HBL focuses on boosting Bangladesh's regional trade facilitation

TAKEAWAYS FROM INTERVIEW

STRATEGIC POSITIONING AND VISION

- HBL aims to position itself as a trade facilitator, not a traditional competitor
- Its strategic priorities include economic impact and regional leverage
- CEO Muhammad Nassir Salim emphasises collaboration and shared growth with local ecosystem

HBL President and CEO Muhammad Nassir Salim

REGIONAL NETWORK AND OPERATIONAL STRENGTH

- HBL has a strong regional footprint with operations in 11 countries
- It supports trade with Pakistan, where it has 1,650 branches

SUPPORT FOR BANGLADESH

- Its network offers Bangladeshi businesses access to key trading partners
- It operates a China Desk in Bangladesh for smoother business communication
- Local businesses can rely on HBL for background checks and due diligence on foreign counterparts
- It conducts preliminary research on new trading sectors and opportunities

COLLABORATION WITH LOCAL BANKS

- It partners with local banks to process international transactions
- HBL steps in when local banks lack int'l presence, such as confirming letters of credit

AHSAN HABIB

In a rapidly evolving South Asian trade landscape, HBL Bangladesh (Habib Bank) is carving out a bold and purposeful role for itself – not as a competitor in traditional banking, but as a connector of economies and an enabler of regional trade.

During a recent visit to Dhaka, HBL President and Chief Executive Officer Muhammad Nassir Salim outlined his strategy to move the bank forward in facilitating regional trade networks spanning Asia, the Middle East, and beyond.

HBL's vision for the next three to five years hinges on three strategic priorities: benefiting communities and the economy, leveraging regional presence, and adopting strong governance rooted in environmental, social, and governance (ESG) principles.

For Bangladesh, the bank's focus is on regional trade facilitation.

Based in Pakistan, HBL has operations in 10 other locations, including China, Singapore, Bangladesh, the Maldives, Sri Lanka, Dubai, and Bahrain. Its network also extends to the UK and Turkey, giving it a broad regional footprint.

A majority of HBL is owned by the Aga Khan Fund for Economic Development, a part of the Aga Khan Development Network, which promotes inclusive economic growth in the markets where it operates.

HBL offers something few banks can: a cohesive network that facilitates cross-border trade and financial flows. For Bangladeshi businesses, this means direct access to HBL's on-ground operations in key trading partner nations – especially China.

HBL's dual presence enables enhanced due diligence, greater confidence in counterpart credibility, and innovative trade structuring, Salim explained. "We're not looking to compete with high-street banks here," he said. "Instead, we offer what many local banks cannot – regional connectivity."

For instance, Bangladesh conducts significant trade with China, mostly in terms of imports. "HBL has a branch in China, and we have a branch here in Bangladesh. So, Bangladeshi entrepreneurs can connect with exporters through HBL," he added.

"This gives them confidence, as we can also provide background checks on these clients," said Salim, who has 36 years of banking experience across several countries.

HBL now has a China desk within Bangladesh and employs a dedicated Chinese national to support it. Chinese customers feel more comfortable dealing with someone who speaks their language and understands their business culture.

> **HBL also offers preliminary research on potential trading sectors. Its team in Bangladesh coordinates with their counterparts to conduct groundwork before local entrepreneurs make business visits**

Regarding increased trade between Pakistan and Bangladesh, Salim noted that HBL has 1,650 branches in Pakistan and is a leading bank in the country across nearly every indicator – financing, investment banking, agri-finance, SME finance, card services, and retail banking.

"We can support Bangladeshi businesses in exploring opportunities," he said.

HBL also offers preliminary research on potential trading sectors. Its team in Bangladesh coordinates with their counterparts to conduct groundwork before local entrepreneurs make business visits.

"We're happy to facilitate – that's exactly the kind of regional relevance we bring," Salim added.

HBL's inclusive approach has also opened doors for collaboration with local financial institutions, rather than competition. The bank supports local banks in confirming trade documents and facilitating transactions when the local counterpart lacks an international presence.

"The goal is shared growth. We see ourselves as partners to local banks, extending their reach – not replacing them," Salim said.

"There's a genuine desire here to build, grow, and connect. And we're ready to be part of that journey."

Accordingly, HBL is collaborating with financial institutions to support trade and payments that local players may wish to process internationally.

"It will be helpful for local banks because we have the capability to facilitate," Salim said.

For example, if a local bank does not have a branch in Sri Lanka and a letter of credit confirmation is needed for a trade transaction, HBL can act as a facilitator.

"We've met with many banking sector representatives and are exploring how we can further collaborate. We already work with them, and they are interested," he added.

Salim acknowledged that there are already many banks in Bangladesh.

"Our core strength in this market will be facilitating trade. We're not trying to be a retail bank," he said.

"There are some very good banks that are in healthy competition in the country, so I don't think another foreign bank is needed to offer the same services," he added.

Against this backdrop, Salim said HBL is looking to position itself as a trade facilitator and support the local financial sector.

For instance, HBL could confirm trade documents, especially when documents issued by local banks are not accepted by overseas counterparts.

"They may want a confirmation. If the transaction is within our network, we can confirm it because we might be serving both the customer abroad and the customer here," he added.

EU, US should negotiate trade deal

IMF official says

AFP, *Washington*

The United States and European Union need to "de-escalate" and "negotiate a deal" to help boost lackluster growth on the continent, the International Monetary Fund's Europe director said Friday.

"In our discussions with European leaders, I don't sense any difference of views with regard to the importance of that relationship," IMF Europe Director Alfred Kammer told reporters in Washington.

"An effort needs to be made to de-escalate and to negotiate a deal," he said, adding he hoped the negotiations would be successful.

Kammer's comments came during a press briefing as part of the World Bank and IMF's Spring Meetings in Washington which has brought the world's finance ministers and central bankers together at the same time as many countries look to rapidly renegotiate their trading relationship with the United States.

Earlier this month, US President Donald Trump slapped steep tariffs on many countries – including

> **"An effort needs to be made to de-escalate and to negotiate a deal," IMF Europe Director Alfred Kammer says**

a new 20 percent rate on the European Union – only to then temporarily roll back most tariffs to a "baseline" 10 percent rate a few days later.

Alongside these measures, the administration has also introduced sector-specific levies in areas including automobiles, steel and aluminum.

The White House has given those countries and blocs facing higher tariffs a 90-day period ending in July to negotiate a deal and bring down trade barriers with the United States.

It is the EU, and not member states, who have been tasked with negotiating the deal, but European finance ministers in Washington have still weighed in with their views of the state of negotiations.

"We're not going to hide the fact that we're still a long way from an agreement," French economy minister Eric Lombard said in an interview on Thursday.

Rescuing the banking sector

MAMUN RASHID

The World Bank recently urged Bangladesh to implement a comprehensive set of reforms to restore confidence in our financial system, which has been weakened by poor governance, political interference and related lending.

The multilateral lender outlined a 10-point action plan to address long standing structural weaknesses in the banking system, with the restructuring of state-owned commercial banks (SOCB) on top of the list.

Besides, establishing a strong framework to manage non-performing loans (NPLs) and enacting a comprehensive bankruptcy law were given high priority.

It also suggested improving the bank resolution framework, deposit insurance system and corporate governance alongside enforcing banking regulations, adopting international monitoring standards, implementing an emergency liquidity assistance scheme and ensuring the central bank's full independence.

We already know the dismal picture of our banking sector and there are reasons for the prevailing pessimism. But if we look at banking sector reforms in neighbouring countries like India, China, South Korea, Indonesia, or Europe, we have reason to believe that with the right structuring and seriousness, our banking sector could be improved to an acceptable level.

Hence, the banking sector policies and regulations by the central bank need to be fully transparent to avoid ambiguity among banks and facilitate appropriate implementation. Easy and fast access to all relevant regulatory and policy documents should be ensured, and the sub-optimal enforcement of existing regulations must be addressed.

The banking industry as a business is inherently risky. The main focus of risk management practices is to manage an institution's exposure to losses and protect the value of its assets. Senior bankers must ask themselves: what kinds of events/factors can damage my business and by how much? What actions can I take to mitigate such risks?

In Bangladesh, the answers to these questions will vary significantly compared to banks operating in developed economies, where firm regulatory and legal support exists. Here, bankers struggle with external nuisances, such as undue and often ruthless political pressure to forgive bad debts, greedy and selfish motivations of board members, rampant corruption, fear of becoming unemployed, and a lack of financial instruments to hedge risks.

Therefore, in a developing environment like Bangladesh, risk management becomes more complicated and therefore, needs to be taken into account when designing the necessary reforms.

The board of directors within banks dominates the executive branch. In Bangladesh, this is often the root of many problems due to major conflicts of interest. The board of directors are often motivated by personal goals of wealth accumulation. While some members may appear independent, their conflicts of interest become visible upon scrutiny. Regulatory forbearance, where the central bank permits other banks to operate by relaxing standard norms, has led to the rescheduling of large, defaulted loans and the continuous piling up of NPLs.

Therefore, the boards of commercial banks should mostly consist of independent directors and legal systems should be enhanced to support banks in recovering NPLs, particularly from wilful defaulters.

Whenever people are involved, "human-failure" may occur and incorrect decisions will be made. Therefore, automating the banking system will be beneficial as it will equip bankers with the necessary tools to mitigate the risks of loans going bad, and also improve the bank's asset versus liability management ratios.

Digital and alternative banking options will also benefit customers by providing faster services and reducing the need for bank visits.

More importantly, the role of SOCBs should be reassessed, and some transformed into developmental institutions with a clear public mandate and necessary budget support. The rest should either be converted into banks operating on commercial principles or closed. Additionally, the central bank needs to strengthen its regulation and supervision of SOCBs, which depends on its own independence and autonomy.

The author is chairman of Financial Excellence Ltd

IMF reaches agreement with Sri Lanka on $344m

AFP, *Washington*

The International Monetary Fund announced Friday it had reached agreement on a loan program review with Sri Lanka which will make around $344 million available to support the country's economic reforms.

Sri Lanka defaulted on its foreign debt of $46 billion in April 2022 after running out of foreign exchange to finance imports such as food, fuel and medicines.

The last government reached a roughly $3 billion, four-year bailout loan from the IMF, and embarked on a reform process which involved cutting subsidies, and raising taxes to stabilize the economy. That painful reform program has continued under the new leftist administration of President Anura Kumara Dissanayake.

"Sri Lanka's ambitious reform agenda continues to deliver commendable outcomes," IMF Sri Lanka mission chief Evan Papageorgiou said in a statement following discussions in Washington, confirming the fourth review of the program.

"The post-crisis growth rebound of five percent in 2024 is remarkable," he continued, commending the country's "substantial" fiscal reforms and adding that revenues had improved, official reserves had reached $6.5 billion, and the country's debt restructuring process was "nearly complete."

Once approved by the IMF's executive board, the agreement announced Friday will make around $344 million in much-needed funds to support the Sri Lankan economy.

That would bring the total disbursed under the current program to around $1.7 billion, the IMF said.

Developing countries should fast-track US trade deals: WB president

AFP, *Washington*

Developing countries should strike swift trade deals with the United States at the "earliest possible" opportunity, the president of the World Bank told AFP Friday, after a busy week with global financial leaders in Washington.

Ajay Banga was interviewed by AFP at the World Bank and International Monetary Fund's Spring Meetings, which have been held this year under a cloud of uncertainty about President Donald Trump's stop-start tariff rollout.

The Bank has been advising developing countries to get a deal done quickly with the United States, and to then focus attention on cutting trade barriers and boosting regional flows of goods, Banga said.

"You need to negotiate trade systems with the US at the earliest possible (opportunity)," he said. "If you delay, it hurts everyone."

Trump's tariffs have roiled financial markets, sent volatility surging and spooked investors and consumers.

Since returning to office in January, the US leader has imposed a "baseline" 10 percent tariff on most countries, with much higher duties on China, and 25 percent sector-specific levies on areas including steel, aluminum, and automobiles not manufactured in the United States.

He also introduced much higher tariffs on dozens of countries – which have since been temporarily paused – accusing them of having an unfair trade balance with the United States.

Banga also addressed the criticism leveled by US Treasury Secretary Scott Bessent at the Bank earlier this week.

Bessent criticized China's "absurd" developing country status and called on Banga and IMF Managing Director Kristalina Georgieva to "earn the confidence of the administration."

People buy vegetables at a market in Shenyang, in northeastern China's Liaoning province. The World Bank has been advising developing countries to get a deal done quickly with the US, and then focus on cutting trade barriers. PHOTO: AFP/FILE

"I don't think he's wrong," Banga said of Bessent's comments on China.

"A country that is the size of China and the capability of China, at some point, should no longer be taking money from IBRD," he said, referring to the International Bank for Reconstruction and Development – an arm of the World Bank that lends largely to middle-income countries.

Such a move would require the support of the World Bank's executive board, which is made up by member states.

China, Banga said, borrowed around $750 million from the IBRD last year, while paying billions of dollars to the institution in repayments and donations.

"My view is, I've brought it down to 750 (million), and I'm trying to figure out a way to deal with China to bring it down further," he said. "I want to get it done. And that's what I'm talking to the Chinese about."

Banga said the Trump administration's criticisms of the World Bank, which included "expensive policy overreach," were not unusual, citing newly elected governments in countries including France, Japan and Korea.