

Annual Report

(July 2022-June 2023)



BANGLADESH BANK
(The central bank of Bangladesh)

Letter of Transmittal
BANGLADESH BANK

Dhaka
14 January 2024

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

Dear Secretary,

In accordance with Article 40 (2) of the Bangladesh Bank Order, 1972 (P. O Number 127) I have the honor to submit the Annual Report of Bangladesh Bank for the financial year 2022-2023 to the Government of the People's Republic of Bangladesh. Audited Accounts of the Bank for the said financial year has already been forwarded on 21 August 2023.

Yours faithfully,



(Abdur Rouf Talukder)
Governor

Board of Directors*

Mr. Abdur Rouf Talukder ⁽ⁱ⁾	Chairman
Mr. Fazle Kabir ⁽ⁱⁱ⁾	Chairman
Mr. Abu Hena Md. Rahmatul Muneem	Director
Mrs. Fatima Yasmin ⁽ⁱⁱⁱ⁾	Director
Mr. Sheikh Mohammad Salim Ullah	Director
Mr. Mahbub Ahmed ^(iv)	Director
Mr. A. K. M Aftab ul Islam, FCA ^(v)	Director
Mr. Md. Nazrul Huda ^(vi)	Director
Mr. Ahmed Jamal	Director
Mr. Mohd. Humayun Kabir ^(vii)	Secretary
Md. Zakir Hossain Chowdhury ^(viii)	Secretary

*As on 30 June 2023.

- (i) Mr. Abdur Rouf Talukder was appointed as Chairman of the Board of Bangladesh Bank with effect from 12 July 2022 after the completion of tenure of Mr. Fazle Kabir as Governor on 03 July 2022.
- (ii) Mr. Fazle Kabir has served as Chairman of the Board up to 03 July 2022.
- (iii) Mrs. Fatima Yasmin was appointed as Director of the Board in place of Mr. Abdur Rouf Talukder with effect from 20 July 2022.
- (iv) Mr. Mahbub Ahmed was reappointed as Director of the Board with effect from 03 September 2022.
- (v) Mr. A. K. M Aftab ul Islam, FCA was reappointed as Director of the Board with effect from 01 January 2023.
- (vi) Mr. Md. Nazrul Huda was reappointed as Director of the Board with effect from 05 January 2023.
- (vii) Mr. Mohd. Humayun Kabir, Executive Director has served as Secretary of the Board up to 09 December 2022.
- (viii) Mr. Md. Zakir Hossain Chowdhury, Executive Director was made as the Secretary to the Board in place of Mr. Mohd. Humayun Kabir with effect from 11 December 2022.
 - The Board of Bangladesh Bank for the FY23 has partly been reconstituted but yet to be completed. Awaiting for one more member of the Board to be appointed.
 - During the FY23, 06 (Six) meetings of the Board of Directors were held.

Governor

Abdur Rouf Talukder

Deputy Governors

Ahmed Jamal

Kazi Sayedur Rahman

A. K. M Sajedur Rahman Khan

Abu Farah Md. Nasser

Head of BFIU

Md. Masud Biswas

Executive Directors*

Nurun Nahar

Dr. Md. Akhtaruzzaman⁽ⁱ⁾,**

Md. Khurshid Alam**

A. K. M. Fazlul Haque Mia⁽ⁱⁱ⁾,**

Dr. Md. Habibur Rahman^{(iii),**}

Md. Julhas Uddin^(iv)

Dr. Md. Ezazul Islam^(iv)

G.M. Abul Kalam Azad^(v)

Mansura Parvin⁽ⁱⁱ⁾

Md. Abul Bashar

Md. Anwar Hossain

Md. Zakir Hossain Chowdhury

Dr. Md. Kabir Ahmed

Md. Shahin Ul Islam

S.M. Hasan Reza

Md. Shafiqul Islam

Parimal Chandra Chakraborty

Mohammad Mamunul Hoque

A.F.M. Shahinul Islam

Md. Nurul Amin

Prokash Chandra Bairagi

S.M. Abdul Hakim

Swapan Kumar Das

Md. Mortuz Ali

Md. Forkan Hossain

Kazi Rafiqul Hassan

Saiful Islam

A.B.M. Zahurul Huda

Md. Anwarul Islam

Md. Golam Mostafa

Md. Mezbaul Haque

Md. Zulkar Nayn

Md. Jaker Hossain

Md. Azizul Haque

Maksuda Begum

Md. Abdul Mannan

Mohammad Rafiqul Islam-2

Gobinda Lal Gaine

Muhammad Zakir Hasan^(vi)

Debdulal Roy^(vi)

Abu Md. Amimul Ehsan^(vii)

* As on 30 June 2023.

** Indicates Executive Director, Grade -1.

Note: Inter se seniority of the officials, excepting contractual basis recruitment, has been determined on the basis of administrative Order No: 10 of HRD-1 dated 22 June 2023.

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

(ii) Executive Director (Statistics)

(iii) Chief Economist

(iv) Executive Director (Research)

(v) Executive Director (Ex Cadre-Publication)

(vi) Executive Director (ICTD)

(vii) Chief Legal Affairs Officer on Contractual Basis

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

Accounts and Budgeting Department	H.M. Delwar Hussain, Director
Agricultural Credit Department	Md. Mofizur Rahman Khan Chowdhury, Director
Bangladesh Bank Training Academy	Md. Abul Kalam Azad, Director Kaniz Fatema
	Dipankar Bhattacharjee, Director Kakoli Jahan Ahmed, Director S.M. Salim Uddin, Director Md. Shabbirul Alam Chowdhury, Director Md. Mazbah Uddin, Director Mamunur Rahman, Director Mohammad Shamsuddin Ahmed, Director Mohammad Abul Hashem, Director Nahid Rahman, Director S.M. Kamaluzzaman Kamal, Director Dipti Rani Hazra, Director Md. Golam Moula, Director Md. Golzare Nabi, Director Md. Sakhawat Hossain, Director Chandan Saha, Director Md. Monjurul Haque, Director Md. Rafiqul Islam, Director Md. Arifuzzaman, Director Md. Sayedur Rahman Khan, Director Md. Ali Akbar Faraji, Director Md. Harun Ar Rashid, Director Md. Ibrahim Bhuiyan, Director Rokeya Khatun, Director Dr. Imam Abu Sayed, Director Shafayet Arefin, Director Md. Tafazzal Hossain, Director Sudhangshu Kumar Sarker, Director Manoj Kumar Howlader, Director Md. Anis Ur Rahman, Director Khondaker Siddiqur Rahman, Director Abu Saleh Mohammad Shahab Uddin, Director Md. Mosarraf Hossain, Director Md. Abul Bashar, Director Khaled Mahbub Morshed, Director Md. Khasru Parvez, Director Md. Enamul Karim Khan, Director Md. Obaid Ullah Chowdhury, Director Md. Rafiqul Islam, Director Saeda Khanam, Director Md. Muksuduzzaman, Director Khaled Ahmed, Director Md. Amir Uddin , Director Md. Hafizur Rahman, Director Arief Hossain Khan, Director Md. Zabdul Islam, Director Istequemal Hussain , Director Md. Liakat Ali Molla , Director Md. Rajab Ali , Director Md. Nazrul Islam, Director Dr. Md. Sirajul Hoque, Director A.K.M. Kamruzzaman , Director
Bangladesh Financial Intelligence Unit	
Bankers' Selection Committee Secretariat	
Banking Regulation and Policy Department	
Chief Economist's Unit	
Common Services Department-1	
Common Services Department-2	
Credit Guarantee Department	
Credit Information Bureau	
Debt Management Department	
Department of Banking Inspection-1	
Department of Banking Inspection-2	
Department of Banking Inspection-3	
Department of Banking Inspection-4	
Department of Banking Inspection-5	
Department of Banking Inspection-6	
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Department of Banking Inspection-8	
Department of Communications and Publications	
Department of Currency Management	
Department of Financial Institutions and Markets	
Department of Foreign Exchange Inspection	
Department of Off-site Supervision	
Deposit Insurance Department	
Expenditure Management Department-1	
Expenditure Management Department-2	
Financial Inclusion Department	
Financial Institutions Inspection Department	
Financial Integrity and Customer Services Department	

* As per alphabetical arrangement. # As of 30 June 2023.

Departments/Units/Cells* of the Head Office and their Heads# (Continued)

Financial Sector Support and Strategic Planning Department	Liza Fahmida , Director
Financial Stability Department	Md. Alauddin , Director
Foreign Exchange Investment Department	Hosena ara Shikha, Director
Foreign Exchange Operation Department	Mohammad Zahir Hussain , Director
Foreign Exchange Policy Department	Md. Sarwar Hossain , Director
Forex Reserve and Treasury Management Department	Md. Abul Kalam, Director
Human Resources Department-1	Md. Ashraful Alam, Director
Human Resources Department-2	Md. Sirajul Islam , Director
Information Systems Development and Support Department	Md. Mahbubul Haque, Director
Integrated Supervision Management Department	Mohammed Ishaque Miah, Systems Manager
Internal Audit Department	Md. Amir Hossain Pathan, Systems Manger
Law Department	Mohammad Abdur Razzaq, System Manger
Monetary Policy Department	Pankaj Kumar Mallick, Chief Maintenance Engineer
NFIS Administrative Unit	Md. Mojibur Rahman Sheikh , Director
Payment Systems Department	Md. Ruhul Amin, Director
Research Department	Md. Amzad Hossain Khan, Director
Research Department-Library	Md. Abdul Kayum, Director
Secretary's Department	Md. Saiful Islam Khan, Director
Security Management Department	Md. Motasem Billah, Director
SME and Special Programmes Department	Md. Sharafat Ullah Khan, Director
Special Studies Cell	Dr. SayeraYounus, Director
Statistics Department	Mohammed Abdul Halim, Director
Sustainable Finance Department	Luthfe Ara Begum, Director
	Sirajul Islam, Director
	Nurnaher Begum, Director
	Farida Parvin, Director
	Mohammad Masuduzzaman, Director
	Tasnim Fatema, Director
	Md. Abdul Halim, Director
	Lt. Col. (Retd.) Md Shamimur Rahman, PSC, Director@
	Mohammad Ashiqur Rahman, Director
	Afroza Khan, Director
	Tarun Kanti Ghosh, Director
	Dr. Muhammad Amir Hossain, Director
	Ashish Kumar Roy, Director
	Shabnam Shirin, Director
	Md. Shafiqul Islam, Director
	Md. Nurul Islam, Director
	Md. Habibour Rahman, Director
	Dr. Nargis Hasina, Director
	Md. Masud Aktar Talukder, Director
	Probir Kumar Sarker, Director
	Munshi Mohammad Wakid, Director
	Chowdhury Liakat Ali, Director

Note: 1) Besides, Directors- Md. Hanif Miah; Shamsul Arefeen ; Md. Humayun Kabir; Md. Sakhawat Hossain Bhuiyan, Md. Aminul Islam Akand, Anwar Aftab Ahmed, Mahmud Salah Uddin Naser; Shaikh Jahangir Hossain; Imtiaz Ahmad Masum; Moni Shankar Kundu; Md. Shahidul Islam; Rathin Kumar Paul; Md. Abdul Wahab; Mohammad Mahbub Alam; Md. Kawsar Matin, Md. Rokanuzzaman, Md. Emdadul Kabir, and Md. Mokbul Hossain were on deputation with EEF Unit, Grihayan Tohbil and Fund Management, Microcredit Regulatory Authority, Bangladesh Institute of Bank Management, Institute of Bankers Bangladesh, Investment Promotion and Financing Facility II (IPFF II) Project Cell, Program to Support Safety Retrofits and Environmental Upgrades in the Bangladeshi Ready-Made Garments Sector Project, Foreign Direct Investment Promotion Project, Second Small and Medium-Sized Enterprise Development Project, COVID-19 Emergency and Crisis Response Facility Project, Supporting Post Covid-19 Small Scale Employment Creation Project, and The Security Printing Corporation Bangladesh Ltd respectively as on 30 June 2023.

2) Md. Shahidul Islam, Director was attached with HRD-1.

* As per alphabetical arrangement. # As of 30 June 2023. @ Contractual Basis.

Branch Offices* and Office Heads#

Barishal	Swapan Kumar Das, Executive Director Md. Sawkatul Alam, Director Md. Mahbubur Rahman, Director Bishnupada Kar, Director
Bogura	Mohammad Rafiqul Islam-2, Executive Director Md. Shahed Ali, Director Md. Salah Uddin, Director Md. Matiar Rahman Molla, Director
Chattogram	A.B.M. Zahurul Huda, Executive Director Md. Nurul Alam, Director Sagir Ahmed Sharif, Director Muhammad Badiuzzaman Dider, Director
Khulna	S.M. Hasan Reza, Executive Director Sudha Rani Das, Director Md. Ali Mahmud, Director Abu Sayeed Md. Arif- Ul- Islam, Director
Motijheel	Md. Shahin ul Islam, Executive Director Prokash Chandra Bairagi, Executive Director (Currency Officer) Syed Ahmed, Director Md. Emdadul Haque, Director Shamima Nargis, Director Syeda Nasima Akther, General Manager (Cash) Dr. Shamima Akhand, Chief Medical Officer Dr. Rabeya Akther, Chief Consultant
Mymensingh	S.M. Abdul Hakim, Executive Director Md. Osman Ghani, Director
Rajshahi	Kazi Rafiqul Hassan, Executive Director Md. Mazibur Rahman-10, Director Md. Niamul Kabir, Director Mirza Abdul Mannan , Director
Rangpur	Md. Anwarul Islam, Executive Director Mohammad Jamal Uddin, Director Madhusudan Banik, Director Md. Shakhawat Hossain, Director
Sadarghat	Subhash Chandra Kirity, Director
Sylhet	Saiful Islam, Executive Director Rup Ratan Pine, Director A.K.M. Ehsan, Director Md. Aminul Islam, Director

* As per alphabetical arrangement.

As of 30 June 2023.

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List of Abbreviations

A/C	Account	BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
ACD	Agriculture Credit Department	BO	Beneficiary Owners
ACU	Asian Clearing Union	BoP	Balance of Payments
ACUD	Asian Clearing Union Dollar	BPC	Bangladesh Petroleum Corporation
ADB	Asian Development Bank	BPSSR	Bangladesh Payment and Settlement Systems Regulations
ADP	Annual Development Programme	BRAC	Bangladesh Rural Advancement Committee
ADR	Advance Deposit Ratio	BRDB	Bangladesh Rural Development Board
ADs	Authorised Dealers	BRMC	Board Risk Management Committee
AFI	Alliance for Financial Inclusion	BRPD	Banking Regulation and Policy Department
AFD	Agence Francaise de Developpement	BRTA	Bangladesh Road Transport Authority
AGDs	Authorized Gold Dealers	BSBL	Bangladesh Samabaya Bank Limited
AIIB	Asian Infrastructure Investment Bank	BSCIC	Bangladesh Small and Cottage Industries Corporation
ALM	Asset-Liability Management	BSEC	Bangladesh Securities and Exchange Commission
AML	Anti Money Laundering	BSI	Banking Soundness Index
APG	Asia Pacific Group on Money Laundering	BSRD	Bangladesh Systemic Risk Dashboard
ASA	Association for Social Advancement	BTMA	Bangladesh Textile Mills Association
ASEAN	Association of South East Asian Nations	BTMC	Bangladesh Textile Mills Corporation
ATDTL	Average Total Demand and Time Liabilities	BURO	Basic Unit for Resources and Opportunities of Bangladesh
ATM	Automated Teller Machine	CA	Certifying Authority
B2B	Business to Business	CAMD	Capital Adequacy and Market Discipline
B2P	Business to Person	CAMEL	Capital Adequacy, Asset Quality, Management, Earnings and Liquidity
BACH	Bangladesh Automated Clearing House	CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to Market Risk
BACPS	Bangladesh Automated Cheque Processing Systems	CAMLCO	Chief Anti-money Laundering Compliance Officer
BAFEDA	Bangladesh Foreign Exchange Dealers Association	CAPs	Corrective Action Plans
BARD	Bangladesh Academy for Rural Development	CASPI	CSE All Share Price Index
BASIC	Bangladesh Small Industries and Commerce	CAR	Capital Adequacy Ratio
BB	Bangladesh Bank	CBS	Core Banking Solution
BBADC	Bangladesh Bank Agriculture Development Common Fund	CBSL	Central Bank of Sri Lanka
BBMC	Bangladesh Bank Musharaka Certificate	CBSP	Central Bank Strengthening Project
BBS	Bangladesh Bureau of Statistics	CCB	Capital Conservation Buffer
BBTA	Bangladesh Bank Training Academy	CCB	Counter-cyclical Capital Buffer
BCBS	Basel Committee on Banking Supervision	CCTG	Coordination Committee Technical Group
BCP	Basel Core Principles	CCTV	Closed-circuit Television
BCR	Bangladesh Compounded Rate	CDBL	Central Depository Bangladesh Limited
BDBL	Bangladesh Development Bank Limited	CDLC	Central Depository for Large Credit
BDT	Bangladesh Taka	CECRFP	COVID-19 Emergency and Crisis Response Facility Project
BDYEA	Bangladesh Dyed Yarn Exporters Association	CEO	Chief Executive Officer
BEZA	Bangladesh Economic Zones Authority	CET1	Common Equity Tier-1
BEFTN	Bangladesh Electronic Fund Transfer Network	CETP	Central Effluent Treatment Plant
BEPZA	Bangladesh Export Processing Zone Authority	CEU	Chief Economist's Unit
BFIU	Bangladesh Financial Intelligence Unit	CEZL	City Economic Zone Limited
BGIIB	Bangladesh Government Islamic Investment Bond	CFO	Chief Financial Officer
BGIS	Bangladesh Government Investment Sukuk	CFR	Cost and Freight
BGITB	Bangladesh Government Islamic Treasury Bill	CFSI	Composite Financial Stability Index
BGMEA	Bangladesh Garment Manufacturers and Exporters Association	CFT	Combating the Financing of Terrorism
BGTBs	Bangladesh Government Treasury Bonds	CGD	Credit Guarantee Department
BHBFC	Bangladesh House Building Finance Corporation	CGS	Credit Guarantee Scheme
BHI	Bank Health Index	CIB	Credit Information Bureau
BIA	Bangladesh Insurance Academy	CIF	Cost, Insurance and Freight
BIBM	Bangladesh Institute of Bank Management	CIC	Central Intelligence Cell
BIDA	Bangladesh Investment Development Authority	CICO	Cash In/ Cash Out
BIDF	Bangladesh Infrastructure Development Fund	CIP	Commercially Important Person
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation		
BJMC	Bangladesh Jute Mills Corporation		
BKB	Bangladesh Krishi Bank		

CIPC	Customers Interest Protection Centre	EI	Expenditure-Income
CIT	Cheque Imaging and Truncation	EMI	Equated Monthly Installment
CMIs	Capital Market Intermediaries	EMT	Executive Management Team
CMMS	Corporate Memory Management System	EOI	Expression of Interest
CMS	Cottage, Micro and Small Enterprise	EPB	Export Promotion Bureau
CMSME	Cottage, Micro, Small and Medium Enterprises	EPR	Expected Profit rate
CNY	Chinese Yuan	EPZ	Export Processing Zone
COVID-19	Corona Virus Disease of 2019	ERMC	Executive Risk Management Committee
CPF	Contributory Provident Fund	ERP	Enterprise Resource Planning
CPI	Consumer Price Index	ERQ	Exporters' Retention Quota
CPs	Commercial Papers	ESCAP	The United Nations Economic and Social Commission for Asia and the Pacific
CRAR	Capital to Risk-weighted Asset Ratio	ESDD	Environmental and Social Due Diligence
CRM	Comprehensive Risk Management	ESF	Entrepreneurship Support Fund
CRMR	Comprehensive Risk Management Report	ESI	External Sector Index
CRR	Cash Reserve Requirement	ESRM	Environmental and Social Risk Management
CSE	Chittagong Stock Exchange	ESRR	Environmental and Social Risk Rating
CSR	Corporate Social Responsibility	ETP	Effluent Treatment Plant
CYFI	Child and Youth Finance International	EU	European Union
DBI	Department of Banking Inspection	EXIM	Export Import Bank of Bangladesh
DBI-1	Department of Banking Inspection-1	FAO	Food and Agriculture Organisation
DBI-2	Department of Banking Inspection-2	FATF	Financial Action Task Force
DBI-3	Department of Banking Inspection-3	FC	Foreign Currency
DBI-4	Department of Banking Inspection-4	FCA	Financial Conduct Authority
DBI-5	Department of Banking Inspection-5	FCD	Forreign Currency Deposit
DBI-6	Department of Banking Inspection-6	FCBs	Foreign Commercial Banks
DBI-7	Department of Banking Inspection-7	FCK	Fixed Chimney Kiln
DBI-8	Department of Banking Inspection-8	FDI	Foreign Direct Investment
DFEI	Department of Foreign Exchange Inspection	FE	Foreign Exchange
DFIM	Department of Financial Institutions & Market	FEPD	Foreign Exchange Policy Department
DFS	Digital Financial Services	FIs	Financial Institutions
DIB	Dollar Investment Bond	FICSD	Financial Integrity and Customer Service Department
DID	Deposit Insurance Department	FID	Financial Inclusion Department
DIS	Deposit Insurance System	FIID	Financial Institutions Department
DITF	Deposit Insurance Trust Fund	FIU	Financial Intelligence Unit
DMB	Deposit Money Bank	FMI	Financial Market Infrastructure
DMD	Debt Management Department	FPMU	Food Planning and Monitoring Unit
DNC	Department of Narcotics Control	FoB	Free on Board
DNS	Deferred Net Settlement	FPM	Financial Projection Model
DoJ	Department of Justice	FRS	Financial Stability Report
DOMS	Digital Office Management System	FRTB	Floating Rate Treasury Bond
DOS	Department of Off-site Supervision	FRTMD	Foreign Reserve and Treasury Management Department
DP	Depository Participant	FSD	Financial Stability Department
DPA	Domestic Processing Areas	FSI	Fiscal Sector Index
DPB	Dollar Premium Bond	FSM	Financial Stability Map
DSE	Dhaka Stock Exchange	FSPDSME	Financial Sector Project for the Development of SME
DSEX	Dhaka Stock Exchange Broad Index	FSR	Financial Stability Report
D-SIBs	Domestic Systemically Important Banks	FSSSPD	Financial Sector Support and Strategic Planning Department
DTH	Direct to Home	FSSP	Financial Sector Support Project
DVS	Document Verification System	FVI	Financial Vulnerability Index
EAD	Exposure at Default	FVOCI	Fair Value Through Other Comprehensive Income
EC	Executive Committee	FVTPL	Fair Value Through Profit or Loss
ECF	Extended Credit Facility	FX	Foreign Exchange
ECL	Expected Credit Loss	FY	Financial Year (July- June)
EDF	Export Development Fund	G2P	Government to Person
EDS	Electronic Dealing System		
EDW	Enterprise Data Warehouse		
EEF	Equity and Entrepreneurship Fund		
EFD	Electric Fiscal Device		
EFPF	Export Facilitation Pre-financing Fund		
EFT	Electronic Fund Transfer		

G-7	Group of Seven	IPDC	Industrial Promotion and Development Company
GBCSRD	Green Banking and CSR Department	IPFF	Investment Promotion and Financial Facility
GCC	Gulf Cooperation Council	IPO	Initial Public Offering
GCRM	Guidelines on Country Risk Management	IRM	Investment Risk Management
GDE	Gross Domestic Expenditure	IRIDP-3	Important Rural Infrastructure Development Project on Priority Basis-3
GDP	Gross Domestic Product	IRS	Integrated Recycling System
GDS	Gross Domestic Savings	ISAs	International Standards on Auditing
GF	Green Finance	IsDB	Islamic Development Bank
GFET	Guidelines for Foreign Exchange Transactions	ISDSD	Information Systems Development and Support Department
GHG	Green House Gas	ISMD	Integrated Supervision Management Department
GIIB	Government Islamic Investment Bond	ISO	International Organisation for Standardisation
GIZ	German Agency for International Cooperation	ISS	Integrated Supervision System
GNI	Gross National Income	ISSP	Information System Strategy Paper
GNS	Gross National Savings	ISTCL	ICB Securities Trading Company Ltd.
GPF	General Provident Fund	IT	Information Technology
GoB	Government of Bangladesh	ITC-ILO	International Training Centre of the International Labour Organisation
GS	Governor Secretariat	ITES	Information Technology Enabled Services
GSIMS	Government Savings Instrument Management System	ITM	Interbank Transaction Matrix
GTF	Green Transformation Fund	JBC	Jibon Bima Corporation
GVA	Gross Value Added	JICA	Japan International Cooperation Agency
H1	First Half	JPY	Japanese Yen
H2	Second Half	KDDL	Karnafuly Dry Dock Limited
HBFC	House Building Finance Corporation	KSA	Kingdom of Saudi Arabia
HFT	Held for Trade	KYC	Know Your Customer
HHK	Hybrid Hoffman Kiln	LC	Letter of Credit
HRD	Human Resources Department	LCR	Liquidity Coverage Ratio
HTM	Held to Maturity	LDC	Least Developed Countries
HQLA	High Quality Liquid Asset	LDPE	Low-Density Polyethylene
IAD	Internal Audit Department	LEA	Law Enforcement Agencies
IADI	International Association of Deposit Insurers	LED	Light Emitting Diode
IAMCL	ICB Asset Management Company Ltd.	LF-I-SME	Local Finance Initiatives Support to SMEs
IASB	International Accounting Standards Board	LFSSP	Line of Finance to Support SMEs Project
IB	Islamic Banking	LGD	Loss Given Default
IBF	Islamic Bond Fund	LIBOR	London Interbank Offered Rate
IBFT	Internet Banking Fund Transfer	LKR	Sri Lankan Rupee
IBLF	Islamic Banks Liquidity Facility	LPG	Liquefied Petroleum Gas
IBS	Islamic Banking System	LS	Liquidity Support
ICAAP	Internal Capital Adequacy Assessment Process	LSF	Liquidity Support Facility
ICAB	International Chartered Accountants of Bangladesh	LTD.	Limited
ICB	Investment Corporation of Bangladesh	LTFF	Long Term Financing Facility
ICC	Internal Control and Compliance	M1	Narrow Money
ICML	ICB Capital Management Ltd.	M2	Broad Money
ICT	Information and Communication Technology	MCR	Minimum Capital Requirements
ICTD	Information and Communication Technology Department	ME	Mutual Evaluation
ID	Identity Document	MF-CIB	Credit Information Bureau for Micro Finance Institutions
IDA	International Development Association	MFIs	Microfinance Institutions
IDLC	Industrial Development Leasing Company	MFS	Mobile Financial Services
IDR	Investment Deposit Ratio	MFSPs	Mobile Financial Service Providers
IDRA	Insurance Development and Regulatory Authority	MI	Market Infrastructure
IESBA	International Ethics Standards Board for Accountants	ML	Money Laundering
IFAD	International Fund for Agricultural Development	MLT	Medium to Long Term
IFC	International Finance Corporation	MLS	Mudarabah Liquidity Support
IFRS	International Financial Reporting Standards	MoF	Ministry of Finance
IFF	Illicit Financial Flow	MoU	Memorandum of Understanding
IIFM	Islamic Inter-bank Fund Market	MPD	Monetary Policy Department
IMF	International Monetary Fund	MPI	Murabaha Post Import
IMTOs	International Money Transfer Operators		
IOSCO	International Organization of Securities Commissions		

MPS	Monetary Policy Statement	PMBF	Professional Masters in Banking and Finance
MRA	Microcredit Regulatory Authority	PMFI _s	Participating Microfinance Institutions
MSI	Monetary Sector Index	PMS	Performance Management System
MSMEs	Micro, Small and Medium Enterprises	PN	Policy Note
MT	Metric Ton	POL	Petroleum, Oil and Lubricants
MTDR	Mudarabah Term Deposit Receipt	POs	Partner Organisations
MTR	Murabaha Trust Receipt	POS	Point of Sale
NAFTA	North American Free Trade Agreement	PPE	Personal Protective Equipment
NBFI _s	Non-Bank Financial Institutions	PSD	Payment Systems Department
NBR	National Board of Revenue	PSO	Payment Systems Operator
NCI	Non-controlling Interest	PSP	Payment Services Providers
NCTB	National Curriculum and Textbook Board	PSR	Profit Sharing Ratio
NDA	Net Domestic Assets	PV	Photovoltaic
NEER	Nominal Effective Exchange Rate	PVC	Polyvinyl Chloride
NFA	Net Foreign Assets	QFSAR	Quarterly Financial Stability Assessment Report
NFA _s	No-Frill Accounts	QIIP	Quantum Index of Industrial Production
NFCs	Non Financial Corporations	QR	Quick Response
NFIS	National Financial Inclusion Strategy	RAKUB	Rajshahi Krishi Unnayan Bank
NGOs	Non-Governmental Organisations	RAM	Random Access Memory
NIBM	National Institute of Bank Management	RBCA	Risk Based Capital Adequacy
NIM	Net Interest Margin	RBS	Risk Based Supervision
NIS	National Integrity Strategy	RCF	Rapid Credit Facility
NITAs	Non-resident Investor's Taka Accounts	RECI	Regional Economic Climate Index
NPI	Non-performing Investment	REER	Real Effective Exchange Rate
NPL	Non-performing Loan	REPO	Repurchase Agreement
NPLs	Non-performing Loans	RFFO	Regulatory Fintech Facilitation Office
NPSB	National Payment Switch, Bangladesh	RFI	Raid Financing Instrument
NOP	Net Open Position	RHS	Right Hand Side
NRB	Non-resident Bangladeshi	RICO	Racketeer Influenced and Corrupt Organizations Act
NSDS	National Sustainable Development Strategy	RJSC	Registrar of Joint Stock Companies and Firms
NSFR	Net Stable Funding Ratio	RM	Reserve Money
NTPA	National Tripartite Plan of Action	RMG	Ready Made Garments
OBO	Off-shore Banking Operation	ROA	Return on Assets
OB _U	Off-shore Banking Unit	ROE	Return on Equity
OCI	Other Comprehensive Income	RQ	Retention Quota
ODA	Official Development Assistance	RSF	Resilience and Sustainability Facility
ODB	Overdraft-block	RSI	Real Sector Index
ODC	Overdraft- current	RTGS	Real Time Gross Settlement
OFC	Other Financial Corporations	RTI	Right to Information
OIC	Organization of Islamic Cooperation	RTL	Raw Tech Limited
OMO	Open Market Operation	RWA	Risk Weighted Assets
OMOF	Open Market Operations Fund	SAARC	South Asian Association for Regional Cooperation
OMS	Open Market Sales	SABINCO	Saudi-Bangladesh Industrial & Agricultural Investment Company Limited
OPGSPs	Online Payment Gateway Service Providers	SAP	Systems, Applications and Products in data processing
OSP	Other Security Products	SARs	Suspicious Activity Reports
OTC	Over the Counter	SBs	Specialized Banks
P2B	Person to Business	SBC	Shadharan Bima Corporation
P2G	Person to Government	SCBs	State -owned Commercial Banks
P2P	Person to Person	SCDP	Second Crop Diversification Project
PCB	Printed Circuit Board	SCT	Strategic Communication Team
PCBs	Private Commercial Banks	SD	Statistics Department
PDs	Primary Dealers	SD	Secure Digital
PET	Polyethene Terephthalate	SDC	Sales Data Controller
PFDS	Public Food Distribution System	SDC	Swiss Agency for Development and Cooperation
PF	Proliferation Financing	SDGs	Sustainable Development Goals
PFI	Participating Financial Institution	SDR	Special Drawing Rights
PGL	Portfolio Guarantee Limit	SFD	Sustainable Finance Department
PIF	Post Import Financing	SEC	Securities and Exchange Commission
PKSF	Palli Karma Sahayak Foundation		
PLS	Profit and Loss Sharing		

SEF	Small Enterprise Fund	SWIFT	Society for Worldwide Interbank Financial Telecommunication
SEIP	Skills for Employment Investment Programme	TA	Technical Assistance
SEK	Singapore Dollar	TF	Terrorist Financing
SF	Sustainable Finance	TDS	Tax Deducted at Source
SGD	Singapore Dollar	TIN	Tax Identification Number
SIM	Subscriber Identity Module	TMS	Treasury Management System
SLA	Subsidiary Loan Agreement	TMSS	Thengamara Mohila Sabuj Sangha
SLR	Statutory Liquidity Ratio	TO	Technical orientation
SMAP	Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project	ToR	Terms of Reference
SMART	Six-month Moving Average Rate of Treasury Bills	ToT	Terms of Trade
SME	Small and Medium-sized Enterprise	TSEL	Technaf Solar Tech Energy Limited
SMESDP	Small and Medium-sized Enterprise Sector Development Project	TSS	Technical Support Services
SMESPD	SME & Special Programmes Department	UAE	United Arab Emirates
SNCR	Shariah Non-compliance Risk	UAT	User Acceptance Test
SOCBs	State Owned Commercial Banks	UBSP	Urban Building Safety Project
SOICs	State Owned Insurance Companies	UK	United Kingdom
SP	Special Publication	UNCTAD	United Nations Conference on Trade and Development
SPCBL	Security Printing Corporation (Bangladesh) Ltd.	UNODC	United Nations Office on Drugs and Crime
SPCSSECP	Supporting Post COVID-19 Small Scale Employment Creation Project	US	United States
SPM	Suspended Particulate Matter	USA	United States of America
SPS	Service Process Simplification	USB	Universal Serial Bus
SPTB	Special Treasury Bonds	USD	United States Dollar
SPV	Special Purpose Vehicle	USDOJ	US Department of Justice
SQAT	Software Quality Assurance and Testing	UVT	User Verification Testing
SREP	Supervisory Review Evaluation Process	VAPT	Vulnerability Assessments and Penetration Testing
SREUP	Safety Retrofits and Environment Upgrades in RMG Project	VAT	Value Added Tax
SRF	Socially Responsible Financing	VDP	Village Defense Party
SSC	Shariah Supervisory Committee	VSBK	Vertical Shaft Brick Kiln
SSD	Solid State Drive	WAR	Weighted Average Resilience
STRs	Suspicious Transaction Reports	WAR-WIR	Weighted Average Resilience-Weighted Insolvency Ratio
		WEDB	Wage Earner Development Board
		WHO	World Health Organization
		WP	Working Paper
		WTO	World Trade Organisation

Macroeconomic Performance and Prospect

Global Growth, Price Situation and Outlook

1.01 The global output growth is projected to slow down to 3.0 percent in 2023 and further to 2.9 percent in 2024 from 3.5 percent in 2022 (Table 1.01) due mainly to effects of monetary policy tightening to reduce inflation. The recent resolution of the US debt ceiling and the robust measures already taken by authorities to manage disruptions in the US and Swiss banking sectors have lessened the immediate threat of turmoil in the financial sector. Economic activity is still below its pre-pandemic trajectory, particularly in emerging markets and developing economies, and regional disparities are becoming more pronounced. Nevertheless, the prevailing risks to worldwide economic expansion still lean towards the downside. Due to diminishing food and energy costs as well as normalization of supply chains, it is now anticipated that global inflation will decrease sharply to 6.9 percent in 2023 from 8.7 percent in 2022. While the effects of monetary tightening are beginning to become evident, a primary factor contributing to the anticipated decrease in headline inflation for 2023 is the declining prices of international commodities. In many economies, the primary goal is to maintain stable prices and secure the financial system. Central banks must concentrate on reestablishing price stability and enhancing financial oversight, responding swiftly to market challenges while preventing moral hazards. Additionally, building fiscal reserves and directing fiscal adjustments toward supporting the most susceptible can help, along with enhancing the economy's productive capacity to achieving a 5.8 percent global inflation rate in 2024. The growth of world trade volume went down almost

**Table 1.01 World Economic Outlook
Projections for 2023 and 2024**

	(annual percentage change)			
	Actual	Projections		
	2021	2022	2023	2024
World Output	6.3	3.5	3.0	2.9
Advanced Economies	5.6	2.6	1.5	1.4
United States	5.9	2.1	2.1	1.5
Euro area	5.6	3.3	0.7	1.2
Germany	3.2	1.8	-0.5	0.9
France	6.4	2.5	1.0	1.3
Italy ¹	7.0	3.7	0.7	0.7
Spain	6.4	5.8	2.5	1.7
Japan	2.2	1.0	2.0	1.0
United Kingdom ²	7.6	4.1	0.5	0.6
Canada	6.6	4.7	-0.7	1.9
Other Advanced Economies ³	5.5	3.3	1.3	2.0
Emerging Market and Developing Economies	6.8	4.1	4.0	4.0
Emerging and Developing Asia	7.5	4.5	5.2	4.8
China	8.4	3.0	5.0	4.2
ASEAN-5 ⁴	4.0	5.5	4.2	4.5
South Asia				
Bangladesh	6.9	7.1	6.0	6.0
India ⁵	9.1	7.2	6.3	6.3
Pakistan	5.8	6.1	-0.5	2.5
Sri Lanka*	3.5	-7.8	-3.0	1.5
World Trade Volume (goods and services)	10.9	5.1	0.9	3.5
Imports				
Advanced Economies	10.3	6.7	0.1	3.0
Emerging Market and Developing Economies	11.8	3.2	1.7	4.4
Exports				
Advanced Economies	9.8	5.3	1.8	3.1
Emerging Market and Developing Economies	12.8	4.1	-0.1	4.2
Commodity Prices (U.S. dollars)				
Oil	65.8	39.2	-16.5	-0.7
Nonfuel (Average based on world commodity import weights)	26.7	7.9	-6.3	-2.7
Consumer Prices	4.7	8.7	6.9	5.8
Advanced Economies	3.1	7.3	4.6	3.0
Emerging Market and Developing Economies ⁶	5.9	9.8	8.5	7.8
South Asia				
Bangladesh	5.6	6.1	9.0	7.9
India	5.5	6.7	5.5	4.6
Pakistan	8.9	12.1	29.2	23.6
Sri Lanka*	6.0	45.2	28.5	8.7

* Projections for 2023 and 2024 of Sri Lanka extracted from the World Economic Outlook, April, 2023.

¹ Data and forecasts reflect information available through September 21, 2023.

² Projections do not incorporate the significant statistical upward revisions to 2020 and 2021 GDP that were previewed on September 1, 2023.

³ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

⁴ Indonesia, Malaysia, Philippines, Thailand, Vietnam.

⁵ Data and forecasts are presented on a fiscal year basis, with FY2022/23 (starting in April 2022) shown in the 2022 column. India's growth projections for 2023 and 2024 are based on calendar year.

⁶ Excludes Venezuela includes Argentina.

Source: World Economic Outlook, October 2023, International Monetary Fund.

half way from 10.9 percent in 2021 to 5.1 percent in 2022. Anticipated trade volume growth is set to decelerate, dropping to 0.9 percent in 2023, mirroring the global demand slowdown following two years of rapid post-pandemic recovery. This slowdown affects both advanced and emerging market economies and influenced by factors such as the shift from traded goods to domestic

services, increased trade barriers, and the lingering impact of the 2022 US dollar appreciation. In summary, the trade outlook for 2023 points to a less robust growth trend compared to the two decades before the pandemic, which averaged 4.9 percent. But in 2024 the growth of trade volume is expected to bounce back and increase a little to 3.5 percent.

1.02 For advanced economies, the projected growth for 2023 is set lower at 1.5 percent, a decrease from 2.6 percent in 2022. The output growth in the United States for 2023 is projected to be the same as 2.1 percent in 2022, reflecting the anticipated effects of slower wage growth, tightening of financial conditions, and depleted consumers' excess savings that accumulated during the pandemic. Growth in the euro area is projected to fall to 0.7 percent in 2023 from 3.3 percent in 2022 due to downward growth forecasts in major economies—Germany, France, Spain and Italy.

1.03 The output growth in emerging markets and developing economies is projected to decrease a little bit to 4.0 percent in both 2023 and 2024 from 4.1 percent in 2022. However, the growths of two countries of the main five geographic regions are expected to increase in 2023 and then fall in 2024. China's output is projected to grow by 5.0 percent in 2023 from the actual growth of 3.0 percent in 2022, owing mainly to higher consumption growth and stronger than expected net exports. On the other hand, India's output growth is projected to decline by 0.9 percentage points to 6.3 percent in 2023 from the actual growth of 7.2 percent in 2022.

1.04 Inflation is easing in most countries but remains high, with divergences across economies and inflation measures. In advanced economies,

inflation increased to 7.3 percent in 2022 from 3.1 percent in 2021. The inflation in 2023 for advanced economies is projected to decrease to 4.6 percent due mainly to monetary policy tightening and declining international commodity prices. It is expected to fall further to 3.0 percent in 2024. However, inflation in emerging and developing economies (excluding Venezuela but including Argentina) increased considerably to 9.8 percent in 2022 from 5.9 percent in 2021. It is projected to decrease to 8.5 percent in 2023 and to 7.8 percent in 2024.

1.05 The delayed impacts the appreciation of US dollar, which hampered world trade due to the prevalent practice of pricing products in US dollars, as well as the escalation of trade barriers, played a role in decrease in world trade. The imports growth for advanced economies decreased from 10.3 percent in 2021 to 6.7 percent in 2022. The import growth in this region may sharply decrease to 0.1 percent in 2023 and increase to 3.0 percent in 2024. In emerging markets and developing economies, the import growth decreased robustly from 11.8 percent in 2021 to 3.2 percent in 2022, which is projected to decrease further to 1.7 percent in 2023 but increase to 4.4 percent in 2024. Export growth in the advanced economies stood at 5.3 percent in 2022 from 9.8 percent in 2021 which is projected to decrease further to 1.8 percent in 2023 and then increase to 3.1 percent in 2024. Exports of the emerging markets and developing economies increased by 4.1 percent in 2022, lower from a sharp increase of 12.8 percent in 2021, which is anticipated to decrease by 0.1 percent in 2023 and then increase by 4.2 percent in 2024.

1.06 According to World Economic Outlook, October 2023, beside some positive indicators there are some prominent risks and uncertainties that can negatively impact global economic performance. On the positive side, stronger-than

-expected pass-through from lower energy prices or a compression of profit margins to absorb cost increases and declining job vacancies can cause inflation to fall faster than expected. The surplus savings that accrued during the pandemic have not been fully depleted, and consumer spending continues to lag behind pre-pandemic levels, which increases the potential for a quicker-than-anticipated rebound in consumption. However, on the adverse side, slower economic growth of China, more volatile commodity prices amid climate and geopolitical changes, rising interest rates in the financial markets, rising debt distress, etc. are main factors.

1.07 The October 2023 World Economic Outlook emphasized several crucial policy priorities to address global economic challenges. Central banks should commit to reducing inflation through restrictive monetary measures while prioritizing financial stability and data-driven decision-making. Rapid monetary tightening requires strengthened supervision, risk monitoring, and the use of macroprudential measures to preemptively address financial sector stress and provide liquidity support when needed. Many countries should engage in credible medium-term fiscal consolidation to restore fiscal flexibility while safeguarding support for vulnerable populations and phasing out untargeted fiscal measures. Developing and low-income countries, facing external financing needs and high sovereign spreads, should improve debt resolution coordination to reduce borrowing costs and mitigate debt crises. Labor market reforms, well-designed industrial policies, and investments in clean energy along with international cooperation on climate change and emerging technologies, are essential for economic sustainability and growth. These policy priorities collectively aim to navigate the intricate global

economic landscape and promote recovery and resilience in uncertain times.

1.08 According to the Global Financial Stability Report, October 2023, financial stability risks rose sharply as the resilience of the world financial system was put to the test in a number of ways. The collapses of Silicon Valley Bank and Signature Bank of New York, as well as the decline in confidence in Credit Suisse, provide strong reminders of the difficulties that can arise from the combination between tighter monetary and financial conditions and the accumulation of vulnerabilities from the global financial crisis. Despite recent improvements, market conditions are still unstable, and volatility is still visible in a number of institutions and markets. Due to early monetary tightening by many large emerging markets, detrimental spillovers have so far been avoided. The persistence of the global risk scenario could trigger capital outflows. Smaller and riskier emerging market nations continue to face worsening debt sustainability trends, many of which are already experiencing constraints and funding issues. After more than a decade of low rates, moderate inflation, and sufficient liquidity, the threat of inflation and interest rates is rising for an extended period of time which will have a significant impact on asset prices and asset allocations. Lack of liquidity in the bond market may cause asset price changes and shocks to be dramatically amplified.

Developments in the Bangladesh Economy

1.09 Despite a number of external sector related difficulties, Bangladesh's economy exhibited a reasonably strong real GDP growth in FY23. This growth was achieved with a number of fiscal and monetary policy measures aimed at increasing investment and generating employment opportunities.

Growth Performance

1.10 The BBS has provisionally estimated a 6.03 percent real GDP growth rate for FY23, which was 7.10 percent in FY22. The sectoral growth compositions are shown in Table 1.02.

1.11 Agriculture contributed 11.20 percent of GDP in FY23, with slower growth from 3.05 percent in FY22 to 2.61 percent in FY23. During this period, the growth of forest and related services; and animal farming sub-sectors increased slightly compared to the previous year. However, the growths in crops and horticulture; and fishing sub-sectors fell significantly to 2.26 percent and 1.14 percent respectively in FY23 from 2.61 percent and 2.64 percent in FY22.

1.12 The industrial sector contributed 37.56 percent of GDP in FY23 and grew by 8.18 percent, lower than 9.86 percent growth in FY22. This growth was supported by the growths of mining and quarrying (5.74 percent in FY23 from -1.12 percent in FY22); and water supply, sewerage, waste management and remediation activities (10.02 percent in FY23 from 9.54 percent in FY22) sub-sectors. On the other hand, manufacturing; electricity, gas, steam, and air conditioning supply; and construction sub-sector recorded lower growth in FY23 as compared to the previous year.

1.13 The services sector accounts for the largest share of GDP. This sector contributed 51.24 percent of GDP in FY23, slight lower than 51.48 percent in FY22. Services sector grew by 5.84 percent in FY23, lower than 6.26 percent growth in FY22. Among the components of services sector, wholesale and retail trade, and repair of motor vehicles and motorcycles; financial and insurance activities; education; and human health and social service activities exhibited lower growths in FY23 than those of the previous year.

Table 1.02 Sectoral GDP Growth in Bangladesh

	(at FY16 constant prices)		
	FY17-FY23 (Average)	FY22	FY23 ^P
1. Agriculture	3.18	3.05	2.61
a) Crops and horticulture	2.39	2.61	2.26
b) Animal farming	3.02	3.10	3.23
c) Forest and related services	5.11	5.08	5.16
d) Fishing	3.85	2.64	1.14
2. Industry	8.86	9.86	8.18
a) Mining and quarrying	7.49	-1.12	5.74
b) Manufacturing	9.11	11.41	9.23
i) Large industry	9.09	15.68	8.46
ii) Small, medium and micro industry	8.99	4.84	9.73
iii) Cottage industry	9.52	11.12	10.69
c) Electricity, gas, steam and air conditioning supply	6.36	6.15	4.54
d) Water supply; sewerage, waste management and remediation activities	5.90	9.54	10.02
e) Construction	8.95	8.71	6.41
3. Service	5.94	6.26	5.84
a) Wholesale and retail trade, and repair of motor vehicles, motorcycles	7.39	8.46	6.65
b) Transport and storage	5.35	5.75	5.99
c) Accommodation and food service activities	4.86	5.37	5.89
d) Information and communication	6.62	4.79	5.42
e) Financial and insurance activities	6.10	5.87	5.76
f) Real estate activities	3.58	3.70	3.87
g) Professional, scientific and technical activities	4.19	4.25	4.37
h) Administrative and support service activities	6.69	6.01	6.13
i) Public administration and defence, compulsory social security	7.11	4.91	6.95
j) Education	6.40	7.87	6.88
k) Human health and social work activities	10.18	9.88	8.36
m) Arts, entertainment and recreation	5.61	6.07	6.36
n) Other service activities	3.18	3.19	3.27
GDP (at constant market price)	6.47	7.10	6.03

^P Provisional.

Source: Bangladesh Bureau of Statistics.

On the contrary, transportation and storage; accommodation and food service activities; information and communication; public administration and defence, compulsory social security; real estate activities; arts, entertainment and recreation; and other service activities showed higher growths in FY23 compared to FY22.

1.14 On the demand side of GDP, private consumption grew by 3.63 percent due to the relaxation of the economy from restrictions imposed over the last couple of years to contain the spread of the COVID-19 pandemic. Furthermore, public consumption increased by 10.46 percent during the same period. As a result, total consumption spending grew by 4.19 percent, which contributed 2.99 percentage points to the total growth of GDP. Total investment increased by 2.89 percent and contributed 0.95

percentage point to GDP growth. The contribution of net exports to GDP became positive due to a the positive growth of exports and a negative growth of imports.

Savings and Investment

1.15 According to provisional data, total investment as a percentage of GDP decreased to 31.25 percent in FY23 from 32.05 percent in FY22. However, the ratio of public investment to GDP increased to 7.61 percent from 7.53 percent while private investment to GDP decreased to 23.64 percent from 24.52 percent over the same period.

1.16 Gross national savings as a percentage of GDP increased to 30.22 percent in FY23 from 29.35 percent in FY22. Domestic savings as a percentage of GDP also increased to 26.02 percent from 25.22 percent during the same period. At current market prices, investment growth was 9.01 percent and growth of gross domestic savings was 15.31 percent. Therefore, a higher growth in gross domestic savings resulted in the decrease in domestic savings-investment gap as a percentage of GDP to (-) 5.23 percent in FY23 from (-) 6.83 percent in FY22 (Chart 1.01).

Price Developments

1.17 During FY23, twelve-month average CPI inflation showed an upward trend throughout the year. In the beginning of FY23 (July 2022), twelve-month average CPI inflation started with a slight increase of 6.33 percent from 6.15 percent in June 2022 and reached with a sharp increase of 9.02 percent at the end of FY23 (base: 2021-22=100). Inflation was 1.52 percentage points higher than the targeted ceiling of 7.50 percent in FY23 (Chart 1.02). The higher general CPI inflation was the result of the increase in both food and non-food inflation in FY23 compared to the previous year. Food and non-food inflation increased to 8.71 percent and 9.39

Chart 1.01 Trends in Domestic Savings and Investment

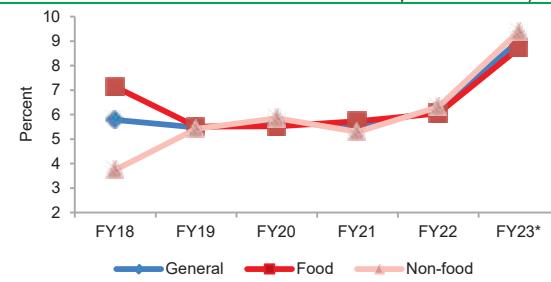


* Provisional.

Source: Bangladesh Bureau of Statistics.

Chart 1.02 Trends in National CPI Inflation

(12 month average : base: FY06=100, base: FY22=100 for April'23 - June'23)



* Base: FY22=100.

Source: Bangladesh Bureau of Statistics and Bangladesh Bank.

percent in June 2023 from 6.05 percent and 6.31 percent respectively in June 2022. The surge in both food inflation and non-food inflation indicates strong inflationary pressure due mainly to disruptions in the supply chains.

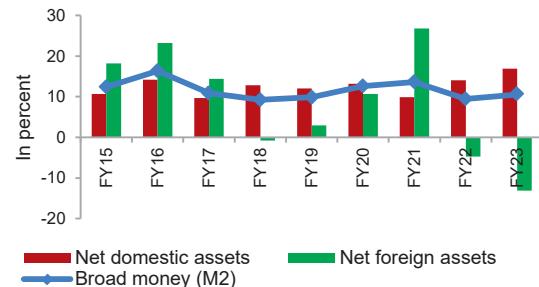
Money and Credit Developments

1.18 Bangladesh Bank's monetary and credit programs for FY23 opted for a cautious policy stance with a tightening bias to control inflationary and exchange rate pressures, while supporting productive and employment-generating activities in the country by ensuring the necessary flow of funds. The monetary and credit programs were designed in line with the targets of a 6.50 percent real GDP growth and a 7.50 percent inflation set in the revised National Budget for FY23. Some policy measures taken

by BB were: increasing the repo rate, selling a significant amount of foreign currencies to scheduled banks, relaxing the lending rate cap for consumer loans along with removing specific floor for the deposit rate, enhancing refinancing/pre-financing facilities to agriculture; cottage, micro, small and medium enterprises (CMS-MEs); import substitutes and export-oriented industries, and providing substantial refinance facilities to implement the government's ongoing stimulus packages. In FY23, BB remained vigilant in the foreign exchange market to maintain BDT-USD exchange rate stability and to make it competitive as compared to its basket of currencies. BB sold USD 13.58 billion in the foreign exchange market to avoid unusually high depreciation of BDT. Additionally, BB took various policy measures to boost remittance inflows. BB adopted import-limiting policies for luxuries and non-essential goods in order to reduce exchange rate pressure. Apart from that, BB raised the repo rate by 50 basis points to 6.00 percent from 5.50 percent and the reverse repo rate by 25 basis points to 4.50 percent from 4.25 percent in FY23. BB abolished the interest rate cap in FY23, enabling more effective transmission of the policy rate and fostering a lending climate based on the market force.

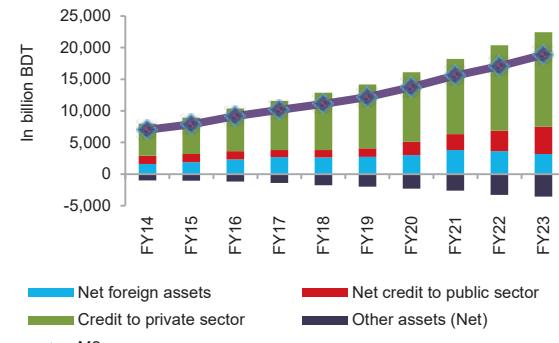
1.19 Broad money (M2) growth increased slightly by 10.48 percent in FY23 from 9.43 percent in FY22, it was lower than the programmed ceiling of 11.5 percent growth. The slower growth of broad money than its programmed path was due mainly to the negative growth in net

Chart 1.03 Trends in Growth of Monetary Aggregates



Source: Statistics Department, Bangladesh Bank.

Chart 1.04 Trends in Sources of Broad Money



Source: Statistics Department, Bangladesh Bank.

foreign assets (NFA) while net domestic assets (NDA) grew by 16.86 percent against the target growth of 17.90 percent in FY23 and 14.02 percent actual growth in FY22 (Chart 1.03). Net foreign assets decreased by 13.06 percent in FY23 against the anticipated negative growth of 11.9 percent.

1.20 Despite a slight decrease in credit flows to the private sector, domestic credit grew by 15.25 percent, lower than the targeted growth of 18.5 percent for FY23, and the actual growth of 16.10 percent in FY22, due mainly to a substantial increase in credit flows to the public sector from the banking system.

1.21 Private sector credit grew by 10.57 percent in FY23, lower than the targeted growth of 14.1 percent for FY23 and the actual growth of 13.66 percent in FY22. However, the lower growth in credit to the private sector might be caused by the decrease of import payments along with substantial depreciation of the Bangladeshi Taka (BDT) against the US dollar (USD). Sources of broad money are shown in Chart 1.04.

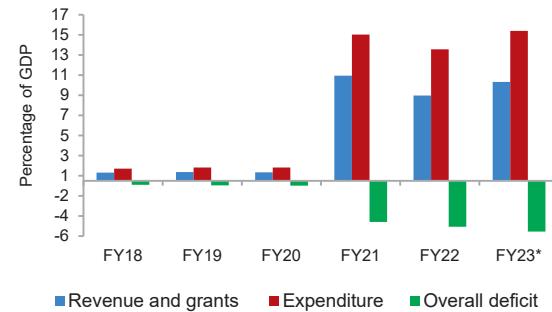
1.22 Reserve Money (RM) grew by 10.49 percent which was targeted to grow 14.0 percent in FY23. RM reduced by 0.26 percent in FY22. The positive growth of net domestic assets (NDA) driven by BB's significant liquidity support to banks was the main reason behind the growth of reserve money during FY23.

1.23 At the end of FY23, the weighted average interest rate on bank advances increased to 7.31 percent in June 2023 from 7.09 percent in FY22. The weighted average interest rate on bank deposits increased to 4.38 percent in June 2023 from 3.97 percent at the end of FY22. As the increase in interest rate on deposits was higher than the increase in interest rate on advances, the interest rate spread dropped to 2.93 percent in June 2023 from 3.12 percent in June 2022.

Public Finance

1.24 The government's budgetary strategy for FY23 aimed to achieve a GDP growth rate of 6.5 percent while maintaining annual inflation at a level of approximately 7.5 percent. By 2041, the budget seeks to create a "Smart Bangladesh" that is knowledge-based, developed, and free of hunger and poverty. On this backdrop, the national budget for FY23 was announced with an overall

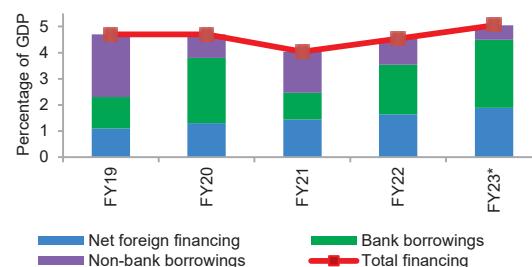
Chart 1.05 Trends in Revenue, Expenditure and Overall Budget Deficit



* Revised Budget.

Source: Ministry of Finance.

Chart 1.06 Trends in Deficit Financing



* Revised Budget.

Source: Ministry of Finance.

deficit (including grants) of 5.05 percent of GDP, which was 4.56 percent of GDP in FY22. The deficit was largely financed from domestic sources, which increased to 3.16 percent of GDP in FY23 from 2.90 percent of GDP in FY22. The government borrowing from banking system increased to 2.60 percent of GDP in FY23 from 1.90 percent of GDP in FY22, while government borrowing from non-bank sources decreased to 0.56 percent of GDP from 1.00 percent over the same period (Chart 1.05 and 1.06).

1.25 The target for revenue collection in FY23 was 29.39 percent higher than the actual revenue receipts in FY22. However, total revenue-GDP ratio increased to 9.75 percent in FY23, higher than 8.43 percent in FY22.

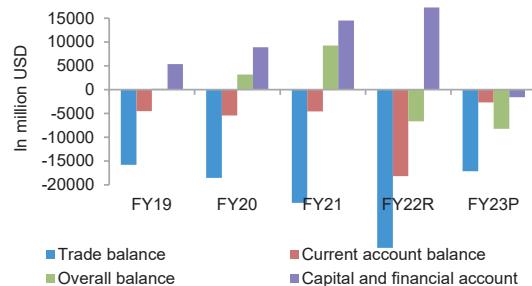
1.26 Public expenditure as percentage of GDP increased to 14.88 percent in FY23 from 13.05 percent in FY22. The volume of public expenditure grew by 27.46 percent in FY23. Recurrent expenditure in FY23 stood at 8.79 percent of GDP which was 7.75 percent in FY22 (Chart 1.05).

External Sector

1.27 In FY23, exports (f.o.b) increased by 6.27 percent while imports (f.o.b) decreased by 15.76 percent. The total exports (f.o.b) in FY23 stood at USD 52332 million which was USD 49245 million in FY22. On the other hand, the total imports (f.o.b) decreased to USD 69495 million in FY23 from USD 82495 million in FY22. As a result, the trade deficit lessened and stood at USD 17163 million in FY23 which was USD 33250 million in FY22. Workers' remittance inflow grew slightly by 2.75 percent and stood at USD 21610.73 million in FY23, which was USD 21031.68 million in FY22. Due to a substantial drop in trade deficit along with a slight increase in the inflow of remittances, current account deficit reduced significantly to USD (-) 2665 million in FY23 from USD (-) 18196 million in FY22. In FY23, the overall balance of payments remained negative and stood at USD (-) 8222 million which was USD (-) 6656 million in FY22. The main factor for a persistently negative overall balance of payments of Bangladesh's economy is a sizable deficit in the financial account (Chart 1.07, Appendix-3: Table-XVI).

1.28 According to Export Promotion Bureau (EPB) data, the growth of export earnings slowed down to 6.67 percent in FY23, from 34.38 percent the previous year. Exports as a percentage of GDP increased slightly to 12.45 percent in FY23 from 11.32 percent in FY22.

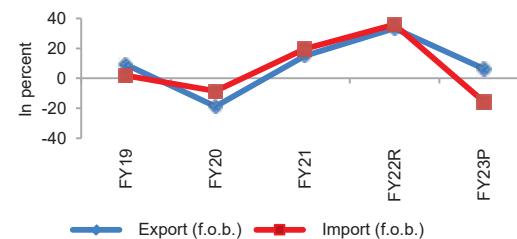
Chart 1.07 Trends in Balance of Payment



^P Provisional, ^R Revised.

Source: Statistics Department, Bangladesh Bank.

Chart 1.08 Trends in Export and Import Growth



^P Provisional, ^R Revised.

Source: Statistics Department, Bangladesh Bank.

1.29 Gross international foreign exchange reserves stood at USD 31202.98 million at the end of June 2023, sufficient for covering 4.9 months of prospective import payments which was USD 41826.73 million at the end of June 2022. A significant deficit in financial account along with a deficit in the current account led to a sharp fall of foreign exchange reserves.

1.30 In FY23, the volatility of the world foreign exchange market was relatively higher than previous year. BB tried to stabilize the foreign exchange market by selling a huge amount of USD. For this purpose, BB sold USD 13578.20 million while purchased only USD 193.00 million during FY23. However, the annual average exchange rate stood at BDT 99.46 per USD in FY23 which was BDT 86.30 per USD in FY22, indicating depreciating pressure on

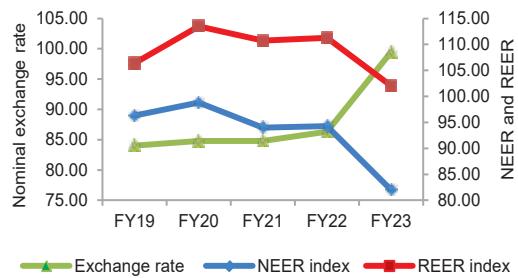
nominal exchange rate. The nominal effective exchange rate (NEER) index as calculated with a trade weighted 15-currency basket (base: FY16=100) decreased by 13.01 percent in FY23. Similarly, the real effective exchange rate (REER) index decreased by 8.34 percent in the period under report (Chart 1.09 and 1.10), indicating depreciating pressure on BDT against the basket of currencies of the Bangladesh's trade partners' countries.

1.31 The outstanding external debt stock of the government increased to USD 62312.72 million at the end of FY23 from USD 55601.72 million at the end of FY22. The government outstanding external debt to GDP ratio increased to 13.73 percent in FY23 from 12.08 percent in FY22.

Near Term Outlook for Bangladesh Economy

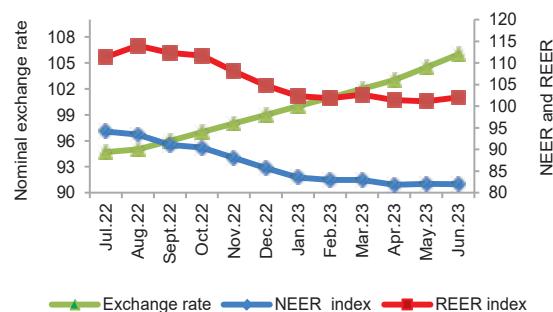
1.32 The growth of Bangladesh's economy in FY23 was lower than the previous year due to several shocks in the domestic and external sectors. Bangladesh's economy is yet to resume its pre-COVID-19 pandemic level of buoyant growth. Rising inflation, declining foreign exchange reserves and volatile exchange rate have negatively affected private investment as well as credit to the private sector. This was reflected in lower demand both from the domestic and international markets, as indicated by negative import growth and a slow growth of exports. The government and Bangladesh Bank took various policy measures for controlling inflation, stabilizing exchange rate and building up foreign exchange reserves during FY23. In the light of governments' ongoing development activities and further development opportunities created with the completion of some of government mega investment projects, the targets for real GDP growth and inflation rate have been set

Chart 1.09 Trends in NEER and REER Indices



Note: For NEER and REER base is FY16=100, based on 15 currency basket.
Source: Monetary Policy Department, Bangladesh Bank.

Chart 1.10 Recent Movements in NEER and REER Indices



Note: For NEER and REER base is FY16=100, based on 15 currency basket.
Source: Monetary Policy Department, Bangladesh Bank.

at 6.5 percent and 7.5 percent respectively for the FY24. However, high inflationary and exchange rate pressures, high non-performing loans (NPLs) and decreasing trend of foreign exchange reserves may pose severe challenges to this growth and inflation outlook.

1.33 The increase in investment in both the private and public sectors is crucial for the growth outlook. The withdrawal of the deposit rate cap is inducing to increase savings growth which may also influence to increase investment. The government has invested a huge amount of money in power and energy, and transportation and communication sectors as part of its Annual Development Program (ADP) especially in the recent years. Currently, the economy is getting

benefit from the completion of some mega projects of the Government. It is expected that domestic economic activities will further gear up with the opening of railway connectivity over the Padma Bridge. Moreover, metro rail and elevated expressway in Dhaka city, Karnaphuli tunnel in Chattogram, Dhaka-Cox's Bazar railway and many other bridges and roads across the country are expected to bring positive impact on Bangladesh economy. Bangladesh experienced a high inflationary pressure in FY23, both from food and non-food items due mainly to fuel price adjustment, global commodity price hikes, exchange rate pass-through effects and market failures. Since global commodity prices are projected to decline in 2024 (according to World Economic Outlook, October 2023), inflationary pressures to the economy is expected to ease in the coming months, though easing of exchange rate pressure is still remained as a big challenge.

1.34 BB has now adopted a contractionary monetary policy stance (MPS) for the second half of FY24 in order to keep the inter-bank call money rate close to the policy rate of 8.00 percent, accompanied by a ± 150 basis point symmetric corridor consisting of a standing lending facility rate at 9.50 percent and a standing deposit facility rate at 6.50 percent. This approach provides the utmost priority to contain inflation to the desired level while ensuring the necessary flow of funds to productive and employment-generating activities to support the growth target. With the introduction of market-driven reference rate, known as "SMART" (the six-month moving average rate of Treasury bill), lending rate cap has already been removed. Now banks can charge on loans at SMART plus a margin up to 3.75 percent. The market-driven reference rate and the policy rate corridor will establish a market mechanism

which can response effectively the demand for and supply of money by adjusting the rates and control demand-pull inflation. BB is providing a sufficient flow of funds for agriculture, CMSMEs and import substituting industries from its pre-finance and refinance schemes, which could affect growth positively. However, for smooth flow of funds to the private sector, banks needs to strengthen the recovery drive of NPLs, otherwise, the increase in NPLs can limit credit to the private sector which may negatively affect the growth.

1.35 Credit to the public sector has increased sharply in recent years due to financing for mega development projects. In the past two years, government's borrowing from the banking system, particularly from BB has increased tremendously, which ultimately contributed to inflation hike. Higher government borrowing from the banking system could increase "SMART" and thus lending rate in the coming months. Resultantly, credit flows to the private sector might be slowed down in FY24.

1.36 Due to import-limiting measures, the trade deficit narrowed in the last fiscal year, but the deficit in the financial account became larger. The continued import-limiting measures would further improve trade balance, but the reduction of imports may affect overall economic activities in the economy negatively. To prevent the deficit in the financial account, all possible ways will have to be explored.

Trends of the Real Sectors of Bangladesh Economy

2.01 Notwithstanding various macroeconomic challenges emanating from the external sources, Bangladesh economy experienced reasonably good real GDP growth in FY23 supported by accommodative policies both from the monetary and fiscal sides and for maintaining a stable and conducive business environment. The estimate of the Bangladesh Bureau of Statistics (BBS) indicates that real GDP (base FY: 16=100) recorded a growth of over 6.0 percent in FY23 which was some-what lower than that of 7.1 percent actual growth in FY22 (Table 2.01). Among the other South Asian countries, the GDP growth rate in Sri Lanka and Pakistan contracted while Maldives achieved the highest growth rate in 2023.

2.02 The size of GDP at current market prices in Bangladesh is estimated at BDT 44392.73 billion for FY23, which was 11.77 percent higher than that of the preceding year. In FY23, per capita real GDP and GNI are estimated at BDT 188420.34 and BDT 196028.66 respectively. The growth of per capita real GDP in FY23 was 6.34 percent which was higher than the previous year. Per capita nominal GDP and GNI were estimated at BDT 259919 (USD 2657) and BDT 270414 (USD 2765) respectively in FY23.

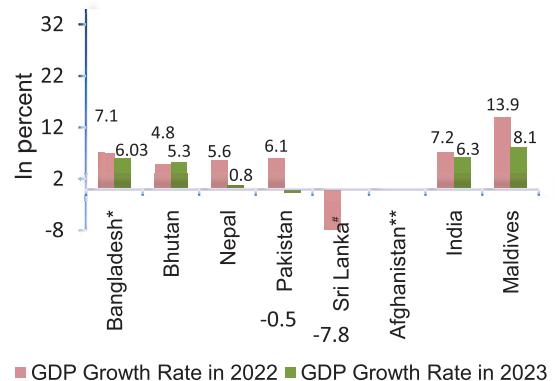
Sectoral Growth Rate of GDP

2.03 The growth matrix depicts that the gradual acceleration of economic growth drive was led by industry sector, followed by services sector and agriculture sector in FY23.

Agriculture Sector

2.04 Following a downward growth trend, the growth of agriculture sector decreased to 2.61 percent in FY23 from 3.05 percent in FY22. The

Chart 2.01 Movements of Growth in South Asian Countries in 2022 and 2023



■ GDP Growth Rate in 2022 ■ GDP Growth Rate in 2023

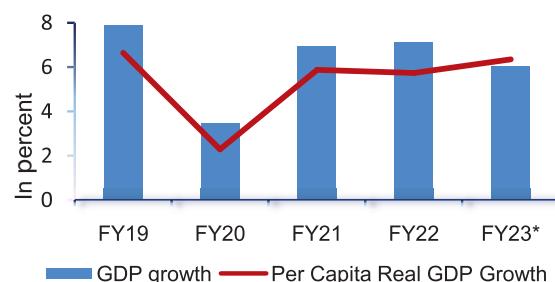
* Bangladesh growth data are on fiscal year basis (July-June) published by the Bangladesh Bureau of Statistics (BBS).

** Data are omitted by IMF because of high degree of uncertainty.

Projection for 2023 is excluded from publication owing to ongoing discussions on sovereign debt restructuring.

Source: World Economic Outlook, October 2023, IMF (Projection for 2023).

Chart 2.02 Trends in Bangladesh Real GDP Growth



* Provisional.

Source: Bangladesh Bureau of Statistics (BBS).

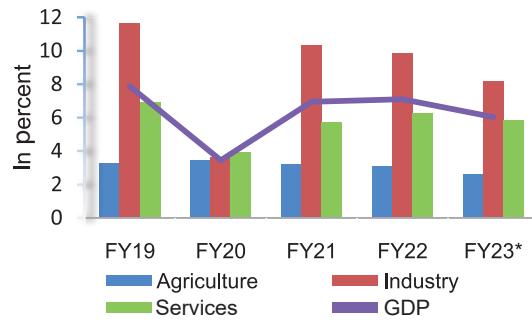
decline of growth in this sector occurred mainly from less production of crops and horticulture; and fishing subsectors. In contrast, the growth of animal farming; and forest and other related subsectors increased notably during the period under review.

2.05 Among various subsectors, the growth of forest and other related subsector was the highest which increased to 5.16 percent in FY23 from 5.08 percent in FY22. On the contrary, fishing subsector experienced more than a double-growth fall achieving only 1.14 percent growth in FY23 which was 2.64 percent in FY22. Growth in crops and horticulture subsector also fell from 2.61 percent in FY22 to 2.26 percent in FY23.

Industry Sector

2.06 Owing to downward trend in foreign exchange reserves, the inflow of imported raw materials and capital goods was interrupted which in turn disrupted the regular growth trend in industrial production. In addition to that, energy price hike has also slightly hampered the manufacturing production and construction. These unexpected phenomena led the industry sector to downcast growth to 8.18 percent in FY23, from 9.86 percent in the previous fiscal year. Among the industry subsectors, the growth in the mining and quarrying subsector boomed from -1.12 percent in FY22 to 5.74 percent in FY23. Similarly, water supply, sewerage, waste management and remediation activities subsectors have also experienced somewhat an elevated growth of 10.02 percent in FY23 as compared to 9.54 percent in FY22. Conversely, electricity, gas, steam and air conditioning supply, and construction subsectors achieved somewhat a slower growth of 4.54 and 6.41 percent respectively in FY23 than that of 6.15 and 8.71 percent respectively in FY22. Of the manufacturing subsectors, the growth of large industry sharply decelerated to 8.46 percent in FY23 from 15.68 percent in FY22. Cottage industry also registered lower growth of 10.69 percent in FY23 from 11.12 percent in FY22. However, the growth of small, medium and micro industry increased to 9.73 percent in FY23 from 4.84

Chart 2.03 Trends in Sectoral Growth



* Provisional.

Source: Bangladesh Bureau of Statistics (BBS).

Table 2.01 Sectoral Growth Rate of GDP

(Base Year: FY16)

	FY21	FY22	FY23 ^(p)
1. Agriculture	3.17	3.05	2.61
a) Crops and horticulture	2.29	2.61	2.26
b) Animal farming	2.94	3.10	3.23
c) Forest and related services	4.98	5.08	5.16
d) Fishing	4.11	2.64	1.14
2. Industry	10.29	9.86	8.18
a) Mining and quarrying	6.49	-1.12	5.74
b) Manufacturing	11.59	11.41	9.23
i) Large industry	10.61	15.68	8.46
ii) Small, medium and micro industry	13.89	4.84	9.73
iii) Cottage industry	10.27	11.12	10.69
c) Electricity, gas, steam and air conditioning supply	9.54	6.15	4.54
d) Water supply, sewerage, waste management and remediation activities	6.65	9.54	10.02
e) Construction	8.08	8.71	6.41
3. Service	5.73	6.26	5.84
a) Wholesale and retail trade, repair of motor vehicles and motorcycles	7.64	8.46	6.65
b) Transport and storage	4.04	5.75	5.99
c) Accommodation and food service activities	4.53	5.37	5.89
d) Information and communication	7.11	4.79	5.42
e) Financial and insurance activities	5.82	5.87	5.76
f) Real estate activities	3.42	3.70	3.87
g) Professional, scientific and technical activities	5.09	4.25	4.37
h) Administrative and support service activities	6.02	6.01	6.13
i) Public administration and defense, compulsory social security	6.05	4.91	6.95
j) Education	5.81	7.87	6.88
k) Human health and social work activities	10.60	9.88	8.36
l) Arts, entertainment and recreation	5.76	6.07	6.36
m) Other service activities	3.08	3.19	3.27
Total GVA at constant basic price	7.00	7.17	6.33
GDP (at constant market price)	6.94	7.10	6.03

p = Provisional.

Source: Bangladesh Bureau of Statistics (BBS).

percent in FY22 because of different stimulus packages mainly through re-finance/pre-finance loans at a concessional interest rate provided by

government and Bangladesh Bank.

Services Sector

2.07 Growth in services sector, comprising more than half of gross value added (GVA), slightly distracted from its recovery phase in FY23 achieving growth of 5.84 percent against 6.26 percent in FY22. Within the services sector, a large growth impulse in FY23 primarily came from human health and social work activities; and public administration and defense, compulsory social security. Among various sub-sectors of services, human health and social work activities; public administration and defense, compulsory social security; education; wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; arts, entertainment and recreation; administrative and support service activities; transport and storage; and accommodation and food service activities registered the growth of 8.36, 6.95, 6.88, 6.65, 6.36, 6.13, 5.99 and 5.89 percent in FY23 which were 9.88, 4.91, 7.87, 8.46, 6.07, 6.01, 5.75 and 5.37 percent respectively in FY22 (Table 2.01).

Sectoral Share of GDP

2.08 The sectoral decomposition of the share of GDP exhibits that as usually the services sector is maintaining as the largest contributor to GDP followed by industry and agriculture sectors.

2.09 The services sectors' share in GDP stood at 51.24 percent in FY23 which was 51.48 percent in the preceding year. Among the subsectors of service, the shares of transport and storage; accommodation and food service activities; information and communication; financial and insurance activities; real estate activities; and other service activities marginally went down from 7.34, 1.08, 1.26, 3.19, 8.12, and 4.67 percent respectively in FY22 to 7.32, 1.07, 1.25, 3.17, 7.93 and 4.54 percent respectively in FY23.

Table 2.02 Sectoral Share of GDP

(Base Year: FY16)

	FY21	FY22	FY23(p)
1. Agriculture	12.07	11.61	11.20
a) Crops and horticulture	5.70	5.46	5.25
b) Animal farming	1.98	1.91	1.85
c) Forest and related services	1.75	1.72	1.70
d) Fishing	2.64	2.53	2.41
2. Industry	36.01	36.92	37.56
a) Mining and quarrying	1.91	1.76	1.75
b) Manufacturing	23.36	24.29	24.95
i) Large industry	11.81	12.75	13.01
ii) Small, medium and micro industry	7.49	7.33	7.57
iii) Cottage industry	4.06	4.21	4.38
c) Electricity, gas, steam and air conditioning supply	1.25	1.23	1.21
d) Water supply, sewerage, waste management and remediation activities	0.10	0.10	0.10
e) Construction	9.40	9.54	9.55
3. Services	51.92	51.48	51.24
a) Wholesale and retail trade, repair of motor vehicles and motorcycles	15.06	15.24	15.29
b) Transport and storage	7.44	7.34	7.32
c) Accommodation and food service activities	1.09	1.08	1.07
d) Information and communication	1.29	1.26	1.25
e) Financial and insurance activities	3.22	3.19	3.17
f) Real estate activities	8.39	8.12	7.93
g) Professional, scientific and technical activities	0.18	0.17	0.17
h) Administrative and support service activities	0.73	0.72	0.72
i) Public administration and defense, compulsory social security	3.52	3.45	3.47
j) Education	2.68	2.69	2.71
k) Human health and social work activities	3.32	3.40	3.46
l) Arts, entertainment and recreation	0.14	0.14	0.14
m) Other service activities	4.85	4.67	4.54
Total GVA at constant basic price	100.00	100.00	100.00

p = Provisional.

Source: Bangladesh Bureau of Statistics (BBS).

On the other hand, the shares of wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; public administration and defense; education; and human health and social work activities slightly increased from 15.24, 3.45, 2.69; and 3.40 percent respectively in FY22 to 15.29, 3.47, 2.71 and 3.46 percent respectively in FY23. However, the share of professional, scientific and technical activities; administrative and support service activities; and arts, entertainment and recreation remained unchanged at 0.17, 0.72 and 0.14 percent respectively during the same period (Table 2.02).

2.10 The contribution of the industry sector to GDP increased from 36.92 percent in FY22 to 37.56 percent in FY23. Among the subsectors of

industry, the shares of manufacturing and construction increased slightly from 24.29 and 9.54 percent in FY22 to 24.95 and 9.55 percent in FY23. On the other hand, the share of mining and quarrying; and electricity, gas, steam and air conditioning supply subsectors marginally dropped from 1.76 and 1.23 percent respectively in FY22 to 1.75 and 1.21 percent respectively in FY23. However, water supply, sewerage and waste management subsector remain the same during the period under consideration (Table 2.02).

2.11 Contribution of agriculture sector to GDP has gradually been declining and shifting towards service and industry sector as per development paradigm especially after 1980s. The share of agriculture decelerated to 11.20 percent in FY23 from 11.61 percent in FY22. The share of all subsectors of agriculture i.e., crops and horticulture; animal farming; forest and related services; and fishing to GDP slowed-down from 5.46, 1.91, 1.72 and 2.53 percent respectively in FY22 to 5.25, 1.85, 1.70 and 2.41 percent respectively in FY23 (Table 2.02).

GDP based on Expenditure

2.12 Looking at the expenditure-based GDP at current market price, gross domestic product (GDP) surpassed gross domestic expenditure (GDE) by BDT 232.04 billion in FY23. This statistical discrepancy arises mainly due to the differences in data compilation technique of BBS. In FY22, the amount of statistical discrepancy was BDT 473.68 billion (Table 2.03).

2.13 Gross domestic expenditure (GDE) reflects the aggregate demand originating from domestic economic activities, measured as the sum of domestic consumption and investment, along with resource balance (exports minus

Table 2.03 GDP on Expenditure Method
(At current market price)
(Billion BDT)

Particulars	FY21	FY22	FY23(p)
Domestic demand(1+2)	37305.91	42427.02	46714.96
Consumption(1)	26355.72	29698.75	32840.47
Private	24278.99	27435.27	30288.54
General government	2076.72	2263.481	2551.932
Investment(2)	10950.19	12728.27	13874.50
Private	8366.82	9736.71	10496.43
Public	2583.37	299.559	3378.061
Resource balance (3)-(4)	-2258.77	-3183.54	-2554.28
Exports(3)	3764.16	5116.455	5967.321
Imports(4)	6022.93	8299.99	8521.60
Gross domestic expenditure	35047.14	39243.48	44160.69
Gross domestic product	35301.85	39717.16	44392.73
Statistical discrepancy	254.71	473.68	232.04

p= Provisional.

Source: Bangladesh Bureau of Statistics (BBS).

imports). Domestic demand was estimated at BDT 46714.96 billion at current market prices in FY23 which was 10.11 percent higher than that of FY22. Resource balance (net exports) was estimated at BDT (-) 2554.28 billion in FY23.

2.14 Total consumption expenditure and trade deficit accounted for 74.37 percent and 5.78 percent of GDE respectively in FY23. In nominal terms, investment and consumption increased by 9.01 and 10.58 percent respectively during the same period.

Savings and Investment

2.15 Gross domestic savings (GDS) at current market prices, stood at 26.02 percent of GDP in FY23 which was 25.22 percent of GDP in the previous fiscal year. Gross national savings (GNS) increased to 30.22 percent of GDP in FY23 from 29.35 percent in FY22.

2.16 Investment as a percent of GDP decreased to 31.25 in FY23 from 32.05 in FY22. Private investment to GDP ratio slightly decreased

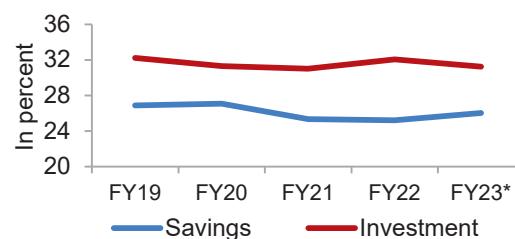
to 23.64 percent in FY23 from 24.52 percent in FY22 due mainly to import reduction and global supply chain disruptions. However, public investment to GDP ratio slightly increased to 7.61 percent in FY23 from 7.53 percent in FY22 (Table 2.04).

2.17 Gross domestic savings (GDS) and gross national savings (GNS) at current market prices increased by 15.31 and 15.07 percent respectively in FY23 compared to FY22. Domestic savings-investment gap as percent of GDP decreased to (-) 5.23 percent in FY23 from (-) 6.83 percent in FY22. Although the ratio of investment to GDP decreased slightly but the ratio of domestic savings to GDP increased during the same period (Chart 2.04).

Sectoral Growth Outlook

2.18 Despite the uncertainty and challenging environment due to the COVID-19 pandemic and the Russia-Ukraine war, Bangladesh's economy achieved reasonably good real GDP growth in FY22 and FY23. Looking ahead, the government has set the target of real GDP growth at 6.5 percent for FY24. The successful implementation of stimulus packages by the government and Bangladesh Bank accompanied by accommodative and investment-friendly monetary and fiscal policy measures inspire the recent growth which is also supported by extended road communication. The road communication of the Padma Bridge opened a new economic gateway between south-western regions and the rest of the country lead to enhance economic activities in the south-western part of the country. The growth further would gear up in the near future as a result of the recent unveiling of rail connectivity on the Padma

Chart 2.04 Trends in Savings and Investment



* Provisional.

Source: Bangladesh Bureau of Statistics (BBS).

Table 2.04 Savings and Investment

(As percentage of GDP)

Particulars	FY21	FY22	FY23(p)
Investment	31.02	32.05	31.25
Private	23.70	24.52	23.64
Public	7.32	7.53	7.61
Domestic savings	25.34	25.22	26.02
National savings	30.79	29.35	30.22

p= Provisional.

Source: Bangladesh Bureau of Statistics (BBS).

Bridge and for opening the Karnaphuli tunnel and newly built rail communication with the beach city Cox's Bazar. Besides, many other bridges and roads connecting all around the country along with opening the metro rail and elevated expressway in Dhaka city would have positive impact on economic growth in the coming days. At the same time, the ongoing price and exchange rate pressures and tight monetary policy may create some downside risks to achieving desired economic growth in shorter to medium term.

2.19 In fact, the post-pandemic recovery of Bangladesh's economic growth could be challenged by several factors, like global commodity price hikes, high inflation, exchange rate volatility and the falling trend in foreign exchange reserves. Moreover, unusual change in climate and prolonged political unrest may also create some impediments to our ongoing growth trajectory.

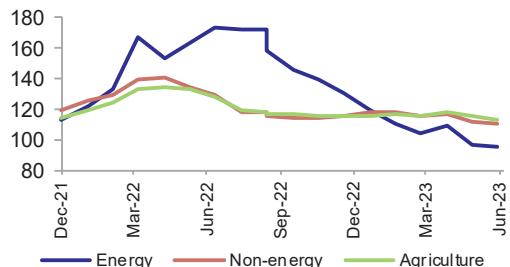
Price and Inflation

Global Inflation

3.01 In the wake of the shocks from the COVID-19 pandemic and Russia's invasion of Ukraine, inflation around the world reached multi decade high in 2022, well above central bank targets, particularly in advanced economies. Global inflation is forecasted to decline steadily, to 6.9 percent in 2023 and 5.8 percent in 2024 from 8.7 percent in 2022. But the forecasts for 2023 and 2024 are revised up by 0.1 percentage point and 0.6 percentage point, respectively, and inflation is not anticipated to return to its target path until 2025 in most cases mentioned in the World Economic Outlook, October 2023. Core inflation has risen less than the headline inflation, although the core inflation rate is also picking up in the recent months. Globally core inflation is set to decline to 6.3 percent in 2023 and 5.3 percent in 2024 from 6.4 percent in 2022 (annual average). There are also large differences in the expected pace of changes in headline inflation across major economies. According to the World Economic Outlook (WEO), October 2023, among major economies like in the United States, headline inflation is forecasted to fall to 3.2 percent in fourth quarter of 2023 from 7.1 percent in fourth quarter of 2022. Similarly, in the Euro area, it is expected to a sharp decline from 9.9 percent in the fourth quarter of 2022 to 3.3 percent in the fourth quarter of 2023. As per the WEO published in October 2023, the presence of backward-looking approach in the economy shows a greater inflation persistence. It could take up to four years to bring inflation back to the expected level if central banks equally consider the welfare losses from deviations in both inflation and output gaps. However, if central banks

Chart 3.01 International Commodity Price Indices

(Base: 2010=100)



Source: Commodity Market Outlook, The World Bank, June 2023.

ignore the output gap effects and tighten policies more aggressively, they could achieve the target in two years, albeit at the cost of lower output.

3.02 The surge in prices after Russia's invasion of Ukraine has largely been unwound on a combination of slowing economic activity, favorable winter weather, and a global reallocation of commodity trade flows. Commodity prices are forecasted to remain broadly unchanged for this year. Factors that could potentially drive prices higher include possible disruptions in the supply of energy and metals (partially stemming from trade restrictions), intensifying geopolitical tensions, a more stronger-than-expected recovery in China's industrial sector, and adverse weather events. The energy price index sharply dropped to 95.17 in June 2023, indicating a significant decline of 45.14 percent compared to June 2022. On the other hand, the non-energy and agriculture indices experienced comparatively a smaller decrease and stood at 110.02 and 112.75, respectively (Chart 3.01). Notably, the price of crude oil decreased to USD 73.26 per barrel in June 2023 from the USD 116.80 per barrel recorded in June 2022 (Source: Commodity Price Data, June 2023, The World Bank).

Inflation in SAARC and Other Asian Countries

3.03 Among the SAARC countries, Pakistan is anticipated to experience the highest inflation rate of 29.2 percent in 2023 followed by Bangladesh (9.0 percent), Nepal (7.8 percent), India (5.5 percent) and Bhutan (5.2 percent). Maldives may be able to maintain the lowest inflation rate of 3.5 percent in 2023 in this region. Among the other Asian countries, Myanmar is projected to have the highest inflation rate of 14.2 percent, while Thailand may experience the lowest 1.5 percent inflation in 2023 (Table 3.01, Chart 3.02).

Consumer Prices in Bangladesh

3.04 The CPI based 12 month average headline inflation continued rising and reached to 9.02 percent in FY23, higher than the revised target of 7.50 percent. The inflation momentum was attributed to both higher food and non-food items, mostly originated from higher import costs and the lag effects of global commodity prices and upward adjustment to the domestic electricity and fuel prices. These adverse circumstances have resulted in a swift devaluation of the exchange rate, thereby contributing to a prolonged period of elevated inflation.

3.05 In FY23, the consumer price index (CPI) based annual average headline inflation followed an upward trajectory, surging to 9.02 percent in June 2023 from 6.15 percent in June 2022. This annual average inflation rate exceeded the revised annual target of 7.50 percent by 1.52 percentage points. (Table 3.02, Chart 3.03, and Appendix-3: Table VII). Similarly, the headline point-to-point inflation rate reached to 9.74 percent in June 2023 which was 7.56 percent in June 2022 (Chart 3.04). The trend of annual average national level CPI and inflation exceeded

Table 3. 01 Inflation in SAARC and Other Asian Countries

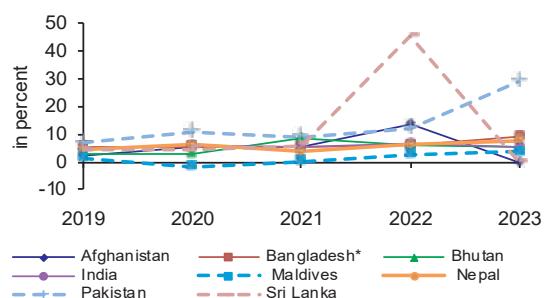
Countries	2019	2020	2021	2022	2023 ^P
SAARC Countries					
1. Afghanistan	2.3	5.6	5.1	13.7	n/a
2. Bangladesh	5.5	5.6	5.6	6.2	9.0
3. Bhutan	2.8	3.0	8.2	5.9	5.2
4. India	4.8	6.2	5.5	6.7	5.5
5. Maldives	1.3	-1.6	0.2	2.6	3.5
6. Nepal	4.6	6.2	3.6	6.3	7.8
7. Pakistan	6.7	10.7	8.9	12.1	29.2
8. Sri Lanka	4.3	4.6	6.0	45.2	n/a
Other Asian Countries					
9. Indonesia	2.8	2.0	1.6	4.2	3.6
10. Korea	0.4	0.5	2.5	5.1	3.4
11. Malaysia	0.7	-1.1	2.5	3.4	2.9
12. Myanmar	8.6	5.7	3.6	16.2	14.2
13. Singapore	0.6	-0.2	2.3	6.1	5.5
14. Thailand	0.7	-0.8	1.2	6.1	1.5

n/a Not available, ^PProjection.

Sources:1. Consumer Price Index, Bangladesh Bureau of Statistics for Bangladesh data which are related to financial year (July-June).

2. World Economic Outlook, October 2023 for other data on calendar year basis.

Chart 3.02 Inflation Situation in SAARC Countries



Sources: 1. * Bangladesh Bureau of statistics, figures relate to financial year (July-June).

2. World Economic Outlook, October 2023

Table 3.02 Monthly Trends of Inflation in FY23
(12-month average:FY06=100)

Months	General	Food	Nonfood
Jul-22	6.33	6.31	6.35
Aug-22	6.66	6.71	6.58
Sep-22	6.96	7.04	6.84
Oct-22	7.23	7.32	7.10
Nov-22	7.48	7.55	7.37
Dec-22	7.70	7.75	7.62
Jan-23	7.92	7.92	7.92
Feb-23	8.14	8.08	8.23
Mar-23	8.39	8.31	8.53
Apr*-23	8.64	8.52	8.81
May*-23	8.84	8.60	9.12
Jun*-23	9.02	8.71	9.39

* Base: FY22=100.

Source: Bangladesh Bureau of Statistics.

the revised annual target of 7.50 percent by 1.52 percentage points. (Table 3.02, Chart 3.03, and Appendix-3: Table VII). Similarly, the headline point-to-point inflation rate reached to 9.74

percent in June 2023 which was 7.56 percent in June 2022 (Chart 3.04). The trend of annual average national level CPI and inflation rate by consumption basket sub-groups are shown in Table 3.03. CPI-based inflation in Bangladesh has been rising, especially after the sequentially upward adjustment of fuel and energy prices during the first quarter of FY23. Throughout FY23, average inflation continued to rise, reached 9.02 percent in June 2023.

Food and Non-food Inflation

3.06 Annual average food inflation showed a continual upward trend throughout FY23. Average food inflation stood at 8.71 percent in June 2023 which was 6.05 percent in June 2022. Similarly, average non-food inflation experienced an increasing trend throughout FY23 and rose to 9.39 percent in June 2023 from 6.31 percent in June 2022 (Table 3.03).

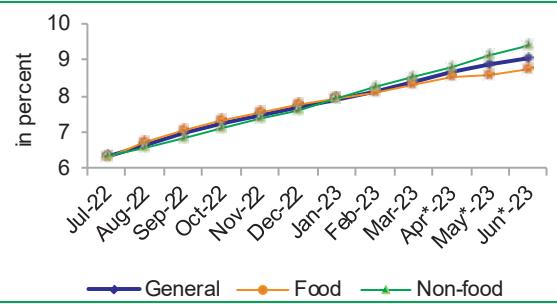
3.07 The point-to-point food inflation remained persistently high above 8.0 percent and increased to 9.73 percent in June 2023 which was 8.37 percent in June 2022. The lag effects of several upward adjustments of domestic electricity and fuel prices and global commodity price surges continued to reflect in the point-to-point food inflation dynamics in FY23. The point-to-point non-food inflation decreased marginally from 9.73 percent in March 2023 to 9.60 percent in June 2023. However, non-food inflation has remained above 9.0 percent since September 2022 (Chart 3.04 and Appendix-3: Table VII). Supply side constraints and substantial rise in import costs continued to weigh on the non-food inflation.

Core Inflation

3.08 The 12 month average core inflation (non-food, non-fuel) increased by 1.59 percentage points to 8.53 percent in June 2023 from 6.94 percent in June 2022. In the same manner, point-to-point core inflation increased by 1.55 percentage points to 7.77 percent in June 2023 from 6.22 percent in June 2022 (Chart 3.05).

Chart 3.03 Monthly Trends of Inflation in FY23

(12-month average:base FY06=100)

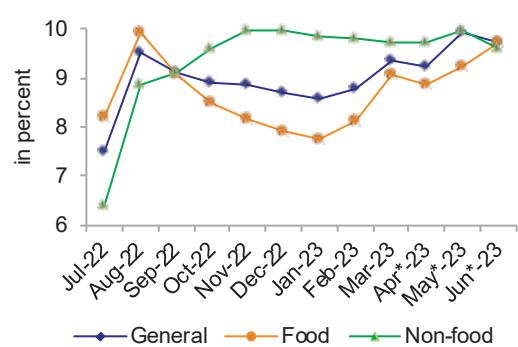


* Base: FY22=100.

Source: Bangladesh Bureau of Statistics.

Chart 3.04 Monthly Trends of Inflation in FY23

(Point-to-point: FY06=100)



* Base: FY22=100.

Source: Bangladesh Bureau of Statistics.

Table 3.03 Annual Average CPI Based Inflation

(Base: FY06=100)

Group	Weight	FY20	FY21	FY22	FY23*
a. National level					
General Index	100.00	273.26 (5.65)	288.44 (5.56)	306.18 (6.15)	109.02 (9.02)
Food	56.18	296.86 (5.52)	313.86 (5.73)	332.86 (6.05)	108.71 (8.71)
Non-food	43.82	243.00 (5.85)	255.85 (5.29)	271.98 (6.31)	109.39 (9.39)
b. Rural					
General Index	100.00	271.2 (5.63)	286.37 (5.59)	304.76 (6.42)	109.08 (9.08)
Food	61.41	289.08 (5.68)	306.4 (5.99)	326.34 (6.51)	108.80 (8.80)
Non-food	38.59	242.74 (5.53)	254.51 (4.85)	270.42 (6.25)	109.54 (9.54)
c. Urban					
General Index	100.00	277.06 (5.68)	292.27 (5.49)	308.81 (5.66)	108.87 (8.87)
Food	46.52	315.83 (5.17)	332.08 (5.15)	348.75 (5.02)	108.53 (8.53)
Non-food	53.48	243.34 (6.26)	257.64 (5.88)	274.07 (6.38)	109.13 (9.13)

Note: Figures in parentheses represent annual inflation.

* Base: FY22=100.

Source: Bangladesh Bureau of Statistics.

Table 3.04 Annual Average National Level CPI by Consumption Basket Sub-groups

Group/sub-group	Weight*	FY21	FY22	FY23*	(Base: FY06=100)	
					% Change FY22	% Change FY23
General index	100	288.44	306.18	109.02	6.15	9.02
1. Food and nonalcoholic beverages	44.86	313.86	332.86	108.71	6.05	8.71
2. Non-food of which	55.14	255.85	271.98	109.39	6.31	9.39
i) Alcoholic beverages, tobacco and narcotics	2.64	-	-	-	-	-
ii) Clothing & footwear	6.11	298.14	320.14	108.71	7.38	6.71
iii) Housing, water, electricity, gas, and other fuels	15.24	228.29	232.43	109.39	1.81	8.25
iv) Furnishings, household equipment, and routine maintenance of the house	3.84	298.15	320.30	108.71	7.43	9.69
v) Health	4.34	247.86	253.62	106.71	2.32	14.09
vi) Transport	9.37	271.45	313.00	108.25	15.31	9.67
vii) Communications	2.34	-	-	-	-	-
viii) Recreation and culture	1.54	193.61	202.60	114.09	4.64	8.58
ix) Education	3.76	-	-	-	-	-
x) Restaurants and hotels	2.17	-	-	-	-	-
xi) Miscellaneous goods and services	3.79	288.53	312.28	112.05	8.23	12.05

* Base: FY22=100.

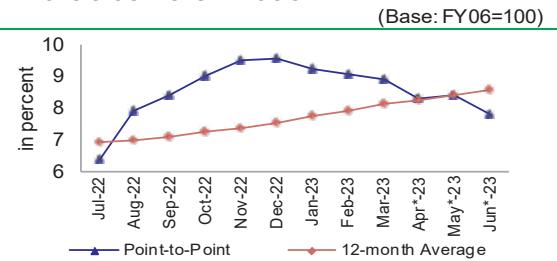
- = New sub-group added in new CPI basket of base: FY22=100 from April 2023.

Source: Bangladesh Bureau of Statistics.

Rural and Urban Inflation

3.09 The average rural inflation rate stood at 9.08 percent in FY23 which was 0.21 percentage point higher than the average urban inflation rate of 8.87 percent. The average rural food inflation increased to 8.80 percent in June 2023 from 6.51 percent in June 2022. On the other hand, the average rural non-food inflation also increased to 9.54 percent in June 2023 from 6.25 percent in June 2022 (Table 3.03 and Chart 3.06).

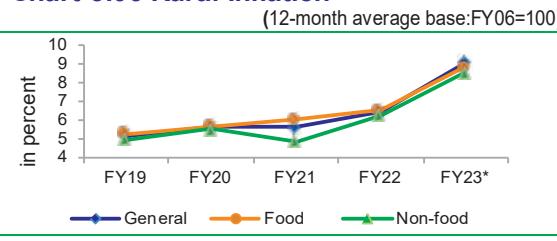
3.10 The average urban food inflation increased to 8.53 percent in June 2023 from 5.02 percent in June 2022. The average urban non-food inflation rose to 9.13 percent in June 2023 from 6.38 percent in June 2022 (Table 3.03 and Chart 3.07).

Chart 3.05 Core Inflation

* Base: FY22=100.

Source: 1. Bangladesh Bureau of Statistics.

2. Research Department, Bangladesh Bank.

Chart 3.06 Rural Inflation

* Base: FY22=100.

Source: Bangladesh Bureau of Statistics.

Food Grain Production

3.11 Total food grain production increased to 41.3 million metric tons in FY23 from 39.2 million metric tons in FY22. Total government procurement of food grain decreased by 0.1 million metric tons to 1.9 million metric tons in FY23 from 2.0 million metric tons in FY22. Total government and private food grain import also decreased by 0.1 million metric tons to 4.9 million metric tons in FY23 from 5.0 million metric tons in FY22. The government distributed 3.0 million metric tons of food grain under its Public Food Distribution System (PFDS) in FY23, which was also 0.1 million metric tons lower than that of FY22. However, closing stock of government food grain at the end of the FY23 increased to 1.8 million metric tons, from 1.6 million metric tons at the end of FY22 due mainly to increase of production (Table 3.05).

Wage Rate Trends

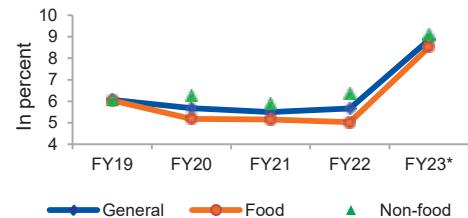
3.12 The growth of the general wage rate index stood at 7.04 in FY23 which was 6.06 in FY22. The growth of wage rate indices of three sub-sectors namely agriculture, industry, and service sectors increased to 7.01, 6.97 and 7.31 percent respectively in FY23 from 6.10, 5.85 and 6.32 percent respectively in FY22 (Table 3.06, Chart 3.08). Within the industry sub-sector, the growth of wage rate index of production (9.28 percent) was higher than that of construction (5.57 percent).

Near Term Inflation Outlook

3.13 The latest projections of World Economic Outlook, October 2023, confirmed that the global economy is slowing as inflation started to decline from the last year's multi decade peak. Global headline inflation is expected to steadily decline to 6.9 percent in 2023 and 5.8 percent in 2024

Chart 3.07 Urban Inflation

(12-month average base:FY06=100)



* Base: FY22=100.

Source: Bangladesh Bureau of Statistics.

Table 3.05 Food Situation

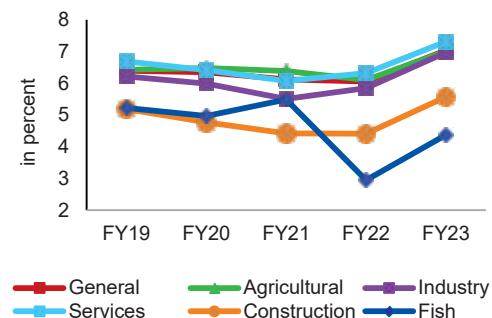
(million metric tons)

Particulars	FY20	FY21	FY22	FY23
Production Target	40.0	39.6	41.6	42.7
Actual Production	37.6	38.7	39.2	41.3
Total Imports (Government and Private)	6.4	6.7	5.0	4.9
Procurement	1.9	1.6	2.0	1.9
Public Food Distribution	2.8	2.3	3.1	3.0
Closing Stock	1.1	1.4	1.6	1.8

Source: Food Planning and Monitoring Unit (FPMU), Ministry of Food.

Chart 3.08 Growth rate of Wage Index

(Base:FY11=100)



Source: Bangladesh Bureau of Statistics.

from its peak of 8.7 percent in 2022 (annual average) (Table 3.07). However, the forecast for 2024 is revised upward by 0.6 percentage points, reflecting higher-than-expected core inflation. CPI based inflation rates for advanced economies, and emerging market and developing economies are projected to 3.0 percent and 7.8 percent respectively for 2024. Inflation in advanced economies are expected to (annual

average) fall by 2.7 percentage points in 2023, about double the projected decline (1.3 percentage points) for emerging market and developing economies. Part of this difference reflects advanced economies' benefiting from stronger monetary policy frameworks and communications, which facilitate disinflation, but the difference reflects lower exposure to shocks to commodity prices and exchange rates. In low-income developing countries, inflation is on average projected to be in double digits and is not anticipated to fall until 2024. Looking ahead, softened food, non-food and energy prices in the international market would improve inflation scenario in peer and advanced economies are expected to have favorable impact on inflation outcome in coming months by balancing demand and supply.

3.14 Food and Agriculture Organization (FAO), in its biannual flagship publication Food Outlook, June 2023, stated that production should be higher as well as need to increased closing stocks for various essential food items. However, global food production systems remained vulnerable to shocks stemming from extreme weather events, geopolitical tensions, policy changes, and developments in other markets. Due to the positive incentives stemming from generally increased producer prices, decreasing fertilizer costs, and the continuation of government assistance measures, it is forecasted by the FAO that global rice production will recover by 1.3 percent in FY24 period, reaching 523.5 million tons. The total wheat production for 2023 is estimated at 777 million tons, representing a 3.0 percent decline from the all time high reached in 2022. International wheat export prices have generally faced downward pressure since mid-2022, as supply pros-

Table 3.06 Trends of Wage Rate Indices

	FY20	FY21	FY22	FY23
General	170.39 (6.35)	180.83 (6.12)	191.80 (6.06)	205.3 (7.04)
Agriculture	170.28 (6.48)	181.16 (6.39)	192.21 (6.10)	205.69 (7.01)
Agriculture	170.32 (6.51)	181.23 (6.41)	192.39 (6.16)	205.98 (7.06)
Fish	168.58 (4.97)	177.84 (5.49)	183.06 (2.95)	191.07 (4.37)
Industry	168.24 (5.99)	177.52 (5.51)	187.83 (5.85)	201.01 (6.97)
Construction	160.17 (4.77)	167.24 (4.42)	174.62 (4.41)	184.35 (5.57)
Production	184.65 (8.21)	198.37 (7.43)	214.87 (8.30)	234.79 (9.28)
Services	175.33 (6.41)	185.99 (6.07)	199.42 (6.32)	212.23 (7.31)

Note: Figures in parentheses are annual percentage changes.

Source: Bangladesh Bureau of Statistics (BBS).

Table 3.07 Global Inflation Situation

	2021	2022	2023 ^p	2024 ^p
World	4.7	8.7	6.9	5.8
Advanced Economies	3.1	7.3	4.6	3.0
Euro Area	2.6	8.4	5.6	3.3
Emerging Market and Developing Economies	5.9	9.8	8.5	7.8
Emerging and Developing Asia	2.2	3.8	2.6	2.7
Bangladesh	5.6	6.2	9.0	7.9
China	0.9	1.9	0.7	1.7
India	5.5	6.7	5.5	4.6
Pakistan	8.9	12.1	29.2	23.6
Sri Lanka	6.0	45.2	n/a	n/a
United States	4.7	8.0	4.1	2.8

n/a Not available, ^pProjection.

Source: World Economic Outlook, October 2023.

pects improved, uncertainty regarding Ukraine's exports eased with the implementation of the Black Sea Grain Initiative, and importers' diversification of sources. Heading into 2023/24 with ample anticipated global supplies, world wheat prices are anticipated to follow a downward trend with prices in May 2023 has already come down to 35.0 percent from May 2022, though it still 4.0 percent above their five-year average value.

3.15 The global economy has undergone significant challenges including prolong impact of the COVID-19 pandemic followed by the Russia

-Ukraine conflict that started in February 2022. In parallel with the global economy, Bangladesh economy has also faced multiple challenges, including high inflation and exchange rate pressures, as well as substantial erosion of foreign exchange reserves. To address these challenges, both the government and Bangladesh Bank have undertaken several policy initiatives focused on controlling inflation, improving the current account balance, managing exchange rate instability and stabilizing the financial sector, and strengthening the capital market.

3.16 With a view to moving towards a market based interest system, the floor interest rate on banks' deposit and interest rate cap on banks' lending have been withdrawn in FY23. Meanwhile, Bangladesh Bank has adopted a contractionary monetary policy stance for the current fiscal year and monetary and credit policies and programme have been formulated and being implemented accordingly. BB has already transitioned from a monetary aggregate based targeting to an interest rate targeting monetary policy framework especially for strengthening of policy transmission mechanism. In conformity with contractionary policy, BB's policy interest rate; i.e, Repo rate has gradually been increased to 8.00 percent in January 2024. Similarly during the same time, interest rate on standing lending facility (SLF) for banks has also gradually been raised to 9.50 percent and interest rate on standing deposit facility for banks has gradually been increased to 6.50 percent. Moreover, BB has currently being fully discontinued its devolvement efforts for halting issuance of seed money into the market. From the fiscal side, the government has undertaken various measures for enhancing its revenue income alongside containing annual development expen-

ditures on non-essential and unproductive projects without hampering any productive pursuit. At the same time, tax exemptions have been given on importing essential commodities for increasing overall supply. Government has also substantially increased its open market sales (OMS) activities of some selected essential commodities at a concessional price. Following these comprehensive and coordinated efforts of the government and Bangladesh Bank, the rising trend of prices of the essential commodities have already been subsided which has also been reflected in inflation outcomes of November 2023, especially on point-to-point inflation. Moreover, both the 12-month average and point-to-point basis core (non-food, non-fuel) inflation fell to 7.95 and 6.35 percent respectively in November 2023 from 8.53 and 7.77 percent in June 2023 which are signaling an easing price situation in the coming months. BB's model based exercises also find some moderation of inflation in the upcoming months both in terms of 12-month average and point-to-point basis, though 12-month average inflation will take longer time to fully moderate to an expected level.

Money and Credit

Performance of Monetary and Credit Policy in FY23

4.01 The monetary policy for FY23 was formulated with a cautious and accommodative stance to contain the inflation pressure mainly owing to pandemic associated expansionary fiscal and monetary policies amid Russia-Ukraine war induced supply-side disruptions while supporting the productive and employment-generating activities in the country by ensuring the necessary flow of funds. The monetary and credit programs were designed in line with the targeted real GDP growth of 6.50 percent and CPI inflation of 7.50 percent as outlined in the national budget for FY23.

4.02 The FY23 monetary policy intends to discourage unproductive financial flows to overcome the demand side pressures without circumventing the required flow of funds to the productive sectors to ease supply side pressure and to support the country's long term growth aspirations. Besides, Bangladesh had faced inflationary and exchange rate depreciating pressure because of spillover effect of the unexpectedly high global inflation rate. The domestic headline inflation (twelve month average) went up to 9.02 percent in FY23, surpassing the target ceiling of 7.50 percent set for FY23. Supply chain disruptions and subsequent commodity price hikes also played a vital role to raise inflation. The estimated real GDP growth was 6.03 percent for FY23 which was lower than the targeted real GDP growth.

4.03 The overall BOP in FY23 witnessed a larger deficit of USD 8.22 billion due to deficit in both current account balance and financial account. The current account balance recorded

Table 4.01 Monetary and Credit Programme Vs. Actual Developments

Particulars	End June 2022	(In billion BDT)	
	Actual	Programme	Actual ^P
1. Net foreign assets	3672.3 (-11.9)	3235.2 (-11.9)	2862.8 (-22.0)
2. Net domestic assets (a+b)	13403.0 (17.2)	15803.7 (17.9)	16002.2 (19.4)
a) Domestic Credit (i+ii)	16608.4 (16.2)	19679.7 (18.5)	19145.4 (15.3)
i) Credit to the public sector ^{1/}	3096.0 (29.1)	4262.1 (37.7)	4202.9 (35.8)
ii) Credit to private sector	13512.4 (13.7)	15417.6 (14.1)	14942.6 (10.6)
b) Other items (net)	-3205.4	-3876.0	-3143.2
3. Narrow money (i+ii)	4259.0 (13.3)	- (15.5)	4918.9
i) Currency outside banks	2364.5 (12.9)	- (23.5)	2919.1
ii) Demand deposits 2/	1894.6 (13.9)	- (5.6)	1999.7
4. Time Deposits	12822.2 (8.2)	- (8.8)	13952.8
5. Broad money (1+2) or (3+4)	17075.3 (9.4)	19038.9 (11.5)	18865.0 (10.5)

Note: Figures in the parentheses indicate growth (y-o-y) in percent.

^{1/}This includes net credit to government and government lending fund has been treated as deposit in calculating claims on government (net).

^{2/}Demand deposits of the monetary authority are excluded.

^P Provisional.

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

a deficit of USD 3.33 billion in FY23 which was USD 18.64 billion in FY22. The current account balance improved and the deficit significantly slashed down because of various policy measures taken by Bangladesh Bank (BB) and the government. Besides, the export growth in FY23 was also significantly higher due to policy supports to exporters and for inflows of remittances which turned to a positive growth in FY23 due to higher outflow of migrant workers and increased cash incentives from the government. However, BDT faced a huge depreciation pressure against the USD due mainly to an unusually high deficit in financial account of BOP.

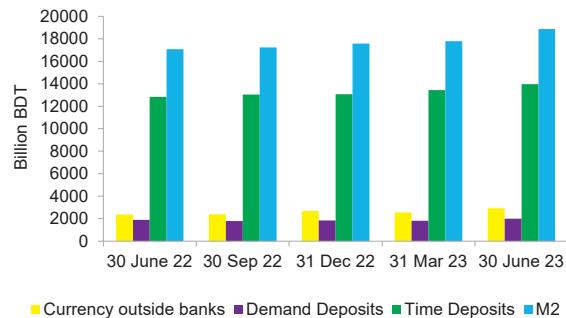
4.04 In response to the evolving exchange rate pressure, BB has taken a series of additional

policy measures during FY23, which include allowing Bangladesh Taka (BDT) to depreciate to an extent of around 11.28 percent, selling a significant amount of foreign currencies (around USD 7.8 billion) to banks, discouraging imports of luxury and non-essential commodities by enhancing the requirements of LC margins, restricting all sorts of foreign tours by officials in BB, NBFIs and banks; instructing the banks to reduce their operational expenses; easing the remittance repatriation and cash incentive distribution process, allowing the mobile financial services in remittance collection and distribution process; waiving the money transfer fees by local banks for expatriate remitters, strengthening the BB's monitoring on foreign exchange dealings by banks and money changers; reducing the export retention quota (ERQ) and banks' net open position (NOP); enhancing the interest rate on non-resident foreign currency deposits; and enhancing the interest rate on loans from export development fund. In FY23, the continuation of recovery process of Bangladesh's economy faced enormous pressure due to the ongoing Russia-Ukraine war. The war heightened the potential losses of export demand along with international commodity price hikes which led to higher import costs and trade deficit. At the same time, monetary policy tightening by the major central banks of the advanced economies of the world including the US Fed led to enhance cost of external sector borrowing especially for the private sector which causes pressure on exchange rates and inflation. The prices of food items like edible oil, vegetables, eggs and meat were mainly responsible for the rising headline inflation in Bangladesh in FY23.

Money and Credit Situation

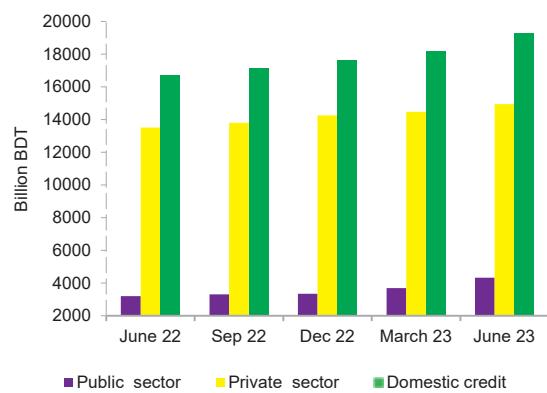
4.05 To foster the growth-supportive monetary policy stance and achieve the inflation target, the

Chart 4.01 Movements in the Components of Broad Money (M2)



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Chart 4.02 Movements in Domestic Credit and its Components



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

growth of major anchor variables of the monetary and credit policy and program, including broad money (M2) and domestic credit were programmed to be within 11.5 percent and 18.5 percent respectively in FY23. During FY23, broad money experienced a growth of 10.5 percent. However, it is worth noting that this growth remained below the programmed path due to the notable decrease in net foreign assets in the banking system. The movement of domestic credit also remained below the programmed path

in FY23 due to lower growth than the programmed growth in both credit to public and private sector. The public sector credit rose to 35.8 percent from previous year's growth of 29.1 percent. The actual growth of private sector credit edged down to 10.6 percent from the target and previous year's growth of 14.1 percent and 13.7 percent respectively. The monetary and credit programme and their actual outcome/development of the major components of broad money are presented in Table 4.01 and Chart 4.01 respectively.

Reserve Money Developments

4.06 Up to June 2023, BB adopted reserve money (RM) as an operating target to modulate liquidity consistent with the overall monetary projection and keeping broad money (M2) in line with the program path for maintaining price stability. Monetary policy's instruments, along with the government's treasury bills and bonds are used to track RM for maintaining M2 growth within the projected level.

4.07 In line with the projected broad money growth, the monetary program was set 14.0 percent growth of RM for FY23, while actual growth stood at 10.5 percent. Net foreign assets (NFA) of BB declined by BDT 990.9 billion at the end of FY23 from the end of FY22 and stood at BDT 2437.8 billion in June 2023 against the programmed level of BDT 2954.2 billion. Actual growth of reserve money lay below the programmed path, mainly due to the significant depletion of BB's net foreign assets (NFA) triggered by the net sale of foreign currency to the banks, induced by a huge deficit in financial accounts of the BOP. On the other hand, net domestic assets (NDA) of BB increased to BDT 1391.3 billion in June 2023 from BDT 37.0 billion in June 2022. NDA increased significantly in FY23 due to increase in domestic credit. Domestic credit of BB ameliorated to 166.9 percent and

Table 4.02 Actual and Programmed Growth of Reserve Money and its Components

Particulars	End June 2022		End June 2023
	Actual	Programme	Actual ^P
Net foreign assets ^{1/®}	3428.7	2954.2	2437.8
Net domestic assets ^{1/}	37.0	996.6	1391.3
Domestic credit	703.8	1656.7	1878.7
	(46.8)	(135.4)	(166.9)
Credit to the public sector ^{2/}	546.2	1439.1	1495.7
	(87.8)	(163.5)	(173.8)
Credit to deposit money banks ^{3/}	157.6	217.6	383.1
	(-16.5)	(38.1)	(143.1)
Other items (net)	-666.8	-660.0	-487.4
Reserve money	3465.7	3950.8	3829.2
	(-0.3)	(14.0)	(10.5)
Currency issued	2561.8	3244.1	3119.5
	(12.9)	(26.6)	(21.8)
Deposits of banks with BB ^{4/}	903.8	706.8	709.7
	(-25.1)	(-21.8)	(-21.5)
Money multiplier	4.93	4.82	4.93

Note: Figures in the parentheses indicate growth (y-o-y) in percent.

® Excluding foreign currency clearing account balance and offshore bank account.

^{1/} Calculated using constant exchange rates of end June 2022.

^{2/} Govt. lending fund is treated as deposit in calculating net credit to Govt.

^{3/} Considers only loans and advances to DMBs.

^{4/} Excluding foreign currency clearing account balance and non-bank deposits.

^P Provisional.

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

reached at BDT 1878.7 billion in June 2023. Domestic credit growth was significantly ameliorated by robust increase in BB's credit to public sector and credit to deposit money banks. BB's credit to public sector went up by 173.8 percent and surged to BDT 1495.7 billion in June 2023. Besides, credit to deposit money banks (DMB's) also increased by 143.1 percent and amounted to BDT 383.1 billion in June 2023. The other items (net) settled at BDT (-)487.4 billion in June 2023 against the programmed level of BDT (-) 660.0 billion. The liability in other items (net) significantly reduced as compared to the programme level due mainly to increasing other assets relative to other liabilities. The components of actual and programmed RM growths for FY23 are presented in Table 4.02 and Chart 4.03. reached at BDT 1878.7 billion in June 2023.

Money Multiplier

4.08 Money multiplier remained at 4.93 in

FY23 staying the same level as like in FY22. Money multiplier is usually affected by the behavior of banks, individuals, and central bank reflected in the change in the reserve-deposit ratio and currency-deposit ratio.

Income Velocity of Money

4.09 After experiencing a decline in the previous two fiscal years (FY20 and FY21), the income velocity of money consecutively increased in the last two fiscal years and stood at 2.35 in FY23 which was 2.33 in FY22, reflecting slower growth in broad money (M2) compared to the growth of nominal GDP. The magnitudes of income velocity of money and their changes during FY18-FY23 are shown in Table 4.03. Movements of the growth of GDP at current market prices, broad money (M2) growth, annual average inflation and income velocity of money during FY18-FY23 are provided in Chart 4.04.

Bank Credit

4.10 Outstanding bank credit (excluding foreign bills and inter-bank items) in FY23 rose by BDT 1529.55 billion or 11.25 percent to BDT 15120.70 billion against the increase of BDT 1685.99 billion or 14.16 percent to BDT 13591.15 billion in FY22. The bank credit rose because of economic recovery, trade financing stemming from higher import prices and lower lending rate. Advances edged up by BDT 1478.67 billion or 11.16 percent to BDT 14728.09 billion in FY23 against the rise of BDT 1584.51 billion or 13.58 percent to BDT 13249.42 billion in FY22. Bills purchased and discounted went up by BDT 50.88 billion or 14.89 percent to BDT 392.61 billion in FY23 against the increase of BDT 101.48 billion or 42.24 percent to BDT 341.73 billion in FY22. The quarterly position of bank credit and its components are shown at Table 4.04.

Table 4.03 Income Velocity of Money

Year	GDP at current market prices	Broad money (M ₂) (end period)	(In billion BDT)	
			Income velocity of money	
FY 18	26392.48	11099.81	2.38	(3.94)
FY 19	29514.29	12196.12	2.42	(1.78)
FY 20	31704.69	13737.35	2.31	(-4.63)
FY 21	35301.85	15608.95	2.26	(-2.01)
FY 22	39717.16	17081.22	2.33	(2.81)
FY 23	44392.73	18871.68	2.35	(1.17)

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

Source: 1) Monetary Policy Department and Statistics Department, Bangladesh Bank.

2) Bangladesh Bureau of Statistics.

Table 4.04 Quarterly Positions of Bank Credit*

(In billion BDT)

Outstanding as of	Advances	Bills**	Total
30 June 22	13249.42 (97.49)	341.73 (2.51)	13591.15
30 Sep 22	13567.99 (97.67)	323.81 (2.33)	13891.80
31 Dec 22	14116.52 (97.95)	295.45 (2.05)	14411.97
31 Mar 23	14287.37 (97.52)	362.76 (2.48)	14650.13
30 June 23	14728.09 (97.40)	392.61 (2.60)	15120.70

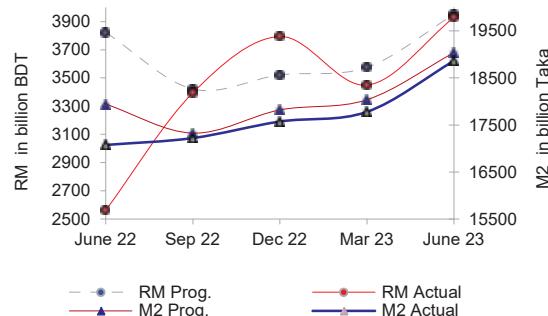
Note: Figure in parentheses indicate percentage shares of total bank credit.

** Import and Inland bills purchased and discounted.

* Excluding inter bank credit.

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Chart 4.03 Programmes and Actual Developments of M2 and RM



Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Bank Deposits

4.11 Bank deposits (excluding inter-bank items) increased by BDT 1179.39 billion or 7.46 percent to BDT 16979.35 billion during FY23 against the increase of BDT 1330.28 billion or 9.19 percent to BDT 15799.96 billion in FY22. The total bank deposits increased due to rise in per capita income and inflows of remittances. Demand deposits increased by BDT 104.45 billion or 5.53 percent to BDT 1993.04 billion in FY23 against the increase of BDT 231.34 billion or 13.96 percent to BDT 1888.59 billion in FY22. Time deposits increased by BDT 1130.62 billion or 8.82 percent to BDT 13952.80 billion in FY23 against the increase of BDT 971.51 billion or 8.20 percent to BDT 12822.18 billion in FY22. However, government deposits decreased by BDT 55.68 billion or 5.11 percent to BDT 1033.51 billion in FY23 against the increase of BDT 127.42 billion or 13.25 percent to BDT 1089.19 billion in FY22. Quarterly position of bank deposits has been shown at Table 4.05.

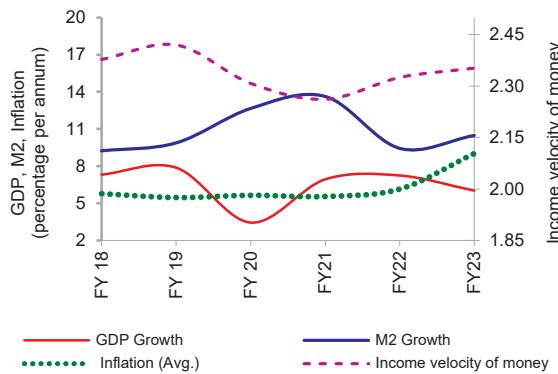
Credit-Deposit Ratio

4.12 The credit-deposit ratio of the scheduled banks excluding the specialized banks was 0.89 at the end of June 2023 which was 0.86 at the end of June 2022. The ratio of credit to deposit increased in FY23 reflecting higher credit demand compared to the previous year.

Scheduled Banks' Borrowing from BB

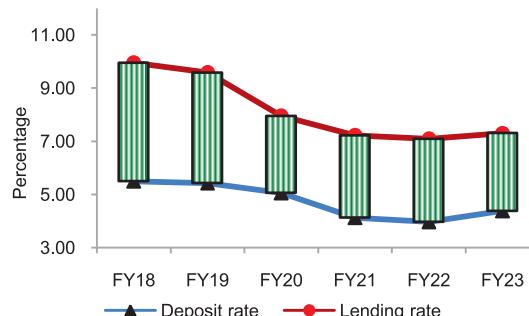
4.13 Scheduled banks' borrowings from the BB increased by BDT 134.58 billion or 14.68 percent to BDT 1051.18 billion in FY23 which increased by BDT 180.34 billion or 24.49 percent to BDT 916.60 billion in FY22. Scheduled banks' borrowings from BB increased in FY23 mainly because of increasing repo facilities to banks and their borrowing from BB's refinance fund.

Chart 4.04 Movement of GDP growth, M2 growth, rate of inflation and income velocity of money



Source: 1) Monetary Policy Department and Statistics Department, Bangladesh Bank.
2) Bangladesh Bureau of Statistics.

Chart 4.05 Weighted Average Interest Rates of Scheduled Banks



Source: Statistics Department, Bangladesh Bank.

Table 4.05 Quarterly Positions of Bank Deposits*

Balances as of	Demand deposits	Time deposits	Govt. deposits	Total deposits (In billion BDT)
30 June 22	1888.59	12822.18	1089.19	15799.96
30 Sep 22	1777.98	13043.79	1020.40	15842.17
31 Dec 22	1837.41	13054.28	1041.14	15932.83
31 Mar 23	1798.89	13434.08	990.76	16223.73
30 June 23	1993.04	13952.80	1033.51	16979.35

*Excluding interbank deposits.

Source: Statistics Department, Bangladesh Bank.

Scheduled Banks Balances with the BB and Their Cash in Tills

4.14 Balances of scheduled banks with BB abruptly decreased by BDT 194.16 billion or 21.48 percent to BDT 709.67 billion at the end of June 2023 which also decreased by BDT 302.14 billion or 25.05 percent to BDT 903.83 billion at the end of June 2022. On the other hand, cash in tills of scheduled banks increased by BDT 3.01 billion or 1.52 percent to BDT 200.34 billion at the end of June 2023 which also increased by BDT 23.63 billion or 13.60 percent to BDT 197.34 billion at the end of June 2022.

Cash Reserve Requirement (CRR)

4.15 The Cash Reserve Requirement (CRR) for the scheduled banks with the BB remained unchanged in FY23 which was reduced by 150 basis points in two parcels to 4.0 percent of their total demand and time liabilities to inject adequate liquidity in the economy in FY20. Banks are required to maintain CRR at the rate of 4.0 percent on bi-weekly average basis provided that the CRR would not be less than 3.5 percent in any day with effect from 15 April, 2020.

Statutory Liquidity Ratio (SLR)

4.16 According to the amendment of subsection (2) under section 33 of the Bank Company Act, 1991, banks should have to maintain SLR separately, (a) for the conventional banks- the statutory liquid assets inside Bangladesh, which also includes excess reserves with BB, will not be less than 13.0 percent of their total demand and time liabilities, and (b) for the *shari'ah* based Islamic banks- this rate shall not be less than 5.5 percent. This became effective on 01 February 2014 and remained unchanged in FY23.

Table 4.06 Weighted Average Lending and Deposit Rates of Scheduled Banks and Their Spreads

Items	As of end June (in percent)					
	FY18	FY19	FY20	FY21	FY22	FY23
Deposit rate	5.50	5.43	5.06	4.13	3.97	4.38
Lending rate	9.95	9.58	7.95	7.33	7.09	7.31
Spread	4.45	4.15	2.89	3.20	3.12	2.93

Source: Statistics Department, Bangladesh Bank.

Table 4.07 Liquidity Indicators

As On	Advance Deposit Ratio (ADR) ¹ (%)	Liquidity Coverage Ratio (LCR) ² (%)	Net Stable Funding Ratio (NSFR) ³ (%)	Call Money Rate (%)
30 June 22	74.77	165.56	109.10	4.88
30 Sep 22	76.23	160.52	110.18	5.53
31 Dec 22	79.00	153.97	110.22	5.80
31 Mar 23	79.39	153.28	110.30	6.03
30 June 23	78.51	153.97	110.22	6.06

1. Banks were instructed in September 2019 to maintain their ADR within maximum 85 (81.5 percent + 3.5 percent of special consideration) percent for conventional banks and 90 (89.0 percent + 1.0 percent of special consideration) percent for Islamic *Shari'ah* based banks respectively according to DOS circular no.05 dated 17 September 2019.

2. LCR measures a bank's need for liquid assets in a stressed environment over the next 30 calendar days: minimum requirement for LCR is greater or equal to 100 percent.

3. NSFR measures a bank's need for liquid assets in a stressed environment over one year period: minimum requirement for NSFR is greater than 100 percent.

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

Table 4.08 Excess Liquid Assets of Various Bank-groups

(In billion BDT)

As On	State-owned Banks	Specialized Banks	Private Banks (Other than Islamic)	Islamic Banks	Foreign Banks	Total
30 Jun 22	793.99	0.00	763.76	219.17	257.43	2034.35
30 Sep 22	623.34	0.00	644.93	126.09	308.89	1703.25
31 Dec 22	496.37	0.00	559.13	85.84	315.94	1457.28
30 Jun 23	636.15	0.00	656.43	27.46	342.85	1662.88

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

Bank Rate

4.17 In response to the changing market interest rate scenario, the bank rate was reduced from 5.00 percent to 4.00 percent on 29 July

2020, after remaining unchanged for 17 years. This downward move was brought to rationalize it in line with current market conditions.

Repo Rate

4.18 To maintain price stability, BB increased the repo rate twice in FY23. BB increased the repo rate by 25 basis points and re-fixed at 5.75 percent from 5.50 percent as on 02 October 2022. BB again increased the repo rate by 25 basis points and re-fixed at 6.00 percent from 5.75 percent as on 16 January 2023.

Reverse Repo Rate

4.19 To rationalize interest rate corridor, BB increased reverse repo rate by 25 basis points and re-fixed at 4.25 percent from 4.00 percent as on 16 January 2023.

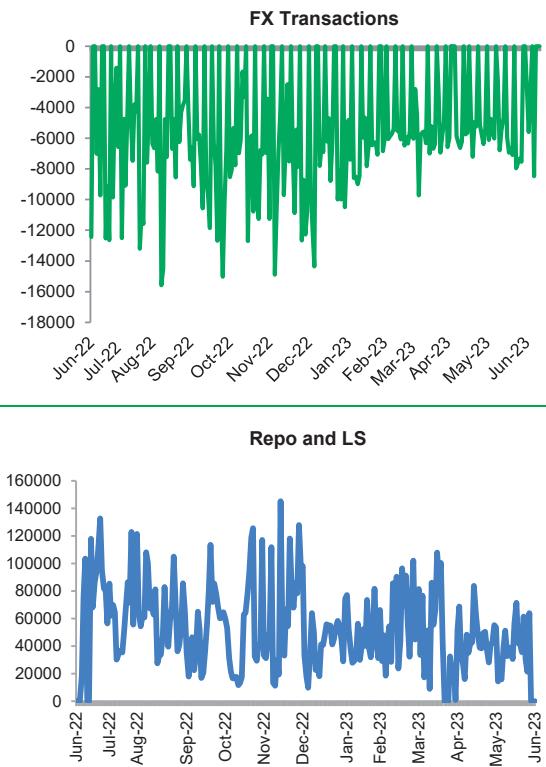
Interest Rates on Deposits and Lending

4.20 The weighted average lending and deposit rates exhibited an upward trend, commensurate with the rise in the interbank call money rate from 4.88 percent in FY22 to 6.06 percent in FY23. The weighted average lending rate edged up to 7.31 percent in FY23 from 7.09 percent in FY22 and the weighted average deposit rate also increased to 4.38 percent in FY23 from 3.97 percent in FY22. The interest rate spread (the difference between the lending rate and deposit rate) declined to 2.93 percent in FY23 from 3.12 percent in FY22, indicating an improvement in the banking sector's intermediary efficiency. Table 4.06 and Chart 4.05 represent weighted average interest rates of scheduled banks deposit and lending rates along with their spread from FY18 to FY23.

Liquidity Situation

4.21 Total excess liquidity of the banking system declined to BDT 1662.88 billion in FY23 from BDT 2034.35 billion in FY22 due to higher credit growth compared to deposit growth and

Chart 4.06 Liquidity Management Operations During FY23



Source: Monetary Policy Department, Bangladesh Bank.

accommodative monetary policy. Excess reserve also decreased to BDT 116.29 billion in FY23 from BDT 268.76 billion in FY22 because of selling foreign currency to the banks by BB. The monetary policy stance and monetary and credit programs for FY23 were intended to ensure necessary liquidity in the local and foreign currency markets, continue economic recovery momentum, stabilize the prevailing market interest rate and exchange rate movements alongside containing inflation. BB's timely and prudent intervention ensured a comfortable liquidity condition in the money market during FY23, sufficiently fulfilling the public and private demand. Besides, taking market demand for money into account, BB also provided required

cash amounting to BDT 13085.65 billion through repo and liquidity support facilities during FY23. On the other hand, BB intervened in the local foreign exchange market by selling total amount of USD 13.58 billion to uphold exchange rate stability and maintain the external competitiveness of the BDT in FY23. Table 4.07, 4.08 and chart 4.06 shows the status of liquidity indicators for FY23.

Banking Sector Performance, Regulation and Bank Supervision

Banking Sector Performance

5.01 The primary focus of the Bangladesh Bank (BB) as the supervisor of the banking system is to maintain the stability of the banking system and the economy as a whole. As a result of prudent and planned policy actions by BB, the economy of Bangladesh experienced a resilient recovery from the economic shocks of the COVID-19 pandemic. To support smooth operation of the schedule banks and non-banking financial institutions (NBFIs) under this critical juncture, BB has emphasised the continuance of the prudential measures taken at the inception of the pandemic, though with some fine-tuning. However, the outbreak of the Russia-Ukraine war posed significant challenges to the effort to accelerate growth. Particularly, the supply-chain shocks in terms of higher fuel and commodity prices and disruptions in the global delivery system has put pressure in the country's external balances which in turn, in the form of the exchange rate shock, has affected the balance sheet of the banking sector. To address the external shocks, BB has decided to move toward

a more market-based interest rate and exchange rate regime. Nonetheless, FY23 saw significant liquidity pressure in the banking sector, especially in the case of several Islamic banks. To mitigate the liquidity shocks and prevent spillover effect of these shocks in other parts of the economy, BB has opened special liquidity support facilities for banks and will continue to provide assistance until the risk subsides. In its effort to strengthen the supervisory framework, BB has introduced several reform programmes with the technical assistance of the IMF and the IFC, namely, the implementation of the risk-based supervisory framework. Also, to improve governance of selected banks with deteriorating financial conditions, BB has initiated a three-year special supervisory programme. Under this programme, selected banks have been given concrete, time-bound targets and are being monitored meticulously as per the terms and conditions of Memorandum of Understandings (MoU). BB, as part of its regular supervisory activities, has continued its offsite supervision and onsite inspections throughout the year.

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

Bank types	2021						2022						(in billion BDT)
	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total deposits	Share in industry deposits (in percent)	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total deposits	Share in industry deposits (in percent)	
SCBs	6	3810	5080.5	24.9	3991.2	26.3	6	3836	5600.7	24.2	4324.6	25.4	
SBs	3	1512	445.9	2.2	412.2	2.7	3	1523	539.1	2.3	467.8	2.8	
PCBs	43	5550	13769.0	67.4	10136.0	66.8	43	5666	15688.3	67.8	11385.7	67.1	
FCBs	9	65	1133.9	5.5	642.0	4.2	9	63	1314.7	5.7	802.9	4.7	
Total	61	10937	20429.3	100	15181.4	100	61	11088	23142.8	100	16981.2	100	

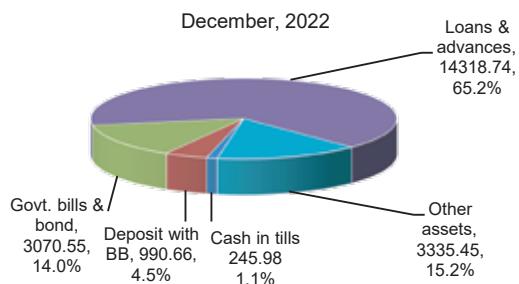
Note: 1. All banks, except BKB and RAKUB, prepare their balance sheet on calendar year basis, and are obliged to submit their audited balance sheet at the end of every calendar year. That is why banks' performance-related figures are stated in calendar year basis.

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

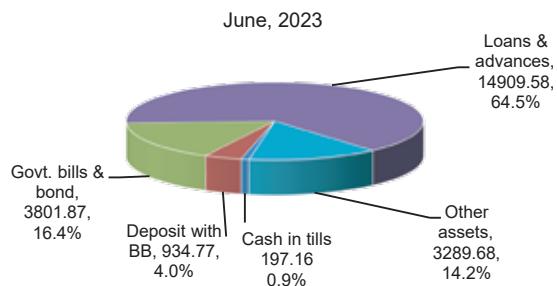
Source: Department of Off-site Supervision and Banking Regulation and Policy Department, Bangladesh Bank.

Chart 5.01 Aggregate Industry Assets

(in billion BDT)



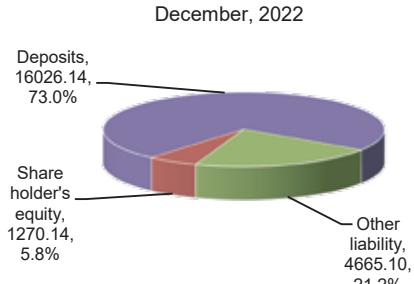
December, 2022



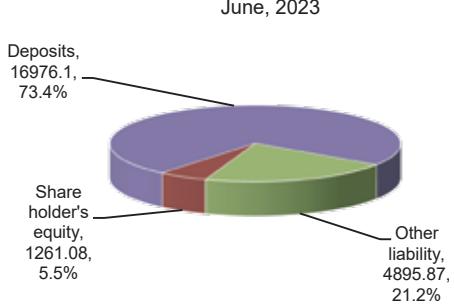
June, 2023

Chart 5.02 Aggregate Industry Liabilities

(in billion BDT)



December, 2022



June, 2023

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

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

5.02 Depending on the ownership structure, there are four categories of scheduled banks in Bangladesh: state-owned commercial banks (SCBs), specialised banks (SBs), private commercial banks (PCBs) and foreign commercial banks (FCBs). Total number of scheduled banks operating in FY23 was 61. The number of bank branches increased to 11088 at the end of December 2022 from 10,937 at the end of December 2021. On the other hand, depending on the mode of operations (e.g. conventional and Islamic Shariah-based), there are three types of banks: full-fledged conventional banks, full-fledged Islamic Shariah-based banks and banks with dual operation. Information on the banking structure and activities by types of banks is shown in Table 5.01.

5.03 In 2022, the SCBs held 25.4 percent share of the total assets which was 24.9 percent in 2021. PCBs' share of the total assets was 67.8 percent in 2022 which was 67.4 percent in 2021. The FCBs held 5.7 percent share of the total assets in 2022, which was 5.5 percent in 2021. The SBs' share of the total assets was 2.3 percent in 2022 which was 2.2 percent in 2021. At the end of December 2021, total assets of the banking sector stood at BDT 23142.8 billion which was 13.28 percent higher than that of the previous year (Table 5.01).

5.04 Total deposits of the banking sector stood at BDT 16981.2 billion in 2022 which was BDT 15181.4 billion in 2021 showing an increase of 11.9 percent. From the year 2021 to 2022, considering the share in total deposit of

the banking sector, SCBs' share decreased from 26.3 percent to 25.4 percent, PCBs' share increased from 66.8 percent to 67.1 percent, FCBs' share increased from 4.2 percent to 4.7 percent and SBs' share increased from 2.7 percent to 2.8 percent (Table 5.01).

Banking Network by Branches

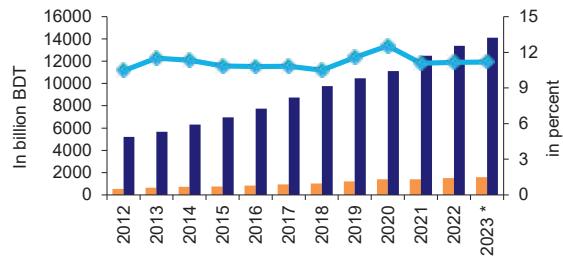
5.05 As on 30 June 2023 the total number of branches of the 61 scheduled banks were 11088 (Appendix 4, Table I). Among these, 46.5 percent (5158) of the bank branches were in rural areas and the rest or 53.5 percent (5923) were in urban areas. The SCBs had 2061 rural branches and 1769 urban branches. Specialised banks had 1153 rural branches and 370 urban branches. Private commercial banks had 1943 rural branches and 3722 urban branches. Foreign commercial banks had 62 urban branches.

Aggregate Balance Sheet

5.06 In 2022, the total assets of the banking sector stood at BDT 21961.4 billion showing an increase of 7.5 percent over the total assets in 2021. During this period, the SCBs' assets rose by 10.2 percent and that of the PCBs' increased by 13.9 percent. The aggregate banking sector assets consisted of BDT 14318.7 billion as loans and advances (65.2 percent of total assets), BDT 245.0 billion as cash in tills including foreign currencies, BDT 990.7 billion as deposit with BB including foreign currencies, BDT 3070.6 billion as investment in (government bills and bonds) treasury securities and rest BDT 3335.5 billion as other assets during the period (Chart 5.01).

5.07 Deposits continued to be the main sources of funds of the banking industry in FY23 and it (excluding inter-bank) constituted 73.0 percent of

Chart 5.03 Aggregate Capital Adequacy Position



* 30 June 2023.

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

Table 5.02 Capital to Risk Weighted Assets Ratio by Types of Banks (in percent)

Bank Types	2014	2015	2016	2017	2018	2019	2020	2021	2022	End June 2023
SCBs	8.3	6.4	5.9	7.0	10.3	5.0	9.6	8.1	6.4	6.8
SBs	-17.3	-32.0	-33.7	-32.8	-31.7	-32.0	-32.9	-33.6	-35.8	-37.8
PCBs	12.5	12.4	12.4	12.2	12.8	13.6	13.7	13.7	13.0	12.8
FCBs	22.6	25.6	25.4	23.3	25.9	24.5	28.4	25.9	26.4	32.9
Total	11.3	10.8	10.8	10.8	12.1	11.6	12.5	12.0	11.2	11.2

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

the total amount of liability and shareholders' equity in 2022. Total shareholders' equity of the banks was BDT 1270.1 billion at the end of December 2022 which was BDT 1261.08 billion in June 2023 (Chart 5.02).

Capital Adequacy

5.08 Capital adequacy focuses on the overall position of bank's capital and the protection of the depositors and other creditors from potential losses that a bank might incur. It helps the banks to absorb possible losses due to credit, market and operational risks that a bank might be exposed to during its normal course of business. Under Basel-III, banks in Bangladesh are instructed to maintain the minimum capital requirement (MCR) at 10.0 percent of the risk weighted assets (RWA) or BDT 5.0 billion as capital, whichever is higher. The aggregate amount

of regulatory capital of the banking sector was BDT 1571.8 billion as on 31 December 2022 which increased to BDT 1578.1 billion at the end of June 2023.

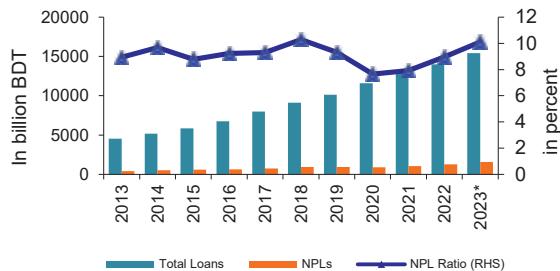
5.09 Table 5.02 shows the capital to risk weighted assets ratio (CRAR) by type of banks. It is observed that the CRAR of SCBs, PCBs and FCBs were 6.8, 12.8 and 32.9 percent respectively as on 30 June 2023. Two SBs- BKB and RAKUB failed to maintain MCR on risk weighted assets basis. Besides, 5 SCBs and 5 PCBs could not maintain the minimum required capital. The CRAR of the banking industry as a whole was 11.2 percent at the end of June 2023 (Chart 5.03).

Asset Quality

5.10 The most important indicator to understand the asset quality is the ratio of gross non-performing loans (NPLs) to total loans and net NPLs to net total loans. At the end of June 2023, the gross NPL ratio of the banking sector stood at 10.11 percent. Table 5.03 (a) shows that FCBs had the lowest and SCBs had the highest gross NPL ratio at the end of June 2023. FCBs' gross NPL ratio was 4.8 percent, whereas those of SCBs, PCBs and SBs were 25.0, 6.5 and 12.1 percent respectively at the end of June 2023.

5.11 From the Table 5.03 (a), it is observed that the ratio of gross NPLs to total loans and advances indicates a mixed trend in the banking sector during the period from 2014 to June 2023. Asset quality of the banking sector as a whole slightly deteriorated in 2022 and also in June 2023. The gross NPL ratio increased by 2.0

Chart 5.04 Aggregate Position of NPLs to Total Loans



*Up to June 2023

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

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

Bank Types	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	End June 2023
SCBs	19.8	22.2	21.5	25.0	26.5	30.0	23.9	20.9	19.3	20.3	25.0
SBs	26.8	32.8	23.2	26.0	23.4	19.5	15.1	13.3	12.0	12.8	12.1
PCBs	4.5	4.9	4.9	4.6	4.9	5.5	5.8	4.7	5.3	5.1	6.5
FCBs	5.5	7.3	7.8	9.6	7.0	6.5	5.7	3.5	4.3	4.9	4.8
Total	8.9	9.7	8.8	9.2	9.3	10.3	9.3	7.7	7.9	8.2	10.1

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

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

Bank Types	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	End June 2023
SCBs	1.7	6.1	9.2	11.1	11.2	11.3	6.1	0.0	2.5	5.2	10.8
SBs	19.7	25.6	6.9	10.5	9.7	5.7	3.0	1.3	0.4	1.4	0.9
PCBs	0.6	0.8	0.6	0.1	0.2	0.4	-0.1	-1.5	-1.1	-1.3	-0.5
FCBs	-0.4	-0.9	-0.2	1.9	0.7	0.7	0.2	-0.6	-0.7	-0.6	-0.3
Total	2.0	2.7	2.3	2.3	2.2	2.2	1.0	-1.2	-0.4	-0.1	1.6

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

percentage points at the end of June 2023 compared to the end of December 2022. However, NPLs of banking sector reached at noticeably lower, 7.7 percent in 2020 and 7.9 percent in 2021. It is mainly due to providing deferral and soft repayment facilities during the COVID-19 pandemic in that period.

5.12 Comparatively inadequate assessment along with poor follow-up and supervision of the loans has eventually resulted into the current situation of poor asset quality of SCBs and SBs.

However, various measures (i.e. strengthening of recovery unit, special recovery programme, etc.) for increasing recovery against loans have been taken by the banks. Ensuring the proper monitoring of regular and rescheduled/restructured loans and the pace in recovery of NPLs may improve the asset quality of the banking industry. Nonetheless, external issues like prolongation of the Russia-Ukraine conflict and other geopolitical issues may result in slow business as well as impaired debt-servicing capacity of the borrowers, which might ultimately deteriorate the asset quality of the overall banking sector in Bangladesh.

5.13 Table 5.03(b) shows the net NPL ratio of PCBs and FCBs remained negative at the end of June 2023. These banks seem to be resilient against a certain admissible level of deterioration in their asset quality. The net NPL ratios in SCBs and SBs stood at 10.78 percent and 0.90 percent respectively at the end of June 2023. Likewise the trend in gross NPL ratio, the net NPL ratio increased to 1.58 percent at the end of June 2023 compared to -0.08 percent recorded at the end of December 2022.

5.14 Table 5.04 shows that the amount of four types of banks from 2014 to June 2023. Total NPLs of the banking sector stood at BDT 1560.39 billion at the end of June 2023. SCBs and PCBs held the largest portion of the NPLs of the industry. The amount of NPLs of the SBs has shown a decreasing trend till 2021 and showed a slight upward movement recently.

5.15 The provision maintenance scenario became worse in June 2023. As of end of June 2023, the gross NPLs totalling BDT 1560.39 billion

Table 5.04 Amount of NPLs by Types of Banks

Bank types	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	End June 2023
SCBs	166.1	227.6	272.8	310.3	373.3	487.0	439.9	422.7	449.8	564.6	744.5
SBs	83.6	72.6	49.7	56.8	54.3	47.9	40.6	40.6	39.9	47.1	47.5
PCBs	143.1	184.3	253.3	230.6	294.0	381.4	441.7	403.6	515.2	564.4	736.4
FCBs	13.0	17.1	18.2	24.1	21.5	22.9	21.0	20.4	27.9	30.5	32.0
Total	405.8	501.6	594.0	621.8	743.1	939.2	943.2	887.3	1032.7	1206.5	1560.4

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

Table 5.05 Required Provision and Provision Maintained by all Banks

All Banks	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	End June 2023
Amount of NPLs	405.8	501.6	594.1	621.7	743.0	939.1	943.3	887.7	1032.7	1206.5	1560.4
Required Provision	252.4	289.6	308.9	362.1	443.0	570.4	613.2	648.0	806.5	841.6	1010.3
Provision maintained	249.8	281.6	266.1	307.4	375.3	504.3	646.6	646.8	666.5	731.5	795.7
Excess (+) short fall (-)	-2.6	-7.9	-42.8	-54.7	-67.7	-66.1	-66.6	-1.2	-140.1	-110.1	-214.6
Provision maintenance ratio (%)	99.0	97.2	86.1	84.9	84.7	88.4	89.2	99.8	82.6	86.9	78.8

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

imposed a loan-loss provision requirement of BDT 1010.31 billion, against which the amount of provision maintained was BDT 795.66 billion (Table 5.05). The provision maintained by the banks in June 2023 recorded an increase of 8.77 percent compared to 2022. Thus, the overall provision shortfall stood at BDT 214.64 billion in June 2023 from BDT 110.09 billion in 2022. Consequently, the provision maintenance ratio also decreased to 78.75 percent in June 2023 from 86.92 percent in 2022.

5.16 A comparative position of provision against loans (for both classified and unclassified) of four types of banks for 2021, 2022 and June 2023 is illustrated in Table 5.06. From the table, it can be observed that SBs and FCBs were able to maintain required provision against loans in 2022 and also in June 2023. However, at the same period, SCBs and PCBs could not maintain required provision.

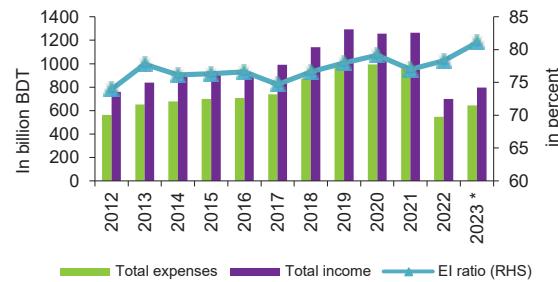
5.17 In order to rectify an unnecessarily and artificially inflated size of the balance sheet, a uniform guideline for loan write-off was introduced

first in 2003 and later in 2019 through BRPD circular no. 01/2019. Banks can write off bad/loss loans complying with the terms and conditions mentioned in the aforesaid circular. The cumulative amount of written-off loans by different categories of banks is illustrated in Table 5.07(a). At the end of June 2023, PCBs compose the highest portion of write-off loan totalling BDT 400.64 billion. DFIs had the lowest write-off loan totalling BDT 6.07 billion at the end of 30 June 2023. Table 5.07(b) demonstrates the total outstanding of written-off loan of SCBs, PCBs, DFIs and FCBs. The outstanding amount of written-off loans is lower than the cumulative written-off loans due to continuous recovery process of banks. It can be observed that SCBs, PCBs, FCBs and DFIs had write-off loan outstanding totaling BDT 182.7 billion, 317.4 billion, 12.1 billion and 3.5 billion respectively at the end of June 2022.

Management Soundness

5.18 Sound management is one of the important pre-requisites for the strength and growth of any financial institution. Although there is no direct means to measure management soundness but total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee and interest rate spread are generally used to determine management soundness of a financial institution. Besides, issues such as technical competence and leadership of mid and senior level management, compliance with banking laws and regulations, implementation of internal policies, ability to implement strategic plan and taking timely initiatives, etc. are taken into consideration to measure the quality of management.

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



* Up to June 2023.

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

Table 5.06 Comparative Position of Provision Adequacy

Year	Items	(in billion BDT)			
		SCBs	SBs	PCBs	FCBs
2021	Required provision	290.8	25.3	315.2	16.6
	Provision maintained	241.6	23.7	361.2	20.3
	Provision maintenance ratio (%)	83.1	93.5	114.6	122.2
2022	Required provision	301.43	24.73	491.33	24.08
	Provision maintained	213.15	24.82	463.87	29.64
	Provision maintenance ratio (%)	70.71	102.38	93.77	118.77
2023 June	Required provision	332.22	23.93	629.23	24.91
	Provision maintained	225.34	24.46	516.57	29.28
	Provision maintenance ratio (%)	67.82	102.21	82.09	117.54

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

Table 5.07(a) Cumulative Written-off Loans by Types of Banks

Types of banks	in billion BDT							
	2016	2017	2018	2019	2020	2021	2022	June 2023
SCBs	222.2	226.2	231.9	232.6	232.9	239.9	228.8	252.2
SBs	5.6	5.6	5.6	6.0	6.1	6.1	6.1	6.1
PCBs	211.1	239.9	280.4	303.0	316.2	344.7	354.7	400.6
FCBs	8.1	10.3	11.0	12.7	13.3	14.3	14.4	15.5
Total	446.9	481.9	528.8	554.3	568.5	605.0	604.0	674.4

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

Table 5.07(b) Outstanding Written-off Loans by Types of Banks

Types of banks	in billion BDT							
	2016	2017	2018	2019	2020	2021	2022	June 2023
SCBs	177.9	178.0	180.3	178.7	174.8	175.3	175.5	182.7
SBs	3.5	3.5	3.4	3.8	3.8	3.6	3.6	3.5
PCBs	172.5	185.8	208.7	244.4	252.6	251.0	243.7	317.4
FCBs	7.6	9.3	8.6	10.0	10.4	10.9	10.8	12.1
Total	361.5	376.5	401.0	436.9	441.5	440.8	433.6	515.6

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

5.19 The expenditure to total income (EI) ratio of the banking sector was 78.3 percent at the end of December 2022 (Table 5.08). The EI ratio of the SBs was 169.1 percent which was

the highest among the bank categories in 2022 mainly due to high operating expenses of these banks. The EI ratios of the SCBs, PCBs and FCBs were 82.3, 76.3 and 35.2 percent respectively in December 2022. The EI ratios of all bank categories in December 2022 showed an increasing trend compared to that of the last year except SCBs and FCBs. The EI ratio of the banking sector stood at 81.1 percent at the end of June 2023. Increasing trend in EI ratio (particularly operating expenses to total expenses) has negative impacts on the net profits of the banks.

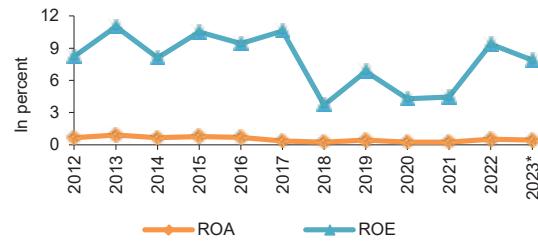
Earnings and Profitability

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

5.21 Earnings as measured by ROA and ROE differ among the bank categories. Table 5.09 shows ROA and ROE of four types of banks during the period from 2014 to June 2023. The table illustrates that the ROA of the SCBs and SBs were always less than the industry average ROA. The ROA of SCBs has improved (0.1 percent) in June 2023 as compared to 2022 (0.2 percent). On the other hand, after showing an increasing trend from 2014 to 2016, ROA of PCBs has gradually declined in the recent years. Though ROA of FCBs showed a decreasing trend from 2014 to 2018 but it always remained in a strong position. ROA of the banking sector stood at 0.4 percent in June 2023.

5.22 Table 5.09 also presents that ROE of the SCBs stood at 5.4 percent in 2022 which was -21.6 percent in 2021. ROE of SBs also decreased to -13.7 percent in 2022 from -13.2

Chart 5.06 Trends in Aggregate Profitability in the Banking Industry



* Up to June 2023.

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

Table 5.08 Expenditure-Income Ratio by Types of Banks

Bank types	(in percent) End June 2023										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
SCBs	84.1	84.1	84.5	90.2	81.3	80.5	84.9	83.2	86.1	82.3	81.9
SBs	94.8	99.5	113.9	137.8	124.0	144.6	159.8	158.1	162.9	169.1	172.6
PCBs	77.9	75.8	75.5	73.5	73.8	76.7	77.6	79.6	75.3	76.3	81.0
FCBs	50.4	46.8	47.0	45.7	46.6	47.5	48.8	46.2	43.9	35.2	35.04
Total	77.8	76.1	76.3	76.6	74.7	76.6	78.0	79.2	77.0	78.3	81.1

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

percent in 2021 whereas ROE of PCBs increased to 9.4 percent in 2022 from 9.3 percent in 2021. ROE of FCBs has increased-sharply to 16.0 percent in 2022 from 7.6 in 2021. ROE of the banking sector stood at 7.9 percent in June 2023. Trends in aggregate profitability ratios for all banks are given in Chart 5.06.

5.23 Table 5.10 shows that net interest margin (NIM) of the banking industry stood at 2.4 percent in 2022 which was 2.5 percent in 2021. The NIM for all the types of banks (SBs, PCBs and FCBs) dropped off in 2022 except SCBs as compared to that of 2021. Analysis of the indicator reveals that NIM for PCBs and FCBs was always higher than the industry average. NIM for overall banking sector exhibited a downward trend from 2014 to 2022 except slight increase in 2018 and June 2023. NIM for overall banking sector stood at 2.51 percent at the end of June 2023 (Table 5.10).

Table 5.09 Profitability Ratio by Types of Banks

(in percent)

Bank Types	ROA									End June 2023	ROE									
	2014	2015	2016	2017	2018	2019	2020	2021	2022		2014	2015	2016	2017	2018	2019	2020	2021	2022	End June 2023
SCBs	-0.55	-0.04	-0.16	0.21	-1.30	-0.61	-1.07	-0.68	0.21	0.08	-13.46	-1.47	-6.02	3.45	-29.61	-13.68	-29.57	-21.61	5.43	2.26
SBs	-0.68	-1.15	-2.80	-0.62	-2.77	-3.31	-3.01	-3.03	-3.31	-3.53	-5.97	-5.79	-13.88	-3.07	-13.47	-17.04	-13.85	-13.21	-13.68	-14.29
PCBs	0.99	1.00	1.03	0.89	0.79	0.77	0.70	0.62	0.59	0.47	10.26	10.75	11.09	12.01	10.98	11.16	10.22	9.34	9.38	7.66
FCBs	3.38	2.92	2.56	2.24	2.23	2.30	2.13	1.17	2.57	3.09	17.67	14.59	13.08	11.31	12.42	13.43	13.10	7.59	16.03	17.27
Total	0.64	0.77	0.68	0.74	0.25	0.43	0.25	0.25	0.52	0.43	8.09	10.51	9.42	10.60	3.86	6.83	4.28	4.44	9.37	7.88

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

Liquidity

5.24 An effective liquidity management helps to ensure bank's ability to meet cash flow obligations which are uncertain as they are affected by external events and other agents' behaviour. Indicators like advance-deposit ratio (ADR), statutory liquidity ratio (SLR), interbank call money rate, and repo rate show the real picture of liquidity of the banking sector. On the other hand, one can evaluate bank's strength to survive in any liquidity stressed situation through liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

5.25 Overall advance deposit ratio (ADR) in the banking sector stood at 79.0 percent in December 2022. The prudential limit of ADR for conventional and Islamic *Shariah* based banks were 87.0 percent and 92.0 percent respectively.

5.26 All scheduled banks are required to maintain cash reserve ratio (CRR) bi-weekly basis at 4.0 percent against their average total demand and time liabilities (ATDTL) of second preceding month with an obligation to maintain daily minimum 3.5 percent cash against the same ATDTL held by the bank. The current rate of statutory liquidity ratio (SLR) for conventional banks is 13.0 percent of ATDTL and in case of Islamic *Shariah* based banks, the rate of SLR is

Table 5.10 Net Interest Margin by Types of Banks

(in billion BDT)

Bank Types	2014	2015	2016	2017	2018	2019	2020	2021	2022	June 2023
SCBs	2.0	1.6	1.8	2.0	2.4	1.9	1.8	1.6	1.9	1.8
SBs	1.5	1.4	0.8	2.1	0.6	0.0	-0.2	-0.6	-0.6	-0.5
PCBs	4.1	3.9	3.9	3.5	3.6	3.5	3.0	2.9	2.5	2.6
FCBs	6.0	6.1	5.0	4.4	4.4	4.2	4.1	3.0	3.0	5.1
Total	3.6	3.3	3.3	3.1	3.2	3.1	2.7	2.5	2.4	2.5

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

5.5 percent of their ATDTL of second preceding month. Four banks (three specialised and BDBL) are exempted from the maintenance of SLR, but these banks have to maintain CRR at the same rate like other scheduled banks.

5.27 Banks having off-shore banking operation (OBO) have to maintain CRR and SLR for the liabilities arising from that operation. Scheduled banks having OBO are required to maintain minimum 2.0 percent cash reserve ratio (CRR) on bi-weekly average basis with a provision of minimum 1.5 percent on daily basis of the ATDTL of OBO of second preceding month. The current rate of statutory liquidity ratio (SLR) in this regard for conventional banks is 13.0 percent of ATDTL and for Islamic *Shariah* based banks, this rate is 5.5 percent of the same ATDTL of second preceding month.

5.28 As on 30 June 2023, the liquidity coverage ratio (LCR) of the banking sector was 152.4 percent (against minimum requirement of 100.0

percent), indicating that banks had a reasonable buffer of high quality assets to cover the cash outflow for a minimum of next 30 calendar days under stressed scenario. The net stable funding ratio (NSFR) of the banking sector, as a whole, was 109.7 percent in June 2023 indicating that banks were also more dependent on stable funding rather than volatile funding to expand their business activities.

Legal Framework and Prudential Regulations

Risk Based Capital Adequacy (RBCA) for Banks

5.29 Towards building a robust and risk resilient banking system, Basel-III capital and liquidity standards aligned with the international best practices getting momentum in the banking sector of Bangladesh. According to the road map of the phase-in arrangements, December 2019 was the final timeline for the implementation of Basel III framework by the banks. Banks in Bangladesh need to maintain an adequate level of capital requirement in addition of a minimum capital requirement considering their risk profile. Banks are expected to maintain a minimum total capital ratio of 10.0 percent, where 6.0 percent is to be maintained as Tier-1 capital. Besides, all banks must hold common equity tier 1 (CET1) capital (the highest quality and most loss absorbing form of capital) in an amount of at least 4.5 percent of total risk weighted assets (RWA) at all time.

5.30 Banks submit capital adequacy reports/statements following new Basel III accord. It is found that capital to risk weighted asset ratio (CRAR) of the banking industry stood at 11.08 percent at the end of September 2023 while

CET1 was 7.35 percent which fulfilled Basel III capital adequacy requirements as a whole. However, at individual level, 51 banks out of 61 scheduled banks are able to maintain CET1 and minimum capital requirements respectively.

5.31 In addition of minimum capital requirement (MCR) 10.00 percent, banks also maintaining a Capital Conservation Buffer (CCB) which started with 0.625 percent from 2016 and ended up with 2.50 percent in December 2019. CCB of the banking industry stood at 1.08 percent at the end of September 2023. Besides, at individual level, 42 banks have fulfilled the CCB requirements by the period.

5.32 In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, BB has introduced the minimum requirement of leverage ratio as 3.25 percent in 2023 and it will be 4.00 percent at the end of 2026. This ratio of the banking industry already stood at 4.51 percent at the end of September 2023, whereas at individual level, 51 banks have fulfilled the minimum requirements.

Loan Classification

5.33 At the beginning of the FY13, BB reformed the loan classification and provisioning policy to align with the international best practice. However, due to the COVID-19 pandemic situation, economic and business environment got worse. With a view to facilitating the existing business environment and aligning with the macroeconomic cycle, some relaxations were brought in the objective criteria of loan classification policy declared in 2012. To combat the negative impacts of COVID-19 and to facilitate the borrowers through ease of repayments, BRPD issued several directives regarding loan classification and provisioning from time to time in order to facilitate the local as well as international trade and commerce. Lastly, in June 2022, a directive has been issued where required

instalment size is being increased progressively as part of the soft repayment facility. While formulating the policy, sector specific and category-wise considerations such as CMSMEs, agricultural sector, large loans etc. as well as current international and local economic conditions due to the COVID-19, political unrest pertaining to war, flood hazard in Bangladesh, etc. have been taken under consideration.

Implementation of Risk Based Supervision in BB

Off-site Supervision of Banks

5.34 The CAMELS rating system continues to be the most important supervisory tool for evaluation of banks' overall health. However, BB is continuously adopting international regulations and best practices on bank supervision and continues its quest for developing more effective supervisory tools to uplift and ensure a sound and stable performance of the banks. In accordance with the international best practices, BB is preparing to move from the rule-based, compliance oriented bank supervision to a principle-based, forward looking supervisory framework. BB with technical assistance from the IMF is working to implement the risk-based supervision (RBS), a supervisory approach which stresses that the supervisor should assess risk profiles of banks in terms of the risks they run, efficacy of their risk management framework, and risks they pose to the banking and financial systems as well as the supervisory objectives. Moving beyond the passive assessment of compliance with rules, once RBS is implemented BB would be able to allocate its supervisory resources to the banks and risks areas which need more attention. To

this end, a high powered RBS advisory committee chaired by the Deputy Governor in charge of DOS has been formed which will lead the overall RBS implementation effort in BB. Moreover, in addition to the risk matrix and risk rating tools used in RBS, the current CAMELS rating system will be replaced by a forward looking CAMELS rating system as one of the supervisory tools under RBS.

On-site Supervision of Banks

5.35 Under the continuous supervision/surveillance system, the overall financial condition of the banks operating in Bangladesh is monitored throughout the year on the basis of periodic onsite inspections conducted by the concerned departments of BB. As part of statutory function, currently ten 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 Banking Inspection-5 (DBI-5), Department of Banking Inspection-6 (DBI-6), Department of Banking Inspection-7 (DBI-7), Department of Banking Inspection-8 (DBI-8), Department of Foreign Exchange Inspection (DFEI) and Financial Integrity and Customer Services Department (FICSD) are conducting onsite inspection activities. These ten departments conduct onsite inspection on SCBs, SBs, PCBs (including banks operating under Islamic Shariah), FCBs and other financial institutions including Investment Corporation of Bangladesh (ICB) and money changers. These departments conduct different types of inspections, which may be summarised into

Table 5.11 A Summary of On-site Banking Inspections in FY23

Name of the departments	Comprehensive inspections Head offices	Special Branches inspections	Core Risk inspections	SREUP and AML inspections	Quick Summary inspections	Total inspections
DBI -1	4	256	35	20	-	315
DBI -2	7	375	3	8	-	393
DBI -3	22	350	63	66	-	501
DBI -4	22	335	106	66	-	529
DBI -5	10	52	94	40	-	257
DBI -6	5	52	19	10	20	152
DBI -7	5	48	5	5	24	153
DBI -8	12	35	24	11	-	84
Total	87	1503	349	226	44	175
Source: Department of Off-site Supervision, Bangladesh Bank.						

three major categories like (i) comprehensive/regular/traditional inspection (ii) core risks evaluation and (iii) special/surprise inspection.

5.36 The overall performance of the banks (such as capital adequacy, asset quality, liquidity, earnings, management competence, etc.) is evaluated in a comprehensive inspection and banks are rated from "1" to "5" scale in ascending order based on the evaluation. The onsite inspection departments also monitor the compliance of the suggestions or recommendations made in the inspection reports. Inspection is also conducted to examine the compliance of the core risk management guidelines on asset liability management, credit/investment risk management, internal control and compliance, and information systems security issued by BB. Special/surprise inspections are conducted for specific purposes or to investigate complaints received from the banks' customers. During FY23, BB's eight departments of banking inspection conducted a total number of 2384 onsite inspections on various banks under their jurisdiction where total number of comprehensive inspections and special inspections were 1590

and 349 respectively. A number of head offices of the local banks and country offices of the foreign commercial banks were also taken under the core risk evaluation process in FY23. Moreover, BB's inspection departments carried out a number of inspections to review the accuracy of the statement of internal capital adequacy assessment process (ICAAP) of banks. A summary of onsite supervision carried out by BB's eight departments of banking inspection (DBI) is shown in Table 5.11.

5.37 The Department of Foreign Exchange Inspection (DFEI) is also devoted to conduct on-site inspection on the issues related to foreign exchange transactions, foreign trade financing and foreign exchange risk management of banks. The inspection jurisdiction of this department covers the function of off-shore banking units, exchange houses and overseas branches/operations of local banks. This department also supervises foreign exchange transactions of money changers. The inspections of this department are carried out broadly in two dimensions--'regular' and 'special' which are done by on-site inspection. But foreign exchange

risk management inspection is done by on-site inspection only on those banks where speculative and/or derivative transactions has taken place in the inspection period and off-site supervision is done on the banks where speculative and/or derivative transaction is absent. The inspections of DFEI are segregated in following types: ‘comprehensive inspection on authorised dealer (AD) branches’, ‘FX risk management inspection’, ‘cash incentive inspection’, ‘comprehensive inspection on money changers’ and special inspection on authorised dealer (AD) branches, offshore banking units and money changers. During FY23, the numbers of inspections conducted by DFEI were as follows:

Comprehensive inspection on authorised dealer branches	92
Inspections on foreign exchange risk management	58
Special inspections on money changers	287
Comprehensive inspection on money changers	83
Special inspections on foreign trade and foreign exchange related irregularities	102
Inspections on offshore banking unit (OBU)	11
Total	633

5.38 Financial Integrity and Customer Services Department (FICSD) of BB is committed to ensure a customer-friendly banking environment with a view to promoting convenience and reliability in transactions and services offered by banks, non bank financial institutions (NBFIs), and mobile financial services (MFS) providers. The coverage of banking services as well as the numbers of complaints from customers has been increasing day by day. FICSD is resolving

customer complaints against banking and non-banking services. The platform ensures easy resolution for all, including underserved areas. To facilitate complaint submission, the department introduced a hotline number '16236'. Experienced officials promptly handle calls for instant support. Additionally, complaints can be submitted through email, android app, BB website, postal and courier services as well. Skilled and enthusiastic workforce of FICSD diligently addresses every complaint, receiving both local and international acclaim for the department. To ensure accountability of services, a comprehensive guideline titled “Guidelines for Customer Services and Complaint Management” has been issued by this department for scheduled banks and FIs. This department monitors the compliance status of these guidelines. FICSD's relentless effort to protect the customers' interest as well as maintaining discipline and transparency in the overall financial sector by resolving of 8,682 complaints out of 10,542 received complaints during FY23. A comparative statistics showing the rate of resolved complaints against received complaints during the last 4 financial years (FY20, FY1, FY22, FY23) is shown below in Table 5.12.

5.39 FICSD is working diligently to uphold the image of BB as a regulatory body both locally and internationally. It resolves complaints, answers customer queries, and actively contributes to various banking and financial sector activities, including import-export, foreign exchange flow, general banking, loans and advances, human resource management, and mobile financial services. In FY23, the department

received 247 writ petitions and suits from various stakeholders, and appropriate actions were taken following the court's directives on these matters. The hotline 16236 of 'Customers Interest Protection Centre (CIPC)' has been listed on the government information portal (Totto Batayon). Apart from providing services to the customers, FICSD is playing a leading role in detecting irregularities in banks, NBFIs, and MFS as well by conducting on-site supervisions on the basis of instructions of the competent authority, tip-offs or sensitive complaints. In FY23, the department conducted 94 special inspections: 18 on state-owned commercial banks (SCBs), 50 on private commercial banks (PCBs), 21 on Islamic Shariah-based banks (ISBs), 01 on foreign commercial banks (FCBs), and 04 on NBFIs. Furthermore, FICSD collaborates closely with other relevant departments, including the Law Department of BB, to avoid potential legal complications arising from these writ petitions and suits. Moreover, FICSD diligently analyzes the root cause of the complaints and accordingly recommend the concerned department for policy changes.

Financial Stability and Macro Prudential Supervision

5.40 To achieve consistent economic growth and development, a nation's financial system must be resilient, strong, and stable. In this regard, the Financial Stability Department (FSD) of BB has been working vigorously since its inception to develop and put into use a variety of macroprudential and risk monitoring measures. The department has also been analyzing conceivable risks and vulnerabilities in the

Table 5.12 Comparative Statistics of the Complaints

	FY20	FY21	FY22	FY23
Complaints received	3633	4974	6923	10,542
Complaints resolved	3633	4950	6329	8,682
Rate of resolution	100%	99.52%	91.42%	82.36%

Source: Financial Integrity and Customer Services Department, Bangladesh Bank.

Table 5.13 Statistics of Special Inspections Conducted by FICSD

Types of Banks	Number of special inspection, FY22	Number of special inspection, FY23
State-owned commercial banks (SCBs)	21	18
Specialized banks (SBs)	01	0
Private commercial banks (PCBs)	114	50
Islami shariah based banks (ISBs)	29	21
Foreign commercial banks (FCBs)	02	01
Non bank financial institutions (NBFIs)	12	04
Total	179	94

Source: Financial Integrity and Customer Services Department, Bangladesh Bank.

financial system from the perspective of financial stability and identifying, evaluating, and quantifying those risks and vulnerabilities. Additionally, the department undertakes some study on a widely acknowledged stability challenges. Outcomes of the risk assessment tools and analytical works are shared with concerned departments of BB to provide them with important and significant inputs towards strengthening resilience of the overall banking sector. Along-with focusing on different contemporary issues, the department publishes Financial Stability Report (FSR), Quarterly Financial Stability Assessment Report (QFSAR), Bangladesh Systemic Risk Dashboard (BSRD), and Composite Financial Stability Index (CFSI). Besides, reports on some other areas, namely Central Database for Large Credit (CDLC), Financial Projection Model (FPM) are prepared and shared with other related depart

ments of BB.

5.41 The Financial Stability Report (FSR), prepared annually by FSD, is used to assess the resilience of banks, NBFIs, and other financial intermediaries against potential shocks and serves as an early warning system for financial sector stakeholders. In addition to FSR, the department also produces the Quarterly Financial Stability Assessment Report (QFSAR), which covers the main developments in financial risks and their effects on the stability of Bangladesh's financial system and economy. During every quarter, individual banks and the banking system as a whole are subjected to forward-looking exercises like stress testing to ensure they have adequate capital to withstand shocks and support the economy. To implement preventive actions, the key findings are shared with the relevant departments of BB. Banks are recommended to act quickly in order to reduce the risks that have been observed as a result of the stress testing. In addition, the department makes the aggregate findings of the stress test available in the FSR and QFSAR to increase awareness among financial system stakeholders.

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

5.43 Any potential liquidity problem in the interbank market is investigated using the Interbank Transaction Matrix (ITM). In addition, it applies the structure and operations of the systems of the interbank network through 'domino effect' and contagion. The bilateral funded and non-funded exposures of banks and NBFIs are taken care of through ITM tool and ITM report is generated on a quarterly basis. Based on the ITM's findings, the selected banks and NBFIs are approached in order to mitigate the potential risk of director loans, deposits, and interbank loans in order to keep the banking sector stable. However, following response from banks, FSD forwards these findings to the relevant BB departments for necessary actions. In order to analyze the health of the banks, the department has been preparing the Bank Health Index (BHI) and HEAT Map semi-annually for every single bank highlighting their relative soundness and vulnerabilities.

5.44 The department identifies Domestic Systemically Important Banks (D-SIBs) semi-annually in order to prevent any negative impact on the domestic financial system from the failure of the D-SIBs as the impact of a D-SIB's failure would be significantly greater than that of a non-systemic bank. Furthermore, risk associated with Non-Financial Corporations (NFCs) are analyzed quarterly using the 'Central Database for Large Credit (CDLC)' to circumvent large credit concentration and identify assets in advance that may cause financial distress.

5.45 Since the second half of 2016, the department has been producing Bangladesh Systemic Risk Dashboard (BSRD) on a semi-

annual basis in order to identify plausible systemic risk and provide early warning indications in the financial system. It analyzes a number of qualitative and quantitative systemic risk indicators of Bangladesh's financial system, highlighting seven major risk categories: macro risk, credit risk, financing and liquidity risk, market risk, profitability and solvency risk, inter linkages risk, and structural risk. This dashboard is regularly uploaded to the website of BB. The department produces the Composite Financial Stability Index (CFSI) every six months to assess the macro-financial system's level of risk as well as the state of domestic financial stability. More specifically, this is a tool created to assess the degree of volatility present in various economic sectors and how that volatility affects the broader financial system. It is an aggregated form of twenty different indicators under four sub-indices- Real Sector Index (RSI), Fiscal Sector Index (FSI), External Sector Index (ESI) and Financial and Monetary Sector Index (MSI) using semi-annual/annual data. These indicators encompass the major soundness aspects of the four main sectors of the economy namely real sector, external sector, fiscal sector, and financial and monetary sector to form a single composite indicator which indicates the stability condition of the financial system as well as build-up of any systemic stress. CFSI report is published in the FSR regularly.

5.46 The Coordination Committee Technical Group (CCTG), formed under the framework titled 'Coordinated Supervision Framework for Bangladesh Financial System', assists the Coordination Committee of financial sector regulators (BSEC, RJSC, IDRA and MRA). The CCTG

members meet periodically for exchanging ideas and information, and promoting cooperation among various regulators of the financial system.

5.47 FSD has been publishing a stability mapping model called the Financial Stability Map (FSM) to analyze and capture potential threats to Bangladesh's macro-financial system. This mapping model, based on global best practices and tailored to the unique nature of Bangladesh's financial system, takes into account eight different components (external economy, domestic economy, households, non-financial corporations, fiscal condition, financial market condition, capital and profitability, and funding and liquidity), and 37 indicators related to Bangladesh's macro-financial system. The analysis provides a comprehensive assessment of the stability of Bangladesh's macro-financial system, with a summary published in the FSR on a regular basis. Noteworthy that the first FSM was published in FSR in 2018.

Banking Sector Infrastructure for Financial Stability and Customer Protection

Deposit Insurance Systems in Bangladesh

5.48 The deposit insurance is a system for providing protection to the depositors of banks. It appears to be an essential component of ensuring a sound and stable banking system while maintaining the discipline in the financial sector.

5.49 In Bangladesh, deposit insurance system (DIS) was introduced to protect the bank depositors in August, 1984 in the name of "The Bank Deposit Insurance Ordinance 1984". In

July 2000, the Ordinance was replaced by an Act called "Bank Amanat Bima Ain- 2000". In accordance with the Act, Bangladesh Bank (BB) is authorized to maintain a fund called Deposit Insurance Trust Fund (DITF). In Bangladesh, if any bank become liquidated or declared bankrupt, the DIS will follow the system of payment of compensation as per international practice or as per the law of the land. The Board of Directors of BB acts as the Trustee of the DITF.

5.50 DIS in Bangladesh is limited to Pay-Box systems. Main functions of "Bank Amanat Bima Ain-2000" carried out by BB are; to collect premium from all scheduled banks in Bangladesh, on a half-yearly basis (June 30 and December 31); invest the funds in long term(05 years and 10 years BGTB and BB Bills) and the accumulated profit of invested securities is re-invested to the mentioned instruments. In case of winding up of an insured bank, BB will take necessary steps to pay each depositor of that bank, an amount equal to his/her deposits which will not exceed BDT one hundred thousand, as per the provision of "Bank Amanat Bima Ain-2000".

5.51 It is worth mentioning that the amendment of "Bank Amanat Bima Ain-2000" as "Amanat Surokkah Ain" is under process. On this amendment the non bank financial institutions (NBFIs) will come under the umbrella of DIS along with the scheduled banks while the per depositor coverage limit will increase up to BDT 200 thousand (per bank per depositor). BB has published a circular regarding public awareness about the DIS. In addition, information in this

regard is being displayed on BB's website. Any individual or institution interested in deposit insurance system (DIS) of Bangladesh can get necessary information from BB's website. In order to cope up with the international best practices of deposit insurance, BB acts as one of the potential member of International Association of Deposit Insurers (IADI).

5.52 Credit Information Bureau (CIB) was set up in Bangladesh Bank (BB) on 18 August 1992 with the objective of minimizing the extent of default loans. CIB has been providing its online services since 19 July 2011. The New CIB Online Solution developed by BB's internal resources started its live operation on 01 October 2015. With the adoption of highly sophisticated ICT facilities the performance of the CIB services has been improved significantly in terms of efficiency and quality. The Online system of CIB is playing an important role to maintain a risk free lending procedure in the banking industry.

5.53 The CIB database consists of detailed credit information in respect of borrowers, co-borrowers and guarantors having outstanding amount of BDT 1.0 and above. The total number of borrowers was 72,49,644 at the end of June, 2023 while it was 54,71,031 during the same period of previous year. This number recorded an increase of around 33.0 percent compared with the same of previous year. The total number of classified borrowers in banks/NBFIs was 9,38,822 at the end of June 2023 which was around 32 percent higher compared with the same period of last year. In June 2022 the number was 7,08,839. The total outstanding

amount of loans and advances of the banking and non-bank financial institution stood at BDT 16,577.50 billion (including written off amount) in June 2023 which recorded an increase of around 11 percent compared with BDT 14,982.69 billion in June 2022. Furthermore, total classified outstanding amount recorded an increase of around 19.0 percent in June 2023 over the same period of last year. The classified amount (including written off) was BDT 2,257.78 billion in June 2023 while it was BDT 1,893.42 billion in June 2022.

5.54 Now all banks and NBFIs submit credit information of their borrowers monthly and 24 months credit history is available in CIB report of a borrower. In order to incorporate immediate reflection of reschedule/restructure, extension of the tenure, adjustment of a loan etc. by banks and NBFIs in anytime of a month, a system is developing named 'Real Time CIB Reporting System'. Besides, in order to allow the borrower access (individuals as well as firms) to the CIB Online database, a draft of chapter IV of Bangladesh Bank Order, 1972 has been prepared by incorporating some sub-articles to the chapter IV and by amending some sub-articles of the chapter IV. In order to enact it as law, activities related to this are going on.

5.55 Moreover, BB CIB started to develop a collateral information system in order to prepare a collateral database of immovable assets (land/building, flat, capital machineries). In this database information on collateral that is mortgaged by borrowers against sanctioned loans/advances of banking/non-banking financial institutions will be stored. The main

Table 5.14 The recent position of DITF

Particulars	Unaudited Figure (as on 31 December 2022)	Premium Rate*	Coverage Amount
Total fund	133.33 billion	---	Up to
Total time and demand liabilities	17414.59 billion		BDT 100 thousand
Total investment	133.15 billion		(per bank per
Insurable deposit	13217.94 billion		depositor)
Fully insured depositors	91%(Approximately)		
Sound bank categories	---	0.08%	
Early warning bank categories	---	0.09%	
Problem bank categories	---	0.10%	

* Effective from 2013.

Source: Deposit Insurance Department, Bangladesh Bank.

purpose of developing such a system is to prevent fraud/forgery arises from mortgaging unlawfully the same property against new loans sanctioned by banks/NBFIs. At this moment collateral data testing is under process and 34 banks/NBFIs have been selected as pilot banks to pursue data testing activities. Another initiative has been taken to establish Credit Information Bureau for Micro Finance Institutions (MF-CIB) by signing a MoU between Microcredit Regulatory Authority (MRA) and BB. Now, development of MF-CIB system has been completed. At this moment piloting of the system is going on by MRA.

Performance and Prospect of Islamic Banking system (IBS) in Bangladesh

6.01 The principles of Islamic financial system or Shariah compliance issues promote Islamic banking to implicate its operations, balance sheet structures, and risks management techniques that differ from the conventional banking. Beginning in the early 1960s Islamic banking system has underscored its potentials as an alternative financing source of economic developments and resurfaced in the modern world irrespective to the muslim and many non-muslim countries. Likewise, it has started its journey in 1983 in Bangladesh with the establishment of the first Islamic bank "Islami Bank Bangladesh Limited". Since then it has been able to expose its continued expansion aided by growing acceptance of the interest-free banking by the people in Bangladesh and continued policy supports from government and Bangladesh Bank during the last four decades.

Islamic Banking Highlights in FY23

6.02 During FY23, Bangladesh Bank (BB) has made strong role to ensure the resilience and stability of the financial sector. In the course of the period BB has played the pivotal role by supplying adequate liquidity in the financial system as well as to support the government initiatives of recovering the economy from aftermath of the COVID-19 pandemic and harrowing domestic and global adversities caused by the Russia-Ukraine war. The persisting global headwinds along with monetary tightening and exceptionally high inflationary pressure in most of the economies pose big challenges to the banking industry regardless Islamic banking sector. Despite, Islamic banks exposed mixed performance in FY23.

- Total assets of Islamic banking system increased by BDT 147.66 billion or 2.27 percent to BDT 5471.99 billion at the end of

June 2023 as compared to BDT 5324.32 billion of end December 2022.

- Total deposits of Islamic banking system increased by BDT 187.45 billion or 4.59 percent to BDT 4275.32 billion at the end of June 2023 as compared to BDT 4087.87 billion of end December 2022.
- Total Investments (loans and advances) of Islamic banking system also increased by BDT 180.59 billion or 4.29 percent to BDT 4389.53 billion at the end of June 2023 as compared to BDT 4208.94 billion of end December 2022.
- Excess liquidity of Islamic banking system decreased by BDT 51.95 billion or 57.06 percent to BDT 39.10 billion at the end of June 2023 as compared to BDT 91.05 billion of end December 2022.
- Total exports receipts by the Islamic banking system increased by USD 2911.51 million or 27.11 percent in 2022 as compared to USD 10738.92 million of 2021. It stood at USD 5341.14 million during January-June 2023.
- Total import payments through the Islamic banking system increased by USD 1217.61 million or 6.55 percent in 2022 as compared to USD 18594.33 million of 2021. It stood at USD 6898.07 million during January-June 2023.
- Total remittances mobilized by the Islamic banking system decreased by USD 1670.67 million or 23.35 percent in 2022 as compared to USD 7153.70 million of 2021. It stood at USD 2858.13 million during January-June 2023.
- Total employment generated by the Islamic banking system reached to 50019 person at the end of June 2023 from 49851 person of end December 2022.

Box 6.01 Cardinal Concepts about Islamic Banking System (IBS)

The concept of Islamic Banking System refers to the financial services in accordance with Islamic *Shariah*. The only and unique feature of Islamic Banking is *Shariah* compliance function which is essential to maintain its uniqueness of operations. Islamic banks all over the world was established with a view to promote foster and develop the application of Islamic principles in the economy and to offer contemporary financial services in conformity with Islamic *Shariah*. *Shariah* bans Riba (interest), Gharar (products with excessive uncertainty), Maysir (gambling), short-sales, as well as the financing of illicit activities harmful to society, which are strictly prohibited in the IBS. Abolition of Riba and a fixed rate of interest is replaced by a variable rate of return based on real economic activities makes it different from the conventional interest-based commercial banking.

Major Techniques of Deposit Mobilization and Financing in Islamic banking system

Deposit Mobilization Modes

a) Al-Wadeah Accounts

- i) Al-Wadeah Current Deposit Account

b) Mudaraba Accounts

- i) Mudaraba Savings Deposit Account ii) Mudaraba Term Deposit Account
- iii) Mudaraba Special Deposit Accounts iv) Mudaraba Savings Bond

Financing Modes

a) Bai-Modes

- i) Bai-Murabaha ii) Bai-Istijrar iii) Bai-Muajjal
- iv) Bai-Salam v) Bai-Istisna vi) Bai-As-Sarf

b) Share-Modes

- i) Murabaha ii) Musaraka

c) Ijara -Modes

- i) Hire Purchase under ShirkatulMelk

Distinguishing characteristics of Islamic Banking

- Interest-based lending and the financing of unethical goods and services are strictly prohibited.
- Returns on investments must be based on real economic activities and/or underlying assets and performance.
- Islamic finance discourages hoarding and prohibits transactions with extreme uncertainties, and gambling related activities.
- All financial transactions will have to be in accordance of: (a) sales of goods, services or benefits, or (b) profit and-loss sharing (PLS) arrangements, all of which must be underpinned by the “assets-backed” characteristics.
- Deposits are mobilized mainly based on the principles of Al-Wadia (safe custodianship) and Al-Mudaraba (trust financing).
- Investments or utilization of funds are made mainly on profit and-loss sharing (PLS) arrangements to foster the investors’ participation in equity, which promotes the assiduity in the investment management and proper monitoring.
- Other Islamic financial mechanisms (such as Murabaha, Ijara and Istisna) also require the involvement of investors in the real economy; as a result, financial transactions are also fully backed by real assets in all the economic transactions.
- Islamic banking emphasizes risk sharing while conventional finance put emphasis on risk transfer, which significantly restricts IBS investors from conventional hedging mechanisms.
- Islamic banking system is based on justice and risk sharing relationship in economic transactions while conventional banking is based on the debtor-creditor relationship.
- Equity-based Islamic contracts can reduce adverse selection and moral hazard problems, which thereafter, restrain the credit risk of the Islamic banks and financial institutions.
- Islamic finance upholds contractual obligations and the disclosure of information, which in turn reduces the risk of asymmetric information and moral hazard.

Evolvement and Market Share of Islamic Banking in FY23

6.03 In the face of global as well as domestic economic challenges and financial pressures, Islamic banking system showed moderate growth along with the movement of the economy. It has been reflected in the surge of its market share in most of the indicators among the total banking industry.

- It is evident from Table 6.01 that total assets of Islamic banking system stood at BDT 5324.32 billion in 2022 with an increase of BDT 430.53 billion or 8.80 percent as compared to BDT 4893.79 billion in 2021. It has also increased to BDT 5471.99 billion or 2.77 percent by the end of June 2023. The share of Islamic banking system accounted for 23.01 percent of total assets of the whole banking industry in 2022 which further increased to 23.65 percent by the end of June 2023.
- Total deposits of Islamic banking system reached to BDT 4087.87 billion in 2022 with an increase of BDT 172.74 billion or 4.41 percent as compared to BDT 3915.13 billion in 2021. It has again increased to BDT 4275.32 billion or 4.59 percent by end June 2023. The share of Islamic banking system recorded at 24.07 percent of total deposits of the entire banking industry in 2022 which slightly increased to 25.18 percent by the end of June 2023.
- Total Investments (loans and advances) of Islamic banking system stood at BDT 4208.94 billion in 2022 which went up by BDT 596.76 billion or 16.52 percent as compared to BDT 3612.18 billion in 2021. Further it has increased to BDT 4389.53 billion or 4.29 percent

Table 6.01 Industry Progress and Market Share of Islamic Banking System

Particulars	All Banks			Islamic Banks (Yearly Growth in percent)			Share in Overall Banking Industry (in percent)		
	2021	2022	2023*	2021	2022	2023*	2021	2022	2023*
Assets	20429.30	23142.80	23133.05	4893.79	5324.32	5471.99	23.95	23.01	23.65
Deposits	15181.40	16981.20	16976.10	3915.13	4087.87	4275.32	25.79	24.07	25.18
Investment	12335.20	13429.61	14909.58	3612.18	4208.94	4389.53	29.28	31.34	29.44
Gross NPLs	1032.74	1206.53	1560.39	151.85	182.70	190.72	14.70	15.14	12.22
Export** (Million USD)	38758.31	54695.37	28247.51	10738.92	13650.43	5341.14	27.71	24.96	18.91
Imports** (Million USD)	57256.41	86683.00	31708.88	18594.33	19811.98	6898.07	32.48	22.86	21.75
Remittances** (Million USD)	24777.71	21285.41	11117.44	7153.70	5483.03	2858.13	28.87	25.76	25.71
Branches	10793	10963	11177	2003	2161	2240	18.56	19.73	20.04
Liquidity excess(+) /Short fall(-)	2167.76	1445.22	1662.88	346.43	91.05	39.10	15.98	6.30	2.35
Written-off bad debts	604.97	604.02	674.41	27.99	28.21	27.21	4.63	4.67	4.04
Employment (In Person)	189161	201133	-	45260	49851	50019	23.93	24.79	-
	(16.70)	(10.14)	(0.34)						

* End June 2023, ** During January-June 2023.

Source: Data of respective banks, Bangladesh Bank (BB) Annual report, Monthly Economic Trends, Major Economic Indicator and Department of Off-site Supervision, Bangladesh Bank.

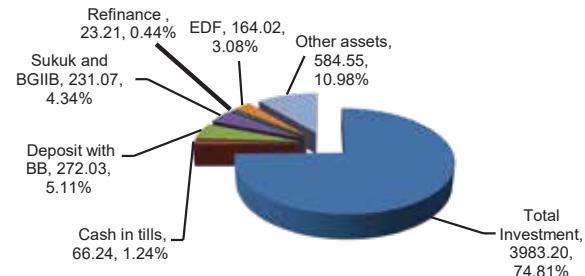
by the end of June 2023. The share of Islamic banking system accounted for 31.34 percent of total loans and advances of the whole banking sector in 2022 which somewhat declined to 29.44 percent by the end of June 2023.

- Excess liquidity of Islamic banking stood at BDT 91.05 billion in 2022 which was lower by BDT 255.38 billion or 73.72 percent than that of BDT 346.43 billion in 2021. The share of Islamic banking system accounted for 6.30 percent of total excess liquidity of the whole banking sector in 2022.
- Gross non performing investment (NPI/NPL) of Islamic banking stood at BDT 182.70 billion in 2022, which was higher by BDT 30.85 billion or 20.32 percent than that of BDT 151.85 billion in 2021. At the end of June 2023 NPI further increased and stood at BDT 190.72 billion. However, the share of Islamic banks NPI to gross total NPL of the whole banking industry declined to 12.22 percent by the end of June 2023 from 15.14 percent of end 2022.

- Total export earnings through Islamic banking system (IBS) was USD 13650.43 million in 2022 and USD 10738.92 million in 2021 which stood at USD 5341.14 million during January-June 2023. IBS earned 24.96 percent of total export proceeds out of entire banking industry in 2022 which has somewhat reduced at 18.91 percent during January-June 2023.
- Total Import payments through Islamic banking system (IBS) was USD 19811.94 million in 2022 and USD 18594.33 million in 2021 which stood at USD 6898.07 million during January-June 2023. IBS settled 22.86 percent of total import payments out of entire banking industry in 2022 which has decreased to 21.75 percent during January-June 2023.
- Total remittances mobilized by the Islamic banking system was USD 5483.03 million in 2022, which was lower by USD 1670.67 million or 23.35 percent than that of USD 7153.70 million in 2021. During January-June 2023 remittance mobilization by the Islamic banking system stood at USD 2858.13 million. Islamic banks have contributed 25.76 percent share of remittances mobilized by the banking sector as a whole in 2022 which has slightly come down to 25.71 percent during January-June 2023.
- The number of branches of Islamic banks including Islamic branches/windows of conventional commercial banks reached to 2240 at the end of June 2023 which was 2163 in 2022 and 2003 in 2021. The share of Islamic banking branches/windows represented 19.73 percent of total branch network of the entire banking industry in 2022 which enhanced to 20.04 percent by the end of June 2023.

Chart 6.01(a) Total Assets of Islamic Banks in 2022

(Billion BDT)

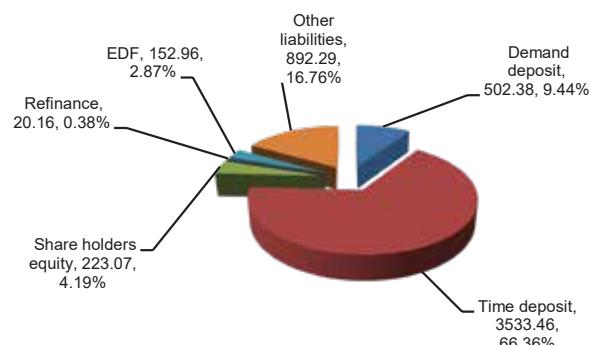


Note: Share holders' equity is only for full-fledged Islamic banks.

Source: Respective Islamic banks.

Chart 6.01(b) Total Liabilities of Islamic Banks in 2022

(Billion BDT)



Note: Share holders' equity is only for full-fledged Islamic banks.

Source: Respective Islamic banks.

Table 6.02 Capital to Risk Weighted Assets of IBS

(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Total capital	206.96	237.97	266.44	334.96	351.13	351.72
Risk weighted assets	1804.19	1950.86	2128.14	2575.94	2785.29	2987.22
Capital to risk weighted assets(ratio in percent)	11.47	12.20	12.52	13.00	12.61	11.79

* End June 2023.

Source: Data of respective banks.

- Total employment generation in the Islamic banks stood at 50019 at the end of June 2023 which was 49851 in 2022 and 45260 in 2021. Islamic banking system supported 24.79 percent of total employment creation of the entire banking industry in 2022.

Performances of Islamic Banking System in 2022

6.04 Amidst persisting heightened uncertainty in global and domestic economy the banking sector as a whole continued the efforts to augment capital and improve asset quality during the year. At the same time the performances of Islamic banking sector also remained orderly to shore up effective financial intermediation and to support the economic recovery process during 2022.

Assets

6.05 Total assets of Islamic banking system (IBS) stood at BDT 5324.32 billion in 2022 showing an increase of 8.80 percent as compared to total assets of BDT 4893.79 billion in 2021. This notable surge in assets of IBS was mainly backed by the growth in investments, which grew by 16.52 percent from the previous year's investment. Among the total assets, investment secured the highest position 74.81 percent, followed by other assets 10.98 percent, deposit with BB 5.11 percent, sukuk and BGIIB 4.34 percent, EDF 3.08 percent, cash in tills 1.24 percent and refinance 0.44 percent [Chart 6.01(a)]. At the end of June 2023, total assets of IBS stood at BDT 5471.99 billion with an increase of 2.77 percent over 2022.

Liabilities

6.06 The Islamic banks in Bangladesh started from a very limited resource base. But with the progress of time, they have shown strong performance in respect to mobilization of deposits. Total deposits of the Islamic banking system stood at BDT 4087.87 billion in 2022 which was BDT 172.74 billion or 4.41 percent higher than that of BDT 3915.13 billion in 2021. In 2022, deposits (time + demand) continued as

Table 6.03 Ratio of Gross NPIs to Total Investments of Islamic Banks
(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Total investment	2450.91	2754.27	3088.64	3612.18	4208.94	4389.53
Gross NPIs	117.44	128.95	125.82	151.85	182.70	190.72
Ratio of gross NPIs to total investments (in percent)	4.79	4.68	4.07	4.20	4.34	4.34
Gross NPI by types of Islamic banks						
Full-fledged	111.20	121.04	118.37	146.45	176.59	178.37
Branches	3.43	4.00	3.23	3.28	4.28	5.63
Windows	2.82	3.91	4.21	2.11	1.82	6.72

* End June 2023.

Source: Data of respective banks.

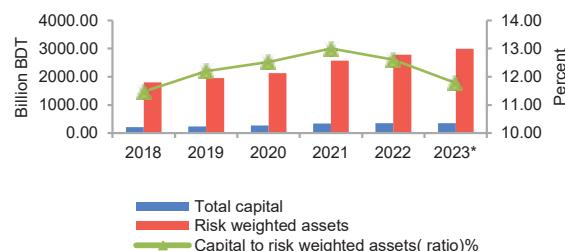
Table 6.04 Ratio of Net NPIs to Total Net Investments of Islamic Banks
(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Total net investment	2396.87	2690.14	3017.83	3529.67	4113.53	4301.12
Net NPIs	66.52	73.53	62.59	80.25	90.57	100.61
Ratio of net NPIs to total net investments (%)	2.78	2.73	2.07	2.27	2.20	2.34
Net NPI by types of Islamic banks						
Full-fledged	61.62	67.35	56.53	76.18	87.69	93.78
Branches	2.86	3.51	2.85	2.84	3.18	4.45
Windows	2.04	2.67	3.22	1.22	-0.30	2.38

* End June 2023.

Source: Data of respective banks.

Chart 6.02 Ratio of Capital to Risk Weighted Assets of Full-fledged Islamic Banks



* End June 2023.

Source: Data of respective Islamic banks.

main sources of funding of Islamic banks which stood at 75.80 percent of total liabilities. Among the total liabilities, other liabilities were 16.76 percent, shareholders' equity was 4.19 percent, EDF was 2.87 percent and refinance was 0.38 percent [Chart 6.01(b)]. At the end of June 2023, total deposits of IBS stood at BDT 4275.32 billion with an increase of 4.59 percent from end December 2022.

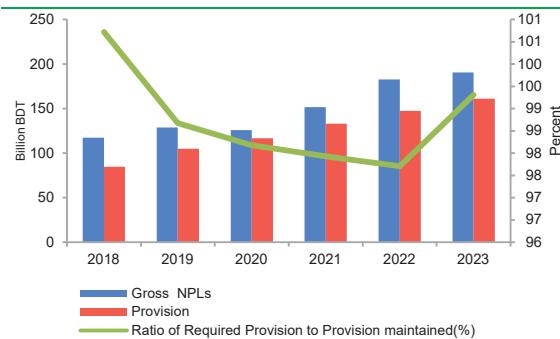
Capital Adequacy

6.07 The Capital Adequacy Ratio (CAR) ensures bank's solvency by backing risk exposure with assets. Banks that have higher capital adequacy ratios are considered to be safe and able to meet their financial obligations easily. It also helps to make sure that the entire financial system is efficient and stable. Within the framework of Basel-III standards, banks in Bangladesh are instructed to maintain a minimum capital adequacy ratio of 10.0 percent of the capital base to risk-weighted assets (RWA) or BDT 4.0 billion as capital, whichever is higher to cover credit, market and operational risks. The aggregate amount of regulatory capital of full-fledged Islamic banks stood at BDT 351.13 billion as on 31 December 2022, which increased to BDT 351.72 billion at the end of June 2023. Table 6.02 shows the capital to risk weighted assets ratio (CRAR) of Islamic banks. It is witnessed that the CRAR of full-fledged Islamic banks reduced to 12.61 percent as on 31 December 2022 from 13.00 percent of 31 December 2021. At the end of June 2023, it further reduced to 11.79 percent. The capital adequacy figure reflected only for full-fledged Islamic banks where branches and windows of conventional banks are not included.

Asset Quality

6.08 Asset quality in Islamic banking system is measured by the ratio of gross non-performing investments (NPIs) to total investments and net NPIs to net total investments. The gross NPI ratio of IBS stood at 4.34 percent at the end of June 2023 which was same at the end of December 2022. It was somewhat lower at 4.20 percent at the end of December 2021. As of June

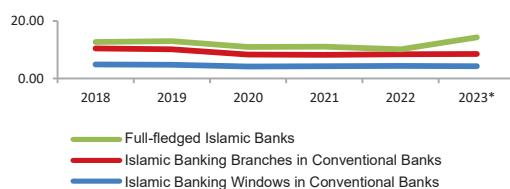
Chart 6.03 Gross NPI, Provision and Ratio of Provision Maintained to Required Provision



* End June 2023.

Source: Data of respective banks.

Chart 6.04 Ratio of Gross NPLs to Total Investments of Islamic Banks



* End June 2023.

Source: Data of respective banks.

Table 6.05 Required Provision and Provision Maintained by Islamic Banks
(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Amount of Gross NPI	117.44	128.95	125.82	151.85	182.70	190.72
Required Provision	84.26	106.56	118.94	135.89	150.80	162.41
Provision maintained	84.86	105.14	116.77	133.08	147.34	161.29
Ratio of provision maintained to required provision	100.72	98.68	98.18	97.93	97.71	99.31
Excess(+)Shortfall(-)	0.61	-1.41	-2.17	-2.81	-3.46	-1.12
Provision excess/shortfall by types of Islamic banks						
Full-fledged	0.61	-1.52	-2.46	-3.11	-3.36	-1.51
Branches	-0.02	0.01	0.06	0.05	0.00	0.05
Windows	0.02	0.10	0.23	0.25	-0.10	0.34

* End June 2023.

Source: Data of respective banks.

2023, the amount of gross NPIs of Islamic banking system was BDT 190.72 billion of which the full-fledged Islamic banks, branches and windows of conventional banks were BDT 178.37 billion, BDT 5.63 billion and BDT 6.72 billion respectively (Table 6.03). As of June 2023, the amount of net NPIs of Islamic banking

system was BDT 100.61 billion of which the full-fledged Islamic banks, branches and windows of conventional banks were BDT 93.78 billion, BDT 4.45 billion and BDT 2.38 billion respectively. The ratio of net NPIs (net of provisions and profit suspense) to net total investment (net of provisions and profit suspense) of the Islamic banking system decreased to 2.20 percent at the end of December 2022 (Table 6.04) from 2.27 percent of end December 2021 but it has increased to 2.34 percent at the end of June 2023. Table 6.05 shows the aggregate amount of NPIs, the required provision and the actual provision maintained by the Islamic banking system from 2017 to 2023. It is observed that in 2022 aggregate provision maintained by the Islamic banking system was lower than the required provision which was also lower in 2021. At the end of June 2023, the ratio of required provision to provision maintained stood at 99.31 percent. Banks may now write off bad/loss investments (loans) complying with the conditions covered by the new policy guidelines of BB introduced in February 2019. The cumulative amount of written-off investments by the full-fledged Islamic banks, branches and windows of conventional banks are shown in Table 6.06.

Management Soundness

6.09 Banks rely on the public trust in relation to performing its activities. Therefore the management soundness of the bank must be at its best level. Maintaining the trust means maintaining the management soundness, which includes continuously improving the management standards. Although there is no direct means to measure management soundness but total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per

Table 6.06 Written-off Bad Debts (Investment) of Islamic Banks

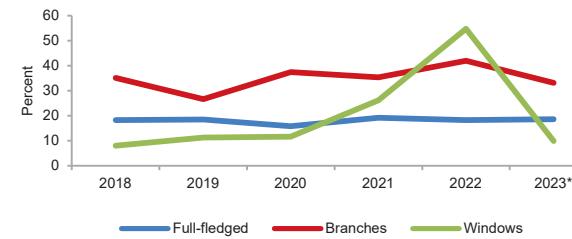
(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Total bad debts	120.28	120.12	122.84	143.50	146.00	145.95
Written-off bad debts	22.15	22.30	19.88	27.99	28.21	27.21
Ratio written-off bad debts to total bad debts (%)	18.42	18.56	16.18	19.51	19.32	18.65
Written-off bad debts (investment) in percentage by types of Islamic banks						
Full-fledged	18.22	18.52	15.87	19.15	18.32	18.61
Branches	35.17	26.59	37.42	35.35	41.94	33.19
Windows	8.09	11.34	11.64	26.23	54.77	9.95

* End June 2023.

Source: Data of respective banks.

Chart 6.05 Written-off Bad Investment to Total Bad Investment



* End June 2023.

Source: Data of respective banks.

Table 6.07 Expenditure-income Ratio of Islamic Banks

(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Total income	224.40	255.92	254.08	265.39	317.73	172.95
Total expenditure	164.82	192.01	202.42	204.46	245.02	139.26
Ratio of expenditure to income (%)	73.45	75.03	79.98	77.04	77.12	80.52
Ratio of expenditure to income by types of Islamic banks						
Full-fledged	74.28	75.08	79.98	78.05	78.15	81.86
Branches	62.63	62.67	62.57	51.64	54.83	53.16
Windows	68.19	79.80	83.20	70.58	67.90	70.74

*End June 2023.

Source: Data of respective banks.

Table 6.08 Profitability ratio (ROA) of Islamic Banks

(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Net income	21.42	20.86	22.23	24.87	28.86	16.58
Total assets	2972.61	3402.95	3925.58	4683.71	5297.67	5462.12
ROA	0.72	0.61	0.57	0.53	0.54	0.30
ROA by types of Islamic banks						
Full-fledged	0.59	0.51	0.47	0.43	0.48	0.25
Branches	3.66	2.85	2.74	2.83	1.52	1.19
Windows	1.26	1.03	0.77	1.36	1.51	0.76

*End June 2023.

Source: Data of respective banks.

employee and profit rate spread are generally used to determine the management soundness of a financial institution. In addition, Shariah compliance issues with other Islamic banking laws and regulations are considered as the vital baton to measure the quality of management of Islamic banks. The expenditure to total income (EI) ratio

of the Islamic banking system improved to 77.12 percent at the end of December 2022 from 77.04 percent at the end of December 2021 (Table 6.07). It has further increased to 80.52 percent at the end of June 2023. As evident from the table, the EI ratio of full-fledged Islamic banks was 78.15 percent, the highest among the Islamic banking system in 2022. The EI ratios of the branches and windows were 54.83 and 67.90 percent respectively at the end of December 2022.

Earnings and Profitability

6.10 Return on assets (ROA), return on equity (ROE) and net profit margin (NPM) are the most typical and widely used technique to determine the earnings and profitability of a bank. Earnings might vary among different types of bank measured by using ROA and ROE. The ROA of Islamic banking system slightly increased in 2022 (0.54 percent) as compared to 2021 (0.53 percent). But at the end of June 2023 it declined to 0.30 percent. Among the Islamic banking system, ROA of the branches was the highest (1.52 percent), followed by windows (1.51 percent) and full-fledged (0.48 percent) in 2022 (Table 6.08). Table 6.09 presents the ROE of the full-fledged Islamic banks. It shows that ROE was in mix trend during 2018 to 2023. In 2022, it stood at 10.65 percent. Branches and windows of Islamic banks have no ROE due mainly to lack of shareholder's equity. Net profit margin of the Islamic banking system stood at 1.27 percent in 2022 which was 1.52 percent in 2021 (Table 6.10). The net profit margin for Islamic banks further slowed down at the end of June 2023. Individually the net profit margin for full-fledged, branches and windows were 1.22, 2.00 and 2.27 percent respectively in 2022.

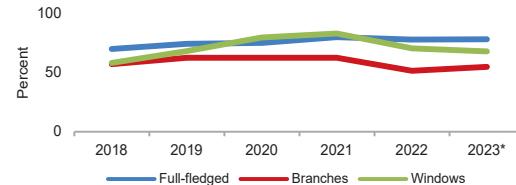
Table 6.09 ROE for Full-fledged Islamic Banks
(In billion BDT)

Particulars	2018	2019	2020	2021	2022	2023*
Net income	15.87	15.65	16.91	18.88	23.64	12.47
Shareholders' equity	144.06	155.63	167.03	201.62	221.87	227.48
ROE	11.02	10.05	10.12	9.36	10.65	5.48

* End June 2023

Source: Data of respective banks.

Chart 6.06 Expenditure-income Ratio of Islamic banks



* End June 2023.

Source: Data of respective banks.

Liquidity

6.11 Like conventional banks, Islamic banks are also exposed to liquidity risks and need robust liquidity management capacity to mitigate these risks to exploit investment opportunities. The level of liquidity influences the ability of a banking system to withstand shocks. In case of Islamic banks, investment-deposit ratio and statutory liquidity ratio show the real picture of liquidity of this sector. Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are also used to evaluate bank's strength to survive in any liquidity strained situation.

i) At present, Islamic banks like other scheduled banks are required to maintain cash reserve ratio (CRR) bi-weekly 4.0 percent against their average total demand and time liabilities (ATDTL) of the preceding two months with an obligation to maintain daily minimum of 3.5 percent. The statutory liquidity ratio (SLR) for the Islamic banks is 5.5 percent of their ATDTL of the preceding two months. The SLR eligible assets as percentage of ATDTL of Islamic banks are shown in Table 6.11.

ii) Investment-deposit ratio (IDR) of the Islamic banking system stood at 91.28 percent at the end of June 2023 against their prudential IDR limit of 92 percent (Table 6.12).

iii) The liquidity coverage ratio (LCR) promotes the short-term resilience of a bank's liquidity risk profile by ensuring that they have sufficiently high quality liquid asset (HQLA) to survive a significant stress scenario lasting 30 calendar days. As on 30 June 2023, LCR of Islamic banks was 152.37 percent (against minimum requirement of 100 percent), indicating that banks had a reasonable buffer of high quality assets to cover the cash outflow for a minimum of next 30 calendar days under stressed scenario (Table 6.12).

iv) The net stable funding ratio (NSFR) requires maintaining a stable funding profile in relation to bank's off-balance sheet assets and liabilities. The NSFR of the Islamic Banks was 109.71 percent in June 2023 indicating that banks were also more dependent on stable funding rather than volatile funding to expand their business activities. As on 30 June 2023, the overall Islamic banks faced a shortage of CRR against their required rate but they maintained SLR higher than the required rate (Table 6.12).

Outreach of Islamic Banking System

6.12 The Islamic Banking sector in Bangladesh is structured with a composition of 10 full-fledged Islamic banks having 1659 branches out of total 11177 branches of the whole banking sector. In addition, 39 Islamic banking branches of 14 conventional commercial banks and 542 Islamic banking windows of 16 conventional commercial banks were also providing Islamic financial services in Bangladesh as of end June 2023. The Islamic banking services networks through branches have been consistently

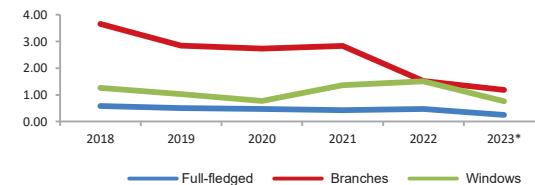
Table 6.10 Net Profit Margin of Islamic Banks

Particulars	2018	2019	2020	2021	2022	2023*
Net profit income	48.57	51.90	49.44	58.00	55.81	30.35
Profit earning assets	2463.07	2853.93	3183.56	3804.87	4388.04	4542.39
Profit margin (ratio)%	1.97	1.82	1.55	1.52	1.27	0.67
Profit margin ratio by types of Islamic banks						
Full-fledged	1.91	1.78	1.51	1.44	1.22	0.61
Branches	5.03	4.14	3.99	4.32	2.00	1.76
Windows	1.50	1.29	1.01	1.99	2.27	1.14

* End June 2023.

Source: Data of respective banks.

Chart 6.07 ROA by Types of Islamic Banks



* End June 2023.

Source: Data of respective banks.

Table 6.11 SLR Eligibility Assets as Percentage of ATDTL of Islamic Banks

Particulars	2018	2019	2020	2021	2022	2023*
SLR eligibility assets	361.79	471.88	720.87	731.54	437.99	313.01
Total ATDTL	4214.27	4920.03	5602.46	6425.69	6655.71	6754.83
SLR eligibility assets as percentage of ATDTL	8.58	9.59	12.87	11.38	6.58	4.63
Liquidity maintained	372.13	497.17	746.75	786.36	443.71	310.70
Liquidity excess(+)/Shortfall(-)	10.34	25.29	25.88	54.83	5.72	-2.32

* End June 2023.

Source: Data of respective banks.

increased over time. The number of Islamic banking branches (including Islamic branches and windows of conventional banks) stood at 2163 in 2022 which was 2003 in 2021. At the end of June 2023, it reached at 2240 of which, 10 full-fledged Islamic banks have 1659 branches, with a combination of 956 in urban and 703 in rural areas; 14 conventional commercial banks have 39 branches (32 in urban and 7 in rural areas) and 16 conventional banks have 542 windows, (334 in urban and 208 in rural areas) which is shown in Table 6.13.

Foreign Exchange Trading and Remittances Mobilization by Islamic Banking System

6.13 The Islamic Banking sector has made tangible contributions to the foreign exchange trading in Bangladesh by serving in import finance, export receipts and remittance mobilization.

Imports

6.14 Total imports (L/C settlement) through Islamic banking system was USD 19811.94 million in 2022 which was USD 18594.33 million in 2021. Among these, full-fledged Islamic banks settled USD 18437.19 million, while Islamic branches and windows in conventional banks settled USD 849.05 million and USD 525.70 million, respectively in 2022. During January-June 2023, total import payments of IBS recorded at USD 6898.07 million (Table 6.14).

Exports

6.15 In 2022 total export receipts by Islamic banking system was USD 13650.43 million which was USD 10738.92 million in 2021. The full-fledged Islamic banks fetched USD 12955.37 million, while Islamic banking branches and windows in conventional banks fetched USD 448.64 million and USD 246.42 million respectively in 2022. During January-June 2023, total export receipts of IBS stood at USD 5341.14 million (Table 6.15).

Remittances Mobilization

6.16 Total inward remittances mobilized through Islamic banking system stood at USD 5483.03 million in 2022 which was USD 7153.70 million in 2021. The full-fledged Islamic banks alone mobilized USD 5408.14 million and Islamic banking branches and windows in conventional banks contributed USD 49.84 million and USD

Table 6.12 Liquidity information of Islamic Banks*

Indicators	Required (%)	Maintained (%)
LCR	100	152.37
NSFR	100	109.71
CRR	3.50	1.61
SLR	5.50	6.22
IDR	92	91.28

* End June 2023.

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

Table 6.13 Branches and Windows of Islamic Banking System

Types of banks	Items	2018	2019	2020	2021	2022	2023*
Branches	Total	1188	1266	1306	1590	1654	1659
	Urban	687	732	762	937	953	956
	Rural	501	534	544	653	701	703
	Total	21	23	23	25	39	39
	Urban	18	20	20	22	32	32
	Rural	3	3	3	3	7	7
Windows	Total	29	59	165	388	470	542
	Urban	29	59	156	258	310	334
	Rural	0	0	9	130	160	208
	Total	1238	1348	1494	2003	2163	2240
	Urban	734	811	938	1217	1295	1322
	Rural	504	537	556	786	868	918

* Up to end June 2023.

Source: Data of respective banks.

Table 6.14 Imports by Islamic Banking System

Types of banks	2018	2019	2020	2021	2022	2023*
Full-fledged	11235.80	11603.28	10620.16	17324.40	18437.19	6219.82
Branches	596.26	589.56	558.13	897.48	849.05	314.06
Windows	114.49	111.62	135.49	372.45	525.70	364.19
Total	11946.55	12304.45	11313.79	18594.33	19811.94	6898.07

* During January-June 2023.

Sources: Data of respective banks.

Table 6.15 Exports by Islamic banking System

Types of banks	2018	2019	2020	2021	2022	2023*
Full-fledged	7668.90	7525.31	7120.07	10155.77	12955.37	5082.65
Branches	269.59	279.28	247.05	402.71	448.64	144.84
Windows	21.52	41.56	63.95	180.44	246.42	113.65
Total	7960.00	7846.15	7431.07	10738.92	13650.43	5341.14

* During January-June 2023.

Sources: Data of respective banks.

25.05 million respectively in 2022. During January-June 2023, total remittances mobilized by IBS stood at USD 2858.13 million (Table 6.16).

CSR Initiatives of Islamic Banking System

6.17 Corporate social responsibility (CSR) influences an organization's decision on its ethical and social need approaches in corporate practices and is also important for sustaining

long-term development. Presently, Islamic banking sector is seizing near about 30 percent of the total banking industry in Bangladesh and is contributing to the socio-economic and environmental development of the country through its CSR activities. Total expenditure on CSR activities of the Islamic banking sector stood at BDT 5.85 billion in 2022 which was BDT 3.53 billion in 2021. Up to end of June 2023, the CSR expenditure in IBS stood at BDT 2.01 billion (Table 6.17).

Islamic Financial Instruments for Liquidity Management in Bangladesh

6.18 Contrasting conventional banks, BB has a very limited policy instrument and financial product for Islamic banks to manage its liquidity. These are the eligible securities available for Islamic banks in Bangladesh for maintaining SLR. The Islamic banks maintain their SLR at a concessional rate compared with the conventional banks in the absence of enough Shariah-compliant SLR eligible instruments in the market. Presently BB has the following instruments to manage liquidity in the Islamic banking sector.

Bangladesh Government Islamic Investment Bond (BGIIB)

6.19 Bangladesh Government has introduced a Mudaraba Bond named "Bangladesh Government Islamic Investment Bond in October 2004 with a view to mitigating the long-felt need for a Shariah-based monetary instrument which can be used as an approved security for the purpose of maintaining the SLR as well as providing an outlet for investment or procurement of funds by the Islamic banks. As per rules, Bangladeshi institutions, individuals and non-resident Bangladeshis who agree to share profit or loss in accordance with Islamic Shariah may invest in this bond. The operation of 6-month

Table 6.16 Remittance Mobilization by Islamic Banking System

Types of banks	2018	2019	2020	2021	2022	2023*
Full-fledged	3876.48	4079.41	6256.76	7074.98	5408.14	2802.72
Branches	61.03	53.81	55.34	49.13	49.84	44.06
Windows	3.85	6.54	14.27	29.59	25.05	11.36
Total	3941.36	4139.76	6326.37	7153.70	5483.03	2858.13

* During January-June 2023.

Sources: Data of respective banks.

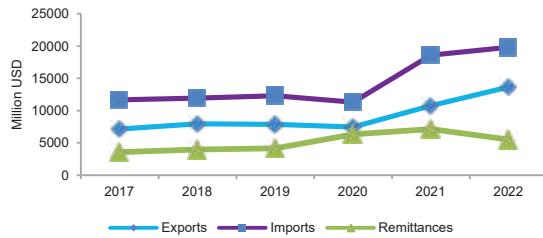
Table 6.17 Expenditures on CSR Activities by Islamic Banks

Types of banks	2018	2019	2020	2021	2022	2023*
Full-fledged	4.04	2.69	3.22	3.25	5.35	1.80
Branches	0.25	0.15	0.18	0.25	0.50	0.20
Windows	0.010	0.014	0.205	0.020	0.003	0.003
Total	4.30	2.85	3.61	3.53	5.85	2.01

* Up to June 2023.

Sources: Data of respective banks.

Chart 6.08 Export, Import and Remittances of Islamic Banking System



Source: Data of respective banks.

BGIIB was introduced in FY04 and 3-month BGIIB was introduced in January 2015. Currently 3-month and 6-month maturity BGIIBs are operated in accordance with the rules of Islamic Shariah. As of end June 2023 the total sale against this bond stood at BDT 81.36 billion while total amount of financing stood at BDT 72.04 billion and net balance against the BGIIB stood at BDT 9.32 billion. As of end June 2022 the total sale of BGIIB was BDT 86.64 billion and the financing was BDT 33.49 billion and net balance was BDT 53.14 billion. The sale amount of BGIIB decreased slightly in FY23, whereas the financing against BGIIB increased by a big margin during the period under report (Table 6.18).

Bangladesh Government Investment Sukuk (BGIS)

6.20 Bangladesh Government issued the maiden investment Sukuk for raising funds aiming at implementing a project titled ‘Safe Water Supply for the Whole Country’ on 28 December 2020. The nature of this Sukuk is Ijara. There are usually three parties involved in an Islamic Sukuk termed as originator, special purpose vehicle (SPV) and Investors. The government is the originator of the Sukuk. Bangladesh Bank acts as a SPV. Investors are receiving profit of 4.69 percent on their aggregate investment in the Sukuk bond. Profits are paid on half yearly basis. Debt Management Department (DMD) of BB fixed the rental rate based on the rate of 06 Month Bangladesh Government Islamic Investment Bond. The predetermined rental rate gives a higher profit than the yield of T-bills and bonds and carries a lower investment risk. As per existing rules, the Shariah-based Islamic banks, NBFIs and insurance companies are eligible to get 70.0 percent of Sukuk certificate, while, the conventional banks and other financial institutions are entitled to receive 15.0 percent of the bonds. Besides, 10.0 percent of the BGIS are sanctioned to Islamic branches and windows of the conventional banks, and individual investors are eligible to get the remaining 5.0 percent of the bond. The Sukuk certificates held by banks and financial institutions on their own account also qualify as approved securities for the central bank’s SLR requirement. First auction of Sukuk (5 Years Bangladesh Government Investment Sukuk) was held on 28 December 2020. As per the latest available information, total outstanding amount of BGIS was BDT 180 Billion at end June 2023 (Table 6.19).

Table 6.18 Bangladesh Government Islamic Investment Bond

Particulars	FY20	FY21	FY22	FY23
i. Sale of BGIIIB	131.88	170.21	86.64	81.36
ii. Financing against BGIIIB	67.82	12.74	33.49	72.04
iii. Net balance	64.06	157.47	53.14	9.32

Source: Debt Management Department (DMD) and Motijheel Office of Bangladesh Bank.

Table 6.19 Bangladesh Government Investment Sukuk (BGIS)

Auction Date	28 December 2020	09 June 2021	29 December 2021	19 April 2022
No of bid received	39	67	34	19
Face value of bid received	151.53	327.26	233.04	123.06
No of bid accepted	39	67	34	19
Face value of bid accepted	40.00	40.00	50.00	50.00
Weighted average profit rate (%)	4.69	4.69	4.65	4.75
Outstanding on issue date	40.00	80.00	130.00	180.00

Source: Debt Management Department (DMD), Bangladesh Bank.

Islamic Inter-bank Fund market

6.21 On 27 December 2011, an Islamic Interbank Fund Market (IIFM) was introduced for integration of liquidity management of Islamic banking sector. Islamic banks and branches or windows of conventional scheduled banks can transfer their fund to Islamic Bond Fund (IBF) daily after their investment. IBF acts as a custodian; profit on investment are distributed among recipients of funds on daily basis temporarily which are adjusted on annual (January-December) final rate of profit announced by recipient of funds. Providers of funds do not receive any profit if the fund is not invested. All transactions are accomplished on the basis of Mudaraba. Recipient of funds (Islamic Shariah based schedule banks and branches or windows of conventional scheduled banks) receive it depending on availability according to profit sharing ratio (PSR) determined by IBF. Period of received funds is for 1(one) day (overnight), but in case of holiday this duration can be extended to the nextworking day. Islamic inter-bank fund market

has been established in resemblance with the call money market for conventional banks to eliminate temporary and short term liquidity mismatch of Islamic banks. However, this fund market is not yet active as per expectation. Islamic banks are not participating in this market due to lower yield rates which will have to be solved duly by proper activation of the market.

Islamic Banks Liquidity Facility (IBLF)

6.22 The Islamic Banks Liquidity Facility (IBLF) is a liquidity support facility for the Shariah-based banks under the Mudarabah contract where Bangladesh Bank acts as the investor and other banks act as the investment manager under an agreed Profit Sharing Ratio (PSR). The profit rate is calculated by considering 03(three) months MTDR (Mudaraba Term Deposit Receipt) rate of the respective bank. The tenure is fixed for 14 days. The collateral for availing of the IBLF is the unencumbered Bangladesh Government Investment Sukuk (BGIS). The applicable haircut of the collateral security for IBLF will be 5 percent of it's face value, and the institutions will be eligible to receive interim profit from BGIS used as collateral for IBLF. At the end of FY23, the volume of IBLF stood at BDT 960.42 billion, which was slightly lower compared to the offered amount of BDT 973.37 billion. The expected profit rate (EPR) ranges from 5.60 to 7.50 percent during the whole financial year.

Mudarabah Liquidity Support (MLS)

6.23 The MLS is formed under Mudarabah contract to Shariah based banks where Bangladesh Bank acts as the investor and other bank acts as the investment manager under an agreed Profit Sharing Ratio (PSR). Under MLS, Shariah based banks will be eligible to claim the liquidity support against remittance incentives,

financial stimulus packages or other incentives facilities. The tenure of the MLS will be 07, 14 and 28 days. The expected profit rate will be measured on the basis of prevailing 03 months MTDR (Mudarabah Term Deposit Receipt) rate of the respective bank. In FY23, a single MLS auction was held where the volume of MLS resembled as BDT 1.99 billion and no further auction was held during the whole financial year.

Potential Islamic Instruments for strengthening Monetary Policy in Bangladesh

6.24 Due to lack of Shariah-compliant securities, sometimes Islamic banks have been experiencing surplus liquidity situation. Excess liquidity in the Islamic banking system stood at BDT 91.05 billion in 2022 which was 6.30 percent of total excess liquidity of the banking industry as a whole. Currently Islamic banks can invest only in BGIB and BGIS, but its returns are not very much impressive. On the other hand, the objective of introducing BGIB remains unachievable since the government is not using the fund proceeds to meet its normal budgetary requirements. As a result, Islamic banks are facing systemic restricted funding situations and limited portfolio management options. From BB's viewpoint, such limitations may pose severe bottlenecks to the transmission of monetary policy decisions aimed at price stability and financial stability. Liquidity management is the important process of determining the optimum level of operating target as part of the overall monetary management strategy. Hence, additional Shariah-compliant instruments like short-term or medium-term Sukuk or a variety of short-term Islamic bonds are required to develop for efficient management of the liquidity of Islamic banking sector. In this regard, the following

potential *Sharia'h*-compliant instruments can be considered to be introduced by BB, Government and all other respective stakeholders: (i) Non-tradable 'Bangladesh Government Islamic Treasury Bill' (BGITB), (ii) Islamic Repo and Reverse Repo: Outright Purchases/Sales of BGIS, (iii) Unrestricted Wakalah as an alternative to Repo and Reverse Repo, (iv) Bangladesh Bank Musharaka Certificates, (v) Interbank Mudarabah Placements, (vi) Commodity Murabahah, (vii) Central Bank Wadiyah (Trust) Certificate/Deposit, (viii) Central Bank Paper, (ix) Government paper and (x) Islamic Repurchase Agreements or sale and buyback etc.

Supervision in Islamic Banking System

6.25 Effective prudential supervision is highly necessary in Islamic Banking framework as like conventional banking to ensure the safety and soundness and help in reducing risks to the stability of the financial system. Compliance with the Basel Core Principles is also important for effective supervision of Islamic banks. The conduct of Islamic banking supervision needs to be undertaken in such a manner that addresses its special characteristics, inherent challenges and risks.

6.26 The Department of Banking Inspection 6 and 7 (DBI- 6 and 7) in BB are delegated with the responsibility of supervising the performances of 10 full-fledged Islamic banks and Islamic banking branches and windows of the conventional schedule banks with special emphasis on regulatory, supervisory, and Islamic Shariah compliances. These departments are conducting different types of onsite inspections which are described below:

- Based on data of 31st December Quick Summary Inspection is conducted in each

year. Asset quality, calculation of required provision and accuracy of income-expenditure of the banks are verified in this inspection.

- Comprehensive inspection is conducted on the head offices and branches of the banks which are inspected during quick summary inspection. The overall performances of the banks (such as capital adequacy, asset quality, management competence, earnings, liquidity, etc.) are evaluated in a comprehensive inspection and banks are rated from "1" to "5" scale in ascending order based on the evaluation. Small branches are inspected as on 30th September each year.
- 30th June based core risk inspection consists of Asset-Liability Management (ALM), Investment Risk Management (IRM), Internal Control and Compliance (ICC) risk and ICT security risk are conducted on head offices and branches of banks.
- In order to review the accuracy of the statement of Internal Capital Adequacy Assessment Process (ICAAP) of banks, the departments carried out supervisory review evaluation process (SREP) inspection on the head offices of the banks.
- Self-assessment of anti-fraud internal control inspection and AML inspection are also conducted.
- Shariah compliance is also examined based on principles of Islamic Shariah and guidelines on Islamic banking (BRPD circular no-15/2009) in quick summary inspection as well as comprehensive inspections of banks and their selected branches. Income filtering based on Islamic Shariah principles is also ensured. The internal Shariah audit conducted

Box 6.02 Shariah Non-Compliance Risk and Its Mitigation in Islamic Banking

Islamic banking system have been able to establish their foothold in the global financial industry owing to the *Shariah*-compliant nature of their products. This gives them legitimacy amongst the global Muslim populace because the profit-and-loss-sharing characteristic of products that provides an alternative to the fixed-interest (*Riba*) based products offered by conventional banks. Islamic banking products, however, have also brought to the forefront a new type of risk that the regulators and the banks themselves have to fairly manage. The new risk is the *Shariah* non-compliance risk (SNCR).

SNCR is the risk that an Islamic financial institution faces when the intuitions violate *shariah* laws, regulations, and procedures thus incurring financial and reputational losses. It is a component of the operational risk. According to the definition of Islamic Financial Services Board (IFSB), SNCR is the risk of loss that arises from the “failure of the Islamic Banks (IBs) to comply with the *Shariah* rules and principles determined by the Shariah board or the relevant body under which jurisdiction the IBs are operated”. Hence, *Shariah* non-compliance risk in Islamic finance and legal documentations is a very vital issue, which might lead to serious financial implication rendering the financial contract invalid. This *Shariah* non-compliance risk may trigger the illegitimacy of the income generated by the Islamic banks. Therefore, understanding the *Shariah* requirements in Islamic banking facilities and legal documentations are crucial. In the context of increasing size of the Islamic banking sector, nature of its operations, and diversified portfolio of products and services it uphold that IBs should broaden their focus on management of SNCR.

Bangladesh Bank has explained the *Shariah* compliance issues of the Islamic banks' at Section III of the Islamic Banking Guidelines issued in 2009. BB enunciated the responsibility for *Shariah* Compliance on the board of directors of the respective banks to ensure that the activities of the banks and their products are *Shariah* compliant. The Board of the Islamic banks/ subsidiary company/conventional commercial banks having Islamic branches and windows, therefore, will have to constitute with directors having requisite knowledge and expertise in Islamic Jurisprudence. The Board may form an independent *Shariah* Supervisory Committee (SSC) with experienced and knowledgeable persons in Islamic Jurisprudence. However, the Board shall be responsible for any lapses/irregularities on the part of the *Shariah* Supervisory Committee. Islamic banks and conventional banks having Islamic banking windows and branches should give ultimate importance on the following risk areas and mitigation measures.

Risk Areas	Mitigation Measures
<i>Shariah</i> Parameters for Contract	Islamic financial contracts must be free from <i>Riba</i> , <i>Maysir</i> , <i>Gharar</i> , <i>Darar</i> , <i>Ghubn</i> , <i>Deception</i> , <i>Inequality</i> , <i>Duress</i> , Combination of contracts etc.
The Subject Matter of a Contract (goods and price)	The subject matter must be known to both parties. Capability of the subject matter to be handed over, presence of the subject matter at the time of contract, the price should be determined and known. The price should be defined in its types, nature, and norm, such as commodities or cash.
Compliance of Structure & Processes of Contract	Uncertainty (<i>gharar</i>) in price/rebate/compensation/fee disputes vs. <i>Shariah</i> compliance status of advertisement, illustration/ materials/forms/documentation should be used in offering products and services.
<i>Shariah</i> Operational Risk	Ensure the availability and existence of underlying assets during the execution of contract for Islamic products. Non-genuine sell and buy transaction by commodity vendors that may lead to invalid contracts for commodity <i>Murabaha</i> products.
Adequacy of <i>Shariah</i> Governance	Presence of <i>Shariah</i> Supervisory Committee or regular <i>Shariah</i> review function to conduct compliance review of operations to ensure <i>Shariah</i> compliance.
<i>Shariah</i> Governance Risk	Strong identification of all sorts of <i>Shariah</i> risk faced by the banks. Non-identification or incomplete identification of <i>Shariah</i> risk, resulting in poor mitigation.
Understanding of <i>Shariah</i> compliance risk	Islamic Financial Institutions (IFIs) should provide <i>Shariah</i> compliance training to all employees and their stakeholders to ensure that everyone understands their responsibilities and obligations.
Technological compliance risk	IFIs should use technology to improve compliance, such as by implementing <i>Shariah</i> monitoring software, automating compliance reporting, and using data analytics to identify potential compliance risks.

by Internal *Shariah* Audit Department of respective banks is also scrutinized.

Besides, on the request of different departments, special inspections are conducted upon necessity. Compliance and implementation progress of the recommendations made in the inspection reports of bank branches and head offices are also monitored in a regular basis.

BB's Initiatives for Development of Islamic Banks and *Shariah* Based Financial Institutions during FY23

6.27 BB has taken various initiatives for developments of financial sector as a whole during FY23. Major initiatives undertaken for improvement of Islamic banks and *Shariah* based financial institutions are:

- In order to maintain required momentum in financial activities by keeping all businesses in operation including manufacturing and service sectors, BB has introduced new loan repayment schedule and policy guidelines for all scheduled banks including Islamic banks considering the difficulties faced by the borrowers due to price hike of all commodities caused by prolonged global war situation (BRPD Circular No. 11, Dated: 20/06/2023).
- For ensuring efficient debt management and to introduce a market based interest/profit rate system for bank loans BB has introduced the following guidelines:
 - i) A reference rate determined by Bangladesh Bank on the basis of the market interest of 182-days Treasury Bills is called SMART (Six-Months Moving Average Rate of Treasury Bill). This SMART rate is determined by the Debt Management Department of BB and published on the BB website on the first working day of every month.
 - ii) Banks were allowed to add maximum 3% margin with SMART to determine their interest/profit rate of loans.
 - iii) In case of Agricultural and rural credit maximum 2% margin can be added with SMART.
 - iv) In case of CMSME, personal and auto loans under consumer financing, banks can be charged 1% supervision charge in addition with the above interest/profit rate on yearly basis.
- Along with all scheduled banks, *Shariah* based Islamic banks may follow the said margin in their investments (BRPD Circular No. 09, Dated: 19/06/2023).
- Government issued 5-years *Izara Sukuk* amounted BDT 80 billion for "safe water supply in the whole country" on 23 December 2020 which was tradable only at the face value. Now BB has allowed to trade it in the secondary market at an agreed price according to the conditions of the prospectus as the project has already been implemented of its one-third portion (DMD Circular Letter No-04, Date: 30/04/2023).
- In order to continue the ongoing expanding trend of the country's export-oriented industry, an Export Facilitation Pre-financing Fund (EFPF) amounting BDT100.00 billion is introduced for liquidity support of this sector. In this regard, all scheduled banks including Islamic banks have been suggested to follow the guidelines issued through BRPD (BRPD Circular Letter No-11, Date: 25/4/2023).
- It is observed that Export Development Fund (EDF) loans are not being realized in accordance with the instructions. In this situation, BB has decided that penal interest

(compensation in case of *Shariah*- based Islamic banking) will be charged by Bangladesh Bank to ADs at 4.00% p.a. above the prevailing interest rate on overdue amount of EDF loans for the delayed period (FE Circular No. 05, Dated: 19/03/2023).

- With a view to ensure financial stability and resilience of the Islamic Banks, BB has introduced a new *Shariah* compliant financial instrument namely ‘Mudarabah Liquidity Support (MLS)’ for the Islamic Banks in Bangladesh. Under MLS, *Shariah* based banks will be eligible to claim the liquidity support against remittance incentives, financial stimulus packages or other incentive facilities. The tenure of the MLS will be 07, 14 and 28 days (DMD Circular No-02, Date: 05/02/2023).
- Instruction has been given that selected small default loans amounting up to Taka 500000/- in agriculture and CMSMEs may be write-off without filing any case according to the Artha Rin Adalat Ain, 2003, if it is not necessarily prosecutable. Islamic *Shariah*-based banks may take necessary measures following the mentioned principles in their investment. Other instructions mentioned in BRPD Circular No-01/2019 should be ensured (BRPD Circular No-01, Dated; 05/01/2023).
- Bangladesh Bank has established an export-oriented revolving pre-financing fund named “Export Facilitation Pre-financing Fund” (EFPF) containing 100.0 billion Taka out of its own fund for supporting import/local procurement of raw materials for production of export-oriented industries. All Scheduled banks including Islamic banks may join in the participation agreement by following terms and conditions (BRPD Circular No-01, Dated: 05/01/2023).
- Bangladesh Bank has introduced an agricultural fund named “Bangladesh Bank Agriculture Development Common Fund (BBADCF)” with the undisbursed amount of bank’s yearly agricultural loan disbursement target to promote the agricultural production by investing the fund. All scheduled banks including *Shariah* based Islamic banks may avail the fund by following the terms and conditions (ACD circular No. 08, Dated-19/12/2022).
- BB has established a fund titled Green Transformation Fund (GTF) of BDT 50 billion with its own fund to establish a green economy in the country to fast-track the sustainable growth in export and manufacturing oriented industries. All scheduled banks including Islamic banks may avail this fund by following the terms and conditions (SFD Circular No. 07, Dated 07/12/2022).
- BB has introduced a 14 days term liquidity facility for Islamic banks named “Islamic Banks Liquidity Facility (IBLF)” in order to strengthen the Islamic financial system and proper liquidity management of Islamic *Shariah* based banks (DMD circular No. 03, Dated 05/12/2022).
- In order to augment the Prime Minister's Education Assistance Trust, it has been decided to provide grants to the said fund at the rate of 5 percent of the amount allocated to the Corporate Social Responsibility sector every year by the scheduled banks and financial institutions (SFD Circular Letter No-06, dated-29/11/2022).

- New directions have been issued to simplify the loan/investment policy of BDT 250.00 billion refinance scheme on CMSME sector in order to provide the loan/investment to the entrepreneurs at a low interest and easier terms. All scheduled banks including *Shariah* based Islamic banks will follow the directions (SMESPD Circular Letter No. 07, Dated 08/11/2022).
- Instead of refinance system *Shariah* based pre-financing system has been introduced for Islamic *Shariah* based banks/financial institutions to provide the working capital to the large industries and service sectors affected by Covid-19 (BRPD Circular Letter No. 42, Dated 26/10/2022).
- BB has made the new guideline to ensure and make available loan/investment to the CMSMEs sector on cluster basis. *Shariah* based Islamic banks may participate in the CMSMEs financing by following the clustering guidelines (Source: SMESPD Circular No. 05, dated 14/08/ 2022).
- To implement the 3rd phase of the stimulus package BB has established a fund of BDT 300 billion (BDT 270 billion for industries and services sectors and BDT 30 billion for B and C type industries in BEZA, BEPZA and High tech industries) for the industries and services sectors (excluding CMSMEs) which did not get any credit facility from previous packages. The credit/investment facilities have to be provided before 30 June 2023 (Source: BRPD Circular Letter No. 31, dated 28/07/ 2022).
- BB has made a refinance scheme of BDT 250 billion for 3 years out of its own fund with a view to ensure and make available loan/investment for CMSMEs entrepreneurs at low interest/profit and easy terms through banks and NBFIs. *Shariah* based Islamic banks may also avail this fund by following the terms and conditions (Source: SMESPD Circular No. 04, dated 19/07/ 2022).

Sustainable and Inclusive Banking

Sustainable Banking

7.01 Sustainability, Sustainable Finance and Sustainable Banking are the terms those are very much correlated and intensively supplementary to each other. The COVID-19 pandemic has given an atrocious reminder about the need for emphasizing these terminologies to strengthen the resilience of our economy as a whole. There is no doubt about the fact that decisions made under the current circumstances could shape the real economy and financial ecosystem for the coming years. The newly evolved sustainable finance policy aims to support the financing of the transition to a sustainable economy by ensuring action through financing with inclusiveness, resilience and contribution of the financial system and national aspirations. In an emerging economy like Bangladesh, environmental management needs to be the key focus area of the business fraternity and especially the banking industry being the major intermediary. Addressing environmental and social risks associated with financing activities by banks/NBFIs is a 'must do' step in credit approval, monitoring and evaluation. Accordingly, Bangladesh Bank (BB) has been working as a regulator of the banking industry with providing guidelines timely so that financing by banks and NBFIs should be at the expected level to ensure meeting the present needs but definitely without compromising the ability to meet those of the future. BB has always been keen to incentivize sustainable banking. It has already issued guidelines for green and sustainable finance, environmental and social risk management, and such more considering the requisition of time. Introduction of Sustainable Finance Policy has given an ample opportunity for the banks and NBFIs to contribute to inclusive

Table 7.01 BB's Policy and Regulation for Bank and NBFIs on Sustainability

Circular/Circular Letter No.	Date	Particulars
BRPD Circular No. 02/2011	27.02.2011	Green Banking Policy Guidelines for Banks has been issued.
GBCSRD Circular No. 04/2013 and Letter No. 05/2013	11.08.2013 and 11.09.2013	Policy Guidelines for Green Banking was also issued for the NBFIs and for the banks scheduled in 2013.
GBCSRD Circular No. 04/2015	09.07.2015	Banks and NBFIs were instructed to form a 'Climate Risk Fund' having allocation at least 10% of their corporate Social responsibility budget.
SFD Circular No. 02/2016	04.12.2016	All banks and NBFIs to establish Sustainable Finance Unit and Sustainable Finance Committee by abolishing both Green Banking and CSR units.
SFD Circular No. 02/2017	08.02.2017	Guidelines on Environmental and Social Risk Management (ESRM) for Banks and NBFIs along with an Excel-based Risk Rating Model have been issued.
SFD Circular No. 03	16.03.2017	Master Circular: Refinance Scheme for Green Products/Initiatives
SFD Circular No. 02/2018	05.04.2018	Master Circular for Islamic Refinance Scheme.
SFD Circular No. 01/2019	04.04.2019	Accreditation of all the scheduled banks and NBFIs' investment in impact fund as Green Finance.
SFD Circular No. 03	08.07.2020	Refinancing/on lending scheme of USD 200 million and Euro 200 million under Green Transformation Fund (GTF).
SFD Circular No. 05	31.12.2020	Sustainable Finance Policy for Banks and NBFIs.
SFD Circular No. 06	31.12.2020	Sustainability Rating for Banks and Financial Institutions.
SFD Circular No. 01	11.01.2021	Target and Achievement of Sustainable Finance and green finance.
SFD Circular No. 02	17.01.2021	Refinance Fund for Technology Development/Up-gradation of Export Oriented Industries.
SFD Circular No. 03	26.06.2022	Guidelines on Environmental and Social Risk Management (ESRM) for Banks and NBFIs in Bangladesh.
SFD Circular No. 04	24.07.2022	Refinance Scheme for Environment Friendly Products/Projects/Initiatives
SFD Circular Letter No.02	18.09.2022	Regarding Dedicated Sustainable Finance Help Desk Policy on Green Bond Financing for Banks and FIs
SFD Circular No. 05	20.09.2022	Green Transformation Fund (GTF) in Taka for export and manufacturing-oriented industries.
SFD Circular No. 07	07.12.2022	Showing the expenditure related to promote use of Bangla-QR as CSR
SFD Circular No. 01	23.03.2023	Refinance Fund for Technology Development/Up-gradation of Export Oriented Industries.
SFD Circular Letter No. 01	08.06.2023	Refinance Fund for Technology Development/Up-gradation of Export Oriented Industries.

Source: Sustainable Finance Department, Bangladesh Bank.

Sustainable Green Growth where Green Finance, Sustainable Agriculture, Sustainable CMSME, Socially

Table 7.02 Summary of Sustainable Finance (January-June 2023)

(In million BDT)

Type of bank/NBFI	Sustainable agriculture	Sustainable CMSME	Socially responsible financing (SRF)	Working capital and demand loan of green products/projects/initiatives	Priority green/eco - friendly products for trading sector	Green finance	Sustainable finance
SOCBs (06)	31,207.30	8,505.08	10,628.06	1,007.26	1.90	9,830.75	61,180.34
SDBs (03)	92,407.17	2,150.02	0.00	0.00	0.00	18.90	94,576.09
PCBs (40)	235,388.76	198,016.41	211,885.18	271,867.76	102,393.95	113,958.09	1,133,510.16
FCBs (09)	8,554.24	251.26	61,294.82	55,962.21	1,147.96	2,603.00	129,813.48
Total	367,557.47	208,922.76	283,808.06	328,837.23	103,543.81	126,410.73	1,419,080.07
NBFIs (34)	4,204.90	2,880.10	8,771.44	2,099.94	1,194.21	23,588.94	42,739.53
Grand Total	371,762.37	211,802.86	292,579.50	330,937.17	104,738.01	149,999.68	1,461,819.59

Note: The figures in the parentheses are the number of banks/NBFIs.

Source: Sustainable Finance Department, Bangladesh Bank

Responsible Financing, other financing and CSR activities linked to sustainability are structurally addressed. Sustainable banking mainly focuses on three broad categories—sustainable finance (including green banking), corporate social responsibility and financial inclusion.

Sustainable Finance

7.02 Sustainable banking initiatives of BB have broadly been categorized into the following aspects: policy initiatives, monitoring of sustainable finance activities of banks and NBFIs, refinance support from BB in diverse green products/sectors, and BB's own initiatives for environmental management.

Policy Initiatives

7.03 BB addressed environmental risk management for the first time in 2011 and policy guidelines for green banking for banks in the same year. In 2013, financial institutions (FIs) were brought under green banking activities. In 2020, BB introduced sustainable finance policy for banks and NBFIs. Meanwhile, government's development plans including The National Sustainable Development Strategy (NSDS) 2010-2021, Perspective Plan of Bangladesh: 2010–2021, The 7th and 8th five-year plans, globally adopted sustainable development goals (SDGs), combating COVID-19 have been considered

during policy formulation and monitoring of green banking activities by banks and NBFIs. Chart 7.01 depicts green banking policy initiatives.

7.04 Sustainable finance was defined for the first time in sustainable finance policy on 30 December 2020. Banks and NBFIs have been contributing to sustainable finance since January 2021. During FY23, the total amount of disbursement as sustainable finance was BDT 1419.08 billion by banks and BDT 42.73 billion by NBFIs. Percentage of sustainable finance against total loan disbursement during this period is 12.76 percent. The category-wise amount of sustainable finance by banks and NBFIs is given in Table 7.01. Chart 7.02 shows the trend in sustainable finance disbursed by banks and NBFIs during the last 3 years.

Green Finance

7.05 The total amount of disbursement as green finance during FY23 was BDT 126.41 billion by banks and BDT 23.58 billion by NBFIs. The percentage of green finance against total term loan disbursement is 5.84 percent. The category-wise amount and percentage of green finance by banks and NBFIs are given in Table 7.03 and Chart 7.02 respectively. Chart 7.03 shows the trend in green finance disbursed by banks and NBFIs during the last 6 years.

Table 7.03 Green Finance in FY23

(In million BDT)

Types of banks/NBFIs	Category of Green Finance										Total
	Renewable energy	Energy efficiency	Alternative energy	Liquid waste management	Solid waste management	Recycling and manufacturing of recyclable goods	Environment friendly brick production	Green/ environment friendly establishments	Green agriculture	Green CMSME	
SOCBs (06)	18.19	179.98	0.00	5,053.40	0.00	231.05	207.75	3,297.85	219.58	622.95	0.00 9,830.75
SDBs (02)	7.90	0.00	0.00	0.00	0.00	2.40	0.00	0.00	8.10	0.50	0.00 18.90
PCBs (40)	4,896.61	26,744.83	79.71	18,872.94	4.00	7,564.56	4,173.27	39,102.99	2,708.75	5,261.62	4,548.80 113,958.09
FCBs (09)	320.00	727.97	0.00	0.00	0.00	0.00	0.00	584.93	201.60	768.50	0.00 2,603.00
Bank's Total	5,242.70	27,652.78	79.71	23,926.34	4.00	7,798.02	4,381.02	42,985.76	3,138.03	6,653.57	4,548.80 126,410.73
NBFIs (33)	2,586.05	12,319.92	8.50	881.86	31.89	265.53	50.00	3,970.56	269.30	2,338.98	866.37 23,588.94
Grand Total	7,828.75	39,972.70	88.21	24,808.20	35.89	8,063.54	4,431.02	46,956.32	3,407.33	8,992.55	5,415.17 149,999.68

Note: The figures in the parentheses are the number of banks/NBFIs.

Source: Sustainable Finance Department, Bangladesh Bank.

Environmental and Social Risk Management (ESRM)

7.06 Environmental and social risk rating (ESRR) is obligatory in line with guidelines on ESRM for banks and NBFIs. The number of projects rated by the environmental and social due diligence (ESDD) checklist during FY23 was 229,592. A total of BDT 4,165 billion was disbursed in 179,022 rated projects in FY23. Chart 7.04 shows the trend in ESRR by banks and NBFIs during the last 6 years.

Climate Risk Fund

7.07 A total of BDT 0.88 billion was utilized from the climate risk fund by banks and NBFIs in FY23. This amount of Taka has been utilized as a grant.

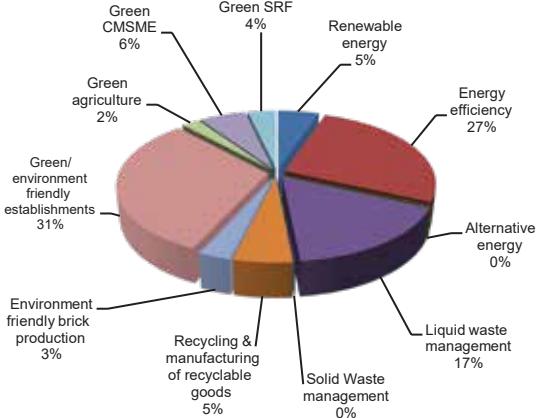
Online Banking and Energy Efficiency

7.08 Green banking policy has pursued the banks to establish online branches and bring the branches powered by solar energy. The number of branches powered by solar energy was 720 at the end of FY23. The percentage of online branches was 96.29 percent at the end of FY22.

Sustainability Rating

7.09 Sustainability rating methodology for banks and NBFIs was circulated on 31 December 2021. The sustainability rating is defined as the rating of banks and NBFIs with respect to their performance in five major components:

Chart 7.01 Share of Category-wise Green Finance in FY23



Source: Sustainable Finance Department, Bangladesh Bank.

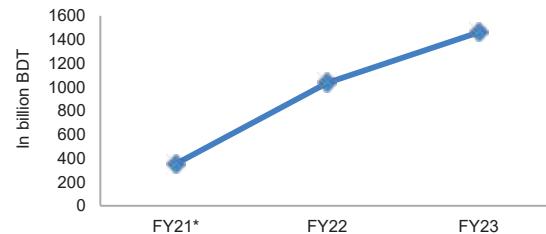
- (i) sustainable finance, (ii) CSR, (iii) green refinance, (iv) core banking sustainability and (v) banking services coverage. Banks and NBFIs are financial intermediaries and they are going to be rated on their performance on environmental, social and governance attributes, especially on their policies and performance. This rating has been disclosed annually since 2020. Good performers with higher rating scores are incentivised with respect to BB's year wise recognition as one of the top performing banks and NBFIs.

This rating system has been motivating banks and NBFIs so that they are compelled to get back on track. According to this given methodology, the sustainability rating of banks and NBFIs for the year 2022 has been prepared and the names of the top seven banks and top four NBFIs in this rating have been published on BB's website.

Bangladesh Bank Refinance Scheme for Green Products/Initiatives

7.10 A revolving refinance scheme of BDT 2.0 billion was established in 2009 with a view to broadening finance for green products or initiatives at a lower cost of fund which increased to BDT 4.0 billion subsequently. Initially, 6 green products or initiatives were identified to extend the refinance facility under this scheme. Later on, considering market demand and expert opinions from the technical advisory committee, time to time experts and stakeholder's consultations, BB has enhanced the eligible green products/initiatives for refinance under the scheme from 55 in FY20 to 68 products in FY22. Participatory banks/financial institutions (PFI) are allowed to charge a maximum interest rate of 5-6 percent on financing green products/initiatives under the scheme. However, due to the consideration of government's priority to agriculture sector "Solar Irrigation Pumping System" has been given priority over conventional diesel and electricity-run pumps. In accordance with the government's policy, Bangladesh Bank has set the maximum interest rate at 5 percent for financing participatory banks/financial institutions (PFI) in the 'Solar Irrigation Pumping System' under the refinance scheme. The cumulative amount refinanced under the scheme up to June 2023 stood at BDT 7,596.46 million. In FY23, total disbursement under the BB's refinance was BDT 792.58 million. The disburse-

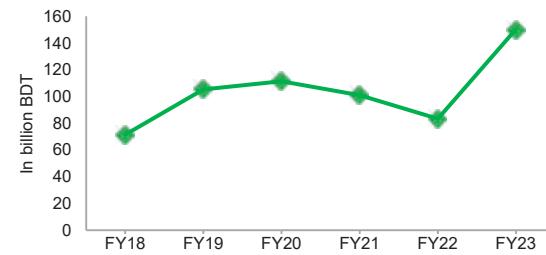
Chart 7.02 Trend in Total Sustainable Finance



*FY21(January-June).

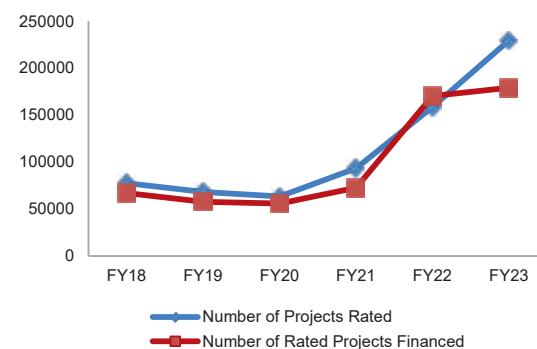
Source: Sustainable Finance Department, Bangladesh Bank.

Chart 7.03 Trend in Total Green Finance



Source: Sustainable Finance Department, Bangladesh Bank.

Chart 7.04 Trend in ESRR by Banks and NBFIs



Source: Sustainable Finance Department, Bangladesh Bank.

ment trend from FY19 to FY23 and the product-wise disbursement figure are presented in Table 7.05 and Chart 7.05 respectively.

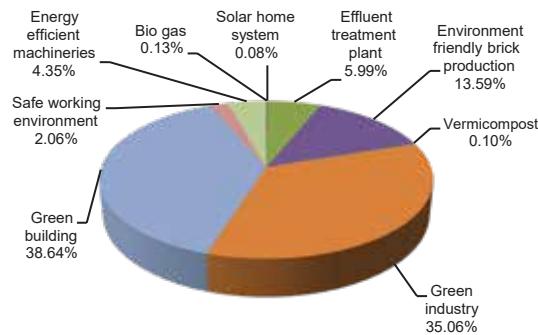
Financing Brick Kiln Efficiency Improvement Project Supported by Asian Development Bank (ADB)

7.11 The Asian Development Bank (ADB) supported revolving relending facility, the Financing Brick Kiln Efficiency Improvement Project, which was established in BB in June 2012 with a view for improving the brick industry, especially environment-friendly brick kilns through energy-efficient technology for reducing greenhouse gas (GHG) and suspended particulate matter (SPM). The total amount of this relending facility comprises of USD 50.00 million equivalent Bangladeshi currency. The project has two parts: part-A (ordinary capital resources): USD 30.00 million equivalent Bangladeshi currency is for conversion of fixed chimney kiln (FCK) to improved Zigzag kilns and part-B (special fund resources): USD 20.00 million equivalent Bangladeshi currency is for the establishment of new vertical shaft brick kilns (VS BK), hybrid Hoffman kilns (HHK) and tunnel kilns. The total USD 50.00 million equivalent to BDT 4039.70 million relending facility was disbursed to 19 subprojects through 20 PFIs till December 2019. The duration of the project ended in December 2019 with full disbursement. Under this project, BDT 2054.9 million was recovered till 30 June 2023.

Green Transformation Fund

7.12 The latest step of BB in fostering sustainable finance is to create Green Transformation Fund (GTF). In February 2016, BB announced its intention to create a new long-term refinancing window of USD 200 million, namely Green Transformation Fund (GTF). Though initially the fund was available only for export-oriented textile, leather and jute sectors, it became available for all export-oriented sectors in June 2019 to ensure sustainable export growth for the country in the process of transformation to a greener economy. It is intended to facilitate access to financing in foreign

Chart 7.05 Product-wise Refinance Disbursement in FY23



Source: Sustainable Finance Department, Bangladesh Bank.

exchange by all manufacturer-exporters in export-oriented sectors to import capital machinery and accessories for implementing environment-friendly initiatives. The initiatives include water use efficiency in wet processing, water conservation and management, waste management, resource efficiency and recycling, renewable energy and energy efficiency, heat and temperature management, air ventilation and circulation efficiency and work environment improvement initiatives (FE Circular No. 02/2016). In April 2020, an amount of Euro 200.0 million along with the existing USD 200.00 million was introduced in GTF. The disbursement from GTF up to FY22 was USD 140.94 million in 47 projects and Euro 71.21 million in 30 projects. On 7 December 2022, Green Transformation Fund (GTF) in local currency was introduced to extend support to all exporters and manufacturers having the fund of BDT 50.0 billion. Till 30 June 2023, BDT 1778 million has been disbursed to 5 clients of 4 banks from this local currency GTF fund.

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

7.13 In September 2014, BB introduced the “Islamic Refinance Fund” with the surplus liquidity of SLR of *Shariah*-based Islamic banks. To encourage the further involvement of the *Shariah*- based banks and NBFIs in green finance, BB launched a refinance scheme for Islamic banks and NBFIs operated by the “Islamic Refinance Fund”. Over time, considering the modifications in the country’s economic structural conditions, advanced technology, and gradually rising demand for the eco-friendly products/initiatives, BB has issued an integrated and comprehensive SFD “Master Circular” on 5 April 2018. According to this circular, the scheme has been re-titled as “Refinance Scheme for Islamic Banks and Financial Institutions for Investment in Green Products/Initiatives”. BB enhanced the product range from 50 to 51 under this scheme and segregated these products into 8 categories viz renewable energy, energy-efficient and energy-savings technology, alternative energy, waste management, recycling and recyclable products, environment-friendly brick production, environment-friendly installations and miscellaneous. The cumulative amount of refinance under the scheme up to June 2021 stood at BDT 476.73 million. The total disbursement under this scheme during FY21 was BDT 37.91 million.

Refinance Fund for Technology Development /Upgradation of Export-Oriented Industries

7.14 BB introduced the BDT 10.00 billion refinance scheme for technology development/up-gradation. The fund has been circulated for banks and NBFIs (SFD circular no. 02 dated 17 January 2021). It offers refinance facilities for the modernization and technological development/up-gradation of export-oriented industries in Bangladesh. Initially, at the time of scheme opening, the fund facilitates 32 industrial sectors mentioned in the Export Policy, 2018-2021 under 11 initiatives/categories. In view

Table 7.04 List of Eligible Green Products/ Initiatives under “Refinance Scheme for Green Products/Initiatives”

Sl. No	Green Product/Initiatives
1	Solar home system
2	Solar pico grid
3	Solar nano grid
4	Solar micro grid
5	Solar mini grid
6	Solar park
7	Net metering rooftop solar system
8	Solar irrigation pumping system
9	Solar pump for drinking water
10	Solar photo voltaic (PV) assembly/manufacturing plant
11	Solar cooker assembly/manufacturing plant
12	Solar water heater assembly/manufacturing plant
13	Solar air heater and cooling system assembly/manufacturing plant
14	Solar powered cold storage
15	Small size biogas plants - 1.2, 1.6, 2.0, 2.4, 3.2 and 4.8 cubic meter gas production per day.
16	Medium size biogas plant varies between 6.0 to 25 cubic meter gas productions per day
17	Large size biogas plant is 26 cubic meter gas production per day to 200 cubic meter gas production per day and above.
18	Integrated cow rearing and setting up of bio-gas plant
19	Wind power plant
20	Hydro power plant (pico, micro, mini)
21	Installation of energy auditor certified machineries including boiler in industries
22	Auto sensor power switch assembly plant
23	Energy efficient cook stove assembly plant
24	LED bulb/tube manufacturing/assembly plant
25	Energy efficient lime kiln
26	Improved rice parboiling system
27	Pyrolysis oil/bio-crude oil/bio fuel manufacturing plant
28	Biological ETP
29	Combination of biological and chemical ETP
30	Conversion of chemical ETP into combination of biological and Chemical ETP
31	Central ETP
32	Waste water treatment plant
33	Sewage water treatment plant
34	Methane recovery and power production from municipal waste plant
35	Compost production from municipal waste plant
36	Hazardous waste management unit/pant
37	Medical waste management unit/plan
38	E-Waste management unit/plant
39	Sludge management unit/plant
40	PET bottle recycling plant
41	Plastic waste (PVC, PP, LDPE, HDPE,PS) recycling plant
42	Paper recycling plant
43	Recyclable bag manufacturing plant
44	Recyclable poly propylene thread and bag manufacturing plant
45	Battery (solar/led acid/lithium/ion) recycling plant
46	Compressed block-brick
47	Foam concrete brick
48	Environment friendly/brick kiln efficiency improvement project
49	Establishment of certified green industry
50	Establishment of certified green building
51	Establishment/installation of ‘green featuring’ in the buildings/industries
52	Affordable green housing
53	Safety and work environment of factory related projects
54	Production of vermicompost
55	Production organic fertilizer from slurry

Source: Sustainable Finance Department, Bangladesh Bank

of the declaration of the Export Policy, 2021-2024 by the government, the Sustainable Finance Department of BB circulated few amendments of the SFD circular no. 02 dated 17 January 2021 which is published as SFD Circular Letter No-01 dated 08 June 2023. After the amendment, the fund facilitates 35 industrial sectors mentioned in the Export Policy, 2021-2024 under 11 initiatives/categories. To expedite the growth of export oriented industries, the interest rate of the refinance scheme has been revised from a maximum of 6 percent to a maximum of 5 percent at the client level and from 3 percent to 1 percent at the PFI level. In FY23, the total disbursement under the refinance scheme was BDT 1616.43 million.

Corporate Social Responsibility

7.15 With a view to simplifying, emphasizing and organizing CSR activities for the environmental, social, equitable and sustainable development of the country, a policy guideline on corporate social responsibility (CSR) for banks and financial institutions has been issued on 9 January 2022 (vide SFD Circular No.1). The guidelines clearly state the sectors and sub-sectors of CSR, the budgetary allocation and administrative setup, the screening and monitoring process of CSR, and prohibitions in CSR activities. Besides, BB has also issued a revised reporting format for CSR activities of banks and NBFIs on 10 April 2022 (SFD Circular Letter No. 01).

CSR Activities of Banks and NBFIs

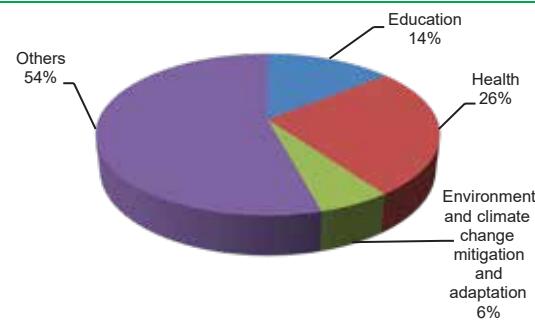
7.16 The total amount of CSR expenditure by banks and NBFIs in FY23 was BDT 10925.28 million which was BDT 9,349.20 million in FY22. The sector-wise expenditure scenario of banks and NBFIs are stated in Table 7.06. The bank's total CSR expenditure in FY23 was BDT 10850.04 million. Banks contributed major

Table 7.04 (Contd.) List of Eligible Green Products/ Initiatives under “Refinance Scheme for Green Products/Initiatives”

Sl. No	Green Product/Initiatives
56	Forestation (social/integrated/agro)
57	Organic farming
58	Rooftop agriculture/vertical farming or gardening
59	Fish cultivation in cage
60	Biofloc fish cultivation
61	Integrated recycling system (IRS) fish cultivation/bottom clean fish cultivation
62	Financing in coastal aquaculture
63	Floating system cultivation, hydroponic cultivation/farming
64	Financing in cottage industry
65	Community investment for addressing climate resilience and disaster management
66	Financing in green/clean transportation projects
67	Financing in sand-witch panel
68	Financing in govt. approved eco-tourism project

Source: Sustainable Finance Department, Bangladesh Bank.

Chart 7.06 Share of Sector-wise CSR Expenditure of Banks in FY23



Source: Sustainable Finance Department, Bangladesh Bank.

shares of the total CSR activities in others, health, and education to 54.24 percent, 25.87 percent, and 14.17 percent respectively. On the other hand, CSR expenditure in the environment and climate change mitigation and adaptation sector was only 5.73 percent. Shares of expenditure in the CSR programs of banks in FY23 are shown in Chart 7.06.

7.17 NBFIs reported CSR expenditure of BDT 75.24 million in FY23. The major shares of CSR expenditure by NBFIs went to health (38.28

percent), education (32.83 percent), and others (17.82 percent). However, in the environment and climate change mitigation and adaptation sector, they spent 11.07 percent during the same period. Sectoral shares of CSR expenditure by NBFIs in FY23 are stated in Chart 7.07.

Refinance Scheme of Pre- shipment Credit

7.18 Exports are hampered in the COVID-19 due to suspension and cancellation of export contracts from Bangladesh. Therefore, to ensure uninterrupted exports, BB formed a scheme named "Refinance Scheme of Preshipment Credit" for all export-orient industries. The scheme was fully funded by BB and its size is BDT 50 billion for a tenure of 3 years, starting from 13 April 2020 which has been extended up to 13 April 2025.

Interest Rate and Duration of the Scheme

7.19 Initially as per BRPD Circular No.9 dated 13 April 2020 and SFD Circular No.1 dated 22 April 2023 the interest rate on the client end was 6 percent and BB charged 3 percent interest rate on participatory financial institutions (PFI). But for the welfare of the exports, it was reduced to 5 percent from the previous 6 percent. For the PFI, it was 2 percent. But now, the interest rate on the client end is 3.5 percent and BB charges 0.5 percent interest rate on PFI. Each time the facility is limited for maximum of 180 days (starting from the date of credit to the bank's current A/C maintained with BB, Motijheel Office).

Eligibility of the Scheme

7.20 Any exporter that is not a defaulter and has no 3 consecutive overdue export bills (under this scheme) can be eligible for the facility. Furthermore, the refinance facility will not be approved against any contract/ export LC issued by SHELL company/bank.

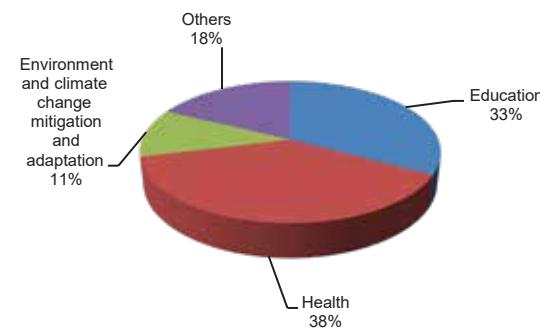
Table 7.05 Disbursement Trend of BB Refinance Scheme for Green Products/Initiatives

(In million BDT)

Products	FY19	FY20	FY21	FY22	FY23
Bio gas	4.56	1.24	2.17	4.70	1.47
Solar home system	0.19	0.45	1.32	3.61	0.93
Solar mini grid	0.00	0.00	27.50	0.00	0.00
Net metering rooftop solar system	0.00	0.00	0.00	9.00	0.00
Effluent treatment plant	108.44	132.50	193.14	20.00	67.10
Environment friendly brick production	5.00	100.00	0.00	55.00	152.50
Vermicompost	0.79	1.26	1.67	3.37	1.16
Green industry	152.33	198.70	400.00	200.00	393.37
Green building	0.00	0.00	0.00	400.00	433.59
Safe working environment	39.96	88.10	60.00	59.90	23.11
Energy efficient machineries	10.00	46.29	200.00	34.50	48.76
Led bulb/tube manufacturing/assembly plant	0.00	0.00	24.00	0.00	0.00
PET bottle recycling plant	0.00	0.00	0.00	2.50	0.00
Total	321.27	568.54	994.81	792.58	1,121.99

Source: Sustainable Finance Department, Bangladesh Bank.

Chart 7.07 Share of Sector-wise CSR Expenditure of NBFIs in FY23



Source: Sustainable Finance Department, Bangladesh Bank.

Scheme Update as on 30 June 2023

- Total agreements signed by PFIs for the facility: 41
- Total PFIs taken at the facility: 24
- Total amount disbursed: 49.57 billion
- Total export institutes: 346
- Sector: Textiles and RMG.
- Total direct beneficiary: 13,15,100 (Approx.)

Impact of the Scheme

7.21 The scheme enables the exporters to get money at an interest rate of 3.5 percent, instead of the 7 percent that the commercial banks impose on their clients. This 3.5 percent gap is a tremendous facility for them especially in the COVID-19 situation. Exporters are able to provide salaries to the workers in time by getting money from this scheme. Despite the pandemic uncertainty, Bangladesh's economy has shown emerging signs of recovery. Pre-shipment credit and other stimulus packages have largely contributed to this early recovery.

Financial Inclusion Activities in Bangladesh

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

7.23 As per the responsibilities conferred upon vide various statutes, acts including the parent law 'The Bangladesh Bank Order, 1972' (amended up to July 2020), BB has been committed to promoting financial inclusion activities to facilitate the best use of economic resources. As a part of this mission, BB has taken different initiatives to improve access to credit and other financial services, especially for the unbanked and poor populace of the country who generally left out of the financial services.

7.24 BB is committed to ensuring greater financial inclusion of underserved productive

Table 7.06 CSR Expenditure of Banks and NBFIs in FY23

Sectors	Banks		NBFIs	
	Amount	Sectoral share (percent)	Amount	Sectoral share (percent)
Education	1537.22	14.17	24.70	32.83
Health	2806.45	25.87	28.80	38.28
Environment and climate change mitigation and adaptation	621.52	5.73	8.33	11.07
Others	5884.85	54.24	13.41	17.82
Total	10850.04	100.00	75.24	100.00

Source: Sustainable Finance Department, Bangladesh Bank.

sectors. BB has brought new dimensions in financial markets for rapid poverty eradication, and social progress. In order to meet the commitments and targets within the stipulated time and to monitor the self-progress, BB has started outlining its commitments to the nation through publishing 'Strategic Plan' since 2010. In its latest strategic plan for 2020-2024, BB has set several action plans that have been paired with indicators for deepening financial inclusion in Bangladesh. On implementation of those action plans, it is expected that financial services will be reached out to all, including the underprivileged people, gender gap will be reduced, and finally, the usage of financial services will be raised to the expected level.

7.25 In addition to the institutional goals, BB has played an instrumental role in formulating the country's first financial inclusion strategy, the "National Financial Inclusion Strategy (NFIS) of Bangladesh", where the commitment to financial inclusion of all citizens has been reaffirmed.

Early Stages of Financial Inclusion in Bangladesh

7.26 The nationalization of the banks in 1972 facilitated reaching out to more remote places and diversifying banking services for a greater population. Another important step was the

establishment of Bangladesh Krishi Bank (a specialized bank for financing the agricultural sector) in 1973, which facilitated access to agricultural finance for a large portion of the rural population. Meanwhile, microfinance institutions also found their ground to grow their operations as aid delivery channels and operate microcredit at the rural level.

7.27 As time evolved, in 1982, BB started licensing of private commercial banks in Bangladesh that increased financial access points and thus helped more people to be included in the financial system. With the emergence of mobile and internet, digital financial services (DFS) boosted financial inclusion in Bangladesh further, especially in the last decade. Among the available DFS, mobile banking has gained much popularity and helped more unbanked people to use financial services. The role of DFS has also been pivotal in keeping the economic activities moving during the COVID-19 pandemic.

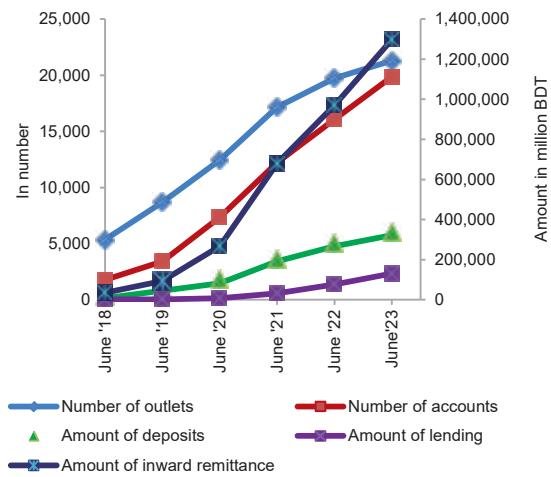
7.28 In FY23, BB, with its various initiatives, remained focused on reaching out to more unbanked and underprivileged people, exploring new areas, and ensuring quality and affordable financial services.

Financial Inclusion through Conventional Channels

Expansion of Branch Network of the Banks

7.29 The conventional and comprehensive way of extending banking services to the areas where there is a need for those services as well as business prospect for the banks is the full-fledged branch banking. Earlier, banks were permitted to maintain a ratio of 4:1 for setting up new branches in the urban and rural areas till 2011. With a view to reaching more rural areas with banking services, BB issued a circular on bank branch expansion in 2011 and re-fixed the

Chart 7.08 Trends in Agent Banking Activities



Source: Financial Inclusion Department, Bangladesh Bank.

rural-urban branch ratio to 1:1. In FY23, a total of 214 new bank branches were opened. The number of bank branches as on 30 June 2023 stood at 11,177.

Sub-branches and Bank Booths

7.30 In 2010, BB allowed banks to establish SME/agri branches. Then, in 2019, BB allowed banks to establish sub-branches. These new channels are bringing more unbanked and underprivileged people under the formal banking network. Such sub-branches are providing limited scale banking services and operating within a limited expenditure under the supervision of a nearby full-fledged branch of the bank. Moreover, BB instructed banks to maintain the urban-rural ratio of their sub-branches at 2:3 to bring banking services to the doorsteps of the general public.

Financial Inclusion through Alternative Channels

Agent Banking

7.31 BB allowed scheduled banks to extend

Box 7.01 The Secured Transactions Act-2023

Sufficient collateral is one of the important prerequisites to avail loan from any bank or NBFI in Bangladesh. Among the collaterals, immovable fixed assets are accepted most widely. Hence, financing to escalate the cottage, micro, small and medium enterprise (CMSME) sector is hindered by the lack of adequate immovable collateral. Movable assets can be considered as alternative source of collateral for the CMSME loans. A project named 'Secured Lending and Movable Collateral Registry Reform in Bangladesh' has been undertaken jointly by Ministry of Finance (MoF), BB and International Finance Corporation (IFC) of World Bank Group. The objective of this project is to generate the acceptability of movable assets through reformation of eligible collateral. Consequently, the periphery of eligible assets considered as collateral and to ease financing intricacy for the CMSME entrepreneurs is being widened. BB has sent a draft act named 'The Secured Transactions Act-2023' to MoF on 16 March 2023 as per request of MoF vide their letter issued by 11 January 2023. The timeline of accomplishing the target depends on MoF and the Parliament as enactment of the said Act is a prerequisite to establish the collateral registry.

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

7.32 Financial inclusion has gained pace through agent banking in rural areas creating endless possibilities for both banks and their customers. Agent banking is helping banks in mobilising deposits, disbursing credit and most importantly, distributing inbound foreign remittances. Even in the time of COVID-19 pandemic, when every other business and banking activities saw a downturn, agent banking has still made significant progress.

7.33 As of June 2023, 31 banks were engaged in agent banking. A total of 15,510 agents were deployed with 21,288 outlets in FY23 which was 8.47 percent and 7.86 percent higher

than 14,299 agents and 19,737 outlets respectively in FY22. The total number of accounts up to June 2023 was 19,852,240 and the total balance of these accounts was BDT 334.62 billion. The distribution of foreign remittances through agent banking in FY23 was BDT 1,297.92 billion. Trends in agent banking activities are shown in Chart 7.07.

Introduction of Automated Teller Machines (ATMs)

7.34 ATMs are making a significant contribution towards creating branchless banking worldwide. Considering the comfort and convenience of the customers, BB encourages banks to introduce ATMs for their customers. This avenue allowed banks to provide allied services such as debit cards, credit cards, POS/online transactions, etc. The first ATM in Bangladesh was introduced in 1993. As on 30 June 2023, the number of ATMs in Bangladesh was 13,704.

Electronic Payment Services

7.35 The popularisation of POS and e-commerce services helped customers to make domestic

and overseas payments with ease and convenience. Specially, with the evolution of technology, these services helped to financially include the tech-savvy young generation. BB also introduced Bangladesh automated cheque processing systems (BACPS) in 2010, Bangladesh electronic funds transfer network (BEFTN) in 2011, national payment switch Bangladesh (NPSB) in 2012 and real-time gross settlement system (RTGS) in 2015. These technical moves increased the speed of money and thus reduced the time required for making interbank transactions significantly. As the usage of these services increases, the cost reduces and induces financial inclusion.

Mobile Financial Services

7.36 BB has introduced mobile financial services (MFS) in 2011. Initially, MFS was used as a mode of payment instrument, but later, it was also used as a medium of deposit mobilization also. MFS has experienced rapid growth since the mobile phone network is omnipresent all over Bangladesh. BB has also introduced e-KYC and electronic documentation for opening an MFS account, which further accelerates financial inclusion.

7.37 At the early stage, only cash-in/cash-out (CICO) transactions were popular through MFS, but now all modes of transactions, including person-to-person (P2P), person-to-business (P2B), business-to-person (B2P), person-to-government (P2G), government-to-person (G2P) and disbursement of inward remittances are also popularly used.

7.38 MFS has grown exponentially since its inception and the growth continued in FY23. BB has instructed all MFS companies to open accounts of the garment workers, receipts of government subsidies, stipend, scholarship, etc. and allow them to withdraw their hard-earned money with subsidized cash-out fee. The number of registered and active MFS clients increased by 16.23 and 11.88 percent respectively during this fiscal year. The transaction number and volume

were also increased by 32.05 and 39.97 percent respectively.

Licensing of PSPs and PSOs

7.39 As a part of financial inclusion and deepening financial services, BB has been providing licences for payment service providers (PSPs) and payment system operators (PSOs) under the "Bangladesh Payment and Settlement Systems Regulations-2014 (BPSSR-2014)". PSPs, such as e-wallets, mobile wallets, etc., facilitate payment(s) or payment processes directly for customers and set up transactions through a scheduled bank or financial institution. PSOs, such as payment gateways, payment aggregators, etc., engage as fintech companies that operate as settlement systems for payment activities between/among participants. As of September 2023, a total of 8 PSPs and 11 PSOs were in operation and their activities are helping financial inclusion in Bangladesh.

Initiatives for Marginal and Specialised Segments

No-Frill Accounts

7.40 The focus of financial inclusion in Bangladesh rests mainly on low-income groups. Since financial services is regarded as an important prerequisite for poverty alleviation and improving living standards, BB issued a set of directives to commercial and specialised banks to onboard the poor, marginalised and special segments of the population into the formal banking system and to retain them in the system through opening a special type of bank account with zero or nominal charges and free of additional fees or frills. Those accounts are commonly known as no-frill accounts (NFA). NFAs need simplified KYC requirements and documentation. BB guided commercial banks in opening NFAs for farmers, recipients of allowances from governments social security programs, freedom fighters, small life insurance policyholders, garment workers, cleaning workers of city corporations, footwear and leather goods makers,

small-scale factory workers, physically challenged persons, street urchins, dwellers of the former enclaves, flood-affected marginal people, small businessmen, etc. In addition, banks were instructed to offer a higher interest rate on the deposits in those accounts. NFAs have been playing a pivotal role in respect to financial inclusion over the years.

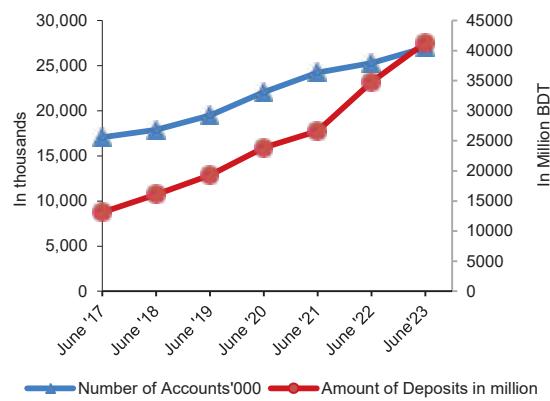
7.41 As of June 2023, a total of 27,007,752 NFAs were opened under the financial inclusion programme. The number was 25,276,832 in June 2022 indicating an increase of 6.85 percent. The total amount of deposits in the NFAs reached BDT 41,306.41 million in June 2023 compared to BDT 34,763.30 million in June 2022 indicating an increase of 18.82 percent. Trends in NFAs are shown in Chart 7.08.

School Banking

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

7.43 In light of these policies, banks can open student accounts with a minimum deposit of BDT 100 where no service charges are applicable. Moreover, these accounts offer attractive interest rates, debit card facilities and school-centric financial education services. So far, 59 banks have offered school banking. The total number of students' accounts under school banking initiatives increased to 3,966,812 in June 2023 with total deposits of BDT 23,584.50 million. The number of accounts and amount of deposits increased by 748,619 (23.26 percent) and BDT

Chart 7.09 Trends in No-frill Accounts



Source: Financial Inclusion Department,Bangladesh Bank.

193.60 million (0.83 percent) respectively in June 2023 as compared to June 2022. Chart 7.09 shows a picture of school banking accounts in Bangladesh.

Banking for the Working Children

7.44 BB has directed banks to provide financial services to street urchin and working children to secure their hard-earned money and help them to grow a saving attitude. Children who do not have parents can open accounts in banks with the help of registered non-government organisations (NGOs). The NGOs involved in this process are fully responsible for the account operation and for the welfare of the account holders. No fees are charged on these accounts.

7.45 Up to June 2023, 19 banks have opened 33,806 street urchin and working children accounts with the help of 53 NGOs. The total amount of deposits in these accounts was BDT 5.97 million. The number of accounts for street urchins and working children increased by 10,571 in June 2023 from 23,235 in June 2022, indicating a 45.50 percent increase over the last year.

Introduction of Refinance Packages

BDT 5.0 Billion Refinance Scheme for BDT 10/50/100 Account Holders

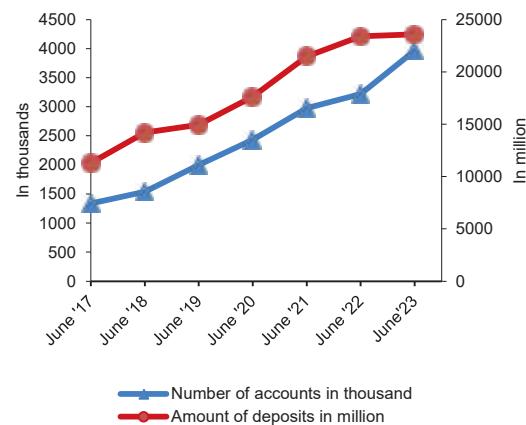
7.46 In 2014, BB created a refinance scheme with a revolving fund of BDT 2.0 billion to facilitate income-generating activities of the low-income people with BDT 10.00 account. Under the scheme, the banks were able to lend without any collateral. In September 2021, BB took several measures to facilitate rapid recovery of the rural economy from the shock of COVID-19 pandemic as well as to make this scheme more attractive both for the banks and the targeted borrowers. As a part of those measures, the fund size of the refinance scheme increased from BDT 2.00 billion to BDT 5.00 billion. Individual loan size in the revised scheme increased from BDT 50,000 to BDT 500,000. The most significant revision of the scheme lies in the interest rate which is now 7.0 percent at the borrower level and 1.00 percent at the bank level, replacing the earlier rates of 9.00 percent at the borrower level and 4.00 percent at the bank level. Besides, *Shariah*-based banks are now permitted to participate in the scheme. So far, 47 banks have signed the agreement for the scheme.

7.47 Up to June 2023, a total of 119,024 borrowers have received BDT 5.93 billion from both the BDT 2.00 billion and the BDT 5.00 billion schemes.

Refinance Scheme of BDT 30.00 Billion for COVID-19 Affected Marginal People

7.48 In line with achieving the targets of sustainable development goals (SDG) and Vision 2041 of Bangladesh government, Financial Inclusion Department (FID) of Bangladesh Bank (BB) is working relentlessly to stimulate the economic growth of the country through connecting the marginal people with financial inclusion activities. In this connection, with a view to overcoming the possible negative impacts of the worldwide outbreak of the COVID-19 pandemic, BB launched a revolving refinance scheme of BDT 30.0 billion on 20 April 2020 for the COVID-19 affected low-income professionals, farmers and micro/small businesses to help them

Chart 7.10 Trends in School Banking Activities



Source: Financial Inclusion Department, Bangladesh Bank.

recover from the negative impact of the pandemic. Remittance-providing workers, who have returned from abroad due to the pandemic situation, are privileged to get credit under the scheme. As per directives issued on 28 October 2021 (FID Circular No: 02/2021), this facility is being disbursed through microfinance institutions (MFIs) as well as directly by scheduled banks via their branches and sub-branches in order to ensure that the facility reaches grassroots levels. At this point, the interest rate of loan at the end-user level is a maximum of 9 percent and 7 percent in case of disbursing by MFIs and scheduled banks respectively. The scheduled banks will pay 0.5 percent interest to BB against the refinance facility and they will provide the same facility to MFIs at 3.0 percent interest. As of 30 June 2023, around 0.73 million targeted people availed the financing facility of BDT 43.90 billion through this scheme. BB has recovered 28.69 billion from scheduled banks against the refinanced amount by this time. The percentage of female borrowers under this scheme is 87.04 percent, as of 30 June 2023. This refinance scheme has opened a great scope for the marginal people to carry on their livelihoods amidst the COVID-19 pandemic. The scheme successfully ended on 30 June 2023.

Digital Nano Loan

7.49 Bangladesh is moving fast on the highway of development with the help of the government's strategy of inclusive economy. To attain the targets of the Government of Bangladesh (GoB), BB has been working relentlessly to stimulate inclusive economic growth. Access to credit for marginal and unbanked people through the banking channel is a pre-requisite for achieving sustainable and inclusive economic growth. As a result, prioritizing the needs of marginal people, BB has introduced a refinance scheme of BDT 1.0 billion on revolving basis named 'Refinance Scheme for Digital Nano Loan' in June 2022. Under this scheme, low-income, unbanked and marginal people can get credit facilities ranging from BDT 500 to BDT 50,000 using digital platforms (MFS, mobile apps, e-wallet and internet-banking, etc.) without any paper documents for a maximum period of six months. These conveniences ensure credit facilities to the beneficiaries without any collateral within a very short time. Whole process of the facility-documentation, credit disbursement and recovery is performed digitally. A borrower need not go to the bank to avail this facility. As of 30 June 2023, credit facilities amounting to BDT 1.19 billion was refinanced to the participating banks against disbursed digital loans under this scheme and the total number of beneficiaries was 1,05,467 of which 21.05 percent were female. Considering the demand for this product, BB enhanced the size of the fund for this scheme to BDT 5.0 billion in July 2023. In the near future, this facility will greatly contribute to stepping up financial inclusion among the mass people of the country. The tenure of this scheme is 3 years, starting from 02 June 2022. The scheme will contribute highly in habituating marginal people in digital transactions and spreading digital financial literacy which will impact positively on transforming smart Bangladesh. The scheme provides the end

users with the facility to borrow at a maximum of 9.0 percent interest rate from the banks. On the other hand, BB will charge 1.0 percent interest to the banks.

Financial Literacy and Consumer Empowerment

7.50 Financial literacy of the citizen is a prerequisite to make a sustainable financial inclusion. With a view to making financial inclusion initiatives more successful, BB has taken numerous initiatives. BB has identified 'strengthen financial education and financial literacy initiatives' as an important core objective in the strategic plan for 2020-2024. With a view to increasing public awareness and formulating financial literacy and financial education policy, BB has designed a special program named 'School Banking Conference' in 2014. School Banking Conferences are arranged at the district level in Bangladesh. Students from different educational institutions, parents, teachers, government officials and journalists of that locality participate, learn and share financial knowledge through various activities. Considering financial literacy as a fundamental learning skill for the future citizen, BB has worked in collaboration with the National Curriculum and Textbook Board (NCTB) to include a special chapter on financial literacy in the national curriculum in secondary level education. The inclusion of a chapter in primary level education is also under process.

7.51 Moreover, as part of the commitment to build a nation with a strong financial literacy base, BB has completed a project financed by Alliance for Financial Inclusion (AFI) named as Striving for a Financially Literate Society. Under this project, the following three initiatives have been implemented:

- Introduced financial literacy guidelines on 27 March 2022 specially designed for the employees of banks and financial institution to

deploy financial literacy by them among the people under their jurisdiction. Following the instructions of this guideline, banks and financial institutions are conducting different programmes countrywide. They have a plan to arrange 944 general and target group-based financial literacy programmes in different territories of the country during piloting year of the implementation of the guidelines. Besides, they are also implementing some other initiatives, like establishing a financial literacy wing, inclusion of financial literacy tabs on their websites, financial literacy-related thematic campaigning, celebrating Financial Literacy Day etc.;

- Produced financial literacy content and website (<https://finlit.bb.org.bd>) aimed at different segments of people such as cottage micro small and medium enterprises (CMS-MEs), women, youths, farmers, agro-based people, mobile financial service (MFS) users, social safety net beneficiaries, senior citizens, etc.;
- Produced short animated financial literacy videos for better dissemination of financial literacy among the mass people.

7.52 In addition to the above-mentioned programmes and initiatives, BB arranges different financial awareness campaigns such as open credit disbursement program, awareness-raising campaign under different schemes and projects, special fairs such as banking fair, SME fair, women entrepreneur fair, etc.

International Collaboration and Knowledge Sharing

7.53 BB has built partnerships with some international strategic alliances and become members of international organizations to boost

financial inclusion, financial deepening and also to ensure an enabling and inclusive financial environment in Bangladesh.

7.54 Alliance for Financial Inclusion (AFI) is a policy leadership alliance owned and led by member central banks and financial regulatory institutions with the common objective of advancing financial inclusion at the country, regional and international levels. As of now 86 institutions from 82 countries have obtained membership of AFI. BB is a principal member in this alliance since June 2009. Since starting as a member, officials of Bangladesh Bank are contributing to AFI's Board of Directors, different board committees and working groups. The Governor of Bangladesh Bank acted as Vice Chair of AFI Board of Directors from 2016 to April 2018 and continued as chair till September 2019 successfully.

7.55 The Maya Declaration, a member institution's self-commitment regarding financial inclusion was introduced by AFI in September 2011 at the AFI Global Policy Forum in Riveria Maya, Mexico. BB signed the Maya declaration and made 70 commitments of which 52 commitments have been successfully achieved till June 2023. BB has been declared the regional champion of financial inclusion of the Asia region in the '2022 Maya Declaration Progress Report' for considerable advancements in Maya Declaration commitments.

7.56 It is mentionable that due to significant progress in financial inclusion, BB was awarded with the AFI Policy Award in 2014, the Child and Youth Finance International (CYFI)'s Global Inclusion Award for 2016 and 2017, AFI Gender Inclusive Ambassador Award in 2018. BB was also nominated as finalist of Global Youth Financial Inclusion Award and Maya Declaration

Box 7.02 Financial Literacy Guidelines for Banks and FIs: Pathway to Build a Financially Literate Society

Fostering inclusive economic growth and sustainable development are two of the key objectives of Bangladesh Bank (BB). Financial inclusion is considered as one of the key drivers to ensure inclusive and sustainable growth. Subsequently, to get the full benefit of financial inclusion, ensuring financial literacy for all is essential. Inadequate financial literacy is one of the major obstacles in access to finance in Bangladesh. Low level of financial literacy among the rural people has been one of the main reasons for inefficient use of the financial products and services. Besides, consumers are not well aware of their rights and options due to low level of financial literacy.

As a priority focus, BB has identified 'Strengthen financial literacy and financial education initiatives' as an important core objective in its' Strategic Plan for 2020-2024. Also, goals 1, 4 and 5 of the SDGs requires ensuring financial literacy for all to reduce poverty and ensure gender equality in personal finance. Furthermore, 'Promoting Financial Literacy and Consumer Empowerment' is identified as one of the core areas of focus in the first ever National Financial Inclusion Strategy of Bangladesh (NFIS-B).

With a view to elevating the levels of financial literacy among mass people, Bangladesh Bank has been working relentlessly in multifaceted areas. Beside other initiatives, BB has recently completed a project named "Striving towards a Financially Literate Society" with the help of in-country implementation funding from Alliance for Financial Inclusion (AFI). Under this project, in March 2022, BB has issued a financial literacy guideline, launched a financial literacy website and produced 6 (six) animated videos.

The guidelines have been rolled out in January 2023 and have a seven-year-plan. The first year is marked as the piloting-year. Based on the guidelines, vigorous and extensive numbers of programs are being conducted by the banks and NBFIs throughout the country for different segments of people. The banks and NBFIs have already made significant progress towards following the instructions and achieving the goals set in the said guidelines. Some of the mentionable achievements under the guidelines are:

- Workshops have been arranged in the head office and 8 branch offices of Bangladesh Bank outside Dhaka to disseminate the essence of the financial literacy guidelines among the local office and the commercial bank officials in those jurisdictions.
- Dedicated Financial Literacy Wing (FLW) has been formed and adequate numbers of employees have been assigned in respective head offices of all 61 banks and 35 NBFIs.
- Various financial literacy programs are being conducted countrywide. For the year 2023, there is a plan to arrange 944 programs in different territories of the country by all the banks and NBFIs collectively.
- Financial Literacy Day has been celebrated on 6 March 2023 by the banks and NBFIs in their branch offices. The Financial Literacy Day will be observed by banks and NBFIs in every year on a regular basis.
- They have participated in a 6-month thematic financial literacy campaign announced by BB through developing contents and publicizing messages on the theme "making social awareness for sending remittances through formal channel"
- Banks and NBFIs are uploading various financial literacy contents under the 'Financial Literacy' tab in their respective websites. This will be an effective way to disseminate financial literacy leveraging digital technology.
- Banks are arranging sessions on the importance of financial literacy and the guidelines for their employees.
- Based on the guidelines, initiative has also been taken to introduce a capacity building programme in Bangladesh Bank Training Academy (BBTA) on conducting financial literacy programmes (ToT) for the trainers of commercial banks.

Commitment Award categories in 2022 by AFI.

e-KYC Implementation and Scale Up Initiatives During FY23

7.57 The absence of a robust digital customer on boarding framework had posed challenges for Bangladesh in expediting financial inclusion efforts. Within the formal financial system, opening accounts necessitated the labor-intensive Know Your Customer (KYC) process, placing a significant operational burden on financial institutions. To address these concerns, the Bangladesh Financial Intelligence Unit (BFIU) introduced electronic Know Your Customer (e-KYC) guidelines in January 2020. This strategic move aligned with both the Sustainable Development Goals (SDGs) agenda and the Bangladesh government's Vision 2021 commitment to provide accessible, faster, and cost-effective financial services at the doorstep of the citizens. The primary objective of this initiative was to streamline customer on boarding procedures, ease KYC solutions and promote financial inclusion throughout the nation. Furthermore, the national strategy for prevention of money laundering and combating financing of terrorism strategy 2019-2021 included action item no. 9, which set a deadline for implementing e-KYC/digital KYC by December 2020. The government's National Financial Inclusion Strategy (NFIS) for 2021-2026 also underscored the importance of e-KYC in achieving its objectives, particularly in ensuring that all adults have access to regulated financial service accounts by 2025. To scale up the implementation of e-KYC in Bangladesh, the International Finance Corporation (IFC) designed a project to support BFIU in the form of technical assistance and signed MoU with BFIU. Under this project, BFIU has undertaken various activities and initiatives in association with IFC

for e-KYC implementation during the FY23.

Scoping Exercise for Supervision and Monitoring Framework

7.58 BFIU has conducted a scoping exercise to identify key activities necessary for the development of a supervision and monitoring framework for e-KYC. This includes interviews with financial institutions to understand the e-KYC challenges and collection of their opinions, insights, and suggestions regarding the e-KYC regulations.

Capacity Development of Financial Sector

7.59 An industry engagement event titled "e-KYC Implementation and Scale-Up in the Financial Sector of Bangladesh" was held on 4 July 2022. It brought together 111 representatives from banks, non-bank financial institutions, regulatory bodies, and other stakeholders to share insights on e-KYC implementation and experiences from other countries.

Stakeholder Consultation Workshops

7.60 Stakeholder consultation workshops were strategically organised to engage with various segments of the financial industry including banking, insurance, mobile financial services and capital market intermediaries. The primary objective was to harness valuable input and insights from key stakeholders to facilitate the development of comprehensive e-KYC guidelines. On 5 January 2023, a financial sector consultation workshop on e-KYC implementation and scale-up was arranged. This event witnessed active participation from different banks and NBFIs. Subsequently, on 16 January 2023, another consultation workshop was conducted, involving key players from the insurance, mobile financial services (MFS), and capital market intermediaries (CMIs) sectors. The findings from these two stakeholder sessions

have been instrumental in fostering collaboration and inclusivity within the financial industry of Bangladesh.

Exposure Visit

7.61 A visit was carried out as part of the "e-KYC scale-up in Bangladesh" project to New Delhi, India from 14-16 March 2023 aiming to exchange views on e-KYC implementation. A delegation comprised of representatives from various key institutions in Bangladesh, including BFIU, BB, Bangladesh Securities and Exchange Commission, Election Commission, and ICT Division embarked on the visit. The primary purpose of the visit was to gain valuable insights into the regulatory framework, operational procedures and best practices for e-KYC implementation in India.

Knowledge Sharing Sessions

7.62 Several knowledge-sharing sessions were conducted in March 2023 to facilitate dialogues between BFIU and financial institutions, allowing the exchange of best practices and updates on e-KYC implementation progress. On 21 March 2023, a Knowledge-Sharing Session on e-KYC Implementation was held in Dhaka. This event was comprised of the participation of representatives from different banks and non-bank financial institutions (NBFIs). BFIU took the initiative to engage with these financial institutions' representatives with the primary goal of gaining a deeper understanding of the progress made by these institutions in e-KYC implementation. On 22 March 2023, a workshop targeting capital market intermediaries (CMIs) was conducted at the Bangladesh Securities and Exchange Commission's (BSEC) auditorium. A total of 127 CMIs actively participated in this event. Continuing the momentum, two

additional knowledge-sharing sessions were hosted at the BFIU premises on 23 March 2023. These sessions specifically targeted banks and NBFIs.

Establishing e-KYC Supervision and Monitoring Toolkit

7.63 A e-KYC supervision and monitoring toolkit was developed by a consultancy firm for BFIU to ensure smooth reporting of e-KYC implementation updates by reporting entities to BFIU. As a significant step towards ensuring the effectiveness and reliability of the newly developed e- KYC monitoring toolkit, three User Acceptance Test (UAT) sessions were conducted over a span of three days, from 11-13 April 2023 at BFIU.

Revised e-KYC Guidelines

7.64 A draft version of the revised e-KYC guidelines has been prepared and a committee has been formed to review it. This draft document was prepared on the basis of the learning and understanding of the current capacities and expectations of the financial sector as identified through the above-mentioned stakeholder engagements and knowledge-sharing sessions. It is expected that Bangladesh will move closer to achieving its financial inclusion objectives, ultimately benefiting its citizens and the economy as a whole. Continued coordination and cooperation among stakeholders will be essential for the successful rollout of e-KYC across the financial sector.

Updates on e-KYC Implementation Initiative across the Financial Sector

7.65 BFIU issued the e-KYC guidelines in 2020 for the financial institutions and they were supposed to implement this guideline by December

2020. Later, considering the COVID-19 situation, the deadline has been extended. As of 30 June 2023 the implementation status of e-KYC in Bangladesh is as follows:

Implementation Status	No. of Banks	No. of NBFI
Fully implemented	40	7
Partially Implemented	8	6
Under process	12	18
Not Ready	-	2
Not Applicable	1	2
Total	61	35

The financial institutions provide their progress to the BFIU from time to time on e-KYC implementation. As per their report following number of accounts were opened through e-KYC till 30 June 2023:

NBFI type	Male	Female	Others	Total
Bank	2,336,851	1,400,116	1,108	3,738,075
NBFI	605,571	239,612	458	845,641
MFS	85,373,026	63,287,138	50,139	148,710,303
Total	88,315,448	64,926,866	51,705	153,294,019

The use of e-KYC system has blessed our financial system with ease of operation, quick customer acquisition and ensuring financial inclusion in a secure and fast manner as well as acting as a catalyst for digital banking operations.

Deepening of Access to Finance in Rural Areas

7.66 BB formulates "Agricultural and Rural Credit Policy and Programme" to ensure adequate flow of funds to the agricultural and rural economy in a proper, timely, easier and hassle-free way to the farmers' level. With a view to improving the socio-economic condition of the country along with an underscored role of the agricultural and rural sector, "Agricultural And

Rural Credit Policy And Programme" is being implemented through all scheduled banks. The policy is expected to play a helpful role in increasing the scope of agricultural credit, financial inclusion and the use of technology in expanding banking activities in rural areas, strengthening food security through increasing credit flow in favor of farmers, alleviating poverty and revitalizing the rural economy.

7.67 Loans are disbursed under this policy to the sectors and sub-sectors of agriculture including crops, fisheries and livestock sectors and income- generating activities and poverty alleviation sectors in rural areas. During FY23, BDT 328.30 billion (106.55 percent of the target) was disbursed as agricultural and rural credit against the target of BDT 308.11 billion through all scheduled banks. Around 3.62 million farmers availed agricultural and rural credit, of which 1.88 million women got BDT 127.52 billion from different banks.

Small Enterprise Refinance Scheme for Women Entrepreneurs

7.68 BB has been actively promoting sustainable and inclusive banking practices tailored to women entrepreneurs. In 2004, BB initiated a small enterprise refinance scheme with an initial fund of BDT 1.0 billion to support the growth of small enterprises in the country. Over the years, this fund has been increased through multiple augmentations and now stands at BDT 30.0 billion, with the latest augmentation happening through SMESPD Circular Letter (No. 06 dated 25 June 2023). To promote women entrepreneurs and encourage their participation, the refinance facility is exclusively available at a low interest rate, capped at a maximum of 5.0 percent. In order to incentivise women entrepreneurs to take advantage of CMSME loans from this scheme and ensure timely repayments, BB

introduced incentive programmes for both banks/financial institutions and CMSME women entrepreneurs, as outlined in SMESPD Circular (No. 08 dated 17 August 2021). According to this circular, the banks and financial institutions and the entrepreneurs will receive a 2.0 percent incentive (1.0 percent for each party) if the loan is fully repaid within the specified deadline. This incentive program is applicable to loans disbursed between 1 July 2021 and 31 December 2024. As of the end of June 2023, a total of BDT 66.89 billion was provided as refinancing from this fund to 51,983 enterprises on a revolving basis, with 39,257 of them being women entrepreneurs.

Start-up Fund

7.69 BB has instructed all scheduled banks to establish a "Start-up Fund" by allocating 1 percent of their annual net profit each year, beginning in 2020 and continuing for the next five years. This directive was issued through SMESPD's Circular (no. 04 dated 29 March 2021) and Circular Letter (no. 05 dated 26 April 2021). As of 30 June 2023, the total amount in the start-up fund had reached BDT 3.31 billion. In addition, BB has also created a separate fund of BDT 5.00 billion to facilitate refinance options for start-up financing. By June 2023, BDT 0.16 billion was disbursed from this fund to support 70 customers under the "Start-up Fund" initiative.

Regulatory Responses on Financial Inclusion due to COVID-19

7.70 BB has taken several steps in the COVID-19 pandemic situation, including the following:

- Uninterrupted digital financial services in different sectors by enhancing transaction limits and waivers of fees;

- Disbursement of salaries, wages and government social safety net benefits through the workers'/customers bank accounts or mobile wallets;
- Disbursement of government allowances to distressed population by providing cash assistance to 5.00 million poor families who have lost their source of earnings during the COVID-19 pandemic through mobile financial services (MFS) and BDT 10.00 accounts; Formed a revolving refinance scheme with
- an initial fund of BDT 30.00 billion for providing credit facilities to low-income people to ensure inclusive growth;

Refinance Scheme of BDT 500 Crore to Create Employment and Eliminate Poverty for the People Who Have Returned Home Due to the COVID- 19 Pandemic and Other Reasons

7.71 Due to the COVID-19 pandemic, a significant number of employed people of the urban population have suddenly lost their jobs and have been forced to return to the village. Most of these people are now staying in villages and are forced to live a subhuman life. It is imperative to bring these communities under the benefits of the incentive package announced by the Honorable Prime Minister. Otherwise, there is a risk of adverse impact on the rural economy. If it is possible to create suitable employment in the village for all these people, the rural economy will be strengthened. Consequently, it will have a positive impact on the overall economy. In this view, BB has introduced its own funded refinance scheme named "Refinance Scheme of BDT 5.0 billion to Create Employment and to Eliminate Poverty for the People who have returned home due to the COVID -19 pandemic

and other reasons" ACD Circular (no. 01 dated 3 January 2022) for low-capital based local businesses, purchase of small and medium vehicles in transport sector, small engineering industry, fisheries, livestock, purchase of agricultural machinery and sale of crops, small business for creating employment for physically challenged people and poor women. The tenure of the scheme is from January 2022 to December 2024. The rate of interest at the beneficiary level is 6 percent and PFI level is 0.5 percent. During FY23, 16 PFIs disbursed BDT 2.15 billion among 14,820 beneficiaries.

Performance, Regulation and Supervision of NBFIs

8.01 In addition to the banks, non-bank financial institutions (NBFIs) are playing key role in the financial sector of Bangladesh. NBFIs conduct their business operations with diversified financing modes such as, syndicated financing, bridge financing, lease financing, securitization, private placement of equity, etc. Currently, 35 NBFIs licensed by Bangladesh Bank (BB) are operating in Bangladesh. These are regulated by BB under the Finance Company Act, 2023. According to the section 22 and 24(1) of the Finance Company Act, 2023, NBFIs are not allowed to-

- i. Issue cheques, pay-orders or demand drafts;
- ii. Receive demand deposits; and
- iii. Involve in gold or foreign exchange transaction.

Unlike banks, most of the NBFIs have separate subsidiaries to operate merchant banking activities. NBFIs also play an important role in the real estate sector. NBFIs are regulated and supervised by two core departments of Bangladesh Bank: (a) Department of Financial Institutions and Markets (DFIM), and (b) Financial Institutions Inspection Department (FIID). DFIM formulates policies, regulations and guidelines to regulate NBFIs. It also conducts off-site supervision to NBFIs. FIID performs on-site supervision of NBFIs by conducting comprehensive and special inspection.

License and Regulation

8.02 The authority of granting licenses to NBFIs and their regulations and control are vested in Bangladesh Bank by the Finance

Company Act, 2023. Besides, there are prudential regulations and guidelines for NBFIs issued by BB under section 8 of the Finance Company Act, 2023. According to the circular (No. 5 dated 24 July 2011) minimum paid-up capital requirement for an ongoing NBFI is BDT 1.0 billion. However, paid-up capital and reserves cannot be less than the minimum ratio of risk weighted asset as set by Bangladesh Bank which is presently 10 percent. NBFIs may access public funds either directly or indirectly through term deposits (minimum 3 months duration), commercial papers (CPs), bonds and debentures. Depositors of NBFIs are not covered under the deposit insurance scheme of Bangladesh Bank. NBFIs are subject to some prudential guidelines in terms of income recognition, asset classification and provisioning norms; single and group borrower exposure limits; capital market exposures; classification and valuation for the investment portfolio; cash reserve ratio (CRR)/statutory liquidity ratio (SLR); accounting and disclosure; and supervisory reporting requirements.

Number of NBFIs and Their Branches

8.03 Among the currently existed thirty five (35) NBFIs, three (3) are government-owned, thirteen (13) are joint ventures with foreign participation, and the remaining nineteen (19) are privately-owned companies. As of 30 June 2023, the total number of NBFIs branches was 274. 5 (five) new branches were opened, and 2(two) were closed during FY23. Among the branches,

80 are set up in the district of Dhaka and the rest 194 are located in 36 districts across the country. The ownership structure of the NBFIs and their branch expansion-related data are shown in Table 8.01.

Assets

8.04 Total assets of NBFIs at the end of June 2023 stood at BDT 996.85 billion (un-audited), which was BDT 920.01 billion (un-audited) at the end of December 2022.

Investment (Loans and Leases)

8.05 NBFIs are investing in different sectors of the economy, but their investments are mostly concentrated in the industrial sector. Sector-wise compositions of NBFIs' investment at the end of June 2023 were: trade and commerce 15.30 percent, industry 45.43 percent, agriculture 2.28 percent, housing 18.44 percent, financial corporations 6.61 percent, service 6.74 percent, consumer finance 3.52 percent and others 1.60 percent. (Chart 8.01)

Investment in Capital Market

8.06 NBFIs are allowed to invest in the capital market up to 25 percent of their paid-up capital and reserve as per Section 26 (1) of the Finance Company Act, 2023. As of 30 June 2023, NBFIs' total investment in the capital market stood at BDT 48.80 billion, which accounted for 4.90 percent of the total assets of all NBFIs (as per DFIM Circular No. 3, dated 15 February 2022). Besides, to protect depositors' interests and bring credit discipline to this sector,

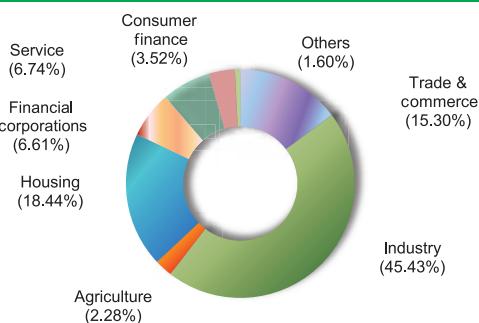
Table 8.01 Trends in Structure of NBFIs

Period	2017	2018	2019	2020	2021	2022	2023*
No. of NBFIs	34	34	34	35	35	35	35
Government-owned	3	3	3	3	3	3	3
Joint-venture	12	12	12	13	13	13	13
Private	19	19	19	19	19	19	19
Total branches	254	262	273	276	277	271	274
Of which							
new branches	30	8	11	3	1	8	5

* As on 30 June 2023.

Source: Department of Financial Institutions and Markets, BB.

Chart 8.01 Investment Pattern of NBFIs



* As on 30 June 2023.

Source: Department of Financial Institutions and Markets, Bangladesh Bank.

required direction has been given through DFIM Circular No. 12 to NBFIs on 29 September 2022. As per the circular, NBFIs must obtain prior approval from BB to provide loans or investments, waive interest or profits, and write off loans to their own subsidiaries or associates.

Deposits

8.07 The total deposits of the NBFIs at the end of December 2022 decreased by 0.15 percent to BDT 443.55 billion (51.62 percent of their total liabilities) from BDT 444.20 billion (53.91 percent of their total liabilities) at the end of December 2021. However, at the end of June 2023, the total deposits of NBFIs stood at BDT 477.22 billion, showing an increase of 7.59 percent as compared to December 2022 (Table 8.02).

Other Liabilities and Equity

8.08 The total liability of the industry increased to BDT 859.22 billion at the end of December 2022 from BDT 823.96 billion in December 2021. At the end of June 2023, the total liability further increased to BDT 983.19 billion (Table 8.02).

Performance and Rating of NBFIs

8.09 Like banks, the performance of NBFIs is also evaluated through the CAMELS rating which involves analysis and evaluation of the six crucial indicators. The six indicators used in the rating system are capital adequacy, asset quality, management efficiency, earnings, liquidity and sensitivity to market risk.

Capital Adequacy

8.10 The capital adequacy ratio focuses on the total amount of a NBFIs capital which is vital in reducing the risk of its insolvency and enhances the shock absorption capacity. It helps the NBFIs to absorb possible losses due to credit, market and operational risks that an NBFIs might be exposed to during its normal course of business. NBFIs in Bangladesh have been instructed under the Basel II accord to maintain capital adequacy ratio (CAR) of not less than 10.0 percent of total risk weighted assets (RWA) with at least 5.0 percent in core capital.

Asset Quality

8.11 Non-performing loan (NPL) ratio is an indicator of asset quality. This is the ratio of gross non-performing loan/lease to total loan/lease. At the end of June 2023, the NPL for NBFIs was 27.65 percent. In the total asset composition of

Table 8.02 Trends in Assets, Liabilities and Deposits of NBFIs

Period	2016	2017	2018	2019	2020	2021	2022	(billion BDT) 2023*
Total assets	713.9	839.90	851.6	871.5	902.16	896.56	920.01	996.85
Total liabilities	606.46	725.95	739.6	753.12	815.84	823.96	859.22	983.19
Liabilities- assets ratio	84.95	86.43	86.84	86.42	90.43	91.90	93.39	98.63
Total deposits	382.43	467.98	466.2	451.93	453.20	444.20	443.55	477.22
Deposits as % of total liabilities	63.1	64.41	63.03	60.0	55.55	53.91	51.62	48.53

* As on 30 June 2023.

Source: Department of Financial Institutions and Markets, Bangladesh Bank.

Table 8.03 Trends in Total loan/lease and Classified Loan/Lease

	2017	2018	2019	2020	2021	2022	(billion BDT) 2023*
Loan/lease	615.96	662.4	671.7	669.31	673.54	704.36	721.50
Classified loan/lease	45.23	54.39	63.99	100.59	130.17	168.21	199.51
Classified loan/ lease as % of total loan/lease	7.34	8.21	9.53	15.03	19.33	23.88	27.65

* As on June 2023.

Source: Department of Financial Institutions and Markets, Bangladesh Bank.

Table 8.04 Trends in Profitability of NBFIs

	2017	2018	2019	2020	2021	2022	(Percent) 2023*
Return on equity (ROE)	8.3	7.45	-25.2	-1.99	-2.79	-19.26	-52.30
Return on asset (ROA)	1.14	0.98	-2.56	-0.19	-0.23	-1.27	-0.72

* As on June 2023.

Source: Department of Financial Institutions and Markets, Bangladesh Bank.

all NBFIs, the amount of loans/lease was 72.38 percent as of the end of June 2023. The trends of the ratio of gross non-performing loan/lease to total loan/lease are shown in Table 8.03.

Earnings and Profitability

8.12 Earnings and profitability of a NBFIs 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). The industry ROA and ROE at the end of June 2023 were -0.72 and -52.30 respectively (Table 8.04).

Liquidity

8.13 Term liabilities are subject to a SLR of 5.0 percent inclusive of average 2.5 percent (at least 2.0 percent in each day) CRR on bi-weekly basis. The SLR for the NBFIs operating without taking term deposit is 2.5 percent. Note that, at the end of FY20, in order to mitigate the impacts of COVID-19 on financial institutions and their clients, the CRR was lowered from 2.50 percent to 1.50 percent on bi-weekly basis and from 2.00 percent to 1.00 percent on daily basis to increase the money supply at the financial institutions.

Sensitivity to Market Risk

8.14 The sensitivity to market risk reflects the degree of changes in asset-liability position, earnings and capital in response to the changes in interest rates or equity prices. Vulnerability of the NBFIs in a stressed situation emanated from either an interest rate or equity price shock or both. When evaluating this sensitivity component, emphasis should be given to management's ability to identify, measure, and control market risk through the implementation of effective core risk management system. For many NBFIs, the primary source of market risk arises from non-trading positions and their sensitivity to changes in interest rates.

Composite CAMELS Rating

8.15 At the end of December 2021, out of 35 NBFIs, the composite CAMELS rating of 11 were

"2 or Satisfactory", 10 were "3 or Fair", 5 were "4 or Marginal", 3 were "5 or Unsatisfactory", 5 were under process and the rest 1 was exempted from the rating process considering special circumstances.

Legal Reform and Prudential Regulations

8.16 As part of the ongoing initiative, Bangladesh Bank (BB) emphasizes the improvement in financial strength and transparency of NBFIs and undertakes some legal and regulatory policy measures.

Capital Adequacy and Progress of BASEL Accord Implementation in NBFIs

8.17 Basel-II norms were implemented from 1 January 2012. Prudential guidelines on capital adequacy and market discipline (CAMD) have been issued to promote international best practices and to make the capital of NBFIs more risk sensitive as well as more shock resilient. NBFIs have to follow the guidelines as statutory compliance. NBFIs operating in Bangladesh are instructed to maintain the minimum capital requirement (MCR) at 10.0 percent of the risk weighted assets (RWA) or BDT 1.0 billion whichever is higher in accordance with Basel-II guidelines. Basel-III has not been introduced yet in this sector considering the capacity constraint of NBFIs to implement the principles of the accord.

Corporate Governance in NBFIs

8.18 BB has taken adequate policy measures regarding corporate governance framework for NBFIs to ensure more discipline and good governance in operation and management. BB has clearly specified the authority, responsibility and functions of the Board of Direc

tors, Executive Committee, Risk Management Committee, Audit Committee, Management and Chief Executive Officer of NBFIs. Chairman of the Board of Directors or chairman of different committee of board are not allowed to hold the directorship of the subsidiary/affiliated companies of respective NBFIs. The required number of directors in the board ranges from 9 to 11. The board sets and approves the vision/mission, annual strategic business plan, key performance indicators, core risk management guidelines, etc. of the organization. On the other hand, the Managing Director/Chief Executive Officer (CEO) is responsible to conduct day to day functions and materialization of the strategic business plan. By issuing a circular letter, the terms and conditions of eligibility, suitability and the appointment process of directors of financial institutions have been fixed. A circular has also been issued to ensure good governance, to appoint competent, honest, and efficient human resources with transparency, and to carry out management activities in financial institutions. Instructions have been given to formulate the policy determining qualifications and suitability of the head of the Internal Control and Compliance (ICC) Department, the Credit Risk Management (CRM) Department, the Chief Financial Officer (CFO), and the Company Secretary.

Asset Classification and Provisioning

8.19 NBFIs are required to maintain provision for expected losses on loans, advances, leases, investments considering some objective criteria as well as qualitative judgment. Assets are classified as standard, special mention accounts, sub-standards, doubtful and bad/losses, requir-

ing the NBFIs to keep provision by 1.00 percent (0.25 percent for CMSME sector), 5.00 percent, 20.00 percent, 50.00 percent and 100.00 percent respectively. At the end of June 2023, the total outstanding of loan/lease was BDT 721.50 billion of which NPL was BDT 199.51 billion (27.65 percent of total loan/lease, Table 8.03). A master circular was issued on 26 July 2021 to ensure proper utilization of loan/lease/advances.

Credit Policy

8.20 NBFIs have to follow Integrated Risk Management Guidelines in disbursement of loan/lease/investment. As per regulations of BB, NBFIs have to release the loan amount to the respective client's account and NBFIs have also been asked to ensure the proper utilization of disbursed amount before the disbursement of next installments. NBFIs have to reserve loan/lease/investment file properly. It is also mandatory for NBFIs to take adequate eligible securities against loan. NBFIs also have to conduct a pre-audit before the disbursement of a loan, lease, or investment amount to BDT 10 million or more to ensure compliance with the due diligence and loan rules, including the proper execution of documentation. In addition, a dashboard has to be installed for supervision of taking sufficient collateral securities, following the single borrower exposure limit, and loan rule compliance-related activities.

Core Risk Management

8.21 Guidelines on five core risk areas, namely, credit risk management, internal control and compliance, asset-liability management, prevention of money laundering and terrorist

financing, and information and communication technology (ICT) security have been issued for NBFIs. Besides these, with a view to addressing and managing all the risks in a more prudent and organized way the 'Integrated Risk Management Guidelines for Financial Institutions' have also been issued to adopt improved policies and procedures in line with internationally best practices for their risk management framework. The guidelines encompass all the probable risks that include credit risk, market risk, liquidity risk, operational risk, compliance risk, strategic risk, reputational risk, environmental risk, and money laundering risk.

Stress Testing

8.22 Stress testing is a simulation technique used to test the resilience of different non-bank financial institutions under a set of exceptional, but plausible assumptions through a series of tests. Stress testing alerts NBFIs management to adverse unexpected outcomes related to a variety of risks (interest rate, credit, equity and liquidity). Stress test rating scale of 1 to 5 and zonal positioning through weighted average resilience-weighted insolvency ratio (WAR-WIR) matrix has been introduced to develop auto-generated recommended action plan. All the NBFIs carry out stress testing on quarterly basis since 30 June 2012 using the stress testing methodology and guideline provided by the BB.

Non Bank Financial Institutions Inspection

8.23 During FY23, Financial Institutions Inspection Department (FIID) has conducted a total of 41 comprehensive inspections on head offices of financial institutions. Details of the

Table 8.05 Inspections Conducted by FIID in FY23

Name of Inspection	Number
Head office comprehensive inspection of NBFIs	41
Branch comprehensive inspection	6
Core risk inspection	0
FICL inspection (Quick summary report)	49
Special inspection	5

Source: Department of Financial Institutions and Markets, Bangladesh Bank.

inspection conducted by the department are shown in the Table 8.05. This department also monitors implementation of the recommendations made in the inspections' reports.

Consumer Protection Regulations

Schedule of Charges

8.24 To ensure the standard of customer's service and protection of customer's interests BB has directed NBFIs to formulate customer service and complaint management policy. NBFIs have to form complaint cell in their head offices, regional offices and branch offices under direct supervision of Chief Executive Officer to settle the customer's complaints according to the customer service and complaint management policy. BB has rationalized the charges of some services to ensure the interests of depositors/investors/customers and advised all NBFIs to display the complete schedule of charges in suitable places in their branches and head offices so that the clients can easily notice it. They are also advised to post the same information in their websites. BB monitors these issues and NBFIs are required to submit semi-annual statements in these regard. No charge/commission like commitment fee, supervision fee and cheque dishonor fee can be charged on their clients by NBFIs. Recently, the early settlement fee has been rationalized in case of pre-matured

loan/ lease encashment. BB has also instructed to allocate the increased/decreased amount equally in the rest of the installments due to change in interest rate revision [DFIM Circular Letter No: 01/2023].

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

8.25 Along with the banks, the financial institutions with their customized products and services have emerged as the competitive financial intermediaries to meet the growing and changing demands of customers. The "Guidelines on Products and Services of Financial Institutions in Bangladesh" has outlined the different characteristics of products and services offered by NBFIs which helps financial institutions to adapt with the changing environment also to promote sound risk management system and bring discipline in launching new products and services. In order to set some regulations regarding commercial papers 'Guidelines on Commercial Papers for Financial Institutions' has been introduced. This allowed NBFIs to get involved in commercial papers as investor, issuer, guarantor, and issuing and paying agent by fulfilling the terms and conditions as mentioned in the guidelines. The existing guidelines have been revised by a DFIM circular letter (No: 02, dated on 27 February 2020) to ensure best practices and to set standards that will facilitate non bank financial institutions to perform efficiently regarding commercial papers in a more organized way.

Cost of Funds Index for NBFIs

8.26 NBFIs are regularly submitting their monthly

statements of base rate and cost of funds to BB as per guideline published in 2013. On the basis of these statements, BB prepares an aggregate cost of funds index, uploads that in the BB website and updates on a monthly basis. The cost of funds index is used as an acceptable reference rate. The base rate system facilitates the interest rate determining process and ensures more transparency and accountability in the NBFIs. The cost of fund of NBFIs in December 2022 was 6.51 percent which increased to 7.09 percent in June 2023.

Regulations on Corporate Memory Management System (CMMS) for Non Bank Financial Institutions

8.27 As part of formulation and implementation of national integrity strategy (NIS), a circular has been issued for the preservation and use of information of the penalized employees of non-bank financial institutions through Corporate Memory Management System (CMMS).

Financial Market

9.01 Financial market facilitates macro-economic activities through mobilising resources and fund allocation to the appropriate investment. Bangladesh Bank (BB) continued its proactive support for fostering financial market stability during FY23. In the backdrop of global financial instability by Russia-Ukraine conflict, BB cautiously undertook major policy initiatives in FY23 to mitigate and prevent crucial impacts of multiple challenges namely high inflationary and exchange rate pressures and a sizeable fall in foreign exchange reserves. Further, BB brought forth significant structural changes for prescribing recovery and maintaining market momentum at the end of FY23.

Markets' Highlights, FY23

- During FY23, on grounds of high import finance by purchasing huge foreign exchange from the central bank resulted in a fall in local currency liquidity.
- The decline in liquidity also reflected through higher yet less volatile interbank call money rate. Besides, liquidity situation made upward movement to weighted average lending and deposit rate and increased yield on both short and long-term government securities.
- In response to high Inflation, BB changed repo policy rate twice in FY23. Firstly overnight repo rate increased by 25 basis points (bps) to 5.75 percent from 5.50 percent on 02 October 2022 and secondly, by 25 bps to 6.00 percent on 16 January 2023.
- Rationalizing policy interest rate corridor, BB raised reverse repo rate by 25 bps to 4.25 percent from 4.00 percent on 16 January 2023.
- Capital market followed notable fluctuations in FY23. Declining turnover volume manifested investors' cautious approach in secondary investment.
- For modernization of monetary policy, BB decided to introduce 'Policy Interest Rate Corridor', whereas overnight repo policy rate set at 6.50 percent, accompanied by a +/- 200 bps symmetric corridor comprising of a standing lending facility (SLF) (replacing special repo) rate at 8.50 percent and a standing deposit facility (SDF) (replacing reverse repo) rate at 4.50 percent, that will be effective from 01 July 2023.
- The appreciation of foreign currencies with the increase in policy rates by central banks worldwide and higher import payment resulted in larger BoP deficit (USD 8.2 billion) impacted exchange rate negatively in FY23. BDT-USD exchange rate depreciated by 11.84 percent and stood at BDT 106.0 at end of in FY23 from BDT 93.45 at end of FY22.
- To stabilize exchange rate, BB's net sales stood at USD 13.39 billion and therefore, foreign exchange reserve decreased to USD 31.2 billion (equivalent to 4.6 months of imports of goods and services) at the end of June 2023.

Markets Overview

9.02 Financial system in Bangladesh include formal, semi-formal and informal sector. Formal sector consists of the money market (banks and non-bank financial institutions-NBFIs), the capital market (stock markets), the bond market, microcredit institutions, foreign exchange market and the insurance market. Operational activities of these institutions are overseen by different regulators namely BB (regulates banks, NBFIs and foreign exchange markets), Bangladesh Securities and Exchange Commission (controls stock market), Insurance Development and Regulatory Authority (controls insurance companies) and Microcredit Regulatory Authority (regulates micro credit institutions). However, semi-formal and informal sector not usually administered by appropriate regulators also contribute significant portion to financial market.

I. Money Market

Call Money Market in FY23

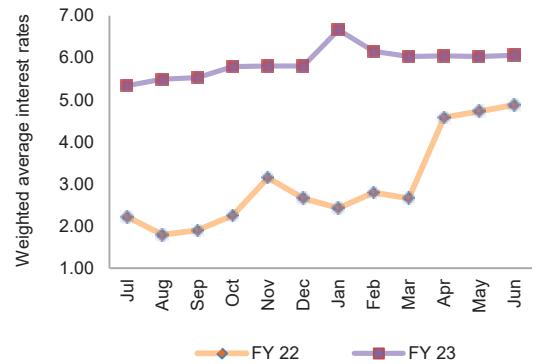
9.03 Money market experienced less volatility in FY23 compared to FY22. Addressing banks' frequent liquidity demand, BB precisely applied open market operations (OMOs) and debt management tools to balance call money market. Careful policy measures eased the market liquidity position and targeted for stable weighted average call money market rate ranging from 5.34 percent to 6.66 percent during FY23 (Table 9.01 and Chart 9.01). In FY23, interbank call money trade decreased by BDT 290.78 billion, which was 21.04 percent lower compared to FY22. Interest rate in call money market was higher but showed less volatility with policy support from BB in FY23. Interbank call money rate jumped up on grounds of persistent liquidity pressure, emanated from import financing by

Table 9.01 Volume of Trade and Weighted Average Interest Rates in Call Money Market

Periods	FY22		FY23	
	Volume of trade (Billion BDT)	Weighted average interest rates (%)	Volume of trade (Billion BDT)	Weighted average interest rates (%)
July	468.18	2.22	1135.57	5.34
August	936.65	1.79	1294.62	5.49
September	1642.29	1.90	993.91	5.53
October	1731.56	2.25	1064.15	5.79
November	1549.37	3.15	1050.67	5.80
December	1303.99	2.66	631.52	5.80
January	1520.69	2.43	1027.74	6.66
February	1526.68	2.80	1142.34	6.15
March	1571.75	2.66	1075.96	6.03
April	1326.88	4.58	1054.82	6.04
May	1345.46	4.73	1324.87	6.03
June	1662.44	4.88	1300.34	6.06
Average	1382.16	3.00	1091.38	5.89

Source: Debt Management Department, Bangladesh Bank.

Chart 9.01 Movements of Call Money Rate



Source: Monetary Policy Department, Bangladesh Bank.

purchasing foreign exchange.

Repo Auctions in FY23

9.04 BB applies various types of repo (overnight repo, term repo, liquidity support facility (LSF) and special repo facility) auctions to inject liquidity to market at pre-determined and auction based rates against collaterals- market and face value of government treasury bills, bonds and BB bills. At starting of FY23, interest rate of overnight repo was 5.50 percent, and then it was

Table 9.02 Repo Auctions in FY23

Total auctions held during the year	Tenor	Bids received		Bids accepted		Interest rate of the accepted bids (%) [@]
		Number of bids	Face value (Billion BDT)	Number of bids	Face value (Billion BDT)	
239	1-6 Day	9058	9324.93	9058	8405.50	5.50-9.00
	7-Day	6272	5920.37	6215	4487.65	5.60-6.10
	14-Day	190	192.50	190	192.50	6.20
	28-Day	-	-	-	-	-
Total		15520	15437.80	15463	13085.65	5.50-9.00*

[@] Present overnight policy repo stood 7.25 percent effective from 05 October 2023 which was 6.50 percent in the newly introduced IRC effective from 01 July 2023.

* Overall interest rate range of different tenors.

Source: Monetary Policy Department, Bangladesh Bank.

raised twice to 5.75 percent in October 2022 and to 6.00 percent in January FY23.

9.05 A haircut amount of 15 percent for mortgaging BB bills, treasury bills, and 5 percent for treasury bonds is applicable in repo auctions. Repo repayment duration is between 1-day to 360-days. For periodical liquidity need term repo for 7, 14 and 28 days were introduced on 06 June 2018. Besides, 360 days term repo was also introduced on 13 May 2020 to support longer term need for capital market. Term repo rate is fixed through competitive auction considering overnight Repo rate as benchmark.

9.06 A total of 239 repo auctions were held during FY23. In all 15520 bids amounting to BDT 15437.80 billion were received of which 15463 bids amounting to BDT 13085.65 billion were accepted (Table 9.02). In FY22 a total of 2025 bids for BDT 1779.67 billion were received of which 2009 bids were accepted. Accepted volume increased by BDT 11325.78 billion in FY23. Interest rate against the accepted bids was ranging 5.50-9.00 percent per annum which was 4.75-7.75 percent per annum in FY22.

Reverse Repo, FY23

9.07 In line with monetary policy objectives, BB utilizes reverse repo auction to mop up liquidity from the banking system to keep the reserve money and money multiplier on track and for

impacting currency, reserves and deposits. The interest rate of reverse repo was 4.00 percent at starting of FY23, and then it was raised to 4.25 percent in January FY23. However, no reverse repo auction was held during FY23.

Bangladesh Bank Bill, FY23

9.08 In order to conduct effective management and sterilize liquidity of the banking system, operations of 7-day and 14-day BB Bill were introduced in April 2016 alongside the earlier commenced 30-day BB Bill. To keep stable interest rate, exchange rate, inflation and optimum return on bank deposits, BB cautiously applies selective BB Bill as a tool of OMOs with lower return for banks (institutional investors). However, no auction of BB Bill was held in FY23.

Government Securities

Government Treasury Bills Auctions, FY23

9.09 Treasury bills and bonds are short-term and long-term debt instruments issued by BB on behalf of the government. These indirect monetary instruments are used mainly for financing government cost efficiently. Securities are issued through an auction process where allotments are conferred to the bids which fill the notified issue amount ranging from the lowest to highest yield. *Pro-rata* allotments are made for bids at the cut-off-yield. Objectives of securities

Table 9.03 Auctions of Government Treasury Bills in FY23

Tenor of bills	Bids offered		Bids accepted		Outstanding bills as of end June 2023 (Billion BDT)	Weighted average annual yield (WAR) range (%)	
	Number	Face value (Billion BDT)	Number	Face value (Billion BDT)		FY22	FY23
14-Day	-	-	-	-	0.00	-	-
91-Day	3540	2518.70	1279	983.16	362.11	0.45-6.03	5.71-7.43
182-Day	1721	1146.38	505	370.82	412.82	0.70-6.49	6.44-7.61
364-Day	1533	980.80	370	261.95	517.98	1.16-6.66	6.73-8.17
Devolution on BB/PDs				817.01			
Total	6794	4645.88	2154	2432.94	1292.91	0.45-6.66	5.71-8.17*

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

Source: Monetary Policy Department, Bangladesh Bank.

securities issuance are two-fold. First one is to initiate mechanism for financing government's budget deficit and the other relates to banks' fulfilment of mandated regular requirement for statutory liquidity ratio (SLR).

9.10 In FY23, a total of 24 primary dealers (PDs) banks acted as underwriters and market makers with commitments to bid in auctions, though as per norms, auction committee constituted for the bills and bonds may devolve any unsubscribed amount on BB and PD banks considering the auction rate, market timing, macroeconomic and liquidity position of the banking system. In FY23, slightly high devolvement was made on BB curbing higher rate and with keeping momentum in securities' weekly valuations held for trade (HFT) and book value calculation of held to maturity (HTM) maintained for SLR with amortization.

9.11 Weekly auctions of 91-day, 182-day and 364-day treasury bills were continued to use as the main instruments for debt management of the government in FY23. The results of treasury bills auctions in FY23 are summarised at Table 9.03. The range of annual weighted average yields of most of the treasury bills increased in FY23 as compared to FY22, reflecting somewhat liquidity pressure in the money-market.

9.12 A total of 6794 bids amounting to BDT 4645.88 billion were received, of which 2154 bids of BDT 2432.94 billion (including BDT 817.01 billion devolved on BB/PDs) were accepted in FY23. The weighted average yield-to-maturity against the accepted bids was ranged from 5.71 percent to 8.17 percent. In FY22, a total of 4782 bids amounting to BDT 3347.44 billion were received, of which BDT 1371.17 billion (including BDT 198.44 billion devolved on BB/PDs) were accepted.

Bangladesh Government Treasury Bonds (BGTBs) Auctions, FY23

9.13 Treasury bonds, bearing half yearly coupon rate with tenors of 2-year, 5-year, 10-year, 15-year and 20-year are auctioned every month following a pre-announced auction calendar. BGTBs are issued at par through yield based multiple price auctions. The auction committee set the cut-off yield will also be considered as annual coupon rate in case of original issuance. However, re-issued bonds carry the same maturity, coupon payment date and coupon rate as original bonds.

9.14 Banks are eligible to use BGTBs for SLR purposes in the form of held to maturity (HTM). HTM securities are amortised in order to converge at face value and held for trade (HFT)

Table 9.04 Auctions of Bangladesh Government Treasury Bonds, FY23

Tenor of bonds	Bids offered		Bids accepted		Outstanding bonds as of end June 2023 (Billion BDT)	The range of annual weighted average yield (%)
	Number	Face value (Billion BDT)	Number	Face value (Billion BDT)		
2-Year Devolvement on BB	998	515.19	374	167.24 117.76	485.00	7.2815-8.0946
5-Year Devolvement on BB	906	356.54	399	89.86 168.14	969.62	7.6989-8.7081
10-Year Devolvement on BB	857	328.55	326	52.84 140.16	1112.65	8.0875-8.5230
15-Year Devolvement on BB	522	135.12	159	30.00 23.28	552.10	8.3527-8.7700
20-Year Devolvement on BB	475	135.01	104	29.40 23.90	541.45	8.5173-8.9500
Total	3758	1470.39	1362	842.58	3660.83	7.2815-8.9500*

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

Source: Monetary Policy Department, Bangladesh Bank.

securities are traded following mark to market norms. Both T-bills and bonds are eligible for trading in the secondary market using the market infrastructure (MI) module which is an automated platform of government securities for auction and trading of BB.

9.15 A total of 3758 bids for BGTBs worth of BDT 1470.39 billion were received and 1362 bids amounting to BDT 842.58 billion (including BDT 473.24 billion devolved on BB) were accepted. The outstanding bonds amount was increased by BDT 538.09 billion (17.23 percent) to BDT 3660.83 billion at the end of June 2023 from BDT 3122.74 billion at the end of June 2022. Weighted average annual yield-to-maturity for BGTBs ranged from 7.2815 percent to 8.9500 percent in FY23. The auction summary of BGTBs during FY23 is given in Table 9.04.

Government Islamic Securities

Bangladesh Government Islamic Investment Bond (Islamic Bond)

9.16 The government provides guarantee against the Bangladesh Government Islamic Investment Bond (BGIIB), a pool of funds formed by Islamic banks and individuals for developing money market for Islamic banking. Bangladeshi institutions, individuals and non-resident Bangladeshis who agree to share profit or loss as per

Islamic *Shariah* rule may buy BGIIB. Return of BGIIB depends on investment in line with *Shariah* savings rate and other related factors on the balance sheet of respective Islamic banks which borrowed money from this fund. Currently, 3-month and 6-month maturity BGIIBs are operated following rules of Islamic *Shariah*.

9.17 As of end of June 2023, the total sale of BGIIB was BDT 81.36 billion, while total amount of financing stood at BDT 72.04 billion, and its net balance was BDT 9.32 billion. As of end of June 2022, the total sale, financing and net balance were BDT 86.64 billion, BDT 33.49 billion, and BDT 53.14 billion respectively. The overall transaction of BGIIB is summarised in Table 9.05. Sale amount of BGIIB decreased slightly in FY23 compared to FY22, while net balance decreased sharply due mainly to higher demand for funds by Islamic banks indicating liquidity pressure in the Islamic money market.

Bangladesh Government Investment Sukuk (BGIS)

9.18 Widening *Shariah* based financing in investment opportunity and development, Bangladesh Government Investment Sukuk (BGIS) Bond was introduced in FY21. So far, three *Sukuk* (BGIS) bonds under *Ijarah* and

Istisna'a mode have been issued; whereas holder institutions of *Sukuk* certificates on own account qualify as approved securities for SLR requirement. However, no new auction of BGIS (*Ijarah Sukuk*) was held during FY23 and, the outstanding amount of *Sukuk* remained unchanged at BDT 180.00 billion as of end of June 2023.

Diaspora Bonds

9.19 To encourage savings and enhance remittance inflow, 03 sorts of diaspora bonds: wage earner development bond (WEDB), US dollar investment bond (DIB) and US dollar premium bond (DPB) was introduced. WEDB, having 5-year maturity is issued in BDT against inward remittance and available for any amount of foreign currency (equivalent to BDT). Up to BDT 1.5 million, applicable interest rate is 12.0 percent and further investment slabs decide subsequent interest rate on WEDB.

9.20 DIB and DPB, both 3-year maturity, are issued in USD against bond holder's foreign currency (FC) account maintained with non-*Shariah* banks and accessible for any foreign currency amount. Interest rates of DIB and DPB are 5.5 percent and 5.0 percent respectively up to USD 0.1 million investment. Subsequent interest rates of DIB and DPB depend on next investment slabs. For DIB interest and principal both are payable in USD; while DPB utilizes principal in USD and interest in BDT. Diaspora bond sale stood at BDT 11.73 billion in FY23, an increase of 19.33 percent from BDT 9.83 billion in FY22.

II. Capital Market

Capital Market Activities in FY23

9.21 Capital market is considered the second largest segment of financial market contributing

Table 9.05 Bangladesh Government Islamic Investment Bond (BGIIIB)

(Billion BDT)

Particulars	FY 21	FY 22	FY 23
Sale of BGIIIB	170.21	86.64	81.36
Financing against BGIIIB fund	12.74	33.49	72.04
Net balance	157.47	53.14	9.32

Source: Motijheel office, Bangladesh Bank.

effectively in enhancing economic growth through long-term investment. Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), and its affiliates make up the market. Both exchanges use corporate bonds, debentures, and equity securities (shares) as market instruments. BSEC acts as regulatory authority for stock market, and BB also contributes notably as banking sector regulator.

9.22 Chart 9.02 shows the trends in market behaviour of DSE. During first quarter of FY23, market capitalisation experienced slow growth, while DSE broad index (DSEX) slightly increased. During October-June of FY23, both market capitalisation and DSEX experienced a stable trend. Accordingly, after first half of FY23, DSEX and market capitalisation stood at 6206.8 and BDT 7609.4 billion. Moving upward, DSEX and market capitalisation reached to 6344.1 and BDT 7702.3 billion at end of FY23 (Chart 9.02).

Primary Issuance

9.23 Nine companies have collected new equity of BDT 7.3 billion through public placements in FY23, and that was BDT 14.5 billion by 16 companies in FY22. Against retained profits, 61 listed companies declared BDT 17.6 billion bonus share in FY23 and the same was BDT 20.4 billion by 80 companies in FY22. However, no company raised capital through right Issue in FY23, and that was BDT 0.1 billion by only one company in FY22.

Secondary Market Activities

9.24 As percentage of market capitalisation, secondary market is dominated through the manufacturing sector (45.1 percent), followed by the services and miscellaneous sector (31.1 percent), the financial sector (22.9 percent) and bonds (0.9 percent) during FY23. In DSE, market capitalisation significantly increased by 49.1 percent to BDT 7720.8 billion at the end of FY23 (Table 9.06), and it was 17.4 percent of GDP (at current market price). In CSE, market capitalization also rapidly increased by 69.0 percent to BDT 7577.9 billion at end of FY23 and it was 17.1 percent of GDP (at current market price). In FY23, the amount of turnover in the secondary market at DSE decreased by 40.0 percent and also decreased by 49.7 percent at CSE. DSE broad index (DSEX) decreased by 0.5 percent to 6344.1 in FY23, and CSE all-share price index (CASPI) decreased by 0.1 percent to 18702.2 (Tables 9.06 and 9.07).

Non-Resident Portfolio Investment

9.25 Gross investment inflow in shares and securities of the companies listed on the stock exchanges by non-residents through the non-resident investor's taka account (NITA) decreased to BDT 10.2 billion in FY23 from BDT 19.2 billion in FY22. Similarly, gross outflow as sale proceeds and dividends of shares and securities decreased to BDT 28.0 billion in FY23 from BDT 37.6 billion in FY22. From beginning (April 1992) to June 2023, gross portfolio investment inflow stood at BDT 530.1 billion against gross outflow of BDT 531.8 billion as sale proceeds and dividends.

Investment Corporation of Bangladesh

9.26 The Investment Corporation of Bangladesh

Chart 9.02 Trends in Market Behaviour of DSE



Source: Dhaka Stock Exchange.

Table 9.06 Activities of Dhaka Stock Exchange (DSE)

Particulars	End June		
	FY21	FY22	FY23
No. of listed securities*	609	625	653
Issued equity and debt* (Billion BDT)	1397.3	1521.6	4177.8
Equity through IPOs (Billion BDT)	9.3	14.5	7.3
Market capitalisation (Billion BDT)	5142.8	5177.8	7720.8
Turnover in value (Billion BDT)	2547.0	3186.0	1910.9
Turnover in volume (no. in Billion)	83.6	82.8	34.8
DSE broad index (DSEX)®	6150.48	6376.94	6344.09

® DSE introduced the benchmark DSE Broad Index (DSEX) as per 'DSE Bangladesh Index Methodology' designed and developed by S&P Dow Jones Indices with effect from January 28 2013.

* Including mutual funds and debentures.

Source: Dhaka Stock Exchange.

(ICB) was introduced to accelerate industrialisation and to develop well-organised vibrant capital market particularly securities market. ICB is playing pivotal role in market expansion through portfolio management. Three subsidiary companies of ICB are: ICB Capital Management Ltd (ICML), ICB Asset Management Company Ltd. (IAMCL) and ICB Securities Trading Company Ltd. (ISTCL).

9.27 In FY23, ICML provided underwriting assistance of BDT 0.4 billion to 03 companies, and acted as issue manager for 07 companies to BDT 10.3 billion. Next, IAMCL emerged as asset management company had floated 10 closed-end

and 15 open-ended mutual funds as of end of FY23. Net investment in portfolios of 25 mutual funds of IAMCL stood at BDT 6.6 billion in FY23. Third one ISTCL grown as stockbroker with depository participant (DP) services, had total transaction amounting to BDT 181.0 billion in FY23, indicating 9.2 percent of the total turnover of both DSE and CSE.

9.28 ICB itself sold unit certificates worth of BDT 4.3 billion against the repurchase of unit certificates amounting to BDT 0.8 billion in FY23. Besides, its total investment against the investors' accounts stood at BDT 5.4 billion, while deposits received stood at BDT 0.7 billion in FY23. Loans approved by the ICB stood at BDT 5.5 billion in investors' accounts in FY23.

Scheduled Banks' Investments in Capital Market Securities

9.29 Holdings of capital market assets (equities, debentures) by scheduled banks, excluding investment in Government Treasury Bills, Bonds and BGIIB, stood at BDT 620.5 billion at the end of June 2023 as against BDT 619.6 billion at the end of June 2022. Outstanding advances of scheduled banks against shares and securities amounting to BDT 82.6 billion at the end of June 2023, which was BDT 74.4 billion at the same time of the previous year.

Measures Supporting Capital Market Development in FY23

9.30 To safeguard investors' interest and ensure compliance of securities laws and coordination, BSEC has taken several measures during FY23:

- BSEC arranged a bilateral meeting on 25 April 2023 for signing of an Exchange of Letter (EoL) for mutual cooperation between

Table 9.07 Activities of Chittagong Stock Exchange (CSE)

Particulars	End June		
	FY21	FY22	FY23
No. of listed securities*	348	381	615
Issued equity and debt* (Billion BDT)	833.7	1023.4	4167.0
Market capitalisation (Billion BDT)	4383.7	4484.2	7577.9
Turnover in value (Billion BDT)	116.9	120.7	60.7
Turnover in volume (no. in Billion)	4.1	4.3	1.6
All-share price index (CASPI)	17795.0	18727.8	18702.2

* Including mutual funds and debentures.

Source: Chittagong Stock Exchange.

Financial Services Agency (FSA), Japan and BSEC.

- BSEC issued order regarding investment limit in the secondary market for eligibility as Qualified Investor (QI).
- BSEC signed a bilateral Memorandum of Understanding (MoU) with Securities and Commodities Authority (SCA), UAE and Dubai Financial Services Authority (DFSA) on 27 October 2022 and 28 October 2022, respectively for mutual cooperation.
- Training was organized on AML and CFT for Chief Anti-Money Laundering Compliance Officers of various market intermediaries. AML/CFT system check had been conducted in 50 institutions related to capital market.
- BSEC issued order regarding uniform reporting platform under the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019 on 03 October 2022.
- BSEC provided training to 9334 people as part of nationwide investment education program.

III. Credit Market

Scheduled Banks' Advances by Economic Purposes

9.31 Advances of scheduled banks for economic purposes showed an upward trend in FY23 (Table 9.08). As end of June 2023, total advances stood BDT 14445.6 billion, implying 11.2 percent higher than that of end of June 2022. Of total advances, major growth were identified in agriculture, fishing and forestry sector (13.4 percent), industrial sector (11.5 percent), trade and commerce (10.1 percent), and construction sector (9.9 percent) in FY23 compared to that of FY22. The most notable aspect is that others sector had leading growth of 24.6 percent in FY23. However, working capital financing, and transportation sector showed low growth of 5.9 and 5.6 percent respectively in FY23.

9.32 In FY23, the trade and commerce sector contributed the most (33.7 percent), followed by advances for industry (20.3 percent), working capital financing (19.9 percent), other sectors (12.4 percent), construction (8.1 percent), agriculture, fishing, and forestry (4.9 percent), and transportation (0.8 percent). Sector-wise contributions to total advances are depicted in Chart 9.03.

Industrial Term Loans of Banks and Financial Institutions

9.33 Disbursement of industrial term loans by banks and financial institutions increased by 31.5 percent to BDT 951.7 billion in FY23 as compared to FY22. Recoveries also increased by 64.0 percent to BDT 1063.9 billion in FY23. However, outstanding balance of the industrial term loans showed a positive growth of 23.4 percent and stood at BDT 3953.2 billion as of end of June 2023 compared to end of June 2022. Overdue loans increased by 17.0 percent in FY23 and as percentage of outstanding recorded 15.1 percent as of end of June 2023 (Table 9.09).

Table 9.08 Advances of Scheduled Banks by Economic Purposes

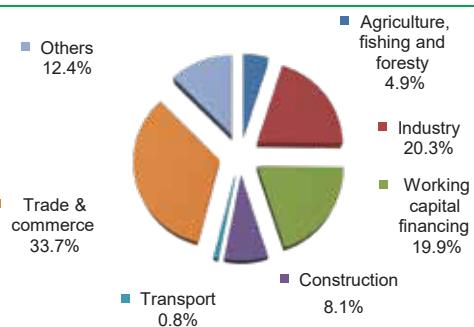
Sector	End June		% change
	FY22	FY23 ^P	
Agriculture, fishing and forestry	627.7	711.9	13.4
Industry	2626.2	2928.7	11.5
Working capital financing*	2707.6	2867.6	5.9
Construction	1059.4	1164.8	9.9
Transport	112.0	118.2	5.6
Trade and commerce	4418.6	4866.2	10.1
Others	1435.2	1788.1	24.6
Grand Total	12986.6	14445.6	11.2

* Excluding export and import financing.

^P Provisional.

Source: Statistics Department, Bangladesh Bank.

Chart 9.03 Sector-wise Shares of Total Advances in FY23



Source: Statistics Department, Bangladesh Bank.

9.34 Private commercial banks (PCBs) had major shares (65.1 percent) in total outstanding loans of BDT 3953.2 billion as of end of June 2023, being major players in industrial term lending (Table 9.09 and Chart 9.04). Though six SCBs and two specialised banks (BKB, RAKUB) together had 25.2 percent shares of outstanding loans, with high levels of overdue loans, their actual role in current lending was minor, as they disbursed only BDT 77.1 billion (8.1 percent) out of total disbursed loans of BDT 951.7 billion in FY23. In terms of disbursement, PCBs had the highest amount (BDT 771.8 billion) in FY23, followed by non-bank financial institutions (BDT 70.0 billion), SCBs (BDT 47.1 billion), foreign banks (BDT 32.9 billion), and specialised banks (BDT 30.0 billion).

Table 9.09 Industrial Term Loans of Banks and Financial Institutions

Lender	Disbursement		Recovery		Outstanding		Overdue		Overdue as % of outstanding	
	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23	FY22	FY23
SCBs	64.5	47.1	30.1	43.7	633.8	974.1	166.2	216.5	26.2	22.2
PCBs	547.3	771.8	502.6	901.4	2152.5	2573.0	269.6	289.3	12.5	11.2
Foreign banks	32.7	32.9	35.5	24.0	70.8	67.1	2.6	3.4	3.7	5.0
Specialised banks (BKB, RAKUB)	10.3	30.0	12.5	17.1	24.1	20.1	7.4	5.0	30.8	24.6
Non bank financial institutions (NBFIs)	68.9	70.0	67.9	77.8	323.0	318.8	63.4	81.7	19.6	25.6
Total	723.6	951.7	648.6	1063.9	3204.1	3953.2	509.3	595.9	15.9	15.1

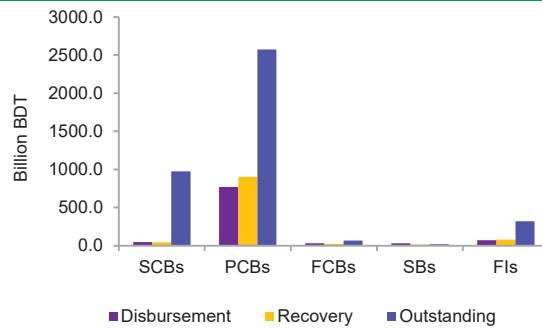
Source: SME and Special Programmes Department, Bangladesh Bank.

9.35 Foreign banks had very lower overdue loans (5.0 percent of outstanding) as of end of June 2023. Overdue loans were also lower in PCBs (11.2 percent) as compared to SCBs (22.2 percent), SBs (24.6 percent) and NBFIs (25.6 percent) as of end of June 2023. However, two specialised banks—BKB and RAKUB are basically lenders of agriculture sector; their role in industrial term loan remained insignificant.

Investment Promotion and Financing Facility II (IPFF II) Project

9.36 On behalf of the Ministry of Finance, BB is implementing the Investment Promotion and Financial Facility II (IPFF II) Project (July, 2017-April, 2024), co-financed by the government and the World Bank, to promote private sector-led long-term infrastructure financing and build capacities of financial institutions and stakeholders such as BB, PPP Authority and line ministries. Under on-lending component of IPFF II project, long-term infrastructure financing extended against eligible sectors.

9.37 In FY23, BDT 6.0 billion was disbursed under on-lending component for three sub-projects namely the third tranche of Karnafuly Dry Dock Limited (KDDL), Fiber@Home Limited (F@HL), and Bay Economic Zone Limited (BEZL). On the other hand, 110 officials of different

Chart 9.04 Industrial Term Loans of Banks and Financial Institutions in FY23

Source: SME and Special Programmes Department, Bangladesh Bank

ministries, agencies and organizations were trained as a part of technical assistance (TA) component.

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

9.38 Equity and Entrepreneurship Fund (EEF) was formed by the government with initial allocation of BDT 1.0 billion in FY01 to encourage investments in risky but innovative agro-based/ food processing and ICT industries. As per sub-agency agreement signed between BB and ICB on 01 June 2009, ICB is now conducting operational activities of EEF/ESF while BB is overseeing policy formulation, fund management and monitoring activities.

9.39 In 2018, the Honourable Finance Minister approved a loan policy with heading ‘Entrepreneurship Support Fund (ESF)’ instead of the equity model. Under revised policy, expression of interest (EOI) received up to 30 June 2023 against food processing and agro-based and ICT sector were 4892 and 21 respectively, of which 114 food processing and agro-based and 01 ICT based EOI got loan sanction of BDT 2.3 billion.

9.40 Up to 30 June 2023, a total of 2063 projects (including 1923 food processing and agro-based projects worth BDT 34.6 billion and 140 ICT projects worth BDT 2.2 billion) received financial support from EEF/ESF. Cumulative disbursement stood at BDT 14.9 billion in 934 food processing and agro-based projects and BDT 1.3 billion in 105 ICT projects as of end of June 2023. So far, a total of 499 agro-based companies and 76 ICT companies had bought back shares of BDT 4.5 billion and BDT 0.6 billion respectively. Rural infrastructures developed as result of agro-based projects implementation that received funds. World class software developed by funded ICT projects were used in domestic market and also exported.

Housing Finance

9.41 Total outstanding of housing loans from banks and financial institutions as of end of June 2023 stood at BDT 1191.0 billion (Table 9.10), which was 8.0 percent of total credit to the private sector. PCBs with major deposit collection engaged in housing loan business and positioned dominantly (Table 9.10) with BDT 674.1 billion outstanding housing loans as of FY23. SCBs scored the second highest of BDT 293.8 billion and other banks had BDT 49.0 billion of housing loans during FY23. Besides,

Table 9.10 Outstanding Housing Loans

Lenders	Outstanding as of end June (Billion BDT)		
	FY21	FY22	FY23 ^P
a. Specialised housing finance providers	93.6	97.4	101.9
i. BHBFC	37	39.3	43.8
ii. Delta-Brac Housing Finance	43.4	44.4	44.4
iii. National Housing Finance and Investment Limited	13.2	13.7	13.7
b. Banks	814.7	894.8	1016.9
i. PCBs	532.6	590.2	674.1
ii. SCBs	238.1	259.3	293.8
iii. Other banks (foreign and specialised)	44	45.3	49
c. Other financial institutions	67.4	69.6	70.2
d. Micro-credit lender Grameen Bank	0.8	1.2	2.0
Total	976.5	1063.0	1191.0

^P Provisional.

Sources: Department of Financial Institutions and Markets, Statistics Department, Bangladesh Bank; Bangladesh House Building Finance Corporation and Grameen Bank.

specialised housing finance companies with long-term deposits collection also held significant position of BDT 101.9 billion loans as of FY23.

9.42 The Bangladesh House Building Finance Corporation (BHBFC), only state-owned housing loans lender had outstanding amount of BDT 43.8 billion as of end of June 2023. Primary source of BHBFC fund is the paid-up capital contributed by the government. Other than this, BHBFC raised fund by selling government guaranteed debentures with assistance of the Ministry of Finance to BB and to other commercial banks. In FY22 and FY23, BHBFC disbursed BDT 5.9 billion and BDT 7.0 billion out of recoveries of BDT 6.5 billion and BDT 7.2 billion respectively.

9.43 To provide housing facilities for marginalized communities, *Grihayan Tahobil* was set up by the government in 1998 under the management of BB. *Grihayan Tahobil* provides loans to NGOs only at 1.5 percent simple interest rate for disbursing housing credit to rural poor at 5.5 percent simple interest rate with recovery term of

maximum 7 years. Up to June 2023, *Grihayan-Tahobil* released BDT 5.5 billion among enlisted NGOs and 1,00,292 houses had already been built. As of FY23, *Grihayan Tahobil* also recovered BDT 3.3 billion against the total recoverable amount of BDT 3.5 billion implying a recovery rate of 94.3 percent.

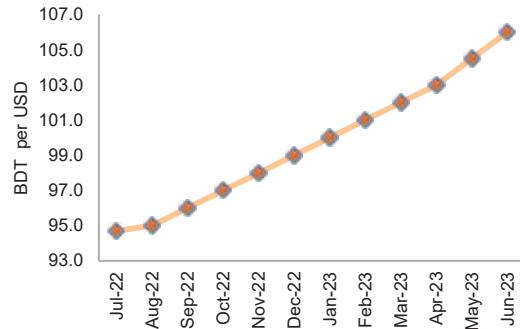
9.44 Under *Grihayan Tahobil* schemes, a 12 storied women hostel for accommodation to 388 women workers had been build at Ashulia, Savar, Dhaka with the collaboration and supervision of the Department of Women Affairs at the cost of BDT 0.2 billion. Besides, a four storied dormitory with residential facility for 1,008 female workers in Mongla EPZ under BEPZA had been constructed at the cost of BDT 0.3 billion.

9.45 Besides, *Grihayan Tahobil* sanctioned BDT 0.02 billion in favor of the project ‘*Ghore Fera Karmoshuchi*’ implementing by Bangladesh Krishi Bank (BKB) and first instalment of BDT 0.01 billion was released. In addition, *Grihayan Tahobil* provided BDT 0.3 billion as grant to Prime Minister’s Office.

IV. Foreign Exchange Market

9.46 Foreign exchange market plays significant role in smoothing international trade and transactions. Market participants are BB, authorized dealers (ADs) and customers. Though BB is empowered by the Foreign Exchange Regulation Act of 1947 for regulating exchange regime, in spite of direct act BB carefully monitors market and intervenes if necessary. BB may notify necessary guidelines for the market. However, inter-bank foreign exchange market also holding

Chart 9.05 BDT-USD Exchange Rates Movement (End Month) in FY23



Source: Monetary Policy Department, Bangladesh Bank.

importance comprising of: spot market, forward market and future market.

Exchange rate

9.47 BB practiced floating exchange rate regime since 2003. Under this regime, banks are free to set their own rates for inter-bank and customer transactions. BB may purchase and sell USD when it deems necessary for market stability. In FY23, exchange rate of BDT-USD followed much depreciation due to large deficit in BoP. Accordingly, exchange rate depreciated by 11.84 percent in FY23 and stood at BDT 106.0 at the end of June 2023 from BDT 93.45 at the end of June 2022 (Chart 9.05). BDT-USD exchange rate was also depreciated by 9.25 percent in FY22.

9.48 The appreciation of foreign currencies with the increase in policy rates by central banks worldwide and higher import payment resulted in larger BoP deficit impacted on exchange rate negatively during FY23. To stabilize exchange rate, BB’s net sales of foreign exchange stood at

13.39 billion and therefore, foreign exchange reserve fell down in FY23.

Foreign Exchange Reserves

9.49 Foreign exchange reserve, refers to foreign assets controlled by central bank, is an important gauge for economic indicator mitigating external shocks. Higher BoP deficit (USD 8.2 billion) and BB's huge amount of USD net sale (13.39 billion) in FY23, caused a decrease in foreign exchange reserves to USD 31.2 billion (equivalent to 4.6 months of imports of goods and services) at the end of June 2023 from USD 41.8 billion at the end of June 2022.

Agricultural and CMSME Finance

10.01 The economy of Bangladesh is directly and indirectly dependent on the agricultural sector. According to provisional estimation of “Bangladesh Bureau of Statistics” the contribution of the agricultural sector to the country’s gross domestic product (GDP) in FY23 is 11.38 percent. The agricultural sector also has an indirect contribution to the growth of industries and service sectors. According to the Labor Force Survey 2022, 45.33 percent of the country’s total workforce is directly involved in agriculture. Even in dealing with the adverse effects of environmental disasters, and climate change, the agricultural sector plays a great role. To ensure food security and nutrition, there is no alternative to agricultural systems based on technology. The country is now self-sufficient in rice production as a result of the agriculture-friendly policies and initiatives of the Bangladesh government aimed at sustaining the ongoing process of agriculture in the overall economic development of the country. Due to the development of the agricultural sector, it has been possible to alleviate poverty and improve the quality of life of the rural people of the country. One of the goals of sustainable development is the agricultural sector that can play the highest role in building a society free from hunger and poverty.

10.02 In line with the broad-based objective of the development agenda of the Government of Bangladesh (GoB), every year Bangladesh Bank (BB) formulates “Agricultural And Rural Credit Policy and Programme” to ensure an adequate flow of funds to the agricultural and rural economies properly, timely, easier and hassle-free way to the farmers level. With a view to improving the socio-economic condition of the country and emphasizing the role of the agricultural

Table 10.01 Comparative Position of Disbursement and Recovery of Agricultural Loan*

	Disbursement	FY21	FY22	FY23 (Billion BDT)
1. Disbursement (target)	262.9	283.9	308.1	
a) Crops loan (other than tea)	156.6	169.4	184.9	
b) Fisheries	28.5	31.0	30.8	
c) Livestock	29.3	32.8	30.8	
d) Others	48.6	50.6	61.6	
2. Actual disbursement	255.1	288.3	328.3	
a) Crops loan (other than tea)	128.9	128.4	146.6	
b) Purchase and installation of irrigation equipment	4.4	4.8	5.0	
c) Livestock	35.3	54.3	75.1	
d) Marketing of agricultural goods	1.8	1.8	1.7	
e) Fisheries	29.5	35.9	42.0	
f) Poverty alleviation	20.4	21.1	21.9	
g) Other agricultural activities	34.9	42.2	36.1	
3. Term structure of loan disbursed	255.1	288.3	328.3	
a) Short term	220.7	238.9	269.0	
b) Long term	34.5	49.5	59.3	
4. Recovery	271.2	274.6	330.1	
5. Due for recovery	336.6	351.2	409.1	
6. Total outstanding loan	459.4	498.0	527.0	
7. Overdue	58.7	59.5	65.4	
8. Overdue as percentage of outstanding	12.8	12.0	12.4	

* Excluding Bangladesh Rural Development Board and Bangladesh Samabaya Bank Limited.

Source: Agricultural Credit Department, Bangladesh Bank.

and rural sectors, agricultural and rural credit policies and programmes have been implemented through all the scheduled banks operating in Bangladesh. The policy is expected to play a helpful role to increase the scope of agricultural credit, financial inclusion, increasing the uses of technology and expanding banking activities in rural areas, strengthening food security through increasing credit flow in favor of farmers, alleviating poverty and revitalizing the rural economy. Loans are disbursed under this policy to the agriculture sector including crops, fisheries and livestock sub-sectors and income generating activities and poverty alleviation sectors in rural area. During FY23, BDT 328.30 billion (106.55 percent of target) was disbursed as agricultural and rural credit against the target of BDT 308.11 billion through all the scheduled banks (Table 10.01).

The Major Achievement of the Agricultural Credit Programme in FY23

10.03 The major features and achievements of the programme implemented in FY23 were as follows:

- Around 3.62 million farmers availed agricultural and rural credit of which 1.88 million women received BDT 127.52 billion from different banks.
- Around BDT 10.50 billion was disbursed among about 0.12 million farmers through 17,548 open credit disbursement programmes arranged by different banks.
- Around 2.74 million small and marginal farmers availed BDT 224.02 billion agricultural loans from different banks.
- About BDT 0.18 billion of agricultural and rural credit was disbursed among 3,449 farmers living in the less developed area like haor, char, etc.
- Around 10.02 million bank accounts were opened by the farmers in the state-owned commercial banks and other scheduled banks with an initial deposit of BDT 10 only.
- In the three Hill Tract districts, more than BDT 1.09 billion was disbursed by BKB among 21,937 tribal farmers at 5.0 percent interest rate.

Credit Disbursement to Agriculture Sector

10.04 In recent years, agricultural and rural finance programme seems to have been boosted as the private commercial banks (PCBs) and foreign

commercial banks (FCBs), along with state-owned commercial banks (SCBs), have come forward to disburse agricultural credit in the country. The actual credit disbursement to the agricultural sector was BDT 328.30 billion in FY23 against the disbursement target of BDT 308.11 billion, which was 13.85 percent higher than the actual disbursement of BDT 288.35 billion in FY22. Table 10.01 shows the comparative position of overall disbursement and recovery of agricultural loans during FY21-FY23, and Charts 10.01 and 10.02 show targets and actual disbursement of agricultural loans respectively in FY23.

10.05 Short-term loans accounted for approximately 81.93 percent of the total disbursement while long-term loans for irrigation equipment, agricultural machinery, livestock and other purposes accounted for the remaining 18.07 percent. During FY23, credit for crop production accounted for 54.49 percent of total short-term loans (Table 10.01).

10.06. The total outstanding loan in the agricultural sector (all banks) in FY23 increased by BDT 29.03 billion, or 5.83 percent, to BDT 527.05 billion from BDT 498.02 billion in FY22 (Table 10.02).

10.07 Two specialized banks-- Bangladesh Krishi Bank (BKB) and Rajshahi Krishi Unnayan Bank (RAKUB), and six SCBs played a key role in the disbursement of agricultural and rural credit. The contribution of foreign and private commercial banks were also imperative in this regard.

Table 10.02 Agricultural Credit Performance by Lenders*

	FY21	FY22	FY23					(Billion BDT)
			SCBs	BKB	RAKUB	PCBs	FCBs	Total
Disbursement target	262.92	283.91	32.58	65.00	19.00	183.82	7.71	308.11
Actual disbursement	255.11	288.34	33.49	75.03	22.53	187.20	10.04	328.30
Recovery	271.24	274.63	27.66	80.98	28.84	185.28	7.35	330.11
Overdue	58.65	59.49	29.77	11.64	14.74	9.27	0.00	65.42
Outstanding	459.40	498.02	134.03	202.26	27.59	156.66	6.51	527.05

* Excluding Bangladesh Rural Development Board and Bangladesh Samabaya Bank Limited.

Source: Agricultural Credit Department, Bangladesh Bank.

The BKB, RAKUB, FCBs SCBs and PCBs have exceeded the disbursement target by 15.43, 19.08, 30.22, 2.79 and 1.84 percent respectively in FY23 (Table 10.02). Apart from this, Bangladesh Rural Development Board (BRDB) disbursed BDT 15.36 billion from their own fund and Bangladesh Samabaya Bank Limited (BSBL) disbursed BDT 2.5 million which increased the total disbursement to BDT 343.66 billion (including all banks) during FY23.

Credit Recovery

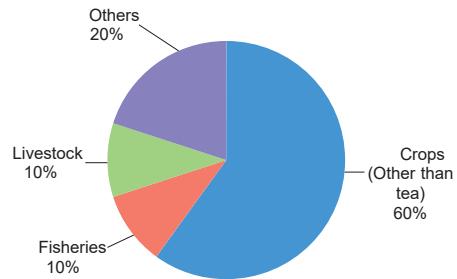
10.08 It is very important for the banks to conduct proper intensive supervision to ensure smooth recovery along with taking appropriate measures to disburse credit to the real farmers. During FY23, the recovery of agricultural credit increased by 20.20 percent to BDT 330.11 billion from BDT 274.63 billion in FY22. Consequently, the recovery as a percentage of outstanding was 62.63 percent during FY23 which was higher than 55.14 percent in FY22 (Table 10.02).

10.09 The overdue as percentage of outstanding agricultural loan increased from 11.95 percent in FY22 to 12.41 percent at the end of June 2023 (Table 10.01 and 10.02).

Sources of Agricultural Finance

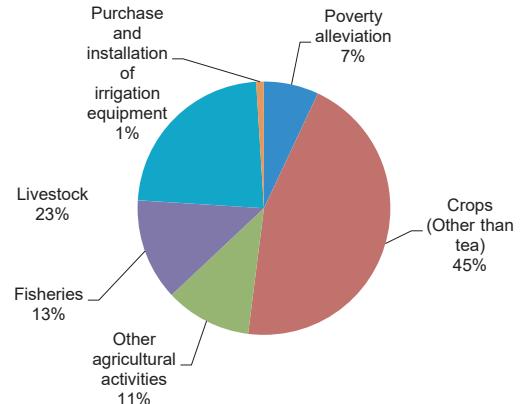
10.10 Two specialized banks (BKB, RAKUB) and six SCBs played key role in disbursement of agricultural and rural finance. In addition to that PCBs are playing significant role in the annual disbursement of agricultural loans. In FY23, two specialized banks (BKB and RAKUB) and six SCBs disbursed BDT 131.05 billion or 39.92 percent, PCBs BDT 187.20 billion or 57.02 percent and FCBs BDT 10.04 billion or 3.06 percent respectively of total disbursement of BDT 328.30 billion (Table 10.02). The SCBs overdue loans as a percentage of their outstanding

Chart 10.01 Target for Agricultural Credit Disbursement in FY23



Source: Agricultural Credit Department, Bangladesh Bank.

Chart 10.02 Actual Agricultural Credit Disbursement in FY23



Source: Agricultural Credit Department, Bangladesh Bank.

agricultural loans stood at 22.21 percent at the end of FY23, while the overdue loans of RAKUB and BKB were recorded at 53.43 and 5.75 percent respectively of their outstanding loans (Table 10.02). The PCBs' overdue loans as a percentage of their outstanding loans stood at 5.92 percent at the end of FY23.

Interest Subsidy from Government (Budgetary Allocation):

10.11 There is a large demand for pulses, oilseeds, spices and maize in the country, but the production of these crops is not sufficient. To encourage the production of such crops and disburse loans to this

sector at concessional interest rates at the farmers' level by the state owned (commercial and specialized) banks, the interest rate has been set at 4.0 percent from 1 July 2011 under the interest-loss subsidy facilities of the government. Along with the state-owned (commercial and specialized) banks, the private and foreign commercial banks have disbursed loans from FY12 against their annual agricultural and rural credit targets in pulses, oil seeds, spices and maize cultivation under the government's facility of 5.0 percent and 4.0 percent (from April 2021) interest subsidy. The overall scenario of credit disbursement for the specified crops is shown in Table 10.03.

10.12 During FY23, 36 banks availed BDT 23 million as 5.0 percent and 4.0 percent (from April 2021) interest subsidies against their disbursement and proper recovery of FY22 in the specified crop sector.

Interest Subsidy from Bangladesh Bank.

Scheme for the Disbursement of Agricultural loan at 4.0 Percent Concessional Interest Rate for Grain and Crop Sector to Mitigate the Crisis due to Outbreak of the COVID-19

10.13 Due to outbreak of the COVID-19, it is necessary to provide agricultural loans at a low interest rate for continuing food production and food supply at the normal level. With this view, banks were instructed (through the ACD circular no.02 dated 27 April 2020) to provide agricultural loans at a 4.0 percent concessional interest rate (maximum) for cultivating grain crops, cash crops, vegetables and tuber crops as mentioned in agricultural and rural credit policy and programme. Against the disbursement of these loans, banks reimbursed at 5.0 percent (from April 2021) as interest loss from BB. These facilities have continued up to 30 June 2021 and effective from 1 April 2020. To avail the reimbursement

Table 10.03 Credit Disbursement for Specified Crops (Pulses, Oil Seeds, Spices and Maize)

FY	Target	Actual disbursement	(Million BDT) Achievement
FY22	1591.00	1511.70	95.02%
FY23	2395.35	2070.51	86.44%

Source: Agricultural Credit Department, Bangladesh Bank.

facility, banks have to ensure that loans are disbursed directly to the farmers at a maximum of 4.0 percent through their own network. Besides, they have to follow other norms, rules and regulations of the annual agricultural and rural credit policy. After the completion of the financial year, banks can claim the reimbursement amount to BB against the adjusted loans. BB will justify the claims at random basis by inspecting minimum 10.0 percent of the claimed amount. Then the reimbursement will be made from BB's own fund. During FY23, 14 banks claimed BDT 130 million interest subsidy against their recovery in FY22. According to the policy, the inspection activities are run by Agricultural Credit Department (ACD) of BB. After getting and analyzing the inspection report, the payment process to banks take place. Apart from that, in FY23, Bangladesh Bank paid BDT 33 million to 11 banks that were claimed in FY21 (partially) and FY22.

Refinance Facility from Bangladesh Bank

Refinance Scheme for Milk Production and Artificial Insemination

10.14 To ensure nutrition security for the mass people of the country, to reduce dependency on imported milk and milk products and to promote self-employment for unemployed youth, BB has introduced a refinance scheme for milk production and an artificial insemination scheme with a fund of BDT 2.0 billion in 2015. Fourteen participating banks and non-bank financial institutions

(NBFIs) signed participation agreements with BB to avail of a refinance facility with an interest subsidy of 5.0 percent. Following the recovery of the loans from the borrowers, the banks and NBFIs are eligible for a 5.0 percent interest subsidy from the government on the amount disbursed, subject to the fulfillment of terms and conditions. The tenure of the scheme has been extended up to December 2024, aiming to subsidize the loan disbursed among the borrowers. Under this scheme, the participating banks and financial institutions have disbursed BDT 2.0 billion to the end borrowers. From 2015 to June 2023, a total of BDT 2.0 billion was recovered from the participating banks and financial institutions. A total of 18,429 borrowers were benefited from the scheme.

Refinance Scheme to Assist Jute Sector:

10.15 In FY19, BB undertook a revolving refinance scheme of BDT 3.0 billion to revive jute and jute industries as well as to help farmers to get fair price for the production of jute and also provide working capital to jute goods manufacturing companies, jute exporters and raw jute traders. An amount of total BDT 60 million was refinanced among 3 beneficiaries during FY23. Cumulative refinance amount up to FY23 was BDT 68 million.

Special Stimulus Refinance Scheme for Agricultural Sector

10.16 Due to COVID-19 pandemic and Russia-Ukraine war food production decreased and food supply chain has drastically disrupted. To overcome the situation and make the food supply chain stable, we need to increase our food production. For this regard, Bangladesh Bank introduced a re-financing scheme of BDT 50 billion for the agriculture sector to ensure food security of the country. Under this refinance scheme, participating financial institution (PFIs) can disburse agricultural loan to paddy cultivation,

fish farming, vegetable, fruit and flower farming, poultry, dairy and beef fattening sectors. Under this non-revolving refinance scheme, 50 participatory banks disbursed agricultural loans to the borrower' level at a 4.0 percent interest rate. On the other hand, the PFIs were refinanced by BB at a 0.5 percent interest rate. Under this scheme PFIs will able to distribute loans to customers till June 2024. At the end of June 2023, BDT 15.16 billion was disbursed among 1,01,251 beneficiaries.

Refinance Scheme of BDT 5.0 Billion to Create Employment and to Eliminate Poverty for The People Who Have Returned Home Due To COVID -19 Pandemic and Other Reasons

10.17 Due to COVID-19 pandemic, a significant number of employed people in the urban population have suddenly lost their jobs and have been forced to return to the village. Many of these people are now staying in villages and are forced to live a subhuman life. It is imperative to bring these communities under the benefits of the incentive package announced by the Honorable Prime Minister. Otherwise there is a risk of adverse impact on the rural economy. If it is possible to create suitable employment in the village for all these people, the rural economy will be strengthened. Consequently, it will have a positive impact on overall economy. In this view, BB has introduced an own-funded refinance scheme named "Refinance scheme of BDT 5.0 billion to create employment and to eliminate poverty for the people who have returned home due to COVID-19 pandemic and other reasons" (according to ACD circular no. 01 dated: 3 January 2022). The scheme is aimed at financing low-capital-based local businesses; the purchase of small and medium vehicles in transportation sector; the small engineering industry; fisheries; livestock; the purchase of agricultural

Table 10.04 Target and Achievement of CMSME Outstanding (up to June 2023)

(Billion BDT)

Period	Net outstanding based target by banks and NBFIs	Net outstanding amount (at the end of the year)					Women entrepreneur	Achievement
		Manufacturing	Service	Trading	Total			
2022	2855.65	870.83	485.87	943.67	2300.37	88.02	85.37%	
2023	3461.97	1132.09	606.33	1212.22	2950.64	175.98	85.23%	

Source : SME and Special Programmes Department, Bangladesh Bank.

machinery and sale of crops; and small businesses for creating employment for physically challenged people and poor women. The tenure of the scheme is from January 2022 to December 2024. The rate of interest at the beneficiary level is 6.0 percent and PFI level is 0.5 percent. During FY23, 16 PFIs disbursed BDT 2.15 billion among 14,820 beneficiaries.

Refinance Scheme of BDT 10.0 billion for Increasing Production of Wheat and Maize

10.18 The domestic production of wheat and maize is not sufficient despite the demand being great. As a result, Bangladesh has to import a huge amount of wheat and maize to meet the demand. In this regard, BB has introduced a refinance scheme named "Special refinance scheme of BDT 10.0 billion to increase the production of wheat and maize." The scheme is funded by BB's own resources and the nature of the fund is non-revolving. Under this scheme, PFIs will be able to disburse loans to borrowers till June 2025. The rate of interest at the beneficiary level is 4.0 percent and PFI level is 0.5 percent. During FY23, BDT 1.06 billion were disbursed among 12,626 beneficiaries by 20 PFIs.

Demand Loan

10.19 Apart from refinance schemes of BB and refinance facility against government guarantee, a special type of finance is assisted by BB to meet up the instant agricultural credit flow. Those are

demand loans with 90 days of maturity against demand promissory note. During FY23, BKB availed BDT 90.5 billion and RAKUB availed BDT 40.0 billion of demand loans .

Development Partner's Funded Agricultural Credit Related Projects/ Programmes Operated under Bangladesh Bank's Supervision

Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project (SMAP, BD-P77)

10.20 The Government of People's Republic of Bangladesh and Japan International Cooperation Agency (JICA) signed the loan agreement of "Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project (SMAP)" on 16 June 2014. The objectives of SMAP project are to improve productivity and to diversify in the agriculture, livestock and agro-machinery sector through credit facility. Moreover, a unique and special feature of this project is providing technical orientation (TO) and technical support services (TSS) to the small and marginal sized farmers at no cost. The project was implemented through 11 participating microfinance institutions (PMFIs). The tenure of the project was completed in September 2021. However, to ensure sustainable development of agricultural sector, the project will continue till September 2029 with the same

Table 10.05 Statement of Refinance on CMSMEs under Different Refinance Schemes of BB (up to June 2023)

Name of fund	Amount refinance (billion BDT)				No. of beneficiary (sector wise)			
	Working capital	Mid term loan	Long term loan	Total loan	Industry	Trade	Service	Total
1. Refinance Scheme for Agro-based Industries in Rural Areas	10.24	8.47	9.57	28.28	4282	-	-	4282
2. Small Enterprises Refinance Scheme	12.22	44.84	9.83	66.89	17155	27856	6972	51983
3. New Enterprises Refinance Fund for CMSMEs	0.14	1.98	0.02	2.14	820	1430	560	2810
4. Islamic <i>Shariah</i> -based Refinance Fund	3.89	1.38	1.82	7.09	316	747	88	1151
5. JICA FSPDSME	0.90	8.31	4.57	13.78	1264	34	960	2258
6. JICA UBSPL	-	-	1.31	1.31	8	-	-	8
7. COVID-19 Refinance Scheme	97.30	-	-	97.30	227663	360805	88725	677193
8. SREUP	-	-	2.26	2.26	22	-	-	22
9. COVID-19 related CECRFP Project	-	-	-	21.00	117296	21602	27462	166360
10. SPCSSCEP	1.11	6.05	0.34	7.5	3725	3429	499	7653
11. LFSSP	51.1	11.2	11.32	73.52	20	6	21	47
12. Tk 25,000 Crore Scheme for Financing CMSME Sector	-	-	-	24.56	-	-	-	36003
Grand Total	176.90	82.23	41.04	345.63	372571	415909	125287	949770

Source : SME and Special Programmes Department, Bangladesh Bank.

terms and conditions by the revolving fund. This revolving pre-finance project formed and started its journey in 2015. JICA is the donor agency for this project and GoB portion of this project is contributed by Bangladesh bank. The total project cost is BDT 8.23 billion. To avail pre-finance facility from the projects, 11 participating microfinance institutions (PMFIs) signed an agreement with BB. During FY23, BDT 6.39 billion has been disbursed to 94,258 end borrowers through 11 PMFIs. From the beginning of this project (2015) to 30 June 2023, total loan of about BDT 38.88 billion was disbursed to 7,05,557 farmers over the country. The future planning/projection of the project is financing as well as providing technical support to borrower farmers for institutionalization within the PMFIs. With a view to establishing it, Bangladesh Bank is now providing all sorts of supports for the capacity building of PMFIs. SMAP will underscore disbursing credit in diversified products of agriculture, livestock and agro-machinery. In addition to improve credit quality and TSS activities, review meeting with senior officials of PMFIs, and capacity building programme for mid

level officials of PMFIs have been planned for FY24.

ADB Funded Second Crop Diversification Project (SCDP)

10.21 The project was built on the successful activities of NCDP and expanded the activities to new project areas. Loan components of the project are USD 26 million by ADB. The project started its operation in 2011. For wholesale credit, BASIC Bank Ltd. and Eastern Bank Ltd. signed the participation agreement with BB in 2011. Project implementation area covers 54 upazilas of 25 districts of the north and south-western zone of Bangladesh. Up to 30 June 2023, a total fund of BDT 2.04 billion was disbursed to the end borrowers from the beginning of the project. The number of farmers covered by the project was 2,04,000. At the end of FY23, principal outstanding of participating banks stood at BDT 9.68 billion.

Marginal and Small Farm Systems Crop Intensification Project (MSFSCIP), Kurigram District

10.22 The project is financed by the International Fund for Agricultural Development (IFAD) and its

Table 10.06 Refinance Scheme for Agro-based Product Processing Industries in Rural Area (up to June 2023)

Banks/NBFIs	Amount refinance (billion BDT)				No. of beneficiary (sector wise)			
	Working capital	Mid term loan	Long term loan	Total loan	Industry	Trade	Service	Total
Bank	9.28	3.43	2.23	15.03	2381	-	-	2381
NBFIs	0.96	5.04	7.25	13.25	1901	-	-	1901
Total	10.24	8.47	9.57	28.28	4282	-	-	4282

Source: SME and Special Programmes Department, Bangladesh Bank.

loan component is BDT 140 million. The project is implementing at the nine thanas of Kurigram district. Four PFI signed a participation agreement with BB. The project period was from 1987 to 1997, but refinancing is still going on a revolving basis. PFI availed refinance from BB at bank rate. At the beneficiary level, interest rates are determined by the PFIs. As of 30 June 2023, the balance of revolving fund was BDT 44 million.

Pre-finance under Government Guarantee

Ansar-VDP Unnayan Bank

10.23 BB provides a pre-finance facility to Ansar-VDP Unnayan Bank for implementing its agricultural and micro-credit programmes. The objective of this facility is to extend credit facilities to the members of Ansar-VDP to alleviate poverty and expand income-generating activities. These loans are provided with a government guarantee covering the loan amount and interest accrued thereon. As of June 2023, the outstanding principal amount of loans stood at BDT 5.0 billion. BB provided this loan at 2.0 percent while Ansar-VDP Unnayan Bank currently charges a maximum interest rate of 5.0 percent for agricultural credit and 8.0 percent for micro-credit at the borrowers level. At the end of June 2023, a total of 70,030 beneficiaries were financed from this pre-finance facility since its inception, of which 14,114 beneficiaries received finance in FY23. Besides, BB

has sanctioned BDT 10.0 billion, of which BDT 2.5 billion was already provided. The rest amount will be provided gradually by fulfillment of terms and conditions of the sanction letter.

Karmasangsthan Bank

10.24 Karmasangsthan Bank also avails a pre-finance facility from BB against government guarantee. It covers credit facilities to its customers in the fishing and livestock sectors (including the sectors mentioned in the "Bangabandhu Youth Loan Policy") out of the traditional loan facility. As on 30 June 2023, a total of BDT 14.0 billion was provided to Karmasangsthan Bank, of which the outstanding amount was BDT 11.0 billion. BB offers these loans at bank rate, whereas Karmasangsthan Bank currently charges its customers a maximum interest rate of 8.0 percent. The loans provided to their customers should comply with the annual agricultural and rural credit policies published by BB and the bank's "Bangabandhu Youth Loan Policy." Up to 30 June 2023, a total of 99,401 beneficiaries were financed from this pre-finance facility since its inception, of which 6 beneficiaries received finance in FY23.

Rajshahi Krishi Unnayan Bank

10.25 Bangladesh Bank provides pre-finance facility to Rajshahi Krishi Unnayan Bank (RAKUB) to increase the production of crops, livestock, fisheries, poultry, horticulture and other agriculture

**Table 10.07 Refinancing under Small Enterprise Refinance Scheme
(Up to June 2023)**

Banks/ NBFIS	Amount refinance (billion BDT)				No. of beneficiary (sector wise)				No. of beneficiary (Gender wise)		
	Working capital	Mid term loan	Long term loan	Total loan	Industry	Trade	Service	Total	Male	Female	Total
Bank (47)	11.01	23.79	4.08	38.88	10834	20105	4227	35166	7888	27278	35166
NBFIs (28)	1.21	21.05	5.74	28.01	6321	7751	2745	16817	4838	11979	16817
Total	12.22	44.84	9.82	66.89	17155	27856	6972	51983	12726	39257	51983

Note: Figures in parentheses show number of banks and NBFIs.

Source: SME and Special Programmes Department, Bangladesh Bank.

based income generating activities. The objective of this facility is to provide funds to increase food production in the north-west region of the country to ensure food safety including generating agriculture based employment. BB offers this loan to RAKUB at prevailing bank rate (currently 4.0 percent) while RAKUB charges a maximum interest rate of 8.0 percent to its borrowers. This pre-finance facility is provided with a government guarantee covering the loan amount and interest accrued thereon. At the end of June 2023, a total of 32,545 beneficiaries were financed from this pre-finance facility since its inception. RAKUB disbursed about BDT 3.71 billion under this facility so far.

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

10.26 SME and Special Programmes Department (SMESPD) of Bangladesh Bank (BB) plays a pivotal role in fostering growth and development of the CMSME sector within the country. As one of the core departments of the central bank, it formulates policy, provides financial support and offer guidance to SMEs, contributing significantly towards financial inclusion, economic empowerment and employment generation. With a focus on sustainable growth, SMESPD is working towards ensuring access to finance for all. It has been providing different refinance facilities such as refinance fund for new entrepreneurs in cottage, micro and small industry; refinancing fund against Islamic Shariah based financing; BDT

25.0 billion scheme for financing CMSME sector; COVID-19 refinance scheme; revolving fund account of Japan International Co-operation Agency (JICA) assisted financial sector project for the development of SME (FSPDSME) fund and JICA assisted urban building safety project (UBSP); programme to support safety retrofits and environmental upgrades in the Bangladeshi ready-made garment (RMG) sector project (SREUP); line of finance to support SMEs project under the Islamic Development Bank (IsDB), strategic preparedness and response programme (SPRP) for COVID-19, restore track; supporting post COVID-19 small scale employment creation project (SPCSSECP). Banks and NBFIs have come forward for development of the SME sector under the close monitoring and supervision of BB. The total loan and advance outstanding in the CMSME sector at the end of June 2023 was BDT 2950.64 billion, representing 85.23 percent of annual CMSME outstanding based target of BDT 3461.97 billion set by banks and NBFIs for the year 2023 (Table10.04).

Refinance Schemes

10.27 At the end of FY23, BB is running 6 refinance schemes from its own funds and 6 projects with assistance from JICA, AIIB, and European development partners in the CMSME sector, which

Table 10.08 CMSME Refinancing from New Entrepreneurs Fund (up to June 2023)

Banks /NBFI	Amount refinance (billion BDT)				No. of beneficiary (sector wise)			
	Working capital	Mid term loan	Long term loan	Total loan	Industry	Trade	Service	Total
Banks	0.06	0.72	0.01	0.79	450	600	300	1350
NBFI	0.08	1.26	0.01	1.35	370	830	260	1460
Total	0.14	1.98	0.02	2.14	820	1430	560	2810

Source: SME and Special Programmes Department, Bangladesh Bank.

are revolving in nature. A total amount of BDT 345.63 billion was provided to different banks and NBFI under different refinance schemes up to June 2023. These refinance facilities help CMSMEs to expand their businesses and create new job opportunities. Details of BB's refinance facilities for promoting CMSMEs are outlined in Table 10.05.

BB's Refinance/Pre-finance Facilities to Banks and NBFI for Promoting CMSMEs

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

10.28 To boost up agro-based product-processing industries in the areas outside the divisional headquarters, Bangladesh Bank launched a refinance scheme of BDT 1.0 billion in 2001 and responding to the huge demand of this fund. Later, the size of the fund was increased to BDT 2.0 billion in 2012, to BDT 4.0 billion in 2013, to BDT 4.5 billion in 2015, to BDT 7.0 billion in 2018 and at last it was increased to BDT 14.0 billion in 2020. Under this scheme, the maximum rate of interest charged is 7.0 percent against customer level refinancing. An amount of BDT 28.28 billion was disbursed on revolving basis to 4282 enterprises till June 2023 (Table 10.06).

Small Enterprise Refinance Scheme for Women Entrepreneurs

10.29 Bangladesh Bank introduced a refinancing scheme named "Small Enterprise Refinance Scheme" of BDT 1.0 billion out of its own fund

for supporting the development of small enterprises in the country in 2004. To address the increasing demand from end borrowers, the fund has undergone multiple augmentations and currently stands at BDT 30.0 billion after the latest augmentation. To encourage women entrepreneurs for taking initiatives, refinance facility has been allocated only for women and made available at low interest rate (maximum 5.0 percent). In order to encourage women entrepreneurs for taking CMSME loans from that scheme and recover loans in due time, BB has taken incentive programs for both banks/financial institutions and CMSME women entrepreneurs. Both banks/financial institutions and entrepreneurs will get 2.0 percent as incentive (1.0 percent +1.0 percent incentives respectively) after the loan is fully recovered within expiry date. This facility is applicable for the loans disbursed within 1 July 2021 to 31 December 2024. At the end of June 2023, BDT 66.89 billion was refinanced from this fund to 51,983 enterprises on revolving basis, among them 39,257 were women entrepreneurs.

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

10.30 In order to provide start-up capital to new cottage, micro and small enterprises, BB provides BDT 2.5 million to the prospective entrepreneurs as

Table 10.09 Summary information on CMSME Refinance Scheme For Islamic Shariah-Based Financing (Up to June 2023)

Banks/NBFIS	Amount refinance (billion BDT)				No. of beneficiary (sector wise)			
	Working capital	Mid term loan	Long term loan	Total loan	Industry	Trade	Service	Total
Banks (4)	3.50	0.14	0.00	3.64	117	524	41	682
NBFI (1)	0.39	1.24	1.82	3.45	199	223	47	469
Total	3.89	1.38	1.82	7.09	316	747	88	1151

Note: Figures in parentheses show number of banks and NBFI.

Source: SME and Special Programmes Department, Bangladesh Bank.

CMSE loan with collateral security and up to BDT 1.0 million as CMSE loan without collateral. The interest rate ceiling at the entrepreneur level under this scheme is 7.0 percent (3.0 percent for BB + a maximum of 4.0 percent spread). At the end of June 2023, a total of 2810 new entrepreneurs were refinanced with BDT 2.14 billion under this scheme (Table 10.08).

Refinance Scheme for Islamic Shariah-Based Financing

10.31 With the objective of increasing the involvement of Islamic Banks and NBFI in targeted CMSMEs financing, a special refinance fund under Islamic Shariah mode was introduced by BB. Under this fund, Islamic Banks and NBFI get refinance facilities for agro-based industries, small entrepreneurs (including women entrepreneurs) and new entrepreneurs of cottage, micro and small enterprise segments. At the end of June 2023, BDT 7.09 Billion was refinanced to banks and NBFI against their financing of 1151 enterprises (Table 10.09)

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

10.32 As per the loan agreement signed between JICA, Japan and the Government of Bangladesh (GoB), BB has been implementing the financial sector project for the development of small and medium-sized enterprises. The fund

size was 5.0 billion Japanese Yen (JPY) including a technical assistance component. BB provided re-financing or pre-financing facilities to participating financial institutions (PFIs) at the bank rate (currently 4.0 percent) for lending to CMSME sub-projects of productive investment for medium to long-term duration at the market rate. As of June 2023, BDT 13.79 billion was refinanced against 2258 enterprises (Table 10.05).

Urban Building Safety Project (UBSP)

10.33 For the purpose of creating a safe working environment in the RMG sector through retrofitting, rebuilding, relocation and fire safety logistic of vulnerable RMG industries, the "Urban Building Safety Project (UBSP)" has been taken under 36th Japanese ODA package. As per the loan agreement between the government of Japan (represented by JICA) and Bangladesh, JICA provided JPY 4.12 billion. A total of 26 banks and 10 NBFI signed participating agreements with BB. As of June 2023, BDT 1.31 billion was refinanced against eight enterprises under UBSP (Table 10.05).

New Entrepreneurs Creation and Entrepreneurship Development

10.34 The GoB has launched a project titled "Skills for Employment Investment Programme (SEIP)" with the assistance of the Asian Development Bank (ADB) and Swiss Agency for Development

and Cooperation (SDC) to scale up the skills of young workers and new entrants. The SME and Special Programmes Department of BB is serving as one of the implementing agencies of the project. Under the SEIP project, a total of 11,484 unemployed individuals received skill development training in 10 different trades arranged by 42 outsourced training institutes, resulting in employment for 75.22 percent of trainees, of which 33.0 percent were female. A memorandum of understanding (MoU) was signed on 1 November 2021 between SDCMU, Finance Division, Ministry of Finance and SMESPD of BB to create 1,000 entrepreneurs, by December 2023 under Tranche-III. A total of 984 trainees were trained till 30 June 2023, out of which 840 were successfully engaged in business or production as entrepreneurs after the training. Among the trainees, the numbers of female participants were 586 (62.0 percent of total trainees). It is expected that a large number of new employment opportunities will be created in the CMSME sector through the establishment of new business.

Implementation of New Projects

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

10.35 Bangladesh Bank is implementing a project titled “Program to Support Safety Retrofits and Environmental Upgrades in the Bangladeshi Ready-Made Garments (RMG) Sector Project” to strengthen the RMG industry of Bangladesh. European Development Agency and Agence Francaise de Developpement (AFD) jointly performed with other co-financiers, including the European Union (EU), German Agency for International Cooperation (GIZ), KfW Development Bank and BB would provide loan with the technical

assistance of a total of 64.29 million Euro (MEUR) (Credit facility-50.00 MEUR +Technical Assistance-14.29 MEUR) to strengthen economic sustainability of the RMG sector. The project was designed to provide necessary fund for the retrofitting of the structural, electrical and fire safety issues and also environmental and social upgrades of the export oriented RMG factories. The project aims to make the access of funds easier for RMG to facilitate them to design their investment plans as recommended by the Corrective Action Plans (CAPs) prepared by “Accord and Alliance” or the National Tripartite Plan of Action (NTPA). Initially the interest rate was 7.0 percent for the end borrower. But in respective of the market demand and to make the project more lucrative the interest rate was reduced to 5.0 percent for the end borrower. Repayment period of the loan would be in the range of 3 to 7 years. Pre-finance credit facility is also offered to eligible RMG factories under social-upgradation aiming to improve the safety/health/hygienic facility of workers and workplace environment to overcome COVID-19 pandemic situation. Initially, the project implementation period was 2018-2022. But, with the approval of competent authority, the project has been extended to December 2024. Under the SREUP, up to June 2023 through the contracted 12 banks and 2 non-bank financial institutions, 22 RMG factories received pre finance amounting BDT 2.26 billion. After the successful completion of the approved investment plan, 4 factories and their respective bank and NBFIs have received the Investment grant amounting BDT 56.16 million. The detailed information regarding the project is available on the website (<http://rmg-finance.com.bd>).

Refinance Scheme Aimed at Providing Credit Facilities to the CMSME sector Affected by the (COVID-19) Pandemic

10.36 Under CMSME stimulus packages, a revolving refinance scheme of BDT 100.0 billion was introduced by BB to ensure the liquidity flow of banks and NBFIs to provide credit facilities to the COVID-19 affected CMSME enterprises. Up to June 2023, BDT 97.30 billion was refinanced through banks and NBFIs against 1,01,272 enterprises (Table 10.10).

Credit Guarantee Scheme

10.37 Bangladesh Bank launched the Credit Guarantee Scheme (CGS) in July 2020 to tackle the financing hurdles encountered by cottage, micro, small, and medium-sized enterprises (CMSMEs) and marginalized groups. The primary goal of this initiative was to drive inclusive growth by extending credit guarantee coverage to banks and NBFIs for providing loans to CMSMEs. This empowerment enables entrepreneurs to expand their enterprises, bolster job opportunities, and uplift marginalized communities. The scheme encompasses both term loans and working capital, catering to diverse sectors such as manufacturing, services, and trading. In support of this scheme's implementation, the government allocated BDT 20.0 billion through the 20th financial stimulus package. Administered by the Credit Guarantee Department (CGD), the CGS comprises three distinct credit guarantee facilities. The first facility targets the CMS sector, offering credit guarantees for working capital and term loans as part of the BDT 200.0 billion financial stimulus package designed to rejuvenate CMSMEs affected adversely by the COVID-19 pandemic. The second initiative, known as the financial inclusion credit guarantee, supports marginalized farmers, low-income professionals, school banking

account holders, and small businessmen. This initiative aims to facilitate BDT 5.0 billion refinance scheme. The third facility, titled 'credit guarantee against loans in the CMSME sector' introduces a pre-finance scheme of BDT 250.0 billion launched through SMESPD. All these schemes provide credit guarantee coverage for working capital and term loans, targeting CMSMEs, marginalized peoples, landless farmers and school banking account holders that face a collateral shortfall. The CGD has observed a remarkable increase in the number of CMSMEs and marginalized individuals benefited from credit guarantees year by year. The number of beneficiaries increased from 274 in 2020 to 3991 in the first half of 2023, highlighting the effectiveness of the government's credit guarantee initiative. A significant aspect of this progress is the enhanced involvement of women, accounting for an average of about 10.0 percent of total guarantees from 2020 to 2023. However, persistent underrepresentation of women in credit guarantee utilization is evident from the data. Sector-wise distribution underscores that manufacturing and services together constitute roughly 68.0 percent of total guarantees, with the trading sector contributing around 32.0 percent. A crucial aspect of the scheme's implementation is the fee structure for obtaining loan guarantees. Participating financial institutions are subject to a guarantee fee equivalent to 1.0 percent of the total loan amount in the first year. Subsequently, if a bank or financial institution maintains a classified loan rate of 5.0 percent or lower, the guarantee fee reduces to 0.5 percent. If the classified loan rate falls between 5.0 percent and 10.0 percent, the applicable fee becomes 0.75 percent. During the loan's guarantee period, PFIs are exempted from maintaining specific provisions against classified loans or

investments, up to the guarantee cap of the corresponding portfolio guarantee limit.

COVID-19 Emergency and Crisis Response Facility Project (CECRFP)

10.38 A loan agreement for USD 300 million was signed by the Government of Peoples Republic of Bangladesh (GoB) with the Asian Infrastructure Investment Bank (AIIB) on 26 February 2021 to carry out the COVID-19 emergency and crisis response facility project (CECRFP) with a view to support the credit expansion and reduce the liquidity constraints of CMSMEs amid the COVID-19 pandemic. BB has been assigned to carry out the project through a Subsidiary Loan Agreement (SLA) signed with Finance Division of the Ministry of Finance. The project is aligned with the stimulus package for CMSMEs announced by the GoB amounting to BDT 200 billion and BB's refinance scheme amounting to BDT 100 billion. An amount of USD 300 million from AIIB is available to provide liquidity support to banks and FIs. Besides that BB's own refinance facility to CMSME stimulus package being implemented by banks and FIs. Under this facility, the participating financial institutions would be able to get additional refinance up to 50.0 percent of their lending under CMSME stimulus package, which would raise the facility up to 100.0 percent under the combination of AIIB facility and BB's own refinance scheme. Twenty six banks and six financial institutions (FIs) are participating in the project. An amount of BDT 21.00 billion was disbursed to 24 PFIs against 17,305 sub-loans till June 2023.

Table 10.10 COVID-19 Refinance Scheme (up to June 2023)

Type of institutions	Refinance	No. of CMSME enterprises (Billion BDT)
Banks	89.29	
NBFIs	8.01	
Total	97.30	101272

Source: SME and Special Programmes Department, Bangladesh Bank.

Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)

10.39 Asian Development Bank (ADB) has provided USD 150 million credit at a concessional rate to the Government of Bangladesh under supporting post COVID-19 small scale employment creation project (SPCSSECP). This is a financial intermediary loan which will facilitate access to finance for the cottage, micro and small enterprises (CMSEs) started or operated by returning migrants workers, unemployed youth and rural entrepreneurs. BB is playing an important role as an implementing agency and is contributing in the employment creation program of the country with the support from ADB. The interest rate of this loan is maximum 5.5 percent for the sub borrowers/end borrowers and loan limit is a maximum of BDT 5.0 million. The budget of this project for FY22 and FY23 were BDT 1.0 billion and 6.5 billion respectively. At the end of June 2023, a total of BDT 7.49 billion was disbursed as refinance facility under this project to 7,653 enterprises including 1,918 women-led enterprises.

Line of Finance to Support SMEs Project under the IsDB SPRP for COVID-19, Restore Track

10.40 The financing facility is mainly supporting the CMSME sector all over Bangladesh through increasing access to finance under Islamic shariah

Table 10.11 Disbursement and Recovery of Industrial Loans

Fiscal year	Disbursement			Recovery			(Billion BDT)
	Working capital	Term loan	Total	Working capital	Term loan	Total	
FY12	766.75	352.78	1119.53	644.00	302.37	946.37	
FY13	1031.66	425.28	1456.94	854.96	365.49	1220.46	
FY14	1261.03	423.11	1684.14	1132.91	418.07	1550.98	
FY15	1554.77	597.84	2152.60	1179.60	475.41	1655.01	
FY16	1993.49	655.39	2648.88	1497.63	482.25	1979.88	
FY17	2385.17	621.55	3006.72	1855.33	520.95	2376.27	
FY18	2756.29	707.68	3463.97	2029.80	701.93	2731.74	
FY19	3190.07	808.50	3998.57	2431.94	765.69	3197.63	
FY20	3121.34	742.57	3863.91	2566.06	697.24	3263.30	
FY21	3248.26	687.65	3935.91	2854.78	584.89	3439.67	
FY22	4091.56	723.61	4815.17	3098.57	648.63	3747.20	
FY23*	4671.72	951.72	5623.44	3719.98	1063.54	4783.52	

Source: SME & Special Programmes Department, Bangladesh Bank.

based financing to overcome the peak effects of the pandemic for sustainable growth of our economy. The project is funded by the Islamic Development Bank (IsDB). Islamic banks as well as conventional banks having Islamic windows and branches are eligible to participate under the project. So far 9 Islamic banks and one financial institution (Islamic Finance and Investment Ltd.) have signed the master facility agreement with BB as PFIs under this project. The total project cost is USD 47.00 million (Approx. BDT 398.00 million). Meanwhile IsDB has disbursed a total of USD 7.42 million (equivalent BDT 735.2 million approx.). Budget allocation by the FID of Ministry of Finance under the project for FY23 was BDT 1.47 billion. Disbursement to the field was 100.0 percent (out of the disbursed USD 7.42 million so far from IsDB) and project implementation rate for FY23 was 50.0 percent.

BDT 250 Billion Scheme for Financing CMSME Sector

10.41 BB introduced a new scheme named BDT 250 billion scheme for financing CMSME

sector to ensure loans/investments to CMSME entrepreneurs through banks/FIs at relatively low interest rate and on easier terms. It is revolving in nature. At the end of June 2023, BDT 24.56 billion as refinance and BDT 104.68 billion as pre-finance were disbursed from this fund through 62 banks/FIs.

Steps Taken By BB for the Development of CMSMEs until June 2023

10.42 The major initiatives of BB for increasing credit flow to the CMSME sector are:

- Creation of refinance scheme against term loan for CMSME sector with a fund size of BDT 250 billion which was later converted to a pre-finance scheme on 31 January 2023;
- Introduction of cluster financing guideline to facilitate cluster based loans/investments. In this guideline, clarifications have been provided regarding clusters, high priority clusters have been identified and specific target has been set for the banks and FIs.
- Re-fixation of interest rate for pre-financing under SREUP to a maximum of 5.0 percent per annum instead of existing 7.0 percent

- per annum at customer level.
- Renaming small enterprise refinance scheme as 'Small Enterprise Refinance Scheme for Women Entrepreneurs' and augmentation of fund size to BDT 30.0 billion.

Selection of Lead Banks in Each District to Co-ordinate with Other Local Scheduled Banks for SME Lending

10.43 BB issued a lead bank circular on 24 January 2021. This is a yearly calendar of selected lead banks for every district. Through discussion, seminars and view exchange programmes, the lead bank disseminates CMSME-related information such as CMSME target-based lending, sector-specific financing and women entrepreneur financing at the grass root level. BB decided that the lead bank calendar 2021 would remain in force until further instruction.

Industrial Credit

10.44 Rapid industrialization is required to achieve a desired level of economic growth for developing country like Bangladesh. In this context, the role of industrial sector is very crucial. To promote SMEs along with the large-scale industries, the GoB has been providing industrial loans and other ancillary supports through banks and financial institutions in recent years. As a result, the volume of industrial loans disbursed and recovered has been increasing gradually. Disbursement of industrial loans stood at BDT 5623.44 billion in FY 23 (up to June 2023) (Table 10.11).

Start-up Fund

10.45 BB has instructed all scheduled banks to set up a "Start-up Fund" by transferring 1.0 percent of their annual net profit each year started from 2020 for the next five years through SMESPD

Table 10.12 Microcredit Operations of the Grameen Bank and Large MFIs
(Billion BDT)

	FY21	FY22	FY23
1. Disbursement	1043.10	1203.04	1628.89
a) Grameen Bank	195.47	206.58	247.57
b) BRAC	429.01	500.34	646.52
c) ASA	285.68	309.29	483.4
d) Proshika	7.90	10.11	20.46
e) TMSS	48.96	63.51	88.58
f) BUBO Bangladesh	76.08	113.21	142.36
2. Recovery	1065.35	1085.34	1475.29
a) Grameen Bank	228.37	203.23	232.02
b) BRAC	431.08	448.30	568.57
c) ASA	273.13	273.88	444.26
d) Proshika	6.16	10.19	18.38
e) TMSS	46.20	55.94	80.96
f) BUBO Bangladesh	80.41	93.80	131.1
3. Outstanding loans	701.42	863.65	986.84
a) Grameen Bank	142.59	145.95	161.49
b) BRAC	263.69	329.02	374.25
c) ASA	189.60	250.89	290.02
d) Proshika	5.15	8.46	12.86
e) TMSS	34.69	44.22	51.84
f) BUBO Bangladesh	65.70	85.11	96.38
4. Loans overdue	32.93	91.08	41.77
a) Grameen Bank	5.06	3.18	4.16
b) BRAC	7.79	28.44	16.81
c) ASA	18.23	49.79	13.38
d) Proshika	0.20	1.39	0.49
e) TMSS	0.85	6.06	4.26
f) BUBO Bangladesh	0.80	2.22	2.67
5. Overdue as percentage of outstanding	4.69	10.55	4.23
a) Grameen Bank	3.55	2.17	2.58
b) BRAC	2.95	8.64	4.50
c) ASA	9.61	19.85	4.61
d) Proshika	3.82	16.45	3.00
e) TMSS	2.45	13.70	8.22
f) BUBO Bangladesh	1.21	2.61	2.78

Source: Microcredit Regulatory Authority (MRA).

circular/circular letter (no. 4 and 5 dated 29 March 2021 and 26 April 2021 respectively). The amount of the start-up fund was BDT 3.31 billion till 30 June 2023. Furthermore, BB has raised a fund of BDT 5.0 billion to support a refinance facility for start-up financing. Till June 2023, BDT 160 million was disbursed to 70 customers under the "Start-up Fund".

Microcredit Operations of the Grameen Bank and the Large MFIs

10.46 To institutionalize microfinance operations and build up an inclusive financial market for the economic development of the country, the Microcredit Regulatory Authority (MRA), as the regulator of the microfinance sector, has been working effectively and dynamically. Since its inception, MRA has been regulating the activities of MFIs as per the respective MRA act, and issuing required circulars/guidelines and conducting both off-site and on-site supervision. In addition to issuing licenses, MRA assumes comprehensive responsibilities to ensure effective management of these microcredit institutions, improve their managerial skills, protect customer rights, and facilitate the overall development of microcredit accounts through various laws and regulations. In FY23, the MRA amended five clauses of the Microcredit Regulatory Authority Act 2010 through the enactment of the SRO No. 289-Ain/2022 on 13 September 2022.

10.47 With a view to broadening and smoothening the microfinance process, Palli Karma Sahayak Foundation (PKSF) has been working as an apex microcredit funding and capacity building organisation for alleviating poverty by providing microcredit to the poor through its partner organisations (POs). PKSF provided BDT 63.45 billion loan to 285 POs in FY23, which was BDT 56.58 billion in FY22.

10.48 Grameen Bank was also established with a vision of poverty eradication and for the advancement of social status of the poor. The total amount of loans disbursed by Grameen Bank was BDT 247.57 billion while its recovery stood at BDT 232.02 billion in FY23. Available information suggests that Grameen Bank and five other large MFIs namely the BRAC, ASA,

Proshika, TMSS and BURO Bangladesh have disbursed a total of BDT 1628.89 billion and their recovery stood at BDT 1475.29 billion in FY23. Total outstanding loans and overdue loans were BDT 986.84 billion and 41.77 billion respectively in FY23 which were BDT 863.65 billion and BDT 91.08 billion respectively in FY22. In FY23, total overdue loans as percentage of total outstanding loans of these large MFIs have significantly decreased to 4.23 percent in FY23 from 10.55 percent in FY22 due mainly to the recovery derive after the COVID-19 pandemic. The microcredit operations of the Grameen Bank and large MFIs are shown in Table 10.12.

Public Finance

11.01 Amidst the ongoing global economic recovery from the unanticipated impacts of the COVID-19 pandemic, the escalation of the Russia-Ukraine conflict has led to a notable disruption in global supply chain. Within this context, Bangladesh confronts two prominent challenges: the upsurge in international market prices and control inflation originated from input prices. In response to these challenges, the Government of Bangladesh (GoB) has formulated a budgetary framework; with a view to reinvigorate higher and more inclusive growth focusing on countering inflationary pressures, while simultaneously undertaking initiatives to fortify exports and enhance the efficiency of expenditure management. In identifying cost-effective financing avenues, the GoB has adopted a strategic approach that involves moderating the progress of lower-priority projects, allowing for a greater emphasis on expediting the implementation of projects categorized as high and medium priority. This approach is instrumental in maintaining a deficit budget within reasonable and manageable levels. Notably, despite these multifaceted challenges, Bangladesh has achieved a GDP growth rate of 6.5 percent in FY23, below the targeted 7.5 percent, according to the recent provisional estimate by the Bangladesh Bureau of Statistics (BBS).

Revised Budget for FY23 and Fiscal Outcome

Revenue Receipts

11.02 The target for revenue collection for FY23 was kept at the same level in the revised budget. To attain revenue target, a series of measures have been implemented, encompassing administrative reforms, the integration of automation and digitalization into the tax collection

Table 11.01 Budget at a glance

Items	Volume			As percentage of GDP		
	FY22	FY23 ^R	FY24 ^P	FY22	FY23 ^R	FY24 ^P
1. Total revenue	3346.41	4330.00	5000.00	8.43	9.75	9.99
a. Tax	2995.85	3880.00	4500.00	7.54	8.74	8.99
b. Non-tax	350.56	450.00	500.00	0.88	1.01	1.00
2. Total expenditure	5181.88	6605.07	7617.85	13.05	14.88	15.22
a. Operating	3256.82	4142.83	4752.81	8.20	9.33	9.49
b. ADP	1860.60	2275.66	2630.00	4.68	5.13	5.25
c. Others	64.46	186.58	235.04	0.16	0.42	0.47
3. Budget deficit	1835.47	2275.07	2617.85	4.62	5.12	5.23

^R Revised, ^P Proposed.

Source : Budget in Brief, 2023-24, Ministry of Finance and Bangladesh Bureau of Statistics (BBS).

process, and the introduction of E-payment services for convenient online tax payments. In addition, the deployment of an automated treasury challan system (A-Challan) and the establishment of offline over-the-counter services to broaden the tax base, are encouraging more taxpayers to participate. To enhance tax compliance, it is now mandatory for all individuals and entities to possess a taxpayers identification number (TIN) certificate in order to access various utility services. Businesses are seen in a large scale of adoption of electric fiscal devices (EFD) and sales data controllers (SDC) to streamline their tax reporting processes. Furthermore, the introduction of the document verification system (DVS) has been a significant step towards ensuring transparency in income reporting by companies. This system is designed to authenticate the audited documents submitted by these companies, contributing to a more reliable and equitable tax collection process. Therefore, revenue collection increased significantly in FY23 than that of the last few years.

11.03 In the revised budget for FY23, total revenue receipts were targeted at BDT 4330.00

billion, which was 29.39 percent higher than the actual revenue receipts in FY22. The revised target for tax revenue collection was 89.61 percent of the total revenue receipts which was 29.51 percent higher than the actual tax revenue collected in FY22. However, the revised target for non-tax revenue collection for FY23 was 28.35 percent higher than the actual collection of that in FY22 (Table 11.01).

11.04 In the revised budget for FY23, total revenue receipts as a percentage of provisional GDP stood at 9.75 percent which was 8.43 percent in FY22. In FY23, the target for total tax revenue receipts as percentage of provisional GDP was raised to 8.74 percent from 7.54 percent in FY22. Similarly, total non-tax revenue as percentage of provisional GDP was set at 1.01 percent in FY23 which was 0.88 percent in FY22.

11.05 In the revised budget for FY23, taxes on income, profit and capital gains was set to increase by 25.98 percent to BDT 1210.94 billion from BDT 961.21 billion in FY22. In FY23, the revised targets for receipts from sales of stamps (non-judicial), land development tax, supplementary tax, import duty, excise duty and value added tax (VAT) were set with increases of 309.44, 141.86, 30.32, 27.99, 26.69, and 24.99 percent respectively compared to the actual collection of those in FY22. However, in FY23 the revised target for receipts from narcotics and liquor duty and taxes on vehicles were set with decreases to 54.55 and 23.17 percent respectively, compared to the actual collection in FY22 (Table 11.02).

11.06 Under the non-tax revenue items, administrative fees, service fees, tolls, and non-commercial sales were set to increase by 231.36, 72.34, 36.14 and 1.78 percent respectively in the

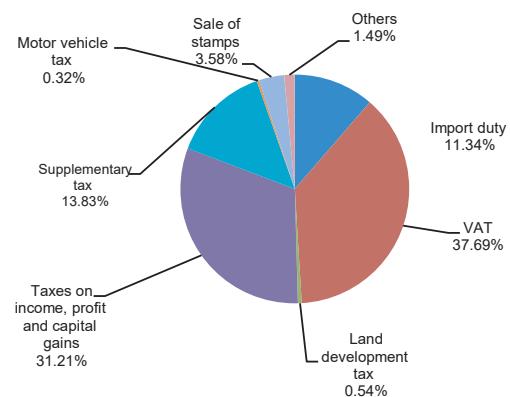
Table 11.02 Composition of Revenue Receipts
(In billion BDT)

Items	FY22	FY23 ^R	FY24 ^P
1. Tax revenue: (A+B)	2995.85	3880.00	4500.00
A. NBR tax revenue	2928.81	3700.00	4300.00
i. Taxes on income, profit & capital gains	961.21	1210.94	1532.60
ii. Import duty	343.68	439.94	460.15
iii. Export duty	0.01	0.63	0.66
iv. Supplementary tax	411.87	536.75	607.03
v. Value added tax	1169.94	1462.27	1638.37
vi. Excise duty	31.07	39.41	45.79
vii. Other taxes	11.03	10.06	15.40
B. Non-NBR Tax revenue	67.04	180.00	200.00
i. Narcotics and liquor duty	3.32	1.52	4.58
ii. Motor vehicles taxes	16.42	12.64	30.00
iii. Land development tax	8.60	20.84	22.10
iv. Sale of stamps (non-judicial)	33.94	138.81	136.18
v. Surcharge	4.76	6.19	7.14
2. Non-tax revenue	350.56	450.00	500.00
i. Administrative fees	23.64	78.24	58.64
ii. Dividends and profits	50.19	14.77	93.46
iii. Interest	19.49	154.71	75.21
iv. Capital receipts	3.01	2.89	0.90
v. Service fee	46.95	80.98	87.03
vi. Tolls	8.26	11.27	12.31
vii. Fines, penalties and forfeiture	10.94	4.28	9.85
viii. Non-commercial sales	28.07	28.59	40.47
ix. Rents and leases	8.92	3.91	5.49
x. Other non-tax revenue and receipts	151.09	70.36	116.64
Total (1+2)	3346.41	4330.00	5000.00

^R Proposed, ^P Revised.

Source : Budget in Brief, 2023-24, Ministry of Finance.

Chart 11.01 Composition of Tax Revenue Receipts: FY23^R



^R Revised.

Source: Budget in Brief, 2023-24, Ministry of Finance.

revised budget for FY23, compared to the actual collection for these in FY22 while dividend and profit, fines, penalties and forfeiture, rent and leases and capital receipts were set to decrease by 70.52, 60.55, 56.18 and 3.33 percent respectively over the same period (Table 11.02).

Expenditure

11.07 The total expenditure in the revised budget for FY23 was set at BDT 6605.07 billion (14.88 percent of provisional GDP) which was 27.46 percent higher than the actual expenditure in FY22. The operating expenditure in the revised budget for FY23 was set at BDT 4142.83 billion (9.33 percent of provisional GDP), which was 27.20 percent higher than the actual operating expenditure of BDT 3256.82 billion in FY22 (Table 11.01).

11.08 From the sector-wise allocation of total expenditure in FY23, a total of BDT 1622.00 billion was allocated to the social sector (education & technology, health, social security and welfare etc.) while actual expenditure was BDT 1405.17 billion in this sector in FY22. In FY23, allocation in this social sector was 15.43 percent higher than actual expenditure in FY22. This constitutes approximately 24.56 percent of the total allocation. Of the other sectors, allocation in public service, interest on domestic debt, transport and communication, and agriculture were BDT 1244.70, 806.91, 729.46 and 542.99 billion respectively in FY23 (Table 11.03).

11.09 The allocation for Annual Development Program (ADP) in the revised budget for FY23 was set at BDT 2275.66 billion (5.13 percent of provisional GDP) which was 22.31 percent higher than the actual ADP in FY22 (Table 11.01).

Table 11.03 Sector-wise Composition of Expenditure

Sectors	FY22	FY23 ^R	FY24 ^P
Social sector	1405.17	1622.00	1884.51
Public services	755.11	1244.70	1678.80
Interest on domestic debt	732.25	806.91	820.00
Defense	352.70	362.77	417.32
Public order and safety	261.95	279.02	322.66
Interest on foreign debt	45.54	93.22	123.76
Agriculture sector	358.03	542.99	437.00
Transport and communication	602.00	729.46	876.29
Energy and power	227.54	271.90	348.19
Local government and rural development	369.44	480.71	493.42
Housing	65.25	86.97	74.28
Others	6.90	84.42	141.62
Total	5181.88	6605.07	7617.85

^P Proposed, ^R Revised.

Source : Budget in Brief, 2023-24, Ministry of Finance.

Table 11.04 Composition of Deficit Financing

Items	FY22	FY23 ^R	FY24 ^P
Domestic financing	1152.16 (2.90)	1404.25 (3.16)	1553.95 (3.10)
Bank borrowing	755.33 (1.90)	1154.25 (2.60)	1323.95 (2.64)
Non-bank borrowing	396.83 (1.00)	250.00 (0.56)	230.00 (0.46)
Foreign financing (inc. grants)	673.43 (1.70)	870.82 (1.96)	1063.90 (2.12)
Budget deficit (inc. grants)	1812.24 (4.56)	2242.44 (5.05)	2578.85 (5.15)
Budget deficit (exc. grants)	1835.46 (4.62)	2275.07 (5.12)	2617.85 (5.23)
GDP (Memorandum Item)	3971.16[#]	44392.73[#]	50067.82

^P Proposed, ^R Revised.

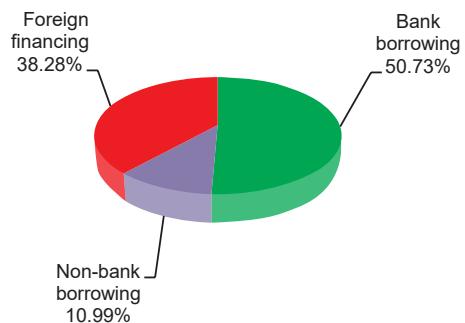
(¹) indicates percent of GDP for the corresponding fiscal year

Source : Budget in Brief, 2023-24, Ministry of Finance

[#] Bangladesh Bureau of Statistics (BBS).

Chart 11.02 Deficit Financing (excluding grants) : FY23^R

(Percentage of GDP)



^R Revised.

Source : Budget in Brief, 2023-24, Ministry of Finance

Bangladesh Bureau of Statistics (BBS).

Budget Deficit and its Financing in FY23

11.10 In the revised budget for FY23, total deficit (excluding grants) was revised at BDT 2275.07 billion which was 5.12 percent of the provisional GDP. Government finances its budget deficit both from domestic and external sources. Government domestic borrowing consists of borrowing from the banking system and other than banks (non-bank). The domestic borrowing component of the deficit financing was BDT 1404.25 billion (3.16 percent of the provisional GDP) in FY23. Of this component, BDT 1154.25 billion or 50.73 percent (2.60 percent of the provisional GDP) was bank borrowing and BDT 250.00 billion or 10.99 percent (0.56 percent of the provisional GDP) was non-bank borrowing mainly through sales of national savings certificates (Chart 11.02). The foreign financing (including grants) for the budget deficit was BDT 870.82 billion or 38.28 percent (1.96 percent of the provisional GDP) (Table 11.04).

Major changes in Revenue Measures in the Budget for FY23

Direct Tax

11.11 Direct tax on income, profit and capital gains is considered as one of the principal sources of government revenue. It accounts for 31.21 percent of the targeted total tax revenue collection in the revised budget for FY23 which was 32.08 percent in FY22. Some marginal changes were made on various field of direct taxes in the national budget for FY23 which are depicted below:

Taxes on Individual Income in FY23

- Tax exempted income limit for general taxpayers has been kept unchanged at BDT 300,000 as the preceding fiscal year;

- Tax exemption threshold for women and senior citizens aged 65 years or above was also kept unchanged at BDT 350,000 as the preceding fiscal year;
- The income tax rate for artificial juridical persons and other taxable entities has been decreased to 27.5 percent from existing 30 percent.

Taxes on Corporate Income

- Tax rate for the publicly-traded company that issues shares more than 10 percent of its paid-up capital, has been reduced to 20 percent from the existing 22.5 percent;
- Tax rate for the publicly-traded company that issues shares less than 10 percent or less of its paid-up capital, has been kept unchanged at 22.5 percent;
- Tax rate for non-publicly traded companies has been reduced to 27.5 percent from the existing 30 percent;
- Tax rate for one-person company has been reduced to 22.5 percent from the existing 25 percent;
- Previously imposed 15.0 percent of corporate tax on the private university, private medical, dental and engineering college or private college solely dedicated to imparting education on ICT has been kept unchanged.

Value Added Tax (VAT)

11.12 Value Added Tax (VAT) is the single largest source of tax revenue collection in Bangladesh. In the revised budget for FY23, targeted collection from VAT represents 37.69 percent of total tax revenue. The revised target of VAT revenue collection in FY23 was set at BDT 1462.27 billion which was 24.99 percent higher than the actually collected VAT of BDT 1169.94 billion in FY22.

In the budget of FY23, several amendments have been proposed for the Value Added Tax and Supplementary Duty Act, 2012 and Value Added Tax and Supplementary Duty Rules, 2016 to mitigate functional and procedural complications. The main considerations of this year's budget are to simplify the new VAT law to facilitate the collection of targeted amount of revenue. Various initiatives have been taken to address the challenges faced by the business community in adopting the new VAT law. Some of the major changes in VAT administration are stated below:

VAT Impositions and Expansions

- The existing 5.00 percent VAT on manufacturing LPG cylinder is proposed to be continued for this year;
- In order to help the domestic industry, VAT has been reduced on yarn made from man-made fiber and other fibers to BDT 3 per kg from BDT 6 per kg;
- To save foreign currency, 15.00 percent VAT has been imposed on computer printer, Toner cartridge/Inkjet cartridge for computer printer;
- At the manufacturing stage of three-wheeler 5.00 percent VAT has been proposed;
- The existing VAT exemption facilities have been withdrawn and 5.00 percent VAT have been imposed on locally manufactured freezers and refrigerators;
- The existing 5.00 percent VAT exemption has been withdrawn at the trading stage of mobile phone sets;
- VAT exemptions has been withdrawn from COVID-19 test kit, PPE and vaccine in import, manufacturing and trading stages;

VAT Exemptions

- To help develop domestic industries, puffed rice and sugar has been exempted from VAT at trading stage;
- For the development of information technology and computer industry; mobile phone batteries, chargers and interactive displays have been exempted from VAT at manufacturing stage;
- To reduce the dependence on the foreign products, produce textile grade pet chips at manufacturing stage, tubular metal needles and needles for suture at trading stage, power tiller, supply of locally procured scrap in the foundry industry at both manufacturing and trading stages have been exempted from VAT;
- In order to make readymade garment export more cost effective, VAT exemption facilities has been introduced on supply of goods under sub-contract between the manufacturing units;
- To reduce the tax burden, import of aircraft by registered organizations has been proposed to exempt from advance tax;
- Exemption on advance tax has been proposed on import of manufacture pesticides, fungicides used for agricultural purpose by the registered manufacturers;
- To develop the heavy industry in the country, local purchase of raw materials and parts to manufacture motor car and motor vehicle has been proposed to exempt from VAT;
- In case of manufacturing the active pharmaceuticals ingredients, VAT exemption facility on the import and local purchase of raw materials has been proposed;
- Import of machinery and equipment by registered poultry farms has been exempted from advance tax;

- To keep the domestic industrial growth uninterrupted, exemption from advance tax on imported raw materials of polypropylene staple fiber has been proposed;
- To encourage the import of gold through formal channel and to discourage gold smuggling in the country, withdrawal of advance tax on import of gold has been proposed;
- The existing VAT exemption facility provided to the industries for the production of compressors for refrigerators and freezers has been proposed to be continued;

Customs Duty and Taxes

11.13 In response to the challenges posed by the global Covid-19 pandemic and ongoing global economic crisis, Bangladesh aspires to boost employment opportunities and shield its domestic industries, while nurturing export-oriented sectors, preserving competitiveness, and enhancing the ease of doing business. To facilitate this, necessary adjustments have been made to duty-tax systems to promote domestic industries, while also rectifying discrepancies to counter activities like smuggling and fraudulent declarations. In the revised budget for FY23, import duty is increased by 27.99 percent to BDT 439.94 billion from BDT 343.68 billion in FY22. Some of the major changes on custom duties and taxes in the budget for FY23 include:

- To protect the domestic rubber industry, import duty on all types of conveyor belts or belting has been proposed to increase to 5.00 percent from existing 1.00 percent;
- For the protection of domestic optical fiber industry, 10.00 percent supplementary duty has been imposed on the import of that product;
- To protect the local industry, import duty on electric motor with a capacity of up to 750 watts has been increased to 15.00 percent from existing 10.00 percent;
- In order to reduce the cost of production in the livestock industry, import duty on wheat gluten has been reduced to 15.00 percent from existing 25.00 percent;
- In order to reduce the production cost of the cattle feed, import duty on sugarcane molasses has been reduced to 10.00 percent from existing 15.00 percent;
- All existing tariffs has been exempted on the import of specialized wheelchairs for the physically challenged people;
- In order to protect the cashew nut industry, the customs duty of cashew nuts shelled has been decreased to 5.00 percent from the existing 25.00 percent;
- To protect the domestic gas lighter industry, 10.00 percent supplementary duty has been imposed on the import of such products;
- To protect the domestic industry, import duty on winding wire of copper has been increased to 10.00 percent from existing 5.00 percent;
- In order to develop the manufacturing industry, 5.00 percent import duty on crude tar imports for manufacturing companies has been imposed;
- Customs duty has been increased to 25.00 percent from the existing 15.00 percent for mobile and other battery charger;
- To save foreign currency, import duty has been increased to 25.00 percent from existing 5.00 percent on the import of the expensive birds;
- Customs duty has been increased to 10.00 percent from the existing 5.00 percent on plated or coated with other base metals;
- Customs duty has been increased to 10.00 percent from the existing 15.00 percent on

- coated rods and cored wire, of base metal, for soldering, brazing or welding by flame;
- Supplementary duty has been increased to 60.00 percent from the existing 45.00 percent for all kinds chandeliers and other electric ceiling or wall lighting fittings;
- The existing import duty exemption facility is kept continued for the prime ingredients of agricultural sector, especially for fertilizer, seeds and insecticides;
- The minimum price of every 10-sticks of lower slab cigarette is increased at BDT 40 but supplementary duty has been kept unchanged at 57.0 percent;
- The minimum price of every 10-sticks of middle slab cigarette is increased to BDT 65 or above, high slab 10-sticks cigarette to BDT 111 or above and that of premium slab 10-sticks cigarette to BDT 142 or above. However, Supplementary duty rate for all three slabs has been kept unchanged at 65.0 percent;
- The price of handmade non-filter 25-sticks *bidi* at BDT 18, that of 12-sticks at BDT 9 and that of 8-sticks at BDT 6 have been kept unchanged. Supplementary duty has also been kept unchanged at the existing 30.0 percent;
- The price of 20-sticks filter *bidi* and 10-sticks filter *bidi* are kept unchanged at BDT 19 and BDT 10 respectively. Supplementary duty has been kept unchanged at the existing 40.0 percent;
- The minimum retail price is kept unchanged at BDT 40 per 10 grams of *Jarda* and BDT 20 per 10 grams of *gul*. Supplementary duty has been kept unchanged at the existing 55.0 percent for both the items.

FY24 Budget: Towards Smart Bangladesh Sustaining the Development Achievements in a Decade and a Half

11.14 The formulation of budget for FY24 integrates strategies/incentives to accelerate the recovery of various sectors from the COVID-19 pandemic, reduce the potential economic risks posed by the geo-political conflict and mitigate the mounting inflationary pressures stemming from increased global prices of major imported commodities and disruptions in the global supply chain. The proposed budget for FY24 is set at BDT 7617.85 billion, which is 15.22 percent of the proposed GDP and 15.33 percent higher than the revised budget for FY23. For FY24, the targets have been set at 6.5 percent for GDP growth, 7.5 percent for average inflation and 5.23 percent of GDP for budget deficit.

Revenue Receipts for FY24

11.15 The revenue receipts in FY24 are targeted to grow by 15.47 percent to BDT 5000.00 billion compared to BDT 4330.00 billion of the revised budget for FY23. The tax and non-tax revenue receipts are expected to increase by 15.98 percent and 11.11 percent respectively compared to those of the revised budget for FY23. Total revenue-GDP ratio is targeted to be 9.99 percent in the FY24 which was 9.75 percent in FY23 (Table 11.01).

11.16 Receipts from the direct taxes on income, profits and capital gains are targeted to increase by 26.57 percent in FY24 compared to the revised budget for FY23. This constitutes 34.06 percent of the total tax revenue. On the other hand, 10.93 percent growth is targeted for indirect taxes (VAT, supplementary duty, import duty, export duty, and excise duty) (Table 11.02).

11.17 Receipts from other non-tax revenue and receipts such as dividends and profit, fines, penalties and forfeiture, tolls, and service fees are targeted to rise by, 531.76, 130.23, 8.85, and 7.41 percent respectively in FY24 compared to those of the revised budget for FY23. On the contrary, capital receipts, interest and administrative fees are targeted to decrease by 68.97, 51.39, and 25.06 percent respectively in FY24 compared to the revised budget for FY23.

Expenditure for FY24

11.18 The total expenditure in FY24 is expected to increase by 15.33 percent to BDT 7617.85 billion compared to the revised budget for FY23. Of which, the operating expenditure for FY24 is set at BDT 4752.81 billion (9.49 percent of GDP) which is 14.72 percent higher than the revised operating expenditure of BDT 4142.83 billion in FY23. The ADP and other expenditures are expected to grow by 15.57 and 25.94 percent respectively in FY24 compared to the revised budget for FY23 (Table 11.01).

11.19 Different ministries and divisions have been categorized into three groups based on their allocation of businesses. These are social infrastructure, physical infrastructure and general services. In the budget for FY24, expenditure on the social sector is targeted to increase by 16.18 percent to BDT 1884.51 billion (24.74 percent of the total expenditure) from 1622.00 billion in the revised budget for FY23 (Table 11.05). The central portion of this sector will go to education and technology, social security and welfare, and health sector (Table 11.06). Of the other sectors, BDT 1678.80 billion (22.04 percent) for public service, BDT 876.29 billion (11.50 percent) in transport and communication, BDT 820.00 billion (10.76 percent) for interest payment on domestic

Table 11.05 Composition of Social Sector Expenditure

	FY22	FY23 ^R	FY24 ^P
Education& technology	771.43	851.70	1041.37
Health	250.28	297.49	380.52
Recreation, culture and religious affairs	51.37	77.32	55.68
Labor and employment	2.37	4.70	3.47
Social security and welfare	329.72	390.79	403.47
Total	1405.17	1622.00	1884.51

^PProposed, ^RRevised.

Source : Budget in Brief, 2023-24, Ministry of Finance.

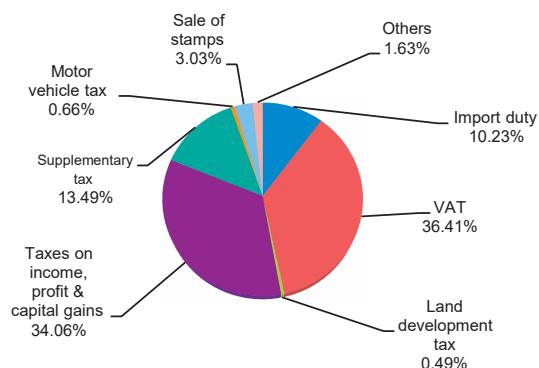
Table 11.06 Sector-wise share of ADP expenditure

Sectors	FY22	FY23 ^R	FY24 ^P
Agriculture	3.51	4.13	4.07
Transport and communication	26.90	27.16	28.88
Education, religion, culture and recreation	11.31	9.98	12.23
Power and energy	18.89	16.84	16.88
Housing and community utilities	11.39	11.40	10.28
Local government and rural development	7.48	8.92	7.18
Health	6.65	5.60	6.16
Environment, climate change and water resources	4.38	5.54	3.42
Others	9.49	10.43	10.90
Total	100.00	100.00	100.00

^PProposed, ^RRevised.

Source : Revised Annual Development Programme 2021-2022, 2022-23, Annual Development Programme 2023-2024, Ministry of Planning.

Chart 11.03 Composition of Targeted Tax Revenue Receipts: FY24^P



^PProposed.

Source : Budget in Brief, 2023-24, Ministry of Finance.

debt, BDT 493.42 billion (6.48 percent) for local government and rural development, BDT 437.00 billion (5.74 percent) for agriculture, BDT 348.19 billion (4.57 percent) for energy and power sector

have been allocated in this proposed budget for FY24 (Table 11.05).

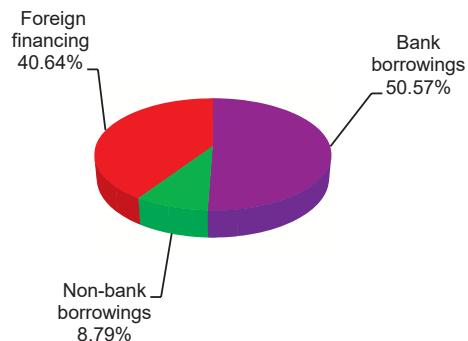
11.20 The proposed outlay for Annual Development Program (ADP) in the budget for FY24 stands at BDT 2630.00 billion, which is about 5.25 percent of GDP. This developmental expenditure turns to be 15.57 percent higher than the revised ADP in FY23 (Table 11.01). ADP expenditure was restructured at 15 sectors and 72 subsectors, effective from FY21. In the ADP for FY24, transport and communication gets the highest priority as usual. A total of BDT 759.44 billion has been allocated in this sector which is 28.88 percent of the total ADP allocation in FY24. Of the other sectors, BDT 443.94 billion (16.88 percent) in the power and energy sector, BDT 162.04 billion (6.16 percent) in the health sector, BDT 321.79 billion (12.23 percent) in the education, religion, culture and recreation sector, BDT 188.80 billion (7.18 percent) in the local government and rural development sector have been allocated from ADP in this budget (Table 11.06).

Deficit Budget and its Financing in FY24

11.21 The budget deficit (excluding grants) for FY24 is estimated at BDT 2617.85 billion which is BDT 342.8 billion higher than that of the revised budget for FY23. In that case, the budget deficit-

Chart 11.04 Deficit Financing (excluding grants) : FY24^P

(Percentage of GDP)



^PProposed.

Source: Budget in Brief, 2023-24, Ministry of Finance.

GDP ratio for FY24 turns to be 5.23 percent which was 5.12 percent in the revised budget for FY23. The deficit is expected to be financed through domestic financing from banks and non-bank sources to the tune of BDT 1553.95 billion (3.10 percent of GDP) and external financing to the tune of BDT 1063.90 billion (2.12 percent of GDP) in FY24 (Chart 11.04) against BDT 1404.25 billion (3.16 percent of GDP) and BDT 870.82 billion (1.96 percent of GDP) in the revised budget for FY23 respectively. Of total domestic borrowing, BDT 1323.95 billion is targeted to be financed from the banking system and BDT 230 billion from non-banking sources (Table 11.04).

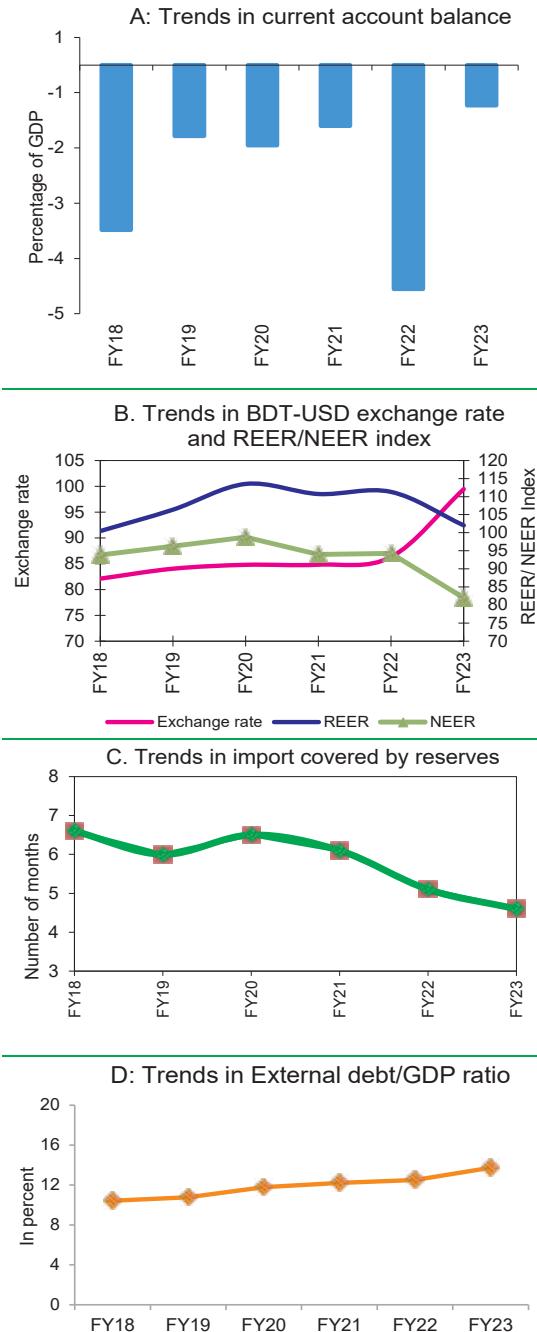
External Sector Developments

External Trade and the Balance of Payments

12.01 The world economy is now experiencing major headwinds including policy tightening by some central banks in response to higher inflation and financial sector uncertainties. In this backdrop, global economic growth is projected to drop slightly for FY23. According to the World Economic Outlook, October 2023, global economic growth is projected to downward at 3.0 percent in 2023 and 2.9 percent in 2024 from an estimated 3.5 percent in 2022. Amid weakening demand of consumer goods, unfavorable financial environment as well as elevated uncertainties in future geo-economic landscape global industrial production along with gross fixed capital formation contracted in some advanced economies which impacted on the scope of international trade for the emerging and developing nations. Despite this contraction of international trade and turbulent external economic conditions, Bangladesh economy witnessed a moderately high GDP growth during FY23.

12.02 The current account deficit decreased to 0.59 percent of GDP in FY23 which was 3.95 percent of GDP in FY22 (Chart 12.01: A). However, nominal exchange rate (BDT to USD) depreciated by 15.25 percent and stood at 99.46 as of end June 2023 from 86.30 as of end June 2022 due mainly to a significantly high deficit in financial accounts of BOP. The nominal effective exchange rate (NEER) index of BDT, calculated against a trade weighted 15-currency basket (base: FY16 =100), declined by 13.01 percent in FY23. Similarly, the real effective exchange rate (REER) index of BDT also declined by 8.34 percent in FY23 (Chart 12.01: B). The declining trends of the NEER indices reveal that Bangladeshi currency faced more depreciating pressure than its partner countries in FY23. On the

Chart 12.01 Key Indicators of External Sectors



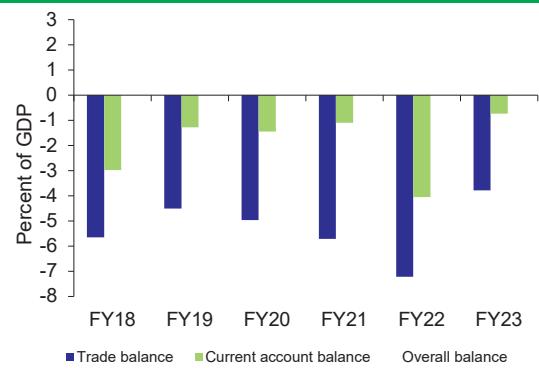
Source: Statistics Department, Bangladesh Bank.

other hand, despite facing higher inflation compared to its peer countries, REER indices also indicated declining trend owing to higher depreciation of BDT. To ease the volatility and maintain stability in the foreign exchange market, BB prudently sold a net amount of US dollar (USD 13.39 billion) to the interbank foreign exchange market in FY23. Moreover, both Bangladesh Bank and the Government took some measures including a tight rein on the imports for luxurious goods, imposed restrictions on official foreign visits, enhanced cash incentive for sending inward remittances and reduced the export retention quota limit to maintain the stability of the foreign exchange market since September 2022. However, BB's foreign exchange reserves decreased to USD 31.20 billion at the end of June 2023 from USD 41.83 billion at the end of June 2022, though it was adequate at around 4.9 months of Bangladesh's prospective imports (Chart 12.01: C). Outstanding external debt position of Bangladesh also increased and reached at 13.73 percent of GDP in FY23 from 12.08 percent in FY22 (Chart 12.01: D).

Balance of Payment

12.03 The balance of payment (BoP) of Bangladesh showed that deficit in current account lessened remarkably in FY23 mainly due to the significantly lower trade deficit and a surplus in secondary income largely came from the workers' remittances. The deficit of current account subdued and stood at USD 2665 million in FY23 from USD 18196 million in FY22. Owing to lower imports as well as higher export earnings, trade deficit significantly improved and decreased by 48.38 percent in FY23. Therefore,

Chart 12.02 Trends in Trade, Current Account and Overall Balances



Source: Statistics Department, Bangladesh Bank.

trade deficit curtailed to USD 17163 million in FY23 from USD 33250 million in the previous fiscal year. However, deficit in the service account increased by 9.96 percent to USD 4384 million in FY23 from USD 3987 million in FY22. The deficit in the primary income account also increased by 24.98 percent to USD 3407 million in FY23 from USD 2726 million in FY22. The secondary income slightly increased by 2.40 percent to USD 22289 million in FY23 from USD 21767 million in FY22. Workers' remittances somewhat increased by 2.75 percent in FY23. Capital account balance decreased and stood at USD 475 million in FY23 from USD 610 million in FY22. The financial account observed a deficit of USD 2078 million in FY23 against the remarkable surplus of USD 16691 million in FY22 due to decrease inflows in foreign direct investment (FDI), MLT loans, other short term loans (net) and trade credit (net) etc. Foreign direct investment (FDI) decreased slightly to USD 4428 million in FY23 from USD 4636 million in FY22. The net outcome of these is an overall deficit of USD 8222 million in FY23 which was deficit of USD 6656 million in FY22.

(Appendix-3, Table XVI). The latest developments/trends in various external sector accounts of BoP including exports, imports, workers' remittances, FDI, and other relevant external sector issues are depicted in the subsequent sections of this chapter.

Exports

12.04 Amid tepid global demand and economic downturn triggered by COVID-19 pandemic as well as geopolitical crisis coupled with high inflationary pressures, Bangladesh's export earnings was inspiring in FY23. Export earnings were about 12.24 percent of GDP in FY23. According to Export Promotion Bureau (EPB), total export earnings in FY23 increased by 6.67 percent to USD 55558.77 million from USD 52082.66 million in FY22 (Table 12.01). However, export earnings fell short its target by 4.21 percent in FY23 due to the global economic slowdown due to the Russia-Ukraine war. To maintain the export earnings, the Government and Bangladesh Bank have taken various prudential policy measures such as: allowing moratorium facilities and extended time for realizing export receipts and import payments, enhancing the export development fund (EDF) etc. throughout FY23. Notably, the apparel (woven garments and knitwear products) sector occupied a dominant portion (above four-fifths) of the total export earnings in Bangladesh.

Composition of Export Items

12.05 Woven and knitwear products, which jointly accounted for 84.58 percent of total export

Table 12.01 The Composition of Top 10 Merchandise Exports
(in million USD)

Items	FY22	FY23	% Changes in FY23
1. Knitwear products	23214.32	25738.20	10.87
2. Woven garments	19398.84	21253.41	9.56
3. Footwear (including leather footwear)	1205.33	1182.67	-1.88
4. Home textiles	1621.93	1095.29	-32.47
5. Agricultural products	1162.25	843.03	-27.47
6. Jute goods (excluding carpets)	911.45	708.08	-22.31
7. Engineering products	795.63	585.85	-26.37
8. Leather and leather products (other than leather footwear)	489.00	519.81	6.30
9. Frozen shrimps and fish	499.12	382.27	-23.41
10. Chemical products	364.07	303.01	-16.77
11. Others	2420.72	2947.15	21.75
Total	52082.66	55558.77	6.67

Source: Export Promotion Bureau.

earnings. From export of these products, Bangladesh received USD 46991.61 million in FY23, an increase of 10.27 percent from USD 42613.16 million in FY22. Export receipts from knitwear products and woven garments showed a higher growth of 10.87 percent and 9.56 percent respectively in FY23 compared to FY22. However, the product-wise composition of merchandise exports exhibited that export receipts from the most of the non-RMG items except leather and leather products dropped in FY23 compared to FY22. The export items like home textiles, agricultural products, jute goods, footwear, engineering products, frozen shrimps and fish and chemical products saw a negative growth in FY23 as compared to the preceding fiscal year. The composition of top 10 merchandise export items covers 94.70 percent of total exports which are given in Table 12.01. An extended composition of item-wise merchandise exports is also given at Appendix-3, Table XVII.

Destination of Exports

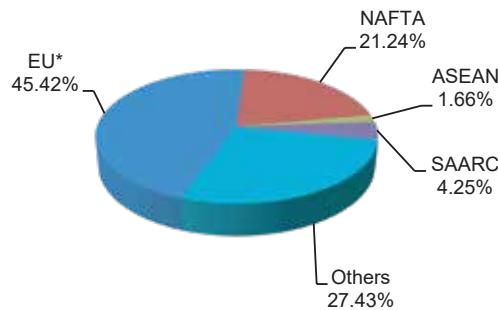
12.06 Geographical diversity of export destination countries across the globe is an important feature for export diversification. By looking at the share of different regions, it is observed that Bangladesh's exports to NAFTA, SAARC, ASEAN, EU and other regions have expanded over the years. In FY23, 45.42 percent of exports (44.60 percent in FY22) were destined for the EU area while 21.24 percent (23.49 percent in FY22) entered into the NAFTA bloc. Exports to the SAARC, ASEAN and other countries in FY23 were 4.25 percent (4.38 percent in FY22), 1.66 percent (1.62 percent in FY22) and 27.43 percent (25.90 percent in FY22) respectively (Chart 12.03).

Export Development Fund (EDF)

12.07 To facilitate the export sector of the country, the EDF commenced its operation with the volume of USD 30.16 million in 1989. The fund was dually enhanced to USD 6.00 billion from USD 3.50 billion to overcome the COVID-19 related disruptions in export business. After that, the fund was temporarily enhanced to USD 7.00 billion from USD 6.00 billion in two steps to meet the increasing demand of the exporters.

12.08 To enhance export trades during COVID-19 related disruption, a lot of policy supports has been declared by Bangladesh Bank in line with the Government incentive packages. Important policy support includes fixing the EDF interest rate at 4.5% per annum instead of LIBOR based interest rate and extending the EDF refinancing facility against supplier's/buyer's credit for a particular period of time.

Chart 12.03 Destination Pattern of Total Exports Shares (%)in FY23



*Including Great Britain.

Source: Export Promotion Bureau and Statistics Department, Bangladesh Bank.

Table 12.02 Composition of Merchandise Import Payments (based on customs records)

Items	FY22 ^R	FY23 ^P	(million USD) % changes in FY23
A. Food grains	2561.76	2599.27	1.46
1. Rice	426.75	571.54	33.93
2. Wheat	2135.01	2027.73	-5.02
B. Consumer goods	5779.24	5651.96	-2.20
1. Milk & cream	418.48	373.95	-10.64
2. Spices	362.95	417.30	14.97
3. Edible oil	2893.06	2892.68	-0.01
4. Pulses (all sorts)	828.93	938.37	13.20
5. Sugar	1275.82	1029.66	-19.29
C. Intermediate goods	55192.1	44269.91	-19.79
I) Petroleum goods	7993.02	5772.84	-27.78
1. Crude petroleum	935.86	627.59	-32.94
2. POL	7057.16	5145.25	-27.09
II) RMG related goods	22254.35	17314.68	-22.20
1. Raw cotton	4438.63	4273.75	-3.71
2. Yarn	5245.43	2794.75	-46.72
3. Textile & articles thereof	9936.55	7943.78	-20.05
4. Staple fibre	1568.51	1448.39	-7.66
5. Dyeing and tanning materials	1065.23	854.01	-19.83
III) Other intermediate goods	24944.73	21182.39	-15.08
1. Clinker	1222.77	1164.42	-4.77
2. Oil seeds	1757.56	1239.32	-29.49
3. Chemicals	3764.95	3491.31	-7.27
4. Pharmaceutical products	1482.26	364.34	-75.42
5. Fertilizer	4391.11	4913.34	11.89
6. Plastics & rubber articles thereof	4316.18	3349.03	-22.41
7. Iron, steel & other base metals	8009.90	6660.63	-16.85
D. Capital goods	16433.89	13580.67	-17.36
1. Capital machinery	5463.20	4847.35	-11.27
2. Other capital goods	10970.69	8733.32	-20.39
E. Others	9195.33	8959.83	-2.56
Total Import (cif)	89162.32	75061.64	-15.81
Total Import (fob)	82495.10	69495.40	-15.76
Of which: EPZ	5129.70	3914.94	-23.68

^R Provisional.

Source: Compiled by Statistics Department, Bangladesh Bank using data of National Board of Revenue.

12.09 A borrower-wise maximum exposure limit of EDF increased to USD 20.00 million against member mills of BGMEA & BTMA. However, this limit is maximum USD 15.00 million for knitwear, USD 15.00 million for leather goods & footwear and 10.00 million for ceramic wares, dyed yarn and USD 2.00 million for accessories and packaging and USD 1.00 million for plastic goods manufacturers and USD 0.50 million for exporters irrespective of sectors. Moreover, the limit for imports under BBLCs by individual member mill of BGMEA, BTMA, BKMEA and BDYEA is set at USD 20.00 million, USD 20.00 million, USD 15.00 million and USD 10.00 million respectively. It has been decided to reset the ceiling to USD 10.00 million from USD 15.00 million for input procurements under back to back LCs (BBLCs) against relevant export orders.

12.10 The reimbursement from the EDF is initially made for a tenor of 180 days with a provision for further extension up to 90 days, if required for delay in repatriation of related export proceeds of the exporter concerned.

12.11 Total disbursement of EDF, on revolving basis in FY23 stood at USD 10.40 billion which was USD 12.47 billion in FY22. The outstanding balance at the end of June 2023 stood at USD 4.32 billion. As of June 2023 a total of 1489 borrowers of 48 banks are availing EDF refinancing facilities.

Imports

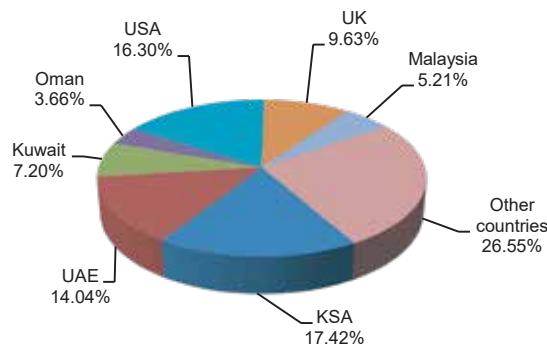
12.12 Due to the global business uncertainties and the ongoing depreciating pressure on exchange

Chart 12.04 Trends of Imports Recorded at Customs



Source: Compiled by Statistics Department, Bangladesh Bank using data of National Board of Revenue.

Chart 12.05 Country-wise Shares (%) of Total Wage Earners' Remittances in FY23



Source: Statistics Department, Bangladesh Bank.

rate, import growth faced a drastic fall in FY23. Total import (fob) decreased by 15.76 percent to USD 69495.40 million in FY23 from USD 82495.10 million in FY22. Various measures taken by the government as well as Bangladesh Bank ease the import demand of non-essential items which help to mitigate the pressure on foreign exchange reserves in FY23. Import payments almost all the imported items like consumer goods (2.20 percent), intermediate

goods (19.79 percent), and capital goods (17.36 percent) significantly declined in FY23. On the contrary, import payments for few items such as rice, spices, pulses, and fertilizer increased in FY23. The composition of item-wise import payments and their percentage changes during FY23 are given at Table 12.02.

Workers' Remittances

12.13 Remittances considered as an important source of foreign currency earnings in Bangladesh which have tremendous impact on country's GDP. Amid global uncertainties and dwindling trend of foreign exchange reserve, remittances play a significant role for the improvement of country's external situation in FY23. Current account deficit decreased in FY23 due to higher secondary income especially high inward remittance flows from the migrants as well as lower trade deficit. Remittance earnings of Bangladesh increased by 2.75 percent to USD 21610.73 million in FY23 from USD 21031.68 million in FY22.

12.14 Country's remittance earnings increased in FY23 because of strong labor market conditions, wage hikes in the high-income destination countries, and high demand for less-skilled migrants due to higher energy prices in the GCC (Gulf Cooperation Council) countries. Apparently, Russia-Ukraine war ignited the soaring global inflation that did not dampen the remittance flows significantly. Besides, numerous supportive policy measures like increasing cash incentives from 2.0 percent to 2.5 percent for the remitters to curb the informal channels, withdrawing the interest ceiling on non-resident foreign currency

deposits, imposing ceiling on internet banking transfers and removing the proof of source of income requirements along with the time and cost-effective money transfer process encourage the expatriates to remit more remittances using formal channel throughout the fiscal year

12.15 The highest amount of remittance received from Saudi Arabia (17.42 percent of total amount) in FY23 followed by the United States of America (16.30 percent), United Arab Emirates (14.04 percent), United Kingdom (9.63 percent), Kuwait (7.20 percent), Malaysia (5.21 percent), and Oman (3.66 percent). Rest of the countries contributed to 26.55 percent of total remittances in FY23. Country-wise percentage shares of total wage earners' remittances in FY23 are shown in Chart 12.05.

Foreign Direct Investment

12.16 Foreign direct investment (FDI) inflow performs a multidimensional role in any developing country. As a potential source of foreign exchange reserves, FDI has been emphasized by the Government in its 8th five-year plan for creating an investment-friendly environment through widespread infrastructure developments, including power, ICT and communication sectors. Recently various sectors of our economy have shown some signs of receiving encouraging responses from the global investors. Due to global financial turmoil inflicting from Russian-Ukraine war, the net FDI inflow decreased notably by 9.74 percent to USD 1649 million in FY23. The portfolio investment also

experienced an outflow of USD 30 million in FY23 against the outflow of USD 158 million in the preceding fiscal year (Appendix-3, Table XVI).

Foreign Aid

12.17 Total official foreign aid receipts decreased by 15.52 percent and stood at USD 9267.32 million in FY23 against the USD 10969.29 million received in FY22 (Table 12.04). Total foreign aid commitment stood at USD 8798.62 million in FY23 which was USD 10173.24 million in FY22. The disbursement of food aid stood at USD 52.50 million in FY23 which was USD 18.96 million in FY22. The disbursement of project aid stood at USD 9214.82 million in FY23 which was USD 10950.33 million in FY22.

12.18 Total outstanding official external debt as of 30 June 2023 stood at USD 62312.72 million (13.73 percent of GDP in FY23) against USD 55601.72 million as of 30 June 2022 (12.08 percent of GDP in FY22). Repayment of official external debt and services amounted to USD 2670.22 million (excluding repurchases from the IMF) in FY23 which was 32.32 percent higher than the repayment of USD 2017.96 million in FY22. Out of the total repayments, principal payments amounted USD 1734.56 million while interest payments was USD 935.66 million in FY23, against USD 1526.71 and USD 491.25 million respectively in FY22. The debt service

Table 12.03 Trends of Gross Foreign Exchange Reserves of Bangladesh Bank
(End month, in million USD)

Months	FY19	FY20	FY21	FY22	FY23
July	32105.45	32093.25	37288.43	45842.20	39599.91
August	32926.51	32775.77	39040.14	48059.99	39065.79
September	31957.74	31831.92	39313.98	46199.80	36476.41
October	32077.96	32437.74	41005.79	46459.27	35808.73
November	31056.04	31728.99	41269.22	44881.14	33786.26
December	32016.25	32689.18	43166.52	46153.93	33747.74
January	31279.69	32381.20	42862.52	44951.22	32222.55
February	32235.68	32986.51	44016.54	45947.76	32266.97
March	31753.29	32570.16	43440.79	44146.78	31142.72
April	32122.87	33111.06	44950.42	44017.55	30965.25
May	31344.79	33409.89	44960.52	42202.00	29873.91
June	32716.51	36037.03	46391.44	41826.73	31202.98

Source: Accounts & Budgeting Department, Bangladesh Bank.

Table 12.04 Foreign Aid Receipts and Debt Repayments*
(In million USD)

Particulars	FY21	FY22 ^R	FY23 ^P
1. Receipts	7957.56	10969.29	9267.32
i) Food aid	16.50	18.96	52.50
ii) Project aid	7941.06	10950.33	9214.82
2. Repayments (MLT)*	1914.81	2017.96	2670.22
i) Principal	1418.63	1526.71	1734.56
ii) Interest	496.18	491.25	935.66
3. Outstanding external debt (MLT) as of end June	50879.95	55601.72	62312.72
4. Outstanding debt as percentage of GDP	12.22	12.08	13.73
5. External debt services payment (MLT) as percentage of exports	5.19	4.10	5.10

MLT=Medium to long term, P=Provisional, R=Revised.

*Excluding transactions with the IMF.

Source: Economic Relations Division, Ministry of Finance and Statistics Department, Bangladesh Bank.

payment as percentage of exports stood at 5.10 percent in FY23 which was 4.10 percent in FY22.

Foreign Exchange Market Operations and Exchange Rate Movements

12.19 During FY23, the USD was significantly volatile against other major currencies and it gradually appreciated against BDT due to economic challenges stemming from the pandemic and Russia-Ukraine war. BB's proactive foreign exchange liquidity management and supervision ensured stability and relatively smooth market activities throughout the FY23. In FY23, BB sold USD 13,578.20 million in the local

interbank market while during the same period BB purchased USD 193.00 million to maintain the stability in the foreign exchange market.

Foreign Exchange Reserves

12.20 Foreign exchange reserves act as a cushion against any disruption of capital flow and provide enough mobility to central bank attain exchange rate stability and to effectively implement monetary policy actions. BB's gross foreign exchange reserves comprises major global currencies (G-7), gold and Special Drawing Rights (SDR). At the beginning of FY23, foreign exchange reserves stood at USD 41.83 billion which reduced to USD 31.20 billion at the end of the fiscal year.

12.21 The total outstanding principal liability to the IMF of ECF stood at SDR 118.85 million at the end of June 2023, whereas SDR holding was 1972.82 million at the end of FY23.

12.22 Through diversifying the foreign asset portfolio into bonds (issued by sovereign, supranational and highly rated foreign commercial banks), US Government Treasury Bills and Notes, and short-term deposits with globally reputed foreign commercial banks, BB concentrate its best efforts to maintain optimum return on foreign exchange reserve investments. BB is also active in the New York Fed's Repo process which yields fair returns with a very low-risk. Moreover, BB offers foreign exchange refinance schemes to local

Table 12.05 Receipts and Payments of Bangladesh Under the ACU (In million USD)

Head of transaction	FY21	FY22	FY23	% Change in FY23
1. Receipts	246.18 (2088.42)	351.72 (3286.82)	201.82 (2139.33)	-42.62%
2. Payments	8651.35 (73392.49)	11827.82 (110530.98)	7718.85 (81819.83)	-34.74%
Net surplus (+)/	-8405.17	-11476.10	-7517.03	-34.50%
Deficit (-)	(-71304.07)	(-107244.16)	(79680.50)	

1. Figures in parentheses indicate amount of BDT in million.

2. Closing weighted average exchange rate as of 30-06-2023
i.e. 1 ACUD = 1 USD, USD/BDT = 106.00.

Source: Forex Reserve and Treasury Management Department, Bangladesh Bank.

Table 12.06 Outstanding Principal Liabilities against the existing Facilities Received from the IMF (In million SDR)

Facilities	Amount drawn/ purchased	Outstanding principal liabilities as up to June 2023	Installment Repayment in FY23	Charge of payment in FY23	Outstanding principal liabilities as of end June 2023
ECF ¹	639.96	228.56	109.71		118.85
RFI	355.53	355.53	0.00		355.53
RCF	177.77	177.77	0.00	50.44	177.77
EFF	234.90	0.00	0.00		234.90
ECF ²	117.45	0.00	0.00		117.45
Total	1525.61	761.86	109.71	50.44	1004.50

Notes: ¹ Approved in April 2012; ² Approved in January 2023.

* Excluding fully repaid facilities.

Source: Forex Reserve and Treasury Management Department, Bangladesh Bank.

exporters through the Export Development Fund (EDF) and the Green Transformation Fund (GTF). In addition, with the assistance of the International Development Association (IDA), BB provides long-term support to Bangladesh's manufacturing sector through a separate window called the Long Term Financing Facility (LTFF).

Reserve Management Strategy

12.23 During FY23, BB's reserve management strategy and operational procedures were strongly influenced by developments in both domestic and international financial markets as well as various key aspects of macroeconomic policy stances. The most important elements of

the policy framework are - the monetary policy structure, the exchange rate policy and regime, the external debt situation, and the geopolitical scenario. Currently the reserve management operations of BB are carried out following the Reserve Management Guidelines (RMG) approved by the Board of Directors of BB. Generally, reserves are held to absorb external shocks, to ensure smooth payment obligations and to maintain the stability of the domestic currency. To contain counterparty risks at a minimum level, BB maintains current accounts with major central banks and invests in money market through commercial banks having strong credit ratings assigned by the international rating agencies (e.g. Standard and Poor's, Moody's & Fitch). To minimize exchange rate risk and ensure the value of reserves, currency composition has been diversified among the major currencies and is being reviewed periodically to keep pace with the developments in the international monetary and exchange rate situation. To meet payment obligations of government and others by maintaining adequate liquidity and generating optimum returns, reserves have been divided into two tranches viz: liquidity tranche and investment tranche.

12.24 Investment duration and currency benchmark, as set out in the RMG, are carefully followed to minimize interest rate risk and exchange rate risk, while reserve management and investment functions have been segregated among three

independent reporting units viz., Front Office, Middle Office and Back Office to mitigate operational risks. However, in line with the stipulated liquidity restrictions, and market and credit risk limits, BB diversified its portfolio investments into gold, T-bills, repos, short-term deposits, and high-rated sovereign, supranational, and corporate bonds. BB has always been maintaining a prudent and vigilant approach regarding the placement of funds with reputed overseas commercial banks and investments in securities out of its foreign exchange reserves.

Transactions under the Asian Clearing Union (ACU)

12.25 Transactions with ACU (Asian Clearing Union) member countries during FY23 decreased substantially in terms of net volume compared to the preceding year. Receipts decreased from ACUD 351.72 million to ACUD 201.82 million and payments also decreased significantly from ACUD 11827.82 million to ACUD 7718.85 million during FY23. In ACU transaction scenario, the overall position of Bangladesh remained a net debtor during FY23. Transactions with ACU member countries during the last three years are shown in Table 12.05.

Transactions with the IMF

12.26 Bangladesh has received total SDR 3929.81 million from IMF till June 2023. The IMF Executive Board approved a total amount of SDR 639.96 million for Bangladesh under the Extended Credit Facility (ECF) and Bangladesh has received the full amount of this ECF. The repayment has started in October 2017. On 29

May 2020, the IMF approved a disbursement of SDR 355.53 million under the Rapid Financing Instrument (RFI) and a disbursement of SDR 177.77 million under the Rapid Credit Facility (RCF) for Bangladesh and total amount of RFI and RCF has been drawn on June, 2020. Repayment of this RFI and RCF has been scheduled on 31 August 2023 and 02 December 2025 respectively. On 30 January 2023, the Executive Board of the IMF approved SDR 1645.64 million under the Extended Fund Facility (EFF), another loan of SDR 822.82 million under ECF, and SDR 1000.00 million under the Resilience and Sustainability Facility (RSF). Accordingly, Bangladesh has drawn total amount of SDR 234.90 million under EFF and SDR 117.45 million under ECF in February 2023. Repayment of this EFF and ECF will commence on 29 July 2027 and 01 August 2028 respectively. In FY23, Bangladesh received a total of SDR 352.35 million from ECF and EFF whereas the repayment for ECF was total SDR 109.71 million. Total charges paid to the IMF were SDR 50.44 million in FY23. Total principal outstanding liability of ECF¹ (approved in April 2012) stood at SDR 118.85 million at the end of FY23 (Table 12.06). Total outstanding principal liabilities to the IMF stood at SDR 1004.50 million at the end of June 2023. Under the 14th General Review of Quotas, Bangladesh's Quota in the IMF is SDR 1066.60 million. The latest financial arrangements between IMF and Bangladesh are provided at Table 12.06.

Anti-money Laundering Surveillance

12.27 With the power conferred by Money Laundering Prevention Act, 2012 and Anti Terrorism Act, 2009 Bangladesh Financial Intelligence

Unit (BFIU) is the central agency for coordinating all kind of AML/CFT activities in Bangladesh. BFIU has taken a number of initiatives during FY23 in order to prevent money laundering, combating financing of terrorism and financing of proliferation. Notable of them are mentioned below:

Reporting Agencies and Their Regulatory Regime

- BFIU issued a circular on the instructions to be followed by financial institutions for prevention of money laundering, terrorist financing and proliferation financing under the Money Laundering Prevention Act, 2012 and the Anti-terrorism Act 2009 (circular no. 28, dated 30 May 2023).
- BFIU withdrew the requirements of attestation of customer's documents by respective Bangladeshi embassies while opening account in the scheduled banks by non-resident Bangladeshis (NRBs) because machine readable passport and electronic passport of migrants are issued after proper verification (circular letter no. 01 dated 27 July 2022).

Receiving Suspicious Transaction Report (STR) and Dissemination of the Same

- BFIU received 9769 Suspicious Transaction Reports (STRs) and 4337 Suspicious Activity Reports (SARs) (total 14106) during FY23 from different reporting organizations. BFIU analyzed those STRs/SARs along with other reports (media reports/complaints) and prepared 132 intelligence reports. Later, those intelligence reports were disseminated to the relevant law enforcement agencies (LEAs) for further actions.

Onsite Supervision on ROs

- BFIU conducted 162 system check inspections and 51 special inspections on reporting organizations during FY23.

Information Exchange with LEAs

- BFIU exchanged 1045 information with the law enforcement agencies and other government agencies against 1049 requests received from different law enforcement agencies and other government agencies.

BFIU's initiatives to fight hundi, illegal gaming and betting, forex trading, and cryptocurrency trading

In recent years, the rise of digital technology has led to the proliferation of various illicit financial activities, posing a significant challenge to economies around the world. Bangladesh, recognizing the urgency of this issue, has taken bold steps to combat these threats. At the forefront of this battle is the Bangladesh Financial Intelligence Unit (BFIU), demonstrating its unwavering commitment during FY23 to curb illegal activities like hundi, illegal gaming and betting, forex trading, and cryptocurrency trading. As the part of fight against those, BFIU has:

- Taken stringent actions against 5766 MFS agents and 09 MFS distributors during FY23. Their details have been forwarded to the Criminal Investigation Department (CID) for further action, exemplifying the agency's commitment to holding wrongdoers accountable.
- Suspended 5005 MFS agents found to be involved in illicit activities. This measure acts as a strong deterrent, discouraging individuals from engaging in illegal financial practices.

- Blocked 664 websites, 148 apps, and 401 social media pages associated with illegal gaming/betting activities, forex transactions and cryptocurrency transactions. This proactive approach prevents offenders from exploiting digital platforms to carry out their operations.
- Suspended transactions from 16525 MFS accounts suspected to be involved in hundi activities. Notably, 328 of these accounts have been regularized, leading to the legal remittance of BDT 12.6 million. This demonstrates the positive impact of BFIU's actions on encouraging legitimate financial flows.
- The collaborative efforts have resulted in the arrest of 43 individuals in connection with 15 cases related to illegal hundi, gaming, betting, and cryptocurrency dealings. This powerful message indicates that such type of activities will not go unpunished.

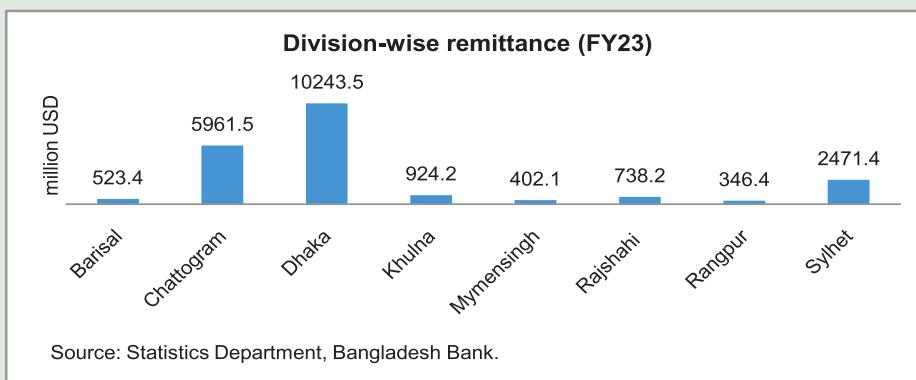
National Initiatives

- BFIU provided necessary secretarial support to arrange the 26th and 27th meeting of the National Coordination Committee on AML/CFT on 30 August 2022 and 6th December 2022 respectively where Honorable Finance Minister presided over the meeting. These two meetings of the apex decision making body on AML/CFT ended with some important decisions to bolster the AML/CFT regime, e.g. including cybercrime and pornography as predicate offence in MLPA, 2012; initiative to amend the Public Gambling Act, 1987; approving strategy for recovering money laundered to different countries along with Swiss banks, approving

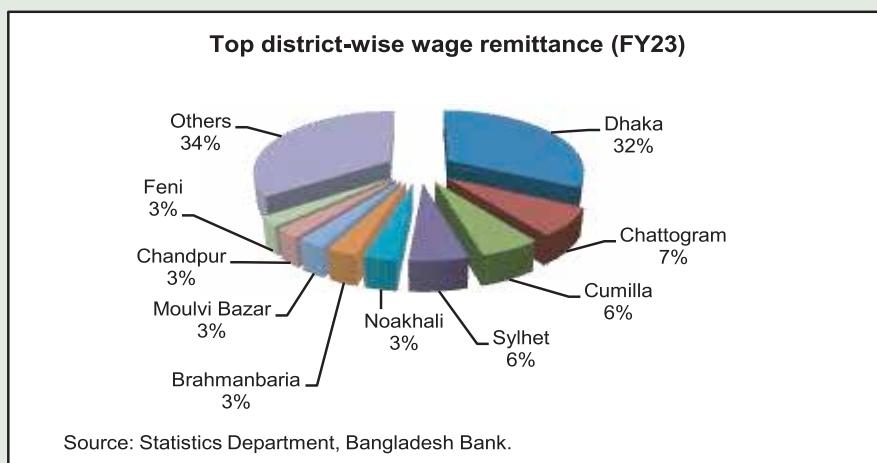
Box 12.01 Division and District-wise Scenario of Workers' Remittances

Workers' remittances are one of the main pillars of Bangladesh's economy with the country's migrant workers having sent 21.6 billion USD back home in FY23. The economies of some districts are acutely dependent on wage remittances and in some villages, social life has become intertwined with the money sent by the expatriates. If economy faces major shortfalls in the inflow of remittances, its impact can be felt in those districts with its ripple effect on the rest of the country.

According to division-wise remittance data (on disbursement basis) for FY23, the share of remittances received in Dhaka was 47.0 percent (10,243.5 million USD) of the total inflow followed by Chattogram at 26.0 percent (5,961.5 million USD). Sylhet, from where a large number of persons are living in the United Kingdom, is the third biggest destination of the remittances sent by Bangladeshi migrants abroad. The other divisions received 13.6 percent, or 2,934.3 million USD, of the total remittances in the same period.



Dhaka districts, the main economic center of the country received major portions of remittance (32.0 percent of total workers' remittances). Chattogram, Sylhet, and Cumilla districts are generally reputed for sending the major share of the country's inward remittances. Usually, the southeastern and northern districts of Bangladesh have been seen receiving lower portion of remittances.



guidelines on Recovery of Laundered Money: Legal Framework and Strategic Process etc. Implementation of these decisions will broaden the scope of money laundering prevention in Bangladesh.

- The Working Committee on AML & CFT which is the second highest body for preventing money laundering and combating financing of terrorism in the country met twice in the FY23 and took some important decisions on inclusion of 'Risk Assessment Report on Legal Persons and Legal Arrangements' into the National Risk Assessment, training of the trainers (ToT) for the LEAs, judges and prosecutors and signing mutual legal assistance agreement with the countries recommended by ACC and BFIU.
- BFIU arranged 04 (four) meetings of the Central Taskforce on Preventing Money Laundering and Combating Terrorist Financing during FY23 where stakeholders from law enforcement agencies, regulatory bodies of financial sector, representatives from banks, NBFIs, insurance companies, MFS, NGO, co-operative societies attended. Various important decisions were taken in those meetings to strengthen the AML/CFT regime of Bangladesh as well as to maintain the financial stability of the country.
- BFIU signed Memorandum of Understanding (MOU) with the Registrar of Joint Stock Companies (RJSC) on 05 June 2023 at the Head Office of Bangladesh Bank in Dhaka. The MOU established a framework for the exchange of information, cooperation, and coordination between the BFIU and RJSC, with the primary objective of combating illicit financial activities in Bangladesh. BFIU signed another Memorandum of Understanding

(MoU) with the Department of Narcotics Control (DNC) on 08 June 2023 at the Head Office of Bangladesh Bank in Dhaka. This MoU aims to enhance cooperation and information exchange in order to combat financial wrongdoing associated with drug trafficking. Both the MOUs reflect a commitment to maintain high financial integrity standards and safeguard the nation's interests.

- BFIU provided required resource persons on 162 occasions while reporting organizations arranged training on AML/CFT issues. In addition, BFIU arranged 12 lead banks training programs in different regions of Bangladesh.
- BFIU provided required resource persons on different occasions while different relevant stakeholder organizations including different units of Bangladesh Police, Anti Corruption Commission, Bangladesh Securities and Exchange Commission, Bangladesh Academy for Securities Market, Bangladesh Institute of Capital Market, Bangladesh Institute of Bank Management, Customs Intelligence and Investigation Directorate, Department of Cooperatives, Directorate General of Forces Intelligence (DGFI), Dhaka Stock Exchange, RAB Forces Head Quarters organized capacity building programs on financial crime investigations.

International Cooperation

- The International Monetary Fund (IMF) successfully conducted two three-day Capacity Development Missions during 21-23 January 2023 and 22-24 May 2023. These missions were aimed to enhance BFIU's risk-based supervision (RBS) practices and tools for anti-money laundering and combating financing of terrorism (AML/CFT).

- During FY23 BFIU received 22 (Twenty Two) requests from the foreign FIUs for money laundering, terrorist financing & proliferation financing related information and provided the information accordingly. BFIU also made 90 (Ninety) requests to the FIU of different countries/jurisdictions and disseminated the received responses to the appropriate LEAs.
- During FY23, BFIU signed Memorandum of Understanding (MoU) with the Financial Intelligence Unit of Guernsey and Azerbaijan. With this, BFIU has signed a total of 80 (Eighty) MoUs with the FIUs of different countries/jurisdictions. These MoUs extend the horizon of sharing of information related to money laundering, terrorist financing and proliferation financing with other FIUs across the globe.

Payment and Settlement Systems

13.01 A larger portion of the people in Bangladesh now adopt the digital payment system, finding it a more secure, convenient and time-saving way of making day-to-day transactions. Over the years, Bangladesh Bank (BB) has continuously been continued its endeavour to increase efficiency, improve customer convenience, expand outreach and ensure the safety and security of payment systems. In short, payment and settlement systems, especially the digital payment platforms are now playing a great role in keeping the economy active and enabling it to remain resilient.

13.02 Indeed, a well-functioning and efficient payment system is indispensable for an economy. It supports the financial activities of individuals and corporates, and thereby props up financial intermediation by facilitating the payment and settlement of transactions among participants at an affordable cost. Any failure or disruption in the payment system could destabilize financial markets and cause widespread economic disruption. Therefore, being the regulator of the financial system, BB is vigilant for the smooth functioning of the payment ecosystem of the country by formulating effective regulations and ensuring a congenial atmosphere for all concerned stakeholders.

13.03 In this backdrop, this chapter discusses the performance of the payment and settlement systems in Bangladesh for FY23. It also delivers different measures taken by the Payment Systems Department (PSD) in the stated fiscal year.

Payment Systems

13.04 The interbank digital payment systems (i.e., online banking, mobile financial services,

inter-bank payment systems, etc) registered a hefty growth during FY23. In terms of volume and value digital payments in FY23 grew by 34 percent and 40 percent respectively compared to the previous fiscal year (Appendix-3, Table XXIII). Growth of the volume is largely attributable to paper-less transactions, such as internet banking fund transfer (IBFT), Bangladesh electronic funds transfer network (BEFTN), ATM transactions and real time gross settlement (RTGS). In the case of value, the growth is mostly amplified by IBFT, ATM transactions, RTGS and BEFTN. Paper-less digital payments are increasing at an accelerated rate compared to that of paper-based transactions (e.g., BACPS) (Appendix-3, Table XXIII). The development of a favourable digital payment ecosystem supported the increase in the use of all major modes of digital payment systems, especially the paper less methods.

13.05 Meanwhile, the depth of digital payments (i.e., inter-bank digital transactions and mobile payments) has engraved further. Retail transactions (i.e., regular value cheques; ATM, POS, e-commerce, internet banking, and electronic fund transfers), high value transactions (i.e., high value cheques, and real-time gross settlement), and mobile payments/e-money transactions have influenced to increase income velocity of money in the recent years. It may be noted that in FY23, digital payments rolled over the narrow money 22.2 times compared to 18.3 times in FY22. During the same period, the size of digital payments increased to 2.5 times of GDP compared to 2.0 times of GDP in the previous year. Higher rolled over of money envisages the efficiency of payment systems and augmented economic activities, which supports

effectively and efficiently formulation and implementation of monetary policy (Table 13.01).

13.06 Notably, intra-bank digital payments are markedly larger than inter-bank transactions. Internet and apps-based transactions within banks largely increased during the period. Except for MFS transactions, the discussions provided in the chapter considered only the inter-bank transactions. In this continuum, the later part of the chapter discusses the actions of different payment platforms operated by BB and the notable activities of the Payment Systems Department (PSD).

Bangladesh Automated Clearing House (BACH)

13.07 Involving two payment wings, namely Bangladesh Automated Cheque Processing Systems (BACPS) and Bangladesh Electronic Funds Transfer Network (BEFTN), Bangladesh Automated Clearing House (BACH) offers inter-bank payment services. Both systems operate in batch processing and deferred net settlement (DNS) mode. The central BACH system receives transactions (through instruments or instructions) from the member banks on a 24/7 basis while these are processed and settled at a pre-fixed time. After each clearing cycle, a single multilateral netting figure for each participating bank is settled by posting it to their respective current accounts maintained with BB.

13.08 Using the cheque imaging and truncation (CIT) technology for clearing paper-based instruments (i.e., cheque, pay orders, dividends, refunds warrants, etc.), BACPS brings country-wide several conventional physical clearing houses into a single clearing and settlement platform. During FY23, through BACPS, 19666 thousand regular-value instruments valuing BDT

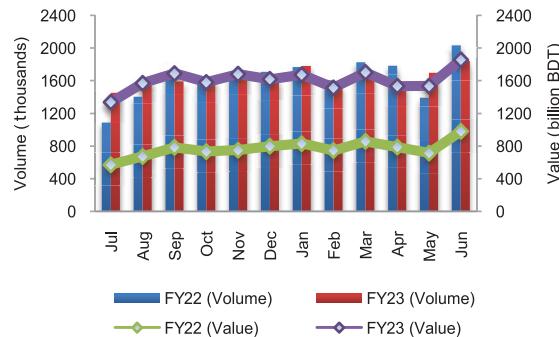
Table 13.01 Depth of Digital Payments in Bangladesh
(Value in billion BDT)

Item	Value		M1 (Value/M1)		GDP (Value/GDP)	
	FY22	FY23	FY22	FY23	FY22	FY23*
Retail transactions	18800	22587	4259	4919	39717	44393
High value transactions	50689	74413	4259	4919	39717	44393
MFS/e-money transactions	8564	12174	4259	4919	39717	44393
Total digital payments	78054	109174	4259	4919	39717	44393

* = Provisional

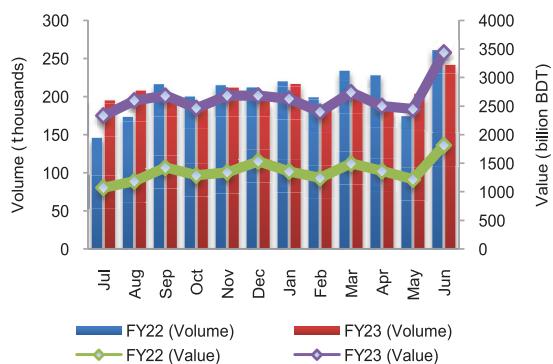
Source: Payment Systems Department and Statistics Department, Bangladesh Bank.

Chart 13.01 Regular Value Cheque Transactions



Source: Payment Systems Department, Bangladesh Bank.

Chart 13.02 High Value Cheque Transactions

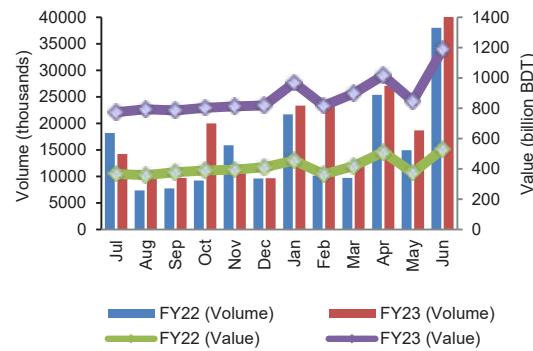


Source: Payment Systems Department, Bangladesh Bank.

10068.41 billion were cleared where there was negligible growth in terms of volume, but in terms of value, growth was 9.0 percent higher than that of FY22. On the other hand, in FY23, 2439 thousand high-value instruments valuing BDT 15260.80 billion were cleared which decreased by 2.0 percent and 7.0 percent respectively as compared to those in FY22. Higher growth in the value of instruments compared to the growth of the volume in regular-value windows was observed, though there was negative growth both in volume and value in terms of higher value. This may result from easy and secured access to other intra-bank digital payment options, namely real time gross settlement (RTGS), IBFT, etc. and the consistent market responses to the expansionary and accommodative monetary policy stance of BB (Charts 13.01 and 13.02).

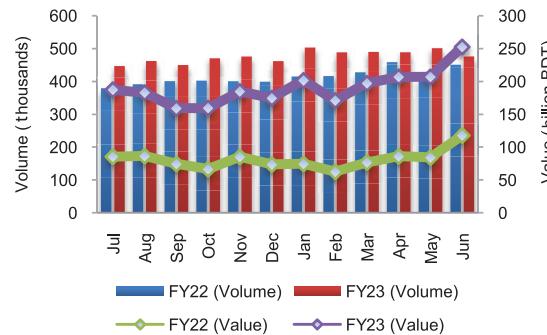
13.09 As a paperless, cost-effective, secured, and efficient payment method, BEFTN settles a wide range of credit transfers (e.g., salary payments, foreign and domestic remittances, social safety net payments, interest and principal payment of national savings certificates, company dividends, retirement benefits, etc.) and debit transfers (e.g., utility bill payments, loan repayments, insurance premiums, corporate to corporate payments, etc.). A total of 222516 thousands credit transfers valuing BDT 5568.6 billion were settled during FY23 which grew by 18.28 percent and 12.40 percent respectively compared to FY22. On the other hand, a total of 5718 thousands debit transfers valuing BDT 1312.6 billion were settled during FY23, which grew by 15.38 percent and 34.55 percent respectively as compared to those in FY22. Huge growth in the volume of credit transfers is mainly attributable to the transfer payments of the government, and hyper-growth in the value of debit transfers is mainly owed to the payments of

Chart 13.03 BEFTN (Credit) Transactions



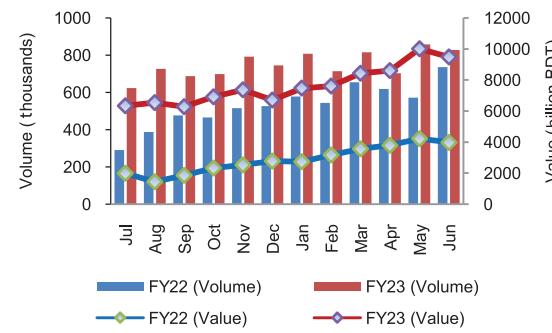
Source: Payment Systems Department, Bangladesh Bank.

Chart 13.04 BEFTN (Debit) Transactions



Source: Payment Systems Department, Bangladesh Bank.

Chart 13.05 RTGS Transactions



Source: Payment Systems Department, Bangladesh Bank.

loan instalment by individuals. The rapid growth of transactions started during pandemic period

tends to grow further with the fast adoption of digital payment systems (Charts 13.03 and 13.04).

Real Time Gross Settlement System

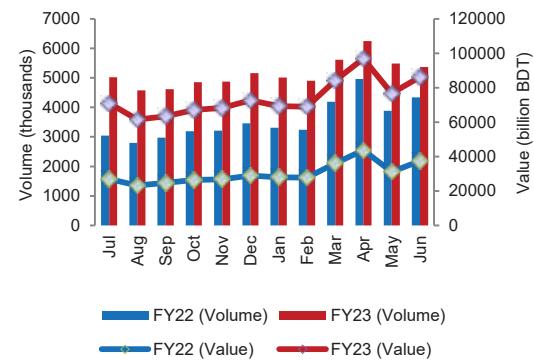
13.10 By delivering instant settlement facilities for large-value and time-critical payments, RTGS is fostering the velocity of money and economic activities in the country. As of June 2023, 60 scheduled banks and 19 NBFIs are now connected to this system to settle high-value (BDT 1, 00,000 or >) transactions. Currently, the system is offering worthy features, such as VAT online payment, customs duty e-payment, automated Challan payment, etc. Alongside the individual interbank transactions, the system can also settle all other DNS batches, such as BACPS, BEFTN, and NPSB.

13.11 During FY23, 9002 thousand transactions valuing BDT 57408.13 billion were settled by RTGS, which grew by 41.40 percent and 67.27 percent respectively as compared to those in FY22. Since September 2022, US dollar transactions have been introduced through RTGS system. During FY23, 507 thousand transactions valuing USD 15291 million were settled by RTGS. Overall, RTGS transactions increased sharply due mainly to its growing popularity among business houses and government agencies (Charts 13.05 and 13.06).

National Payment Switch Bangladesh

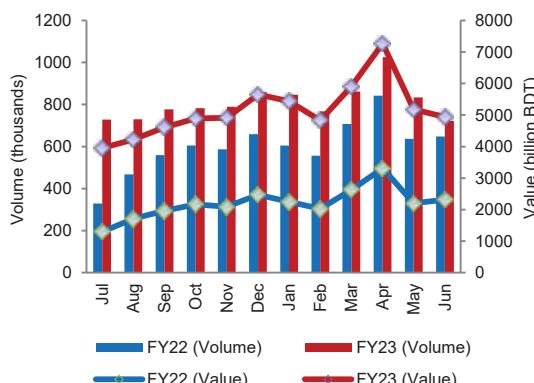
13.12 To facilitate interbank electronic payments originating from different alternative delivery channels, such as automated teller machines (ATM), point of sale (POS), internet, etc., BB introduced the National Payment Switch Bangladesh (NPSB) on December 27, 2012. The main objective of NPSB is to act as a mother switch to gradually connect all child switches owned or shared by banks or non-bank entities,

Chart 13.06 ATM Transactions



Source: Payment Systems Department, Bangladesh Bank.

Chart 13.07 POS Transactions



Source: Payment Systems Department, Bangladesh Bank.

and to create a common electronic platform for the payment switches in Bangladesh.

13.13 In terms of volume, 131262 thousand ATM, 9717 thousand POS, and 18053 thousand IBFT transactions were settled during FY23 using the national payment switch NPSB, where ATM, POS and IBFT transactions increased by 44.87 percent, 34.89 percent and 98.34 percent respectively as compared to those of FY22. At the same time, value of ATM, POS, and IBFT transactions were increased to BDT 524946.11

million, 35355.38 million, and 880340.84 million, using the NPSB, showing increases of 45.31 percent, 33.72 percent and 162.51 percent respectively as compared to those in the previous year (Charts 13.07, 13.08, and 13.09).

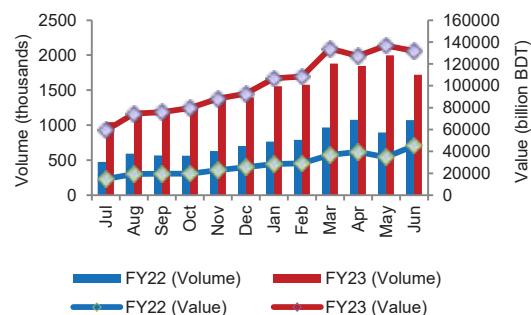
13.14 During the pandemic situation of the last few years, hand-to-hand service deliveries were discouraged and service delivery time was curtailed. Instead, the limit and number of transactions at the ATM booths had been increased. As a result, the volume and value of ATM transactions increased significantly. Meanwhile, interbank fund transfers observed a whopping increase, and growing popularity in the adoption of digital lifestyles by the middle-class population. In addition, POS transactions have shown a sharp increase in terms of volume and value because of the convenience of using them to perform transactions without carrying any cash.

13.15 It is worth mentioning that beyond NPSB, there are some other private and international switches where ATM, POS, and e-commerce transactions are settled. Overall ATM, POS, and e-commerce transactions also increased during the period (Appendix-3, Table XXIII).

Mobile Financial Services

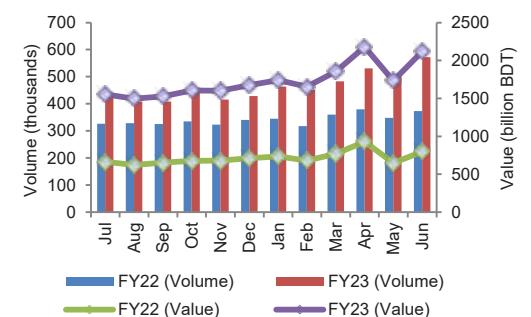
13.16 Mobile financial services (MFS) has been playing a crucial role in attaining the target of 'Financial Inclusion for All by 2024' by BB. Indeed, nationwide advancement in power connectivity, hasty growth of mobile phone users, digitization of payment procedures and IT-based financial systems, augmented country-wide network coverage of mobile operators, and availability of internet throughout the country have widened the prospects of financial inclusion through MFS. With a simple account

Chart 13.08 IBFT Transactions



Source: Payment Systems Department, Bangladesh Bank.

Chart 13.09 MFS Transactions



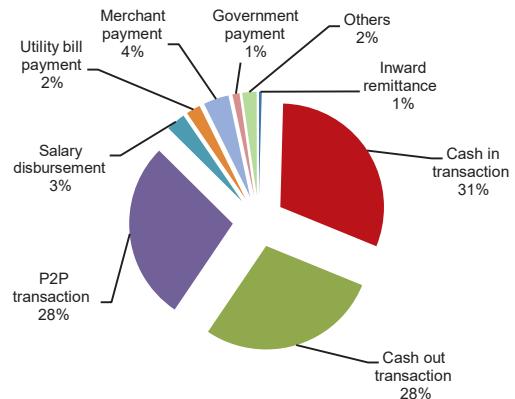
Source: Payment Systems Department, Bangladesh Bank.

opening procedure, user-friendly features, and cost-effectiveness, MFS in Bangladesh opened up the opportunity of access to payment and finance for the underserved, unbanked/under-banked, and low-income groups of the population to reach the country's sustainable development goals (SDGs).

13.17 As of 30 June 2023, a total of 9 banks and 03 subsidiary companies and 01 digital financial service provider of the Bangladesh Postal Department (Nagad) are providing mobile financial services (MFS). In this context, it should be noted that Bangladesh Postal Department's digital financial service 'Nagad' is currently operating on the basis of Bangladesh Bank's interim approval. BB allows bank-led MFS providers only to operate in the country under some broad categories, such as:

- i. 'Cash-in' to and 'Cash-out' from MFS accounts through agent locations, bank branches, ATMs, linked bank accounts and other methods determined by BB;
- ii. Person-to-business (P2B) payments like utility bill payments, merchant payments, mobile top-up, deposits into savings accounts/schemes with banks, loan repayments to banks/non-bank financial institutions (NBFIs)/non-governmental organizations-microfinance institutions (NGO-MFIs), insurance premium payments to insurance companies and so forth;
- iii. Business-to-person (B2P) payments like salary disbursements, dividend/refund warrants/ discount payments, etc;
- iv. Person-to-person (P2P) payments (one MFS personal account to another MFS personal account with the same MFS or another MFS provider as well as the payments from one MFS account to a bank account and vice versa with the same parent bank or another bank);
- v. Business-to-business (B2B) payments like vendor payments, supply chain management payments, etc;
- vi. Online and e-commerce payments;
- vii. Government-to-person (G2P) payments such as pension payments, old-age allowances, freedom-fighter allowances, subsidy payments to farmers, and so forth;
- viii. Person-to-government (P2G) payments such as tax, fee, levy payments, toll charge, fine, etc;
- ix. Disbursement of BDT against inward foreign

Chart 13.10 Nature of Usage of MFS in June 2023



Source: Payment Systems Department, Bangladesh Bank.

remittances collected by banks;

- x. Loan disbursements to borrowers, vendor payments, etc;

13.18 At the end of June 2023, the number of agents and the number of registered customers of MFS increased to 1.58 million and 207.27 million respectively compared to 1.40 million and 178.40 million in the previous fiscal year. During FY23, around 5539 million transactions valuing BDT 12173.72 billion were settled, which increased by 34.97 percent and 42.15 percent respectively as compared to FY22 (Chart 13.10).

13.19 Increments in volume and value of MFS transactions are mainly owed to the paradigm shift of the nation in adopting digital payments. The sustained growth of the availability and accessibility of MFS in a favourable leeway helped to increase the usage of the service. Moreover, to reach the end-user directly, GoB now prefers MFS to transfer various payments under the safety-net program. It is to be remembered that GoB has provided soft loans to the export-oriented industries to pay the workers' salaries, distributed only through the workers'

bank account or mobile wallet account and cash assistance to five million families who lost their livelihoods due to the COVID-19 pandemic through mobile wallet accounts. Four major MFS providers have been used as the distribution channel to reach the beneficiaries. All these issues increased the access and usage of MFS significantly.

13.20 The nature of the usage of MFS also shows a positive shift among the citizens towards digital payments. In the meantime, the reliability of mobile financial services resulted in increases in transactions within the same mobile operators and keeping money in MFS wallets. Chart 13.10 shows that in June 2023, the growing share of cash-out transactions in volume increased to 28.28 percent compared to 26.57 percent in June 2022. The shares of cash-in and P2P transactions in volume are 30.75 percent and 27.98 percent respectively in FY23. There has been a sharp growth in inward remittances, utility bill payments, and government payments during FY23 compared to FY22.

Alternative Delivery Channel and Licensing

13.21 To promote and ensure efficient, secured, and cashless payments in the country, BB issues licences to FinTech businesses in two major categories, such as payment system operator (PSO) and payment service provider (PSP). Generally, PSPs deliver e-wallet services while PSOs provide merchant aggregation, merchant acquisition, white label ATM, payment gateway, and switching solution services. At present, ten PSOs and eight PSPs are fully operational, and some others are remaining in different phases of licensing process.

Legal and Regulatory Framework

13.22 BB is entrusted with the responsibility of managing and regulating the country's payment systems and issuing rules, regulations, and guidelines thereto. Currently, BB regulates the payment system of the country largely through:

- A. Bangladesh payment and settlement systems regulations (BPSSR), 2014; and
- B. Bangladesh mobile financial services (MFS) Regulations, 2022.

Consequently, BB has published several legal and regulatory guidelines supporting both paper-based and electronic transactions within the country. The existing legal and regulatory frameworks of the payment and settlement system in Bangladesh are as follows:

- i. Bangladesh automated cheque processing systems (BACPS) operating rules and procedures, 2010 (revised version, 2019),
- ii. Bangladesh electronic funds transfer network (BEFTN) operating rules, 2010 (revised version, 2020),
- iii. Bangladesh real time gross settlement (BD-RTGS) system rules, 2015.

13.23 In this continuum, during FY23, some more guidelines/regulations were released to support the growth of the economy and meet market demands for maintaining discipline in the payment systems, such as:

- i. Determination of platform fees, interoperable fees and service charges for Transactions through interoperable digital transaction platform (IDTP) "Binimoy", dated 10 November 2022.

13.24 Meanwhile, aiming to bring all kinds of payments by banks and non-bank financial institutions under the supervision of BB, the 'Payment and Settlement Systems Act' has been drafted. As a bill, it has been approved in principle by the cabinet on 9 March 2021, and is under the scrutiny of the standing committee on the ministry of finance of the national parliament to be placed to and enacted by the legislature.

13.25 Appositely, in the realm of global networking and connectivity, PSD closely works with relevant international associations to develop a safe, secure, and efficient national payment infrastructure adhering to international best practices. It is essential to identify, mitigate and induce changes (if necessary) in financial market infrastructure to protect the country's payment ecosystems from both internal and external shocks. In this consideration, with active support from the World Bank, BB has studied the country's financial market infrastructure (FMI) and accomplished a self-check against the standard set in Principle 17 of FMI. Following the report, BB has already emphasized migrating to the new environment, increasing the capability of both human resources and software/hardware. BB is also working on assessing the vulnerability of the FMIs, achieving certification, and putting a state-of-the-art monitoring system.

13.26 In tandem with growing transactions through different switches and channels, occasionally disputes arise between banks. However, the nature of disputes is not widely varied. Disputes mainly take place on account of technical and operational errors. PSD offers dispute resolution and arbitration services to solve such issues for banks and participants.

Payment System Oversight

13.27 In order to perform supervision of payment, clearing, and settlement systems operated by the central banks and its participants around the country, BB set up a separate 'Payment System Oversight' section. It also supervises all other non-bank payment institutions, such as MFS, PSPs and PSOs functioning in the country. This section remains vigilant to achieve the objectives of the safety and efficiency of payment systems by monitoring and assessing existing and planned payment system infrastructures and by inducing policy changes when deemed necessary. In this trajectory, payment systems oversight focuses on the following activities:

- i. Collects onsite and off-site data from systems and participants regarding day-to-day operation; analyzes financial flow and transaction pattern, risk exposures, risk management procedures, and practices; monitors backup and business continuity plans; mitigates disruptions and disputes; etc.
- ii. Checks the compliance of systems and participants with applicable rules and regulations, identifies the gap and comes up with recommendations with time-to-time follow up.
- iii. Analyzes the weaknesses of systems, participants, or schemes and identifies the areas that need improvement or intervention by BB.
- iv. Facilitates 'self-assessment' of systems and participants based on regulatory requirements and international standards.

Regulatory Fintech Facilitation Office

13.28 Given the environment of radical changes,

technological innovations, and complexities in economic activities around the globe, digital financial services are changing rapidly. Pertinently, digital financial innovation (i.e., Fintech) is playing a significant role in building digital financial infrastructure by creating new business models, providing financial inclusion through a new type of financial service. To materialize the benefit, it is immensely important to coordinate between innovation, risk, and policy measures. It is mandatory to consider and analyze the granular aspects of these innovative ideas so that people can avail the highest benefit from these fast-approaching Fintechs within a proper regulatory framework.

13.29 In this course, BB established the regulatory fintech facilitation office (RFFO) to facilitate and promote diverse Fintech initiatives with ingenuity. This office analyzes the competencies and demands of the potential business models and innovations. In addition, it explores the suitability of different innovations and business models by applying simulation and experiments in a controlled atmosphere. Apart from delivering regulatory assistance to the new entrants, RFFO aims to expand its endeavours to develop harmony among banks, financial institutions, and other regulatory organizations in the realm of Fintech upheaval. In November 2022, PSD established the interoperability of payment infrastructure named "Binimoy".

Strategic Plan 2020-2024: Advancements

13.30 Intending to develop a digitized, automated, knowledge-based, and customer-focused banking sector, BB is implementing its third strategic plan 2020-2024. Aligning with the vision, mission, and core values of BB, PSD sets two objectives comprising eight actions and

thirteen key performance indicators for the given period. In particular, the objectives are i) to improve the payment systems for increasing efficiency and reducing settlement risk, and ii) to establish the necessary legal and regulatory framework for an efficient payment system.

13.31 Accordingly, PSD established all necessary infrastructures to facilitate interoperability for all kinds of financial services. Meanwhile, banking services and different payment methods are enjoying interoperability through NPSB, BACH and RTGS. Besides, mobile financial services have access to interoperability using Bangla QR. Pertinently, RTGS coverage has been enhanced and reached the furthest bank branches of the country. At the end of June 2023, almost all the online bank branches of the country had come under RTGS coverage (i.e., 11151 branches provided RTGS service). On the other hand, self-assessments of payment system participants are ensured periodically. PSD regularly produces quarterly review papers on the performance of payment systems.

13.32 In brief, BB is engaged in modernizing the payment landscape of Bangladesh by introducing state-of-the-art payment platforms and instruments to ensure smooth monetary policy transmission effectively and thus lead the economy to achieve desired macro-economic targets. Transactions through BACPS, BEFTN, RTGS, NPSB, and MFS are growing in tandem with economic expansion. BB is working diligently to incorporate safer and sophisticated technologies to ensure the secure execution of transactions through electronic systems. BB has been regularly developing the payment infrastructure to create an enabling environment for e-commerce and working to develop a less-cash society. In the realm

of cross-border networking and regional cooperation, BB is deeply monitoring and working with the latest developments in international payment systems, including central bank digital currency and digital lending methods of various kinds. In this course, convergent efforts from different departments of BB as well as different Government agencies are vital to adopt the developments with a view to disseminate the result of the development throughout the nation equitably.

Human Resources and Organisational Management

14.01 This chapter endeavors to reveal the initiatives taken to improve governance structure and manage the human resources of Bangladesh Bank. It also provides functions of different committee of BB's board. The status of information and communication technology (ICT) related activities and ICT strategies upgraded in FY23 are also highlighted in this chapter.

Governance Structure

Board of Directors

14.02 Under section 9(3) of Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) later amended as Bangladesh Bank (Amendment) Act 2020, the Board of Directors is the apex body in governance structure of Bangladesh Bank (BB). The Board comprises the Governor, one Deputy Governor, four Directors who are not Government officials and three Government officials. All the Directors of the Board are nominated by the Government. The Board of Directors of BB for FY23 has partly been reconstituted. Mr. Abdur Rouf Talukder, Governor of BB, was appointed as Chairman of the Board of Directors with effect from 12 July 2022 after the completion of tenure of Mr. Fazle Kabir as Governor on 3 July 2022. Mr. Fazle Kabir has served as Chairman of the Board up to 3 July 2022 of FY23. Mrs. Fatima Yasmin was appointed as Director of the Board in place of Mr. Abdur Rouf Talukder with effect from 20 July 2022. Mr. Mahbub Ahmed was reappointed as Director of the Board with effect from 3 September 2022. Mr. A. K. M Aftab ul Islam, FCA was reappointed as Director of the Board with effect from 1 January 2023. Mr. Md. Nazrul Huda was reappointed as Director of the Board with effect

from 5 January 2023. Mr. Mohd. Humayun Kabir, Executive Director served as Secretary of the Board up to 9 December 2022. Mr. Md. Zakir Hossain Chowdhury, Executive Director was made/appointed as the Secretary to the Board in place of Mr. Mohd. Humayun Kabir with effect from 11 December 2022. There were 08 (eight) members in the Board of Directors as on 30 June 2023 while waited for one more member for appointing in the Board. During FY23, 06 (six) meetings of the Board of Directors were held.

Executive Committee

14.03 Under section 12(1) of Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) later amended as Bangladesh Bank (Amendment) Act 2020 the Executive Committee (EC) constituted with the following officials as on 30 June 2023.

Mr. Abdur Rouf Talukder	Chairman
Mr. Sheikh Mohammad Salim Ullah	Member
Mr. Mahbub Ahmed	Member
Mr. Ahmed Jamal	Member
Md. Zakir Hossain Chowdhury	Secretary

Mr. Abdur Rouf Talukder was appointed as Chairman of the Executive Committee with effect from 12 July 2022 after the completion of tenure of Mr. Fazle Kabir as Chairman of the Executive Committee on 3 July 2022. Mr. Mahbub Ahmed was reappointed as Member of the Executive Committee with effect from 3 September 2022. Mr. Mohd. Humayun Kabir, Executive Director served as Secretary of the Executive Committee up to 9 December 2022. Mr. Md. Zakir Hossain Chowdhury, Executive Director was made/appointed as the Secretary to the Executive Committee in place of Mr. Mohd. Humayun Kabir with effect from 11 December 2022. During FY23, 06 (six) meetings of the Executive Committee were held.

Audit Committee of the Board

14.04 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 auditing process. The composition of the Audit Committee as on 30 June 2023 was as follows:

Mr. Mahbub Ahmed	Convener
Mr. Sheikh Mohammad Salim Ullah	Member
Mr. A. K. M Aftab ul Islam, FCA	Member
Mr. Md. Nazrul Huda	Member
Mr. Md. Zakir Hossain Chowdhury	Secretary

Mr. Mahbub Ahmed was reappointed as Convener of the Audit Committee with effect from 3 September 2022. Mr. A. K. M Aftab ul Islam, FCA was reappointed as Member of the Audit Committee with effect from 1 January 2023. Mr. Md. Nazrul Huda was reappointed as Member of the Audit Committee with effect from 5 January 2023. Mr. Mohd. Humayun Kabir, Executive Director served as Secretary of the Audit Committee up to 9 December 2022. Mr. Md. Zakir Hossain Chowdhury, Executive Director was made/appointed as the Secretary to the Audit Committee in place of Mr. Mohd. Humayun Kabir with effect from 11 December 2022. During FY23, 03 (three) meetings of the Audit Committee were held.

14.05 The Internal Audit Department prepares an annual audit plan of BB, which may be part of a comprehensive multi-year coverage plan with a maximum of 3-5 years; provided that it is reviewed annually. It recognised 73 (seventy three) auditable units (offices, departments and affiliates) in FY23. The audit committee approved

60 (sixty) auditable units to audit round the year. Because of the shortage of manpower and delay of arranging audit committee meeting 42 percent auditable units from the audit plan were audited during the year by conducting 25 audit programmes.

14.06 The Internal Audit Plan, audit reports and any major changes to the plan is submitted to the Audit Committee for approval and authorisation of the Board and the Governor. The Audit Committee meetings were held on three times during FY23. The guidance/directives/recommendations received from the Governor and the Audit Committee was conveyed to the relevant auditable units for improving the internal control system. The Internal Audit Department is working to become the strategic partner for the management in creating good corporate governance, risk management, and internal control with international standard.

Executive Management Team (EMT)

14.07 The Executive Management Team (EMT) consists of Governor, four Deputy Governors and all Executive Directors. This team reviews the implementation status of overall activities of BB. During FY23, no meeting of the Executive Management Team was held.

Human Resources Initiatives

New Appointment in Different Posts

14.08 A total of 207 officials/staffs have been appointed in different posts during FY23. New appointments during FY23 were as follows:

Assistant Director(General)	183
Assistant Director (Engineering-Civil)	16
Medical Officer	8
Total	207

Creation/Abolition of Posts

14.09 In FY23, 62 new posts of officials and 3 posts of staffs were created. Considering the importance of the job, 10 posts of officials were upgraded during this period. At the end of FY23, the total number of sanctioned post stood at 9,815 which were 9,752 in FY22.

Sanctioned and Working Strength of Officials and Staff

14.10 The sanctioned and working strength of BB as on 30 June 2023 were as follows:

Category	Sanctioned Strength	Working Strength	Vacant
Class-I	6151	4391	1760
Class-II	1453	616	837
Class-III	1437	904	533
Class-IV	774	149	625
Total	9815	6060	3755

During FY23, working strength of officials (class-I and class-II) decreased by 0.56 percent to 5,007 from 5,035 and that of staffs (class-III and class-IV) decreased by 9.69 percent to 1,053 from 1,166. At the end of the period, the ratio of officials to staff remained nearly 4.76:1. Apart from regular employees, 1,460 outsourced employees were working during FY23.

Promotion

14.11 During FY23, 548 officials and 163 staffs were promoted to their next higher grades. In FY23, 10.95 percent of the officials and 15.48 percent of the staffs working in the Bank were awarded promotion.

Number of Officials on Deputation/Lien

14.12 At the end of FY23, 84 officials of BB were working on deputation at different institutions

within the country and abroad. As on 30 June 2023, 6 (six) officials were on lien among which 5(five) were working within the country and 1(one) was working in abroad.

Reorganisation/Newly Established Units/Divisions

14.13 During FY23, Credit Guarantee Scheme Unit was converted into a department named Credit Guarantee Department. A new cell named 'Foreign Loan Monitoring Cell' was formed under Foreign Exchange Investment Department to monitor the foreign loan in private sectors. The Engineering section of Motijheel Office had been abolished in that time and the employees had been attached to the Common Services Department-2. A new Research Cell had also been established under Bangladesh Financial Intelligence Unit to work closely to prevent money laundering. And finally, Information Systems Development and Support Department and ICT Infrastructure Maintenance and Management Department had been merged into one department named Information and Communication Technology Department.

Awards and Recognition

14.14 In FY23, awards were handed over to the winners of "Bangladesh Bank Employees' Recognition Award 2020" through a formal award giving ceremony in presence of high officials of BB. A total of 8 talented officials from 3 different teams were declared as the winners of "Bangladesh Bank Employees' Recognition Award 2020" for their outstanding performances. All officials were awarded with silver medals and prize bonds worth BDT 25,000 (twenty five thousand only). Each of the winners received a 'Letter of Appreciation' signed by the honorable Governor.

14.15 "Bangladesh Bank Employees' Recognition Award 2021" were also handed over to the winners through a formal award giving ceremony in presence of high officials of BB. A total of 25 talented officials were declared as the winners of "Bangladesh Bank Employees' Recognition Award 2021" for their outstanding performances. Two officials were awarded individually. One of them was Gold medalist. While each of 24 other officials (1 official individually and 23 officials from 6 different teams) were awarded with silver medals and prize bonds worth BDT 25,000 (twenty five thousand only). Each of the winners received a 'Letter of Appreciation' signed by the honorable Governor.

Regulations

14.16 Three posts of Executive Director of BB had been upgraded to Grade-1 from Grade-2 of the National Pay Scale. Policies for promotion of employees of BB had been reviewed. A uniform policy for promotion to the posts of Grade-9 and above had been issued. Code of conduct for foundation trainees had also been issued.

Step towards Automation and Paperless Environment

14.17 BB is aimed at practice of green banking by minimising use of paper in official activities. To attain the goal bank had already implemented electronic performance management system (e-PMS) that replaced the previous PMS which was done through paperwork. Entire performance evaluation process is now being completed without use of a single paper. Since PMS is regarded as secret personal information, data security had also been enhanced through e-PMS. The system is running flawlessly as well.

14.18 Under digital office management system, e-Filing process is about to be completed

within few months. Most of the background works are about to be completed within 2023. e-Filing is expected to be kicked off in the beginning of 2024 and become officially functional, it will replace the current paper-based noting system which is a major source of paper consumption. Another process called system process simplification (SPS) aiming at quick service to stakeholders of BB through online platform is under development phase. A list of services provided to internal stakeholders has already been papers, most important of them will be developed very shortly.

14.19 BB had taken initiatives to incorporate innovative ideas in the banking sector. In line with the instruction provided by the Government of Bangladesh, HRD-1 had developed an innovations corner. It is expected that both internal and external stakeholders will be able to communicate the authority with their innovative ideas/suggestions through the corner, which should ensure a better work environment and incorporate new policies.

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

14.20 The number of officials/staffs of the Bank retired/resigned/died/compulsorily retired/removed/suspended or dismissed during FY23 were as follows:

Retirement	219
Voluntary Retirement	07
Resignation	55
Death	13
Compulsory Retirement	00
Removal	02
Suspension	09
Dismissal of Service	05
Total	310

Welfare Activities and Approval of Scholarship

14.21 During FY23, an amount of BDT 5.88 million was provided to the children of the officials and staffs as scholarship and BDT 0.08 million was given as medical assistance from the Karmachary/Karmakarta Kallan Tahbil, established under the auspicious of the Governor. Besides, an amount of BDT 125.72 million was allotted to Bangladesh Bank schools, mosques, clubs, day care and freedom fighters welfare to carry out their recreation and welfare activities during FY23.

Foreign Training and Study

14.22 During FY23, a total of 155 officials of the Bank participated in different training courses/seminars/workshops. Moreover, 33 officials were on deputation/ leave for higher study abroad.

Domestic Training and Study

14.23 During FY23, a total of 126 officials of the Bank participated in different local training courses/ seminars/workshops organized by different institutions (other than BBTA) within the country. Moreover, 9 officials were allowed to participate in higher study within the country.

Training Courses, Workshops and Seminars Conducted by Bangladesh Bank Training Academy (BBTA) during FY23

14.24 Bangladesh Bank Training Academy (BBTA) conducts a wide range of activities to attain objectives of transforming itself a world-class center of excellence for imparting quality training to the officers of BB as well as commercial banks, financial institutions, and the government and non-government organizations (NGOs). To add values to knowledge management process, apart from training, different types

Table 14.01 Different Training Courses, Workshops and Seminars Organized by Bangladesh Bank Training Academy during FY23

Sl. No	Subject	Number of Course	Number of Participants
1	2	3	4
A.	Foundation Courses	9	530
1)	Foundation Training Course (AD General) – 44 th Batch	1	61
2)	Foundation Training Course (AD General) – 45 st Batch	1	45
3)	11 th Foundation Training Course- Officer (General)	1	65
4)	12 th Foundation Training Course- Officer (General)	1	58
5)	Foundation Training Course (AD-Specialized)-6 th Batch	1	62
6)	Foundation Training Course (AD-General) – 46 th Batch	1	60
7)	Foundation Training Course (AD-Specialized)-7 th Batch	1	59
8)	Foundation Training Course (AD-General) – 47 th Batch	1	65
9)	3 rd Foundation Training Course (Cash Officer)	1	55
B.	Other Training Course For the Officials of Bangladesh Bank	22	1187
i)	Enterprise Resource Planning (ERP)- MM Module	11	290
1)	MM Module	2	40
2)	Training on MM Module	1	10
3)	Techniques of Bank Inspection	1	44
4)	Techniques of Bank Inspection (2nd Phase)	1	19
5)	ICT Security Policy of Bangladesh Bank	1	29
6)	Training for the Trainers (TOT)	1	38
7)	Credit Risk Management	1	29
8)	ICT Security Policy Version-IV	1	30
9)	Techniques of Bank Inspection (3rd Phase)	1	23
10)	International Trade and Finance	1	28
ii)	For the Officials of Commercial Banks	11	897
1)	"Islamic Monetary Policy in a Dual Banking System" and "Dissecting and Correcting Misconceptions in Islamic Banking and Finance"	1	133
2)	Training Program on Online Application for Cash Incentives	1	101
3)	Training for the Trainers (TOT)	1	51
4)	Foreign Direct Investment (FDI) Help Desk	3	450
5)	CIB Business Rules and Online Reporting	3	120
6)	Orientation Course	1	2
7)	Foreign Exchange Transaction Reporting	1	40
C.	Workshops/Seminars/Lecture Sessions	1	64
1)	Workshop on Refinancing & Reporting under CECRFP Project	1	64
	Grand Total (A+B+C)	32	1781

Source: Bangladesh Bank Training Academy.

of seminars and workshops are also arranged by BBTA. With a view to enhancing the capacity of the faculty members and updating them with the changing knowledge frontiers in various fields relating to economics, finance and banking BBTA also arranges various programs for the trainers with the help of trained personnel of advanced and specialized institutions at home and abroad. Keeping these in mind, BBTA conducted a total of 32 training courses, workshops, and seminars during FY23 held at the BBTA premises. A total of 1781 participants took part in the courses, workshops, and seminars. The list of courses, workshops, and seminars conducted by BBTA during FY23 are shown in Table 14.01.

Financial Sector Support Project (FSSP)

14.25 The Financial Sector Support Project (FSSP) has been implemented successfully with the assistance of International Development Association (IDA). The aim of the project was to improve financial market infrastructure, regulatory and oversight capacity of Bangladesh Bank (BB) and access to long term financing for manufacturing sector in Bangladesh to ensure financial sector's stability and greater resilience. The project commenced on 01 July 2015 and ended on 31 March 2021. The total approved project cost was USD 350.00 million of which IDA provided USD 300.00 million and BB provided USD 50.00 million. Total fund utilization was USD 304.10 million, of which USD 262.17 million was disbursed from IDA and the remaining USD 41.93 million was disbursed by BB.

14.26 There were three major components in this project. The components were (a) to develop key financial market infrastructure through benchmarking with international best practices, (b) to strengthen the capacity of the regulator to

comply with international standards and accords on banking sector supervision and regulation, (c) to serve as a catalyst for developing a financial market in long-term finance market segment.

14.27 An on-lending/refinancing scheme was taken under FSSP named Long Term Financing Facility (LTFF). Through LTFF, long term loan in foreign currency was provided to small and medium scale manufacturing enterprises in Bangladesh for three (3) to ten (10) years. A total of USD 273.76 million was disbursed to 56 industries during the project tenure. Of this fund, USD 237.90 million was disbursed from IDA and the remaining USD 35.86 million was disbursed by BB. So far, USD 143.56 million has been realized as principal repayment against disbursements till June 2023.

14.28 On successful completion of LTFF program under FSSP, BB now decided to continue providing long term financing support to the export oriented manufacturing industries of Bangladesh. The financing facility will be termed as 'Bangladesh Bank- Long Term Financing Facility (BB-LTFF)'. This facility will be offered in USD to the Authorised Dealers (ADs) in foreign exchange in Bangladesh for on lending/refinancing to the exporters, enterprises and other private sector firms in the country.

Strategic Planning

14.29 BB formulated the very first 'Strategic Plan 2010-2014' in 2010 to ensure more effective function of the central bank reinforcing a dynamic, resilient and digital financial system based on the vision, mission statement and core values of the central bank. The concept of formulating Five Year Plan for BB was first introduced in 'Strategic Planning and Management Strengthening Workshop' held on 13-14 November 2009.

Accordingly, after the successful implementation of 1st Strategic Plan, 2nd 'Strategic Plan 2015-2019' was inaugurated on 19 September 2015 with the title 'Heading towards New Horizon'.

14.30 Ongoing 3rd 'Strategic Plan 2020-2024' is formally announced on 06-08 February 2020 in the 12th Strategic Planning Workshop with the title 'Fostering Stable Financial System'. Consisting of 11 Strategic Goals, this Plan will be implemented through the 50 departments and all the offices of BB.

14.31 Updates of implementation of the Five Year Strategic Plan are presented in the Strategic Planning Workshop, arranged yearly by Financial Sector Support and Strategic Planning Department (FSSSPD). A total of 13 Strategic Planning Workshops have been arranged by the department with the participation of Directors and above officials of BB. The latest 13th Strategic Planning Workshop was held at BRAC-CDM, Khagan, Savar from 19-21 May 2022 with the theme 'Embracing the LDC Graduation Challenges'.

14.32 For the effective monitoring of this Strategic Plan, Strategic Follow-up Meeting is arranged in every quarter headed by the Executive Director of FSSSPD. Half yearly 'Strategic Progress Summary Report', based on the implementation updates of previous six months has been prepared in June and December 2022. Besides, goal-wise Strategic Communication Team (SCT) meetings are arranged every year with the goal related SCT members, presided over by the Director (FSSSPD). A portal named 'Strategic Planning Unit' has been created in Bangladesh Bank Intranet and all the updates related to Strategic Plan are uploaded in that portal regularly.

Information and Communication Technology (ICT)

14.33 During FY23, Information and Communication Technology Department (ICTD) has performed its regular software development and data processing activities through existing applications software as well as performed various IT systems procurement and implementation activities. The following information systems and its related tasks were completed during this period.

ICT Strategy Implementation

14.34 In FY23, ICTD has implemented several ICT Strategy as per the defined strategy in ICT Strategy 2020-2024 for Bangladesh Bank.

IT Security and Awareness Building

14.35 To build more secured ICT infrastructure as a part of remediation plan several security devices and technology have been deployed in BB to secure the IT systems. Besides, training on IT security awareness is a continuous process and which is going on in association with other departments to build IT security awareness among BB officials.

Information Systems Development

14.36 Various Information Systems Development and related tasks completed during FY23 are shown in the following table 14.02.

Table 14.02 Statement on Information Systems and Related Tasks Completed during FY23

SI No.	Name of the Software/ Information Systems	Brief description (Function)
1	2	3
1.	Software Quality Assurance	a. Vulnerability Assessments and Penetration Testing (VAPT): Automated tools have been installed into a dedicated computer to assess vulnerability of existing/new systems and

		software. A separate platform needs to be prepared for penetration testing.	6. Treasury Management System (TMS)	This System has been go live to automate and operate Treasury Management.
b.	Software Quality Assurance and Testing (SQAT):	Formulation of strategic planning to perform SQAT of developed software has already been completed. Implementation, assessment and documentation of SQAT are under process of finalization. Moreover, automated User Verification Testing (UVT) of the developed software is going to be started by this year.	7. Development of Core Banking Solution (CBS)	According to the decision of the Board of Bangladesh Bank the IT Officials are now developing own Core Banking Solution (CBS). There are 12 Modules and 45 Sub-modules in this system. Among them 19 Sub-modules have already been developed. The rest other are under development/testing phase.
c.	Monitoring: Application Monitoring:	An automated tool has been developed to monitor real-time status of the application and generate alert to software owner. The tool needs to be upgraded to monitor user activities of the software.	8. NIKASH-EFT	An inter-bank EFT settlement system go-live on 12/11/2023 for processing large volume (46 million per hour) of EFT. It can process multiple session in a day. Currently 3(three) session is performed in a day. This system can process 46 million EFT per hour.
2.	Enterprise Support Fund (ESF)	Development of ESF system has been completed based on business requirement. The implementation is under process.	9. The License Application Portal	The License Application Portal is a digital platform designed for the organized and efficient submission of licensing requests, such as the digital bank license application. Applicants can easily complete forms, upload necessary documents, and monitor their application status in real-time. This enhances transparency and accessibility throughout the licensing process, ultimately simplifying interactions between applicants and regulatory authorities.
3.	Enterprise Data Warehouse (EDW)	New data components as per new requirements from different departments added and hence designed new mappings, reports and dashboards. OBU (Offshore Banking Unit) and OFCs (Other Financial Corporations) data are two challenges the department are working about for the coming days.	10. Enterprise Resource Planning (ERP)	An online tax calculation system to BB employees as per NBR Rules under ERP-SAP has been developed.
		Integrated Supervision System (ISS) coverage expanded as required from ISMD. Now it covers Financial Institutions as well as banks. New dashboards and reports designed for FIs is going on regular basis.		Online TA/DA system for BB has been developed for online submission of travel bill and daily allowance claimed as per BB rules. This system is live now.
4.	BB Medical System (Niramoy)	An online system has been developed for applying to enjoy the beyond ceiling facilities in BB Medical Centre recently.		An web based Financial Intelligence Management System (FINMAS) for BFIU has been developed and by this time 05 (five) module out of 11 (eleven) of this system are live now.
		On the other hand, web based centralized medical system for BB is now under testing phase.		
5.	Bangladesh Bank Certifying Authority(CA)	BB is implementing certifying authority (CA) to introduce digital signature in all financial systems including commercial banks. System implementation is already completed and is now waiting for go-live-operation.		

Source: Information Systems Development and Support Department, Bangladesh Bank.

Bangladesh Bank's Accounts for 2022-2023

15.01 The financial statements of Bangladesh Bank (BB) for FY23 have been prepared in accordance with the International Financial Reporting Standards (IFRSs). The chapter presents a summary of the solo financial statements of the BB.

Income

15.02 The total income, (excluding foreign currency (FC) revaluation gain/(loss), from the bank's financial assets) for FY23 was BDT 154.89 billion, 162.57 percent higher than the previous year. On the other hand, the total income of the bank (including FC revaluation) increased by BDT 196.87 billion (61.14 percent) to BDT 518.86 billion in FY23 from BDT 321.99 in FY22. The sources of income are shown in Table 15.01.

Income from Foreign Currency Financial Assets

15.03 The Bank's income from foreign currency financial assets, except revaluation, increased by 107.68 percent to BDT 60.00 billion in FY23 from BDT 28.89 billion in FY22. Such an increase was caused by increase in exchange rate and partly by increasing interest rates on investment.

Income from Local Currency Financial Assets

15.04 The Bank's income from local currency financial assets increased by 215.25 percent to BDT 94.89 billion in FY23 compared to BDT 30.10 billion in FY22. A significant portion (77 percent) of the income came from the investment in government securities.

Foreign Currency Revaluation Gain

15.05 The Bank made a gain of BDT 363.97 billion (BDT 170.52 billion realised and BDT 193.45 billion unrealised) on foreign currency revaluation in FY23 which was BDT 263.00 billion in FY22, showing 38.39 percent higher than

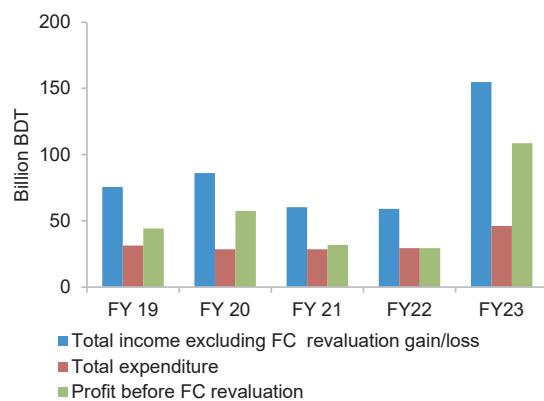
Table 15.01 Sources of BB's Income

(Billion BDT)

Particulars	FY22	FY23
Income		
A. Income from foreign currency financial assets	28.89	60.00
Interest income	28.37	59.34
Commission and discounts	0.52	0.66
B. Income from local currency financial assets	30.10	94.89
Interest income	27.24	90.28
Commission and discounts	2.06	2.05
Dividend income	0.60	0.72
Other income	0.20	1.84
Total : (A+B)	58.99	154.89
C. Foreign currency revaluation gain (loss)	263.00	363.97
Total : (A+B+C)	321.99	518.86

Source: Accounts and Budgeting Department, Bangladesh Bank.

Chart 15.01 Trends of BB's Income, Expenditure and Profit



Source: Accounts and Budgeting Department, Bangladesh Bank.

that of the previous year (Table 15.01).

Expenditure

15.06 Total expenses of the Bank increased by 56.43 percent to BDT 46.18 billion in FY23 from BDT 29.52 billion in FY22. The details of expenditure are shown in Table 15.02.

Financial Expenses

15.07 Financial expenses increased by 140.08 percent to BDT 23.12 billion in FY23 from BDT 9.63 billion in FY22. All the broad heads of expenses increased, except interest expense on local currency financial liabilities.

Other Expenses

15.08 Other expenses increased by 15.94 percent to BDT 23.06 billion in FY23 from BDT 19.89 billion in FY22. Such increase was caused by increase in general and administrative expenses of which staff expenses and provision for loan loss were major components.

Profit for the Year

15.09 Profit of the Bank (excluding FC revaluation gain/loss) stood at BDT 108.71 billion in FY23 which was BDT 29.47 billion in FY22. However, the bank's profit (including FC revaluation gain/loss) increased by 61.62 percent to BDT 472.68 billion in FY23, from BDT 292.47 billion in the previous year.

Other Comprehensive Income

15.10 During FY23, the Bank experienced other comprehensive income of BDT 23.09 billion. The major component of the gain was from property, plant and equipment (PPE) revaluation. Usually revaluation on PPE is done every three to five years. The sources of other comprehensive income are shown in table 15.04.

Total Comprehensive Income

15.11 Total comprehensive income increased by 125.20 percent to BDT 495.78 billion in FY23 compared to BDT 220.15 billion in the previous year.

Profit Appropriation

15.12 Out of BDT 108.71 billion distributable profit, an amount of BDT 0.55 billion was transferred to various statutory funds, BDT 1.10 billion to BB

Table 15.02 Bangladesh Bank's Expenditure

(Billion BDT)

Particulars	FY22	FY23
A. Financial expenses	9.63	23.12
Expenses on foreign currency financial liabilities	1.48	12.53
Interest expense on foreign currency financial liabilities	0.77	9.56
Commission and other expenses on foreign currency financial liabilities	0.71	2.96
Expenses on local currency financial liabilities	8.15	10.59
Interest expense on local currency financial liabilities	0.91	0.24
Commission and other expenses on local currency financial liabilities	7.24	10.35
B. Other expenses	19.89	23.06
Note printing	3.84	3.74
General and administrative expenses	16.05	19.31
Total expenditure (A+B)	29.52	46.18

Source: Accounts and Budgeting Department, Bangladesh Bank.

Table 15.03 Profit of the Year

(Billion BDT)

Particulars	FY22	FY23
Total income	58.99	154.89
Total expenses	29.52	46.18
Profit before FC revaluation	29.47	108.71
FC revaluation gain/(loss)	263.00	363.97
Profit for the year	292.47	472.68

Source: Accounts and Budgeting Department, Bangladesh Bank.

Table 15.04 Other Comprehensive Income

(Billion BDT)

Particulars	FY22	FY23
Profit for the year	292.47	472.68
Other Comprehensive Income	-72.32	23.09
Gold Revaluation gain/(loss)	9.09	14.84
Silver Revaluation gain/(loss)	0.04	0.07
Revaluation gain/(loss) on financial instruments	-81.37	-23.20
Revaluation gain/(loss) on property, plant and equipment	-	31.39
Total Comprehensive Income	220.15	495.78

Source: Accounts and Budgeting Department, Bangladesh Bank.

Disaster Management and Social Responsibility Fund and BDT 0.44 billion to Asset Renewal and Replacement Fund 0.01 billion to HRD Fund and BDT 0.06 billion as credit rating fee paid on behalf of the Government and BDT 0.03 billion as prior

year adjustment for interest on loans to Rajshahi Krishi Unnayan Bank (RAKUB) for FY14. After the adjustments BDT 106.52 billion was transferred to the Government account.

Statement of Financial Position of Banking and Issue Department

Assets

15.13 The Bank's assets increased by BDT 879.17 billion (18.05 percent) to BDT 5749.07 billion in FY23 from BDT 4,869.90 billion in FY22 (Table 15.05).

15.14 Foreign currency financial assets decreased by 14.52 percent to BDT 3449.21 billion in FY23 from BDT 4,035.16 billion in FY22.

15.15 Local currency financial assets increased by 180.05 percent to BDT 2226.99 billion in FY23 from BDT 795.20 billion in FY22.

15.16 Non-financial assets of the Bank increased by 84.29 percent to BDT 72.87 billion in FY23 from BDT 39.54 billion in FY22.

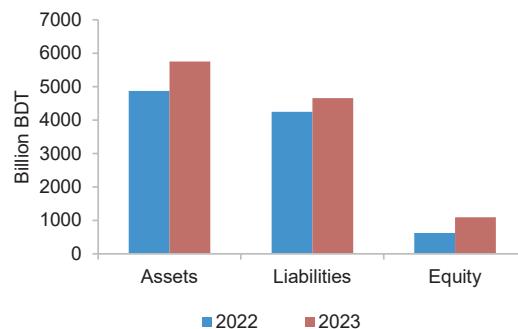
Liabilities

15.17 The Bank's liabilities increased by BDT 411.99 billion (9.70 percent) to BDT 4659.43 billion in FY23 from BDT 4,247.44 billion in FY22 (Table 15.05).

15.18 Foreign currency financial liabilities increased by 14.34 percent to BDT 705.48 billion in FY23, from BDT 617.00 billion in FY22. All the broad heads of foreign currency liabilities increased, except deposits from banks and financial institutions.

15.19 Local currency financial liabilities increased by 8.91 percent to BDT 3953.94 billion in FY23 from BDT 3,630.44 billion in FY22 due mainly to the increase in notes in circulation.

Chart 15.02 BB's Assets, Liabilities and Equity



Source: Accounts and Budgeting Department, Bangladesh Bank.

Table 15.05 Statement of Financial Position (Billion BDT)

Particulars	FY22	FY23
Total Financial Assets	4,830.36	5,676.20
Foreign currency financial assets	4035.16	3449.21
Local currency financial assets	795.20	2226.99
Non financial assets	39.54	72.87
Total financial liabilities	4,247.44	4,659.43
Foreign currency financial liabilities	617.00	705.48
Local currency financial liabilities	3630.44	3953.94
Equity	622.46	1,089.65

Source: Accounts and Budgeting Department, Bangladesh Bank.

Notes in Circulation

15.20 Notes in circulation increased by 21.86 percent to BDT 3101.56 billion in FY23 from BDT 2545.23 billion in FY22. Notes in circulation (BDT 3101.56 billion) is backed by BDT 88.35 billion with gold and silver, BDT 2287.45 billion with approved foreign exchange, BDT 693.56 billion with Bangladesh Government securities, BDT 2.3 billion with Taka coins and BDT 29.88 billion with other domestic assets.

Equity

15.21 Total equity of the Bank increased by 75.05 percent to BDT 1089.65 billion in FY23 from BDT 622.46 billion in the previous year. The equity of the Bank is enumerated below:

- i Capital of the Bank remained unchanged at BDT 0.03 billion;
- ii Revaluation reserve increased by BDT 216.73 billion to BDT 648.61 billion in FY23 from BDT 431.88 billion in FY22;
- iii Currency fluctuation reserve increased by BDT 170.52 billion to BDT 281.09 billion in FY23 from BDT 110.57 billion in FY22;
- iv Balance of statutory fund increased by BDT 0.55 billion to BDT 19.07 billion in FY23 from BDT 18.52 billion in FY22 as appropriation was made for Rural Credit Fund, Agricultural Credit Fund and Industrial Credit Fund;
- v Other reserves increased by 0.44 billion to BDT 13.34 billion in FY23 from BDT 12.90 billion in FY22;
- vi General reserve of the Bank remained unchanged at BDT 4.25 billion.

Consolidation

15.22 During FY23, the accounts of The Security Printing Corporation (Bangladesh) Ltd. (SPCBL), a 100-percent owned subsidiary of BB, were consolidated with the accounts of Bangladesh Bank.

Auditors

15.23 The financial statements of BB for FY23 were jointly audited by Howladar Yunus and Co., Chartered Accountants, Bangladesh and Hoda Vasi Chowdhury and Co., Chartered Accountants, Bangladesh.

BANGLADESH BANK

AUDITOR'S REPORT AND AUDITED FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

Independent Auditors' Report
To the Government of the People's Republic of Bangladesh
Report on the Audit of the Financial Statement

Opinion

We have audited the consolidated financial statements of Bangladesh Bank and its subsidiary ("the Group") as well as the separate financial statements of Bangladesh Bank (the Bank), which comprise the consolidated and separate statements of financial position as at 30 June 2023, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies.

In our opinion, the accompanying Consolidated financial statements of the Group and Separate financial statements of the Bank present fairly, in all material respects, the consolidated financial position of the Group and the separate financial position of the Bank as at 30 June 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as explained in note #2 and #3.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Institute of Chartered Accountants of Bangladesh's (ICAB) By Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

Without modifying our opinion, we draw attention to the following matters:

1. As stated in note #3.05 of the financial statements, the Bank's entire portfolio of financial assets other than those measured at Fair Value Through Profit or Loss and subject to impairment requirement are assessed to have low credit risk and accordingly, the Bank has considered 12-monthExpected Credit Loss (ECL) for those financial assets.
2. In note # 3.17 and note # 45 of the financial statements, status of revaluation of the Bank's Property, Plant and Equipment (PPE) and the matter of actuarial valuation of the Bank's defined benefit plans, respectively have been disclosed.
3. As described in note # 10 of the financial statements, a fraudulent activity took place in 2016 with Bangladesh Bank through unauthorized SWIFT transactions. Against this fraud case, a receivable has been created and the outstanding balance of this receivable as of 30 June 2023 is BDT 522.41 core. Legal proceedings are still in progress to recover this amount.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters in our report.

1. Foreign Accounts and Investments

The Bank's assets held in foreign accounts and investments amounted to BDT 8,894.68core and BDT 232,463.97core , respectively and these combined balances being equivalent to nearly 42% of the Bank's total assets, considered material to the financial statements. These investments are held with other central banks, overseas commercial banks and other counterparties in multiple foreign currencies and under different types of investment categories. The existence, valuation and presentation of these foreign accounts and investments, in the financial statements pose significant audit risk.

Our audit procedures to address the risks of material misstatement relating to foreign accounts and investments, included:

- Assessment of the design and testing of the operating effectiveness of management's key control throughout the year in assessing the carrying value of foreign accounts and investments, and recognition of related revenue.
- Sending direct confirmation to the related counterparties to confirm the balances and upon receipt of the confirmation, necessary reconciliations were made.
- Detailed analysis of exchange rates used and valuation processes, recalculation of interest income, and evaluation of recognition, measurement, presentation and disclosures in the financial statements in accordance with the related IFRSs.

The Bank's disclosures about foreign investments are included in note # 3.07 and note # 5 to the financial statements.

2. Balances with International Monetary Fund (IMF)

The Bank's assets held with International Monetary Fund (IMF) as of the closing date amounted to BDT 41,591.03crore and the corresponding liability with IMF on the same date was BDT 40,032.62 crore, and both these balances are, material to the financial statements. Due to the unique structure, terms and valuation of these assets, it was considered significant to our audit.

IMF Securities (promissory notes) has been issued against the membership subscription with IMF and SDR is allocated on the basis of the member's quota. Liabilities with the IMF represent around 8.59% of the total liabilities of the Bank. The valuation of liabilities with the International Monetary Fund (IMF) was considered significant to our audit as that gives rise to foreign currency translation requirements and periodic interest accruals.

Our audit procedures to address the risks of material misstatement relating to assets held with the International Monetary Fund (IMF), includes:

- Checking the SDR amount from the IMF website, and subsequently testing the exchange rates used to translate this amount at the closing date;
- Reviewing the basis of computation of interest income on SDR Holding and the transactions undertaken during the year; and
- Examination of relevant documents of IMF and interest accrued on SDR Allocation during the year and re-computation to confirm the amount of liabilities with IMF using the prevailing conversion rate as per IAS-21.

The Bank's disclosures about assets held with the International Monetary Fund are included in note # 6.01 and Liabilities with International Monetary Fund (IMF) in note # 6.02 to the financial statements.

3. Foreign Currency and Local Currency Loans to Banks

The Bank's assets held with foreign currency loans to banks amounted to BDT 51,141.83 crore and local currency loans to banks and financial institutions amounted to BDT 42,646.59 crore, aggregating more than 16.25% of total assets, which is material to the financial statements.

Our audit procedures to address the risk of material misstatement relating to these items included:

- Testing the effectiveness of controls over the disbursement process of these loans including proper approval and execution of required documentation;
- Assessing the existence of loan balance at year-end through external confirmations from respective banks and financial institutions ;
- For loan balances in foreign currency (i.e. EDF, LTFF and GTF Investments) checking the conversion in BDT using the exchange rate prevailing at 30 June 2023;
- Matching the calculated figure with the amounts disclosed in the financial statements of the Bank for the year ended 30 June 2023;
- Checking of interest calculation which are mostly automated and calculated automatically in e-Refinance software and subsequently confirmed the balance of interest from e-Refinance software against the General Ledgers; and
- Finally, reviewing management's impairment assessment of these loans under IFRS 9 ECL model.

The Bank's disclosures about Foreign Currency Loans to Banks are included in note # 9 and local currency loans to banks and financial institutions is included in note # 14 to the financial statements.

4. Transactions with Government of Bangladesh

Bangladesh Bank is primarily responsible for managing banking transactions on behalf of Government of Bangladesh including loans and donations received from foreign entities, collection and administration of funds of various ministries and the national exchequer. Given the unique nature as well as the high volume of transactions undertaken by Bangladesh Bank with and for the Government of Bangladesh, it was considered significant to our audit.

The Bank's assets held as Loans to the Government of Bangladesh and investment in treasury bills and bonds amounted to BDT 147,563.94 crore, equivalent to 25.57% of total assets, which is material to the

financial statements. These investments are held with the Government of Bangladesh which have a period of both less or more than one year.

Our audit procedures to address the risk of material misstatement relating to Loans to the Government of Bangladesh included:

- Assessment of the design and testing of the operating effectiveness of management's control in assessing the carrying value of Loans to the Government of Bangladesh; and
- Detailed analysis of auction rates, valuation processes, recalculation of interest income, presentation and disclosures in the financial statements in accordance with the related IFRSs.

The Bank's disclosures about Loans to the Government of Bangladesh are included in note # 3.12, 3.13, 12 and note #13 to the financial statements.

5. Notes in Circulation

Issuance of Bangladeshi Banknotes is one of the key roles of the Bank as defined in the Bangladesh Bank Order-1972 and is a key audit matter due to:

- Attention of the users of the financial statements;
- The balance is significant relative to the Bangladesh Bank's Statement of Financial Position; and
- Complexity in assessing the accuracy of the liability for Bangladeshi banknotes on issue that are placed in circulation in the economy.

The balance of Bangladeshi banknotes on issue represents the value of all bank notes on issue in Bangladesh and the liability is measured at face value of all Bangladeshi bank notes issued less any bank notes cancelled/ destroyed.

To audit the Bangladeshi banknotes on issue, we performed the following audit procedures:

- Testing those general controls which are relevant to the accurate recording of the issuance and return of bank notes within the system responsible for recording the balance of Bangladeshi banknotes on issue;
- Performing a comparison of current year movements against prior year patterns.
- Performing a trend analysis on Bangladeshi banknotes on issue against prior periods focusing on the number of notes issued by denomination;
- Our procedures also included an assessment of the asset backing maintained by Bangladesh Bank in line with section 30 of the Bangladesh Bank Order, 1972 and reviewed the process to determine the demand for notes and the ordering process for printing notes; and
- Our audit procedures included communicating with the concerned department to understand the note issue process and carrying out physical inspection of assets held at the Bank premises against Notes in Circulation on a sample basis.

The Bank's disclosures about Notes in Circulation are included in note # 21 to the financial statements.

6. Information technology (IT) systems used in financial reporting process

The Bank's operational and financial reporting processes are dependent on multiple IT systems run through Core Banking Solutions (CBS), SAP, SWIFT, BEFTN and other integrated software with automated controls and processes large volume of transactions. Accordingly, our audit was focused on key IT systems and controls due to the pervasive impact on the financial statements and the same has been considered as Key Audit Matter in our audit.

We conducted an assessment and identified key IT applications, database and operating systems that are relevant to our audit, and have identified CBS, SAP, SWIFT System primarily as relevant for financial reporting. For the key IT systems pertaining to CBS and SAP operations, our areas of audit focus included assessment of IT general control including access security, application change controls, database management and network operations. In particular:

- Obtaining an understanding of the Bank's IT control environment and key changes during the audit period that may be relevant to the audit;
- Testing the design and implementation of the Bank's General IT controls over the key IT systems that are critical to financial reporting;
- Checking the Bank's periodic review of user access controls including segregation of duties and management of changes/updates to systems; and
- Reviewing the process to upload data from CBS to SAP and assessed related controls.

Other Matters

1. The financial statements of Bangladesh Bank for the year ended 30 June 2022 were audited by ACNABIN Chartered Accountants and Hoda Vasi Chowdhury & Co. Chartered Accountants, who expressed an unmodified opinion with emphasis of matters on those statements on 30 August 2022; and
2. The financial statements of the subsidiary, The Security Printing Corporation (Bangladesh) Limited for the year ended on 30 June 2023 have been jointly audited by us. And we have expressed a unmodified opinion.

Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the consolidated and separate financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or condition that may cast significant doubt on the Group's ability to continue as a going concern. If we concluded that a material uncertainty exists, we were required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.

- Evaluated the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonable be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequence of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the Terms of Reference (ToR) issued by the Ministry of Finance - Financial Institutions Division, Government of the People's Republic of Bangladesh, we also report the following:

- Nothing has come to our attention which indicates that the IT based accounting systems generated information are not free from material error and non-compliance;
- Nothing has come to our attention which indicates that charging of depreciation on Dead-Stock (Capital Assets) and immovable properties are not in line with applicable financial reporting framework except as mentioned in matter #2 under 'Emphasis of Matters' section;
- Internal control measures undertaken by the Bank appeared to be adequate with immaterial control deficiencies as identified and are being reported in the Management Report;
- We have reviewed the compliances of audit observations of previous year and the same are
- We have checked the authenticity of financial information and data supplied to the International Monetary Fund (IMF) by the Bank; and
- We have reviewed the compliance of decisions taken by the Board of Directors of the Bank.

Howladar Yunus & Co.
Chartered Accountants

Hoda Vasi Chowdhury & Co
Chartered Accountants



Muhammad Farooq FCA
Managing Partner
ICAB Enrolment # 521
Dated: Dhaka, 22 August 2023



Sabbir Ahmed FCA
Partner
ICAB Enrolment # 770
Dated: Dhaka, 22 August 2023

BANGLADESH BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

Particulars	Notes	30-Jun-23	30-Jun-22	In Thousand BDT
ASSETS				
Foreign currency financial assets				
Foreign currency accounts	4	88,946,844	78,519,805	
Foreign investments	5	2,324,639,709	2,782,210,063	
Assets held with International Monetary Fund	6.01	415,910,328	376,731,118	
Gold and silver	7	54,093,399	45,306,167	
Claims from gold transactions	8	37,757,643	31,629,227	
Foreign currency loans to banks	9	511,418,327	705,640,485	
Other foreign currency financial assets	10	16,450,320	15,121,651	
Total foreign currency financial assets		3,449,216,570	4,035,158,516	
Local currency financial assets				
Taka coin and cash balances	11	3,582,958	4,074,800	
Securities purchased under agreement to resell		169,462,750	2,180,000	
Loans to the Government of Bangladesh	12	178,018,700	7,268,500	
Local currency investments	13	1,318,131,179	552,168,542	
Local currency loans to banks, financial institutions and employees	14	475,816,678	232,904,404	
Other local currency financial assets	15	90,531,418	4,929,823	
Total local currency financial assets		2,235,543,683	803,526,069	
Total financial assets		5,684,760,253	4,838,684,585	
Non-financial assets				
Property, plant and equipment	16	80,099,350	47,692,736	
Intangible assets	17	758,615	720,476	
Other non-financial assets	18	5,959,259	5,091,009	
Total non-financial assets		86,817,224	53,504,221	
Total assets		5,771,577,477	4,892,188,806	
LIABILITIES & EQUITY				
LIABILITIES				
Foreign currency financial liabilities				
Deposits from banks and financial institutions	19	248,898,292	260,928,491	
Liabilities with International Monetary Fund	6.02	400,326,205	337,314,306	
Other foreign currency financial liabilities	20	56,260,118	18,761,840	
Total foreign currency financial liabilities		705,484,615	617,004,637	
Local currency financial liabilities				
Notes in circulation	21	3,101,560,298	2,545,233,913	
Deposits from banks and financial institutions	22	714,863,215	909,261,888	
Other local currency financial liabilities	23	138,816,051	177,783,080	
Total local currency financial liabilities		3,955,239,564	3,632,278,881	
Total liabilities		4,660,724,179	4,249,283,518	
EQUITY				
Capital	24	30,000	30,000	
Retained earnings	31	122,020,617	43,208,378	
Revaluation reserves	25	653,256,585	436,545,584	
Currency fluctuation reserve	26	281,090,590	110,568,363	
Statutory funds	27	19,067,046	18,517,046	
Non statutory funds	28	16,445,330	15,635,542	
Other reserves	29	13,342,630	12,899,875	
General reserve	30	5,600,500	5,500,500	
Total equity		1,110,853,298	642,905,288	
Total liabilities and equity		5,771,577,477	4,892,188,806	

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Mofizur Rahman Khan Chowdhury FCMA, CFA
Director (A&BD)
Accounts & Budgeting Department

Kazi Sayedur Rahman
Deputy Governor

Abdur Rouf Talukder
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Sabir Ahmed FCA
Partner
ICAB Enrollment # 770

Howlader Yunus & Co
Chartered Accountants

Muhammad Farooq FCA
Partner
ICAB Enrollment No # 0521

Dated: 21 August 2023
Dhaka, Bangladesh

BANGLADESH BANK
SEPARATE STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

In Thousand BDT

Particulars	Notes	30-Jun-23	30-Jun-22
ASSETS			
Foreign currency financial assets			
Foreign currency accounts	4	88,946,844	78,519,805
Foreign investments	5	2,324,639,709	2,782,210,063
Assets held with International Monetary Fund	6.01	415,910,328	376,731,118
Gold and silver	7	54,093,399	45,306,167
Claims from gold transactions	8	37,757,643	31,629,227
Foreign currency loans to banks	9	511,418,327	705,640,485
Other foreign currency financial assets	10	16,450,320	15,121,651
Total foreign currency financial assets		3,449,216,569	4,035,158,516
Local currency financial assets			
Taka coin and cash balances	11.01	2,345,632	3,664,924
Securities purchased under agreement to resell		169,462,750	2,180,000
Loans to the Government of Bangladesh	12	178,018,700	7,268,500
Local currency investments	13.01	1,313,565,685	546,969,203
Local currency loans to banks, financial institutions and employees	14.01	473,927,804	231,009,627
Other local currency financial assets	15.01	89,667,613	4,111,196
Total local currency financial assets		2,226,988,184	795,203,450
Total financial assets		5,676,204,753	4,830,361,966
Non-financial assets			
Property, plant and equipment	16.01	71,203,229	38,534,510
Intangible assets	17	758,615	720,476
Other non-financial assets	18.01	907,463	285,493
Total non-financial assets		72,869,307	39,540,479
Total assets		5,749,074,060	4,869,902,445
LIABILITIES & EQUITY			
LIABILITIES			
Foreign currency financial liabilities			
Deposits from banks and financial institutions	19	248,898,292	260,928,491
Liabilities with International Monetary Fund	6.02	400,326,205	337,314,306
Other foreign currency financial liabilities	20	56,260,118	18,761,840
Total foreign currency financial liabilities		705,484,615	617,004,637
Local currency financial liabilities			
Notes in circulation	21	3,101,560,298	2,545,233,913
Deposits from banks and financial institutions	22	714,863,215	909,261,888
Other local currency financial liabilities	23.01	137,518,285	175,944,403
Total local currency financial liabilities		3,953,941,798	3,630,440,204
Total liabilities		4,659,426,413	4,247,444,841
EQUITY			
Capital	24	30,000	30,000
Retained earnings	31.01	106,807,347	28,676,987
Revaluation reserves	25.01	648,614,204	431,879,291
Currency fluctuation reserve	26	281,090,590	110,568,363
Statutory funds	27	19,067,046	18,517,046
Non statutory funds	28	16,445,330	15,635,542
Other reserves	29	13,342,630	12,899,875
General reserve	30.01	4,250,500	4,250,500
Total equity		1,089,647,647	622,457,604
Total liabilities and equity		5,749,074,060	4,869,902,445

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Mofizur Rahman Khan Chowdhury FCMA, CFA
 Director (A&BD)
 Accounts & Budgeting Department

Kazi Sayedur Rahman
 Deputy Governor

Abdur Rouf Talukder
 Governor

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Hoda Vasi Chowdhury & Co.
 Chartered Accountants

Sabir Ahmed FCA
 Partner
 ICAB Enrollment # 770

Howladar Yunus & Co
 Chartered Accountants

Muhammad Farooq FCA
 Partner
 ICAB Enrollment No # 0521

Dated: 21 August 2023
 Dhaka, Bangladesh

BANGLADESH BANK
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2023

Particulars	Notes	<i>In Thousand BDT</i>	
		2022-23	2021-22
INCOME			
Income from foreign currency financial assets			
Interest income	32	59,344,153	28,371,001
Commission and discounts	33	660,756	527,251
Total income from foreign currency financial assets		60,004,909	28,898,252
Income from local currency financial assets			
Interest income	35	91,426,303	28,333,414
Commission and discounts	36	2,047,115	2,062,478
Sales to other parties by subsidiary		1,979,813	1,791,533
Other income		1,865,480	224,386
Total income from local currency financial assets		97,318,711	32,411,812
Total income		157,323,620	61,310,064
EXPENSES			
Expenses on foreign currency financial liabilities			
Interest expense	34	(9,563,573)	(771,845)
Commission and other expenses		(2,962,133)	(704,187)
Total expenses on foreign currency financial liabilities		(12,525,706)	(1,476,032)
Expenses on local currency financial liabilities			
Interest expense	38	(242,684)	(905,593)
Commission and other expenses	39	(10,353,407)	(7,242,076)
Total expenses on local currency financial liabilities		(10,596,091)	(8,147,669)
Other expenses			
General and administrative expenses	41	(24,200,763)	(20,880,578)
Total other expenses		(24,200,763)	(20,880,578)
Total expenses		(47,322,560)	(30,504,279)
Foreign currency revaluation gain/(loss) - unrealised		193,451,299	238,816,162
Foreign currency revaluation gain/(loss) - realised		170,522,226	24,175,303
Profit before tax		473,974,585	293,797,249
Current tax expense		(547,435)	(506,997)
Deferred tax income/(expense)		15,320	(20,098)
Profit for the year		473,442,470	293,270,154
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Gold revaluation gain/(loss)		14,843,380	1,053,734
Silver revaluation gain/(loss)		72,268	9,098,269
Revaluation gain/(loss) on financial instruments	40	(23,207,021)	(41,652)
Revaluation gain on Property, Plant and Equipment		31,390,039	(81,373,627)
Total other comprehensive income		23,098,666	(71,263,276)
Total comprehensive income for the year		496,541,135	222,006,878

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Mofizur Rahman Khan Chowdhury FCMA, CFA
Director (A&BD)
Accounts & Budgeting Department

Kazi Sayedur Rahman
Deputy Governor

Abdur Rouf Talukder
Governor

These financial statements are to be read in conjunction with the Independent Auditors' Report, which is set out on page 1.

Hoda Vasi Chowdhury & Co.
Chartered Accountants

Sabbir Ahmed FCA
Partner
ICAB Enrollment # 770

Howlader Yunus & Co
Chartered Accountants

Muhammad Farooq FCA
Partner
ICAB Enrollment No # 0521

Dated: 21 August 2023
Dhaka, Bangladesh

BANGLADESH BANK
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2023

Particulars	Notes	<i>In thousand BDT</i>		
		2022-23	2021-22	
INCOME				
Income from foreign currency financial assets				
Interest income	32	59,344,153	28,371,001	
Commission and discounts	33	660,756	527,251	
Total income from foreign currency financial assets		60,004,909	28,898,252	
Income from local currency financial assets				
Interest income	35.01	90,279,045	27,239,756	
Commission and discounts	36	2,047,115	2,062,478	
Dividend income		720,000	600,000	
Other income	37	1,837,450	199,062	
Total income from local currency financial assets		94,883,610	30,101,296	
Total income		154,888,519	58,999,548	
EXPENSES				
Expenses on foreign currency financial liabilities				
Interest expense	34	(9,563,573)	(771,845)	
Commission and other expenses		(2,962,133)	(704,187)	
Total expenses on foreign currency financial liabilities		(12,525,706)	(1,476,032)	
Expenses on local currency financial liabilities				
Interest expense	38	(242,684)	(905,593)	
Commission and other expenses	39	(10,353,407)	(7,242,076)	
Total expenses on local currency financial liabilities		(10,596,091)	(8,147,669)	
Other expenses				
Note printing expenses		(3,740,385)	(3,842,541)	
General and administrative expenses	41.01	(19,315,360)	(16,054,704)	
Total other expenses		(23,055,745)	(19,897,245)	
Total expenses		(46,177,542)	(29,520,946)	
Foreign currency revaluation gain/(loss) - unrealised		193,451,299	238,816,162	
Foreign currency revaluation gain/(loss) - realised		170,522,226	24,175,303	
Profit for the year		472,684,502	292,470,067	
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Gold revaluation gain/(loss)		14,843,380	9,098,269	
Silver revaluation gain/(loss)		72,268	(41,652)	
Revaluation gain/(loss) on financial instruments	40	(23,207,021)	(81,373,627)	
Revaluation gain/(loss) on property, plant and equipment		31,390,039	-	
Total other comprehensive income		23,098,666	(72,317,010)	
Total comprehensive income for the year		495,783,168	220,153,057	

The accompanying notes from 1 to 49 form an integral part of these financial statements.

Md. Mofizur Rahman Khan Chowdhury FCMA, CFA
Director (A&BD)
Accounts & Budgeting Department

Kazi Sayedur Rahman
Deputy Governor

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Governor

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Sabbir Ahmed FCA
Partner
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Howlader Yunus & Co.
Chartered Accountants

Muhammad Farooq FCA
Partner
ICAB Enrollment No # 0521

Dated: 21 August 2023
Dhaka, Bangladesh

BANGLADESH BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

Particulars	In Thousand BDT												
	Capital Gold and silver	Revaluation reserves			Currency fluctuation reserve	Statutory funds	Non- statutory funds	Other reserves		Distributable			
		Foreign currency accounts	Financial instruments	Property, plant & equipment				Asset renewal & replacement fund	Interest reserve fund				
Balance as at 01 July 2021	30,000	37,018,346	149,162,634	45,390,674	38,729,424	86,393,061	18,267,046	15,640,408	4,926,785	7,522,114	5,400,500	44,919,663	453,400,653
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	(19,215)	(19,215)	
Dividend paid for 2020-21	-	-	-	-	-	-	-	-	-	-	(31,099,777)	(31,099,777)	
Prior Year Adjustment	-	-	-	-	-	-	-	-	-	-	(639)	(639)	
Total comprehensive income for the year	9,056,617	-	(81,373,627)	1,053,734	-	-	-	-	-	-	293,270,153	222,006,878	
Utilisation of funds	-	-	-	(1,277,744)	(30,635)	-	(104,866)	-	-	-	-	(104,866)	
Recognition of reserve or account of sale and maturity of assets	-	-	238,816,162	-	24,175,303	250,000	100,000	450,976	-	-	30,634	(1,277,744)	
Appropriation of profit to other funds	-	-	-	-	-	-	-	-	-	100,000	(263,892,440)	-	
Balance as at 30 June 2022	30,000	46,074,984	387,978,796	(37,260,698)	39,752,523	110,568,363	18,517,046	15,635,542	5,377,761	7,522,114	5,500,500	43,208,378	642,905,288
Transfers to Disaster Management and Social Responsibility fund	-	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	
Dividend paid for 2021-22	-	-	-	-	-	-	-	-	-	-	(28,476,987)	(28,476,987)	
Prior Year Adjustment	-	-	-	-	-	-	-	-	-	-	(875)	(875)	
Total comprehensive income for the year	14,915,648	-	(23,207,021)	31,390,039	-	-	(100,212)	-	-	-	473,442,469	496,541,135	
Utilisation of funds	-	-	-	184,948	(23,912)	-	-	-	-	-	-	(100,212)	
Recognition of reserve or account of sale and maturity of assets	-	-	193,451,299	-	170,522,226	550,000	910,000	442,755	-	-	23,912	184,948	
Appropriation of profit to other funds	-	-	-	-	-	-	-	-	-	100,000	(365,976,280)	-	
Balance as at 30 June 2023	30,000	60,990,612	581,430,095	(60,232,771)	71,118,650	281,090,589	19,067,046	16,445,330	5,820,516	7,522,114	5,600,500	122,020,6181,110,853,298	

BANGLADESH BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

Particulars	In Thousand BDT													
	Capital	Gold and silver	Foreign currency accounts	Financial instruments	Property, plant & equipment	Currency fluctuation reserve	Statutory funds	Non-statutory funds	Asset renewal & replacement fund	Other reserves	General reserve	Distributable	Retained earnings	Equity
Balance as at 01 July 2021	30,000	37,018,347	149,162,633	45,390,673	35,086,230	86,393,061	18,267,046	15,640,408	4,926,785	7,522,114	4,250,500	31,118,990	434,806,788	
Adjustment against due from government	-	-	-	-	-	-	-	-	-	-	-	(19,215)	(19,215)	
Dividend paid for 2020-21	-	-	-	-	-	-	-	-	-	-	-	(31,099,777)	(31,099,777)	
Prior Year Adjustment	-	-	-	-	(81,373,627)	-	-	-	-	-	-	(639)	(639)	
Total comprehensive income for the year	-	9,056,617	-	-	-	-	-	-	-	-	-	292,470,067	220,153,057	
Utilisation of funds	-	-	-	-	-	-	-	(104,866)	-	-	-	-	(104,866)	
Recognition of reserve on account of sale and maturity of assets	-	-	-	(1,277,744)	-	-	-	-	-	-	-	-	(1,277,744)	
Appropriation of profit to other funds	-	238,816,162	-	24,175,303	250,000	100,000	450,976	-	-	-	-	(263,792,441)	-	
Balance as at 30 June 2022	30,000	46,074,964	387,978,795	(37,260,698)	35,086,230	110,568,363	18,517,046	15,635,542	5,377,761	7,522,114	4,250,500	28,676,987	622,457,604	
Transfer to Disaster Management and Social Responsibility fund	-	-	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	
Dividend paid for 2021-22	-	-	-	-	-	-	-	-	-	-	-	(28,476,987)	(28,476,987)	
Prior Year Adjustment	-	-	-	-	-	-	-	-	-	-	-	(875)	(875)	
Total comprehensive income for the year	-	14,915,648	-	(23,207,021)	31,390,039	-	-	-	-	-	-	472,684,502	495,783,168	
Utilisation of funds	-	-	-	-	-	-	(100,212)	-	-	-	-	-	(100,212)	
Recognition of reserve on account of sale and maturity of assets	-	-	-	184,948	-	170,522,226	550,000	910,000	442,755	-	-	-	184,948	
Appropriation of profit to other funds	-	193,451,299	-	-	-	-	-	-	-	-	-	(365,876,281)	-	
Balance as at 30 June 2023	30,000	60,990,612	581,430,094	(60,282,771)	66,476,269	281,090,559	19,067,046	16,445,330	5,820,516	7,522,114	4,250,500	106,807,348	1,089,647,647	

BANGLADESH BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

<i>In Thousand BDT</i>		
	2022-23	2021-22
Cash flows from operating activities		
Profit for the year	473,442,470	293,270,154
Adjustments:		
Depreciation	1,628,924	1,280,884
Loan Loss provision	1,755,257	(958,255)
Foreign currency revaluation gain - unrealised	(193,451,299)	(238,816,162)
Investment income from Short Term Deposit, Foreign Bills and Bonds	(32,114,724)	(21,757,111)
Investment Income from local Treasury Bills and Bonds	(79,974,172)	(19,948,078)
Interest from Claims from Gold Transactions	(8,049,207)	(25,737)
	<u>163,237,249</u>	<u>13,045,695</u>
Tax Paid during the year	(532,115)	(527,095)
Payment from WPPF	(101,431)	(101,776)
Provision to WPPF	105,794	101,431
(Increase) / decrease in Foreign Currency Loans to Banks	194,222,158	(179,986,117)
(Increase) / decrease in Other Receivable on Foreign Currency Loans	(2,950,115)	(814,430)
(increase) / decrease in Loans to Government	(170,750,200)	(243,899,731)
(increase)/ decrease in Local Currency loans to Banks, financial institutions and employees	(242,730,572)	26,994,694
increase/(decrease) in interest payable on SDR allocation	1,169,487	204,479
(increase)/decrease in Other local currency financial assets	(85,578,876)	(1,374,093)
(increase)/decrease in Other non-financial assets	(1,603,280)	787,001
increase/(decrease) in Notes in Circulation	556,326,385	291,983,296
increase/(decrease) in Other Local Currency Financial liabilities	(38,243,764)	(114,145,755)
	<u>209,333,471</u>	<u>(220,778,097)</u>
Net cash from operating activities	<u>372,570,720</u>	<u>(207,732,402)</u>
Cash flows from investing activities		
Settlement with liabilities with IMF	23,832,689	(60,497,895)
Investment Income from Short Term Deposit, US Treasury Notes, Foreign Bills and Bonds	40,163,931	22,006,905
Net Investment in Foreign Bills, US Treasury Notes and Bonds	(123,892,692)	(404,579,566)
Net Investment in Foreign Short Term Deposits	400,260,220	719,251,277
Investment Income from Local Treasury Bills and Bonds	79,974,172	19,948,078
Net Investment in Local Treasury Bills and Bonds	(766,596,482)	(236,631,231)
Other Local Investment	967,742	779,334
Income from Claims from Gold Transactions	8,049,207	25,737
Gain on Asset Sale or Derecognition	852	1,255
Addition of Fixed Assets and Intangible assets	(2,665,022)	(496,530)
Net cash used in investing activities	<u>(339,905,383)</u>	<u>59,807,364</u>
Cash flows from financing activities		
Dividend paid to the Government of Bangladesh	(28,476,987)	(31,099,777)
Net cash (used in)/from financing activities	<u>(28,476,987)</u>	<u>(31,099,777)</u>
Net increase/(decrease) in cash and cash equivalents	<u>4,188,350</u>	<u>(179,024,815)</u>
Opening balance of cash and cash equivalents	260,934,051	439,958,865
Cash and cash equivalents as at 30 June	<u>265,122,401</u>	<u>260,934,051</u>
Cash and cash equivalents includes		
Foreign currency accounts	53,978,419	78,519,805
Foreign investments with short-term maturity	1,001,859,781	1,346,349,825
Taka coin and cash balances	3,582,958	4,074,800
Securities purchased under agreement to resell	169,462,750	2,180,000
Foreign currency deposits from banks and financial institutions	(248,898,292)	(260,928,491)
Deposits from banks and financial institutions	(714,863,215)	(909,261,888)
Cash and cash equivalents as at 30 June	<u>265,122,401</u>	<u>260,934,051</u>

BANGLADESH BANK
SEPARATE STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

In Thousand BDT

Particulars	2022-23	2021-22
Cash flows from operating activities		
Profit for the year	472,684,502	292,470,067
Adjustments:		
Depreciation	1,298,412	1,220,035
Loan Loss provision	1,755,257	(958,255)
Foreign currency revaluation gain - unrealised	(193,451,299)	(238,816,162)
Investment income from Short Term Deposit, Foreign Bills and Bonds	(32,114,724)	(21,757,111)
Investment Income from local Treasury Bills and Bonds	(79,974,172)	(19,948,078)
Interest from Claims from Gold Transactions	(8,049,207)	(25,737)
Dividend Income	(720,000)	(600,000)
	<u>161,428,769</u>	<u>11,584,759</u>
(Increase) / decrease in Foreign Currency Loans to Banks	194,222,158	(179,986,117)
(Increase) / decrease in Other Receivable on Foreign Currency Loans	(2,950,115)	(814,430)
(increase) / decrease in Loans to Government	(170,750,200)	(243,899,731)
(increase)/ decrease in Local Currency loans to Banks,	(242,918,177)	26,854,687
increase/(decrease) in interest payable on SDR allocation	1,169,487	204,479
(increase)/decrease in Other local currency financial assets	(85,556,417)	(245,376)
(increase)/decrease in Other non-financial assets	(621,970)	314,372
increase/(decrease) in Notes in Circulation	556,326,385	291,983,296
increase/(decrease) in Other Local Currency Financial liabilities	(38,426,118)	(113,609,663)
	<u>210,495,033</u>	<u>(219,198,483)</u>
Net cash from operating activities	<u>371,923,802</u>	<u>(207,613,724)</u>
Cash flows from investing activities		
Settlement with liabilities with IMF	23,832,689	(60,497,895)
Investment Income from Short Term Deposit, US Treasury Notes, Foreign Bills and Bonds	40,163,931	22,006,905
Net Investment in Foreign Bills, US Treasury Notes and Bonds	(123,892,692)	(404,579,566)
Net Investment in foreign Short Term Deposits	400,260,220	719,251,277
Net investment in Local Treasury Bills and Bonds	(766,596,482)	(236,631,231)
Investment Income from Local Treasury Bills and Bonds	79,974,172	19,948,078
Addition of Fixed Assets and Intangible assets	(2,597,813)	(390,403)
Gain on Asset Sale or Derecognition	852	1,255
Income from Claims from Gold Transactions	8,049,207	25,737
Dividend Received	720,000	600,000
Net cash used in investing activities	<u>(340,085,914)</u>	<u>59,734,157</u>
Cash flows from financing activities		
Dividend paid to the Government of Bangladesh	(28,476,987)	(31,099,777)
Net cash (used in)/from financing activities	<u>(28,476,987)</u>	<u>(31,099,777)</u>
Net increase/(decrease) in cash and cash equivalents	<u>3,360,901</u>	<u>(178,979,343)</u>
Opening balance of cash and cash equivalents	260,524,175	439,503,519
Cash and cash equivalents as at 30 June	<u>263,885,075</u>	<u>260,524,175</u>
Cash and cash equivalents includes		
Foreign currency accounts	53,978,419	78,519,805
Foreign investments with short-term maturity	1,001,859,781	1,346,349,825
Taka coin and cash balances	2,345,632	3,664,924
Securities purchased under agreement to resell	169,462,750	2,180,000
Foreign currency deposits from banks and financial institutions	(248,898,292)	(260,928,491)
Deposits from banks and financial institutions	(714,863,215)	(909,261,888)
Cash and cash equivalents as at 30 June	<u>263,885,075</u>	<u>260,524,175</u>

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

1 Reporting entity

Bangladesh Bank ("the Bank"), a statutory body, is the central bank and apex regulatory body for the monetary and financial system of Bangladesh and established on the 16th day of December, 1971 under the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972). The Bank is domiciled in Bangladesh and the head office of the Bank is situated at Motijheel C/A, Dhaka-1000.

The Bank has 10 (ten) branch offices situated at the following locations:

Location	Address
Motijheel Office	Motijheel C/A, Dhaka-1000
Chattogram Office	Notun/617, Shahid Sohrawardi Road, Chattogram
Rajshahi Office	Natore Road, Majhi Hata, Boalia, Rajshahi-6000
Bogura Office	Holding - 1683, Thonthonia, Bogura-5800
Rangpur Office	Bangladesh Bank Rangpur Office, Rangpur-5400
Khulna Office	1, Ratan Sen Road, Khulna-9100
Barishal Office	Deen Bondhu Sen Road, Barishal-8200
Sylhet Office	VIP Road, Taltola, Sylhet-3100
Sadarghat Office	Bahadurshah Road, Sadarghat, Dhaka-1000
Mymensingh Office	Barara, Mymensingh Sadar, Mymensingh

The Bank has exclusive agency arrangement with Sonali Bank Limited for carrying out certain specific treasury related functions across the country. As of 30 June 2023, 731 branches of Sonali Bank Limited, state owned commercial bank, were engaged in daily treasury functions under the referred agency arrangement with the Bank.

As per the Article 7A of the Bangladesh Bank Order, 1972, the main functions of the Bank shall be:

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

The Bank also acts as the Banker to the Government as per Article 16(18) of the Bangladesh Bank Order, 1972.

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

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

The Bank has a fully owned subsidiary company named The Security Printing Corporation (Bangladesh) Ltd. ("SPCBL" or "the subsidiary") which was formed on 22nd April, 1992 for the purpose of printing and supplying of currency notes. The Bank and its subsidiary are collectively referred to as "the Group". Refer to note 3.01 and 13.01.

2 Basis of preparation of the financial statements

2.01 Statement of compliance

In preparing the financial statements, the Bank's ability to continue as a going concern is subject to the article no. 76 of Bangladesh Bank Order, 1972 (President's order No. 127 of 1972) - "the bank shall not be placed in liquidation save by order of the Government and in such manner and on such terms and conditions as it may direct." Subject to the mentioned article no. of Bangladesh Bank Order, 1972, the Group prepares its financial statement as going concern basis.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The compliance status of these IASs and IFRSs are as follows:

	Compliance status
IAS 1: Presentation of Financial Statements	Complied
IAS 2: Inventories	Complied
IAS 7: Statement of Cash Flows	Complied
IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	Complied
IAS 10: Events after the Reporting Period	Complied
IAS 12: Income Taxes	Complied
IAS 16: Property, Plant and Equipment	Complied
IAS 19: Employee Benefits	Complied
IAS 20: Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
IAS 21: The Effects of Changes in Foreign Exchange Rates	Complied
IAS 23: Borrowing Costs	Complied
IAS 24: Related Party Disclosures	Complied
IAS 26: Accounting and Reporting by Retirement Benefit Plans	Not applicable
IAS 27: Separate Financial Statements	Complied
IAS 28: Investment in Associates and Joint Ventures	Not applicable
IAS 32: Financial Instruments: Presentation	Complied
IAS 33: Earnings Per Share	Not applicable
IAS 34: Interim Financial Reporting	Not applicable
IAS 36: Impairment of Assets	Complied
IAS 37: Provisions, Contingent Liabilities and Contingent assets	Complied
IAS 38: Intangible Assets	Complied

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

	Compliance status
IAS 40: Investment Property	Not applicable
IAS 41: Agriculture	Not applicable
IFRS 1: First time Adoption of International Financial Reporting Standards	Not applicable
IFRS 2: Share based Payment	Not applicable
IFRS 3: Business Combinations	Not applicable
IFRS 4: Insurance Contracts	Not applicable
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Not applicable
IFRS 6: Exploration for and Evaluation of Mineral Resources	Not applicable
IFRS 7: Financial Instruments: Disclosures	Complied
IFRS 8: Operating Segments	Not applicable
IFRS 9: Financial Instruments	Complied
IFRS 10: Consolidated Financial Statements	Complied
IFRS 11: Joint Arrangements	Not applicable
IFRS 12: Disclosure of Interests in Other Entities	Complied
IFRS 13: Fair Value Measurement	Complied
IFRS 14: Regulatory Deferrals Accounts	Not applicable
IFRS 15: Revenue from Contract with Customers	Complied
IFRS 16: Leases	Complied

2.02 Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the consolidated and separate statements of financial position ("the statement of financial position"):

- Financial instruments held at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) are measured at fair value.
- All assets, except for low value assets and value amounting less than BDT 1 Lac, under Property Plant & Equipment (PPE) are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- The net defined-benefit liability/asset of employee benefit plans, which is recognized as the net of fair value of plan assets and the present value of the defined-benefit obligations.

2.03 Functional and presentation currency

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

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

2.04 Relationship between Issue Department and Banking Department

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

2.05 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS 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 that are not readily available.

The estimates and underlying assumptions are based on past experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities, income and expenses that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

In particular, significant areas of estimation uncertainty and critical judgments in applying accounting policies that has the most significant effect on the amount recognized in the financial statements are as follows:

- Fair value of financial instruments without active quoted market.
- Impairment assessment of financial assets.
- Business model consideration for financial instruments under IFRS 9.
- Effective interest rate calculation.
- Economic lives of PP&E and intangible assets for calculation of depreciation and amortisation.
- Revaluation of property, plant and equipment.
- Calculation of post retirement defined benefit plan obligations for employee.

2.06 Comparative information

In presentation of the financial statements, comparative information in respect of the previous year have been given in accordance with IAS-1 & IAS-8. The narrative and descriptive information

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

has been given in notes to the financial statements, where relevant, for the understanding of the current year's financial statements.

2.07 Restatement / Reclassification

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors require an entity to correct material prior period errors/estimates properly for the prior period presented when required. While preparing the consolidated financial statements for the year ended 30 June, 2023, treasury bills and bonds have been reclassified to the local currency investments.

2.08 Standards, interpretations of and amendments to the IFRSs that effective from subsequent period

The following new standards and amendments to standards are effective for the annual reporting periods beginning on or after 1 July 2023 and earlier application is permitted, but the Bank has not early adopted.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

Based on initial assessment management has concluded that none of these new and amended standards are expected to have a significant impact on the Bank's financial statements.

3 Significant accounting policies

Accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Group entities.

3.01 Basis of consolidation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS):10 Consolidated Financial Statements.

Subsidiary

The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) is the subsidiary of the Bank. The Bank holds 11,998,994 shares in SPCBL. For compliance with the requirements of the minimum number of seven shareholders of a public limited company as per The Companies Act-1994, 1000 shares were allotted to the Governor of Bangladesh Bank and Deputy Governor of Bangladesh Bank, Managing Director of The SPCBL, Secretary of Financial Institution Division of Ministry of Finance, Additional Secretary of Ministry of Home Affairs, Joint Secretary

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

of Internal Resources Division and Director General of Bangladesh Postal Department were allotted one share each. However, Bangladesh Bank is the beneficial owner of all these shares. As per the definition "Equity in a subsidiary not attributable, directly or indirectly, to parent" of Non-Controlling Interest (NCI) set out in Appendix A of IFRS 10- Consolidated financial statements, the Bank does not need to recognize the NCI since the shareholders are directly or indirectly related to the Bank. SPCBL is responsible for printing and supplying the Bank with bank notes based on the requirements from time to time. It sells these notes to the Bank at a specified mark-up agreed beforehand between the Bank and SPCBL. SPCBL is also engaged in printing of security products for other parties besides the Bank.

Transactions eliminated on consolidation

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

3.02 Foreign currency transactions

Foreign currency transactions are translated into Taka at the rates ruling on the dates of transactions in compliance with IAS 21 : The Effects of Changes in Foreign Exchange Rates. Foreign currency denominated monetary assets and liabilities are translated to the functional currency at the exchange rate at the reporting date. Foreign currency denominated non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Foreign currency gains and losses are reported in profit or loss on a net basis as either exchange gain or loss depending on whether foreign currency movements are in a net gain or net loss position. At the reporting date the exchange rates of Taka against major foreign currencies held by the Group used in preparing the financial statements were as follows:

Foreign currency	Exchange rates (in BDT)	
	30-Jun-23	30-Jun-22
US Dollar	106.0000	93.4500
Australian Dollar	70.6596	64.4899
Canadian Dollar	80.0846	72.5994
EURO	115.6460	97.9543
Pound Sterling	134.6624	113.7754
CNY	14.5853	13.9628
JPY	0.7345	0.6885
SDR	140.9906	124.0829
SGD	78.4024	67.2399
SEK	9.8349	9.1448

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

3.03 Foreign exchange gain/loss

Realised foreign exchange gain/loss is calculated using average cost methodology. At the end of each month, the change in the average cost balance is calculated on a currency by currency basis by applying (a) where there is a net increase in the currency position, the increase to the average value is the average rate for the month multiplied by the currency amount of the increase and (b) where there is a net decrease in the currency position, the decrease to the average value is calculated by applying the opening average rate to the carrying amount of the decrease. The difference between the book value at the period end exchange rate and the average value by currency is determined. The balance is considered as realised revaluation reserve.

The difference between realised revaluation reserve account and the ledger balance is accounted as unrealised exchange gain/loss for the period and is recognised in the statement of profit or loss for the year. Subsequently the realised and unrealised gain/loss have been transferred to currency fluctuation reserve and foreign currency revaluation reserve respectively in the statement of financial position.

Accounting treatment of revaluation gain/loss

3.04

Revaluation gain/loss of foreign currencies, gold, silvers, financial instruments and Property, Plant and Equipment (PPE) arises from the changes in fair value of assets and currency exchange rates following the international financial reporting standards. In line with the objectives and functions of Bangladesh Bank of maintaining a competitive external par value of the Taka, intervening foreign exchange market and holding and managing the official foreign reserves, the revaluation gain/loss is transferred to the 'Reserve Account' under the coverage of Article 64 (read with Article 7 & 16) of the Bangladesh Bank Order, 1972 (President's order No. 127 of 1972). These 'Reserve Account' are maintained to provide for contingencies and risk of losses arising from change in fair value of assets, exchange rate volatility, unforeseen global economic shocks and other financial risks. Maintaining such reserve is a common practice by many other central banks.

Financial assets and liabilities

3.05

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

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

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

(a) Recognition and initial measurement

Loans and advances are initially recognised in the Statement of Financial Position on the date they are originated. Regular purchases or sales of financial assets are recognised or derecognised, as applicable, on the settlement date at which the assets are received or, as the case may be, delivered by the Group. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provision of the instruments. Financial assets and liabilities are initially measured at fair value.

(b) Classification and subsequent measurement

Classification of financial assets and liabilities for the purpose of measurement subsequent to initial recognition in accordance with IFRS 9 Financial Instruments is made in the following manner:

(1) Financial Assets & liabilities carried at amortised cost :

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Foreign bonds, US dollar treasury bills, Bangladesh Government treasury bills, equity investment in HBFC debentures and foreign and local currency loans to Banks and Financial Institutions are measured at amortised cost using the effective interest rate method less any ECLs (Expected Credit Losses), if any. Swift shares are measured at cost as there is no quoted market price for these shares.

Shares of The Security Printing Corporation (Bangladesh) Ltd. (SPCBL) are measured at cost in the separate financial statements of the Bank in accordance with IAS 27 Separate Financial Statements.

Short term borrowing, notes in circulation, deposits from banks and financial institutions and liabilities with IMF are classified as financial liabilities carried at amortised cost.

(2) Fair value through other comprehensive income :

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

US Treasury Notes, gold and silver, claims from gold transactions, Bangladesh Government treasury bonds, swift share and shares of ICB Islamic Bank Limited are classified as fair value through other comprehensive income.

If readily available market is not available for swift share or other equity instruments, then the cost value will be considered as the fair value.

(3) Financial assets and financial liabilities at fair value through profit or loss:

A financial asset is measured at fair value through profit or loss -

- unless it is measured under above stated two classification.
- However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

(c) Amortised cost measurement principles

Amortised cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, minus any reduction for impairment or irrecoverability.

Effective interest method is a method of calculating the amortised costs of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial instruments, and any revisions to these estimates are recognised in profit or loss. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums and discounts.

(d) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the assets or liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

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.

(e) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of the financial assets categorized as Fair Value through Other Comprehensive Income (OCI) recognised in other comprehensive income . Gains and losses arising from a change in the fair value of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in the statement of profit or loss. Gains and losses on subsequent measurement of the financial assets categorized as amortised cost are recognised in the statement of profit or loss. The gains and losses on subsequent measurement are in line with the principle of IFRS 9 : Financial Instruments.

(f) De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of profit or loss.

Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, claims from gold transactions and repurchase transactions. Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets categorized as amortised cost are de-recognised on its maturity and financial assets in the category of fair value through OCI and fair value through profit and loss are de-recognised when sold or on its maturity. The corresponding receivables arising from the sale of the asset are de-recognised when the asset is delivered to the buyer.

(g) Identification and measurement of impairment

Judgment is required when determining whether there is objective evidence that impairment exists and, if so, the appropriate amount of ECLs to recognize. The measurement of ECLs reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date regarding past events, current conditions and forecasts of future economic conditions. Financial assets are categorized into the following three stages depending on their assessed credit risk:

- Stage 1 Financial assets are categorized as Stage 1 when first recognized. The Bank records an allowance for 12-month ECLs in profit or loss, and interest revenue is calculated on the gross carrying amount of the asset.
- Stage 2 Financial assets are categorized as Stage 2 when they have experienced a significant increase in credit risk since initial recognition. The Bank records an allowance for lifetime ECLs, and interest revenue is calculated on the gross carrying amount of the asset.

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

Stage 3 Financial assets are categorized as Stage 3 when they are considered credit-impaired. The Bank records an allowance for lifetime ECLs, and interest revenue is calculated based on the net carrying amount of the asset (gross carrying amount less the loss allowance), rather than on its gross carrying amount.

ECLs are estimated as the difference between all contractual cash flows that are due to the Bank in accordance with the contract and all the cash flows that the Bank expects to receive, discounted at the original effective interest rate.

Being Central Bank, the Bank always manages the financial assets in a prudent way with high-quality counterpart. Thus in assessing ECLs on these instruments, the Bank has applied the minimal risk practical expedient available under IFRS 9 due to their high credit quality. The Bank continuously monitors relevant economic and financial developments. The Bank continuously reviews the risk associated with these financial instruments.

All the Bank's financial assets which are measured at amortized cost are considered to have low credit risk and therefore are subject to impairment assessments under Stage 1. There were no transfers of financial instruments between stages during the reporting period. The Bank records 12-month ECLs on its financial instruments which are measured at amortized cost (local and foreign currency loans given to Banks and Financial institutions) as at June 30, 2023 and adequately disclosed in notes 14(a).

Impairment:

The Bank calculates ECLs on investments in financial instruments that are measured at amortized cost. The amount of ECLs are being updated at each reporting date to reflect changes in credit risk since initial recognition. The ECL model is a function of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), discounted to the reporting date using the effective interest rate. This concept is further discussed in note 42.2.

(h) Off-setting

Financial assets and liabilities are offset and the net amount presented in Statement of Financial Position when and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The bank has offset the cash at vault with the currency in circulation and presented the net amount of currency in circulation as liabilities in Statement of Financial Position.

(i) Materiality and Aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

(j) Contingent Liabilities and Commitments

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NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. All outstanding letter of credit issued, capital commitments, litigation amount and unclaimed amount recognized as income, which are not recognized as liabilities in Statement of Financial Position, are shown under respective headings disclosed as Contingent Liabilities and Capital Commitments items. Where applicable, such amounts are measured at best estimates.

3.06 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 3.04 explaining the rationale of the accounting policy on foreign exchange gain/loss).

3.07 Foreign investments

Foreign investments comprise short term interest bearing deposits (held with overseas commercial banks for periods less than 1(one) year in designated foreign currencies), overnight investment, foreign currency treasury bills purchased at a discount and interest bearing foreign bonds & treasury notes. The carrying amount of these investments in foreign currency at each reporting date is translated to the functional currency at the exchange rate on that date. Gains and losses arising upon translation are recognised in the statement of profit or loss and are subsequently transferred to revaluation reserve-foreign currency accounts.

3.08 Foreign currency loans to bank

Foreign currency loans to banks are generated out of the pool of foreign currency funds like Export Development Fund (EDF), Long Term Financing Facility (LTFF) under FSSP and Green Transformation Fund (GTF). Major portion of the foreign currency loans disbursed to banks are attributed to EDF. Current size of EDF is USD 7.00 billion and interest rate currently charged by Bangladesh Bank is 3.00% p.a. The exchange rate risk and credit risk due to potential default by the end user lies with the concerned bank.

3.09 Other foreign currency financial assets

Other foreign currency financial assets comprise swift shares, interest receivable and other receivable. If readily available market is not avialbale for swift share, then the cost value will be considered as the fair value.

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

3.10 Taka coin and cash balances

Taka coin and cash balances represents the face value of one, two and five taka coins and notes held by the Bank through purchase from the Government at respective face values, cash and cash equivalents held by SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.

3.11 Statement of Cash Flows

The cash flow statement has been prepared by using the "Indirect Method" in accordance with the IAS 7- Statement of Cash Flow. For the purposes of the Statement of Cash Flow, cash and cash equivalents include foreign currency accounts and investments (those with short-term maturity, local currency coins that are realisable in known amounts of cash within short-term (normally less than three months) from the date of original investments and which are subject to insignificant changes in value. Balances in the local and foreign currency deposit accounts with banks and financial institutions are deducted from cash and cash equivalent calculation.

3.12 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 -current and Government treasury bills and bonds.

Ways and Means Advance (WMA)

When total payments to the Government exceed total deposits from the Government, the excess of payment over receipt, with a limit not exceeding BDT80,000 million (2022: BDT 60,000 million), is treated as WMA with interest being charged thereon at the reverse repo rate. WMA is realised only after full recovery of Government overdraft-current account balance.

Overdraft - current

Government borrowing in excess of the BDT 80,000 million limit set for WMA are recognised as overdraft-current with a limit not exceeding BDT 80,000 million (2022: BDT 60,000 million). Interest is charged thereon at a rate one percent higher than the reverse repo rate. Any recovery or surplus realised by the Bank from the Government is first applied to the overdraft-current account balance. Any surplus remaining after full recovery of overdraft-current account balance is then adjusted against WMA.

3.13 Local currency investments

Group investment comprises investment in debenture of Bangladesh House Building Finance Corporation (BHBFC), shares of the ICB Islamic Bank Ltd and short term deposit with local commercial banks . Investment in debentures are measured at amortized cost and shares are measured at fair value.

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Treasury bills and bonds

Government treasury bills and bonds are the securities which are purchased and held by the Bank when commercial banks and financial institutions do not purchase those from the Government. These are measured at fair value at each statement of financial position date.

3.14 Local Currency loans to banks, financial institutions and employees

These comprise loans to state owned, private, specialized commercial and other scheduled banks & financial institutions in the form of refinances scheme, demand loan and loans to Bank employees. Major refinances scheme with an aim to fight COVID-19 related impact are as follows:

- Refinance Scheme for CMSME working capital facility to deal COVID
- Refinance Scheme for low income people, farmer and marginal small business
- Refinance scheme Working Capital loan/investment facility for large industry
- Refinance under Pre-Shipment Credit Scheme
- Refinance Scheme for 10/50/100Tk A/C holders
- Refinance to SME Foundation
- Refinance scheme for Technology Development/Up-gradation Fund

The credit risk due to potential default by the end user of the loans is with the concerned bank disbursing the loan. These loans are reported net of allowances for loan impairment losses (if any).

3.15 Gold and silver

Physical gold and silver are stored at Motijheel branch of the Bank and Bank of England. Such physical gold owned by the Bank is an element of foreign reserves which is consistent with the global practice followed by most of the central banks around the world. Hence, these are considered as 'Monetary Gold'. Although, IFRS has generally considered gold as a commodity, IFRS does not distinguish between monetary and non-monetary gold. Monetary gold has many characteristics which are similar to a financial asset not like a commodity.

However, IFRS has not provided any specific accounting for monetary gold. As a result management has followed the requirement specified in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" paragraphs 10-12, and concluded that the policies established for the accounting of financial instruments, can also be applied to gold as the Bank regards it as a monetary asset.

Accordingly, gold and silver has been initially recognized at cost, and after initial recognition measured at fair value with valuation gains and losses are recognised in OCI and reported under gold and silver revaluation reserves in the statement of changes in equity. This accounting policy adopted by the Bank is also in line with Article 30 of the Bangladesh Bank Order, 1972.

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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.

Swap Agreement with the Central Bank of Sri Lanka

- 3.16** A swap agreement between Bangladesh Bank and Monetary Board of the Central Bank of Sri Lanka (CBSL) had come into effect on 03 August 2021 for a period of one year. Under this swap agreement, the total amount of USD 200 million was given to CBSL in three installments in the month of August and September 2021 in an exchange of an equivalent amount of Sri Lankan Rupee (LKR). The outstanding amount under the Swap will be charged at an interest rate equal to 6 months US\$ LIBOR (or LIBOR equivalent benchmark in case of non availability of LIBOR) prevailing on the date of each drawal / rollover plus 200 basis points. As per agreement, the total amount of USD 200 million was given initially for a period of three months with the provision of rolling over twice in the same period. The amount was rolled over in November 2021 and December 2021 with due date on February and March 2022. Later on, 31 May 2022, an addendum was made and entered into between Bangladesh Bank and Monetary Board of the CBSL. According to the addendum, the agreement shall be effective till 17 May 2023 and it permits the swap transaction to be renewed by mutual consent for a maximum of 5 times. CBSL has rolled over the amount accordingly.

Subsequently, the second addendum is made and entered into the 13th day of February 2023 Bangladesh Bank and Monetary Board of the CBSL. According to the second addendum, the swap transaction may be renewed by mutual consent for maximum of 7 (seven) times. The agreement shall be effective till 30 September 2023.

Property, plant and equipment (PPE)

3.17 Recognition and measurement

- (a)** Items of PPE are initially recognised at cost and subsequently carried at revalued amounts, being fair values at the date of the revaluation, less subsequent accumulated depreciation and impairment losses if any. However, the bank actively considering to change the subsequent measurement policy from revaluation model (land) to revaluation & Cost model (other than land). Land and buildings, appearing as items of PPE, are used for its operating, administrative and staff's residence purposes.

Revaluation

- (b)** If an asset's carrying amount is increased as a result of a revaluation, the increased amount is recognised in Other Comprehensive Income (OCI) and accumulated in equity under the heading

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of revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decreased amount is recognised in profit or loss. However, the decrease is recognised in OCI to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decreased amount which is recognised in OCI reduces the amount accumulated in equity under the heading of revaluation reserve.

The Bank revalued its land as at 01 January 2022 and other items of PPE were revalued as at 31 January 2018 by an independent valuer, S.F. Ahmed & Co. Significant methods and assumptions for revaluation of items of property, plant and equipment were as follows:

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; Buildings, furniture and fixtures, mechanical equipment, motor vehicles, computer & networking, artefacts and currency museum, intangible assets, electrical installation and gas installation were revalued using a combination of approaches which include depreciated replacement cost for building and civil construction and market considerations for other assets.

The Bank revalued its non-financial assets as per the policy set by the bank management. For further reference see note 3.17 (a).

The Subsidiary's property, plant and equipment were revalued as at 1 January 2022 by S.F. Ahmed & Co., chartered accountants. The revalued property, plant and equipment reflecting the fair values of the assets are incorporated in the consolidated financial statements.

(c) Subsequent costs

Cost of replacing a part of PPE is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of PPE are recognised in the statement of profit or loss as incurred.

(d) Capital work in progress

Capital work in progress is recognised when it is incurred and depreciated after being recognised as capital asset when it is ready for use.

(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.

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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:

Class of Property, plant and equipment (PPE)	Bank	SPCBL
Building and other construction	5%	2% - 20%
Mechanical and office equipment	10%	2.5% - 20%
Computer and networking	20%	-
Fixture and fittings	10%	10%
Motor vehicles	20%	20%
Electrical installation	20%	-
Gas installation	20%	-
Low Value Assets	100%	-
Security Equipment	20%	-
Currency Museum and Artefacts	5%	-

(f) Borrowing cost capitalisation

The Bank capitalises borrowing costs in accordance with the provision of IAS 23: Borrowing Costs as part of the cost of assets that are directly attributable to the acquisition, construction, or production of a qualifying asset if following conditions are met:

- It is probable that they will result in future economic benefits to the entity;
- The costs can be measured reliably.

If borrowing costs do not meet both the criteria, they are recognized as expenses. For the purpose of capitalisation, a qualifying assets is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(g) Impairment

The carrying value of the Bank's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of that asset or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognized in the profit and loss account. For the assets that have indefinite useful life, the recoverable amount is estimated at each balance

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sheet date. The recoverable amount of asset is the greater of net selling price and value in use. The estimated future cash flows are discounted to their present value using discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset. For an asset that does not generate significantly independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease as in IFRS 16:Leases. This policy is applied to contracts entered into (or changed) on or after 1 January 2019. The Bank recognizes a right-of-use leased asset and lease liability at the lease commencement date.

The Bank recognizes right-of-use assets and lease liabilities for the leases – i.e. these leases are on-balance sheet. Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. Right-of-use assets are measured at the amount of the lease liability on adoption. Leases are recognized at the commencement of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. The liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicated in the lease or if that rate cannot be determined, the Bank's incremental borrowing rate.

The Bank presents right-of-use assets in "Property Plant and Equipment" (Note 16) and lease liabilities in "Other Local Currency Financial Liabilities" (Note 23.01) in the Statement of Financial Position.

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3.18 Intangible assets and their amortisation

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses if any.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use.

The estimated useful life of software for the current and comparative period is five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.19 Transactions on Repurchase Obligations (Repo) and Reverse Repo

Repurchase Arrangements (Repo) and Reverse Repo of securities are recorded as follows:

- a. Securities purchased under Repurchase Agreement (Repo) are recognized as loans and advances to Banks and Financial Institutions. Interest income on Repo facility is recognized as per effective interest rate method. The difference between the purchase price and sale price is recognised as interest income over the tenure of the facility using effective interest rate.
- b. Securities sold under Reverse Repurchase Agreement ('Reverse Repo') are recognized as short term borrowings. Interest expense on Reserve Repo is recognized as per effective interest rate method. The difference between the sale price and purchase price is recognized as interest expense over the tenure of the facility using effective interest rate.

Securities lent to counterparties are also retained in the statement of financial position.

3.20 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

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- (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

3.21 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus, medical allowances or any others are charged as expenses in the statement of profit or loss.

3.22 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 recognizes expenses for these plans in the statement of profit or loss.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

(i) Contributory Provident Fund (CPF)

Bank and employees contribute to the fund, which invests in various securities. The Bank commits a return of 13% on the balance of the contributed amount. In the event that the return from securities is lower than the committed return of 13%, the shortfall, if any, would be paid by the Bank and is recognised in the statement of profit or loss. Bank's obligations for contributions to the above fund are recognised as an expense in the statement of profit or loss as incurred.

(a) Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

(i) General Provident Fund (GPF)

Employees contribute at various rates (within 5-25%) of their basic salaries to the fund. No contributions are made by the Bank for the above fund. The provident fund invests in various securities and the Bank has committed a return of 13% at the beginning balance of the fiscal year 2022-23 upto BDT 1.5 million, 12% return over the balace BDT 1.5 million to BDT 3.00 million and 11% return for the beginning balance over BDT 3.00 million. 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 on amounting to maximum of 90% (2022: 90%) of their last

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basic salary. 50% of the pension amount is paid as a lump sum computed at the rate of BDT 230 (2022: BDT 230) per BDT 1 surrendered from the pension. Employees will receive their pension monthly over the remaining lifetime against remaining 50% of the pension amount.

All employees irrespective of joining date are entitled to medical allowance in cash (BDT 1,500 per month up to age 65 years and BDT 2,500 after 65 years) even after retirement as prescribed by the government.

The Bank actuarially valued its pension liabilities as at 30 June 2016. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in other comprehensive income.

(ii) Gratuity scheme

The Bank actuarially valued its gratuity scheme and measured its liability for defined benefit obligation as at 30 June 2016. The calculation was performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses arising from the change in defined benefit obligation are recognised in the statement of profit or loss and other comprehensive income.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the statement of profit or loss when the plan amendment or curtailment occurs.

(iv) Leave encashment

Those employees who have unutilised leave up to one year or more at the time of retirement age of 59 are allowed to leave with salary for one year. The remaining unutilised leave is encashed (maximum eighteenth months). Employees are not allowed to encash their unutilised leave until reaching retirement age.

3.23 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.

3.24 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

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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.

3.25 Notes in circulation

Bank notes issued by the Bank as legal tender under the Bangladesh Bank Order 1972 represents a claim on the Bank in favour of the holder. The liability for bank notes in circulation is recorded at face value in the financial statements and as per the requirements of Article 30(1) of the Bangladesh Bank Order,1972 specified assets of the bank are held as backing of those issued notes.

The cost of printing of notes is charged to the profit and loss account as and when incurred. Any fresh banknotes not yet issued and lying with the Group are not reflected in note # 21 to the financial statements.

3.26 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.

3.27 Interest income and expenses

Interest income and expenses are recognised in the statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Interest income and expenses include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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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.

3.28 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.

3.29 Dividend income

Dividend income is recognised in the separate financial statements of the Bank when the right to receipt of income is established.

3.30 Revenue from sale of other security products by the Subsidiary

Revenue from net sales of the Group reported in the consolidated financial statements represents printing and supply of Other Security Products (OSP), which are recognized after fulfilment of the criteria as mentioned in the five-step model following IFRS 15: Revenue from contracts with Customers. Revenue from OSP is recognized when the said products are delivered to relevant customers, as this is the point where the Group discharges its performance obligation.

3.31 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 recognized in the statement of profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Present applicable income tax rate is 27.5 % (2022: 27.5%).

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

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and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiary to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3.32 Subsequent events

Events after the reporting date that provide additional information about the Group's position at the reporting date or those that indicate the going concern assumption is not appropriate are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes when material in compliance with IAS 10 Events after the Reporting Period. Up to the date the financial statements were authorized for issue, no events have occurred which require to disclose in the financial statements.

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	30-Jun-23	30-Jun-22
4 Foreign currency accounts		
Represents the equivalent accumulated value of different foreign currency accounts held with other central banks and with foreign commercial banks located outside Bangladesh.		
Balance held with		
Other central banks	67,409,046	72,463,843
Foreign commercial banks	21,537,798	6,055,962
Total	88,946,844	78,519,805
5 Foreign investments		
Overnight investment	469,186,507	333,247,420
Short term deposits with overseas commercial banks	250,233,646	650,493,866
US Dollar treasury bills	23,067,946	93,246,868
Foreign bonds	925,811,866	1,046,239,303
US treasury notes	656,339,744	658,982,606
Total	2,324,639,709	2,782,210,063
6 International Monetary Fund related assets and liabilities		
6.01 Assets held with International Monetary Fund		
Quota	150,377,636	132,344,985
Quota(IMF) paid by Government*	(14,546,567)	(14,546,567)
SDR holding	278,149,209	258,631,660
Refundable Commitment fee to IMF	47,699	-
Interest receivable on SDR holding	1,882,351	301,040
Total	415,910,328	376,731,118
*The amount represents 25% of increased quota amount (SDR 533.30 million) which was paid in foreign currency. The increased quota was effected in 2016		
6.01 Liabilities with International Monetary Fund		
IMF securities	212,779,364	158,117,094
Advances to Government against RFI from IMF**	(41,268,430)	(41,268,430)
Advances to Government against ECF from IMF***	(7,937,849)	-
Advances to Government against EFF from IMF***	(15,954,887)	-
IMF-1 and IMF-2 account	1,917,565	1,714,988
SDR allocation	216,095,322	190,181,022
IMF Extended Credit Facility (ECF)	33,315,994	28,359,993
Interest payable	1,379,126	209,639
Total	400,326,205	337,314,306

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Bangladesh has been a member of the International Monetary Fund ("IMF") since 1972. According to the Articles of agreement of IMF(Article V and Article XIII), 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. Following the guidelines of IMF Financial Operations 2018, Bangladesh Bank presents the financial position with the IMF in the Bank's financial statements on gross basis.

The quota of Bangladesh is its membership subscription. Quota is the amount of money that each IMF member country is required to contribute to the IMF. A member must pay its subscription in full upon joining the fund; up to 25 percent must be paid in SDRs or widely accepted currencies such as the US Dollar, the EURO, the YEN or the Pound Sterling, while the rest is paid in the member's own currency. The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly paid in reserve assets, partly by the Government of Bangladesh and partly by deposits to the IMF account maintained with the Bank.

Special Drawing Rights (SDR) are allocated by the IMF to members on the basis of members' quota at the time of the SDR allocation. Bangladesh Bank pays interest on its SDR allocations and earns interest on its holdings of SDR.

Bangladesh Bank updated the IMF's BDT account; IMF Account- 1 & 2, maintained with Bangladesh and other accounts namely IMF Securities, SDR Allocation, IMF Extended Credit Facility etc. are translated to Taka at the exchange rate ruling at 30 June 2023.

**On request of the Government of Bangladesh for emergency financing due to COVID-19 pandemic, IMF approved a purchase of SDR 355.53 million (about US dollar 488 million or 33.33% of quota) under the Rapid Financing Instrument (RFI) to address the urgent balance-of-payments and fiscal needs of Bangladesh. As depository, Bangladesh Bank received the fund on 02.06.2020 and deposited the same amount to a Government account as per prior consent of IMF. However, Ministry of Finance has a promissory note against RFI financing in requirement of IMF and is recorded by Bangladesh Bank in the Securities Account, an account maintained on behalf of IMF as depository, against creating a contra account named "Advances to Government against RFI from IMF".

It requires to be disclosed that under that arrangement SDR 177,770,000.00 (USD 243,903,777.58) was received as Rapid Credit Facility (RCF) and as per MoU signed by Bangladesh Bank and Ministry of Finance the whole amount was transferred to the Government of Bangladesh (GoB) account and hence no outstanding amount lies with Bangladesh Bank.

***Against the backdrop of Bangladesh's request for an extended arrangement under the Extended Fund Facility (EFF), an arrangement under the Extended Credit Facility (ECF) and an arrangement under the Resilience and Sustainability Fund (RSF)- the first installment of ECF and EFF was received by the amount of SDR 117,450,000.00 (USD 158,756,978.14) and SDR 234,900,000.00 (USD 317,513,956.28) respectively. As per the arrangement, Fifty percent of the amount received is subsequently transferred to the Government of Bangladesh (GoB) account as budgetary support creating contra asset accounts named 'Advances to Government against ECF from IMF' and 'Advances to Government against EFF from IMF'

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	30-Jun-23	30-Jun-22
7 Gold and silver		
Gold	53,693,558	44,978,594
Silver	399,841	327,573
Total	<u>54,093,399</u>	<u>45,306,167</u>
<p>The Bank has in total 451,168.61 troy ounces of gold and 168,728.15 troy ounces of silver under its holding. Out of the total holding, 188,927.51 troy ounces of gold is held at the Bank of England which is subjected to lending operation and 75,966.20 troy ounces of gold & 168,728.15 troy ounce of silver is stored at the own local vault of Bangladesh Bank.</p>		
8 Claims from gold transactions	<u>37,757,643</u>	<u>31,629,227</u>
<p>Out of the total Gold holdings mentioned in note 7, remaining 186,274.90 troy ounces is invested in SCB-London & HSBC-London which are presented as claims from gold transactions.</p>		
9 Foreign currency loans to banks		
Export Development Fund (EDF) Dollar investment	458,023,377	653,658,800
Long Term Financing Facility (LTFF) Investment under FSSP	13,801,487	16,422,160
Green Transformation Fund	18,301,769	16,797,685
Deposit in Central Bank of Sri Lanka	21,291,694	18,761,840
Total	<u>511,418,327</u>	<u>705,640,485</u>
10 Other foreign currency financial assets		
SWIFT shares	80	80
Interest receivable	11,226,096	9,897,427
Other receivable*	5,224,144	5,224,144
Total	<u>16,450,320</u>	<u>15,121,651</u>

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As at and for the year ended 30 June 2023

Bank has bought one share of SWIFT as part of membership of the said organization. Face value of the share is equivalent to Taka 80,474.57.

On 04 February 2016 USD 101 million was heisted from the reserve account of Bangladesh Bank maintained with the Federal Reserve Bank of New York through cyber hacking. Out of the heisted money, USD 20 million was recovered immediately from Sri Lanka and later on USD 14.6 million was recovered from the Philippines. Coordinated efforts of all relevant parties are ongoing to recover the remaining USD 66 (approx.) million.

Bangladesh Bank filed a case against 20 defendants including Rizal Commercial Banking Corporation (RCBC) in the US Federal Court on 31 January 2019. The defendants filed Motion to Dismiss against the case and the court dismissed their appeal. In addition, the court dismissed the only Federal claim of Bangladesh Bank i.e: RICO (Racketeers Influenced Corrupt Organization) claim in the same judgment. Following the dismissal of Bangladesh Bank's only RICO claim in the Federal Court, a case was filed against the same defendants in the New York County Supreme Court (State Court) on 27 May 2020 against which the defendants filed Motion to dismiss. On 13 January 2023, the court dismissed the Motion to Dismiss and instructed the defendants to file their reply. Kim Wong (defendant) appealed against the judgment and on 30 May 2023, the US Appellate Court dismissed the appeal, which means the case filed against him by Bangladesh Bank will continue in US Court. The state court also ruled in favor of Bloomberg (Solaire) and Eastern Hawaii's Motion to dismiss. Bangladesh Bank appealed against the judgment but the court dismissed the appeal.

In response to Bangladesh's Mutual Legal Assistance Request, the Department of Justice (DoJ) of the Philippines has been providing necessary legal assistance to Bangladesh. DoJ has filed a number of cases against concerned defendants which are ongoing in the Courts of the Philippines. In a case, the court convicted Ms. Maia Santos Deguito, the then manager of RCBC's Makati branch and sentenced her to 32-56 years of imprisonment and a fine of USD 109 million. She appealed against the judgment and on 19 April 2023 the court of Appeal dismissed the appeal. In another case, a Philippines court sentenced Ms. Angela Ruth Torres (Torres), former Branch Senior Customer Relations Officer of RCBC Bank's Jupiter branch, to 4-5 years of imprisonment and a fine of 1.5 million Philippine pesos. In addition, hearing on 15 cases filed against the president and treasurer of the Philrem Service Corporation were held in the three courts of the Philippines during the period of 30 January to 03 February 2023.

On 15 March 2016 a case was filed on behalf of Bangladesh Bank at the Motijheel Police Station, Dhaka, which is currently under investigation by the Criminal Investigation Department (CID) of Bangladesh Police. It is known that the forensic report of the said case has been completed by the CID. The concerned court has extended the time for submitting the investigation report of the said case up to 31 July 2023.

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
11 Consolidated Taka coin and cash balances	2,319,221	3,625,873
Taka coin	1,263,737	448,927
Cash balances	3,582,958	4,074,800
Total		
11.01 Taka coin and cash balances	2,319,221	3,625,873
Taka coin	26,411	39,051
Cash balances	2,345,632	3,664,924
Total		
Taka coin and cash balances represent the face value of one, two and five taka coins and notes held by the Bank purchased through SPCBL from the Government at respective face values, cash and cash equivalents held by SPCBL and cash deposit with Sonali Bank Limited, Mymensingh branch.		
12 Loans to the Government of Bangladesh	80,000,000	7,268,500
Ways and means advance (WMA)	98,018,700	-
Overdraft-Current	178,018,700	7,268,500
Total		
13 Consolidated local currency investments	504,989,926	187,751,353
Treasury bills	792,630,759	343,272,850
Treasury bonds	16,558,042	17,191,887
Short term money market investments*	3,945,000	3,945,000
Debenture - BHBFC	7,452	7,452
Shares- ICB Islamic Bank Limited**	1,318,131,179	552,168,542
Total		
*These represent the total amount of term deposits by SPCBL with different local commercial banks.		
**SPCBL holds 745,200 shares of BDT10 each of ICB Islamic Bank Ltd. (Formerly the Oriental Bank Ltd.) as per Bangladesh Bank Circular No - BRPD (R-1) 651/9(10)/2007-446 dated 2 August, 2007.		
13.01 Local currency investments	504,989,926	187,751,353
Treasury bills	792,630,759	343,272,850
Treasury bonds	3,945,000	3,945,000
Debenture - BHBFC	12,000,000	12,000,000
Investment in subsidiary	1,313,565,685	546,969,203
Total		

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
14 Consolidated local currency loans to banks, financial institutions and employees		
(i) Local currency loans to banks and financial institutions		
State owned banks:		
Commercial banks	5,633,896	6,640,863
Specialised banks*	94,438,830	51,453,404
	100,072,726	58,094,267
Other banks and financial institutions:		
Private banks	12,552,780	12,932,841
Other loans and advances	317,522,107	118,875,574
	330,074,887	131,808,415
Provision for impairment (Note 14.a)	(6,511,400)	(4,730,723)
	423,636,213	185,171,959
Interest receivable		
	2,829,655	1,595,481
Total (i)	426,465,868	186,767,440
(ii) Local currency loans and advances to employees		
Loans and advances to employees	49,979,835	46,791,409
Provision for loan losses (Note 14.b)	(629,025)	(654,445)
Total (ii)	49,350,810	46,136,964
Total loans (i+ii)	475,816,678	232,904,404

14.01 Local currency loans to banks, financial institutions and employees

(i) Local currency loans to banks and financial institutions

State owned banks:		
Commercial banks	5,633,896	6,640,863
Specialised banks*	94,438,830	51,453,404
	100,072,726	58,094,267
Other banks and financial institutions:		
Private banks	12,552,780	12,932,841
Other loans and advances	317,522,107	118,875,574
	330,074,887	131,808,415
Provision for impairment (Note 14.a)	(6,511,400)	(4,730,723)
	423,636,213	185,171,959
Interest receivable		
	2,829,655	1,595,481
Total (i)	426,465,868	186,767,440

(ii) Local currency loans and advances to employees

Loans and advances to employees	48,090,961	44,896,632
Provision for loan losses (Note 14.b)	(629,025)	(654,445)
Total (ii)	47,461,936	44,242,187
Total loans (i+ii)	473,927,804	231,009,627

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
*Specialised banks include banks catering the specific needs of different economic sectors as described below:		

Banks	Specialized Sectors
Bangladesh Krishi Bank	Agricultural
Rajshahi Krishi Unnayan Bank	Agricultural

14.a Provision for impairment

Opening balance	4,730,723	5,661,285
Charged/(Released) during the year	1,780,677	(930,562)
Total	6,511,400	4,730,723

The total impaired value sufficiently represents more than the amount calculated by the ECL model. In the ECL model, the credit rating, credit history, current market informations and other relevant informations of the financial institutions have been taken into consideration to determine the probability of default and loss given default along with the institutions which are subjected to exposure at default.

14.b Provision for loan losses

Opening balance	654,445	690,939
Charged/(Released) during the year	(25,420)	(36,494)
Total	629,025	654,445

Provision for impairment is an asset type account which is kept against possible future loss on interest from loans from employees. The released amount is due to write back of provision of rescheduled demand loan. Provision for loan losses is also an asset type account maintained for adjusting loss (both principal and interest) from staff advance.

15 Consolidated other local currency financial assets

*IBLF Investment	64,420,000	-
Interest receivables	26,107,283	4,925,687
Others	4,135	4,136
Total	90,531,418	4,929,823

15.01 Other local currency financial assets

*IBLF Investment	64,420,000	-
Interest receivables	25,247,613	4,111,196
Total	89,667,613	4,111,196

Interest receivables include interest receivable on Government Treasury bills and bonds, Debenture -HBFC etc.

* Islami Bank Liquidity Facility (IBLF).

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

16 Property, plant and equipment

Consolidated

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking equipment	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artifacts & Currency Museum	<i>In thousand BDT</i>			
											Cost	Low value assets	Right of use assets	Capital work in progress
30 June 2023														
As at 1 July 2022	37,549,823	7,367,314	8,854,215	3,720,095	760,485	343,203	952,913	2,664	88,978	7,900	74,565	364,441	591,476	60,678,072
Addition during the year	1,139,963	343,166	70,251	126,703	43,835	201	176,992	32	56,354	1,347	2,694	381,619	168,818	2,511,975
Transfers during the year	-	371	(9,584)	-	-	-	-	-	-	-	-	-	9,213	-
Disposals during the year	-	(391,516)	(2,921,312)	(8,410)	(2,304)	-	(223)	-	-	-	(5,733)	-	-	(3,329,498)
Revaluation adjustment	31,390,041	(345,686)	(312,229)	-	-	-	-	-	-	-	-	-	-	30,732,117
As at 30 June 2023	70,079,827	6,973,639	5,681,341	3,838,388	802,016	343,404	1,129,682	2,696	145,332	9,247	71,526	746,060	769,507	90,592,665
Accumulated depreciation														
As at 1 July 2022	4,256,726	4,290,064	2,506,836	475,443	325,889	747,535	2,503	71,686	332	71,255	237,067	-	-	12,985,336
Charge for the year	-	343,005	362,361	394,490	73,837	7,750	113,377	52	13,815	412	3,406	149,866	-	1,462,372
Disposals during the year	-	(383,685)	(2,920,351)	(8,086)	(2,303)	-	(223)	-	-	-	(5,730)	-	-	(3,320,379)
Revaluation adjustment	-	(324,085)	(309,927)	-	-	-	-	-	-	-	-	-	-	(634,012)
As at 30 June 2023	-	3,891,961	1,422,145	2,893,240	546,977	333,639	860,689	2,555	85,501	744	68,931	386,933	-	10,493,315
Net book value														
As at 30 June 2023	70,079,827	3,081,680	4,259,198	945,148	255,039	9,765	268,993	141	59,831	8,503	2,595	358,127	769,507	80,099,350
As at 30 June 2022	37,549,823	3,110,588	4,564,151	1,213,260	285,042	17,314	205,378	161	17,292	7,568	3,310	127,374	591,476	47,692,736

The Group's leases primarily consist of rental of office space of Sena Kallyan Bhawan situated at Motijheel, Dhaka and Dormitory spaces for Barishali, Chattogram and Rangpur Office.

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

		In thousand BDT												
Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artefacts & Currency Museum	Low value assets	Right of use assets	Capital work in progress	Total
As at 1 July 2021	36,552,023	7,240,282	8,680,024	3,374,301	712,655	344,675	945,249	2,664	81,095	1,855	71,444	262,218	919,814	59,188,299
Addition during the year	-	30,118	87,677	61,897	47,885	129	7,672	-	7,883	6,045	3,670	102,223	97,993	453,193
Transfers during the year	-	81,581	60,600	284,150	-	(253)	(55)	(1,601)	(8)	-	-	-	(426,331)	-
Disposals during the year	-	-	(227)	26,141	-	-	-	-	-	-	(549)	-	-	(2,693)
Revaluation adjustment	997,800	15,333	-	-	-	-	-	-	-	-	-	-	-	1,039,274
As at 30 June 2022	37,549,823	7,367,314	8,854,215	3,720,096	760,485	343,203	952,913	2,664	88,978	7,900	74,565	364,441	591,476	60,678,072
Accumulated depreciation														
As at 1 July 2021	-	3,863,605	3,912,099	2,138,403	405,697	317,625	648,097	2,453	59,949	219	67,480	129,785	-	11,545,412
Charge for the year	-	364,973	375,706	368,886	69,746	9,815	99,446	50	11,737	113	4,318	107,282	-	1,411,872
Disposals during the year	-	-	(227)	(253)	-	(1,551)	(8)	-	-	-	(543)	-	-	(2,582)
Adjustment	-	28,148	2,486	-	-	-	-	-	-	-	-	-	-	30,634
As at 30 June 2022	-	4,256,726	4,290,064	2,506,836	475,443	325,889	747,535	2,503	71,686	332	71,255	237,067	-	12,985,336
Net book value														
As at 30 June 2022	37,549,823	3,110,588	4,564,151	1,213,260	285,042	17,314	205,378	161	17,292	7,568	3,310	127,374	591,476	47,692,736
As at 30 June 2021	36,552,023	3,376,677	4,767,925	1,235,998	306,781	27,088	297,152	211	21,146	1,636	3,964	132,433	919,814	47,842,746

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023
16.01 Property, plant and equipment

Separate

Particulars	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artifacts & Currency Museum	<i>In thousand BDT</i>		
											Cost	Capital work in progress	Total
30 June 2023													
As at 1 July 2022	32,893,423	6,100,393	1,334,266	3,720,095	717,473	305,654	952,912	2,664	88,977	7,900	74,565	364,441	510,047
Addition during the year	1,139,963	312,782	41,464	126,703	43,312	-	176,992	32	56,354	1,347	2,694	381,619	160,307
Transfers during the year	-	371	-	-	-	-	-	-	-	-	-	(371)	2,443,569
Disposals during the year	-	(20,320)	(13,537)	(8,410)	(2,304)	-	(223)	-	-	-	(5,733)	-	(51,027)
Revaluation adjustment	31,390,041	-	-	-	-	-	-	-	-	-	-	-	31,390,041
As at 30 June 2023	65,423,427	6,392,726	1,362,193	3,838,388	758,482	305,654	1,129,682	2,696	145,332	9,247	71,526	746,060	669,984
Accumulated depreciation													
As at 1 July 2022	3,316,699	857,062	2,506,837	437,880	289,445	747,535	2,503	71,686	332	71,256	237,067	-	8,538,302
Charge for the year	329,325	71,231	394,489	73,030	6,765	113,377	52	13,815	412	3,406	149,866	-	1,155,768
Disposals during the year	-	(12,389)	(12,575)	(8,086)	(2,303)	-	(223)	-	-	(5,730)	-	-	(41,906)
As at 30 June 2023	3,633,034	915,718	2,893,240	508,607	296,211	860,689	2,554	85,502	744	68,932	386,933	-	9,652,164
Net book value													
As at 30 June 2023	65,423,427	2,759,692	446,475	945,148	249,875	9,443	268,993	142	59,330	8,503	2,594	359,127	669,984
As at 30 June 2022	32,893,423	2,783,694	477,204	1,213,258	279,593	16,210	205,377	161	17,291	7,568	3,310	127,374	510,047

The Bank's leases primarily consist of rental of office space of Sena Kallyan Bhawan situated at Motijheel, Dhaka and Domitory spaces for Barishal, Chattogram and Rangpur Office.

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

		In thousand BDT														
		30 June 2023	Land	Building and other construction	Mechanical and office equipment	Computer and networking	Fixture and fittings	Motor vehicles	Electrical installation	Gas installation	Security equipment	Artefacts & Currency Museum	Low value assets	Right of use assets	Capital work in progress	Total
Cost																
As at 1 July 2021	32,893,423	5,988,694	1,192,727	3,374,301	671,368	307,256	945,248	2,664	81,094	1,855	71,444	262,218	889,362	46,681,655		
Addition during the year	-	30,118	80,367	61,897	46,160	(1,601)	7,672	-	7,883	6,045	3,670	102,223	47,815	393,850		
Transfers during the year	-	81,581	61,399	284,150	(55)	-	-	-	-	-	-	-	(427,130)	-		
Disposals during the year	-	-	(227)	(253)	-	-	(8)	-	-	-	(549)	-	-	(2,694)		
As at 30 June 2022	32,893,423	6,100,393	1,334,266	3,720,095	717,473	305,655	952,912	2,664	88,977	7,900	74,565	364,441	510,047	47,072,810		
Accumulated depreciation																
As at 1 July 2021	-	2,965,219	788,249	2,138,404	368,609	283,654	648,097	2,453	59,949	219	67,480	129,785	-	7,452,118		
Charge for the year	-	351,480	69,040	368,886	69,271	7,342	99,446	50	11,737	113	4,318	107,282	-	1,088,765		
Disposals during the year	-	-	(227)	(253)	-	(1,551)	(8)	-	-	-	(543)	-	-	(2,582)		
As at 30 June 2022	-	3,316,699	857,062	2,506,837	437,880	289,445	747,535	2,503	71,686	332	71,256	237,067	-	8,538,301		
Net book value																
As at 30 June 2022	32,893,423	2,783,694	477,204	1,213,258	279,593	16,210	205,377	161	17,291	7,568	3,310	127,374	510,047	38,534,510		
As at 30 June 2021	32,893,423	3,023,475	404,478	1,235,897	302,582	23,640	297,151	211	21,145	1,636	3,964	132,433	889,362	39,229,397		

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
17 Intangible assets		
Intangible asset at cost	2,191,973	2,037,729
Accumulated amortisation	(1,670,082)	(1,527,438)
Capital work in progress	236,724	210,184
Total	758,615	720,476
<p>Balance represents the accumulated value of systems like Enterprise Resources Planning (ERP), Core Banking Solutions (CBS), Enterprise Data Warehouse (EDW), Real Time Gross Settlement (RTGS), Bangladesh Automated Clearing House (BACH), Bangladesh Electronic Fund Transfers Network (BEFTN), Credit Information Bureau (CIB) and Bank's in-house built software.</p>		
18 Consolidated other non-financial assets		
Prepayments and advances	1,072,637	711,299
Stock*	3,628,339	2,702,970
Sundry debtors	1,258,283	1,676,740
Total	5,959,259	5,091,009
<p>*Stocks held by the Group are primarily comprised of paper, ink, plates and related materials for printing of notes and other products at the Subsidiary. Stock are valued at the lower of cost and net realisable value. Cost of material is determined on weighted average method. Cost in relation to work-in-process and finished goods represents direct cost of materials, direct wages and an appropriate portion of production overheads.</p>		
18.01 Other non-financial assets		
Prepayments and advances	760,986	206,434
Stock	146,477	79,059
Total	907,463	285,493
19 Deposits from banks and financial institutions		
Foreign currency deposits from commercial banks	132,647,482	78,190,896
Asian Clearing Union (ACU)	115,690,536	182,564,825
Interest payable on ACU	560,274	172,770
Total	248,898,292	260,928,491
20 Other foreign currency financial liabilities		
Swap liability to CBSL*	21,291,694	18,761,840
ESCROW account**	34,968,424	-
Total	56,260,118	18,761,840

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

30-Jun-23	30-Jun-22
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*The swap liability to the Central Bank of Sri Lanka is a financial instrument which is used to hedge against the currency risk exposure assumed by the bank. Details of the swap agreement with the Central Bank of Sri Lanka are discussed in Note 3.15.

**Escrow account is a temporary liability account created for the loan repayment of Rooppur Nuclear Power Plant. This amount reflects the payment of the Government made to the creditor. The corresponding foreign currency amount are kept in foreign currency accounts.

21	Notes in circulation	3,101,560,420	2,545,233,973
Cash in hand		(122)	(60)
Total		<u>3,101,560,298</u>	<u>2,545,233,913</u>

Notes in circulation represents currency issued having a claim on Bangladesh Bank. However, cash in hand balance is the amount of issued bank note held at the Banking Department of the Bank. The denomination of notes in circulation as at 30 June was as follows:

Denomination	Number in pieces	2023	2022
10 Taka note	1,588,191,942	15,881,919	15,140,790
20 Taka note	925,791,984	18,515,840	16,416,362
50 Taka note	532,422,626	26,621,131	23,213,133
100 Taka note	1,300,661,333	130,066,133	127,129,770
200 Taka note	250,804,063	50,160,813	32,614,717
500 Taka note	2,359,269,916	1,179,634,958	987,530,502
1000 Taka note	1,680,679,626	1,680,679,626	1,343,188,699
Total	<u>8,637,821,490</u>	<u>3,101,560,420</u>	<u>2,545,233,973</u>

Liability for notes in circulation is recorded at its face value in the statement of financial position. In accordance with Article 30 of Bangladesh Bank Order, 1972, this liability is backed by the following assets:

Gold	87,948,235	12,898,958
Silver	399,841	327,573
Approved foreign exchange	2,287,450,000	2,360,000,000
Bangladesh Government securities	693,563,685	138,502,130
Taka coin	2,319,221	3,625,873
Other loans and advances	29,879,438	29,879,438
Total	<u>3,101,560,420</u>	<u>2,545,233,973</u>

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
22 Deposits from banks and financial institutions		
State owned commercial banks	189,169,085	214,772,317
Government specialised banks	23,953,199	17,831,750
Private banks	445,482,843	620,943,224
Foreign banks	49,485,391	50,199,433
Financial institutions	6,739,733	5,429,038
Other banks	32,964	86,125
Total	714,863,215	909,261,888

Deposits from banks and financial institutions comprise required reserve deposits as Cash Reserve Ratio (CRR) calculated at a rate of 4.5% (2022: 4.0%) on the bank's liability base, together with balances held for settlement purposes.

	30-Jun-23	30-Jun-22
23 Consolidated other local currency financial liabilities		
Government deposits	5,043	5,054
Other deposits (Note 23.02)	41,799,128	74,017,322
Sundry creditors account	7,456,117	7,503,646
Lease liability (Note: 23.03)	363,898	131,008
Interest suspense account	108,345	107,904
Deposits from donor agencies	27,869,898	35,508,961
Inter branch adjustments (suspense)	2,709,601	3,646,144
Provision for pension*	26,570,883	24,625,583
Provision for gratuity*	2,103,368	2,033,890
Provision for leave encashment	3,381,720	3,630,735
Loan from Govt. of Bangladesh - Central Bank Strengthening Project (Note 23.04)	2,295,014	2,352,389
Loan from Govt. of Bangladesh-Fin. Sector Support Project (Note 23.05)	21,630,017	21,630,017
Deferred tax liability	914,845	930,165
Others - subsidiary	1,600,878	1,633,282
Fund for small investor affected in capital market	5,770	25,627
Miscellaneous	1,527	1,352
Total	138,816,051	177,783,080

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
23.01 Other local currency financial liabilities		
Government deposits	5,043	5,054
Other deposits (Note 23.02)	41,799,128	74,017,322
Sundry creditors account	8,904,504	8,556,296
Lease liability (Note: 23.03)	363,898	131,008
Interest suspense account	108,345	107,904
Deposits from donor agencies	27,869,898	35,508,961
Inter branch adjustments (suspense)	2,709,601	3,646,144
Provision for pension*	26,570,883	24,625,583
Provision for gratuity*	2,086,594	1,939,387
Provision for leave encashment	3,168,063	3,397,359
0	2,295,014	2,352,389
Loan from Govt. of Bangladesh-Fin. Sector Support Project (Note 23.05)	21,630,017	21,630,017
Fund for small investor affected in capital market	5,770	25,627
Miscellaneous	1,527	1,352
Total	137,518,285	175,944,403

*Refer to note 45 for details.

23.02 Other deposits comprise Bangladesh Government special Islamic bonds fund deposit, employees provident fund deposit, liquidator bank deposit, schedule bank's insurance fund deposit, security deposit, employees co-operative societies deposits and other sundry deposits.

23.03 Lease liability

Recognized against Right of Use asset for rented office space of Sena Kallyan Bhaban situated at Motijheel, Dhaka. Apart from this, the rented space for dormitory of Chattogram, Barishal and Rangpur office are also recognized as Right of used asset. Total amount of lease liabilities fall within maturity of one to three years.

23.04 Central Bank Strengthening Project fund (CBSP)

Government of Bangladesh (GoB) signed a Credit Agreement with the International Development Association (IDA) for a Project named Central Bank Strengthening Project (CBSP). The related Credit Reference is IDA 3792 BD and the Project was meant for "Improvement of efficiency of the Bank through functional reforms and large scale automation of its' business process". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and the Bank to this effect for execution of the project. The total cost of the project was BDT 3,892 million (USD 55.60 million), of which IDA provided BDT 3,060 million (USD 43.71 million) through Government and the rest BDT 832 million (USD 11.88 million) was funded by the Bank. The project started in late 2003 and was completed on 30 April 2013.

The Bank has to repay the principal and the interest amount of the loan to Government within a tenure of 30 years starting from December 01, 2013 to June 01, 2043 as per the schedule.

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
23.05 Financial Sector Support Project (FSSP)		
Government of Bangladesh (GoB) signed a credit agreement with the International Development Association (IDA) for a Project named Financial Sector Support Project (FSSP) for amount of SDR 213,400,000. The related credit reference is 5664 BD and the Project was meant for "Improvement of the recipient's financial market infrastructure, the regulatory and oversight capacity of the project implementing entity and access to long term financing for private firms in Bangladesh". Subsequent to this agreement, a subsidiary loan agreement was signed between GoB and Bangladesh Bank on August 27, 2015 to this effect for execution of the Project. The Project was completed on March 31, 2020.		
The subsidiary loan was denominated in taka and the Bank have to repay the principal and the interest amount of the loan to Government within a tenure of 38 years including a grace period of 6 years for each disbursement from the proceeds of the credit.		
24 Capital	30,000	30,000
The entire capital of the Bank stands vested in and allotted to the Government as per Article 4(1) and 4(2) of the Bangladesh Bank Order, 1972.		
25 Consolidated revaluation reserves		
Revaluation reserve - gold and silver (Note 25.02)	60,990,612	46,074,964
Revaluation reserve - foreign currency accounts (Note 25.03)	581,430,094	387,978,795
Revaluation reserve - property, plant and equipment (Note 25.04)	71,118,650	39,752,523
Revaluation reserve - financial instruments (Note 25.05)	(60,282,771)	(37,260,698)
Total	653,256,585	436,545,584
25.01 Revaluation reserves		
Revaluation reserve - gold and silver (Note 25.02)	60,990,612	46,074,964
Revaluation reserve - foreign currency accounts (Note 25.03)	581,430,094	387,978,795
Revaluation reserve - property, plant and equipment (Note 25.04)	66,476,269	35,086,230
Revaluation reserve - financial instruments (Note 25.05)	(60,282,771)	(37,260,698)
Total	648,614,204	431,879,291
25.02 Revaluation reserve - gold and silver		
The Bank accounts for the gain/loss on revaluation of gold and silver in the statement of profit or loss and other comprehensive income and subsequently transferred to a separate account - revaluation reserve-gold and silver, which is part of equity.		
25.03 Revaluation reserve - foreign currency accounts		
The Bank accounts for the unrealised gain/loss on revaluation of foreign currency to the statement of profit or loss and other comprehensive income and subsequently transferred to a separate account - revaluation reserve-foreign currency, which is part of equity.		

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
25.04 Revaluation reserve - property, plant and equipment		
The Group accounts for the gain/loss on revaluation of property, plant and equipment in the statement of profit or loss and other comprehensive income and subsequently transferred to a separate account - revaluation reserve - property, plant and equipment, which is part of equity.		
25.04 Revaluation reserve - financial instruments		
The Bank accounts for the gain/loss on revaluation of financial instruments in the statement of profit or loss and other comprehensive income and subsequently transferred to a separate account - revaluation reserve- financial instrument, which is part of equity.		
26 Currency fluctuation reserve		
The Bank credited the realised gain on revaluation of foreign currencies to the statement of profit or loss and other comprehensive income and subsequently transferred the same to a separate account - currency fluctuation reserve account, which is part of equity.		
27 Statutory funds		
Rural credit fund (Note 27.01)	7,400,000	7,200,000
Agricultural credit stabilisation fund (Note 27.02)	7,400,000	7,200,000
Export credit fund (Note 27.03)	1,300,000	1,300,000
Industrial credit fund (Note 27.04)	2,087,852	1,937,852
Credit guarantee fund (Note 27.05)	879,194	879,194
Total	19,067,046	18,517,046

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.

27.01 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. Contribution of Taka 200 million is made for this fund during the year.

27.02 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. Contribution of Taka 200 million is made for this fund during the year.

27.03 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 is made for this fund during the year.

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
27.04 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. Contribution of Taka 150 million is made for this fund during the year.		
27.05 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 is made for this fund during the year.		
28 Non statutory funds		
Small and medium enterprise fund (Note 28.01)	7,000,000	7,000,000
Housing refinance fund	4,660,000	4,660,000
Human resources development fund (Note 28.02)	275,330	265,542
Monetary management fund (Note 28.03)	200,000	200,000
Rural Agri product processing industries refinance fund (Note 28.04)	3,410,000	3,410,000
Disaster management and social responsibility fund (Note 28.05)	900,000	100,000
Total	16,445,330	15,635,542

28.01 Small and medium enterprise fund

This fund was created as per clause 24 of Article 16 of the Bangladesh Bank Order, 1972 for refinancing facilities to the scheduled banks and financial institutions against loans and advances given to the small enterprise sector and housing refinance scheme. Appropriation to those funds are made as per decision of the Board.

25.02 Human resources development fund

Human resources development fund was created as per clause 2(n) of Article 82 of Bangladesh Bank Order, 1972 and decision taken by the Board of the Bank for development of efficiency of the Bank's officials by conducting seminar, symposium, training etc. at home and abroad. Appropriation to this fund was first made from the dividend payable to Government in the year 2010-2011. This year BDT 10.00 million was appropriated to this fund.

28.03 Monetary management fund

Monetary management fund was created as per decision of the Board of the Bank for sound and smooth operation of monetary policy activities. Appropriation to this fund was made from the dividend payable to Government for the year 2010-2011.

28.04 Rural Agri product processing industries refinance fund

This fund was created in 2001 for the purpose of financing rural Agri product processing industries. Under this scheme, there are 37 Agri product processing industries. This fund plays an important role for developing the Agri product sectors in Bangladesh.

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
28.05 Disaster management and social responsibility fund		
This fund was created by the approval of Board of Directors (341 Board Meeting held in 2013). Primarily, the fund, BDT 50 million as donation, was collected from Bangladesh Bank's 2012-2013 profit and subsequently BDT 50 million will be deducted from each year's profit transferring the amount to this fund. From financial year 2014-2015, BDT 100 million has been contributed deducting from each year's profit. This year BDT 900.00 million has been contributed.		
29 Other reserves		
Asset renewal and replacement fund (29.01)	5,820,516	5,377,761
Interest reserve (29.02)	<u>7,522,114</u>	<u>7,522,114</u>
Total	<u>13,342,630</u>	<u>12,899,875</u>
29.01 Asset renewal and replacement fund		
As per Asset renewal and replacement fund guideline, an amount of taka 442.76 million is appropriated to this account .		
29.02 Interest reserve		
As per the decision of the Board in FY 2006-2007, the total interest accrued against the overdue loan of Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank was kept as interest reserve.		
30 Consolidated general reserve	<u>5,600,500</u>	<u>5,500,500</u>
Consolidated general reserve consists of the general reserve of Bangladesh Bank and that of its subsidiary-SPCBL.		
30.01 General reserve	<u>4,250,500</u>	<u>4,250,500</u>
As per Article 59 of Bangladesh Bank Order, 1972 securities having value of BDT 30 million was allocated by the Government and held by the Bank as the general reserve. Further an amount of Taka 4,220.5 million was transferred to the reserve from general provision over the years.		
31 Consolidated retained earnings		
Opening balance	43,208,378	44,919,663
Adjustment against due from Government	-	(19,215)
Transfer to Disaster Management and Social Responsibility fund	(200,000)	-
Dividend paid	(28,476,987)	(31,099,777)
Prior year adjustment	(875)	(639)
Derecognition of reserve on account of sale and maturity of assets	23,912	30,634
Profit for the period	473,442,469	293,270,153
Appropriation of profit to other funds	(365,876,280)	(263,792,440)
Transferred to general reserve	(100,000)	(100,000)
Closing balance	<u>122,020,617</u>	<u>43,208,378</u>

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
31.01 Retained earnings		
Opening balance	28,676,987	31,118,991
Adjustment against due from Government	-	(19,215)
Transfer to Disaster Management and Social Responsibility fund	(200,000)	-
Dividend paid	(28,476,987)	(31,099,777)
Prior year adjustment	(875)	(639)
Appropriation of profit to funds	(1,902,755)	(800,976)
0	108,710,977	29,478,602
Closing balance	106,807,347	28,676,987
32 Interest income from foreign currency financial assets		
Loans to banks	19,180,222	6,364,096
Short term deposits with commercial banks	11,681,300	5,502,814
Foreign bonds and US treasury notes	18,137,119	15,691,566
US treasury bills	2,296,305	251,937
Others	8,049,207	560,588
Total	59,344,153	28,371,001
33 Commission and discounts		
Commission on foreign currency operations	660,756	278,349
Others	-	248,902
Total	660,756	527,251
34 Interest expenses on foreign currency financial liabilities		
Deposits	949,374	89,461
Asian Clearing Union (ACU)	2,773,184	300,958
IMF Charges	5,841,015	381,426
Total	9,563,573	771,845
35 Consolidated interest income on local currency financial assets		
Securities purchased under agreement to resell	7,670,616	470,661
Government securities	70,477,608	19,645,425
Loans and advance to Government	1,635,198	111,904
Debentures	190,750	190,750
Loans to banks, financial institutions and employees	8,073,030	6,895,187
Profit on Islamic investment	2,305,286	
Short term money market deposits	1,073,815	1,019,487
Total	91,426,303	28,333,414

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
35.01 Interest income from local currency financial assets		
Securities purchased under agreement to resell	7,670,616	470,661
Government securities	70,477,608	19,645,425
Loans and advance to Government	1,635,198	111,904
Debentures	190,750	190,750
Loans to banks, financial institutions and employees	7,999,587	6,821,016
Profit on Islamic investment	2,305,286	-
Total	90,279,045	27,239,756
36 Commission and discount income		
Commission income from Government sources	8,931	9,009
Miscellaneous commission income	2,038,184	2,053,469
Total	2,047,115	2,062,478
37 Other income		
Exchange A/C	24	24
Gain on asset sale or de-recognition	852	1,255
Penal Interest	1,832,558	194,007
Misc. Income	4,016	3,776
Total	1,837,450	199,062
38 Interest expense on local currency financial liabilities		
Bangladesh Bank bills	-	659,890
Interest Expense- FSSP	219,304	221,749
Interest expense - CBSP	23,380	23,954
Total	242,684	905,593
39 Commission and other expenses		
Agency charges (Note 39.01)	5,518,000	6,717,800
Under writing commission on treasury bills & bonds (Note 39.02)	481,300	441,800
Loss on amortization of treasury bond	4,294,602	-
Other expenses	59,505	82,476
Total	10,353,407	7,242,076

39.01 Agency charges

Agency charges are paid to Sonali Bank Limited for acting as agent of Bangladesh Bank.

39.02 Under writing commission on treasury bills & bonds

Underwriting commission is paid to primary dealers for issuing Govt. treasury bill and bond.

BANGLADESH BANK
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	30-Jun-23	30-Jun-22
40 Revaluation gain/(loss) on financial instruments		
Valuation gain / (loss) on US Treasury Notes Investment	(11,446,375)	(39,512,497)
Valuation gain/ (loss) on Bangladesh Government Treasury Bond	(11,760,646)	(41,861,130)
Total	(23,207,021)	(81,373,627)
41 Consolidated general and administrative expenses		
Staff costs (Note 41 (a))	14,036,948	13,567,471
Depreciation	1,486,280	1,149,660
Amortisation	142,644	131,224
Directors' fees	889	925
Audit fees	6,325	6,325
Stationery	115,319	111,372
Rent, electricity etc.	396,898	361,159
Remittance of treasure	80,567	70,073
Donations, Welfare, Sports and other administrative expenses	248,601	251,690
Telephone	128,632	130,725
Repairs & maintenance	506,258	521,023
Materials	2,991,081	3,113,296
Provision for Workers' Profit Participation Fund	105,794	101,431
Value Added Tax	336,531	349,326
Miscellaneous	3,617,997	1,014,878
Total	24,200,763	20,880,578
41 (a) Staff costs		
Salary	3,284,619	3,240,085
House rent	1,268,843	1,246,480
Contribution to contributory provident fund	821,906	809,100
Pension and gratuity	4,200,166	3,774,805
Leave encashment	10,000	578,271
General and incentive bonus	2,119,800	1,782,674
Medical expenses	614,113	584,706
Training	88,332	25,110
Travel expenses	659,204	549,021
Lunch	302,260	300,508
Other staff costs	667,705	676,711
Total	14,036,948	13,567,471

BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

	30-Jun-23	30-Jun-22
41.01 General and administrative expenses		
Staff costs (Note 41.02)	13,198,925	12,590,404
Depreciation	1,155,768	1,088,811
Amortization	142,644	131,224
Directors' fee	608	573
Audit fee	5,750	5,750
Stationery	109,716	108,487
	255,947	244,008
Remittance of treasure	80,099	69,608
Donations	208,852	224,535
Telephone	128,174	130,077
Repairs	467,736	488,196
Miscellaneous	3,561,142	973,031
Total	19,315,360	16,054,704
41.02		
Staff costs		
Salary	2,928,542	2,888,680
House rent	1,268,843	1,246,480
Contribution to contributory provident fund	821,906	809,100
Pension and gratuity	4,139,982	3,524,622
Leave encashment	-	578,271
General and incentive bonus	1,927,716	1,620,646
Medical expenses	591,651	563,076
Training	88,332	25,012
Travel expenses	644,888	534,652
Lunch	269,662	265,800
Other staff costs	517,401	534,065
Total	13,198,925	12,590,404

BANGLADESH BANK**NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

42 Financial instruments-Fair values and risk management**42.01 a. Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Consolidated

Particulars	30 June 2023			Fair value			Total
	Amortised Cost	Fair value through OCI	Carrying amount profit or loss	Total	Level 1	Level 2	
Financial assets measured at fair value							
US treasury bills	23,067,946	-	-	23,067,946	-	-	23,067,946
Foreign bonds	925,811,866	-	-	925,811,866	-	-	925,811,866
US Treasury Notes	-	656,339,744	-	656,339,744	-	-	656,339,744
Gold and silver	-	54,093,399	-	54,093,399	54,093,399	-	54,093,399
Claims from Gold Transaction	-	37,757,643	-	37,757,643	37,757,643	-	37,757,643
Treasury bills	504,989,925.60	-	-	504,989,926	504,989,926	-	504,989,926
Treasury bonds	-	792,630,759	-	792,630,759	792,630,759	-	792,630,759
Swift shares	-	-	-	-	-	-	-
Debtenture - House Building Finance Corporation	3,945,000	-	-	3,945,000	-	-	3,945,000
	1,457,814,737	1,540,821,544	-	2,998,636,282	2,998,636,282	-	2,998,636,282
Financial assets not measured at fair value							
Taka coin and cash balances	3,582,958	-	-	3,582,958	-	-	-
Foreign currency accounts	88,946,844	-	-	88,946,844	-	-	-
Oversight investment	469,186,507	-	-	469,186,507	-	-	-
Short term deposits with overseas commercial banks	250,233,646	-	-	250,233,646	-	-	-
Asset held with IMF	415,910,328	-	-	415,910,328	-	-	-
Foreign currency loans to banks	511,418,327	-	-	511,418,327	-	-	-
Interest receivable	11,226,096	-	-	11,226,096	-	-	-
Other receivable	5,224,144	-	-	5,224,144	-	-	-
Ways and means advance	80,000,000	-	-	80,000,000	-	-	-
Short term money market investments	186,020,792	-	-	186,020,792	-	-	-
Share of ICB Islamic Bank Limited	7,452	-	-	7,452	-	-	-
Loan to commercial banks	5,633,896	-	-	5,633,896	-	-	-
Loan to specialised banks	94,438,830	-	-	94,438,830	-	-	-
Loan to private banks	12,552,780	-	-	12,552,780	-	-	-
Other loans and advances	317,522,107	-	-	317,522,107	-	-	-
Interest receivable	2,829,655	-	-	2,829,655	-	-	-
Loans and advances to employees	49,350,810	-	-	49,350,810	-	-	-
Other local currency financial assets	90,531,418	-	-	90,531,418	-	-	-
	2,594,616,589	-	-	2,594,616,589	-	-	2,594,616,589

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NOTES TO THE FINANCIAL STATEMENTS
As at and for the year ended 30 June 2023

Particulars	30 June 2022			30 June 2022					
	Amortised Cost	Fair value through OCI	Carrying amount Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Fair value	Total
Financial liabilities measured at fair value									
Nil	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value									
Liabilities with MF	400,326,205	-	-	400,326,205	-	-	-	-	-
Foreign currency deposits by commercial banks	132,647,482	-	-	132,647,482	-	-	-	-	-
Asian Cleaning Union (ACU)	116,250,811	-	-	116,250,811	-	-	-	-	-
Notes in circulation	3,101,560,298	-	-	3,101,560,298	-	-	-	-	-
Local currency deposits from banks and financial institutions	714,863,215	-	-	714,863,215	-	-	-	-	-
Financial assets measured at fair value	4,485,648,011	-	-	4,485,648,011	-	-	-	-	-
US treasury bills	93,246,868	-	-	93,246,868	-	-	-	-	-
Foreign bonds	1,046,239,303	-	-	1,046,239,303	-	-	-	-	-
US Treasury Notes	-	658,982,606	-	658,982,606	-	-	-	-	-
Gold and silver	-	45,306,167	-	45,306,167	-	-	-	-	-
Claims from gold transactions	-	31,629,227	-	31,629,227	-	-	-	-	-
Treasury bills	187,751,353	-	-	187,751,353	-	-	-	-	-
Treasury bonds	-	343,272,850	-	343,272,850	-	-	-	-	-
Swift shares	80	-	-	80	-	-	-	-	-
Debtenture - House Building Finance Corporation	3,945,000	-	-	3,945,000	-	-	-	-	-
Financial assets not measured at fair value	1,331,182,604	-	1,075,190,849	2,410,373,454	2,406,428,374	3,944,989	80	2,410,373,454	80
Taka coin and cash balances	4,074,800	-	-	4,074,800	-	-	-	-	-
Foreign currency accounts	78,519,805	-	-	78,519,805	-	-	-	-	-
Oversight investment	333,247,420	-	-	333,247,420	-	-	-	-	-
Short term deposits with overseas commercial banks	650,493,866	-	-	650,493,866	-	-	-	-	-
Asset held with IMF	376,731,118	-	-	376,731,118	-	-	-	-	-
Foreign currency loans to banks	705,640,485	-	-	705,640,485	-	-	-	-	-
Interest receivable	9,897,427	-	-	9,897,427	-	-	-	-	-
Other receivable	5,224,144	-	-	5,224,144	-	-	-	-	-
Ways and Means advance	7,268,500	-	-	7,268,500	-	-	-	-	-
Short term money market investments	19,371,887	-	-	19,371,887	-	-	-	-	-
Share of ICB Islamic Bank Limited	7,452	-	-	7,452	-	-	-	-	-
Loan to commercial banks	6,640,863	-	-	6,640,863	-	-	-	-	-
Loan to specialised banks	46,722,681	-	-	46,722,681	-	-	-	-	-
Loan to private banks	12,932,841	-	-	12,932,841	-	-	-	-	-
Other loans and advances	118,875,574	-	-	118,875,574	-	-	-	-	-
Interest receivable	1,595,481	-	-	1,595,481	-	-	-	-	-
Loans and advances to employees	46,136,964	-	-	46,136,964	-	-	-	-	-
Other local currency financial assets	4,929,823	-	-	4,929,823	-	-	-	-	-
Financial liabilities measured at fair value	2,428,311,130	-	-	2,428,311,130	-	-	-	-	-
Nil	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value									
Liabilities with MF	337,314,306	-	-	337,314,306	-	-	-	-	-
Foreign currency deposits by commercial banks	78,190,886	-	-	78,190,886	-	-	-	-	-
Asian Cleaning Union (ACU)	182,737,595	-	-	182,737,595	-	-	-	-	-
Notes in circulation	2,545,233,913	-	-	2,545,233,913	-	-	-	-	-
Local currency deposits from banks and financial institutions	909,261,888	-	-	909,261,888	-	-	-	-	-
4,052,738,598	-	-	-	4,052,738,598	-	-	-	-	-

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Particulars	Amortised Cost	Fair value through OCI	Carrying amount	30 June 2023				Fair value profit or loss	Total	Level 1	Level 2	Level 3	Total					
				Fair value														
<i>Financial assets measured at fair value</i>																		
US treasury bills	23,067,946	-	-	-	23,067,946	-	-	-	-	-	-	-	23,067,946					
Foreign bonds	925,811,866	-	-	-	925,811,866	-	-	-	-	-	-	-	925,811,866					
US Treasury Notes	-	656,339,744	-	-	656,339,744	-	-	-	-	-	-	-	656,339,744					
Gold and silver	-	54,093,399	-	-	54,093,399	-	-	-	-	-	-	-	54,093,399					
Claims from Gold Transaction	-	37,157,643	-	-	37,157,643	-	-	-	-	-	-	-	37,157,643					
Treasury bills	504,989,926	-	-	-	504,989,926	-	-	-	-	-	-	-	504,989,926					
Treasury bonds	-	792,630,759	-	-	792,630,759	-	-	-	-	-	-	-	792,630,759					
Swift shares	-	80	80	-	80	-	-	-	-	-	-	-	80					
Investment in subsidiary	-	12,000,000	-	-	12,000,000	-	-	-	-	-	-	-	12,000,000					
Debtenture - House Building Finance Corporation	3,945,000	-	-	-	3,945,000	-	-	-	-	-	-	-	12,000,000					
Financial assets not measured at fair value	1,457,814,737	1,552,821,625	-	-	3,010,536,362	2,994,691,282	3,944,599	3,944,599	12,000,080	3,010,636,362	-	-	3,010,636,362					
Taka coin and cash balances	2,345,632	-	-	-	2,345,632	-	-	-	-	-	-	-	2,345,632					
Foreign currency accounts	88,946,844	-	-	-	88,946,844	-	-	-	-	-	-	-	88,946,844					
Oversight investment	469,186,507	-	-	-	469,186,507	-	-	-	-	-	-	-	469,186,507					
Short term deposits with overseas commercial banks	250,233,646	-	-	-	250,233,646	-	-	-	-	-	-	-	250,233,646					
Asset held with IMF	415,910,328	-	-	-	415,910,328	-	-	-	-	-	-	-	415,910,328					
Foreign currency loans to banks	511,418,327	-	-	-	511,418,327	-	-	-	-	-	-	-	511,418,327					
Interest receivable	11,226,096	-	-	-	11,226,096	-	-	-	-	-	-	-	11,226,096					
Other receivable	5,224,144	-	-	-	5,224,144	-	-	-	-	-	-	-	5,224,144					
Ways and means advance	80,000,000	-	-	-	80,000,000	-	-	-	-	-	-	-	80,000,000					
Securities purchased under agreement to resell	169,462,750	-	-	-	169,462,750	-	-	-	-	-	-	-	169,462,750					
Loan to commercial banks	5,633,896	-	-	-	5,633,896	-	-	-	-	-	-	-	5,633,896					
Loan to specialised banks	94,438,830	-	-	-	94,438,830	-	-	-	-	-	-	-	94,438,830					
Loan to private banks	12,552,780	-	-	-	12,552,780	-	-	-	-	-	-	-	12,552,780					
Other loans and advances	317,522,107	-	-	-	317,522,107	-	-	-	-	-	-	-	317,522,107					
Interest receivable	2,829,655	-	-	-	2,829,655	-	-	-	-	-	-	-	2,829,655					
Loans and advances to employees	47,461,936	-	-	-	47,461,936	-	-	-	-	-	-	-	47,461,936					
Other local currency financial assets	89,667,613	-	-	-	89,667,613	-	-	-	-	-	-	-	89,667,613					
Financial liabilities measured at fair value	2,574,061,090	-	-	-	2,574,061,090	-	-	-	-	-	-	-	2,574,061,090					
Financial liabilities not measured at fair value	Nil	-	-	-	-	-	-	-	-	-	-	-	-					
Liabilities with IMF	400,326,205	-	-	-	400,326,205	-	-	-	-	-	-	-	400,326,205					
Foreign currency deposits by commercial banks	132,647,482	-	-	-	132,647,482	-	-	-	-	-	-	-	132,647,482					
Asian Clearing Union (ACU)	116,250,811	-	-	-	116,250,811	-	-	-	-	-	-	-	116,250,811					
Notes in circulation	3,101,560,298	-	-	-	3,101,560,298	-	-	-	-	-	-	-	3,101,560,298					
Local currency deposits from banks and financial institutions	714,863,215	-	-	-	714,863,215	-	-	-	-	-	-	-	714,863,215					
4,465,648,011	-	-	-	-	4,465,648,011	-	-	-	-	-	-	-	4,465,648,011					

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Particulars	30 June 2022			In Thousand BDT					
	Amortised Cost	Fair value through OCI	Carrying amount Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Fair value	Total
Financial assets measured at fair value									
US treasury bills	93,246,868	-	-	93,246,868	-	-	-	-	93,246,868
Foreign bonds	1,046,239,303	668,982,806	-	1,046,239,303	668,982,806	-	-	-	1,046,239,303
US Treasury Notes	-	45,306,167	-	45,306,167	-	-	-	-	45,306,167
Gold and silver	-	31,629,227	-	31,629,227	-	-	-	-	31,629,227
Claims from Gold Transactions	187,751,353	-	-	187,751,353	-	-	-	-	187,751,353
Treasury bills	-	343,272,850	-	343,272,850	343,272,850	-	-	-	343,272,850
Swift shares	80	-	-	80	-	-	-	-	80
Investment in subsidiary	-	12,000,000	-	12,000,000	-	-	-	-	12,000,000
Depenture - House Building Finance Corporation	3,945,000	-	-	3,945,000	-	-	-	-	3,945,000
	1,331,182,604	1,091,190,849	-	2,422,373,454	2,406,428,374	2,422,373,454	-	3,944,999	12,000,080
Financial assets not measured at fair value									
Taka coin and cash balances	3,664,924	-	-	3,664,924	-	-	-	-	3,664,924
Foreign currency accounts	78,519,805	-	-	78,519,805	-	-	-	-	78,519,805
Overtight investment	333,247,420	-	-	333,247,420	-	-	-	-	333,247,420
Short term deposits with overseas commercial banks	650,493,866	-	-	650,493,866	-	-	-	-	650,493,866
Asset held with IMF	376,731,118	-	-	376,731,118	-	-	-	-	376,731,118
Foreign currency loans to banks	705,640,485	-	-	705,640,485	-	-	-	-	705,640,485
Interest receivable	9,897,427	-	-	9,897,427	-	-	-	-	9,897,427
Other receivable	5,224,144	-	-	5,224,144	-	-	-	-	5,224,144
Securities purchased under agreement to resell	7,268,500	-	-	7,268,500	-	-	-	-	7,268,500
Ways and Means Advance	2,180,000	-	-	2,180,000	-	-	-	-	2,180,000
Loan to commercial banks	6,640,863	-	-	6,640,863	-	-	-	-	6,640,863
Loan to specialised banks	46,722,681	-	-	46,722,681	-	-	-	-	46,722,681
Loan to private banks	12,932,841	-	-	12,932,841	-	-	-	-	12,932,841
Other loans and advances	118,875,574	-	-	118,875,574	-	-	-	-	118,875,574
Interest receivable	1,595,481	-	-	1,595,481	-	-	-	-	1,595,481
Loans and advances to employees	44,242,187	-	-	44,242,187	-	-	-	-	44,242,187
Other local currency financial assets	4,111,196	-	-	4,111,196	-	-	-	-	4,111,196
	2,407,988,511	-	-	2,407,988,511	-	-	-	-	2,407,988,511
Financial liabilities measured at fair value									
Nil	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value									
Liabilities with IMF	337,314,306	-	-	-	-	-	-	-	337,314,306
Foreign currency deposits by commercial banks	78,190,886	-	-	-	-	-	-	-	78,190,886
Asian Cleaning Union (ACU)	182,737,595	-	-	-	-	-	-	-	182,737,595
Notes in circulation	2,545,233,913	-	-	-	-	-	-	-	2,545,233,913
Local currency deposits from banks and financial institutions	909,261,888	-	-	-	-	-	-	-	909,261,888
	4,052,738,598	-	-	-	-	-	-	-	4,052,738,598

As at 30 June 2022, the Group holds level 3 financial instruments only on SWIFT shares and investment in subsidiary. Management believes that the fair value of these shares are equal to its carrying amount. A Level 3 reconciliation table has not been disclosed as no change in fair value of investment from last year.

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42.01 b. Valuation techniques used in determination of fair values within level 2 and level 3

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Fair value have been based on management assumptions according to the portfolio of the asset and liability base.

Fair value of foreign securities is based on quoted market prices, at the reporting date. Local currency financial investments includes shares in SPCBL with a value of BDT 12,000,000,000 (2021: BDT 12,000,000,000) & Debentures of HBFC with a value of BDT 3,945,000,000 (2022: BDT 3,945,000,000) for which fair value cannot be reliably determined as they are not traded in the active market and there are no similar instruments with similar characteristics. Management believes that the fair value of these shares are their carrying value.

Loans to Government (overdraft- current) are carried at cost as the interest accrued is recovered on a daily basis. Treasury bills and bonds are classified as Fair Value Through Other Comprehensive Income (OCI) and are carried at fair value. Loans to banks, financial institutions and employees are carried at amortized cost and are net of provisions for impairment. The fair value approximates their carrying value.

42.02 Financial Risk Management

The Group has exposure to the following risks arising from financial instruments :

- I. Credit risk
- II. Liquidity risk
- III. Market risk
- IV. Operational risk

Risk management framework

International Financial Reporting Standard "IFRS 7 - Financial Instruments: Disclosures" requires disclosure of information relating to both recognised and unrecognised financial instruments, their significance and performance, accounting policies, terms and conditions, net fair values and risk information- the Group's policies for controlling risks and exposures.

The Bank is involved in policy-oriented activities. Therefore, the Bank's risk management framework differs from the risk management framework for most other financial institutions. The main financial risks to which the Bank is exposed include credit risk, foreign exchange risk and interest rate risk. In the management of foreign reserves, minimising liquidity risk is the prime consideration in order to ensure the availability of currency as required. Like most central banks, the nature of the Bank's operations create exposure to a range of operational and reputational risks also.

The Bank's management seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. Experienced staff

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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 investment portfolio is managed in line with investment guidelines approved by the Board. The Investment Committee chaired by Deputy Governor of the Bank is responsible for monitoring and implementation of risk mitigation measures prescribed in the "Reserve Management Guideline" and making sure that the Bank operates within the established risk parameters. Typical activities of the Investment Committee are reviewing the monthly reports, approving the list of eligible counterparties, approving changes to the strategy before submitting them to the Board and providing suggestion regarding important tactical decisions on asset allocation.

The Bank is subject to an annual audit by two external auditors who are appointed by the Government as prescribed in Article 65 (1) of the Bangladesh Bank Order, 1972. Auditing arrangements are overseen by the Audit Committee of the Board to monitor the financial reporting and audit functions within the Bank and the Committee reviews the internal audit functions as well. Audit Committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Bank's risk. The Bank seeks to ensure that the risk management framework is consistent with financial market best practices. Risk tables in this note are all based on the Bank's portfolio as reported in its statement of financial position.

I. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is monitored and managed regularly. Bangladesh Bank's maximum exposure to credit risk in relation to each class of recognized financial assets, is the carrying amount of those assets as indicated in the statement of financial position. Bangladesh Bank's exposure is to highly rated counter-parties and its credit risk is very low, with mitigates to credit risk including both the Bank's rigorous monitoring activities and, in many cases, guarantees from the government.

Impairment of financial assets

Impairment of financial assets are discussed in note 3.05(g).

Definition of Default:

The Bank defines a financial instrument as in default when the financial asset is credit - impaired and meets the following criteria:

- the borrower fails to meet its contractual payments;
- the likelihood or probability that the counterparty will enter bankruptcy or other financial reorganisation.

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Assumptions and techniques for estimating impairment under ECL:

The Bank is recording the allowance for expected credit losses (ECLs) for all loans and debt instruments that are measured at amortized cost together with loan commitment and guarantee contract. Equity instruments are not subject to ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset, unless there has been no significant increase in credit risk since initial recognition, in which case, the allowance is based on the 12 months' expected credit loss as outlined in note 3.05 (g).

The calculation of ECLs:

The Bank calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR) which is the Reverse Repo rate prevailing at the reporting date.

EAD : Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a stage 1 financial instruments, the Group assesses the possible default events

within 12 months for the calculation of the 12 months ECL. For stage 2 and stage 3 the exposure at default is considered for events over the lifetime of the instruments. The Group determines EAD by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. PDs are then assigned to each economic scenario based on the outcome of the Bank's models.

PD : Probability of default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD estimation process is based on the probability of default assigned to each counterparty according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information.

LGD : Loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

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Credit risk grades:

The probability of default assigned to each counterparty according to their external credit ratings and the related historical credit losses experience, adjusted for forward-looking information is graded according to the following table:

Grading	12 month weighted-average PD	External Rating
Performing	0%-25%	AAA to B-
Non-performing	100%	

Amounts arising from ECL:

Amounts arising from ECL have been discussed in note 14(a).

Forward looking information: The Bank formulates a view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information.

Significant increase in credit risk: The Bank considers financial assets that have experienced a significant increase in credit risk when credit rating falls below investment grade.

Collateral and other credit enhancements: To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as securities, guarantees and demand promissory notes. The collaterals held against financial assets have been disclosed in their respective notes, where applicable.

a. Concentration of credit exposure

The Bank's significant end-of-year concentrations of credit exposure, based on the country/region in which the issuers' parent was located, were as follows:

Particulars	<i>In Thousand BDT</i>			
	2023		2022	
	Consolidated	Separate	Consolidated	Separate
Bangladesh	2,828,228,264	2,819,672,764	1,557,632,413	1,549,309,795
Other Asian countries	479,876,115	479,876,115	390,330,332	390,330,332
United States of America	1,156,918,586	1,156,918,586	1,097,017,831	1,097,017,831
Europe	446,888,586	446,888,586	527,552,021	527,552,021
Australia	4,471,667	4,471,667	25,323,189	25,323,189
Others	768,377,035	768,377,035	1,240,828,797	1,240,828,797
Total	5,684,760,253	5,676,204,753	4,838,684,584	4,830,361,966

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The Bank's significant end-of-year concentrations of credit exposure, based on industry, were as follows:

Particulars	2023		2022	
	Consolidated	Separate	Consolidated	Separate
Sovereign	2,412,064,835	2,403,509,335	1,615,645,012	1,607,322,393
Supra-national	823,919,131	823,919,131	803,509,339	803,509,339
Banks & Financial Institutions	2,074,430,953	2,074,430,953	2,327,203,157	2,327,203,157
Public Sector Entities	195,770,304	195,770,304	31,986,091	31,986,091
Corporate	16,078,991	16,078,991	24,915,629	24,915,629
Others	162,496,040	162,496,040	35,425,356	35,425,356
Total	5,684,760,253	5,676,204,753	4,838,684,584	4,830,361,966

b. Credit exposures by credit rating

Following tables represent the Group's foreign currency financial assets (excluding foreign currency loans to banks) mainly based on Moody's credit rating of the issuer (or equivalent Moody's rating in case of rating by other agencies). For long term deposits Aaa is the highest quality rating possible and indicates that the entity has an exceptional credit quality and have the smallest degree of risk; Aa is excellent credit quality but are rated lower than Aaa. Aa1 indicates the higher end of Aa category, Aa2 indicates mid range ranking of Aa category and Aa3 indicates lower end of Aa category. Credit rating ranging from Ba1 to Ba3 and B1 to B3 are considered as below investment grade category. For short term deposits P-1 indicates banks rated prime -1 for deposits, and offers superior credit quality and a very strong capacity for timely payment of short-term deposit obligations; ST-1 indicates the highest capacity for timely repayment of obligations; ST-2 indicates a strong capacity for timely repayment of obligations and ST-3 indicates average capacity for timely repayment of obligations.

However, the Bank's local currency financial assets along with foreign currency loans to banks are based on credit rating from Credit Rating Information and Services Limited, Credit Rating Agency of Bangladesh Limited, Emerging Credit Rating Limited, National Credit Rating Limited, Alpha Credit Rating Limited, ARGUS Credit Rating Services Limited etc. which were preferred by respective institutions.

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As at and for the year ended 30 June 2023

Consolidated

In Thousand BDT

Particulars	Credit Rating	2023		2022	
		Amount	% of financial assets	Amount	% of financial assets
i) Foreign currency financial assets					
Foreign currency accounts	P-1	88,946,844	1.58%	78,519,805	1.64%
Overnight investment	P-1	469,186,507	8.33%	333,247,420	6.95%
Short term deposits with overseas commercial banks	P-1	250,233,646	4.44%	650,493,866	13.57%
US Dollar treasury bills	P-1	23,067,946	0.41%	93,246,868	1.95%
Foreign bonds	Aaa	636,077,802	11.30%	669,843,472	13.97%
Foreign bonds	Aa1, Aa2, Aa3	94,485,526	1.68%	109,654,174	2.29%
Foreign bonds	A1, A2, A3	78,239,196	1.39%	102,989,451	2.15%
Foreign bonds	Baa1, Baa2,				
Foreign bonds	Baa3, Ba1, Ba2, Ba3, B1, B2, B3	117,009,342	2.08%	163,752,206	3.42%
US Treasury Notes	Aaa	656,339,744	11.66%	658,982,606	13.75%
Foreign currency loans to banks	A	23,106,685	0.41%	22,022,104	0.46%
Foreign currency loans to banks	Aaa to Aa	435,714,329	7.74%	660,659,523	13.78%
Foreign currency loans to banks	Baa, Ba, B	50,008,120	0.89%	3,306,591	0.07%
Foreign currency loans to banks	Unrated	2,589,193	0.05%	19,652,268	0.41%
Claims from Gold transaction	A3	37,757,643	0.67%	31,629,227	0.66%
Assets held with International Monetary Fund	Unrated	415,910,328	7.39%	376,731,118	7.86%
Other foreign currency financial assets	Unrated	16,450,320	0.29%	15,121,651	0.32%
Total		3,395,123,170	60.30%	3,989,852,349	83.24%
ii) Local currency financial assets					
Loans to the Government of Bangladesh	Ba3	178,018,700	3.16%	7,268,500	0.15%
Securities purchased under agreement to resell	A	169,462,750	3.01%	2,180,000	0.05%
Local currency investments	Unrated	1,318,131,179	23.41%	552,168,542	11.52%
Loans to banks, financial institutions	A	36,069,319	0.64%	7,654,757	0.16%
Loans to banks, financial institutions	Aaa to Aa	312,098,427	5.54%	101,888,285	2.13%
Loans to banks, financial institutions	Ba to B	11,855,559	0.21%	54,534,481	1.14%
Loans to banks, financial institutions	Baa	1,969,624	0.03%	379,058	0.01%
Loans to banks, financial institutions	Unrated	64,025,959	1.14%	22,310,858	0.47%
Loans to employees	-	49,350,810	0.88%	46,136,964	0.96%
Other local currency financial assets	-	90,531,418	1.61%	4,929,823	0.10%
Taka coin and cash balances	-	3,582,958	0.06%	4,074,800	0.09%
Total		2,235,096,703	39.70%	803,526,068	16.76%
Total financial assets (i+ii)		5,630,219,873	100.00%	4,793,378,417	100.00%

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Separate

Particulars	Credit Rating	2023		2022		<i>In Thousand BDT</i>
		Amount	% of financial assets	Amount	% of financial assets	
i) Foreign currency financial assets						
Foreign Currency Accounts	P-1	88,946,844	1.58%	78,519,805	1.64%	
Overnight investment	P-1	469,186,507	8.35%	333,247,420	6.96%	
Short term deposits with overseas commercial banks	P-1	250,233,646	4.45%	650,493,866	13.59%	
US Dollar treasury bills	Aaa	23,067,946	0.41%	93,246,868	1.95%	
Foreign bonds	Aaa	636,077,802	11.31%	669,843,472	14.00%	
Foreign bonds	Aa1, Aa2, Aa3	94,485,526	1.68%	109,654,174	2.29%	
Foreign bonds	A1, A2, A3	78,239,196	1.39%	102,989,451	2.15%	
Foreign bonds	Baa1, Baa2,					
Foreign bonds	Baa3, Ba1, Ba2,	117,009,342	2.08%	163,752,206	3.42%	
US Treasury Notes	Baa3, B1, B2, B3					
Foreign currency loans to banks	Aaa	656,339,744	11.68%	658,982,606	13.77%	
Foreign currency loans to banks	A	23,106,685	0.41%	22,022,104	0.46%	
Foreign currency loans to banks	Aaa to Aa	435,714,329	7.75%	660,659,523	13.81%	
Foreign currency loans to banks	Baa, Ba, B	50,008,120	0.89%	3,306,591	0.07%	
Foreign currency loans to banks	Unrated	2,589,193	0.05%	19,652,268	0.41%	
Claims from Gold transaction	A3	37,757,643	0.67%	31,629,227	0.66%	
Assets held with International Monetary Fund	Unrated	415,910,328	7.40%	376,731,118	7.87%	
Other foreign currency financial assets	Unrated	16,450,320	0.29%	15,121,651	0.32%	
Total		3,395,123,170	60.39%	3,989,852,349	83.38%	
ii) Local currency financial assets						
Loans to the Government of Bangladesh	Ba3	178,018,700	3.17%	7,268,500	0.15%	
Securities purchased under agreement to resell	A	169,462,750	3.01%	2,180,000	0.05%	
Local currency investments	Unrated	1,313,565,685	23.37%	546,969,203	11.43%	
Loans to banks, financial institutions	A	36,069,319	0.64%	7,654,757	0.16%	
Loans to banks, financial institutions	Aaa to Aa	312,098,427	5.55%	101,888,285	2.13%	
Loans to banks, financial institutions	Ba to B	11,855,559	0.21%	54,534,481	1.14%	
Loans to banks, financial institutions	Baa	1,969,624	0.04%	379,058	0.01%	
Loans to banks, financial institutions	Unrated	64,025,959	1.14%	22,310,858	0.47%	
Loans to employees	-	47,461,936	0.84%	44,242,187	0.92%	
Other local currency financial assets	-	89,667,613	1.60%	4,111,196	0.09%	
Taka coin and cash balances	-	2,345,632	0.04%	3,664,924	0.08%	
Total		2,226,541,205	39.61%	795,203,450	16.62%	
Total financial assets (i+ii)		5,621,664,375	100%	4,785,055,799	100%	

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NOTES TO THE FINANCIAL STATEMENTS

As at and for the year ended 30 June 2023

c. Collateral held and other credit enhancements and their financial effect

The Group holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Particulars	2023		2022	
	Amount	Principal type of Collateral	Amount	Principal type of Collateral
i) Foreign currency financial assets				
Foreign currency loans to banks	511,418,327	Debit Authorization, Demand Promissory Note	705,640,485	Debit Authorization, Demand Promissory Note
Assets held with International Monetary Fund	415,910,328	None	376,731,118	None
ii) Local currency financial assets				
Securities purchased under agreement to resell	169,462,750	Marketable Govt. Securities	2,180,000	Marketable Govt. Securities
Loans to the Government of Bangladesh	178,018,700	Govt. Guarantee	7,268,500	Govt. Guarantee
Local currency loans to banks, financial institutions and employees	473,927,804	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property	231,009,627	- Government guarantee - Bank guarantee - Demand Promissory Note - Employee provident fund, gratuity fund and Mortgage of property

The Bank monitors the value of collateral and requests additional collateral in accordance with the underlying agreement if deemed necessary. The Bank reviews the adequacy of the allowance for loan impairment while monitoring the value of collateral.

As described in the table above the Bank receives collateral in the form of financial instruments in respect to the instruments due from financial institutions. Similar arrangements, if considered as master netting arrangements, do not meet the criteria for offsetting in the statement of financial position. This is because the Bank obtains a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the counterparties. The Bank and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

II. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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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 summarizes 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:

Consolidated

30 June 2023		In Thousand BDT				
Particulars		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets						
Foreign currency accounts	88,946,844	-	-	-	-	-
Foreign investments	623,412,895	122,931,773	255,515,115	1,322,779,926	-	-
Assets held with International Monetary Fund	278,149,209	1,882,351	47,699	-	135,831,068	-
Gold and silver	-	-	-	-	54,093,399	-
Claims from Gold transaction	-	-	37,757,643	-	-	-
Foreign currency loans to banks	38,988,432	97,628,924	346,173,640	16,200,659	12,426,671	-
Other foreign currency financial assets	-	11,226,096	-	5,224,144	-	80
Total	1,029,497,381	233,669,143	639,494,098	1,344,204,729	202,351,218	
Local currency financial assets						
Taka coin and cash balances	3,582,958	-	-	-	-	-
Securities purchased under agreement to resell	169,462,750	-	-	-	-	-
Loans to the Government of Bangladesh	178,018,700	-	-	-	-	-
Local currency investments	101,367,263	119,309,563	367,852,689	341,248,753	388,352,910	-
Local currency loans to Banks, FIs and employees	37,154,503	100,866,438	165,497,995	124,284,481	48,013,260	-
Other local currency financial assets	90,531,418	-	-	-	-	-
Total	580,117,592	220,176,002	533,350,684	465,533,234	436,366,170	
Total financial assets	1,609,614,973	453,845,145	1,172,844,782	1,809,737,963	638,717,388	
Foreign currency financial liabilities						
Deposits from banks and financial institutions	248,898,292	-	-	-	-	-
Liabilities with International Monetary Fund	1,917,565	1,379,126	9,022,820	7,733,828	380,272,867	-
Other foreign currency financial liabilities	-	-	56,260,118	-	-	-
Total	250,815,857	1,379,126	65,282,939	7,733,828	380,272,867	
Local currency financial liabilities						
Notes in circulation	3,101,560,298	-	-	-	-	-
Deposits from banks and financial institutions	714,863,215	-	-	-	-	-
Other local currency financial liabilities	5,043	1,527	11,772,365	43,186,216	83,850,900	-
Total	3,816,428,556	1,527	11,772,365	43,186,216	83,850,900	
Total financial liabilities	4,067,244,413	1,380,653	77,055,304	50,920,044	464,123,767	
Maturity Gap	(2,457,629,440)	452,464,492	1,095,789,478	1,758,817,919	174,593,621	

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30 June 2022		<i>In Thousand BDT</i>				
Particulars		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets						
Foreign currency accounts	78,519,805	-	-	-	-	-
Foreign investments	422,342,806	609,253,183	314,753,836	1,435,860,238	-	-
Assets held with International Monetary Fund	258,631,660	301,040	-	-	-	117,798,418
Gold and silver	-	-	-	-	-	45,306,167
Claims from Gold Transactions	15,882,258	15,746,969	-	-	-	-
Foreign currency loans to banks	55,365,043	133,278,877	504,759,248	8,538,234	3,699,084	-
Other foreign currency financial assets	-	9,897,427	-	5,224,144	-	80
Total	830,741,573	768,477,495	819,513,084	1,449,622,617	166,803,749	
Local currency financial assets						
Taka coin and cash balances	4,074,800	-	-	-	-	-
Securities purchased under agreement to resell	2,180,000	-	-	-	-	-
Loans to the Government of Bangladesh	-	7,268,500	-	-	-	-
Local currency investments	8,741,920	74,156,945	131,044,116	122,468,820	215,756,741	-
Local currency loans to Banks, FIs and employees	18,227,432	25,605,862	101,148,413	63,272,043	24,650,654	-
Other local currency financial assets	4,929,823	-	-	-	-	-
Total	38,153,974	107,031,306	232,192,529	185,740,863	240,407,395	
Total financial assets	868,895,547	875,508,801	1,051,705,613	1,635,363,480	407,211,144	
Foreign currency financial liabilities						
Deposits from banks and financial institutions	260,928,491	-	-	-	-	-
Liabilities with International Monetary Fund	2,849,391	12,688,048	-	14,747,178	307,029,686	-
Other Foreign currency Financial Liabilities	-	-	18,761,840	-	-	-
Total	263,777,882	12,688,048	18,761,840	14,747,178	307,029,686	
Local currency financial liabilities						
Notes in circulation	2,545,233,913	-	-	-	-	-
Deposits from banks and financial institutions	909,261,888	-	-	-	-	-
Other local currency financial liabilities	5,054	1,352	13,122,648	75,203,327	89,561,601	-
Total	3,454,500,855	1,352	13,122,648	75,203,327	89,561,601	
Total financial liabilities	3,718,278,737	12,689,400	31,884,488	89,950,505	396,591,287	
Maturity gap	(2,849,383,190)	862,819,401	1,019,821,125	1,545,412,975	10,619,857	

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Separate*In Thousand BDT*

30 June 2023					
Particulars	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets					
Foreign currency accounts	88,946,844				
Foreign investments	623,412,895	122,931,773	255,515,115	1,322,779,926	-
Assets held with International Monetary Fund	278,149,209	1,882,351	47,699	-	135,831,068
Gold and silver	-	-	-	-	54,093,399
Claims from Gold transaction	-	-	37,757,643	-	-
Foreign currency loans to banks	38,988,432	97,628,924	346,173,640	16,200,659	12,426,671
Other foreign currency financial assets	-	11,226,096	-	5,224,144	80
Total	1,029,497,381	233,669,143	639,494,098	1,344,204,729	202,351,218
Local currency financial assets					
Taka coin and cash balances	2,345,632	-	-	-	-
Securities purchased under agreement to resell	169,462,750	-	-	-	-
Loans to the Government of Bangladesh	178,018,700	-	-	-	-
Local currency investments	101,367,263	119,309,563	351,294,647	341,248,753	400,345,458
Local currency loans to Banks, FIs and employees	37,154,503	100,866,438	165,497,995	124,284,481	46,124,386
Other local currency financial assets	-	25,247,613	-	-	-
Total	488,348,848	220,176,002	516,792,642	465,533,234	446,469,844
Total financial assets	1,517,846,229	453,845,145	1,156,286,740	1,809,737,963	648,821,062
Foreign currency financial liabilities					
Deposits from banks and financial institutions	248,898,292	-	-	-	-
Liabilities with International Monetary Fund	1,917,565	1,379,126	9,022,820	7,733,828	380,272,867
Other foreign currency financial liabilities	-	-	56,260,118	-	-
Total	250,815,857	1,379,126	65,282,939	7,733,828	380,272,867
Local currency financial liabilities					
Notes in circulation	3,101,560,298	-	-	-	-
Deposits from banks and financial institutions	714,863,215	-	-	-	-
Other local currency financial liabilities	5,043	1,527	11,619,875	42,271,371	83,620,469
Total	3,816,428,556	1,527	11,619,875	42,271,371	83,620,469
Total financial liabilities	4,067,244,413	1,380,653	76,902,814	50,005,199	463,893,335
Maturity gap	(2,549,398,184)	452,464,492	1,079,383,926	1,759,732,764	184,927,727

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As at and for the year ended 30 June 2023

30 June 2022		<i>In Thousand BDT</i>				
Particulars		Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Foreign currency financial assets						
Foreign currency accounts	78,519,805					
Foreign investments	422,342,806	609,253,183	314,753,836	1,435,860,238	-	
Assets held with International Monetary Fund	258,631,660	301,040	-	-	117,798,418	
Gold and silver	-	-	-	-	45,306,167	
Claims from Gold Transactions	15,882,258	15,746,969	-	-	-	
Foreign currency loans to banks	55,365,043	133,278,877	504,759,248	8,538,234	3,699,084	
Other foreign currency financial assets	-	9,897,427	-	5,224,144	80	
Total	830,741,573	768,477,495	819,513,084	1,449,622,617	166,803,749	
Local currency financial assets						
Taka coin and cash balances	3,664,924					
Securities purchased under agreement to resell	2,180,000					
Loans to the Government of Bangladesh	-	7,268,500	-	-	-	
Local currency investments	8,741,920	74,156,945	113,852,229	122,468,820	227,749,289	
Local currency loans to Banks, FIs and employees	18,227,432	25,605,862	101,148,413	63,272,043	22,755,877	
Other local currency financial assets	4,111,196					
Total	36,925,472	107,031,306	215,000,642	185,740,863	250,505,166	
Total financial assets	867,667,045	875,508,801	1,034,513,726	1,635,363,480	417,308,915	
Foreign currency financial liabilities						
Deposits from banks and financial institutions	260,928,491	-	-	-	-	
Liabilities with International Monetary Fund	2,849,391	12,688,048	-	14,747,178	307,029,686	
Other foreign currency financial assets	-	-	18,761,840	-	-	
Total	263,777,882	12,688,048	18,761,840	14,747,178	307,029,686	
Local currency financial liabilities						
Notes in circulation	2,545,233,913					
Deposits from banks and financial institutions	260,928,491					
Other local currency financial liabilities	5,054	1,352	12,202,440	74,173,957	89,561,601	
Total	2,806,167,458	1,352	12,202,440	74,173,957	89,561,601	
Total financial liabilities	3,069,945,340	12,689,400	30,964,280	88,921,135	396,591,287	
Maturity gap	(2,202,278,295)	862,819,401	1,003,549,446	1,546,442,345	20,717,628	

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III. Market risk

Market risk is the probability of experiencing losses due to changes in market prices – such as foreign exchange rates, interest rates and equity prices – which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In Bangladesh Bank, foreign exchange reserve management and investment functions are guided by an Investment Committee. Decision of the Investment Committee and dealing practices approved by the Investment Committee serve as operational guidelines for Bangladesh Bank's reserve management and investments. The guidelines are directed towards managing different types of risks, while earning a reasonable return. There is an approved benchmark for investment in terms of currency composition, portfolio duration and proportion of different assets within a band. Dealers/portfolio managers afford best to comply with this benchmark and continually rebalance the investment portfolio to follow the benchmark on daily/weekly basis as approved by the Investment Committee.

Foreign currency monetary assets and liabilities

Particulars							In Thousand BDT
	US\$ equivalent	Gold and Silver equivalent	EURO equivalent	GBP equivalent	Canadian \$ equivalent	Australian \$ equivalent	
Assets							
Held in other Central Banks and Foreign Commercial Banks	15,934,114	-	23,956,964	6,213,724	28,950,262	3,992,213	4,472,599
Overnight investment	461,577,000	-	7,609,507	-	-	-	-
Short term deposits in overseas commercial banks	88,627,941	-	49,640,112	62,417,191	-	17,587,416	4,669,540
US Dollar treasury bills	23,067,946	-	-	-	-	-	-
Foreign bonds	643,381,823	-	108,024,158	80,121,451	4,270,810	30,523,297	54,679,513
US Treasury Notes	656,339,744	-	-	-	-	-	-
Loan to Banks	504,078,387	-	7,339,940	-	-	-	-
Claims from gold transaction	-	91,851,042	-	-	-	-	-
Interest receivable	8,700,489	11,873	1,288,608	523,437	3,579	187,352	470,049
Asset held with IMF	-	-	-	-	-	-	-
Total	2,401,707,444	91,882,915	197,889,287	149,275,802	33,224,651	52,290,279	64,291,701
Liabilities							
Deposits from other banks, financial institutions and ACU	244,874,398	-	3,467,117	541,471	14,794	319	191,44
Liabilities to IMF	-	-	-	-	-	-	400,326,205
Total	244,874,398	-	3,467,117	541,471	14,794	319	191
Net	2,156,333,046	91,862,915	194,392,170	148,734,331	33,209,857	52,289,960	64,291,701
							32,557,512
							15,584,123
							5,012,237

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As at and for the year ended 30 June 2023

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	In Thousand BDT
											30 June 2022
Assets											
Held in other Central Banks and Foreign Commercial Banks	1,255,243	-	12,245,535	7,642,524	54,132,776	627,590	811,699	1,713,436	-	-	91,001
Oversight investment	308,702,730	-	24,544,690	-	-	-	-	-	-	-	-
Short term deposits in overseas commercial banks	452,831,500	-	7,829,381	83,452,592	-	53,446,047	3,224,493	47,526,962	-	-	2,182,891
US Dollar treasury bills	93,246,868	-	132,431,967	72,726,388	10,143,545	33,262,969	55,526,610	-	-	-	4,158,308
Foreign bonds	737,989,016	-	-	-	-	-	-	-	-	-	-
US Treasury Notes	656,982,606	-	5,540,602	-	-	-	-	-	-	-	-
Loan to Banks	705,640,485	-	76,939,855	-	-	-	-	-	-	-	-
Claims from gold transaction	-	-	176,566	525,456	15,674	218,378	478,945	175,799	-	-	22,143
Interest receivable	7,245,660	-	-	-	-	-	-	-	-	-	-
Asset held with IMF	-	-	-	-	-	-	-	-	-	-	-
Total	2,965,894,109	76,939,855	182,768,742	164,347,460	64,291,995	87,554,984	60,041,747	49,416,198	376,731,118	6,454,343	
Liabilities											
Deposits from other banks, financial institutions and ACU	257,547,842	-	2,941,573	426,000	12,801	276	-	-	-	-	-
Liabilities to IMF	-	-	-	-	-	-	-	-	-	337,314,306	-
Swap liability to CBSL*	-	-	-	-	-	-	-	-	-	-	21,291,694
ESROW account**	34,968,424	-	-	-	-	-	-	-	-	-	-
Total	292,516,256	-	2,941,573	426,000	12,801	276	-	-	-	337,314,306	21,291,694
Net	2,673,377,843	76,939,855	179,827,168	163,921,461	64,279,194	87,554,708	60,041,747	49,416,198	39,416,812	(14,837,351)	

Currency risk sensitivity analysis

During the year, if the Taka had weakened 10 per cent against the principal currencies in its foreign reserves portfolio with all other variables held constant, profit for the year would have been BDT 363,973.53 million higher, (2022: BDT 29,163.12 million). Conversely, if the Taka had strengthened 10 per cent against the same currencies with all other variables held constant, the Bank would have experienced a decrease of profit for the year of BDT 363,973.53 million, (2022: BDT 29,163.12 million). Profit/Loss is very sensitive to changes in exchange rate movements. The bank as part of its core functions holds substantial foreign currency assets.

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b) Interest rate risk

Interest rate risk is the risk of loss arising from changes in interest rates. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities. Since the primary objective of the Bank is to achieve and maintain price stability, it determines at its own discretion the monetary policy that it will implement and the monetary policy instruments that is going to use in order to achieve and maintain price stability. Bank's interest sensitivity position based on contractual re-pricing arrangements as on 30 June 2023 is presented below. It includes the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing of maturity dates. The table below summarises all financial instruments in their re-pricing period, which is equivalent to the remaining term of maturity:

Consolidated

	Particulars	Balance as at 30 June 2023	Re-pricing period			Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	
<i>30 June, 2023</i>						
Assets						
Foreign currency financial assets						
Foreign currency accounts	88,946,844	88,946,844	-	-	-	2.91%
Foreign investments	2,324,639,709	746,344,667	255,515,115	1,322,779,926	-	1.44%
Assets held with International Monetary Fund	415,910,328	280,031,560	47,699	-	135,831,068	3.98%
Foreign currency loans to banks	511,418,327	136,617,356	346,173,640	16,200,659	12,426,671	2.61%
Other foreign currency financial assets	16,450,320	11,226,096	-	5,224,144	80	0.00%
Total Foreign currency financial assets	3,357,365,528	1,263,166,523	601,736,455	1,344,204,729	148,257,819	
Local currency financial assets						
Loans to the Government of Bangladesh	178,018,700	178,018,700	-	-	-	5.05%
Local currency investments	1,318,131,179	220,676,826	367,852,689	341,248,753	388,352,910	6.67%
Local currency loans to banks, financial institutions and employees	475,816,678	138,020,941	165,497,395	124,284,481	48,013,260	1.69%
Total Local currency financial assets	1,971,966,557	536,716,467	533,350,684	465,533,234	436,366,170	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	248,898,292	248,898,292	-	-	-	1.02%
Liabilities with International Monetary Fund	400,326,205	3,296,691	9,022,820	7,733,828	380,272,867	3.98%
Total Foreign currency financial liabilities	649,224,497	252,194,983	9,022,820	7,733,828	380,272,867	
Local currency financial liabilities						
Deposits from banks and financial institutions	714,863,215	714,863,215	-	-	-	0.00%
Total local currency financial liabilities	714,863,215	714,863,215	-	-	-	

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30 June, 2022	Particulars	Balance as at 30 June 2022	Re-pricing period			Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	
<i>Assets</i>						
Foreign currency financial assets						
Foreign currency accounts	78,519,805	78,519,805	-	-	-	0.34%
Foreign investments	2,782,210,063	1,031,595,989	314,753,836	1,435,860,238	-	1.43%
Assets held with International Monetary Fund	376,731,118	258,832,700	-	-	117,798,418	0.89%
Foreign currency loans to banks	705,640,485	188,643,919	504,759,248	8,538,234	3,699,384	1.00%
Other foreign currency financial assets	15,121,651	9,897,427	-	5,224,144	80	0.00%
Total Foreign currency financial assets	3,958,223,122	1,567,589,840	819,513,084	1,449,622,617	121,497,582	
<i>Local currency financial assets</i>						
Loans to the Government of Bangladesh	7,268,500	7,268,500	-	-	-	5.00%
Local currency investments	552,168,542	82,898,865	131,044,116	122,468,820	215,756,741	4.84%
Local currency loans to banks, financial institutions and employees	232,904,404	43,833,294	101,148,413	63,272,043	24,650,654	3.00%
Total Local currency financial assets	792,341,446	134,000,658	232,192,529	185,740,863	240,407,394	
<i>Liabilities</i>						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	260,928,491	260,928,491	-	-	-	0.72%
Liabilities with International Monetary Fund	337,314,306	15,537,439	-	14,747,178	307,029,386	0.89%
Total foreign currency financial liabilities	598,242,797	276,465,930	-	14,747,178	307,029,386	
Local currency financial liabilities						
Deposits from banks and financial institutions	909,261,888	909,261,888	-	-	-	0.00%
Total local currency financial liabilities	909,261,888	909,261,888	-	-	-	

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Separate

	Particulars	Balance as at 30 June 2023	Re-pricing period			Weighted average interest
			0 to 3 months	3 to 12 months	1 to 5 years	
<i>In Thousand BDT</i>						
Assets						
Foreign currency financial assets						
Foreign currency accounts	88,946,844	88,946,844	-	-	-	2.91%
Foreign investments	2,324,639,709	746,344,667	255,515,115	1,322,779,926	-	1.44%
Assets held with International Monetary Fund	415,910,328	280,031,560	47,699	-	135,831,068	3.98%
Foreign currency loans to banks	511,418,327	136,617,356	346,173,640	16,200,659	12,426,671	2.61%
Other foreign currency financial assets	16,450,320	11,226,096	-	5,224,144	80	0.00%
Total Foreign currency financial assets	3,357,365,528	1,263,166,523	601,736,455	1,344,204,729	148,257,820	
Local currency financial assets						
Loans to the Government of Bangladesh	178,018,700	178,018,700	-	-	-	5.05%
Local currency investments	1,313,565,685	-	-	341,248,753	400,345,458	6.67%
Local currency loans to banks, financial institutions and employees	473,927,804	138,020,941	165,497,995	124,284,481	46,124,386	1.69%
Total Local currency financial assets	1,965,512,189	316,039,641	165,497,995	465,533,234	446,469,345	
Liabilities						
Foreign currency financial liabilities						
Deposits from banks and financial institutions	248,898,292	248,898,292	-	-	-	1.02%
Liabilities with International Monetary Fund	400,326,205	3,296,691	9,022,820	7,733,828	380,272,367	3.98%
Total Foreign currency financial liabilities	649,224,497	252,194,983	9,022,820	7,733,828	380,272,367	
Local currency financial liabilities						
Deposits from banks and financial institutions	714,863,215	714,863,215	-	-	-	0.00%
Total local currency financial liabilities	714,863,215	714,863,215	-	-	-	

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30 June, 2022	Particulars	Balance as at 30 June 2022	Re-pricing period			Weighted average interest interest
			0 to 3 months	3 to 12 months	1 to 5 years	
<i>Assets</i>						
Foreign currency financial assets						
Foreign currency accounts		78,519,805	78,519,805	-	-	0.34%
Foreign investments		2,782,210,063	1,031,595,989	314,753,836	1,435,880,238	1.45%
Assets held with International Monetary Fund		376,731,118	258,382,700	-	-	-
Foreign currency loans to banks		705,640,485	188,643,919	504,759,248	8,538,234	0.89%
Other foreign currency financial assets		15,121,651	9,897,427	-	5,224,144	1.00%
Total Foreign currency financial assets		3,958,223,122	1,567,589,840	819,513,084	1,449,622,617	121,497,583
<i>Local currency financial assets</i>						
Loans to the Government of Bangladesh		7,268,500	7,268,500	-	-	5.00%
Local currency investments		546,969,203	82,898,865	113,852,229	123,118,820	4.84%
Local currency loans to banks, financial institutions and employees		231,009,627	43,833,294	101,148,413	63,272,043	3.00%
Total Local currency financial assets		785,247,330	134,000,658	215,000,642	186,390,863	249,855,167
<i>Liabilities</i>						
Foreign currency financial liabilities						
Deposits from banks and financial institutions		260,928,491	260,928,491	-	-	0.72%
Liabilities with International Monetary Fund		337,314,306	15,537,439	-	14,747,178	0.89%
Total foreign currency financial liabilities		598,242,797	276,465,930	-	14,747,178	307,029,586
Local currency financial liabilities						
Deposits from banks and financial institutions		909,261,888	909,261,888	-	-	0.00%
Total local currency financial liabilities		909,261,888	909,261,888	-	-	-

Interest rate risk sensitivity analysis

During the year, if interest rates had been 100 basis points higher with all other variables constant, profit for the year would have been BDT 56,811.90 million higher (2022: BDT 46,033.23 million), arising mainly as a result of higher interest income on financial assets. Conversely, if interest rates had been 100 basis point lower with all other variables held constant, profit for the year would have been BDT 56,811.90 million lower (2022: BDT 46,033.23 million) arising mainly as a result of lower interest income on financial assets. Profit is very sensitive to changes in interest rates as interest is the principal source of income of the bank.

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

IV. Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from human error, failure of internal processes and systems, legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations.

Managing operational risk is seen as an integral part of the day to day operations and management which includes explicit consideration of both the opportunities and the risks of all business activities. Operational risk management includes Bank-wide corporate policies that describe the standard required for staff and specific internal control systems designed for the various activities of the Group. Compliance with corporate policies and departmental internal control systems are managed by the management of the department and an active internal audit function.

43 Contingent liabilities

Contingent liabilities are possible obligations that could result from uncertain future events outside the bank's control. The Bank have contingent liabilities for guarantees outstanding as at 30 June 2023 amounting to Taka 84,555.35 million in favour of International Islamic Trade Finance Corporation & others which are secured by counter guarantees from the Government of Bangladesh. The Bank had contingent liabilities for guarantees outstanding as at 30 June 2022 to Taka 42,052.73.

In addition to the liabilities stated above, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material effect on the financial position or the results of operations of the Bank. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

44 Operating segments

The Bank's operation is concentrated in one geographical area - Bangladesh and as such comprise a single operating segment for the purpose of IFRS 8, the relevant standard for such segmentation. While the Bank is required by the Bangladesh Bank Order to report revenue and expenses by references to the functions carried out by the Bank viz. Issue and Banking department, these activities do not constitute separate operating segments for the purpose of IFRS 8.

45 Actuarial valuation of defined benefit plans

Most recent actuarial valuation was performed as at 30 June 2016 basis by an independent actuarial firm, AIR Consulting. According to the valuation report, the estimated obligation of the pension fund as at 30 June 2016 was Taka 15,494,646 thousands and for gratuity fund was Taka 1,217,791 thousands. For subsequent years, the obligations are calculated based on the recommendation made by the actuarial firm.

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As at 30 June 2023 the obligation for pension fund and gratuity fund was calculated to Taka 26,570.88 million and Taka 2,086.59 million respectively. The balances of the funds are as under:

Particulars	<i>In Thousand BDT</i>			
	Pension plans		Gratuity plans	
	2023	2022	2023	2022
Amounts recognised in the reporting date				
Balance at the beginning of the year	24,625,583	22,816,002	1,939,387	1,800,643
Paid during the year	(2,194,683)	(1,715,041)	(51,790)	(105,723)
Current year's contribution/transfer	4,139,982	3,524,622	198,997	244,467
Balance of the fund	26,570,883	24,625,583	2,086,594	1,939,387
Actuarial assumptions				
Particulars	Pension plans		Gratuity plans	
	2023	2022	2023	2022
Discount rate	7.50%	7.50%	6.10%	6.10%
Salary growth rate	5%	5%	5%	5%

The assumptions regarding future mortality rate are based on the published statistics and mortality tables of the FA 1975-78 (based on experience collected from UK insurers).

Sensitivity

If the discount rate had been 100 basis points lower with all other variables constant, contribution for pension fund and gratuity fund for the year would have been Taka 1,748.22 million and Taka 132.65 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 1,748.22 million and Taka 132.65 million lower respectively, arising mainly as a result of higher discount income. Discount rate is very sensitive for calculation of contribution.

46 Capital and material commitments

Capital commitment is the projected capital expenditure that the bank commits to incur. As at 30 June 2023, the Bank had outstanding capital commitments of Taka 636.47 million with respect to different civil, mechanical and electrical engineering with computer purchases. (2022: 761.85 million).

Material commitment is the commitment made by the bank to extend credit to the external party. The bank created Bangladesh Infrastructure Development Fund (BIDF) to support financing of Government priority infrastructure projects subject to fulfilling several qualifying criteria. As of 30 June 2023, there are two projects for which the bank has committed the following amount:

a) Project of Capital and Maintenance Dredging of Rabnabad Channel, Payra Port through Sonali Bank Limited:

Committed amount: BDT 35,738.13 million (2022: BDT 48,451.24 million)

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NOTES TO THE FINANCIAL STATEMENTS

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b) Project of Payra-Gopalganj-Aminbazar 400KV Double Circuit Transmission Line through Agrani Bank Limited:

Committed amount: BDT 33,203.44 million. (2022: BDT 29,272.28 million)

Apart from these amount, there are following instances where the Bank has commitment as at 30 June 2023:

a) Under the arrangement of IDB-ITFC syndicate loan, there is a commitment of BDT 55,120.00 million from the Bank's part.

b) Under the different refinance scheme undertaken by the Bank, there is a commitment of BDT 773.57 million.

47 Related parties transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Bank, related parties, as defined in IAS 24 : Related Parties Disclosure, include directors and officers of the Bank, and companies of whom they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions on an arms length basis.

Bank is fully owned by the Government of Bangladesh. Government has interests in various entities such as state owned banks, specialised banks and corporations. Bank deals with these entities on the directives of the government in line with its monetary policy objectives.

The outstanding as at the reporting date and simple average balances during the year with respect to related parties included in the statement of financial position are as follows:

Particulars	<i>In Thousand BDT</i>			
	2023		2022	
	Outstanding	Average	Outstanding	Average
Outstanding balances with the government of Bangladesh				
Ways and means advance		43,634,250	7,268,500	3,634,250
Overdraft-Current	98,018,700	49,009,350	-	-
Treasury bills	504,989,926	346,370,639	187,751,353	101,075,923
Treasury bonds	792,630,759	567,951,805	343,272,850	311,632,664
Other assets (interest receivable)	25,077,770	14,541,796	4,005,821	3,363,094
	1,500,717,154	1,021,507,839	542,298,525	419,705,931

Particulars	<i>In Thousand BDT</i>			
	2023		2022	
	Outstanding	Average	Outstanding	Average
Other liabilities				
Deposits	5,043	5,049	5,054	13,517,964
Loan from Government of Bangladesh	23,925,031	23,953,719	23,982,406	24,471,162
	23,930,074	23,958,767	23,987,461	37,989,126
Balances related to subsidiary (SPCBL)				
Other assets (Prepayments and advances)	19,063	19,063	19,063	221,574
Other liabilities (Sundry creditors)	1,448,387	1,250,520	1,052,653	745,212

The income and expenses in respect of related parties included in the statement of profit or loss are as follows:

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	<i>In Thousand BDT</i>	
	2023	2022
Income and expenses related to government		
Interest income	72,112,806	19,757,328
Commission received	8,931	9,009
	72,121,737	19,766,338
Expenses		
Agency charges	5,518,000	6,717,800
Under writing commission on treasury bills and bonds	481,300	441,800
	5,999,300	7,159,600
Income and expenses related to subsidiary (The Security Printing Corporation)		
Dividend income	720,000	600,000
Note printing expenses	3,740,385	3,842,541
Key management personnel		
*Salaries, wages and other benefits (refer note 47.06)	7,787	7,174

* Reference period's figure has been updated

47.01 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 8,064,877.30 million (in 2022: BDT 6,990,991.80 million) and paid Taka 8,235,627.51 million (in 2022: 7,011,695.20 million) on behalf of the Government. As at 30 June 2023, total outstanding balance was Taka 178,018.70 million (2022: 726.85 million).

(f) Assets under management:

	<i>In Thousand BDT</i>	
	2023	2022
Japan Debt Relief Grant	110,297	103,392

The Bank acts as agent on behalf of Government of Bangladesh for managing the Japan Debt Relief Grant.

**BANGLADESH BANK
NOTES TO THE FINANCIAL STATEMENTS**

As at and for the year ended 30 June 2023

47.02 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 BDT 190.75 million which included in the interest income.

47.03 Transactions with controlled entities

During the year, the Bank incurred expense of Taka 3,740.38 million (2022: Taka 3,842.54 million) as note printing cost through The Security Printing Corporation (Bangladesh) Ltd. The amount is included in the statement of profit or loss of the Bank. It is a 100% owned subsidiary of the Bank. These transactions are eliminated in preparing consolidated financial statements. During the year, The Security Printing Corporation (Bangladesh) Ltd. paid dividend an amounting to Taka 720 million (2022: 720 million) as per decision of their Board.

47.04 Transactions with retirement benefit plans

During the year, the Group was not required to contribute any amount to the retirement benefit plans (consisting of contribution to pension plans including widow/widowers), as sufficient reserve is available as per the actuarial valuation report. Amounts of balances held in the financial statements maintained by these retirement benefit plans are given in note 45.

47.05 Board of Directors of Bangladesh Bank and Key Management Personnel as on 30 June 2023.

Name	Chairman/Members of the Board of Directors	Executive Committee members	Audit committee members
Mr. Abdur Rouf Talukder - appointed as the Chairman of the Board of Directors for a period of four years from July 12, 2022 for contract service up to 11 July, 2026. He also holds the post of Governor of the Bangladesh Bank.	Chairman	Chairman	-
Mr. Abu Hena Md. Rahmatul Muneem- First appointed on January 09, 2020 as a Director of the Board of Bangladesh Bank and then reappointed on 06 January, 2022 as contract service which is subject to being in current position which is the post of Senior Secretary, Internal Resources Division & Chairman, National Board of Revenue, Govt. of the Peoples Republic of Bangladesh but not more than 02 (two) years.	Member	-	-

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As at and for the year ended 30 June 2023

Name	Chairman/Members of the Board of Directors	Executive Committee members	Audit committee members
MS. Fatima Yasmin - appointed as the Board of Directors of Bangladesh Bank on 20 July 2022. She holds the position of Senior Secretary, Finance Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.	Member		
Mr. Sheikh Mohammad Salim Ullah - appointed as a Director of the Board of Bangladesh Bank on September 01, 2021. He also holds the post of Secretary, Financial Institution Division, Ministry of Finance, Govt. of the People's Republic of Bangladesh.	Member	Member	Member
Mr. Mahbub Ahmed - First appointed on September 03, 2019 as a Director of the Board of Bangladesh Bank. Subsequently, reappointed on September 03 2022 for a period of 03 years.	Member	Member	Convener
Mr. A. K. M. Aftab ul Islam, FCA - first appointed on 01 March 2017 and reappointed on 01 March 2023 as a Director of the Board of Bangladesh Bank for a period of 03 years.	Member		Member
Mr. Md. Nazrul Huda - First appointed on 05 January 2020 and reappointed on 05 January 2023 as a Director of the Board of Bangladesh Bank for a period of 03 years.	Member	-	Member
*Mr. Ahmed Jamal - appointed on January 17, 2021 as a Director of the Board of Bangladesh Bank and also holds the post of Deputy Governor, Bangladesh Bank.	Member	Member	-
Number of meetings held during the year	6	6	3

**BANGLADESH BANK
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*Mr. Ahmed Jamal's tenure as Deputy Governor of Bangladesh Bank ended on 30 June 2023.

47.06 Remuneration of members of the Board of Directors and Key management personnel

Members of the Board of Directors received remuneration totaling BDT 607,890.00 (2022: BDT 572,650.00) and the Governor received totaling BDT 1,278,077.41 (2022: BDT 1,218,400.00). In addition, the Governor is entitled to a free furnished house for his residence and full time transport facility. Other key management personnel of the Bank received totaling BDT 6,508,950.00 (2022: BDT 5,955,732.30) and in addition, they are entitled to official residence as well as transport.

48 Events after the reporting date

Subsequent to the statement of financial position date, no events have occurred which require adjustments to/or disclose in the financial statements.

49 Directors' responsibility for financial reporting

These financial statements have been approved for issue by the Board of Directors on 22 August 2023.

Appendix-1
Summary of Major Policy Announcements/Guidelines/Circulars: FY23

Summary of Major Policy Announcements/Guidelines/Circulars: FY23

A. Major Policy Announcements/Guidelines/Circulars related to Banking and Financial Sector Development

- July 2022 • Bangladesh Bank (BB) has re-fixed cash margin rate for import L/C: a) 100 percent cash margin must be maintained against import L/C for luxurious items like motor car (Sedan-car, SUV, MPV, etc), electrical and electronic home appliances, gold and gold-ornaments, precious metals and pearls, ready-made garments, leather goods, jute products, cosmetics, furniture and decorations, fruits and flowers, non cereal food, processed foods and beverages, alcohol, tobacco, tobacco products or substitute products; b) 75 percent cash margin must be kept in case of all other products excluding necessary items like child food, essential food products, fuel, medicine and medical equipment, capital machinery and raw materials for local and export industry production, essential products for agriculture and government priority projects. To set up import L/C the customer must provide a margin from own source in both cases. (BRPD, 04 July 2022)
- July 2022 • All Mobile Financial Service (MFS) providers operating in Bangladesh were instructed to set the transaction limit of money transfer from MFS account to bank account at BDT 50 (fifty) thousand on a daily basis and BDT 3 (three) lakh on a monthly basis. (PSD, 05 July 2022)
- July 2022 • Due to the adverse economic impact of the COVID-19 pandemic on low-income earners, farmers and marginal/small-scale entrepreneurs, BB has introduced a revolving refinancing scheme amounting to BDT 30.0 billion. To provide ongoing financial support, the scheme will remain effective from 01 July 2022 until 30 June 2023 as of its third phase. (FID, 20 July 2022)
- July 2022 • The special loan/investment facility provided to the CMSME sector affected by the COVID-19 pandemic will be effective from 01 July 2022 to 30 June 2023 (in the third phase). (SMESPD, 24 July 2022).
- July 2022 • In case of opening accounts by Non-Resident Bangladeshis (NRBs) staying abroad, the documents requested by the scheduled banks operating in Bangladesh are not required to be attested by the concerned embassy as Machine Readable Passport (MRP) and Electronic Passport (e-Passport) are issued through a specific verification process by the Government of Bangladesh (GoB). (BFIU, 27 July 2022)
- July 2022 • For the implementation of the 3rd and last phase of the 'Financial Stimulus Package' allotment has been made amounting to BDT 270.0 billion for the industrial and services sector except CMSME and BDT 30.0 billion for industrial units (A, B, C-Type) in the EZs/EPZs/HTPs of Bangladesh and fully foreign-owned/joint owned (local and foreign) units located outside the said zones to mitigate probable economic impact of the COVID-19. (BRPD, 28 July 2022)

- July 2022
- All scheduled banks, Bangladesh cooperative banks and BRDB have been directed to follow and implement the agricultural and rural credit policy and program for the FY23. (ACD, 28 July 2022)
- August 2022
- Scheduled banks will now ascertain their capital market exposure limit based on the stock-like instruments' purchasing price considering it as market value. (DOS, 04 August 2022)
- August 2022
- Credit guarantee facility against term loan to CMSME sector under the BDT 250.0 billion refinance scheme was introduced in facilitation of the entrepreneurs. Under the said guarantee facility, interest rate on customers' level will be 7 percent and participating banks would have to disburse 10 percent of their Portfolio Guarantee Limit (PGL) in favour of women. (CGD, 10 August 2022)
- August 2022
- BB formed a refinance scheme of BDT 10.0 billion for increasing production of wheat and maize from its own source. The tenure of the scheme is up to 30 June 2025. Under this scheme, participating banks would get refinancing facility at a 0.50 percent interest/profit rate and customer (farmer) will get loans at a maximum of 4 percent (simple interest) interest/profit rate. (ACD, 25 August 2022)
- September 2022
- Following the prolonged negative impact of COVID-19 and various external economic challenges, BB has issued guidelines for non-bank financial institutions (NBFIs) aimed at easing loan repayments for affected borrowers to emphasise on prudent management of classified loans. Under the said policy, classified loan/lease/investment under adverse categories can only be rescheduled, whereas loan/lease/investment under standard or special mention account (SMA) categories can be restructured. (DIFM, 04 September 2022)
- September 2022
- In the context of rising global prices of energy, food and daily commodities due to the economic shock caused by COVID-19 and the ongoing Russia-Ukraine war situation with the aim of cost-saving and practicing austerity, scheduled banks operating in Bangladesh are directed to adopt the measures of reducing consumption of fuel (petrol, diesel, gas, etc.), oil and lubricants by 20 percent or more, and to strengthen effective measures regarding lessening electricity consumption by 25 percent or more. (BRPD, 05 September 2022)
- October 2022
- To support industrial growth by ensuring competitive financing, paragraph 3(A) of the BRPD circular (No. 01 dated 16 January 2022) will be replaced as following: 'In the case of credit facilities (a) provided to the government or against government guarantees and (b) against guarantees provided by Multi-lateral Development Bank (MDB) or Export Credit Agency (ECA) having AAA rating, the aforementioned restrictions set forth in Paragraph 2 shall not be applicable'. (BRPD, 11 October 2022)
- October 2022
- In order to avoid possible financial and legal risks caused by transactions of virtual asset and virtual currency/crypto currency and their exchange/transfer/trading activities, all scheduled banks are directed to immediately cease transactions, buying-selling, reselling, P2P exchange/transfer/trading or assistance in any such activities of virtual currency/crypto currency, foreign currency, etc. and to increase monitoring with due precautions in this regard. (BRPD, 12 October 2022)

- November 2022 • Considering the ongoing economic situation and the demand for loans, credit guarantee facility has been made available against term loans as well as working capital loans and loans granted/paid to the trading sector. Under the revised scheme, micro-trading enterprises ranging from a minimum of BDT 25,000 to a maximum of BDT 2.5 million and small trading enterprises ranging from BDT 25,000 to a maximum of BDT 10 million will get the credit guarantee facility. (CGD, 22 November 2022)
- November 2022 • In light of the long-term negative effects of COVID-19 and the prolonged war situation in the world, the time limit for imposing 100 percent risk weight against investments in venture capital and all sectors (private equity, impact fund, etc.) under the scope of alternative investment has been extended till 30 September 2024 for the expansion of alternative investment sector in Bangladesh and the creation various innovative initiatives and new employment opportunities in the country. (BRPD, 30 November 2022)
- December 2022 • In compliance with the government order regarding the life span of the vehicle of 08 (eight) years, instruction has been given to the scheduled banks that full-time vehicles purchased for the board chairman and chief executive and vehicles used for other purposes of banks will be replaceable after a minimum of 08 (eight) years of usage. (BRPD, 07 December 2022)
- December 2022 • In view of promoting the green economy to accelerate sustainable growth in export and manufacturing-oriented industries, BB has formed the Green Transformation Fund (GTF) in the local currency of BDT 50.0 billion. The refinance facility would be provided against bank financing regarding the import payments made for capital machineries and spare parts. (SFD, 07 December 2022)
- December 2022 • Due to disruptions in the supply chain in the international market emanated from the adverse effect of Russia-Ukraine War, instructions have been given to keep the cash margin rate at a minimum level for setting up import L/C of rice and wheat on the basis of banker-customer relationship with a view to keeping rice and wheat prices at tolerable level and ensuring the ceaseless supply in domestic market. (BRPD, 14 December 2022)
- December 2022 • To maintain the dynamics of economic activities, and to ease borrowers' installment payments, it has been decided that the term loan shall not be marked as classified, if 50 percent in lieu of 75 percent of installments payable for the October-December period of 2022 are repaid by the end of December 2022. Besides, the remaining payable outstanding of the existing term loan for the April-December period of 2022 shall be repaid at equal installments (monthly/quarterly) within the next year before the predetermined tenure ends. However, on the grounds of banker-customer relationship, installments may be rescheduled and collected as per a new schedule, considering a one-year period extended with the remaining tenure. (BRPD, 18 December 2022)
- December 2022 • To channelise the unutilized portion of the annual agriculture and rural credit disbursement targets, BB has decided to set up a fund called 'Bangladesh Bank Agricultural Development Common Fund (BBADCF)'. Under the BBADCF, BB will pay interest at the rate of 2 percent on the deposited amount to the depositing banks. (ACD, 19 December 2022)

- December 2022 • For facilitating clients in repayment of their loans, NBFIs are directed not to classify term loan/lease/investment into adverse categories, provided that a minimum of 50 percent of payable installments during the period of October 2022 and December 2022 would be repaid by the last working day of December 2022. The remaining payable installments shall be repaid in equal installments (monthly/quarterly) within the next year after the expiry of the predetermined tenure. (DFIM, 21 December 2022)
- December 2022 • With the objective of maintaining the production of power plants along with the smooth operation of industrial activities a cash margin can be maintained for setting up import L/C of goods related to the production of engine oil/lubricants based on the bank-customer relationship to keep the regular supply of lubricants in the market. (BRPD, 22 December 2022)
- January 2023 • To bring uniformity and avoid ambiguity in opening Non-Resident Investor's Taka Accounts (NITAs) in the name of NRBs, Authorized Dealers (ADs) are advised to obtain: i) applicant's valid passport copy; ii) applicant's photograph; iii) applicant's proof of address; iv) reliable source of income of the applicant; v) nominee/authorized person's passport or National Identity Card (NID) copy; vi) nominee/authorized person's photograph. For non-resident foreign nationals/institutions regarding opening of NITAs, ADs shall fix and distribute a unified set of documents to their branches at home and abroad complying with existing rules and regulations. (FEID, 08 January 2023)
- January 2023 • Due to increased demand for working capital and term loans/investments by enterprises, disbursement of loans/investments under refinance scheme of BDT 250.0 billion in the CMSME sector was eased through allowing both working capital loans/investments and term loans/investments. In this case, the tenure of the working capital will be a maximum of 12 months. However, the disbursed loans/investments in the working capital can be renewed if necessary, subject to the approval of BB. (SMESPD, 18 January 2023)
- January 2023 • 'Refinance scheme against Financing to Cottage, Micro, Small and Medium (CMSME) Enterprises' amounting to BDT 250.0 billion has been declared as pre-finance scheme targeting to enhance credit flow to the CMSME sector as a priority sector. (SMESPD, 31 January 2023)
- February 2023 • To mitigate the risk of public funds and promote responsible management of the ongoing maturity mismatch, NBFIs are directed to avoid inter-bank transactions and initiate efforts to collect long-term funds through bond issuance. (DFIM, 01 February 2023)
- February 2023 • For easier and more efficient contactless payment based on Near Field Communication (NFC) technology, BB has directed:
- i) Debit, Credit, and Pre-paid cards that are EMVCo compliant may use Contactless Payment by NFC technology; ii) Cards transacted up to BDT 5000 may allow transactions without PIN/2FA; iii) Amount exceeding BDT 5000 shall require customer PIN/2FA while tapping cards to Point of Sale (POS); iv) SMS notifications for all transactions must be provided; v) Cards issuing banks/institutions may set single transaction limit/daily limit at own risk and discretion; vi)

- Contactless payment cannot be activated without customer's prior consent; vii) To identify merchant points, NFC-enabled cards and POS machines must display the "Contactless logo"; and viii) Banks/institutions shall provide priority service in any inconvenience arises regarding cards. (PSD, 01 February 2023)
- February 2023 • Banks/institutions (MFS providers/PSPs/PSO) shall replace their own proprietary QR (if any) with 'Bangla QR' code payment systems by 30 June 2023. For 'QR' code-based payment, banks/institutions shall properly verify suspicious and large transactions, and take necessary measures despite the maximum transaction limit lifted. In addition, banks/institutions may set their respective limits and numbers of transactions. (PSD, 08 February 2023)
- February 2023 • Under the special refinance scheme formed for renovation and modernization of existing cinema halls and providing long term loans/investment at low interest for new cinema hall construction, timeline for availing of the refinancing facility by participating banks after disbursement of loans at the customer level has been extended till 31 December 2023. (BRPD, 15 February 2023)
- February 2023 • With a view to support in credit expansion and liquidity constraints of CMSMEs brought on by COVID-19, along with a stimulus package of BDT 200 billion in 2020, another refinance scheme titled 'COVID-19 Emergency and Crisis Response Facility Project (CECRFP)' is being implemented by BB. Under this project, participating banks and financial institutions (PFIs) are availing of the additional refinance up to 50 percent of their lending against working capital loan/investment only. Now, to make the fund available for renovation and decoration of existing infrastructure, it has been decided to extend the refinance facility to the PFIs against term loan/investment up to three years. The interest/profit rate will be 4 percent for a refinancing loan/investment and it will be charged at the time of realization of the principal amount of the refinance (SMESPD, 16 February 2023).
- March 2023 • To maintain overall stability in the financial sector, all scheduled banks/NBFIs /MFS providers/payment system service providers/payment system operators and other financial service providers operating in Bangladesh are directed to follow the cloud computing policy 'Guidelines on Cloud Computing' for any activities related to cloud computing. (BRPD, 16 March 2023)
- March 2023 • All scheduled banks and financial institutions (FIs) have been directed to increase the outstanding of CMSME loans and advances to no less than 25 percent of their total outstanding of loans and advances by 2024, with a hike of at least 1 percent every year (SMESPD, 16 March 2023). The target rate of sector-wise loans at the end of 2024 are as following:

Subjects	Target rate achieved by the end of 2024
CMSME loan and advance outstanding	25% of total loan and advances outstanding
Outstanding of loans and advances to cottage, micro and small enterprises	50% of CMSME loan and advance outstanding
Loan and advances outstanding in women enterprises	15% of CMSME loan and advance outstanding
Sector-wise segmentation of CMSME loans and advances outstanding	At least 40% in manufacturing industries; about 25% in the service industry and a maximum of 35% in the business sector.

- March 2023
- To maintain sufficient credit flow in the agriculture sector, BB introduced a refinance scheme of BDT 50.0 billion at a minimum rate as advanced economies are suspected of facing food crises stemming from supply-side disruptions which in turn hamper a country's food security. With rice, fisheries, poultry, dairy production, vegetables, and the fruits and flowers sectors, now the cow fattening sector is also included. (ACD, 21 March 2023)
- April 2023
- For the appointment of directors, all financial institutions must follow the instructions: a) more than one representative director on part of any organization/company shall not be appointed on the board of directors of any financial institution; b) an individual holding a director position in a financial institution, no other person nominated by him as interest concerned shall be appointed as a representative director on the board of directors of that financial institution; and c) any other individual shall not be appointed as a representative director in favour of shareholders with actual persona entity on the board of directors of a financial institution. (DFIM, 26 April 2023)
- May 2023
- BB instructed all the scheduled banks to display their own 'hotline' number along with the BB 'hotline' number (16236) in a visible place in all their branches and sub-branches including head offices for providing banking services to citizens and to resolve complaints expeditiously. (BRPD, 09 May 2023)
- May 2023
- Instructions have been made for financial institutions to duly follow the policy titled 'Guidelines on Cloud Computing' for any activities related to cloud computing. (DFIM, 18 May 2023)
- June 2023
- In view of government notification of 'Export Policy 2021-24' and to ease refinancing facilities from BDT 10.0 billion named 'Technology Development/Up-gradation Fund'. BB has included 35 industrial sectors under the most priority sectors and special development sectors mentioned in Export Policy 2021-24 subject to 11 activities/initiatives at a 1 percent interest rate from participating financial Institutions (PFIs). (SFD, 08 June 2023)
- June 2023
- With a view to forming a cashless Bangladesh by providing information technology-based digital banking services to the people for the purpose of developing 'Smart Bangladesh', BB has taken the initiative to establish digital banks. In this context, 'Guidelines to Establish Digital Bank' (Bangla and English) has been formulated by analyzing the legal framework of the banking system, socio-economic conditions, the country's current status in technology-based banking, etc. (BRPD, 15 June 2023)
- June 2023
- In order to introduce a market-based interest rate system BB has decided to calculate a reference rate based on the market rate of 182-day treasury bills which will be termed the 'Six-Month Moving Average Rate of Treasury Bill (SMART)'. In this case, to determine the lending interest rate for a specific month, the SMART of the immediately preceding month as a basis shall be considered plus a maximum margin of 3 percent. Besides, it is also instructed that SMART plus a margin of up to 2 percent will be applicable to determine interest on agricultural and rural loans. (BRPD, 19 June 2023)
- June 2023
- 'Guideline on ICT Security – Version 4.0' has been formulated by revising and extending 'Guideline on ICT Security for Banks and Non-Bank Financial Institutions'. Instructions have been given to follow or implement of the said updated guidelines properly. (BRPD, 19 June 2023)

- June 2023 • To overcome the difficulties in repaying full installments faced by borrowers, all scheduled banks have been directed that for unclassified term loans (including short-term agricultural and small credits) as of 01 April 2023, if minimum of 50 percent of the installments payable for April-June period of 2023 are repaid by the last working day of June 2023; then these loans will not be classified in the June 2023 quarter. Besides, remaining installments payable on the term loan up to June 2023 shall be repaid in equal or single installment within 03 months before the predetermined tenor of the loan expires. (BRPD, 20 June 2023)
- June 2023 • With a view to pursuing a market-based interest rate system, financial institutions will determine the interest/profit rate for deposit and loan/investment based on their approved policies by respective board of directors. However, the rate of interest/profit on deposits shall not exceed SMART+2 percent and the rate of interest/profit on loan/lease/investment shall not exceed SMART+5 percent. (DFIM, 20 June 2023)
- June 2023 • The ‘Small Enterprise Refinance Scheme’ funded by BB has been renamed the ‘Small Enterprise Refinance Scheme for Women Entrepreneurs’ and the amount of the fund has been increased from BDT 15.0 billion to BDT 30.0 billion. (SMESPD, 25 June 2023)
- B. Major Policy Announcements/Guidelines/Circulars related to Monetary Policy and Monetary Management**
- September 2022 • As the current COVID-19 situation is normal and no demand for the 360-day special repo is observed, the 360-day term repo facilities have been cancelled. (DMD, 06 September 2022)
- September 2022 • As per the decision of the 56th meeting of the Monetary Policy Committee held on 29 September 2022, the overnight repo rate was re-fixed and increased by 25 basis points to 5.75 percent from 5.50 percent. The reverse repo rate remained unchanged at the existing rate of 4.00 percent. (MPD, 29 September 2022)
- December 2022 • For the sake of prudent liquidity management of shari'ah-based banks and to strengthen the Islamic financial system, a short-term liquidity facility, namely, ‘The Islamic Banks Liquidity Facility (IBLF)’ has been introduced which shall have a duration of 14 days. The profit rate for IBLF shall be 03 months MTDR (Mudaraba Term Deposit Receipt) rate of the respective bank. (DMD, 05 December 2022)
- January 2023 • For the purpose of rationalizing the policy interest rate corridor, the overnight repo rate was further increased by 25 basis points to 6 percent from 5.75 percent and the reverse repo was raised by 25 basis points to 4.25 percent from 4.00 percent in the 57th meeting of the Monetary Policy Committee held on 11 January 2022. (MPD, 15 January 2023).

- January 2023
- Transaction fees of the secondary market for government securities and the existing Shut period have been amended in a notification issued on 24 June 2007 titled ‘Issuance of Bangladesh Government Treasury Bonds’ which includes allowance of enlistment as well as transaction of bonds on various domestic-foreign market platforms along with BB’s own market and guidelines issued by BB. (DMD, 17 January 2023)
- February 2023
- To ensure financial stability and the resilience of *shariah*-based banks ‘*Mudarabah* Liquidity Support (MLS)’ for the Islamic banking system in Bangladesh will provide liquidity assistance and the tenor of MLS will be 07/14/28 days. In the case of MLS, the applicable amount shall be a minimum of BDT 100 million or multiples thereof and the expected profit rate for the respective bank shall be equivalent to prevailing 3-month MTDR rate at the time of availing MLS facility. (DMD, 05 February 2023)
- April 2023
- In pursuance to BB’s prospectus on 23 December 2020 and 31 May 2021, Bangladesh Government Investment *Sukuk* (*Ijarah Sukuk*) of BDT 80.0 billion was issued against the ‘Safe Water Supply to the Whole Country’ project with a tenor of 05 years, and it was transferable only at face value. Presently, that *Sukuk* may be traded in the secondary market at a negotiated price in view of the completion of 1/3rd portion of the said project as per the condition mentioned in the prospectus. (DMD, 30 April 2023)
- June 2023
- Measures have been adopted for promoting vibrant secondary market and smooth trading of government securities on platforms like BB’s Market Infrastructure (MI) Module as well as on stock exchanges (DSE and CSE). In the case of securities trading on these platforms, scheduled banks and FIs (except for *shariah* compliant banks and FIs) are directed to follow ‘Guidelines on the Secondary Trading of Government Securities, 2023’. (DMD, 06 June 2023)
- June 2023
- According to the 59th meeting of the Monetary Policy Committee held on 11 June 2023, BB decided to introduce a ‘Policy Interest Rate Corridor’ to effectively implement the monetary policy transmission channels. Introducing this ‘Policy Interest Rate Corridor’, the overnight repo rate was increased by 50 basis points to 6.50 percent from 6.00 percent. Additionally, the special repo rate considered as the upper boundary of the corridor which will be used as the standing lending facility (SLF) rate was reduced by 50 basis points to 8.50 percent from 9.00 percent. Furthermore, the reverse repo rate considered as the lower boundary of the corridor which will be used as the standing deposit facility (SDF) rate was increased by 25 basis points to 4.50 percent from 4.25 percent. (MPD, 20 June 2023)
- C. Major Policy Announcements/Guidelines/Circulars related to External Sector Development**
- July 2022
- To facilitate short-term import finance under buyer’s credit in accordance with paragraph 33(b), Chapter 7 of Guidelines for Foreign Exchange Transactions (GFET) for payments against eligible imports at the prescribed interest rate, it has been decided that importers may extend guarantees like corporate guarantee, personal guarantee, third party guarantee, etc. to foreign lenders making payments to suppliers under buyer’s credit against admissible imports on sight letters of credit. (FEPD, 13 July 2022)

- July 2022 • To facilitate smooth transactions, it has been decided that international cards (debit/prepaid) may be used for online payments of visa processing fees. In this context ADs may issue international cards in the name of officials designated by nominated agents. (FEPD, 13 July 2022)
- July 2022 • Retention of foreign currency in exporters' retention quota (ERQ) accounts for a long period without utilization is a cost to exporters since deposits in Taka bear an adequate yield. In view of the situation, it has been decided that the respective ADs shall encash 50 percent of the total balance held in relevant ERQ accounts immediately. It has also been decided to revise retention limits out of realized export proceeds from 15 percent, 60 percent and 70 percent to 7.50 percent, 30 percent and 35 percent respectively. The revised limit will remain valid till 31 December 2022. (FEPD, 14 July 2022)
- July 2022 • The EDF limit for individual member mill of BTMA and BGMEA was enhanced to USD 30 million from USD 25 million for the disbursement of EDF loans till 30 June 2022. It has been decided to extend the period of same facility till 31 December 2022. (FEPD, 19 July 2022)
- July 2022 • Disbursement of EDF loans is required to be settled out of export proceeds/-foreign currency funds held in respective pools in terms of FE Circular No. 45, dated 31 December 2017. It has been decided that those customers whose EDF liabilities have to be settled through funded facilities against disbursement from the date of this circular letter will not be accessible for further EDF loan. (FEPD, 19 July 2022)
- July 2022 • According to FE Circular No. 14, dated 14 July 2022 regarding encashment of balances held in ERQ accounts. This instruction is equally applicable for ERQ balances held in the form of term deposits as per the "Guidelines for Foreign Exchange Transactions, 2018" (Vol-1). Accordingly, ADs are advised to encash the balances held in such term deposit accounts. (FEPD, 26 July 2022)
- August 2022 • To bring flexibility to trade transactions, it has been decided that ADs may, on applications from exporters, retain value-added portion of export proceeds in foreign exchange for a maximum period of 15 days. The fund so retained will be used through the same ADs for the settlement of other import obligations payable by the same exporters within this period. (FEPD, 03 August 2022)
- August 2022 • In accordance with policy guidelines, it has been decided that ADs may make drawing arrangements with exchange houses abroad without prior permission from BB. In this context, ADs shall make post facto reports to BB with detailed information of the arrangements. It has also been decided that ADs may go for drawing arrangements without letters of references/certificates from the Bangladesh Embassy/High Commission of the respective country, subject to satisfaction on licences issued by competent authorities favouring relevant exchange houses, and on conducting extended due diligence. (FEPD, 10 August 2022)
- September 2022 • Repayment against EDF loans can be made partially for a maximum of two times and the remainder, if any, needs to be settled at one-go within the remaining admissible tenure. (FEPD, 15 September 2022)

- September 2022 • Virtual currencies or virtual assets have no financial claim embedded and neither issued by any sovereign nor guaranteed by any jurisdiction. Thus, their value is highly volatile and associated with high financial risks. It has been declared that any transactions made in/from/to Bangladesh for obtaining virtual assets or its subset—virtual currencies are not permitted by BB. (FEPD, 15 September 2022)
- September 2022 • From 01 October 2022 onwards, all ADs in foreign exchange are directed to report transactions concerned with invisible outward and invisible inward remittances to the Online TM Form Monitoring System (OTFMS) and Online Inward Remittance Monitoring System (OIRMS) by using newly added 'Unique ID of Applicant' and 'Unique ID of Beneficiary' fields. (FEOD, 19 September 2022)
- September 2022 • Given the global market trends, it has been decided to set all-in-cost ceiling per annum at SOFR + 3.50 percent for short-term trade finance in foreign exchange. (FEPD, 28 September 2022)
- October 2022 • To simplify the import transactions, it has been decided that on phase-out of Letter of Credit Authorization Form (LCAF) registration in accordance with IPO 2021-2024: (a) ADs shall obtain underlying indents, proforma invoices, purchase or sales contracts from relevant importers. (b) For imports on FOB or similar other terms, ADs shall obtain applicable transport charges against the shipments to facilitate the issuance of certificate as per GFET. (c) ADs shall provide primary import information on the online import monitoring system of BB. (d) In the case of permissible imports without L/Cs by industrial imports, and commercial imports within authorized limits, ADs shall report to BB. (e) Payments for relative imports shall not exceed the amount of L/Cs or other underlying arrangements. (FEPD, 20 October 2022)
- October 2022 • For ease international trade and increase foreign direct investment it has been decided that PIF facilities can be given for importing finished goods through the banking channel, not importing through local L/C but through cross-border transactions between the same group or related organization. (BRPD, 26 October 2022)
- October 2022 • In response to the self-motivated decision by the Central Bank of Sri Lanka (CBSL) to remain temporarily suspended from the ACU mechanism with effect from 14 October 2022, all ADs are advised not to do any trade and trade-related transactions with Sri Lanka through the ACU mechanism. (FEPD, 27 October 2022)
- November 2022 • According to the Guidelines for Foreign Exchange Transactions (GFET), 2018, the initial stock of foreign currency notes and coins shall be built up by the money changers. The maximum stock of cash in foreign currency must not exceed USD 25,000 or equivalent at the close of each business day. Cash in foreign currency beyond this limit shall either be encashed with any AD or deposited to the foreign currency account maintained with the designated AD of the concerned money changer. Cash in foreign currency can be withdrawn from this FC account. The balance of that account must not exceed USD 50,000 or equivalent at any point of time. (FEPD, 10 November 2022)
- November 2022 • It has been decided that Type A and Type B industrial enterprises of EZs operating for marketing their products for the domestic market only, having no

	<p>sources of income in foreign currency, are allowed to access to working capital loans in Taka from the domestic banking system in terms of GFET, subject to observance of all applicable credit norms and prudential parameters. (FEPD, 28 November 2022)</p>
November 2022	<ul style="list-style-type: none"> Conducting any kind of illegal money changer/exchange activities or providing any kind of assistance in such activities using scheduled bank accounts and accounts of MFS should be immediately stopped and monitoring activities should be increased by taking proper precautions in order to avoid possible financial losses and legal risks due to illegal money changer/exchange activities. (FEPD, 28 November 2022).
November 2022	<ul style="list-style-type: none"> To bring wider flexibility, licensed MFSPs will be allowed to repatriate wage earners' remittances in association with internationally recognized online payment gateway service providers (OPGSPs)/banks/digital wallets /card schemes and/or aggregators abroad (hereinafter referred to as approved/licensed foreign payment service providers, foreign PSPs). In this context, MFSPs shall have standing arrangements with foreign PSPs to receive foreign currency in their accounts and equivalent Taka value will be credited to the wage earners' MFS accounts. (FEPD, 29 November 2022)
December 2022	<ul style="list-style-type: none"> The 'Open Position Limit' of AD banks approved by BB on 14 July 2022 shall remain the same until further instructions. (FEPD, 29 December 2022)
January 2023	<ul style="list-style-type: none"> A revision of the interest rate has been made on the Long Term Financing Facility (LTFF) under the Financial Sector Support Project (FSSP). An indicative pricing range of 3.00 ~ 4.00 percent would be applicable to the PFIs based on their CAMELS rating and the tenor. (FEPD, 16 January 2023)
February 2023	<ul style="list-style-type: none"> It has been decided that the interest rate on EDF loans to ADs will be charged by BB at 3.00% pa, while ADs will charge interest to manufacturer-exporters at 4.50% pa. (FEPD, 01 February 2023)
February 2023	<ul style="list-style-type: none"> While endorsing foreign currency on passport, all ADs in foreign exchange transactions and authorized money changers must verify the previous endorsement on passport pages as well as cross-check the foreign currency amount spent against passport by the recipient with BB's OTFMS, or International Card Monitoring System (ICMS), or Online Money Changer Monitoring System (OMCMS). (FEOD, 07 February 2023)
March 2023	<ul style="list-style-type: none"> To bring discipline in realization of export proceeds, it has been decided to initiate appropriate measures in cases where export proceeds are not within the prescribed period. In cases of delayed realization, ADs shall apply the prevailing exchange rate for encashment into Taka but shall make payments to exporters applying the rate on the date at which the export proceeds should have been realized as per the above regulatory instructions. (FEPD, 06 March 2023)
March 2023	<ul style="list-style-type: none"> Penal interest (compensation in the case of <i>shariah</i>-based Islamic banking) will be charged by BB to ADs at 4.00% pa above the prevailing interest rate on overdue amounts of EDF loans for the delayed period. (FEPD, 19 March 2023)
April 2023	<ul style="list-style-type: none"> The limit for imports under BBLCs by individual member mill of BGMEA, BTMA, BKMEA and BDYEA is set at USD 20.0 million, USD 20.0 million, USD 15.0 million and USD 10.0 million respectively. It has been decided to reset the

- ceiling to USD 10.0 million from USD 15.0 million for input procurements under back-to-back L/Cs (BBLCs) against relevant export orders. (FEPD, 09 April 2023)
- April 2023
- In case of extension of tenure beyond 180 days, the interest rate on borrowings from EDF prevailing at the time of such extension will be applicable for the extended period. (FEPD, 13 April 2023)
- April 2023
- Recently, it has been noticed that interest-concerned firms or individuals/-firms/companies in the same group, who secured loans under the Export Development Fund (EDF) against shipment orders but failed to bring home the export proceeds were still accessing credit facilities under the 'Export Facilitation Pre-finance Fund (EFPPF)'. In this regard, it has been directed that presuming any exporting industry firms after availing loan facilities from EDF or EFPPF, have overdue export bill against shipment orders, then no credit facility from EFPPF shall be admissible against new shipment orders of those exporters as well as interest-concerned individuals/firms/companies in the same group affiliated with the said exporters. (BRPD, 25 April 2023)
- June 2023
- ADs may retain foreign currency sent by foreign investors to invest in Bangladesh. In this context, ADs may open FC accounts in the names of local companies which will issue shares in compliance with regulatory instructions. The tenure of FC accounts shall be one year from the date of opening such accounts. (FEPD, 21 June 2023)
- June 2023
- Regarding the extension of the usance period to 360 days from 180 days for imports of industrial raw materials including back-to-back imports, and imports of agricultural implements and chemical fertilizers under supplier's/buyer's credit are extended till 31 December 2023. (FEPD, 26 June 2023)

**Appendix-2
Bangladesh Bank's Research Works/Reports in FY23**

A Summary of Recent Research Works/Reports of Bangladesh Bank in FY23

Key research activities/outputs of various departments of BB are listed here by categorising those into two segments: (A) synthesis analysis/reports related to Bangladesh economy and (B) empirical research activities on specific economic/financial sector related issues.

A. Synthesis Analysis/Reports Related to Bangladesh Economy and Their Periods

(i) Annual Synthesis Analysis/Reports:

1. Annual Report (2021-2022) Bangladesh Bank (English Version), published and uploaded to the BB website.
2. Annual Report (2021-2022) Bangladesh Bank (Bangla Version), published and uploaded to the BB website.
3. Annual Report (2021-2022), Bangladesh Financial Intelligence Unit Bangladesh Bank, published and uploaded to the BB website.
4. Monetary Policy Statement (MPS) FY 2022-23, published and uploaded to the BB website.
5. Bangladesh Government Securities Report for FY 2021-22, published and uploaded to the BB website.
6. Monetary Policy Review 2022-2023, published and uploaded to the BB website.
7. Bangladesh Balance of Payments 2020-21 published and uploaded to the BB website.

(ii) Half-yearly Synthesis Analysis/Reports:

1. Foreign Direct Investment and External Debt, published and uploaded to the BB website in FY23.
2. CSR Reports of Banks and Financial Institutions, published and uploaded to the BB website in FY23.
3. Bangladesh Systemic Risk Dash Board (BSRD), January-June 2022, published and uploaded to the BB website in FY23.
4. BBTA Journal on 'Thoughts on Banking and Finance' Volume 08, Issue 02, July-December, 2021, published in October 2022 and uploaded to the BB website in FY23.

(iii) Quarterly Synthesis Analysis/Reports:

1. Bangladesh Bank Quarterly, 4 issues of the report have been published and uploaded to the BB website in FY23.
2. Quarterly Schedule Bank Statistics, 4 issues of the report have been published and uploaded to the BB website in FY23.

3. Quarterly Financial Stability Assessment Report, 1 issues of the report have been published and uploaded to the BB website in FY23.
4. Quarterly Review Report on Sustainable Finance of Banks & Financial Institutions, 4 issues of the report have been published and uploaded to the BB website in FY23.
5. Developments of Islamic Banking in Bangladesh, 4 issues of the report have been published and uploaded to the BB website in FY23.
6. Quarterly Report on Remittance Inflows in Bangladesh, 4 issues of the report have been published and uploaded to the BB website in FY23.
7. Quarterly Review on RMG, 4 issues of the report have been published and uploaded to the BB website in FY23.
8. Quarterly Analysis of Government's Revenue Receipts, 4 issues of the report have been published and uploaded to the BB website in FY23.
9. Quarterly on Agent Banking Activities in Bangladesh, 4 issues of the report have been published and uploaded to the BB website in FY23.
10. Quarterly Review on Money and Exchange Rate, 4 issues of the report have been published and uploaded to the BB website in FY23.
11. Quarterly Report on No-Frill Accounts, 4 issues of the report have been published and uploaded to the BB website in FY23.

(iv) Monthly Synthesis Analysis/Reports:

1. Monthly Report on Government Borrowing from Domestic Sources, 11 issues of the report have been published and uploaded to the BB website in FY23.
2. Monthly Report on Capital Market Development in Bangladesh, 12 issues of the report have been published and uploaded to the BB website in FY23.
3. Monthly Report on Agricultural and Rural Financing, 12 issues of the report have been published and uploaded to the BB website in FY23.
4. Major Economic Indicators: Monthly Update, 12 issues of the report have been published and uploaded to the BB website in FY23.
5. Monthly Economic Trends, 12 issues of the report have been published and uploaded to the BB website in FY23.

B. Empirical Studies/Occasional Papers on Some Specific Economic/Financial Sector Issues in FY23**(i) Monetary Policy/Inflation Related:**

1. Impact of Exchange Rate and Global Commodity Price Inflation on Private Sector Credit in Bangladesh. (BB Policy Note, PN 2203, CEU).
[<https://intranet.bb.org.bd/bbwebsite/pub/research/policynote/pn2203.pdf>]
2. Dynamics of Inflation, Money Supply and Economic Growth in Bangladesh: A Multivariate Analysis (Bank Parikrama, Volume 47, Nos. 1 & 2, Pages: 30-52, March & June 2022; Published: November 2022).

(ii) Financial Sector Related:

1. Impact Assessment of Interest Rate Caps and Potential Policy Options: Bangladesh Perspective. (BB Special Publication: SP 2022-01, Published: October 2022).
[<https://intranet.bb.org.bd/bbwebsite/pub/research/specialpublication/sp2022-01.pdf>]

(iii) External Sector Related:

1. Is Inflow of Foreign Loans in Bangladesh Sensitive to Interest Rate Differentials? (BBTA Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 09-32. Published: October 2022).
2. Equilibrium Exchange Rate, Current Account Deficits and Exchange Rate Misalignment in Bangladesh (BBTA Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 33-55. Published: October 2022).
3. Responses of Domestic Investment to a change in Real Exchange Rate in Case of Bangladesh. (BBTA Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 83-101. Published: October 2022).

(iv) Real Sector Related:

1. Estimating the contribution of SMEs output on GDP growth in Bangladesh-A VECM Approach. (Special Research Work- SRW 2201, Published: November 2022).
[<https://intranet.bb.org.bd/bbwebsite/pub/research/specialresearchwork/srw2201.pdf>]
2. The role of Interest rate liberalization on Endogenous Private savings growth on East and South Asian Countries- Staggered Diff and Diff panel data approach. ((BBTA Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 56-82. Published: October 2022)).
3. Measuring Efficiency of Commercial Banks: Empirical Evidence from Bangladesh. (BBTA

Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 102-115. Published: October 2022).

4. The Path designed to exterminate Poverty: PKSF Experiences in Bangladesh. (BBTA Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 115-145. Published: October 2022).
5. People's Perception towards Life Insurance: Risk Management Tool or Expectation of Fixed Return. (BBTA Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 146-178. Published: October 2022).
6. Effect of Stress on Employees Job Performance: A Study on Banking Sector of Bangladesh. (BBTA Journal Thoughts on Banking and Finance, Volume: 08, Issue: 02, July-December 2021, Pages: 179-203. Published: October 2022).

Appendix -3
Bangladesh: Some Selected Statistics

Table-I Trends in Major Macroeconomic Indicators

Indicators	FY19 1	FY20 2	FY21 3	FY22 4	FY23 5
1. GDP at FY16 constant market prices (in billion BDT)	25617.36	26500.65	28339.44	30351.50	32180.31*
2. GDP growth at FY16 constant market prices (in percent)	7.9	3.5	6.9	7.1	6.0*
3. Growth of broad money (M2) (in percent)	9.9	12.6	13.6	9.4	10.5*
4. Growth of GDP deflator (base: FY16=100) (in percent)	3.7	3.8	4.1	5.0	5.4*
5. CPI Inflation Rate (12-month average) ^{\$} (in percent)	5.5	5.7	5.6	6.2	9.0 [#]
6. Foreign exchange reserves (billion USD)					
a. Gross official reserves	32.7	36.0	46.4	41.8	31.2
b. Gross official reserves (as per BPM 6)	-	-	-	-	24.8
7. Net foreign assets of the banking system (billion BDT)	2724.0	2973.4	3821.8	3643.0	3167.3
8. Exchange rate (BDT/USD, period average)	84.0	84.8	84.8	86.3	99.4
9. REER index as of end June [@]	106.4	113.5	110.7	111.2	102.0
10. GDP at current market prices (in billion BDT)	29514	31705	35302	39717	44393
11. Per capita GDP in BDT (at current market prices)	178280	189361	208751	231861	259919*
(As percentage of GDP at current market Prices)					
12. Domestic savings	26.9	27.1	25.3	25.2	26.0*
13. Investment	32.2	31.3	31.0	32.1	31.3*
14. Broad Money (M2)	41.3	43.3	44.2	43.0	42.5*
15. M3	52.0	53.7	54.6	52.8	51.2*
16. Revenue income	8.5	8.4	9.3	8.4	9.8 ^R
17. Recurrent expenditures	7.4	7.4	7.5	7.7	8.8 ^R
18. Revenue surplus (+) / Revenue deficit (-)	+1.2	+0.9	+1.8	+0.7	+1.0 ^R
19. Annual Development Programme (ADP)	5.0	4.9	4.5	4.7	5.1 ^R
20. Total expenditures	13.3	13.3	13.0	13.0	14.9 ^R
21. Overall budget deficit (excluding grants)	4.7	4.9	3.7	4.6	5.1 ^R
22. Overall budget deficit (including grants)	4.7	4.8	3.7	4.6	5.1 ^R
23. Financing of overall budget deficit (a+b)	4.7	4.7	3.6	4.5	5.1 ^R
a. Net foreign financing	1.1	1.3	1.3	1.6	1.9 ^R
b. Net domestic financing (i+ii)	3.6	3.4	2.3	2.9	3.2 ^R
i. Bank borrowings	1.2	2.5	0.9	1.9	2.6 ^R
ii. Non-bank borrowings	2.4	0.9	1.4	1.0	0.6 ^R
24. Government debt outstanding (i+ii)	27.0	28.1	29.3	29.5	31.7
i. Domestic debt	14.5	16.3	17.1	17.4	18.0
ii. External debt [#]	12.5	11.8	12.2	12.1 ^R	13.7 [*]
25. Current account balance : surplus(+)/deficit(-)	-1.3	-1.5	-1.1	-4.1 ^{RP}	-0.7*

*Provisional, ^R Revised, ^{RP} Revised Provisional.[@]Base: FY16=100 with 15 currency basket.[#] Excluding IMF loan, Base: 2021-22=100.^{\$}Base: FY06=100.

Source: Bangladesh Bank, Bangladesh Bureau of Statistics, and Budget in Brief (various issues), MoF.

Table-II Medium-Term Macroeconomic Framework: Key Indicators

Indicators	1	Actual				Projection		
		FY20 2	FY21 3	FY22 4	FY23 ^{RB} 5	FY24 6	FY25 7	FY26 8
Real Sector								
Real GDP Growth (%)		3.5	6.9	7.1	6.0	6.5	7.8	8.0
CPI inflation (% , 12-month average) ^s		5.7	5.6	6.2	7.5	7.5	5.5	5.4
Gross investment (% of GDP)		31.3	31.0	32.0	27.8	33.8	35.1	36.0
Private		24.0	23.7	24.5	21.8	27.4	28.8	29.4
Public		7.3	7.3	7.5	6.0	6.3	6.3	6.6
Fiscal Sector (% of GDP)								
Total Revenue		8.4	9.3	9.5	9.8	10.0	10.4	11.2
Tax Revenue		7.0	7.6	7.6	8.7	9.0	9.5	10.2
Of which NBR Tax Revenue		6.8	7.5	7.4	8.3	8.6	9.1	9.7
Non-Tax Revenue		1.4	1.7	0.9	1.0	0.9	0.9	1.0
Public expenditure		13.0	13.0	13.1	14.9	15.2	15.4	16.2
Of which ADP		4.8	4.5	4.9	5.1	5.3	5.5	5.9
Overall Balance		-4.7	-3.7	-4.6	-5.1	-5.2	-5.0	-5.0
Financing								
Domestic Financing		3.3	2.3	2.8	3.2	3.1	2.9	2.9
External Financing (net)		1.4	1.4	1.8	1.9	2.1	2.1	2.1
Monetary and Credit (Year-on-Year% change)								
Domestic Credit		14.0	10.1	16.2	18.5	16.0	17.0	17.0
Credit to the Private Sector		8.6	8.3	13.7	14.1	15.0	16.0	16.0
Broad Money (M2)		12.6	13.6	9.5	11.5	13.0	13.0	13.0
External Sector								
Exports f.o.b (% change)		-17.1	12.4	33.4	10.0	12.0	14.0	14.0
Imports f.o.b (% change)		-8.6	19.7	35.9	-9.0	8.0	12.0	12.0
Remittances (% change)		12.4	36.1	-15.1	4.0	10.0	13.0	13.0
Current Account Balance (% of GDP)		-1.3	-1.1	-4.1	-1.5	-0.93	-0.62	0.06
Gross Foreign Exchange Reserve (billion USD)		36.0	46.4	42.7	34.6	25.8	41.1	48.9
Forex Reserve in Months of Imports		7.2	7.8	5.3	4.5	4.3	4.4	4.7
Memorandum Item								
GDP at Current Market Prices (billion BDT)		31705	35302	39717	44393	50067	56296	63413

^{RB} Revised Budget.

Source: Finance Division, Ministry of Finance and Bangladesh Bureau of Statistics.

Table-III Trends in Gross Domestic Product (GDP), Investment and Savings

Items/Sectors 1	FY18 2	FY19 3	FY20 4	FY21 5	FY 22 6	(Billion BDT) FY 23 ^b 7
Sectoral GDP (at FY16 constant prices)						
i. Agriculture	2986.62	3084.00	3189.50	3290.75	3391.25	3479.65
a) Agriculture, forestry and fishing	2986.62	3084.00	3189.50	3290.75	3391.25	3479.65
1. Crops and horticulture	1452.28	1482.30	1519.39	1554.17	1594.70	1630.80
2. Animal farming	493.40	508.25	524.46	539.89	556.61	574.60
3. Forest and related services	410.33	431.36	454.40	477.04	501.29	527.14
4. Fishing	630.61	662.10	691.26	719.65	738.66	747.11
ii. Industry	7694.87	8590.04	8900.23	9815.81	10783.22	11665.26
a) Mining and quarrying	424.69	472.71	487.66	519.32	513.52	543.01
1. Natural gas and crude petroleum	114.44	113.78	108.70	109.05	103.96	102.75
2. Other mining and coal	310.26	358.93	378.96	410.27	409.56	440.26
b) Manufacturing	4995.98	5612.20	5706.54	6367.65	7094.25	7749.03
1. Large industry	2570.16	2898.85	2910.72	3219.67	3724.52	4039.48
2. Small, medium and micro industry	1578.82	1746.32	1793.25	2042.41	2141.26	2349.70
3. Cottage industry	847.00	967.04	1002.57	1105.57	1228.47	1359.85
c) Electricity, gas, steam and air conditioning supply	284.66	308.12	310.20	339.80	360.70	377.08
1. Electricity	219.27	241.68	246.20	274.88	296.17	312.85
2. Gas	65.38	66.44	64.00	64.93	64.53	64.23
d) Water supply; sewerage and waste management	22.44	23.86	24.38	26.00	28.48	31.33
e) Construction	1967.10	2173.14	2371.46	2563.05	2786.28	2964.81
iii. Services	12048.52	12877.44	13383.89	14151.08	15036.46	15914.79
a) Wholesale and retail trade; repair of motor vehicles	3395.05	3695.61	3814.39	4105.90	4453.17	4749.49
b) Transportation and storage	1790.10	1915.56	1948.70	2027.40	2143.99	2272.41
1. Land transport	1562.15	1678.13	1707.37	1787.30	1896.05	2018.63
2. Water transport	132.83	134.76	135.77	138.22	139.91	137.42
3. Air transport	20.61	22.06	22.35	21.90	22.75	23.91
4. Warehousing and support activities	64.27	69.90	72.29	68.68	73.79	80.49
5. Postal and courier activities	10.25	10.70	10.93	11.29	11.49	11.96
c) Accommodation and food service activities	265.64	280.61	285.35	298.28	314.28	332.78
d) Information and communication	287.29	308.42	328.69	352.06	368.91	388.91
e) Financial and insurance activities	732.78	793.24	830.68	879.01	930.61	984.26
1. Monetary intermediation (banks)	621.62	675.23	708.57	750.80	796.55	843.72
2. Insurance	66.70	69.73	71.24	73.53	75.84	78.76
3. Other financial auxiliaries	44.46	48.28	50.88	54.68	58.23	61.78
f) Real estate activities	2058.41	2132.68	2211.09	2286.68	2371.34	2463.21
g) Professional, scientific and technical activities	42.27	44.03	45.52	47.84	49.87	52.05
h) Administrative and support service activities	163.29	176.63	187.81	199.11	211.08	224.03
i) Public administration and defence	806.56	858.90	906.02	960.81	1008.02	1078.11
j) Education	611.20	654.34	689.24	729.32	786.75	840.84
k) Human health and social work activities	657.83	738.09	817.04	903.64	992.89	1075.90
l) Arts, entertainment and recreation	33.22	35.04	36.95	39.08	41.45	44.09
m) Other service activities	1204.89	1244.29	1282.42	1321.98	1364.10	1408.73
Total GVA at constant basic price	22730.01	24551.47	25473.62	27257.64	29210.94	31059.70
Tax less subsidy	1015.73	1065.88	1027.03	1081.80	1140.56	1120.61
GDP (at FY16 constant market prices)	23745.74	25617.36	26500.65	28339.44	30351.50	32180.31

Source: Bangladesh Bureau of Statistics.

Table-IV Trends in Growth and Sectoral Share of GDP (at FY16 constant prices)

Sectors	FY18 1	FY19 2	FY20 3	FY21 4	FY22 5	FY23 ^p 6	Growth in percent	FY23 ^p 7
i. Agriculture								
a) Agriculture, forestry and fishing	3.54	3.26	3.42	3.17	3.05	2.61		
1. Crops and horticulture	2.75	2.07	2.50	2.29	2.61	2.26		
2. Animal farming	2.90	3.01	3.19	2.94	3.10	3.23		
3. Forest and related services	5.08	5.13	5.34	4.98	5.08	5.16		
4. Fishing	4.93	4.99	4.40	4.11	2.64	1.14		
ii. Industry	10.20	11.63	3.61	10.29	9.86	8.18		
a) Mining and quarrying	9.55	11.31	3.16	6.49	-1.12	5.74		
1. Natural gas and crude petroleum	0.04	-0.57	-4.47	0.32	-4.67	-1.17		
2. Other mining and coal	13.53	15.69	5.58	8.26	-0.17	7.50		
b) Manufacturing	10.45	12.33	1.68	11.59	11.41	9.23		
1. Large industry	11.08	12.79	0.41	10.61	15.68	8.46		
2. Small, medium and micro industry	11.10	10.61	2.69	13.89	4.84	9.73		
3. Cottage industry	7.45	14.17	3.67	10.27	11.12	10.69		
c) Electricity, gas, steam and air conditioning supply	8.27	8.24	0.67	9.54	6.15	4.54		
1. Electricity	10.09	10.22	1.87	11.65	7.75	5.63		
2. Gas	2.60	1.62	-3.68	1.45	-0.61	-0.46		
d) Water supply; sewerage and waste management	2.96	6.31	2.18	6.65	9.54	10.02		
e) Construction	10.06	10.47	9.13	8.08	8.71	6.41		
iii. Services	6.55	6.88	3.93	5.73	6.26	5.84		
a) Wholesale and retail trade; repair of motor vehicles	8.74	8.85	3.21	7.64	8.46	6.65		
b) Transportation and storage	6.74	7.01	1.73	4.04	5.75	5.99		
1. Land transport	7.08	7.42	1.74	4.68	6.08	6.46		
2. Water transport	1.55	1.45	0.75	1.80	1.22	(1.78)		
3. Air transport	9.78	7.08	1.29	-2.00	3.84	5.12		
4. Warehousing and support activities	9.10	8.76	3.42	-4.99	7.43	9.08		
5. Postal and courier activities	5.44	4.48	2.07	3.34	1.76	4.08		
c) Accommodation and food service activities	5.52	5.64	1.69	4.53	5.37	5.89		
d) Information and communication	6.77	7.36	6.57	7.11	4.79	5.42		
e) Financial and insurance activities	6.94	8.25	4.72	5.82	5.87	5.76		
1. Monetary intermediation (banks)	7.41	8.62	4.94	5.96	6.09	5.92		
2. Insurance	3.04	4.54	2.16	3.22	3.14	3.86		
3. Other financial auxiliaries	6.46	8.59	5.38	7.48	6.48	6.11		
f) Real estate activities	3.48	3.61	3.68	3.42	3.70	3.87		
g) Professional, scientific and technical activities	4.08	4.17	3.38	5.09	4.25	4.37		
h) Administrative and support service activities	7.74	8.17	6.33	6.02	6.01	6.13		
i) Public administration and defence	8.67	6.49	5.49	6.05	4.91	6.95		
j) Education	5.89	7.06	5.33	5.81	7.87	6.88		
k) Human health and social work activities	9.20	12.20	10.70	10.60	9.88	8.36		
l) Arts, entertainment and recreation	5.24	5.48	5.43	5.76	6.07	6.36		
m) Other service activities	3.22	3.27	3.06	3.08	3.19	3.27		
GDP (at constant market prices)	7.32	7.88	3.45	6.94	7.10	6.03		
Sectoral share (percent of GDP)								
i. Agriculture								
a) Agriculture, forestry and fishing	13.14	12.56	12.52	12.07	11.61	11.20		
1. Crops and horticulture	13.14	12.56	12.52	12.07	11.61	11.20		
2. Animal farming	6.39	6.04	5.96	5.70	5.46	5.25		
3. Forest and related services	2.17	2.07	2.06	1.98	1.91	1.85		
4. Fishing	1.81	1.76	1.78	1.75	1.72	1.70		
ii. Industry	33.85	34.99	34.94	36.01	36.92	37.56		
a) Mining and quarrying	1.87	1.93	1.91	1.91	1.76	1.75		
1. Natural gas and crude petroleum	0.50	0.46	0.43	0.40	0.36	0.33		
2. Other mining and coal	1.36	1.46	1.49	1.51	1.40	1.42		
b) Manufacturing	21.98	22.86	22.40	23.36	24.29	24.95		
1. Large industry	11.31	11.81	11.43	11.81	12.75	13.01		
2. Small, medium and micro industry	6.95	7.11	7.04	7.49	7.33	7.57		
3. Cottage industry	3.73	3.94	3.94	4.06	4.21	4.38		
c) Electricity, gas, steam and air conditioning supply	1.25	1.26	1.22	1.25	1.23	1.21		
1. Electricity	0.96	0.98	0.97	1.01	1.01	1.01		
2. Gas	0.29	0.27	0.25	0.24	0.22	0.21		
d) Water supply; sewerage and waste management	0.10	0.10	0.10	0.10	0.10	0.10		
e) Construction	8.65	8.85	9.31	9.40	9.54	9.55		
iii. Services	53.01	52.45	52.54	51.92	51.48	51.24		
a) Wholesale and retail trade; repair of motor vehicles	14.94	15.05	14.97	15.06	15.24	15.29		

Table-IV (Contd.) Trends in Growth and Sectoral Share of GDP (at FY16 constant prices)

Sectors 1	FY18 2	FY19 3	FY20 4	FY21 5	FY22 6	FY23 ^p 7
b) Transportation and storage	7.88	7.80	7.65	7.44	7.34	7.32
1. Land transport	6.87	6.84	6.70	6.56	6.49	6.50
2. Water transport	0.58	0.55	0.53	0.51	0.48	0.44
3. Air transport	0.09	0.09	0.09	0.08	0.08	0.08
4. Warehousing and support activities	0.28	0.28	0.28	0.25	0.25	0.26
5. Postal and courier activities	0.05	0.04	0.04	0.04	0.04	0.04
c) Accommodation and food service activities	1.17	1.14	1.12	1.09	1.08	1.07
d) Information and communication	1.26	1.26	1.29	1.29	1.26	1.25
e) Financial and insurance activities	3.22	3.23	3.26	3.22	3.19	3.17
1. Monetary intermediation (banks)	2.73	2.75	2.78	2.75	2.73	2.72
2. Insurance	0.29	0.28	0.28	0.27	0.26	0.25
3. Other financial auxiliaries	0.20	0.20	0.20	0.20	0.20	0.20
f) Real estate activities	9.06	8.69	8.68	8.39	8.12	7.93
g) Professional, scientific and technical activities	0.19	0.18	0.18	0.18	0.17	0.17
h) Administrative and support service activities	0.72	0.72	0.74	0.73	0.72	0.72
i) Public administration and defence	3.55	3.50	3.56	3.52	3.45	3.47
j) Education	2.69	2.67	2.71	2.68	2.69	2.71
k) Human health and social work activities	2.89	3.01	3.21	3.32	3.40	3.46
l) Arts, entertainment and recreation	0.15	0.14	0.15	0.14	0.14	0.14
m) Other service activities	5.30	5.07	5.03	4.85	4.67	4.54
Total GVA at constant basic price	100.0	100.0	100.00	100.00	100.00	100.00

^p Provisional.

Source: Bangladesh Bureau of Statistics.

Table- V Expenditure Based Gross Domestic Product at Current Prices

Item	FY20	FY21	FY22	(Billion BDT) FY23 ^P
1. Domestic Demand [(1.1)+(1.2)]	33045.91	37305.91	42427.02	46714.96
1.1 Consumption [(1.1.1)+(1.1.2)]	23119.82	26355.72	29698.75	32840.47
1.1.1 Private	21226.67	24279.00	27435.27	30288.54
1.1.2 Public	1893.15	2076.72	2263.48	2551.93
1.2 Investment [(1.2.1)+(1.2.2)]	9926.09	10950.19	12728.27	13874.50
1.2.1 Private	7614.07	8366.82	9736.71	10496.43
1.2.2 Public	2312.02	2583.37	2991.56	3378.06
2. Resource Balance [(2.1)-(2.2)]	-1707.57	-2258.77	-3183.54	-2554.28
2.1 Export	3310.85	3764.16	5116.46	5967.32
2.2 Import	5018.43	6022.93	8299.99	8521.60
3. Gross Domestic Expenditure at Market Price	31338.34	35047.14	39243.48	44160.69
4. Gross Domestic Product at Market Price	31704.69	35301.85	39717.16	44392.73
5. Statistical Discrepancy [(4)-(3)]	366.36	254.71	473.68	232.05
6. Net Factor Income from Abroad	1312.32	1858.12	1573.46	1792.56
7. Gross National Income at Market Price [(4)+(6)]	33017.01	37159.97	41290.62	46185.29
8. Net Current Transfer from Abroad	63.69	66.54	65.05	68.44
9. Gross Disposable National Income [(7)+(8)]	33080.71	37226.50	41355.67	46253.74
10. Gross Domestic Savings [(4)-(1.1)]	8584.87	8946.13	10018.41	11552.26
11. Gross National Savings [(9)-(1.1)]	9960.88	10870.78	11656.92	13413.27
12. Current Account Balance [(2)+(6)+(8)]	-331.56	-334.12	-1545.03	-693.28
As Percent of GDP				
Consumption	72.92	74.66	74.78	73.98
Private	66.95	68.78	69.08	68.23
Public	5.97	5.88	5.70	5.75
Investment	31.31	31.02	32.05	31.25
Private	24.02	23.70	24.52	23.64
Public	7.29	7.32	7.53	7.61
Exports of Goods and Services	10.44	10.66	12.88	13.44
Imports of Goods and Services	15.83	17.06	20.90	19.20
Gross Domestic Savings	27.08	25.34	25.22	26.02
Gross National Savings	31.42	30.79	29.35	30.22

^P Provisional.

Source: Bangladesh Bureau of Statistics.

Table-VI Trends in Government Budgetary Operation

(Billion BDT)

Description	FY17 1	FY18 2	FY19 3	FY20 4	FY21 5	FY22 6	FY23 ^R 7	FY24 (Budget) 8	
1. Revenue and foreign grants	2019.1	2174.2	2535.6	2684.3	3310.1	3369.6	4362.6	5039.0	
i. Revenues	2012.1	2165.6	2518.8	2659.1	3286.7	3346.4	4330.0	5000.0	
a) Tax revenue	1780.8	1943.3	2259.6	2219.8	2698.0	2995.9	3880.0	4500.0	
b) Non-tax revenue	231.4	222.3	259.2	439.3	588.6	350.6	450.0	500.0	
ii. Foreign grants	7.0	8.7	16.8	25.2	23.5	23.2	32.6	39.0	
2. Expenditures	2695.0	3218.6	3916.9	4201.6	4601.6	5181.9	6605.1	7617.9	
i. Recurrent expenditure	1644.9	1788.8	2178.1	2361.2	2658.9	3077.3	3900.9	4362.5	
ii. Capital expenditure	113.6	125.9	203.0	187.6	199.4	179.6	242.0	390.3	
iii. Loans and advances (net)	26.0	12.4	-17.1	12.1	5.9	-51.0	35.2	84.2	
iv. Annual Development Programme	840.9	1195.4	1472.9	1553.8	1605.0	1860.6	2275.7	2630.0	
v. Other expenditures	69.6	96.1	80.0	86.9	132.4	115.4	151.3	150.9	
3. Overall deficit (excluding grants)	682.9	1053.1	1398.1	1542.5	1315.0	1835.5	2275.1	-2617.9	
4. Overall deficit (including grants)	675.9	1044.4	1381.3	1517.3	1291.5	1812.2	2242.4	-2578.9	
5. Financing	675.9	1044.4	1381.3	1496.6	1282.9	1802.4	2242.4	2578.9	
i. Foreign borrowing - net	116.0	256.2	312.9	416.1	457.1	650.2	838.2	1024.9	
Foreign borrowing	188.0	331.3	447.9	529.3	577.3	783.2	1019.7	1271.9	
Amortisation	-72.0	-75.1	-135.0	-113.2	-120.2	-133.0	-181.5	-247.0	
ii. Domestic borrowing - net	559.9	788.2	1068.5	1080.5	825.9	1152.2	1404.3	1554.0	
Borrowing from banking system (net)	-83.8	117.3	345.9	792.7	326.7	755.3	1154.3	1324.0	
Non-bank borrowing (net)	643.6	670.8	722.6	287.8	499.1	396.8	250.0	230.0	
Memorandum item : GDP (at current market prices)*	19560.6	22504.8	25361.8	27963.8	31718.0	39717.2	44392.7	50067.8	

* Estimate of the Finance Division.

^R Revised budget.

Source : Budget in Brief (various issues), Ministry of Finance.

Table-VII Broad Money: Its Components and Sources

Particulars	FY18 1	FY19 2	FY20 3	FY21 4	FY22 5	(Billion BDT) FY23 ^P 6	
						FY22 7	
Broad money (M_2) [@]	11099.8	12196.1	13737.4	15609.0	17081.2	18871.7	
Components							
Currency outside banks	1409.2	1542.9	1921.1	2095.2	2364.5	2919.1	
Demand deposits	1132.2	1182.2	1355.3	1657.2	1888.6	1993.0	
Time deposits	8550.9	9463.2	10454.7	11850.7	12822.2	13952.9	
Sources							
Net foreign assets	2646.7	2724.0	3014.7	3823.4	3643.0	3167.3	
Net domestic assets	8453.1	9472.1	10722.6	11785.6	13438.2	15704.5	
Total domestic credit [@]	10216.3	11468.8	13076.3	14399.0	16717.5	19267.5	
Public sector	1141.0	1366.3	2103.7	2510.4	3205.1	4326.5	
Government (net) ^{@@}	949.0	1132.7	1811.5	2210.3	2833.1	3871.6	
Other public sector	192.0	233.6	292.2	300.2	372.0	454.9	
Private sector	9075.3	10102.6	10972.7	11888.6	13512.4	14941.0	
Other assets (net)	-1763.2	-1996.7	-2303.7	-2613.4	-3279.3	-3563.0	
Growth in percent							
Broad money (M_2) [@]	9.2	9.9	12.6	13.6	9.4	10.5	
Components							
Currency outside banks	2.5	9.5	24.5	9.1	12.9	23.5	
Demand deposits	11.1	4.4	14.6	22.3	14.0	5.5	
Time deposits	10.2	10.7	10.5	13.4	8.2	8.8	
Sources							
Net foreign assets	-0.8	2.9	10.7	26.8	-4.7	-13.1	
Net domestic assets	12.8	12.1	13.2	9.9	14.0	16.9	
Total domestic credit [@]	14.7	12.3	14.0	10.1	16.1	15.3	
Public sector	-0.4	19.8	54.0	19.3	27.7	35.0	
Government (net) ^{@@}	-2.5	19.4	59.9	22.0	28.2	36.7	
Other public sector	11.1	21.6	25.1	2.7	23.9	22.3	
Private sector	16.9	11.3	8.6	8.3	13.7	10.6	
Other assets (net)	24.8	13.2	15.4	13.4	25.5	8.7	

Notes: (1) Government securities and treasury bills are shown at cost price from June 2002 onwards.

(2) Advances are on gross basis.

@ Figures correspond to end June.

@@ Includes adjustment of bonds issued by the Government.

P Provisional.

Sources: (1) Statistics Department, Bangladesh Bank.

(2) Bangladesh Bureau of Statistics.

Table-VIII ConsumerPrice Index (CPI) and Rate of Inflation -National (Base: FY06=100)

Period	Twelve-month average basis						Twelve-month point to point basis					
	General		Food		Non-food		General		Food		Non-food	
	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation	Index	Annual rate of inflation
Weight	100.00		56.18		43.82		100.00		56.18		43.82	
FY15	195.08	7.35	209.79	8.57	176.22	5.54	196.86	6.97	210.15	8.00	179.82	5.45
FY16	219.86	5.92	234.77	4.90	200.74	7.47	220.74	5.53	232.87	4.23	205.19	7.50
FY17	231.82	5.44	248.90	6.02	209.92	4.57	233.86	5.94	250.35	7.51	212.72	3.67
FY18	245.22	5.78	266.64	7.13	217.77	3.74	246.82	5.54	265.33	5.98	223.09	4.87
FY19	258.65	5.48	281.32	5.51	229.58	5.42	260.44	5.52	279.65	5.40	235.82	5.71
FY20	273.26	5.65	296.86	5.52	243.00	5.85	276.12	6.02	297.95	6.54	248.13	5.22
FY21	288.44	5.56	313.86	5.73	255.85	5.29	291.70	5.64	314.19	5.45	262.87	5.94
FY22	306.18	6.15	332.86	6.05	271.98	6.31	313.76	7.56	340.48	8.37	279.50	6.33
FY23*	109.02	9.02	108.71	8.71	109.39	9.39	112.46	9.74	112.25	9.73	112.63	9.60
<u>FY23</u>												
Jul-22	308.01	6.33	335.01	6.31	273.39	6.35	315.13	7.48	341.91	8.19	280.80	6.39
Aug-22	310.37	6.66	337.69	6.71	275.35	6.58	326.06	9.52	355.16	9.94	288.76	8.85
Sep-22	312.68	6.96	340.21	7.04	277.38	6.84	331.88	9.09	362.77	9.08	292.29	9.12
Oct-22	314.96	7.23	342.60	7.32	279.53	7.10	334.89	8.91	366.39	8.50	294.51	9.58
Nov-22	317.22	7.48	344.86	7.55	281.78	7.37	333.07	8.86	360.75	8.14	297.58	9.98
Dec-22	319.43	7.70	347.04	7.75	284.03	7.62	331.35	8.71	356.86	7.91	298.65	9.95
Jan-23	321.62	7.92	349.20	7.92	286.27	7.92	333.34	8.57	359.40	7.76	299.93	9.84
Feb-23	323.88	8.14	351.47	8.08	288.51	8.23	335.29	8.79	362.17	8.13	300.82	9.82
Mar-23	326.29	8.39	354.02	8.31	290.74	8.53	339.07	9.33	368.09	9.09	301.87	9.73
Apr-23*	107.35	8.64	107.11	8.52	107.72	8.81	111.45	9.24	111.26	8.84	111.60	9.72
May-23*	108.19	8.84	107.88	8.60	108.57	9.12	111.06	9.94	109.62	9.24	112.22	9.96
Jun-23*	109.02	9.02	108.71	8.71	109.39	9.39	112.46	9.74	112.25	9.73	112.63	9.60

* Base: FY22=100.

Source: Bangladesh Bureau of Statistics.

Table-IX Trends in Reserve Money and its Components

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	(Billion BDT)
					Reserve money
1	2	3	4	5	6=(2+3+4+5)
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
2015	879.4	102.1	498.4	4.9	1484.8
2016	1220.7	102.3	603.0	6.0	1932.0
2017	1375.3	137.3	727.3	6.7	2246.6
2018	1409.2	140.2	780.4	7.6	2337.4
2019	1542.9	161.0	750.1	7.9	2461.9
2020	1921.1	159.8	757.7	6.2	2844.8
2021	2095.2	173.7	1206.0	5.9	3480.7
2022	2364.5	197.3	903.8	6.0	3471.6
2023 ^P	2919.1	200.3	709.7	6.7	3835.9

* Balances of DMBs with BB excluding foreign currency clearing account balances since June 2002 and reserve money has been revised accordingly.

^P Provisional.

Source: Statistics Department, Bangladesh Bank.

Table-X Trends in Reserve Money and Its Sources

(Billion BDT)

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)
2005	156.7	61.3	11.1	13.4	242.5	146.9	- 115.3	274.1
2006	249.8	63.4	10.1	14.3	337.6	186.4	- 184.5	339.5
2007	259.3	64.4	9.9	15.8	349.4	287.7	- 242.9	394.2
2008	259.3	73.3	9.5	17.0	359.1	328.1	- 211.6	475.6
2009	284.7	68.5	8.5	20.2	381.9	432.3	- 186.7	627.5
2010	214.7	66.1	8.3	25.9	315.0	611.8	- 185.4	741.4
2011	317.1	186.1	7.8	31.4	542.4	613.4	- 258.5	897.3
2012	378.5	226.3	11.8	36.0	652.6	689.3	- 363.9	978.0
2013	270.7	102.2	13.5	41.8	428.2	1032.5	- 335.8	1124.9
2014	38.4	62.8	12.0	42.7	156.0	1475.0	- 332.2	1298.8
2015	8.1	56.6	21.6	46.4	132.7	1774.0	- 421.9	1484.8
2016	133.7	60.2	20.2	49.7	263.8	2188.9	- 520.7	1932.0
2017	129.8	50.5	21.6	49.8	251.7	2520.3	- 525.4	2246.6
2018	225.7	55.8	23.7	51.5	356.7	2535.1	- 554.4	2337.4
2019	311.9	53.9	23.8	47.9	437.5	2572.0	- 547.5	2461.9
2020	421.2	137.6	25.5	53.4	637.8	2860.4	- 653.3	2844.8
2021	172.8	189.5	32.2	58.4	452.9	3669.2	- 641.4	3480.7
2022	549.3	160.7	34.4	59.4	803.8	3477.6	- 809.7	3471.6
2023 ^P	1574.1	616.6	38.9	75.2	2304.9	2875.0	-1344.0	3835.9

^P Provisional.

Source: Statistics Department, Bangladesh Bank.

Table-XI Trends in Deposits of Public and Private Sector

Year (End June)	Demand deposits ^{1/}			Time deposits ^{1/}			(Billion BDT)	
	Public ^{2/}		Private	Total	Public ^{2/}		Private ^{3/}	
	1	2	3	4	5	6	7	
2005	35.2	158.9	194.1		223.3	1008.4	1231.7	
2006	38.1	183.9	222.0		255.1	1212.9	1468.0	
2007	42.2	218.8	261.0		298.7	1409.8	1708.5	
2008	49.5	254.9	304.4		364.8	1647.6	2012.4	
2009	57.5	280.3	337.8		442.7	2005.6	2448.3	
2010	61.8	393.0	454.8		537.1	2374.5	2911.6	
2011	87.8	439.3	527.1		677.0	2900.4	3577.4	
2012	103.4	471.0	574.4		845.1	3480.7	4325.8	
2013	112.1	517.8	629.9		954.8	4144.2	5099.0	
2014	115.3	600.2	715.5		1080.9	4828.4	5909.3	
2015	119.2	683.6	802.8		1376.5	5283.7	6660.2	
2016	139.2	853.4	992.6		1638.3	5871.4	7509.7	
2017	192.1	971.5	1163.6		1781.0	6480.8	8261.8	
2018	204.1	1071.0	1275.1		2034.0	7131.9	9165.9	
2019	247.7	1105.9	1353.6		2164.9	7954.6	10119.5	
2020	274.8	1267.2	1541.9		2230.7	8918.4	11149.1	
2021	260.6	1569.0	1829.7		2535.0	10105.0	12640.0	
2022	287.4	1788.2	2075.6		2573.3	11151.1	13724.4	
2023	284.7	1891.0	2175.7		2687.7	12116.0	14803.7	
Share in percent								
2005	18.1	81.9	100.0		18.1	81.9	100.0	
2006	17.1	82.9	100.0		17.4	82.6	100.0	
2007	16.2	83.8	100.0		17.5	82.5	100.0	
2008	16.3	83.7	100.0		18.1	81.9	100.0	
2009	17.0	83.0	100.0		18.1	81.9	100.0	
2010	13.6	86.4	100.0		18.4	81.6	100.0	
2011	16.7	83.3	100.0		18.9	81.1	100.0	
2012	18.0	82.0	100.0		19.5	80.5	100.0	
2013	17.8	82.2	100.0		18.7	81.3	100.0	
2014	16.1	83.9	100.0		18.3	81.7	100.0	
2015	14.8	85.2	100.0		20.7	79.3	100.0	
2016	14.0	86.0	100.0		21.8	78.2	100.0	
2017	16.5	83.5	100.0		21.6	78.4	100.0	
2018	16.0	84.0	100.0		22.2	77.8	100.0	
2019	18.3	81.7	100.0		21.4	78.6	100.0	
2020	17.8	82.2	100.0		20.0	80.0	100.0	
2021	14.2	85.8	100.0		20.1	79.9	100.0	
2022	13.8	86.2	100.0		18.7	81.3	100.0	
2023	13.1	86.9	100.0		18.2	81.8	100.0	

^{1/} Exclude inter-bank items.^{2/} Include government deposits.^{3/} Include wage earners' deposits.

Source: Statistics Department, Bangladesh Bank.

Table-XII Trends in Selected Statistics of Scheduled Banks

(Billion BDT)

Particulars	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
1	2	3	4	5	6	7	8	9
1. Bank deposits (exclude inter-bank items)	8496.3	9425.9	10441.5	11473.6	12691.5	14470.2	15800.5	16979.9
(a) Demand deposits	897.6	1018.9	1132.2	1182.2	1355.3	1657.2	1888.6	1993.0
(b) Time deposits	7039.5	7760.0	8550.9	9463.2	10454.7	11850.7	12822.2	13952.8
(c) Restricted deposits	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5
(d) Government deposits	558.7	646.5	757.9	827.8	881.0	961.8	1089.2	1033.5
2. Borrowings from the Bangladesh Bank	183.9	243.9	323.3	353.7	503.0	736.3	916.6	1051.2
3. Cash in tills	102.3	137.3	140.2	161.0	159.8	173.7	197.3	200.3
4. Balances with the Bangladesh Bank including FCD	672.9	815.9	871.6	866.9	869.9	1331.8	956.5	910.1
5. Balances with other banks in Bangladesh	206.6	285.8	444.3	441.8	355.3	422.9	403.3	363.5
6. Money at call and short notice	51.7	65.4	46.7	65.4	74.4	38.9	103.5	116.2
7. Total investment @	1798.7	1787.5	1848.0	2130.7	2745.3	3468.9	3880.8	3837.9
(a) Government securities & treasury bills *	1536.7	1476.5	1492.7	1663.6	2264.6	2922.8	3261.2	3217.4
(b) Others	262.0	311.0	355.3	467.1	480.7	546.1	619.6	620.5
8. Bank credit (exclude inter-bank items and foreign bills)	6428.3	7456.1	8762.5	9824.5	10735.3	11630.2	13331.7	14853.4
(a) Advances in Bangladesh **	6187.8	7166.6	8480.5	9518.8	10495.7	11390.0	12990.0	14460.8
(b) Inland bills purchased and discounted	240.5	289.4	282.0	305.7	239.5	240.2	341.7	392.6
9. Credit/deposit ratio (excluding specialised banks)	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.9

* Government securities and treasury bills are shown at cost price from June 2002.

** Advances are on gross basis.

@ Include treasury bills/bonds issued by the government and all other investment (share/debenture, reverse repo, etc.).

Source: Statistics Department, Bangladesh Bank.

Table-XIII Movements in Selected Interest Rates (end period)

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
1	2	3	4	5	6	7	8	9
Bank rate	5.00	5.00	5.00	5.00	5.00	4.00	4.00	4.00
Treasury bill rates*								
91-day	3.92	3.78	3.89	6.92	6.87	0.58	6.01	6.80
182-day	4.65	4.31	4.42	7.07	7.00	0.68	6.57	7.07
364-day	5.22	4.47	4.60	7.29	7.41	1.26	6.66	7.90
Call money rates*	3.70	3.93	3.41	4.55	5.01	2.25	4.88	6.06
Scheduled banks rates*								
Deposits	5.54	4.84	5.50	5.43	4.96	4.13	3.97	4.38
Advances	10.39	9.56	9.95	9.58	7.95	7.32	7.09	7.31

* Weighted average except bank rate.

Source: Monetary Policy Department and Statistics Department, Bangladesh Bank.

Table XIV Government Domestic Borrowing from the Banking System

Sl. No.	Particulars	Objectives	Outstanding	Outstanding
			as on 30 June 22	as on 30 June 23 ^P
1	2	3	4	5
A. Bangladesh Bank				
1.	Ways and Means Advances	To increase Government cash balance	7.27	80.00
2.	Overdraft		0.00	98.02
3.	Overdraft Block		0.00	0.00
4.	Devolution		531.94	1313.34
a)	Treasury Bills		187.75	504.99
b)	Treasury Bonds		344.19	808.35
5.	Government Currency Liabilities		20.26	20.26
6.	Advances to Govt. against RFI from IMF		41.27	65.16
7.	Advances to Autonomous and Semi-autonomous Bodies		0.00	0.00
8.	Accrued Interest		4.01	25.08
9.	Government Deposits ^{2/} (-)		-0.80	-0.38
10.	Balances of BGLIB Fund in BB (-)		-53.72	-11.64
11.	Govt. Lending Fund(-)		-68.78	-102.10
A.	Total : (1 +...+ 11)		481.43	1487.74
B. Scheduled Banks (SBs)				
1.	Government Treasury Bills		577.60	718.31
i)	Treasury Bills (Less than 1 year)	To increase Government cash balance	577.60	718.31
2.	Bangladesh Govt. Treasury Bonds (BGTB)		2303.45	2297.30
i)	2-years Bangladesh Govt.Treasury Bonds		342.27	292.69
ii)	3-years Bangladesh Govt. Floating Rate Treasury Bonds (FRTBs)	To increase long-term investment of different banks, non-bank financial institutions and employees GF of different companies	0.00	0.00
iii)	5-years Bangladesh Govt.Treasury Bonds		555.91	620.35
iv)	10-years Bangladesh Govt.Treasury Bonds		684.60	643.94
v)	15-years Bangladesh Govt.Treasury Bonds		371.62	381.20
vi)	20-years Bangladesh Govt.Treasury Bonds		349.05	359.12
3.	Others Treasury Bonds (a+b)		61.64	46.49
a)	1 Year and above but less than 5 years (Specialized Bonds)		0.00	0.04
i)	3-Years interest free Frozen Food Treasury Bond 2021	To repay the loan of Frozen Food Industries	0.00	0.00
ii)	3-Years interest free SPTB BKB-2022 ^{1/}	To repay the loan of Cold Storage	0.00	0.04
b)	5 Years and above (Specialized Bonds)		61.64	46.45
i)	12-years to 15-years (BPC) Treasury Bond bearing 5.0 percent interest ^{2/}	To repay the loan of Bangladesh Petroleum Corporation	9.23	0.00
ii)	11-years to 13-years BJMC Treasury Bond bearing 5.0 percent interest ^{3/}	To repay the loan of BJMC	13.14	7.17
iii)	8-years SPTB-2021 bearing 7.0 percent interest		0.00	0.00
iv)	10-years SPTB-2023 bearing 7.0 percent interest	To increase Government cash balance	19.35	19.35

Table XIV Government Domestic Borrowing from the Banking System

(Billion BDT)

Sl. No.	Particulars	Objectives	Outstanding as on 30 June 22	Outstanding as on 30 June 23 ^P
1	2	3	4	5
v) 07-years Hanif Flyover SPTB-2026 bearing 5.0 percent interest	To repay the loan of Hanif Flyover	14.39	14.39	
vi) 07-years interest free Hanif Flyover SPTB-2026		5.54	5.54	
4. Bangladesh Govt. Investment Sukuk (BGIS)[#]			177.94	177.94
i) 05 Years Bangladesh Govt. Investment Sukuk (Ijarah Sukuk)	To raise fund for the project 'Safe Water Supply to the Whole Country'; To purchase definite assets of 'Need Based Infrastructure Development of Government Primary Schools Project(1st Phase)'; To construct and develop 'Important Rural Infrastructure Development Project on Priority Basis-3 (IRIDP-3)'	177.94	177.94	
5. Sub-Total : (1+2+3+4)			3120.63	3240.04
6. Prize Bond		0.25	0.29	
7. Government's other Securities		0.06	0.06	
8. Advances to Food Ministry		13.78	12.11	
9. Advances to Other Ministries		13.37	8.28	
10. Advances to Auto./Semi-Autonomous Bodies		84.60	134.47	
11. Accrued Interest		33.44	32.55	
12. Deposits of Ministries and Departments (-)		-357.60	-356.47	
13. Deposits of Auto./Semi-Autonomous Bodies (-)		-731.59	-677.04	
14. SBs's Balances of BGIIB Fund (i+ii)		50.46	6.47	
i) Investment to BGIIB Fund		83.87	78.43	
ii) Borrowing from BGIIB Fund (-)		-33.41	-71.96	
15. Borrowing from Govt. on Lending (-)		-22.04	-25.34	
16. Borrowing from Govt. Financial Stimulus Fund (-)		-21.57	-0.01	
B. Total : (5+...+16)		2183.79	2375.41	
Grand Total : (A+B)*		2665.22	3863.15	

* Including advances to Govt. against RFI from IMF, BGIIB Fund, Govt. Lending Fund and Govt. Financial Stimulus Fund.

®/ Including other deposits.

BGIS (*Ijarah Sukuk*) was introduced in FY21. Up to June 2023, three *Sukuk* (BGIS) bonds has been issued under *Ijarah* and *Istisna'a* mode.

1/ An amount of BDT 0.04 billion was issued in November 2022.

2/ An amount of BDT 9.23 billion was paid in September 2022 against the outstanding of BDT 9.23 billion in June 2022.

3/ An amount of BDT 5.97 billion was paid in October 2022 against the outstanding of BDT 13.14 billion in June 2022.

P Provisional.

Source: Debt Management Department and Statistics Department, Bangladesh Bank.

Table-XV Government Borrowing from Other than Banks

(Billion BDT)

Sl. No.	Particulars	FY22				FY23			
		Sale	Repayment Principal	Interest	Net Sale	Sale	Repayment Principal	Interest	Net Sale
1	2	3	4	5	6 = (3-4)	7	8	9	10 = (7-8)
NSD Instruments									
1.	Defence Savings Certificate	0.00	0.02	0.03	-0.02	0.00	0.01	0.01	-0.01
2.	5-year Bangladesh Certificate	93.66	62.19	30.27	31.47	43.99	74.15	35.88	-30.16
3.	3-year Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Bonus Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.	6-month interest bearing Certificate	Savings	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6.	Family Savings Certificate	531.46	295.65	176.71	235.81	381.17	291.20	187.01	89.97
7.	3-month interest bearing Certificate	Savings	330.00	278.73	86.63	51.26	246.74	177.88	83.66
8.	Jamanat Savings Certificate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
9.	Pensioner Savings Certificate	81.40	59.37	34.51	22.03	74.25	59.97	34.19	14.28
10.	Post Office Savings Bank	32.19	160.02	55.63	-127.83	48.39	204.92	86.59	-156.53
a)	General Account	4.76	13.21	2.72	-8.44	5.15	26.16	8.96	-21.01
b)	Fixed Account	27.42	146.81	52.91	-119.38	43.24	178.77	77.63	-135.52
c)	Bonus Account	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11.	Postal Life Insurance	1.30	1.35	0.39	-0.05	1.32	1.21	0.30	0.11
12.	Prize Bond	0.87	0.44	0.40	0.44	1.00	0.42	0.29	0.58
13.	Wage Earners' Development Bond	8.66	12.82	13.38	-4.15	7.08	23.19	18.29	-16.11
14.	3-year National Investment Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
15.	USD Premium Bond	0.15	1.19	0.22	-1.04	0.92	0.88	0.22	0.04
16.	USD Investment Bond	1.02	9.78	1.86	-8.77	3.73	7.72	1.57	-3.99
17.	Total : (1+...+16)	1080.71	881.56	400.03	199.15	808.59	841.55	448.00	-32.96
18.	Govt. Treasury Bills/Bonds	Outstanding as on 30 June 2022		Net Changes	Outstanding as on 30 June 2023		Net Changes		
i)	Government Treasury Bills	482.07		70.15	590.34		108.28		
ii)	Bangladesh Govt. Treasury Bonds (BGTBs)	475.11		69.78	555.19		80.08		
a)	2-year Bangladesh Government Treasury Bonds	12.27		-5.91	25.17		12.90		
b)	3-year (FRTB) Bangladesh Government Treasury Bonds	0.00		0.00	0.00		0.00		
c)	5-year Bangladesh Government Treasury Bonds	89.92		10.36	115.34		25.42		
d)	10-year Bangladesh Government Treasury Bonds	190.87		22.07	204.86		14.00		
e)	15-year Bangladesh Government Treasury Bonds	81.46		13.32	89.88		8.42		
f)	20-year Bangladesh Government Treasury Bonds	100.60		29.94	119.93		19.33		
iii)	Bangladesh Government Investment Sukuk (BGIS) [#]	2.06		0.06	2.06		0.00		
a)	5 years Bangladesh Government Investment Sukuk(Ijarah Sukuk)	2.06		0.06	2.06		0.00		
19.	Total Non-bank Government Borrowing (net) : (17+18)	269.30				75.32			

[#] BGIS (Ijarah Sukuk) was introduced in FY21. Up to June 2023, three Sukuk (BGIS) bonds have been issued under *Ijarahand Istisna'amode*.

Source: Department of National Savings; Debt Management Department, Bangladesh Bank.

Table-XVI Trends in Balance of Payments*

Item	FY19	FY20	FY21	FY22 ^R	(million USD) FY23 ^P
1	2	3	4	5	6
1. Trade balance	-15835	-18569	-23778	-33250	-17163
Export f.o.b.(including EPZ)	39604	32121	36903	49245	52332
Of which : Readymade garments (RMG)	34133	27949	31457	42613	46992
Import f.o.b (including EPZ)	55439	50690	60681	82495	69495
2. Services	-3176	-2578	-3020	-3987	-4384
Credit	7154	6716	7439	8531	6971
Of which : Government Services	2817	2889	2674	2635	2068
Debit	10330	9294	10459	12518	11355
3. Primary income	-2382	-3070	-3172	-2726	-3407
Credit	177	174	217	345	443
Debit	2559	3244	3389	3071	3850
Of which : Official interest payments	758	960	909	518	1030
4. Secondary Income	16903	18782	25395	21767	22289
Official transfers	41	19	51	65	88
Private transfers	16862	18763	25344	21702	22201
Of which: Workers' remittances	16420	18205	24778	21032	21611
5. Current account balance (1+2+3+4)	-4490	-5435	-4575	-18196	-2665
6. Capital account	239	256	458	610	475
Capital transfers	239	256	458	610	475
7. Financial account	5130	8654	14067	16691	-2078
Foreign direct investment (gross inflows)	4946	3233	3387	4636	4428
Of which: FDI net inflows	2628	1271	1355	1827	1649
Portfolio investment	171	44	-269	-158	-30
Of which: Investment by NRBs	224	191	209	114	118
Other investment	2331	7339	12981	15022	-3697
Net aid flows	5061	5739	6032	8768	6959
MLT loans (excluding suppliers credit)	6263	6996	7449	10295	8704
MLT amortization payments	1202	1257	1417	1527	1745
Other long term loans (net)	302	499	1684	1443	434
Other short term loans (net)	272	1142	2064	3315	-1883
Trade credit (net)	-3493	236	3749	311	-6436
Commercial Bank	189	-277	-548	1185	-2771.4
Assets	367	-234	391	791	798.7
Liabilities	556	-511	-157	1976	-1972.7
8. Errors and omissions	-700	-306	-676	-5761	-3954
9. Overall balance (5+6+7+8)	179	3169	9274	-6656	-8222
Reserve assets	-179	-3169	-9274	6656	8222
Bangladesh Bank	-179	-3169	-9274	6656	8222
Assets	-155	3250	9924	-4987	-8766
Liabilities	-334	81	650	1669	-544

Note: 1. Customs record is used to calculate Import (f.o.b.)

2. Disinvestment, repayments of loans & loss have been deducted as per BPM6 and it includes in financial account calculation instead of gross FDI.

* This classification is based on BPM6 manual.

^P Provisional, ^R Revised.

Source: Statistics Department, Bangladesh Bank.

Table-XVII Trends in Category-wise Exports

(Million USD)

Items	FY19	FY20	FY21	FY22	FY23
1	2	3	4	5	6
A. Frozen and Live Fish	500.40	456.15	477.37	532.94	422.28
1. Fish	81.34	86.72	121.89	98.30	96.77
2. Shrimps	361.14	332.65	328.84	407.25	300.26
3. Others	57.92	36.78	26.64	27.39	25.25
B. Agricultural products	908.96	862.06	1028.14	1162.25	843.03
1. Vegetables	99.68	164.00	118.73	99.91	61.14
2. Tobacco	63.33	80.36	86.20	107.22	162.67
3. Fruits & Flowers	5.71	0.52	0.67	5.37	1.05
4. Spices	41.31	33.28	43.29	39.66	42.38
5. Dry Food	227.09	193.71	283.38	249.96	200.37
6. Others	471.84	390.19	495.87	660.13	375.42
C. Manufactured products	39125.68	32355.88	37252.80	50387.47	54293.46
1. Petroleum bi-products	203.74	23.48	23.33	33.53	17.98
2. Chemical products	205.18	198.86	280.58	364.07	303.01
3. Plastic products	119.80	100.52	115.28	166.25	209.86
4. Leather & Leather products	1019.78	797.60	941.67	1245.18	1223.62
5. Cotton & cotton products	152.16	133.56	154.29	244.92	411.12
6. Jute & Jute goods	816.27	882.35	1161.48	1127.63	912.25
7. Specialized textiles	143.93	116.04	130.90	314.82	284.65
8. Knitwear	16888.54	13908.00	16960.03	23214.32	25738.20
9. Woven garments	17244.73	14041.19	14496.70	19398.84	21253.41
10. Home textile	851.72	758.91	1132.03	1621.93	1095.29
11. Footwear	271.53	277.13	344.46	449.15	478.86
12. Engineering products	341.30	292.92	529.00	795.63	585.85
13. Ships, boats & floating structures	4.73	11.32	0.20	0.24	5.33
14. Others	862.27	814.00	982.85	1410.96	1774.03
Total (A+B+C)	40535.04	33674.09	38758.31	52082.66	55558.77
Of which exports from EPZ	6030.24	4943.74	5305.98	6898.91	6461.66
Growth of export (compared to previous year)	10.55	-16.93	15.10	34.38	6.67

Source: Export Promotion Bureau.

Table-XVIII Trends in Category-wise Imports

(Million USD)

Items	FY19 1	FY20 2	FY21 3	FY22 ^R 4	FY23 ^P 5	FY23 ^P 6
A. Food Grains	1551.57	1672.05	2680.43	2561.76	2599.27	
1. Rice	115.08	21.51	850.87	426.75	571.54	
2. Wheat	1436.49	1650.54	1829.56	2135.01	2027.73	
B. Consumer Goods	3516.14	3705.11	4155.59	5779.24	5851.96	
1. Milk & cream	360.84	341.19	344.09	418.48	373.95	
2. Spices	327.10	351.05	404.38	362.95	417.30	
3. Edible oil	1656.27	1617.28	1926.38	2893.06	2892.68	
4. Pulses (all sorts)	469.45	662.21	681.03	828.93	938.37	
5. Sugar	702.48	733.38	799.71	1275.82	1029.66	
C. Intermediate Goods	33608.53	31912.47	38306.84	55192.10	44269.91	
i) Petroleum goods	4976.97	5357.48	8985.10	7993.02	5772.84	
1. Crude petroleum	415.46	730.86	2616.37	935.86	627.59	
2. POL	4561.51	4626.62	6368.73	7057.16	5145.25	
ii) RMG related goods	14818.95	13024.54	14069.27	22254.35	17314.68	
1. Raw cotton	3082.17	2960.659	3186.02	4438.63	4273.75	
2. Yarn	2444.90	190.95	2435.90	5245.43	2794.75	
3. Textile & textile articles thereof	7284.41	6380.19	6552.99	9936.55	7943.78	
4. Staple fibre	1228.24	1085.50	1039.48	1568.51	1448.39	
5. Dyeing & tanning materials	779.23	697.31	854.88	1065.23	854.01	
iii) Other intermediate goods	13812.61	13530.45	15252.47	24944.73	21182.39	
1. Clinker	993.32	878.57	1048.16	1222.77	1164.42	
2. Oil seeds	796.43	1182.68	1406.07	1757.56	1239.32	
3. Chemicals	2472.04	2533.35	2973.74	3764.95	3491.31	
4. Pharmaceutical products	245.94	293.83	363.05	1482.26	364.34	
5. Fertilizer	1301.42	1035.24	1360.42	4391.11	4913.34	
6. Plastics & rubber articles thereof	2757.19	2609.80	3168.11	4316.18	3349.03	
7. Iron, steel & other base metals	5246.27	4996.98	4932.92	8009.90	6660.63	
D. Capital goods	14601.95	11108.86	13011.94	16433.89	13580.67	
1. Capital machinery	5412.62	3581.31	3824.47	5463.20	4847.35	
2. Other capital goods	9189.33	7527.55	9187.47	10970.96	8733.32	
E. Others n.i.e.	6636.53	6386.20	7439.91	9195.33	8959.83	
Total Imports c.i.f. (A+B+C+D)	59914.72	54784.69	65594.71	89162.32	75061.64	
Total Imports f.o.b.	55438.50	50690.40	60681.20	82495.10	69495.40	
Of Which Import by EPZ	4031.53	3487.70	3488.58	5129.70	3914.94	

^P Provisional, ^R Revised.

Source: Compiled by Statistics Department of Bangladesh Bank using the data of National Board of Revenue (NBR).

Table-XIX Sector-wise Comparative Statement of Opening, Settlement and Outstanding of Import LCs

Sectors/ Commodities	FY22		FY23		(Million USD)	
	Fresh Opening	Settlement	Fresh Opening	Settlement	Fresh Opening	Settlement
	1	2	3	5	6	8
1. Consumer goods	9837.10	8678.67	7666.54	7722.24	-22.07	-11.02
% of Total	10.67	10.37	11.34	10.60		
a) Food grains (rice & wheat)	2929.70	2447.25	2199.61	2207.17	-24.92	- 9.81
b) Other than food grains	6907.40	6231.41	5466.93	5515.07	-20.85	-11.50
2. Intermediate goods	7882.05	7187.29	5621.69	5494.75	-28.68	-23.55
% of Total	8.55	8.59	8.31	7.54		
3. Industrial raw materials	33401.99	29738.75	22800.78	25807.62	-31.74	-13.22
% of Total	36.21	35.54	33.71	35.42		
4. Petroleum and Petroleum products	9364.49	9273.23	9307.12	9372.96	- 0.61	1.08
% of Total	10.15	11.08	13.76	12.87		
5. Capital machinery	6463.68	5267.54	2915.60	3417.62	-54.89	-35.12
% of Total	7.01	6.29	4.31	4.69		
6. Machinery for miscellaneous industry	4339.70	4238.31	2433.78	2727.95	-43.92	-35.64
% of Total	4.71	5.06	3.60	3.74		
7. Others	20945.69	19297.95	16887.39	18313.07	-19.38	- 5.10
% of Total	22.71	23.06	24.97	25.14		
a) Commercial sector	4815.94	4172.23	3817.10	4215.77	-20.74	1.04
b) Industrial sector	16129.75	13807.58	13070.29	12935.26	-18.97	-6.32
c) Rooppur Nuclear Power Plant*	0.00	1318.15	0.00	1162.04	-	-11.84
Total :	92234.69	83681.73	67632.90	72856.21	-26.67	-12.94
<i>Of which, back to back LCs</i>	12582.73	11272.11	8486.98	9534.54	-32.55	-19.10

* Total settlement of Rooppur Nuclear Power Plant project is USD 5879.0959 million.

Source: Foreign Exchange Operation Department, Bangladesh Bank.

Table-XX Trends in Foreign Exchange Reserves

Year (End June)	Total reserves			
	million BDT		million USD	
	Gross Reserve	Reserve (as per BPM 6)	Gross Reserve	Reserve (as per BPM 6)
1	2	3	4	5
2012	848,071.56	-	10,364.43	-
2013	1,190,896.12	-	15,315.16	-
2014	1,669,665.26	-	21,507.99	-
2015	1,946,974.44	-	25,025.25	-
2016	2,365,189.01	-	30,168.23	-
2017	2,699,491.68	-	33,492.95	-
2018	2,758,082.43	-	32,943.46	-
2019	2,764,544.84	-	32,716.51	-
2020	3,059,543.67	-	36,037.03	-
2021	3,934,671.33	-	46,391.44	-
2022	3,908,707.90	-	41,826.73	-
2023	3,307,515.64	2,623,912.75	31,202.98	24,753.89

Source : Accounts and Budgeting Department, Bangladesh Bank.

Table-XXI**Trends in BDT-USD Exchange Rates**

Year	BDT per USD	
	(Period average)	(End period)
FY12	79.0963	81.8200
FY13	79.9326	77.7650
FY14	77.7218	77.6300
FY15	77.6746	77.8050
FY16	78.2637	78.4000
FY17	79.1192	80.5950
FY18	82.1009	83.7250
FY19	84.0263	84.5000
FY20	84.7811	84.9000
FY21	84.8063	84.8125
FY22	86.3006	93.4500
FY23	99.4473	106.0000

Source: Statistics Department, Bangladesh Bank.

Table-XXII Trends in Country-wise Worker's Remittances

Countries	FY19	FY20	FY21	FY22	FY23	(Million USD) FY23 as % of Total
1	2	3	4	5	6	7
Saudi Arabia	3110.40	4015.16	5721.41	4541.96	3765.29	17.42
USA	1842.86	2403.40	3461.68	3438.41	3522.00	16.30
UAE	2540.41	2472.56	2439.99	2071.85	3033.85	14.04
UK	1175.63	1364.89	2023.62	2039.23	2080.41	9.63
Kuwait	1463.35	1372.24	1886.50	1689.59	1555.24	7.20
Qatar	1023.91	1019.60	1450.18	1346.47	1452.69	6.72
Italy	757.88	699.15	810.90	1054.20	1185.94	5.49
Malaysia	1197.63	1231.30	2002.36	1021.85	1125.86	5.21
Oman	1066.06	1240.54	1535.64	897.40	790.65	3.66
Bahrain	470.08	437.18	577.74	566.61	528.27	2.44
Singapore	368.33	457.40	624.86	385.24	423.32	1.96
South Africa	168.14	168.06	420.38	314.73	235.28	1.09
France	159.42	160.53	201.15	255.97	291.91	1.35
Jordan	126.28	126.78	170.91	143.23	127.87	0.59
South Korea	112.51	177.84	209.16	135.46	118.69	0.55
Australia	57.15	61.32	141.77	128.54	130.39	0.60
Canada	62.90	77.15	133.52	127.26	138.52	0.64
Greece	42.94	52.30	89.94	95.59	130.46	0.60
Germany	60.62	52.75	66.89	83.50	112.27	0.52
Lebanon	126.85	86.99	66.79	49.74	46.05	0.21
Other countries	486.28	527.87	742.32	644.85	815.77	3.77
Total	16419.63	18205.01	24777.71	21031.68	21610.73	100.00

Source: Statistics Department, Bangladesh Bank.

Table XXIII Digital Payments in Bangladesh

(Volume in thousand, and value in billion BDT)

Item	FY22		FY23		Percentage change	
	Volume	Value	Volume	Value	Volume	Value
1	2	3	4	5	6	7
BACPS (regular value)	19571	9236.9	19666	10068.4	0	9
BACPS (high value)	2481	16368.3	2439	15260.8	-2	-7
BEFTN credit	188125	4954.1	222516	5568.6	18	12
BEFTN debit	4955	974.0	5718	1312.6	15	35
MFS transactions	4103479	8564.1	5538615.01	12173.7	35	42
ATM transactions	293851	2985.5	406347	4332.1	38	45
Credit card (local transactions)	5535	31.3	3629	34.0	-34	9
Credit card (abroad transactions)	32	0.6	128	2.2	298	273
Debit card (local transactions)	288240	2952.7	402275	4288.4	40	45
Debit card (abroad transactions)	44	0.9	315	7.6	622	735
POS transactions	45347	226.6	58365	296.4	29	31
Credit card (local transactions)	22369	133.3	26898	162.5	20	22
Credit card (abroad transactions)	1522	13.8	3168	29.2	108	112
Debit card (local transactions)	21169	78.0	27422	98.1	30	26
Debit card (abroad transactions)	287	1.6	877	6.6	205	318
E-Commerce transactions	33520	88.0	45587	130.6	36	48
Credit card (local transaction)	9144	45.5	11444	61.8	25	36
Credit card (abroad transaction)	1541	0.7	1713	9.2	11	1255
Debit card (local transaction)	22155	40.0	31159	55.8	41	39
Debit card (abroad transaction)	680	1.8	1271	3.9	87	110
Internet banking fund transfer (IBFT)	9102	335.4	18053	880.3	98	163
RTGS transactions*	6366	34320.9	9509	59152.4	49	72
Total digital payment*	4706798	78054	6326815	109176	34	40

Include USD transactions.

* Except intra-bank online transactions.

Source: PSD and Statistics Department.

Table-XXIV List of Scheduled Banks
(As on 30 June 2023)

Banks	Date of Scheduling/ Operation	Remarks
A. State Owned/ government controlled banks (6+3=9)		
A.1. State Owned Commercial Banks (6)		
1. Sonali Bank Limited	15/11/2007	Starts operation from 26/03/1972 as Sonali Bank.
2. Janata Bank Limited	15/11/2007	Starts operation from 26/03/1972 as Janata Bank.
3. Agrani Bank Limited	15/11/2007	Starts operation from 26/03/1972 as Agrani Bank.
4. Rupali Bank Limited	14/12/1986	Starts operation from 26/03/1972 as Rupali Bank.
5. Bangladesh Development Bank Limited	31/12/2009	Starts operation from 31/10/1972 as Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Sangstha.
6. Basic Bank Limited	21/01/1989	-
A.2. Specialised Banks (3)		
1. Bangladesh Krishi Bank	31/03/1973	Starts operation from 1972 as Agricultural Development Bank of Bangladesh.
2. Rajshahi Krishi Unnayan Bank	15/03/1987	-
3. Probashi Kallyan Bank	30/07/2018	-
B. Private Commercial Banks (43)		
1. Uttara Bank Limited	15/09/1983	Starts operation from 26/03/1972 as Uttara Bank.
2. Pubali Bank Limited	24/01/1985	Starts operation from 26/03/1972 as Pubali Bank.
3. AB Bank Limited	12/04/1982	-
4. National Bank Limited	23/03/1983	-
5. The City Bank Limited	27/03/1983	-
6. Islami Bank Bangladesh Limited	30/03/1983	-
7. IFIC Bank Limited	24/06/1983	-
8. United Commercial Bank Limited	29/06/1983	-
9. ICB Islamic Bank Limited	28/02/2008	Starts operation from 1987 as Al-Baraka Islami Bank Limited and from 2004 as The Oriental Bank Limited
10. Eastern Bank Limited	16/08/1992	-
11. National Credit And Commerce Bank Limited	17/05/1993	-
12. Prime Bank Limited	17/04/1995	-
13. Southeast Bank Limited	25/05/1995	-
14. Dhaka Bank Limited	05/07/1995	-
15. Al-Arafah Islami Bank Limited	27/09/1995	-
16. Social Islami Bank Limited	22/11/1995	-
17. Dutch-Bangla Bank Limited	03/03/1996	-

Table-XXIV (contd.) List of Scheduled Banks
(As on 30 June 2023)

18. Bangladesh Commerce Bank Limited	16/09/1998	-
19. Mercantile Bank Limited	02/06/1999	-
20. Standard Bank Limited	03/06/1999	-
21. One Bank Limited	14/07/1999	-
22. EXIM Bank Limited	03/08/1999	-
23. Mutual Trust Bank Limited	24/10/1999	-
24. First Security Islami Bank Limited	22/09/1999	-
25. The Premier Bank Limited	26/10/1999	-
26. Bank Asia Limited	27/11/1999	-
27. Trust Bank Limited	29/11/1999	-
28. Jamuna Bank Limited	03/06/2001	-
29. Shahjalal Islami Bank Limited	10/05/2001	-
30. BRAC Bank Limited	01/07/2001	-
31. Union Bank Limited	25/03/2013	-
32. Meghna Bank Limited	03/04/2013	-
33. Midland Bank Limited	09/04/2013	-
34. NRB Commercial Bank Limited	25/03/2013	-
35. Padma Bank Ltd.	25/04/2013	Before 29/01/2019 operated as The Farmers Bank Ltd.
36. South Bangla Agriculture & Commerce Bank Limited	25/03/2013	-
37. NRB Bank Limited	28/04/2013	-
38. Modhumoti Bank Limited	16/06/2013	-
39. Shimanto Bank Limited	21/07/2016	-
40. Global Islami Bank Limited	29/07/2013	Before 01/01/2021 operated Limited
41. Community Bank Bangladesh Limited	01/11/2018	-
42. Bengal Commercial Bank Limited	23/02/2020	-
43. CITIZENS Bank PLC	15/12/2020	-

C. Foreign Commercial Banks (9)

1. Standard Chartered Bank	13/05/1972	Operated from
2. State Bank of India	05/05/1975	-
3. Habib Bank Limited	03/06/1976	-
4. National Bank of Pakistan	18/04/1994	-
5. Citi Bank N.A.	24/06/1995	-
6. Woori Bank	21/09/1996	Before 1996 operated from as Hanil Bank.
7. The HSBC Limited	17/12/1996	-
8. Commercial Bank of Ceylon PLC	06/11/2003	-
9. Bank Alfalah Limited	24/04/2005	-

Source: Banking Regulation and Policy Department, Bangladesh Bank.

Table-XXV List of Financial Institutions*
(As on 30 June 2023)

A. State-owned Financial Institutions (3+2)**A.1. Sole Owner (3)**

1. Agrani SME Financing Company Ltd.*
2. Bangladesh Infrastructure Finance Fund Ltd.
3. Infrastructure Development Company Ltd.

A.2. Joint Venture with Foreign Government (2)

1. Saudi-Bangladesh Industrial and Agricultural Investment Company Ltd.
2. The UAE-Bangladesh Investment Company Ltd.

B. Private Financial Institutions (30)

1. Aviva Finance Ltd.
2. Bangladesh Finance Ltd.
3. Bangladesh Industrial Finance Company Ltd.
4. Bay Leasing & Investment Company Ltd.
5. CVC Finance Ltd.
6. DBH Finance PLC
7. Fareast Finance & Investment Ltd.
8. FAS Finance & Investment Ltd.
9. First Finance Ltd.
10. GSP Finance Company (Bangladesh) Ltd.
11. Hajj Finance Company Ltd.
12. IDLC Finance Ltd.
13. Industrial and Infrastructure Development Finance Company Ltd.
14. International Leasing and Financial Services Ltd.
15. IPDC Finance Ltd.
16. Islamic Finance and Investment Ltd.
17. LankaBangla Finance Ltd.
18. Alliance Finance Ltd.
19. Meridian Finance and Investment Ltd.
20. MIDAS Financing Ltd.
21. National Finance Ltd.
22. National Housing Finance and Investments Ltd.
23. People's Leasing and Financial Services Ltd.
24. Phoenix Finance & Investments Ltd.
25. Premier Leasing & Finance Ltd.
26. Prime Finance & Investment Ltd.
27. Strategic Finance & Investment Ltd.
28. Union Capital Ltd.
29. United Finance Ltd.
30. Uttara Finance and Investments Ltd.

* Agrani SME Financing Company Ltd. Is a subsidiary company of state owned commercial bank, Agrani Bank Ltd.

Source: Department of Foreign Institutions and Markets, Bangladesh Bank.

Appendix-4
Banking Performance Indicators
(Table: I-XIII)

Table-I Banking System Structure

(Billion BDT)

Bank types	2023 (June)					
	Number of banks	Number of branches	Total Assets	Percent of industry assets	Total deposits	Percent of industry deposits
SCBs	6	3836	5600.7	24.2	4324.6	25.4
SBs	3	1523	539.1	2.3	467.8	2.8
PCBs	43	5666	15688.3	67.8	11385.7	67.1
FCBs	9	63	1314.7	5.7	802.9	4.7
Total	61	11088	23142.8	100	16981.2	100

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

Table-II Capital to Risk Weighted Assets Ratio by Types of Banks

(Percent)

Bank types	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 June
SCBs	8.3	6.4	5.9	5.0	10.3	5.0	9.6	8.1	6.4	6.76
SBs	-17.4	-32.0	-33.7	-35.5	-31.7	-32.0	-32.9	-33.6	-35.8	-37.79
PCBs	12.5	12.4	12.4	12.5	12.8	13.6	13.7	13.7	13.0	12.81
FCBs	22.7	25.6	25.4	24.9	25.9	24.5	28.4	25.9	26.4	32.91
All banks	11.4	10.8	10.8	10.8	12.1	11.6	12.5	12.0	11.2	11.19

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

Table-III Ratio of Gross NPLs to Total Loans by Types of Banks

(Percent)

Bank types	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 June
SCBs	22.2	21.5	25.0	26.5	30.0	23.9	20.9	19.28	20.28	25.01
SBs	32.8	23.2	26.0	23.4	19.5	15.1	13.3	12.02	12.80	12.14
PCBs	4.9	4.9	4.6	4.9	5.5	5.8	4.7	5.31	5.13	6.46
FCBs	7.3	7.8	9.6	7.0	6.5	5.7	3.5	4.29	4.91	4.8
All banks	9.7	8.8	9.2	9.3	10.3	9.3	7.7	7.93	8.16	10.11

Source: Banking Regulation and Policy Department, Bangladesh Bank.

Table-IV Ratio of Net NPL to Net Total Loans by Types of Banks

Bank types	(Percent)									2023 June
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
SCBs	6.1	9.2	11.1	11.2	11.3	6.1	0.0	2.5	5.2	10.8
SBs	25.5	6.9	10.5	9.7	5.7	3.0	1.3	0.4	1.4	0.9
PCBs	0.8	0.6	0.1	0.2	0.4	-0.1	-1.5	-1.1	-1.3	-0.5
FCBs	-0.9	-0.2	1.9	0.7	0.7	0.2	-0.6	-0.7	-0.6	-0.3
All banks	2.7	2.3	2.3	2.2	2.2	1.0	-1.2	-0.4	-0.1	1.6

Source: Banking Regulation and Policy Department, Bangladesh Bank.

Table-V Amount of NPLs by Types of Banks

Bank types	(billion BDT)									2023 June
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
SCBs	227.6	272.8	310.3	373.3	487.0	439.9	422.7	449.8	564.6	744.5
SBs	72.6	49.7	56.8	54.3	47.9	40.6	40.6	39.9	47.1	47.5
PCBs	184.3	253.3	230.6	294.0	381.4	441.7	403.6	515.2	564.4	736.4
FCBs	17.1	18.2	24.1	21.5	22.9	21.0	20.4	27.8	30.5	32.0
Total	501.6	594.0	621.8	743.1	939.2	943.3	887.3	1032.7	1206.5	1560.4

Source: Banking Regulation and Policy Department, Bangladesh Bank.

Table-VI Required Provision and Provision Maintained by All Banks

All banks	(Billion BDT)									2023 June
	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Amount of NPLs	501.6	594.1	621.7	743.0	939.1	943.3	887.7	1032.7	1206.5	1560.4
Required Provision	289.6	308.9	362.1	443.0	570.4	613.2	648.0	806.5	841.6	1010.3
Provision maintained	281.6	266.1	307.4	375.3	504.3	646.6	646.8	666.5	731.5	795.7
Excess(+) / Shortfall(-)	-7.9	-42.8	-54.7	-67.7	-66.1	-66.6	-1.2	-140.1	-110.1	-214.6
Provision maintenance ratio (%)	97.2	86.1	84.9	84.7	88.4	89.2	99.8	82.6	86.9	78.8

Source: Banking Regulation and Policy Department, Bangladesh Bank.

Table-VII Comparative Position of Provision Adequacy

Years	Items	(Billion BDT)			
		SCBs	SBs	PCBs	FCBs
2021	Required provision	370.28	23.29	390.81	22.17
	Provision maintained	199.73	23.63	414.35	28.76
	Provision maintenance ratio (%)	53.94	101.46	106.02	129.72
2022	Required provision	301.43	24.73	491.33	24.08
	Provision maintained	213.15	24.82	463.87	29.64
	Provision maintenance ratio (%)	70.71	102.38	93.77	118.77
2023 June	Required provision	332.22	23.93	629.23	24.91
	Provision maintained	225.34	24.46	516.57	29.28
	Provision maintenance ratio (%)	67.82	102.21	82.09	117.54

Source: Banking Regulation and Policy Department, Bangladesh Bank.

Table-VIII Writing-off Bad Debts by Types of Banks

(Billion BDT)

Bank Types	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
SCBs	154.8	210.3	220.4	224.4	226.2	232.2	179.4	232.9	228.8	182.7
SBs	34.2	5.6	5.6	5.6	5.6	5.8	3.8	6.1	6.1	3.4
PCBs	127.7	155.5	189.4	216.7	246.5	294.3	239.4	316.3	354.7	317.4
FCBs	4.4	5.1	7.2	8.6	10.7	12.3	10.1	13.6	14.4	12.1
Total	321.1	376.5	422.6	455.3	489.0	544.6	432.7	568.9	604.0	515.6

Source: Banking Regulation and Policy Department, Bangladesh Bank.

Table-IX Expenditure-Income Ratio by Types of Banks

(Percent)

Bank Types	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 June
SCBs	84.1	84.5	90.2	81.3	80.5	84.9	83.2	86.1	82.3	81.9
SBs	99.5	113.9	137.8	124.0	144.6	159.8	158.1	162.9	169.1	172.6
PCBs	75.8	75.5	73.5	73.8	76.7	77.6	79.6	75.3	76.3	81.0
FCBs	46.8	47.0	45.7	46.6	47.5	48.8	46.2	43.9	35.2	35.04
All banks	76.1	76.3	76.6	74.7	76.6	78.0	79.2	77.0	78.3	81.1

Source: Department of Off-site Supervision, Bangladesh Bank

Table-X Profitability Ratios by Types of Banks

(Percent)

Bank Types	ROA								ROE											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 June	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 June
SCBs	-0.6	-0.0	-0.2	0.2	-1.3	-0.6	-1.1	-0.7	0.2	0.1	-13.5	-1.5	-6.0	3.5	-29.6	-13.7	-29.6	-21.6	-21.6	5.4
SBs	-0.7	-1.2	-2.8	-0.6	-2.8	-3.3	-3.0	-3.0	-3.3	-3.5	-6.0	-5.8	-13.9	-3.1	-13.5	-17.0	-13.9	-13.2	-13.2	-14.3
PCBs	1.0	1.0	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	10.3	10.8	11.1	12.0	11.0	11.2	10.2	9.3	9.3	7.7
FCBs	3.4	2.9	2.6	2.2	2.2	2.3	2.1	1.2	2.6	3.1	17.7	14.6	13.1	11.3	12.4	13.4	13.1	7.6	7.6	17.3
All banks	0.6	0.8	0.7	0.7	0.3	0.4	0.3	0.3	0.5	0.4	8.1	10.5	9.4	10.6	3.9	6.8	4.3	4.4	4.4	7.9

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

Table-XI Net Interest Margin by Types of Banks

Bank Types	(Percent)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 June
SCBs	2.0	1.6	1.8	2.0	2.4	1.9	1.8	1.6	1.9	1.8
SBs	1.5	1.4	0.8	2.1	0.6	0.0	-0.2	-0.6	-0.6	-0.5
PCBs	4.1	3.9	3.9	3.5	3.6	3.5	3.0	2.9	2.5	2.6
FCBs	6.0	6.1	5.0	4.4	4.3	4.2	4.1	3.0	3.0	5.1
All banks	3.6	3.3	3.3	3.1	3.2	3.1	2.7	2.5	2.4	2.5

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

Table-XII SLR Eligible Assets as Percentage of ATDTL by Types of Banks

Bank Types	2014*	2015	2016	2017	2018	2019	2020	2021	2022	2023 June
SCBs	42.0	41.4	40.0	30.4	24.8	27.3	37.8	35.4	32.9	28.2
SBs	6.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PCBs	28.2	19.7	17.8	14.8	14.2	16.4	20.9	20.1	19.3	21.4
FCBs	56.9	51.8	48.2	43.8	48.4	29.7	40.7	42.0	41.4	49.5
All banks	32.7	26.5	24.9	19.9	18.2	19.9	26.2	25.4	24.0	24.8

* The calculation of liquidity ratio has been changed from 01 February 2014 (MPD circular no. 02/2013).

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

Table-XIII Branch, Deposit and Advance in the Banking System-Rural and Urban

Year	Number of branch			Deposit (billion BDT)			Advance (billion BDT)		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
2000	3659	2460	6119	160.6	549.2	709.8	100.1	493.5	593.6
2001	3680	2502	6182	160.2	656.3	816.5	97.2	590.6	687.8
2002	3693	2538	6231	177.6	753.2	930.8	100.0	667.7	767.7
2003	3694	2526	6220	190.8	883.3	1074.1	102.5	744.8	847.3
2004	3724	2579	6303	192.0	1023.8	1215.8	103.4	847.9	951.3
2005	3764	2638	6402	218.3	1197.6	1415.9	117.6	999.7	1117.3
2006	3834	2728	6562	241.5	1445.8	1687.3	128.4	1163.3	1291.7
2007	3894	2823	6717	263.0	1689.1	1952.1	130.1	1335.6	1465.7
2008	3981	2905	6886	306.2	2009.8	2316.0	148.5	1667.0	1815.5
2009	4136	3051	7187	369.9	2424.0	2793.9	169.6	1920.9	2090.5
2010	4393	3265	7658	436.9	2942.3	3379.2	206.9	2367.5	2574.4
2011	4551	3410	7961	536.0	3579.9	4115.9	254.5	2958.3	3212.8
2012	4760	3562	8322	853.1	4011.0	4864.1	405.6	3453.7	3859.3
2013	4962	3723	8685	1117.1	4988.2	6105.3	450.6	3987.8	4438.4
2014	5150	3890	9040	1326.0	5605.2	6931.1	505.1	4571.2	5076.3
2015	5187	3944	9131	1575.1	6364.7	7939.8	571.3	5227.3	5798.6
2016	4188	5466	9654	1843.9	7150.3	8994.1	680.0	6006.6	6686.6
2017	5624	4331	9955	2028.7	7837.0	9865.7	839.8	7087.0	7926.8
2018	4890	5224	10114	2142.8	8223.6	10366.4	863.1	7607.1	8470.2
2019	5131	5447	10578	2543.2	9601.3	12144.6	1035.0	9000.5	10035.5
2020	5221	5531	10752	2942.8	10848.7	13791.5	1185.3	9777.8	10963.1
2021	5314	5623	10937	3253.6	11871.1	15124.7	1356.0	10749.9	12105.9
2022	5326	5637	10963	3395.3	12343.0	15738.2	1460.2	11526.4	12986.6
2023 June	5400	5777	11177	3587.6	13282.7	16870.2	1731.8	12788.9	14460.7

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

Source: Statistics Department, Bangladesh Bank.

List of BB's Major Publications

Annual

1. Annual Report (Bangla)
2. Annual Report (English)
3. Monetary Policy Review
4. BFIU Annual Report
5. Financial Stability Report
6. Annual Report of Financial Integrity and Customer services Department
7. Agricultural and Rural Credit Policy and Programme
8. Export Receipts of Goods and Services [Only in website]
9. Import Payment of Goods and Services [Only in website]
10. Balance of Payments [Only in website]

Half Yearly

1. Foreign Direct Investment and External Debt
2. Gender Equality Report of Banks and Financial Institutions [Only in website]
3. CSR Report of Banks and Financial Institutions [Only in website]

Quarterly

1. NBFI Statistics
2. Bangladesh Bank Quarterly Financial Stability Assessment Report
3. Bangladesh Bank Quarterly [Only in website]
4. Schedule Banks Statistics [Only in website]

Monthly

1. Economic Trends
2. Bangladesh Bank Parikrama