

Prime Bank changing business model

The bank's managing director shares future plans with The Daily Star

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PRIIME Bank is bringing major changes to its business model for wholesale, retail and SME banking in order to diversify its operations by 2021.

Under the plan, the second generation bank will raise its investment in retail and small and medium enterprises (SMEs) to 40-45 percent in the next four years from 20 percent now.

"We will double our loan disbursement in retail and SMEs as part of the bank's roadmap for 2021," Rahel Ahmed, managing director of Prime Bank, told The Daily Star in an interview recently.

Last year, SME and retail loans accounted for 9.29 percent and 10.90 percent respectively of the bank's total disbursed loans.

"We will disburse loans to the dealers, distributors and suppliers of the corporate groups under our SME programme," said Ahmed, who took charge of the bank last year at the age of 47, became the youngest CEO in Bangladesh's banking sector.

Previously, he worked for two big multinational banks in Bangladesh—ANZ Grindlays Bank and Standard Chartered—for more than a decade.

He also worked for two major regional banks—Emirates NBD Banking Group and First Gulf Bank—in senior roles for about seven years in Dubai.

Ahmed said Prime Bank has also rolled out a supply chain financing initiative to bring the hundreds of distributors of the bank's corporate clients under its network.

The corporate groups will benefit from the supply chain financing initiative as their distributors will get necessary financing to run businesses, he said.

Historically, the bank, which started operations in 1995, attached priority to the wholesale and commercial banking, but has now started focusing on the SME and retail banking.

The bank also plans to strengthen its corporate and commercial banking wings to



Rahel Ahmed

cater large and mid-level businesses.

The bank has recently launched a relationship model for corporate banking and appointed a relationship manager for every corporate group following in the footsteps of global banking models.

It created different divisions to support clients of different genres with customised products.

For example, the corporate and institutional banking division is supporting companies with annual turnover of more than Tk 800 crore.

Companies with annual turnover of Tk 100 crore to Tk 800 crore—considered as the mid-size corporate firms—are getting support from the commercial banking division.

The transaction banking division is offering cash management and trade solutions to the clients under the two wings.

"No local private bank has yet to offer such services to businesses," said Ahmed.

He said Prime Bank is now enjoying an excellent financial health as it has not faced any liquidity crunch in recent months like most of its peers.

"Our loan-deposit ratio is 82 percent now, which indicates our strong and balanced liquidity base. We have not faced any hardship in disbursing loans when the banking sector plunged into the liquidity crisis."

Now the bank's major challenge is to get rid of the inherited non-performing loan (NPL), which has created a burden for the lender.

"We are now looking forward to giving a boost to the recovery of the NPL and the bank has already achieved a good outcome from the initiative," he said.

Four years ago, the private bank had about 7.50 percent in default loans, which came down to 5 percent last year.

The bank's default loan stood at 5.33

PRIME BANK'S SME LOAN DISBURSEMENT

in crores of taka



SOURCE: PRIME BANK

percent of its total disbursed amount of Tk 17,386 crore last year, down from 7.49 percent of Tk 13,756 crore in 2014, according to data from the central bank.

Ahmed has targeted to bring the NPL below 4 percent in the next three years, as it has been a drag on the bank's profit.

The net profit halved in 2017 from a year ago as it had to keep aside a large amount as the provision against the default loans.

"We have aggressively tried to clean up the NPL to strengthen the profit base," Ahmed said.

The profit after tax dropped to Tk 106 crore in 2017 from Tk 219 crore in the previous year.

The fall in the net profit also put a negative impact on the earnings per share, but Ahmed called it a temporary phenomenon.

"We have brought major changes to the bank's working methods by restructuring the operational process," he said.

The bank has 146 branches across the country, which used to carry out the works related to the opening of letter of credit, corporate and SME banking before 2015.

The bank has recently created a central department to deal with sanctions and disbursement of loans.

The department now oversees all credit-related processes, including verification of loan documentation, to avoid any laps and

corruption.

Ahmed also touched upon a number of issues confronting the banking sector.

The CEO said the government has recently allowed the state-owned enterprises to park 50 percent of their funds with private banks, but it is not binding.

So, private banks will have to strengthen their financial health to attract government deposits, he said.

"I don't think all of the 57 banks will be able to attract the deposits from the state-owned enterprises right now."

He said the core deposit—which mainly comes from small and medium entrepreneurs and common depositors—would play a vital role in the business for banks in the months to come.

The cost of core deposit is relatively lower compared to those of other deposits and the low-cost deposit helps banks bring down the lending rate, said Ahmed, who obtained an MBA in international business from the Maastricht School of Business in the Netherlands.

Some unscrupulous people had diverted loans to unauthorised areas, creating a liquidity crisis, he said.

Banks had to purchase the dollar at a higher rate because of the rising commodity prices in the last eight months in the global market, which also fuelled the crisis, he said.

India's cryptocurrency investors bet trading will survive bank ban

REUTERS, New Delhi/Mumbai

A month after the Reserve Bank of India (RBI) barred regulated lenders from facilitating cryptocurrency transactions, trading volumes have surged dramatically alongside a sharp rally in prices.

Exchange operators, investors and analysts say people are rushing to take advantage of a three-month window the RBI has given banks to sever ties with cryptocurrency traders and exchanges.

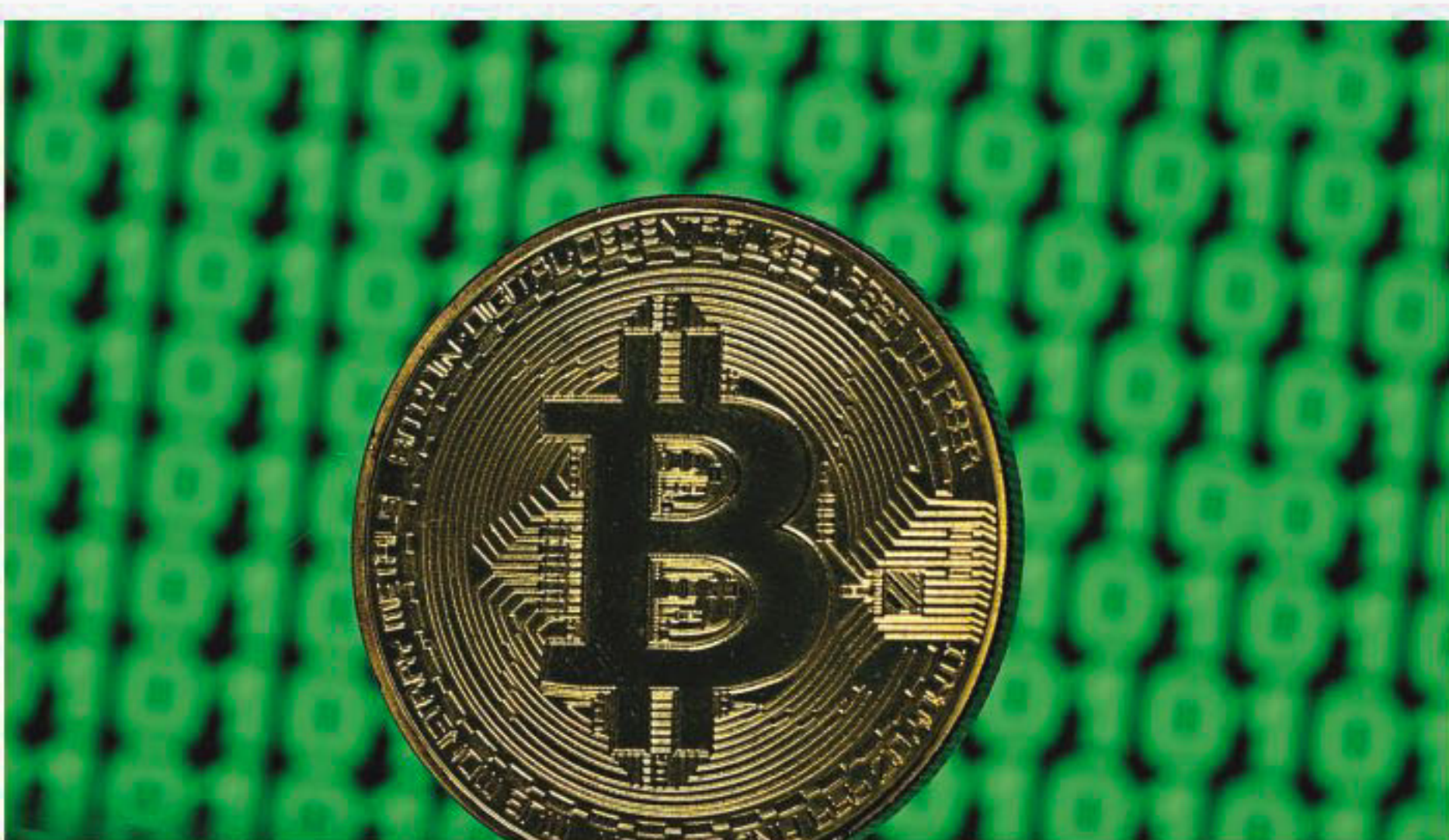
Getting in now enables investors to convert rupees into cryptocurrencies,

illegal activities. The country's finance minister said in February that they should be banned as a payment system.

But many investors hope the government will soften the central bank's blow by regulating cryptocurrencies rather than banning them outright.

A panel with members from the central bank, the finance ministry and market regulator Securities and Exchange Board of India is expected to soon formulate a recommendation on what to do next.

People who have been trading cryptocurrencies would probably continue to do so if it remained legal, regardless of



REUTERS/FILE

A token of the virtual currency Bitcoin is seen placed on a monitor.

which they can later swap for other coins via private trading platforms even after the central bank's rules take hold.

"There is a positive sentiment in the industry that the government will not ban trading in cryptocurrencies, and even if formal banking channels cannot be used, people can move to crypto-crypto trading platforms," Shivam Thakral, chief executive of BuyUcoin, a cryptocurrency exchange.

"New investors are coming to our exchange while existing ones are regaining interest after the drop because they're getting good value and are making money as the prices of cryptocurrencies move higher," he said.

Prices of the volatile bitcoin in India are back up to 618,000 rupees (\$9,270), recovering from a low of 350,001 rupees after the central bank's announcement in early April.

Average daily volumes have also seen a sharp recovery and were as high as \$75 million, close to levels before the rule changes, according to Pune, India-based cryptocurrency exchange CoinDelta.

India's government has taken a tough stance against the use of virtual currencies, fearing they could be used to finance

the banking ban, said 24-year old Shubham Yadav, co-founder and head of business at CoinDelta.

Once the central bank's prohibition on commercial banks' involvement in cryptocurrencies takes effect, most trading is likely to move to peer-to-peer networks or social applications such as Telegram, according to retail investors. In the meantime, some cryptocurrency traders have challenged the central bank's order in court, citing constitutional issues.

Analysts argue that pushing virtual currencies out of the formal banking system would be counterproductive because it puts the money completely out of view of regulators - making illicit transactions easier.

Lawyers are advising clients to hang onto their investments and take a "wait and see" approach. Traders and investors, meanwhile, say they are just trying to stay optimistic.

"Unlike fiat currency, prices of virtual currencies are based on people's beliefs and aspirations," BuyUcoin's Thakral said. "The long-term vision for us and the people who are investing now is that cryptocurrencies are here to stay."

Countries push ADB to raise lending rates for middle-income Asia

REUTERS, Manila

MEMBERS of the Asian Development Bank urged the lender to charge higher lending rates for middle-income countries and to start working with these countries more as partners and less as mere aid recipients.

Countries said the ADB should embrace more private financing, implement projects more quickly and work more with other institutions as the global financial landscape changes.

China explicitly called on the ADB to deepen ties with its own development lender, the Asia Infrastructure Investment Bank. Other countries did not mention China's development lender explicitly, but did say the ADB needs to cooperate more with other organisations.

The ADB describes itself as an "international development finance institution dedicated to reducing poverty in Asia and the Pacific through loans, grants, research and technical assistance to its member countries, as well as investments in private companies".

The ADB, which is facing increasing questions about its relevance, will finalise a new strategy in coming months and member countries' views are likely to play a prominent role in deciding

the direction the ADB will take.

"We consider it essential that wealthier borrowers with market access that continue to borrow from ADB contribute more progressively to ADB's capital resources," said Geoffrey Okamoto, US Treasury deputy assistant secretary.

"Hence we welcome management's discussions of implementing differentiated pricing," he said, referring to charging wealthier middle-income countries higher lending rates.

The sentiment expressed by the United States, the ADB's largest donor along with Japan, were echoed by many other member countries at the lender's annual meeting in Manila.

Rapid and impressive growth in China and India is forcing many governments and institutions to change their relationship with the two countries.

China is trying to assert itself on the global development lending stage with its One Belt, One Road infrastructure initiative, and its own development bank, which strongly suggests its relationship with the ADB will have to change.

"As more developing countries join the ranks of middle-income countries, the ADB, while increasing support to low-income countries... should also enhance its cooperation with upper middle-income countries," Yu Wei Ping,

China's deputy finance minister, said at the meeting.

China's rise has drawn attention because its new programmes could become serious rivals to the ADB, some economists say. There are also concerns that trade friction between the United States and China will affect how international lenders work with China.

Most members of the ADB said it should use more private sector money and court institutional investors to lower the burden on its own finances.

Representatives from India,

Australia, New Zealand, and the United Kingdom all said the ADB needs to be more innovative, more nimble, enter more public-private partnerships and implement development projects more quickly.

A draft of the ADB's new strategy, known as strategy 2030, acknowledges many of the concerns expressed by members at the annual meeting, but it is still uncertain how far ADB President Takehiko Nakao will go in changing the lender's role in China and India.



REUTERS/FILE

A worker walks inside the Asian Development Bank (ADB) headquarters in Manila.

Australia's biggest bank loses 20m customer records

AFP, Sydney

AUSTRALIA'S troubled Commonwealth Bank admitted Thursday it had lost financial records for almost 20 million customers in a major security blunder -- but insisted there was no need to worry.

The nation's biggest company said it could not find two magnetic data tapes that stored names, addresses, account numbers and transaction details from 2000 to 2016.

National broadcaster ABC said the records were supposed to have been destroyed by a sub-contractor after the decommissioning of a data centre, but the bank never received documentation to confirm this happened.

The lender assured customers there was no need to worry as the tapes did not contain passwords, PINs or other data that could be used for fraudulent purposes.

It said in a statement after the incident was exposed by Australian media that an independent forensic investigation in 2016 "deter-

mined the most likely scenario was the tapes had been disposed of".

It said the issue was not cyber-related and there was no compromise of its technology platforms, systems, services, apps or websites and no evidence of customer harm.

But ongoing monitoring of the 19.8 million customer accounts involved is continuing, just in case. "We take the protection of customer data very seriously and incidents like this are not acceptable," said Angus Sullivan, acting group executive for the lender's retail banking services.

"I want to assure our customers that we have taken the steps necessary to protect their information and we apologise for any concern this incident may cause."

He added customers had a 100 percent security guarantee against fraud where it was not their fault.

"The relevant regulators were notified in 2016 and we undertook a thorough forensic investigation, providing further updates to our regulators

after its completion," Sullivan added.

"We also put in place heightened monitoring of customer accounts to ensure no data compromise had occurred."

"We concluded, given the results of the investigation, that we would not alert customers." But Prime Minister Malcolm Turnbull called it "an extraordinary blunder" and said people should have been told.

"It's hard to imagine how so much data could be lost in this way," he said.

"Maintaining data security is of vital importance for everybody, whether it's the private sector or governments and if there is a serious data breach or loss, the people affected should be advised so they can take steps to protect themselves," he said.

The latest revelations cap a troublesome few months for Commonwealth Bank.

On Tuesday, a report by the country's financial services regulator slammed it for a complacent culture and ineffective board after a series of scandals.