Sharif Zahir

At 43, UCB is rebuilding from the inside out

Chairman Sharif Zahir says results are beginning to show

JAHIDUR RAHMAN

United Commercial Bank PLC (UCB) turned 43 on June 26. Incorporated in Bangladesh in 1983, the bank has grown into one of the country's largest first-generation private commercial banks. In the four decades since, it has operated through multiple changes of government, the Asian financial crisis, the global meltdown of 2008, a currency crisis, and a pandemic.

Yet the bank's more consequential test has been recent and internal -- a prolonged period of political interference and governance failure that the current leadership is now trying to put firmly behind it.

The latest rebuilding push comes after Bangladesh Bank reconstituted UCB's board in August 2024, following the political changeover. Sharif Zahir -- former vice chairman and son of one of the bank's founding members who was reportedly shot dead over a board dispute -- was made the new chairman.

At the time, the bank's profit stood at Tk 8 crore, down from Tk 219 crore the year before. Its non-performing loan (NPL) ratio was at 14 percent. A massive rebuilding was necessary.

"We did not want cosmetic numbers," Zahir says. "We wanted clarity."

Since 2018, UCB had been heavily influenced by former land minister Saifuzzaman Chowdhury Javed and his family. A group of shareholders had alleged that although Saifuzzaman's wife Rukhmila Zaman served as chairperson, it was the minister who pulled the strings. Loans were disbursed to shell or fictitious business entities, where the borrower on paper was often not the true beneficiary of the funds. In some cases, individuals appear to have had their identities used without their knowledge or consent.

"Financial fraud through shell or fictitious entities usually occurs only when multiple lines of defence fail at the same time," Zahir says, pointing to failures related to documentation, approval, disbursement, monitoring, and internal audit.

Branches were often the "execution points" for the irregularities, but Zahir says "they were not always the root cause".

"Governance is a chain. Weakness at any level -- branch, regional office, corporate office, management, board, audit, or regulatory supervision -- can create institutional vulnerability," the UCB chair notes.

The new board moved quickly to address this. Independent forensic auditors were engaged to identify irregular exposures, trace the ultimate beneficiaries, quantify losses, and establish responsibility.

Where borrower identities appear to have been misused, the bank is working to distinguish between the legal borrower on paper and the true economic beneficiary. The move is aimed at ensuring that "innocent individuals are not unfairly burdened if they did not receive or benefit from the funds."

Cases have been filed against those identified as responsible. A dedicated legal panel is in place, and recovery drives are ongoing.

"Recovery has several dimensions," Zahir says. "There is cash recovery, legal recovery, collateral recovery, recovery from wilful defaulters, recovery of misappropriated assets, and recovery of confidence. We are pursuing all of them."

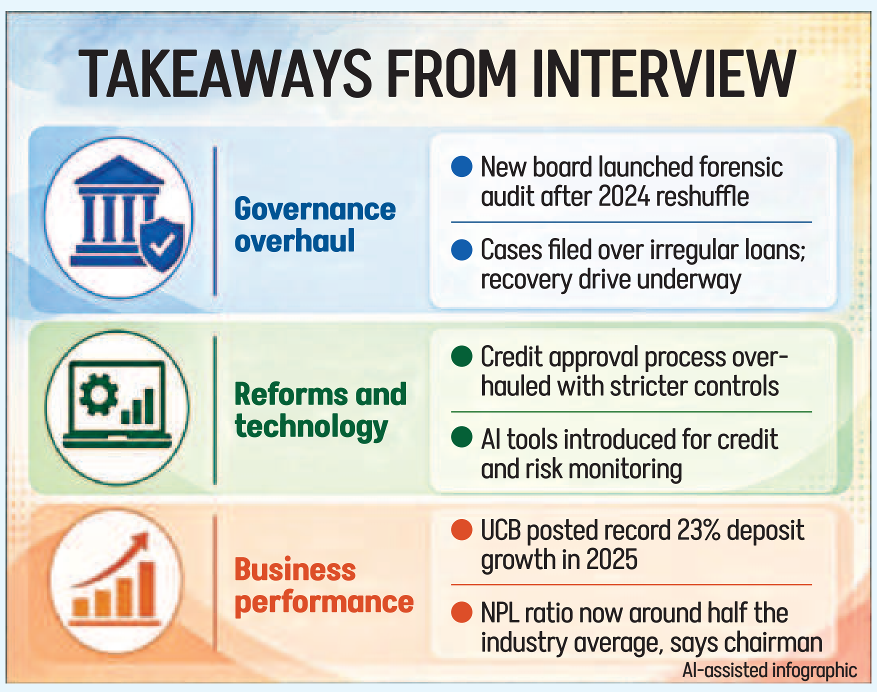
UCB has also taken concrete steps to recover misappropriated money, including from abroad where applicable.

The credit governance framework has been overhauled in parallel. Business origination, risk assessment, credit administration, and approval authority are now separated into distinct functions. Every proposal must pass through structured due diligence, financial analysis, compliance checks, documentation review, and management recommendation before approval.

The bank is also deploying AI-driven credit analytics and risk management tools to detect anomalies earlier and reduce subjectivity. "The objective is to make the credit process more transparent, traceable, and data-driven," Zahir says.

At the branch level, the bank has increased central oversight of high-risk transactions, strengthened maker-checker controls, expanded internal audit coverage, and is moving toward end-to-end digitisation to improve traceability. "Technology allows us to move from reactive supervision to real-time supervision," Zahir says.

"During one of the most challenging periods for the industry, UCB's deposit base crossed Tk 70,000 crore," Zahir says. "That is a powerful signal of confidence from our customers."



In 2025, UCB posted its highest-ever deposit growth of 23 percent, more than double the banking sector's average of 11 percent. The bank added around 678,000 new customer accounts during the year. Its loan-to-deposit ratio fell from 91.3 percent to 83 percent, significantly strengthening its liquidity position. It recovered around Tk 114 crore from classified and written-off loans, nearly three times the amount recovered the year before.

"A major moral hazard had developed in the market when borrowers saw others not repaying," Zahir says. "Our management team has taken a strong position to reverse that culture."

The NPL picture is also showing improvement. The board had not declared any dividend for 2024, directing the entire operating profit toward NPL provisions instead.

"The June (2025) closing numbers have begun to show improvement, supported by stronger recovery discipline and Bangladesh Bank's assistance in restructuring or rescheduling genuine borrowers where appropriate," says Zahir. "Despite legacy stress, UCB's NPL position is approximately half of the industry average."

On capital adequacy, the bank has approached shareholders through its annual general meeting for a rights issue and is awaiting approval from the Bangladesh Securities and Exchange Commission. Once completed, UCB intends to engage strategic investors, including development finance institutions, through a professionally managed process.

"Such investors will not only contribute capital," Zahir says. "They can bring long-term strategic value in governance, technology, risk management, and international best practices."

Technology has been another area of focus. UCB launched what it describes as the country's first microservices-based Open API banking platform, alongside its UCB One app. Nearly 65 percent of the bank's total transactions are now conducted through digital channels.

Agent banking operations turned profitable for the first time in 2025. Two subsidiaries -- UCB Investment Limited and UCB Stock Brokerage Limited -- received Euromoney Awards for Excellence this year, with UCB Investment named Best Investment Bank in Bangladesh 2025.

The operating environment remains difficult. Private investment has been subdued, and growth projections are modest. But Zahir sees room for disciplined expansion.

"UCB currently supports approximately 8 percent of Bangladesh's international trade," Zahir says, adding that the bank's longer-term plan is to rebalance its portfolio by reducing concentration in large corporate exposures while expanding retail and SME lending. It also plans to reach underserved segments through digital channels.

The rebuild will take time. But a shift in approach has come. "Ethical banking is not only about avoiding wrongdoing," the UCB chair says. "It is about serving customers transparently, responsibly, and consistently. That is the UCB we are building."

"Once you become a customer of UCB, we will take care of you," Zahir says. "If you have a genuine business, integrity, and long-term commitment, we will stand beside you."

What we learn from City Group loan debacle

MAMUN RASHID

City Group has long been regarded as one of Bangladesh's most successful local conglomerates. From edible oil and consumer goods to commodities and manufacturing, it built its reputation on entrepreneurship, market insight and execution. With annual revenue estimated at around Tk 32,000 crore and nearly 25,000 employees, the group became a symbol of local business success.

Today, the same conglomerate is at the centre of a banking sector rescue effort involving 36 banks and more than Tk 26,600 crore in outstanding loans. Although lenders believe City Group remains fundamentally viable, the need for a coordinated restructuring raises two questions: what pushed one of the country's strongest business groups into financial stress, and what lessons can other conglomerates learn?

The answer lies not in a single event but in the convergence of several factors: aggressive diversification, excessive bank borrowing, taka depreciation, investments with long gestation periods, persistent energy shortages and the absence of the visionary leadership that once guided the business.

One of the biggest mistakes successful conglomerates make is assuming expertise in one industry automatically translates into success in another. Many groups expand beyond their core competencies after accumulating substantial cash flows. Over time, management attention becomes fragmented, capital allocation weakens, and profitable businesses subsidise weaker ventures. Financiers also turn a blind eye when times are good.

City Group appears to have followed a similar path. In recent years, it moved beyond its traditional trading and consumer goods businesses into capital-intensive sectors requiring large upfront investments and lengthy payback periods. Such diversification creates long-term opportunities but also increases financial vulnerability when financed mainly through debt.

Another contributing factor is the use of bank-funded liquidity for projects that do not generate immediate cash flows. Working capital facilities are designed to finance imports, inventories and daily operations. Using short-term financing for long-term investments creates a mismatch between repayment obligations and cash generation. Although new projects may eventually become profitable, banks expect repayments from the outset. As investment commitments increase, businesses often depend on fresh borrowing to sustain operations, weakening liquidity even when the underlying businesses remain profitable.

The depreciation of taka intensified these pressures. For companies dependent on imported raw materials, commodities and capital machinery, exchange rate losses increased financing requirements. Loans that initially appeared manageable became much larger in local currency terms, while import costs and working capital needs rose sharply. Highly leveraged companies can then enter a dangerous cycle. Additional borrowing becomes necessary not for expansion but to maintain operations. Eventually, banks reach their exposure limits, making fresh credit difficult and triggering a liquidity crisis.

Leadership transition may have compounded these challenges. In many family-owned conglomerates, the founder serves not only as chief strategist but also as the ultimate authority on capital allocation, risk management and lender relationships. Institutional systems often appear stronger than they are because so much depends on one individual's judgment and credibility.

When such a leader is no longer present, succession challenges emerge. Expansion projects launched during periods of optimism become harder to manage, while strategic priorities become less clear. Many family-owned business groups worldwide have struggled during leadership transitions, not because successors lack ability, but because no single individual commands the same confidence among banks, suppliers, investors and employees.

The City Group episode offers important lessons for Bangladesh's corporate sector and lenders. Growth should remain aligned with managerial capability, core competencies, sustainable cash flows and prudent capital structures. Excessive reliance on bank borrowing, particularly for long-term investments, can leave even successful businesses financially fragile.

For policymakers, bankers and business leaders, the objective should extend beyond rescuing one conglomerate. The greater challenge is to build a corporate sector supported by stronger governance, diversified financing, disciplined risk management and institutional leadership.

The writer is a banker and an economic analyst

Samsung to unveil $650b investment amid AI boom

AFP, *Seoul*

South Korea's Samsung Electronics is expected to announce a record domestic investment plan next week, according to local media reports, in a massive bet on AI-driven semiconductor demand.

The 1,000 trillion won ($650 billion) package, to be announced by the chip giant and the government, is in line with President Lee Jae Myung's agenda for development in regions outside of the capital Seoul.

Lee will host a "National Mega Project" briefing on Monday, where Samsung will unveil major long-term investment plans, the reports said.

Rival chipmaker SK hynix is also expected to announce spending plans at the same event. Both companies are top producers of advanced memory chips used in the data centres that train and run artificial intelligence tools like chatbots and image generators.

The AI boom has sent the firms' profits and share prices skyrocketing, with Samsung recently agreeing a bonus deal with its workers' union to avert a major strike.

The Samsung investment package is expected to include about 300 trillion won for a new semiconductor complex in southwest South Korea -- one of the regions that has fallen behind the capital in tech investment.

Some 60 trillion won would likely be earmarked for six chip manufacturing plants at Yongin in the south, and more than 350 trillion won for AI infrastructure including data centres, according to Maeil Business Newspaper.

European economies suffer from heatwave

AFP, *Paris*

When the mercury rises so do the costs for an economy as productivity melts and growth becomes lethargic, providing an additional challenge to Europe as it struggles with high energy prices.

"Extreme heat is emerging as a structural economic risk, with Europe highly exposed," wrote the trade credit arm of European insurer Allianz as the continent swelters under its second heatwave of the year.

Europe has a number of weaknesses: an ageing population, dense urban centres with many buildings not built for extreme heat, and just 19 percent of households with air conditioning compared to 90 percent in the United States, the analysts noted.

Heatwaves are becoming frequent as Europe warms faster than other regions of the world, and many scientists consider human activity will cause more extreme weather events.

"France is working in slow mode," recently observed Patrick Martin, head of Medef, France's main employers' organisation.

"Inevitably, it disrupts work and leads to less work being accomplished," he told BFM television.

Allianz Trade has identified "a critical threshold" of around 30C beyond which productivity losses intensify rapidly.

According to AFP's calculations more than 100 million people in Europe were set to experience temperatures in excess of 35C on Thursday, and nearly two-thirds of Europeans living where temperatures would surpass 30C.

In a blog post last year the European Central Bank said heatwaves in the spring, autumn and winter can boost economic activity, particularly construction, agriculture and outdoor dining.

"By contrast, heatwaves during the already warmer summers reduce economic activity, as physical exertion outdoors becomes increasingly impaired," it said. Drops in productivity, the need to shift investment to climate adaptation, and energy price hikes that dampen purchasing power all contribute to a drop in economic activity.

ECB research found that summer heatwaves reduce regional activity of around one percent.

And in contrast to traditional views of a temporary disruption, the ECB found "the reduction in output is prolonged and even intensifies, reaching a trough of 1.5 percent lower after two years".

The Banque de France's new governor, Emmanuel Moulin, recently told France Inter radio that "there is clearly a negative effect on growth in the medium term".

Extreme heat, which can provoke a hike in energy prices thanks to higher demand due to air conditioning, can also contribute to higher food prices and inflation over the medium term as it curtails yields and disrupts supply chains.

The ECB calculated that a 2022 drought caused European food prices to rise 0.7 percentage points. Olive crops were particularly affected, with the price of olive oil skyrocketing.

The central bank is concerned that climate change related increases in food prices could increase and create more difficulties for it to forecast inflation.

A street seller drinks water during a heatwave in Venice on June 27. Europe has densely populated urban centres with many buildings not designed for extreme heat, while only 19 percent of households have air conditioning. PHOTO: AFP

India ends restrictions on commercial gas

AFP, *New Delhi*

India has removed restrictions on supplies of commercial liquified petroleum gas imposed during the Middle East war when energy supplies were hit by the closure of the Strait of Hormuz.

India, the world's most populous country, is the second-largest importer of LPG, much of it from the Middle East. A fifth of global oil and gas usually pass through the waterway, which was shut after the start of the US-Iran war in late February.

The government ended the restrictions late Thursday on "non-domestic packed LPG and restored supplies to the levels prevailing prior to the West Asia crisis", the petroleum ministry said in a statement.

"The supply of bulk LPG, which had been suspended at the onset of the crisis, has been relaxed by 50 percent of the pre-crisis consumption levels," the statement added.

"The restoration follows the recent improvement in the LPG supply situation." The decision follows improved energy cargo passing through the Strait of Hormuz after Iran and the US signed a deal that included opening the strategic waterway. During the crisis, the government raised prices for LPG, a primary cooking fuel for millions of households.

Last month India also approved a nearly $4 billion plan for expanding coal gasification -- a cleaner process to burn coal -- aiming to ease energy supply pressures caused by the war.