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## COST-TO-INCOME RATIO

# Southeast, Bank Asia most efficient, profitable lenders

**SAJJADUR RAHMAN**

Southeast Bank is the most profitable and efficient lender in Bangladesh followed by Bank Asia while Dutch-Bangla Bank is the least, according to an analysis of different banks' cost-to-income ratio.

Last year, Southeast's cost-to-income ratio was less than 35 percent, meaning that it had to spend Tk 35 for Tk 100 operating revenues. Bank Asia had the next best ratio of 43 percent, followed by Eastern Bank at 45.63 percent.

The cost-to-income ratio shows a bank's operating costs (administrative and fixed costs) in relation to its operating income. The higher ratio generally indicates lower efficiency, but a number of factors can affect the ratio, including a bank's business model, its size and the overall investment climate of a country, according to bankers.

A general rule of thumb is that any figure above 50 percent refers to inefficiency. But almost all the banks in Bangladesh fall in this category.

Dutch-Bangla Bank's ratio was the highest at 68 percent, followed by Brac Bank at 64 percent (consolidated).

According to the S&P Global Market Intelligence report, Bangladeshi banks' average cost-to-income ratio was 55.25 percent in 2018, higher than those in China, Thailand, India and

Vietnam.

"We have been managing our resources efficiently to get better output," said Md Arfan Ali, president and managing director of Bank Asia.

Bank Asia has set a target to bring down the ratio to 40 percent.

Anis A Khan, managing director of Mutual Trust Bank, which has lowered its cost-to-income ratio by four percentage points to 50 percent last year, said they have brought every expense under control except salary payments.

"We do what we need to do. We have reduced our rental and administrative costs and limited opening of new branches as well," Khan said.

Brac Bank and Dutch-Bangla Bank have the higher ratio as they have invested heavily in people and technology.

"We have improved significantly in many indicators including return on assets and return on equity. But our higher cost-to-income ratio indicates that we are continuing to invest in people, technology and processes," said Selim RF Hussain, managing director of Brac Bank.

"Since the economy is growing fast, we have to continue to invest for the future," he added.

Some other banks with high ratio said they are trying to limit their expenses by cutting costs for human resources and increasing the use of technologies.



Banks in the United States and the European Union have higher cost-to-income ratio as the salaries of their executives and the expenses for office premises are too high

**ANIS A KHAN**  
CEO OF MUTUAL TRUST BANK

# Source tax on exports slashed to 0.25pc

**STAR BUSINESS REPORT**

The National Board of Revenue yesterday slashed the source tax on exports to 0.25 percent from 1 percent to help increase the competitiveness of Bangladeshi products in the international market.

The move followed demands from exporters after the rate of source tax on export proceeds rose to 1 percent from this fiscal year.

Taxmen were unwilling to extend the privilege of reduced source tax on exports to increase collection from exporters to attain their higher tax targets.

The tax authority reduced advance or source tax on export earnings of garment twice last fiscal year -- from 1 percent to

0.60 percent and then to 0.25 percent -- in the face of demands from apparel makers.

Apart from garment, jute goods were enjoying 0.60 percent withholding tax on export proceeds since July 1, 2016. The reduced rate ended on June 30 this year.

The NBR in its yesterday's notification extended 0.25 percent source tax benefit to jute goods makers too.

Latest data on collection of tax at source on export earnings are not available.

The tax authority got Tk 2,136 crore in fiscal 2016-17 from the source, up 17 percent from a year earlier, according to NBR.

Because of the reduction, collection of source tax from exports is likely to reduce this year.

# GP's profit rises amid challenges

**STAR BUSINESS REPORT**

Grameenphone's net profit rose 2.04 percent year-on-year to Tk 2,532 crore in the first nine months of the year aided by a surge in revenue growth both in data and voice segments, the operator said yesterday.

The net profit was, however, down 13.03 percent to Tk 727 crore in the third quarter, because of the adverse impact of an undisclosed amount of one-off payment made to the government by the top carrier.

Earnings per share were Tk 18.75 for January to September period, compared to Tk 18.38 year-on-year. It was Tk 5.38 in the third quarter against Tk 6.25 in the same period last year, according to data from the Dhaka Stock Exchange (DSE).

The carrier said it earned Tk 10,749 crore in revenue in the nine-month period, up 9.5 percent year-on-year.

"While voice revenue continues to grow, we witnessed a healthy growth in data revenue, along with growth in usage," said Michael Patrick Foley, chief executive officer of GP, in a statement.

Data revenue surged more than 50 percent to Tk 1,763 crore in the third quarter.

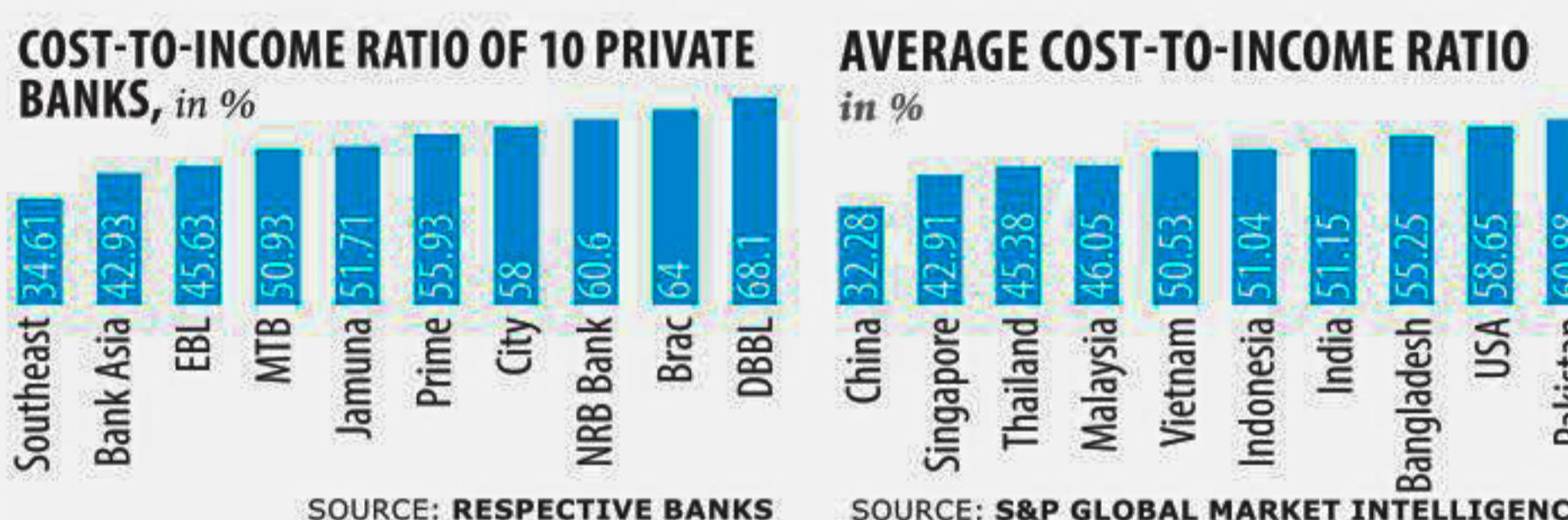
GP's subscriber base expanded by 6 percent to 7.57 crore at the end of the quarter, as it acquired four lakh new subscribers and nine lakh internet users.

Currently, 53.7 percent of the company's total subscribers use internet services.

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# Omera, JMI Hospital to go public



Omera Petroleum Director Azam J Chowdhury speaks at a roadshow for an initial public offering of the company at Radisson Blu Dhaka Water Garden on Sunday.

**STAR BUSINESS REPORT**

Omera Petroleum, a subsidiary of Mobil Jamuna Bangladesh, plans to raise Tk 238.43 crore from the stock market to expand its liquefied petroleum gas (LPG) business.

The company is engaged in import, storage, bottling and distribution of LPG since 2015.

Of the initial public offering (IPO) proceeds, it will purchase a modern seaworthy vessel with a capacity of 4,000 tonnes of liquid petroleum gas. Meanwhile, Tk 46.75 crore will be utilised for repayment of the company's bank loans.

Shamsul Haque Ahmed, chief executive officer of Omera Petroleum, said the carrying cost of imported LPG will decline once the vessel is bought.

"The cost would come down at least \$35 per tonne due to the vessel, so our competitiveness will rise and we will be able to reduce the LPG price for customers," he said, adding that the vessel would be bought from Japan.

LPG would be the most important energy solution in future, so they have decided to go for extension of the business, said Azam J Chowdhury, director of the company, at the road show for the IPO held at the capital's Radisson Blu Water Garden hotel on Sunday.

"Worldwide, people are becoming more environmentally aware, so the use of traditional energy like diesel and crude oil will decline and LPG will take the lead," Chowdhury said.

On the other hand, the country is becoming urbanised at a fast rate.

# City Bank's EPS jumps 17pc

**STAR BUSINESS REPORT**

City Bank posted consolidated earnings per share of Tk 2.58 in the first three quarters of 2019, up 16.74 percent year-on-year.

Addressing an event organised yesterday for disclosing its earnings, Md Mahbubur Rahman, chief financial officer, made a presentation on the financial performance of the bank.

City Bank's consolidated profit after tax was Tk 262.2 crore for January to September period. It was Tk 225 crore during the same nine-month period a year ago, said the official of the listed first generation private commercial bank at its head office in Dhaka.

Mashrur Arefin, managing director and CEO, said the lender has been able to draw much attention from the investor community worldwide in recent years for its noticeable presence and growth in the private commercial banking industry in Bangladesh.

Existing and potential investors, researchers and analysts joined the event through web platforms.

The bank has attracted attention from investment communities across the globe in recent years. International Finance Corporation, the World Bank Group's private sector arm, holds a 5 percent stake in City Bank.

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# Chinese firm to invest \$2m in Ctg EPZ

**STAR BUSINESS DESK**

An agreement was signed between Bangladesh Export Processing Zones Authority (Bepza) and a Chinese company yesterday for implementing the latter's plan to invest \$2 million to establish a factory inside Chattogram Export Processing Zone.

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