

EBL: a story of growth and innovation

Chairman M Ghaziul Haque speaks on the eve of the bank's 20th anniversary

MD FAZLUR RAHMAN

TODAY Eastern Bank Ltd (EBL) turns 20. In the past two decades, product innovation, state-of-the-art IT solutions and excellence in service proposition have become synonymous with EBL. The ability to innovate and keep pace with the fast changing world made EBL the most valuable financial brand in Bangladesh. M Ghaziul Haque, chairman of the bank who has first-hand knowledge about how the bank was set up in 1992 on the ashes of BCCI (Bank of Credit and Commerce International), shares his thoughts with The Daily Star.

"I was a depositor with BCCI and one fine morning in June 1990, I woke up to hear that the bank has collapsed. The whole thing was kept under wraps and many employees could not apprehend that the bank would collapse."

"I was very upset. Like other depositors I was very anxious. What will happen to us? Nobody could tell us when the bank would reopen. We thought we would not get our money back."

"After counting 365 days, one day we heard that the bank will be opened. The name of the bank would be Eastern Bank Ltd. We also heard that the depositors would get back their money. I became part of the board from the very beginning of the EBL."

Haque said, in the first five years the directors did not take any fee for attending the board meetings. "And there was no dividend declared in the first five years. The first dividend came in 1997 as a 10 percent cash dividend. The average dividend was 36 percent in the last five years."

EBL began with only 110 staff, a paid-up capital of Tk 60 crore, 22 branches and a liability of Tk 315 crore.

The bank now has more than 2,900 employees, more than 18,000 shareholders, 61 branches and a paid-up capital of Tk 611 crore. Its statutory reserve fund is Tk 355 crore.

The balance sheet grew exponentially in the past three years from 2009 to 2011 from Tk 6,987 crore to Tk 11,758 crore.

EBL started with corporate banking and introduced consumer banking in 2005. It has introduced about 40 financial products in the market, all are in consumer banking.

"It is not that we have been making money out of corporate and consumer banking; we have taken the leadership to introduce a range of sophisticated products."

The bank has already opened exchange houses in the UK and Malaysia, and is going to open soon in Hong Kong.

Haque said the bank plans to open more branches in Bangladesh and exchange houses abroad, as part of its plan to make a better image of the bank.

The 78-year-old said the most important thing is strong determination backed by honesty, good governance and hard work. "These are the things one must have -- to build an organisation," he said.

"Twenty years is not a long time for a bank to grow. But it was beyond our imagination that the bank will grow so fast," said Haque, who started his career with reputed British firm Bird & Company Ltd and went on to become its managing director in 1976.

He gives credit to the employees of the bank for bringing the bank to the current state. "They are very hard-working, dedicated and capable. They are always given training in new things vogue in the international arena."

"We operate in such a competitive market. Our continuous process is to train them and make them competitive so that we can



M Ghaziul Haque

sustain competition."

"We have emerged as a very successful bank. We can challenge any international bank as long as giving service to the customers in concerned."

Haque also said there is a liquidity crisis in the banking system. "Every bank is feeling the same crisis because of the deficit budget [of the government]."

He said political stability and sound law and order is a must for the country to progress.

He said the central bank's move on loan classification would increase the amount of non-performing loans. "We will have to have a provision for that. If we are to do that our profit margin will go down."

Haque, however, said the decision would give positive results in the long run.

The father of two said EBL is conservative about its investment in the stockmarket. "It is not our policy that we will make investment in all sectors. We do not go for wild investment. Our exposure is very limited."

He said banks would have to be cautious about their investment in the stockmarket. Obviously they have moral obligation to make investment in the stockmarket after they have made profit out of it.

Haque said banks are more interested in investing in trading because this segment gives quick money to the investors. "We have to wait a long time to recoup invest-

ment in the industries. Trading gives you quick bucks."

He said EBL's corporate banking covers the manufacturing sector. "Good clients are always getting the required loan."

He said his bank is a front-runner when it comes to banking for small and medium enterprises. "We are the only bank in Bangladesh where SME banking is the most structured."

Haque, who also served as the chairman of the board from 2000 to 2006, said the bank has already opened two branches this year and will open six more by December.

Haque, who graduated from Chittagong Govt. College under Dhaka University in 1955, said the bank believes in creating lasting value for clientele, shareholders and employees and above all for the community it operates in.

EBL is the first bank in Bangladesh to go online and introduce internet banking.

The bank is the first among the commercial banks to sign a Tk 29 crore refinancing deal with the central bank to support solar energy, bio-gas and effluent treatment plant projects. Under the scheme, the bank is now financing a project of Rahimafrooz Renewable Energy Ltd to set up an 18 megawatt photovoltaic solar panel assembly plant, which aims to light up homes in the most remote and off-grid areas.

EBL is a market leader in syndication deals, closing such deals around \$2.5 billion in the last five years.

The recognition of its financial strength came when flag carrier Biman Bangladesh Airlines mandated pre-delivery purchase deal worth \$114.49 million to EBL for two Boeing 777-300ERs.

The bank has also taken projects in climate change mitigation.

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Standard Chartered reaches \$340m settlement over Iran

REUTERS, New York

STANDARD Chartered Plc agreed to pay \$340 million to New York's bank regulator over transactions linked to Iran, in a speedily arranged deal that helped push up the emerging market-focused lender's shares.

The deal with New York Superintendent of Financial Services Benjamin Lawsky on Tuesday caps a week of transatlantic tension and a furore over why a state agency had upstaged other authorities. The British bank still faces a separate probe of its Iran-linked transactions by other US agencies.

The resolution also averted a hearing on Wednesday at which the bank had been called to demonstrate why its license to do business in New York should not be revoked.

Standard Chartered's Hong Kong shares rose as much as 6.8 percent to HK\$177, still nearly 6 percent below where they were before the allegations hit the bank early last week.

"Standard Chartered has probably done the right thing. You just pay up and get on with life however innocent you feel you are. Otherwise, it's something that could hang over you for years," said Hugh Young, Asia managing director at Aberdeen Asset Management, Standard Chartered's third-biggest shareholder according to Thomson Reuters data.

The settlement agreed by the bank is equal to less than 9 percent of its first-half pre-tax profit. At the latest levels, Standard Chartered's market value is around \$3.5 billion less than it was before Lawsky's allegations.

Ian Gordon, an analyst at Investec Securities in London, said the risks of further regulatory costs "appear sufficiently contained" to allow the bank's shares to build on a rally from their lows after Lawsky brought his case last week. "Standard Chartered's management team have conducted themselves admirably in the face of extreme provocation," he said.

Lawsky on Aug. 6 called Standard Chartered a "rogue institution" that had broken US sanctions on Iran, saying it hid Iran-linked transactions with a total value of \$250 billion from regulators.

Lawsky's order came out of the blue, the bank said, hitting its share price and bring-



A man uses a Standard Chartered Bank's cash machine in Hong Kong. Standard Chartered settled allegations that it helped Iranian clients dodge US sanctions.

ing top executives hurrying back to London from vacation. Bank of England Governor Mervyn King said Lawsky was out of step with other US authorities. And Standard Chartered CEO Peter Sands strongly denied the allegations, saying illegal transactions totalled less than \$14 million.

In his announcement on Tuesday,

Lawsky said Standard Chartered "agreed that the conduct at issue involved transactions of at least \$250 billion." But he gave no details on what protections the deal gave Standard Chartered.

Chartered confirmed that the two sides had reached an agreement, including the payment of \$340 million, and said detailed

terms would be concluded soon. "It was a pragmatic decision in the best interest of shareholders and customers," a spokesman for the bank said.

In addition to the civil penalty, Lawsky said the bank agreed to an outside monitor for at least two years to check on controls on money-laundering at its New York branch.

Lawsky's aggressive stance heightened his public profile just months after the Department of Financial Services, the agency he heads, was created out of the state's banking and insurance regulators. Within minutes of the announcement, New York Governor Andrew Cuomo lauded the agency's "effectiveness and leadership."

"New York needed a tough and fair regulator for the banking and insurance industries to protect consumers and investors," Cuomo said.

But Lawsky has also drawn fire by jumping ahead of a two-year probe into Standard Chartered by the US Treasury, the Federal Reserve, the Justice Department, and New York prosecutors.

"It's very unfortunate this wasn't done as a global state and federal settlement," said Ed Wilson, a former senior attorney at the US Treasury Department.

As negotiations with Lawsky progressed last week and this week, the bank held separate talks with other authorities. It had hoped to land a deal on both fronts, but Lawsky's solo announcement Tuesday made clear that had not happened.

Underscoring a continuing divide with Lawsky, the other authorities issued short statements saying they would continue to work together.

"Treasury will continue working with our state and federal partners to hold Standard Chartered accountable for any sanctionable activity that may have occurred," the Treasury Department said. The U.S. Federal Reserve said it "continues to work with the other agencies on a comprehensive resolution."

The Justice Department defended its record in fighting money laundering and said it was working with its regulatory and other partners "to determine what actions might be appropriate in this matter." The Manhattan district attorney's office also said it would continue to work with its partners on sanctions violations.

Nokia promises new Windows phone coming soon

REUTERS, Oslo

Nokia Chief Executive Stephen Elop promised to unveil a new smartphone using Microsoft's latest Windows 8 software soon, raising the prospect it will be launched in early September before rival Apple promotes its new iPhone.

The Finnish company, which is fighting for survival after losing out to rivals in the lucrative smartphone business, is due to hold a trade show in Helsinki on September 5-6, just before an Apple event on September 12 where the U.S. competitor could announce a redesigned iPhone.

Nokia, the world's second-largest cellphone maker, has not commented on what it will announce at the Nokia World event, but business magazines have said it will unveil the new Windows 8 smartphones.

Elop, in Oslo for a meeting with Telenor Chief Executive Jon Fredrik Baksaas, did not deny a September launch but would only say Windows 8 smartphones would be released "relatively near term."

Nokia shares, which have been trading near all-time lows, rose sharply after Elop's comments and traded up 7.5 percent at 0924 GMT.

Elop, who was brought in from Microsoft in September 2010 to lead the company's battle against increasingly dominant Apple and Samsung, said he was sticking to his strategy of using Microsoft software despite the limited success of Windows Phones so far.

Nokia decided in early 2011 to ditch its home-grown Symbian software for a deal with Microsoft, aiming to catch up with Apple and Google in smartphones.

"I don't think about rewinding the clock and thinking about competing elsewhere," he told reporters.

"In today's war ... (between) Android, Apple and Windows, we are very clear, we are fighting that with the Windows phone."

Nokia lost 1.53 billion euros in the second quarter and sold just 4 million Windows phones in the period, well short of Apple's sales of 26 million iPhones and Samsung's 50 million smartphones.