

# StanChart sees brighter days ahead

## Jim McCabe, the bank's CEO for Bangladesh, talks about its future plan

MD FAZLUR RAHMAN

**S**TANDARD Chartered Bank will continue to improve its services in Bangladesh to outperform its competitors as the country offers a huge opportunity, a top official said.

"Our future looks brighter in Bangladesh. But we don't take it for granted," Jim McCabe, chief executive officer of the bank for its Bangladesh operations, told The Daily Star last week.

His comments came as the emerging markets-focused bank saw a record net profit of \$4.75 billion (3.53 billion euros) in 2011. Last year was the bank's most profitable year on record.

Its net profit was up 12 percent from the year before, thanks to operating income of \$17.64 billion.

It was the ninth successive year of record income and profit as continued strong performances in developing markets offset woes in Western economies that are now under pressure and struggling to recover from the global financial crisis.

"In the last several years, it has been a good growing story for us. This year will be the tenth. Everybody is so focused to make it 10 in a row. No financial institution in the history can say that. Every big bank has suffered a setback at some points in the last nine years."

"What charms me is that our footprint still looks very good. It could be very good in 2012."

He said the bank's future looks bright in Asia, which accounts for more than 75 percent of its profits, as the region is increasingly becoming the bedrock of the global economy amid a shift in economic and political power from West to East.

"Apart from Asia, our footprint is in Africa and the Middle East. These markets are continuing to prosper and are the recipient of investment. Our strong presence in this part of the world has given us plenty of opportunities to grow."

He said the record results continue to give the bank the stronger platform in this part of the world. "And our customers look to us for more and more primary provider of financial services."

"We have a strong customer and client base. We have continued to deepen our relationship with them everyday."

Standard Chartered, headquartered in London, is the only global bank to have been upgraded by all ratings agencies since the financial crisis in 2008. The bank has already met its Basel III capital funding ratio.



Jim McCabe

"We have a very strong capital base. We have a very strong liquidity position. As an institution, the bank is in a very good shape. We are the largest correspondence bank in the world. We are the bank of the bankers."

The bank now operates in 72 countries.

"We are making good use of the branches and make very good use of our distribution network. In each country we have a proper strategy and proper focus on the size and products and customers according to what we are allowed to do."

McCabe said the bank is working hard to maintain a solid pool of liquidity. "I must say, up until today we have been very successful. It's difficult to always maintain sufficient liquidity when markets are a little bit constricted."

On interest rates in Bangladesh, he said he thinks any high interest environment puts pressure on everyone.

"The government is trying very hard to contain inflation. We are trying very hard to control what is not necessary so that all of the productive parts of the economy can be given the best resources possible to keep growing."

The bank is also closely working with the central bank on sovereign bonds.

He said the market appetite for Bangladesh's sovereign bonds is strong, as Bangladesh plans to raise \$500 million from the bond

market.

"In the conventional marketplace, \$500 million will be a lower level to issue bond. But \$500 million is a good number to start with."

It is likely that the bond could be launched in 2012.

The StanChart chief executive said Bangladesh is an important market for the bank. "We have a very, very long history here. This is a market that is a priority for the bank. All of our resources, capabilities and advices are available."

"Our business is growing and doing very well in all fronts -- consumer and wholesale banking. We have a healthy growth. The growth here in Bangladesh is certainly no different from the parent company."

He said Bangladesh was ranked in the top 13 or 14 countries globally that have driven the record profit of the bank.

He also said the bank's SME business is growing. That is one of the key growth areas of the bank.

McCabe said the bank is always focused on improving services, as people make many decisions on the basis of the services they receive. "We want to out-serve everybody."

McCabe said the bank uses its leadership position to brand Bangladesh's companies abroad.

"We are introducing more products. We

are also finding ways to improve cash flow and cash management and electronic fund transfer."

He said, in case of high interest rate environment, time is really money and it really matters more when money costs more. Anything that is productive and quicker is adding value to the companies.

In Bangladesh, the bank has 1,300 staff and 250,000 customers in the consumer banking and 400 in the corporate clients.

McCabe said the recent developments in Bangladesh's economy are not unexpected.

"What is happening in Bangladesh was forecast. This is not something surprising. Everybody knew that power utilisation is rising in early stages. There would be a greater demand in fuel oil usage."

"There will be an increase in imports. We all knew inflation would rise. We knew that balance of payments would be tighter. All these things were identified nine months to one year ago."

"What is happening today is not unusual and wrong. It just needs to be managed properly. The government is working hard to try and manage it."

Bangladesh had a fantastic run of so many years of growth, he said.

"It will have another year of growth. Because of the external pressures it would be challenging. Infrastructure built up in the country is very significant. There are just some short-term pressures on the economy."

He said their strategy for Bangladesh is sound. "We are optimistic about the country's future. In the next five years, it would continue to grow and play an important role in the region."

"Everything Bangladesh makes is of good quality. It is true that during high inflation people get scared. But this is part of the Bangladesh's growth and development as it moves forward."

He said there are some infrastructure challenges in Bangladesh and the country would have to manage them with the realities with right infrastructures.

McCabe also said it is not true that foreign banks have higher spread in Bangladesh. "We don't charge the most. Other local banks charge more. We don't pay the least on deposits. We are very proud that we are more efficient than anybody else. That efficiency is worth a lot especially as rates rise."

He rules out any plan to be listed on the Bangladeshi stockmarket for now.

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# Asia fills aviation funding gap amid Europe's woes

AFP, Singapore

**C**APITAL-STARVED airlines worldwide are turning to Asian lenders to fund their ambitious fleet upgrades as the industry's traditional streams of financing in the West dry up, experts say.

In another sign of the world's shifting economic fortunes, Asian banks, capital markets and leasing firms are stepping in to help airlines cope with rapid growth in travel, according to industry executives and analysts.

"In this part of the world there is a lot of financing," Jim Albaugh, chief executive of Boeing Commercial Airlines, told reporters during a visit to Singapore last month.

"If you talk to the leasing companies... they will tell you that they think the capital is out there to finance the planes that are going to be sold over the next several years," he said.

Boeing estimates that in 2012, commercial airlines worldwide will need about \$100 billion to finance new plane deliveries, up from \$75 billion last year, in large measure due to surging Asian demand.

Europe's debt crisis is curtailing lending from regular funding sources, mostly French and German banks, but Asia is helping to plug the gap with industry estimates projecting an annual demand for 1,000 new planes over this decade.

Of that projection, which runs through to 2021, 500 new planes will be added in Asia each year, David Stewart, vice president of aviation consultancy ICF, said on the sidelines of last month's Singapore Airshow.

Underscoring Asia's growing mus-



Visitors gather to watch the static display of Boeing 787 Dreamliner on the tarmac during Singapore Airshow recently.

cle in aviation finance, Britain's Royal Bank of Scotland Group in January sold its aircraft leasing division to Japan's Sumitomo Mitsui Banking Corp. for 4.7 billion pounds (\$7.3 billion).

Paul Ng, global head of aviation at the law firm Stephenson Harwood, said banks in China, which have been financing domestic carriers for over a decade, are now "starting to look overseas for potential clients".

US and European carriers "are

starting to appear" at airplane financing conferences in Asia "to speak with Asian banks and lessors, which would be quite a rare sight just a few years ago", Ng told AFP.

Robert Martin, chief executive of Singapore-based BOC Aviation, said the aircraft leasing firm raised \$1.7 billion last year, with 70 percent of the money coming from Asian banks. They included DBS, OCBC and UOB -- all Singapore lenders -- along with Malaysia's Maybank and the Develop-

ment Bank of Japan.

BOC Aviation, wholly owned by Bank of China, aims to raise \$1.5 billion-\$2.0 billion this year, with most of the funds again sourced from Asia, Martin told AFP.

"The real issue over the last year and going forward is access to US dollars," he said at a Singapore Airshow forum, projecting global demand for aircraft financing to rise 42 percent between 2011 and 2013 alone.

"But the good news is that we've

seen a lot of Asian institutions that are very active in this market. We've been pleasantly surprised by the wide array of institutions all over Asia that are involved in this business."

David Brotherton, an asset finance partner at international law firm Berwin Leighton Paisner, which helps arrange deals in the industry, said Chinese and Singapore aircraft leasing firms in particular are emerging as a force.

Brotherton said one of his firm's clients, China's IBC Financial Leasing, has "a number of financial leasing relationships with airlines worldwide", among them Air Berlin for Airbus A319 aircraft.

Aviation Capital Group, a California-based aircraft leasing firm, raised Sg\$150 million (US\$120 million) from the Singapore bond market recently, and Hong Kong's Cathay Pacific Airways also tapped the Singapore market for Sg\$100 million last month, industry sources said.

But less established players are also thinking big.

In February, Boeing and Indonesian budget carrier Lion Air signed a \$22.4 billion deal for 230 aircraft -- the single largest contract in commercial aviation history.

Lion Air said the purchases would be financed by funds from the US Export Import Bank, private lenders such as the French bank BNP Paribas and the carrier's owners, the wealthy Kirana family.

But Nicolas Parrot, managing director and head of aviation finance for the Asia-Pacific at BNP Paribas, said "a quite dramatic change to the geographical weight" of Europe and Asia in terms of financing plane purchases was underway.

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