

USB BANK SET FOR INTERNATIONAL EXPANSION AFTER TAKEOVER



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In February 2011, the Lebanese bank BLC acquired almost 94% of the share capital of USB Bank (formerly Universal Savings Bank). Last week, Maurice Sehnaoui, Chairman and General Manager of BLC, was in Cyprus and he spoke exclusively to Gold's Chief Editor John Vickers about the decision to acquire USB Bank and his vision for USB.

Gold: What is the strategic reasoning behind the acquisition of USB Bank? What does Cyprus have to offer BLC?

Maurice Sehnaoui: A strategic decision was taken some time ago to give BLC a presence outside Lebanon. The difficult part – it took us two years – was choosing where to base ourselves. Many of our clients are Lebanese or Arabs and they believe in the old saying “Don’t place all your eggs in one basket”. They like to keep their assets in two places: their own country and preferably a European country. So having decided that we should have a presence somewhere in Europe, we then had to choose a country. Europe is a very large market but we knew that Cyprus was already a very good platform for offshore or regional business. This was a major advantage and incentive. The Lebanese and the Arabs like Cyprus as a place in which to do business or to have a presence for their business or their assets. We knew that our clients would like the idea of having a regional bank in Europe and so we selected Cyprus. Our decision was helped by the fact that I know Cyprus – I’ve been coming here for 40 years and I don’t feel like a foreigner here. This helped to formulate the decision although, of course, it was not fundamentally based on that.

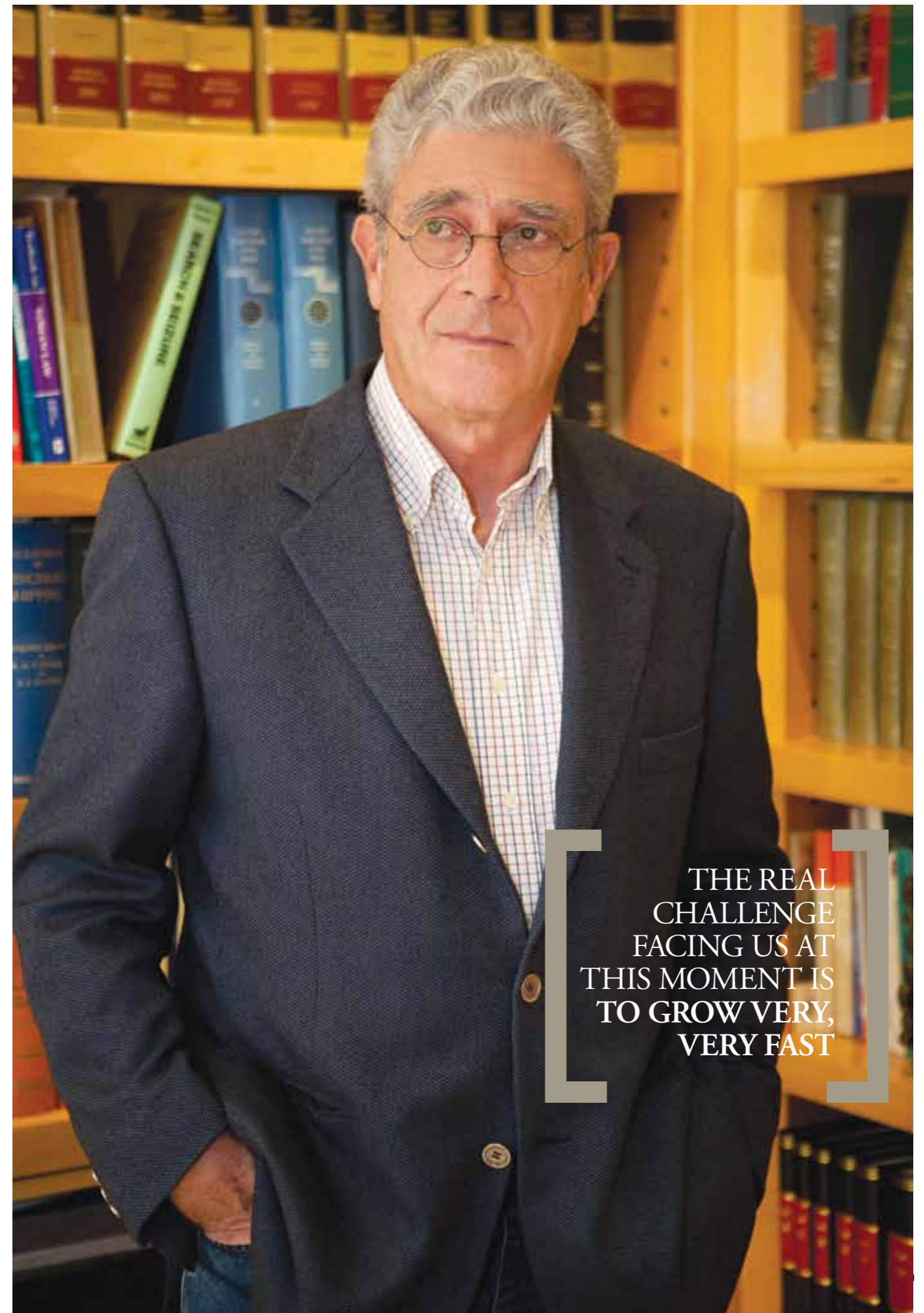
Gold: You could have set up BLC Cyprus. Why buy an existing bank?

M.S.: I don’t like starting from scratch so having decided that I did not want to start from zero, I came here looking for a working bank to buy and we found a good one in USB. It was one of those lucky coincidences

in that the owners wanted to sell and we were looking to buy. You need experience in this business and some people will tell you that starting from zero is easier. Buying something that is already working is much quicker but it can be difficult to reorganize or there is always a possibility that you will discover unwanted things. Having bought many banks in the past, it was not so difficult for us. I knew what we wanted to achieve and we knew that it made better business sense to purchase an existing bank.

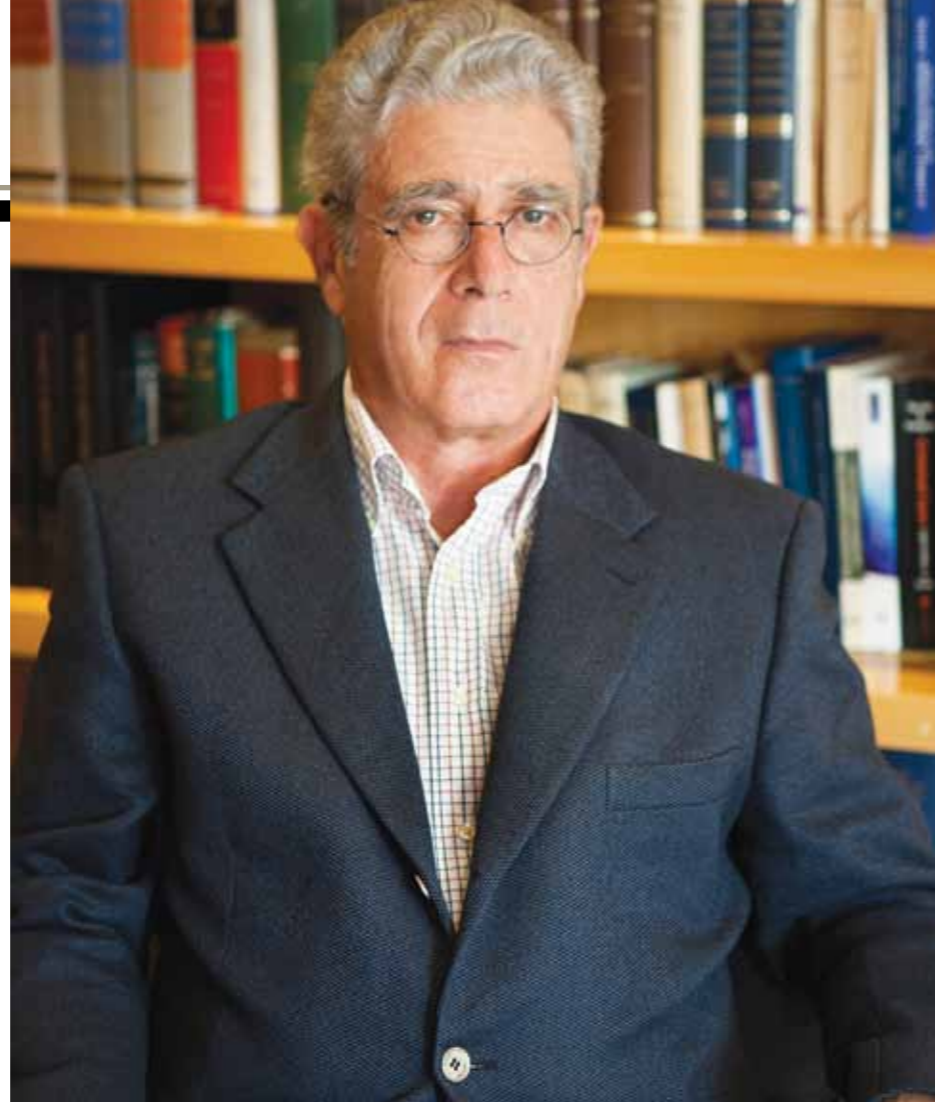
Gold: Are there differences in working practices and professional culture between Lebanon and Cyprus that might cause difficulties?

M.S.: When two bankers meet they can speak exactly the same language, even if one is Russian and the other is Venezuelan. Banking has some basic rules and when two professionals come together they will quickly understand if they share the same understanding of those rules and whether they are true professionals or amateurs who became bankers. From a professional point of view there are no differences of culture. We know the management of USB Bank and they are professionals so it has been very easy for us to talk with them. In this sense there are no cultural barriers between us. Of course, there is another level of culture: the Cypriots have adopted the Anglo-Saxon culture in some ways whereas in some ways Lebanese culture is French-influenced. When talking with my colleagues I can see where my Lebanese/French culture starts and where their Cypriot/British culture



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starts but this is not the essence of the subject that unites us, which is banking. As bankers I see no problem whatsoever.

Gold: What is the biggest challenge facing you and USB Bank?

M.S.: USB is a small bank in the Cypriot market and sometimes when you are a small player, the gap between you and the bigger players gradually grows too large and one day you will simply disappear. The real challenge facing us at this moment is to grow very, very fast. This is our major challenge and our target.

Gold: How do you intend to achieve it?

M.S.: Banks, like all companies, have a tendency to copy each other if something appears to be working. My basic philosophy is always to try and do things differently from the competition. We achieve this firstly by looking for innovation in every aspect of our work. Innovation should always be one of the primary concerns of any company wishing to succeed today. Secondly, the management team has to be totally professional. It needs to be able to operate like a commando group, able to strike fast. Thirdly, objectives must be very clearly defined and well understood by everyone in the same way. We have to hit the bull's eye every time and it's not good enough to be close to it. Moreover, our objectives must be ambitious so, for example, we want to grow faster than the market. I know that this is easier said than done but still, our clear and ambitious objective is fast growth.

Gold: What can USB customers expect from the bank's new owners?

M.S.: Better, faster service, new and innovative products, and professionalism at all levels. A bank needs to know and understand its clients' needs, even if the clients themselves are unable to articulate them precisely. A bank's staff must understand what people want. This is what professionalism is all about. We have to be like good doctors who will accurately

diagnose and treat your problems for you though you may not be able to explain your health problem clearly.

Gold: Is the acquisition of USB Bank the first step towards a greater penetration of the European market by BLC?

M.S.: No, we see it as being more to the benefit of Cyprus and USB. Quite simply, we think that USB is in a better position for regional development than BLC and for this reason I have no intention of changing the name of USB, for example.

Gold: Will USB continue to be a retail bank in competition with Cyprus's so-called 'Big Three'?

M.S.: Yes, and we are not at all worried about the competition. We believe that we can do things in a very attractive way and our objective is to gradually take a bigger share of the market. If the market is growing, the competitors will not even feel what is happening. I'm very confident about this aspect.

Gold: Banks and bankers have had a very bad press in the past couple of years. What, in your opinion, is the biggest difficulty facing the banking sector today?

M.S.: Banking is one of the most risky businesses in the world and, as we have seen in recent times, the risk factor is occasionally miscalculated. In extreme cases this can affect an entire sector with huge consequences for the broader economy, as happened in the USA with the sub prime loans. The regulator was absent but the idea that in a free market the economy can regulate itself was proven wrong. So regulation is necessary. It may put a brake on development but it is clearly a necessity. The challenge for banks is to operate between risk on the one hand and regulation on the other. It is a very complex activity and it takes real bankers to carry it out. **G**