Midland Bank riding on digital tech for steady growth

Celebrates 8th founding anniversary today

MAHMUDUL HASAN

Eight years ago, Midland Bank Ltd set out with a vision to become a bank for the masses riding on technology and reaching the unbanked in the hinterland.

The private commercial lender focused on digital banking and has set up brick-and-mortar branches only at strategic locations.

"We have always put emphasis on online banking," said Md Ahsan-uz Zaman, managing director and chief executive officer of the bank, during an interview recently.

The bank's focus was vindicated by the steadily growing tech-savvy population.

As the coronavirus pandemic disrupted traditional banking and turbocharged the need for digital banking, Midland Bank, which celebrates its eighth anniversary today, could draw satisfaction from its strategy.

Now, it is confident to deliver stronger services than others as it has already established a robust digital footprint.

"The young generation is tech-savvy, and people are very busy.

So, the tendency of visiting branches is on the decline," Zaman said.

Midland Bank has introduced the internet banking application Midland Online, which enables customers to have a bank in their pocket.

"Customers will find everything in it," said Zaman, who worked at Grindlays Bank, Bank of America, JPMorgan and Mutual Trust Bank before taking the helm of Midland in 2014.

Midland was one of the first few banks to embrace the National Payment Switch Bangladesh, an electronic platform of the central bank that allows interoperability among lenders for card-based or online retail transactions through automated teller machines, point of sales and internet banking system.

It participates in the Bangladesh Electronic Funds Transfer Network, which facilitates both credit and debit transactions as a lead over cheque clearing system.

In the beginning of 2021, Bangladesh Bank took the initiative called Interoperable Digital Transaction Platform (IDTP) to make all accounts of banks, mobile financial services (MFS), and payment system providers (PSPs) interoperable by this year.

Eleven banks, two PSPs and one MFS are involved in the process, and Midland Bank is one of them.

"We have already invested in acquiring hardware and software for the IDTP," Zaman said. As a sole banking entity, Midland Bank is also connected to EkPay, a payment processor that offers bill payment services to customers and merchants.

"You might find us not doing traditional banking aggressively.

Md Ahsan-uz Zaman

But our digital footprint can reach everyone, everywhere," he added.

Under the slogan of "Bank for inclusive growth", the bank has put importance on providing simple, convenient and secure banking services to its customers.

It has a network of 112 distribution points -- 34 branches, eight sub-branches and 70 agent outlets -- across the country. Most of the branches are located in rural areas.

While setting up a branch, booth or agent outlet, Midland always chooses an area where banking services are not widely available.

"If you want to do good for the people by providing banking services, you have to establish outlets in the regions where there are not many banks," Zaman said.

The bank has also struck a balance between traditional banking and digital banking to ensure profitability at this point of time.

Despite the pandemic, which brought the economy to a screeching halt, Midland's deposit base widened to Tk 4,506 crore in 2020, from Tk 3,950 crore in 2019.

Loans increased to Tk 3,786 crore from Tk 3,174 crore during the period. It raked in a profit of Tk 65 crore in 2020, up from Tk 55 crore a year ago.

Midland Bank has one of the lowest non-performing loan ratios in Bangladesh: bad loans accounted for 1.16 per cent of the outstanding loans last year, down from 2.64 per cent a year earlier.

"Because of the maintenance of a lower cost-to-income ratio and internal efficiency in terms of expenses, our profit has continued to grow. Our capital adequacy ratio is very strong," Zaman said.

The bank has participated in government stimulus programmes for large corporations and small and medium enterprises (SMEs).

"We have met our goal for the large entities fully. For the SMEs, we have almost achieved our disbursement target," Zaman said.

Midland Bank disbursed Tk 100 crore under the Investment Promotion and Financing Facility project to government-approved infrastructure projects at a low cost as a participating financial institution of the central bank. Another Tk 150 crore is under the process of disbursement.

The bank runs a centralised business model for corporate loans from its Gulshan branch in Dhaka and Agrabad branch in Chattogram.

No corporate loan is disbursed from branches and sub-branches, which can only provide retail and SME loans. They, however, can refer big corporations to Gulshan or Agrabad branches for large loans.

"Retail and SMEs are our main focus," Zaman said, adding that SME lending was growing at a good pace.

According to Zaman, the biggest challenge is when customers want higher rates for deposits and lower rates for loans.

The bank is accepting deposits at a rate of 5.2 per cent. It sometimes goes up to 6 per cent. "Deposits are increasing and customers from many big banks are coming to us," he said, attributing the feat to efficiency and better liquidity management.

As Shariah-based banking is gaining traction, Midland introduced Midland Bank Salam last year.

Products such as MDB Super Saver and MDB Family Support have already won the hearts of customers, said Zaman.

The agent banking service has offered a great opportunity to Midland Bank as it had wanted to avoid reliance on brick-and-mortar branches. It rolled out the service in 2016.

The bank makes the most of agent banking to onboard rural customers who are not used to internet banking.

"It is tech-based, yet customers can carry out the banking with a physical presence," Zaman said.

Last year, Midland Bank introduced a digital account opening based on the central bank's e-KYC (electronic know your customer) guideline, helping users avail financial services without visiting branches during the coronavirus pandemic.

It has rolled out an e-saver account to allow customers to open it from any branch, sub-branch, and agent banking outlet.

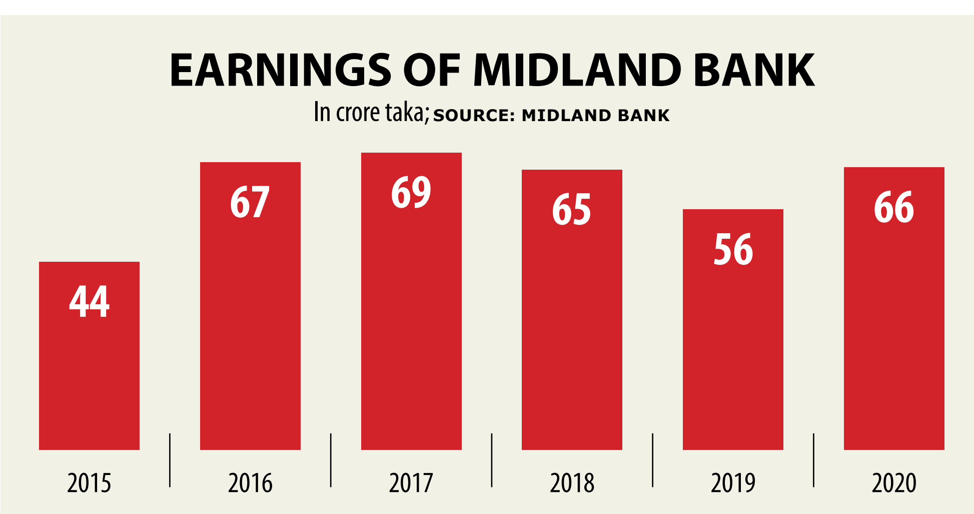
"It may seem that Midland is a small bank. But we have all sorts of windows to meet every need of clients."

To the noted banker, customers' trust and satisfaction are of the utmost importance.

"At the end of the day, the questions remain: have we been able to achieve the trust and satisfaction of our customers fully?"

"We want to provide the service with efficiency, due diligence and care so that a customer can feel it when they come to us. We have made all the arrangements so that they can feel the difference in the quality of service compared to other banks."

"We are not willing to make a hefty profit all of a sudden. We believe in sustainability. From inception, our main effort has been to establish a bank for the general people."



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GLOBAL BUSINESS

HSBC says French retail bank sale to cost 1.9b euros

AFP, *London*

HSBC on Friday said it will incur a hefty charge of 1.9 billion euros with the sale of its French retail banking operations to French lender My Money Group.

It comes as the Asia-focused banking giant is exiting also the retail sector in the United States.

London-headquartered HSBC said in a statement that the French sale, for a nominal one euro, would generate an estimated pre-tax loss of 1.9 billion euros ($2.25 billion).

The business comprises 244 retail branches, serving 800,000 customers at the end of last year.

HSBC said that about 3,900 employees would transfer to the buyer.

"The signing... for the potential sale of our French retail banking business represents a significant step in progressing the actions we announced during our strategic update earlier this year," said HSBC chief executive Noel Quinn.He said it would allow HSBC to "dramatically simplify" its business in mainland Europe.

"We are committed to remaining as a leading international wholesale bank in continental Europe, capitalising on our global network and serving our multinational customers," Quinn added in the statement.

The bank aims to complete the sale in the first half of 2023.HSBC last month announced plans to exit the retail and small business banking market in the United States.

Of its 148 US branches, 90 are to be sold, including to Citizens Bank and Cathay General Bancorp.The bank plans to turn about 20 locations into international centres dedicated to high net worth individuals, and gradually wind down the remaining 35-40 branches.

HSBC recently announced a doubling of first-quarter profits, helped by a reversal in credit losses as well as its ongoing restructuring.

It followed a tumultuous year that saw its fortunes take a hammering from the coronavirus pandemic.

HSBC makes 90 per cent of its profit in Asia, with China and Hong Kong the major drivers of growth.

In February, it published a new strategy laying out plans to redouble its attempt to seize more of the Asian market.

Weighed down by low interest rates, it is planning to seek out more fee-based income, especially wealth management for Asia's increasingly affluent.

Fed's Kashkari opposed to rate hikes at least through 2023

REUTERS

Minneapolis Federal Reserve President Neel Kashkari said on Friday he wants to keep the US central bank's benchmark short-term interest rate near zero at least through the end of 2023 to allow the labor market to return to its pre-pandemic strength.

"The vast majority of Americans want to work, and I am not ready to write them off – and I want to give them the chance to work," Kashkari told Reuters in his first public comments since the end of the Fed's policy meeting earlier this week. "As long as inflation expectations remain anchored ... let's be patient and let's really achieve maximum employment."

Kashkari's remarks show he's in a decided minority in an increasingly hawkish Fed, which on Wednesday wrapped up a two-day meeting with an unexpected result: with inflation on the rise, most Fed policymakers now see a case for starting interest rate hikes sooner.

Neel Kashkari, president of the Federal Reserve Bank on Minneapolis

Just three months earlier the clear majority of policymakers favored no change to the current level of borrowing costs; on Wednesday, the central bank's quarterly summary of economic projections (SEP) showed 11 of 18 Fed policymakers penciling in at least two quarter-percentage-point rate increases by the end of 2023. "I still have no hikes in the SEP forecast horizon because I think it's going to take time for us really to really achieve maximum employment, and I do believe that these higher inflation readings are going to be transitory," Kashkari said in an interview with Reuters.

In the interview, Kashkari said he believes higher prices are being driven by a reopening economy and will subside as supply constraints recede. With employment still short of its pre-pandemic level by at least 7 million jobs, he said, "the labor market is still in a deep hole," adding that he believes full employment means a return to at least pre-pandemic labor market strength, if not beyond.

Kashkari, however, showed little discomfort with the Fed's decision this week to open a discussion on when and how to reduce its $120 billion in monthly purchases of Treasuries and mortgage-backed securities (MBS), the first step in moving away from the extraordinary support for the economy that Kashkari feels is still needed.

"I think that (Fed Chair Jerome Powell) is leading us on a path in a very orderly way to have the discussion and look at the data and to make these adjustments prudently," he said.

Once the Fed does determine it's time to taper its asset-buying program, Kashkari said, he expects to follow the same blueprint as in 2014, when the Fed trimmed its purchases of MBS and Treasuries at a steady, predictable pace; reducing MBS purchases more quickly, as some have proposed, would have only a modest cooling effect on the hot housing market, he said.

EU lifts ban on eight banks barred from bond sales

REUTERS, *Brussels*

Eight banks previously excluded from syndicated debt sales backing the European Commission's up to 800-billion-euro ($950.7 billion) Covid-19 recovery fund will be allowed to take part in future issues, the EU executive said on Friday.

The EU did not name the banks reinstated but a Commision source said Nomura, UniCredit, Credit Agricole, JPMorgan, Citigroup, Barclays , Bank of America and Deutsche Bank can take part in the next syndicated debt sale.

The source said the reinstated banks were included in a request for proposals issued on Friday, a precursor to the next bond syndication for the recovery fund.

The EU executive is still assessing the other two banks banned from the bond sale. Those banks, Natixis and NatWest declined to comment.

The European Union on Tuesday raised 20 billion euros with the first sale of bonds backing its recovery fund which is set to turn it into a leading European debt issuer.

But 10 of the bloc's biggest primary dealers were banned from working on the deal.

The exclusion related to past breaches of antitrust rules, with the EU saying it wanted to see evidence they had taken remedial action before allowing them to take part.

"The eight banks have provided information that allow the Commission to conclude that their further exclusion from participation in syndicated transactions in EU bond issuance is not warranted," the Commission said in an email.

Bank of Japan announces first green investment fund

AFP, *Tokyo*

Japan's central bank on Friday announced its first investment fund for efforts to address climate change, as the government works towards its new target of reaching carbon neutrality by 2050.

The scheme, likely to start this year, will be a successor to an existing programme aimed at promoting economic growth more generally, the Bank of Japan said after a two-day policy meeting.

"Climate change issues could exert an extremely large impact on developments in economic activity and prices as well as financial conditions from a medium- to long-term perspective," its policy statement said.

"The bank considers that supporting the private sector's efforts on the issues from a central bank's standpoint will contribute to stabilising the macroeconomy in the long run.

"Financial support measures for pandemic-hit businesses were also extended by six months to the end of March 2022, a day after the government approved lifting a virus state of emergency in nine prefectures including Tokyo.

Slightly looser "quasi-emergency" restrictions will be set in the capital and six other areas until July 11, less than two weeks before the postponed Tokyo Olympics begin.

The extension of business support had been widely expected, said Naoya Oshikubo, senior economist at SuMi TRUST.

"Many companies are continuing to suffer financially from the Covid-19 state of emergency in a number of Japanese prefectures, as well as from the country's low vaccination rates," said Oshikubo ahead of the policy decision.

New figures show that Japan's consumer prices rose slightly in May for the first time in 14 months.

AFP