.0 1.5

Source: Green Banking and CSR Department, BB.

was established in Bangladesh Bank under the financing of Asian Development Bank (ADB). The project was designed with the aim of reducing undertaken to facilitate extablishment of environment friendly brick field with appropriate use of technology and energy in 2012. Total amount of loan from ADB under the scheme is about USD 50.0 million/ equivalent BDT . It has two parts: Part-A and Part-B. USD 30.0 million (approximately)/ equivalent BDT will be provided under Part-A for conversion of Fixed Chimney Kiln (FCK) to improved Zigzag Kiln and about USD 20.00 million/ equivalent BDT for establishment of new V ertical Shaft Brick Kiln (VSBK), Hybrid Hof fman Kiln (HHK) and Tunnel Kiln will be allocated under Part-B. The terms and conditions for availing this refinance facility under this scheme has been amended in FY14. Thirty four banks and seventeen NBFIs have signed participation agreement with Bangladesh Bank till June 2014. Taka 748.3 million (equivalent USD 9.6 million) has been disbursed for 5 sub-projects under this project till June 2014 and around USD 20.0 million for 13 sub-projects is in the pipeline.

B. Corporate Social Responsibility

B.1. BB's Own CSR Activities

6.11 The Board of Directors of BB has approved a separate fund named 'Bangladesh Bank Disaster Management & Corporate Social Responsibility Fund' as own CSR activities in FY14. Taka 50 million from the annual profit is contributed to the fund during the year. Taka 50.2 million (contribution from BB profit + bank interest) has already been disbursed in the current fiscal year for capacity building in dif ferent social responsibility projects addressing health, education, environment and human resources development etc. Disbursement of this fund is reported in Table 6.5.

6.12 BB has taken initiatives under CSR activities of the banks and NBFIs to support the victims and volunteers of Rana Plaza tragedy such as, collection of one day salary of the employees of BB, scheduled banks and NBFIs, formation of a fund of Taka 1.90 billion by the BAB, ABB and BLFCA, to donate to the Prime Minister's Relief Fund. In addition, BB medical officials rushed to the spot with medical aids. On November , 2013, Bangladesh Bank honoured 135 rescuers of Rana Plaza victims for their heroic contribution to the rescue of 2438 workers from the debris. Each of the rescuers was provided with certificates, prize bonds of Taka 5000. Moreover, BB itself has created a fund of Taka 1.0 billion with the assistance of Japan International Cooperation Agency (JICA) to improve safety standards in the RGM sector to help factory owners for having credit facility from commercial banks at a maximum of 10 percent interest for rebuilding and relocating factories and equipment purchase.

B.2. CSR Activities of Banks and NBFIs

6.13 CSR initiatives of banks and NBFIs mainly focuses on i) financial inclusion of less privileged population segments and underserved economic sectors, ii) promotion of health, education and cultural/recreational activities for advancement and well being of underprivileged population segments, iii) promotion of environment friendly projects, iv) humanitarian & disaster relief v) adoption of energy efficient, carbon footprint reducing internal processes and practices in own offices and establishments. Total amount of CSR expenditure by banks and NBFIs in FY14 was Taka 4508.2 million.

Table 6.6 CSR expenditure of banks and NBFIs

(million Taka)

Sectors	Banks		NBFIs	
	FY14	Sectoral share	FY14	Sectoral share
Humanitarian & disaster relief	792.3	17.8	10.7	23.1
Education	1238.6	27.8	10.2	22.0
Health	1058.2	23.7	8.8	19.0
Sports	208.8	4.7	0.3	0.6
Art & culture	368.2	8.3	6.4	13.8
Environment	128.5	2.9	1.8	3.9
Others	667.2	15.0	8.2	17.7
Total	**4461.8**	**100**	**46.4**	**100**

Source: Green Banking and CSR Department, BB.

Chart 6.2 Sectoral share of CSR expenditure of banks: FY14

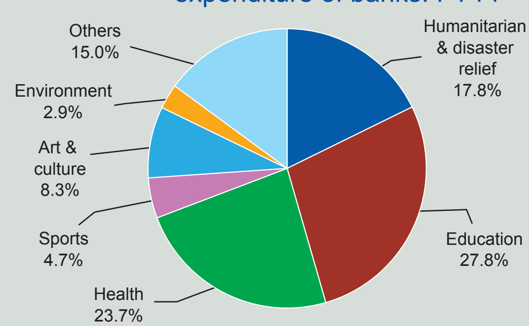


Chart 6.3 Sectoral share of CSR expenditure of NBFIs: FY14

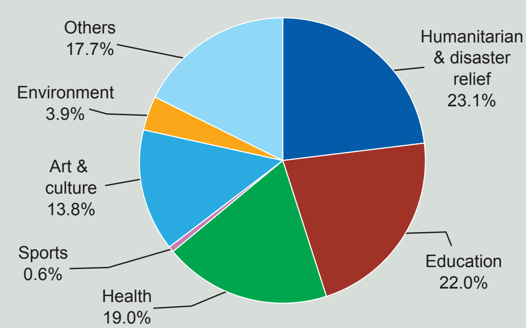


Table 6.7 Total number of NFAs for farmers and non-farmers as of end June 2014

Name of banks	No-Frill Account					
	Farmers	Beneficiaries under social safety net programme	Freedom fighters	Small life insurance policy holder (Taka 100 A/C)	Others Taka 10 A/C	Total
Sonali Bank Ltd	2280050	1504202	134896	4272	343672	4267092
Janata Bank Ltd	1492646	357691	3207	2466	91182	1947192
Agrani Bank Ltd	1463420	392352	1150	1020	125607	1983549
Rupali Bank Ltd	487847	23266	235	693	49273	561314
Bangladesh Krishi Bank	2534917	583889	24810	4923	327723	3476262
Bangladesh Development Bank Ltd	1	0	3	0	0	4
Rajshahi Krishi Unnayan Bank	1430873	254362	810	2040	120349	1808434
Basic Bank Ltd	520	0	1	0	126	647
Total	**9690274**	**3115762**	**165112**	**15414**	**1057932**	**14044494**

Source: Green Banking and CSR Department, BB.

6.14 Sector-wise contribution of total CSR expenses by banks shows that education is the highest priority secotor (27.8 percent) followed by health (23.7 percent), humanitarian and disaster relief (17.8 percent), art and culture (8.3 percent), sports (4.7 percent) and other sectors (15.0 percent) in FY14. On the other hand, sector-wise contribution of total CSR expenditure by NBFIs shows that humanitarian and disaster relief sector got the largest share (23.1 percent) followed by education (22.0 percent), health (19.0 percent), art and culture (13.8 percent), sports (0.6 percent) and other sectors (17.7 percent) in FY14 (T able 6.6, Chart 6.1 and 6.2).

C. Financial Inclusion

6.15 Financial inclusion is currently considered one of the most ef fective tools for ensuring financial and social stability specially in developing countries. It promotes access to appropriate financial services or products at affordable cost. BB has taken various initiatives to bring the huge number of financially excluded people under the financial services. It included directives to banks for opening No-Frill Accounts (NFAs) for farmers, freedom fighters, beneficiaries under social security programme, small life insurance policy holders, hardcore poor beneficiary workers, banking for minors, school banking and banking for working/street children.

Table 6.8 School banking account and outstanding as of end June 2014

Type of banks	Number of accounts	Outstanding (million Taka)
SCBs	101468	50.4
DFIs	106503	69.8
PCBs	430284	3935.3
FCBs	1210	17.4
Total	**639465**	**4072.9**

Source: Green Banking and CSR Department, BB.

C.1. NFAs for Farmers and other than Farmers

6.16 BB instructed the state-owned and specialised scheduled banks to open NF As for farmers in January 2010. Following that, BB gradually issued instructions to these banks for opening NF As in more additional 8 categories up to FY13. In FY14, these banks were instructed to open NF As for cleaning staffs of Dhaka North and Dhaka South City Corporation. Instruction was given to all banks to open NF As for readymade garment workers and workers of small footwear & leather product industries.

6.17 As of end June 2014 Sonali Bank Ltd has opened 4267092 NF As followed by Bangladesh Krishi Bank (3476262 accounts), Agrani Bank Ltd (1983549 accounts), Janata Bank Ltd (1947192 accounts), Rajshahi Krishi Unnayan Bank (1808434 accounts), Basic Bank Ltd (647 accounts) and Bangladesh Development Bank Ltd (4 accounts). Sector-wise distribution of NF As opened in state-owned and specialised scheduled banks shows that farmers have opened 9690274 accounts followed by beneficiaries under social safety net programme (31 15762 accounts), others Taka 10 A/C (1057932 accounts), freedom fighters (165112 accounts) and small life insurance policy holder Taka 100 A/C (15414 accounts) as of end June 14. Total number of NFAs for farmers and non-farmers is reported in Table 6.7.

C.2. School Banking

6.18 As a part of broadening and deepening of financial inclusion, school banking for students under age of 18 was initiated in 2010. Since then, banks have been providing banking services to school students through savings accounts and deposit schemes for promoting savings behaviour among students, oriented them with banking literacy and modern banking technology . According to guidelines of school banking issued in October 2013, any school student of 6-18 years age may open a school banking account in any scheduled bank through parents or legal guardian by depositing Taka 100. There is no service charge against these accounts. Total outstanding of school banking stood at Taka 4072.9 million against 639465 accounts at the end of June 2014. The updated status of school banking is given in Table 6.8.

C.3. Banking for Working/Street Children

6.19 In order to include the extremely excluded children into the formal financial services, BB introduced banking for working/street children in March 2014. These accounts can be opened through any enlisted NGO as custodial account by depositing Taka 10. Concerned NGO will be fully responsible for the operation of the accounts and the well being of the account holder children. This activity has started in 31 May 2014 and seven banks have signed bi-lateral agreement with different registered NGOs for of fering this service as of end June 2014. Total outstanding of working/street children account stood at Taka 35.4 thousand against 405 accounts at the end of June 2014. The outstanding position of these accounts is presented in Table 6.9.

C.4. Agent Banking

6.20 With a view to creating alternative delivery channel for banking services of non-privileged, underserved and the poor population of the society , especially from geographically dispersed location, agent banking has been introduced in December 2013. Agent banking has opened doorway to provide financial services through an outlet of a bank where the establishment of a full-fledged branch establishment is extremely difficult or not feasible. To facilitate the agent banking activities, a guidance note for approval and operation of agent banking activities of banks has been issued in June 2014.

C.5. BB Refinance Scheme for Taka 10 Account Holders

6.21 In order to bring the financially deprived grass root level people under formal financial services and to gearing up the banking activities of Taka 10 accounts, BB formed revolving refinance fund of Taka 2.0 billion in May 2014. Highest limit of this refinance facility is Taka 50,000.0 and participating banks will be provided interest subsidy under certain conditions.

C.6. NRB Database

6.22 Foreign remittance has important contribution in the Bangladesh economy. Bangladesh received its highest-ever annual remittance of about USD 14.50 billion in FY13. In order to acknowledge their contribution, BB has taken an initiative to collect the information of NRBs and maintain that in a dynamic, interactive and online database. Any NRB can open an account in this database through BB website and upload his/her information. This database will play as a communication platform for BB and NRBs as well. For Bangladesh Bank, this database helps to promote and uphold investment information arranged for NRBs by government, to create awareness on proper remittance channel and method, important financial or economic moves of government in which NRBs can participate. NRBs can submit complaint, query or feedback through this database. They can also use this database to search for other NRBs by country of residence profession etc.

Table 6.9 Working/street children account and outstanding as of end June 2014

Name of Banks	Name of listed NGO	Number of accounts	Total (thousand Taka)
Rupali Bank Ltd	Manab Sheba & Samajik Unnayan Sangostha	231	24.0
Bangladesh Krishi Bank,	Prodipon	-	-
City Bank Ltd	Prodipon	51	6.3
One Bank Ltd	Prodipon	55	3.1
Marcantile Bank Ltd	Oporajayo Bangla	-	-
Bank Asia Ltd	Brac	63	1.9
National Bank Ltd	Community Participation and Development (CPD)	5	0.1
Total		**405**	**35.4**

Source: Green Banking and CSR Department, BB.

C.7. Financial Education

6.23 Bangladesh Bank has started to undertake diverse financial education initiatives from FY14 in a rigorous manner. These include creation of a dynamic and interactive web portal linked to BB website, preparation of two Television Commercials (TVCs), ten Radio Broadcasting Commercials (RBCs) and awareness creating press layouts. This web link contains story books, games, videos, a financial calculator for computing information on different banking services and informative write ups on different financial services, products and delivery channels.

Performance, Regulation and Supervision of NBFIs

7.1 Non Bank Financial Institutions (NBFIs) are playing crucial role in the financial sector by providing additional financial services that can not be always provided by the banks. The financial institutions, with more multifaceted products and services, have taken their place in the competitive financial market to satisfy the changing demands of customers. NBFIs also play an important role in the capital market as well as in real estate sector of Bangladesh. Like the banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities. NBFIs are supervised by Bangladesh Bank in a risk-based supervisory system.

7.2 NBFIs have been given license and regulated under the Financial Institution Act, 1993. At present, the minimum paid up capital for NBFIs is Taka 1.0 billion as per the Financial Institution Regulation, 1994. NBFIs' business line is narrow in comparison with Banks in Bangladesh. NBFIs are allowed to take term deposit for three months from 2 December 2013 (DFIM circular no. 09/2013).

7.3 Presently , out of 31 NBFIs, 3 are Government-owned, 10 are joint venture and the rest 18 are locally private-owned. Meanwhile, the branch network increased to 183 as on 30 June 2014. The Structure of NBFIs is shown in Table 7.1.

A. 1. Assets

7.4 The asset of NBFIs have increased substantially in FY14, by 30.7 percent to Taka 436.3 billion in 2013 from Taka 333.9 billion in 2012. At the end of June 2014, total assets stood at Taka 500.6 billion.

Table 7.1 Structure of NBFIs

	2008	2009	2010	2011	2012	2013	2014*
No. of NBFIs	29	29	29	31	31	31	31
Government- owned	1	1	1	2	3	3	3
Joint-venture	8	8	8	8	10	10	10
Private	20	20	20	20	18	18	18
New branches	8	20	20	53	8	7	7
Total branches	80	88	108	161	169	176	183

*As on 30 June 2014.
Source: Department of Financial Institutions and Markets, BB.

7.5 **Investment:** NBFIs are investing in different sectors of the economy , but their Investments are mostly concentrated in industrial sector. The sectoral composition of NBFIs' investment by end of June 2014 is as follows: industry (43.0 percent), real estate (16.9 percent), margin loan (4.4 percent), trade and commerce (15.4 percent), merchant banking (4.5 percent), agriculture (1.4 percent) and others (14.4 percent) (Chart 7.1). As compared with December 2013, no significant change occurred among the sectors except trade & commerce and others. Investment in trade & commerce and others sectors showed a little change of 4.1 percent and 3.2 percent respectively.

7.6 NBFIs are allowed to invest in the capital market to the extent indicated in the Financial Act, 1993. At the end of December 2013, all NBFIs' total investment in capital market was Taka 10.7 billion compared to Taka 14.6 billion in December 2012. Investment in capital market accounts for 2.5 percent of the total assets of all NBFIs.

A. 2. Deposits

7.7 Total deposits of the NBFIs in 2013 rose to Taka 198.3 billion (56.6 percent of total liabilities) from Taka 145.4 billion (53.0 percent of total liabilities) in 2012 showing an overall increase of 36.4 percent. Total deposits further increased to Taka 233.2 billion at the end of June 20014 (Table 7.2).

A. 3. Other Liabilities and Equity

7.8 The aggregate liability of the industry in 2013 increased to Taka 350.4 billion from Taka 274.3 billion in 2012 while equity increased to Taka 85.9 billion compared with Taka 59.6 billion over the same period showing an overall increases by 27.7 percent and 44.1 percent respectively. In June 2014, total liabilities stood at Taka 406.9 billion and equity reached at Taka 93.7 billion.

A. 4. Bond and Securitisation Activity

7.9 The bond market in Bangladesh is yet to be further modernised. There are few players with a limited number of instruments. NBFIs play a significant role for the development of bond market through Issuing Zero Coupon Bonds and Asset-backed Securitised Bonds. By taking a no-objection certificate (NOC) from the Department of Financial Institutions and Markets (DFIM), Taka 1.5 billion non-convertible Zero Coupon Bonds have been issued by a financial institution (IDLC Finance Limited) as of June 2014.

Chart 7.1 Investment pattern of NBFIs as of 30 June 2014

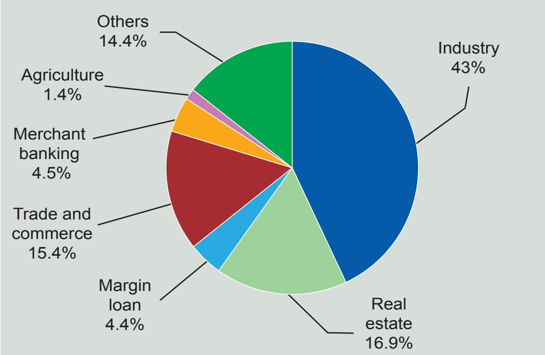


Chart 7.2 Assets, liabilities and their ratios of NBFIs

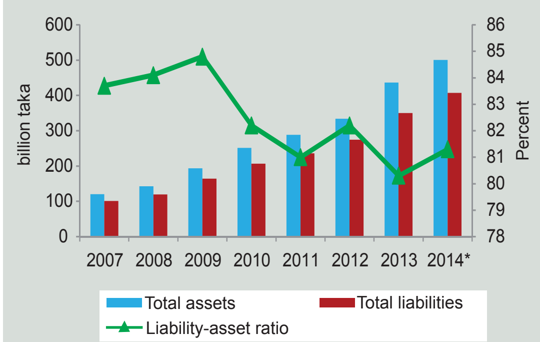


Table 7.2 Assets, liabilities and deposits of NBFIs

(billion Taka)

	2008	2009	2010	2011	2012	2013	2014*
Total assets	142.4	193.8	251.5	288.4	333.9	436.3	500.6
Total liabilities	119.8	164.4	206.8	235.7	274.3	350.4	406.9
Liabilities-assets ratio	84.1	84.8	82.2	81.0	82.2	80.3	81.3
Total deposit	38.3	80.8	94.4	112.6	145.4	198.3	233.2
Deposit as % of total liabilities	32.0	49.2	45.7	47.8	53.0	56.6	57.3

*As on 30 June 2014.
Source: Department of Financial Institutions and Markets, BB.

B. Performance and Rating of NBFIs

7.10 Like banks, the performance of NBFIs is also evaluated through the CAMELS rating which involves analysis and evaluation of the six crucial dimensions of NBFIs operations. The six indicators used in the rating system are (i) capital adequacy, (ii) asset quality, (iii) management efficiency, (iv) earnings (v) liquidity and (vi) sensitivity to market risk.

B. 1. Capital Adequacy

7.11 Capital adequacy focuses on the total position of NBFIs' capital and protects the depositors from the potential shocks of losses that a NBFI might incur. It helps absorb major financial risks (credit risk, market risk, interest rate risk, etc.). NBFIs in Bangladesh have been instructed under the Basel Accord to maintain Capital Adequacy Ratio (CAR) of not less than 10.0 percent with at least 5.0 percent in core capital. At the end of June 2014, out of 30 NBFIs (excluding the newest one), 28 financial institutions are maintaining CAR at the desired level. At the end of December 2013, out of 30 NBFIs (the remaining 1 company is yet to come under this rating), 1 is "1 or Strong", 17 are "2 or Satisfactory", 10 are "3 or Fair" and the remaining 2 are "4 or Marginal" in the capital adequacy component of the CAMELS rating matrix.

B. 2. Asset Quality

7.12 The most important indicator intended to identify problems with asset quality in the loan portfolio is the ratio of gross non-performing loan/lease to total loan/lease. At the end of June 2014, the ratio for NBFIs is 5.4 percent and it was highest (7.1 percent) in 2007. In the total asset composition of all NBFIs, the concentration of loans, lease and advances is 72.2 percent. At the end of December 2013, out of 30 NBFIs (the remaining 1 company is yet to come under this rating), 4 are "2 or Satisfactory", 18 are "3 or Fair" and the remaining 8 are "4 or Marginal" in the asset quality component of the CAMELS rating matrix.

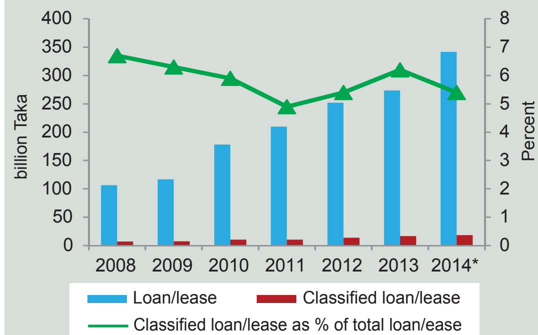
Table 7.3 Total loan/lease and classified loan/lease

(billion Taka)

	2008	2009	2010	2011	2012	2013	2014*
Loan/lease	106.4	116.7	178.1	209.7	252.1	273.6	341.7
Classified loan/lease	7.1	7.3	10.5	10.3	13.7	16.8	18.5
Classified loan/llease as % of total loan/lease	6.7	6.3	5.9	4.9	5.4	6.2	5.4

*As on 3o June, 2014
Source: Department of Financial Institutions and Markets, BB.

Chart 7.3 NBFIs total, classified loan/lease and their ratios



* As on 30 June 2014

B. 3. Management Efficiency

7.13 Sound management is the most important prerequisite for the growth of any NBFI. The total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee and interest rate spread are generally used to gauge management efficiency. At the end of December 2013, out of 30 NBFIs (the remaining 1 company is yet to come under this rating), 1 is "1 or Strong", 15 are "2 or Satisfactory", 10 are "3 or Fair" and the remaining 4 are "4 or Marginal" in the Management Capacity component of the CAMELS rating matrix.

B. 4. Earnings and Profitability

7.14 Earnings and profitability of an NBFI reflects its efficiency in managing resources and its long term sustainability. Among various measures of earnings and profitability, the best and widely used indicator is the return on assets (ROA) which is supplemented by return on equity (ROE). ROA and ROE of all the NBFIs in December 2013 were 1.5 and 7.5 respectively. As of December 2013, out of 30 NBFIs (the remaining 1 company is yet to come under this rating), 2 are "1 or Strong", 11 are "2 or Satisfactory", 16 are "3 or Fair" and the remaining 1 is "4 or Marginal" in the earnings and profitability component of the CAMELS rating matrix.

Liquidity

7.15 NBFIs are allowed to mobilise term deposit only. At present, term liabilities are subject to a statutory liquidity requirement (SLR) of 5 percent inclusive of average 2.5 percent (at least 2 percent in each day) cash reserve ratio (CRR) on bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5 percent. The Infrastructure Development Company Limited (IDCOL) established by the Government of Bangladesh is exempted from maintaining the SLR. At the end of December 2013, out of 30 NBFIs (the remaining 1 company is yet to come under this rating), 16 are "2 or Satisfactory", 12 are "3 or Fair" and 2 is "4 or Marginal" in the liquidity position component of the CAMELS rating matrix.

B. 5. Sensitivity to Market Risk

7.16 The sensitivity to market risk reflects the degree to which changes in interest rates or equity prices can adversely affect an NBFI's asset-liability position, earnings and capital. When evaluating this sensitivity component, consideration should be given to management's ability to identify, measure, and control market risk via the implementation of effective Core Risk Management System. Vulnerability of the NBFI in a stressed situation from either an interest rate or equity price shock (or both) should be taken under consideration to evaluate sensitivity. For many NBFIs, the primary source of market risk arises from non-trading positions and their sensitivity to changes in interest rates. At the end of December 2013, out of 30 NBFIs (the remaining 1 company is yet to come under this rating), 9 are "2 or Satisfactory" and 14 are "3 or Fair", 6 are "4 or Marginal" and the remaining 1 is "5 or Unsatisfactory" in the sensitivity to market risk component of the CAMELS rating matrix.

Table 7.4 Profitability of NBFIs

(percent)

	2007	2008	2009	2010	2011	2012	2013	2014*
Return on equity (ROE)	13.8	12.9	20.9	24.4	11.7	10.4	7.5	7.6
Return on asset (ROA)	2.3	2.1	3.2	4.3	2.1	1.9	1.5	1.4

* As on 30 June 2014.
Source : Department of Financial Institutions and Markets, BB.

B. 6. Composite CAMELS Rating

7.17 As of June 2014, out of 31 NBFIs, the composite CAMELS rating (C=capital adequacy, A=asset quality, M=management capacity, E=earning ability, L=liquidity position and S=Sensitivity to Market) of 16 are "2 or Satisfactory", 13 are "3 or Fair", 1 is "4 or Marginal" and the newly one NBFIs is unrated. On the other hand, in June 2013, out of 30 NBFIs the composite CAMEL rating of 13 was "2 or Satisfactory", 14 was "3 or Fair", and the remaining 3 was "4 or Marginal".

C. Legal Reform and Prudential Regulations

7.18 As part of the ongoing efforts to strengthen the NBFIs through the adoption of policies aimed at both improving the financial strength of NBFIs as well as bringing about greater transparency in their operations, some legal and regulatory policy measures have been continued in FY14.

C. 1. Capital Adequacy and Progress of BASEL Accord Implementation in NBFIs

7.19 Basel-II has been implemented in the NBFIs from 1 January 2012. Prudential Guidelines on Capital Adequacy and Market Discipline (CAMD) has been issued to promote international best practices and to make the capital of NBFIs more risk-based as well as more shock resilient. NBFIs have to follow the guidelines as statutory compliance. In this regard, a high-level Steering Committee (SC) headed by a Deputy Governor of BB comprising NBFIs' Chief Executive Officers was formed for working on policy decisions. Furthermore, a Working Group (WG) headed by an Executive Director of BB has been assisting the SC in decision-making. Basel Implementation Cell (BIC) under DFIM has been formed to assist and carry out the instructions of SC and WG on Basel Accord implementation.

C. 2. Corporate Governance in NBFIs

7.20 BB has taken some policy measures in order to put in place good corporate governance in NBFIs. Authority, responsibility and functions of the Board of Directors, Committees, Management, and Chief Executive Officer of NBFIs are clearly specified by BB. In addition, duties, responsibilities and organogram of the Audit committee, arrangement of the meeting have been defined in DFIM Circular (No-13, dated 26 October 2011). Number of Directors in the Board is 9 to 11. Board sets and approves the vision/mission, annual strategic planning, key performance indicators, core risk management guidelines etc. Chief Executive Officer is responsible to conduct day to day functions and materialisation of the strategic business plan.

C. 3. Asset Classification and Provisioning

7.21 NBFIs are required to maintain provision for expected losses on loans, advances, leases, investments on an aging analysis. Aging analysis of overdue loan/lease classifies them to Standards, Special Mention Accounts, Sub-standards, Doubtful and Bad/Losses, requiring the NBFIs to keep 1, 5, 20, 50 and 100 percent provision respectively. At the end of June 2014, the industry as a whole was able to maintain adequate provision except two institutions. As of June, 2014 the total outstanding of loan/lease was Taka 341.7 billion against which NPL was Taka 18.5 billion : (5.4 percent) which was 5.6 percent in December 2013.

C. 4. Loan Rescheduling Policy

7.22 Rescheduling of loan/lease is allowed under the policy of receipt of down payment. Minimum receipt of a down payment for reschedule is the lower of 15, 30 and 50 percent of overdue or 10, 20, 30 percent of outstanding for 1st, 2nd and thereafter instances of restructuring respectively.

C. 5. Core Risk Management

7.23 Guidelines on five core risk areas, namely, Credit Risk Management, Internal Control and Compliance, Asset-Liability Management, Anti-Money Laundering Risk management and Information and Communication Technology Management on NBFIs have been issued. NBFIs have developed their customised guidelines monitor and minimise these risks in the light of the guideline provided by Bangladesh Bank.

C. 6. Stress Testing

7.24 NBFIs have been conducting stress testing on quarterly basis from 2010. A new financial position indicator, Insolvency Ratio (IR), artificial intelligence to auto-generate recommended action plan, rating scale of 1 to 5, zonal positioning (Green, Yellow & Red) through Weighted Average Resilience-Weighted Insolvency Ratio (WAR-WIR) Matrix have been included in the revised guideline for NBFIs. As per the new guideline, NBFIs carry out stress testing on quarterly basis i.e. on 31 March, 30 June, 30 September and 31 December. As of December 2013, out of 30 NBFIs 3 are in Green Zone, 19 are in Yellow Zone and the remaining 8 are in the Red Zone. Based on June 2014 among the 30 NBFIs 3 are in Green Zone, 16 are in Yellow Zone and the other 11 are in the Red Zone.

D. Consumer Protection Regulations

D. 1. Schedule of Charges

7.25 BB has rationalised the charges of some services to ensure the interest of depositors/investors/customers and advised all NBFIs to display the complete schedule of charges in suitable places in their branches and head offices so that the current and potential clients can easily see them. They are also instructed to post the same information. BB monitors this issue and NBFIs are required to submit semi-annual statements in this regard. No charge/ commission like commitment fee, supervision fee and cheque dishonour fees can be charged.

D. 2. Guidelines on Products and Services of Financial Institutions in Bangladesh

7.26 The financial institutions along with the banks, with their customised products and services have emerged as the competitive financial intermediaries to meet the growing and changing demands of customers.

The "Guidelines on Products and Services of Financial Institutions in Bangladesh" has outline the different characteristics of existing and new products. These guidelines ensures clients' interest as well as provides greater flexibility to financial institutions to cope up with changing environment. This also helps promotion of sound risk management system and bring discipline in launching new products and services.

E. Cost of Funds Index for NBFIs

7.27 NBFIs regularly submitting their monthly statements of base rate and cost of funds to BB as per guideline of Base Rate System for NBFIs published in 2013. On the basis of these statements, BB prepares an aggregate Cost of Funds Index, uploads that in the website of BB and updates the index monthly.

It can be mentioned that base rate is the minimum interest rate at which loan/lease facility can be provided. As there is no specific guideline, the NBFIs determine the interest rate in different ways from their own perspective. Some NBFIs provide loan using floating interest rate. In that case, they impose the rate based on the deviation among their own cost of funds. As a result, their skill and efficiency to manage the liquidity directly affect the clients. Since there is no standard for a reference rate which can be used to determine the floating interest rate for the NBFIs, the Cost of Funds Index is used as an acceptable reference. Base Rate System will facilitate the interest rate determining process and ensure more transparency of accounting and accountability in the NBFIs.

Base Rate System is used in different countries including India, Nepal & Bhutan. In Bangladesh, for the first time, Base Rate System for the NBFIs has been initiated to introduce Cost of Funds Index in this region.

Financial Markets

8.1 Efforts have been continued to maintain transparency and stability of the financial market of the country during FY14. Bangladesh Bank remained cautious about financial market development and used policy tools for well-functioning of the financial market. The interest rates of call money and Govt. treasury bills and bonds were in downward trend during FY14. The capital market, as well as the foreign exchange market was quite stable during FY14.

Money Market

Call Money Market FY14

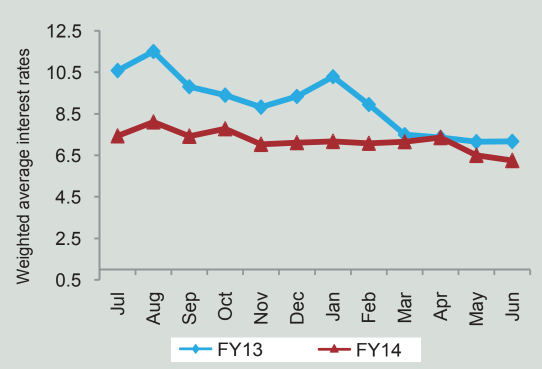
8.2 The banks including financial institutions observed steady growth path in terms of interest rate throughout the year. BB provided repo, special repo and Liquidity Support Facility (LSF) to the Primary Dealers (PDs) and non-PD banks against the eligible holding of treasury bills and bonds. BBs prudential policy measures resulted in stable weighted average interest rate in the call money market ranging from 6.3 percent to 8.1 percent during FY14 (Table 8.1 and Chart 8.1.). During FY14 the average volume of trade in the call money market increased by Taka 51.1 billion which was 3.7 percent higher than that of FY13. Both the volume of transaction in the call money market and the weighted average interest rate showed a balanced trend during FY14. However, a lower rate was observed in the 4th quarter of the year.

Table 8.1 Volume of trade and weighted average interest rates in call money market

Periods	Volume of trade (billion Taka)	Weighted average interest rates (%)	Volume of trade (billion Taka)	Weighted average interest rates (%)
	FY13		FY14	
July	1449.43	10.58	1640.98	7.44
August	1096.70	11.51	1066.39	8.11
September	1483.71	9.81	1654.45	7.42
October	1432.07	9.40	1532.19	7.78
November	1308.25	8.82	1620.51	7.03
December	1228.25	9.34	1565.09	7.11
January	1483.17	10.29	1497.71	7.17
February	1411.82	8.95	1477.28	7.08
March	1138.88	7.50	1403.11	7.16
April	1431.53	7.35	1362.92	7.35
May	1478.48	7.15	1015.98	6.50
June	1689.53	7.17	1408.72	6.25
Average	**1385.98**	**8.99**	**1437.11**	**7.20**

Source: Debt Management Department, Bangladesh Bank

Chart 8.1 Call money rate



Repo Auctions - FY14

8.3 Repo auctions were continued in FY14 with a view to inject required money in the economy and to provide banks with necessary funds to maintain their very short term exposure. The rate of interest for repo, special

Table 8.2 Repo auctions-FY14

Total no. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
246	1-Day/2-Day	1611	3309.00	1611	3233.40	7.25-10.75
	3-Day/7-Day	491	1043.95	491	1024.93	7.25-10.75
	Total	**2102**	**4352.95**	**2102**	**4258.33**	**7.25-10.75***

Source: Monetary Policy Department, Bangladesh Bank.
* Overall interest rates of different tenors.

repo and LSF remained unchanged at 7.25, 10.25 and 7.25 percent respectively for 1-2 day tenor. Special repo rate was higher due to particular need of liquidity of the banks. BB kept this window open for the banks to maintain the liquidity at a desired level, while pursuing a cautious monetary policy.

It, therefore, encourages borrowing from the market first with a view to maintaining its Lender of Last Resort (LOLR) stance. In FY14, BB provided the banks a reasonable amount of repo funds through daily repo auction.

8.4 A total of 246 repo auctions (including special repo and LSF auctions) were held during FY14. In all 2102 bids for Taka 4352.95 billion were received, of which Taka 4258.33 billion were accepted. During FY13 total 6291 bids for Taka 24356.71 billion were received, of which Taka 19275.72 billion was accepted. The volume of accepted bids decreased by 77.91 percent during the FY14 (T able 8.2).

The range of interest rate against the accepted bids was 7.25-10.75 percent per annum in FY14, which was same in the previous year.

Reverse Repo Auctions - FY14

8.5 The reverse repo auctions are being used to mop up excess liquidity from the money market, to keep up reserve money and money multiplier on track. A total of 165 daily reverse repo auctions were held in FY14. In all 527 bids of 1-2 day and 123 bids of 3-7 day tenors for a total of Taka 2444.36 billion were received and all the bids were accepted. During FY13 bids for 138.71 billion were received, of which all bids were accepted. The interest rate against the accepted bids was 5.25 percent per annum during FY14 (T able 8.3).

Bangladesh Bank Bill

8.6 Operations of Bangladesh Bank Bill continued in FY14 in order to sterilise and

Table 8.3 Reverse repo auctions-FY14

Total no. of auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%)
		No. of bids	Face value (billion Taka)	No. of bids	Face value (billion Taka)	
165	1-Day/2 Day	527	1974.99	527	1974.99	5.25
	3-Day/7 Day	123	469.37	123	469.37	5.25
	Total	**650**	**2444.36**	**650**	**2444.36**	**5.25***

Source: Monetary Policy Department, Bangladesh Bank.
* Overall rates of different tenors

Table 8.4 Auctions of Bangladesh Bank Bill - FY14

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June, 14 (billion Taka)	Weighted average yield (WAR) range* (%)	
	No.	Face value (billion Taka)	No.	Face value (billion Taka)		FY13	FY14
30-Day	383	398.57	383	398.57	19.83	7.10-9.41	5.30-7.70
Total	**383**	**398.57**	**383**	**398.57**	**19.83**	**7.10-9.41**	**5.30-7.70**

Source: Monetary Policy Department, Bangladesh Bank.
* Range of the weighted average annual yield of the accepted bids.

maintain liquidity of the banking system more effectively. With a view to maintain stable interest rate and exchange rate position, BB prudently applied this instrument during the period under report. The results of Bangladesh Bank bill auction in FY14 are shown in Table 8.4.

Government Securities Market

Government Treasury Bills Auctions

8.7 Treasury bills and bonds are issued through an auction process where the allotments are awarded to the bids which fill the notified issue amount ranging from the lowest to highest yield. Pro-rata partial allotments are made for bids at the cut-off yield. BB uses these indirect monetary policy instruments for debt management purposes. Treasury bills and bonds are actively used by BB to mop up excess liquidity and to provide a mechanism for financing government deficit. In FY14, among 15 Primary Dealers (PDs), 3 NBFIs are not acting as PD. 12 PDs acted as underwriters and market makers with commitments to bid in auctions. According to the revised auction procedure 12 PD bank will assume 60 percent and 25 non PD banks will assume 40 percent considering their Total Demand and Time Liabilities (TDTL) of the unsubscribed amount of auction.

8.8 Weekly auctions of 91-day, 182-day and 364-day treasury bills continued to be main instruments for debt management of the Government during the year under report. The results of treasury bills auction in FY14 are summarised in Table 8.5. The auctions of 91-day, 182-day and 364-day's tenor bills were under-subscribed. Subsequently, devolvement amount to PDs and non PDs/ Bangladesh Bank decreased in FY14 compared with FY13. The weighted average yield of all treasury bills decreased during FY14.

8.9 Depending on the liquidity conditions in the money market, the weighted average yields of treasury bills of different maturities varied within modest ranges. The yields for various tenors as of end June 2014 depicted somewhat a moderate range than the yields as of end June 2013.

8.10 During FY14, a total of 3784 bids amounting to Taka 1755.84 billion were received, of which 1385 bids amounting to Taka 865.77 billion (including Taka 121.39 billion as devolved amount) were accepted. The weighted average yield-to-maturity against the accepted bids ranged from 6.82 percent to 10.60 percent. In FY13 a total of 2283 bids amounting to Taka 924.34 billion were received, of which Taka 573.02 billion was accepted.

Table 8.5 Auctions of Government treasury bills - FY14

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 14 (billion Taka)	Weighted average yield (WAR) range* (%)	
	No.	Face value (billion Taka)	No.	Face value (billion Taka)		FY13	FY14
91-Day	1568	892.86	519	363.09	99.02	8.13-11.40	6.82-8.68
182-Day	1145	449.88	461	201.52	117.00	9.83-11.42	7.43-10.24
364-Day	1071	413.10	405	179.77	215.75	10.13-11.54	7.68-10.60
Devolvement to BB/PDs and non PDs				121.39			
Total	**3784**	**1755.84**	**1385**	**865.77**	**431.77**	**8.13-11.54**	**6.82-10.60**

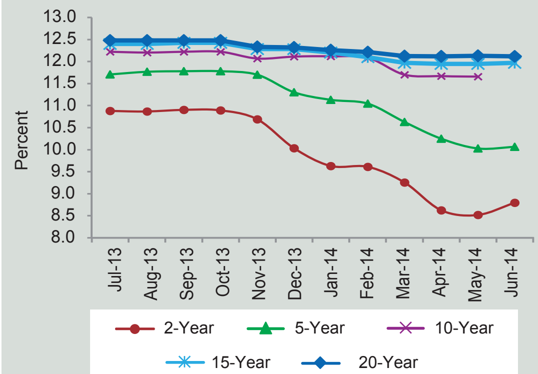
Source: Monetary Policy Department, Bangladesh Bank.
* Range of the weighted average annual yield of the accepted bids.

Bangladesh Government Treasury Bonds (BGTBs) Auctions

8.11 Treasury Bonds, bearing half yearly interest coupons with tenors of 2-year, 5-year, 10-year, 15-year and 20-year are auctioned in every month following preannounced auction calendar prepared by BB and ministry of finance considering liquidity and macroeconomic indicators. In order to improve liquidity and assets-liabilities matching, 2-year BGTB as a new instrument started auction since 28 May 2013. Banks are eligible to use Government treasury bills and BGTBs for Statutory Liquidity Requirement (SLR) purpose. These bills and bonds are eligible for secondary trading. 59 auctions of these instruments were held in FY14. A total of 1975 bids for Taka 461.87 billion were received and 621 bids for Taka 221.50 billion were accepted, of which Taka 46.43 billion was devolved on BB/PDs and non PDs. The amount of outstanding bonds was increased by 20.68 percent to Taka 1026.27 billion at the end of June 2014 from Taka 850.43 billion at the end of June 2013. The overall transaction of all the BGTBs are summarised in Table 8.6.

8.12 The weighted average yield-to-maturity for the treasury bonds ranged from 8.5206 percent to 12.4800 percent in FY14.

Chart 8.2 Weighted average yield of BGTB in FY14



The weighted average yield of treasury bonds decreased during the period (T able 8.6). The movements of the weighted average yield-to-maturity of all the treasury bonds are depicted in the Chart 8.2.

8.13 In FY13, bids for a total of Taka 167.17 billion were received and Taka 204.52 billion was accepted of which Taka 117.69 billion was devolved on BB/PDs and non PDs. The overall weighted average yield-to-maturity ranged from 10.9449 percent to 12.4800 percent in FY13.

Bangladesh Government Islamic Investment Bond (Islamic Bond)

8.14 Government issues bond as guarantee against the pool of funds formed by the

Table 8.6 Auctions of Bangladesh Government treasury bonds - FY14

Tenor of bonds	Bids offered		Bids accepted		Outstanding bonds as of end June, 14 (billion Taka)	Yield range *(%)
	Number	Face value (billion Taka)	Number	Face value (billion Taka)		
2-Year	422	133.31	90	47.56	63.00	8.5206-10.9039
Devolvement to BB/PDs and non PDs				9.44		
5-Year	499	145.60	144	52.86	301.18	10.0287-11.7800
Devolvement to BB/PDs and non PDs				19.14		
10-Year	391	83.26	162	27.78	404.66	11.6598-12.2200
Devolvement to BB/PDs and non PDs				12.72		
15-Year	337	49.19	113	23.56	140.36	11.9417-12.4200
Devolvement to BB/PDs and non PDs				3.44		
20-Year	326	50.51	112	23.31	117.07	12.1169-12.4800
Devolvement to BB/PDs and non PDs				1.69		
Total	**1975**	**461.87**	**621**	**221.50**	**1026.27**	**8.5206-12.4800@**

Source: Monetary Policy Department, Bangladesh Bank
* Range of the weighted average annual yield of the accepted bids.
@ Weighted average annual yield of treasury bonds of different terms

Islamic banks and individuals in order to develop money market in Islamic banking sector. Virtually Government does not borrow money from this sector . The return of the bonds depends on profit or loss in line with the islamic shariah savings rate and related factors reflected in the balance sheet of the islamic bank. The operations of 6-month, 1-year and 2-year Bangladesh Government Islamic Investment Bond (Islamic Bond) which introduced in FY05 continued in FY14. This Government bond is operated in accordance with the rules of islamic shariah. Bangladeshi institutions, individuals and non-resident Bangladeshis who agree to share profit or loss in accordance with islami shariah are eligible to buy this bond. As of end June 2014 the total sale against this bond amounted to Taka 121.34 billion while balance of total amount of financing stood at Taka 24.37 billion and the net outstanding of the bond stood at Taka 96.96 billion. As of end June 2013 the total sale of this bond was Taka 107.13 billion against the balance of total financing of Taka 67.78 billion and the net outstanding of Taka 39.35 billion. This is shown in Table 8.7.

Table 8.7 Bangladesh Government Islamic investment bond

(billion Taka)

Particulars	FY12	FY13	FY14
i. Sale	31.48	107.13	121.34
ii. Financing	31.26	67.78	24.37
iii. Net outstanding	0.22	39.35	96.96

Source: Motijheel Office, Bangladesh Bank.

Table 8.8 Disbursement & recovery of industrial term loans of banks and financial institutions

(billion Taka)

Particulars	FY13	FY14	% Change
Disbursement	425.3	423.1	-0.5
Recovery	365.4	418.0	14.4
Outstanding (end June)	903.4	1003.9	11.1

Source: SME and Special Programmes Department, BB.

Capital Market

Investment Financing in Bangladesh

8.15 The dominance of term loans in investment financing implies low equity stake and risk exposure of the owners, with disproportionately high incidence of risk on the lending banks and financial institutions, including liquidity risk arising from the funding of these long-term loans with typically short-term deposits.

8.16 The amount of industrial term loans disbursed by banks and financial institutions stood at Taka 423.1 billion (Table 8.8), many-fold higher than the amount of Taka 6.6 billion raised by new capital issues through private placements and public offerings in the capital market in FY14. This indicates the overwhelming preference of bank finance in industrial investment financing.

8.17 The price index and the market capitalisation of Dhaka Stock Exchange Limited (DSE) have been quite stable during FY14 as a result of the effective measures taken from time to time. Under the Exchanges Demutualisation Act.-2013, the demutualisations of ownership and management from trading rights have been completed and finally the DSE and the Chittagong Stock Exchange Limited (CSE) emerged as demutualised exchange from 21 November 2013. DSE Regulations, 2013 (Settlement Guarantee Fund) was published in the Gazette on 4 December 2013. DSE launched DSEX Shariah Index; designed & developed by S&P Dow Jones on 20 January 2014. State of the Art Surveillance Software "Instant-Watch" developed by Swedish company "TRAPETS-AB" has been launched on 11 February 2014. DSE has made agreements with NASDAQ OMX on 21 March 2014 and has replaced its existing trading system in order to make it more flexible.

8.18 A Memorandum of Understanding (MoU) was signed between CSE and DSE on 21 August 2013 to establish a clearing company which would help to trade derivatives, commodity etc. as new products in the market CSE and DSE introduced T+2 pay out settlement cycle of securities of A, B, G & N category in place of T+3 with effect from 3 November 2013. The advantage of faster settlement may lead to increase in turnover value and volume of trade which will help to increase market liquidity as well as bring more transparency in the market. The CSE and The National Stock Exchange of India (NSE) signed a MoU in August 2013 by which will help CSE to get NSE's co-operation and expertise for its development issues.

Capital Market Activities in FY14

Primary Issuance

8.19 Twelve companies raised new equity of Taka 6.6 billion in the capital market in FY14, lower than Taka 12.2 billion raised by the fourteen companies in FY13. Of the new equity issued, Taka 2.4 billion rose through private placements and Taka 4.2 billion raised through public placements. In FY13, equity issued through private and public placements were Taka 1.0 and 11.2 billion respectively.

8.20 The volume of public offerings in FY14 was over-subscribed more than eleven times indicating a shortage of new securities in the primary market. Bonus shares worth of Taka 31.1 billion were issued in FY14 by one hundred and thirty seven companies against retained profits. This was lower than Taka 34.4 billion issued in FY13 by one hundred and sixty one companies.

Secondary Market Activities

8.21 As a percent of market capitalisation the manufacturing sector dominated with 53.8 percent share, followed by services and miscellaneous (29.1 percent), financial

(17.1 percent) and corporate bonds (0.02 percent) as at the end of June FY14. In the DSE, market capitalisation inclusive of new issues increased by 16.3 percent to Taka 2943.2 billion or 21.8 percent of GDP at the end of FY14 from Taka 2530.2 billion at the end of FY13 (Chart 8.3). In the CSE, it was increased by 19.1 percent to Taka 2286.7 billion or 16.9 percent of GDP at the end of FY14. The amount of turnovers in the secondary market is also increased by 31.3 and 0.2 percent respectively at DSE and CSE in FY14. DSE broad index (DSEX) and CSE all-share price index are also increased by 9.2 and 8.1 percent to 4480.5 and 13766.2 respectively during the year (Table 8.9 and 8.10).

Non-resident Portfolio Investment

8.22 Gross investment inflow in shares and securities of the stock exchanges by non-residents through Non-resident Investor Taka Account (NITA) increased to Taka 41.3 billion in FY14 from Taka 18.0 billion in FY13. Gross investment outflow as repatriation of sale proceeds also increased to Taka 14.5 billion in FY14 from Taka 7.8 billion in FY13. From the beginning (April 1992) to June 2014 the gross investment inflow stood at Taka 128.7 billion against gross outflow as repatriation of sale proceeds of Taka 89.6 billion.

Activities of the Investment Corporation of Bangladesh

8.23 The Investment Corporation of Bangladesh (ICB) has been established with the aim of accelerating the pace of industrialisation and developing a well organised and vibrant capital market particularly securities market in Bangladesh. ICB's capital market development programme

Chart 8.3 Trends in market behaviour of DSE

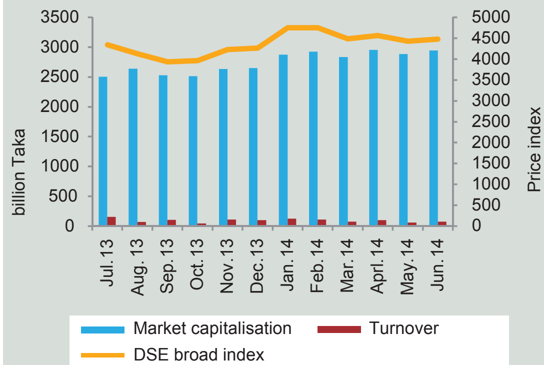


Table 8.9 Dhaka Stock Exchange (DSE) activities

Particulars	End June		
	FY12	FY13	FY14
No. of listed securities*	511	525	536
Issued equity and debt*			
(billion Taka)	933.6	983.6	1032.1
Equity through private placement			
& IPOs (billion Taka)	16.4	12.2	6.6
Market capitalisation			
(billion Taka)	2491.6	2530.2	2943.2
Turnover in value			
(billion Taka)	1171.5	857.1	1125.4
Turnover in volume			
(no. in billion)	18.6	21.6	24.3
Broad Index (DSEX)@	4572.9	4104.7	4480.5

Source: Dhaka Stock Exchange.
* = including companies, mutual funds, debentures and Government Treasury Bonds.
@ = DSE introduced the benchmark DSE broad index (DSEX) designed & developed by S&P Dow Jones from 28 January 2013. DSE general index has been phase out from the market on 01 August 2013.

Table 8.10 Chittagong Stock Exchange (CSE) activities

Particulars	End June		
	FY12	FY13	FY14
No. of listed securities*	251	266	276
Issued equity and debt*			
(billion Taka)	375.2	428.6	470.7
Market capitalisation			
(billion Taka)	1871.5	1919.9	2286.7
Turnover in value			
(billion Taka)	134.9	102.0	102.2
Turnover in volume			
(no. in billion)	2.5	2.8	2.7
All-share price index	13736.4	12738.2	13766.2

Source: Chittagong Stock Exchange.
* = including companies, mutual funds and debentures.

activities have been expanded through the formation and operation of the three subsidiaries of ICB namely the ICB Capital Management Ltd (ICML), the ICB Asset Management Company Ltd. (IAMCL) and the ICB Securities Trading Company Ltd. (ISTCL). During FY14, total investment made against the investors' accounts stood at Taka 8.7 billion while deposit received stood at Taka 0.8 billion. The IAMCL emerged as one of the fast growing asset management company of the country. Up to end June 2014, the company floated 1 1 closed-end and 4 open-end mutual funds. Besides, the company floated various regular and special types of mutual funds. The net investment in portfolios of the fifteen mutual funds of the company stood at Taka 32.0 billion and the market value of which stood at Taka 26.3 billion. The ISTCL emerged as the largest stockbroker in the country handling total turnover worth Taka 135.0 billion in FY14 which was 11 percent of total turnover of both DSE and CSE. The parent ICB itself sold unit certificates amounting Taka 1.0 billion against repurchase of unit certificates amounting Taka 0.2 billion in FY14. ICB received deposits of Taka 0.2 billion and approved loans of Taka 1.4 billion in investment accounts of investors in FY14. Total commitments for investment made by the ICB in FY14 stood at Taka 17.7 billion of which, investment in equity was Taka 17.1 billion and purchase of debentures was Taka 0.6 billion. The total amount of commitments was Taka 18.5 billion in FY13.

Scheduled Banks Investments in Capital Market Securities

8.24 Holdings of capital market assets (equities, debenture) excluding investment on Bangladesh Government Islamic Investment Bond (BGIIB) by scheduled banks stood at Taka 169.0 billion as of end June 2014 as against Taka 153.0 billon as of end 2013. Outstanding advances of scheduled banks against shares and securities amounted to Taka 27.5 billion as of end 2014, which was Taka 21.0 billion as of end June 2013.

Measures Supporting Capital Market Development

8.25 The Securities and Exchange Commission (SEC) undertook several measures to bring long-term stability and strengthen the capital market during FY14:

- Equity Research Publications have been opened by Bangladesh Securities and Exchange Commission (BSEC) in order to ensure access to information of investors, academicians and policy makers. Accordingly 'Bangladesh Securities and Exchange Commission (Research Analysis) Rules, 2013 has been formulated which was published in the Gazette dated 22 August 2013.

- In order to settle the capital market related cases rapidly, a special tribunal has been formed by the government under sub-section (1) of Section 25B of 'Securities and Exchange Ordinance, 1969' which was published in the Gazette on 7 January 2014.

- In order to ensure more transparency of the audit activities of the enlisted companies, Securities and Exchange Rules, 1987 has been revised by incorporating the rule of conducting special audit to the companies through the auditors appointed by the Commission. This revised rule was published in the Bangladesh Gazette on 22 May 2014.

- Regarding guidelines about evolution of assets of the companies applied to IPO, a notification has been issued on 18 August 2013 which was published in the Bangladesh gazette on 11 January 2014.

- Regarding right issue of share, it has been made compulsory to comply with the Corporate Governance Guidelines. A notification has been issued on 18 August 2013 which was published in the Bangladesh Gazette on 11 January 2014.

- Bangladesh Securities and Exchange Commission (BSEC) was a general member of the world's securities and future market regulating organisation 'International Organization of Securities Commissions' (IOSCO) since 1995. Later on, it gained full membership on 22 December 2013 by fulfilling all conditions of IOSCO. As a result BSEC has been promoted to 'A' category member from 'B' category. The commission would gain international status which would enable it to work with various working committee of the international regulatory organisation.

8.26 The measures declared in the national budget of FY15 in support of further development of the capital market included:

- With a view to maintaining stability in capital market together its continual expansion and strengthening, government proposed to offer tax exemption facilities for 5 years in graduated rate for demutualised stock exchange.

- The expenditure limit of Corporate Social Responsibility (CSR) has been raised from

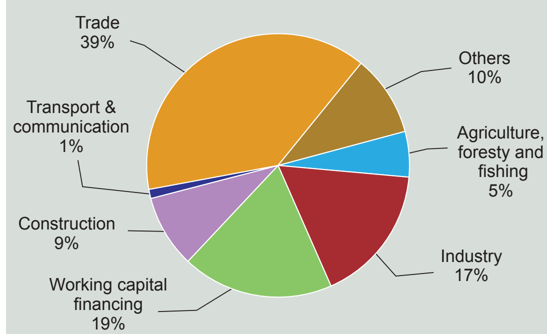
Table 8.11 Advances of scheduled banks by economic purposes

(billion Taka)

Sector	End June		
	FY13	FY14^{P}	% change
1. Agriculture, forestry and fishing	229.7	262.4	14.2
2. Industry	898.3	797.3	-11.2
3. Working capital financing	570.5	874.7	53.3
4. Construction	386.3	419.6	8.6
5. Transport & communication	90.5	52.6	-41.9
6. Trade	1593.6	1821.6	14.3
7. Others	479.2	467.7	-2.4
Grand Total	**4248.1**	**4695.9**	**10.5**

Source: Statistics Department, Bangladesh Bank. P = Provisional

Chart 8.4 Sectoral shares of total advances: FY14



Taka 80 million to Taka 120 million in order to get tax exemption facility.

- The limit of tax-exempted dividend income has been extended from Taka 10 (ten) thousand to Taka 15 (fifteen) thousand.

- The minimum tax on business turnover has been decreased from 0.50 percent to 0.30 percent in order to bring some benefit for non-profitable organisations.

- The formation of clearing company is under process. Once the clearing company is formed, the launching of derivatives market will be easier and foreign investors will be attracted through forming Settlement Guarantee Fund.

Table 8.12 Industrial term loans of banks and financial institutions

(billion Taka)

Lender	Disbursement		Recovery		Outstanding		Overdue		Overdue as % of outstanding	
	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14
SCBs	57.2	13.9	54.5	29.6	192.8	194.7	39.0	31.6	20.2	16.2
PCBs	287.2	325.2	247.5	316.1	530.1	593.6	52.9	50.5	10.0	8.5
Foreign banks	17.5	12.8	14.3	14.8	22.6	21.9	1.1	1.7	4.9	7.8
Specialised banks (BDBL, BKB, RAKUB, BASIC)	14.6	13.2	9.5	9.0	49.6	53.9	6.4	17.2	12.9	31.9
Financial institutions	48.8	58.0	39.6	48.5	108.3	139.8	7.8	8.2	7.2	5.9
Total	**425.3**	**423.1**	**365.4**	**418.0**	**903.4**	**1003.9**	**107.2**	**109.2**	**11.9**	**10.9**

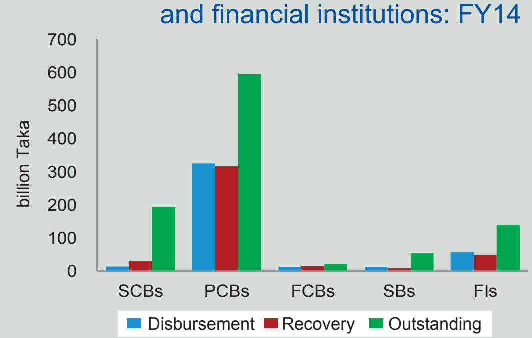
Source: SME and Special Programmes Department, Bangladesh Bank.

Credit Market

Advances of Scheduled Banks by Economic Purposes

8.27 Most of the advances of scheduled banks by economic purposes showed an upward trend during FY14 (Table 8.11). Total advances of scheduled banks by economic purposes stood at Taka 4695.9 billion at the end of June 2014 which was 10.5 percent higher than the total advances of Taka 4248.1 billion at the end of June 2013. In recent years, significant changes have been taken place in the trends in total bank advances classified by economic purpose. Of the total advances, working capital financing sector recorded the significant improvement by 53.3 percent followed by trade sector (14.3 percent), agriculture, fishing and forestry sector (14.2 percent), and construction sector (8.6 percent), while advances to transports and communication sector decreased by 41.9 percent followed by industry sector (11.2 percent), and other sectors (2.4 percent) in FY14 as compared to FY13. Sector-wise contribution of total advances shows that the trade sector plays the main role (39 percent) followed by working capital financing sector (19.0 percent), advances for industry (17.0 percent), construction (9.0 percent), agriculture, fishing and forestry (5.0 percent), transport and communication sector (1.0 percent) and other sectors (10.0 percent) in FY14. Sector-wise contribution of total advances is reported in Chart 8.4.

Chart 8.5 Industrial term loans of banks and financial institutions: FY14



Industrial Term Loans of Banks and Financial Institutions

8.28 Disbursement of industrial term loans by banks and financial institutions decreased by 0.5 percent to Taka 423.1 billion. However, the recoveries increased by 14.4 percent to Taka 418.0 billion in FY14. The outstanding balance showed a positive growth of 11.1 percent and stood at Taka 1003.9 billion as of end June 2014. However, the overdue increased by 1.8 percent in FY14 and as a percent of outstanding decreased to 10.9 as of end June 2014 (Table 8.12).

8.29 Private commercial banks (PCBs) had the major shares (59.1 percent) of the total Taka 1003.9 billion outstanding loans as of end June 2014, making them major players in industrial term lending (Table 8.12 and Chart 8.5). Though four SCBs and four specialised banks together had 24.8 percent shares of outstanding loans, but with very high levels of overdue loans, their actual role in current lending is quite minor, as they disbursed only Taka 27.1 billion (6.4 percent) out of total Taka 423.1 billion in FY14. In case of disbursement, PCBs had the major share holders (Taka 325.2 billion) in FY14, followed by financial institutions (Taka 58.0 billion), SCBs (Taka 13.9 billion), four specialised bank (Taka 13.2 billion) and foreign banks (Taka 12.8 billion).

8.30 The financial institutions had very low overdue loans (5.9 percent of outstanding) as of end June 2014. These were also low for private commercial banks (8.5 percent) and foreign banks (7.8 percent). Overdue loans of the specialised banks and the SCBs were very high (31.9 and 16.2 percent respectively) as of end June 2014.

8.31 Since BKB and RAKUB are agriculture sector lenders, they have insignificant role in industrial term lending. The specialised industrial sector lenders with extremely high overdue have concentrated on recovery in the recent years.

Investment Promotion and Financing Facility (IPFF)

8.32 "Investment Promotion and Financing Facility (IPFF) Project" is an on-lending based Technical Assistance (TA) project to supplement the resource of the Bangladesh financial markets to provide long term finance for infrastructure and other investment projects beyond the capacity of local financial institutions and to promote the role of private sector entrepreneurs in the development of capital projects, specially infrastructure. The project with two phases has been implemented by BB on behalf of Finance Division, Ministry of Finance as per Administration Agreements. Under IPFF, Government approved private infrastructure development projects, implemented on Public-Private Partnership (PPP) basis, financed through selected participating financial institutions (PFIs). Infrastructure development projects, power, services, industry and social sectors are considered eligible for IPFF financing. At least 25 percent of cost of any approved project is to be borne by the entrepreneurs' own sources as equity and at least 15 percent of the project cost is to be borne by the PFI in the second phase. The remaining 60 percent may be financed by IPFF. The PFIs are supposed to bear all the commercial risks associated with debt financing. As per Agreement total cost of the project was USD 60.00 million with a 5 years tenure starting from January 2007 to December 2011. IPFF has disbursed 100 percent of its on-lending component within 4th year of the project resultantly additional fund of USD 307.00 million (IDA USD 257.0 million and GoB USD 50.0 million) was sanctioned extending the tenure of the project up to December 2015.

It is worth mentioning here that IPFF has been able to disburse 100 percent (Taka 4.2 billion equivalent to USD 57.5 million) of its on-lending component to 7 small power plants having capacity of 178 MW within 4th year of the project tenure in the first phase. All the power plants are contributing power to the national grid.

Under the second phase of IPFF, USD 67.6 million has been disbursed for three central water treatment plants, two power generation projects having capacity of 105 MW and an inland container depot till June 2014.

Equity and Entrepreneurship Fund (EEF)

8.33 Equity and Entrepreneurship Fund (EEF) was formed by the Government with budgetary allocation of Taka 1.0 billion in FY01 to encourage investments in the risky but prospective agro-based/food processing and IT sector projects. A sub agency agreement regarding the transfer of operational activities of EEF has been signed on 1 June 2009 between Bangladesh Bank (BB) and Investment Corporation of Bangladesh (ICB). Under this agreement ICB is now performing the operational activities of EEF while EEF Unit of Bangladesh Bank is doing the activities relating to policy making, fund management and performance monitoring. So far Taka 18.3 billion has been released to the fund out of total budgetary allocation of Taka 27.0 billion in different fiscal years. Up to 30 June 2014 with the project cost of Taka 60.7 billion, a total of 1543 projects (including 1443 agro-based/food processing projects and 100 IT projects) got EEF sanction at different stages of disbursement. Cumulative equity disbursement stood at Taka 10.2 billion at the end of FY14 against total fund disbursement of Taka 18.3 billion from the Government. Till now 85 (eighty five) EEF supported companies availed share buy-back facilities partially or fully to the tune of Taka 1.5 billion. Employment opportunity has been created for 17,000 people in the EEF assisted projects. World class software developed by EEF assisted ICT project is being used throughout the country.

Table 8.13 Outstanding housing loans

(billion Taka)

Lenders	Outstanding as of end June		
	FY12	FY13	FY14[P]
a. Specialised housing finance providers	51.9	55.7	59.7
i) HBFC	25.8	28.0	29.6
ii) Delta-Brac Housing Finance	23.6	24.9	26.8
iii) National Housing Finance	2.5	2.8	3.3
b. Banks	286.8	349.0	366.8
i) PCBs	191.8	229.8	235.6
ii) SCBs	63.4	73.1	100.1
iii) Other banks (foreign and specialised)	31.6	46.1	31.1
c. Other financial institutions	19.2	20.8	27.7
d. Micro-credit lenders			
Grameen Bank	0.06	0.04	0.04
Total	**358.0**	**425.5**	**454.2**

Sources: Department of Financial Institutions and Markets, Statistics Department, Bangladesh Bank, and Grameen Bank.
P= provisional.

Housing Finance

8.34 Total outstanding housing loans from banks and financial institutions as of end June 2014 amounted to Taka 454.2 billion (Table 8.13), which was 9.7 percent of total credit to the private sector.

8.35 In recent years, significant changes have taken place in total housing loan portfolios. Of the total, private banks with ample deposit resources have been expanding their housing loan portfolios, and now have dominant market position (Table 8.13) with the largest share of Taka 235.6 billion in outstanding housing loans as of end June 2014. The SCBs have the second largest share of Taka 100.1 billion and other banks Taka 31.1 billion in outstanding housing loans as of end June 2014. Besides, two private sector specialized housing finance companies also provide a significant amount of loan. They supply fund for their operations by taking long term deposits including some contractual deposit schemes.

8.36 The state owned House Building Finance Corporation (HBFC) has the third largest share of Taka 29.6 billion in outstanding housing loans as of end June 2014. The sources of Corporation's fund are paid-up capital by the Government and the proceeds as received by selling Government guaranteed interest bearing debentures to different organisations. The second mode of funding has been unavailable in recent years. In the past the HBFC funded its housing loans by issuing low interest debentures bought by the SCBs and the Bangladesh Bank. The HBFC has been constrained to rely on recoveries of past loans for new lending after defraying operating and debt servicing costs. Consequently, its new lending amount has declined. In FY13 and FY14 Taka 4.3 billion and Taka 3.9 billion were disbursed out of recoveries of Taka 4.5 billion and Taka 4.6 billion respectively.

8.37 *Grihayan Tahbil* created by the Government of Bangladesh, provides housing loan to the NGOs at the rate of 2.0 percent simple interest who in turn provides housing credit to the rural poor at the rate of 6.0 percent simple interest for a period up to 10 years. Up to June 2014, the *Grihayan Tahbil* has been released Taka 1.7 billion against allocation of Taka 2.6 billion through 513 NGOs for rural housing programme which have covered 450 upazilas of 64 districts of the country and 58797 houses have already been constructed. In addition, for the target people those are adversely affected by different natural calamities, Taka 0.1 billion has been released as grant as per decision by the authority concerned. As on June 2014, *Tahbil* has recovered Taka 1.1 billion against the total recoverable amount of Taka 1.3 billion and the recovery rate is 86.6 percent. In addition, a dormitory/women hostel for the poor female workers is being constructed at ashulia of savar upzilla under the supervision of the department of women affairs at the cost of Taka 0.2 billion which is financed by Grihayan Tahabil where a total of 744 women workers will get the residence facility.

Chart 8.6 Taka-US Dollar exchange rate: FY14

Foreign Exchange Market

8.38 Bangladesh Bank closely monitors the foreign exchange market to avoid undue volatility in the exchange rate. BB engages in market interventions if it deemed necessary.

8.39 In FY14, Taka experienced a appreciation of 0.18 percent against US dollar compared to 5.20 percent appreciation in FY13 mainly due to BB's interventions in the foreign exchange market to maintain stability as well as to ensure external competitiveness. The weighted average inter-bank rate stood at Taka 77.63 per USD as of 30 June 2014 against Taka 77.77 per USD as on 30 June 2013 (Chart 8.6).

Agricultural and Rural Finance

Annual Agricultural Credit Programme

9.1 Considering the crucial role of agriculture in our economy , the Government has accorded greater importance to this sector and continued to provide strong policy support during FY14. Good performance of all sub-sectors within agriculture resulted in an increase of growth of this sector to 3.4 percent in FY14 from 2.5 percent in FY13. The sector contributed 16.3 percent of GDP during the year.

Aligned with Government's efforts, Bangladesh Bank (BB) also articulated a new vision for sustainable agricultural growth by providing broad based policies and credit for the sector . BB declared its annual agricultural and rural credit policy and programme for FY14 with a disbursement target of Taka 146.0 billion, which was Taka 141.3 billion in FY13. The goal was to increase the disbursement of agricultural and rural credit by expanding banking services to rural areas, making the farmers accustomed to banking activities and to promote financial inclusion. This policy support is expected to continue stimulating the agricultural production and help to reduce rural poverty. The achievement against this target was 109.9 percent marked by the remarkable participation of private sector banks through their branches as well as through linkages with microfinance Institutions (MFIs).

Some Important Initiatives of Agricultural Credit Programme in FY14

- In FY14 around 3.3 million farmers got agricultural and rural credit of which 0.6 million were women. They got Taka 16.1 billion as agricultural and rural credit from different banks.
- In FY14 around Taka 7.6 billion was disbursed among about 0.2 million farmers through 15862 open credit disbursement programmes arranged by different banks.
- In the same year about 2.5 million small and marginal farmers got Taka 106.5 billion agricultural loans from different banks.
- About Taka 483.6 million of agricultural and rural credit was disbursed during FY14 about 23976 farmers living in the less developed area of haor, char etc. in FY14.
- It is noteworthy that 619 successful farmers got about Taka 91.0 million agricultural credit from different banks.
- The cumulative number of bank accounts opened by farmers in the state owned commercial banks with an initial deposit of Taka 10 only stood to be 9.7 million in FY14.
- An amount of Taka 0.8 billion has been disbursed at 4.0 percent concessional

rate for the production of certain crops like pulse, oilseed, spices and maize for which the country relies on import.

- More than Taka 0.8 billion was disbursed only at 5.0 percent interest rate among 18097 tribal farmers in the 3 Hill Tract districts.
- Taka 17.9, 212.8 and 32.2 million have been disbursed to solar energy driven irrigation pumps, integrated cow rearing & bio-gas plant and solar home system respectively during FY14.

BB has announced its annual agricultural and rural credit policy and programme for FY15. The target for disbursement of agricultural credit has been fixed at Taka 155.5 billion which is 6.5 percent higher than the target of Taka 146.0 billion in FY14.

Disbursement

9.2 The actual disbursement of Taka 160.4 billion in FY14 was 9.3 percent higher than the actual disbursement of Taka 146.7 billion in FY13. Table 9.1 shows the comparative position of overall disbursement and recovery of agricultural loan and Charts 9.1 and 9.2 show targets and actual disbursement of agricultural loan respectively in FY14.

About 74.1 percent of disbursement was short term lending and the rest 25.9 percent was in the form of long-term loans for irrigation equipments, agricultural machinery, livestock etc. The credit for production of crops and poverty alleviation programmes constitute 60.0 and 15.7 percent respectively of the total short term loans (Table 9.1).

The total outstanding loan in the agricultural sector in FY14 increased by Taka 35.8 billion or 11.5 percent to Taka 346.3 billion from Taka 310.6 billion in FY13 (Table 9.2).

Two specialised banks -BKB, RAKUB and four SCBs played key role in the disbursement of agricultural and rural credits. The contribution of private commercial banks was also impressive in this regard. However , the SCBs fell short of targets by 9.1 percent. On the other hand, BKB, FCBs and the PCBs exceeded the disbursement target by 18.0, 37.0 and 13.5 percent respectively in FY14 (Table 9.2). Apart from this, BRDB and BSBL disbursed Taka 6.6 billion from their own fund which raised the total disbursement to Taka 167.0 billion during FY14.

Recovery

9.3 During FY14, the recovery of agricultural credit increased by 18.7 percent to Taka 170.5 billion from the recovery of Taka 143.6 billion made in FY13. Comprehensive support to agricultural production through subsidy on both input and output level, corrective measures introduced for recovery of overdue loans resulted in increase of recovery during FY14.

The overdue as percentage of outstanding agricultural loan increased from 16.8 percent to 22.0 percent at the end of June 2014 (Table 9.2). It is important that banks should set up their recovery drive during the harvesting time and strengthen incentive measures in order to get further improvement in the recovery position of agricultural loan in the years ahead.

Sources of Agricultural Finance

9.4 The main sources of finance in agriculture are still the state owned banks. As such the specialised banks- BKB and RAKUB and the state owned commercial banks are the principal players in the area of agricultural credit. BKB had the largest share in the annual disbursement of agricultural loan in FY14, where it alone disbursed 33.8 percent of the total disbursement, followed by PCBs' (38.0 percent) and the SCBs (15.5 percent). The SCB's overdue loan as percentage of their outstanding loan stood at 32.1 percent at the end of FY14, while the overdue of RAKUB and BKB were recorded at 35.7 percent and 21.0 percent respectively of their outstanding loan for the year (Table 9.2).

The role of the private sector domestic and foreign banks in agricultural lending is increasing remarkably. They contributed Taka 66.9 billion which was 41.7 percent of the total agricultural loan disbursed in FY14.

Bangladesh Bank's Refinance against Agricultural Loans

9.5 During FY14, BKB, RAKUB and BRAC have enjoyed refinance facilities to the tune of Taka 10.5 billion from Bangladesh Bank. No other institutions availed the refinance facilities from Bangladesh Bank in FY14. An amount of Taka 17.1 billion (including interest) was recovered against refinance loan due from different banks and institutions leaving an outstanding balance of Taka 48.7 billion (including interest) as of end June 2014. Details of Bangladesh Bank's refinance to different institutions are shown in Table 9.3.

Table 9.1 Comparative statement of disbursement & recovery of agricultural loan

(billion Taka)

Disbursement	FY12*	FY13*	FY14*
1	2	3	4
I. Disbursement (target)	**138.00**	**141.30**	**145.95**
a) Crops loan (other than tea)	62.38	65.38	69.38
b) Purchase and installation of irrigation equipment	4.12	4.34	3.68
c) Livestock	12.84	13.55	15.26
d) Marketing of agricultural goods	3.04	3.32	2.57
e) Fisheries	12.92	12.68	12.68
f) Poverty alleviation	14.22	12.63	11.16
g) Other agricultural activities	28.48	29.40	31.22
II. Actual disbursement	**131.32**	**146.67**	**160.37**
a) Crops loan (other than tea)	53.50	64.34	71.31
b) Purchase and installation of irrigation equipment	3.29	2.79	2.39
c) Livestock	12.44	18.03	19.96
d) Marketing of agricultural goods	2.75	2.26	1.67
e) Fisheries	10.26	13.21	13.78
f) Poverty alleviation	16.09	16.58	18.64
g) Other agricultural activities	32.99	29.46	32.62
III. Term structure of loan disbursed			
Short term	57.22**	106.12	118.85
Longer term	25.95**	40.56	41.52
IV. Recovery	123.59	143.62	170.46
V. Total outstanding loan	259.75	310.58	346.33
VI. Overdue	60.52	52.09	76.12
VII. Overdue as percent of outstanding	23.30	16.77	21.98

Source: Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.
* Excluding BRDB and BSBL
** Excluding PCBs and Foreign Bank

Agricultural Credit Projects/Programmes under Bangladesh Bank Supervision

9.6 A total amount of Taka 1.8 billion was disbursed and Taka 0.4 billion was recovered during FY14 under some on-going self and donor financed agricultural Projects/ Programmes. These included the Agro based Industries and Technology Development Project (ATDP), Marginal and Small Farm System Crop Intensification Project (MSFSCIP), Shashya Gudam Rin Prokolpo

(SHOGORIP), Northwest Crop Diversification Project (NCDP) and Second Crop Diversification Project (SCDP). The NCDP Project was launched in December 2001 and completed in June 2009. The project was funded by the ADB having a credit component of Taka 1.7 billion for financing production and marketing of high value crop in sixteen north western district. After a successful completion of NCDP project the credit fund is converted into a revolving fund which will continue up to June 2019. The revolving fund will be provided to RAKUB for distribution among the farmers and agro based enterprises through four NGOs/MFIs on a reimbursement basis. A total amount of Taka 0.8 billion was disbursed to RAKUB in FY14 under the project. On the other hand, a total amount of Taka 0.8 billion was disbursed in FY14 under SCDP, which is also an ADB funded project.

A special refinance scheme for the share-croppers has been continued in FY14 which BB undertook in FY10. Under this scheme BB has refinanced Taka 4.5 billion to more than 0.2 million sharecroppers in FY14.

Financing of Small and Medium Scale Enterprises

9.7 Considering the importance of SME sector in our economy and realising the constraints under which such enterprises operate, it is important that favourable policies to support the development and growth of SMEs are necessary.

BB has undertaken different programmes to provide relatively cheaper funds to the banks and financial institutions (FIs) to encourage

Chart 9.1 Targets for agricultural credit disbursement in FY14

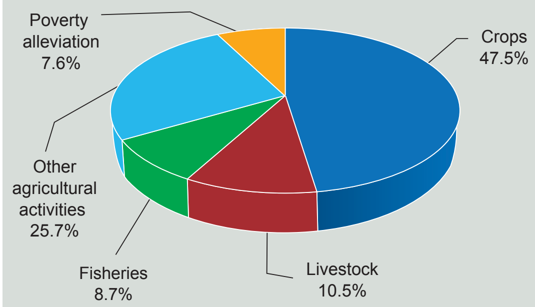
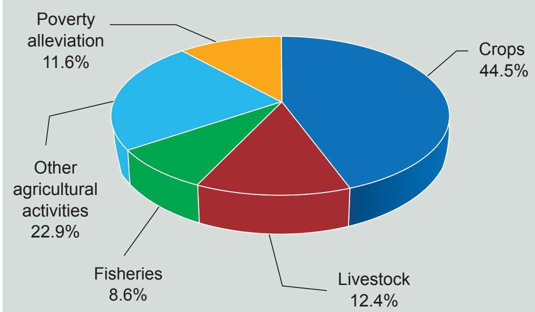


Chart 9.2 Actual agricultural credit disbursement in FY14



them to engage in SME financing. Special emphasis has been given to bring the women entrepreneurs in the mainstream of development process of the country. BB has reserved 10.0 percent of its SME financing fund for women entrepreneurs at a maximum annual interest of 10.0 percent to enhance more female participation in the productive sectors. SME & Special Programmes Department (SME&SPD) of BB has been set up to monitor the SME financing activities. To expand and develop the SME sector, Bangladesh Bank has been continuing its refinancing facilities to banks and FIs for SMEs during FY14.

An amount of total Taka 35.9 billion has been provided to different banks and financial

Table 9.2 Agricultural credit performance by lenders - FY14

(billion Taka)

Lender	Disbursement Target	Actual disbursement	Recovery	Overdue	Outstanding	Overdue as % of outstanding
1	2	3	4	5	6	7
SCBs	27.40	24.92	23.81	25.39	79.07	32.11
BKB	46.00	54.26	65.84	33.12	157.85	20.98
RAKUB	14.50	14.31	16.77	14.83	41.57	35.68
Sub Total	**87.90**	**93.49**	**106.42**	**73.34**	**278.49**	**26.34**
Foreign Banks	4.33	5.93	4.63	0.0004	3.83	0.01
PCBs	53.72	60.95	59.41	2.78	64.01	4.34
Sub Total	**58.05**	**66.88**	**64.04**	**2.78**	**67.84**	**4.09**
Grand Total	**145.95**	**160.37**	**170.46**	**76.12**	**346.33**	**21.98**
			Summary			
FY14@	145.95	160.37	170.46	76.12	346.33	21.98
FY13@	141.30	146.67	143.62	52.09	310.58	16.77
FY12@	138.00	131.32	123.59	60.52	259.75	23.30
FY11	126.17	121.84	121.48	60.97	254.92	23.92
FY10	115.12	111.17	101.12	64.04	225.87	28.35

Source :Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.
@ excluding BRDB and BSBL

Institutions under refinance schemes until the end of June 2014. Total number of beneficiary enterprises from this refinancing scheme stood to be 42661 in FY14. Dif ferent special schemes and programmes for SME development are described below:

A) Refinance for Small Enterprises

46 banks and non-bank financial Institutions have signed a participation agreement with Bangladesh Bank for financing the SME sector under following schemes:

i) Bangladesh Bank Fund (BB Fund): A refinance scheme of BB, named Small Enterprise Fund (SEF) with amount of Taka 6.0 billion has been providing support for the development of small enterprises in the country. The scheme was extended for the banks and financial institutions at bank rate against their financing to the small entrepreneurs. The scheme demonstrated a high market demand. Recovery against refinanced loan is being used as a revolving fund for financing SME sector . An amount of Taka 20.0 billion (including women fund) has been refinanced to 22 banks and 22 financial institutions until the end of June to support 22321 enterprises.

ii) Enterprise Growth and Bank Modernisation Programme (EGBMP) Fund: In 2004, the IDA Wing of the W orld Bank provided an additional amount of USD 10.0

Table 9.3 Bangladesh Bank's refinance against agricultural loans

(billion Taka)

Particulars	FY12			FY13			FY14		
	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding	Refinance	Repayment	Outstanding
BKB	-	3.42	35.65	5.00	2.20	33.42	0.00	3.42	31.13
RAKUB	2.60	1.78	19.44	0.18	1.76	16.14	6.00	9.12	13.00
BRAC	2.50	1.91	2.46	4.49	2.46	4.49	4.50	4.49	4.50
BSBL	-	0.04	0.18	-	0.04	0.13	-	0.04	0.09
BRDB	-	-	0.12	-	0.12	-	-	-	-
Total	**5.10**	**7.15**	**57.85**	**9.67**	**6.58**	**54.18**	**10.50**	**17.07**	**48.71**

Source : Agricultural Credit and Financial Inclusion Department, Bangladesh Bank.

million to EGBMP fund to reinforce this scheme under a development credit agreement signed with the Government of Bangladesh for financing the development of small enterprise sector of the country . In addition, the Government of Bangladesh allocated an amount of Tk.0.6 billion under the said agreement. An amount of Tk.1.2 billion has been received combining the IDA credit fund and Government of Bangladesh fund for refinancing. Out of this fund, an amount of Taka 3.1 billion has been provided to 32 banks and Financial Institutions against 3160 enterprises on revolving basis. Disbursement from this fund was completed in June 201 1. Until end of June 2014, Taka 3.0 billion has been recovered; and, thereby, Taka 0.1 billion has remained outstanding with the FIs.

iii) ADB Fund-1: "Small and Medium Enterprise Sector Development Project" was launched in 2005 financed by ADB-1 fund. Asian Development Bank initially provided an amount of USD 30.0 million for financing the scheme under a loan agreement with the Government of Bangladesh to strengthen the SME sector in Bangladesh. An amount of Taka 3.4 billion was provided to banks and FIs under the first ADB fund until September 2009 against 3264 enterprises. Disbursement from this fund was completed in September , 2009. Until end June 2014, Taka 3.3 billion has been recovered; and Taka 0.01 billion remains outstanding with the FIs.

iv) ADB Fund-2: The Small and Medium-Sized Enterprise Development Project (SMEDP) provided credit facility for enhancing medium to long term financing to eligible SMEs. The total fund of the SMEDP (ADB-2) was USD 95.0 million. Out of that, ADB provided USD 76.0 million from its special fund and GoB (BB) provided USD 19.0 million which was transferred from the balance of the earlier ADB-1 (SMESDP) fund. Disbursement from this fund was completed in December 2013 and Taka 7.5 billion was provided to banks and FIs against 13645 enterprises. At the end of June 2014, Taka 2.6 billion has been recovered; and, thereby, Taka 4.8 billion remains outstanding with the FIs.

v) JICA Two Step Loan Fund: Bangladesh Bank has been implementing the "Financial Sector Project for the Development of Small and Medium-Sized Enterprise (FSPDSME)-BD-P67" project under the loan agreement between JICA, Japan and the Government of Bangladesh. The objective of the project is to create a medium to long term financing market for SMEs especially for the productive investments. The Fund size is 5000.0 million Japanese Yen (JPY), including a technical assistance component. The principal component of the fund is two step loan of JPY of 4787.5 million. 25 banks and 21 FIs signed participating agreements with Bangladesh Bank so far. As on June 2014, an amount of Taka 2.0 billion has been refinanced as against 271 enterprises. Of the total refinanced amount, Taka 0.3 billion has been recovered until end June 2014 and the remaining outstanding balance with the FIs is Taka 1.7 billion.

In the backdrop of tragic incidence of Rana Plaza collapse and recent crisis in the RMG and Knitwear sector , a special initiative to finance for the improvement of working environment of RMG and knitwear sector workers was taken under the JICA assisted FSPDSME project. RMG and Knitwear factories which are members of BGMEA and/or BKMEA with labour employment of 100-2000 provided that the factory building is owned by the applicant entrepreneur will get loan facility up to Taka 10 crore for the purpose of retrofitting, rebuilding and relocation of their factory buildings. This Two Step Loan (TSL) fund for RMG and knitwear factories of FSPDSME scheme will support 100.0 percent of the sub-loan amount as pre-finance. Up to end June 2014, two RMG industries belong to BGMEA and BKMEA have been selected for retrofitting purposes in the first phase.

B) Refinance Scheme for Agro-based Product Processing Industries

Bangladesh Bank launched a scheme of Taka 1.0 billion in November 2001 out of its own fund for financing the agro-based product-processing industries in the areas outside Divisional Head Quarters and Narayanganj town. The size of the fund increased to 2.0 billion in 2012; and later to 4.0 billion in 2013. Refinancing facilities are provided to banks and financial institutions at the bank rate. An amount of Taka 5.0 billion has been disbursed under this scheme until the end of June 2014 against 1897 enterprises on revolving basis.

C) Refinance to Women Entrepreneurs

Bangladesh Bank is encouraging all banks and FIs to provide loan to women entrepreneurs at 10.0 percent interest rate. Banks and FIs were instructed to reserve 15.0 percent of total SME funds exclusively for women entrepreneurs. An amount of Taka 8.2 billion has been refinanced to women entrepreneurs until the end of June 2014 against 10214 enterprises.

D) Refinance Fund for New Entrepreneurs under Cottage, Micro and Small Category

In order to provide start-up capital to new cottage, micro and small enterprises, Bangladesh Bank has created a new fund worth of Taka 1.0 billion from its own source. Under this fund, the prospective entrepreneurs selected and trained by recognized public and private training providers will get financing facilities at 10.0 percent interest rate (bank rate +5%). Refinancing from this fund will start soon.

Microcredit Operations of the Grameen Bank and Large MFIs

9.8 Microfinance is considered as primary agent of financial inclusion. As such along with the Government, the MFIs have been involved to providing financial services to the people through microcredit operations.

Although a large number of NGO-MFIs are operating their activities in Bangladesh, only the top 5 licensed MFIs (BRAC, ASA, PROSHIKA, TMSS, Buro Bangladesh) as well as Grameen Bank cover the maximum share of the total loan outstanding and savings of the sector.

In FY14, overall MFI sector disbursement has increased by 7.7 percent as compared to FY13. Recovery increased by 12.6 percent in FY14 as compared to 50.0 percent increase in FY13. Overdue as a percentage of outstanding loan stood at 2.5 percent in FY14 from 3.3 percent in FY13. The loans given by PKSF to 273 POs (Partner Organisations or NGOs) was Taka 188.3 billion in FY14 which was Taka 161.3 billion in FY13.

Table 9.4 Microcredit operations of the Grameen Bank and large MFIs

(billion Taka)

	FY12	FY13	FY14
1. Disbursement	**293.65**	**369.89**	**398.19**
i) Grameen Bank	115.77	122.01	117.23
ii) BRAC	97.72	112.65	133.87
iii) ASA	52.76	96.18	102.60
iv) PROSHIKA	2.29	2.30	2.22
v) TMSS	11.85	14.64	18.64
vi) BURO Bangladesh	13.26	22.11	23.63
2. Recovery	**232.27**	**348.44**	**392.28**
i) Grameen Bank	77.36	117.61	113.68
ii) BRAC	83.99	103.34	138.39
iii) ASA	45.19	95.45	99.04
iv) PROSHIKA	2.13	2.86	2.25
v) TMSS	10.73	13.18	16.02
vi) BURO Bangladesh	12.87	16.00	22.90
3. Outstanding Loans	**207.52**	**229.28**	**254.42**
i) Grameen Bank	79.84	84.18	87.73
ii) BRAC	57.24	66.45	81.17
iii) ASA	54.99	55.73	59.29
iv) PROSHIKA	2.02	1.97	1.94
v) TMSS	6.50	7.95	10.57
vi) BURO Bangladesh	6.93	13.00	13.72
4. Loans Overdue	**6.00**	**7.67**	**6.40**
i) Grameen Bank	1.64	1.54	1.68
ii) BRAC	2.36	3.80	2.12
iii) ASA	0.74	1.18	1.70
iv) PROSHIKA	0.82	0.75	0.25
v) TMSS	0.22	0.24	0.33
vi) BURO Bangladesh	0.22	0.16	0.32
5. Overdue as percentage of outstanding	**2.89**	**3.34**	**2.51**
i) Grameen Bank	2.05	1.83	1.91
ii) BRAC	4.13	5.72	2.61
iii) ASA	1.34	2.11	2.87
iv) PROSHIKA	40.61	38.25	13.09
v) TMSS	3.44	3.01	3.17
vi) BURO Bangladesh	3.17	1.24	2.36

Source: Microcredit Regulatory Authority (MRA).

Public Finance

10.1 The budget for FY14 was formulated in the light of the Medium Term Macroeconomic Framework (MTMF). The main building blocks of this framework are the continuity of monetary and fiscal policy strategies and ensuring macroeconomic stability. It was presumed that the global growth would recover in 2013 and afterwards. As a result, the country's trade, investment and manpower export would gain further momentum. Assuming private sector investment growth world pick momentum, the GDP growth target for FY14 was set at 7.2 percent. The total expenditure and the total revenue in the revised FY14 budget fell short of the initial projection. The budget deficit (excluding grants) as percentage of GDP was 5.0 percent, which was higher than the target of 4.6 percent (Table 10.1).

The target for total revenue in the revised FY14 budget set at a level which was 22.3 percent higher than the actual collection in FY13. The current expenditure in the revised FY14 budget was higher than the actual FY13 current expenditure by 16.7 percent. On the other hand, although the Annual Development Programme (ADP) of Taka 600.0 billion in the revised FY14 budget turned out to be 21.3 percent higher than the actual ADP in FY13. The fiscal deficit (excluding grants) of 5.0 percent of GDP in the revised FY14 budget was higher than the actual FY13 fiscal deficit by 0.6 percentage point (Table 10.1).

Table 10.1 Bangladesh Government revenue and expenditure

(billion Taka)

	FY13#	FY13 as % of GDP*	FY14*	FY14 as % of GDP*	FY15**	FY15 as % of GDP**
Total revenue	**1281.3**	**12.3**	**1566.7**	**13.3**	**1829.5**	**13.7**
a) tax	1074.5	10.4	1301.8	11.0	1552.9	11.6
b) non-tax	206.8	2.0	264.9	2.2	276.6	2.1
Total expenditure	**1740.1**	**16.8**	**2162.2**	**18.3**	**2505.1**	**18.7**
a) current	993.8	9.6	1160.0	9.8	1282.3	9.6
b) ADP	494.7	4.8	600.0	5.1	803.2	6.0
c) others	251.6	2.4	402.2	3.4	419.6	3.1
Budget deficit	**458.9**	**4.4**	**595.5**	**5.0**	**675.5**	**5.0**

Source : Budget in Brief 2014-15, Ministry of Finance
\# Actual, * Revised budget, ** Budget estimate
Note : GDP (Base Year FY96)

FY14 Budget and Fiscal Outcome

a. Revenue Receipts

10.2 The revised total revenue receipts in FY14 was Taka 1566.7 billion, which was 6.4 percent lower than the target. It was higher than the actual FY13 total revenue receipts by 22.3 percent. The tax revenue which constituted 83.1 percent of the total revenue receipts increased by 21.2 percent compared to 12.8 percent growth in FY13 (Table 10.1).

The non-tax revenue registered a growth by 28.1 percent in the FY14 compared to 6.2 percent increase in FY13. The total revenue receipts as percentage of GDP rose to 13.3 percent in FY14 compared to 12.3 percent in FY13. The total tax revenue receipts as percentage of GDP was 11.0 percent in FY14 compared to 10.4 percent in the preceding fiscal year. Similarly, the total non-tax revenue receipts as percentage of GDP increased to 2.2 percent in the FY14 compared to 2.0 percent in the FY13. The major revenue measures in the FY14 budget included:

- Tax exempted income limit for individual taxpayers was raised to Taka 220,000 from Taka 200,000. The limit for female taxpayers and aged taxpayers (65 years of age and above) was increased to Taka 250,000 from Taka 225,000. The limit for physically challenged individuals was raised to Taka 300,000 from Taka 275,000.

- Minimum tax payable by an individual taxpayer living in the Paurashava areas of district towns was reduced to Taka 2,000 from Taka 3000. The minimum tax was retained at Taka 3000 for the taxpayers living in the city corporation areas. The minimum tax for taxpayers living in to other places including villages was reduced to Taka 1000 from Taka 3000.

- Threshold of tax exempted house rent allowance was increased from Taka 180,000 to Taka 240,000 and tax exempted conveyance allowance was increased from Taka 24,000 to Taka 30,000.

- The investment limit for tax rebate was raised to Taka 15 million from Taka 10 million. The ceiling for tax rebate was increased from 20 percent to 30 percent of the total income and the rate of tax rebate was enhanced from 10 percent to 15 percent.

- Provision of charging 3 percent tax on the premium over the face value of shares of a company was annuled. Threshold of tax exempted income from dividend was increased from Taka 5,000 to Taka 10,000. Provision of charging 0.05 percent tax at source on the total income from bond sale was repealed and 15 percent tax rebate on investment in private alongside public mutual fund was offered.

Chart 10.1 Composition of tax revenue : FY14 (revised)

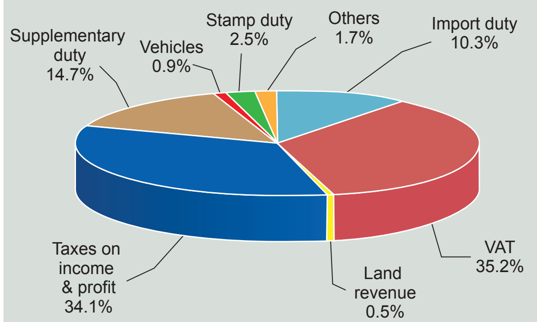
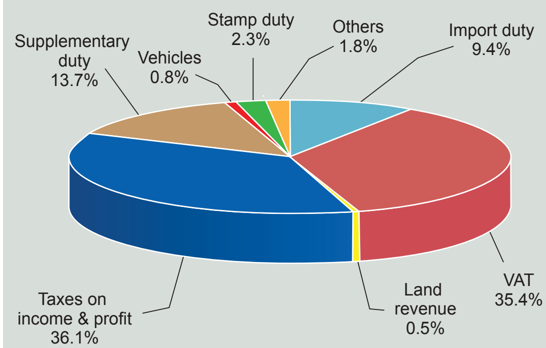


Chart 10.2 Composition of tax revenue : FY15 (estimated)



- Existing tax holiday facilities were extended from June 2013 to June 2015.
- Period of existing tax exemption on income from poultry industry was extended from June 2013 to June 2015.
- Tax rate on hatchery, dairy firm and dairy industry was reduced from 5 percent to 3 percent.
- Existing provision of charging lower rate of 15 percent tax on jute and textile sector was extended from June 2013 to June 2015.
- Customs duties on the importation of capital goods and intermediate raw materials were reduced from 3 percent and 12 percent to 2 percent and 10 percent respectively.
- Zero rate of import duty on rice, pulses, wheat, onion, fertiliser, insecticides, seeds, lifesaving drugs, cotton and the concessionary facility of 10 percent VAT at import point on edible oil remained unchanged.
- Import duty rates of 12 percent and 25 percent on a few raw materials of biogas plants were reduced to 5 and 10 percent respectively.
- Thirty percent supplementary duty on float glasses at import point was increased to 45 percent and duty on cobalt oxide was reduced from 12 percent to 5 percent.
- Customs duty on gas cylinders having capacity below 5000 liter was increased from 3 percent to 10 percent.
- Two percent customs duty was offered for generator parts.

Table 10.2 Composition of revenue receipts

(billion Taka)

	FY13#	FY14*	FY15**
Tax revenue	**1074.5**	**1301.8**	**1552.9**
Value Added Tax (VAT)	386.6	458.8	550.1
Import duty	126.3	134.3	145.9
Export duty	0	0.4	0.3
Supplementary duty	163.0	191.6	213.3
Taxes on income and profit	344.0	443.7	560.9
Stamp duty (non judicial)	27.2	32.6	35.1
Excise duty	7.5	12.0	12.5
Land revenue	5.2	6.9	7.4
Taxes on vehicles	8.1	11.6	12.5
Narcotics and liquor duty	0.7	0.7	0.8
Other taxes and duties	5.9	9.2	14.1
Non-tax revenue	**206.8**	**264.9**	**276.6**
Administrative fees and charges	31.8	44.4	45.0
Dividend and profit	47.6	50.0	49.3
Interest	6.1	10.3	7.3
Capital revenue	0.4	1.2	0.7
Receipts for services rendered	8.8	4.9	4.9
Non-commercial sales	3.8	4.1	3.9
Rents, leases and recoveries	1.2	1.6	1.6
Defence receipts	9.7	25.3	25.4
Tolls and levies	3.0	4.8	4.9
Fines, penalties and forfeiture	4.6	4.5	4.6
Railway	7.7	10.0	11.0
Post offices	2.4	2.9	2.9
Other non-tax revenue and receipts	79.7	100.9	115.1
Total :	**1281.3**	**1566.7**	**1829.5**

Source : Budget in Brief 2014-15, Ministry of Finance
Actual, * revised budget, ** budget estimate

- Customs duty on digital cameras and web cameras was reduced from 25 percent to 10 percent.
- Customs duty on solar lantern, LED lamp and fire extinguishers was reduced from 12 percent to 5 percent.
- Limit of turnover of Small and Medium Enterprises (SMEs) for full exemption of tax was increased from Taka 7 million to Taka 8 million.
- Ten percent VAT facility on crude and refined palm oil, soybean oil and crude

sunflower and safflower oil at the import stage was extended from 30 June 2013 to 30 June 2014.

- VAT exemption facility was offered to poultry/dairy/fish feed, all kinds of fertiliser, insulin, insulin pens, streptokinase injections, wheel chairs and carriages for disabled persons, watches for blinds and hospital beds etc. at the manufacturing level along with the import stage.
- VAT exemption facility for LPG cylinder manufacturing was extended from 30 June 2013 to 30 June 2017.
- Investment ceiling of small and cottage industries was raised to Taka 4 million worth of plant, machineries and equipment instead of Taka 2.5 million to avail the tax exemption facility. Annual turnover ceiling was enhanced from Taka 4 million to Taka 6 million.

10.3 In the revised FY14 budget, target for direct taxes on income and profit was increased at the rate of 29.0 percent to Taka 443.7 billion leaving its share in the total tax revenue to 34.1 percent from 32.0 percent in FY13. Similarly the target for receipts from excise duty, other taxes and duties, taxes on vehicle, land revenue, stamp duty (non judicial), Value Added Tax (VAT), supplementary duty, and import duty was revised to increase by 60.0, 55.9, 43.2, 32.7, 19.9, 18.7, 17.5 and 6.3 percent respectively compared to that of the actual FY13 budget. On the other hand, receipts from narcotics and liquor duty remained unchanged. A total of Taka 0.4 billion was a target for as export duty receipts in the FY14 revised budget (Table 10.2).

Table 10.3 Composition of revenue expenditure

(billion Taka)

	FY13#	FY14*	FY15**
Social sector	283.1	351.7	389.5
Public services	59.9	122.4	145.6
Interest on domestic debt	223.2	248.5	293.1
Defence	90.7	105.6	112.7
Public order and safety	83.8	101.0	104.3
Interest on foreign debt	15.9	16.9	17.4
Agriculture sector	159.6	130.8	131.8
Transport and communication	39.4	45.1	48.7
Local government and rural development	23.2	23.5	25.0
Housing	8.2	8.8	9.2
Others	6.8	5.7	5.0
Total :	**993.8**	**1160.0**	**1282.3**

Source : Budget in Brief 2014-15, Ministry of Finance
Actual, * Revised budget, ** Budget estimate

10.4 Under the non-tax revenue head, receipts from capital revenue, defence, interest, and tolls and levies sharply increased by 200.0, 160.8, 68.9 and 60.0 percent respectively compared to that of the actual FY13 budget. Other sub-sectors showing increases included administrative fees and charges 39.6 percent, rents, leases and recoveries 33.3 percent, railway 29.9 percent, other non tax revenue and receipts 26.6 percent, post offices 20.8 percent, non-commercial sales 7.9 percent and dividend and profit 5.0 percent. On the contrary, receipts from service rendered and fines, penalties and forfeiture fell by 44.3 and 2.2 percent respectively.

b. Expenditure

10.5 The total public expenditure in the revised FY14 budget amounted to Taka 2162.2 billion. This was 2.8 percent lower than the initial estimation of Taka 2224.9 billion but 24.3 percent higher than the actual

FY13 expenditure of Taka 1740.1 billion. The revised current expenditure of Taka 1160.0 billion in the FY14 was 2.2 percent higher than the initial projection of Taka 1134.7 billion (Table 10.1).

10.6 The revised current expenditure in FY14 exceeded initial allocations for some of the accounts, namely social sector , defence, public order and safety , and housing (T able 10.3). The proposed non-development current expenditure in FY14 had the following revisions:

- An additional amount of Taka 34.9 billion was allocated for dearness allowances.
- An additional amount of Taka 8.3 billion was allocated for acquisition of assets and works.
- An additional amount of Taka 5.0 billion as compared to the original budget was allocated for goods and services.

10.7 The Annual Development Programme in FY14 was revised upward by about 21.3 percent from Taka 494.7 billion in FY13 to Taka 600.0 billion. Consistent with the growth and poverty reduction objectives, 35.1 percent of the total outlay was spent for the infrastructure sector (power, oil, gas & natural resources, transport, and communication), and 20.3 percent for the social sector (education & religious affairs, and health, nutrition, population & family welfare) (Table 10.5).

Table 10.4 Composition of social sector revenue expenditure

(billion Taka)

	FY13#	FY14*	FY15**
Education & technology	146.6	184.1	196.0
Health	50.6	59.1	66.5
Recreation, culture and religious affairs	11.2	11.6	12.2
Labour and employment	0.5	0.5	0.6
Social security and welfare	74.2	96.4	114.2
Total :	**283.1**	**351.7**	**389.5**

Source : Budget in Brief 2014-15, Ministry of Finance
Actual, * Revised budget, ** Budget estimate

Table 10.5 Sectoral shares in ADP expenditure

(percent)

	FY13*	FY14*	FY15**
Agriculture	5.1	5.9	5.3
Rural development & institutions	11.8	11.6	8.7
Water resources	2.8	3.2	3.1
Industries	3.4	4.6	2.5
Power	15.0	13.4	10.8
Oil, gas & natural resources	2.4	3.2	5.1
Transport	14.5	17.2	22.6
Communication	1.6	1.3	1.0
Physical planning, water supply & housing	8.6	9.0	12.2
Education & religious affairs	11.6	13.3	11.5
Health, nutrition, population & family welfare	7.1	7.0	5.9
Others	16.1	10.3	11.3
Total :	**100.0**	**100.0**	**100.0**

Source : Annual Development Programme 2013-2014 and 2014-2015, Ministry of Planning
* Revised, ** Estimate

c. Financing FY14 Budget Deficit

10.8 The deficit (excluding grants) in the revised FY14 budget stood at Taka 595.5 billion (5.0 percent of the GDP). This ratio was higher than the initial projection. The domestic borrowing component of the deficit financing in FY14 was Taka 409.8 billion (3.5 percent of the GDP). Of this component, Taka 299.8 billion (2.5 percent of the GDP) was bank borrowing and Taka 110.0 billion (0.9 percent of the GDP) was non-bank borrowing, mainly National Savings Schemes (Chart 10.3). The foreign financing component (including grants) of the budget deficit was Taka 185.7 billion (1.6 percent of the GDP).

FY15 Budget

10.9 The FY15 budget was proposed on 5 June 2014 and was passed by the National Parliament on 29 June 2014. Aligned with the Medium Term Macroeconomic Framework (MTMF). The main objectives of the budget are to maintain continuity of the existing monetary and fiscal policy strategies and to ensure macroeconomic stability. The GDP growth target for FY15 has been set at 7.3 percent. No specific target for inflation rate has been set in the budget. However, it has been assumed that the average inflation rate will be below 7.0 percent at the end of FY15.

The total size of the FY15 budget stands at Taka 2505.1 billion, which is 18.7 percent of the GDP and 15.9 percent higher than the revised FY14 budget. The estimated non-development and development outlays are Taka 1542.4 billion and Taka 863.5 billion respectively. The budget provides Taka 10.7 billion from revenue budget for development programmes, Taka 34.7 billion for non-ADP project and Taka 14.9 billion for non-ADP Food-for-Work and transfer. The total outlay can be classified into three broad categories such as social infrastructure, physical infrastructure and general services. In the budget, about 25.2 percent of the total outlay has been allocated for social infrastructure, of which 21.6 percent has been allocated for human resources sector (education, health, science and technology and other related sectors). About 30.1 percent of the total outlay has been allocated for physical infrastructure, of which 14.7 percent goes to wider agriculture and rural development, 9.2 percent to overall communication sector and 4.6

Chart 10.3 Budget deficit financing : FY14 (revised)
(Percent of GDP)

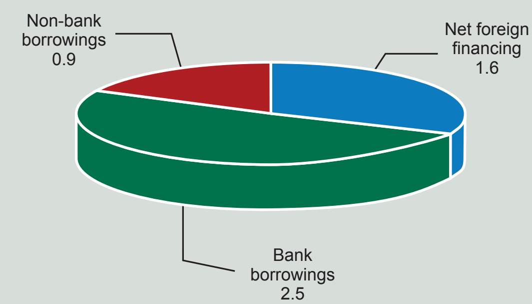
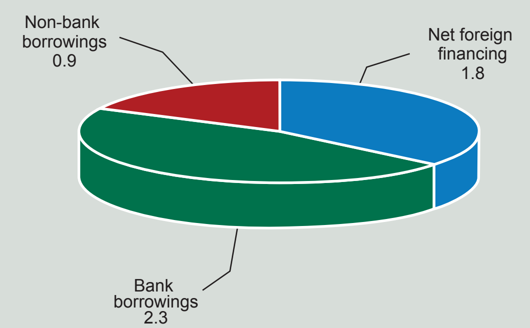


Chart 10.4 Budget deficit financing : FY15 (estimated)
(Percent of GDP)



percent to power and energy. About 23.6 percent of the total outlay has been allocated for general service sector. An allocation of 3.4 percent of the total outlay has been made for PPP projects, financial assistance for different industries, subsidies and equity investment in state-owned commercial and financial institutions. Apart from these three major categories, 12.4 percent of the total outlay has been allocated for interest payment and the rest 5.3 percent has been allocated for net lending and other expenditures. Like the preceding year, the large size of the ADP has been designed keeping in mind the commitment to regional parity, improved infrastructure and quality of expenditure.

The total developmental expenditure for FY15 stands at Taka 863.5 billion, which is 6.4 percent of the GDP . This developmental expenditure turns out 32.5 percent higher than that of the revised budget of the previous fiscal year.

a. Revenue Receipts

10.10 The revenue receipts in FY15 has been projected to grow by 16.8 percent to Taka 1829.5 billion compared to that of the previous year's revised budget. The tax and non-tax revenue receipts are expected to rise by 19.3 percent and 4.4 percent respectively against increases of 21.1 percent and 28.1 percent respectively in the revised FY14 budget. It leaves the projected total revenue-GDP ratio at 13.7 percent in the FY15 compared to 13.3 percent in the FY13 (T able 10.1). A 26.4 percent increase in receipts from the direct taxes on income and profits has been projected against 15.9 percent growth projected for indirect taxes (V AT, import duty, supplementary duty, and export duty (Table 10.2).

Among non-tax revenue sources, other non-tax revenue and receipts has been projected to increase by 14.1 percent compared to 26.6 percent increase in the preceding fiscal year . Receipts from railway , fines, penalties and forfeiture, tolls and levies, administrative fees and charges, and defence are expected to rise by 10, 2.2, 2.1, 1.4 and 0.4 percent respectively in the FY15. The target for receipts from capital revenue, interest, non-commercial sales, and dividend and profit have been set lower than that of previous fiscal year by 41.7, 29.1, 4.9 and 1.4 percent respectively. Receipts from services rendered, post offices, and rents, leases and recoveries are expected to remain the same at Taka 4.9, 2.9 and 1.6 billion respectively (Table 10.2).

b. Expenditure

10.11 The total public expenditure in FY15 is expected to increase by 15.9 percent to Taka 2505.1 billion over the revised figure of FY14. The current expenditure is expected to grow by 10.5 percent, the ADP by 33.9 percent and the other expenditure by 4.3 percent over the revised FY14 budget. The ratio of total expenditure to GDP is predicted to increase to 18.7 percent in the FY15 from 18.3 percent in the revised FY14 budget (Table 10.1).

10.12 The projected current expenditure for FY15 budget stands at Taka 1282.3 billion (Table 10.1 & 10.3). More than one fourth of the total current expenditure has been allocated for the social resources development and widening social safety net (Table 10.4).

A total of Taka 191.00 billion (development and non-development) has been allocated for the agriculture sector , which is 7.9 percent higher than that of the revised budget of the preceding fiscal year . Taka 90.0 billion has been allocated as subsidy for this sector.

Human resources development is an integral part of the overall development ef forts. Taka 540.7 billion (development and non-development) has been allocated for the human resources development sector. This is 21.6 percent of the total development and non-development budget.

The proposed budget proposals contains various programmes worth to eradicate extreme poverty. Total allocation to these programmes is Taka 15.0 billion.

10.13 The Annual Development Programme (ADP) for FY15 has been projected at Taka 803.2 billion, exceeding the revised ADP of Taka 600.0 billion in FY14 by 33.9 percent. About 39.5 percent of the total ADP has been allocated for infrastructure sector . On the other hand, social sector would receive 17.4 percent of the total ADP (Table 10.5).

c. Deficit in FY15 Budget and its Financing

10.14 The FY15 budget deficit (excluding; grants), estimated at Taka 675.6 billion; is higher by Taka 80.1 billion than that of the revised FY14 budget. The projected budget deficit-GDP ratio for the FY15 is 5.0 percent. The deficit is expected to be financed with domestic bank and non-bank borrowing to the extent of Taka 432.8 billion (3.2 percent of the GDP), against Taka 409.8 billion (3.5 percent of the GDP) in the revised FY14 budget, and with external financing to the tune of Taka 242.8 billion (1.8 percent of the GDP) in the FY15, against Taka 185.7 billion (1.6 percent of the GDP) in FY14 (Charts 10.3 and 10.4). Out of total domestic borrowing of Taka 432.8 billion, borrowing from the banking system is projected to be Taka 312.2 billion.

10.15 During the preparation of the budget, a number of pre-budget consultations with the honorable members of the parliamentary standing committees of eminent citizens, renowned economists, professionals, businessmen, NGO leaders, journalists, and secretaries of the government were held. The Finance Minister had a meeting on budget matters with the peasants in the Sylhet district.

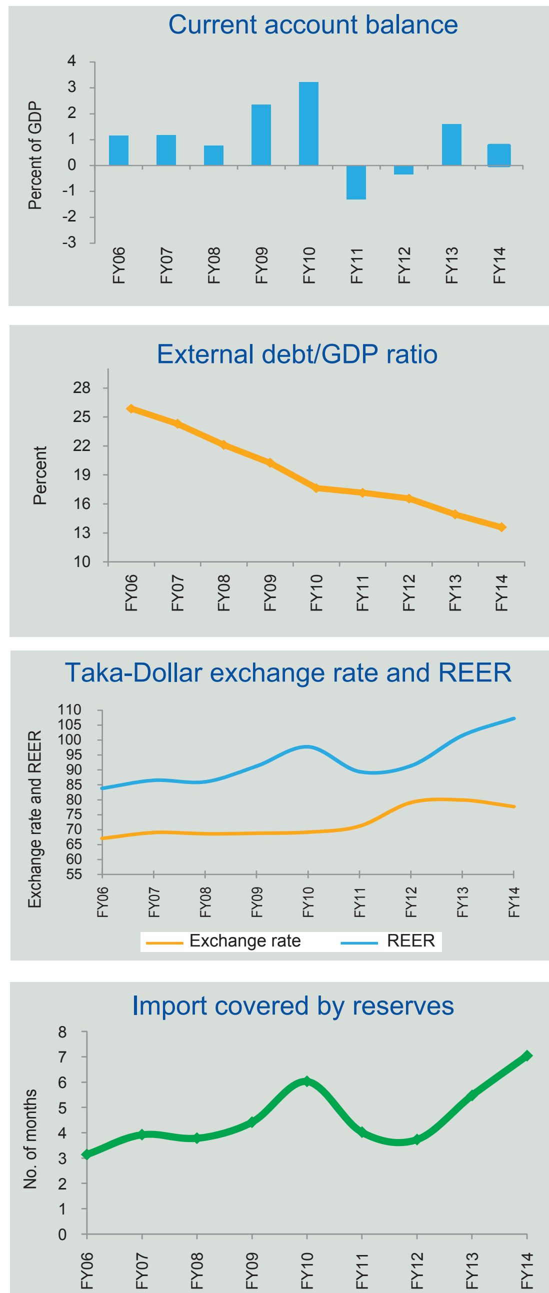
External Sector

External Trade and the Balance of Payments - the Overall Situation

11.1 The performance of external sector during FY14 was satisfactory; with both exports and imports registering higher growth despite the political unrests in the country . Bangladesh has been maintaining export competitiveness in her major export items, and exports maintained growth rates of above 10 percent while imports remained production and growth oriented. Only about one seventh of total imports were of food grains and other food items, the rest were petroleum product, raw materials and capital goods. Trade deficit kept lessening with strong export growth from a narrow base. Lower growth of import payments compared to export receipts coupled with remittance resulted in significant increase of foreign exchange reserve in FY14. Taka-Dollar exchange rate remained almost stable during FY14.

11.2 Large deficits in the services & primary income and decline in the secondary income led to a significant downfall in the current account balance in FY14, despite improvements in trade balance. Decline of trade deficit, huge increase in the financial account mainly due to notable rise in portfolio investment and slight increases in the capital account altogether increased the overall balance to USD 5483 million during FY14 from USD 5128 million in FY13. To strengthen

Chart 11.1 Key indicators of external sector



BOP in the medium to long term, non-debt creating and long term financial flows such as FDI need to be encouraged. Towards this end, progressive measures have already been taken to promote financial openness and enhance the investment climate. Trends of some major external sector indicators are reported in Chart 11.1.

11.3 Merchandise exports (fob) increased by USD 3198 million (or 12.0 percent) in FY14 to USD 29765.0 million (Appendix-3, Table-XV). Despite negative growth of petroleum by-product, raw jute, jute goods and specialised textile, other major exportable items showed positive growth. Exports of tea, leather and leather products, frozen shrimp and fish, knitwear and woven garments contributed significantly to increase the growth of merchandise exports in FY14 over FY13. The export of miscellaneous products, summed as the "others" category showed a positive growth of 6.8 percent in value terms during FY14. However, as a percentage of GDP , exports decreased by 0.6 percentage point from 17.7 percent in FY13 to 17.1 percent in FY14.

11.4 Merchandise imports (fob) increased by USD 2995 million (8.9 percent) in FY14 to USD 36571 million. Significant growth of imports of oil seeds, food grain, tanning & dyeing extracts, milk & cream, plastics & rubber articles thereof, clinker , edible oil, capital machinery and sugar etc. induced to increase overall import during the year despite negative import growth of crude petroleum and fertiliser . Imports (fob) as a percentage of GDP decreased by 1.34 percentage point from 22.38 percent in FY13 to 21.04 percent in FY14.

11.5 Satisfactory growth of gross imports along with strong export growth led to a lower trade deficit during FY14 compared with FY13. Trade deficit came down from USD 7009.0 million in FY13 to USD 6806.0 million in FY14. The deficit on the services account, however, widened significantly by USD 1027.0 million (32.5 percent) to USD 4189.0 million in FY14 from USD 3162.0 million in FY13. The deficit on the primary income accounts also widened by 8.5 percent to USD 2571.0 million in FY14 from USD 2369.0 million in FY13. Secondary income decreased (0.11 percent) from USD 14928.0 million in FY13 to USD 14912.0 million in FY14. The current account portion of workers' remittances recorded 1.56 percent decrease in FY14. The net outcome of all these, is a fall in the current account balance from USD 2388 million in FY13 to USD 1346.0 million in FY14. Current account balance as a percentage of GDP stood at 0.77 in FY14 compared to 1.59 in FY13. Table XV of Appendix-3 of this report shows the balance of payments statement for FY14 and FY13. Chart 11.2 shows the trends of trade, current account and overall balances as a percentage of GDP in recent years.

11.6 As a potential source of foreign exchange reserves, foreign direct investment (FDI) has been emphasised by the Government. Due to domestic political unrests and energy shortages, as per primary estimation, net FDI inflow in Bangladesh decreased by 12.9 percent to USD 1504.0 million in FY14 from USD 1726.0 million in FY13.

Exports

11.7 Table 11.1 shows that total exports in FY14 had a strong growth over FY13. Aggregate exports increased by 1 1.7 percent in FY14 to USD 30176.8 million from USD 27027.4 million in FY13. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (above four fifths) share of the export basket in FY14.

Destination

11.8 The destination markets of exports, excluding those from EPZs, in FY14 are dominated by EU and NAFT A blocs. The EU bloc accounted for 54.3 percent while NAFT A bloc accounted for 22.6 percent of total export of the country. Export to the ASEAN, SAARC and other regions accounted for about 1.5, 1.9 and 19.7 percent respectively (Chart 11.3).

Composition

11.9 **Readymade garments** (woven and knitwear): Export earnings from woven and knitwear products, which accounts for about 81.2 percent of total export earnings, registered as increase from USD 21515.8 million in FY13 to USD 24491.9 million in FY14. Woven and knitwear products showed the growth of 12.7 percent and 15.0 percent respectively in FY14 compared to FY13.

11.10 **Leather and leather products:** Export earnings from leather and leather products increased by 32.8 percent to USD 745.6 million in FY14 from USD 561.3 million in FY13.

11.11 **Frozen food:** The export earnings of frozen foods sector comprising mainly of shrimps registered a significant increase in

Chart 11.2 Trends of trade, current account and overall balances

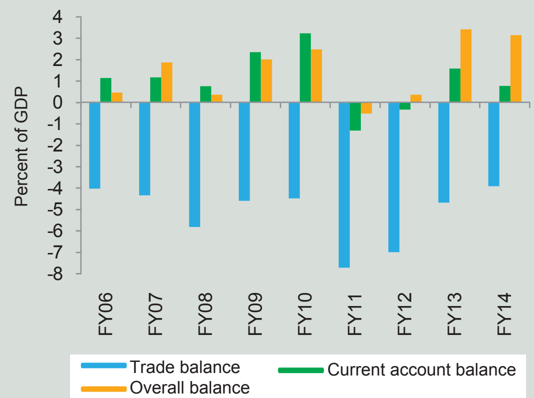


Chart 11.3 Destinational pattern of exports in FY14

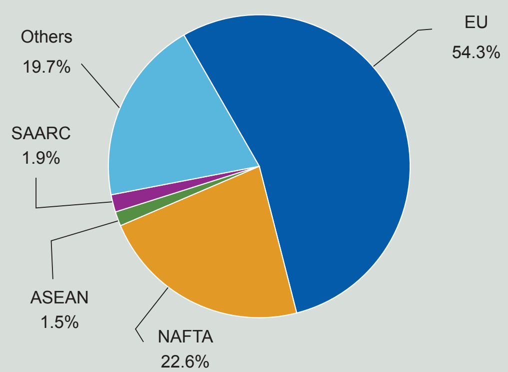


Table 11.1 Composition of merchandise exports

(million US Dollar)

Items	FY13	FY14	% change
1) Raw jute	229.9	126.4	-45.0
2) Jute goods	800.7	698.1	-12.8
3) Tea	2.4	3.7	52.1
4) Leather and leather products	561.3	745.6	32.8
5) Frozen shrimps and fish	512.9	602.7	17.5
6) Woven garments	11039.9	12442.1	12.7
7) Knitwear products	10475.9	12049.8	15.0
8) Chemical products	93.0	93.2	0.2
9) Petroleum by-product	314.0	162.3	-48.3
10) Engineering products	367.5	366.6	-0.2
11) Specialised textiles	124.5	108.8	-12.7
12) Footwear	419.3	550.1	31.2
13) Others	2238.6	2227.5	6.8
Total:	**27027.4**	**30176.8**	**11.7**

Source: Export promotion bureau.

FY14. Receipts from export of shrimp and fish increased by 17.5 percent from USD 512.9 million of FY13 to USD 602.7 million in FY14.

11.12 **Footwear:** Export earnings from footwear products increased by 31.2 percent to USD 550.1 million in FY14 from USD 419.3 million in FY13.

11.13 **Chemical Products:** Export earnings from chemical products increased by 0.2 percent to USD 93.2 million in FY14 against USD 93.0 million in FY13.

11.14 **Tea:** Tea valued at USD 3.7 million were exported in FY14 against USD 2.4 million in FY13.

11.15 **Jute goods (excluding carpets):** In FY14, jute products valued at USD 698.1 million was exported against USD 800.7 million in FY13.

11.16 **Raw jute:** In FY14, raw jute valued at USD 126.4 million was exported against USD 229.9 million in FY13.

Export Development Fund

11.17 In order to facilitate export of the country, the size of the Export Development Fund (EDF) was increased to USD 1.5 billion from USD 0.8 billion. The revolving EDF is used to provide refinancing facilities to the AD banks in financing direct & deemed exporters in garments, textile, bi-cycle sectors and BTMA member mills for import of primary and intermediary raw materials, accessories and packaging materials with a single borrower exposure up to a maximum limit of USD 15.0 million. Moreover, member mills of the Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA), manufacturer-exporters of Leather Product & Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB) and Bangladesh Ceramic W ares Manufacturers' Association (BCWMA) have also been brought under EDF loan for bulk imports. The limit of single customer of LFMEAB and BCWMA member mills against their estimated requirements is determined on the basis of their export performance over the preceding year. On the other hand, the limit of single customer of BPGMEA member mills shall not exceed (i) the value realised in foreign exchange against inland back to back LCs over the past twelve months, or (ii) USD 500,000 (five hundred thousand), whichever is lower. Besides, Interest rate against EDF loan has been reduced from six-months LIBOR + 2.50 percent to six-months LIBOR + 1.50 percent for a period of six months from 15 December 2013. Accordingly, interest rates on EDF loans to ADs will be charged by Bangladesh Bank at six-months LIBOR + 0.50 percent, while ADs will charge interest on the exporter-borrowers at six-months LIBOR + 1.50 percent for disbursements.

Imports

11.18 Import payments (fob) increased to USD 36571.0 million in FY14 (T able 11.2) from USD 33576.0 million in FY13 registering a growth of 8.9 percent. Except crude petroleum and fertiliser, import bills of all other imports increased in FY14 compared to FY13. Import of food grain and other food items significantly grew by 101.8 percent and 31.0 percent respectively.This was mainly due to rise in wheat import. The import bill for food grains stood at USD 1465 million in FY14 compared to USD 726 million in FY13 (rice

Box 11.1

GSP Facilities for Bangladesh's RMG Export

The Generalised System of Preferences (GSP) programme provides non-reciprocal, duty free tariff treatment to certain products imported from designated beneficiary developing countries (BDCs), following certain conditions for the member countries. GSP allowed exemption to WTO member countries from the obligation of Most Favoured Nations (MFN) principle for lowering tariffs for LDCs. The United States, European Union and other developed countries have implemented similar programmes since the 1970s.

The USA introduced Generalised System of Preferences (GSP) on 1 January 1976 by the Trade Act of 1974 subject to periodic renewal by Congress for providing preferential duty-free entry for up to 5,000 products when imported from one of 123 designated beneficiary developing countries and territories. Bangladesh as an LDC enjoyed duty free access, until this was suspended more than a year ago, for its exports like tobacco, plastic bags and articles, golf equipment, sleeping bags, bone china and porcelain kitchen/tableware, cereal based prepared foods, hand-loomed woven cotton carpets and other textile floor coverings, spectacles and goggles, headgear other than rubber and plastics, etc. to USA under GSP programme. However, USA had never provided any duty free access to Bangladesh's main export, i.e., readymade garment (RMG). Import duty on RMG exports of Bangladesh to USA in some cases is as high as 32 percent (as of June 2013).

Some European countries started providing duty free access to its market by developing and least developed countries (LDCs) under GSP programme since 1971. The number of countries providing duty free access to developing countries has been increasing with the formation of custom union, i.e., European Union (EU) in 1993. Bangladesh is one the beneficiary nation of EU GSP programme from the beginning. The EU has issued its revised Generalised System of Preference (GSP) on 31 October 2012 which came into effect from 1 January 2014. The new scheme included 90 beneficiaries instead of previous 176 countries to ensure more impact on countries most in need. The Everything but Arms Arrangement (EBA) offers full duty free, quota free access for all products except arms and ammunition for 49 LDCs on 99 percent of all tariff lines. Bangladesh is a beneficiary of EBA initiative of the EU. In the revised EU GSP, Brazil, one of the major readymade garment exporters, dropped from the list. This provides a competitive edge to Bangladesh in global RMG market.

The European Parliament is involved in all changes affecting the GSP list of beneficiaries. The criterion for providing duty free access to a country under GSP programme is amended from time to time. However, such amendments enter into force only if no objections are expressed by the European Parliament. Following some recent incidences like collapse of Rana Plaza and fire in different factories, European Parliament became more vigilant on Bangladesh now to monitor country's human rights, labour law, working environment, wages, worker's safety net, health conditions etc.

As Bangladesh never had any duty free access for its RMG export to USA, the economic cost of GSP withdrawal by that destination country does not deem to be significant. However, from reputational point of view, it has tarnished the image of Bangladesh as a source country in the global market and may affect the demand of the Bangladeshi exports and business. Acknowledging this reputational risk, Government of Bangladesh, BGMEA, BKMEA have been working to improve the working environment and labour standard in the RMG sector of the country.

1056.7 percent and wheat 61.8 percent). The import bill for other food items' increased to 4098.0 million in FY14 from USD 3128.0 million in FY13 (oil seeds 109.9 percent, spices 55.1 percent, milk & cream 35.0 percent, edible oil 25.6 percent, sugar 23.4 percent and pulses 7.8 percent). Consumer and intermediate goods import increased by 11.4 percent to USD 18602.0 million in FY14 from USD 16694.0 million in FY13 (T anning and dyeing extracts 34.8 percent, plastic & rubber article thereof 31.3 percent, clinker 27.1, raw cotton 21.0 and chemical 15.1 percent). Import of capital goods and others items registered a growth by 23.2 percent; from USD 1 1031 million in FY13 to USD 13592 million in FY14 (capital machinery 27.1 percent, iron, steel & other base metal 13.8 percent and others 25.4 percent). Imports by EPZ increased by 18.8 percent to USD 2975.0 million in FY14 compared to USD 2505.0 million in FY13.

Terms of Trade

11.19 The terms of trade remained the same at 85.98 in FY14 as like FY13 (base year 2005-06.) Both the export price index and import price index increased by 7.2 percent during the year.

Bilateral and Multilateral Relations

11.20 Bangladesh continued strengthening its foreign trade ties in FY14 through bilateral, regional and multilateral negotiations and agreements. Bangladesh participated in a number of key negotiations with a view to protecting the country's trade and economic interests, including the high level policy dialogue on "Bangkok Declaration on

Chart 11.4 Import growth

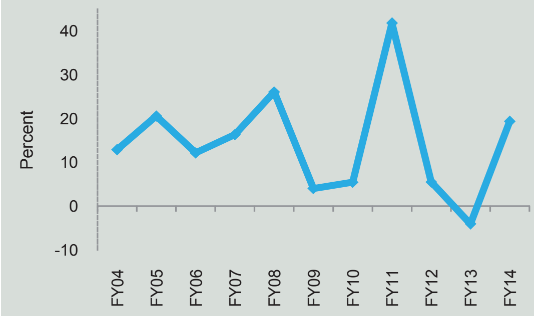


Table 11.2 Composition of merchandise imports payment

(million US Dollar)

Items	FY13	FY14P	% change
A. Food grains	**726**	**1465**	**101.8**
1. Rice	30	347	1056.7
2. Wheat	696	1118	60.6
B. Other food items	**3128**	**4098**	**31.0**
1. Milk & cream	214	289	35.0
2. Spices	118	183	55.1
3. Oil seeds	242	508	109.9
4. Edible oil	1402	1761	25.6
5. Pulses (all sorts)	422	455	7.8
6. Sugar	731	902	23.4
C. Consumer and intermediate goods	**16694**	**18602**	**11.4**
1. Clinker	487	619	27.1
2. Crude petroleum	1102	929	-15.7
3. POL	3642	4070	11.8
4. Chemical	1302	1498	15.1
5. Pharmaceutical products	119	120	0.8
6. Fertiliser	1188	1026	-13.6
7. Tanning & dyeing extracts	399	538	34.8
8. Plastics & rubber articles thereof	1366	1793	31.3
9. Raw cotton	2005	2426	21.0
10. Yarn	1356	1506	11.1
11. Textile & articles thereof	3273	3584	9.5
12. Staple fibre	455	493	8.4
D. Capital goods and others	**11031**	**13592**	**23.2**
1. Iron, steel & other base metal	2335	2657	13.8
2. Capital machinery	1835	2332	27.1
3. Others	6861	8603	25.4
E. Imports by EPZ	**2505**	**2975**	**18.8**
Total import (cif)	**34084**	**40732**	**19.5**
Total import (fob)	**33576**	**36571**	**8.9**

Source: Statistics Department, Bangladesh Bank.
P= Provisional.

Regional Economic Cooperation and Integration in Asia and Pacific".

11.21 The Joint Co-operation Strategy (JCS) 2010-2015 has been prepared under Paris Declaration to improve the way to work together with development partnrs to enhance in Bangladesh.

11.22 There are some bilateral joint economic commissions between Bangladesh and other countries continued economic and financial co-operation through Ministry of Finance.

11.23 Bangladesh continued to achieve sovereign rating of Ba3 (Moody's) and BB- (S&P) by two international rating agencies viz. Standard and Poor (S&P) and Moody's Investors Service respectively for the 5th consecutive years (2010-14). The above rating with 'stable outlook' reflects strong growth prospects and ongoing donor support, which ensure low-cost and long-maturity external debt and minimise refinancing risk. Bangladesh is rated second highest in South Asia only behind India (BBB-) and ahead of Sri Lanka (B+) and Pakistan (B-). In the global economic arena, other countries in the BB- category along with Bangladesh are V ietnam, Mongolia and Nigeria.

Workers' Remittances

11.24 The flow of inward remittances from Bangladeshi nationals working abroad recorded a slight fall in FY14, but still playing an important role in strengthening the current account balance of the country. Receipts from this sector have decreased by 1.61 percent from USD 14461.2 million in FY13 to USD

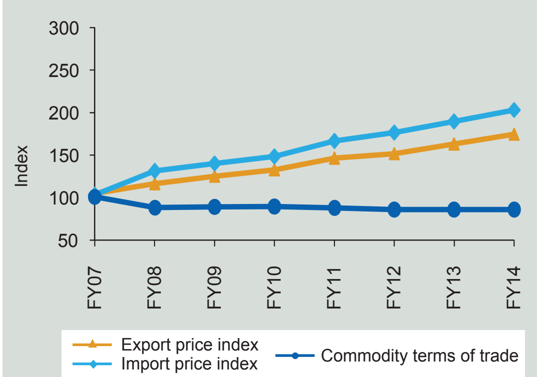
Table 11.3 Terms of trade of Bangladesh

(Base: FY06=100)

Year	Export price index	Import price index	Commodity terms of trade
FY07	104.85	103.64	101.17
FY08	116.34	131.42	88.53
FY09	125.13	140.35	89.16
FY10	132.64	148.32	89.43
FY11	146.41	166.51	87.93
FY12	151.71	176.44	85.98
FY13	163.04	189.62	85.98
FY14	174.71	203.19	85.98

Source: Bangladesh Bureau of Statistics.

Chart 11.5 Terms of trade of Bangladesh



14228.3 million in FY14 (Apeendix-3, Table XXI) due mainly for the huge expenses made by the Bangladeshi workers in Saudi Arabia for their change of work permit (AKAMA change). Bangladesh Bank is continuously trying to simplify the remittance distribution networks including easing approval policy of drawing arrangements between foreign exchange houses and domestic banks. As a result, 39 banks have been granted permission establish more than 1200 drawing arrangements with more than 320 exchange houses all over the world for collecting remittances. For better control on the remittance collection, establishment of exchange houses/branch offices abroad by local banks is being encouraged. Under this arrangement, some banks have already established 30 exchange houses/ subsidiaries abroad to collect remittances by their own. Some Micro Finance Institutions (MFIs) have been involved for smooth delivery of inward remittances. Banks are now using the branch networks of the MFIs and Bangladesh Post Office as the sub-agent for remittance distribution. Till 30 June 2014, 27 MFIs are allowed to perform the job of remittance distribution through their branches in remote areas. Recently banks are instructed to ensure the delivery of remittance to the beneficiaries within 2 (two) working days. Several banks are now allowed to distribute remittance using the countrywide outlets of mobile operators like Grameenphone, Banglalink & Robi. Some banks are given permission to distribute remittances through designated outlets of Singer Bangladesh Ltd. To increase the competition among the money transmitters, commercial banks are always instructed to make the contracts with Multinational Money Remitters/ Exchange Houses to avoid "Pay Cash Exclusivity Clause" or any other such clauses. The share of major source countries in the remittance receipt of FY13 and FY14 are given in Chart 11.6a and 11.6b.

Foreign Aid

11.25 Total official foreign aid disbursement increased by 6.72 percent to USD 3000 million in FY14 from USD 2811 million received in FY13 (Table 11.4). Food aid

Table 11.4 Foreign aid receipts and debt repayments*

(million US Dollar)

Particulars	FY12	FY13^R	FY14^P
1. Receipts	**2126**	**2811**	**3000**
i) Food aid	69	50	31
ii) Commodity aid	-	-	-
iii) Project aid	2057	2761	2970
2. Repayments (MLT)	**967**	**1106**	**1234**
i) Principal	770	908	1032
ii) Interest	197	198	202
3. Outstanding external debt as of end June	22095	22381	23627
4. Outstanding debt as percentage of GDP	16.6	14.9	13.6
5. External debt services (MLT) as percentage of exports	4.0	4.2	4.2

P= Provisional, R= Revised.
*Excluding transactions with the IMF.

Chart 11.6a Wage earners' remittances in FY13

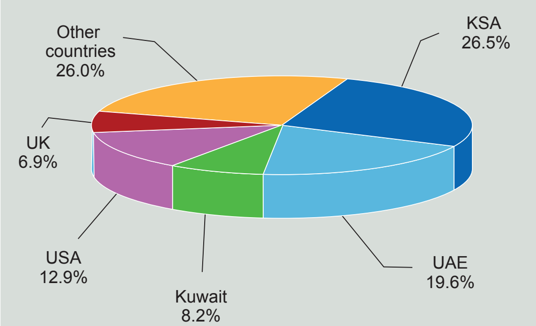
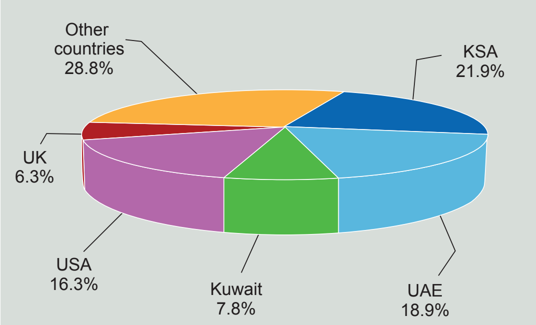


Chart 11.6b Wage earners' remittances in FY14



disbursements stood at USD 31.0 million in FY14 which was USD 50.0 million in FY13. The disbursement of project assistance stood at USD 2970 million in FY14, which was USD 2761 million in FY13. It is noteworty that, no commodity aid was received in FY14 like the previous year. Total outstanding official external debt as on 30 June 2014 stood at USD 23627 million (13.6 percent of GDP in FY14) against USD 22381 million as on 30 June 2013 (14.9 percent of GDP in FY13). Repayment of official external debt stood at USD 1234 million (excluding repurchases from the IMF) in FY14, which was USD 128 million or 11.6 percent higher than the repayment of USD 1106 million in FY13. Out of the total repayments, principal payments amounted to USD 1032 million while interest payments stood at USD 202 million in FY14 against USD 908 million and USD 198 million respectively during FY13. The debt-service ratio as percentage of exports was 4.2 percent in FY14.

Foreign Exchange Market Operations

11.26 Bangladesh Bank introduced floating exchange rate in 2003 allowing the market to determine the exchange rate for inter-bank and customer transactions. The local foreign exchange market of the country remained sufficiently liquid during FY14 mainly because of improved inflows from export proceeds and stable wage earners remittances. At the end of June 2014, exchange rate of Bangladesh Taka against US dollar stood at Taka 77.63, which is 0.18 percentage point appreciation from its level of Taka 77.77 at the end of June of 2013, indicating a fairly stable foreign exchange market.

Table 11.5 Gross foreign exchange reserves of the Bangladesh Bank

(End month, million USD)

Months	FY10	FY11	FY12	FY13	FY14
July	7741	10749	10381	10570	15534
August	9156	10992	10914	11435	16252
September	9363	10834	9884	11252	16155
October	9545	11160	10338	12340	17346
November	10336	10700	9285	11754	17106
December	10345	11174	9635	12751	18095
January	10098	10382	9386	13077	18119
February	10555	11159	10067	13848	19151
March	10142	10731	9579	13971	19295
April	10602	11316	10193	14829	20370
May	10146	10431	9520	14531	20268
June	10750	10912	10364	15315	21508

Source: Accounts and Budgeting Department, BB.

Chart 11.7 Liquid foreign exchange holdings abroad

In FY14, the volume of inter-bank foreign exchange transactions stood at equivalent to USD 17.24 billion including spot, forward and swap transactions, which about 7.0 percent lower than USD 18.6 billion in FY13. Bangladesh Bank purchased a total of USD 5.2 billion from local inter-bank foreign exchange market to absorb excess liquidity against USD 4.5 billion in the preceding fiscal year.

Foreign Exchange Reserves

11.27 The gross foreign exchange reserves held by Bangladesh Bank comprises holdings of gold and foreign exchange, the reserve position with the IMF and holding of Special Drawing Rights (SDR). The gross foreign exchange reserves of Bangladesh Bank reached at USD 21508 million (T able 11.5) at the end of FY14, which is 40.4 percent higher than USD 15315 million at the end of FY13. The gross foreign exchange reserve is sufficient to meet more than seven months import bills. In order to strengthening the long term stability of the country's reserves and diversifying the external asset portfolios, BB invested foreign exchange reserves in sovereign/ supranational/ highly reputed corporate bonds, Treasury Bills of US Government and in short term deposit with highly reputed commercial banks.

Reserve Management Strategy

11.28 The developments of the financial markets and various elements of policy environment specially monetary policy framework, the exchange rate policy regime and external debt position are strongly influence the reserve management strategy of Bangladesh Bank. BB's reserve management operations are currently follows the Reserve Management Guidelines duly approved by the Board of Directors of Bangladesh Bank. Main objectives of the BB for holding foreign exchange reserves include maintenance of safety and adequate level of reserves to cover imbalances in the balance of payment, to maintain confidence in the external value of Taka and as a store value to protect the economic well-being of the country . Other integral parts of reserve management are to meet foreign debt obligations, liquidity of reserves for the purpose of exchange rate management, stimulating exports, minimising exchange rate volatility and finally , earning optimal return from the reserves assuming controlled risks in a prudent manner that will preserve the nominal value of the reserves. To contain counterparty risk, BB diversifies its investments out of its reserves among a number of internationally reputed central and commercial banks' bonds and bills having good credit ratings assigned by the international rating agencies (Standard and

Table 11.6 Receipts and payments of Bangladesh under the ACU

(million US Dollar)

Head of transaction	FY12	FY13	FY14	% change
1. Receipts (Export)	208.70	161.10	79.74	-50.50
	(1707.71)	(1252.74)	(619.05)	
2.Payments(Import)	4766.00	4419.54	5706.90	29.13
	(38997.87)	(34366.02)	(44302.66)	
Net: Surplus (+)/	-4557.30	-4258.44	-5627.16	32.14
Deficit (-)	(-37290.16)	(-33113.28)	(-43683.61)	

Note: Figures in parentheses indicate Taka in crore.
1 ACUD = 1 USD; 1 USD = 77.63 Taka.

Table 11.7 Outstanding principal liabilities against the facilities received from the IMF

(million SDR)

Facility	Amount drawn/ purchased up to June 2014	Outstanding principal liability as of end June 2013	Instalment repayment in FY14	Outstanding principal liability as of end June 2014
PRGF June 2003	316.73	122.32	247.87	68.86
ECF April 2012	457.11	274.26	--	457.11
Total :	**773.84**	**396.58**	**247.87**	**525.97**

Source: Forex Reserve and Treasury Management Department, BB.

Poor's, Moody's & Fitch). With a view to minimising exchange rate risk, currency composition has been diversified among the major currencies. Investment duration and currency benchmark are carefully followed to minimise interest rate risks, while reserve management and investment functions have been segregated among three independent reporting units viz., Front Office, Middle Office and Back Office to mitigate operational risks. However, keeping in view the stipulated liquidity restrictions and market & credit risk limits, BB diversified its portfolio investment into gold, T-bills, repos, short-term deposits including other money market instruments and high rated sovereign, supranational and corporate bonds. BB remained cautious and vigilant regarding placement of funds in banks affected by global financial crisis and under threat of downgrading by major rating agencies.

Transactions under Asian Clearing Union (ACU)

11.29 Total transactions of Bangladesh under the Asian Clearing Union (ACU) decreased in terms of volume during FY14 compared to the previous year. Bangladesh remained a net debtor during FY14. Receipts decreased from ACUD 161.1 million (Taka 1252.7 crore) to ACUD 79.7 million (Taka 619.1 crore) and import payments increased from ACUD 4419.5 million (Taka 34366.0 crore) to ACUD 5706.9 million (Taka 44302.7 crore) with the ACU member countries during FY14. As a result, the net debtor position of Bangladesh increased by ACUD 1368.7 million or 32.1 percent to ACUD 5627.2 million (Taka 43683.6 crore) in FY14 compared to ACUD 4258.4 million (Taka 33113.3 crore) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in Table 11.6.

Transactions with the IMF

11.30 The IMF Executive Board approved a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) in April 2012. A total amount of SDR 640.0 million is to be disbursed in seven equal installments under the facility. Bangladesh has already received SDR 457.11 million in five equal installments under ECF at the end of FY14. In FY14, repayment against PRGF loan amounted to SDR 247.87 million to the IMF. The outstanding principal liabilities under PRGF and ECF stood at SDR 68.86 million and SDR 457.11 million respectively at the end of FY14. The total principal outstanding liabilities to the IMF at the end of June 2014 stood at SDR 525.97 million (Table 11.7). Service charges paid to the IMF during FY14 amounted to SDR 0.48 million.

Changes in Foreign Exchange Regulations

11.31 Bangladesh Bank in its ongoing endeavour to ease the foreign exchange regulations has embarked upon the following notable changes on exchange arrangements during FY14.

- The ceilings on import value (through LC or contract) for applying to obtain mandatory credit report of foreign suppliers (in case of import into Bangladesh) by the ADs have been enhanced to USD 10000 (earlier it was Taka 0.5 million) in cases where proforma invoices are issued directly by foreign suppliers and USD 20000 (earlier it was Taka 1.0 million) in cases where they are issued by local agents of the foreign suppliers.

- Different items received export sabsidy/ cash incentives at dif ferent rates during FY14 as follows: (1) local textile products (5 percent); (2) goods made of hoogla, straw, coir of sugar cane (15 percent to 20 percent); (3) agro (vegetables/fruits) and agro processing goods (20 percent); (4) crushed bone (15 percent); (5) light engineering goods (10 percent); (6) 100 percent halal meat (20 percent); (7) frozen shrimp (10 percent); (8) leather goods (15 percent); (9) ship (5 percent); (10) textile products as new market exploration assistance (other than USA, Canada, EU) (2 percent); (1 1) additional cash incentive for small and medium industries in textile sector (5 percent); (12) potato (20 percent); (13) pet bottle flex (10 percent) and (14) jute goods: finished jute goods (other than jute yarn) (10 percent) & jute yarn (7.5 percent).
- To bring viability and usefulness in the activities of MCs, ADs have been advised to cooperate them in operating FC accounts so that they can deposit foreign currency beyond the specified limit of USD 25000.
- ADs, on behalf of Omrah Agents, have been allowed to issue bank guarantee/performance bonds for maximum 100,000 Saudi Rial in favor of official omrah service providers in KSA.
- ADs are allowed to af fect remittances on account of membership/af filiation fees payable by local business/professional entities to the professional/scientific institutions abroad.
- ADs have been allowed to remit advance payment of USD 5000 against import without prior permission from Bangladesh Bank. Earlier the facility of advance payment was USD 2500 against import of books, journals and life saving medicines.
- An incoming/outgoing passenger may bring in/take out up to Taka 5000 which was Taka 2000 earlier.
- ADs may, without prior approval of Bangladesh Bank, hold collaterals on behalf of overseas bank branches or correspondents in respect of external borrowing by industrial enterprises approved by Board of Investment. This action will ease obtaining/handling borrowing from abroad.
- Service sector firms which are within the purview of Industrial Policy in force are allowed to remit up to 1 percent of annual sales as declared in their previous years' income tax returns costs of training and consultancy services as per relevant contract with the foreign trainer/ consultant. Earlier this facility was available only for manufacturing industries.
- ADs are allowed to encash inward remittances against agency services on one-off basis without permission of Bangladesh Bank after satisfying themselves with the genuineness and authenticity of the requests from their customers.

- To facilitate foreign exchange transactions against transportation services for import and export, general authorisation has been accorded to shipping lines/air lines/licensed freight forwarders to open and maintain foreign currency accounts. The accounts will be used to deposit foreign currency against handling of FoB exports. Payment for FoB imports can be met from these accounts. Importers can make payment of freight charges as declared in LCAF issued for FoB import to shipping lines/airlines/licensed freight forwarders in foreign currency . Shipping lines/airlines may also accept payment in foreign currency from freight forwarders against handling of FoB exports. The procedures will ease transport service sectors to conduct foreign exchange transactions at minimal documentation.

- The business travel quota entitlement has been revised. Under the revised instruction exporters, importers and producers for the local market will be entitled to foreign exchange quota USD 400 per diem, subject to limits of USD 4000 per trip and USD 10000 over a calendar year for travel abroad. Besides, exporters will also be entitled to use balances in their foreign currency retention quota account for their business visits abroad. Moreover, senior level (top two tiers) expatriate foreign nationals employed in business organisations in Bangladesh with valid visas and work permits are entitled to the same business travel quota as Bangladesh nationals; which can be used through international credit/debit cards held by them. Earlier annual business travel quota was maximum USD 6000 for new exporters and USD 5000 for importers and producers for the local market.

- Restrictions to access of foreign owned/controlled companies in Bangladesh to term loans in Taka from the local market have been waived. Under the new instructions, foreign owned/controlled companies engaged in manufacturing or services output activities for three years or longer in Bangladesh can access Taka term loans from the domestic market regardless of local content in their equity; subject to adherence by banks/financial institutions to all applicable credit norms and prudential parameters including single borrower exposure limit, debt-equity ratio and so on.

- Foreign owned/controlled industrial enterprises in Bangladesh have been allowed to access interest free loans for working capital other than input procurements from parent companies/ shareholders abroad for upto one year without any prior approval. This facility will be available for those companies which have not yet been linked up for working capital financing from the local market.

- Undertaking procedure in regulatory declaration form (EXP Form) for export has been rationalised. In the amended EXP Form, exporters will undertake to repatriate full proceeds of the export within the period specified by the Bangladesh Bank in terms of FER Act. ADs will undertake that in the event of non-realisation or short realisation of export proceeds against shipment within the stipulated period, it will obtain from the exporter(s) and furnish to the Bangladesh Bank the full explanation of the circumstances resulting in non-realisation/short realisation.

- Global private travel entitlement has been enhanced to USD 12000 per adult passenger during a calendar year with up to USD 5000 or equivalent for travel to SAARC member countries and Myanmar and up to USD 7000 or equivalent for travel to other countries. As before, for minors (below 12 years in age) the applicable quota will be half the amount admissible for adults. The limit of foreign exchange in the form of cash is up to USD 3000 per person per trip.

- ADs are allowed to issue bid bonds/performance bonds/guarantees on behalf of residents in foreign currency favoring local project authorities against goods/services procurement tenders financed by Government subject to the condition that in case the guarantee is invoked the claim would be paid only in equivalent Taka and not in any other currency.

- AD bank may continue to ef fect remittance of periodical maintenance/ support fee for software during the tenure of the agreement for which maiden approval was accorded from Bangladesh Bank. In this context, the AD banks shall satisfy themselves with the authenticity of the subsequent requests through invoices and validity of the relevant agreement and comply with the instructions contained in first time approval letter of Bangladesh Bank.

- Students are allowed travel entitlement (entire unused travel quota) against one way ticket proceeding abroad for study . Earlier the allowable limit of releasing foreign exchange for expenses in transit was USD 200 or equivalent.

- International Credit Card issuing banks have been allowed to issue 'V irtual Card' to individual developers/ freelancers of mobile apps and games having acknowledgements/ training/ boot camps/ hackathons/ course participation certificates on mobile application development not exceeding USD 300 in a calendar year.

Anti-money Laundering Surveillance

11.32 Bangladesh Financial Intelligence Unit (BFIU) has taken various initiatives and steps to prevent money laundering and terrorist financing throughout the country in FY14.

Reporting Agencies and their Regulatory Regime

11.33 BFIU has issued separate Guidance Notes on prevention of money laundering and terrorist financing for the designated non-financial businesses and professions and NPO/NGO sector on 29 October 2013 and 20 November 2013 respectively.

BFIU has circulated instructions to be followed by all reporting agencies for compliance of freezing accounts of listed individuals or institutions and other issues under the sanction list of dif ferent resolutions of United Nations Security Council on 5 November 2013.

A number of cases have been disseminated to the Anti-Corruption Commission (ACC) for necessary action after prima facie inspection. BFIU has been monitoring the update of those cases. A number of bank accounts have been suspended by Bangladesh Bank on suspicion of money laundering and terrorist financing under the provisions of MLPA, 2012 and ATA, 2009.

All the reporting agencies have started to submit online reporting of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) through goAML software procured by BFIU. 616 STRs during FY14 and in total 1929 reports have been received by BFIU till 30 June 2014.

Legal System

11.34 BFIU has performed a major role in drafting the Anti Terrorism Rules, 2013 and Money Laundering Prevention Rules, 2013 that have been published in the Official Gazette on 9 November 2013 and 29 January 2014 respectively.

International Cooperation

11.35 In the plenary meeting of Financial Action Task Force (FATF) held on 13 February 2014 in Paris, France, it was decided that AML/CFT regime has achieved the international standard and as a result Bangladesh has got rid of the International Cooperation Review Group (ICRG) process.

BFIU has signed 25 Memorandum of Understanding (MoU) so far, among them 11 MoU have been signed in FY14 (with Argentina, Denmark, UK FIU, Trinidad & Tobago, Belgium, Saudi Arabia, Peru, India, Aruba, Turkey and Albania).

BFIU has achieved access to wider global platform by getting membership of Egmont group in July 2013 which will help to establish relationship with other FIUs of different countries by exchanging views, experiences and information via Egmont secure web-site.

Awareness Building Programme

11.36 BIFU has continued its effort to create awareness among the bank officials; furthermore it has extended awareness programmes for the officials of other reporting organisations. BFIU has encouraged the banks to conduct a number of training programs for their officials on AML/CFT in 56 districts. It has arranged training programmes for their officials and workshops for other law enforcing agencies.

Separate annual conferences for Chief Anti-Money Laundering Compliance Officer (CAMLCO) of banks, financial institutions and insurance companies were held in FY14.

Participation in Different International and Local Conferences/Meetings/Workshops

11.37 During FY14, BFIU has represented Bangladesh in different international conferences/meetings/workshops related to money laundering and terrorist financing and strengthened co-operation with other countries in its drive against money laundering and terrorist financing.

Payment and Settlement Systems

12.1 Payment and settlement system consists of a set of physical & electronic infrastructures with associated procedures for the transfer and settlement of financial obligations arising from the exchange of goods and services. It facilitates the central bank for conducting efficient monetary policy by better use of market- based instruments to achieve its objectives.

12.2 **Functional Areas of Payment Systems:** According to the 7 A(e) of the Bangladesh Bank Order, 1972, one of the main functions of the Bangladesh Bank is - "to promote, regulate and ensure a secure and efficient payment system, including the issue of bank notes." In fulfilling this mandate and considering the importance of having a state of-the-art payment and settlement systems for Bangladesh, Payment Systems Department (PSD) of Bangladesh Bank (BB) has been working on payment systems strategy, automated cheque processing system, electronic funds transfer, national payment switch, mobile financial services, agent banking, e-commerce, m-commerce, legal & regulatory framework for electronic payment systems and payment systems oversight in order to modernise country's payment system to be safe and efficient in compliance with international standards.

12.3 **Traditional Payments Scenario:** The traditional paper based payment system was semi-automated, time consuming and prone to many risks. The system was not at par with international best practices. It took t+2 or t+3 days to clear the cheques and other paper based instruments within a clearing region. The inter-regional instruments required even much longer time to clear. Four payment and settlement systems had been in operation in Bangladesh prior to 7 October 2010. The instruments like cheques, bank drafts, pay orders, dividend & refund warrants, etc. were being cleared through the manual clearing houses. Apart from such non-cash payment instruments credit card, debit card and ATM transactions were becoming popular specially in the urban areas.

12.4 **Payment Platforms Operating at Present:** Bangladesh Automated Cheque Processing System (BACPS) started its live operation from 7 October 2010 for developing an electronic payment system in the country. Later, electronic funds transfer, e-commerce, mobile financial services and m-commerce added in to the system for further modernisation of the payment and settlement systems as set in the strategy. These payment platforms are briefly described in the following sections.

12.5 **Bangladesh Automated Clearing House (BACH):** BACH has two components- the Automated Cheque Processing System and the Electronic Funds Transfer. Both the systems operate in batch processing mode-transactions received from the banks during the day are processed at a pre-fixed time and settled through a single multilateral netting figure on each individual bank's respective books maintained with the Bangladesh Bank. A Virtual Private Network (VPN) has been working between the participating commercial banks and Data Centre (DC) & Disaster Recovery Site (DRS) for communicating necessary information related to BACH. Digital Certificate has also been formulated in Bangladesh for secured data communication.

12.6 **Bangladesh Automated Cheque Processing Systems (BACPS):** BACPS uses the Cheque Imaging and Truncation (CIT) technology for electronic clearing of the paper-based instruments, i.e. cheque, pay order, dividend & refund warrants, etc. The system supports both intra-regional and inter-regional clearing and is based on a centralised processing centre located in Dhaka and in designated clearing regions.

The system conforms to the international best practices and also represents the most cost effective solution for cheque processing throughout the country.

12.7 **BACPS Transaction Status:** At present around 1,877,857 regular and around 124,314 high value cheques & other instruments are cleared per month through BACPS. Total amount of regular value instruments cleared is approximately Taka 448 billion (monthly) and for high value instruments, the amount is approximately Taka 659 billion per month. The clearing cycle has been brought down to t+0 for high value cheques and t+1 for regular value cheques throughout the country . Chart 12.1 and

Chart 12.1 No. of regular value instruments cleared through BACPS and associated amount

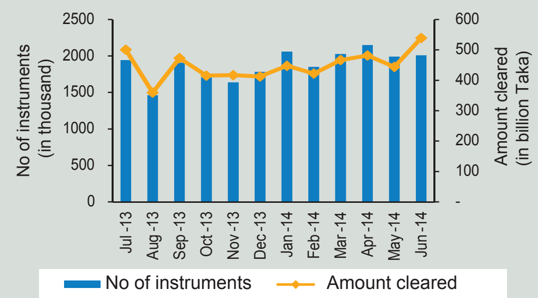


Chart 12.2 No. of high value instruments cleared through BACPS and associated amount

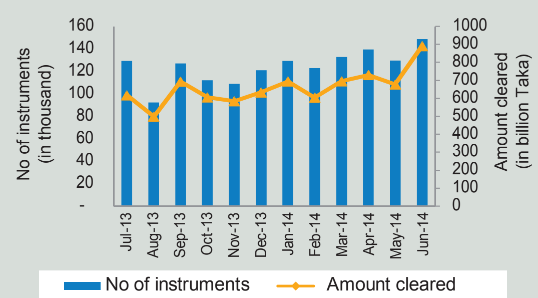


Chart 12.2 show the trends of instruments cleared and associated amount of the regular and high value cheques respectively in FY14.

12.8 **Bangladesh Electronic Funds Transfer Network (BEFTN):** BEFTN has started its 'Live Operation' from 28 February 2011 with the objective to encourage paper-less electronic payment methods for secured, faster & cost-effective transactions especially at the corporate levels. The network started with credit and debit transactions from 15 September 2011.

BEFTN becomes the faster and efficient means of inter-bank clearing over the existing paper-based system i.e. BACPS. A wide variety of credit transfers such as payroll, foreign and domestic remittances, social security, company dividends, retirement, expense reimbursement, bill payments, corporate payments, Government tax payments, veterans payments, Government licence fees and person to person payments as well as debit transfers such as mortgage payments, membership dues, loan payments, insurance premiums, utility bill payments, company cash concentration, Government tax payments, Government licences and fees are settled under the network. At present, Cabinet Ministers' salaries, salary of the of ficials of Government agencies like Ministry of Finance, Anti Corruption Commission and salary of Government primary school teachers are being distributed through EFT.

12.9 **Transaction Status of Bangladesh Electronic Funds Transfer Network (BEFTN):** Approximately 690,961 EFT credit transactions and 24,421 EFT debit transactions are processed per month with an increasing trend. The amount of EFT credit and debit transactions are approximately Taka 37.8 billion and Taka 3.42 billion respectively per month. Chart 12.3 and Chart 12.4 show the trends of EFT credit and debit entries and associated amount respectively in FY14.

12.10 **Mobile Financial Services (MFS):** The rapid growth of mobile phone users and countrywide coverage of mobile operator's network have made their delivery channel an important tool-of-the-trade for extending banking services to the unbanked as well as banked population, specially to expedite faster delivery of remittances across the country.

From legal and regulatory perspective, only the bank-led model is allowed to operate in

Chart 12.3 No. of EFT credit entries and associated amounts

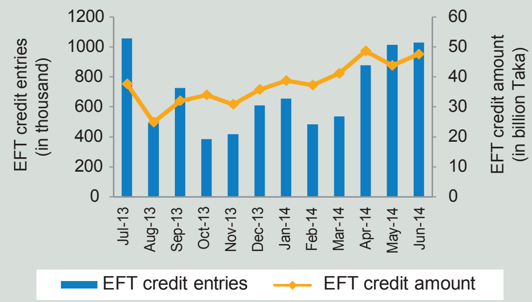
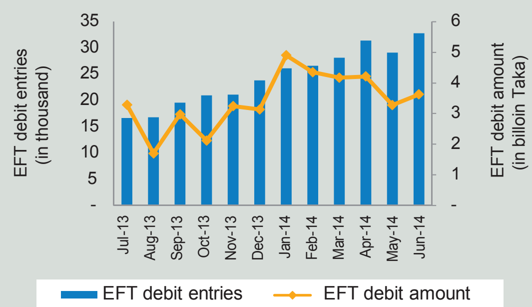


Chart 12.4 No. of EFT debit entries and associated amounts



Bangladesh. Table 12.1 lists the prevailing status of MFS in Bangladesh.

The approved mobile financial services (in broad categories) are as follows:

- Disbursement of inward foreign remittances.
- Cash in/out using mobile account through agents/bank branches/ ATMs/mobile operator's outlets.
- Person to business payments-e.g. utility bill payments, merchant payments.
- Business to person payments-e.g. salary disbursement, dividend and refund warrant payments, vendor payments, etc.

- Government to person payments-e.g. elderly allowances. Freedom-fighter allowances, subsidies, etc.
- Person to Government payments-e.g. tax, levy payments.
- Person to person payments (one registered mobile account to another registered mobile account).
- Other payments like microfinance, overdrawn facility, insurance premium, DPS, etc.

12.11 **Mobile Financial Services Related Other Information:** Bangladesh Bank has set the maximum transaction limit for the account holders of mobile financial services at Taka 10,000 per day and Taka 25,000 on monthly basis. Bangladesh Post Office (BPO) introduced the - 'post e-pay', service from 5 September 2011 with 1968 branches which will gradually be launched in all branches (9,886) of the post office in phases with the help of the mobile operators' countrywide network. Clients have to register themselves with the post office to get the service.

12.12 **e-commerce:** BB has issued directives for the banks for starting e-commerce activities. Permitted transactions are -

- Online payment of utility bills from client's accounts to recipient's accounts,
- Transfer of money within different accounts of a client in the same bank, payment/collection of money from/to buyer's bank account to seller's bank account for buy/sale of products,

Table 12.1 MFS Status

No. of banks permitted	:	28
Started MFS operation	:	20
Registered customers	:	16.7 million
Agents	:	0.41 million
Transactions (BDT)	:	85.23 billion

*as of June 2014

- Transaction via internet using credit card in local currency.

From 11 March 2011, permission has been given to transfer less than Taka 500,000 from one client's account to another client's account within the same bank using internet/online facilities subject to the fact that it will fully comply with prevailing money laundering Prevention legislations and related circulars.

12.13 **Online Payment Gateway Service Providers (OPGSPs):** In view of the growing role of the services provided by the Online Payment Gateway Service Providers (OPGSPs), Authorised Dealers (ADs) are now allowed to offer the facility of repatriation of remittances against small value service exports in non-physical form such as data entry/data process, off-shore IT service, business process outsourcing etc. The exporters of the above services will be able to receive their overseas payments through the OPGSPs such as Paypal, Money Bookers, Best Payment Gateway and Virtual Pay online platforms.

12.14 **New Payment Systems Initiatives:** In order to fulfill the ever growing demand for faster and efficient payment methods Bangladesh Bank has taken a number of new initiatives like National Payment Switch (NPSB), Real Time Gross Settlement (RTGS).

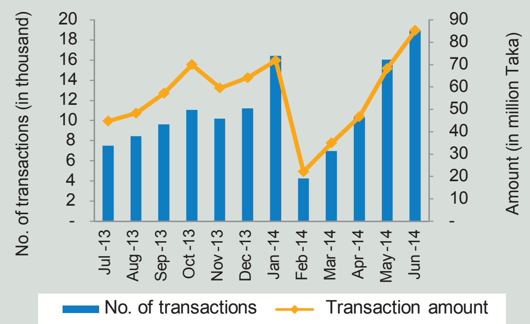
12.15 **National Payment Switch Bangladesh (NPSB):** Implementation of National Payment Switch (NPS) has been started in order to facilitate inter-bank electronic payments originating from dif ferent delivery channels e.g. Automated Teller Machines (ATM), Point of Sales (POS), internet, mobile applications, etc. The main objective of NPSB is to facilitate the expansion of the retail payment networks substantially and promote e-commerce throughout the country.

Online payment of Government dues through internet will greatly be enhanced using NPSB. NPSB has been launched as "soft go-live" from 27 December 2012 and now inter-bank ATM transactions among 17 banks are being routed through NPSB. Other banks are also likely to join to NPSB. The number and volume of the interbank ATM transaction through NPSB are growing rapidly . PSD is also drafting some operating rules regarding NPSB system. Chart 12.5 shows the trends of NPSB interbank ATM transaction number and associated amount till 30 June, 2014.

12.16 **Real-Time Gross Settlement (RTGS):** Bangladesh Bank has taken initiative to establish Real-T ime Gross Settlement (RTGS) with the financial support of Asian Development Bank (ADB) which will enable instant settlement of high value local currency transactions as well as government securities and foreign currency based transactions.

12.17 **Legal & Regulatory Framework:** BB published a number of legal and regulatory documents to provide legal and

Chart 12.5 Trends of inter-bank ATM transaction through NPSB



regulatory support for electronic transfer of funds. Existing legal and regulatory framework of payment and settlement systems of Bangladesh are mentioned below:

- "Bangladesh Automated Cheque Processing Systems (BACPS) Operating Rules and Procedures" has been published on 11 January 2010.
- "Guidelines on Mobile Financial Services for the banks" has been published on September 2011.
- "Bangladesh Payment and Settlement Systems Regulations (BPSSR), 2014" has been published on 15 May 2014.
- "Bangladesh Electronic Funds Transfer Network (BEFTN) Operating Rules" has been published on 15 May 2014.
- "Guidelines on Agent Banking for the Banks" has been published on 9 December 2013.

12.18 In cooperation with W orld Bank (IFC-BICF) BB drafted Payment Systems Act and its finalisation is in process. However , "Guidelines on Agent Banking for the Banks" has been published on 9 December 2013.

12.19 **Awareness Raising Campaign:** Bangladesh Bank had taken a number of initiatives for raising awareness on the new electronic payment systems like automated cheque processing, electronic funds transfer and mobile financial services. BB organised seminars and workshops for officials of all commercial banks, Govt. offices and industry alliances. Besides, BB has been working to popularise electronic funds transfer network among the stakeholders like Chamber of Commerce's, Stock Exchanges, Bangladesh Security and Exchange Commission, Central Depository Bangladesh Limited, National Board of Revenue etc.

12.20 Electronic payment and settlement systems have already proved their potential by offering fast, secure and cost-effective financial services. Specially, paper-less EFT transactions are gaining increasing popularity among the corporate bodies, stock exchange members and industry alliances. The mobile financial services, m-commerce and e-commerce are significantly changing the financial services landscape of the country. NPSB will increase end-user centric electronic payments and broaden the landscape for financial transactions in the country. These electronic modes of payment have already improved operational efficiency, increased transaction frequency and brought stability & flexibility in all spheres of the financial market. Implementation of RTGS will result in an effective and efficient 'National Payment and Settlement System' consistent with international standard.

Administration

Meetings of the Board of Directors

13.1 A total of twelve meetings of the Board of Directors were held during FY14.

Executive Committee

13.2 Under section 12(1) of Bangladesh Bank Order 1972 (President's Order No. 127 of 1972), the Executive Committee during FY14 was as follows:

Dr. Atiur Rahman	Chairman
Mr. Md. Abul Quasem	Member
Prof. Hannana Begum	Member
Dr. M. Aslam Alam	Member
Mr. Ahmed Jamal	Secretary

During FY14, 7(seven) meetings of the Executive Committee were held.

Audit Committee of the Board

13.3 In line with the international best practices for strengthening good governance, an Audit Committee was formed by the Board of Directors on 12 August 2002 comprising four non-executive Directors to assist the Board in discharging its oversight responsibilities on financial reporting, internal control and compliance and the auditing process. The composition of the current Audit Committee is as follows:

Dr. Mustafa Kamal Mujeri	Convener
Prof. Hannana Begum	Member
Mr. Md. Ghulam Hussain	Member
Dr. M. Aslam Alam	Member

Dr. Jamaluddin Ahmed, FCA was appointed as a non-executive advisor to the Audit Committee on 24 March 2014 to assist the Committee on issues related to accounting and financial reporting.

A total of six meetings of the Audit Committee were held during FY14.

In accordance with the Internal Audit Department Charter approved by the Audit Committee of the Board of Directors of the BB, the Internal Audit Department (IAD) in FY14 indentified 52 auditable units (departments/ offices/ units/ cells) and constructed the audit plan for FY14. Audits were conducted twice a year in the 21 auditable units indentified as high risk and once a year in the other 31 auditable units identified as medium risk or low risk. The audit reports were placed before the Governor and the Audit Committee of the Board. The guidance/ directives/ recommendations received by the IAD from the Governor and the Audit Committee were conveyed to the relevant auditable units for implementation. Progress reports on implementation of these guidance/ directives/ recommendations were placed before the meeting of the Audit Committee.

Executive Management Team

13.4 The Executive Management Team (EMT) consists of Governor , 4 Deputy Governors, all Executive Directors and Economic Advisor. This team reviews the implementation status of Bank's overall activities.

A total of 10 meetings of the EMT were held during FY14.

New Appointment in Different Posts

13.5 A total of 469 official/ staff have been appointed in different posts during FY14. New Appointment during FY14 was as follows:

Assistant Director (General)	154
Assistant Programmer	18
Assistant Director (Research)	9
Assistant Director (Statistics)	6
Assistant Director (Ex Cadre-Library)	6
Assistant Director (Ex Cadre-Law)	5
Assistant Director (Engineering-Civil)	4
Assistant Director (Engineering-Mechanical)	2
Assistant Director (Ex Cadre-Publication)	1
Officer (Ex Cadre-Nurse)	7
Officer (Ex Cadre-Publication)	3
Cash Officer	1
Staff	253
Total	**469**

Retirement, Voluntary Retirement, Compulsory Retirement, Resignation, Removal, Suspension and Death

13.6 The number of official/ staff of the Bank under retirement/voluntary retirement/ resignation/removal/suspension/ death during FY14 was as under:

Retirement	166
Voluntary Retirement	2
Resignation	7
Removal	6
Suspension	2
Death	10
Total :	**193**

Creation/ Abolition of Posts

13.7 In FY14, 64 new posts of officials and 361 posts of staff were created. Considering the importance of the job, 202 posts of officials and 10 posts of staff were upgraded by abolishing these posts during this period. 310 posts of Cash Officer, 28 posts of staff and 5 supernumerary posts were also abolished in FY14. At the end of the period, the total number of sanctioned post stood at 8037 compared to 7955 of the previous year.

Sanctioned and Working Strength of Officials and Staff

13.8 The sanctioned and working strength of the Bank as on 30 June 2014 were as follows:

Category	Sanctioned strength	Working strength	Vacant
Class-I	4778	3901	877
Class-II	1014	330	684
Class-III	1816	1065	751
Class-IV	429	172	257
Total	**8037**	**5468**	**2569**

During FY14, working strength of officials (Class-I & Class-II) increased by 1.03 percent to 4231 from 4188 and that of staff (Class-III & Class-IV) increased by 17.7 percent to 1237 from 1051 of the FY13. At the end of the period, the ratio of officials to staff remains nearly 3.42 : 1. About 32 percent of the sanctioned posts remained vacant at the end of June 2014.

Promotion

13.9 During the year, 694 officials and 34 staff were promoted to their next higher grade. In FY14, 16.4 percent of the officials and 2.75 percent of the staff working in the Bank were awarded promotion.

Number of Officers on Deputation/ Lien

13.10 At the end of FY14, 58 officials of the Bank were on deputation in different institutions of the country and abroad. 31 officials were on lien of which 14 were working within the country and 17 abroad at the end of June, 2014.

Reorganisation/ Newly Established Departments of the Bank

13.11 During FY14, a cell named "Private Sector Development Cell" in SME and Special Programmes Department was established.

Welfare Activities and Approval of Scholarship

13.12 During FY14, an amount of Taka 5.37 million has been provided to the children of the officials/ staff as scholarship and Taka 0.40 million has been given as medical assistance from the Karmachary/ Karmakarta Kallyan Tahbil. Besides, an amount of Taka 51.15 million has been allotted to Bangladesh Bank Schools, Mosques, Clubs, Day Care, Freedom Fighters' Welfare Units etc. to carry out their recreation and welfare activities.

Foreign Training and Study

13.13 A number of 450 officials of the Bank participated in different training courses/ seminars/ workshops in abroad during FY14. Moreover, 29 officials were on deputation/ leave for higher study during the year.

Domestic Training and Study

13.14 During FY14, a total of 424 officials of the Bank participated in different raining courses/ seminars/workshops within the country organised by different institutions (other than the BBTA). Moreover, 48 officials were allowed leave for higher study within the country during FY14.

Step towards Automation and Paperless Environment

13.15 Online circulation of various documents like administration circular , office circular, staff order, office order, departmental order, memorandum etc. through BB intranet portal ensured widespread circulation of information. Transparency of management has been increased as employees have got access to their own personal and service information through Intranet Portal. Automated system for casual leave management, repair & maintenance management of buildings (job slip management) and document management (inward/outward of documents) made services more convenient in FY14.

Reward and Recognition

13.16 In FY14, ten individual and/ or team were awarded for the year 2012 according to 'Bangladesh Bank Employees Recognition & Reward Policy-2013'. Among them five officials were honoured by gold medal (individually) and eleven officials (two individually and nine individuals in three teams) by silver medal for their outstanding performance. Two renowned economists (Professor Muzaffer Ahmad and Swadesh Ranjan Bose) are awarded 'Bangladesh Bank Award-2013' (posthumous) for their outstanding contribution in the field of Bangladesh Economy.

Training Courses, Workshops, and Seminars Conducted by the Bangladesh Bank Training Academy (BBTA)

13.17 Bangladesh Bank Training Academy (BBTA) conducts a number of quality training programmes with a view to improve

Table 13.1 Statement on different training courses, workshops and seminars organised by the Bangladesh Bank Training Academy during FY14

Sl. no	Subjects	Number of courses	Number of participants
1	2	3	4
1.	**Foundation Course**	**3**	**142**
a)	Foundation Course (AD)	2	122
b)	Foundation Course (Assistant Programmer) - 2013	1	20
2.	**Other Training Courses**	**114**	**5017**
a)	**For officials of the Bangladesh Bank**	**39**	**1174**
I)	Techniques of Bank & NBFI Supervision & Inspection Report Writing.	3	72
II)	Major Policy Issues/Directives of Bangladesh Bank	2	51
III)	Agriculture Financing & Rural Development	1	17
IV)	e-Commerce & e-Banking	1	33
V)	Leadership, Team Building & Negotiation Skill	1	17
VI)	Integrity & Anticorruption in Financial Sector	2	53
VII)	Public Debt Management & Debt Securities Markets in Bangladesh	1	23
VIII)	Key Activities & Current Issues of Bangladesh Bank	1	59
IX)	Stress Testing	2	65
X)	Modernisation of Cash Management	5	142
XI)	Currency Management, Payment & Settlement System	1	30
XII)	Formulation and Implementation of Monetary Policy	1	24
XIII)	Banking Laws & Regulations	1	30
XIV)	ICT Risk Management & ICT Guideline	3	96
XV)	Risk Based Capital Adequacy According to Basel II	1	17
XVI)	Green Banking: Opportunities and Initiatives in Bangladesh	1	72
XVII)	Bond and Fixed Income Securities	1	30
XVIII)	FX Risk Management	1	29
XIX)	SME Banking Strategy	1	61
XX)	Supervisory Process & Legal Framework of Bank Supervision.	1	22
XXI)	Risk Management in Banks	1	27
XXII)	UCP-600 Related Issues	1	26
XXIII)	Credit Report	1	32
XXIV)	Current Issues of Islamic Banking & Finance	1	68
XXV)	International Trade Financing	2	55
XXVI)	Open Market Operation Through Treasury Bill/Bond and its Impact	1	23
b)	**For officials of the BB and/or Commercial Banks**	**66**	**3141**
I)	Islamic Banking & Finance	3	90
II)	Mobile & e-Banking In Bangladesh	1	113
III)	Money & Banking Data Reporting	6	225
IV)	Detection, Disposal of Forged & Mutilated Notes	13	829
V)	Policy & Directives of BB	3	115
VI)	Risk Based Capital Adequacy according to Basel II	3	70
VII)	Prevention of Money Laundering & Terrorist Financing	3	85
VIII)	Foreign Exchange & Foreign Trade	6	215
IX)	Green Banking & Risk Management	1	85
X)	Foreign Exchange & Transaction Reporting	5	216
XI)	Agriculture Credit & SME Financing	2	55
XII)	FC Accounts: Opening & Operational Procedures	6	478
XIII)	Loan Classification, Provisioning & Re-scheduling	6	265
XIV)	Corporate Governance in Banks	1	31
XV)	SME Lending Practices & Regulatory Framework	2	37
XVI)	Online Foreign Exchange & Transaction Reporting	4	206
XVII)	Credit Risk Management	1	26
3.	**Workshops/ Seminars/ Lecture Sessions**	**16**	**1040**
I)	CIB: BATCS Uploading & Online Reporting	5	261
II)	Workshop on Capital Market in Bangladesh	1	33
III)	Sustainable Development (Bangladesh Perspective)	1	66
IV)	CIB Business Rules & Online Systems	8	580
v)	Executive Development Seminar	1	100
4.	**Workshops/ Seminars/ Lecture Sessions: (On Request)**	**12**	**534**
I)	Training Course on Enterprise Resources Planning (ERP), HR & Payroll Module	1	27
II)	Training Course on Enterprise Data Warehouse (EDW)	2	41
III)	Training Course on Banking Package	1	22
IV)	Online IMP Form Management System, Online TM Form Management System, Online C-Form and Wage Earners Remittance Reporting system	1	82
V)	Orientation Program for the Officers of Cash Department	5	183
VI)	Hands on Training Program on Contact Service Management under ERP	1	30
VII)	Training for NGO's on AML/CFT Guideline	1	149
	Grand total (1+2+3+4+5)	**136**	**6031**

professional skill and efficiency of the officials of Bangladesh Bank as well as commercial banks, financial institutions including various Government and non-government organisations. Besides, different types of seminars, workshops are also arranged by BBTA. In order to provide the faculty members with updated information/ knowledge relating to economics, finance and banking, BBTA also arranged various programmes for the trainers with the help of trained personnel of advanced and specialised institutions at home and abroad. BBTA conducted a total of 136 training courses/workshops/seminars during FY14. A total of 6031 participants participated in the above mentioned courses. Besides, the in-house activities, BBTA also arranged several outreach programmes in different offices of Bangladesh Bank during FY14. BBTA also publishing a half yearly journal named "Thoughts on Banking & Finance" regularly since 2012. The courses conducted by the BBTA during FY14 are shown in Table 13.1.

Central Bank Strengthening Project

13.18 The Central Bank Strengthening Project (CBSP) was designed in early 2003 to address the functional reorganisation and modernisation of BB with the financial and technical assistance of the World Bank.

The main purpose of CBSP was to transform Bangladesh Bank into a modern and dynamic central bank capable of regulating and supervising the financial sector of the country more effectively and efficiently. The project was successfully completed on 31 December 2012. At present, the maintenance and other post-operative functions of various components are being performed by CBSP utilising BB fund. CBSP has executed various initiatives, under several project components.

Countrywide network infrastructure has connected all offices of Bangladesh Bank which facilitated automation of all its business functionalities. All banking functionalities including most of the financial transaction of the Government have been automated. All the accounts of the Government are now balanced everyday after the transaction hour automatically. In addition, 'Enterprise Data Warehouse' has been providing real-time decision support in key areas of financial sector.

Bangladesh Automated Clearing House (BACH), Bangladesh Electronic Fund Transfer Network (BEFTN), National Payment Switch (NPSB) have been established to build an efficient electronic payment infrastructure in the country. Moreover, Mobile Banking Operation has been introduced for facilitating easy and faster distribution of local and foreign remittances, ensuring easy payment of different utility bills and Government grants etc.

Suspicious Transaction Report (STR) and Cash Transaction Report (CTR) systems have been implemented to ensure prevention of terrorism, terrorist financing and money laundering activities more effectively.

Besides, some other initiatives such as Exp Online Monitoring System, Large Loan Monitoring System, Electronic Dashboard etc. have been undertaken to strengthen the supervision system of Bangladesh Bank, with the objective of ensuring a stable and disciplined financial system in the country.

Bangladesh Bank's Accounts for 2013-2014

14.1 Financial results of Bangladesh Bank for FY14 has been prepared in accordance with International Financial Reporting Standards (IFRSs) approved by the International Accounting Standards Board (IASB). Executive summary of Accounts of Bangladesh Bank (excluding SPCBL) is represented below.

Income

14.2 The total operating income of the Bank (excluding foreign currency revaluation gain/loss) for FY14 decreased by Taka 18.07 billion (32.66 percent) to Taka 37.26 billion compared to Taka 55.33 billion in FY13. Including increase in foreign currency revaluation gain/(loss), total operating income of the Bank increased by Taka 33.55 billion (199.11 percent) to Taka 50.40 billion compared to Taka 16.85 billion in FY13. The sources of income are set out in table 14.1.

Income from Foreign Currency Financial Assets

14.3 During FY14, Bank's income from the foreign currency financial assets decreased by Taka 0.44 billion (4.18 percent) to Taka 10.09 billion compared to Taka 10.53 billion in FY13 due to decrease in weighted average interest rate on investment of foreign currency.

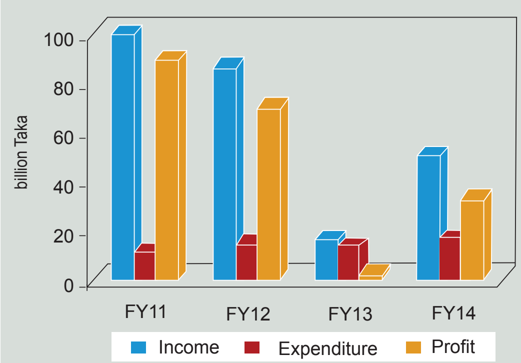
Income from Local Currency Financial Assets

14.4 Bank's income from local currency financial assets decreased by Taka 17.63

Table 13.1 Sources of income (billion Taka)

	FY14	FY13
Operating Income		
A. Income from foreign currency financial assets	**10.09**	**10.53**
Interest income	10.05	10.85
Commission and discounts	0.06	0.13
Loss on foreign currency financial asset	(0.02)	(0.45)
B. Income from local currency financial assets	**27.17**	**44. 80**
Interest income	25.79	44.18
Commission & discounts	1.19	0.36
Dividend income & misc.	0.02	0.00
Other income	0.17	0.26
Total : (A+B)	**37.26**	**55.33**
C. Foreign exchange revaluation gain (loss)	13.14	(38.48)
Realised gain/(loss)	2.00	2.20
Unrealised gain/(loss)	11.14	(40.68)
Total : (A+B+C)	**50.40**	**16.85**

Chart 14.1 Bank's income, expenditure and profit



billion (39.35 percent) to Taka 27.17 billion in FY14 compared to Taka 44.80 billion in FY13. This was due to decrease in income from Government securities, repo investment and loans & advances to Government.

Foreign Currency Revaluation Gain

14.5 During FY14, the Bank made a gain on foreign currency revaluation. The total gain was Taka 13.14 billion. This was due to major foreign currencies hold by the Bank become stronger against the Bangladeshi Taka. This revaluation gain was transferred to the reserve account.

Expenditure

14.6 Total expenditure of the Bank increased by Taka 3.07 billion (22.23 percent) to Taka 16.88 billion in FY14 compared to Taka 13.81 billion in FY13. The increase in expenditure was mainly due to increase in note printing & administrative cost. The details of expenditure are shown in the table 14.2.

Financial Cost

14.7 Financial cost increased by Taka 1.73 billion (41.00 percent) to Taka 5.95 billion in FY14 compared to Taka 4.22 billion in FY13. This increase was due mainly to increase in payment of interest on Bangladesh Bank bill and reverse repo.

Other Expenses

14.8 Other expenses increased by Taka 1.34 billion (13.97 percent) to Tk. 10.93 billion in FY14 compared to Taka 9.59 billion in FY13. This increase was due mainly to increase in staff cost, rent and depreciation charged on property, plant & equipment of the Bank.

Table 14.2 Bank's expenditure (billion Taka)

Particulars	FY14	FY13
A. Financial cost	**5.95**	**4.22**
Expenses on foreign currency financial liabilities	**0.24**	**0.35**
Interest on foreign currency financial liabilities	0.19	0.29
Commission & other expenses on foreign currency financial liabilities	0.05	0.06
Expenses on local currency financial liabilities	**5.71**	**3.87**
Interest expense on local currency financial liabilities	2.86	1.15
Commission & other local currency financial liabilities	2.85	2.72
B. Other expenses	**10.93**	**9.59**
Note printing	3.89	3.37
General & administrative expenses	7.04	6.22
Total expenditure (A+B)	**16.88**	**13.81**

Profit for the Year

14.9 Operating profit of the Bank (including foreign currency revaluation gain/loss) increased by Taka 30.48 billion (1002.63 percent) to Taka 33.52 billion in FY14 compared to Taka 3.04 billion in FY13.

Other Comprehensive Income

14.10 During the year, the Bank made revaluation gain amounting to Taka 16.43 billion on gold, silver and land. This revaluation gain was taken into other comprehensive income and subsequently transferred to the reserve account. Revaluation gain arose due to increase in value of gold and silver in the international market and increase in value of land after revaluation.

Profit Appropriation

14.11 Out of Taka 33.52 billion, an amount of Taka 0.55 billion were transferred to statutory funds, Taka 13.14 billion to foreign currency revaluation reserve; Taka 0.05 billion to Bangladesh Bank Disaster Management and Social Responsibility Fund and Taka 0.28 billion to asset renewal & replacement reserve. After adjusting loss on reclassification of foreign bonds of Taka 3.85 billion, Taka 15.64 billion were transferrable to the Government. Taka 0.01 billion was adjusted against dues from Government and the remaining amount of Taka 15.63 billion was transferred to the Government account which was less than Taka 20.67 billion from FY13.

Combined Balance Sheet of Banking and Issue Department

Assets

14.12 Foreign currency financial assets increased by Taka 481.80 billion (38.36 percent) to Taka 1737.74 billion in FY14 compared to Taka 1255.94 billion in FY13 due to increase in foreign reserves.

14.13 Local currency financial assets decreased by Taka 177.13 billion (38.17 percent) to Taka 286.95 billion in FY14 compared to Taka 464.08 billion in FY13. The result was mainly due to decrease in loans to Government and investment in repo.

14.14 Non financial assets of the Bank increased by Taka 11.84 billion to Taka 43.18 billion in FY14 from Taka 31.34 billion in FY13.

Liabilities

14.15 Foreign currency financial liabilities increased by Taka 29.46 billion (9.54 percent) to Taka 338.23 billion in FY14 from Taka 308.77 billion in FY13. This increase was due to increase in liabilities with IMF and increase in deposits from banks and financial institutions in the foreign currency clearing account.

Local currency financial liabilities increased by Taka 281.94 billion (22.39 percent) to Taka 1541.44 billion in FY14 compared to Taka 1259.50 billion in FY13 due to increase in notes in circulation, short term borrowings and deposits from banks and financial institutions in local currency.

Notes in Circulation

14.16 Notes in circulation increased by Taka 100.79 billion (13.50 percent) to Taka 847.17 billion in FY14 compared to Taka 746.38 billion in FY13. The liabilities for notes in circulation amounting to Taka 847.17 billion were backed by gold and silver of Taka 6.44 billion, of Taka 800.00 billion balance held outside Bangladesh, Government securities of Taka 10.21 billion, Bangladesh coins of Taka 0.52 billion and other domestic assets of Taka 30.00 billion.

Equity

14.17 Total equity of the Bank increased by Taka 5.11 billion to Taka 188.20 billion in FY14 compared to the previous year of Taka 183.09 billion. The equity of the bank is enumerated below:

i. Capital of the bank remain unchanged at Taka 0.03 billion;

ii. Retained earnings decreased by Taka 25.09 billion to Taka 15.64 billion in FY14 compared to Taka 40.73 billion in FY13;

iii. Revaluation reserve increased by Taka 27.56 billion to Taka 101.12 billion in FY14 compared to Taka 73.56 billion in FY13;

iv. Currency fluctuation reserve increased by Taka 2.00 billion to Taka 26.76 billion in FY14 compared to Taka 24.76 billion in FY13;

v. Balance of statutory fund increased by Taka 0.55 billion to Taka 15.02 billion in FY14 compared to Taka 14.47 billion in FY13;

vi. Non statutory fund decreased to Taka 14.22 billion from Taka 14.23 billion;

vii. Other reserves increased to Taka 11.16 billion from Taka 11.06 billion;

viii. General reserve remained unchanged at Taka 4.25 billion.

Foreign Currency Reserve

14.18 Foreign currency reserve increased by Taka 478.77 billion (40.20 percent) to Taka 1669.67 billion in FY14 compared to Taka 1190.90 billion in FY13.

Consolidation

14.19 During the year, the accounts of Security Printing Corporation (Bangladesh) Ltd. (SPCBL), a 100 percent owned subsidiary of Bangladesh Bank has been consolidated with the accounts of Bangladesh Bank.

Auditors

14.20 The financial statements of Bangladesh Bank for FY14 were audited as per International Standards on Auditing (ISA) by KPMG Lower Gulf Limited, Dubai & Rahman Rahman Huq, Bangladesh, Chartered Accountants

BANGLADESH BANK

AUDITED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 30 JUNE 2014

Report of the Independent Auditors To the Government of the People's Republic of Bangladesh

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements (together referred to as "financial statements") of Bangladesh Bank ("the Bank") and its subsidiary ("the Group"), which comprise the separate and consolidated statements of financial position as at 30 June 2014, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 30 June 2014, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Lower Gulf Limited
Chartered Accountants, Dubai
24 August 2014

Rahman Rahman Huq
Chartered Accountants, Bangladesh

Bangladesh Bank
Consolidated Statement of Financial Position as at 30 June 2014

Assets	Notes	2014 Taka '000	2013 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	501,735,055	400,668,902
Foreign investments	5	933,017,193	619,498,073
Assets held with International Monetary Fund	6	148,468,110	129,535,058
Gold and silver	7	25,283,678	30,888,999
Claims from gold transactions	8	19,451,963	9,888,170
Foreign currency loans to banks	9	105,186,763	62,201,818
Other foreign currency financial assets	10	4,595,253	3,257,453
Total foreign currency financial assets		**1,737,738,015**	**1,255,938,473**
Local currency financial assets			
Taka coin and cash balances	11	1,356,424	912,090
Securities purchased under agreement to resell	12	980,000	32,690,170
Loans to the Government of Bangladesh	13	168,861,943	304,676,986
Local currency investments	14	8,385,472	8,221,755
Local currency loans to banks, financial institutions and employees	15	109,704,694	118,056,512
Other local currency financial assets	16	1,145,214	2,337,873
Total local currency financial assets		**290,433,747**	**466,895,386**
Total financial assets		**2,028,171,762**	**1,722,833,859**
Non-financial assets			
Property, plant and equipment	17	46,440,822	29,240,605
Intangible assets	18	678,242	911,915
Other non-financial assets	19	6,407,845	6,643,867
Total non-financial assets		**53,526,909**	**36,796,387**
Total assets		**2,081,698,672**	**1,759,630,246**
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Foreign currency deposits from banks and financial institutions	20	149,897,536	140,040,206
Liabilities with International Monetary Fund	6	188,331,836	168,729,820
Total foreign currency financial liabilities		**338,229,372**	**308,770,026**
Local currency financial liabilities			
Notes in circulation	21	847,170,600	746,382,564
Short term borrowings	22	57,664,690	49,830,996
Local currency deposits from banks and financial institutions	23	443,782,003	371,149,908
Other local currency financial liabilities	24	193,316,773	92,953,477
Total local currency financial liabilities		**1,541,934,067**	**1,260,316,945**
Total liabilities		**1,880,163,439**	**1,569,086,971**
Equity			
Capital	25	30,000	30,000
Retained earnings	32	22,525,327	46,493,169
Revaluation reserves	26	107,116,613	74,903,095
Currency fluctuation reserve	27	26,760,236	24,759,279
Statutory funds	28	15,017,046	14,467,046
Non statutory funds	29	14,222,452	14,226,290
Other reserves	30	11,163,059	11,063,896
General reserve	31	4,700,500	4,600,500
Total equity		**201,535,233**	**190,543,275**
Total liabilities and equity		**2,081,698,672**	**1,759,630,246**

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan General Manager Accounts & Budgeting Department	Md. Abul Quasem Deputy Governor	Dr. Atiur Rahman Governor

Bangladesh Bank
Separate Statement of Financial Position as at 30 June 2014

Assets	Notes	2014 Taka '000	2013 Taka '000
Foreign currency financial assets			
Foreign currency accounts	4	501,735,055	400,668,902
Foreign investments	5	933,017,193	619,498,073
Assets held with International Monetary Fund	6	148,468,110	129,535,058
Gold and silver	7	25,283,678	30,888,999
Claims from gold transactions	8	19,451,963	9,888,170
Foreign currency loans to banks	9	105,186,763	62,201,818
Other foreign currency financial assets	10	4,595,253	3,257,453
Total foreign currency financial assets		**1,737,738,015**	**1,255,938,473**
Local currency financial assets			
Taka coin and cash balances	11.01	546,240	387,053
Securities purchased under agreement to resell	12	980,000	32,690,170
Loans to the Government of Bangladesh	13	168,861,943	304,676,986
Local currency investments	14.01	7,005,000	7,040,000
Local currency loans to banks, financial institutions and employees	15.01	108,628,077	117,087,464
Other local currency financial assets	16.01	929,682	2,199,827
Total local currency financial assets		**286,950,942**	**464,081,500**
Total financial assets		**2,024,688,957**	**1,720,019,973**
Non-financial assets			
Property, plant and equipment	17.01	38,700,785	26,192,222
Intangible assets	18	678,242	911,915
Other non-financial assets	19.01	3,800,104	4,232,592
Total non-financial assets		**43,179,131**	**31,336,729**
Total assets		**2,067,868,089**	**1,751,356,702**
Liabilities & Equity			
Liabilities			
Foreign currency financial liabilities			
Foreign currency deposits from banks and financial institutions	20	149,897,536	140,040,206
Liabilities with International Monetary Fund	6	188,331,836	168,729,820
Total foreign currency financial liabilities		**338,229,372**	**308,770,026**
Local currency financial liabilities			
Notes in circulation	21	847,170,600	746,382,564
Short term borrowings	22	57,664,690	49,830,996
Local currency deposits from banks and financial institutions	23	443,782,003	371,149,908
Other local currency financial liabilities	24.01	192,817,857	92,137,645
Total local currency financial liabilities		**1,541,435,151**	**1,259,501,113**
Total liabilities		**1,879,664,523**	**1,568,271,139**
Equity			
Capital	25	30,000	30,000
Retained earnings	32.01	15,643,831	40,733,254
Revaluation reserves	26.01	101,116,443	73,555,298
Currency fluctuation reserve	27	26,760,236	24,759,279
Statutory funds	28	15,017,046	14,467,046
Non statutory funds	29	14,222,452	14,226,290
Other reserves	30	11,163,059	11,063,896
General reserve	31.01	4,250,500	4,250,500
Total equity		**188,203,567**	**183,085,563**
Total liabilities and equity		**2,067,868,089**	**1,751,356,702**

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan General Manager Accounts & Budgeting Department	Md. Abul Quasem Deputy Governor	Dr. Atiur Rahman Governor

Bangladesh Bank
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

Income	Notes	2014 Taka '000	2013 Taka '000
Income on foreign currency financial assets			
Interest income on foreign currency financial assets	33	10,059,966	10,851,622
Commission and discounts on foreign currency financial assets	34	59,012	132,160
Loss on foreign currency financial assets		(24,989)	(453,441)
Total income on foreign currency financial assets		**10,093,989**	**10,530,341**
Income on local currency financial assets			
Interest income on local currency financial assets	36	26,119,080	44,424,947
Commission and discounts on local currency financial assets	37	1,191,498	360,455
Sales to other parties by subsidiary		2,017,634	2,232,875
Other income on local currency financial assets		184,838	285,616
Total income on local currency financial assets		29,513,049	47,303,893
Realised foreign exchange revaluation gain		2,000,957	2,196,927
Unrealised foreign exchange revaluation gain/(loss)		11,139,987	(40,676,687)
Total income		52,747,982	19,354,474
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense on foreign currency financial liabilities	35	(195,267)	(290,541)
Commission and other expenses on foreign currency financial liabilities		(47,784)	(61,334)
Total expenses on foreign currency financial liabilities		**(243,051)**	**(351,875.00)**
Expenses on local currency financial liabilities			
Interest expense on local currency financial liabilities	38	(2,862,738)	(1,148,070)
Commission and other expenses on local currency financial liabilities	39	(2,854,002)	(2,723,926)
Total expenses on local currency financial liabilities		**(5,716,740)**	**(3,871,996)**
Other expenses			
General and administrative expenses	40	(12,245,517)	(11,194,373)
Total other expenses		**(12,245,517)**	**(11,194,373)**
Total expenses		**(18,205,308)**	**(15,418,243)**
Profit for year		**34,542,674**	**3,936,230**
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		4,099,233	(16,574,604)
Silver revaluation gain/(loss)		21,698	(136,807)
Property, plant and equipment revaluation gain		17,161,372	-
Total other comprehensive income		**21,282,303**	**(16,711,411)**
Total comprehensive income for year		**55,824,977**	**(12,775,181)**

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan General Manager Accounts & Budgeting Department	Md. Abul Quasem Deputy Governor	Dr. Atiur Rahman Governor

Bangladesh Bank
Separate Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

Income	Notes	2014 Taka '000	2013 Taka '000
Income on foreign currency financial assets			
Interest income on foreign currency financial assets	33	10,059,966	10,851,622
Commission and discounts on foreign currency financial assets	34	59,012	132,160
Loss on foreign currency financial assets		(24,989)	(453,441)
Total income on foreign currency financial assets		**10,093,989**	**10,530,341**
Income on local currency financial assets			
Interest income on local currency financial assets	36.01	25,789,022	44,180,442
Commission and discounts on local currency financial assets	37	1,191,498	360,455
Dividend income	14.02	25,000	-
Other income on local currency financial assets		165,889	261,938
Total income on local currency financial assets		**27,171,408**	**44,802,835**
Realised foreign exchange revaluation gain		2,000,957	2,196,927
Unrealised foreign exchange revaluation gain/(loss)		11,139,987	(40,676,687)
Total income		**50,406,341**	**16,853,416**
Expenses			
Expenses on foreign currency financial liabilities			
Interest expense on foreign currency financial liabilities	35	(195,267)	(290,541)
Commission and other expenses on foreign currency financial liabilities		(47,784)	(61,334)
Total expenses on foreign currency financial liabilities		**(243,051)**	**(351,875)**
Expenses on local currency financial liabilities			
Interest expense on local currency financial liabilities	38	(2,862,738)	(1,148,070)
Commission and other expenses on local currency financial liabilities	39	(2,854,002)	(2,723,926)
Total expenses on local currency financial liabilities		**(5,716,740)**	**(3,871,996)**
Other expenses			
Note printing expenses		(3,885,924)	(3,369,886)
General and administrative expenses	41	(7,042,372)	(6,215,608)
Total other expenses		**(10,928,297)**	**(9,585,494)**
Total expenses		**(16,888,087)**	**(13,809,365)**
Profit for year		**33,518,254**	**3,044,051**
Items that may be subsequently reclassified to profit or loss			
Other comprehensive income			
Gold revaluation gain/(loss)		4,099,233	(16,574,604)
Silver revaluation gain/(loss)		21,698	(136,807)
Property, plant and equipment revaluation gain		12,311,838	-
Total other comprehensive income		**16,432,769**	**(16,711,411)**
Total comprehensive income for year		**49,951,023**	**(13,667,360)**

The accompanying notes from 1 to 56 form an integral part of these financial statements.

Badrul Haque Khan General Manager Accounts & Budgeting Department	Md. Abul Quasem Deputy Governor	Dr. Atiur Rahman Governor

Bangladesh Bank
Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

Taka '000

Particulars	Non - distributable										Distributable	Total
	Capital	Revaluation reserve			Currency fluctuation reserve	Statutory fund	Non-statutory funds	Other reserves			Retained earnings	
		Gold and silver	Foreign currency accounts	Property, plant & equipment				Asset renewal & replacement reserve	Interest reserve	General reserve		
Balance as at 1 July 2012	**30,000**	**28,141,123**	**89,550,848**	**23,556,886**	**22,562,352**	**13,917,046**	**14,266,067**	**2,517,324**	**8,258,328**	**4,500,500**	**41,710,052**	**249,010,526**
Dividend paid for 2011-2012	-	-	-	-	-	-	-	-	-	-	(36,742,319)	(36,742,319)
Transferred to other funds	-	-	-	-	-	-	-	-	-	100,000	(100,000)	-
Total comprehensive income for the year	-	(16,711,413)		-	-	-	-	-	-	-	44,612,919	(12,775,181)
Appropriation of profit to other funds	-	-	(40,676,687)	-	2,196,927	550,000	-	191,506	62,100	-	(3,000,533)	-
Adjustment against revaluation	-	-	(8,922,619)	(35,043)	-	-	(39,777)	34,638	-	-	13,050	(8,949,751)
Balance as at 30 June 2013	**30,000**	**11,429,710**	**39,951,542**	**23,521,843**	**24,759,279**	**14,467,046**	**14,226,290**	**2,743,468**	**8,320,428**	**4,600,500**	**46,493,169**	**190,543,275**
Dividend paid for 2012-2013	-	-	-	-	-	-	-	-	-	-	(36,302,026)	(36,302,026)
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	(4,368,179)	(4,368,179)
Transfer to general reserve	-	-	-	-	-	-	-	-	-	100,000	(100,000)	-
Transfer to other funds	-	-	-	(197,161)	-	-	-	-	-	-	147,161	(50,000)
Total comprehensive income for the year	-	4,120,931	11,139,987	17,161,372	2,000,957	550,000	50,000	279,000	(191,855)	-	20,714,584	55,824,977
Adjustment against revaluation	-	-	-	(11,611)	-	-	(53,838)	12,018	-	-	(20,775)	(74,206)
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	(4,038,607)	(4,038,607)
Balance as at 30 June 2014	**30,000**	**15,550,641**	**51,091,529**	**40,474,443**	**26,760,236**	**15,017,046**	**14,222,452**	**3,034,486**	**8,128,573**	**4,700,500**	**22,525,327**	**201,535,233**

Bangladesh Bank
Separate Statement of Changes in Equity
For the year ended 30 June 2014

Taka '000

Particulars	Non - distributable										Distributable	Total
		Revaluation reserve						Other reserves				
	Capital	Gold and silver	Foreign currency accounts	Property, plant & equipment	Currency fluctuation reserve	Statutory fund	Non-statutory funds	Asset renewal & replacement reserve	Interest reserve	General reserve	Retained earnings	
Balance as at 1 July 2012	**30,000**	**28,141,123**	**89,550,848**	**22,209,089**	**22,562,352**	**13,917,046**	**14,266,067**	**2,517,324**	**8,258,328**	**4,250,500**	**36,742,319**	**242,444,996**
Dividend paid for 2011-2012	-	-	-	-	-	-	-	-	-	-	(36,742,319)	(36,742,319)
Total comprehensive income for the year	-	(16,711,413)	(40,676,687)	-	-	-	-	-	-	-	43,720,740	(13,667,360)
Appropriation of profit to other funds	-	-	-	-	2,196,927	550,000	-	191,506	62,100	-	(3,000,533)	-
Adjustment against revaluation	-	-	(8,922,619)	(35,043)	-	-	(39,777)	34,638	-	-	13,047	(8,949,754)
Balance as at 30 June 2013	**30,000**	**11,429,710**	**39,951,542**	**22,174,046**	**24,759,279**	**14,467,046**	**14,226,290**	**2,743,468**	**8,320,428**	**4,250,500**	**40,733,254**	**183,085,563**
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	(4,368,179)	(4,368,179)
Transferred to other funds	-	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)
Dividend paid for 2012-2013	-	-	-	-	-	-	-	-	-	-	(36,302,026)	(36,302,026)
Total comprehensive income for the year	-	4,120,931	11,139,987	12,311,838	2,000,957	550,000	50,000	279,000	(191,855)	-	19,690,164	49,951,023
Adjustment against revaluation	-	-		(11,611)	-	-	(53,838)	12,018	-	-	(20,775)	(74,206)
Prior year adjustment											(4,038,607)	(4,038,607)
Balance as at 30 June 2014	**30,000**	**15,550,641**	**51,091,529**	**34,474,273**	**26,760,236**	**15,017,046**	**14,222,452**	**3,034,486**	**8,128,573**	**4,250,500**	**15,643,831**	**188,203,567**

Bangladesh Bank
Consolidated Cash Flow Statement
For the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
Cash flows from operating activities		
Interest received	28,892,992	42,000,220
Interest paid	(3,058,005)	(1,438,611)
Received from customer	2,017,634	2,232,875
Fees, commission and other income received	1,435,347	743,185
Commission and discounts paid	(2,901,786)	(2,785,260)
Payments to employees and suppliers	(12,526,798)	(10,720,582)
Funds advanced from/(to) banks and employees	8,070,164	(6,228,494)
Decrease/(increase) in other assets	282,926	(384,785)
Currency issued	100,787,983	104,375,125
Increase in other liabilities	93,439,392	34,131,386
Net cash from operating activities	**216,439,849**	**161,925,059**
Cash flows from investing activities		
Investment income received	5,800,645	11,640,693
Increase in foreign treasury bills and bonds	(194,751,026)	(106,069,294)
Increase in other investments	(41,700,679)	(21,716,624)
Decrease in Government securities	135,815,043	68,390,882
Increase/(decrease) in foreign currency investment	13,140,944	(38,479,760)
Decrease in investments in debenture	33,333	33,333
Additions to property, plant and equipment	(899,806)	(1,350,063)
Settlement of liabilities with IMF	668,964	(13,073,812)
Net cash used in investing activities	**(81,892,582)**	**(100,624,645)**
Cash flows from financing activities		
Dividend paid to Governement of Bangladesh	(36,302,026)	(36,742,319)
Net cash from financing activities	**(36,302,026)**	**(36,742,319)**
Net increase in cash and cash equivalents	**98,245,240**	**24,558,095**
Cash and cash equivalents as at 1 July	234,360,626	209,802,531
Cash and cash equivalents as at 30 June	**332,605,866**	**234,360,626**
Cash and cash equivalents include		
Foreign currency accounts	501,735,055	400,668,902
Foreign investments with maturity of three months or less	479,878,616	361,110,521
Taka coin and cash balances	1,356,424	912,143
Securities purchased under agreement to resell	980,000	32,690,170
Foreign currency deposits from banks and financial institutions	(149,897,536)	(140,040,206)
Short term borrowings	(57,664,690)	(49,830,996)
Deposits from banks and financial institutions	(443,782,003)	(371,149,908)
	332,605,866	**234,360,626**

Bangladesh Bank
Cash Flow Staement
For the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
Cash flows from operating activities		
Interest received	28,640,420	41,815,572
Interest paid	(3,058,005)	(1,438,611)
Fees, commission and other income received	1,416,398	719,507
Commission and discounts paid	(2,901,786)	(2,785,260)
Payments to employees and suppliers	(9,802,448)	(9,238,128)
Funds advanced from/(to) banks and employees	8,177,733	(5,987,215)
Decrease/(increase) in other assets	479,392	(561,119)
Currency issued	100,787,983	104,375,125
Increase in other liabilities	92,149,220	34,290,350
Net cash from operating activities	**215,888,908**	**161,190,221**
Cash flows from investing activities		
Dividends received	25,000.00	-
Investment income received	5,800,644.68	11,640,693
Increase in foreign treasury bills and bonds	(194,751,026.00)	(106,069,293)
Increase in other investments	(41,503,629.00)	(21,126,174)
Decrease in Government securities	135,815,043.01	68,390,882
Increase/(decrease) in foreign currency investment	13,140,944.31	(38,479,760)
Decrease in investments in debenture	35,000.00	33,333
Additions to property, plant and equipment	(857,729.30)	(1,266,035)
Settlement of liabilities with IMF	668,964.02	(13,073,812)
Net cash used in investing activities	**(81,626,788)**	**(99,950,166)**
Cash flows from financing activities		
Dividend paid to Governement of Bangladesh	(36,302,026.00)	(36,742,319)
Net cash from financing activities	**(36,302,026)**	**(36,742,319)**
Net increase in cash and cash equivalents	**97,960,093.39**	**24,497,736**
Cash and cash equivalents as at 1 July	233,835,589.00	209,337,853
Cash and cash equivalents as at 30 June	**331,795,682**	**233,835,589**
Cash and cash equivalents includes		
Foreign currency accounts	501,735,055	400,668,902
Foreign investments with maturity of three months or less	479,878,616	361,110,521
Taka coin and cash balances	546,240	387,106
Securities purchased under agreement to resell	980,000	32,690,170
Foreign currency deposits from banks and financial institutions	(149,897,536)	(140,040,206)
Short term borrowings	(57,664,690)	(49,830,996)
Deposits from banks and financial institutions	(443,782,003)	(371,149,908)
	331,795,682	**233,835,589**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

1. Reporting entity

Bangladesh Bank ("the Bank"), a body corporate, is the Central Bank of Bangladesh, established on the 16th day of December, 1971 under the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) to manage the monetary and credit system of Bangladesh with a view to stabilise domestic monetary value and maintain a competitive external par value of the Bangladesh Taka towards fostering growth and development of the country's productive resources in the best national interest. The Bank is domiciled in Bangladesh and the head office of the Bank is situated at Motijheel Commercial Area, Dhaka.

The main functions of the Bank as per Article 7A of Bangladesh Bank Order, 1972 are:
- to formulate and implement monetary policy;
- to formulate and implement intervention policies in the foreign exchange market;
- to give advice to the Government on the interaction of monetary policy with fiscal and exchange rate policy, on the impact of various policy measures on the economy and to propose legislative measures it considers necessary or appropriate to attain its
- to hold and manage the official foreign reserves of Bangladesh;
- to promote, regulate and ensure a secure and efficient payment system, including the issue of bank notes; and
- to regulate and supervise banking companies and financial institutions.

The entire share capital of the Bank had been allotted to the Government of Bangladesh as per Aritcle 4(2) of Bangladesh Bank Order, 1972.

The Bank and its subsidiary, Securities Printing Corporation (Bangladesh) Ltd ("SPCL"), are collectively referred to as "the Group". Refer to note 3.01(a) and 14.02.

2. Basis of preparation

2.01 Statement of compliance

The consolidated and separate financial statements ("financial statements") of the Bank and its fully owned subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

2.02 Basis of measurement

The financial statements are prepared on a historical cost basis except for the following material items in the Consolidated and Separate Statements of Financial Position ("Statement of Financial Position"):

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

- Gold, silver and claims from gold transactions are measured at fair value;
- Property, plant and equipment are measured at fair value;
- Liability for the defined benefit obligation is recognised as the present value of the defined benefit obligation;
- US Dollar treasury bills, foreign bonds are measured at fair value; and
- Govt. treasury bonds and bills, debentures - House Building Finanace Corporation and shares of ICB Islamic Bank limited are measured at fair value.

2.03 Functional and presentation currency

The financial statements are presented in Bangladesh Taka (Taka/Tk/BDT), which is the Group's functional and presentation currency. Except as indicated, financial information presented in Bangladesh Taka has been rounded off to the nearest thousand.

2.04 Relationship between issue department and banking department

Under the Bangladesh Bank Order, 1972, the issue of bank notes shall be conducted by the Bank in an Issue Department, which shall be separated and kept wholly distinct from the Banking Department. The Issue Department is solely concerned with the note issue and the assets backing the issue. The Banking Department comprises all other activities of the Bank. The separation into departments is made within the Bank and reports on both the Banking and Issue departments (together referred as "statement of affairs") are made internally and to the Ministry of Finance throughout the year. The annual financial statements are prepared on a combined basis to include all the assets and liabilities of the Bank. The assets backing the note issue at the year end are disclosed in note 21.

2.05 Use of estimates and judgments

Preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on going concern basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Estimates, judgements and assumptions are made for impairments of loans, fair value of securities, assessment of fair value hierarchy, fair valuation of property, plant and equipment, economic lives of assets for calculation of depreciation and for calculation of provision for post retirement benefits like pension, gratuity and leave encashment and assumptions used in the acturial valuations of defined benefit plans.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

2.06 Comparatives

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires an entity to correct material prior period errors retrospectively by restating the comparatives amounts for prior period presented in which the error occurred. Hence the following corrections of errors were made to the comparative information in the financial statements with no effects on the financial statements as at 30 June 2014;- Reclassification of financial assets of Tk. 221 billion from fair value through profit or loss to held-to-maturity as at 30 June 2013.

Given the impractibility of determining the period specific effects of the above errors, only the prior period comparatives have been restated.

3 Significant accounting policies

Accounting policies set out below have been applied consistently except policy notes 3.29 to all periods presented in these financial statements by Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation.

3.01 Basis of consolidation

(a) Subsidiary

Subsidiary is an enterprise controlled by the parent entity. Control exists if and only if the parent has power over an entity, exposure or rights to variable retures from its involvements with the entity, the ability to use its power over the entity to affect the amount of its returns. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Security Printing Corporation (Bangladesh) Ltd. ("the Subsidiary") is the wholly owned subsidiary of Bangladesh Bank. It is responsible for printing and supplying Bangladesh Bank with currency notes based on the requirements from time to time. The subsidiary sells these notes to Bangladesh Bank at a specified mark-up agreed beforehand between Bangladesh Bank and subsidiary. Security Printing Corporation (Bangladesh) Ltd. also sells other security products to other parties.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the subsidiary are eliminated to the extent of the Group’s interest in the subsidiary. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

3.02 Foreign currency transactions

Transactions in foreign currencies are translated to Taka at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Taka at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Taka at foreign exchange rates ruling at the dates the fair values were determined and exchange difference are recognised in other comprehensive income. At the reporting date the exchange rate of Taka against major foreign currencies held by the Group used in preparing the financial statements were as follows:

Exchange rates	2014 Taka	2013 Taka
US Dollar	77.6300	77.7593
Australian Dollar	73.1973	71.0565
Canadian Dollar	72.7827	73.9087
EURO	106.3065	101.1804
Pound Sterling	132.8249	118.2252
CNY	12.5107	12.6782
JPY	0.7663	0.7834
SDR	120.0082	116.9500

3.03 Financial assets and liabilities

Financial assets comprise foreign currency accounts, foreign investments, assets held with International Monetary Fund ("IMF"), gold and silver, claims on gold transactions, foreign currency loans to banks, other foreign currency financial assets, taka coin and cash balances, securities purchased under agreement to resell, loans to Government of Bangladesh, local currency investments, local currency loans to banks, financial institutions and employees and other local currency financial assets.

Financial liabilities comprise deposits from banks and financial institutions, liabilities with IMF, notes in circulation, short term borrowings and other local currency financial liabilities.

(a) Recognition and initial measurement

Loans and advances are initially recognised in the Statement of Financial Position on the date they are originated. Regular way purchases or sales of financial assets are recognised or derecognised, as applicable, on the settlement date at which the assets

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

are received or, as the case may be, delivered by the Group. All other financial assets and liabilities are initially recognised when the Group becomes party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

(b) Classification and subsequent measurement

Classification of financial assets and liabilities for purposes of measurement subsequent to initial recognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement are made in the following manner:

(1) Financial assets and financial liabilities at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss are either:

- classified as held for trading; or
- designated by the Group as at fair value through profit or loss upon initial recognition.

Financial assets or financial liabilities are classified as held for trading if:

- they are acquired or incurred principally for the purpose of selling or purchasing them in the near term;
- on initial recognition they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- they are derivatives (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

The Group designates financial assets and liabilities at fair value through profit or loss in the following circumstances:

- designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- assets or liabilities contains an embedded derivative that significantly modifies the cash flow that would otherwise be required under the contract.

(2) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than:

- those that are upon initial recognition designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

A sale or reclassification of a more than insignificant amount of held-to-maturity investements would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassification that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value
- sales or reclassification after the Group has collected substantially all of the asset's original principal; and
- sales or reclassification attributable to non-recurring islolated events beyond the Group's control that could not have been reasonably anticipated.

Treasury bills and bonds of the Government of Bangladesh, foreign bonds, US dollar treasury bills and investment in debentures are classified as held to maturity investments.

As a part of Central Bank's functions for sound and smooth operation of monetary policy activities, some Government treasury bonds which were initialy classified as held to maturity investments were reclassified as held for trading financial asset as per decision of the competent authority. In the current year, all held-to-maturity investments and held for trading financial assets have been reclassifed as available-for-sale. Refer to note 2.06.

(3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- those that the Group intends to sell immediately or in near term, which are classified as held for trading, and those that the Group has, upon initial recognition, designated as at fair value through profit or loss;
- those that the Group has, upon initial recognition, designated as available for sale; or
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available for sale.

Loans and receivables are initially measured at fair value plus transaction cost directly attributable to the acquisition of the financial assets, and subsequently measured at their amortised cost using the effective interest method.

Taka coin and cash balances, foreign currency accounts, short term investments with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, ways and means advances, overdraft block and current

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

loans to Government of Bangladesh, securities purchased under agreement to resell, local currency loans to banks, financial institutions and employees and other local currency financial assets are classified as loans and receivables.

(4) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that the Group has designated as available for sale or has not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss or (d) trading assets and liabilities.

Swift shares, gold and silver, claims from gold transactions and shares of ICB Islamic Bank Limited are classified as available-for-sale financial assets. Swift shares are measured at cost as there is no quoted market price for these shares. Shares of Security Printing Corporation (Bangladesh) Ltd. (SPCL) are measured at cost in the separate financial statement of the Bank in accordance with IAS 27 *Separate Financial Statements.*

(5) Financial liabilities carried at amortised cost

Short-term borrowings, notes in circulation, deposits from banks and financial institutions and liabilities with IMF are classified as financial liabilities carried at amortised cost.

(c) Amortised cost measurement principles

Amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, minus any reduction for impairment or uncollectibility.

Effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial intruments, and any revisions to these estimates are recognised in profit or loss. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums and discounts.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

(d) *Fair value measurement principles*

Policy applicable from 1 January 2013

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arms length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other observable current market data.

Assets and long positions are measured at bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in statement of other comprehensive income and subsequently transfered to equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the statement of profit or loss. Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

are recognised in the statement of profit or loss. Gains and losses on subsequent measurement of loans and receivables and held to maturity financial instruments are recognised in the statement of profit or loss.

(f) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of profit or loss.

Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, claims from gold transactions and repurchase transactions. Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Available-for-sale financial assets and financial assets held for trading that are de-recognised when sold and corresponding receivables from the buyer for the payment are recognised when the asset is delivered to the buyer.

Held-to-maturity instruments and loans and receivables are de-recognised on the day they are repaid in full by the debtor or are deemed to be completely uncollectible.

(g) Identification and measurement of impairment

Financial assets not carried at fair value through profit or loss are reviewed at each reporting date to determine whether there is objective evidence of impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has an impact on the future cash flows that can be estimated reliably.

Evidence of impairment is considered at both a specific asset level and collective level. All individually significant financial assets are assessed for specific impairment. All

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of the borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the statement of profit or loss.

(h) Off-setting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when the Group has a legal right to set off the amounts and it intends to settle on a net basis.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading actvities.

3.04 Foreign currency accounts

Foreign currency accounts comprise balances held in the current accounts maintained with different central banks and foreign commercial banks in the designated foreign currency. These are measured at each reporting date by translating to the functional currency at the exchange rates prevailing on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts and currency fluctuation reserve (refer to note 3.26 for accounting policy on foreign exchange gain/loss).

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

3.05 Foreign investments

Foreign investments comprise short term interest bearing deposits held with overseas commercial banks for periods ranging from 1 to 3 months in designated foreign currencies, US dollar and Euro treasury bills purchased at a discount and interest bearing foreign bonds. These are measured each reporting date by translating the amortised cost in foreign currency to the functional currency at the exchange rate on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred from retained earnings to revaluation reserve - foreign currency accounts.

3.06 Other foreign currency financial assets

Other foreign currency financial assets comprise Swift shares and accrued interest and dividend thereof. Swift shares have no quoted market price, and are measured at cost.

3.07 Taka coin and cash balances

Taka coin and cash balances represents the face value of unissued one and two taka coins and notes held by the Bank purchased from the Government at respective face values, cash and cash equivalents held with SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

3.08 Loans to the Government of Bangladesh

Loans to the Government of Bangladesh ("the Government") consist of "Ways and Means" advances, as well as credit facilities in the form of overdraft (block and current), and Government treasury bills and bonds.

Ways and Means advance

When total payments to the Government exceed total deposits from the Government, the excess of payment over receipt, with a limit not exceeding Tk.40,000 million (2013: Tk. 20,000 million), is treated as Ways and Means advance with interest being charged thereon at the repo rate. Ways and Means advance is realised only after realisation of Government overdraft-current account balance in full.

Overdraft-current and block

Government borrowing in excess of the Tk. 40,000 million limit set for ways and means advances are recognised as overdraft-current. Interest is charged thereon at a rate one percent higher than the repo rate. Any recovery or surplus realised by the Bank from the Government is first applied to the overdraft-current account balance. Any surplus remaining after adjustment of the overdraft-current balance in full then applied to the ways and means advance.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Overdraft block was formerly known as Government treasury bills. At the beginning of the financial year 2006-2007 the balance of Government treasury bills were transferred to overdraft-block account. From the financial year 2007 and onwards an amount of Taka 15,000 million are being repaid every year by the Government.

Treasury bills and bonds

Government treasury bills and bonds are the securities which are purchased and held by the Bank when commercial banks and financial institutions do not purchase them from the Government. These are measured at fair value at each financial position date.

3.09 Local currency investments

Group investment comprises investment in debenture of House Building Finance Corporation (HBFC), short term deposit with local commercial banks and in shares of the ICB Islamic Bank Ltd. Investment in debentures and investment in shares are measured at fair value.

3.10 Local currency loans to banks, financial institutions and employees

These comprise loans to state-owned commercial and specialised banks, other scheduled banks and financial institutions and loans to Bangladesh Bank employees. These are reported net of allowances for loan impairment losses.

3.11 Gold and silver

Physical gold and silver holdings are stored at Bank of England and Motijheel branch of the Bank respectively. These holdings are stated at market value. Valuation gains and losses are reported under gold revaluation gain and silver revaluation gain in other comprehensive income. The gain or loss is then transferred to a revaluation reserve in statement of changes in equity.

In managing its investment portfolio, the Bank lends part of its gold holdings to first-class foreign financial institutions. It receives interest in return. Gold lending transactions are effected on a secured basis. The gold price risk remains with the Bank. Gold loans are entered in the statement of financial position under ‘claims from gold transactions’ and measured at market value. The interest accrual is recognised under ‘Interest income - foreign currency operations’.

3.12 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost and subsequently carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and subsequent impairment losses.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Land and buildings, appearing as items of property, plant and equipment are used for its operating, administrative and staff's residence purposes.

(b) Revaluation

If an asset’s carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer. The Bank has a policy to revalue all items of property, plant and equipment every five years.

The Subsidiary's property, plant and equipment were revalued as at 1 July 2013 by an independent valuer. The revalued property, plant and equipment reflecting the fair values of the assets are incorporated in the consolidated financial statements.

Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

(i) Land was revalued on a reasonable approximation basis. The valuer applied their knowledge of recorded land sales in the respective areas to land measurement established at last valuation.
(ii) Buildings, capital work in progress, electrical installation and gas installation were revalued on the basis of fair values of materials, labour and direct overheads used in construction and installation.
(iii) Mechanical equipment, fixture and fittings and motor vehicles were revalued on the basis of replacement costs.

(c) Subsequent costs

Cost of replacing a part of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of profit or loss as incurred.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

(d) Capital work in progress

Capital work in progress is recognised when it is incurred and depreciated after the completion of the project.

(e) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.Depreciation is calculated to allocate the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the cost of another asset. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Bank	Subsidiary (SPCL)
Building and other construction	5%	2.5% - 20%
Mechanical and office equipment	10%	5% - 20%
Computer and networking	20%	-
Fixture and fittings	10%	10%
Motor vehicles	20%	20%
Electrical installation	20%	-
Gas installation	20%	-

3.13 Intangible assets

Software acquired by the Group is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

The estimated useful life of software for the current and comparative periods is five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.14 Securities borrowing, lending business and repurchase transactions

In course of its financial market operations, the Bank engages in repurchase agreements involving Government treasury bills and bonds (which is used as a collateral for repurchase transactions). When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the financial statements. Similarly, when commercial banks sell a financial asset to the Bank and simultaneously enter into an agreement to repurchase the asset at a fixed price on a future date, the agreement is accounted for as a loan, and the underlying asset is not recognised in the financial statements.

3.15 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by an employee. Employee benefits are recognised as:

(a) a liability (accrued expense) when an employee has provided service in exchange for employee benefits to be paid in the future; and

(b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

3.16 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, medical allowances, profit sharing plans or any others are charged as expenses in the statement of comprehensive income.

3.17 Post employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. The Group operates a number of post-employment benefit plans and recognises expenses from these plans in the statement of profit or loss.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

assets to pay all employee benefits relating to employee service in the current and prior periods.

(i) Contributory provident fund

Bank and employees contribute to the fund, which invests in various securities. The Bank commits a return of 13% on the balance of the contributed amount. In the event that the return from securities is lower than the committed return of 13%, the shortfall, if any, would be paid by the Bank and is recognised in the statement of profit or loss. Bank's obligations for contributions to the above fund are recognised as an expense in the statement of profit or loss as incurred.

(b Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

(i) General provident fund

Employees contribute at various rates of their basic salaries to the fund. No contributions are made by the Bank for the above fund. The provident fund invests in various securities and the Bank has committed a return of 13% (2013: 12.5%). Any shortfall in the return from investments is funded by the Bank by charging in its statement of profit or loss.

(ii) Pension scheme

Employees are entitled to pension amounting to maximum of 80% of their last basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of Taka 230 (2013: Taka 200) per Taka 1 surrendered from the pension. Employees may choose to surrender the remaining 50% for a lump sum payment computed at the rate of Taka 115 (2013: Taka 100) per Taka 1 or to receive their pension monthly over the remaining lifetime.

All employees irrespective of joining date are entitled to medical allowance in cash (Taka 700 per month upto age 65 years and Taka 1,000 after 65 years) even after retirement as prescribed by the Government.

The Bank actuarially valued its pension liabilities as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income.

(iii) Gratuity scheme

On retirement the employees are entitled to receive two months of final basic salary for every year of service. Bank actuarially valued its gratuity scheme and

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

measured its liability for as at 30 June 2012. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of profit or loss when the plan amendment or curtailment occurs.

(iv) Leave encashment

Those employees who have unutilised leave up to one year or more at the time of retirement age of 59 are allowed to leave with salary for one year. The remaining unutilised leave is encashed (maximum twelve months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

3.18 Other long-term employee benefits

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period in which the employees render the related service. All employees after retirement are entitled a maximum of Taka 1,000 per year in the form of medicine.

3.19 Provisions

Provisions are recognised in respect of restructuring, redundancy and legal claims arising from past events where it is probable that an outflow of resources will be required to settle the obligations and the amount can be reliably estimated.

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations a reliable estimate can be made of the amount of the obligation. A legal obligation is an obligation that derives from a contract, legislation or other operation of law. A constructive obligation is an obligation that derives from an entity's actions such as by an established pattern of past practice published policies etc. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate and any changes in the estimates are applied prospectively.

3.20 Notes in circulation

Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in the financial statements.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

3.21 Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. Grants related to purchase of assets are treated as deferred income and allocated to the statement of profit or loss over the useful lives of the related assets.

3.22 Interest income and expenses

Interest income and expenses are recognised in the statement of profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

3.23 Commission and discounts

Commission income arises on instruments issued by the Group, long outstanding entries of the sundry accounts, sale proceeds of sundry items, car and bus fares realised from the staff and other miscellaneous items.

3.24 Dividend income

Dividend income is recognised in the separate financial statements of the Bank when the right to receipt of income is established.

3.25 Foreign exchange gain/loss

Realised foreign exchange gain/loss is calculated using average cost methodology. At the end of each month, the change in the average cost balance is calculated on a currency by currency basis by applying (a) where there is a net increase in the currency position, the increase to the average value is the average rate for the month multiplied by the currency amount of the increase and (b) where there is a net decrease in the currency position, the decrease to the average value is calculated by the applying the opening average rate to the carrying amount of the decrease. The difference between the book value at the period end exchange rate and the average value by currency is determined. The balance is considered as unrealised revaluation reserve.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

The difference between unrealised revaluation reserve account and the ledger balance is accounted as realised exchange gain/loss for the period and is recognised in the statement of profit or loss for the year. Subsequently the gain/loss has been transferred to currency fluctuation reserve in the statement of financial position.

3.26 Income tax

(a) Bangladesh Bank

The Bank is not subject to income taxes on any of its income, stamp duties, and customs duties on gold, silver, coins, currency notes, security papers and any other goods that may be specified by the Government as per Article 73, 74 and 75 of Bangladesh Bank Order, 1972.

(b) Subsidiary

The Subsidiary is subject to income tax. Income tax on the profit or loss for the year comprises of current tax and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3.27 Subsequent events

Events after the reporting date that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes when material in compliance with IAS 10 Events after the Reporting Period. Up to the date the financial statements were authorised for issue, no events have occured which require to disclosure in the financial statements.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

3.28 New standards and interpretations adopted

The Bank has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

a) IFRS 13 *Fair Value Measurement.*
b) *Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7).
c) IFRS 10 *Consolidated Financial Statements* (2011)
d) IAS 19 *Employee Benefits* (2011)

The nature and the effects of the changes are explained below.

a) IFRS 13 *Fair Value Measurement.*

In accordance with the transitional provision of IFRS 13, the Bank has applied the new definition of fair value as set out in note 3.03 (d), prospectively. The change had no significant impact on the measurements of the Bank's assets and liabilities, but the Bank has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Bank has provided the relevant comparative disclosures under those standards.

b) *Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7).

Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities' (the ''Amendments to IFRS 7'') require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

c) IFRS 10 *Consolidated Financial Statements* (2011)

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Bank has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The change did not have a material impact on the Group's financial statements.

d) IAS 19 *Employee Benefits* (2011)

As a result of IAS 19 (2011), the Group has changed the basis for determining the income or expense related to its defined benefit plans.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Because of IAS 19 (2011), the Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate to the net defined benefit liability (asset) at the beginning of the annual period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Consequently, the net interest on the net defined benefit liability (asset) now comprises interest cost on the defined benefit obligation, interest income on plan assets.

Previously, the Group determined interest income on plan assets based on their long term rate of expected return. The change did not have a material impact on the Group's financial statements.

The adoption of the new and amended standards and interpretations other than those explained above, did not have an impact on the financial position of the Bank during the year.

3.29 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early.

IFRS No.	Title	Effective for annual period beginning on or after
IFRS 9 (2013), (2010) and (2009) (together "IFRS 9")	Financial Instruments	(effective date to be finalised)
IAS 32 (Amendment)	Financial Instruments : Presentation	(effective 1 January 2014)
IFRIC 21	Levies	(effective 1 January 2014)

The standards which might have material impact on the Group financial statements in the period of initial application are as follows :

IFRS 9

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the assets contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value.

The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition,

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirement also establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, early application of IFRS 9 is permitted.

IAS 32 (Amendment)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted. The Bank is evaluating the potential effect of the adoption of the amendments to IAS 32.

IFRIC 21

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when - and only when - the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect in the Group's financial statements.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

		2014 Taka '000	2013 Taka '000
4	**Foreign currency accounts**	**501735055**	**400,668,902**

The amount represents the equivalent accumulated value of different foreign currencies held with other central banks and balances of deposits with foreign commercial banks.

5 Foreign investments

	2014 Taka '000	2013 Taka '000
Short term deposits with overseas commercial banks	492,050,716	315,427,920
US Dollar treasury bills	83,075,584	83,198,484
Foreign bonds	357,890,893	220,871,669
Total	**933,017,193**	**619,498,073**

6 International monetary fund related assets and liabilities

	2014 Taka '000	2013 Taka '000
Assets held with International Monetary Fund		
Quota	64,000,373	62,368,435
SDR holding	84,454,866	67,161,274
Interest receivable on SDR holding	12,871	5,349
Total	**148,468,110**	**129,535,058**
Liabilities with International Monetary Fund		
IMF Securities	62,320,401	62,489,313
IMF-1 & IMF-2 account	1,624,626	170,298
SDR allocation	61,252,784	59,691,863
IMF Extended credit facility	54,857,548	32,075,760
Loan under the Poverty Reduction and Growth Facility	8,266,285	14,297,198
Interest payable	10,192	5,388
Total	**188,331,836**	**168,729,820**

Bangladesh has been a member of the Internation Monetary Fund ("IMF") since 1972. The Bank acts as both the fiscal agent and the depository for the IMF. As fiscal agent, Bangladesh Bank is authorised to carry out all operations and transactions with the IMF. As depository, Bangladesh Bank maintains the IMF’s currency holdings and ensures that the assets and liabilities of IMF membership are properly reflected in its accounts and presented in its financial statements.

The quota of Bangladesh is its membership subscription. Quota is the amount of money that each IMF member country is required to contribute to the IMF. a member must pay its subscription in full upon joining the fund; upto 25 percent must be paid in SDRs or widely accepted currencies such as the US Dollar, the EURO, the YEN or the Pound Sterling), while the rest is paid in the member's own currency. The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the IMF account maintained with the Bank.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

IMF related assets and liabilities were translated to Taka at the exchange rate ruling at 30 June 2014 (converted into Taka at the rate Taka 120.0082 per one SDR).

7 Gold and silver

	2014 Taka '000	2013 Taka '000
Gold	24,982,543	30,567,173
Silver	301,135	321,826
Total	**25,283,678**	**30,888,999**

8 Claims from gold transactions

The amount represents claims against gold loan to Standard Chartered Bank, London.

9 Foreign currency loans to banks

Export Development Fund (EDF) Dollar investment	105,186,763	62,202,964
Central Bank of Iraq	296,164	296,164
Rupali Bank Karachi	11,040	11,020
Less: Provision for loan losses	(307,204)	(308,330)
Total	**105,186,763**	**62,201,818**

10 Other foreign currency financial assets

Swift shares	80	80
Interest receivable	4,595,173	3,257,373
Total	**4,595,253**	**3,257,453**

11 Consolidated Taka coin and cash balances

Taka coin	516,415	340,056
Cash balances	840,009	572,034
Total	**1,356,424**	**912,090**

11.01 Taka coin and cash balances

Taka coin	516,415	340,056
Cash balances	29,825	46,997
Total	**546,240**	**387,053**

12 Securities purchased under agreement to resell

Securities purchased under agreement to resell	**980,000**	**32,690,170**

When commercial banks sell a financial asset to the Group and simultaneously enter into an agreement to repurchase the asset at a fixed price on a future date, the agreement is accounted for as a loan, and the underlying asset is not recognised in the financial statements.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

13 Loans to the Government of Bangladesh

	2014 Taka '000	2013 Taka '000
Ways and means advance	-	20,000,000
Overdraft - block (Note 13.01)	131,510,000	146,264,310
Overdraft - current	-	72,045,000
Treasury bills	2,327,168	3,367,132
Treasury bonds	35,024,775	63,000,544
Total	**168,861,943**	**304,676,986**

14 Consolidated local currency investments

Debenture - House Building Finance Corporation	6,505,000	6,540,000
Short term money market investments *	1,868,910	1,670,193
Shares- ICB Islamic Bank Ltd.	7,452	7,452
Others	4,110	4,110
Total	**8,385,472**	**8,221,755**

*The amount represents the total amount of term deposit made by the Security Printing Corporation (Bangladesh) Ltd. to the different local commercial banks.

14.01 Local currency investments

Debenture - House Building Finance Corporation	6,505,000	6,540,000
Investment in subsidiary (Note 14.02)	500,000	500,000
Total	**7,005,000**	**7,040,000**

14.02 Investment in subsidiary

The Security Printing Corporation (Bangladesh) Ltd. ("SPCL") is the wholly owned subsidiary of the Bank. For the year ended 30 June 2013, SPCL declared a dividend of Tk. 25 million. No dividend has been declared for the year ended 30 June 2014.

15 Consolidated local currency loans to banks, financial institutions and employees

(i) Local currency loans to banks and financial institutions

State-owned banks		
Commercial banks	4,105,182	4,357,353
Specialised banks*	39,719,785	47,169,187
	43,824,967	**51,526,540**
Provision for impairment (Note 15.a)	(206,952)	(226,117)
	43,618,015	**51,300,423**
Other banks and financial institutions		
Private banks	2,634,900	6,740,398
Other loans and advances	28,601,184	26,882,308
	31,236,084	**33,622,706**
Interest receivable	**7,595,016**	**7,645,498**
Total (i)	**82,449,115**	**92,568,627**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

		2014 Taka '000	2013 Taka '000
(ii)	**Local currency loans and advances to employees**		
	Loans and advances to employees	27,750,850	25,751,984
	Provision for loan losses (Note 15.b)	(495,271)	(264,099)
	Total (ii)	**27,255,579**	**25,487,885**
	Total loans (i + ii)	**109,704,694**	**118,056,512**

*Please refer to details given after note 15.01(ii).

15.01 Local currency loans to banks, financial institutions and employees

		2014 Taka '000	2013 Taka '000
(i)	**Local currency loans to banks and financial institutions**		
	State owned banks:		
	Commercial banks	4,105,182	4,357,353
	Specialised banks *	39,719,785	47,169,187
		43,824,967	**51,526,540**
	Provision for impairment (Note 15.a)	(206,952)	(226,117)
		43,618,015	**51,300,423**
	Other banks and financial institutions:		
	Private banks	2,634,900	6,740,398
	Other loans and advances	28,601,184	26,882,308
		31,236,084	**33,622,706**
	Interest receivable	**7,595,016**	**7,645,498**
	Total (i)	**82,449,115**	**92,568,627**
(ii)	**Local currency loans and advances to employees**		
	Loans and advances to employees	26,674,233	24,782,936
	Provision for loan losses (Note 15.b)	(495,271)	(264,099)
	Total (ii)	**26,178,962**	**24,518,837**
	Total loans (i + ii)	**108,628,077**	**117,087,464**

*Specialised banks include banks catering the specific needs of different economic sectors as decribed below:

Banks	**Specialised Sectors**
Bangladesh Krishi Bank	Agricultural
Rajshahi Krishi Unnayan Bank	Agricultural
Bangladesh Development Bank Limited	Small and medium size investors
Bangladesh Small Industries and Commerce Bank Limited	Financial small scale industries
Bangladesh Samabay Bank Limited	Agricultural

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

15.a Provision for impairment	2014 Taka '000	2013 Taka '000
Opening balance	226,117	475,869
Charged during the year	140,426	-
Released during the year	(159,591)	-
Total	**206,952**	**475,869**

15.b Provision for loan losses		
Opening balance	264,099	264,099
Charged during the year	231,172	-
Total	**495,271**	**264,099**

16 Consolidated other local currency financial assets

Interest receivables	1,145,214	2,312,667
Unutilised CBSP fund (Note 16.02)	-	15,303
Asset sell clearing account	-	9,903
Total	**1,145,214**	**2,337,873**

16.01 Other local currency financial assets

Interest receivables	929,682	2,174,621
Unutilised CBSP fund (Note 16.02)	-	15,303
Asset sell clearing account	-	9,903
Total	**929,682**	**2,199,827**

16.02 Unutilised Central Bank Strengthening Project fund (CBSP)

Government of Bangladesh (GOB) signed a Credit Agreement with the International Development Agency (IDA) for a Project named Central Bank Strengthening Project (CBSP). The related Credit Reference is IDA 3792 BD and the Project was meant for "Improvement of efficiency of the Bank through functional reforms and large scale automation of its' business process". Subsequent to this agreement, a subsidiary Loan Agreement was signed between GOB and Bangladesh Bank to this effect for execution of the Project. The total cost of the project was Tk. 3,892 million (USD 55.60 million), of which IDA provided Tk. 3,060 million (USD 43.71 million) through Government and the rest Tk. 832 million (USD 11.88 million) was funded by the Bank. The project started in late 2003 and was completed on 30 April 2013.

The Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 30 years. In the year end 2012-13 total dues against the Project was Tk. 2,837. 26 million on account of Government. The repayments will initiate after the schedules and process are finalised by the Government of Bangladesh. The Bank has accrued a provision of Tk. 90 million for the interest and Tk. 57.37 million for the principal amount of the loan.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

17 Consolidated other local currency financial assets

i) 2014

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2013	21,369,423	4,213,240	3,740,394	1,571,693	153,163	231,548	122,370	811	1,513,391	**32,916,033**
Addition during the year	189,673	37,438	191,007	109,729	15,717	28,546	69,403	-	360,979	**1,002,492**
Valuation gain/(loss)	14,992,208	427,038	135,039							**15,554,285**
Transfers during the year	-	155,426	36,763	77,185	-	-	24,249	-	(293,623)	**-**
Disposals during the year	-	(3,244)	-	(77,364)	(10,751)	(18,805)	(1)	-	-	**(110,165)**
As at 30 June 2014	**36,551,304**	**4,829,898**	**4,103,203**	**1,681,243**	**158,129**	**241,289**	**216,021**	**811**	**1,580,747**	**49,362,645**
Accumulated depreciation										
As at 1 July 2013	-	1,160,200	1,624,978	664,772	67,454	92,075	65,315	634	-	**3,675,428**
Charge for the year	-	241,230	207,958	324,939	12,510	43,414	29,117	162	-	**859,330**
Disposals during the year	-	(462,443)	(1,144,584)	-	(4,553)	(1,355)	-	-	-	**(1,612,935)**
As at 30 June 2014	**-**	**938,987**	**688,352**	**989,711**	**75,411**	**134,134**	**94,432**	**796**	**-**	**2,921,823**
Net book value										
As at 30 June 2014	36,551,304	3,890,911	3,414,851	691,532	82,718	107,155	121,589	15	1,580,747	**46,440,822**
As at 30 June 2013	21,369,423	3,053,040	2,115,416	906,921	85,709	139,473	57,055	177	1,513,391	**29,240,605**

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer. The Subsidiary's property, plant and equipment were revalued on 1 July 2013. Refer to note 3.13 (b).

Land includes Taka 27,539 million of leasehold land, all on standard terms of ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) 2013

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2012	21,369,423	4,145,921	3,604,473	1,350,528	143,553	179,347	109,289	811	735,923	**31,639,268**
Addition during the year	-	67,319	135,921	220,986	14,921	56,340	13,081	-	778,630	**1,287,198**
Transfers during the year	-	-	-	179	-	-	-	-	(179)	**-**
Disposals during the year	-	-	-	-	(5,311)	(4,139)	-	-	(983)	**(10,433)**
As at 30 June 2013	**21,369,423**	**4,213,240**	**3,740,394**	**1,571,693**	**153,163**	**231,548**	**122,370**	**811**	**1,513,391**	**32,916,033**
Accumulated depreciation										
As at 1 July 2012	-	961,852	1,453,043	376,164	57,380	59,419	43,555	472	-	**2,951,885**
Charge for the year	-	198,348	171,935	288,608	12,129	36,573	21,760	162	-	**729,515**
Disposals during the year	-	-	-	-	(2,055)	(3,917)	-	-	-	**(5,972)**
As at 30 June 2013	**-**	**1,160,200**	**1,624,978**	**664,772**	**67,454**	**92,075**	**65,315**	**634**	**-**	**3,675,428**
Net book value										
As at 30 June 2013	21,369,423	3,053,040	2,115,416	906,921	85,709	139,473	57,055	177	1,513,391	**29,240,605**
As at 30 June 2012	21,369,423	3,184,069	2,151,430	974,364	86,173	119,928	65,734	339	735,923	**28,687,383**

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer.

Land includes Taka 17,080 million of lease hold land, all on standard terms of ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

17.01 Property, plant and equipment

i) 2014

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2013	20,391,193	3,433,198	836,902	1,571,693	114,802	214,337	122,370	811	1,512,152	**28,197,458**
Addition during the year	189,673	37,438	158,853	109,729	15,424	21,170	69,403	-	358,725	**960,415**
Valuation gain/(loss)	12,311,838	-	-	-	-	-	-	-	-	**12,311,838**
Transfers during the year	-	154,187	36,763	77,185	-	-	24,249	-	(292,384)	**-**
Disposals during the year	-	(3,244)	-	(77,364)	(10,751)	(18,805)	(1)	-	-	**(110,165)**
As at 30 June 2014	**32,892,704**	**3,621,579**	**1,032,518**	**1,681,243**	**119,475**	**216,702**	**216,021**	**811**	**1,578,493**	**41,359,546**
Accumulated depreciation										
As at 1 July 2013	-	698,937	465,232	664,772	35,234	75,112	65,315	634	-	**2,005,236**
Charge for the year	-	183,649	68,841	324,939	11,476	42,429	29,117	162	-	**660,613**
Disposals during the year	-	(1,180)	-	-	(4,553)	(1,355)	-	-	-	**(7,088)**
As at 30 June 2014	**-**	**881,406**	**534,073**	**989,711**	**42,157**	**116,186**	**94,432**	**796**	**-**	**2,658,761**
Net book value										
As at 30 June 2014	32,892,704	2,740,173	498,445	691,532	77,318	100,516	121,589	15	1,578,493	**38,700,785**
As at 30 June 2013	20,391,193	2,734,261	371,670	906,921	79,568	139,225	57,055	177	1,512,152	**26,192,222**

The Bank revalued its land as at 30 June 2014 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer.

Land includes Taka 27,539 million of leasehold land, all on standard terms of ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

ii) 2013

Taka '000

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Capital work in progress	Total
Cost										
As at 1 July 2012	20,391,193	3,365,879	785,368	1,350,528	105,666	161,047	109,289	811	734,940	**27,004,721**
Addition during the year	-	67,319	51,534	220,986	14,447	56,340	13,081	-	777,391	**1,201,098**
Transfers during the year	-	-	-	179	-	-	-	-	(179)	**-**
Disposals during the year	-	-	-	-	(5,311)	(3,050)	-	-	-	**(8,361)**
As at 30 June 2013	**20,391,193**	**3,433,198**	**836,902**	**1,571,693**	**114,802**	**214,337**	**122,370**	**811**	**1,512,152**	**28,197,458**
Accumulated depreciation										
As at 1 July 2012	-	521,292	398,137	376,164	26,189	42,308	43,555	472	-	**1,408,117**
Charge for the year	-	177,645	67,095	288,608	11,100	35,632	21,760	162	-	**602,002**
Disposals during the year	-	-	-	-	(2,055)	(2,828)	-	-	-	**(4,883)**
As at 30 June 2013	**-**	**698,937**	**465,232**	**664,772**	**35,234**	**75,112**	**65,315**	**634**	**-**	**2,005,236**
Net book value										
As at 30 June 2013	20,391,193	2,734,261	371,670	906,921	79,568	139,225	57,055	177	1,512,152	**26,192,222**
As at 30 June 2012	20,391,193	2,844,587	387,231	974,364	79,477	118,739	65,734	339	734,940	**25,596,604**

The Bank revalued its land as at 30 June 2009 and other items of property, plant and equipment were revalued as at 1 July 2009 by an independent valuer.

Land includes Taka 17,080 million of leasehold land, all on standard terms of ninety-nine years.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

18 Intangible assets

	2014 Taka '000	2013 Taka '000
Intangible asset at cost	1,178,358	1,170,879
Accumulated amortisation	(623,255)	(382,103)
Capital work in progress	123,139	123,139
Total	**678,242**	**911,915**

Balance represents the accumulated value of enterprise resources planning, core banking software, enterprise data warehouse, bank automated clearing house, electronic fund transfers network (EFTN), credit information bureau (CIB) and Bank's in-house built softwares.

19 Consolidated other non financial assets

	2014 Taka '000	2013 Taka '000
Prepayments and advances	924,283	364,909
Stock	4,891,562	5,369,470
Sundry debtors	592,000	909,488
Total	**6,407,845**	**6,643,867**

19.01 Other non-financial assets

	2014 Taka '000	2013 Taka '000
Prepayments and advances	3,772,413	4,214,521
Stock	27,692	18,071
Total	**3,800,104**	**4,232,592**

20 Foreign currency deposits from banks and financial institutions

	2014 Taka '000	2013 Taka '000
Foreign currency deposits from commercial banks	74,802,048	84,226,213
Asian Clearing Union (ACU)	75,093,095	55,813,993
Interest payable	2,393	-
Total	**149,897,536**	**140,040,206**

21 Notes in circulation

	2014 Taka '000	2013 Taka '000
Notes in circulation	847,170,638	746,382,617
Bank notes in hand	(38)	(53)
Total	**847,170,600**	**746,382,564**

Notes in circulation represents currency issued having a claim on Bangladesh Bank. The denomination of notes in circulation as at 30 June 2014 was as under:

	2014		2013
Value of notes	**Number in pieces**	**Value in Taka '000**	**Value in Taka '000**
5 Taka coin	760,628,904	3,803,145	3,655,650
5 Taka note	709,548,583	3,547,743	3,566,151
10 Taka note	1,274,326,585	12,743,266	12,444,308
20 Taka note	357,962,575	7,159,252	5,943,991
50 Taka note	168,013,731	8,400,687	7,799,205
100 Taka note	689,308,409	68,930,841	65,034,817
500 Taka note	848,480,743	424,240,371	402,625,538
1000 Taka note	318,345,333	318,345,333	245,312,957
Total	**5,126,614,863**	**847,170,638**	**746,382,617**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with Article 30 of Bangladesh Bank Order, 1972, these liabilities are supported by the following assets:

	2014 Taka '000	2013 Taka '000
Gold	6,134,183	5,697,551
Silver	301,135	321,826
Balance held outside Bangladesh	800,000,000	550,000,000
Bangladesh Government securities	10,214,848	158,382,929
Bangladesh coins	516,415	340,056
Other loans and advances	30,004,056	31,640,255
Total	**847,170,637**	**746,382,617**

22 Short term borrowings

Securities sold under agreement to repurchase	37,930,000	25,000,000
Bangladesh Bank bills	19,734,690	24,830,996
Total	**57,664,690**	**49,830,996**

Securities sold under agreement to repurchase and Bangladesh Bank bills are instruments used by the Group to withdraw liquidity from the market. The balances at the year end reflect market conditions at that date.

23 Local currency deposits from banks and financial institutions

State owned commercial banks	102,556,236	86,439,634
Government specialised banks	22,205,015	19,883,245
Private banks	288,472,651	239,328,831
Foreign banks	26,743,289	22,387,049
Financial institutions	3,804,812	3,111,149
Total	**443,782,003**	**371,149,908**

Deposits from banks and financial institutions comprise required reserve deposits, calculated at a rate of 6.5% (2013: 5.5%) on the bank's liability base, together with balances held for settlement purposes.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

24 Consolidated other local currency financial liabilities

	2014 Taka '000	Restated 2013 Taka '000
Government deposits	41,199,148	5,007
Other deposits*	104,206,158	48,775,743
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	2,983,413	3,595,267
Interest suspense account	715	696
Deposits from donor agencies	21,422,994	18,588,225
Inter-branch adjustments (suspense)	437,732	471,100
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension**	5,738,714	5,710,641
Provision for gratuity**	1,553,726	1,774,885
Provision for leave encashment	1,664,214	1,705,840
Small and medium enterprise fund - Government	1,772,064	1,922,069
Loan from Govt of Bangladesh - Central bank strengthening project	2,764,580	2,837,257
DFID -RPP Project	391,272	770,819
Small and medium enterprise fund ADB-2	6,667,569	5,494,570
Deferred tax liability	594,810	700,650
Miscellaneous	456,806	348,670
Others - subsidiary	1,210,821	-
Total	**193,316,773**	**92,953,477**

24.01 Other local currency financial liabilities

	2014 Taka '000	Restated 2013 Taka '000
Government deposits	41,199,148	5,007
Other deposits*	104,206,158	48,775,743
Bank notes adjusting account - demonetised Pakistani notes	3,230	3,230
Sundry creditors account	4,290,128	3,480,085
Interest suspense account	715	696
Deposits from donor agencies	21,422,994	18,588,225
Inter-branch adjustments (suspense)	437,732	471,100
Credit guarantee scheme for small industrial investors	248,808	248,808
Provision for pension**	5,738,714	5,710,641
Provision for gratuity**	1,553,726	1,774,885
Provision for leave encashment	1,664,214	1,705,840
Small and medium enterprise fund - Government	1,772,064	1,922,069
Loan from Govt of Bangladesh - Central bank strengthening project	2,764,580	2,837,257
DFID -RPP Project	391,272	770,819
Small and medium enterprise fund ADB-2	6,667,569	5,494,570
Miscellaneous	456,806	348,670
Total	**192,817,857**	**92,137,645**

*Other deposits comprise Bangladesh Government special Islamic Bonds fund deposit, employees provident fund deposit, liquidator bank deposit, schedule bank's insurance fund deposit, security deposit, employees co-operative socities deposits and other sundry deposits.

**Refer to note 52 for details.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

		2014 Taka '000	2013 Taka '000
25	**Capital**	**30,000**	**30,000**

At 30 June 2014 the authorised and subscribed capital as per Bangladesh Bank Order 1972, was Tk. 30 million (30 June 2013: Tk. 30 million). The entire capital of the Bank stands vested in and allocated to the Government as per Article 4(1) and 4(2) of the Order.

26 Consolidated revaluation reserves

	2014	2013
Revaluation reserve - gold and silver	15,550,641	11,429,710
Revaluation reserve - foreign currency accounts	51,091,529	39,951,542
Revaluation reserve - property, plant & equipment	40,474,443	23,521,843
Total	**107,116,613**	**74,903,095**

26.01 Revaluation reserves

	2014	2013
Revaluation reserve - gold and silver (Note 26.02)	15,550,641	11,429,710
Revaluation reserve - foreign currency accounts (Note 26.03)	51,091,529	39,951,542
Revaluation reserve - property, plant and equipment	34,474,273	22,174,046
Total	**101,116,443**	**73,555,298**

26.02 Revaluation reserve - gold and silver

Bank accounts for the gain/loss on revaluation of gold and silver in the statement of profit or loss and subsequently transferred to a separate account - revaluation reserve-gold and silver, which forms part of equity.

26.0 Revaluation reserve - foreign currency accounts

Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of profit or loss and subsequently transferred to a separate account - revaluation reserve-foreign currency, which forms part of equity.

		2014	2013
27	**Currency fluctuation reserve**	**26,760,236**	**24,759,279**

Bank credited the realised gain on revaluation of foreign currencies to the statement of profit or loss and transferred the same to a separate account - currency fluctuation reserve account, which forms part of equity.

28 Statutory funds

	Note ref.	2014	2013
Rural credit fund	28.01	5,400,000	5,200,000
Agricultural credit stabilisation fund	28.02	5,400,000	5,200,000
Export credit fund	28.03	1,300,000	1,300,000
Industrial credit fund	28.04	2,037,852	1,887,852
Credit guarantee fund	28.05	879,194	879,194
Total		**15,017,046**	**14,467,046**

Statutory funds were created and maintained as per provisions of the Bangladesh Bank Order, 1972 and appropriations from profits are made in consultation with the Government of Bangladesh.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

		2014 Taka '000	2013 Taka '000

28.01 Rural credit fund

This fund was created as per Article 60(1) of Bangladesh Bank Order, 1972 for making of short term, medium term and long term loans and advances to co-operative bank, scheduled bank and rural credit agencies. An appropriation of Taka 200 million was made for this fund during the year.

28.02 Agricultural credit stabilisation fund

This fund was created as per Article 61 of Bangladesh Bank Order, 1972 for making of loans and advances to apex co-operative banks. An appropriation of Taka 200 million was made for this fund during the year.

28.03 Export credit fund

As per Article 63 of Bangladesh Bank Order, 1972 this fund was created for making of medium term and short term loans and advances to scheduled banks and other credit institutions for financing export from Bangladesh. No appropriation was made for this fund during the year.

28.04 Industrial credit fund

As per Article 62 of Bangladesh Bank Order, 1972 the fund was created for making of short term and medium term loans and advances to co-operative banks. An appropriation of Taka 150 million was made for this fund during the year.

28.05 Credit guarantee fund

As per clause 24 of Article 16 of Bangladesh Bank Order, 1972 the Fund was created by appropriating profit every year as per decision of the Board of Directors to cover the loss sustained by scheduled banks for making small loans to cottage industries. No appropriation was made for this fund during the year.

29 Non statutory funds

	Note ref.	2014 Taka '000	2013 Taka '000
Small and medium enterprise fund	29.01	6,000,000	6,000,000
Housing refinance fund		6,570,000	6,570,000
Human resources development fund	29.02	402,452	456,290
Monetary management fund	29.03	200,000	200,000
Rural agri product processing industries refinance fund		1,000,000	1,000,000
Disaster management and social resposibility fund		50,000	-
Total		**14,222,452**	**14,226,290**

29.01 Small and medium enterprise fund

These funds were created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinance to the schedule banks and financial institutions against the loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to those funds are made as per decision of the Board.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000

29.02 Human resources development fund

Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order,1972 and decision taken by the board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. in home and abroad. Appropriation of this fund was made from the dividend payable to Government for the year 2010-2011.

29.03 Monetary management fund

Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation of this fund was made from the dividend payable to Government for the year 2010-2011.

30 Other reserves

	2014 Taka '000	2013 Taka '000
Asset renewal and replacement reserve	3,034,485	2,743,468
Interest reserve (30.01)	8,128,574	8,320,428
Total	**11,163,059**	**11,063,896**

30.01 Interest reserve

This reserve was introduced in the financial year 2006-2007, and represents the interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank.

	2014 Taka '000	2013 Taka '000
31 Consolidated general reserve	**4,700,500**	**4,600,500**
31.01 General reserve	**4,250,500**	**4,250,500**

As per Article 59 of Bangladesh Bank Order, 1972 securities of the value of Tk. 30 million was allocated by the Government and held by the Bank as the general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision.

32 Consolidated retained earnings

	2014 Taka '000	2013 Taka '000
Opening balance	46,493,169	41,710,052
Adjustment against due from Government	(11,829)	-
Adjustment against guarantee on behalf of Bangladesh Rural Development Board	-	-
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	(4,356,350)	-
Transfer to other funds	147,161	-
Payment made during the year	(36,302,026)	(36,742,319)
Prior year adjustment	(4,038,607)	-
Transferred to general reserve	(100,000)	(100,000)
Adjustment against revaluation	(20,775)	13,050
Current year's profit after appropriation	20,714,584	41,612,386
Closing balance	**22,525,327**	**46,493,169**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	2014 Taka '000	2013 Taka '000
32.01 Retained earnings		
Opening balance	40,733,254	36,742,319
Adjustment against due from Government	(11,829)	-
Adjustment against guarantee on behalf of Bangladesh Rural Development Board	-	-
Adjustment against guarantee on behalf of Rajshahi Krishi Unnayan Bank	(4,356,350)	-
Transfer to other funds	(50,000)	-
Payment made during the year	(36,302,026)	(36,742,319)
Prior year adjustment	(4,038,607)	-
Adjustment against revaluation	(20,775)	13,047
Current year's profit after appropriation	19,690,164	40,720,207
Closing balance	**15,643,831**	**40,733,254**

33 Interest income on foreign currency financial assets

Loans to banks	906,507	748,248
Short term deposits with commercial banks	4,251,326	4,052,555
Bonds	4,708,983	5,850,911
US Dollar treasury bills	70,084	114,122
Claims from gold transactions	49,415	46,507
Others	73,651	39,279
Total	**10,059,966**	**10,851,622**

34 Commission and discounts on foreign currency financial assets

Commission on foreign currency operations	58,777	131,507
Others	235	653
Total	**59,012**	**132,160**

35 Interest expenses on foreign currency financial liabilities

Deposits	75,507	149,523
Asian Clearing Union (ACU)	28,425	43,660
Paid to IMF	62,688	80,905
Interest on central bank strengthening project	28,647	16,453
Total	**195,267**	**290,541**

36 Consolidated interest income on local currency financial assets

Securities purchased under agreement to resell	1,427,784	6,719,369
Government securities	6,762,343	9,919,238
Loans and advance to Government	12,738,650	21,536,309
Debentures	318,881	349,353
Loans to banks financial institution and employees	4,597,680	5,703,407
Short term money market deposits	273,742	197,271
Total	**26,119,080**	**44,424,947**

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

		2014 Taka '000	2013 Taka '000
36.01	**Interest income on local currency financial assets**		
	Securities purchased under agreement to resell	1,427,784	6,719,369
	Government securities	6,762,343	9,919,238
	Loans and advance to Government	12,738,650	21,536,309
	Debentures	318,881	349,353
	Loans to banks financial institution and employees	4,541,364	5,656,173
	Total	**25,789,022**	**44,180,442**
37	**Commission and discounts on local currency financial assets**		
	Commission income from Government	3,639	4,376
	Miscellaneous commission income	865,931	356,079
	Valuation gain on treasury bonds	321,928	-
	Total	**1,191,498**	**360,455**
38	**Interest expense on local currency financial liabilities**		
	Bangladesh Bank bills	2,354,814	1,121,003
	Securities sold under agreement to repurchase	507,924	27,067
	Total	**2,862,738**	**1,148,070**
39	**Commission and other expenses on local currency financial liabilities**		
	Agency charges	2,409,580	2,407,926
	Under writing commission on treasury bills & bonds	415,000	316,000
	Interest on deposit from Undisbursed Agri Credit	29,422	-
	Total	**2,854,002**	**2,723,926**
40	**Consolidated general and administrative expenses**		
	Staff costs (Note 40.01)	4,318,603	3,806,403
	Depreciation	859,329	729,515
	Amortisation	241,152	205,974
	Directors' fees	741	762
	Audit fees	12,350	10,750
	Stationery	89,234	73,939
	Rent, electricity etc.	292,347	208,491
	Remittance of treasure	53,287	54,499
	Donations	116,178	128,499
	Telephone	89,265	53,048
	Repairs	401,983	327,318
	Materials	3,126,660	3,040,824
	Provision for Workers' Profit Participation Fund	76,152	75,165
	Income tax and value addition tax	1,267,741	1,215,551
	Deferred tax	(105,840)	47,216
	Miscellaneous	1,406,334	1,216,419
	Total	**12,245,517**	**11,194,373**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

40.01 Staff costs

	2014 Taka '000	2013 Taka '000
Salary	1,694,105	1,321,094
House rent	499,839	447,821
Contribution to contributory provident fund	(6,632)	34,491
Pension and gratuity	157,834	1,839
Leave encashment	11,301	64,921
General and incentive bonus	804,973	732,056
Income tax paid to Government	6,055	52,772
Medical expenses	247,982	190,993
Training	140,144	217,402
Travel expenses	166,062	146,644
Lunch	300,183	264,508
Other staff costs	296,757	331,862
Total	**4,318,603**	**3,806,403**

41 General and administrative expenses

Staff costs (Note 41.01)	3,827,842	3,453,817
Depreciation	660,613	602,002
Amortisation	241,152	205,974
Directors' fee	523	497
Audit fee	12,075	10,500
Stationery	89,234	73,939
Rent	215,528	142,046
Remittance of treasure	53,287	54,499
Donations	116,178	128,499
Telephone	89,265	53,048
Repairs	389,274	314,969
Miscellaneous	1,347,400	1,175,818
Total	**7,042,372**	**6,215,608**

41.01 Staff costs

Salary	1,479,790	1,169,113
House rent	499,839	447,821
Contribution to contributory provident fund	(6,632)	34,491
Pension and gratuity	-	(20,397)
Leave encashment	-	57,921
General and incentive bonus	739,320.98	678,071
Income tax paid to Government	6,055	52,772
Medical expenses	239,678	185,289
Training	140,144	217,402
Travel expenses	166,062.04	146,644
Lunch	266,827.95	234,747
Other staff costs	296,756.97	249,943
Total	**3,827,842**	**3,453,817**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

42 Risk management

(i) Financial risk management

International Financial Reporting Standard "IFRS 7 - Financial Instruments: Disclosures" requires disclosure of information relating to both recognised and unrecognised financial instruments, their significance and performance, accounting policies, terms and conditions, net fair values and risk information- the Group's policies for controlling risks and exposures.

A financial instrument is defined as any contract that gives rise to both a financial asset of one enterprise and financial liability or equity instrument of another enterprise. The identifiable financial instruments for Bangladesh Bank are its domestic Government securities, its foreign currency liabilities, securities, loans and advances, bank deposits, currency in circulation and deposit liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.Bangladesh Bank's recognised instruments are carried at cost or current market value, which approximates net fair value.

The Group is involved in policy-oriented activities. Therefore, the Bank's risk management framework differs from the risk management framework for most other financial institutions. The main financial risks to which the Bank is exposed include credit risk, foreign exchange risk and interest rate risk. In the management of foreign reserves, minimising liquidity risk is the prime consideration in order to ensure the availability of currency as required. Like most central banks, the nature of the Bank's operations creates exposure to a range of operational and reputational risks.

The Group's management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Experienced staff conducts the Bank's local currency, foreign currency reserves management, and foreign exchange dealing operations in accordance with a clearly defined risk management framework, including limits and delegated authorities set by the Governor.

The Group is subject to an annual audit by two external auditors who are appointed and their remuneration fixed by the Government as prescribed in Article 65 (1) of the Bangladesh Bank Order, 1972. Auditing arrangements are overseen by an Audit Committee of the Board to monitor the financial reporting and audit functions within the Bank and the Committee reviews the internal audit functions as well. The Audit Committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risk. The Bank seeks to ensure the risk management framework consistent with financial market best practice. The risks tables in this note are all based on the Bangladesh Bank portfolio as reported in its statement of financial position.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

		2014 Taka '000	2013 Taka '000
(ii)	**Operational risk**		

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems. Managing operational risk is seen as an integral part of the day to day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes Bank-wide corporate policies that describe the standard required of staff and specific internal control systems designed around the particular characteristics of various Bank activities. Compliance with corporate polices and departmental internal control systems are managed by departmental management and an active internal audit function.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group arising from a counterparty to a financial instrument failing to discharge its contractual obligation.

(iv) Credit risk management

Credit risk is monitored and managed regularly. Bangladesh Bank's maximum exposure to credit risk in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the statement of financial position. Bangladesh Bank's exposure is to highly rated counter-parties and its credit risk is very low, with mitigents to credit risk including both the Bank's rigorous monitoring activities and, in many cases, guarantees from the government.

Bank's significant end-of-year concentrations of credit exposure, based on the country/ region in which the issuers' parent was located, were as follows:

	2014 Taka '000	2013 Taka '000
Consolidated		
Bangladesh	402,266,602	533,876,205
Other Asian countries	334,189,781	222,203,342
United States of America	950,043,003	680,356,599
Europe	324,018,757	269,949,561
Australia	17,653,619	16,448,204
Total	**2,028,171,762**	**1,722,833,911**
Bank		
Bangladesh	398,783,797	531,062,268
Other Asian countries	334,189,781	222,203,342
United States of America	950,043,003	680,356,599
Europe	324,018,757	269,949,561
Australia	17,653,619	16,448,203
Total	**2,024,688,957**	**1,720,019,973**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

43 Consolidated credit exposures by credit rating

Following tables represents the Group's financial assets based on Moody's credit rating of the issuer. For long term deposits Aaa is the highest quality rating possible and indicates that the entity has an exceptional credit quality and have the smallest degree of risk; Aa is excellent credit quality but are rated lower than Aaa. Aa1 indicates the higher end of Aa category, Aa2 indicates mid range ranking of Aa category and Aa3 indicates lower end of Aa category. For short term deposits P-1 indicates banks rated prime -1 for deposits, and offers superior credit quality and a very strong capacity for timely payment of short -term deposit obligations; ST-1 indicates the highest capacity for timely repayment of obligations; ST-2 indicates a strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

		2014		2013	
	Credit Rating	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets
i) Foreign currency financial assets					
Foreign currency accounts	P-1	501,735,055	24.74%	400,668,902	23.26%
Short term deposits with overseas commercial banks	P-1	492,050,716	24.26%	315,427,920	18.31%
US Dollar treasury bills	Aaa	83,075,584	4.10%	83,198,484	4.83%
Foreign bonds	Aaa	238,757,503	11.77%	98,168,247	5.70%
Foreign bonds	Aa,A1,A2	13,181,747	0.65%	16,241,544	0.94%
Foreign bonds	A3,A+	8,197,165	0.40%	19,255,734	1.12%
Foreign bonds	Aa1,Aa2	48,078,469	2.37%	4,686,327	0.27%
Foreign bonds	Aa3	24,486,189	1.21%	13,034,994	0.76%
Foreign bonds	A-, B,BB, BBB etc.	25,189,820	1.24%	69,484,823	4.03%
Foreign currency loans to banks	-	105,186,763	5.19%	62,201,818	3.61%
Gold and silver	A-1	25,283,678	1.25%	30,888,999	1.79%
Claims from gold transactions	P-2	19,451,963	0.96%	9,888,170	0.57%
Assets held with International Monetary Fund	-	148,468,110	7.32%	129,535,058	7.52%
Other foreign currency financial assets	-	4,595,253	0.23%	3,257,453	0.19%
Total		**1,737,738,015**	**85.68%**	**1,255,938,473**	**72.90%**
ii) Local currency financial assets					
Loans to the Government of Bangladesh	Ba3	168,861,943	8.33%	304,676,986	17.68%
Securities purchased under agreement to resell	-	980,000	0.05%	32,690,170	1.90%
Local currency investments	-	8,385,472	0.41%	8,221,755	0.48%
Local currency loans to banks, financial institutions and employees	-	109,704,694	5.41%	118,056,512	6.85%
Other local currency financial assets	-	1,145,214	0.06%	2,337,873	0.14%
Taka coin and cash balances	-	1,356,424	0.07%	912,090	0.05%
Total		**290,433,747**	**14.32%**	**466,895,386**	**27.10%**
Total financial assets (i+ii)		**2,028,171,762**	**100.00%**	**1,722,833,859**	**100.00%**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

43.01 Credit exposures by credit rating

		2014		2013	
	Credit Rating	Amount (Taka '000)	% of financial assets	Amount (Taka '000)	% of financial assets
i) Foreign currency financial assets					
Foreign currency accounts	P-1	501,735,055	24.78%	400,668,902	23.29%
Short term investments with overseas commercial banks	P-1	492,050,716	24.30%	315,427,921	18.34%
US Dollar treasury bills	P-1	83,075,584	4.10%	83,198,484	4.84%
Foreign bonds	Aaa	238,757,503	11.79%	98,168,247	5.71%
Foreign bonds	Aa,A1,A2	13,181,747	0.65%	16,241,544	0.94%
Foreign bonds	A3,A+	8,197,165	0.40%	19,255,734	1.12%
Foreign bonds	Aa1,Aa2	48,078,469	2.37%	4,686,327	0.27%
Foreign bonds	Aa3	24,486,189	1.21%	13,034,994	0.76%
Foreign bonds	A-, B,BB, BBB etc.	25,189,820	1.24%	69,484,823	4.04%
Foreign currency loans to banks	-	105,186,763	5.20%	62,201,818	3.62%
Gold and silver	A-1	25,283,678	1.25%	30,888,999	1.80%
Claims from gold transactions	P-2	19,451,963	0.96%	9,888,170	0.57%
Assets held with International Monetary Fund	-	148,468,110	7.33%	129,535,058	7.53%
Other foreign currency financial assets	-	4,595,253	0.23%	3,257,453	0.19%
Total		**1,737,738,015**	**85.83%**	**1,255,938,473**	**73.02%**
ii) Local currency financial assets					
Loans to the Government of Bangladesh	Ba3	168,861,943	8.34%	304,676,986	17.71%
Securities purchased under agreement to resell	-	980,000	0.05%	32,690,170	1.90%
Local currency investments	-	7,005,000	0.35%	7,040,000	0.41%
Local currency loans to banks, financial institutions and employees	-	108,628,077	5.37%	117,087,464	6.81%
Other local currency financial assets	-	929,682	0.05%	2,199,827	0.13%
Taka coin and cash balances	-	546,240	0.03%	387,053	0.02%
Total		**286,950,942**	**14.17%**	**464,081,500**	**26.98%**
Total financial assets (i+ii)		**2,024,688,957**	**100.00%**	**1,720,019,973**	**100.00%**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

43.01 Collateral held and other credit enhancements, and their financial effect

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

	2014		2013	
	Amount (Taka '000)	Principal type of Collateral	Amount (Taka '000)	Principal type of Collateral
i) Foreign currency financial assets				
Foreign currency loans to banks	105,186,762	None	62,201,818	None
Claims from gold transactions	19,451,963	None	9,888,170	None
Assets held with International Monetary Fund	148,468,110	None	129,535,058	None
ii) Local currency financial assets				
Loans to the Government of Bangladesh	168,861,943	None	304,676,986	None
Securities purchased under agreement to resell	980,000	Marketable securities	32,690,170	Marketable securities
Local currency loans to banks, financial institutions and employees	109,704,694	- Government guarantee-Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortagage of property	118,056,512	- Government guarantee-Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortagage of property

44 Consolidated interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that is going to use in order to achieve and maintain price stability. Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2014 is presented below. It includes the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates. Assets and liabilities will mature or re-price within the following period:

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

44 Consolidated interest rate risk

i) As at 30 June 2014

Taka '000

Particulars	Balance as at 30 June 2014	Re-pricing period: 0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Weighted average interest
Assets						
Foreign currency financial assets						
Foreign currency accounts	501,735,055	501,735,055	-	-	-	0.02%
Foreign investments	933,017,193	479,878,616	146,197,324	306,941,253		1.52%
Assets held with International Monetary Fund	148,468,110	84,454,866	12,871	-	64,000,373	0.06%
Gold and silver	25,283,678	25,283,678	-	-	-	n/a
Claims from gold transactions	19,451,963	-	19,451,963			0.36%
Foreign currency loans to banks	105,186,763	-	105,186,763	-	-	1.09%
Other foreign currency financial assets	4,595,253	-	4,595,253	-	-	n/a
Total Foreign currency financial assets	**1,737,738,015**	**1,091,352,215**	**275,444,174**	**306,941,253**	**64,000,373**	
Local currency financial assets						
Taka coin and cash balances	1,356,424	1,356,424	-	-	-	n/a
Securities purchased under agreement to resell	980,000	980,000	-	-	-	11.86%
Loans to the Government of Bangladesh	168,861,943	4,500,000	18,084,206	122,271,208	24,006,529	8.92%
Local currency investments	8,385,472	250,000	4,050,472	3,280,000	805,000	7.09%
Local currency loans to banks, financial institutions and employees	109,704,694	2,934,320	12,673,653	35,245,395	58,851,326	4.03%
Other local currency financial assets	1,145,214	-	-	-	-	n/a
Total Local currency financial assets	**290,433,747**	**10,020,744**	**34,808,331**	**160,796,603**	**83,662,855**	
Total financial assets	**2,028,171,762**	**1,101,372,959**	**310,252,505**	**467,737,856**	**147,663,228**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	149,897,536	149,897,536	-	-	-	0.08%
Liabilities with International Monetary Fund	188,331,836	3,833,497	2,496,600	14,048,010	167,953,729	0.04%
Total foreign currency financial liabilities	**338,229,372**	**153,731,033**	**2,496,600**	**14,048,010**	**167,953,729**	
Local currency financial liabilities						
Notes in circulation	847,170,600	-	-	-	-	n/a
Short term borrowings	57,664,690	57,664,690	-	-	-	5.67%
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	n/a
Other local currency financial liabilities	193,316,773	-	-	-	-	n/a
Total local currency financial liabilities	**1,541,934,067**	**57,664,690**	**-**	**-**	**-**	
Total financial liabilities	**1,880,163,439**	**211,395,723**	**2,496,600**	**14,048,010**	**167,953,729**	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

44 Consolidated interest rate risk

ii) As at 30 June 2013

Taka '000

Particulars	Balance as at 30 June 2013	Re-pricing period 0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Weighted average interest
Assets						
Foreign currency financial assets						
Foreign currency accounts	400,668,902	400,668,902	-	-	-	0.20%
Foreign investments	619,498,073	361,110,522	87,839,457	170,548,094	-	1.98%
Assets held with International Monetary Fund	129,535,058	67,161,274	5,349	-	62,368,435	0.33%
Gold and silver	30,888,999	30,888,999	-	-	-	n/a
Claims from gold transactions	9,888,170	-	9,888,170	-	-	0.33%
Foreign currency loans to banks	62,201,818	-	62,201,818	-	-	1.53%
Other foreign currency financial assets	3,257,453	-	-	-	-	n/a
Total Foreign currency financial assets	**1,255,938,473**	**859,829,697**	**159,934,794**	**170,548,094**	**62,368,435**	
Local currency financial assets						
Taka coin and cash balances	912,090	912,090	-	-	-	n/a
Securities purchased under agreement to resell	32,690,170	32,690,170	-	-	-	9.63%
Loans to the Government of Bangladesh	304,676,986	97,163,242	17,844,151	85,199,436	104,470,157	9.70%
Local currency investments	8,221,755	-	2,065,000	5,724,303	432,452	6.88%
Local currency loans to banks, financial institutions and employees	118,056,512	4,807,353	28,319,817	59,441,457	25,487,885	4.87%
Other local currency financial assets	2,337,873	-	-	-	-	n/a
Total Local currency financial assets	**466,895,386**	**135,572,855**	**48,228,968**	**150,365,196**	**130,390,494**	
Total financial assets	**1,722,833,859**	**995,402,552**	**208,163,762**	**320,913,290**	**192,758,929**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	140,040,206	-	-	-	0.14%
Liabilities with International Monetary Fund	168,729,820	2,901,782	3,519,361	10,482,616	151,826,061	0.05%
Total foreign currency financial liabilities	**308,770,026**	**142,941,988**	**3,519,361**	**10,482,616**	**151,826,061**	
Local currency financial liabilities						
Notes in circulation	746,382,564	-	-	-	-	n/a
Short term borrowings	49,830,996	49,830,996	-	-	-	5.07%
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	n/a
Other local currency financial liabilities	92,953,477	-	-	-	-	n/a
Total local currency financial liabilities	**1,260,316,945**	**49,830,996**	**-**	**-**	**-**	
Total financial liabilities	**1,569,086,971**	**192,772,984**	**3,519,361**	**10,482,616**	**151,826,061**	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

44.01 Interest rate risk

i) As at 30 June 2014

Taka '000

Particulars	Balance as at 30 June 2014	Re-pricing period				Weighted average interest
		0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	
Assets						
Foreign currency financial assets						
Foreign currency accounts	501,735,055	501,735,055	-	-	-	0.02%
Foreign investments	933,017,193	479,878,616	146,197,324	306,941,253	-	1.52%
Assets held with International Monetary Fund	148,468,110	84,454,866	12,871	-	64,000,373	0.06%
Gold and silver	25,283,678	25,283,678	-	-	-	n/a
Claims from gold transactions	19,451,963	-	19,451,963	-	-	0.36%
Foreign currency loans to banks	105,186,763	-	105,186,763	-	-	1.09%
Other foreign currency financial assets	4,595,253	-	-	-	-	n/a
Total Foreign currency financial assets	**1,737,738,015**	**1,091,352,215**	**270,848,921**	**306,941,253**	**64,000,373**	
Local currency financial assets						
Taka coin and cash balances	546,240	546,240	-	-	-	n/a
Securities purchased under agreement to resell	980,000	980,000	-	-	-	11.86%
Loans to the Government of Bangladesh	168,861,943	4,500,000	18,084,206	122,271,208	24,006,529	8.92%
Local currency investments	7,005,000	250,000	2,170,000	3280000	1,305,000	4.89%
Local currency loans to banks, financial institutions and employees	108,628,077	2,934,320	12,673,653	35,245,395	57,774,709	4.01%
Other local currency financial assets	929,682	-	-	-	-	n/a
Total Local currency financial assets	**286,950,942**	**9,210,560**	**32,927,859**	**160,796,603**	**83,086,238**	
Total financial assets	**2,024,688,957**	**1,100,562,775**	**303,776,780**	**467,737,856**	**147,086,611**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	149,897,536	149,897,536	-	-	-	0.08%
Liabilities with International Monetary Fund	188,331,836	3,833,497	2,496,600	14,048,010	167,953,729	0.04%
Total foreign currency financial liabilities	**338,229,372**	**153,731,033**	**2,496,600**	**14,048,010**	**167,953,729**	
Local currency financial liabilities						
Notes in circulation	847,170,600	-	-	-	-	n/a
Short term borrowings	57,664,690	57,664,690	-	-	-	5.67%
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	n/a
Other local currency financial liabilities	192,817,857	-	-	-	-	n/a
Total local currency financial liabilities	**1,541,435,151**	**57,664,690**	**-**	**-**	**-**	
Total financial liabilities	**1,879,664,523**	**211,395,723**	**2,496,600**	**14,048,010**	**167,953,729**	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

44.01 Interest rate risk

i) As at 30 June 2013

Taka '000

Particulars	Balance as at 30 June 2013	Re-pricing period 0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Weighted average interest
Assets						
Foreign currency financial assets						
Foreign currency accounts	400,668,902	400,668,902	-	-	-	0.20%
Foreign investments	619,498,073	361,110,522	87,839,457	170,548,095	-	1.98%
Assets held with International Monetary Fund	129,535,058	67,161,274	5,349	-	62,368,435	0.33%
Gold and silver	30,888,999	30,888,999	-	-	-	n/a
Claims from gold transactions	9,888,170	-	9,888,170	-	-	0.33%
Foreign currency loans to banks	62,201,818	-	62,201,818	-	-	1.53%
Other foreign currency financial assets	3,257,453	-	-	-	-	n/a
Total Foreign currency financial assets	**1,255,938,473**	**859,829,697**	**159,934,794**	**170,548,095**	**62,368,435**	
Local currency financial assets						
Taka coin and cash balances	387,106	387,106	-	-	-	n/a
Securities purchased under agreement to resell	32,690,170	32,690,170	-	-	-	9.63%
Loans to the Government of Bangladesh	304,676,986	97,163,242	17,844,151	85,199,436	104,470,157	9.70%
Local currency investments	7,040,000	-	2,065,000	4,050,000	925,000	4.95%
Local currency loans to banks, financial institutions and employees	117,087,464	4,807,353	28,319,817	59,441,457	24,518,837	4.86%
Other local currency financial assets	2,199,827	-	-	-	-	n/a
Total Local currency financial assets	**464,081,553**	**135,047,871**	**48,228,968**	**148,690,893**	**129,913,994**	
Total financial assets	**1,720,020,026**	**994,877,568**	**208,163,762**	**319,238,988**	**192,282,429**	
Liabilities						
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	140,040,206	-	-	-	0.14%
Liabilities with International Monetary Fund	168,729,820	2,901,782	3,519,361	10,482,616	151,826,061	0.05%
Total foreign currency financial liabilities	**308,770,026**	**142,941,988**	**3,519,361**	**10,482,616**	**151,826,061**	
Local currency financial liabilities						
Notes in circulation	746,382,564	-	-	-	-	n/a
Short term borrowings	49,830,996	49,830,996				0.05%
Local currency deposits from banks and financial institutions	371,149,908	-	-	-	-	n/a
Other local currency financial liabilities	92,137,645	-	-	-	-	n/a
Total local currency financial liabilities	**1,259,501,113**	**49,830,996**	**-**	**-**	**-**	
Total financial liabilities	**1,568,271,139**	**192,772,984**	**3,519,361**	**10,482,616**	**151,826,061**	

All financial instruments are shown in their re-pricing period, which is equivalent to the remaining term of maturity.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

45 Consolidated liquidity risk

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind.

The table below summaries the maturity profile of the Group's financial assets and liabilities based on the contractual repayment date determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date.

Assets and liabilities will mature within the following periods:

i) As at 30 June 2014

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	501,735,055	-	-	-	-	501,735,055
Foreign investments	32,802	479,845,814	146,197,324	306,941,253	-	933,017,193
Assets held with International Monetary Fund	84,454,866	-	12,871	-	64,000,373	148,468,110
Gold and silver	25,283,678					25,283,678
Claims from gold transactions	-	-	19,451,963	-	-	19,451,963
Foreign currency loans to banks	-	-	105,186,763			105,186,763
Other foreign currency financial assets			4,595,253			4,595,253
Total	**611,506,401**	**479,845,814**	**275,444,174**	**306,941,253**	**64,000,373**	**1,737,738,015**
Local currency financial assets						
Taka coin and cash balances	1,356,424	-	-	-	-	1,356,424
Securities purchased under agreement to resell	980,000	-	-	-	-	980,000
Loans to the Government of Bangladesh	-	4,500,000	18,084,206	122,271,208	24,006,529	168,861,943
Local currency investments		250,000	4,050,472	3,280,000	805,000	8,385,472
Local currency loans to banks, financial institutions and employees	-	2,934,320	12,673,653	35,245,395	58,851,326	109,704,694
Other local currency financial assets	-	-	1,145,214	-	-	1,145,214
Total	**2,336,424**	**7,684,320**	**35,953,545**	**160,796,603**	**83,662,855**	**290,433,747**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Non-financial assets						
Property, plant and equipment	-	-	1,580,747	1,003,009	43,857,066	46,440,822
Intangible asset	-	-	123,139	555,103		678,242
Other domestic assets	924,283	-	592,000	4,891,562	-	6,407,845
Total	**924,283**	**-**	**2,295,886**	**6,449,674**	**43,857,066**	**53,526,909**
Total assets	**614,767,108**	**487,530,134**	**313,693,605**	**474,187,530**	**191,520,294**	**2,081,698,672**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	149,897,536	-	-	-	-	149,897,536
Liabilities with International Monetary Fund	2,432,041	1,401,456	2,496,600	14,048,010	167,953,729	188,331,836
Total	**152,329,577**	**1,401,456**	**2,496,600**	**14,048,010**	**167,953,729**	**338,229,372**
Local currency financial liabilities						
Notes in circulation	847,170,600	-	-	-	-	847,170,600
Short term borrowings	57,664,690					57,664,690
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	443,782,003
Other local currency financial liabilities	41,199,148		109,432,934	42,684,694	-	193,316,776
Total	**1,389,816,441**	**-**	**109,432,934**	**42,684,694**	**-**	**1,541,934,069**
Total liabilities	**1,542,146,018**	**1,401,456**	**111,929,534**	**56,732,704**	**167,953,729**	**1,880,163,441**
Capital and reserve	-				201,535,233	201,535,233
Total liability and equity	**1,542,146,018**	**1,401,456**	**111,929,534**	**56,732,704**	**369,488,962**	**2,081,698,674**
Gap analysis						
Maturity gap	**(927,378,910)**	**486,128,678**	**201,764,071**	**417,454,826**	**23,566,565**	**201,535,230**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

45 Consolidated liquidity risk

ii) As at 30 June 2013

Taka '000

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	400,668,902	-	-	-	-	400,668,902
Foreign investments	150,959,334	210,151,187	87,839,457	170,548,095	-	619,498,073
Assets held with International Monetary Fund	67,161,274	-	5,349	-	62,368,435	129,535,058
Gold and silver	30,888,999	-	-	-	-	30,888,999
Claims from gold transactions	-	-	9,888,170	-	-	9,888,170
Foreign currency loans to banks	-	-	62,201,818	-	-	62,201,818
Other foreign currency financial assets	-	-	3,257,453	-	-	3,257,453
Total	**649,678,509**	**210,151,187**	**163,192,247**	**170,548,095**	**62,368,435**	**1,255,938,473**
Local currency financial assets						
Taka coin and cash balances	912,090	-	-	-	-	912,090
Securities purchased under agreement to resell	32,690,170	-	-	-	-	32,690,170
Loans to the Government of Bangladesh	20,000,000	77,163,242	17,844,151	85,199,436	104,470,157	304,676,986
Local currency investments	-	-	2,065,000	5,724,303	432,452	8,221,755
Local currency loans to banks, financial institutions and employees	-	4,807,353	28,319,817	59,441,457	25,487,885	118,056,512
Other local currency financial assets	-	-	2,337,873	-	-	2,337,873
Total	**53,602,260**	**81,970,595**	**50,566,841**	**150,365,196**	**130,390,494**	**466,895,386**
Other non-financial assets						
Property, plant and equipment	-	-	1,513,391	-	27,727,214	29,240,605
Intangible asset	-	-	123,139	-	788,776	911,915
Other domestic assets	364,909	-	909,488	5,369,470	-	6,643,867
Total	**364,909**	**-**	**2,546,018**	**5,369,470**	**28,515,990**	**36,796,387**
Total assets	**703,645,678**	**292,121,782**	**216,305,106**	**326,282,761**	**221,274,919**	**1,759,630,246**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	-	-	-	-	140,040,206
Liabilities with International Monetary Fund	170,298	2,731,484	3,519,361	10,482,616	151,826,061	168,729,820
Total	**140,210,504**	**2,731,484**	**3,519,361**	**10,482,616**	**151,826,061**	**308,770,026**
Local currency financial liabilities						
Notes in circulation	746,382,617	-	-	-	-	746,382,617
Short term borrowings	49,830,996					49,830,996
Deposits from banks and financial institutions	371149908	-	-	-	-	371,149,908
Other local currency financial liabilities	-	-	92,953,477	-	-	92,953,477
Total	**1,167,363,521**	**-**	**92,953,477**	**-**	**-**	**1,260,316,998**
Total liabilities	**1,307,574,025**	**2,731,484**	**96,472,838**	**10,482,616**	**151,826,061**	**1,569,087,024**
Capital and reserve	-	-	-	-	190,543,275	190,543,275
Total liability and equity	**1,307,574,025**	**2,731,484**	**96,472,838**	**10,482,616**	**342,369,336**	**1,759,630,299**
Gap analysis						
Maturity gap	**(603,928,347)**	**289,390,298**	**119,832,268**	**315,800,145**	**69,448,858**	**190,543,222**

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

45.01 Liquidity risk

Taka '000

i) As at 30 June 2014

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	501,735,055	-	-	-	-	501,735,055
Foreign investments	32,802	479,845,814	146,197,324	306,941,253		933,017,193
Assets held with International Monetary Fund	84,454,866	-	12,871	-	64,000,373	148,468,110
Gold and silver	25,283,678	-	-	-	-	25,283,678
Claims from gold transactions	-	-	19,451,963	-	-	19,451,963
Foreign currency loans to banks	-	-	105,186,763	-	-	105,186,763
Other foreign currency financial assets	-	-	4,595,253	-	-	4,595,253
Total	**611,506,401**	**479,845,814**	**275,444,174**	**306,941,253**	**64,000,373**	**1,737,738,015**
Local currency financial assets						
Taka coin and cash balances	546,240	-	-	-	-	546,240
Securities purchased under agreement to resell	980,000	-	-	-	-	980,000
Loans to the Government of Bangladesh	-	4,500,000	18,084,206	122,271,208	24,006,529	168,861,943
Local currency investments	250,000	-	2,170,000	3,280,000	1,305,000	7,005,000
Local currency loans to banks, financial institutions and employees	-	2,934,320	12,673,653	35,245,395	57,774,709	108,628,077
Other local currency financial assets	-	-	929,682	-	-	929,682
Total	**1,776,240**	**7,434,320**	**33,857,541**	**160,796,603**	**83,086,238**	**286,950,942**
Non-financial assets						
Property, plant and equipment	-	-	1,578,493	990,970	36,131,322	38,700,785
Intangible asset	-	-	123,139	555,103	-	678,242
Other domestic assets	3,772,413	-	-	27,692	-	3,800,104
Total	**3,772,413**	**-**	**1,701,632**	**1,573,765**	**36,131,322**	**43,179,131**
Total assets	**617,055,054**	**487,280,134**	**311,003,347**	**469,311,621**	**183,217,933**	**2,067,868,089**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	149,897,536	-	-	-	-	149,897,536
Liabilities with International Monetary Fund	1,624,626	2,208,871	2,496,600	14,048,010	167,953,729	188,331,836
Total	**151,522,162**	**2,208,871**	**2,496,600**	**14,048,010**	**167,953,729**	**338,229,372**
Local currency financial liabilities						
Notes in circulation	847,170,600	-	-	-	-	847,170,600
Short term borrowings	57,664,690	-	-	-	-	57,664,690
Local currency deposits from banks and financial institutions	443,782,003	-	-	-	-	443,782,003
Other local currency financial liabilities	41,199,148	-	108,934,018	42,684,691	-	192,817,857
Total	**1,389,816,441**	**-**	**108,934,018**	**42,684,691**	**-**	**1,541,435,151**
Total liabilities	**1,541,338,603**	**2,208,871**	**111,430,618**	**56,732,701**	**167,953,729**	**1,879,664,523**
Capital and reserve	-			-	188,203,567	188,203,567
Total liability and equity	**1,541,338,603**	**2,208,871**	**111,430,618**	**56,732,701**	**356,157,296**	**2,067,868,089**
Gap analysis						
Maturity gap	**(924,283,549)**	**485,071,263**	**199,572,729**	**412,578,920**	**15,264,204**	**188,203,566**

Bangladesh Bank : Notes to the Financial Statements

As at and for the year ended 30 June 2014

45.01 Liquidity risk

Taka '000

ii) As at 30 June 2013

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Foreign currency financial assets						
Foreign currency accounts	400,668,902	-	-	-	-	400,668,902
Foreign investments	150,959,334	210,151,187	87,839,457	170,548,095	-	619,498,073
Assets held with International Monetary Fund	67,161,274	-	5,349	-	62,368,435	129,535,058
Gold and silver	30,888,999	-		-	-	30,888,999
Claims from gold transactions	-	-	9,888,170	-	-	9,888,170
Foreign currency loans to banks	-	-	62,201,818	-	-	62,201,818
Other foreign currency financial assets	-	-	3,257,453	-	-	3,257,453
Total	**649,678,509**	**210,151,187**	**163,192,247**	**170,548,095**	**62,368,435**	**1,255,938,473**
Local currency financial assets						
Taka coin and cash balances	387,106	-	-	-	-	387,106
Securities purchased under agreement to resell	32,690,170	-	-	-	-	32,690,170
Loans to the Government of Bangladesh	20,000,000	77,163,242	17,844,151	85,199,436	104,470,157	304,676,986
Local currency investments	-	-	2,065,000	4,050,000	925,000	7,040,000
Local currency loans to banks, financial institutions and employees	-	4,807,353	28,319,817	59,441,457	24,518,837	117,087,464
Other local currency financial assets	-	-	2,199,827	-	-	2,199,827
Total	**53,077,276**	***81,970,595***	**50,428,795**	**148,690,893**	**129,913,994**	**464,081,553**
non-financial assets						
Property, plant and equipment	-	-	1,512,152	-	24,680,070	26,192,222
Intangible asset	-	-	123,139	788,776	-	911,915
Other domestic assets	4,214,521	-	-	18,071	-	4,232,592
Total	**4,214,521**	**-**	**1,635,291**	**806,847**	**24,680,070**	**31,336,729**
Total assets	**706,970,306**	**292,121,782**	**215,256,333**	**320,045,835**	**216,962,499**	**1,751,356,755**
Foreign currency financial liabilities						
Foreign currency deposits from banks and financial institutions	140,040,206	-	-	-	-	140,040,206
Liabilities with International Monetary Fund	170,298	2,731,484	3,519,361	10,482,616	151,826,061	168,729,820
Total	**140,210,504**	**2,731,484**	**3,519,361**	**10,482,616**	**151,826,061**	**308,770,026**
Local currency financial liabilities						
Notes in circulation	746,382,564	-	-	-	-	746,382,564
Short term borrowings	49,830,996	-	-	-	-	49,830,996
Deposits from banks and financial institutions	371,149,908	-	-	-	-	371,149,908
Other local currency financial liabilities	-	-	92,137,645	-	-	92,137,645
Total	**1,167,363,468**	**-**	**92,137,645**	**-**	**-**	**1,259,501,113**
Total liabilities	**1,307,573,972**	**2,731,484**	**95,657,006**	**10,482,616**	**151,826,061**	**1,568,271,139**
Capital and reserve	-	40,733,254	-	-	142,352,309	183,085,563
Total liability and equity	**1,307,573,972**	**43,464,738**	**95,657,006**	**10,482,616**	**294,178,370**	**1,751,356,702**
Gap analysis						
Maturity gap	**(600,603,666)**	**289,390,298**	**119,599,327**	**309,563,219**	**65,136,438**	**183,085,616**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

46 Currency risk

Currency risk (exchange rate risk) is a form of risk that arises from the change in price of one currency against another, which directly affects the value of foreign exchange reserves as well as investments. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. Decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for Bangladesh Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within a band. Dealers/portfolio managers afford best to comply with this benchmark and continually rebalance the investment portfolio to follow the benchmark daily/weekly as approved by the Investment Committee.

Foreign currency monetary assets and liabilities

i) As at 30 June 2014

Taka '000

Particulars	US$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian $ equivalent	Australian $ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	449,191,353	-	41,371,602	1,779,969.7	7,208,389	923,089	146,192	843,123	-	271,338
Short term deposits in overseas commercial banks	338,244,163	-	26,577,179	53,811,550.0	-	23,688,692	32,671,149	1,504,615	-	15,553,368
Treasury bills	83,075,583	-	-	-	-	-	-	-	-	-
Foreign bonds	261,786,922	-	57,253,584	18,022,727.1		3,636,843	11,702,732	5,488,084	-	-
Gold and silver	-	25,283,678	-	-	-	-	-	-	-	-
Loan to other banks	105,186,763	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	19,451,963	-	-	-	-	-	-	-	-
Interest receivable	3,104,213	-	897,789	147,713.0	-	72,602	332,462	18,048	-	22,346
Asset held with IMF	-	-	-	-	-	-	-	-	148,468,110	-
Other foreign assets	-	-	-	-	-	-	-	-	-	80
Total	**1,240,588,997**	**44,735,641**	**126,100,154**	**73,761,960**	**7,208,389**	**28,321,226**	**44,852,535**	**7,853,870**	**148,468,110**	**15,847,132**
Liabilities										
Deposits from other banks	148,615,380	-	763,722	505,776	8,851	3,806	-	-	-	-
Liabilities to IMF										
Securities	-	-	-	-	-	-	-	-	62,320,401	-
Loan under poverty reduction and growth facility	-	-	-	-	-		-	-	8,266,285	-
SDR allocation	-	-	-	-	-	-	-	-	61,252,784	-
Extended credit facility	-	-	-	-	-	-	-	-	54,857,548	-
Others	-	-	-	-	-	-	-	-	1,634,818	-
Total	**148,615,380**	**-**	**763,722**	**505,776**	**8,851**	**3,806**	**-**	**-**	**188,331,836**	**-**
Net	**1,091,973,617**	**44,735,641**	**125,336,432**	**73,256,184**	**7,199,538**	**28,317,420**	**44,852,535**	**7,853,870**	**(39,863,726)**	**15,847,132**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

46 Currency risk

ii) As at 30 June 2013

Taka '000

Particulars	US$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Japanese Yen equivalent	Canadian $ equivalent	Australian $ equivalent	Chinese Yuan Renminbi equivalent	SDR equivalent	Others equivalent
Assets										
Held in other Central Banks and cash deposit abroad	313,536,314	-	78,632,814	2,721,504	3,686,957	199,980	1,795,048	53,953	-	42,332
Short term deposits in overseas commercial banks	215,089,539	-	-	51,964,362	-	12,090,588	23,023,762	818,182	-	12,441,488
Treasury bills	83,198,484	-	-	-	-	-	-	-	-	-
Foreign bonds	147,302,148	-	39,721,907	12,673,184	-	4,481,289	14,313,099	2,380,041	-	-
Gold and silver	-	30,888,999	-	-	-	-	-	-	-	-
Loan to other banks	62,201,818	-	-	-	-	-	-	-	-	-
Claims from gold transaction	-	9,888,170	-	-	-	-	-	-	-	-
Interest receivable	1,970,416	17,670	749,123	127,121	-	38,161	340,830	14,052	5,349	-
Asset held with IMF	-	-	-	-	-	-	-	-	129,529,709	-
Other foreign assets	-	-	-	-	-	-	-	-	-	80
Total	**823,298,719**	40,794,839	119,103,844	67,486,171	3,686,957	16,810,018	39,472,739	3,266,228	129,535,058	12,483,900
Liabilities										
Deposits from other banks	136,683,238	-	627,781	562,085	2,163,272	3,830	-	-	-	-
Liabilities to IMF										
Securities & Emergency Natural Disaster Assistance	-	-	-	-	-	-	-	-	62,489,313	-
Loan under poverty reduction and growth facility	-	-	-	-	-	-	-	-	14,297,198	-
SDR allocation	-	-	-	-	-	-	-	-	59,691,863	-
Extended credit facility	-	-	-	-	-	-	-	-	32,075,760	-
Others	-	-	-	-	-	-	-	-	175,686	-
Total	**136,683,238**	**-**	**627,781**	**562,085**	**2,163,272**	**3,830**	**-**	**-**	**168,729,820**	**-**
Net	**686,615,481**	**40,794,839**	**118,476,063**	**66,924,086**	**1,523,685**	**16,806,188**	**39,472,739**	**3,266,228**	**(39,194,762)**	**12,483,900**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

47 Sensitivity Analysis

At 30 June 2014, if interest rates had been 100 basis points lower with all other variables constant, profit for the year would have been Tk. 18,666 million lower (2013: Tk. 16,430 million), arising mainly as a result of lower interest income on financial assets. Conversely, if interest rates had been 100 basis point higher with all other variables held constant, profit for the year would have been Tk. 18,666 million higher (2013: Tk.16,430 million) arising mainly as a result of higher interest income on financial assets. Profit is very sensitive to changes in interest rates as interest is the principal source of income of the bank.

At 30 June 2014 if the Taka had weakened 10 per cent against the principal currencies in its foreign reserves portfolio with all other variables held constant, profit for the year would have been Tk. 1,314 million higher, (2013: Tk.3,848 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a reduction of profit for the year of Tk. 1,314 million, (2013: Tk.3,848 million). Profit is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

i) Consolidated fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. Fair value have been based on management assumptions according to the portfolio of the asset and liability base. IFRS requires that the fair value of the financial assets and liabilities are disclosed according to their classification under IAS 39 - Financial Instruments: Recognition & Measurement. The following tables summarise the carrying amounts and fair values of those financial assets and liabilities carried at fair value and not carried at fair value.

	Carrying value		Fair value	
	2014	2013	2014	2013
Financial assets				
Foreign investments	933,017,193	619,498,073	400,668,902	619,498,073
Gold and silver	25,283,678	30,888,999	619,498,073	30,888,999
Loans to the Government of Bangladesh	37,351,943	66,367,676	129,535,058	66,367,676
Local currency investments	8,385,472	8,221,755	30,888,999	8,221,755
Financial assets - at amortised cost				
Foreign currency accounts	501,735,055	400,668,902	9,888,170	400,668,902
Assets held with International Monetary Fund	148,468,110	129,535,058	62,201,818	129,535,058
Claims from gold transactions	19,451,963	9,888,170	3,257,453	9,888,170
Foreign currency loans to banks	105,186,763	62,201,818	304,676,986	62,201,818
Other foreign currency financial assets	4,595,253	3,257,453	32,690,170	3,257,453
Loans to the Government of Bangladesh	131,510,000	238,309,310	8,221,755	238,309,310
Securities purchased under agreement to resell	980,000	32,690,170		32,690,170
Local currency loans to banks, financial institutions and employees	109,704,694	118,056,512	118,056,512	118,056,512
Other local currency financial assets	1,145,214	2,337,873	2,337,873	2,337,873
Taka coin and cash balances	1,356,424	912,090	912,143	912,090

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	Carrying value		Fair value	
	2014	2013	2014	2013
Financial liabilities - at amortised cost				
Liabilities with International Monetary Fund	188,331,836	168,729,820	188,331,836	168,729,820
Deposits from banks and financial institutions	593,679,539	511,190,114	593,679,539	511,190,114
Notes in circulation	847,170,600	746,382,564	847,170,600	746,382,564
Short term borrowings	57,664,690	49,830,996	57,664,690	49,830,996
Other local currency financial liabilities	193,316,773	92,953,477	193,316,773	92,953,477

ii) Fair value

Financial assets - at fair value				
Foreign investments	933,017,193	619,498,073	933,017,193	619,498,073
Gold and silver	25,283,678	30,888,999	25,283,678	30,888,999
Loans to the Government of Bangladesh	37,351,943	66,367,676	37,351,943	66,367,676
Local currency investments	7,005,000	7,040,000	7,005,000	7,040,000
Financial assets - at amortised cost				
Foreign currency accounts	501,735,055	400,668,902	501,735,055	400,668,902
Assets held with International Monetary Fund	148,468,110	129,535,058	148,468,110	129,535,058
Claims from gold transactions	19,451,963	9,888,170	19,451,963	9,888,170
Foreign currency loans to banks	105,186,763	62,201,818	105,186,763	62,201,818
Other foreign currency financial assets	4,595,253	3,257,453	4,595,253	3,257,453
Loans to the Government of Bangladesh	131,510,000	238,309,310	131,510,000	238,309,310
Securities purchased under agreement to resell	980,000	32,690,170	980,000	32,690,170
Local currency loans to banks, financial institutions and employees	108,628,077	117,087,464	108,628,077	117,087,464
Other local currency financial assets	929,682	2,199,827	929,682	2,199,827
Taka coin and cash balances	546,240	387,053	546,240	912,143
Financial liabilities				
Liabilities with International Monetary Fund	188,331,836	168,729,820	188,331,836	168,729,820
Deposits from banks and financial institutions	593,679,539	511,190,114	593,679,539	511,190,114
Notes in circulation	847,170,600	746,382,564	847,170,600	746,382,564
Short term borrowings	57,664,690	49,830,996	57,664,690	49,830,996
Other local currency financial liabilities	192,817,857	92,137,645	192,817,857	92,137,645

Determination of fair value of financial assets

The fair value of foreign securities available-for-sale is based on quoted market prices, at the financial position date (2013: foreign securities held to maturity at amortised cost). Local currency financial investments includes shares in SPCL with a value of BDT 500,000,000 (2013: BDT 500,000,000) for which fair value cannot be reliably determined as they are not traded in the active market and there are no similar instruments with similar characteristics. Management believes that the fair value of these shares are their carrying value.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Government securities (overdraft-block and current) are carried at cost as the interest accrued is recovered on a daily basis. Other Government securities (Govt. treasury bills and bonds) available-for-sale are carried at fair value (2013: other Government securities (Govt. treasury bills and bonds were carried at amortised cost). Loans to banks, financial institutions and employees are carried at amortised cost and are net of provisions for impairment. The fair value approximates their carrying value.

48 Consolidated classification of financial instruments

Analysis of financial assets and liabilities by fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1:
Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2:
Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:
Valuation techniques using significant non-observable inputs. This category includes all instruments where the valuation technique includes inputs based on unobservable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

i) **As at 30 June 2014**

Financial Assets

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale
Taka coin and cash balances	1,356,424	-	-	-
Foreign currency accounts	501,735,055	-	-	-
Foreign investments:				
Short term deposits with overseas commercial banks	492,050,716	-	-	-
US Dollar Treasury Bills	-	-	-	83,075,584
Foreign Bonds	-	-		357,890,893
Asset held with IMF	148,468,110	-	-	-
Gold and silver	-	-	-	25,283,678
Claims from gold transaction	-	-	-	19,451,963
Foreign currency loans to banks	105,186,763	-	-	-
Other foreign assets:				
Swift shares	-	-	-	80
Interest receivable	4,595,173	-	-	-
Loans to the Government:				
Overdraft - block (Government treasury bills)	131,510,000	-	-	-
Overdraft - current	-	-	-	-
Treasury bills	-	-	-	2,327,168
Treasury bonds	-	-	-	35,024,775
Securities purchased under agreement to resell	980,000	-	-	-
Investments:				
Debenture - House Building Finance Corporation	-	-	-	6,505,000
Short term money market investments	-	-	-	1,873,020
Share of ICB Islamic Bank Limited	-	-	-	7,452

Local currency loans to banks, financial institutions and employees:

Taka '000

Items	Loans and receivables	Carried at amortised cost	Liabilities through profit or loss	Total
Loan to Commercial banks	4,105,182	-	-	-
Loan to Specialised banks	39,512,833	-	-	-
Loan to Private banks	2,634,900	-	-	-
Other loans and advances	28,601,184	-	-	-
Interest receivable	7,595,016	-	-	-
Loans and advances to employees	27,255,579	-	-	-
Other local currency financial assets	1,145,214	-	-	-
Total	**1,496,732,149**	**-**	**-**	**531,439,613**
Interest/Commission received	28,571,308	8,590,110	94,997	49,415
Financial liabilities				
Liabilities with IMF		188,331,836	-	188,331,836
Deposits from banks and financial institutions:				
Foreign currency deposits by commercial banks		74,804,441	-	74,804,441
Asian Clearing Union (ACU)		75,093,095	-	75,093,095
Notes in circulation		847,170,600	-	847,170,600
Local currency deposits from banks and financial institution		443,782,003	-	443,782,003
Short term borrowings		57,664,690	-	57,664,690
Total		**1,686,846,665**	**-**	**1,686,846,665**
Interest/commission paid		**(5,959,791)**	**-**	**(5,959,791)**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial Assets

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale
Taka coin and cash balances	912,090	-	-	-
Foreign currency accounts	400,668,902	-	-	-
Foreign investments:				
Short term deposits with overseas commercial banks	315,427,920	-	-	-
US Dollar Treasury Bills	-	83,198,484	-	-
Foreign Bonds*	-	220,871,669	-	-
Asset held with IMF	129,535,058	-	-	-
Gold and silver	-	-	-	30,888,999
Claims from gold transaction	-	-	-	9,888,170
Foreign currency loans to banks	62,201,818	-	-	-
Other foreign assets:				
Swift shares	-	-	-	80
Interest receivable	3,257,373	-	-	-
Loans to the Government				
Ways and means advance	20,000,000	-	-	-
Overdraft - block (Government treasury bills)	146,264,310	-	-	-
Overdraft - current	72,045,000	-	-	-
Treasury bills	-	3,367,132	-	-
Treasury bonds	-	63,000,544	-	-
Securities purchased under agreement to resell	32,690,170	-	-	-
Investments in shares and debentures:				
Debenture-House Building Finance Corporation	-	6,540,000	-	-
Short term money market investments	-	1,674,303	-	-
Share of ICB Islamic Bank Limited	-	-	-	7,452
Local currency loans to banks, financial institutions and employees:				
Loan to Commercial banks	4,357,353	-	-	-
Loan to Specialised banks	46,943,070	-	-	-
Loan to Private banks	6,740,398	-	-	-
Other loans and advances	26,882,308	-	-	-
Interest receivable	7,645,498	-	-	-
Loans and advances to employees	25,487,885	-	-	-
Other local currency financial assets	2,337,873	-	-	-
Total	**1,303,397,026**	**378,652,132**	**-**	**40,784,701**
Interest/Commission received	**41,810,273**	**10,579,984**	**5,397,470**	**46,507**

Financial Liabilities

Taka '000

Items	Carried at amortised cost	Liabilities through profit or loss	Total
Liabilities with IMF	168,729,820	-	168,729,820
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	84,226,213	-	84,226,213
Asian Clearing Union (ACU)	55,813,993	-	55,813,993
Notes in circulation	746,382,617	-	746,382,617
Deposits from banks and financial institution	371,149,908	-	371,149,908
Short term borrowings	49,830,996	-	-
Total	**1,476,133,547**	**-**	**1,476,133,547**
Interest/commission paid	**(4,223,871)**	**-**	**(4,223,871)**

*Foreign bonds held as at 30 June 2013 were classified as assets at fair value through profit or loss in the prior year financial statements. Refer to note 2.06

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

48.01 Classification of financial instruments

i) As at 30 June 2014

Financial Assets Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale	Total
Taka coin and cash balances	546,240	-	-	-	546,240
Foreign currency accounts	501,735,055	-	-	-	501,735,055
Foreign investments:					
Short term deposits with overseas commercial banks	492,050,716	-	-	-	492,050,716
US Dollar Treasury Bills	-	-	-	83,075,584	83,075,584
Foreign Bonds	-	-		357,890,893	357,890,893
Assets held with International Monetary Fund	148,468,110	-	-	-	148,468,110
Gold and silver	-	-	-	25,283,678	25,283,678
Claims from gold transactions	-	-	-	19,451,963	19,451,963
Foreign currency loans to banks	105,186,763	-	-	-	105,186,763
Other foreign assets:					-
Swift share	-	-	-	80	80
Interest receivable	4,595,173	-	-	-	4,595,173
Loans to the Government:					
Ways and means advance	-	-	-	-	-
Overdraft - block	131,510,000	-	-	-	131,510,000
Overdraft - current	-	-	-	-	-
Treasury bills	-	-	-	2,327,168	2,327,168
Treasury bonds	-	-	-	35,024,775	35,024,775
Securities purchased under agreement to resell	980,000	-	-	-	980,000
Local currency investments					
Debenture - HBFC	-	-	-	6,505,000	6,505,000
Investment in subsidiary	-	-	-	500,000	500,000
Local currency loans to banks, financial institutions and employees					
Loan to Commercial banks	4,105,182	-	-	-	4,105,182
Loan to Specialised banks	39,512,833	-	-	-	39,512,833
Loan to Private banks	2,634,900	-	-	-	2,634,900
Other loans and advances	28,601,184	-	-	-	28,601,184
Interest receivable	7,595,016	-	-	-	7,595,016
Loans and advances to employees	26,178,962	-	-	-	26,178,962
Other local currency financial assets	929,682	-	-	-	929,682
Total	**1,494,629,816**	**-**	**-**	**530,059,141**	**2,024,688,958**
Interest/commission received	**25,289,950**	**11,541,410**	**94,997**	**74,415**	**37,000,772**

Financial Liabilities Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with IMF	188,331,836	-	188,331,836
Deposits from banks and financial institutions:			
Foreign currency deposits from banks and financial institutions	74,804,441	-	74,804,441
Asian Clearing Union (ACU)	75,093,095	-	75,093,095
Notes in circulation	847,170,600	-	847,170,600
Short term borrowings	57,664,690	-	57,664,690
Local currency deposits from banks and financial institutions	443,782,003	-	443,782,003
Total	**1,686,846,665**	**-**	**1,686,846,665**
Interest/commission paid	**(5,959,791)**	**-**	**(5,959,791)**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial Assets

Taka '000

Items	Loans and receivables	Held-to-maturity	Assets at fair value through profit or loss	Available-for-sale	Total
Taka coin and cash balances	387,053	-	-	-	387,053
Foreign currency accounts	400,668,902	-	-	-	400,668,902
Foreign investments:					
Short term deposits with overseas commercial banks	315,427,920	-	-	-	315,427,920
US Dollar Treasury Bills	-	83,198,484	-	-	83,198,484
Foreign Bonds	-	220,871,669	-	-	220,871,669
Asset held with IMF	129,535,058	-	-	-	129,535,058
Gold and silver	-	-	-	30,888,999	30,888,999
Claims from gold transactions	-	-	-	9,888,170	9,888,170
Foreign currency loans to banks	62,201,818	-	-	-	62,201,818
Other foreign assets:					
Swift share	-	-	-	80	80
Interest receivable	3,257,373	-	-	-	3,257,373
Loans to the Government:					-
Ways and means advance	20,000,000	-	-	-	20,000,000
Overdraft - block (Govt. treasury bills)	146,264,310	-	-	-	146,264,310
Overdraft - current	72,045,000	-	-	-	72,045,000
Treasury bills	-	3,367,132	-	-	3,367,132
Treasury bonds	-	63,000,544	-	-	63,000,544
Securities purchased under agreement to resell	32,690,170	-	-	-	32,690,170
Local currency investments					-
Debenture - HBFC	-	6,540,000	-	-	6,540,000
Investment in subsidiary	-	-	-	500,000	500,000
Local currency loans to banks, financial institutions and employees					-
Loan to Commercial banks	4,357,353	-	-	-	4,357,353
Loan to Specialised banks	46,943,070	-	-	-	46,943,070
Loan to Private banks	6,740,398	-	-	-	6,740,398
Other loans and advances	26,882,308	-	-	-	26,882,308
Interest receivable	7,645,498	-	-	-	7,645,498
Loans and advances to employees	24,518,837	-	-	-	24,518,837
Other local currency financial assets	2,199,827	-	-	-	2,199,827
Total	**1,301,764,895**	**376,977,829**	**-**	**41,277,249**	**1,720,019,973**
Interest/commission received	**39,506,486**	**10,382,713**	**5,397,470**	**46,507**	**55,333,176**

Financial Liabilities

Taka '000

Items	Carried at amortized cost	Liabilities through profit or loss	Total
Liabilities with IMF	168,729,820	-	168,729,820
Deposits from banks and financial institutions:			
Foreign currency deposits by commercial banks	84,226,213	-	84,226,213
Asian Clearing Union (ACU)	55,813,993	-	55,813,993
Notes in circulation	746,382,617	-	746,382,617
Local currency deposits from banks and financial institutions	371,149,908	-	371,149,908
Short term borrowings	49,830,996	-	49,830,996
Total	**1,476,133,547**	**-**	**1,426,302,551**
Interest/commission paid	**(4,223,871)**	**-**	**(4,223,871)**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

49 Consolidated classification of financial instrument

Financial instruments measured at fair value - fair value hierarchy

i) As at 30 June 2014

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Financial Assets

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					
US Dollar Treasury Bills	5	83,075,584	-	-	83,075,584
Foreign Bonds	5	357,890,893	-		357,890,893
Gold and silver	7	25,283,678	-	-	25,283,678
Claims from gold transaction	8	19,451,963	-	-	19,451,963
Other foreign assets:					-
Swift shares	10	-	-	80	80
Loans to the Government:					
Treasury bills	13	-	2,327,168	-	2,327,168
Treasury bonds	13	-	35,024,775		35,024,775
Local currency investments:		-			-
Short term money market investments	14	-	1,873,020	-	1,873,020
Share of ICB Islamic Bank Limited	14	7,452	-	-	7,452
Total		**485,709,570**	**39,224,963**	**80**	**524,934,613**

ii) As at 30 June 2013

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					-
US Dollar Treasury Bills	5	83,198,484	-	-	83,198,484
Foreign Bonds	5	220,871,669	-		220,871,669
Gold and silver	7	30,888,999	-	-	30,888,999
Claims from gold transaction	8	9,888,170	-	-	9,888,170
Other foreign assets:					-
Swift shares	10	-	-	80	80
Loans to the Government:					-
Treasury bills	13	-	3,367,132	-	3,367,132
Treasury bonds	13	-	63,000,544		63,000,544
Local currency investments:					
Short term money market investments	14	-	1,674,303	-	1,674,303
Share of ICB Islamic Bank Limited	14	7,452	-	-	7,452
Total		**344,854,774**	**68,041,979**	**80**	**412,896,833**

Level 3 fair value measurements

As at 30 June 2014 and 30 June 2013, the Group holds level 3 financial instruments only on Swift shares. The management believes that the fair value of these shares is equal to its carrying amount. A level 3 reconciliation table have not been disclosed as no change in fair value of investement from last year. (2013: No change in fair value)

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Financial instruments not measured at fair value

These include taka coins and cash balances, foreign currency accounts, short term deposits with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, loans to government, securities purchased under agreement to resell, debentures in House Building Finance Corporation, short term money market investments, local currency financial assets and local currency loans to banks, financial instituitions and employees. These are measured under level 2 of fair value hierarchy, as the management believes that the fair value of those instruments are equal to their carrying amounts.

i) As at 30 June 2014

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	1,356,424	-	1,356,424	1,356,424
Foreign currency accounts	-	501,735,055	-	501,735,055	501,735,055
Foreign investments:					
Short term deposits with overseas commercial banks	-	492,050,716	-	492,050,716	492,050,716
Asset held with IMF	-	148,468,110	-	148,468,110	148,468,110
Foreign currency loans to banks	-	105,186,763	-	105,186,763	105,186,763
Interest receivable	-	4,595,173	-	4,595,173	4,595,173
Loans to the government					
Overdraft - current	-	-	-	-	-
Securities purchased under agreement to resell	-	980,000	-	980,000	980,000
Investments:					
Debentures in House Building Finance Corporation	-	6,505,000	-	6,505,000	6,505,000
Short term money market investments	-	1,868,910	-	1,868,910	1,868,910
Local currency loans to banks, financial instituitions and employees:					
Loan to commercial banks	-	4,105,182	-	4,105,182	4,105,182
Loan to specialized banks	-	39,512,833	-	39,512,833	39,512,833
Loan to private banks	-	2,634,900	-	2,634,900	2,634,900
Other loans and advances	-	28,601,184	-	28,601,184	28,601,184
Interest receivable	-	1,145,214	-	1,145,214	1,145,214
Loans and advances to employees	-	27,255,579	-	27,255,579	27,255,579
Other local currency financial assets	-	1,145,214	-	1,145,214	1,145,214
Total	**-**	**1,367,146,257**	**-**	**1,367,146,257**	**1,367,146,257**

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	188,331,836	-	188,331,836	188,331,836
Deposits from banks and financial institutions:					
Foreign currency deposits by commercial banks	-	74,804,441	-	74,804,441	74,804,441
Asian Clearing Union (ACU)	-	75,093,095	-	75,093,095	75,093,095
Notes in circulation	-	847,170,600	-	847,170,600	847,170,600
Local currency deposits from banks and financial institution	-	443,782,003	-	443,782,003	443,782,003
Short term borrowings	-	57,664,690	-	57,664,690	57,664,690
Total	**-**	**1,686,846,665**	**-**	**1,686,846,665**	**1,686,846,665**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Foreign currency accounts	-	912,090	-	912,090	912,090
Foreign investments:	-	400,668,902	-	400,668,902	400,668,902
Short term deposits with overseas commercial banks					
Asset held with IMF	-	315,427,920	-	315,427,920	315,427,920
Foreign currency loans to banks	-	129,535,058	-	129,535,058	129,535,058
Interest receivable	-	62,201,818	-	62,201,818	62,201,818
Loans to the government:	-	3,257,373	-	3,257,373	3,257,373
Overdraft - block (Government treasury bills)					
Overdraft - current	-	146,264,310	-	146,264,310	146,264,310
Securities purchased under agreement to resell	-	72,045,000	-	72,045,000	72,045,000
Investments:	-	32,690,170	-	32,690,170	32,690,170
Debentures in House Building Finance Corporation					
Short term money market investments	-	6,540,000	-	6,540,000	6,540,000
Local currency loans to banks, financial	-	1,670,193	-	1,670,193	1,670,193
instituitions and employees:					
Loan to commercial banks	-	4,357,353	-	4,357,353	4,357,353
Loan to specialized banks	-	46,943,070	-	46,943,070	46,943,070
Loan to private banks	-	6,740,398	-	6,740,398	6,740,398
Other loans and advances	-	26,882,308	-	26,882,308	26,882,308
Interest receivable	-	7,645,498	-	7,645,498	7,645,498
Loans and advances to employees	-	25,487,885	-	25,487,885	25,487,885
Other local currency financial assets	-	2,337,873	-	2,337,873	2,337,873
Total	-	**1,291,607,219**	-	**1,291,607,219**	**1,291,607,219**

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	168,729,820	-	168,729,820	168,729,820
Deposits from banks and financial institutions:					
Foreign currency deposits by commercial banks	-	84,226,213	-	84,226,213	84,226,213
Asian Clearing Union (ACU)	-	55,813,993	-	55,813,993	55,813,993
Notes in circulation	-	746,382,564	-	746,382,564	746,382,564
Local currency deposits from banks and financial institution	-	371,149,908	-	371,149,908	371,149,908
Short term borrowings	-	49,830,996	-	49,830,996	49,830,996
Total	**-**	**1,476,133,494**	**-**	**1,476,133,494**	**1,476,133,494**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

49.01 Classification of financial instrument

Financial instruments measured at fair value - fair value hierarchy

i) As at 30 June 2014

Financial assets

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					
US Dollar Treasury Bills	5	83,075,584	-	-	83,075,584
Foreign Bonds	5	357,890,893	-	-	357,890,893
Gold and silver	7	25,283,678	-	-	25,283,678
Claims from gold transaction	8	19,451,963	-	-	19,451,963
Other foreign assets:					
Swift shares	10	-	-	80	80
Loans to the Government:					
Treasury bills	13	-	2,327,168	-	2,327,168
Treasury bonds	13		35,024,775	-	35,024,775
Local currency investments:					
Investment in subsidiary	14.02	-	-	500,000	500,000
Total		**485,702,118**	**37,351,943**	**500,080**	**523,554,141**

ii) As at 30 June 2013

Taka '000

Items	Note	Level 1	Level 2	Level 3	Total
Foreign investments:					
US Dollar Treasury Bills	5	83,198,484	-	-	83,198,484
Foreign Bonds	5	220,871,669	-	-	220,871,669
Gold and silver	7	30,888,999	-	-	30,888,999
Claims from gold transaction	8	9,888,170	-	-	9,888,170
Other foreign assets:					
Swift shares	10	-	-	80	80
Loans to the Government:					
Treasury bills	13	-	3,367,132	-	3,367,132
Treasury bonds	13	-	63,000,544	-	63,000,544
Local currency investments:					
Investment in subsidiary	14.02	-	-	500,000	500,000
Total		**344,847,322**	**66,367,676**	**500,080**	**411,715,078**

Level 3 fair value measurements

As at 30 June 2014 and 30 June 2013, the Bank holds level 3 financial instruments only on shares in the Subsidiary. The management believes that the fair value of these shares is equal to its carrying amount. A level 3 fair value hierarchy reconciliation table have not been disclosed as there is no movement in fair value of securities.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Financial instruments not measured at fair value

These include taka coins and cash balances, foreign currency accounts, short term deposits with overseas commercial banks, assets held with IMF, foreign currency loans to banks, interest receivable, loans to government, securities purchased under agreement to resell, debentures in House Building Finance Corporation, short term money market investments, local currency financial assets and local currency loans to banks, financial instituitions and employees. These are measured under level 2 of fair value hierarchy, since the management believes that the fair value of those instruments are equal to their carrying amounts.

i) As at 30 June 2014

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	546,240	-	546,240	546,240
Foreign currency accounts	-	501,735,055	-	501,735,055	501,735,055
Foreign investments:				-	-
Short term deposits with overseas commercial banks	-	492,050,716	-	492,050,716	492,050,716
Asset held with IMF	-	148,468,110	-	148,468,110	148,468,110
Foreign currency loans to banks	-	105,186,763	-	105,186,763	105,186,763
Interest receivable	-	4,595,173	-	4,595,173	4,595,173
Loans to the government				-	-
Overdraft - current	-	-	-	-	-
Securities purchased under agreement to resell	-	980,000	-	980,000	980,000
Investments:				-	-
Debentures in House Building Finance Corporation	-	6,505,000	-	6,505,000	6,505,000
Local currency loans to banks, financial				-	-
instituitions and employees				-	-
Loan to commercial banks	-	4,105,182	-	4,105,182	4,105,182
Loan to specialised banks	-	39,512,833	-	39,512,833	39,512,833
Loan to private banks	-	2,634,900	-	2,634,900	2,634,900
Other loans and advances	-	28,601,184	-	28,601,184	28,601,184
Interest receivable	-	7,595,016	-	7,595,016	7,595,016
Loans and advances to employees	-	26,178,962	-	26,178,962	26,178,962
Other local currency financial assets	-	929,682	-	929,682	929,682
Total		**1,369,624,816**	**-**	**1,369,624,816**	**1,369,624,816**

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	188,331,836	-	188,331,836	188,331,836
Deposits from banks and financial institutions:				-	-
Foreign currency deposits by commercial banks	-	74,804,441	-	74,804,441	74,804,441
Asian Clearing Union (ACU)	-	75,093,095	-	75,093,095	75,093,095
Notes in circulation	-	847,170,600	-	847,170,600	847,170,600
Local currency deposits from banks and financial institution	-	443,782,003	-	443,782,003	443,782,003
Short term borrowings	-	57,664,690	-	57,664,690	57,664,690
Total	**-**	**1,686,846,665**	**-**	**1,686,846,665**	**1,686,846,665**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

ii) As at 30 June 2013

Financial assets

Taka '000

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Taka coin and cash balances	-	387,053	-	387,053	387,053
Foreign currency accounts	-	400,668,902	-	400,668,902	400,668,902
Foreign investments:				-	-
Short term deposits with overseas commercial banks	-	315,427,920	-	315,427,920	315,427,920
Asset held with IMF	-	129,535,058	-	129,535,058	129,535,058
Foreign currency loans to banks	-	62,201,818	-	62,201,818	62,201,818
Interest receivable	-	3,257,373	-	3,257,373	3,257,373
Loans to the government:					
Overdraft - current	-	72,045,000	-	72,045,000	72,045,000
Securities purchased under agreement to resell	-	32,690,170	-	32,690,170	32,690,170
Investments:				-	-
Debentures in House Building Finance Corporation	-	6,540,000	-	6,540,000	6,540,000
Local currency loans to banks, financial instituitions and employees					
Loan to commercial banks	-	4,357,353	-	4,357,353	4,357,353
Loan to specialized banks	-	46,943,070	-	46,943,070	46,943,070
Loan to private banks	-	6,740,398	-	6,740,398	6,740,398
Other loans and advances	-	26,882,308	-	26,882,308	26,882,308
Interest receivable	-	7,645,498	-	7,645,498	7,645,498
Loans and advances to employees	-	24,518,837	-	24,518,837	24,518,837
Other local currency financial assets	-	2,199,827	-	2,199,827	2,199,827
Total	**-**	**1,142,040,585**	**-**	**1,142,040,585**	**1,142,040,585**

Financial assets

Items	Level 1	Level 2	Level 3	Total fair value	Total carrying value
Liabilities with IMF	-	168,729,820	-	168,729,820	168,729,820
Deposits from banks and financial institutions:				-	-
Foreign currency deposits by commercial banks	-	84,226,213	-	84,226,213	84,226,213
Asian Clearing Union (ACU)	-	55,813,993	-	55,813,993	55,813,993
Notes in circulation	-	746,382,564	-	746,382,564	746,382,564
Local currency deposits from banks and financial institution	-	371,149,908	-	371,149,908	371,149,908
Short term borrowings	-	49,830,996	-	49,830,996	49,830,996
Total	**-**	**1,476,133,494**	**-**	**1,476,133,494**	**1,476,133,494**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

50 Contingent liabilities

The Bank had contingent liabilities for guarantees outstanding as at 30 June 2014 amounting to Taka 106,819 million (2013: 73,094 million) in favour of International Islamic Trade Finance Corporation which is secured by counter guarantees from the Government of Bangladesh.

The Bank had six pending litigation against which the estimated possible liability was Taka 120.83 million as at the reporting date. No provisions have been made in the financial statements in respect of these as it was not possible to determine the outcome of these cases with reasonable assurance.

51 Operating segments

The Bank's primary function as a central bank is the implementation of monetary policy in one geographical area-Bangladesh. The Bank operations comprise a single operating segment for the purpose of IFRS operating segments. The Bank has significant foreign currency financial liability and foreign currency financial assets as part of its foreign reserves management and domestic market operation activities. While the Bank is required by the Bangladesh Bank Order to report revenue and expenses by references to the functions carried out by the Bank, these activities do not constitute separate operating segments for the purpose of IFRS 8.

52 Actuarial valuation of defined benefit plans

The Bank at first carried actuarial valuation for the pension fund and gratuity fund during the year 2003-2004. The common practice of the Bank is to have a full valuation in every three years or if new national pay-scale is declared. Second time full actuarial valuation was done in the year 2005-2006 due to declaration of new pay-scale. Last actuarial valuation was made in the year 2011-2012 as no acturial valuation companies were available in the current year. Before last valuation assumptions were made based on previous recommendations. In the year 2011-2012 actuarial valuation was done by the actuarial firm (AIR Consulting). According to the valuation report, the estimated obligation of the pension fund as at 30 June 2012 was Taka 4,745,764 thousand and for gratuity fund was Taka 1,069,800 thousand. For the year 2013 and 2014 the obligations were calculated based on the recommendation made by the actuarial firm.

As at 30 June 2014 the obligation for pension fund and gratuity fund was calculated to Taka 5,738,754 thousand and Taka 1,269,878 thousand respectively. As the gratuity fund has excess balance the shortfall for pension fund was transferred from grauity fund. As a result, the Bank did not expense any additional amounts in this year. The excess balance in grauity fund is kept on for future adjustment. The balance of the funds is as under:

Taka '000

Particulars	Pension plans		Gratuity plans	
	2013-2014	2012-2013	2013-2014	2012-2013
Amounts recognised in the reporting date				
Balance at the beginning of the year	5,710,641	6,105,346	1,774,885	1,888,124
Paid during the year	(150,627)	(394,705)	(42,459)	(113,239)
Current year's contribution/transfer	178,700	-	(178,700)	-
Balance of the fund	**5,738,714**	**5,710,641**	**1,553,726**	**1,774,885**

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

Actuarial assumptions

Taka '000

Particulars	Pension plans		Gratuity plans	
	2013-2014	2012-2013	2013-2014	2012-2013
Discount rate	11.50%	11.50%	11.50%	11.50%
Salary growth rate	8%	8%	8%	8%

The assumptions regarding future mortality rate are based on the published statistics and mortality tables of the FA 1975-78 (based on experience collected from UK insurers).

Sensitivity

If the discount rate had been 100 basis points lower with all other variables constant, contribution for pension fund and gratuity fund for the year would have been Taka 49.49 million and Taka11.05 million higher respectively, arising mainly as a result of lower discount income. Conversely, if discount rate had been 100 basis point higher with all other variables held constant, contribution for the same during the year would have been Taka 49.49 million and Taka 11.05 million lower arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

53 Capital commitments

As at 30 June 2014, the Bank had outstanding capital commitments of Taka. 27.90 million with respect to different computer and networking packages (2013: 14.40 million) and Taka 8.85 million for installation of mechanical equipments (2013: Nil).

54 Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Bank, related parties, as defined in International Accounting Standard No. 24, include directors and officers of the Bank, and companies of whom they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions on an arms length basis.

Bank is fully owned by the Government of Bangladesh. Government has interests in various entities such as state owned banks, specialised banks and corporations. Bank deals with these entities on the directives of the government in line with the its monetary policy objectives.

The outstanding as at the reporting date and average balances during the year in respect of related parties included in the statement of financial position are as follows:

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

	2014 Outstanding Taka'000	2014 Average	2013 Outstanding Taka'000	2013 Average
Outstanding balances with the government of Bangladesh				
Ways and means advance	-	10,000,000	20,000,000	20,000,000
Overdraft - block (refer note 13.01)	131,510,000	138,887,155	146,264,310	153,887,155
Overdraft - current	-	36,022,500	72,045,000	75,146,000
Treasury bills	2,327,168	2,847,150	3,367,132	30,912,078
Treasury bonds	35,024,775	49,012,660	63,000,544	58,927,194
Other assets (interest receivable)	781,134	1,284,140	1,787,145	1,592,496
	169,643,077	**238,053,604**	**306,464,131**	**340,464,923**
Other liabilities:				
Deposits	41,199,148	20,602,078	5,007	5,049
Loan from government of Bangladesh	2,764,580	2,800,919	2,837,257	2,400,097
	43,963,728	**23,402,996**	**2,842,264**	**2,405,146**
Balances related to subsidiary (Security Printing Corporation)				
Other assets (Prepayments and advances)	3,299,119	3,574,366	3,849,612	3,346,401
Other liabilities (sundry creditors)	1,692,073	1,483,314	1,274,555	1,327,491

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

	2014 Taka'000	2013 Taka'000
Income and expenses related to government		
Interest income	19,500,993	31,455,547
Commission received	3,639	4,376
	19,504,632	**31,459,923**
Expenses		
Agency charges	2,409,580	2,407,926
Under writing commission on treasury bills and bonds	415,000	316,000
	2,824,580	**2,723,926**
Income and expenses related to subsidiary (Security Printing Corporation)		
Dividend income	25,000	-
Note printing expenses	3,885,924	3,369,886
Key management personnel		
Salaries, wages and other benefits (refer note 54.06)	3,969	3,334

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

54.01 Transactions with Government and Government controlled enterprises

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Bangladesh; as ultimate owner of the Bank, various Government departments, and Government controlled enterprises/entities. All transactions are carried out with reference to market rates. Transactions entered into include:

(a) Acting as the fiscal agent, banker and financial advisor of the Government; the Bank is the depository of the Government and or its agents or institutions and provides banking services to Government and Government departments and corporations;

(b) Acting as the agent of the Government or its agencies and institutions, provide guarantees, participate in loans to Government or related institutions and foreign reserve;

(c) The Bank does not ordinarily collect any commission, fees, or other charges for services which it renders to the Government and related entities;

(d) Acting as the agent of the Government, the Bank issues securities of Government, purchases any unsubscribed portion of any issue and amounts set aside for the Bank; and

(e) As the agent of the Government manages public debt and foreign reserves. During the year, the Bank received an amount of Taka 2,731.44 billion (in 2013 : Tk. 2,276.80 billion) and paid Taka 2,598.21 billion (in 2013: 2,270.61 billion) on behalf of the Government. As at 30 June 2014, total outstanding balance was Taka 168.86 billion.

(f) Assets under management:

	2014 Taka'000	2013 Taka'000
Japan Debt Relief Grant	1,106,605	1,132,448

The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

54.02 Transactions with entities in which the Bank has significant investments

During the year, the Bank received debenture interest from House Building Finance Corporation (HBFC) amounting to Tk. 318.88 million included in the interest income.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

54.03 Transactions with controlled entities

During the year, as a part of it's business operations the Bank incurred expense of Taka 3,885.92 million (2013: Taka 3,369.89 million) as note printing cost to the Security Printing Corporation, Bangladesh Ltd. which is included in the statement of profit or loss of the Bank. It is a 100% owned subsidiary of the Bank. This transactions are eliminated in preparing consolidated financial statements. During the year, the Security Printing Corporation, Bangladesh Ltd paid dividend an amounting to Taka 25 million (2013: nil) as per decision of their Board.

54.04 Transactions with retirement benefit plans

During the year, the Group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as a sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 52.

54.05 Board of Directors of Bangladesh Bank and Key Management Personnel

(a) Dr. Atiur Rahman - appointed as the Chairman of the Board of Directors and also as the Governor of the Bangladesh Bank for a period of four years from 1 May 2009. Further he reappointed on 1 May 2013 for a period up to 2 August 2016.

(b) Mr. Md. Abul Quasem - appointed as a Director of the Board of Bangladesh Bank on 13 February 2012 for a period until further order and also holds the post of Deputy Governor, Bangladesh Bank.

(c) Dr. Mustafa Kamal Mujeri - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years and holds the post of Executive Director, Bangladesh Institute of Development Studies, Sher-E-Bangla nagar, Dhaka. Further reappointed on 11 March 2013 for a period up to 10 March 2016.

(d) Prof. Sanat Kumar Saha - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-professor, Rajshahi University, Rajshahi.

(e) Dr. Sadiq Ahmed - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. He is an Ex-Director, World Bank, USA & Vice Chairman, Policy Research Institute, Banani, Dhaka.

Bangladesh Bank : Notes to the Financial Statements
As at and for the year ended 30 June 2014

(f) Prof. Hannana Begum - appointed as a Director of the Board of Bangladesh Bank on 11 March 2010 for a period of three years. Further reappointed on 11 March 2013 for a period up to 10 March 2016. She is an Ex-Principal, Eden College, Dhaka.

(g) Mr. Fazle Kabir - appointed as a Director of the Board of Bangladesh Bank on 22 August 2012 for a period until further order and holds the post of Secretary, Finance Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.

(h) Mr. Md. Ghulam Hussain - appointed as a Director of the Board of Bangladesh Bank on 13 November 2012 for a period until further order and holds the post of Secretary, Internal Resources Division and Chairman, National Board of Revenue, Govt. of the Peoples Republic of Bangladesh.

(i) Dr. M Aslam Alam - appointed as a Director of the Board of Bangladesh Bank on 13 November 2012 for a period until further order and holds the post of Secretary, Banking and Financial Institution Division, Ministry of Finance, Govt. of the Peoples Republic of Bangladesh.

54.06 Remuneration of members of the Board of Directors and Key management personnel

Members of the Board of Directors received remuneration totaling Tk. 523,392 (2013: Tk. 497,084) and the Governor received salary totaling Tk. 590,400 (2013: Tk. 492,000). In addition, the Governor availed a free furnished house for his residence and full time transport facility. Other key management personnel of the Bank received salary totaling Tk. 2,855,520 (2013: Tk. 2,345,200) and in addition, they availed official residence as well as transport.

55 Events after the reporting date

Subsequent to the financial position date, no events have occurred which require adjustments to/or disclose in the financial statements.

56 Directors' responsibility for financial reporting

The Board of Directors approved the financial statement on 27 August 2014.

Appendix–1

Chronology of Major Policy Announcements: FY14

Chronology of Major Policy Announcements: FY14

1. Financial Sector Development

July 2013
- Bangladesh Bank introduced a scheme named 'Refinance Scheme for Solar Energy, Bio-Gas and Effluent Plant Sector' with a revolving fund of Taka 2 billion. The scheme is primarily financed from Bangladesh Bank's own source for issuing loans on easy terms for renewable fuel and environment friendly sectors like solar energy, bio-gas and effluent treatment plants (Ref. no: ACSPD Circular 06/2009). Seven new products have been added to this refinance scheme (Ref: GBCSRD Circular No. 02/2013).

July 2013
- The Anti-Terrorism (Amendment) Act, 2013 passed on 11 June 2013 by the National Parliament for better amendment of Anti-Terrorism Act, 2009. The act was approved by Honourable President on 12 June 2013 and was published in the additional edition of Bangladesh Gazette. In this regard, all banks/NBFIs are directed to bring the contents of this Act to the notice of all concerned and to ensure the compliance of its regulations.

July 2013
- As a part of regulatory review, "Guidelines on products and services of NBFIs in Bangladesh" have been issued. These guidelines aim to formulate general framework for different products and services of NBFIs with a view to removing inconsistencies and discrepancies among the features and operational procedures of those products and services. It will help promote sound risk management practices in managing and controlling risks associated with products/services at various stages.

July 2013
- In line with global development and response to the environmental degradation, the financial sector of Bangladesh should play important role as one of the key stakeholders. With a view to developing green banking practices in the country, an indicative Green Banking Policy and Strategy framework has been developed for the FIs in the following headlines:

  Phase I

  - Policy Formulation and Governance
  - Incorporation of Environmental Risk in CRM
  - Initiating In-house Environment Management
  - Introducing Green finance
  - Creation of Climate Risk Fund

- Introducing Green Marketing
- Supporting Employee Training, Consumer Awareness and Green Event
- Disclosure and Reporting of Green Banking Activities

Phase II

- Sector Specific Environmental Policies
- Green Strategic Planning
- Setting up Green Branches
- Improved In-house Environment Management
- Formulation of NBFIs/Banks Specific Environmental Risk Management Plan and Guidelines
- Rigorous Programmes to Educate Clients
- Disclosure and Reporting of Green Banking Activities

Phase III

- Designing and Introducing Innovative Products
- Reporting in Standard Format with External Verification
- Reporting Green Banking Practices on Quarterly Basis
- The compliant NBFIs practicing Green Banking will have the following preferential treatments:

  (i) BB will award points to NBFIs on Management component while computing CAMELS rating where there will ultimately be a positive impact on overall rating of a NBFIs.

  (ii) BB will declare the names of the Top Ten NBFIs for their overall performance in green banking activities in the BB websites.

  (iii) BB will actively consider green banking activities/practices of a NBFI while according permission for opening new NBFI branch.

August 2013 • The Managing Directors/ Chief Executives of all the scheduled banks have been informed about the decision that the total amount (book value) of Bank's holding of fixed asset should not be more than 30 percent of the paid up capital and banks cannot buy any further fixed asset until they increase their paid up capital proportionately (Reference: the section 10 of Bank Company Act, 1991, BRPD Circular No. 04 dated 25 January 2010 and BRPD Circular Letter No. 09 dated 30 July 2012).

August 2013 • Act No. 14 of The Bank Company Act, 1991 was amended in Bank Company (Amendment) Act, 2013 (Act No. 27 of the year 2013) and was published in additional edition of Bangladesh Gazette on 22 July 2013. Chief Executives of all the scheduled banks were advised to inform the concerned persons about the amendment of the sections in the Act and to ensure its implementation. Besides, they were also suggested to present the Bank Company (Amendment) Act, 2013 in the next meeting of their Board of Directors.

August 2013 • At present, the banking sector is facing various challenges in the world. There are no alternatives to ef ficient workforce to achieve the goals and targets of the institutions. A bank's training institute plays an important role in improving human resources. To offer appropriate and effective training, training institutes must have well developed infrastructure with technological facilities. For ensuring appropriate infrastructure and improvement of training quality, banks' training institutes should follow the instructions stated below:

- Head of the training institute will be a full-time of ficial, either the bank's regular official or on contract basis.
- Number of the faculty members of the training institute should be compatible with the total number of workforce of the bank.
- The training institute should have at least two classrooms, one computer lab, one dining hall and the class room should have computers with internet connection, projectors etc. to run the sessions.
- Training institutions will do the "T raining Need Assessment" on regular basis.
- The training institute will set up the following year's training schedule on the month of December of each year.
- The training institute will run the sessions with its own faculty and resource persons in general.
- There will be a set of policies approved by the bank's Board of Directors for the overall conduct of the training institute.

September 2013 • Attention has been drawn to the DCMPS (PSD) Circular letter No.1 1 dated 20 December 2011 regarding "Amendment of Guideline on Mobile Financial Services for the Banks" and DCMPS (PSD) Circular No.10 dated 14 December 2011.

- Though the ceiling of amount for P2P transaction was fixed {Ref.: DCMPS (PSD) Circular No.10 dated 14 December 201 1}, the ceiling on amount and number of transaction of cash in/out was not specified. Afterwards allegations were received to the extent that people without having mobile account was also making cash in/out and cash transfer using agent's or other people's mobile account which was risky and in violation of the "Guidelines on Mobile Financial Services for the Banks". Moreover , guidelines were not followed properly resulting fraud and forgeries in MFS transactions. These issues were discussed with the stakeholders and several instructions were disseminated to the concerned banks for proper compliance of Mobile Financial Services and prevention of frauds and forgeries.

September 2013
- The individual and aggregate limits of investment in shares of any company or companies by scheduled banks were prescribed in clause (1) of section 26KA of Bank Company Act, 1991 (amended up to 2013). To facilitate close monitoring by Bangladesh Bank and to clarify some issues, instructions regarding investment in the capital market by the scheduled banks were issued.

September 2013
- In order to get salary and allowance through bank accounts, workers in the RMG sector can open bank accounts against their National ID Cards and ID Cards issued by their company through depositing Taka 100. These bank accounts are not subject to any minimum balance requirement or fee/charges. In case of inadequacy of cheque books, withdrawals can be done through vouchers.

October 2013
- According to Bank Company Act, 1991(Amendment 2013) section 40, scheduled Banks were instructed to submit their Audited Financial Statements to Bangladesh Bank within 2 months after the end of the year . For assessment of audited reports and identification of true financial state, banks will have to submit Management Report by external audit to Department of Off-Site Supervision within Seventy five days after the end of the year.

October 2013
- Good governance is very crucial for bank management. It is the prime responsibility of the Board of Directors to appoint honest, skilled, experienced and appropriate Chief Executive for strengthening monetary base and gaining confidence of the depositors. Following regulations are to be followed in case of appointing and assigning the responsibility of the Chief Executive of a Bank-Company, or whatever the post is called, to ensure good governance-

a) Fit & Proper Criteria:

1. Character credentials
2. Experience and eligibility
3. Transperancy and financial credentials
5. Tenure Period
4. Age Limit
6. Policy for Salary and Allowance
7. Incentive Bonus
8. Honorarium for attending general meetings
9. Assessment Report
10. Approval from Bangladesh Bank

b) Responsibility and Power

October 2013
- It is mandatory to form Board of Directors of a Bank-Company comprising eligible and professionally skilled personnel for compilation of policies and supervision of business activities and to ensure good governance. Responsibilities of the Board of Directors of a Bank-Company are more important than other companies as activities of banks are run by depositor's money and it is important to achieve their confidence and to maintain it. In this regard, policies regarding formation, responsibilities and other activities of the Board of Directors to ensure good governance has been issued.

October 2013
- Real estate developers, trading corporations of precious metals and stones, service providers for Trust and Company, lawyer, Notary, other law service holders and accountants have been included as Report providing organisations (Ref: section 2(BA)(OI,O,OU and AA) of Anti Money Laundering Act, 2012 and section 20(OI, O,OU and AA) of Anti terrorism Act, 2009).

November 2013
- With a view to promoting non-traditional and creative sectors, some amendments in the small enterprise sector refinance scheme "Bangladesh Bank Fund" have been made (Reference: SMESPD Circular No. 02 dated 04 September 2011).
- PFI will get 100 percent refinance against their lending to micro and small enterprises engaged in publication and marketing of books on knowledge based and creative writings subject to availability of funds. The applicable interest rate at the client level will be maximum of 10 percent (bank rate +5 percent). Any writings which contravene country's culture, tradition, history , or against of any race/religion/clan or hurt any group of people will not be treated as creative writings for this purpose.

- Banks and NBFIs will provide finance to micro and small enterprises treated as creative publishers on banker-customer relationship. The creative publisher will be those publishers who are members of the "Bangladesh Gyyan or Srijonsil Prokasok Somity" or any other similar organizations constituted by law and/or be considered as creative publishers by the respective banks and NBFIs.

November 2013
- Instructions were given to (Reference: FID Circular 03 dated 15 March 2007) to litigate in court for loans, advances and lease which were classified as Bad/Harmful before Write-off in case of 100 percent provision. But it has been noticed that, often the expense of litigating is higher than the amount of loans in case of small amount loan. In this regard, it has been decided that instructions about write-off and litigation will remain unchanged except for loan less than Taka 50000.

November 2013
- Financial Institutions were instructed to submit their information up to December related to the Directors and any changes made, manually through a hard copy to Bangladesh Bank within 31 January (Ref. no: DFIM Circular No. 5 dated 6 May 2010). From now on, financial institution will submit that information on three-month basis to Bangladesh Bank W eb Portal through Rationalised Input Template (RIT) "T_ PS_Q_SH_DIR_INFO".

December 2013
- According to the existing regulation(Ref. no: FID circular No. 03/2003 and 07/2005 and DFIM Circular No. 04/2010), maturity period of term deposit by Financial Institutions was six months for individual and organizations and there was a chance of Premature Encashment after expiring the six months period on request.
- From now on, minimum maturity period for term deposit by financial Institutions has been determined to be three months. In that case Premature Encashment will be possible after expiring the three months period on request.

December 2013
- All scheduled banks in Bangladesh were advised to download the newly formulated 'Guidelines on Agent Banking for the Banks' from the website of Bangladesh Bank for taking necessary actions.

December 2013
- As per section 1.1 of the said circular and circular letter , all scheduled Bangladeshi banks had to form a high powered Committee comprising of Directors from the Board to review the banks' environmental policies, strategies and programmes (Reference: Section 1.1 of BRPD Circular No. 02 dated 27 February 201 1 and GBCSRD Circular Letter No. 05 dated 1 1

September 2013). According to the Bank Company Act, 1991 (Amended up to 2003) and BRPD Circular No. 06/2010, there could only be two committees comprising the Board members- Audit Committee and Executive Committee. Pursuant to that, either of these two committees was supposed to be responsible to review the banks' green or environmental policies, strategies and programme. Meanwhile, as per section 15kha (3) of the Bank Company Act, 1991 (Amended up to 2013), each banking company shall form a risk management committee comprising the members of the Board of Directors. In view of this context, the risk management committee comprising the members of the Board of all scheduled Bangladeshi banks will review the banks' green or environmental policies, strategies and programmes for governing the overall green banking activities of the banks.

December 2013
- The time limit for adjusting the excess loan over Single Borrower Exposure Limit provided to own subsidiary company for Merchant Banking and Brokerage activities has been extended up to 31 December 2014 instead of 31 December 2013 (Ref. no: the instruction No. 2 of DOS Circular No.4 dated 24 November 2011).
- Banks are advised to adjust the loan up to Single Borrower Exposure Limit within stipulated time without increasing the existing loan limit.

January 2014
- BB has developed a 'Credit Rating Methodology for Small and Medium Enterprises' which will ensure uniformity , larger levels of transparency of external credit assessment and thereby determine the relative creditworthiness of entities belonging to this segment and thus establish credit discipline in the banking industry . In this manner , BB has launched SME ratings for banks in Bangladesh (Ref. no: BRPD Circular No. 35 dated 29 December 2010).
- For this purpose, amendments have been made to the guidelines on RBCA, December 2010.

January 2014
- In order to comply with the recently incorporated section-26(Kha) of the Bank Company Act, 1991 and to improve bank's credit risk management further , Bangladesh Bank consolidated all instructions issued so far (Ref. no: BRPD Circular No. 5 dated 9 April 2005) on the subject of Single Borrower Exposure Limit and made some amendments on definition and interpretation of "Capital", Exposure", "Non-conforming Exposure", "Person", "Group" and Exposure Limits, Expectations, Prudential Norms, Risk Management Expectations etc.

January 2014

- The Foreign Account Tax Compliance Act (FATCA) enacted in 2010 in the United States (U.S.) requires a 'Foreign Financial Institution (FFI)' to report to the U.S. Internal Revenue Service (IRS) information about certain accounts held by U.S. taxpayers or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. According to the definition of FFI, all banks as defined in the Bank Company Act, 1991 have come within the provisions of FATCA.
- As the Government of Bangladesh has not yet decided to execute an intergovernmental agreement with the U.S., these obligations can alternatively be discharged at individual bank level by registering and signing 'Participation Agreements' with the IRS. The National Board of Revenue (NBR) also consented on registering with the IRS if a bank has U.S. taxpayer accounts in its books.
- Therefore, banks concluding that F ATCA may have implications for their customers and operations should register themselves with the IRS, put in place appropriate processes and controls to ensure compliance with F ATCA. Concerned Banks are advised to visit the IRS's website, www .irs.gov/fatca-registration, for necessary guidance in this regard.
- Because the agreement requires disclosures which would normally be breaches of the banker's general duty of confidentiality under prevalent Bangladeshi laws including the Bankers' Books Evidence Act 1891, banks are to obtain written consents from their customers before reporting the requested information to IRS. Banks should communicate with the existing customers well in advance of executing 'Participation Agreement' with the IRS enabling the accountholders to comply with reasonable requests for information or to provide acceptable documentation to meet the FATCA obligations.

January 2014

- All scheduled banks in Bangladesh have to maintain Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) in compliance with the instructions given in clause (1) of Article 36 of Bangladesh Bank Order, 1972 (as amended up to 2003) and clause (1) of section 33 of Bank Company Act,1991 (amended up to 2013) respectively . Pursuant to the recent amendment of section 33 of Bank Company Act, 1991 and in order to facilitate the maintenance of CRR and SLR by the scheduled banks, and to clarify some related topics, the following instructions are being issued:

  (a) Cash Reserve Ratio (CRR):

  At present, the required CRR is 6 percent on bi-weekly average basis of the average total demand and time liabilities (ATDTL) with a provision of minimum

5.5 percent on daily basis of the same ATDTL. Banks are advised to follow the circular issued by Monetary Policy Department of BB in this regard.

(a) Statutory Liquidity Ratio (SLR):

At present, the required SLR is 13 percent daily for conventional banks and 5.5 percent daily for Islamic Shari'ah based banks and Islamic Shari'ah based banking of conventional banks of their average total demand and time liabilities. Banks are advised to follow the circular issued by Monetary Policy Department of BB from time to time in this regard.

- Instructions are also given about Components eligible for calculation of Statutory Liquidity Reserve, guidelines for use of Foreign Currency from Foreign Currency Clearing Account for SLR purpose, computation of Demand and Time Liabilities, classification and valuation of SLR eligible securities, submission of reports regarding maintenance of CRR and SLR, penalties etc. The instructions will become effective from 1 February 2014.

January 2014

- Individuals interested for investment in government securities (T reasury Bills and Bangladesh Government Treasury Bonds) do not get adequate information and necessary cooperation from their banks though there are specific instructions in paragraph 2(i) and 2(ii) under the heading of "Issuance of Bangladesh Government Treasury Bonds" in Government of Bangladesh's gazette notification dated 24 June 2007 and subsequent amendments thereto:
    - 2(i) Individuals and institutions resident in Bangladesh such as banks, non bank financial institutions, insurance companies, corporate bodies, authorities responsible for the management of provident funds, pension funds etc shall be eligible to purchase the Bangladesh Government Treasury Bonds (BGTBs).
    - 2(ii) Individuals and Institutions not resident in Bangladesh shall also be eligible to purchase the BGTBs, with coupon payments and resale/redemption proceeds transferable abroad in foreign exchange, provided that:
- The purchase is made with funds from a non-resident foreign currency account with a bank in Bangladesh in the name of purchaser;
- The BGTB purchased by a non-resident may freely be resold to a resident in Bangladesh or to another non-resident. Resale to a non resident shall be subject to the provision of paragraph 2(ii)(a).

- 02. Scheduled banks and financial institutions maintaining accounts with Motijheel Office of Bangladesh Bank may open Business Partner ID(BP ID) in favour of their individual/institutional customers in Market Infrastructure (MI) Module of Bangladesh Bank to participate in auctions of Treasury Bills and BGTBs. Individuals may also buy or sell government securities in secondary market over the counter/T rader Work Station (TWS) of MI module. Some of the Primary Dealer banks are using this system quite ef ficiently. Accordingly, other banks and NBFIs are also advised to be active in facilitating their individual customers for buying/selling of government securities and provide required information and necessary cooperation promptly.

February 2014

- Regarding the amendments of Guidelines on Risk Based Capital Adequacy (RBCA) for banks (Reference: BRPD Circular No. 35 dated 29 December 2010 and the subsequent BRPD Circular No.1 dated 1 January 2014), Risk Weighted Asset (RWA) against credit risk on Small and Medium Enterprise (SME) exposure is to be computed on the basis of credit rating assessed by External Credit Assessment Institutions (ECAIs) duly recognised by Bangladesh Bank (BB). Consequently, calculated RWA and Capital Adequacy Ratio (CAR) will be reported as per reporting formats enclosed in the amended RBCA guidelines.

- From this point of view , all scheduled banks operating in Bangladesh may nominate any one or more rating agency (ies) for the credit rating of their SME clients' for the purpose of calculating RWA.

- SME rating scales of The Bangladesh Rating Agency Limited (BDRAL) have already been mapped with BB's SME rating grades (Ref. no: BRPD Circular No.12/2013). Now, the SME rating scales of Credit Rating Information and Service Limited (CRISL), Credit Rating Agency of Bangladesh (CRAB) and Emerging Credit Rating Limited (ECRL) have been mapped with BB's SME rating grades as given below:

BB SME Rating Grade	Equivalent Rating of CRISL	Equivalent Rating of CRAB	Equivalent Rating of ECRL
SME 1	CRISL Me-1/Se-1	CRAB-ME 1/SE 1	ESME 1
SME 2	CRISL Me-2/Se-2	CRAB-ME 2/SE 2	ESME 2
SME 3	CRISL Me-3/Se-3	CRAB-ME 3/SE 3	ESME 3
SME 4	CRISL Me-4/Se-4	CRAB-ME 4/SE 4	ESME 4
SME 5	CRISL Me-5/Se-5	CRAB-ME 5/SE 5	ESME 5
SME 6	CRISLMe-6,7,8,9,10/ Se-6,7, 8,9.10	CRAB-ME 6,7,8/ SE 6,7,8	ESME 6,7,8

March 2014

- Bangladesh Bank has designed a multipurpose analytical tool with the technical assistance from the W orld Bank (WB) named "Financial Projection Model (FPM)" with the aim to assess the strengths and weaknesses of individual banking institution and the system as a whole based on probable shock scenarios, to perform comprehensive scenario analyses to identify risks and to improve Bangladesh Bank's view over the risk management capacity of individual banks. All scheduled banks are required to take part in the implementation of the Model from March 2014 and have to collect the soft copies of those from Financial Stability Department (FSD), Bangladesh Bank on or before 31 March 2014. It has been decided that, henceforth all scheduled banks will start quarterly reporting to FSD as per the user manual and the input template. The reporting schedule is as follows:

Quarter	Period	Reporting Deadline (on or before)
March Quarter	1 January - 31 March	May 15th
June Quarter	1 April - 30 June	August 15th
September Quarter	1 July - 30 September	November 15th
December Quarter	1 October - 31 December	February 15th of the next year

March 2014

- Bangladesh Bank has received complaints against few scheduled banks for making delay in payment of bills against Import L/C which tarnishes the image of banking sector in the country and increases the expenditure on interest and foreign bank's confirmation payment on L/C which in turn increases the cost of import. This kind of irregularity increases price of goods directly and harms public interest.
- Under the power vested through section 45 of the Bank Company Act 1991, Authorised Dealer Banks are ordered to pay bills against Import L/C on V alue Date/Maturity Date. Penalty will be imposed under section 109(7) of law in case of failure to follow the instruction.

March 2014

- Basel-III is a new regulatory framework recommended by Basel Committee. Following the framework, Bangladesh Bank has conducted Quantitative Impact Study (QIS) to assess the preparedness of banks for implementing Basel-III in Bangladesh. Based on the findings of the last QIS an Action Plan/Roadmap is finalized with the approval of the competent authority . The Action Plan/Roadmap is published for internal plan and gearing up the ef forts for implementing Basel III.

April 2014

- To facilitate the investment in BGTBs by foreign investors the section 2(ii)(a) of the notification "Issuance and Re-issuance of Government Treasury Bonds" dated 24 June 2007 has been amended as follows:

- The purchase is made with funds from a Non-resident Foreign Currency Account (NFCA) or a Non-resident Investors Taka Account (NITA) with a bank in Bangladesh in the name of the purchaser.

April 2014

- Regarding the amendments of Guidelines on Risk Based Capital Adequacy (RBCA) for banks (Reference: BRPD Circular No. 35 dated 29 December 2010 and the subsequent BRPD Circular No. 1 dated 1 January 2014), Risk Weighted Asset (RWA) against credit risk on Small and Medium Enterprise (SME) exposure is to be computed on the basis of credit rating assessed by External Credit Assessment Institutions (ECAIs) duly recognised by Bangladesh Bank (BB). Consequently, calculated RWA and Capital Adequacy Ratio (CAR) will be reported as per reporting formats enclosed in the amended RBCA guidelines.

- From this point of view , all scheduled banks operating in Bangladesh may nominate any one or more rating agency (ies) for credit rating of their SME clients for the purpose of calculating RWA.

- SME rating scales of The Bangladesh Rating Agency Limited (BDRAL), Credit Rating Information and Service Limited (CRISL), Credit Rating Agency of Bangladesh (CRAB), and Emerging Credit Rating Limited (ECRL) have already been mapped with BB's SME rating grades (Ref. no: BRPD Circular No. 12/2013 and BRPD Circular No. 03/2014 respectively). Now , the SME rating scales of National Credit Rating Limited (NCRL), ARGUS Credit Rating Services Ltd. (ACRSL), Alpha Credit Rating Limited (ACRL) and WASO Credit Rating Company (BD) Ltd. are being mapped with BB's SME rating grades.

BB SME Rating Grade	Equivalent Rating of NCRL	Equivalent Rating of ACRSL	Equivalent Rating of ACRL	Equivalent Rating of WASO
SME 1	NSME-1	AQSE 1/AQME 1	ARSME-1	WCRSE 1/WCRME 1
SME 2	NSME-2	AQSE 2/AQME 2	ARSME-2	WCRSE 2/WCRME 2
SME 3	NSME-3	AQSE 3/AQME 3	ARSME-3	WCRSE 3/WCRME 3
SME 4	NSME-4	AQSE 4/AQME 4	ARSME-4	WCRSE 4/WCRME 4
SME 5	NSME-5	AQSE 5/AQME 5	ARSME-5	WCRSE 5/WCRME 5
SME 6	NSME-6,7,8	AQSE 6,7,8/AQME 6,7,8	ARSME-6,7,8	WCRSE 6,7,8/WCRME 6,7,8

May 2014

- With a view to extending soft loans to the deprived grass-root population/ Ten Taka account holders, small/ marginal/ landless/ natural disaster affected farmers and micro/small traders under financial inclusion programme, Bangladesh Bank has constituted a Taka 2 billion revolving refinance fund from its own source.

May 2014

- With a view to promoting, regulating and ensuring a secure & efficient payment system in Bangladesh in terms of Article 7A (e) of the Bangladesh Bank Order-1972, "Bangladesh Payment and Settlement Systems Regulations-2014" was approved in the 351st meeting of the Board of Directors of Bangladesh Bank on 22 April 2014 in exercise of power conferred in Article 82(1), 82(2) (k) of the same order.
- "Bangladesh Payment and Settlement Systems Regulations-2009" (Ref. no: PSD Circular No. 03/2009 on 27 April 2009) will be deemed void.

May 2014

- Under the GBCSRD Circular No. 2 dated 1 July 2013, refinance facility is given to a total of 10 sectors (18 including subsectors) in pursuance of "Refinance Scheme for Renewable Energy and Environment Friendly Sectors". After considering increasing demand and extension of renewable energy and environment friendly activities, new 26 products of renewable energy, energy efficient technology, hard and liquid waste management, alternative energy, non fire block brick manufacturing project, recycling and recycling products' plants have been added to the existing 18 products enjoying refinance scheme facility . The clauses 2.1, 2, 2.4 and 2.8 of GBCSRD Circular No. 02/2013 have been replaced after carrying out necessary corrections.

June 2014

- Banks have been informed that agent banking operations have to be conducted in the rural areas that is outside the metropolitan/ city corporation/ municipality areas (Reference: paragraph 5 of BRPD Circular No. 07 dated 24 March 2014). Now the competent authority have taken the decision that agent banking operations may be conducted in the municipality areas too including the rural areas. However , the requirement of not conducting agent banking operations in the metropolitan/ city corporation areas will remain valid.

June 2014

- The paragraph 1(GA) (3) of (Ref. no: BRPD Circular No. 18 dated 29 November 2012) has been revised in the way that all the branches located in metropolitan areas/ city corporations and "KA" and "KHA" class municipal areas will be considered as "Urban Branch" and all the branches located in "GA" class municipality/ union areas will be considered as "Rural Branch".

June 2014

- Considering Padma Bridge's importance in the national economy and Government's priority in this respect, it has been decided that the aforementioned circular's (Ref. no: BRPD Circular No. 02 dated 16 January 2014) directives shall not apply in the case of issuing bank guarantees for Padma Multipurpose Bridge construction project.

June 2014

- Regarding "Prudential Guidelines on Capital Adequacy and Market Discipline" for Financial Institutions (Reference: DFIM Circular No.14 dated 28 December 28 2011), it has been decided that up to 10 percent of revaluation reserve for Equity Instruments will be treated as Tier -II capital.

2. Monetary Sector Development

December 2013

- Attention has been drawn to MPD Circular No. 05, dated December 01, 2010.
- According to the amendment of subsection (2) under section 33 of Bank Company Act, 1991, it is decided that (a) for the conventional banks the statutory liquid assets inside Bangladesh, which also includes excess reserves with Bangladesh Bank, shall not be less than 13.0 percent of their total demand and time liabilities, and (b) for the shariah based islami banks, this rate shall not be less than 5.5 percent .The instruction shall be in ef fect from 1 February 2014 along with annulment of MPD Circular No. 05, dated 1 December 2010.

June 2014

- All scheduled banks of Bangladesh (including Shariah based banks) at present have to maintain 6.0 percent CRR with Bangladesh Bank on bi-weekly average basis with a provision of minimum 5.5 percent on daily basis of their Average Total Demand and Time Liabilities (ATDTL) (Ref. no: MPD circular No 4, dated 1 December 2010).
- With a view to attaining the objectives of monetary policy , it has been decided that CRR will be 6.5 percent on bi-weekly average basis with a provision of minimum 6.0 percent on daily basis effective from June 24, 2014.

3. External Sector Development

July 2013

- Regarding collection of confidential report of the exporters (foreign suppliers) the following decision has been taken:
- ADs should obtain confidential report of the exporters in all cases where the LC/Contract exceeds USD 10,000 (earlier it was Taka 5 lac) in cases where proforma invoices are issued directly by foreign suppliers and USD 20000 (earlier it was Taka 10 lac) in cases where indents are issued by local agents of the foreign suppliers.

- Such credit reports may be obtained from any internationally reputed credit rating agencies acceptable to ADs. Head offices/ Principal offices of all ADs shall maintain a central database of collected credit reports and allow their ADs to use the relevant credit reports of foreign suppliers stored in the said database.

July 2013
- In accordance with the decision of the Government, it has been declared to continue export subsidy/cash incentive against exports during the financial year 2013-14.These included: (1) local textile goods-5 percent ; (2) goods made of hoogla, straw, coir of sugar cane-15 percent to 20 percent ; (3) agro (vegetables/fruits) and agro processing goods-20 percent ; (4) crushed bone-15 percent ; (5) light engineering goods-10 percent ; (6) 100 percent halal meat- 20 percent ; (7) frozen shrimp-7.50 percent ; (8) leather goods-15 percent ; (9) ship -5 percent ; (10) textile goods- new market exploration assistance (other than USA, Canada, EU)- 2 percent ; (11) additional cash incentive for small and medium industries in textile sector - 5 percent ; (12) potato- 20 percent ; (13) pet bottle-flex 10 percent and (14) jute goods: finished jute goods (other than jute yarn)- 10 percent and jute yarn-7.5 percent.

July 2013
- For better understanding of calculation of daily exchange position of AD banks, clarification has been given that total outstanding purchased export bill (foreign and inland denominated as well as receivable in foreign currency) shall have to be considered under the head " Foreign Currency Bills Purchased" while calculating the daily exchange position. Moreover, outstanding payment liability in foreign currency (if any) against such purchased bills is to be deducted while reporting under the said head. After realization of bills, such transactions are to be reported in local book and the respective head will be adjusted accordingly.

September 2013
- Referring to the decision taken by National Board of Revenue, Authorised Dealers have been advised to mention 11 digits new VAT registration No. (BIN) of the L/C issuing bank along with 11 digits VAT registration No. (BIN) of importers on L/C, Bill of Lading and other shipping documents.

October 2013
- In accordance with Government decision, the rate of cash incentive against export of frozen shrimp during FY14 has been enhanced to 10 percent from 7.5 percent.

October 2013
- EDF loan to an Authorised Dealer bank against their foreign currency financing of input procurement for manufacturer-exporter and BTMA member mill has been enhanced to USD 12 million from USD 10 million. Moreover, member mills of the Bangladesh Plastic Goods Manufacturers and Exporters

Association (BPGMEA) have been brought under EDF loan for bulk import of raw materials In this context, An EDF loan to an AD against their foreign currency financing of input imports for a BPGMEA member mill shall not exceed (i) the value realised in foreign exchange against inland back to back LCs over the past twelve months, or (ii) USD 500,000 (five hundred thousand), whichever is lower.

November 2013

- Authorised Dealer banks have been informed of public notice issued by CCI&E regarding the instructions to extend the shipping time to 22 November 2013 against LCs established for imports of crude salts up to 22 September 2013.

December 2013

- Interest rate against EDF loan has been reduced from six-month LIBOR + 2.50 percent to six-month LIBOR + 1.50 percent for a period of six month from December 15, 2013. Accordingly, interest rates on EDF loans to ADs will be charged by Bangladesh Bank at six-month USD LIBOR + 0.50 percent, while ADs will charge interest on the exporter-borrowers at six-month LIBOR + 1.50 percent for disbursements.

January 2014

- Authorised Dealers (ADs) were allowed to make remittance of membership fees of foreign professional and scientific institutions as per Guidelines for Foreign Exchange Transactions (GFET), Vol-1 (2009 Edition) (paragraph 9, chapter 11).
- It is now clarified that the above facility will also be available to business/professional entities in Bangladesh with international affiliation(s). Consequently, ADs may allow remittance on account of membership/affiliation fees payable by local business/professional entities to the professional/scientific institutions abroad, in line with the instructions contained in above mentioned paragraph of GFET.

January 2014

- Limit of advance payment without repayment guarantee for import of books, journals or life saving medicines has been enhanced to USD 5000 from USD 2500. This facility will also be applicable for all permissible imports subject to compliance of specified instructions.

January 2014

- ADs may, without prior approval of Bangladesh Bank, hold collaterals on behalf of overseas bank branches or correspondents in respect of external borrowing by industrial enterprises approved by the Board of Investment.

February 2014

- The reporting procedures for imports under buyers' credits/approved external credits/ suppliers' credits have been modified. The modified procedures will serve the purpose of compiling exact information regarding import on credit terms.

- In addition, Authorised Dealers have been given revised instructions regarding Bill of Entry matching procedures in case of import under buyers' credits/suppliers' credits.

February 2014

- Service sector industries which are within the purview of Industrial Policy in force are allowed to remit upto 1 percent of annual sales as declared in their previous years' income tax return towards costs of training and consultancy services as per relevant contract with the foreign trainer/consultant.

February 2014

- In terms of Section 18A of the Foreign Exchange Regulation Act, 1947, permission of Bangladesh Bank is required in case of any person wants to work as an agent of any person resident outside Bangladesh. This permission enables the local agents to encash foreign exchanges repatriated on account of commission/service charges from foreign principals. Encashment of inward remittance repatriated against agency services on one-of f basis by local agents having no permission under this Section is subject to prior approval from Bangladesh Bank.
- In order to benefit the customers concerning liberalization in foreign exchange regime, it has been decided that ADs may encash inward remittances against agency services on one-off basis without permission of Bangladesh Bank after satisfying themselves with the genuineness and bonafide of the requests from their customers through relevant documents such as invoices, agreements, etc. and after deducting all applicable taxes.
- This is to mention that continuous agency service providers entailing earning of commission shall require Bangladesh Bank permission under section 18A of the Foreign Exchange Regulation Act, 1947 as usual.

March 2014

- In view of the decision made in the 42nd ACU Board of Directors Meeting held on 19 June 2013, payments arising on account of import/export transactions on deferred payment terms will be considered as eligible payments for being settled under ACU mechanism. Whereas payments not related to import and export of goods and services, except to the extent mutually agreed between two or more participants will be considered as ineligible payments for being settled under ACU mechanism. Transactions considered as ineligible for being settled under ACU mechanism may be settled bilaterally and have to be reported under Statement S-1 instead of statement S-2, Guidelines for Foreign Exchange Transactions (Vol-2).

March 2014	•	Restrictions on access of foreign owned/controlled companies in Bangladesh to term loans in Taka from the local market have been waived. Under the new instructions, foreign owned/controlled companies engaged in manufacturing or services output activities for three years or longer in Bangladesh can access Taka term loans from the domestic market regardless of local content in their equity; subject to adherence by banks/NBFIs to all applicable credit norms and prudential parameters including single borrower exposure limit, debt-equity ratio and so forth.
March 2014	•	Foreign owned/controlled industrial enterprises may access to interest free loans from parent companies/shareholders abroad for up to one year without any prior approval of Bangladesh Bank in case of occasionally arising urgent necessity of short term borrowing for business needs, other than inputs procurements.
March 2014	•	Pertinent amendments to EXP Form have been made to rationalize it. Authorised Dealers have been advised to issue the amended EXP Form with effect from 1 July 2014.
April 2014	•	Global private travel entitlement for the resident Bangladesh nationals has been enhanced to USD 12,000 per adult passenger during a calendar year , with up to USD 5,000 or equivalent for travelling to SAARC member countries and Myanmar and upto USD 7,000 or equivalent for travelling to other countries. As before, for minors (below 12 years in age), the applicable quota will be half of the amount admissible for adults. The threshold of releasing foreign exchange in the form of cash USD (notes & coins) is upto 3000 per person per trip.
April 2014	•	To verify the authenticity of imported goods for being released by the Customs Authorities and to prevent false declaration, ADs have been advised to undertake the following measures :
	•	L/Cs should include specific description (name, quantity , HS-code and price) of items under import.
	•	Besides shipping documents, proforma invoice (if any) shall have to be attested by for release of imported goods.
	•	All necessary steps should be taken so that importers can release goods and repay bank's finance timely and promptly.

May 2014

- For enterprises in Export Processing Zones under the purview of Bangladesh Export Processing Zones Authority Act. 1980 are not being under jurisdiction of the BOI, the modified procedures to be followed in processing medium/long term external borrowing approval requests of industrial units in the EPZs.

May 2014

- For opening Non-Resident Foreign Currency Deposit (NFCD) Account, the requirement for filling up Format as per Appendix 5/69 has been waived.

May 2014

- Bangladeshi students proceeding abroad against one way ticket to study in admissible courses abroad {Reference: paragraph 10, chapter 11 of the Guidelines for Foreign Exchange Transactions (GFET), 2009 (Vol-1)} have been allowed to have travel entitlement of their entire unused travel quota in foreign exchange.

June 2014

- It has been decided that for external short term buyer's/supplier's credit

  i) Bullet repayment terms will be admissible only on financing for terms not exceeding six months/shipments not exceeding USD 500,000 or equivalent in value;

  ii) Bullet repayment terms will be inadmissible for financing exceeding USD 500,000 or equivalent in value or for terms exceeding six months. The financing arrangements must stipulate quarterly repayments (The said limit of USD 500,000 has been enhanced to USD 1 million or equivalent from 1 July).

June 2014

- International Credit Card issuing banks have been allowed to issue 'Virtual Card' for a maximum of USD 300 in a calendar year to individual developers/ freelancers of mobile Apps and Games having acknowledgements/ training/ boot camps/ hackathons/ course participation certificates on mobile application development.

June 2014

- The maximum borrowing limit from EDF for a single manufacturer-exporter has been increased to USD 15 million from USD 12 million as foreign currency financing of input procurement. This maximum borrowing limit is also admissible for member mill of BTMA making bulk import.

June 2014

- Pursuant to Section 18B of the FER Act, 1947, an organisation is not incorporated in Bangladesh needs to take general or special permission from Bangladesh Bank to set up a Branch/Liaison Office or any other business place in Bangladesh. In order to obtain permission under the aforesaid section, necessary measures have been taken for the submission of application along with other documents to Bangladesh Bank through online.

Appendix–2

Bangladesh Bank's Research in FY14

Summary of recent research activities in Bangladesh Bank and a near/medium term agenda

This summary note will cover some of the key outputs of the Research Department (RD), Monetary Policy Department (MPD) and Chief Economists Unit (CEU) - it will also briefly touch on some other analytical/research work on-going in other parts of BB. These are grouped under the following categories (i) synthesis analysis of overall and topic-specific developments in the Bangladesh economy (ii) empirical research on specific economic/ financial sector issues (iii) development of new analytical tools and capacity building (iv) other 'routine tasks'. In addition it will outline some issues which will strengthen the quality of analytical work produced by BB.

Synthesis analysis/reports related to the Bangladesh economy and their frequency

(i) BB Annual Report - first draft prepared by the Research Department with inputs from other departments and final editing by Dr. Abul Basher, Research Fellow, Bangladesh Institute of Development Studies

(ii) Monetary Policy Review (MPR) - annual publication focused on monetary policy development and associated analytical work on specific themes produced by CEU

(iii) Monetary Policy Statement (MPS) - bi-annual announcement of policy stance along with an update of half yearly economic developments. Jointly produced by CEU and MPD

(iv) Bangladesh Bank Quarterly (BBQ) - analysis of the past quarters economic developments along with a near term outlook - produced by CEU

(v) Quarterly reviews of RMG sector; Remittances Trends and Islamic Banking - produced by Research department and will soon be published on-line

(vi) Monthly Economic Indicators (MEI) - a monthly update on key indicators produced by MPD

(vii) Prepare a manuscript of the book titled "Activities of the Banks and Financial Institutions" prepared by Research Department and published by the MoF (yearly).

(viii) Background papers for National Budget document and Ministry of Finance 'Economic Review of Bangladesh' annual publication prepared by Research Department

(ix) Quarterly Financial Stability Assessment Report - analysis of the past quarters financial change/development - produced by FSD

Empirical Analysis of specific economic / financial sector issues in FY14 and on-going

i. Monetary policy / inflation related

- "Forecasting Output Growth of Bangladesh" (working paper in progress, CEU)

- "VAR Model and Forecasting of Exchange Rate of Bangladesh" (prepared by MPD and published in Indian Journal of Economics and Development, Volume 2(3), March 2014)
- "ARIMA Model and Forecasting of Exchange Rate of Bangladesh and Economic Dynamics" (prepared by MPD and published in Indian Journal of Economics and Development, Volume 2(3), March 2014)
- "Interaction between Public and Private Investment in Bangladesh" (working paper in progress, CEU)
- "Housing Sector and Formulation of House Price Index(HPI) in Bangladesh" (working paper in progress, RD)

(ii) Financial sector related

- "An Analysis of the Survey on External Commercial Borrowings by the Some Selected Private Enterprises in Bangladesh" (CEU policy note, 2014)
- "An Analysis of Interest Rate Spread Calculation in the Banking System of Bangladesh" (CEU policy note, 2014)
- "External Sector Openness Management: The Bangladesh Experience" (working paper, RD, 2014)
- "The Impact of State Ownership and Political Ownership on Efficiency of Banks-Evidence from Bangladesh" (working paper in progress, CEU)
- "Sources of exchange rate fluctuations in Bangladesh" (working Paper, RD, 2013)
- "Integration of Financial Market and Its Implications of Stock Market Development in Bangladesh: An Evaluation" (working Paper, RD, 2013)
- "Demand for currency outside banks and its impact on banks' balance sheets" (research work in progress, RD)
- "Lending behavior in Bangladesh" (research work in progress, RD)
- "Impact of change in exchange rate on the economy of Bangladesh" (research work in progress, RD)
- "An impact assessment on loan disbursed by BB to BKB & RUKUB under refinance scheme" (research work in progress, RD)
- "Financial Stability in the Banking Sector: An Empirical Analysis" (prepared by Research Department and published in IBB Journal, Volume 60, No. 1, January-June 2013)

- "Reserve Accumulation and Sterilised Intervention in the Foreign Exchange Market in Bangladesh: An Empirical Analysis" (prepared by RD and published in IBB Journal, Volume 61, No. 1, July-December 2013)
- "Does Financial Development Spur Growth? Time Series Evidence from Bangladesh" (Research work in progress, RD)
- "A Study Report on Impact Assessment of Bangladesh Bank's Re-finance Scheme for Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank" (Research work in progress, RD)
- "A Study on Islamic Banking and Related Issues in Bangladesh" (Research work in progress, RD)
- "Prospects and Challenges of Sukuk for Financing Infrastructure Projects in Bangladesh"(research work in progress, RD)

(iii) Financial Inclusion

- "The Role of Banks in Promoting W omen Entrepreneurship in Bangladesh" (Special Publication, BARD and BB, 2013)
- "An enquiry into the causes of growth of SME loans and its economic impact" (Special Publication, RD, 2013).
- "A Report on Agriculture/rural Credit Disbursement and Recovery by Scheduled Banks of Bangladesh: Present Situation and Future Proposals" (prepared by RD and published in Bangladesh Journal of Political Economy, 2014)
- "Mobile Financial Services in Bangladesh: An Overview of Market Development" (Working paper, RD, 2013)
- "A Primary Survey on Banks in Promoting W omen Entrepreneurship in Bangladesh" (research work in progress, MPD and RD)
- "Utilization of Workers' Remittances in Bangladesh" (research work in progress, RD)
- "An impact study on usage of agriculture credit in Bangladesh" (research work in progress, RD)
- "Will the Growth of Remittances to Bangladesh Rebound in 2015?" (working paper in progress, CEU)
- "An analytical paper on impact assessment of agricultural credit programme to the sharecroppers under refinance scheme of Bangladesh Bank"(Research paper in progress, RD)

- "A Multi-Dimensional Approach towards Measuring Financial Inclusion in Bangladesh and Other South Asian Countries" (Research work in progress, RD)
- "An Analysis of Recent Trends of Agricultural Credit in Bangladesh" (Research paper in progress, RD)

Capacity and tools development

- Jointly with Gates Foundation developed a digital map of financial services in Bangladesh which BB and MRA will keep updated.
- BBTA Journal on 'Thoughts on Banking and Finance' has been published since 2012. Till date, 3 issues of the Journal have been published whose Executive Editor is a Research Department staff deputed to Bangladesh Bank Training Academy.
- In-house seminars disseminating work by external academics and in-house research included topics such as dissemination of recent policy research; access to finance: results from a National Survey; applications of Stochastic Frontier Analysis (SFA) and Data Envelope Approach (DEA) in analyzing banking ef ficiency; the exchange rate and economic growth; how does Indian currency crisis af fect Bangladesh economy?; external sector assessment and risks etc
- E-views training level-2 delivered to research of ficials of Bangladesh Bank by visiting US academic

Appendix–3

Bangladesh: Some Selected Statistics

Table-I : Trends of Major Macroeconomic Indicators

Indicators	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13^R	FY14^P
1	2	3	4	5	6	7	8	9	10
1. GDP growth (at FY06 constant market prices)	6.7	7.1	6.0	5.1	5.6	6.5	6.5	6.0	6.1
2. Growth of broad money (M2)	19.3	17.1	17.6	19.2	22.4	21.3	17.4	16.7	16.1
3. GDP deflator (percentage change)@	--	6.5	7.9	6.8	7.1	7.9	8.2	7.2	6.2
4. CPI inflation (base: FY96=100)	7.2	7.2	9.9	6.7	7.3	8.8	8.7@	6.8@	7.4@
5. Foreign exchange reserves (million US Dollar) 6. Net	3484	5077	6149	7471	10750	10912	10364	15315	21508
foreign assets (billion Taka)	220.1	328.7	373.2	474.6	670.7	695.3	742.8	1120.7	1552.9
7. Exchange rate (Taka/Dollar)	67.1	69.0	68.6	68.8	69.2	71.2	79.1	79.9	77.7
8. REER index as of end June (base: FY01=100)	83.9	86.6	86.0	91.3	97.7	89.4	91.4	101.5	107.2^P
9. Per capita GDP in Taka (at current market prices)@	34502	38773	43719	48359	53961	61198	69614	78009	86731
(As percentage of GDP)@									
10. Domestic savings	21.4	20.8	19.2	20.3	20.8	20.6	21.2	22.0	23.4
11. Investment	26.1	26.2	26.2	26.2	26.3	27.4	28.3	28.4	28.7
12. Revenue income	9.3	9.0	9.6	9.1	9.5	10.2	10.9	10.7	11.6
13. Revenue expenditures	7.2	7.7	8.3	8.7	8.4	8.5	8.5	8.3	8.6
14. Revenue surplus (+) / Revenue deficit (-)	2.1	1.3	1.3	0.4	1.1	1.7	2.4	2.4	3.0
15. Annual Development Programme (ADP)	4.5	3.9	3.6	2.8	3.2	3.6	3.6	4.1	4.4
16. Other expenditures	1.0	0.6	3.0	1.1	1.1	1.9	2.4	2.1	3.0
17. Total expenditures	12.7	12.2	14.9	12.5	12.7	14.0	14.5	14.5	16.0
18. Overall budget deficit (excluding grants)	3.4	3.2	5.3	3.4	3.2	3.9	3.6	3.8	4.4
19. Overall budget deficit (including grants)	2.8	2.8	4.6	3.1	2.8	3.6	3.2	3.3	4.0
20. Financing of overall budget deficit (a+b)*	2.8	2.8	4.6	3.1	2.8	3.6	3.2	3.3	4.0
a. Net foreign financing	1.1	0.9	1.4	0.4	0.8	0.3	0.3	0.5	0.9
b. Net domestic financing (i+ii)	1.7	1.8	3.2*	2.7	2.0	3.3	2.9	2.8	3.0
i. Bank borrowings	1.0	1.2	1.7	1.9	-0.3	2.7	2.6	2.3	2.2
ii. Non-bank borrowings	0.7	0.6	0.3	0.8	2.3	0.6	0.3	0.5	0.8
21. Government debt outstanding (i+ii)	40.2	38.6	37.1	35.9	32.3	32.4	31.8	30.0	28.6
i. Domestic debt	14.3	14.3	15.0	15.5	14.7	15.2	15.2	15.1	15.0
ii. External debt**	25.9	24.3	22.1	20.4	17.6	17.2	16.6	14.9	13.6
22. Current account balance : surplus(+)/deficit(-)	1.2	1.2	0.8	2.4	3.2	-1.3	-0.3	1.6	0.8

Source: Bangladesh Bank, Bangladesh Bureau of Statistics, Bangladesh Economic Review, 2013 and Budget in Brief 2013-14.
P= Provisional, R=Revised.
*Including non-cash bond (liabilities of BPC) of Taka 75.23 billion.
** Excluding IMF loan.
@= New Base 2005-06.

Table-II : Medium-Term Macroeconomic Framework: Key Indicators*

Indicators	Actual			Estimated (Revised)	Budget	Projection	
	FY11	FY12	FY13	FY14	FY15	FY16	FY17
1	2	3	4	5	6	7	8
Real Sector							
Nominal GDP Growth (%)	14.7	15.2	13.1	13.8	13.5	13.4	13.6
Real GDP Growth (%)	6.7	6.2	6.3	6.5	7.3	7.6	8.0
CPI inflation (%)	8.8	10.6	7.7	7.0	6.0	5.8	5.7
Gross investment (% GDP)	25.2	26.5	26.8	26.5	27.6	28.8	30.5
Private	19.5	20.0	19.0	18.9	18.8	19.8	20.0
Public	5.6	6.5	7.9	7.6	8.8	9.0	9.7
Domestic saving (% GDP)	19.3	19.3	19.3	23.2	23.0	23.5	24.6
National saving (% GDP)	28.8	29.2	29.5	27.8	28.1	28.9	30.7
Fiscal Sector (% of GDP)							
Total revenue	11.7	12.4	12.4	13.3	13.6	14.2	14.6
Tax revenue	10.0	10.4	10.4	11.0	11.6	12.0	13.4
NBR-Tax Revenue	9.6	10.0	10.0	10.6	11.2	11.6	12.0
Non-NBR Tax Revenue	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Non-tax revenue	1.7	2.0	2.1	2.2	2.1	2.2	2.2
Total expenditure	16.1	16.3	16.8	18.3	18.6	19.2	19.6
Revenue expenditure	11.9	12.4	12.1	13.2	12.7	12.9	13.0
Annual Development Programme	4.2	4.0	4.7	5.1	5.9	6.3	6.6
Overall balance	-4.4	-3.9	-4.4	-5.0	-5.0	-5.0	-5.0
Financing							
Domestic financing	3.8	3.3	3.1	3.5	3.2	3.2	3.2
Borrowing from the banking system	3.2	3.0	2.6	2.5	2.3	2.3	2.2
Non-bank borrowing	0.6	0.3	0.5	0.9	0.9	0.9	1.0
External financing (net)	0.6	0.6	1.2	1.6	1.8	1.8	1.8
Monetary sector (% change)							
Net domestic assets	25.0	18.6	11.8	19.8	18.4	18.4	16.2
Domestic credit	30.8	18.8	11.0	18.5	17.3	17.2	16.8
Credit to the private sector	25.8	19.7	10.8	16.5	16.0	16.0	16.0
Broad money (M2)	21.4	17.4	16.7	17.0	16.0	16.0	16.0
External sector							
Exports (% change)	39.2	6.2	10.7	15.0	15.0	14.5	14.5
Imports (% change)	52.1	2.4	0.8	8.0	15.0	14.5	13.0
Remittances (USD billion)	11.5	12.8	14.5	14.6	16.1	18.0	20.5
Current account balance (% of GDP)	-1.5	-0.4	1.9	1.3	0.5	0.0	0.2
Gross official reserve (USD billion)	10.9	10.4	15.3	16.9	17.9	18.3	20.4
Gross official reserve (months of imports)	3.6	2.9	2.7	2.6	2.5	2.5	2.5

Source: Bangladesh Economic Review, 2014.
*Base year FY1995-96.

Table-III : Gross Domestic Product (GDP), Investment and Savings

(Billion Taka)

Items/Sectors	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14P
1	2	3	4	5	6	7	8	9
1. GDP (at FY06 current market prices)	5498.0	6286.8	7050.7	7975.4	9158.3	10552.0	11989.2	13509.2
2. Gross investment at current prices	1439.3	1647.3	1847.7	2093.3	2511.3	2982.2	3403.7	3875.1
a) Private	1159.2	1364.5	1543.3	1720.5	2029.8	2374.2	2607.5	2889.1
b) Public	280.1	282.8	304.4	372.8	481.5	608.0	796.2	986.0
3. Gross domestic savings at current prices	1140.7	1206.4	1433.5	1659.7	1888.6	2239.5	2642.0	3165.0
a) Private	--	1129.1	1341.8	1553.6	1767.7	2096.0	2468.5	2950.4
b) Public	--	77.3	91.7	106.1	120.9	143.5	173.5	214.6
4. Sectoral Share of GDP (at FY06 constant prices)								
i. Agriculture	**928.1**	**969.8**	**1003.4**	**1065.1**	**1112.6**	**1146.1**	**1174.4**	**1213.7**
a) Agriculture and forestry	744.1	772.9	796.8	849.0	882.1	903.3	916.6	939.1
1. Crops and horticulture	543.3	564.9	580.9	624.9	649.0	660.4	664.3	676.9
2. Animal farming	111.1	113.5	116.2	119.1	122.2	125.5	128.9	132.6
3. Forest and related services	89.7	94.5	99.7	105.0	110.8	117.5	123.4	129.6
b) Fishing	184.0	196.9	206.6	216.1	230.5	242.8	257.8	274.5
ii. Industry	**1267.1**	**1356.3**	**1450.0**	**1552.0**	**1692.0**	**1851.6**	**2030.1**	**2200.5**
a) Mining and quarrying	74.3	80.0	88.4	95.6	99.1	105.9	115.8	121.9
b) Manufacturing	816.1	876.0	934.6	996.7	1096.5	1205.7	1329.9	1445.4
i) Large and medium scale	655.0	703.3	749.3	796.3	884.8	980.0	1084.4	1183.6
ii) Small scale	161.1	172.6	185.3	200.4	211.8	225.7	245.6	261.8
c) Power, gas and water supply	58.3	62.8	67.4	74.1	84.0	92.9	101.3	108.7
d) Construction	318.4	337.4	359.6	385.5	412.4	447.1	483.0	524.4
iii. Services	**2709.1**	**2865.2**	**3010.7**	**3177.2**	**3374.7**	**3596.6**	**3794.9**	**4016.3**
a) Wholesale and retail trade	675.7	724.8	767.3	812.2	866.5	924.6	981.7	1046.3
b) Hotel and restaurants	36.6	38.7	40.9	43.4	46.1	49.0	52.2	55.7
c) Transport, storage and communication	508.8	550.8	595.1	640.1	694.1	757.6	805.1	857.2
d) Financial intermediations	151.4	157.3	157.3	167.1	184.6	211.8	231.1	252.2
e) Real estate, renting and business activities	393.8	408.8	424.4	440.8	457.9	475.9	495.1	516.1
f) Public administration and defence	152.9	162.9	174.5	188.8	205.5	221.0	235.4	252.0
g) Education	108.4	116.1	122.9	129.3	136.6	147.2	156.4	169.3
h) Health and social work	97.5	103.2	106.3	113.6	120.8	125.4	131.4	138.0
i) Community, social and personal services	584.0	602.6	621.9	641.9	662.6	684.2	706.4	729.6
Total GVA at constant basic price	**4904.2**	**5191.2**	**5464.1**	**5794.3**	**6179.2**	**6594.3**	**6999.4**	**7430.4**
Tax less subsidy	259.6	283.2	286.5	276.7	284.2	290.6	299.6	315.0
GDP (at FY06 constant market prices)	**5163.8**	**5474.4**	**5750.6**	**6071.0**	**6463.4**	**6884.9**	**7299.0**	**7745.4**

Source: Bangladesh Bureau of Statistics.
P = Provisional.

Table-IV : Growth and Sectoral Share of GDP (at FY06 constant prices)

Sectors	FY08	FY09	FY10	FY11	FY12	FY13	FY14P
1	2	3	4	5	6	7	8
			Growth in percent				
i. Agriculture	4.5	3.5	6.2	4.5	3.0	2.5	3.4
a) Agriculture and forestry	3.9	3.1	6.6	3.9	2.4	1.5	2.5
1. Crops and horticulture	4.0	2.8	7.6	3.9	1.8	0.6	1.9
2. Animal farming	2.2	2.4	2.5	2.6	2.7	2.7	2.8
3. Forest and related services	5.3	5.5	5.3	5.6	6.0	5.0	5.1
b) Fishing	7.0	4.9	4.6	6.7	5.3	6.2	6.5
ii. Industry	7.0	6.9	7.0	9.0	9.4	9.6	8.4
a) Mining and quarrying	7.7	10.5	8.2	3.6	6.9	9.4	5.2
b) Manufacturing	7.3	6.7	6.7	10.0	10.0	10.3	8.7
i) Large and medium scale	7.4	6.5	6.3	11.1	10.8	10.7	9.2
ii) Small scale	7.2	7.3	8.2	5.7	6.6	8.8	6.6
c) Power, gas and water supply	7.8	7.3	10.0	13.4	10.6	9.0	7.4
d) Construction	6.0	6.6	7.2	7.0	8.4	8.0	8.6
iii. Services	5.8	5.1	5.5	6.2	6.6	5.5	5.8
a) Wholesale and retail trade	7.3	5.9	5.9	6.7	6.7	6.2	6.6
b) Hotel and restaurant	5.7	5.9	6.0	6.2	6.4	6.5	6.7
c) Transport, storage and communication	8.3	8.1	7.6	8.4	9.2	6.3	6.5
d) Financial intermediations	3.9	-0.03	6.3	10.4	14.8	9.1	9.1
e) Real estate, renting and other business activities	3.8	3.8	3.9	3.9	3.9	4.0	4.2
f) Public administration and defence	6.5	7.1	8.2	8.8	7.5	6.5	7.1
g) Education	7.1	5.9	5.2	5.6	7.8	6.3	8.2
h) Health and social work	5.9	3.0	6.8	6.3	3.8	4.8	5.0
i) Community, social and personal services	3.2	3.2	3.2	3.2	3.3	3.3	3.3
GDP (at constant market prices)	6.0	5.1	5.6	6.5	6.5	6.0	6.1
			Sectoral share (percent of GDP)				
i. Agriculture	18.7	18.4	18.4	18.0	17.4	16.8	16.3
a) Agriculture and forestry	14.9	14.6	14.7	14.3	13.7	13.1	12.6
1. Crops and horticulture	10.9	10.6	10.8	10.5	10.0	9.5	9.1
2. Animal farming	2.2	2.1	2.1	2.0	1.9	1.8	1.8
3. Forest and related services	1.8	1.8	1.8	1.8	1.8	1.8	1.7
b) Fishing	3.8	3.8	3.7	3.7	3.7	3.7	3.7
ii. Industry	26.1	26.5	26.8	27.4	28.1	29.0	29.6
a) Mining and quarrying	1.5	1.6	1.7	1.6	1.6	1.7	1.6
b) Manufacturing	16.9	17.1	17.2	17.8	18.3	19.0	19.5
i) Large and medium scale	13.6	13.7	13.7	14.3	14.9	15.5	15.9
ii) Small scale	3.3	3.4	3.5	3.4	3.4	3.5	3.5
c) Power, gas and water supply	1.2	1.2	1.3	1.4	1.4	1.5	1.5
d) Construction	6.5	6.6	6.7	6.7	6.8	6.9	7.1
iii. Services	55.2	55.1	54.8	54.6	54.5	54.2	54.1
a) Wholesale and retail trade	14.0	14.0	14.0	14.0	14.0	14.0	14.1
b) Hotel and restaurant	0.7	0.8	0.8	0.8	0.7	0.8	0.8
c) Transport, storage and communication	10.6	10.9	11.1	11.2	11.5	11.5	11.5
d) Financial intermediations	3.0	2.9	2.9	3.0	3.2	3.3	3.4
e) Real estate, renting and other business activities	7.9	7.8	7.6	7.4	7.2	7.1	7.0
f) Public administration and defence	3.1	3.2	3.3	3.3	3.4	3.4	3.4
g) Education	2.2	2.3	2.2	2.2	2.2	2.2	2.3
h) Health and social work	2.0	2.0	2.0	2.0	1.9	1.9	1.9
i) Community, social and personal services	11.6	11.4	11.1	10.7	10.4	10.1	9.8
Total GVA at constant basic price	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source : Bangladesh Bureau of Statistics.
P = Provisional.

Table-V : Development of Government Budgetary Operation

(Billion Taka)

Description	FY09	FY10	FY11	FY12	FY13	FY14[R]	FY15 (Budget)
1	2	3	4	5	6	7	8
A. Revenue and foreign grants	662.2	791.2	950.5	1182.6	1350.1	1626.3	1891.6
i. Revenues	641.0	759.1	929.9	1146.9	1281.3	1566.7	1829.5
a) Tax revenue	528.7	624.9	795.5	952.3	1074.5	1301.8	1552.3
b) Non-tax revenue	112.3	134.2	134.4	194.7	206.8	264.9	276.6
ii. Foreign grants	21.2	32.2	20.6	35.7	68.8	59.6	62.1
B. Expenditures	880.6	1016.1	1282.7	1524.3	1740.1	2162.2	2505.1
i. Non-development revenue expenditure	611.0	670.1	774.7	893.0	993.8	1160.0	1282.3
ii. Non-development capital expenditure	33.3	61.6	53.9	71.6	49.4	189.1	260.1
iii. Loans & advances (net)	18.3	9.3	72.5	140.6	169.6	159.8	96.1
iv. Annual Development Programme	193.7	255.5	332.8	375.1	494.7	600.0	803.2
v. Other expenditures	24.3	19.6	48.8	44.0	32.6	53.3	63.4
C. Overall deficit (excluding grants)	239.7	257.0	352.8	377.4	458.9	595.5	675.5
D. Overall deficit (including grants)	218.4	224.9	332.2	341.7	390.0	536.0	613.5
E. Financing	218.4	218.6	332.2	341.7	390.0	536.0	613.5
i. Foreign borrowing - net	25.8	60.4	26.3	36.3	58.1	126.1	180.7
Foreign borrowing	72.5	110.0	80.6	95.1	133.0	210.6	265.2
Amortisation	-46.7	-49.7	-54.3	-58.9	-74.9	-84.5	-84.5
ii. Domestic borrowing - net	192.6	158.2	305.9	305.4	331.9	409.8	432.8
Borrowing from banking system (net)	137.9	-20.9	252.1	271.9	274.6	299.8	312.2
Non-bank borrowing (net)	54.6	179.1	53.8	33.5	57.3	110.0	120.6
Memorandum item : GDP (at current market prices)*	6149.4	6905.7	7875.0	9147.8	10379.9	11810.0	13395.0

Source : Budget in brief 2008-09, 2009-10, 2010-11,2011-2012, 2013-14 and 2014-15.

*= Estimate of the Medium-Term Macroeconomic Framework of the Finance Division (Base Year 1995-96).

R= Revised.

Table-VI : Money and Credit

(Billion Taka)

Particulars	FY08	FY09	FY10	FY11	FY12	FY13	FY14[P]
1	2	3	4	5	6	7	8
1. Broad money (M2)@	2487.9	2965.0	3630.3	4405.2	5171.1	6031.9	7006.2
2. Total domestic credit@	2470.5	2868.5	3378.3	4308.9	5149.7	5717.4	6379.1
A) Government sector	569.1	689.3	670.7	901.8	1070.7	1195.8	1302.7
i) Government (net)@@	467.5	580.1	542.5	732.3	917.3	1101.2	1175.3
ii) Other public sector	101.6	109.2	128.1	169.5	153.4	94.6	127.4
B) Private sector	1901.4	2179.3	2707.6	3407.1	4079.0	4521.6	5076.4
3. Broad money as % of GDP							
(at current market prices)*	39.6	42.1	45.5	48.1	49.0	50.3	51.9
			Growth in percent				
1. Broad money (M2)@	17.6	19.2	22.4	21.3	17.4	16.7	16.1
2. Total domestic credit@	20.1	16.1	17.8	27.5	19.5	11.0	11.6
A) Government sector	6.4	21.1	-2.7	34.5	18.7	11.7	8.9
i) Government (net)@@	29.7	24.1	-6.5	35.0	25.3	20.1	6.7
ii) Other public sector	-41.8	7.5	17.3	32.3	-9.5	-38.4	34.7
B) Private sector	24.9	14.6	24.2	25.8	19.7	10.8	12.3

Sources: 1) Statistics Department, Bangladesh Bank.
2) Bangladesh Bureau of Statistics.

@ Figures correspond to end June.
@@ Includes adjustment of bonds issued by the Government.

Notes: (1) Government securities and treasury bills are shown at cost price.
(2) Advances are on gross basis.
*Base year 2005-06.
P= Provisional.

Table - VII : Consumer Price Index (CPI) and Rate of Inflation - National (base : FY96=100)

Period	Twelve-month average basis						Twelve-month point to point basis					
	General		Food		Non-food		General		Food		Non-food	
	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation
Weight	100.00		58.84		41.16		100.00		58.84		41.16	
FY05	153.24	6.49	158.08	7.90	147.14	4.33	157.45	7.35	162.51	8.73	151.20	5.32
FY06	164.21	7.16	170.35	7.76	156.56	6.40	169.32	7.54	176.82	8.81	159.86	5.73
FY07	176.04	7.20	184.16	8.11	165.79	5.90	184.89	9.20	194.19	9.82	173.19	8.34
FY08	193.54	9.94	206.78	12.28	176.26	6.32	203.45	10.04	221.57	14.10	179.32	3.54
FY09	206.43	6.66	221.64	7.19	186.67	5.91	208.02	2.25	222.13	0.25	189.98	5.94
FY10	221.53	7.31	240.55	8.53	196.84	5.45	226.11	8.70	246.29	10.88	199.94	5.24
FY11	241.02	8.80	267.83	11.34	205.01	4.15	249.11	10.17	277.11	12.51	211.39	5.73
FY12*	170.19	8.69	183.65	7.72	152.94	10.21	170.33	5.55	179.74	2.56	158.27	10.21
FY13*	181.73	6.78	193.24	5.22	166.97	9.17	184.04	8.05	194.58	8.26	170.53	7.75
FY14*	195.08	7.35	209.79	8.57	176.22	5.54	196.86	6.97	210.15	8.00	179.82	5.45
FY14*												
Jul-13	182.86	6.99	194.49	5.71	167.95	8.96	186.79	7.85	198.95	8.14	171.18	7.40
Aug-13	183.94	7.19	195.75	6.20	168.81	8.71	189.44	7.39	203.09	8.09	171.94	6.35
Sep-13	185.01	7.37	197.02	6.73	169.62	8.35	192.24	7.13	206.88	7.93	173.48	5.94
Oct-13	186.07	7.47	198.37	7.23	170.31	7.83	194.01	7.03	209.25	8.38	174.46	5.02
Nov-13	187.16	7.51	199.75	7.62	171.02	7.36	194.76	7.15	210.27	8.55	174.92	5.08
Dec-13	188.27	7.53	201.21	7.93	171.70	6.94	195.82	7.35	211.87	9.00	175.26	4.88
Jan-14	189.42	7.60	202.65	8.25	172.47	6.64	198.15	7.50	213.65	8.81	178.26	5.53
Feb-14	190.57	7.57	204.10	8.37	173.23	6.39	198.54	7.44	214.17	8.84	178.51	5.37
Mar-14	191.72	7.54	205.57	8.49	173.98	6.16	198.84	7.48	214.45	8.96	178.82	5.26
Apr-14	192.87	7.47	207.03	8.51	174.72	5.94	198.94	7.46	214.49	8.95	178.97	5.23
May-14	194.01	7.44	208.49	8.59	175.45	5.72	196.60	7.48	210.27	9.09	179.07	5.16
Jun-14	195.08	7.35	209.79	8.57	176.22	5.54	196.86	6.97	210.15	8.00	179.82	5.45

Source: Bangladesh Bureau of Statistics.

*=New Base 2005-06.

Table-VIII : Reserve Money and its Components

(Billion Taka)

Year (End June)	Currency notes and coins with the public	Cash in tills of the scheduled banks	Balances of scheduled banks with the Bangladesh Bank*	Balances of other financial institutions with the Bangladesh Bank	Reserve money
1	2	3	4	5	6=(2+3+4+5)
1999	86.9	10.3	50.3	-	147.5
2000	101.8	10.9	58.0	-	170.7
2001	114.8	13.5	61.0	-	189.3
2002	125.3	13.5	66.8	0.1	205.7
2003	139.0	14.4	60.8	0.1	214.3
2004	158.1	14.8	65.6	0.2	238.7
2005	185.2	18.1	70.4	0.4	274.1
2006	228.6	20.3	90.1	0.5	339.5
2007	266.4	21.4	105.7	0.7	394.2
2008	326.9	29.6	118.1	1.1	475.6
2009	360.5	34.0	231.6	1.4	627.5
2010	461.6	43.1	234.7	2.1	741.4
2011	548.0	57.3	290.1	2.0	897.3
2012	584.2	64.8	326.6	2.4	978.0
2013	675.5	78.2	368.0	3.1	1124.9
2014	769.1	85.8	440.0	3.9	1298.8

Source: Statistics Department, Bangladesh Bank.

* Balances of DMBs with BB exclu.f.cy cleaning account balances since june'2002 and Reserve Money has been revised accordingly.

Table-IX : Reserve Money and its Sources

(Billion Taka)

Year (End June)	Bangladesh Bank's claims on					Net foreign assets	Other assets (net)	Reserve money
	Government (net)	Scheduled banks	Other official entities and financial institutions	Private sectors	Total			
1	2	3	4	5	6=(2+3+4+5)	7	8	9=(6+7+8)
1999	63.6	46.2	13.7	8.1	131.6	46.2	-30.3	147.5
2000	81.0	42.9	13.2	9.0	146.1	56.7	-32.1	170.7
2001	101.1	43.7	13.0	9.9	167.7	48.1	-26.5	189.3
2002	128.3	47.3	12.8	10.1	198.5	72.3	-65.1	205.7
2003	73.5	48.5	12.8	11.4	146.2	118.1	-49.9	214.4
2004	118.5	58.5	12.4	12.4	201.8	135.4	-98.5	238.7
2005	156.7	61.3	11.1	13.4	242.5	146.9	-115.3	274.1
2006	249.8	63.4	10.1	14.3	337.6	186.4	-184.5	339.5
2007	259.3	64.4	9.9	15.8	349.4	287.7	-242.9	394.2
2008	259.3	73.3	9.5	17.0	359.1	328.1	-211.6	475.6
2009	284.7	68.5	8.5	20.2	381.9	432.3	-186.7	627.5
2010	214.7	66.1	8.3	25.9	315.0	611.8	-185.4	741.4
2011	317.1	186.1	7.8	31.4	542.4	613.4	-258.5	897.3
2012	378.5	226.3	11.8	36.0	652.6	689.3	-363.9	978.0
2013	270.7	102.2	13.5	41.8	428.2	1032.5	-335.8	1124.9
2014	38.4	62.8	12.0	42.7	156.0	1475.0	-332.2	1298.8

Source: Statistics Department, Bangladesh Bank.

Table-X : Deposits of Public and Private Sector

(Billion Taka)

Year (End June)	Demand deposits1/			Time deposits1/		
	Public2/	Private	Total	Public2/	Private3/	Total
1	2	3	4	5	6	7
1999	20.5	79.4	99.9	106.3	386.2	492.5
2000	23.7	89.7	113.4	117.3	471.3	588.6
2001	26.4	100.9	127.3	131.8	557.0	688.8
2002	23.7	108.2	131.9	134.9	653.3	788.2
2003	26.5	118.1	144.6	157.3	763.9	921.2
2004	27.1	136.0	163.1	184.2	865.9	1050.1
2005	35.2	158.9	194.1	223.3	1008.4	1231.7
2006	38.1	183.9	222.0	255.1	1212.9	1468.0
2007	42.2	218.8	261.0	298.7	1409.8	1708.5
2008	49.5	254.9	304.4	364.8	1647.6	2012.4
2009	57.5	280.3	337.8	442.7	2005.6	2448.3
2010	61.8	393.0	454.8	537.1	2374.5	2911.6
2011	87.8	439.3	527.1	677.0	2900.4	3577.4
2012	103.4	471.0	574.4	845.1	3480.7	4325.8
2013	112.1	517.8	629.9	954.8	4144.2	5099.0
2014	115.3	600.2	715.5	1080.9	4828.4	5909.3
			Share in Percent			
1999	20.5	79.5	100	21.6	78.4	100
2000	20.9	79.1	100	19.9	80.1	100
2001	20.7	79.3	100	19.1	80.9	100
2002	18.0	82.0	100	17.1	82.9	100
2003	18.3	81.7	100	17.1	82.9	100
2004	16.6	83.4	100	17.5	82.5	100
2005	18.1	81.9	100	18.1	81.9	100
2006	17.1	82.9	100	17.4	82.6	100
2007	16.2	83.8	100	17.5	82.5	100
2008	16.3	83.7	100	18.1	81.9	100
2009	17.0	83.0	100	18.1	81.9	100
2010	13.6	86.4	100	18.4	81.6	100
2011	16.7	83.3	100	18.9	81.1	100
2012	18.0	82.0	100	19.5	80.5	100
2013	17.8	82.2	100	18.7	81.3	100
2014	16.1	83.9	100	18.3	81.7	100

Source: Statistics Department, Bangladesh Bank.
1/ Exclude inter-bank items.
2/ Include government deposits.
3/ Include wage earners' deposits.

Table-XI : Selected Statistics of Scheduled Banks

(Billion Taka)

Particulars	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
1	2	3	4	5	6	7	8
1. Bank deposits (excluding inter-bank items)	**2317.3**	**2786.8**	**3368.7**	**4104.8**	**4900.4**	**5729.7**	**6625.7**
(a) Demand deposits	265.2	302.3	416.2	481.1	510.6	557.4	643.4
(b) Time deposits	1894.8	2300.7	2750.4	3374.2	4073.8	4799.0	5589.8
(c) Restricted deposits	0.5	0.7	0.3	0.3	0.2	0.8	0.3
(d) Government deposits	156.8	183.1	201.8	249.2	315.7	372.5	392.2
2. Borrowings from the Bangladesh Bank	66.8	61.0	58.5	178.3	216.6	94.4	55.3
3. Cash in tills	29.6	34.0	43.1	57.3	64.8	78.2	85.8
4. Balances with the Bangladesh Bank including FCD	167.1	287.7	294.2	384.0	472.4	453.4	558.5
5. Balances with other banks in Bangladesh	55.9	74.4	94.1	104.3	120.2	159.4	168.8
6. Money at call and short notice	22.3	20.8	36.5	29.4	57.4	53.0	49.9
7. Total investment@	**385.4**	**480.8**	**552.2**	**754.3**	**967.3**	**1361.1**	**1698.8**
(a) Government securities & treasury bills*	357.0	442.8	487.9	639.1	831.7	1208.1	1493.3
(b) Others	28.4	38.0	64.3	115.3	135.5	153.0	205.5
8. Bank credit (exclude inter-bank items and foreign bills)	**1926.2**	**2198.4**	**2720.6**	**3409.3**	**4056.6**	**4372.0**	**4882.2**
(a) Advances in Bangladesh**	1791.0	2081.3	2579.9	3198.9	3818.1	4172.9	4688.7
(b) Inland bills purchased and discounted	135.3	117.2	140.7	210.4	238.5	199.0	193.5
9. Credit/deposit ratio (excluding specialised banks)	0.8	0.8	0.8	0.8	0.8	0.8	0.7

Source: Statistics Department, Bangladesh Bank.

@ Include T bills/bonds issued by the government and all other investment (share/debenture, reverse repo etc.).

* Government securities and treasury bills are shown at cost price.

** Advances are on gross basis.

Table-XII : Movements in Selected Interest Rates* (end period)

	FY08	FY09	FY10	FY11	FY12	FY13	FY14
1	2	3	4	5	6	7	8
Bank rate	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Treasury bill rates							
28-day	7.3	-	-	-	-	-	-
91-day	7.6	6.8	2.2	5.6	5.7	8.4	6.9
182-day	7.9	7.8	3.6	5.5	6.2	10.2	7.5
364-day	8.5	8.3	4.6	6.2	6.2	10.4	8.0
Call money rates							
Borrowing	9.7	1.7	6.6	10.9	15.0	7.2	6.3
Lending	9.7	1.7	6.6	10.9	15.0	7.2	6.3
Scheduled banks rates							
Deposits	7.0	7.0	6.0	7.3	8.2	8.5	7.8
Advances	12.3	11.9	11.3	12.4	13.8	13.7	13.1

Source: a) Statistics Department, Bangladesh Bank.
b) Monetary Policy Department, Bangladesh Bank.

* Weighted average, except bank rate.

Table-XIII : Government Borrowing (net) from the Banking System

(Billion Taka)

Sl. No.	Particulars	Objective	Outstanding as on 30 June 2013[R]	Outstanding as on 30 June 2014[p]
1	2	3	4	5
Bangladesh Bank				
1.	Ways and Means Advances	To increase Government cash balance	20.00	0.00
2.	Overdraft	To increase Government cash balance	72.05	0.00
3.	Overdraft Block		146.51	131.51
4.	Devolvement		66.27	38.29
	a) Treasury Bills		3.37	3.57
	b) Treasury Bonds		62.90	34.72
5.	Government Currency Liabilities		7.73	8.23
6.	Advances to Autonomous and Semi-autonomous Bodies		0.00	0.00
7.	Accured Interest		0.00	0.78
8.	Government Deposits[1]		-0.18	-41.42
A.	**Total : (1 +...+ 8)**		**312.38**	**137.39**
B.	**Deposit Money Banks (DMBs)**			
1.	**Government Treasury Bills (Less than 1 year)**		**290.40**	**403.52**
2.	**Bangladesh Govt. Treasury Bonds (BGTB)**		**648.13**	**816.02**
	i) 2-years Bangladesh Govt.Treasury Bonds	To increase medium and long-term investment of different banks, non-bank financial institutions and employees GF of different companies	5.22	58.12
	ii) 5-years Bangladesh Govt.Treasury Bonds		210.12	244.95
	iii) 10-years Bangladesh Govt.Treasury Bonds		288.60	326.82
	iv) 15-years Bangladesh Govt.Treasury Bonds		86.21	111.46
	v) 20-years Bangladesh Govt.Treasury Bonds		57.98	74.67
3.	**Other Special Treasury Bonds (a+b)**		**162.56**	**150.78**
	a) 1 year and above but less than 5 years		**6.41**	**4.05**
	i) 3-years interest free Frozen Food Treasury Bond 2014	To repay the loan of Frozen Food Industries	0.41	0.05
	ii) 3-years and 4-years (BPC) Treasury Bond bearing 7.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	6.00	4.00
	b) 5 years and above		**156.15**	**146.73**
	i) 6, 7 &10-years (BJMC&BTMC) interest free Treasury Bond-2016, 2017 & 2020	To repay the loan of BJMC & BTMC	6.78	6.78

Table-XIII (Contd.) : Government Borrowing (net) from the Banking System

(Billion Taka)

Sl. No.	Particulars	Objective	Outstanding as on 30 June 2013[R]	Outstanding as on 30 June 2014[P]
1	2	3	4	5
ii)	25-years (Jute)Treasury Bond-2018, 2019 & 2020 bearing 5.0 percent interest	To reimburse one-third of the debt due to jute mills' loan write-off by the private banks.	2.30	1.87
iii)	7-years to 15-years (BPC) Treasury Bond bearing 5.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	45.22	36.23
iv)	5-years and 6-years (BPC) Treasury Bond bearing 7.0 percent interest	To repay the loan of Bangladesh Petroleum Corporation	21.00	21.00
v)	BJMC Treasury Bond (5-years to 13-years) bearing 5.0 percent interest	To repay the loan of BJMC	21.50	21.50
vi)	7-years SPTB-2020 bearing 7.0 percent interest	To increase Government cash balance	20.00	20.00
vii)	8-years SPTB-2021 bearing 7.0 percent interest		20.00	20.00
viii)	10-years SPTB-2023 bearing 7.0 percent interest		19.35	19.35
4.	Prize Bond/Income Tax Bond	To increase Government cash balance	0.30	0.31
5.	Government's other Securities	To increase Government cash balance	0.02	0.02
6.	**Sub-Total : (1+2+3+4+5)**		**1101.41**	**1370.65**
7.	Advances to Food Ministry		3.58	6.13
8.	Advances to other Ministries		9.44	10.62
9.	Advances to Auto./Semi-Autonomous Bodies		24.18	10.95
10.	Accrued Interest		24.71	31.70
11.	Deposits of Ministries and Departments (-)		-149.35	-148.88
12.	Deposits of Auto./Semi-Autonomous Bodies (-)		-223.17	-243.30
B.	**Total : (6+...+12)**		**790.80**	**1037.87**
	Grand Total : A+B		**1103.18**	**1175.26**

Notes: Figures on bonds are being calculated at face value.

1/ Including other deposits. R= Revised, P=Provisional.

Sources: 1) Monetary Survey, Statistics Department, Bangladesh Bank .

2) Outstanding Position of Treasury Bills and Bonds, Debt Management Department, Bangladesh Bank.

Table-XIV: Government Borrowing from Other than Banks

(Billion Taka)

Sl. No.	Particulars	FY13^R Sale	FY13^R Repayment Principal	FY13^R Repayment Interest	FY13^R Net Sale	FY14^P Sale	FY14^P Repayment Principal	FY14^P Repayment Interest	FY14^P Net Sale
1	2	3	4	5	6 = (3-4)	7	8	9	10 = (7-8)
	NSD Instruments								
1.	Defence Savings Certificate	0.00	0.23	0.24	-0.23	0.00	0.20	0.18	-0.20
2.	5-years Bangladesh Savings Certificate	21.70	21.44	10.68	0.26	33.72	21.45	10.62	12.27
3.	Bonus Savings Certificate	0.00	-	0.01	-	0.00	-	0.00	0.00
4.	6-months interest bearing Savings Certificate	0.00	-	-	-	0.00	-	0.01	0.00
5.	Family Savings Certificate	76.33	10.40	15.35	65.93	83.36	9.73	24.58	73.63
6.	3-months interest bearing Savings Certificate	60.40	102.87	17.03	-42.47	56.12	29.53	13.51	26.59
7.	Jamanat Savings Certificate	0.00	0.00	0.00	0.00	0.00	-	-	0.00
8.	Pensioner Savings Certificate	12.87	16.94	9.00	-4.07	10.44	12.89	8.73	-2.45
9.	Post Office Savings Bank	50.65	57.59	17.76	-6.94	49.31	44.16	11.29	5.15
	a) General Account	11.79	11.58	0.40	0.21	11.45	11.16	0.39	0.29
	b) Fixed Account	38.86	46.01	17.36	-7.15	37.86	33.00	10.90	4.86
	c) Bonus Account	0.00	-	-	0.00	0.00	-	-	0.00
10.	Postal Life Insurance	0.89	0.75	0.01	0.14	0.78	0.69	0.13	0.09
11.	Prize Bond	0.60	0.40	0.13	0.20	0.57	0.41	0.13	0.16
12.	Wage Earners' Development Bond	4.32	5.09	6.97	-0.77	5.39	4.09	7.83	1.30
13.	3-years National Investment Bond	0.00	7.28	1.86	-7.28	0.00	0.18	0.05	-0.18
14.	USD Premium Bond	0.87	0.56	0.13	0.31	0.73	0.46	0.17	0.27
15.	USD Investment Bond	4.64	2.00	0.65	2.64	2.67	2.23	0.72	0.44
16.	**Total : (1+...+15)**	**233.27**	**225.55**	**79.82**	**7.72**	**243.09**	**126.02**	**77.95**	**117.07**

Sl. No.	Particulars	Outstanding as on 30 June 2013	Net Changes	Outstanding as on 30 June 2014	Net Changes
17.	**Govt. Treasury Bills/Bonds**	**139.90**	**68.64**	**176.28**	**36.38**
	i) Government Treasury Bills	0.50	-1.24	0.74	0.24
	ii) Bangladesh Govt. Treasury Bonds (BGTBs)	139.40	69.88	175.55	36.14
	a) 2-years Bangladesh Government Treasury Bonds	0.79	0.79	4.88	4.10
	b) 5-years Bangladesh Government Treasury Bonds	40.51	20.90	50.15	9.64
	c) 10-years Bangladesh Government Treasury Bonds	52.30	25.65	62.29	9.99
	d) 15-years Bangladesh Government Treasury Bonds	17.29	8.90	21.48	4.19
	e) 20-years Bangladesh Government Treasury Bonds	28.52	13.64	36.74	8.22
18.	**Total Non-bank Government Borrowing (net) : (16+17)**		**76.36**		**153.45**

Notes: - = The magnitude of the figure remained zero due to rounded decimal fraction and does not add up to the total.
R= Revised, P= Provisional.
Sources: National Savings Directorate, Debt Management Department, Bangladesh Bank.

Table-XV : Balance of Payments*

(Million US Dollar)

Items	FY08	FY09	FY10	FY11	FY12	FY13R	FY14P
1	2	3	4	5	6	7	8
Trade balance	**-5330**	**-4710**	**-5155**	**-9935**	**-9320**	**-7009**	**-6806**
Export f.o.b (including EPZ)	14151	15581	16233	22592	23989	26567	29765
Of which : Readymade garments (RMG)	10700	12348	12497	17914	19090	21516	24492
Import f.o.b (including EPZ)	19481	20291	21388	32527	33309	33576	36571
Services	**-1525**	**-1616**	**-1233**	**-2612**	**-3001**	**-3162**	**-4189**
Credit	1891	1832	2478	2573	2694	2830	3065
Debit	3416	3448	3711	5185	5695	5992	7254
Primary income	**-994**	**-1484**	**-1484**	**-1454**	**-1549**	**-2369**	**-2571**
Credit	217	95	52	124	193	120	171
Debit	1211	1579	1536	1578	1742	2489	2742
Of which : Official interest payments	234	238	215	345	373	476	538
Secondary income	**8551**	**10226**	**11596**	**12315**	**13423**	**14928**	**14912**
Official transfers	149	72	127	103	106	97	79
Private transfers	8402	10154	11469	12212	13317	14831	14833
Of which : Workers' remittances (current account portion)	7915	9689	10987	11513	12734	14338	14115
Current account balance	**702**	**2416**	**3724**	**-1686**	**-447**	**2388**	**1346**
Capital account	**576**	**451**	**512**	**642**	**482**	**629**	**644**
Capital transfers	576	451	512	642	482	629	644
Financial account	**-457**	**-825**	**-651**	**651**	**1436**	**2770**	**3075**
Foreign direct investment (net)	748	961	913	775	1191	1726	1504
Portfolio investment	47	-159	-117	109	240	368	825
Other investment	-1252	-1627	-1447	-233	5	676	746
MLT loans (excluding suppliers credit)	1338	1204	1589	1032	1539	2085	2277
MLT amortisation payments	580	641	687	739	789	906	1018
Other long term loans (net)	-6	-70	-151	-101	79	-150	418
Other short term loans (net)	-160	-169	62	531	242	-193	355
Other assets	-603	-650	-902	-661	-	-	-
Trade credit (net)	-1108	-1277	-1043	-135	-1118	-250	-1045
Commercial Bank	-133	-24	-315	-160	52	90	-241
Assets	146	129	410	452	443	396	898
Liabilities	13	105	95	292	495	486	657
Errors and omissions	**-490**	**16**	**-720**	**-263**	**-977**	**-659**	**418**
Overall balance	**331**	**2058**	**2865**	**-656**	**494**	**5128**	**5483**
Reserve assets	**-331**	**-2058**	**-2865**	**656**	**-494**	**-5128**	**-5483**
Bangladesh Bank	-331	-2058	-2865	656	-494	-5128	-5483
Assets	799	1883	3616	-481	293	5196	5933
Liabilities	468	-175	751	175	-201	68	450

Source: Statistics Department, Bangladesh Bank.
* This classification is based on Balance of Payments Manual 6.
Note: Customs record is used to calculate import f.o.b. from FY11 and onwards.
Banking channel data was used for calculating import f.o.b. for FY10 and backwards.
R = Revised, P= Provisional.
- = Other assets has been discontinued from FY12 and onwards as per recommendation of IMF.

Table-XVI : Category-wise Exports

(Million US Dollar)

Items	FY08	FY09	FY10	FY11	FY12	FY13R	FY14P
1	2	3	4	5	6	7	8
A. Frozen food	**534.1**	**454.5**	**445.2**	**625.0**	**598.4**	**543.8**	**638.2**
1. Fish	88.7	101.4	89.1	133.5	108.1	58.0	52.5
2. Shrimps	445.4	353.1	348.3	477.8	471.7	454.9	550.2
3. Others	0.0	0.0	7.8	13.7	18.6	30.9	35.6
B. Agricultural products	**176.1**	**267.4**	**242.4**	**333.9**	**402.7**	**535.7**	**615.1**
1. Vegetables	60.5	44.7	46.8	71.7	77.4	110.3	147.6
2. Tobacco	22.4	40.5	52.3	70.9	68.7	60.2	58.7
3. Cut flower	56.0	32.5	39.8	42.9	50.5	41.4	39.3
4. Fruits	---	6.0	17.4	37.7	57.2	71.9	61.8
5. Others	37.2	143.7	86.1	110.7	148.9	251.9	307.7
C. Manufactured products	**13400.6**	**14843.3**	**15517.1**	**21969.3**	**23300.8**	**25947.8**	**28923.5**
1. Petroleum bi-products	185.1	142.0	301.2	260.7	275.4	314.0	162.3
2. Chemical products	215.8	237.1	102.9	104.8	103.0	93.0	93.2
3. Plastic products	---	37.4	50.6	68.8	88.7	84.5	85.7
4. Leather	284.4	178.2	226.1	297.8	330.2	399.7	505.5
5. Cotton & cotton products	---	55.2	95.2	135.0	113.0	125.0	115.6
6. Raw jute	165.1	148.2	196.3	357.3	266.3	229.9	126.4
7. Jute goods	318.3	324.9	591.7	757.7	701.1	800.7	698.1
8. Specialised textiles	179.5	208.9	186.0	164.6	138.8	124.5	108.8
9. Knitwear	5532.5	6427.3	6483.3	9482.1	9486.4	10475.9	12049.8
10. Woven garments	5167.3	5918.5	6013.4	8432.4	9603.3	11039.9	12442.1
11. Home textile	291.4	313.5	539.3	788.8	906.1	791.5	792.5
12. Footwear	169.6	186.9	204.1	297.8	335.5	419.3	550.1
13. Engineering products	219.7	181.3	311.1	309.6	375.5	367.5	366.6
14. Others	671.9	483.9	215.9	512.0	577.5	676.7	826.3
Total (A+B+C)	**14110.8**	**15565.2**	**16204.7**	**22928.2**	**24301.9**	**27027.4**	**30176.8**
Of which exports from EPZ	1729.5	1900.3	2150.5	2800.9	3425.5	3828.8	4480.3

Source: Export Promotion Bureau.
R= Revised, P= Provisional.

Table-XVII : Category-wise Imports

(Million US Dollar)

Items	FY08	FY09	FY10	FY11	FY12	FY13	FY14
1	2	3	4	5	6	7	8
A. Food grain	**1411**	**882**	**836**	**1911**	**901**	**726**	**1465**
1) Rice	874	239	75	830	288	30	347
2) Wheat	537	643	761	1081	613	696	1118
B. Other Commodities	**18924**	**20323**	**21488**	**29606**	**32501**	**30854**	**36292**
1. Milk and cream	137	**96**	106	161	221	214	289
2. Spices	80	62	109	127	138	118	183
3. Oil seeds	136	159	130	103	177	242	508
4. Edible oil	1006	865	1050	1067	1644	1402	1761
5. Pulses (all sorts)	327	234	350	292	243	422	455
6. Sugar	396	413	650	654	1177	731	902
7. Clinker	347	314	333	446	504	487	619
8. Crude petroleum	695	584	535	888	987	1102	929
9. POL	2058	1997	2021	3221	3922	3642	4070
10. Chemicals	890	960	972	1254	1210	1302	1498
11. Pharmaceutical products	62	80	103	116	119	119	120
12. Fertiliser	632	955	717	1241	1381	1188	1026
13. Dyeing and tanning materials	218	259	275	333	375	399	538
14. Plastic and rubber & articles thereof	808	840	966	1302	1366	1366	1793
15. Raw cotton	1213	1291	1439	2689	2084	2005	2426
16. Yarn textile	691	792	718	1391	1384	1356	1506
17. Textile and articles thereof	1892	2099	1986	2680	3023	3273	3584
18. Staple fibre	110	112	118	180	428	455	493
19. Iron, steel and other base metals	1180	1502	1453	2004	2224	2335	2657
20. Capital machinery	1664	1420	1595	2324	2005	1835	2332
21. Others	4382	5289	5862	7133	7889	6861	8603
C. Imports by EPZ	**1294**	**1302**	**1414**	**2140**	**2114**	**2505**	**2975**
Total import (c.i.f.)	**21629**	**22507**	**23738**	**33657**	**35516**	**34084**	**40732**
Total import (f.o.b.)	**19481**	**20291**	**21388**	**32527**	**33309**	**33576**	**36571**

Source: Statistics Department, Bangladesh Bank.

Table-XVIII : Sector-wise Comparative Statement of Opening, Settlement and Outstanding of Import LCs

(Million US Dollar)

Sectors/ Commodities	FY13			FY14			% Changes during FY14 over FY13		
	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year	Fresh LCs opening	Settlement of LCs	Outstanding LCs at the end of the year
1	2	3	4	5	6	7	8	9	10
A. Consumer goods	3801.3	3300.0	2063.0	4597.8	4586.6	1614.5	21.0	39.0	-21.7
(% of Total)	(10.6)	(10.2)	(11.2)	(11.0)	(12.3)	(7.6)			
a) Food grains (rice & wheat)	1018.5	664.3	502.8	1317.1	1409.8	242.0	29.3	112.2	-51.9
b) Other than food grain	2782.8	2635.7	1560.2	3280.7	3176.8	1372.5	17.9	20.5	-12.0
B. Intermediate goods	3151.6	2873.4	1262.5	3054.4	2836.3	1302.3	-3.1	-1.3	3.2
(% of Total)	(8.8)	(8.9)	(6.8)	(7.3)	(7.6)	(6.1)			
C. Industrial raw materials	14428.4	13037.5	6969.8	15548.3	14724.6	7260.0	7.8	12.9	4.2
(% of Total)	(39.9)	(40.9)	(36.8)	(37.3)	(39.8)	(35.1)			
D. Capital machinery	2854.2	2117.1	3002.5	3878.2	2518.3	4184.6	35.9	19.0	39.4
(% of Total)	(7.9)	(6.5)	(16.3)	(9.3)	(6.8)	(19.7)			
E. Machinery for miscellaneous industry	3283.1	2924.7	1631.6	4609.2	3522.4	2603.3	40.4	20.4	59.6
(% of Total)	(9.1)	(9.0)	(8.9)	(11.0)	(9.5)	(12.3)			
F. Petroleum and Petroleum products	4135.1	4390.1	1184.3	5023.6	4577.4	1489.1	21.5	4.3	25.7
(% of Total)	(11.5)	(13.6)	(6.4)	(12.0)	(12.3)	(7.0)			
G. Others	4331.2	3715.6	2330.6	5107.1	4423.3	2781.4	17.9	19.1	19.3
(% of Total)	(12.0)	(11.5)	(12.6)	(12.2)	(11.9)	(13.1)			
Total :	**35984.9**	**32358.5**	**18444.3**	**41818.6**	**37188.9**	**21235.1**	**16.2**	**14.9**	**15.1**
Of which, back to back	5905.9	5297.1	3015.8	6237.7	6152.1	3032.2	5.6	16.1	0.5

Source: Foreign Exchange Operation Department, Bangladesh Bank.

Table-XIX : Foreign Exchange Reserves

Year (End June)	Total reserves	
	Million Taka	Million US Dollar
1	2	3
1997	74,857	1,719
1998	80,266	1,739
1999	73,650	1,523
2000	81,466	1,602
2001	73,831	1,307
2002	90,858	1,583
2003	141,753	2,470
2004	163,241	2,705
2005	186,769	2,930
2006	242,914	3,484
2007	349,314	5,077
2008	421,377	6,149
2009	515,945	7,471
2010	747,121	10,750
2011	809,996	10,912
2012	848,071	10,364
2013	1190,896	15,315
2014	1669,666	21,508

Source : Accounts & Budgeting Department, Bangladesh Bank.

Table-XX : Period Average Taka-US Dollar Exchange Rates

Year	Taka per US Dollar
1	2
FY97	42.70
FY98	45.46
FY99	48.06
FY00	50.31
FY01	53.96
FY02	57.43
FY03	57.90
FY04	58.94
FY05	61.39
FY06	67.08
FY07	69.03
FY08	68.60
FY09	68.80
FY10	69.18
FY11	71.17
FY12	79.10
FY13	79.93
FY14	77.72

Source : Statistics Department, Bangladesh Bank.

Table-XXI : Country-wise Workers` Remittances

(Million US Dollar)

Countries	FY08	FY09	FY10	FY11	FY12	FY13	FY14
1	2	3	4	5	6	7	8
Saudi Arabia	2324.2	2859.1	3427	3290	3684.4	3829.5	3118.88
UAE	1135.1	1754.9	1890.3	2002.6	2404.8	2829.4	2684.86
UK	896.1	789.7	827.5	889.6	987.5	991.6	901.23
Kuwait	863.7	970.8	1019.2	1075.8	1190.1	1186.9	1106.88
USA	1380.1	1575.2	1451.9	1848.5	1498.5	1859.8	2323.32
Italy	214.5	186.9	182.2	215.6	244.8	233.2	269.59
Qatar	289.8	343.4	360.9	319.4	335.3	286.9	257.53
Oman	220.6	290.1	349.1	334.3	400.9	610.1	701.08
Singapore	130.1	165.1	193.5	202.3	311.5	498.8	429.11
Germany	26.9	19.3	16.5	25.6	35	25.8	26.94
Bahrain	138.2	157.4	170.1	185.9	298.5	361.7	459.39
Japan	16.3	14.1	14.7	15.2	22.2	21.2	17.06
Malaysia	92.4	282.2	587.1	703.7	847.5	997.4	1064.68
Other countries	186.8	281.1	497.4	541.8	582.7	728.9	867.8
Total :	**7914.8**	**9689.3**	**10987.4**	**11650.3**	**12843.4**	**14461.2**	**14228.3**

Source : Foreign Exchange Policy Department, Bangladesh Bank.

Table-XXII : List of Scheduled Banks
(As on 30 June 2014)

State owned/government controlled banks (4+4=8)

State owned commercial banks (4)

Sonali Bank Limited
Janata Bank Limited
Agrani Bank Limited
Rupali Bank Limited

Specialised banks (4)

Bangladesh Krishi Bank
Bangladesh Development Bank Limited
Rajshahi Krishi Unnayan Bank
Bangladesh Small Industries and Commerce Bank Limited

Private commercial banks (39)

AB Bank Limited
Al-Arafah Islami Bank Limited
Bangladesh Commerce Bank Limited
Bank Asia Limited
BRAC Bank Limited
Dhaka Bank Limited
Dutch-Bangla Bank Limited
Eastern Bank Limited
Export Import (EXIM) Bank of Bangladesh Limited
First Security Islami Bank Limited
International Finance Investment and Commerce (IFIC) Bank Limited
Islami Bank Bangladesh Limited
ICB Islamic Bank Limited
Jamuna Bank Limited
Mercantile Bank Limited
Meghna Bank Limited
Midland Bank Limited
Modhumoti Bank Limited
Mutual Trust Bank Limited
National Bank Limited
National Credit and Commerce Bank Limited
NRB Bank Limited
NRB Commercial Bank Limited
NRB Global Bank Limited

* In December 1986, it was decided to transform Rupali Bank into a Public Limited Company, keeping 51 percent ownership in the government sector. Subsequently, the above bank's ownership in the government sector is 91 percent as on 30 June 2014.

Table-XXII (Contd.) : List of Scheduled Banks
(As on 30 June 2014)

One Bank Limited
Prime Bank Limited
Pubali Bank Limited
Shahjalal Islami Bank Limited
Social Islami Bank Limited
South Bangla Agriculture and Commerce Bank Limited
Southeast Bank Limited
Standard Bank Limited
The City Bank Limited
The Premier Bank Limited
The Farmer's Bank Limited
Trust Bank Limited
United Commercial Bank Limited
Uttara Bank Limited
Union Bank Limited

Foreign commercial banks (9)
Bank Alfalah Limited
Citibank N.A
Commercial Bank of Ceylon PLC
Habib Bank Limited
National Bank of Pakistan
Standard Chartered Bank
State Bank of India
The Hongkong and Shanghai Banking Corporation (HSBC) Limited
Woori Bank

Table-XXIII : List of Financial Institutions*
(As on 30 June 2014)

Agrani SME Financing Company Limited
Bangladesh Finance and Investment Company Limited
Bangladesh Industrial Finance Company Limited
Bangladesh Infrastructure Finance Fund Limited
Bay Leasing and Investment Limited
Delta Brac Housing Finance Corporation Limited
Fareast Finance & Investment Limited
FAS Finance & Investment Limited
First Finance & Limited
GSP Finance Company (Bangladesh) Limited
Hajj Finance Company Limited
IDLC Finance Limited
Industrial and Infrastructure Development Finance Company Limited
Industrial Promotion and Development Company of Bangladesh Limited
Infrastructure Development Company Limited
International Leasing and Financial Services Limited
Islamic Finance and Investment Limited
LankaBangla Finance Limited
MIDAS Financing Limited
National Finance Limited
National Housing Finance and Investments Limited
People's Leasing and Financial Services Limited
Phoenix Finance and Investments Limited
Premier Leasing & Finance Limited
Prime Finance & Investment Limited
Reliance Finance Limited
Saudi-Bangladesh Industrial and Agricultural Investment Company Limited
The UAE-Bangladesh Investment Company Limited
Union Capital Limited
United Leasing Company Limited
Uttara Finance and Investments Limited

* Licensed by the Bangladesh Bank under Financial Institutions Act, 1993.

Table-XXIV : List of Major Publications

ANNUAL

1. Annual Report
2. Export receipts
3. Import payments
4. Balance of payments

HALF YEARLY

1. Financial Sector Review
2. Monetary Policy Review
3. Foreign Direct Investment in Bangladesh
4. Monetary Policy Statement (MPS)
5. Financial Stability Report

QUARTERLY

1. Scheduled Bank Statistics
2. Bangladesh Bank Quarterly

MONTHLY

1. Economic Trends
2. Bangladesh Bank Parikroma

Appendix-4

Banking Performance Indicators

(Table: I-XIII)

Table I: Banking System Structure

(billion Taka)

Bank types	2014 (June)					
	Number of banks	Number of branches	Total assets	Percent of industry assets	Deposits	Percent of deposits
SCBs	4	3536	2292.9	26.5	1714.5	26.1
DFIs	4	1496	471.8	5.4	340	5.2
PCBs	39	3692	5392.7	62.3	4176.2	63.7
FCBs	9	70	499.8	5.8	328.0	5.0
Total	**56**	**8794**	**8657.2**	**100**	**6558.7**	**100**

Table II: Capital to Risk Weighted Assets Ratio by Type of Banks

(Percent)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	1.1	7.9	6.9	9.0	8.9	11.7	8.1	10.8	8.7
DFIs	-6.7	-5.5	-5.3	0.4	-7.3	-4.5	-7.8	-9.7	-13.7
PCBs	9.8	10.6	11.4	12.1	10.1	11.5	11.4	12.6	12.1
FCBs	22.7	22.7	24.0	28.1	15.6	21.0	20.6	20.2	20.6
Total	**6.7**	**9.6**	**10.1**	**11.6**	**9.3**	**11.4**	**10.5**	**11.5**	**10.7**

Table III: NPL Ratios by Type of Banks

(Percent)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	22.9	29.9	25.4	21.4	15.7	11.3	23.9	19.8	23.2
DFIs	33.7	28.6	25.5	25.9	24.2	24.6	26.8	26.8	33.1
PCBs	5.5	5.0	4.4	3.9	3.2	2.9	4.6	4.5	5.7
FCBs	0.8	1.4	1.9	2.3	3.0	3.0	3.5	5.5	6.2
Total	**13.2**	**13.2**	**10.8**	**9.2**	**7.3**	**6.1**	**10.0**	**8.9**	**10.8**

Table IV: Ratio of Net NPL to Total Loans by Type of Banks

(Percent)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	14.5	12.9	5.9	1.9	1.9	-0.3	12.8	1.7	7.4
DFIs	23.6	19.0	17.0	18.3	16.0	17.0	20.4	19.7	26.4
PCBs	1.8	1.4	0.9	0.5	0.0	0.2	0.9	0.6	1.2
FCBs	-2.6	-1.9	-2.0	-2.3	-1.7	-1.8	-0.9	-0.4	-0.2
Total	**7.1**	**5.1**	**2.8**	**1.7**	**1.3**	**0.7**	**4.4**	**2.0**	**3.9**

Table V: Amount of NPLs

(billion Taka)

Bank types	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	100.2	115.0	137.9	127.6	117.5	107.6	91.7	215.2	166.1	197.2
DFIs	38.4	41.5	37.2	37.3	42.1	49.7	56.5	73.3	83.6	110.5
PCBs	35.5	43.7	49.2	57.0	61.7	64.3	72.0	130.4	143.1	191.5
FCBs	1.0	0.8	1.9	2.9	3.5	5.5	6.3	8.5	13.0	14.2
Total	**175.0**	**201.0**	**226.2**	**224.8**	**224.8**	**227.1**	**226.5**	**427.3**	**405.8**	**513.4**

Table VI: Required Provision and Provision Maintained-all Banks

(billion Taka)

All banks	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
Amount of NPLs	175.1	200.1	226.2	224.8	224.8	227.1	226.4	427.3	405.8	503.5
Required provision	88.3	106.1	127.2	136.1	134.8	149.2	148.2	242.4	252.4	300.4
Provision maintained	42.6	52.9	97.1	126.2	137.9	142.3	152.7	189.8	249.8	260.4
Excess (+)/ shortfall(-)	-45.7	-53.2	-30.1	-9.9	3.1	-6.9	4.6	-52.6	-2.6	40.0
	48.2	49.9	76.3	92.7	102.3	95.4	103.04	78.3	99.0	86.7

Table VII: Comparative Position of Provision Adequacy

(billion Taka)

Year	Items	SCBs	SBs	PCBs	FCBs
2011	Required provision	60.8	21.7	58.3	7.4
	Provision maintained	69.0	13.9	61.2	8.5
	Provision maintenance ratio (%)	113.5	64.1	105.0	114.9
2012	Required provision	119.2	29.8	84.4	8.9
	Provision maintained	81.9	13.6	84.9	9.3
	Provision maintenance ratio (%)	68.7	45.7	100.6	104.3
2013	Required provision	107.8	38.3	94.8	11.6
	Provision maintained	122.3	17.4	97.8	12.3
	Provision maintenance ratio (%)	113.5	45.5	103.2	106.0
2014 June	Required provision	124.2	49.3	114.4	12.5
	Provision maintained	110.7	19.3	117.9	12.5
	Provision maintenance ratio (%)	89.1	39.2	103.1	100.1

Table VIII: Writing-off Bad Debts in Different Bank Categories

(billion Taka)

Bank types	30 June 07	30 June 08	30 June 09	30 June 10	30 June 11	30 June 12	30 June 13	30 June 14
SCBs	42.8	48.4	64.5	70.5	82.4	72.9	107.2	154.8
SBs	30.4	31.0	31.8	31.8	32.0	24.5	32.6	34.2
PCBs	45.5	49.4	54.7	69.6	77.1	64.9	109.7	127.7
FCBs	1.6	1.7	2.0	2.1	2.4	2.6	3.7	4.4
Total	**120.3**	**130.5**	**153.0**	**174.0**	**193.9**	**164.9**	**253.3**	**321.1**

Table IX: Expenditure-Income Ratio by Type of Banks

(Percent)

Bank types	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	102.3	101.9	100.0	100.0	89.6	75.6	80.7	62.7	73.2	84.1	83.3
DFIs	104.0	103.9	103.5	107.7	103.7	112.1	87.8	88.6	91.2	94.8	112.0
PCBs	87.1	89.3	90.2	88.8	88.4	72.6	67.6	71.7	76.0	77.9	75.8
FCBs	76.3	70.8	71.1	72.9	75.8	59.0	64.7	47.3	49.6	50.4	46.5
Total	**90.9**	**92.1**	**91.4**	**90.4**	**87.9**	**72.6**	**70.8**	**68.6**	**74.0**	**77.8**	**77.8**

Table X: Profitability Ratios by Type of Banks

(Percent)

Bank types	Return on assets (ROA)									Return on equity (ROE)								
	2006	2007	2008	2009	2010	2011	2012	2013	2014 June	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	0.0	0.0	0.7	1.0	1.1	1.3	-0.6	0.6	-0.1	0.0	0.0	22.5	26.2	18.4	19.7	-11.9	10.9	-2.4
DFIs	-0.2	-0.3	-0.6	0.4	0.2	0.1	0.1	-0.4	-0.9	-2.0	-3.4	-6.9	-171.7	-3.2	-0.9	-1.1	5.8	-9.5
PCBs	1.1	1.3	1.4	1.6	2.1	1.6	0.9	1.0	0.8	15.2	16.7	16.4	21.0	20.9	15.7	10.2	9.8	8.4
FCBs	2.2	3.1	2.9	3.2	2.9	3.2	3.3	3.0	3.5	21.5	20.4	17.8	22.4	17.0	16.6	17.3	16.9	20.1
Total	**0.8**	**0.9**	**1.2**	**1.4**	**1.8**	**1.5**	**0.6**	**0.9**	**0.6**	**14.1**	**13.8**	**15.6**	**21.7**	**21.0**	**17.0**	**8.2**	**11.0**	**8.4**

Table XI: Net Interest Income by Type of Banks

(billion Taka)

Bank types	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	9.0	7.4	7.9	12.1	19.8	34.3	14.9	-5.4	-0.03
DFIs	1.7	1.4	1.9	1.9	6.2	4.9	4.7	3.8	2.7
PCBs	25.4	36.1	48.5	56.7	82.8	91.4	114.7	118.2	53.7
FCBs	8.2	9.9	12.6	10.7	13.0	16.1	19.6	15.8	8.0
Total	**44.3**	**54.8**	**70.9**	**81.5**	**121.9**	**146.7**	**153.8**	**132.3**	**64.4**

Table XII: Liquidity Ratio by Type of Banks

(Percent)

Bank types	Liquid assets									Excess liquidity								
	2006	2007	2008	2009	2010	2011	2012	2013	2014 June	2006	2007	2008	2009	2010	2011	2012	2013	2014 June
SCBs	20.1	24.9	32.9	25.1	27.2	31.3	29.2	44.3	37.9	2.1	6.9	14.9	17.6	8.2	12.3	10.2	25.3	28.2
DFIs	11.9	14.2	13.7	9.6	21.3	6.9	11.5	15.3	16.4	3.8	5.6	4.9	7.1	2.3	1.3	1.4	4.2	1.2
PCBs	21.4	22.2	20.7	18.2	21.5	23.5	26.3	28.0	27.4	5.6	6.4	4.7	5.3	4.6	6.6	9.5	11.3	12.8
FCBs	34.4	29.2	31.3	31.8	32.1	34.1	37.5	46.2	43.5	16.4	11.2	13.3	21.8	13.2	15.3	18.7	27.4	34.9
Total	**21.5**	**23.2**	**24.8**	**20.6**	**23.0**	**25.4**	**27.1**	**32.5**	**30.5**	**5.1**	**6.9**	**8.4**	**9.0**	**6.0**	**8.4**	**9.9**	**15.4**	**17.3**

Table XIII: Branch, Deposit and Advance in the Banking System-Rural and Urban

(billion Taka)

	Number of branch*			Deposit**			Advance**		
Year	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
2000	3659	2460	6119	160.6	549.2	709.8	100.1	493.5	593.6
2001	3680	2502	6182	160.2	656.3	816.5	97.2	590.6	687.8
2002	3693	2538	6231	177.6	753.2	930.8	100.0	667.7	767.7
2003	3694	2526	6220	190.8	883.3	1074.1	102.5	744.8	847.3
2004	3724	2579	6303	192.0	1023.8	1215.8	103.4	847.9	951.3
2005	3764	2638	6402	218.3	1197.6	1415.9	117.6	999.7	1117.3
2006	3834	2728	6562	241.5	1445.8	1687.3	128.4	1163.3	1291.7
2007	3894	2823	6717	263.0	1689.1	1952.1	130.1	1335.6	1465.7
2008	3981	2905	6886	306.2	2009.8	2316.0	148.5	1667.0	1815.5
2009	4136	3051	7187	369.9	2424.0	2793.9	169.6	1920.9	2090.5
2010	4393	3265	7658	436.9	2942.3	3379.2	206.9	2367.5	2574.4
2011	4551	3410	7961	536.0	3579.9	4115.9	254.5	2958.3	3212.8
2012	4760	3562	8322	853.1	4011.0	4864.1	405.6	3453.7	3859.3
2013*	4962	3723	8685	1117.1	4988.2	6105.3	450.6	3987.8	4438.4

Note: *As of end December, **As of end June.

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