

# Brac Bank on a roll

## Goes from strength to strength riding on socially responsible banking

### BY THE NUMBERS

As of June 30, 2021

Loan and advances: Tk 282,44cr

Deposits: Tk 276,84cr

Net profit in 2020: Tk 454cr

Non-performing loans: 3.65%

No. of customers: 12 lakh

No. of employees: 7,479

No. of branches: 187

SOURCE: BRAC BANK

AKM ZAMIR UDDIN and SOHEL PARVEZ

Brac Bank is a private commercial lender, but it put the unbanked population and sustainable banking at the heart of its activities from the word go instead of making hefty profits because of its deep conviction that if it can serve the society and clients well, profits will automatically pour in.

The bank has proven right. Today, Brac Bank is one of the most profitable lenders in Bangladesh.

"Our objective is different from others. We have had a strong development focus since the inception and we want to add value to our clients and society," said Brac Bank Managing Director Selim RF Hussain in an interview with The Daily Star recently.

When the bank was set up in 2001, the lender emphasised SME loans although extending finances to the segment was not a popular proposition at the time. Conventional banks had their maximum focus on corporate banking as they saw

when Hussain joined Brac Bank in November 2015 as its managing director after leading IDLC Finance, one of the top non bank financial institutions, in the same position.

He says disbursing loans among small enterprises is expensive as funds have to be distributed to a lot of borrowers. For this reason, the fund is termed as intensive supervisory credit.

The bank's cost-income ratio in the SME segment is nearly 85-90 per cent. This means the returns from the SME loans is low.

"Still, we are trying to expand the volume of SME loans as this is our mandate," Hussain said.

The cost-income ratio of the SME business surged to 170 per cent just after the central bank capped the lending rate at 9 per cent in April 2020.

Brac Bank had lent at 16 per cent before the cap. But as the rate declined to the single-digit overnight, it brought in a large amount of losses for the bank.

"But, we have turned around by improving

ratio of 8.12 per cent in the industry.

In keeping with the changing times, the bank has intensified efforts to make its digital banking vibrant.

Around 22 per cent of its total transactions were settled through online platforms in January 2020. Currently, the ratio is 57 per cent.

"This means we have progressed a lot in the digital segment in the last two years," said the top executive.

The pandemic has also helped accelerate the digital banking programme, because it has changed customers' behaviour on how they communicate, work, study, carry out financial transactions, and get entertained.

However, implementing digital tools across the board within the next couple of years will not be possible as Bangladesh is a cash-based economy.

So, there is a strong requirement to ensure coordination between digital and physical banking in order to provide financial services to people from all walks of life, he said.

In 2021, the bank rolled out a banking application named "Asta" (confidence), which has drawn attention from clients. The app is helping clients carry out banking efficiently from the convenience of their home.

"Brac Bank will invest to upgrade its online platform in a consistent manner as a cashless society will be established in Bangladesh in the future."

The bank has also won the confidence of both local and foreign investors.

The rate of foreign shareholding in Brac Bank is around 38 per cent, whereas no other bank in the country has more than 5 per cent of external shareholding.

Hussain heaps praises on the board that has never intervened in the running of the day-to-day operations of Brac Bank.

Among the local lenders, Brac Bank has secured top-notch credit rating from S&P and Moody's, the two leading credit rating agencies in the world.

Recently, Hussain has got extension to continue in the same position for about five years. And he has set his sights on increasing the bank's market shares in all segments of businesses – SME, retail and corporate.

"Technology along with skilled human resources will help achieve the goals," he said.

Hussain says the economy greatly benefited in 2020 from the rolling out of the lending cap as it reinvigorated the private sector credit. But phasing out of the cap should be reconsidered.

The International Monetary Fund has also urged the government to do away with the lending ceiling gradually.

"The interest rate cap can be revisited initially for the SME and retail sectors," Hussain added.



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SME loans were very risky and were not commercially viable.

"But disbursing Tk 100 crore among 10,000 SME clients instead of one big borrower has a great impact on the society and economy," said Hussain, who has recently been elected as the president of the Association of Bankers, Bangladesh, the platform of the chief executives in the banking industry.

Micro, small, and medium-sized enterprises (MSMEs) are critical to economic growth, covering 99.97 per cent of all enterprises. They absorb around 86 per cent of the labour force.

Keeping this in mind, the bank has disbursed 53 per cent of its outstanding loans to the tune of Tk 28,244 crore in the SME sector.

The ratio of SME loans was 39 per cent

different processes, including upgradation of technology and rolling out of new products."

The bank registered a net profit of Tk 284 crore in the first half of 2021.

Hussain praises SME entrepreneurs as resilient and compliant. The bank faced only 3 per cent default loans in the SME segment.

Brac Bank disbursed 17 per cent loans in the retail sector and 30 per cent in the corporate segment.

Under the retail banking, the bank's credit card has received tremendous popularity, becoming one of the top players in the card business.

The outstanding loans in the credit card segment stand at Tk 850 crore, of which less than 4 per cent have turned sour.

The overall ratio of default loans at Brac Bank stood at 3.5 per cent as of September last year, way lower than the average NPL.

## Omicron spoils US holiday economic comeback

AFP, Washington

Holiday events have been scrapped in droves, thousands of flights canceled, cruises are now off limits: the Omicron variant has wreaked havoc in the United States, and the new year could see more issues exacerbating the worker shortage and price increases.

"We are starting to see some initial signs that Omicron is having an impact on the economy, mainly in the sectors where face to face interactions are most important," in particular service sector businesses like bars and restaurants, Oren Klachkin of Oxford Economics told AFP in an interview.

The world's largest economy had been

**"We are starting to see some initial signs that Omicron is having an impact on the economy, mainly in the sectors where face to face interactions are most important."**

poised to put Covid in the rearview mirror, but on the eve of the new year, the virus is once again playing the spoiler. The highly contagious Omicron variant, which appeared a month ago, is causing the number of new cases to skyrocket to record levels during the holiday travel season.

After 5,013 cases were reported in US territorial waters between December 15 and 29, compared to just 162 in the prior two weeks, health authorities warned Americans to avoid cruise travel, even for the fully vaccinated. The cruise industry called the decision by the US Centers for Disease Control and Prevention disappointing.

The warning was "particularly perplexing considering that cases identified on cruise ships consistently

make up a very slim minority of the total population onboard -- far fewer than on land -- and the majority of those cases are asymptomatic or mild in nature," the Cruise Lines International Association said in a statement.

Economists say it is difficult to quantify the economic consequences of this new variant. Moody's analysts lowered their growth forecast for the first quarter because of Omicron, cutting it to around two percent rather than the five percent previously expected.

The fear of contagion that is causing events to be canceled and the decline in restaurant reservations "are only part of the equation," Grant Thornton economist Diane Swonk warned in a tweet, noting that employers face worsening manpower issues due to the rise in infections.

"This is not new, just magnified by Omicron," she said. Rising case counts mean more workers in quarantine due to a positive Covid-19 test or contact with an infected person, and the resulting personnel shortage could paralyze a large part of the economy.

"We have already seen the beginning of what I -- and clearly the CDC fears -- will be a surge in those out sick and unable to keep even vital services going," Swonk said.

The most visible impact was the thousands of flights canceled over the Christmas holiday as airlines struggled to get enough flight crews on planes.

In an effort to ease the strain of long quarantine requirements, President Joe Biden's administration on Monday cut the recommended isolation period in half to five days for infections without symptoms.

Even before the latest strain appeared, businesses nationwide had been struggling to fill open positions, amid a wave of retirements and growing reluctance to return to in-person work amid the pandemic.



A Tesla vehicle is on display at a showroom in the Aventura Mall of Miami, Florida.

## Huawei revenues down 29pc

AFP, Beijing

Chinese telecom giant Huawei said on Friday its annual revenue had fallen by nearly a third from the previous year, as it continued to be weighed down by US sanctions that have hit its smartphone sales.

Huawei has been caught in the crossfire of a US-China trade and technology rivalry after the administration of former president Donald Trump moved to cripple the company over concerns it could pose a cybersecurity and espionage threat.

The firm's revenue for this year fell by 29 percent year-on-year to 634 billion yuan (\$99.5 billion), said rotating chairman Guo Ping in an annual new year message.

"In 2021, despite all the trials and tribulations, we worked hard to create tangible value for our customers and local communities," Guo said.

"We enhanced the quality and efficiency of our operations, and expect to round off the year with a total revenue of 634 billion yuan. "He added that the telecom carrier segment had "remained stable" and "overall performance was in line with our forecasts.

"Huawei's revenue has fallen in 2021 due in part to the offloading of its budget phone brand Honor, which was sold late last year. Huawei is not publicly listed, and the message did not give any other financial specifics.

Guo said the company was on a "bumpy, but rewarding" road, adding that 2022 will come with its fair share of challenges.

"Huawei's travails have forced it to quickly pivot into new business lines including enterprise computing, wearables and health tech, technology for intelligent vehicles, and software

The United States has barred Huawei from acquiring crucial components such as microchips and forced it to create its own operating system by cutting it off from using Google's Android operating system.

This month, the company launched a new foldable phone and said 220 million Huawei devices were running its HarmonyOS system.

The group is the world's biggest supplier of telecoms network gear and was once a top-three smartphone producer along with Apple and Samsung. But it has fallen well down the smartphone ranks owing to US pressure.

In October, the group said its January-September sales volume had fallen 32 per cent.

But a major complication for the company was solved this year with the return to China of chief financial officer Meng Wanzhou, the daughter of Huawei founder Ren Zhengfei.

## Indonesia bans coal exports

REUTERS, Jakarta

Indonesia has banned coal exports in January due to concerns that low supplies at domestic power plants could lead to widespread blackouts, a senior official at the energy ministry said on Saturday.

The Southeast Asian country is the world's biggest exporter of thermal coal, exporting around 400 million tonnes in 2020. Its biggest customers are China, India, Japan and South Korea.

Indonesia has a so-called Domestic Market Obligation (DMO) policy whereby coal miners must supply 25 per cent of annual production to state utility Perusahaan Listrik Negara (PLN) at a maximum price of \$70 per tonne, well below current market prices.

In the letter cited by local media Kumparan, the ministry instructed that all coal at harbours should be stored to supply power plants and independent power producers (IPP).

"The export ban will be evaluated and reexamined based on the stock realisation of coal for PLN's power plants and IPP," the letter said.

Ahmad Zuhdi Dwi Kusuma, an industry analyst at Bank Mandiri, said the ban would push global coal prices higher in coming weeks as stockpiles decrease, adding Indonesia's customers may turn to Russia, Australia, or Mongolia.

## Tesla recalls 675,000 cars in US, China

AFP, Paris

Tesla has recalled 675,000 cars in the United States and China over issues with the trunk and front hood of two models, raising new questions about the safety of the popular electric vehicle.

Chinese regulators announced the recall of almost 200,000 cars on Friday, hours after some 475,000 Tesla vehicles were flagged in the United States. The problems with the trunk and hood increase the risk of crashes, according to US and Chinese regulators.

Authorities said the repeated opening and closing of the trunk of the Model 3 can damage a cable for the rearview camera.

An issue with the latch assembly for the front hood of the Model S could cause it to open without warning and obstruct the driver's visibility, according to the US National Highway Traffic Safety Administration (NHTSA).

Tesla estimates that the problems affect one percent of Model 3 vehicles and 14 per cent of the Model S recalled in the United States, without causing any accidents so far.

Mass recalls are not rare in the auto industry.

Volkswagen had to take 8.5 million cars out of circulation in 2015 due to the Dieselgate scandal, in which the German company admitted tampering with millions of diesel vehicles to dupe emissions tests. At least 100 million vehicles were recalled by car companies across the world in recent years due to a defect with airbags made by bankrupt Japanese group Takata. Tesla's recall represents a quarter of the number of cars Elon Musk's young company has produced so far.

"It is a reality wake-up call for Tesla though, with a slap in the face welcome to the automotive world that is perhaps more complex than the smartphone industry that many like to compare it to," said German auto analyst Matthias Schmidt.