



The photo shows a paddy field. Bangladesh Krishi Bank alone disburses 50 percent of the total agricultural loan.

## Krishi Bank returns from two decades of loss

STAR BUSINESS REPORT

Bangladesh Krishi Bank (BKB) has made a net profit of Tk 12.19 crore in fiscal 2008-09 -- spurred by loan interests and recovery of bad debt -- after two decades of losses, the bank said in a statement yesterday.

"The bank has earned a huge amount of interest due to significant enhancement of loan disbursement and recov-

ery of classified loans," BKB said.

The largest state-owned lender by farm financing was able to cut non-performing asset by 10 percent and increase the performing asset by 11 percent.

The bank also made profit from lending to the SME sector and trading, according to the statement.

BKB disbursed Tk 4,000 crore in the last fiscal year with Tk 3,900 in agricul-

tural loan.

BKB alone disburses 50 percent of total agricultural loan. The bank plans to disburse Tk 4,500 crore in fiscal 2009-10.

"Supervision and guidance of the Board of Directors under Chairman Khondkar Ibrahim Khaled and close watch by the bank management played a pivotal role in the turnaround," the bank said.

## Bank, financial institution fair begins July 23

STAR BUSINESS REPORT

Dhaka Sheraton Hotel is set to organise the Bank and Non-bank Financial Institutions Fair-2009 for the second time on July 23-25.

"After successfully organising the first such fair and Share Bazaar Mela in 2008, this would be another step for Dhaka Sheraton Hotel to strengthen its event management capacity," said the hotel in a press statement yesterday.

The hotel is expecting huge responses from both the country's financial institutions and consumers at the fair, where the banks and financial institutions would showcase their products and services.

The visitors will get a chance to learn more about modern banking and financial products during this three-day long fair, the organisers hoped.

## Zimbabwe unveils \$142m farm aid

AFP, Harare

Zimbabwe will provide 142 million dollars in aid to small-scale farmers as the country struggles to revive its shattered agricultural sector, Finance Minister Tendai Biti said on Friday.

Biti also told a foreign investors conference that the government would allow farmers to sell their harvests freely rather than to state monopolies.



Commerce Minister Faruk Khan visits a production unit of Walton Hi-Tech Industries Ltd in Gazipur recently.

## ICT-educated youth to change economy Says state minister

STAR BUSINESS REPORT

The government will take necessary measures to boost creativity of the country's young generation and properly educate them in information and communication technology (ICT), said state minister for science and ICT yesterday.

"We need to take steps to enhance creativity of the young generation and provide them with enough opportunities to gain expertise in ICT," said Yeafesh Osman.

"A creative and ICT educated young generation can change the country's financial landscape, as they will help develop new software and information systems to support the business sector," he added.

The state minister was speaking at the inaugural ceremony of the first round of Financial IT Case Competition organised by

Development Research Network (Dnet) at University of Liberal Arts Bangladesh (ULAB) in Dhaka.

"Time has come to utilise our local talents to develop world class business solutions to upgrade the country's status and fulfil the dream of a Digital Bangladesh," he said.

"We have enormous potentials... the young generation have shown competency in international field whenever they got proper chances. This type of competition will create a new trend that will help reduce the gap between industry and academia," he added.

Prof Rafiqul Islam, vice chancellor of ULAB, said: "We need efficient people for the industry and this kind of competition will certainly help produce quality human resource."

He urged the participants to develop solutions that would help the local busi-

nesses and be accessible to the rural poor.

Ananya Raihan, executive director of Dnet, said the competition would help both the students and the industry people, as the students can achieve experience before joining professions and the industry people can peak the local talents for their organisations.

A total of 54 teams from 20 universities are participating in the competition. The champion team will be awarded \$5,000, while the 1st and 2nd runners-up will get \$2,000 and \$1,000 respectively.

Citi Foundation has sponsored the country's first ever IT-based business solution competition.

Prof Imran Rahman, vice chancellor of ULAB, and Abrar A Anwar, head of global corporate and commercial banking of Citibank NA, were also present at the ceremony.

## More toxic loans could haunt banks

AP, New York

Japan's economy was paralysed for a decade as banks failed to deal with their troubled loans. That's why it's nothing short of stunning to discover some US banks are doing the same thing now.

Despite all the tough talk out of Washington and Wall Street about how the US can't repeat what happened in Japan, the reality is that banks are granting extensions to borrowers in one key category, commercial real-estate loans, so they don't default. It's a bet that economic conditions will improve before the loans come due.

"They are kicking the can down the road, hoping things will be better soon," said Barry Ritholtz, head of the financial research firm FusionIQ and author of the new book "Bailout Nation."

This manoeuvring is being called "extend and pretend" in financial circles, reflecting banks' willingness to extend loan maturities because they believe -- or hope -- rental rates and building values could come back to levels seen during the peak of the real-estate market in 2007.

Ritholtz and other financial experts worry that banks are just delaying the inevitable by not dealing with troubled loans now. And since commercial loans are such an important part of the portfolio of many small and mid-sized banks, it also could constrain their ability to make other new loans. An average of 20 percent of local and regional banks' loan exposure is in commercial real estate vs 4 percent for the nation's biggest banks, according to data from Deutsche Bank.

"This is a bad strategy," said Bryan Marsal, CEO of the corporate restructuring firm Alvarez & Marsal. "It is really about not facing up to where you are today."

Unlike fixed-rate home mortgages, most commercial property loans are structured as balloon notes. Borrowers pay only interest for the first five or 10 years until the loans mature, and then the entire amount must be paid back.

In the boom years, rising rents and property values made it easy for borrowers to find multiple lenders willing to roll over these loans into new and often larger principal amounts that allowed owners to take out millions of dollars in cash to buy other properties.

That game has come to a crashing halt. Cash flows are down on many properties as rental and occupancy rates have fallen, causing the value of many properties to drop significantly. That's made it tougher for owners to refinance their loans.

Delinquency rates on commercial loans have doubled in the past year to 7 percent as more companies downsize and retailers close their doors, according to the Federal Reserve.

In some cases, banks are offering a temporary fix by granting borrowers an extension on loan maturities. On paper, that looks like a plus for the bank because the borrower pays a fee or agrees to pay a higher interest rate, or both. This allows banks to avoid having to foreclose or write down these loans as impaired assets. They also can keep the loans on their books as if nothing were amiss.

"This lets the banks post results that are

misleading because the loans have more risk to them than they are disclosing," said Len Blum, managing partner at the investment bank Westwood Capital. "They can pretend things are better than they are."

That's just what banks in Japan did back in the 1990s. After its debt-fed real estate bubble burst, Japan slid into what has come to be known as the "lost decade" because of its drawn out economic and financial malaise.

Even though the Japanese government injected trillions of yen into its banking system, new lending was constrained because troubled loans clogged banks' balance sheets. In some cases, banks refused to foreclose when owners couldn't even pay the interest. Instead, they added the unpaid interest to the loan's principal in the hope that borrowers' problems would be alleviated by an improving economic climate, which never materialized.

What's worrisome is the lack of transparency about how often this is happening now in the United States. Due to privacy issues, banks aren't required to disclose details of specific loan extensions, and most news that does trickle out comes from public companies announcing that they have reached accommodations with their lenders.

Just this week, Bluegreen Corp, a Boca Raton, Fla.-based timeshare resort developer, said it had gotten the maturity dates of a combined \$130.1 million in liabilities extended. Others getting loan extensions in recent months were Toys R Us, Tanger Factory Outlets and Washington Real Estate Investment Trust.

The Federal Deposit Insurance Corp. believes that extending the maturity on commercial real-estate loans can be a "value-maximising and prudent approach," said FDIC spokesman Andrew Gray.

Gray said that its examiners are trying to make sure the loan extensions are being done prudently, and that credit losses are being recognised appropriately. The FDIC directly examines and supervises about 5,160 banks and savings banks.

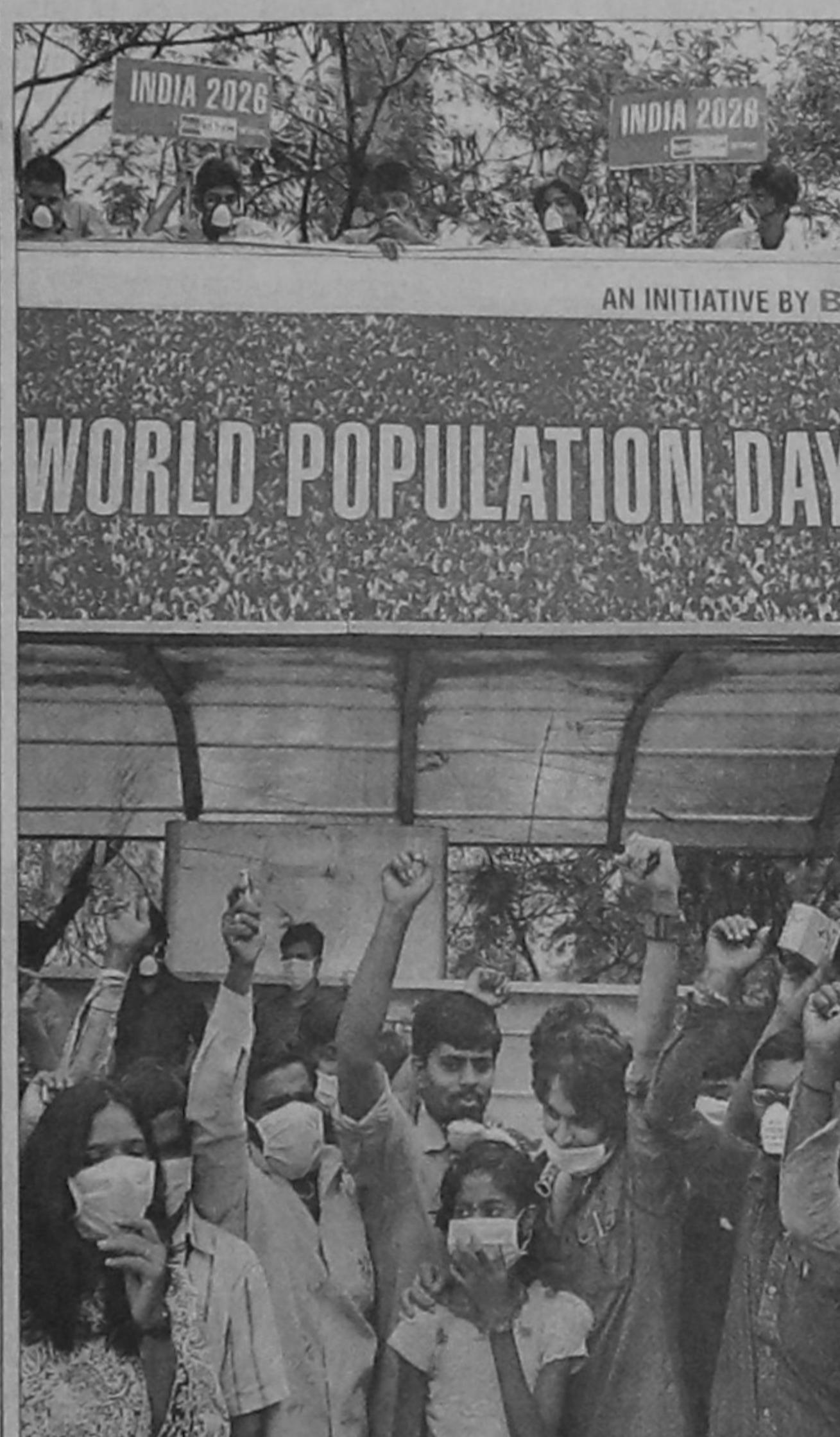
Bob Seiwert, who heads the Centre for Commercial Lending and Business Banking at the American Bankers Association, said loan extensions should be done on a case-by-case basis and aren't necessarily a bad thing. Banks need to assess the chances of the principal amount being repaid and evaluate the viability of the loan on an ongoing basis, he said.

"It may still be a good project," Seiwert said. "It just may need more time."

There are already clear signs that worries about the commercial real estate market have constrained lending. The latest Federal Reserve Senior Loan Officer Opinion Survey, from April, showed almost two-thirds of domestic banks had reported tightening lending standards and terms on commercial real estate loans over the previous three months.

"When lenders do the 'extend and pretend' routine because they don't want to deal with the problem ... what that causes them to do is to restrict their future lending. They pull back into their shell," said Marsal, who is also leading the liquidation of Lehman Brothers. "When and if we do have an economic recovery, what it will do is slow the pace."

## Greying Asia faces pensions time bomb: ADB study



Indian students perch atop a bus stop during the "Depicting India 2026" awareness campaign on the occasion of World Population Day in Hyderabad yesterday. The protesters say population growth threatens public health, transport and social and economic development. According to projections, India's population will be 1.4 billion by 2026 and will surpass China in size by mid century.

## Moscow market closure costs 100,000 jobs

AFP, Moscow

More than 100,000 people lost their jobs when Russian authorities closed a sprawling market in Moscow last week, including many traders from Asian countries, a migrants association said Friday.

"More than 100,000 people lost their jobs after the closure of Cherkizovsky Market on June 29, the president of the Federation of Migrants of Russia, Madzhamer Mukhammad Amin, told reporters in Moscow.

Russian authorities have said that Cherkizovsky Market -- the largest such market in Europe -- must be closed for at least three months amid accusations of sanitary violations, smuggling and the use of illegal immigrant labour.

Media reports have suggested that the closure was initiated by Russian Prime Minister Vladimir Putin's anger at the extravagant ways of Cherkizovsky's multimillionaire owner Telman Ismailov.

Amin stressed that migrants were suffering the most from the decision to shut the vast bazaar in northeast Moscow, with many being deprived of a place to live as well as their livelihood.

AFP, Manila

Asia is facing an ageing crisis with weak and inadequate pension systems and family-based support dwindling, a leading development bank said Saturday.

"A young continent reaping the demographic dividend of a large youthful workforce is giving way to a greying continent where the ratio of retirees to workers is on the rise," senior Asian Development Bank economist Park Donghyun said in a study released by the Manila-based lender.

Improved female education and better medical care is inducing Asians to have fewer children, allowing them to live longer and causing a "seismic" demographic shift, Park said.

The median age of China, Indonesia, South Korea, Malaysia, Singapore, Thailand and Vietnam "will exceed the world average by 2050" which spells trouble for their pension systems along with that of the Philippines, the study said.

The greying phenomenon is more pronounced in East and Southeast Asia than in South Asia, it added.

"In contrast to industrialised countries, most Asian countries do not yet have mature, well-functioning pension systems," Park said.

"As a result, they are ill-prepared to provide economic security for the large number of retirees who loom on the horizon."

The bank found "key systemic failures" including low coverage, inadequate benefits, lack of financial sustainability and insufficient support for the elderly poor".

Meanwhile "the weakening of informal family-based old age support mechanisms suggests a greater role for formal pension systems throughout the region".

Asians have traditionally looked to their children to take care of their material needs in old age, in effect relying on a substitute pension system in a region where it was not uncommon for three generations to live under one roof.

However, rapid urbanisation and the reduced role of agriculture in the economy "are creating a vacuum in Asia's old age support, a vacuum that must be filled by formal pension systems".

The study warned that globalisation had also weakened job security, pushing large numbers of people into the informal sector, where they enjoy no pension or labour protection coverage.

Park said the pension systems of the eight countries covered a mere 13.2-58 percent of the labour force, with the coverage rates for working-age populations at just 10.8-40 percent.

These compare poorly with around 90 percent of the labour force of developed countries and between 60 and 75 percent of the working-age population, the economist added.

In addition to favourable government policies, inflation expectations due to a surge in new bank loans this year is also driving the sector's rebound, analysts argued.

## China property prices post first on-year rise in six months

AFP, Beijing

China's urban property prices rose on year for the first time in six months in June, official data showed Friday, in a sign the sector is recovering thanks to government stimulus support.

Property prices in 70 major cities increased by 0.2 percent year-on-year, the National Development and Reform Commission and the National Bureau of Statistics said in a statement, following a 0.6-percent fall in May.

Chinese property prices fell 0.4 percent in December from a year earlier as demand was battered by the global financial crisis. It was the first decline since the economic planning agency started publishing the figure in mid-2005.

Since October, the government has taken a series of measures, including tax breaks and preferential rates for first-home buyers, to avoid a crash in real estate, which accounts for more than 20 percent of urban fixed investments.

The property market started to stabilise in March, when prices rose 0.1 percent month-on-month, and June marked the fourth month in a row that prices increased.

In addition to favourable government policies, inflation expectations due to a surge in new bank loans this year is also driving the sector's rebound, analysts argued.

**Premier Bank**  
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HBM Iqbal, chairman of Premier Bank Ltd, speaks at the bank's Half-Yearly Managers Conference 2009 in Dhaka yesterday.