



Portfolio Assessment Report

United Bank

Date: June 30th, 2012

Summary:

United Bank is considered one of the big three after raising their capital to be 250 Billion Iraqi Dinar as a compliance to Iraqi central bank requirements, liquidity management doesn't exist at UBI head Office , UBI is relying in regular traditional banking activities to operate .

FOREX activities are the main focus of UBI as they believe they are the only one between Iraqi Banks who can afford supplying the local market with forging currency.

Credit department is one of the largest departments at UBI head office , it consists of a credit manager and operating team , its main role is to receive applications coming through branches and prepare the application to the benefit of credit committee , Baghdad branches don't have loan officers , all clients are coming directly to the head office for credit after getting a verbal approval from the DG.

Credit team role is to complete a one paper loan application and combine the needed documents , after the loan is approved client's application move to the branch for disbursement , a data entry person disburse the loan on the system.

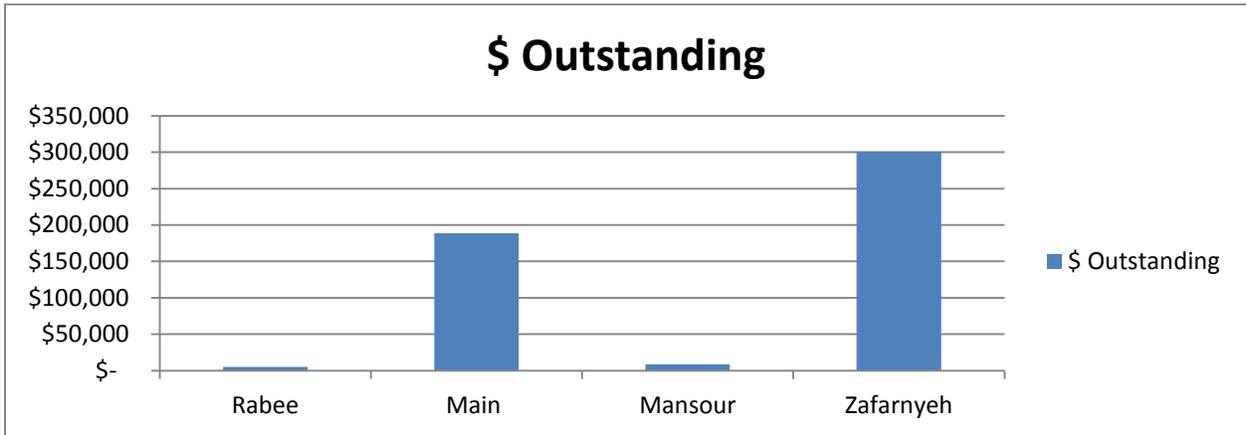
Head office team don't have an access on banks core system neither the credit manager as they believe there is no need for that and the follow up is done through the branches , which means that there isn't any type of reporting reflecting portfolio performance and loan tracking.

Outreach:

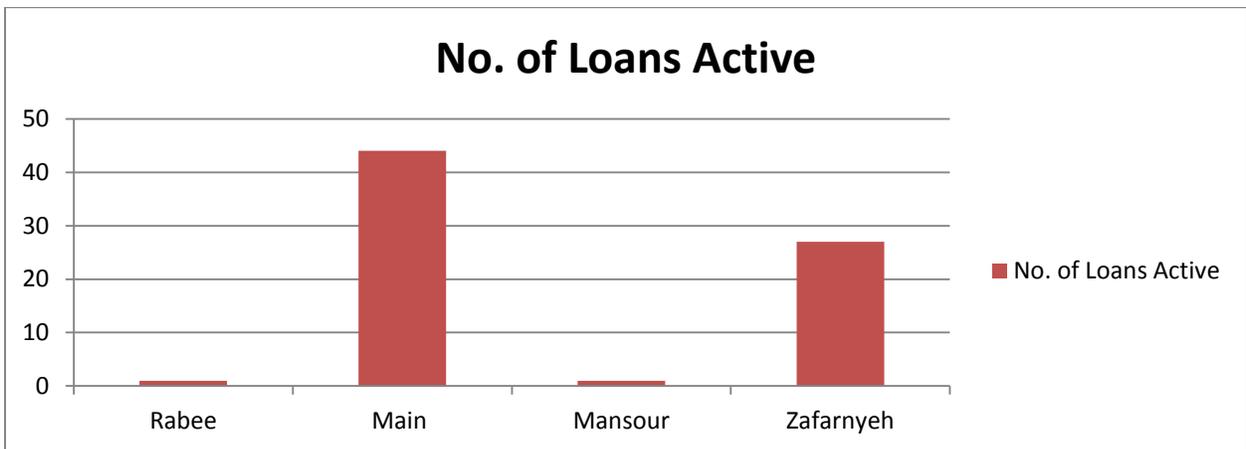
As mentioned before UBI doesn't recognize the role of its credit department as they believe credit should be given to clients well known to UBI management.

Corporate loans and regular consumption loan are the major portion of UBI outstanding loan portfolio , SME portion is very small compared with the total operation.

Figures below show outreach performance of different UBI branches and as it shows a very slow motion in improving branch performance of SME lending:



- This figures show outstanding SME loan portfolio per branch.



- This figures show number of SME active clients per branch.



Portfolio quality:

As UBI managing a very small SME portfolio there is no focus on those loans how they are performing figures below show even it's a very small portfolio UBI is not paying any attention to its performance :

Days in Arrears	No. Of loans in arrears	Outstanding Balance in Arrears	% PAR
31-90 Days	4	\$ 40,740	8.11%
90-180 Days	1	\$ 3,205	0.64%
181-360	0	\$ -	0.00%
> 360	1	\$ 5,342	1.06%
Total	6	\$49,287.00	9.81%

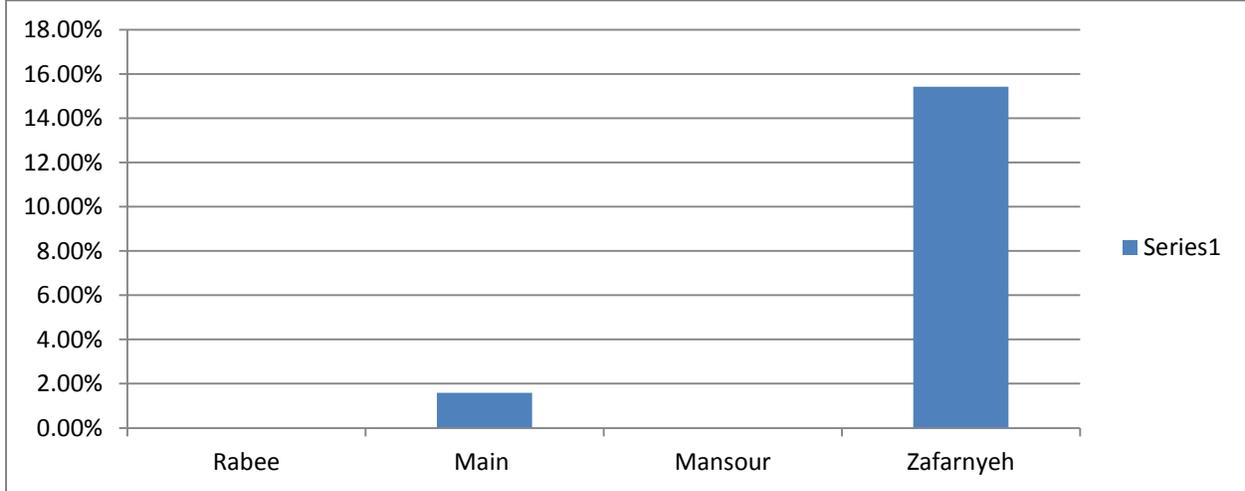
- Branches portfolio at risk indicator :

As its show from the table below there is a gap related to branches follow up activities , braches don't have a restricted follow up policy to maintain portfolio as its clear from the trend of PAR per bracket for each branch , one of the branches exceeded the red line limit for their loan portfolios as its clear there is lack of serious follow up for loans due to make sure they paid back their installments on time , in depth analysis shows the majority of delinquent clients lays in the first bracket (31-90) in arrears , which leads by necessity to a jump of those delinquent borrowers to upper arrears brackets.

Some branches wittiness a deterioration of their portfolio at risk figures, and again referring to the paragraph above its clearly noticed lack of follow up led to such deterioration of loan portfolio.

Bank's head office team is also blamed for not taking an immediate action to prevent portfolio deterioration and as it looks they are also missing direct instructions for follow up. Taking into consideration again they don't have any kind of regular reporting showing such figures.

Portfolio Quality (Arrears Report)					\$11,320,326.00			
As of May 2012								
	31-90 days	90-180 days	180-360 days	over 360 days	Total	Outstanding Portfolio	PAR>30	
UBI Branch								
Rabee	\$ -	\$0	\$0	\$0	\$ -	\$ 5,128	0.00%	
Main	\$ 2,991	\$0	\$0	\$0	\$ 2,991	\$ 188,540	1.59%	
Mansour	\$0	\$0	\$0	\$0	\$ -	\$ 8,547	0.00%	
Zafarnyeh	\$ 37,749	\$3,205	\$0	\$5,342	\$ 46,296	\$ 300,325	15.42%	
Total	\$ 40,740	\$ 3,205	\$ -	\$ 5,342	\$ 49,287	\$ 502,540	10%	



Recommendations:

- Additional job titles and responsibilities need to be identified at United Bank back office in order to follow up and monitor credit risks and portfolio performance per loan officer and branch , identification of risk mitigation factors is a must to monitor future risks and delinquencies before and when occurred.
- Credit Risk manual to be used by UBI team is a must in order to be aware of credit risks and how to prevent their occurrence, such manual needs to be well recognized from UBI top management and circulated to field staff to be followed and understood.
- Follow up procedures are essential to be agreed and circulated to the UBI team, monitoring compliance to those follow up procedures is also a must and should be linked in the future to staff incentive scheme.
- Branch managers should be committed to those manuals and procedures, branch managers are responsible on follow up to make sure their team are following those procedures , there is a need to get them aware also on the importance of commitment to those procedures.
- Different portfolio reports should be generated and submitted on daily, weekly and monthly basis to raise early alerts on bad performing loans or delay in follow up by branch and loan officer.
- Full access and training on UBI CBS to the head office team.