

# NCC Bank aspires to be at the top

MD FAZLUR RAHMAN

CUSTOMER satisfaction, financial inclusion and management excellence will be at the heart of NCC Bank's efforts as it aspires to become one of the most beloved commercial banks in four years, its chief executive officer said.

"The environment within the branches will be more customer-friendly in paper work, delivery and care, so they feel comfortable banking with us," said Golam Hafiz Ahmed.

To make the bank pro-customers, he said, NCC Bank is focusing on building positivity in the attitudes of the frontline workforce.

"If we can satisfy our customers, it will ultimately bring in more clients for the bank."

To accomplish this goal, NCC Bank has recruited young, talented officers under a new pay scale, which was adopted last year to keep benefits on par with the industry, Ahmed told The Daily Star in an interview last week.

The bank is mapping out a five-year strategy with expansion of the balance sheet and operations, financial inclusion and excellence in total management topping the list of goals, the CEO said.

"We will bring qualitative changes in everything we do. It will eventually increase customer benefit, experience and satisfaction, employees' satisfaction and shareholders' value."

As a first step, the bank is working on upgrading the system that is needed for large scale operations, he said. It is also working on workforce realignment, he added. "Our plan is to become a top financial institution by 2019."

Currently, the journey of the bank, now a well-positioned financial institution, to reach a sound position was not smooth at all. Its predecessor was an investment company, riddled with problems. When it became a bank in 1993, it still carried its past ailments.

Owing to dedication from the board, it was able to shed all its past problems in seven years.

"We did not improve overnight. We are still trying to bring in more quality in services and management," said



Golam Hafiz Ahmed

Ahmed.

The bank's deposits and loans and advancements are growing gradually. In 2014, it had a deposit base of Tk 10,570 crore, up 7.61 percent from 2013 when it was Tk 9,822 crore. Its loans grew to Tk 9,092 crore from Tk 8,816 crore in the same time.

Its non-performing loans went up in the last three years following very low levels of NPLs in 2010 and 2011, when it was 2.27 percent and 2.68 percent respectively.

As of last year, it had NPLs of Tk 673 crore, which was 7.49 percent of total loans. Last year, the bank recorded a profit of Tk 150 crore, which was Tk 113 crore a year ago.

Ahmed pointed at default loans as the biggest hurdle for old banks in the country. "Because of this constraint, we struggle to bring down the lending rates."

The NPLs for NCC Bank went up a bit this year from last year because of the overall troubled business scenario in the country, which has hit almost all banks,

said Ahmed.

He, however, said the bank would reach a comfortable level within two years in terms of NPL, as the bank has an annual target in either recovery or rescheduling worth Tk 300 crore.

With greater focus on tightening risk management, recovering old loans and regularising old accounts, it could not pay attention to propelling the business for higher growth, said the CEO.

"Still, the bank has forayed into new areas for business. And the quality of operational performance and total management has improved, which will be reflected in the financial results at the end of this year."

Customers are borrowing from other sources as well as external sources at much lower interest rates, he said. "We have to bring down lending rates for the good customers. Of course, we have been doing so all along, providing very competitive rates to good companies."

The bank has reduced the interest rate for short-term financing and branding

itself anew with new products.

With an eye on small and medium enterprises, Ahmed said, "We did not earn very much from our large clients, but our growth in the SME sector is very encouraging. We have exceeded our lending targets for the sector."

The bank is also involved in agriculture lending and green banking in line with instructions from the central bank, he said. "We are also doing direct lending in the agriculture sector in many districts. Our experience in direct agriculture lending is also good. We have a good base of farmer-borrowers."

The bank has approved a number of projects under its green banking initiative, as it believes in responsible lending, keeping in mind the environmental impacts and social benefits of lending.

Or channelling remittance into the country, it helped migrant workers send Tk 1,870 crore to the country last year.

The bank now has 104 branches employing 2,277 people, and has received permission from the central bank to open another six branches this year.

He said NCC Bank has not gone for the relaxed loan rescheduling facility offered by the central bank; as a lesson from financial felonies in a number of state-run banks in recent years, it has solidified its risk management system.

Ahmed, who is in banking for 31 years now, welcomed the government's decision to reduce the interest rates on its savings instruments; the banks were unable to woo depositors because of the gap in rates between the bank deposit rates and government's savings certificates.

"The new decision will ensure a level playing field."

Ahmed, who studied economics at Dhaka University, began his career as a senior officer with Pubali Bank in 1983. With just six months, he joined France's Banque Indosuez's Dhaka office where he worked for 13 years. He also worked for Dhaka Bank until he moved to NCC Bank in January 2008 as its deputy managing director. He was appointed as its CEO in February last year.

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## India seeks to speed up foreign deals with one-stop shop

REUTERS, New Delhi

The finance ministry, seeking to speed up deals with outside investors, is set to take full control of the oversight of more than \$40 billion a year in foreign direct investments and share purchases, two government sources said.

Hitherto, both the government and the Reserve Bank of India (RBI) had shared oversight of direct investment and indirect purchases through proxy instruments.

Earlier this month parliament approved the annual finance bill containing the amendments to the Foreign Exchange Management Act (FEMA).

While restrictions on foreign investment are unchanged, the sources said, the "new one-stop shop" will simplify and accelerate approvals for deals that are not debt financed.

A provision in the FEMA that allowed the RBI to restrict or regulate cross-border transactions and acquisition or transfer of immovable property to foreigners has been deleted.

The RBI had no immediate comment on the change.

"We will soon notify rules to implement the new mechanism after consultation with the RBI," a senior finance ministry official, with direct knowledge of the matter, told Reuters.

The official said the central bank -- which will still be consulted before a decision is made -- would continue to regulate debt instruments.

Red tape and bureaucracy stand at the top of investor complaints about India, which was ranked 142 out of 189 in the World Bank's latest report on the ease of doing business.

But the government of Prime Minister Narendra Modi, elected on a business-friendly ticket, has vowed to tackle the issue and aims to get within the top 50 countries. It has promised, for example, to speed up regulatory clearances across the board.

"It is definitely a positive step for ease of doing business in India as the investors would have to deal with only one authority," said Pratibha Jain, a tax expert at Nishith Desai Associates, a tax consultancy, said of the change.

Foreigners require approval not only to invest in India but also to sell out, a process that has often been slow under the dual scrutiny of the government and RBI.



REUTERS  
Indian Prime Minister Narendra Modi, left, shakes hands with South Korean President Park Geun-Hye during a meeting in Seoul yesterday.

## Modi urges S Korea firms to grasp investment opportunities in India

AFP, Seoul

Indian Prime Minister Narendra Modi called on South Korea to be a "leading partner" in his country's economic modernisation as he talked up investment opportunities at the start of a two-day visit Monday.

Following talks with President Park Geun-Hye, Modi told a joint press briefing that the two leaders had agreed their "modest" bilateral trade was falling far short of its potential.

Modi, who took office a year ago, said his visit to South Korea came at a time of renewed momentum in the Indian economy as his government pursues a comprehensive modernisation programme.

"We have a special focus on infrastructure and developing a world class manufacturing sector. Korea can be a leading partner in this enterprise," he said.

His trip -- part of a six-day East Asia tour -- is packed with a whirlwind of meetings with business tycoons from South Korea's largest conglomerates, including Hyundai, Samsung and LG.

All three manufacturing giants operate plants in India where they enjoy sizeable shares of the vast consumer market for cars, smartphones and home appliances.

"Korean companies have the edge to succeed in India," Modi said, who stressed the opportunities being created by his "Make in India" initiative aimed at

boosting the nation's relatively weak manufacturing sector.

Hyundai Motor Company, South Korea's largest carmaker, operates two plants in the southern Indian city of Chennai, and expanding that investment is expected to be high on the agenda during a meeting between Modi and Hyundai Motor chairman Chung Mong-Koo on Tuesday.

A planned meeting with JK Shin -- the head of Samsung's mobile unit -- is also expected to help accelerate the South Korean firm's reported plans to build a third plant in India, one of the world's fastest-growing handset markets.

And Modi is scheduled to visit the main shipyard of the world's largest shipbuilder, Hyundai Heavy Industries, in the southern city of Ulsan to meet with its chairman Choi Kil-Seon.

India also needs help upgrading its outdated transport infrastructure -- a constant source of frustration among foreign firms operating there.

South Korea's Finance Ministry and the Export-Import Bank of Korea said Monday they intended to provide \$10 billion dollars in loans and funding for Indian infrastructure projects including railways and power generation.

"We have laid the foundation for a relationship that two major Asian countries with shared values should have," Modi said.

## Alibaba says Kering lawsuit alleging fakes is baseless

AFP, Shanghai

Chinese e-commerce giant Alibaba on Monday denounced as baseless a lawsuit by French apparel company Kering Group, whose luxury brands include Gucci, which accused it of selling fake products.

Kering filed suit against US-listed Alibaba in a New York court last week for selling counterfeits of its products worldwide, Chinese state media reported.

Kering's portfolio of luxury and lifestyle brands include Saint Laurent, Alexander McQueen and Puma, according to its website. Copyright infringement is rife in China, but Alibaba said it planned to fight the case.

"Unfortunately, Kering Group has chosen the path of wasteful litigation instead of the path of constructive cooperation," an Alibaba spokeswoman said in a statement provided to AFP.

"We believe this complaint has no basis and we will fight it vigorously," it said.

Alibaba's Taobao platform is estimated to hold more than 90 percent of the consumer-to-consumer market in China, while its Tmall.com is believed to command over half the Chinese market for business-to-consumer transactions.

State media said that Kering filed an earlier lawsuit against Alibaba in July last year but dropped it after the two companies agreed to work together to reduce counterfeiting.

"We continue to work in partnership with numerous brands to help them protect their intellectual property and we have a strong track record of doing so," Alibaba said in its statement on Monday.

## Amid China slowdown, foreign creditors face bankruptcy riddle



REUTERS  
A woman rides her bike in front of a construction site by Chinese property developer Kaisa Group in Shanghai.

REUTERS, Hong Kong

As China's economy slows and Beijing becomes more relaxed about letting its companies fail, a rising number of foreign bondholders risk being caught up in the country's unpredictable court system.

Last month, solar producer Baoding Tianwei Baobian Electric became China's first ever state-owned company to default on a bond coupon payment, showing Beijing's increasing willingness to let companies go bust in a bid to reform its corporate market.

Also in April, Kaisa Group became the first Chinese property developer to fail to pay a coupon on its US dollar bonds and Internet company Cloud Live Tech Group failed to repay nearly \$40 million to bondholders.

Although onshore and offshore bondholders have equal standing in China's bankruptcy law, lawyers and investors who have experienced corporate failures in China, say bankruptcy proceedings are subject to interference from local government officials who rarely prioritise offshore bondholders.

"The courts can and do exercise wide discretion, and it's not always clear how that discretion is applied," said Mark Hyde, global head of the insolvency and restructuring practice at law firm Clifford Chance in Hong Kong, who advised creditors in the 2014 bankruptcy of solar producer

Chaori, China's first domestic bond default.

"This is in contrast to other jurisdictions like the US, where the key question is whether the legal issues have been satisfied."

Courts also have wide discretion on whether to accept bankruptcy filings and must work closely with local government officials, who are generally more concerned about jobs, local tax revenues and social stability than creditors.

Foreign investors who experienced the bankruptcies of Chaori and Suntech, another early Chinese corporate failure, felt they were treated like a nuisance.

"In the case of Suntech there was radio silence from the company for four months and only when we applied sufficient pressure did they start to come up with a solution. Creditors are seen as a nuisance," said an investor who owned bonds in Suntech but declined to be named due to the sensitivity of the issue.

Even though overseas investors represent a tiny fraction of China domestic bond ownership, their number is expected to increase as China moves to open up its corporate bond market, which is the largest in the world.

Foreign ownership in China's onshore bond market is expected to rise to 3-4 percent by the end of 2015, from 2.6 percent, according to Standard Chartered Bank, but the numbers could grow exponentially

once China lifts current investment quotas.

China's Enterprise Bankruptcy Law, which came into effect only in 2007, incorporates elements of both the US and UK insolvency regimes, allowing defaulting companies, or their creditors, to file for bankruptcy in order to restructure the corporate debt or force the company into liquidation.

But the law is still evolving, giving rise to inconsistencies in its application, said Daniel Anderson, a partner at law firm Ropes & Gray, who was involved in the onshore and offshore insolvency proceedings of Chinese steelmaker FerroChina, which defaulted on its debt in 2008.

The case of FerroChina, the first high-profile insolvency case involving a Chinese company, left offshore creditors divided as some recouped as much as 60 cents to the dollar and others nothing.

As China's slowdown continues, lawyers expect to see an uptick in bankruptcy filings, but warned that the outcome of these proceedings would continue to be distorted by political factors.

"We expect to see an increase in defaults and selective corporate failures," said Jonathan Leitch, a restructuring lawyer at DLA Piper in Hong Kong.

"Where purely domestic bankruptcies are concerned, the outcome will continue to be largely pre-arranged at the outset of a bankruptcy filing."