

EBL getting ready to fund big projects

The private bank's managing director tells The Daily Star

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At a time when most lenders are battling liquidity crisis, rising default loans and poor governance, Eastern Bank Limited (EBL) is sitting pretty by all accounts.

Its net profit last year stood at Tk 308 crore, up 28.10 percent year-on-year. It paid 30 percent dividend, including 10 percent bonus shares, to its shareholders, and yet retained earnings to consolidate its capital base.

Its default loans account for only 2.35 percent of the outstanding loans, which is below the industry average of 10.30 percent.

"We have never gone for aggressive lending," Ali Reza Iftekhar, managing director and chief executive officer of EBL, told The Daily Star in an interview recently.

The bank is very selective in giving out loans: corporate loans make up two-thirds of its loan portfolio and yet the number of corporate clients is not high.

This stance has not only paid off for EBL; it has put the lender in good stead for financing mega projects such as the Dohazari-Cox's Bazar rail line and Rooppur nuclear power plant.

In power and energy, EBL has supported a number of projects that have the capacity of generating more than 2,100MW electricity, according to Iftekhar.

The bank is the undisputed leader in aviation financing: it has so far provided \$192 million to clients, including Biman Bangladesh Airlines, to buy 12 aircraft.

The reason for the bank's intrepid lending

activities is that a number of its employees had taken credit assessment training from global institutes, said Iftekhar, who joined EBL in 2004 as a deputy managing director and was elevated to the top position in 2007.

"We think skilled human resource is pivotal."

Now, the bank is shifting towards retail and SME banking from its heavy reliance on corporate banking, which now makes up about 28 percent of its loan portfolio.

"We have given strong priority to retail banking, but not that at the cost of corporate lending," Iftekhar said.

Regardless, in retail banking, EBL is already a market leader. The Singapore-based Asian Banker had adjudged EBL the best retail bank in Bangladesh for six consecutive years starting from 2013 to 2018.

Lending under its retail banking grew 9 percent year-on-year to Tk 4,359 crore last year.

Iftekhar thinks mortgage loans have a huge prospect in Bangladesh given the rising purchasing power of people brought about by the economy's solid growth in the past decade.

"People should be given tax incentive to buy homes with bank loans."

The bank, which handled about 4 percent of the country's external trade worth over \$90 billion last year, has also set its sights on regional domination.

It will open a representative office in China's Guangzhou and a full branch in Kolkata, India to cater to the needs of traders of Bangladesh's top two trading partners.

As part of the move, EBL will open a



Ali Reza Iftekhar

dedicated China desk within a month to serve the growing Chinese investors in the country.

The experienced banker also talked about the recent move by the central bank to reschedule bad loans. He believes that no wilful defaulter should get the chance.

"It is not a blanket facility for all defaulters. Rescheduling of loans will entirely depend on the bank-customer relationship."

Iftekhar says default loans and liquidity issues will continue to pose challenges for the banking sector, but banks will have to be prepared to face them.

"Weak banks should get merged and others should not go for aggressive lending. A bank is not a shop; its business progresses slowly," he said, adding that more than 90 percent of a bank's money comes from people and not from shareholders.

EBL is the first bank in Bangladesh to be rated by global credit ratings giant Moody's Investor Service.

Asia Money has also awarded the bank several times. It has also got recognitions from local authorities for its tremendous performance.

"EBL has got more awards than any other banks in Bangladesh and it reflects our professionalism, prudence, and growth," Iftekhar said.

The bank's success was full of struggle since its inception in 1992 from the ashes of the then-collapsed BCCI (Bank of Credit and Commerce International).

The bank was restructured as per the guidelines of the central bank and some depositors of BCCI got shares in the new bank and became directors.

Since then the bank has been getting restructured with continuous improvement

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in corporate governance and customer relationship.

Its hunger to improve remains intact.

For instance, one of its core goals is to make its low default loan ratio even smaller: it wants to bring the ratio down to less than 2 percent within the next two years.

"The bank has laid emphasis on recovery," he said.

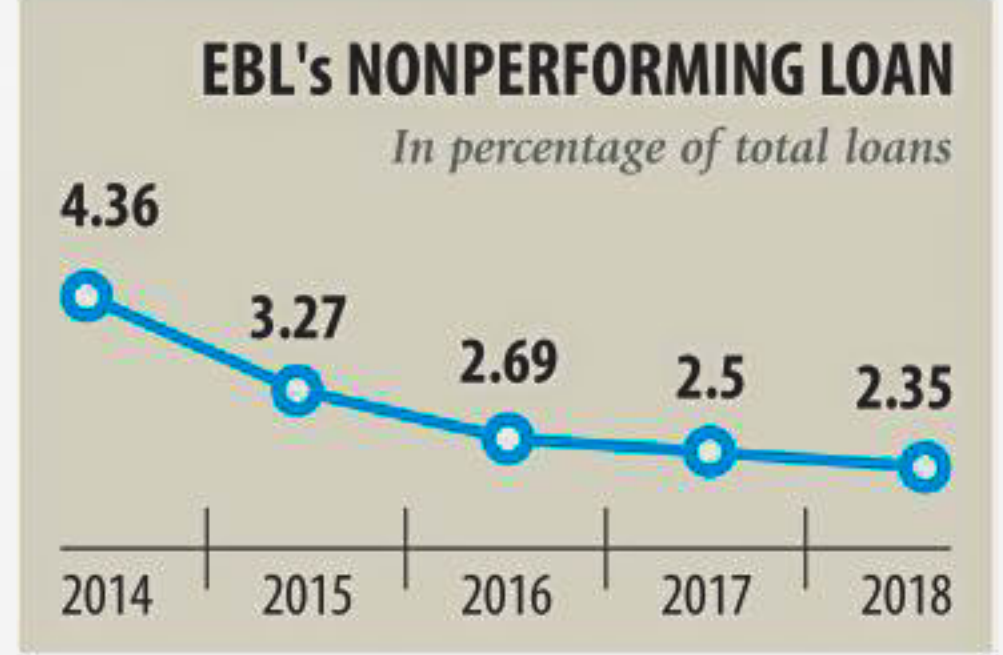
Even after running a tight ship EBL remains susceptible to large defaults: business groups take loans from different banks and failure to pay back one bank sets off a chain reaction.

"If one of them becomes defaulter with one bank, the others will have to face difficulties in managing the situation," Iftekhar said.

Inadequate capital will create problems for banks and make them unable to implement the norms of the Basel III within this year as per an instruction of the central bank, according to the EBL CEO.

As of December last year, EBL's capital adequacy ratio against its risk-weighted assets stood at 12.24 percent, well above the market average of 10.50 percent.

The bank's earnings per share also rose to Tk 4.17 last year from Tk 3.26 a year earlier.



FedEx to end Amazon contract for FedEx Express plane service

REUTERS

FedEx Corp on Friday decided to not renew its contract with Amazon.com Inc for US cargo delivery through FedEx Express, the unit that delivers packages on planes, a move that reflects the broader trend of the e-commerce company moving services in-house.

Amazon has been building out its own delivery network of planes, trucks and vans, a development that is seen posing a potential long-term challenge to FedEx and delivery rival United Parcel Service Inc, both of which count Amazon as a customer.

FedEx described the decision as a strategic move that would allow it to focus on the broader e-commerce market, a group that would include rivals of Amazon scaling up one- and two-day delivery. FedEx forecast that the market would double to 100 million packages per day in the United States by 2026.

"Amazon had a better rate with UPS so it made no sense for them to use FedEx," said Dean Maciuba, director of consulting services at Logistics Trends and Insights.

The decision does not impact any existing contracts between Amazon and other FedEx business units or relating to international services, the package delivery company said.

Amazon accounted for less than 1.3 percent of FedEx's revenue last year, the company said in its statement.

Analysts said that the ending of FedEx Express' contract with Amazon is likely to

benefit UPS, which gets a relatively larger share of revenue from the online retailer.

"We would expect UPS to report much stronger volume growth in next-day air products over the next several quarters," Bernstein analyst David Vernon wrote in a client note.

UPS volumes have been boosted by Amazon's move to one-day shipping for its paid Prime service, and "this news means more growth in lower priced, lower weight, lower service level ... domestic express products at UPS," Vernon said.

In recent years, Amazon has steadily expanded its fleet of delivery aircraft, which Air Transport Services Group Inc and Atlas Air Worldwide Holdings have operated.

The company is investing \$1.5 billion to build an air cargo hub in northern Kentucky, setting it up to rely less on others for air shipping.

Amazon already has 40 leased cargo planes and has signed an agreement to induct 10 more planes into the fleet in the next two years. "We respect FedEx's decision and thank them for their role serving Amazon customers over the years," Amazon said in an emailed statement.

Shares of FedEx, which rose as much as 1.65 percent earlier in the session, pared gains and closed up 0.75 percent at \$158.02. Amazon shares ended the day 2.8 percent higher at \$1,804.03.

UPS shares closed up 0.2 percent at \$98.23 after rising as much as 1 percent earlier in the session.



REUTERS/FILE

A FedEx delivery worker carries a package for a delivery in Wilmette, Illinois.

'Hurry up!': G20 urged to speed up digital tax

AFP, Fukuoka, Japan

TOP G20 finance officials agreed Saturday there was an urgent need to find a global system to tax internet giants like Google and Facebook but clashed on the best way to do it.

The G20 has tasked the Organisation for Economic Cooperation and Development to fix an international tax system that has seen some internet heavyweights take advantage of low-tax jurisdictions in places like Ireland and pay next to nothing in other countries where they make huge profits.

OECD chief Angel Gurría presented G20 finance ministers and central bank chiefs meeting over the weekend in the western Japanese city of Fukuoka with a "roadmap", already signed off by 129 countries, in a bid to clinch a long-term solution by 2020.

"We have to hurry up," stressed French Finance Minister Bruno Le Maire during a panel discussion of top policymakers before the G20 meeting officially opened.

Le Maire called for a more ambitious timeframe to forge a global consensus, saying: "The right schedule is to find a compromise by the end of this year."

British finance minister Philip Hammond said taxing internet giants fairly was a response to something that is "perceived by our population to be a gross injustice in our tax system."

Ministers are weighing a new tax policy based on the amount of business a company does in a country, not where it is headquartered.

But there are rival proposals in the mix, including a wider US-led approach that could affect European and Asian multinationals in other sectors than technology.

US Treasury Secretary Steven Mnuchin took a blunt view of policies in Britain and France, which have already introduced their own taxes on digital players, given a lack of global consensus.

"I would say the US has significant concerns with the two current taxes that are being proposed by France and the UK but let me give them some good credit for proposing them in the sense (that) they have created an



REUTERS/FILE

US Secretary of Treasury Steven Mnuchin delivers a speech during the G20 Ministerial Symposium on International Taxation in the G20 Finance Ministers and Central Bank Governors meeting in Fukuoka, Japan yesterday.

urgency to deal with this issue," said Mnuchin.

"Although I don't like them, I do appreciate the impetus for these issues," added the top US finance official.

"We are not looking to rewrite the entire tax code, but we do need to look at the balance between what may be the issue in digital and perhaps how this new environment affects non-digital companies as well," he said.

While there were gaps on the exact make-up of the reform, the policymakers agreed there needed to be a global approach to taxing the big internet firms.

Gurría said there was a risk of "cacophony" and a "race to the bottom" without an agreed global framework and Mnuchin agreed that "having a fragmented tax approach is not good for any of us."

The other topic dominating the G20 finance ministers' meeting was the impact of

spiralling global trade conflicts on an increasingly fragile economic outlook.

But the ministers were given a boost just hours before the meeting started with news that Washington had scrapped threatened tariffs on Mexico after a deal on immigration.

"We couldn't be more pleased with the agreement that we reached. It is very, very significant and we very much appreciate the commitments that Mexico has made," Mnuchin told reporters.

Trump had threatened to impose a five-percent tariff on all Mexican goods from Monday but shelved this plan after the deal was agreed, prompting a sigh of relief from the Japanese central bank governor.

"It is good, not just for the United States and Mexico, but also for the entire global economy," Haruhiko Kuroda told reporters.

On the burning issue of the trade war between China

and the US, the world's top two economies, Mnuchin said Washington was prepared to continue talks but that any potential deal would be struck by the two leaders later this month.

"We were on the way to a historic deal. If they want to come back to the table and complete the deal on the terms that we were continuing to negotiate, that will be great. If not, as the president said, we'll move on with tariffs," said the treasury secretary.

By a quirk of the calendar, G20 trade ministers are also meeting the same weekend in Japan but the finance ministers will be tackling the current tensions and their economic consequences.

Japanese Finance Minister Taro Aso, host of the meeting, acknowledged that unless Beijing and Washington buried the hatchet, this could "erode market confidence."