Banks' third quarter earnings fall due to loan provisioning

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OF the 17 banks that have reported their third quarter results so far, 10 have registered negative net profit growth for the quarter year-on-year.

The banks that saw a decline in their net profits are: BRAC Bank, ICBI Bank, United Commercial Bank, Eastern Bank, Jamuna Bank, One Bank, Bank Asia, National Bank, AB Bank and Dhaka Bank.

"Most of banks' growth declined due to provisioning of non-performing loans and low income from the capital market," said Syed Mahbubur Rahman, managing director (MD) of BRAC Bank.

Rahman said the increase in the costs of doing business and interbank volatility on transactions, which rose to 15 percent during the quarter, did not help matters either.

"Banks' income from import financing and foreign exchange gains also dropped," added the BRAC Bank MD.

PROFIT DECLINES — FIGURES IN MILLION

BANKS	Q3, 2012 (NET PROFIT AFTER TAX)	Q3, 2011 (NET PROFIT AFTER TAX)	GROWTH IN PERCENTAGE
Dhaka Bank	497.30	1,514.57	-67.17
AB	1,010.51	1,377.84	-26.66
National	1,208.24	4,496.23	-73.13
Bank Asia	262.48	1,406.03	-81.33
One Bank	728.81	1,182.09	-38.35
Jamuna	815.26	1,101.19	-25.97
Eastern	1,226.97	1,640.38	-25.20
UCBL	723.77	1,511.64	-52.12
ICBI	-168.49	-1,368.85	-712
BRAC Bank	1,258.54	1,265.92	-0.58

SOURCE: DSE/LANKABANGLA

Islami Bank's MD Mohammad Abdul Mannan said classified loans are on the rise due to the industrial borrowers falling short of their production targets as a result of utility crisis.

"Investment in capital market got stuck due to volatility in the market. As a result, banks adjusted the loss in the accounts," he said.

Sayeed Ahmed, general manger and chief financial officer of Pubali Bank, said: "Banks' growth in profit declined due to slow-down in economic activities."

"Most of the banks are inundated with provisioning of non-performing loans, while profits from import financing business and stockmarket declined massively as well," he said.

While LankaBangla Securities said the drop in commission from the opening of letters of credit, too, played a part.

"Most of the banks' growth in profit declined due to provision for non-performing loans," said the country's leading broker, while adding that the banks' earnings from stockmarket were unremarkable.

Meanwhile, stocks declined for the fourth consecutive day on the back of bank and non-bank financial institutions' underwhelming third quarter results.

DGEN, the benchmark general index of Dhaka Stock Exchange (DSE), closed the day at 4,409.36 points, after falling 75.62 points or 1.68 percent.

"Dismal earnings performance registered by most of the banks, non-bank financial institutions and manufacturing companies caused the investors to take cautious position," LankaBangla Securities said in its regular market analysis.

Of the 30 listed banks on the DSE, 13 are yet to disclose their quarterly corporate results.

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Summit eyes Bhutan power production

REUTERS, *Dhaka*

THE Summit Group of Companies, a leading privately held electricity provider, plans to build a power plant in Bhutan, Chairman Muhammad Aziz Khan said yesterday.

"At the moment we are surveying to identify the bottlenecks and potential to set up a power plant in Bhutan with 500 megawatts capacity," Khan said in an interview.

He said that Bhutan was a potentially rich source of hydro power and added: "If we could reap the potentials, then Bangladesh would be able to meet up its much needed electricity requirements."

Summit plans to produce an additional 750 megawatts of electricity with imported liquefied natural gas over the next three to four years, and produce another 676 megawatts of electricity by 2014.

"We have already signed a deal with Chinese firm First Northeast Electric Power Engineering Company (NEPC) on Engineering, Procurement & Construction for about $220 million for implementation of the Bibiyana 341 MW combined cycle power project," Khan said.

The Bibiyana combined cycle power project will generate 341 MW of electricity by June 2014 at the lowest tariff of 1.90 taka per KW hour, Khan said.

Bibiyana is located in Sylhet, 278 kilometres northeast from Dhaka.

The project's gas turbine will be supplied by US firm General Electric.

Earlier Summit signed two separate deals with GE and NEPC to install a duel fuel power plant of 335 MW at Meghnaghat, near Dhaka.

Khan said the two the projects would have a combined generating capacity of 676 MW by 2014.

"These will greatly help alleviate the electricity shortage," Khan said.

Summit has invested more than $1 billion in the power sector and is supplying 600 MW of electricity to the national power grid.

Bangladesh suffers from chronic power shortages of up to 1,000 MW per day, which constrains growth and discourages investors.

For some, US storm was a money-making opportunity

REUTERS

AS historic storm Sandy pummeled the US Northeast, knocking out power and crippling transportation in New York City and beyond, the enterprising American spirit was running high - mostly for good, though sometimes leading to accusations of gouging.

Giovanni Hernandez, a tree surgeon working in affluent Millburn, New Jersey, said demand for his services had reached "madness" levels with hundreds of phone calls from people with damaged trees on their property.

"People want us to show up right away but we can't get there because of all the power lines that are still on the ground," said Hernandez.

Sandy was the largest storm to hit the United States in generations, killing at least 64 people and leaving millions without power. One disaster-modeling company said Sandy may have caused up to $15 billion in insured losses, and many small businesses will have suffered a lot of lost sales.

But on Wednesday - the first day after the storm when people tried to return to some kind of routine - scads of businesses owners, street corner entrepreneurs and, occasionally, good old-fashioned hucksters, were out in force to make the most of a rare business opportunity.

For some, the opportunities were natural and obvious. Bad news for homeowners is simply good news for construction firms and home supply retailers, many of whom have struggled in recent years as US home prices slumped and unemployment rose.

On Manhattan's Upper West Side, Beacon Paint & Hardware, a neighborhood staple, was inundated with customers on Wednesday, with long lines to get served.

Gasoline and generators were in big demand across the region, where commuting is a fact of life. The queues at the pump were exacerbated because more than half of all gasoline service stations in the New York City area and New Jersey were shut because of depleted fuel supplies and power outages, industry officials said.

Joe Saluzzi, co-manager of Chatham, New Jersey-based equities brokerage Themis Trading, said the roads were full of tension and angst.

"It's like Mad Max, the movie," he said, referring to the 1979 film starring Mel Gibson that takes place in a post-apocalyptic wasteland where fuel is at a premium.

"Everyone's looking for gas and protecting their gas when they buy it. We were actually on line before getting an extra bunch of gas to makes sure our generator goes on. Gas and generators are gold. They're more popular than an iPhone on release day."

The same could be said for livery drivers in New York. Black sedans and town cars were seen darting over to crowded bus stops in Manhattan's Inwood and Washington Heights neighborhoods to take on passengers tired of waiting for city buses, many of which were filled to capacity.

Fares, though, had usually gone up. Taxi meters weren't always on, lower early-riser car parking fees had disappeared, and a coffee and a pastry in a small deli could cost substantially more than its normal price.

Some store owners found they didn't need to do much to lure in customers feeling cooped up after spending hours indoors. Carl Darwisch, 45, and his cousin, Charlie, showed up Tuesday morning at their new store, Details Designer Shoe Outlet on the Upper West Side, to survey damage.

But they noticed the streets were teeming with people, who had no work to attend and were looking for things to do.

"I think it was cabin fever," Darwisch said from his packed store, adding that he sold more than 80 pairs of shoes.

Likewise, Orva Shoes, on East 86th Street between Third and Lexington Avenues, was bustling with customers shopping for rain boots.

READ MORE ON B3

Japan's electronics sector in race against time

AFP, *Tokyo*

JAPAN'S battered electronics giants are in a race against time, analysts say, as losses that threaten their very survival mount and as overseas rivals look like they are running away with the show.

The latest earnings season has been ugly for the likes of Panasonic and Sharp, which say they will post an eye-watering combined annual loss of more than $15 billion, underlining fears about the sector's future.

Money-losing Sony offered a glimmer of hope by saying it was still on course to eke out an annual profit, after four years in the red.

However, Sharp nearly doubled its loss forecast to a record $5.6 billion -- and voiced doubt for the first time ever whether it could remain a going concern - just a day after Panasonic said it would lose $9.6 billion in the year to March.

The sector's myriad woes range from high labour costs at home and the strong yen to strategic blunders and a failure to keep up with rivals such as Apple and South Korea's Samsung in the lucrative smartphone and tablet market.

Japan's formerly world-beating brands are falling further behind while they continue making everything from phones and CD players to money-losing TVs and washing machines -- even as their key domestic market slows.

AFP

A customer checks out LCD television sets made by Sony at an electronics shop in Tokyo.

Among its missteps, the industry made huge investments in flat-screen televisions only to see prices plunge in an intensely competitive market, meaning razor-thin profit margins -- or none at all -- for firms that can ill afford them.

But they've largely resisted calls to abandon money-losing units, with longtime rivals Sony and Panasonic saying they are teaming up to make televisions.

"Japanese electronics firms need to sift through their businesses, taking what's good and leaving what's bad," said Masahiko Hashimoto, economist at Daiwa Institute of Research in Tokyo.

Slick marketing campaigns and locally-tailored products offered by profitable automakers such as Toyota and Nissan are noticeably absent among many of the nation's once-mighty television giants.

"Japanese electronics makers had managed to get by through relying heavily on the domestic market so it's no wonder they've reached an impasse in line with that declining market," said Mitsushige Akino, an analyst at Ichiyoshi Investment Management in Tokyo.

"Before, they succeeded in selling things in developed nations by merely copying what they sold at home -- and they didn't take developing economies very seriously at first," he added.

The sector was slow to tap fast-growing emerging economies like the so-called BRICS nations -- Brazil, Russia, India, China and South Africa -- and has paid the price for their glacial strategy shift, Akino said.

Like many Japanese companies, electronics companies are hamstrung by high labour costs at home and the stubbornly strong yen, which makes their exports expensive and eats into repatriated profits.

A slowing global economy, last year's quake-tsunami disaster and weak demand in Europe -- a key market for Japanese exports -- are also unhelpful.

And this week the firms pointed to yet another unwanted problem: Tokyo's diplomatic spat with China over a disputed East China Sea island chain, which has seen a Chinese consumer boycott of Japan-brand goods.

Sharp, Sony and Panasonic have all announced massive corporate overhauls that include tens of thousands of job cuts to rescue their bleeding balance sheets, suffering credit downgrades and share price plunges in the process.

This summer, Sony's stock tumbled below 1,000 yen for the first time since 1980 and the era of the Walkman.

Panasonic said shareholders would not get dividend payments this year, the first time in decades.

Sharp, meanwhile, is putting up real estate -- including its Osaka headquarters -- as collateral for bank loans crucial to keeping the century-old firm alive.

This week, Sharp ominously warned there was "material doubt" about its ability to carry on as a viable company.

Foreign investors dip toes back into eurozone

AFP, *Paris*

REASSURED by ECB anti-crisis moves, major international investors have begun dipping their toes back into the eurozone, even though they don't believe the crisis is over.

"The worst-case scenarios of those who had feared the eurozone would disappear has receded a bit," said Jean-Louis Mourier, an economist at Aurel BGC brokerage.

Many foreign banks and investment and pension funds pulled their placements out of the eurozone after Greece, Ireland and Portugal were forced to seek bailouts and the crisis threatened to engulf Italy and Spain, the bloc's third- and fourth-largest economies.

However the European Central Bank has since pumped a trillion euros into banks to ensure liquidity and outlined a plan to buy-up unlimited amounts of debt of governments pursuing bailout plans.

And investors are again buying shares in French, Italian and Spanish banks, as well as bonds of the most fragile eurozone states, which has contributed to a rebound in stock markets since this summer and sent Spanish and Italian government borrowing rates lower.

Jean-Francois Bay, director of the Morningstar France independent market research firm, said he noticed in September that foreign investment funds had returned buying eurozone shares "for the first time since February 2011". There has also been a return to purchasing Italian and Spanish debt.

The September pledge by the ECB to buy up short term debt of governments which seek a bailout and agree fiscal adjustment terms has reassured investors, even no country has yet to sign up for the newly available programme.

PIMCO, the world's largest investment manager, cited that security blanket when it said in October that Italy and Spain now "offer relatively attractive sources of credit risk".

While PIMCO said it would continue to take a cautious approach, it had steered clear of Italian and Spanish debt for three years, and also said it would continue to avoid Greek, Portuguese and Irish debt.

The biggest independent French fund manager, Carmignac, has indicated that it has again begun buying Italian and Spanish short-term debt.

Carmignac moved out of most eurozone bonds in July 2011, and said this June that it no longer held any eurozone sovereign debt.

For their part, US prime money market funds, which manage hundreds of millions of dollars, increased their exposure to eurozone banks for the third consecutive month in September, according to Fitch Ratings.

The increase was 16 percent in dollar terms over the month to stand at 10.6 percent of total holdings.

"Many investors may have overestimated the risk in the eurozone, but it hasn't disappeared either," said Rene Defossez, a fixed-income strategist at Natixis investment bank.

The flow back to the eurozone may represent more a correction than a vote of confidence however.

"This return of investors is extremely fragile," said Patrick Jacq, an analyst at France's BNP Paribas bank.

He warned foreign investors could be tempted to book profits and pull back out just as quickly.

"It is too early to say if this movement that started recently will continue," said Bay.

For certain investors the return to the eurozone may also be simply a default option to hedge the growing risks linked to a political stalemate leading to a sharp retrenchment in US fiscal policy, the so-called fiscal cliff.