
The social and economic impact of Standard Chartered in Bangladesh

A report by Professor Ethan B Kapstein and Dr Rene Kim



Contents

Foreword	1
Executive summary	2
1 Introduction	4
1.1 Methodology	5
1.2 Scope	5
2 The Bangladeshi context	8
2.1 Economic profile of Bangladesh	10
2.2 The role of banks in Bangladesh	11
3 Standard Chartered in Bangladesh	12
3.1 Current profile	13
3.2 Wholesale banking	13
3.3 Consumer banking	13
4 Standard Chartered's contribution to GDP and jobs in Bangladesh	14
4.1 Contribution to GDP	16
4.2 Contribution to jobs	18
4.3 Value added and employment contribution by economic segment	20
4.4 Impacting Bangladesh's trade balance	21
4.4.1. Garment sector	23
4.5 Offshore financing	24
4.5.1. Standard Chartered's leverage effect	25
4.5.2. Improving access to electricity	25
4.5.3. Increasing telecom investment	26
4.6 Supporting entrepreneurs	27
4.7 Financial institutions	28
4.7.1. Funding microfinance	28
5 Standard Chartered's other contributions – a qualitative assessment	30
5.1 Risk management tools: derivatives and hedging	31
5.2 Financial innovation	31
5.2.1 Supporting the development of Islamic banking	32
5.3 Business practices	32
5.3.1 Human resources and skills development	32
5.3.2 Financial crime prevention	33
5.3.3 Sustainable finance	33
5.3.4 Protecting the environment	34
5.3.5 Responsible selling and marketing	34
5.3.6 Community investment	35
6 Conclusion	36
6.1 Next steps	37
Appendix: Model description	38
I.1 Modelling approach	38
I.2 Production function	39
I.3 Social accounting matrix	40
I.4 Assumptions of input-output modelling	42
I.5 Overview of sectors	43

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Foreword

by Peter Sands

Group Chief Executive
Standard Chartered

In modern societies, the way we live our lives depends a lot on banking: on the ability to pay people or get paid anywhere and anytime; on the ability to borrow money, invest or protect our wealth. When done right, banking is the oxygen of the global economy, enabling companies to grow, trade and invest; enabling individuals to spend and save.

Yet over five years on from the beginning of the financial crisis, many continue to question the role banks should play in society. Banks themselves have been poor at articulating what we do and why it matters. And some banks undoubtedly lost sight of their broader social purpose in the heady years before the crisis.

The purpose of banking is to help businesses to set up, to trade, to invest and expand; to help people get paid, buy their own homes and grow their wealth for the future; to help economies prosper, build infrastructure and lift their citizens out of poverty. This is what banks do, or should do.

Banks and their shareholders rightly put significant focus on the bottom line, but banks generate far more value for economies than the profits they make. To begin to count this broader value – and to find out how to increase it – we commissioned a series of independent studies of our business in countries we operate in, starting with Ghana and Indonesia in 2010. This year we looked at Bangladesh, a country which has grown rapidly in the last decade.

If anyone needed an example of an economy that needed a stable and sustainable banking system, Bangladesh is it. The world's eighth most populous nation with 150 million inhabitants, Bangladesh has had to overcome more challenges than most, from deep poverty to catastrophic floods.

Standard Chartered has operated for more than 100 years in Bangladesh. During this time, we have never once left or stopped doing business. Throughout its somewhat turbulent history, we have continued to invest and grow in Bangladesh, steadily building up our presence. With the encouraging increase in the pace of social and economic development in recent years, we see great opportunities in the country.

Standard Chartered supports, directly and indirectly, 1.5% of Bangladesh's GDP and some 655,000 jobs, and is one of the country's most important tax payers. We also support more than 13% of Bangladesh's trade with the world through trade finance. Bangladesh is a very good example of how economies depend on this

type of finance – and underlines the importance of thinking about the unintended consequence of regulatory changes that affect the supply and costs of such finance.

However, credit is not the only contribution banks make to society. International banks such as Standard Chartered impact economies in myriad other ways, not all of which can be counted. For example, we can make a contribution by introducing new technology that eases access to finance, by helping businesses manage their trading risks, and by doing business responsibly, spreading best practices from market to market. In 2010, Standard Chartered helped Bangladesh achieve its first-ever sovereign credit rating, enabling the country to access international capital markets and attract more foreign investment.



 Peter Sands

It is by exploring and articulating our broader impact on the communities in which we operate that we can begin to rebuild the contract between banks and society.

There will always be things we can do better. Through their work, Professor Kapstein and Dr Kim have, once again, provided us with valuable insights that we can incorporate into our future strategy for Bangladesh, as well as our other markets. Further increasing our engagement with SMEs will be one of our priorities.

It is by exploring and articulating our broader impact on the communities in which we operate that we can begin to rebuild the contract between banks and society. A contract that is imperative to a prosperous and healthy economy.

In Bangladesh, as elsewhere, Standard Chartered's intent is to be the world's best international bank, leading the way in Asia, Africa and the Middle East. Our commitment has not changed: to create value for our shareholders, to support our clients and customers and to contribute to the communities in which we live and work.

Peter Sands

Group Chief Executive
Standard Chartered

Executive summary

Standard Chartered has been operating in Bangladesh for over 100 years, and is the country's largest foreign-owned bank, serving 280,000 retail customers, 15,000 small and medium-sized enterprises, and a significant number of Bangladesh's large corporates. It provides a comprehensive range of wholesale and consumer banking services. But what is the wider impact of its business on the Bangladeshi economy?

As the world's eighth most populous nation at 150 million inhabitants, Bangladesh has overcome significant challenges to enjoy strong economic growth in recent years. Through its financing and other activities, how can Standard Chartered help the country stay on this trajectory in future?

To answer these questions, this report draws on a combination of quantitative and qualitative assessments. The report quantifies the direct, indirect and induced impact on Bangladesh of Standard Chartered's operations and onshore lending, in terms of value added and jobs. In particular, it assesses Standard Chartered's impact on Bangladesh's overseas trade as an international bank with a global network spanning 68 markets.

The report also examines impacts that are more difficult to quantify, including Standard Chartered's loans to other banks and provision of offshore financing for energy and telecom infrastructure development, both of which play a crucial role in the economic and social development of Bangladesh.

Finally, the report makes a qualitative assessment of other notable ways in which Standard Chartered contributes to Bangladeshi society, including its financial innovation, risk management tools and business practices.

The main findings are:

- **Onshore finance:** Standard Chartered Bangladesh supports businesses, consumers and government agencies with much-needed financing through its onshore network of branches
- **Offshore finance:** In addition to onshore financing, the bank draws on its international network to provide offshore capital expenditure (CAPEX) finance and offshore trade finance for Bangladesh's enterprises. While the CAPEX financing is invested mainly into power plants and telecommunication infrastructure, the trade finance benefits importers of raw materials and capital goods, and exporters who depend on these inputs. The CAPEX offshore lending is equivalent to around one-fifth of Bangladesh's total foreign direct investment inflows, representing a significant support towards the country's economic development
- **GDP:** through its onshore financing, Standard Chartered Bangladesh contributes, directly, indirectly and through

induced effects, USD1.2 billion of value added to Bangladesh, or 1.1% of the country's GDP. When its lending to financial institutions is included, the bank's impact amounts to 1.5% of GDP

- **Taxes:** Standard Chartered Bangladesh supports, directly, indirectly and through induced effects, some USD250 million of tax payments to the Bangladesh government, equivalent to 3.3% of total receipts. Through its direct tax payments, the bank is one of the single most important tax payers in Bangladesh
- **Employment:** through its onshore financing, Standard Chartered Bangladesh supports, directly and indirectly, 466,000 jobs in Bangladesh, equivalent to about 0.6% of Bangladesh's total workforce. When its lending to financial institutions is included, the bank's impact amounts to 655,000 jobs, or 0.9% of the labour market. In other words, for every one job at Standard Chartered Bangladesh, 545 jobs are supported throughout the economy
- **Doing business:** directly and indirectly, through its financing and trade finance products, Standard Chartered contributes to 13.2% of total Bangladeshi international trade
- **Garment sector:** through its financing of clients in the garment sector, Standard Chartered Bangladesh contributes USD79 million of value added and 37,400 jobs in the wider Bangladeshi economy (USD38 million of value added and 13,100 jobs in the garment sector itself). For every USD1 million it provides to the garment sector, 256 jobs are supported in the wider economy. In total, the bank supports 12.6% of all textile trade in Bangladesh
- **Power generation:** through its offshore financing of utility companies, by the end of 2011, Standard Chartered Bangladesh had mobilised finance for 24% of the total installed power in the country, helping to relieve one of the major constraints on the Bangladeshi economy
- **Telecom:** Standard Chartered Bangladesh has played a pivotal role in the development of the telecom sector
- **Financial institutions:** through its lending to other financial institutions, including vital microfinance lenders, the bank creates direct, indirect and induced value added of USD430 million, or 0.4% of GDP
- **Risk management tools:** Standard Chartered pioneered the use of derivatives in Bangladesh. The bank operates one of the country's most sophisticated dealing rooms, with a diverse range of risk management products which helps businesses in Bangladesh to manage the risks of doing business

STANDARD CHARTERED'S IMPACT ON BANGLADESH



Through operations and onshore lending, contributes – directly, indirectly and through induced effects – 1.5% of Bangladesh's GDP.



Supports 545 jobs in the wider economy for each direct full-time employee.



Helped Bangladesh achieve its first-ever sovereign credit rating, enabling the country to borrow on international capital markets.



Supports 3.3% of total tax receipts in Bangladesh.



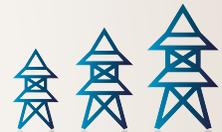
Supports 13.2% of Bangladesh's trade with the world.



Serves 15,000 Bangladeshi SMEs and is one of the only banks to offer collateral-free loans to the SME sector.

1st

Introduced numerous financial firsts to Bangladesh, including the first credit card and first commodity derivatives.



Mobilised finance towards 24% of the total installed power in Bangladesh.



For every USD1 million provided to the garment sector, 256 jobs are supported in the wider economy.



One of the first banks to introduce solar-powered ATMs in Bangladesh, and reduced its paper use by 61%, saving 600 trees.



655,000

Through operations and onshore lending, supports – directly, indirectly and through induced effects – 655,000 jobs in Bangladesh, or 0.9% of the labour market.



17 former employees have gone on to become CEOs or deputy managing directors of other banks in Bangladesh.

- **Financial innovation:** Standard Chartered Bangladesh has introduced several banking products and services to Bangladesh, such as the first ATM in 1995, the first credit card in 1997 and, more recently, collateral-free loans for small and medium-sized enterprises (SMEs). The bank also helped Bangladesh receive its first-ever sovereign credit rating, which will help it borrow on international bond markets, and attract more foreign direct investment
- **Business practices:** Standard Chartered Bangladesh plays an important role in Bangladeshi society through its business practices, including its approach to sustainable finance and its staff training programmes. Many bankers now working in Bangladesh began their career at Standard Chartered, including 17 individuals who went on to become CEOs or deputy managing directors at other banks.

In conclusion, Standard Chartered has a significant impact in Bangladesh, consistent with its standing as the oldest and largest foreign bank in the country. Generally, the report illustrates that the banking sector plays a key role in the development and growth of national economies. International banks, in particular, are significant, because of their ability to mobilise offshore capital and to finance global trade, both of which are critical to sustained growth. Since developing nations, such as Bangladesh, lack the domestic savings needed to fuel investment and require access to international markets in order to grow, banks such as Standard Chartered help to fill a major economic gap. The report also highlights a number of ways in which the bank could deepen its impact in Bangladesh, including increasing its engagement with SMEs, and using its financing in a more targeted way to relieve specific constraints in the economy and support Bangladesh's future growth.

1/Introduction



 Jatiyo Smriti Soudho, the National Monument for the Martyrs of the Liberation War of Bangladesh, in Savar.

1 Introduction

This report sets out to assess the social and economic impact of Standard Chartered in Bangladesh. It follows on from similar studies carried out in 2010 on the Bank's impact in Ghana and Indonesia. With this series of reports, among the first of its kind to be produced by an international bank, Standard Chartered aims to move beyond assertion to quantify its impact on the economies where it operates.

Like the reports on Ghana and Indonesia, this report relies on input-output methodology for its quantitative analysis. However, whereas the previous reports analysed only the impact of Standard Chartered's long-term lending to its customers and clients, this report also quantifies the impact of the bank's short-term trade (or working capital) finance, and its support for export-oriented sectors. The report also makes a greater effort to examine impacts that are more difficult to quantify, including Standard Chartered's loans to other banks and provision of offshore financing for vital energy and telecom infrastructure development, both of which play a crucial role in the economic and social development of Bangladesh.

To capture the economic impact of a single enterprise one must take into account not only its direct effects, but also the indirect and induced effects that result from its activities. A bank and its clients create economic output and jobs directly by hiring workers, paying taxes and purchasing goods and services from the local economy. But they also create output indirectly, as the money they spend is used by suppliers to purchase inputs from other firms in the economy. In addition, induced effects are created as workers who have access to consumer finance are enabled to leverage their earnings and increase their total household expenditure. When these effects are added, the impact of the bank's activities can be seen to extend far beyond its loan book and payroll.

What is Standard Chartered Bangladesh's contribution to Bangladesh's economy? How many Bangladeshis depend on jobs created through the bank's activities? What is the wider importance of Standard Chartered Bangladesh to the country's development, and what can the bank do to deepen its impact in Bangladesh? These are the main questions addressed in this report.

1.1 Methodology

The report draws on a combination of quantitative and qualitative assessments. The quantitative analysis focuses on Standard Chartered Bangladesh's operations and onshore lending (i.e. lending from Bangladeshi savings). Using a social accounting matrix, a well-established economic modelling tool applied by governments the world over, we assess Standard Chartered Bangladesh's data in an attempt to quantify the direct, indirect and induced impacts on employment and value added (i.e. total revenues generated, minus the cost of goods sold).

In constructing the required economic input-output model, we have made use of government data in order to ensure objectivity. When interpreting the results of the model, we have been careful not to overestimate the economic impact of Standard Chartered in Bangladesh. The employment and value added created by a client of the bank has only been included to the extent that it finances that client. For example, if the client receives 10% of its financing from Standard Chartered, the report includes 10% of the jobs and value added that the client generates. The results derived in this way give a prudent picture of the economic activity that is associated with Standard Chartered Bangladesh, especially since the economic modelling has been limited to aspects that can be safely quantified. This includes both the bank's onshore lending and, by taking a somewhat different methodological approach, its lending to other financial institutions. Offshore finance often takes the form of infrastructure project finance allowing users of the newly generated products (e.g. electricity) to operate more efficiently. The applied input-output methodology is not the appropriate approach to quantify these effects, which are therefore assessed in a more qualitative fashion.

It would be wrong to suggest that the impact of Standard Chartered's onshore loans, in terms of value added and jobs in Bangladesh, arise purely because the lender is Standard Chartered. The impact quantified does not necessarily reflect on Standard Chartered's uniqueness, but on its market share as a bank, and the composition of its loan book. In other words, in a competitive market such as Bangladesh, it is probable that other banks would have provided the onshore financing in Standard Chartered's absence, thus generating a similar impact. Having said this, over the years Standard Chartered has built a larger

presence in Bangladesh and, through its financial products and services, demonstrated a greater degree of innovation than any other foreign bank. It has also brought in much-needed offshore financing in addition to its onshore lending. Undoubtedly, its longevity in, and deep-rooted understanding of, the Bangladeshi market would be difficult to replace.

Standard Chartered has built a larger presence in Bangladesh, and through its financial products and services, demonstrated a greater degree of innovation than any other foreign bank.

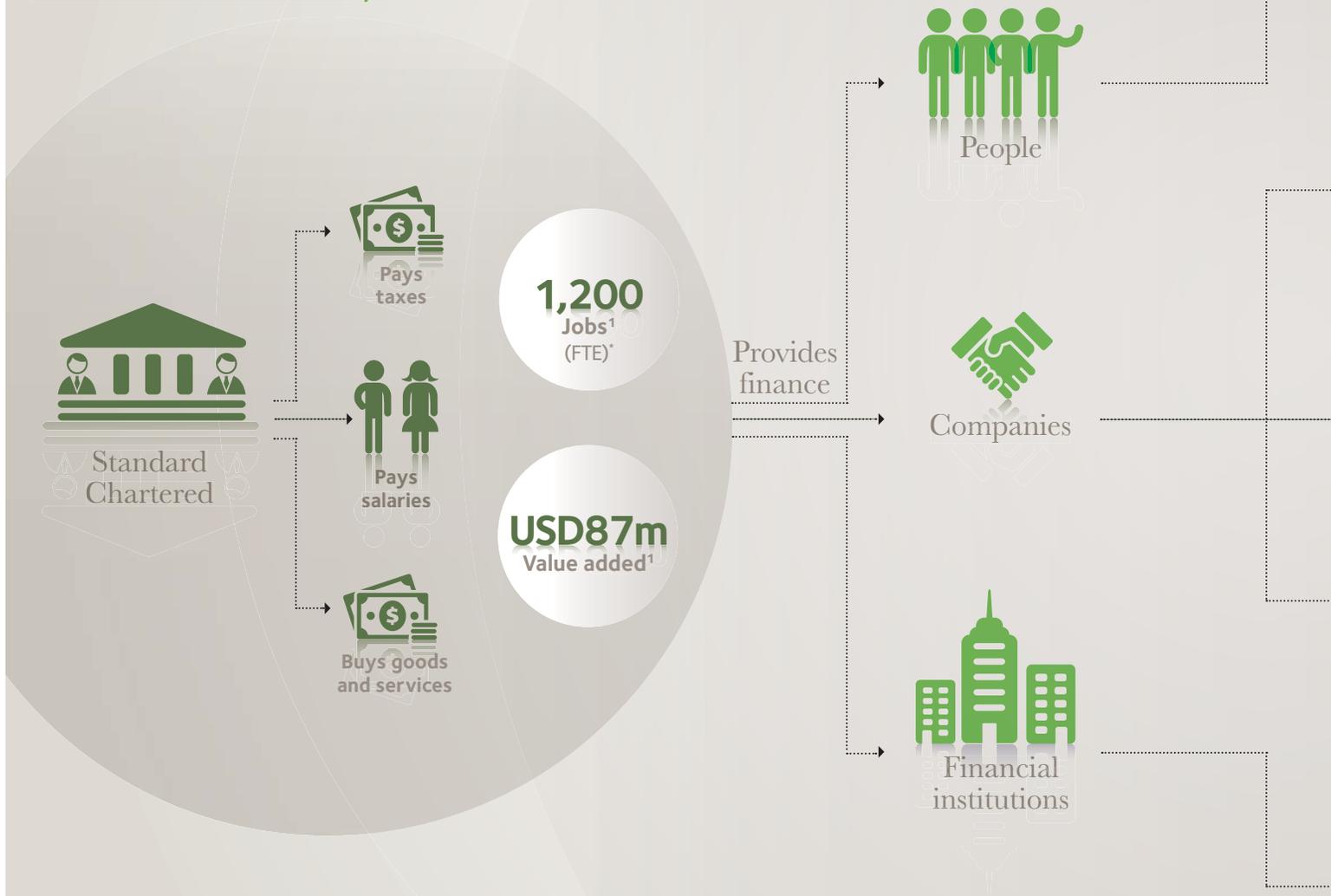
It should also be emphasised that this study is a snapshot based on the 2011 financial year and, as such, does not track the development of Standard Chartered Bangladesh over time. Neither does it benchmark the bank against other financial institutions operating in Bangladesh. For more information on the modelling approach, including assumptions and limitations, please refer to the appendix.

1.2 Scope

The report extends over six chapters including this introduction. Chapters 2 and 3 set the context for the study, profiling Bangladesh's economy and Standard Chartered Bangladesh's role within it. Chapter 4 details the main findings, quantifying the socio-economic impact of Standard Chartered Bangladesh, including its trade balance impact. Chapter 5 takes a closer look at the wider impact of the bank in Bangladesh, including that of its financial innovation and business practices. Finally, Chapter 6 provides an overall assessment of Standard Chartered's footprint in Bangladesh, and suggests a number of ways in which it could deepen its socio-economic impact.

Standard Chartered's impact on Bangladesh

Directly, through its operations, Standard Chartered has a relatively small impact on Bangladesh, but its lending to people and businesses creates ripple effects through the entire economy.

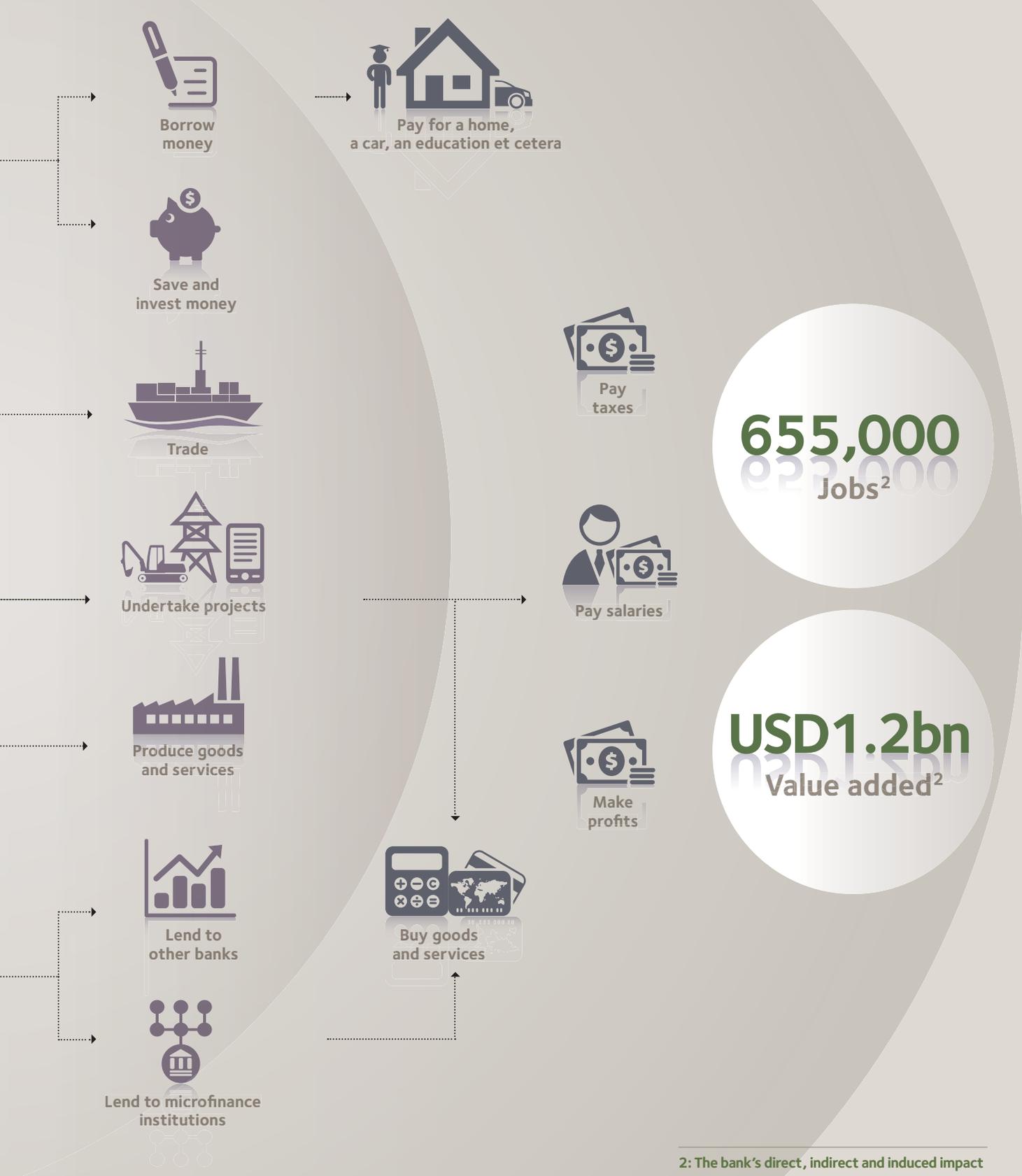


Global reach
Uses its global network and expertise to help businesses trade with the world.

Innovation
Introduces products and services that meet the needs of people and companies.

Sustainability
Sets an example and makes a positive impact through responsible business practices.

1: Direct impact of the bank's operations
* Full-time employees



2: The bank's direct, indirect and induced impact

2/The Bangladeshi context

With around 150 million inhabitants, Bangladesh is the eighth most populous nation in the world.



 Aerial view of Bangladesh's capital Dhaka – a city of 12.5 million people.

2 The Bangladeshi context

With around 150 million inhabitants, Bangladesh is the eighth most populous nation in the world.³ In the last decade, the country has enjoyed a real growth rate of 5–6% per annum thanks to the convergence of several factors: good rice harvests, high levels of remittances from overseas workers, the success of its export-oriented garment sector and the growth of its services industries, including telecommunications and financial services. In addition, Bangladesh has been relatively insulated against the global financial crisis that began in 2008, due to a regulatory regime which limits the country's financial openness.

Looking to the future, Bangladesh will need to invest more in infrastructure and public goods such as health and education, while continuing on the path of economic reform and greater openness, particularly with regard to foreign direct investment. As a developing economy and the world's 11th most densely populated nation, Bangladesh will be seeking to move to production of higher value added goods and services, while improving the productivity of existing sectors, in order to increase per capita income. The country will only achieve this if the private sector is encouraged to make the necessary investment, and is able to access sufficient skilled labour. Infrastructure investment has lagged in recent years, impeding Bangladesh's growth prospects. Other impediments, as identified by the World Bank's Doing Business survey, include poor access to electricity, excess bureaucracy when starting a business, the absence of strong contract enforcement, and the lack of clear property rights over land.

Bangladesh is no stranger to challenges. Indeed, those overcome by the country earlier in its history were, if anything, all the greater. Following the war of independence, which ended in 1971, per capita income in Bangladesh stood at USD100, and poverty levels exceeded 70% of the population. Schooling and health indicators were lower than those found elsewhere in South Asia. However, by the new

millennium, per capita income had multiplied many times and the country had made substantial progress in terms of its human development indicators. While poverty remained at a high level, it had been reduced considerably, and continued to fall from 49% to 32% between 2000 and 2010. Women were receiving education and attaining senior positions in the public and private sectors, while benefiting from Bangladesh's microfinance revolution, which provided them with capital to start or expand small businesses. By 2009, over 75% of women in Bangladesh were literate, a higher percentage than in neighbouring India or Pakistan. Women and their children were also benefiting from improved healthcare which greatly reduced maternal mortality and infant deaths. Furthermore, the country had built a dynamic export-oriented sector, mainly comprising garment industries based in two dedicated Export Processing Zones where most of the workers were women.

5-6%

GDP growth per annum since 2002

Since 2000, Bangladesh has been in the process of transforming from a predominantly agricultural economy to an urbanised, industrial one.

Since 2000, Bangladesh has been in the process of transforming from a predominantly agricultural economy to an urbanised, industrial one. Whereas in 2000 over 60% of the workforce was employed in agriculture, that number had dropped to less than 50% by 2010. By the same time, more than 14% of the population were employed in industry, and labour force participation had risen to 57% for women and 85% for men. Furthermore, production and output were becoming increasingly diversified away from agriculture; the industries and exports most important to the economy now included garments and knitwear, frozen fish, jute and jute goods, leather and leather products, tea, urea fertiliser and ceramic tableware.

³ World Bank Development Indicators

1%

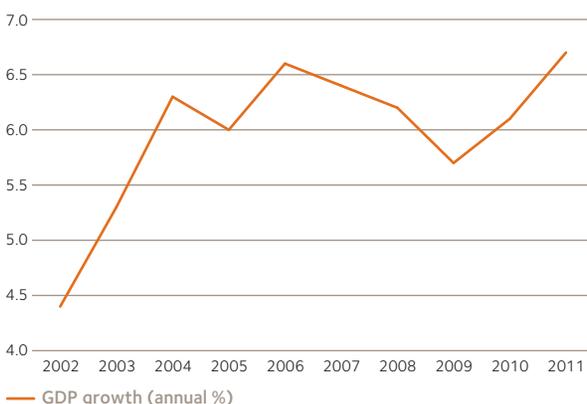
foreign direct investment flows as proportion of GDP (2011)

2.1 Economic profile of Bangladesh

Bangladesh is a relatively new member of the United Nations, having gained its sovereignty only at the end of 1971. The country has overcome difficult conditions, such as a large population living in widespread poverty and a challenging climate that often brings flooding, to enjoy the robust growth rates of recent years. This growth, illustrated in Exhibit 1, has persisted despite political instability, poor infrastructure, insufficient electric power supplies and the slow implementation of economic reforms needed to liberalise the economy. Maintaining growth over the long run will require the country to address its economic challenges, including the need to up-skill its workforce.

Exhibit 1

GDP GROWTH (ANNUAL IN %)⁴



Although more than half of Bangladesh's GDP is generated through the service sector, agriculture is still crucial to the country, with rice the single most important product. Bangladesh's exports, some 75% of which are garments, remained stronger than expected during the global financial crisis, rising from approximately USD19 billion in 2010 to over USD23 billion in 2011. Remittances⁵ from the more than six million Bangladeshis working overseas⁶ also remained at high levels, totalling USD12 billion in 2011, and accounting for almost 11% of GDP. The majority of remittances came from Bangladeshi workers based in the Gulf states. Table 1 provides some key indicators of the Bangladesh economy in 2011.

TABLE 1: KEY INDICATORS OF THE BANGLADESHI ECONOMY 2011

Population	150 million
Size of workforce (2010)	72 million
Nominal Gross Domestic Product (GDP)	USD110.6 billion
GDP per capita	USD735
Trade as % of GDP	
Exports as % of GDP	23%
Imports as % of GDP	31%
Government tax revenue as % of GDP (2009)	9%
Sector breakdown of GDP	
Agriculture	18%
Industry	29%
Services	53%
Consumption breakdown of GDP	
Private consumption	78%
Government expenditure	5%
Real investment	19%
Net exports of goods and services	-9%
International receipts as % of GDP	
Remittances	11%
Foreign Direct Investment	1%

Source: World Bank Development Indicators

Given its shortage of domestic savings, Bangladesh clearly has to attract higher levels of foreign direct investment (FDI) in order to promote sustained growth. According to the World Bank, the total FDI flows to Bangladesh in 2011 amounted to just 1% of the country's GDP. Notably, Standard Chartered's offshore capital expenditure finance of USD167 million in 2011 was equivalent to nearly 21% of this amount.

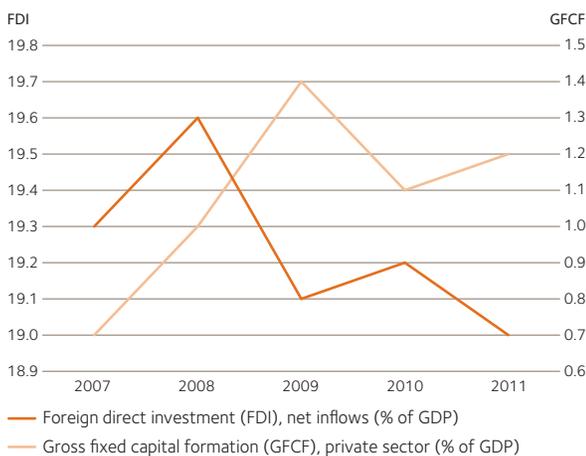
Exhibit 2 provides data on gross fixed capital formation and FDI in Bangladesh. As can be seen, FDI has been falling, undoubtedly due in part to the global financial crisis. While domestic capital formation is relatively healthy at nearly 25% of GDP, Bangladesh will require FDI to bring about the technology and skills necessary to increase the country's productivity and per capita income.

⁴ World Bank Development Indicators

⁵ This study recognises the relevance of remittances to the Bangladeshi economy but does not quantify them separately

⁶ The Bangladesh Ministry of Expatriates' Welfare and Overseas Employment, Bureau of Manpower, Employment and Training

Exhibit 2

GROSS FIXED CAPITAL FORMATION (RIGHT)
AND FOREIGN DIRECT INVESTMENT (LEFT)⁷

2.2 The role of banks in Bangladesh

The banking sector has a key role to play in the evolution of Bangladesh's economy, by mobilising capital for both the public and private sectors, and by providing innovative solutions to meet the needs of entrepreneurs and government agencies. Following Bangladesh's independence in 1971, the banking industry was composed of six state-owned commercialised banks, two state-owned banks that specialised in lending to agriculture and industry, and three foreign banks, including Standard Chartered. Since the 1980s, the banking industry has witnessed significant expansion with financial reforms encouraging entry by private banks, along with a rapid growth of microfinance institutions (MFIs), which cater to the financial needs of the nation's poorest, and unbanked, citizens.

Bangladesh's deposits-to-GDP ratio is large, given its relatively low per capita income and compared to its South Asian counterparts. According to the International Monetary Fund, bank assets in Bangladesh now stand at 62% of GDP

compared to 47% in 2001, with MFI assets doubling to 3% of GDP over the same period. Privately owned banks now hold 55% of all bank assets, compared to just 35% in 2002, with asset expansion mainly resulting from a strong increase in trade finance, or working capital lending, as well as term loans to industry.

Islamic banking has grown rapidly in recent years, to represent around 17% of total assets. Standard Chartered Bangladesh has contributed to the sector's development through the opening of a dedicated Shariah-compliant branch (see 5.2), operating under the bank's global Islamic banking brand Saadiq (meaning 'truthful' in Arabic). One driver of the growth of Islamic banking is the handling of remittances from the country's overseas workers, many of whom are employed in the Gulf region where they bank with Islamic financial institutions.

Today, the banking system in Bangladesh is composed of four types of institutions:

- State-owned Commercial Banks (SOCBs): four SOCBs (Sonali, Janata, Agrani and Rupali) control about half of branches and 25% of total assets
- Specialised banks (SDBs): four specialised banks are now operating which were established for specific objectives, such as agricultural or industrial development. These banks are also fully or majority owned by the Government of Bangladesh
- Private commercial banks (PCBs): there are 30 PCBs which can be sub-divided into two groups:
 - Conventional PCBs: 23 of these are now operating in the industry, performing all permitted banking functions, including interest-based operations
 - Islamic, or Shariah-compliant, PCBs: there are seven Shariah-compliant PCBs in Bangladesh and they execute banking activities according to Islamic principles
- Foreign commercial banks (FCBs): nine FCBs currently operate in Bangladesh, with Standard Chartered Bangladesh the largest among them.

47

banks in Bangladesh

62%

banking assets
as proportion
of GDP

⁷ World Bank Development Indicators

3/Standard Chartered in Bangladesh

Standard Chartered is the oldest and largest foreign bank in Bangladesh. It has been operating in the country for over 100 years.

Standard Chartered's presence in Bangladesh



Standard Chartered serves 280,000 retail customers in Bangladesh, and has 19 branches in the country.

3 Standard Chartered in Bangladesh

Standard Chartered is the oldest and largest foreign bank in Bangladesh. It has been operating in the country for over 100 years, if one traces its lineage to its predecessor organisation, ANZ Grindlays, which opened in 1905. Standard Chartered itself has traded at Chittagong since 1948. Over this period, Standard Chartered Bangladesh, a branch of Standard Chartered PLC, has grown both organically and through acquisitions. The acquisitions of Grindlays Bank (2001) and the commercial banking business of American Express Bank (2005) underscore the group's continuing commitment to Bangladesh, its 16th largest market by income in the first half of 2012.

3.1 Current profile

As of December 2011, Standard Chartered represented 3% of banking assets in Bangladesh, and was the country's largest foreign bank with just over half of total foreign-owned bank assets. Employing almost 1,200 people full time, Standard Chartered is the only foreign bank with a presence in six major cities (Dhaka, Chittagong, Khulna, Sylhet, Bogra and Narayanganj), along with offshore banking units that operate inside the country's two Export Processing Zones (Savar and Chittagong), predominantly providing financial services to the garment industry.

TABLE 2: OUTSTANDING FINANCE (DEC 31 2011) BY SEGMENT

	% of total
Consumer banking	42%
Wholesale banking	43%
Financial institutions	15%
Total loan book	100%

In Bangladesh, as in all of its markets, Standard Chartered has integrated sustainability fully into its business model. Its approach is focused on three key priorities:

- Contributing to sustainable economic growth: providing finance efficiently and responsibly in order to support economic growth and job creation
- Being a responsible company: practising strong corporate governance, creating an inclusive workplace for all employees and minimising the bank's environmental impact

- Investing in communities: delivering employee volunteering and community investment programmes that promote positive social and economic outcomes.

3.2 Wholesale banking

Standard Chartered is one of the leading providers of wholesale banking services in Bangladesh, serving corporates with a turnover of more than USD25 million. Indeed, in 2012, for the fourth consecutive year, the bank was recognised by Finance Asia as the Best Foreign Commercial Bank in Bangladesh. Clients include local and international corporates, government institutions and development organisations, to which Standard Chartered provides a wide range of trade finance, cash management, securities, foreign exchange, risk management, capital raising and corporate finance solutions. The bank provides financing for Bangladesh's imports of critical goods and services, such as crude oil, machinery and commodities. In addition, Standard Chartered Bangladesh arranges syndicated facilities on the international markets, leveraging its own lending.

3.3 Consumer banking

Standard Chartered Bangladesh serves 280,000 retail customers through 19 branches, nine booths, 20 express banking centres and 90 ATMs across the country. The bank also offers extensive telephone and online banking facilities. Its products include mortgages, auto loans, credit cards, personal loans, savings, current accounts and term deposits, as well as an extensive range of Shariah-compliant products, sold under the global brand name Saadiq (see 5.2).

Small and medium-sized enterprises (SMEs) – defined by the bank as companies with turnover up to USD25 million (around 15,000 customers in total) – make up 30% of the consumer banking loan book. At the International Excellence in Retail Financial Services 2012 Awards ceremony, the bank was named Best Retail Bank in Bangladesh.

280,000
retail customers

15,000
SME customers

4/Standard Chartered's contribution to GDP and jobs in Bangladesh

Given Standard Chartered Bangladesh's relevance to the Bangladeshi market, the bank's footprint is understandably substantial.

Exhibit 3: Bangladesh – the multiplier effect of the bank on job creation

Induced impact

Jobs created as workers who have access to consumer loans are enabled to leverage their earnings and increase their total household expenditure

Indirect impact

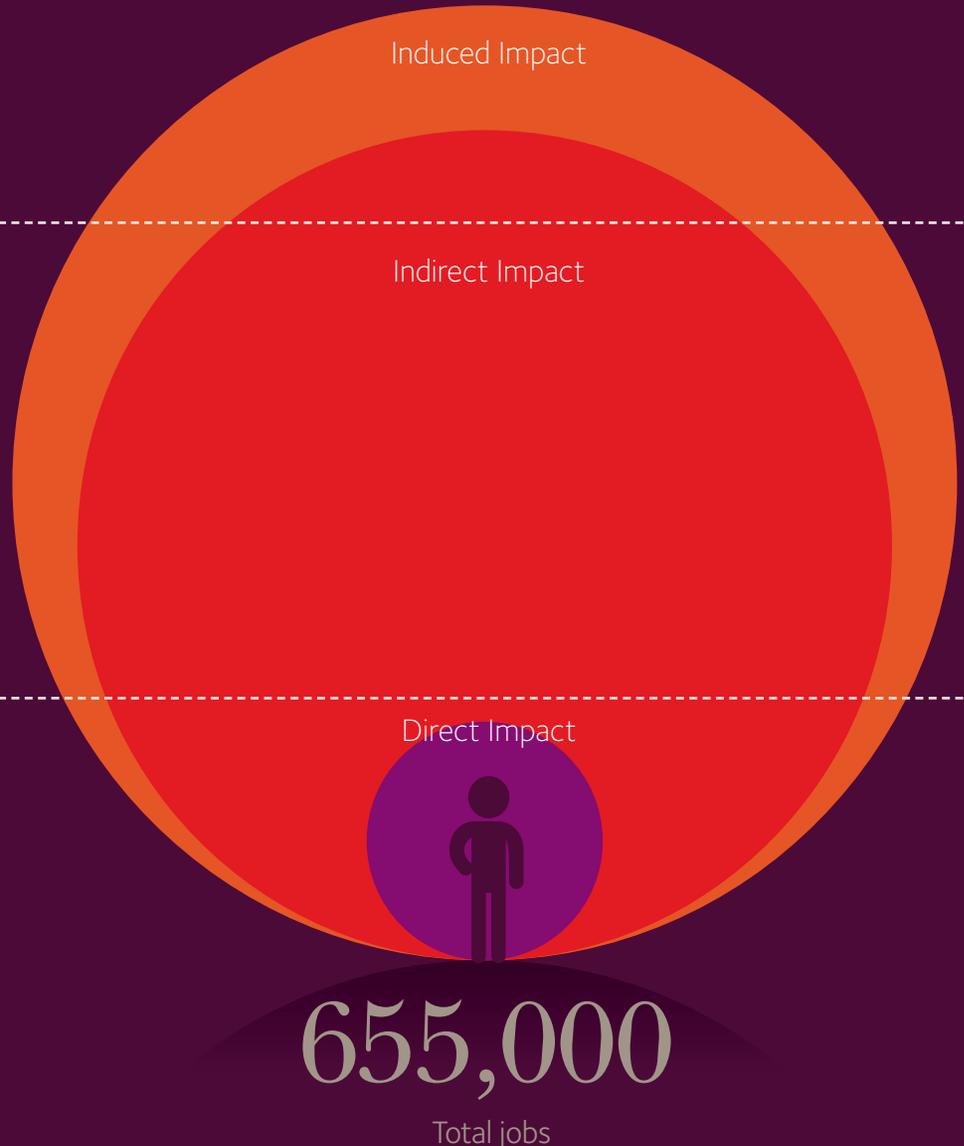
Indirect impact 1: Jobs created by the suppliers of the bank

Indirect impact 2: Job created by the suppliers of the clients financed by the bank

Direct impact

Direct impact 1: Employees of Standard Chartered Bangladesh

Direct impact 2: Jobs created by the bank's clients as a result of its financing



4 Standard Chartered's contribution to GDP and jobs in Bangladesh

Given Standard Chartered Bangladesh's relevance to the Bangladeshi market, the bank's footprint is understandably substantial. This report distinguishes between two categories of economic impacts: quantifiable socio-economic impacts supported by Standard Chartered Bangladesh through its activities and lending practices in terms of value added (see 1.1.), employment, and the country's balance of payments – and qualitative impacts, such as those related to employee training, product innovation, sustainable business practices and community investment, which are harder to measure precisely, but nonetheless deserve attention. The quantifiable impacts are discussed in this chapter.

Owing to its long-term presence and ongoing banking activities, Standard Chartered Bangladesh is deeply embedded in the Bangladeshi economy, and has relationships with both the public and the private sector. The bank creates socio-economic impacts in several different ways:

First, Standard Chartered Bangladesh supports value added and employment through its own operations. That is to say, the bank hires employees and buys a wide variety of goods and services in the local economy, thus supporting local businesses. Further, since Standard Chartered Bangladesh's direct suppliers (e.g. utilities and suppliers of office materials) and the suppliers' employees spend the money they earn from the bank, value added and employment are also created also in the broader economy.

Second, Standard Chartered Bank's onshore term lending (long-term lending that supports capital expenditure) provides capital to local firms, enabling them to invest in new machinery, hire employees and, ultimately, increase their output. Each of these firms, in turn, has many linkages with other private companies in Bangladesh, including importers of raw materials and other inputs.

Third, Standard Chartered Bangladesh supports Bangladesh's trading companies by providing short-term trade and working capital loans. While crucial to the performance of the businesses concerned, this revolving or short-term finance is assumed not to have any output-increasing effect (as term loans do), but serves to support existing operations. The economic impact of trade loans is therefore generally smaller compared to the impact of term loans.

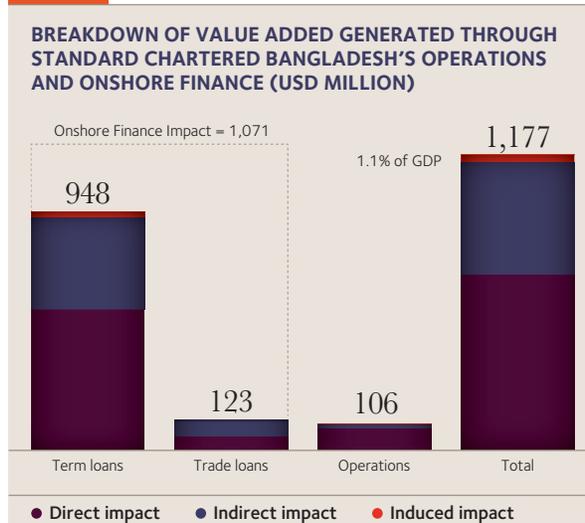
Finally, as a branch of an international banking group, Standard Chartered Bangladesh mobilises international capital, or offshore financing, for projects within Bangladesh. This additional capital injection augments local Bangladeshi savings and enables more investment to occur than would otherwise be the case. The offshore financing helps firms obtain capital goods or other necessary inputs (e.g. fuel oil), which are often priced in US dollars. Since offshore financing is used predominantly as project finance in support of capital expenditure, it is more difficult to trace the impacts of such lending through the economy. Consequently, its impact is only assessed qualitatively in this report.

Exhibit 3 summarises how Standard Chartered Bangladesh creates direct and indirect impacts through its own operations and through the financing it provides.

4.1 Contribution to GDP

This section quantifies Standard Chartered Bangladesh's value-added effect on the Bangladeshi economy, by tracing the impact of the bank's operations and onshore lending. As can be seen in Exhibit 4, through its own operations and its loan book, Standard Chartered Bangladesh contributes value added to the order of 1.1% of Bangladesh's GDP.

Exhibit 4



The bulk of Standard Chartered Bangladesh's contribution to the local economy arises from the bank's term loans. The impact of short-term loans, or trade loans, is relatively small by comparison, as is the impact of the bank's own operations. This is due in part to the pure size of term loans versus the other categories. The main difference in the impact of term and trade loans arises from their duration: the longer the maturity the more impact can be generated with the money borrowed. In contrast to term loans, the duration of trade loans is usually less than 90 days; they are primarily used for working capital purposes and hence only support the direct business activities and current output of recipients, whereas term loans tend to be used for capacity expansion purposes (e.g. the purchase of machinery) that creates additional output. In the case of Bangladesh, based on the composition of loans over the various sectors, the indirect impacts of trade loans exceed their direct impact while the opposite is true for term loans. Generally speaking, the extent to which indirect effects arise depends on the inter-linkages of the supported sectors within the local economy.

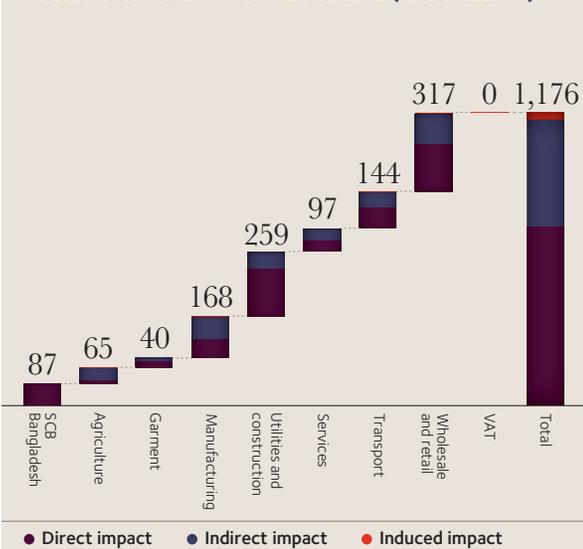


Through its operations and loans, Standard Chartered contributes value added to the order of 1.1% of Bangladesh's GDP.

Exhibit 5 shows that the value added generated by lending to Bangladesh's manufacturing sector and distribution network (transportation and wholesale and retail) is particularly large. The extent of the impact depends on two variables: first, the sector allocation of Standard Chartered Bangladesh's loan book and second, the productivity of the sector which makes use of Standard Chartered capital, meaning the efficiency with which it transforms capital into more output. Regarding the sector allocation, a total of 7% of the bank's onshore term loan book is invested into the garment sector. Other industries benefiting from Standard Chartered Bangladesh's direct financing include food processing, pharmaceuticals and vehicle parts.

Exhibit 5

DIRECT, INDIRECT AND INDUCED VALUE ADDED GENERATED THROUGH STANDARD CHARTERED BANK'S OPERATIONS AND ONSHORE FINANCE (USD MILLION)



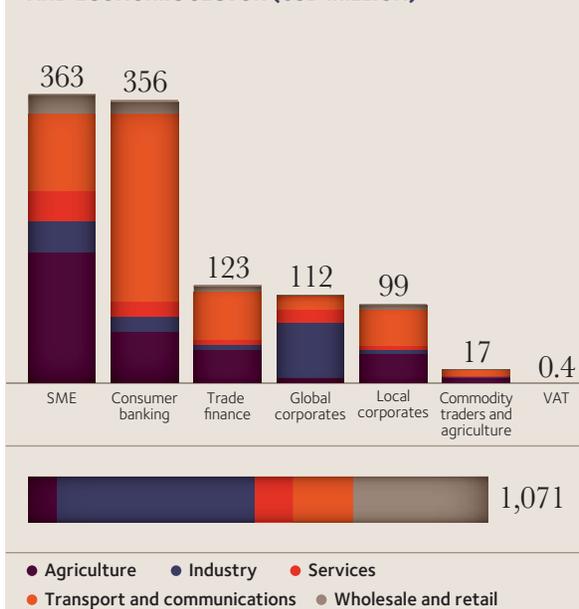
The indirect impacts illustrated in Exhibit 5 depend upon the inter-linkages between the borrower and its supply chain. A food processor, for example, may buy crops from farmers, bringing these inputs by truck to a factory. In order to turn the crops into processed foods, the company may need to purchase other inputs and packaging materials. These are all the indirect effects related to that particular sector.

The induced effects, in turn, are due to the spending patterns of those who receive incomes due to Standard Chartered Bangladesh's operations and are able to borrow against their salaries to purchase all manner of goods and services.

Exhibit 6 examines the value added through the lens of the bank's loan book. In particular, lending to small and medium-sized enterprises (SMEs) and consumers is shown to generate substantial value added, because of the amount of loans provided, coupled with their purchases up and down the Bangladesh supply chain. A recipient of a consumer loan, for example, may purchase a locally produced household item from a local retail shop. SMEs similarly make relatively intensive use of local supply chains.

Exhibit 6

VALUE ADDED PER CUSTOMER SEGMENT AND ECONOMIC SECTOR (USD MILLION)



As can be seen in Exhibit 6, the largest single value added impact of Standard Chartered in Bangladesh arises from its SME lending. Access to finance is often a major hurdle for SMEs, but allocating resources to small firms can contribute significantly to output expansion. In economic terms, the reason for this is that if one dollar is injected into a company that is capital-starved, the marginal dollar adds relatively more than if it was given to a company with ready access to additional funds.

In Bangladesh, the government's rationing of credit and foreign exchange has traditionally favoured larger firms over smaller ones. While this is still the case, economic growth and the expansion of the banking sector are undoubtedly helping local SMEs to flourish. Today, nearly 80% of all industrial entities in Bangladesh are SMEs, defined as firms with fewer than 100 employees.⁸ They employ nearly one-quarter of the nation's workers and are responsible for a growing share of economic output. Further, as hot-beds of innovation, SMEs can plant technological seeds that, over time, generate substantial branches of economic activity. All this points to the importance of a policy environment that promotes the SME sector; in this area, Bangladesh has made progress, but it still has further to go to ensure that firms have access to credit and to global markets.⁹

USD363m

of value added generated in the SME sector

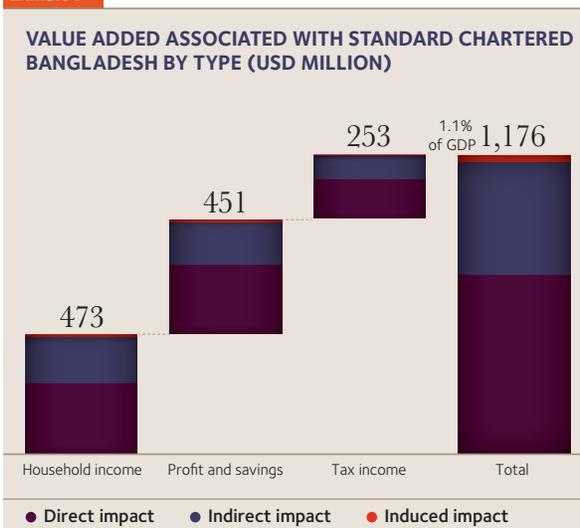
⁸ Standard Chartered defines SMEs differently, as firms with up to USD25 million of annual turnover (see 3.3)

⁹ For a useful overview of the SME sector, see Khan Atiqur Rahman, Development of Small and Medium Scale Enterprise in Bangladesh: Prospects and Constraints, Bangladesh Institute of Bank Management, 2010

3.3%
of Bangladeshi government tax receipts supported by Standard Chartered

Exhibit 7 breaks down the value added into its constituent parts, namely salaries or household incomes; profits and savings of firms; and tax revenues for the government. This shows that Standard Chartered Bangladesh supports, directly, indirectly and through induced effects, some USD253 million of tax payments to the government, equivalent to 3.3% of the government's total tax receipts. Through its direct tax payments, the bank is one of the single most important tax payers in Bangladesh.

Exhibit 7



4.2 Contribution to jobs

Employment is a subject that receives considerable attention from governments and other stakeholders. Standard Chartered Bangladesh has relatively few employees (1,189 full-time staff by the end of December 2011), but the bank supports almost 466,000 jobs in the Bangladeshi economy, or 0.6% of the total labour force. Among the effects studied in this report, the biggest contribution arises from Standard Chartered Bangladesh's lending activities, which supports business growth. Long-term finance, in particular, enables clients to expand their existing capacity, and therefore has a powerful development effect. Through USD1 million of term loans, the bank supports 484 jobs, whereas USD1 million of trade loans investment supports just 153 jobs (see Table 3).

In Bangladesh, employment figures are monitored by the Bangladesh Bureau of Statistics, and published in its Labour and Manpower Study on employment by economic sector. The most recent information is from 2010. Based on this, combined with the output per sector as obtained from the social accounting matrix (see appendix), the employment intensity for 11 sectors in the Bangladeshi economy has been determined. This intensity indicates how many full-time employees are needed in order to produce one unit of output from a particular sector. Based on these inputs to the model used for this report, the employment associated with Standard Chartered's operations in Bangladesh has been quantified, and the results are shown in Exhibits 8 and 9.

Exhibit 8

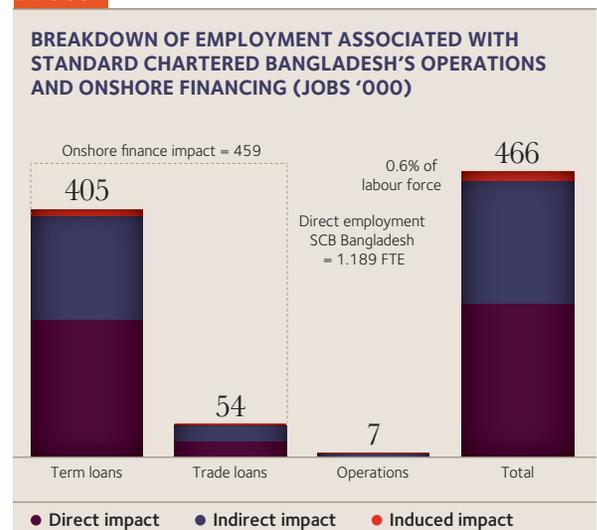


Exhibit 8 shows the amount of employment supported by Standard Chartered Bangladesh's term and trade loans as well as its own operations. As is the case for value added, the term loans are the largest contributors to the total.

Breaking down the total number of jobs supported throughout the economy by the various sectors can help Standard Chartered Bangladesh map its most important economic partners, or the sectors on which it is having the greatest employment impact. This naturally depends on how the bank's capital is allocated over the various sectors of the economy, as well as the labour intensity of the individual sector, or the number of people needed to produce one unit of output. In Bangladesh, the most labour-intensive sectors include agriculture, wholesale and retail, and the garment industry, as shown in Exhibit 9. Those are consequently the sectors in which loans from Standard Chartered Bangladesh help to support the most employment.

Exhibit 9 also illustrates the multiplier effect of each employee at Standard Chartered Bangladesh. While the bank itself employs fewer than 1,200 workers in Bangladesh, the almost 466,000 jobs it supports across the country represents multiplier of about 390. Most of the direct effects are seen in the utilities and construction sectors and in wholesale and retail trades. Indirectly, however, agriculture jobs in particular are supported because they provide inputs to other parts of the economy.

Exhibit 9

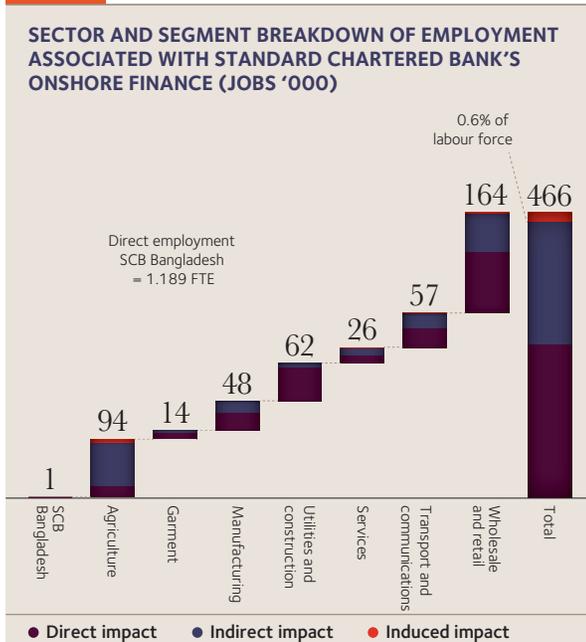
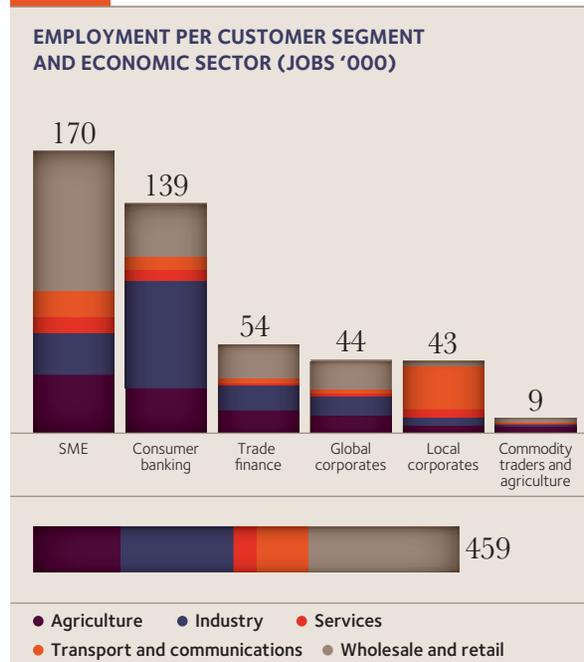


Exhibit 10 depicts the total employment supported by Standard Chartered Bangladesh broken down by loan portfolio. This shows that lending to SMEs and consumer loans support the largest number of jobs. Again, this reflects how those loans are spent. Being relatively labour-intensive, SMEs like wholesale and retail firms provide employment to large numbers of workers. Similarly, when consumers buy goods and services with the loans they receive, such as construction work for their homes, they generally make use of labour-intensive firms.

Exhibit 10



170,000

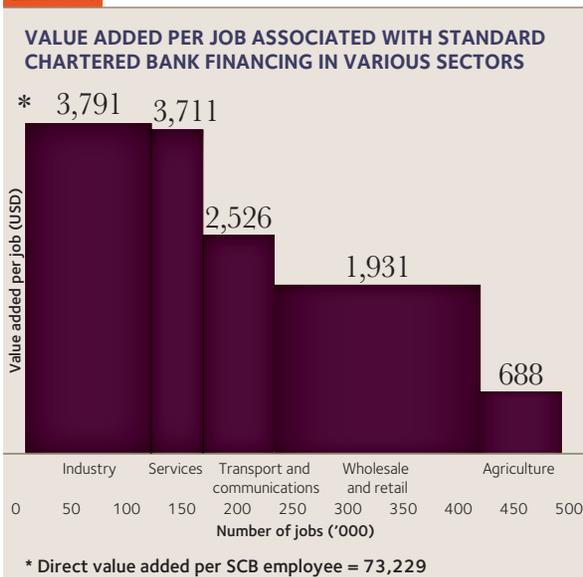
jobs supported in the SME sector

1,203

jobs in the SME sector supported for every USD1 million of financing by the bank

Governments and other stakeholders generally do not care solely about absolute employment numbers; they are also concerned by the extent each job contributes to value added creation and higher incomes, as illustrated in Exhibit 11. The value added generated per worker at Standard Chartered Bangladesh is USD73,229. Looking at the largest employment sectors in the economy, the value added for an industrial worker (USD3,791) is higher than the value added generated by a farmer (USD688), despite the important contribution of agriculture to food security and economic growth. This demonstrates the importance of moving an economy towards higher value-added activities in order to achieve long-term income growth. As noted earlier, for Bangladesh in particular, economic reforms which encourage investment and human capital formation are key to reaching this objective.

Exhibit 11



4.3 Value added and employment contribution by economic segment

The results discussed in 4.1 and 4.2 can be summarised by looking at how much value added and employment are supported by USD1 million of financing by Standard Chartered Bangladesh. Table 3 shows this for various client segments and economic sectors. Once again, it is clear that term loans generate more value added and employment than trade (or short-term) finance, and that SMEs play a large role in the creation of value added and employment. It should be recalled, however, that SMEs are large employers in part because they are relatively inefficient as compared to large corporate enterprises. Standard Chartered Bangladesh could benefit the Bangladeshi economy in the long run by providing, for example, technical assistance to help SMEs become more efficient and increase their competitiveness.

TABLE 3: VALUE ADDED AND EMPLOYMENT ASSOCIATED WITH STANDARD CHARTERED BANGLADESH FINANCING OF USD1 MILLION

Client segment	Economy-wide value added supported by USD 1 million (USD million)	Economy-wide employment supported by 1 USD million (number of jobs)
Consumer banking	0.9	340
Small and medium-sized enterprises	2.6	1,203
Local corporates	0.9	389
Commodity traders and agriculture	1.1	571
Global corporates	0.7	274
Weighted average	1.1	484
Trade finance	0.4	153
Grand total weighted average	0.9	386

Term loans

In Table 4, multipliers are presented per economic sector. These multipliers depend upon: (i) the composition of Standard Chartered Bangladesh's total outstanding loans to the sector; (ii) the productivity of the individual sectors; and (iii) the extent to which the sector sources locally or globally. Clearly, the more open a sector is to other economies, the fewer linkages it has within Bangladesh, and hence the ripple effect will be smaller.

TABLE 4: VALUE ADDED AND EMPLOYMENT ASSOCIATED WITH STANDARD CHARTERED BANGLADESH FINANCING OF USD 1 MILLION

Client Segment	Economy-wide value added supported by USD 1 million (USD million)	Economy-wide employment supported by 1 USD million (number of jobs)
Agriculture	1.0	1,004
Garment	0.5	256
Industry	0.7	299
Services	0.9	317
Transport and communications	2.2	725
Utilities and construction	0.8	327
Wholesale and retail	1.4	693
Weighted average	0.9	386

Again, these data suggest that lending to the agriculture sector has big employment effects compared to, say, lending to industry, because agriculture is relatively labour-intensive. Over time, it is likely that Bangladesh will see a migration of labour out of agriculture and towards industrial sectors, as workers seek employment with higher income. One important task for the financial sector in general, and Standard Chartered Bangladesh in particular, will be to help Bangladesh's emerging industrial sectors grow, by providing them with advisory services and financing, including offshore capital.

4.4 Impacting Bangladesh's trade balance

International trade is crucial to growth and development. The expansion of markets enables countries to focus on what they do best, increasing productivity and incomes in the process. Further, by opening up domestic economies to trade and investment, markets become more competitive and efficient. It is for this reason that so many countries, including Bangladesh, have abandoned the high levels of protectionism that once characterised trade policy, and opted for greater openness. This turn towards trade is reflected in the data. Whereas global GDP has risen by somewhat more than 2.5% per year on average since 1991, world trade has increased by over 5% per annum. Trade has, quite literally, become an engine of growth.



📷 Bangladesh's economy relies on trade, with imports and exports comprising 54% of GDP.

Like many developing countries that need global markets in order to achieve high levels of growth, Bangladesh is largely dependent on trade. Indeed, according to the World Bank, trade comprises 54% of the nation's GDP (in neighbouring India, for example, trade comprises 48% of GDP). Bangladesh's exports include garments and knitwear, frozen fish, jute and jute goods, leather and leather products, tea, urea fertiliser and ceramic tableware. Despite a vibrant export-oriented sector, however, the country continues to face a trade deficit, which is not surprising for a developing country that requires heavy capital imports. Exhibits 12 and 13 provide some data on Bangladesh's trade and balance of payments. In 2011, for example, it imported goods and services worth more than USD30 billion and exported somewhat less than USD23 billion. These data underline the importance of trade to the country's economy.

54%

trade as proportion of Bangladesh's GDP

13.2%

of Bangladesh's overall trade supported by Standard Chartered

Exhibit 12

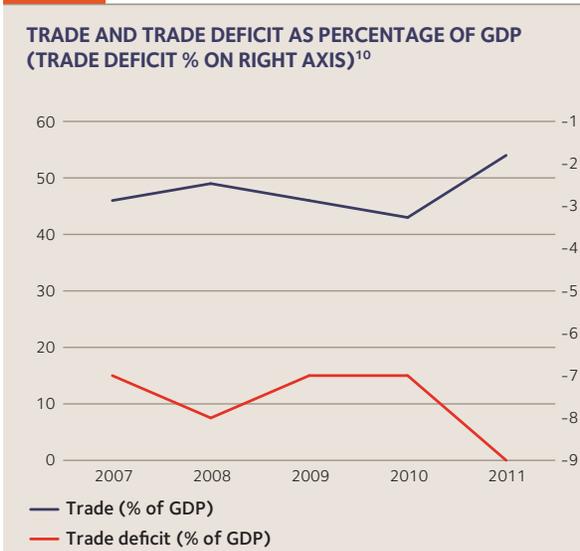
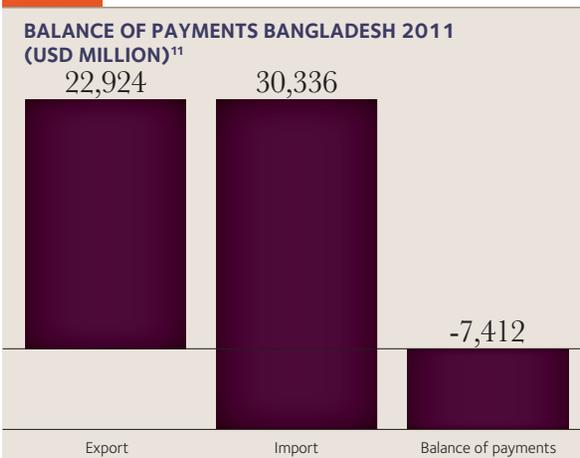


Exhibit 13 clearly indicates that Bangladesh is a net importer, meaning that it consumes more goods and services than it produces. The negative trade balance has to be financed through capital inflows, including foreign aid and remittances from overseas workers. Bangladesh, however, is seeking ways to reduce the trade deficit, for example by building new power plants which can make use of indigenous natural gas as opposed to imported fuel oil. Standard Chartered Bangladesh is playing an important role in this development, by helping to finance the new facilities.

Exhibit 13



Standard Chartered Bangladesh contributes to the country's trade in several ways. Specifically, the bank:

- provides short-term trade (working capital) finance to importers and exporters
- offers letters of credit and other trade finance products which enable traders to buy inputs and sell their finished products abroad
- provides long-term finance to trading companies, enabling them to increase their capacity
- makes available loans denominated in USD, making it possible for trading companies to hedge against currency fluctuation risks
- mobilises offshore finance for clients including the garment sector and utility companies, which among other things require imports of capital equipment and, in the case of electric utilities, fuel.

Standard Chartered Bangladesh's balance of payments effect, as presented in Exhibit 14, comes about as the bank supports trading activities of local companies by providing loans as well as non-monetary trade finance products.¹² In total, the bank supports 13.2% of Bangladesh's trade. The majority of this trade value is supported with letters of credit and guarantees, products that do not involve cash transactions. In this study, these products are only considered for the analyses of the trade volumes supported by Standard Chartered Bangladesh; the bank's contribution to value added and employment has been quantified exclusively on the basis of monetary transactions. Letters of credit generally enable international trade as they offer a certain degree of trust between buyer and seller. The monetarily supported share of the import and export supported comes about when Standard Chartered Bangladesh provides finance to, for example, a garment company, which will import some of its inputs from abroad and sell almost 100% of its products to foreign countries. To the extent that this firm relies on the bank's financing to operate, its importing and exporting activities have been taken into account in the calculation of Standard Chartered Bangladesh's balance of payments effect. In this particular case, term and trade loans have been treated the same way, since both support tradable output.

¹⁰ Export Promotion Bureau and Statistics Department, Bangladesh Bank, FY 2011

¹¹ World Bank Development Indicators

¹² Estimates of non-monetarily supported trade values provided by Standard Chartered Bangladesh

Exhibit 14



4.4.1 Garment sector

No sector exemplifies the role of Bangladesh in the global economy better than the garment industry. According to International Finance Corporation data, garments account for more than 75% of Bangladesh's total export earnings and nearly 10% of GDP. Currently, the country has about 4,000 garments factories, employing approximately 2.5 million people, of whom 80% are women.

The garment industry has proved resilient since the global financial crisis that began in 2008 and led to a substantial economic slowdown in the United States and European Union, the main destinations for Bangladesh's garment products. Low labour costs have enabled the industry to keep its prices competitive, while Bangladesh's two Export Processing Zones (EPZs), in which many garment exporters operate, receive favoured access to scarce electricity. Still, there are signs of consolidation occurring in the industry, along with a growing squeeze on prices.

Standard Chartered Bangladesh has had a long-standing role in financing the garment industry. As noted in the introduction, the bank has operated for more than five decades in Chittagong, a traditional site for the garment trade and nowadays home to one of the EPZs. With its access to deep foreign currency liquidity and an extensive global network, Standard Chartered Bangladesh is particularly well-placed to provide foreign currency financing to export-oriented garment companies. Furthermore, the bank supports entrepreneurs who help to increase the value added of the garment industry, for example by producing more sophisticated textile products. As previously stated, moving towards higher value added production is necessary, if Bangladesh is to increase incomes and improve its standard of living.



More than 2.5 million people are employed in Bangladesh's garment sector

Supporting garment industry growth

Ananta Group manufactures ready-made garments for export, focusing predominantly on denim, with Ananta Apparels Limited as its flagship company. Employing 14,000 people, the Group also operates a number of joint ventures, manufacturing high-end products, such as metal buttons, dress suits and sweaters. The company is one of Bangladesh's largest suppliers to both Gap and H&M, with other customers including Oshkosh and Next.

Ananta has stayed profitable throughout the global financial crisis, without compromising on standards. Environmental and social risks in its factory are well managed, it pays minimum wages, and has in place sound health and safety processes. Standard Chartered Bangladesh has supported the Group since 2011, helping it to lower its financing costs and manage the risk of fluctuating export prices.

37,400

jobs supported in the wider economy through bank's lending to garment sector

The vast majority of the trade volume supported by Standard Chartered comes about through letters of credits and other non-monetary trade finance products. These services enable garment producers to sell their products in the international market. In terms of monetary support, the bank's term and trade loans helps garment companies grow and produce more output. In addition, its lending to sectors which procure from the garment industry increases overall demand for garment products.

TABLE 5: TEXTILE TRADE (USD MILLION) AND STANDARD CHARTERED BANGLADESH'S CONTRIBUTION¹⁴

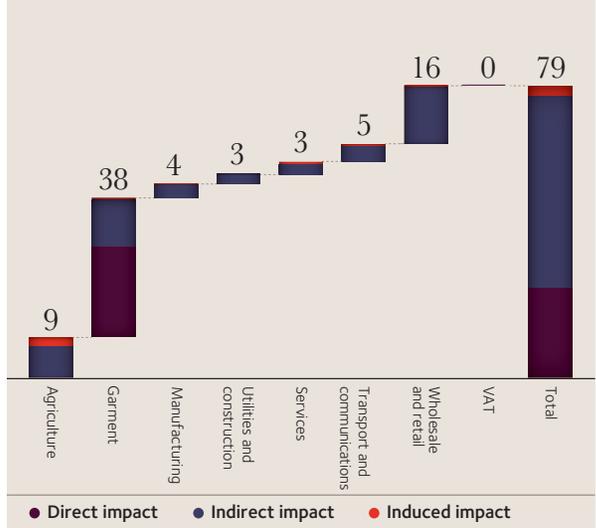
	Bangladesh Total	Total supported by Standard Chartered	Monetarily supported
Garment Import	USD7 billion	6.9%	1.2%
Garment Export	USD18 billion	5.6%	1.0%
Total Garment Trade	USD25 billion	12.6%	2.2%

Based on productivity estimates for the various borrowing garment companies, the bank's lending led to an attributable output to Standard Chartered Bangladesh of USD110.5 million. The impacts that arise from this attributable garment output are traced through the wider economy, as production and shipping of the products have a spill-over impact on other sectors (Exhibit 15).

As shown, when the garment sector thrives, many other sectors benefit, including the transportation sector (which ships inputs and finished goods), along with distributors and business services, including banking. Conversely, should the garment sector face a slowdown, other industries will undoubtedly suffer as well. Exhibit 16 shows the employment impact arising through the economy, from Standard Chartered Bangladesh's lending to the garment industry.

Exhibit 15

VALUE ADDED ASSOCIATED WITH STANDARD CHARTERED BANGLADESH'S TOTAL LENDING TO THE GARMENT SECTOR (USD MILLION)



Based on the inter-linkages of the garment industry, it is not surprising that the biggest spill-over effects arise in the agricultural industry, the manufacturing industry and wholesale and retail (selling to domestic and international customers).

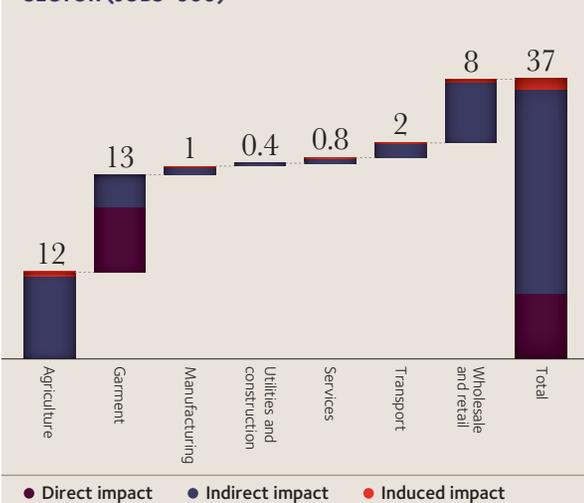
Through its lending to clients in the garment sector, Standard Chartered Bangladesh supports USD79 million of value-added and 37,400 jobs throughout the economy. Of this, USD38 million and 13,100 jobs are supported directly and indirectly in the garment sector itself. The remaining contribution emerges through spill-over effects in other sectors. In summary, this means that every USD1 million provided to the garment sector supports 256 jobs in the wider economy.

¹³ Estimates provided by Standard Chartered Bangladesh

¹⁴ Export Promotion Bureau, Bank of Bangladesh, 2011

Exhibit 16

IMPACT ARISING FROM STANDARD CHARTERED BANGLADESH'S TOTAL LENDING TO THE GARMENT SECTOR (JOBS '000)



In addition, Standard Chartered Bangladesh indirectly impacts the garment industry by lending to other sectors, which procure from the garment sector for their own production. The wider impacts supported in this way amount to USD40 million of value added (Exhibit 5) and 14,000 jobs (Exhibit 9).

4.5 Offshore financing

According to the 2007 International Finance Corporation Enterprise Survey, 42.5% of all Bangladeshi firms regard access to finance as a major constraint on doing business. Access to finance involves several different issues (e.g. credit referencing and banking regulation), but capital scarcity in general is the most important, particularly foreign currency loans which are subject to tight regulation. As an international bank, Standard Chartered helps Bangladeshi companies, such as the power and telecom sectors, acquire offshore financing for investment in capital-intensive projects, which would otherwise have been difficult to undertake, or to buy goods and services priced in dollars. The bank's offshore capital expenditure financing is equivalent to around one-fifth of Bangladesh's total foreign direct investment.

4.5.1 Standard Chartered's leverage effect

Given that a large share of offshore financing is dedicated to capital expenditure, Standard Chartered Bangladesh typically seeks to include other lenders, leveraging its own contribution. Due to its specialist capabilities and standing in the global financial community, the bank is able to generate interest from other financial institutions. In some cases, the bank acts as the sole lender, but often it will bring in other banks to provide a proportion of the financing. In particular, this leverage effect can be seen in Standard Chartered's financing of Bangladesh's power and telecom sectors.

4.5.2 Improving access to electricity

Next to access to finance, access to electricity is widely cited as one of the major constraints on doing business in Bangladesh, as made clear in the World Bank's Doing Business survey. Currently, Bangladesh ranks 182 in the world on the ease of access to electricity, and the electricity that does arrive is unreliable: Bangladeshi firms claim that their average losses due to power outages amount to 10.6% of annual sales. Adding kilowatts is therefore not only beneficial for the direct users of the electricity, but has indirect impacts that cause positive ripple effects throughout the local economy.

Over the years, Standard Chartered has helped improve access to power in Bangladesh, by providing the power generation sector and related contractors with financing and other services. In this way, between 2003 and the end of 2011, the bank supported the addition of nearly 1,156 MW of electricity for Bangladesh, approximately 24% of the country's power capacity as of 31 December 2011.

Supporting Bangladesh's power distributors

Standard Chartered Bangladesh acts as a major cash management bank for three of Bangladesh's major power distribution companies, supporting the companies' day-to-day operations. Specifically, Standard Chartered Bangladesh supports the collection and payment needs of the three companies through its collection centres in five locations, 42 bill-pay locations and over 100 network bank locations.



Since 2008, the number of mobile users has more than doubled in Bangladesh, to represent 70% of the population.

Providing finance to Orascom

Standard Chartered Bangladesh arranged syndicated financing for one of Bangladesh's largest telecom providers, Orascom.

Prior to this, the bank had provided the company with a significant debt financing package, the largest arranged for any corporate in Bangladesh. The financing package included a local currency term loan, a USD commercial term loan and a development financial institution tranche. Standard Chartered Bangladesh was joint mandated lead arranger, along with KfW IPEX Bank.

The bulk of the extra power capacity supported by Standard Chartered Bangladesh is based on locally sourced natural gas, which helps the country to reduce its dependency on imported fuel. Two projects alone, financed by Standard Chartered in 2004 (Haripur and Meghnaghat) added more than 10% of the total installed power capacity at the time.

Table 6 highlights the relevance of electricity to Bangladesh, and Standard Chartered's contribution.

TABLE 6: RELEVANCE OF ELECTRICITY

Relevance of electricity ¹⁵	Bangladesh
Companies that see electricity as major constraint	78.4%
Annual sales lost due to electrical outages	10.6%

Standard Chartered supported power generation	MegaWatt
Gas power plant	1,001
Fuel power plant	155
Total supported	1,156
Country generation on 31 Dec, 2011 evening peak	4,843
Contribution Standard Chartered Bank ¹⁶	24%

4.5.3 Increasing telecom investment

A modern system of information and communications technology (ICT) is a necessity for sustainable growth in any economy. ICT can help lower the costs of doing business and increase competition, while making firms and workers more efficient. In recent years, Bangladesh has made major strides in the improvement of its ICT networks, including mobile telephony, with the number of mobile users more than doubling to 106 million (70% of the population) between December 2008 and September 2012.

Mobile telephony infrastructure is being used increasingly as a medium to reach Bangladesh's unbanked population with financial services, as well as providing Internet connectivity to remote areas of the country. By February 2012, there were just over 31 million Internet subscribers in Bangladesh, almost 30 million of whom were using their mobile phones for access.

Offshore capital has played a critical role in the financing of capital-intensive telecom infrastructure, which could not have been met by domestic savings alone. Standard Chartered Bangladesh has played a pivotal role in the development of the telecom sector, having increased its financing of the sector by 67% since December 2008. By September 2012, the Bangladesh telecom companies to which the bank had provided finance represented a total of 95 million subscribers, or 90% of mobile users in Bangladesh.

¹⁵ IFC Enterprise Survey, 2007, Bangladesh Government

¹⁶ Estimate provided by Standard Chartered Bangladesh

4.6 Supporting entrepreneurs

Standard Chartered Bangladesh regards entrepreneurs as integral to Bangladesh's economy and future growth, and seeks to deepen engagement with this customer segment. In particular, the bank has taken steps to provide more support to women entrepreneurs. In 2011, Standard Chartered Bangladesh signed an agreement with the Bangladesh Federation of Women Entrepreneurs to provide training and development to women business owners. With training sessions conducted by a contractor, Standard Chartered offered its first programme in February 2012. A total of 20 women received training on 'Developing a Business Plan for a New Venture and Understanding Banking Products & Services for Business'.



Standard Chartered has taken steps to deepen its engagement with entrepreneurs in Bangladesh.

SB Tel Enterprises

SB Tel Enterprises Limited, a sister concern of Edison Group, was founded in 2005 as a distributor of Siemens mobile phones and home appliances. In 2009, the company launched a local mobile phone brand, Symphony, which has grown quickly to become one of the leading brands in Bangladesh, competing directly with global giants such as Samsung and Nokia. Currently, SB Tel Enterprises is the market leader.

Integral to SB Tel Enterprises' success has been its understanding of the Bangladeshi market and the need for affordable mobile phone handsets. Primarily targeting the rural population in Bangladesh, for whom expensive mobile phones from global brands are out of reach, the company has been instrumental in the rapid growth of mobile telephony in the country.

SB Tel Enterprises Limited first approached Standard Chartered Bangladesh for a credit line in 2007. Despite the company's limited financial track record, the bank agreed to offer a trade finance facility which was a significant step up from the company's only credit line at the time, a relatively small loan facility from a local bank. The support from Standard Chartered Bangladesh was especially critical for SB Tel Enterprises as the company's Chinese suppliers would not accept letters of credit from local Bangladeshi banks.

Since 2007, Standard Chartered Bangladesh has continued to support SB Tel Enterprises, as its requirement for working capital and other financial services has grown. Standard Chartered's support, as a major international banking group, has also helped SB Tel Enterprises to attract other financiers, with eight other banks extending credit facilities to the company.

Persona

To encourage female entrepreneurship in the country, Standard Chartered Bangladesh launched Orjon, a special term loan product tailored to female-owned small and medium-sized enterprises.

Taking out one of the new loans was long-standing bank customer Kaniz Almas Khan, managing director of Persona, a local beauty company:

"We started modestly more than a decade ago with five employees in premises of 300 square feet. In the early days of our business Standard Chartered was one of the contributors to our success story. Today we employ more than 2,000 staff."

Persona is now a sizable beauty salon business with a total of seven sites and an average of over 5,000 customers served each day.

**USD
213.1m**

Standard Chartered Bangladesh's lending to financial institutions at the end of 2011

4.7 Financial institutions

As noted earlier, the financial sector in Bangladesh has expanded significantly in recent years. Like other businesses, banks themselves often need access to short-term loans, and these loans can sometimes constitute an important share of their balance sheet. As a case in point, when inter-bank lending in many countries seized up during the financial crisis, banks had to turn to their national central banks for emergency funds. While Bangladesh escaped the worst of that crisis, it does highlight how dependent banks are on one another for their short-term financial needs.

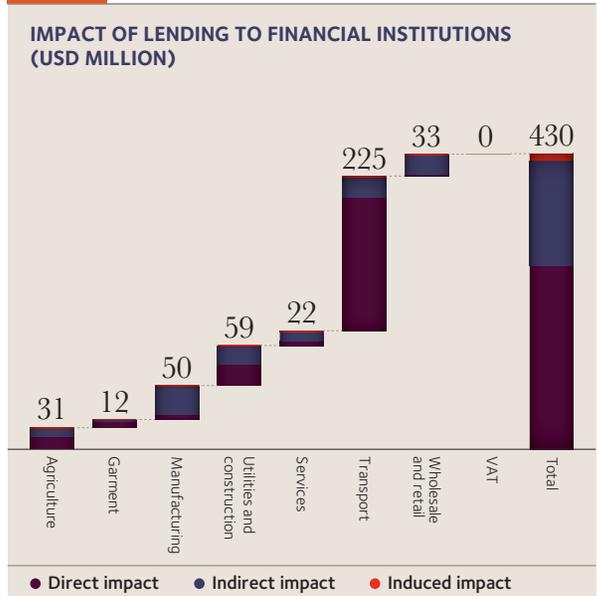
Lending to financial institutions (FIs) is somewhat different from lending directly to the private sector. As noted, it usually takes the form of short-term loans which are crucial to the smooth functioning of the financial system. In order to quantify the impact of Standard Chartered Bangladesh's loans to other banks in the same manner as its onshore lending to clients, one would need to have access to the balance sheets and loan books of these banks. Since no such access was available, this report uses sector lending patterns, as reported by the Bangladesh Bank, to examine the impact of Standard Chartered's loans to FIs.

Considering at Standard Chartered's term and trade loans to FIs, the total attributable output (i.e. the share of output that can be related to the finance provided) amounts to USD430 million. Exhibits 17 and 18 depict the value added and employment supported throughout the Bangladeshi economy, as the output is produced, shipped and sold.

The Bangladeshi government requires all banks operating in the country to invest a certain percentage of their loan books into locally routed sectors such as agriculture. This legal requirement of investing into agriculture is met by Standard Chartered Bangladesh by its provision of finance to microfinance institutions that have 12% of their loans outstanding with the agricultural sector. FIs have a particularly large share of finance outstanding with the telecommunications sector (54.6% of total finance¹⁷) whose business model relies on capital-intensive infrastructure investments. Consequently, the impact of FIs is relatively concentrated in this sector (53% of total supported value added).

Exhibit 17 depicts the total impact of Standard Chartered Bangladesh's FI lending on the local economy (note that there were no offshore loans provided in 2011 to FIs). The Exhibit shows that the value added supported by FI lending

Exhibit 17



is equivalent to 0.4% of GDP. This means that FI lending has a high multiplier effect compared to lending to other sectors. One reason for that could be that local FIs have a broader range of customers, including companies with limited access to capital. As noted previously, a loan given to those companies has a larger value added effect than a loan given to companies that are already relatively productive, as would tend to be the case for Standard Chartered Bangladesh's corporate clients, for example. Exhibit 18, in turn, shows that the bank's FI lending contributes 189,000 jobs, or 0.3% of the labour market, through direct, indirect and induced impact. The direct effects on agriculture and on transport services are notable. It suggests that some lending goes to banks that specialise in, for example, the agricultural sector.

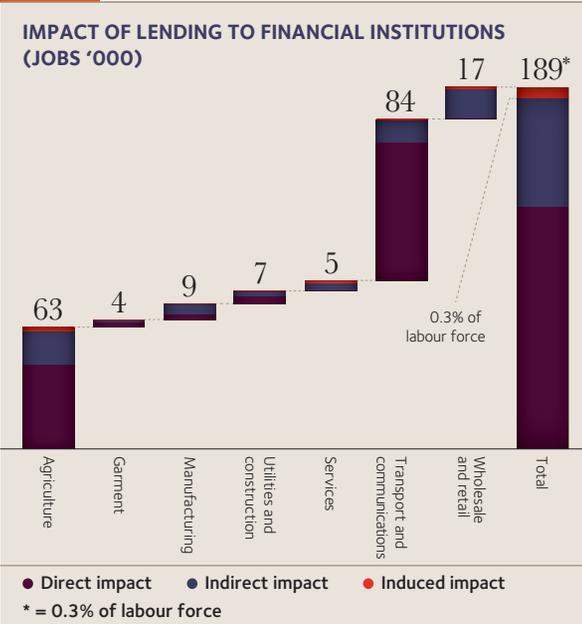
4.7.1 Funding microfinance

Without access to credit, it is very difficult for individuals and families to increase their standard of living. Credit enables farmers and entrepreneurs to make the investments they need to increase output, and allows families to pay for school tuition or make improvements to their homes.

While middle and upper-class families enjoy access to credit through the consumer loans provided by banks such as Standard Chartered Bangladesh, the absence of collateral and regular employment makes lending to the poor

¹⁷ Bank of Bangladesh Sector-wise Private Sector External Debt, 2011

Exhibit 18



In the past five years, Standard Chartered's loans to microfinance institutions have benefited around 2.3 million people in Bangladesh.

particularly challenging for commercial financial institutions. It was this gap that the microfinance movement – which began in Bangladesh following independence in 1971 – set out to fill. Although the earliest microfinance institutions, such as Grameen and BRAC, focused on microcredit, today these organisations offer a wider array of financial services.¹⁸ Microfinance in Bangladesh has grown into a mature, closely supervised, USD3 billion industry, with expansion of 20% in 2011 alone. The average size of a microfinance loan in Bangladesh is USD107, with each borrower having on average four dependants.

Bangladesh is the largest single market in Standard Chartered's global microfinance business. The bank supports several microfinance institutions (MFIs) in the country, including BRAC, BURO (Basic Unit for Resources and Opportunities) Bangladesh, TMSS (Thengamara Mohila Sabuj Sangha) and the Shakti Foundation for Disadvantaged Women. In the past five years, Standard Chartered's MFI loans in Bangladesh, 34% of which are for agriculture, have benefited around 2.3 million people.

BRAC

Standard Chartered Bangladesh's support of BRAC has played an important role in the institute's development and ability to engage in poverty-reducing microlending.

With its integrated health, microfinance and education programmes, BRAC reaches approximately 110 million people in Bangladesh. In the span of only three decades, it has grown into one of the world's largest development organisations in terms of the scale and diversity of its interventions.

Currently, BRAC has over 120,000 staff members and an annual budget of more than USD585 million, nearly 70% of which is self-financed. BRAC's cumulative microfinance disbursements stand at over USD8 billion, and the organisation has a membership base of 8.45 million, of which 5.45 million are borrowers. In addition, more than 1.33 million children are currently enrolled in 43,435 BRAC schools, and over 4.38 million have already graduated from its primary schools.

In recent years, BRAC has taken its range of development interventions to Afghanistan, Sri Lanka, Pakistan, Tanzania, Uganda, Southern Sudan, Liberia and Sierra Leone. In these countries, BRAC has so far disbursed approximately USD590 million to more than 587,000 borrowers.

¹⁸ For a useful history and analysis of microfinance in Bangladesh, see David Hulme and Karen Moore, *Why has microfinance been a policy success in Bangladesh (and beyond)?*, Institute for Development Policy and Management, University of Manchester, March 2006

5/Standard Chartered's other contributions - a qualitative assessment

Besides those impacts that are quantifiable, Standard Chartered Bangladesh influences the Bangladeshi economy in myriad ways that are more difficult to model and measure.



Standard Chartered supported Bangladesh through the process of obtaining its first ever sovereign credit rating, marking a breakthrough for the country's international image.

5 Standard Chartered's other contributions – a qualitative assessment

Besides those impacts that are quantifiable, Standard Chartered Bangladesh influences the Bangladeshi economy in myriad ways that are more difficult to model and measure. Even though they can't be quantified, they can potentially be transformational, changing the way things are done across a sector or the whole economy. This section highlights some of those other activities, providing relevant data where available.

5.1 Risk management tools: derivatives and hedging

Derivatives help local businesses in Bangladesh, including financial institutions and importers of vital raw materials, to manage trading risk by protecting themselves against fluctuations in currencies, interest rates and commodity prices. Standard Chartered, or more precisely the bank's Global Markets business, pioneered the use of derivatives in Bangladesh, and still operates one of the country's most sophisticated dealing rooms, with a diverse range of risk management products. For example, Standard Chartered Bangladesh helps importers of sugar protect themselves against the risk of price falls during the time that passes between fixing on a price for a delivery and the actual arrival of the cargo in Bangladesh.

In 2011, Standard Chartered Bangladesh helped two of the country's large power companies to protect themselves against future interest rate rises on their loans, by providing them with structured USD interest rate collar hedging solutions, the first of their type in Bangladesh. The structures, which require no upfront payment, allow the power companies to protect their cash flow and profit margin, for greater overall stability of their businesses.

Acting as mandated lead arranger and bookrunner, Standard Chartered Bangladesh also helped the country's leading oil company, the sole crude and refined oil importer for the government of Bangladesh, raise a USD200 million short-term oil import facility through international syndication. In addition, on the back of the syndicated loan, the bank provided the company with an interest rate hedging solution, a landmark transaction for Bangladesh's public sector. The deal, which helps the state oil company manage the cost of its financing for crucial energy imports, was the first-ever interest rate swap involving a government business in Bangladesh.

More recently, Standard Chartered provided a structured solution to a state-owned Bangladeshi bank, supporting its trade finance activities through a USD60 million foreign currency facility from London, the first of its kind for a state-owned financial institution in Bangladesh. The facility will support the country's overseas trade, and help increase foreign currency flows to Bangladesh.

5.2 Financial innovation

Standard Chartered Bangladesh also contributes to the economy of Bangladesh by introducing new financial products and services that improve the lives of consumers, while making businesses and public sector entities more efficient.

As an example, Standard Chartered is currently one of the only banks in the country offering collateral-free loans to small and medium-sized enterprises (SMEs), many of which struggle to access the capital they need to set up and expand. SMEs are crucial to growth and job creation in Bangladesh, and Standard Chartered's financing and expertise helps to support the sector.

In another example, acting as a joint mandated advisor, in 2010 Standard Chartered Bangladesh supported the Ministry of Finance and Bangladesh Bank (the central bank), through the process of obtaining the country's first-ever sovereign credit rating: Ba3 from Moody's and BB-minus from Standard & Poor's. This marked a breakthrough for the image of Bangladesh and will help the country access funding in international bond markets, and attract more foreign direct investment.

Furthermore, Standard Chartered Bangladesh has been a pioneer in syndicated debt financing in Bangladesh, having arranged over USD2 billion¹⁹ of local and foreign currency syndicated debt since 1997. This represents around 60%²⁰ of the total syndicated debt raised in the market during the period and has helped support key economic sectors such as power, telecommunication, infrastructure, food, textile and microfinance.

More recently, Standard Chartered Bangladesh has helped develop the market for structured debt solutions, such as asset-backed securitisation and commercial bonds. The bank is working actively towards developing the country's secondary market for bonds, particularly government securities. This will help meet demand from foreign investors and increase the flow of foreign direct investment to Bangladesh.

60%

of total syndicated debt since 1997 arranged by Standard Chartered

¹⁹ Standard Chartered Bangladesh data

²⁰ Standard Chartered Bangladesh data

17

former Standard Chartered employees now CEOs or deputy managing directors at other banks

17%

growth in Standard Chartered Islamic banking assets in 2011

Standard Chartered Bank's other innovations in Bangladesh include the following:

- First credit card
- First subordinated bond transactions
- First metal derivative transaction
- First commodity derivatives
- First international debit card
- First gold deposit transaction
- Joint lead arranger for country's first 5-year asset-backed securitisation.

5.2.1 Supporting the development of Islamic banking

In recent years, Standard Chartered Bangladesh has become increasingly involved in Islamic banking, helping to widen access to Shariah-compliant financial products and services in Bangladesh. The bank pioneered Shariah-compliant credit cards in the country, and this year launched a full suite of Islamic cash management, working capital and financing solutions for its wholesale banking clients, the first foreign bank in Bangladesh to do so.

With its large Muslim population – and its reliance on remittances from workers based in the Gulf states where Islamic banks are more prevalent – Bangladesh has seen rapid growth in Islamic banking.

One of the fastest-growing segments of the banking market, Islamic banking currently represents around 17% of total banking deposits, with a year-on-year growth rate of 26%, compared to 20% for conventional banking.²¹ Seven dedicated Islamic banks – as well as 15 other banks with an Islamic product offering – operate in the market, serving Bangladeshis with financial products and services that comply with Shariah law.

Standard Chartered has offered Islamic banking in Bangladesh for several years, with products and services developed under the guidance of an independent Shariah Supervisory Committee and sold under the global brand name Saadiq, which means 'truthful' in Arabic.

Standard Chartered Bangladesh runs a branch exclusively for Islamic banking customers, offering a full range of Shariah-compliant consumer banking products, including savings and current accounts, fixed deposits, credit cards and personal finance, auto and home financing. It also offers a suite of Islamic banking products tailored specifically to

small and medium-sized enterprises.

5.3 Business practices

Standard Chartered Bangladesh makes additional, direct and indirect, contributions to Bangladeshi society through its business practices – including its employee training programmes, financial crime prevention, sustainable finance standards, environmental protection measures and community investment. These activities, and their impact on people and communities in Bangladesh, are discussed below.

5.3.1 Human resources and skills development

Through its recruitment and training programmes, Standard Chartered Bangladesh has a potentially substantial influence on the financial system in Bangladesh. By adhering to strong principles of diversity and inclusion and recruiting the best applicants, regardless of their background or gender, the bank sets a standard for others to follow. Meanwhile, as Standard Chartered Bangladesh provides employees with leading-edge training, the bank not only improves its own performance, but contributes a public good to Bangladesh's economy, as some of the employees subsequently leave and take their skills with them. Indeed, Standard Chartered Bangladesh claims that many bankers now working in Bangladesh got their start at the bank, including 17 individuals who went on to become CEOs or deputy managing directors at other banks.

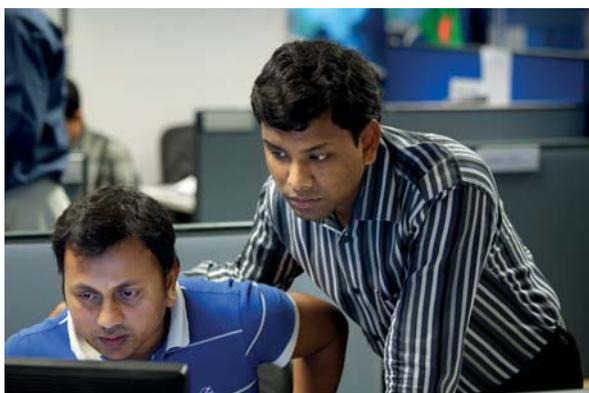


Standard Chartered has an impact on Bangladesh's financial sector through its staff recruitment and training programmes.

²¹ Bangladesh Bank data

5.3.2 Financial crime prevention

Standard Chartered Group continually updates its systems and processes to guard against money laundering, terrorist financing, fraud and corruption. Financial crime is corrosive to economies, resulting in lower tax revenues, distorted markets, diverted resources and reduced wealth. This has a direct impact on society, resulting in weaker investment, employment and economic growth.



Standard Chartered trains its employees worldwide on how to detect and tackle financial crime.

Standard Chartered trains its employees worldwide on how to detect and tackle financial crime. The bank also works closely with governments, law enforcement agencies, regulators and the banking industry, including in Bangladesh, to share best practice and contribute to ongoing initiatives which prevent, detect and respond to potential criminal activity. Over the last 10 years, the bank has contributed to numerous manuals and policies on anti money laundering (AML) and combating the financing of terrorism (CFT), which have subsequently been rolled out across the banking industry in Bangladesh.

All new employees of Standard Chartered Bangladesh are required to complete online AML and CFT e-Learning modules, and pass relevant tests within three months of joining the bank. Mandatory refresher courses are provided to staff every two years.

In addition, Standard Chartered Bangladesh has helped provide AML and CFT training more widely in Bangladesh, spreading best practice to other banks and supporting the country in its general efforts to reduce financial crime. As an example, the bank's employees have supported training workshops organised by the central bank to build up the prevention effort of local financial institutions. Standard Chartered Bangladesh has also organised its own AML and CFT workshops, including for government officials, senior police officers, stock exchange brokers and non-governmental organisations.

5.3.3 Sustainable finance

Standard Chartered recognises that its financing decisions have a potential impact on people and the environment. The bank has 14 position statements on high-impact sectors such as oil and gas, mining and forestry, as well as key issues, such as child labour, climate change and water. The statements set the out the environmental and social standards that Standard Chartered expects of itself and its clients. The bank's sustainable finance approach enables it to identify risks and propose mitigating solutions at an early stage. Standard Chartered is also committed to help finance clean technology, with USD8.4 billion mobilised towards the sector globally by the end of 2011.

Improving standards in ship breaking

Standard Chartered Bangladesh has served the ship breaking sector for nearly 20 years, with most of its clients recognised as leaders in the industry.

By 2007, a number of accidents had occurred in the ship breaking industry, though the frequency of accidents among Standard Chartered Bangladesh's clients had remained low. Given the social implication of these accidents, Standard Chartered requested all its ship breaking clients in Bangladesh and elsewhere to apply stringent safety measures as a condition of financing. This included a restriction on the purchase of ships with a high asbestos content. To secure a safer working environment for ship breakers, all Standard Chartered clients were requested to meet the standards of the International Labour Organization and International Maritime Authority.

In making its changes – at the risk of losing business – Standard Chartered Bangladesh acted ahead of standards being enforced by the Bangladesh government. Subsequently, the government has introduced mandatory regulatory approval by the Department of Environment as a condition for any ship breaking activity taking place in Bangladesh.



Following a successful pilot, Standard Chartered Bangladesh is looking at introducing more solar-powered ATMs.

Conserving energy with solar-powered ATMs

Bangladesh, as a country, suffers from an insufficient and erratic power supply. To conserve energy and reduce its dependency on conventional power sources, Standard Chartered Bangladesh is adopting renewable energy alternatives where possible. Solar power is commonly used for lights, fans and computer operation in Bangladesh, and is already in use at the bank's head office, to help ensure a continuous electricity supply.

Standard Chartered Bangladesh is also experimenting with using solar power to run ATMs during daylight hours. From 9am to 7pm, an ATM machine at the bank's head office is run with solar power from a 1 kilowatt solar panel. After 7pm a timer transfers the power supply back to the regular source. The use of solar power to run the ATM saves 3,600 KWH of energy annually, and reduces the bank's dependence on diesel generators.

Following the successful pilot, Standard Chartered Bangladesh is now considering using solar power for ATMs at other branches and offices, as well off-site ATMs. One additional solar-powered ATM is currently in the pipeline, with a further four to five locations under consideration for 2013.

5.3.4 Protecting the environment

Financial institutions may not be particularly carbon-intensive, but they can still make a difference in the fight against climate change, particular in a country such as Bangladesh, which suffers from frequent power failures and adverse climate events. To illustrate the magnitude of these challenges, around 60% of all deaths caused by cyclones in the last 20 years have occurred in Bangladesh.

Standard Chartered has implemented a wide range of initiatives globally, setting itself stretching targets to reduce its use of energy, water, air travel and paper. In Bangladesh, the bank supports the Green Banking Policy introduced by the central bank, Bangladesh Bank, to reduce natural resource consumption in the financial sector. Standard Chartered was one of the first in Bangladesh to introduce solar-powered ATMs, and has made significant savings in its consumption of paper, reducing the number of A4 sheets used by 61% to 3,130,000 between 2010/11 and 2011/12. The saving equals almost 600 trees, which have the capacity to absorb 16,500kg of carbon dioxide in the environment.

Partnering with the British Council Bangladesh, Standard Chartered Bangladesh has also sponsored 'Climate4Classrooms' and '3000 miles to go', national campaigns aimed at raising awareness about climate change issues (see 5.3.6).

5.3.5 Responsible selling and marketing

Throughout its business, Standard Chartered is focused on understanding the needs of customers and clients, and providing them with appropriate solutions for their needs. By training its employees, the bank helps to spread best practice for selling and marketing to the wider financial services industry in Bangladesh.

In Consumer Banking, the bank has implemented a significant programme of improvement to embed Treating Customers Fairly practices into its culture, Customer Charter, governance and general processes. In Wholesale Banking, the bank continues to focus on deepening relationships with clients to provide the solutions they need to achieve their business goals and ambitions.

In 2011, Standard Chartered Bangladesh strengthened the training of its client-facing employees to improve their knowledge and ensure a consistent service for clients. In addition, the bank has taken a number of initiatives to improve its services, including the establishment of forums to address common complaints received from clients, as well as a task force to address any current and future issues. All customer complaints are logged and tracked to ensure fast resolution. Between 2009 and 2011, Standard Chartered Bangladesh reduced the number of customer complaints per 1,000 transactions from 4.08 to 2.41, and increased the number of complaints resolved after the first call from 44% to 61%.

5.3.6 Community investment

In addition to its business activities, Standard Chartered Bangladesh benefits the country through its wide range of community investment programmes, with a total investment of USD949,000 in 2011. From an economic perspective the programmes can be seen as a public good since they benefit people, whether or not they are bank clients.

Seeing is Believing

Standard Chartered's main community investment programme is Seeing is Believing, a global eyecare charity set up in 2003 to help tackle avoidable blindness, with a current objective of raising USD100 million by 2020. In Bangladesh, Standard Chartered has committed USD1 million to Dhaka Urban Comprehensive Eye Care, a five-year project aimed at serving over 270,000 visually impaired people by 2013. Recently, the bank has committed a further USD1 million in support of a new project to strengthen and expand the provision of child eye health services at Islamia Eye Hospital in Dhaka. Standard Chartered Bangladesh has also funded an operating theatre and children's ward at the hospital. To date, Seeing is Believing has invested USD2.3million in Bangladesh and reached 1.57 million people through its work to prevent and cure blindness.

Living with HIV

Through the bank's Living with HIV programme, Standard Chartered Bangladesh helps educate not only its own staff but also local communities about preventing HIV and AIDS. For example, in 2011 the bank organised three seminars and interactive sessions at factories owned by clients.

Education

Education is another area of focus for Standard Chartered Bangladesh. The bank has sponsored the Young Learners Club of The British Council for the last 13 years, and in 2009 signed a three-year agreement with Dhaka University Economics Department Alumni Association and Dhaka University Department of Development Studies, to provide financial assistance to meritorious students. Again partnering with the British Council Bangladesh, the bank also sponsored 'Climate4Classrooms' and '3000 miles to go', national campaigns aimed at raising awareness on climate change issues. The 'Climate4Classrooms' website (www.climate4classrooms.org) was the first in Bangladesh to explore the science of climate change, helping readers to understand how the adverse impacts affect people in Bangladesh and other countries.

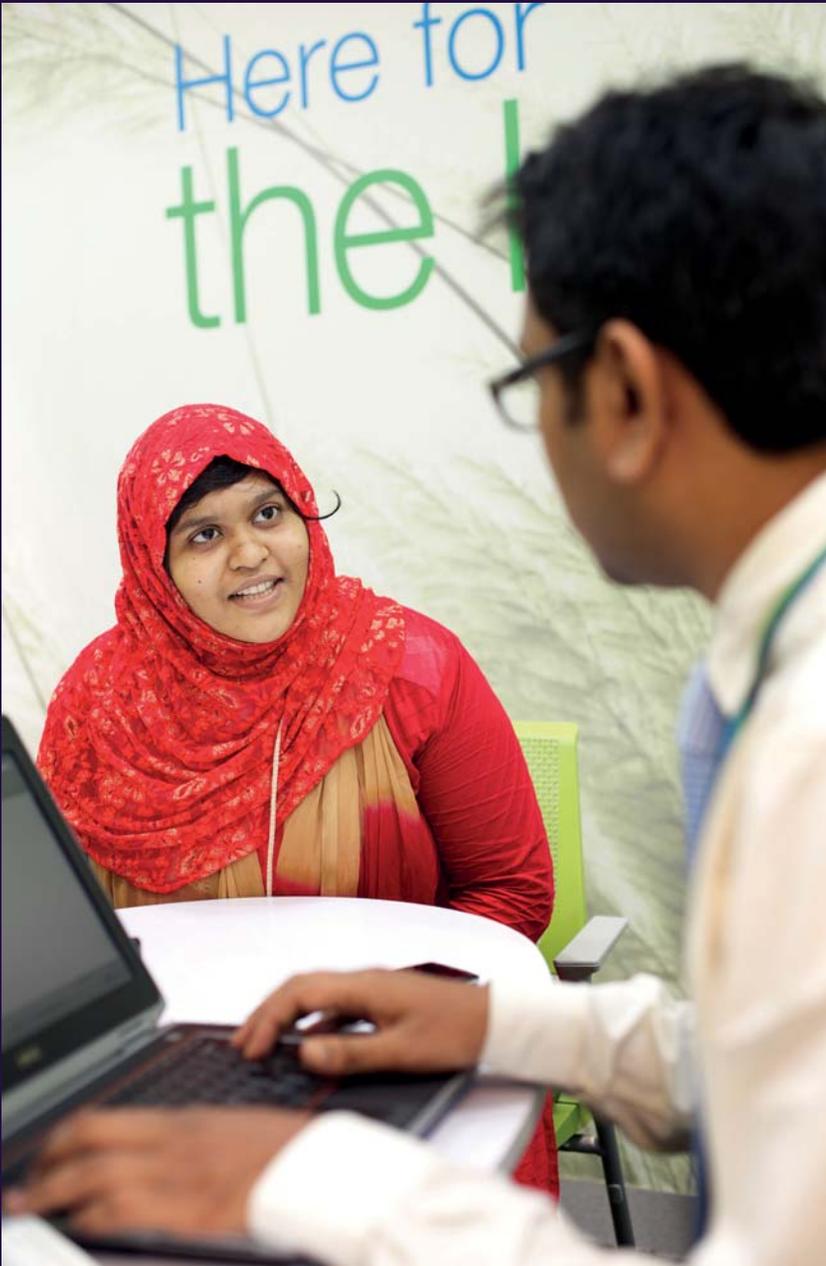
1.57

million people reached through Seeing is Believing



 A young patient at the Islamia Eye Hospital in Dhaka, which has received funding through Seeing is Believing.

6/Conclusion



6 Conclusion

Standard Chartered is the oldest and largest foreign commercial bank operating in Bangladesh. As such, it was expected to have a large impact on the nation's economy. This report is ground-breaking in that it represents the first attempt by a bank in Bangladesh to quantify that impact.

The report shows that the nearly 1,200 workers at Standard Chartered Bangladesh support 466,000 workers throughout the nation's economy, and that the bank's activities contribute to 1.1% of the nation's GDP. When the bank's lending to financial institutions is included, the impact is even greater, at 1.5% of GDP and 655,000 jobs. Standard Chartered Bangladesh alone supports some 12.6% of all garment industry trade. The offshore finance, which the bank provides to key sectors, such as power and telecoms, is helping to relieve one of the major constraints on the economy. Meanwhile, the bank's innovative solutions, such as its advisory services to the Government of Bangladesh on its first-ever sovereign credit rating, are helping the economy to develop. Standard Chartered Bangladesh has also been a long-standing lender to BRAC, thus supporting Bangladesh's microfinance movement, which provides credit and other financial services to a segment of the population that was long considered un-bankable. Because of its deep engagement with the local economy, Standard Chartered Bangladesh was rated Best Foreign Commercial Bank in the country in 2011 by Finance Asia.

The report illustrates that the banking sector plays a key role in the development and growth of national economies. International banks, in particular, are significant for developing countries, because of their ability to mobilise offshore capital and to finance global trade, both of which are critical to sustained growth. Since developing nations lack the domestic savings needed to fuel investment, and require access to international markets in order to grow, banks like Standard Chartered Bangladesh help to fill a major economic gap.

 International banks are significant for developing countries because of their ability to mobilise offshore capital.

However, banks alone cannot place nations on the path of sustainable development. They must operate within the context of a policy environment that fosters private sector investment and the generation of human capital. Incentives must exist for individuals and firms to make investments today that might only pay off in the long term. In fact, such long-term investments are the very essence of sustainable development. While Bangladesh has made tremendous strides in tackling an array of major economic challenges since its independence, the government must continue to work closely with the private sector, including the banking system, to ensure that the country continues to attract domestic and foreign investment and to promote entrepreneurship.

6.1 Next steps

These are a number of steps that Standard Chartered may wish to consider as it seeks to deepen its socio-economic impact in Bangladesh:

- Small and medium-sized enterprises (SMEs) generate significant value added and employment: for every USD1 million of finance provided, over 1,200 jobs are supported. The high multiplier is due, in part, to the fact that SMEs are relatively inefficient when compared to large corporate clients. Standard Chartered Bangladesh should focus more of its advisory attention on the SME community, to ensure that they remain competitive. Related to this, Standard Chartered Bangladesh should continue, and consider developing, its outreach to women entrepreneurs
- Standard Chartered Bangladesh has made a significant contribution to the financial system through its internal recruitment and training programmes, which have supported the careers of many of Bangladesh's leading bankers. In essence, Standard Chartered Bangladesh has acted as a financial educator, providing a public good in the form of well-trained financial executives. While it may be costly for Standard Chartered Bangladesh to see a banker depart for another firm, the bank must continue its leading-edge training programmes, which are crucial not just for Standard Chartered Bangladesh as a leader but for the entire financial sector
- In seeking to enhance its impact on the nation's economy, Standard Chartered Bangladesh should actively monitor the business community for constraints that are impeding growth and expansion, and look for ways to use its financing to relieve these constraints. For example, financing infrastructural projects like power plants helps to overcome power shortages that currently prevent economic development. By allocating resources strategically into economic areas that enhance the country's business climate in this way, Standard Chartered Bangladesh can play a crucial role in Bangladesh's future development
- Standard Chartered Bangladesh could consider more targeted community investment programmes that make greater use of its specialist knowledge and skills. For example, the bank could set up a programme offering technical assistance to entrepreneurs, to provide them with guidance on their business plans. A programme of this kind would not only support entrepreneurs, and thereby economic growth in Bangladesh, but could help the bank identify future clients, while enabling its employees to use their experience in helping entrepreneurs gain access to finance
- Standard Chartered Bangladesh should continue to work closely with the Government of Bangladesh to encourage economic reforms to continue. The country is seeking to grow as a destination for foreign direct investment, and Standard Chartered Bangladesh could help the government to identify the precise actions that should be taken in order to achieve this. More generally, as part of a leading global banking group, Standard Chartered Bangladesh can help to develop 'Brand Bangladesh', by highlighting the significant development achieved by the country in the past decades and, in this way, promoting Bangladesh as an investment destination
- Given its prominent role as a global bank, and in financing international trade in particular, Standard Chartered Bangladesh should continue to emphasise its trade finance function, which is crucial to Bangladeshi exports and imports, and thus to the nation's growth and development.

Appendix: Model description

I.1 Modelling approach

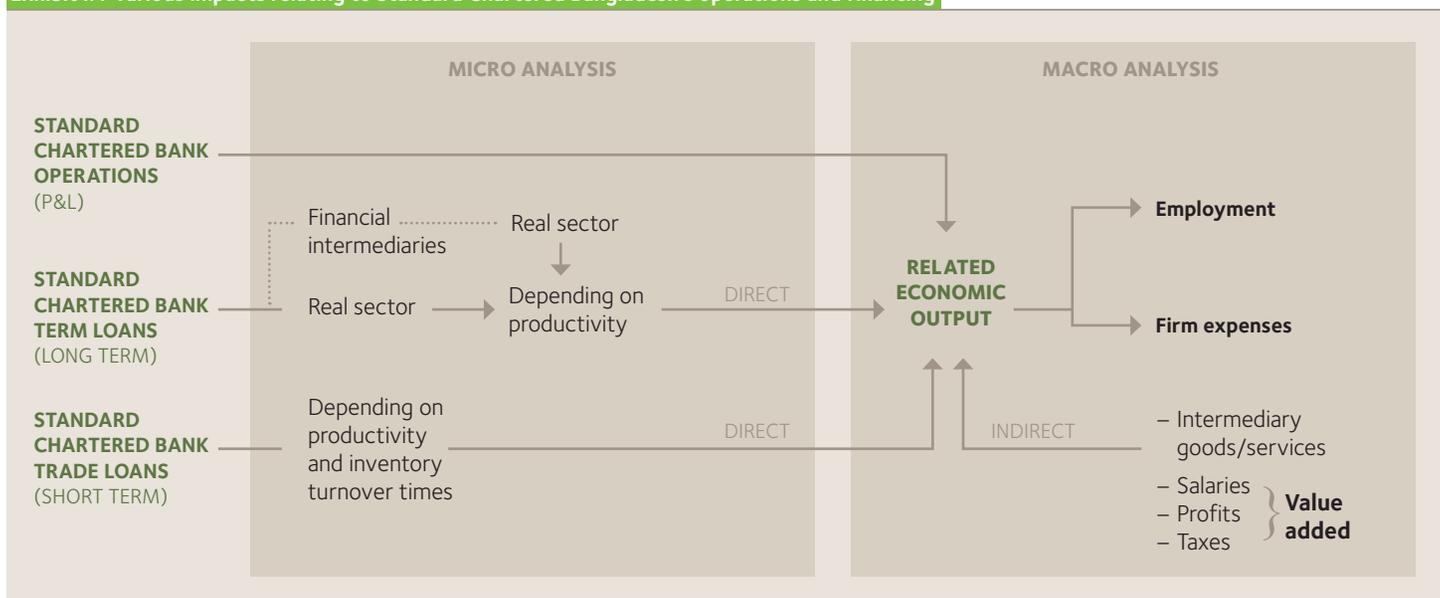
The approach developed for this study is based on input-output modelling (developed by the Nobel Prize-winner Wasily Leontief) which combines the financial data of Standard Chartered Bangladesh with the macroeconomic data of Bangladesh. The bank creates socio-economic impacts in several different ways:

First, Standard Chartered supports value added and employment through its own operations. Second, Standard Chartered Bank's onshore term lending (long-term lending that supports capital expenditure) provides capital to local firms, enabling them to invest in new machinery, hire employees and, ultimately, increase their output. Third, Standard Chartered supports Bangladesh's trading companies by providing short-term trade and working

capital loans. Finally, as a branch of an international banking group, Standard Chartered Bangladesh mobilises international capital, or offshore financing, for projects within Bangladesh.

Specifically, Standard Chartered Bangladesh has been transformed into a column called a social accounting matrix (SAM), which describes the inter-industry linkages in an economy, depicting how the output of one industry influences another where it serves as an input. For example, the car industry requires steel, tyres, electricity etc. to produce vehicles, while the supplying industries require various inputs to produce the goods/services they sell to the car industry. A SAM depicts those linkages and therefore essentially makes one industry dependent on another, both as customer of outputs and as supplier of inputs.

Exhibit I.1 Various impacts relating to Standard Chartered Bangladesh's operations and financing



I.2 Production function

All Standard Chartered Bangladesh finance has been converted into firm output based on the production function of the bank's clients. This production function in turn depends on the clients' capital structure. A production function describes a firm's economic output (P) as a function of its inputs, namely capital (K) and labour (L): $P = f(L,K)$. Although classic production functions are written in terms of physical outputs, economic output has been used to allow for different firms to be incorporated more easily. L has been measured in terms of the full-time equivalents (FTEs). For Standard Chartered Bank's wholesale banking clients K has been defined as firm assets as of 31 December 2011. For SME clients this information was not readily available, so for those companies the report relied on publicly available information on fixed assets by industry, provided by Bangladesh Bank's *Survey of Manufacturing Industries, 2005-2006*. The central bank provides gross output figures by industry for the same period. As Standard Chartered Bangladesh also provides finance to financial institutions (FIs), the same approach has been applied to their portfolio companies. A full analysis in terms of sales and asset figures of all FI portfolio companies would have gone beyond the scope of this study.

Production functions consequently indicate the amount of capital required in various sectors to produce one additional unit of output. For short-term finance (working capital and trade finance) the production functions have

been corrected for inventory turnover times. All expenditure necessary to produce the output share related to Standard Chartered Bangladesh can then be traced through the Bangladeshi economy to estimate the value added and employment they support.

In order to apply the approach described above, Standard Chartered Bangladesh's consumer and wholesale Banking portfolio of outstanding loans as of 31 December 2011 has been allocated to specific economic sectors. For the wholesale banking segment this is a straight-forward exercise. For the consumer banking and FI portfolio share, however, some additional analysis was required.

Based on a sample containing loans that Standard Chartered Bangladesh's Consumer Loans department disbursed between January 2012 and August 2012, consumer loans outstanding as of 31 December 2011 were distinguished by purpose and subsequently by economic sector.

Bangladesh Bank provides figures on the private sector's external long-term debt as of 31 December 2011. Standard Chartered Bangladesh's finance to FIs has been split over the various economic sectors based on this general allocation. For development finance institutions it is known that 12% of Standard Chartered Bangladesh's lending is invested into the agricultural sector (legal requirement). For the rest of Standard Chartered Bangladesh's lending given to development institutions, the same allocation as presented in the exhibits above has been applied.

I.3 Social accounting matrix

When the financing provided has been converted into supported output, the broader economic effects can be traced, based on the social accounting matrix (SAM) for Bangladesh. The SAM describes the financial flows of all economic transactions that take place within the Bangladeshi economy. It is a statistical and static²² representation of the economic and social structure of Bangladesh and in principle depicts the average spending pattern of various economic sectors. As shown in Exhibit I.2 opposite, the number of columns and rows are equal in the SAM, because all sectors or economic actors are both buyers and sellers. Columns represent buyers (expenditure) and rows represent sellers (receipts). Standard Chartered's own operations have been inserted into the SAM as a separate column.

Of the four quadrants in the SAM, three are relevant here. Final *consumption* induces production which leads to financial *transfers* between the various sectors which subsequently generates income for households, governments (taxes) and companies (dividends and savings). For Bangladesh, the most recent SAM dates back to 2007 and has been taken from the GTAP 8²³ database.

As is indicated in Exhibit I.2, Standard Chartered Bangladesh has been included as a sector in its own right by adding a row and a column in the SAM. This way the impact of the bank's operational activities can be captured; the column is Standard Chartered Bank's reallocated cash flow statement. The row is left entirely blank except for the export revenues that flow to Standard Chartered Bangladesh. The last step in constructing the SAM is to normalise it so that all columns add up to one.

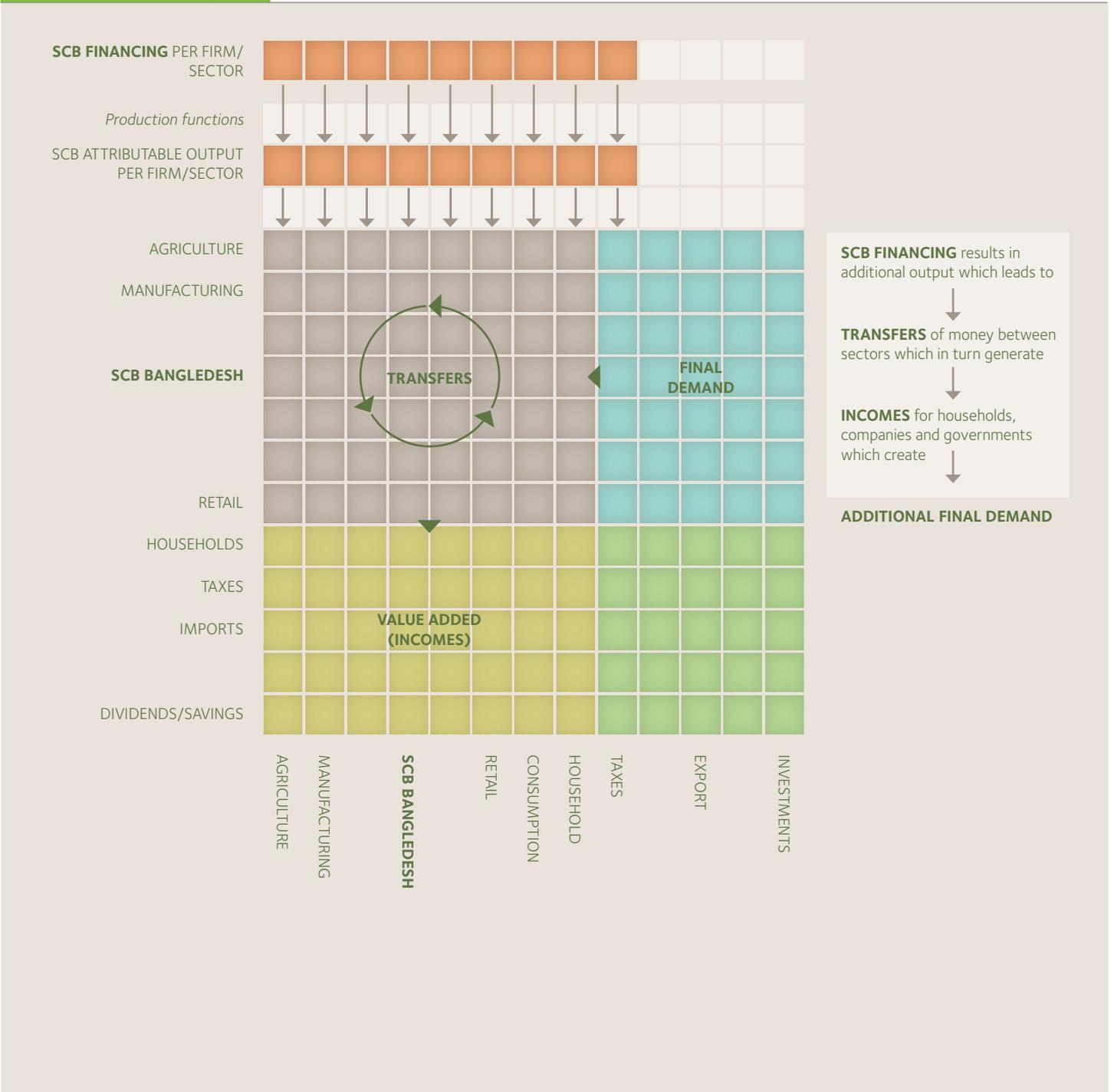
In modelling Standard Chartered Bangladesh's impact, the economic effects related to the finance it provides can be divided into three:

- 1. Direct effects:** effects arising from the bank's own operations and its loans to recipient firms (that is, the impact on jobs, salaries, and taxes paid by the receiving sector)
- 2. Indirect effects (value chain):** effects arising at suppliers to the receiving sector; these effects (e.g. jobs and salaries provided by suppliers' suppliers) arise from procurement of intermediary products/services to produce the additional output related to the investment
- 3. Induced effects:** these result from the spending patterns of households that are able to borrow against their incomes, enabling them to purchase more goods and services than they could otherwise. One point to emphasise is that while direct and indirect effects have been captured to their full extent, a different approach needs to be taken with respect to estimating the induced effects. In the academic world, concerns persist about whether the induced impact represents at least some double counting of incomes, since at least a part of these effects may have been captured in earlier rounds of spending. Researchers agree, however, that there is a leverage effect arising from wages earned, as this enables people to borrow and thus consume more than they would otherwise.

²² SAMs are valid for a specific year. Economies are subject to change and SAMs must be updated periodically

²³ Global Trade Analysis Project (www.gtap.agecon.purdue.edu)

Exhibit I.2: Social accounting matrix



I.4 Assumptions of input-output modelling

1. Constant returns to scale, technology and capital and labour productivity

For all sectors, the social accounting matrix (SAM) implicitly assumes Leontief (linear) production functions in which the inputs increase proportionally with output. Across the economy, and in the medium term, this assumption is not over-restrictive, as new technologies and business practices take time to translate into higher productivity. Input-output modelling is not capable of capturing transformative change, such as the introduction of e.g. mobile phone or internet technology. For that reason, SAMs are periodically, or sporadically, updated. Only by studying the change of SAMs over time can one infer the effect of transformative technology of business practices. If one were to update the SAMs every five years or so and assume technology constant for the periods, one would incorporate the transient change of technology in a quasi-steady way. This however would not quantify Standard Chartered Bangladesh's contribution to this transformative technology change. In input-output modelling the marginal capital and labour productivities are equal to overall capital and labour productivity. Although in reality one would expect diminishing marginal returns to scale, the lack of skills and capital typically present in emerging markets probably means that this assumption is not unreasonable. For firms with good access to finance (possibly Standard Chartered Bangladesh's clients), however, the assumption is more restrictive. Using Cobb-Douglas production functions for these companies – as proposed – will improve results but only regarding the direct impacts.

2. Different products within one sector have identical cost structures

Although economies of scale and scope surely influence the production process within an individual company, we assume that production processes are not too dissimilar across a sector. This restrictive assumption could only be relaxed with more disaggregated data.

3. Demand is totally inelastic and input structures are fixed

In a SAM, the use of inputs does not depend on price but only on final demand. Unreasonable as it sounds, this assumption may not be over-restrictive unless one supposes that firms are price-makers instead of price-takers. More restrictive is the fact that the production function relies on a fixed proportion of inputs, i.e. no substitution takes place. Again, this may not be problematic over a relevant time-horizon.

4. Supply of inputs is totally elastic

Supply of labour-intensive products can be expected to be fairly elastic for unskilled labour. For skilled labour this would be more problematic. Inputs from capital-intensive industries will typically violate this assumption as capital is typically scarce in emerging economies and economic impact would be overestimated.

5. Time invariance

Input-output modelling yields a snapshot in time. In a sense it is as if the effects of any intervention result in a new steady state immediately. In reality of course, it would take a substantial amount of time for these effects to travel through the economy. In other words, the methodology produces a snapshot of the economy and does not take the vintage of a financing intervention into account. In order to model these kinds of time changes one would need to apply computational general equilibrium models. These models are, however, much more data-intensive and one would be unable to apply them in most emerging economies. Even if one could, inaccuracies in the data would probably multiply so as to make any results highly questionable. In addition, attribution of any changes to Standard Chartered Bangladesh becomes increasingly difficult over time, as a growing number of exogenous and endogenous events will exert their influence.

I.5 Overview of sectors

The overview below provides an overview of the sub sectors included in each of the sectors used in this report.

Agriculture

Paddy rice
Wheat
Cereal grains
Vegetables, fruit, nuts
Oil seeds
Sugar cane, sugar beet
Plant-based fibres
Crops
Bovine cattle, sheep and goats, horses
Animal products
Raw milk
Wool, silk-worm cocoons
Forestry
Fishing

Industry

(Manufacturing/Mining/Utilities/Construction)²⁴

Coal
Oil
Gas
Minerals
Bovine meat products
Meat products
Vegetable oils and fats
Dairy products
Processed rice
Sugar
Food products
Beverages and tobacco products
Textiles
Wearing apparel
Leather products

Wood products
Paper products, publishing
Petroleum, coal products
Chemical, rubber, plastic products
Mineral products
Ferrous metals
Metals
Metal products
Motor vehicles and parts
Transport equipment
Electronic equipment
Machinery and equipment
Manufactures
Electricity
Gas manufacture, distribution
Water
Construction

Retail

All retail sales
Repairs of motor vehicles and personal and household goods
Retail sale of automotive fuel

Wholesale

Wholesale trade and commission trade

On-Trade

Hotels and restaurants

Transport (Transport/Communication)

Transport
Water transport
Air transport
Communication

Services (Financial/ Public/ Social Services)

Insurance
Business services
Public administration, defence, education, health dwellings
Recreational and other services

²⁴ The garment industry referred to in this study comprises 'Textiles' and 'Wearing apparel'

About the report and acknowledgements

Standard Chartered commissioned this report to gain an understanding of its impact in Bangladesh. The bank aims to contribute to social and economic development in the more than 70 markets where it operates. It hopes that the report's findings will help to inform its future strategy, in Bangladesh and elsewhere.

The report was produced between June and October 2012. It draws mainly on official statistics from Bangladesh's central bank and national statistics office, as well as corporate data from Standard Chartered Bangladesh. The authors wish to thank the management of Standard Chartered Bangladesh for its support of this project, as well as the customers and other stakeholders of the bank who gave their time during interviews.

The authors are solely responsible for the contents of this report. It does not express the views of Standard Chartered Plc.



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Completed in 1998, the Jamuna Bridge joined the two main parts of the country, and had a major positive impact on the economy of Bangladesh.

