NRBC restoring confidence

The private bank's CEO tells The Daily Star

JEBUN NESA ALO

NRB Commercial Bank Ltd, which was hit with loan irregularities soon after its launch, is rebounding on the back of support from the directors, empowered management and intensified efforts to cut bad loans, said its top executive.

A new generation lender, the bank was set up in 2013 in a market where a relaxed credit culture is deep-rooted – a situation that makes it difficult for the new banks to flourish, Khondoker Rashed Maqsood, managing director of the bank told The Daily Star in an interview at his office recently.

NRBC Bank came under criticism three years later when the central bank discovered loan irregularities committed by some of the board members.

In 2016, the BB identified loan irregularities involving Tk 700 crore but the money was not taken out of the bank, said Maqsood.

The board was reconstituted in December 2017 to establish discipline in the new bank.

He said the bank has recovered all the loans that were given through irregularities during the tenure of the previous board.

In case of some borrowers, it brought down the loan balance to zero as per the central bank's instruction.

"The bank has made strides in improving the loan recovery and deposit hunting in the last one year and restoring public confidence," Maqsood said.

Now, there is no interference by board members when it comes to loan processing and the management has been empowered, leading to the significant improvement in the health of the bank, he said.

Maqsood says failure to repay loan is bad but this perception did not grow in the market. Rather, clients like to avail the facility of a relaxed policy to prolong their loan repayment.

There are a few clients in the market and all the banks are running after them and the behaviour of the clients, who are overbanked, cannot be changed because they are used to take loan in a relaxed way, he said.

"So, the business strategy of NRBC Bank is to expand consumer banking business with a focus on the small and medium enterprises segment."

NRBC Bank wants to work in the segments where the bank can control the credit behaviour of clients.

The bank's deposit growth rose 18.72 percent in 2018 from just 3.35 percent in 2017

It also does not want to compete with big banks and instead wants to explore the opportunities in the areas where they do not tread.

"We are working to be a bank for all. Our target is to reach the remote people to encourage them to make savings," said Maqsood.

He said the bank does not give less importance to small depositors who come to the bank to deposit even only Tk 500 and this has paid off.

The bank mobilised Tk 1,800 crore in the last one year and all are small deposits. At the same time, it gave up expensive deposits to bring down the cost of fund.

The bank slowed lending activities throughout the year and intensified loan recovery. As a result, it was able to reduce the default loan drastically.

The bank's deposit growth rose 18.72 percent in 2018 from 3.35 percent in 2017. The loan growth fell to 12 percent from 14.82 percent.

Khondoker Rashed Maqsood

The default loan came down to 1.95 percent in December last year, way down from 7.95 in September, according to BB data.

"The main target of the bank is to gain public confidence," said the CEO.

When the banking sector faced severe liquidity crisis last year, NRBC Bank efficiently managed liquidity by putting intense efforts on deposit collection.

The loan deposit ratio, which indicates the basic health of a bank, was more than 90 percent at the beginning of 2018, beyond the authorised limit of 85 percent. It, however, came down to 83 percent in June last year, said the top executive.

Maqsood, who had long experience working in a foreign bank, joined NRBC Bank in April last year. The bank is one of the lenders that takes a number of government services to the beneficiaries.

It distributes various government funds such as old age and widow allowances.

It is serving 37 lakh users of state-run Bangladesh Road Transport Authority (BRTA) as the government's agent bank.

The bank plans to set up booths in 64 districts to provide the service to the BRTA users.

"The benefit is we are getting a huge database of car users, which will enable us to expand business in the automobile market."

The bank plans to spread its service across the city through setting up booths.

The BB has recently issued a new guideline on booths in order to help banks cut cost and the concept came from NRBC Bank, he said.

NRBC Bank already set up 10 booths in the city, he said.

The size of the booths will not be more than 1,000 square feet with full-fledged banking operation, whereas a branch requires at least 3,000 square feet of space.

As of 2018, the bank has 68 branches, eight authorised dealer branches, 50 ATM booths, and 563 agent points.

The 51-year-old aged banker says the bank could not do much for the non-resident Bangladeshis due to limitations caused by rules.

"We are working with the central bank to help non-resident Bangladeshis open accounts and carry out banking transaction smoothly."

As many of the bank's directors live abroad, it had faced trouble in the past in ensuring the attendance of the directors in board meetings.

There was even incidence of signature forgery in case of a director who was not present in a board meeting. Thanks to the central bank's permission, NRBC Bank has got rid of the trouble. Now, directors can attend meetings through video conferencing if they cannot show up.

In discussing the government's plan to provide permissions to set up new banks, Maqsood said nine fourth-generation banks have already established their footprint in the market.

"If more banks are allowed, they will also be able to establish their position. But the government will have to ensure that the new banks can stand on their own feet."

Without citing name, he says a new generation bank has been kept alive artificially by providing government support.

"This will distort the market. If a bank can't survive on its own, let it collapse," he said.

Apple's Tim Cook urges China to continue to open up its economy

AFP, *Beijing*

Apple chief executive Tim Cook on Saturday urged China to keep opening up its economy as local rivals bit into the profits of the US tech giant caught in the crosshairs of a trade spat between Beijing and Washington.

"We have seen China continue to change and evolve... We encourage China to continue to open up," he said during a speech at the annual China Development Forum in Beijing on Saturday.

"We see that as essential not only for China to reach its full potential, but also for the global economy to thrive."

Apple in January revealed that it took a hit in the "Greater China" region, where revenue plunged almost 27 percent in the most recent quarter.

The dip had been expected following the company's revenue warning in December, where Apple admitted that iPhone sales and overall earnings would be below most forecasts, citing economic weakness in China and trade frictions between Washington and Beijing.

Lower priced local rivals such as Huawei, Xiaomi and Oppo have also been nibbling at the California tech giant's market share in China.

Cook has been a critic of the US-China trade war that has spooked global markets. Last year, he used the China Development Forum as a venue to urge leaders of China and the US to let "calm heads prevail" and to avoid an escalation of tariffs. Most of Apple's flagship products are assembled in China, leaving the California tech giant acutely vulnerable to Trump's tariffs.

During his speech on Saturday, Cook called for partnerships based on "openness and trust" where world players can work together to solve some of the biggest problems facing the planet including poverty, inequality and climate change.

Chinese investment in Europe: A story of cash and concerns

AFP, *Paris*

Chinese firms have plowed at least 145 billion euros ($164 billion) into Europe since 2010, but investment has been slowing recently as several European governments tighten rules on acquisitions by foreign firms.

As President Xi Jinping makes a crucial visit to Italy promoting China's new Silk Road project, the EU remains divided over the best approach towards Beijing.

Chinese direct investment into the European Union in 2010 totalled just 2.1 billion euros. That climbed rapidly to 20.7 billion in 2015 and then jumped to 37.2 billion in 2016, according to a study by Rhodium Group, as Chinese firms went on a buying spree.

Sweden's Volvo Cars, Italian tyre-maker Pirelli, French holiday group Club Med and German machine tool firms Kuka and KraussMaffei have all passed into Chinese hands this decade.

But the volume of Chinese investments has fallen since 2016, declining to 29.1 billion in 2017 and 17.3 in 2018.

The study's authors put the drop down to Beijing clamping down on investments made by overindebted firms as well as tightening regulations in Europe.

Since 2000, 60 percent of Chinese investment in Europe has come from state-controlled groups.

While concerns about Chinese investment have grown in France and Germany -- countries in southern and eastern Europe still have the welcome mat out.

Rome is ready to sign up to China's new Silk Road project, a $1 trillion infrastructure project, following fellow EU nations Greece, Hungary, Poland and Portugal.

Athens ceded its key port of Piraeus to China's freight giant Cosco, which also controls container ports in Valencia and Bilbao in Spain.

Portugal strenghtened its ties with China during the financial crisis, with Chinese investment rising to 6 billion euros, according to Rhodium, as Chinese firms made investments into its leading private bank, an insurance firm and the electricity network operator.

Lisbon hasn't opposed China Three Gorges trying to take over the nation's leading electricity firm, Energias de Portugal (EDP).

But some 14 EU countries already have their own measures to screen foreign investments, and the rules are tightening.

Following the Chinese acquisition of Kuka, a leading-edge producer of robots for factories, Germany lowered from 25 to 10 percent the stake threshold above which it can block any foreign investor from buying more shares.

AFP

From left, **China's President Xi Jinping, China's Foreign Minister Wang Yi, Italy's Labour and Industry Minister and deputy PM Luigi Di Maio and Italy's Prime Minister Giuseppe Conte attend a signing ceremony in Rome yesterday.**

In the Czech Republic, a visit by Xi in 2016 sealed massive investments from energy firm CEFC in media firms, an airline and a football club. CEFC's owner Ye Jianming was named an economic adviser to Czech President Milos Zeman.

In February, the European Parliament gave its green light to new powers to screen foreign takeovers in Europe's strategic sectors, and member states signed off on the measure this month.

Pushed by France, Germany, and originally Italy, the measure was a response to concerns that foreign firms are snapping up key technologies.

While EU member states retain the final decision, they will have to supply, under certain conditions, information on foreign investment to other member states if public order or security are concerned.

China's Yantai Tahai abandoned an attempt to purchase German machine tools firm Leifeld in August following pressure from the authorities.

According to Rhodium, nearly half of Chinese investments in 2018 were in sensitive sectors.

The United States, which is locked in a trade war with China, has stepped up its warnings.

Washington has put particular pressure on Germany, threatening to stop sharing intelligence if Berlin lets Chinese equipment into next-generation mobile phone networks.

The United States also publicly voiced this month its opposition to China acquiring Energias de Portugal.

A White House official, Garrett Marquis, earlier this month tweeted that there is "no need for Italian government to lend legitimacy to China's infrastructure vanity project".

More shale, who cares? Saudi Arabia pushes for at least $70 oil

REUTERS, *Dubai/London*

Budget needs are forcing Saudi Arabia to push for oil prices of at least $70 per barrel this year, industry sources say, even though US shale oil producers could benefit and Riyadh's share of global crude markets might be further eroded.

Riyadh, Opec's de facto leader, said it was steeply cutting exports to its main customers in March and April despite refiners asking for more of its oil. The move defies US President Donald Trump's demands for Opec to help reduce prices while he toughens sanctions on oil producers Iran and Venezuela.

The export cuts are designed to prop up prices, sources close to Saudi oil policy say. Saudi officials say the kingdom's output policies are merely intended to balance the world market and reduce high inventories.

"The Saudis want oil at $70 at least and are not worried about too much shale oil," said one industry source familiar with Saudi oil policy.

Another source said Saudi Arabia wanted to "put a floor under oil prices" at $70 or slightly lower, and added: "No one at Opec can talk about output increases now."

Officially, Saudi Arabia, which plans to raise government spending to boost economic growth, does not have a price target. It says price levels are determined by the market and that it is merely targeting a balance of global supply and demand.

Even a price of around $70 a barrel would not balance Saudi Arabia's books this year, according to figures cited by Jihad Azour, director of the International Monetary Fund's Middle East and Central Asia department in February. For that, he said, Riyadh needs oil prices at $80-$85 a barrel.

Saudi Arabia, the world's largest oil exporter, also wants to make sure it avoids a repeat of the 2014-2016 oil price crash below $30 per barrel, sources familiar with Saudi policy said.

Saudi Arabia plans to reduce March and April oil production to under 10 million barrels per day — below its official OPEC output target of 10.3 million bpd.

A Saudi official told Reuters this month that despite strong demand from customers, state oil giant Saudi Aramco had cut its allocations for April by 635,000 bpd below nominations — requests made by refiners and clients for crude.

Saudi Energy Minister Khalid al-Falih said such swings were not unusual because last year the kingdom had raised output and exports above targets to avoid imminent shortages.

Saudi Arabia has also been advocating an extension of OPEC-led supply cuts beyond June until the end of 2019.

Russia, which is not an Opec member but is cutting output in tandem with Opec, can balance its budget at oil prices of $55 per barrel and has not made clear yet whether it is prepared to extend them when Opec next meets in June.

"With budget needs at above $85 per barrel, the Saudis desperately need prices at above $70 per barrel," said Gary Ross, CEO of Black Gold Investors and a veteran Opec watcher.

"They also need to convince Russia that the strategy of output cuts makes sense despite the loss of market share to the United States," he said.

The United States and Russia produce 12 million and 11 million bpd respectively. Unlike Russia, the United States pumps at will via its commercial energy sector, led by shale. The International Energy Agency forecasts its output will soar by another 4 million bpd in the next five years.

Those increases would be likely to outpace the growth of global demand and give Washington an even bigger share of the global market, making it a bigger exporter than Saudi Arabia.

Riyadh has long been a close ally of the United States and the two countries have coordinated oil policy more closely since Trump became president than under his predecessor, Barack Obama.

Trump has supported Saudi Crown Prince Mohammed bin Salman despite a global outcry over the killing of journalist Jamal Khashoggi, a critic of the Saudi government, and has made clear he expects Opec to help lower global oil prices.

REUTERS/FILE

US President Donald Trump welcomes Saudi Arabia's Crown Prince Mohammed bin Salman in the Oval Office at the White House in Washington.

Last year, Saudi Arabia raised output steeply under pressure from Washington. But it later heard that the United States had granted Iranian oil customers unexpectedly generous waivers and the price of oil subsequently fell to $50 per barrel.

On Monday, Opec and its allies, led by Russia, scrapped a planned meeting in April and will decide instead whether to extend output cuts in June, once the market has assessed the impact of new US sanctions on Iran due in May over its non-compliance with a deal to curb its nuclear program.

"We have to wait and see what the Americans will do first," a second Opec source said.

There is, however, no guarantee Saudi policy will remain unchanged if Washington puts pressure on Riyadh to raise supply.

"They (the Saudis) do care about Trump, but they can't do whatever he says every time," an Opec source said.