



## Portfolio Assessment Report Bank of Baghdad

Date: May, 2012

### Summary:

Bank of Baghdad starts lending activities to the SME market in Iraq, as part of the credit department. The credit department manager was assigned to follow up SME lending activities, using the regular banking methodologies of lending, department back office team were assigned in different tasks to follow up on branches and verify the compliance of loan applications received from branches.

Department was relying on collateral based lending similar to other bank's loan products, without taking into consideration the nature of SME market

SME lending activity relying on regular daily work of branches loan officer regarding outreach and follow up, taking into consideration loan officers are committed to other regular banking activities which makes focusing on SME loan portfolio a low priority for those loan officers.

Branches loan officers were not trained to do SME lending using best practices techniques nor referring to a special credit policies and procedures.

Most of loan officers who assigned to do SME lending in the HQ are working as a back office more than loan officers in the field, they used to review the files received from the branch, from document perspective.

SME lending has no special policy or procedure in the bank, and so all kind of lending should follow the same procedure

### Outreach:

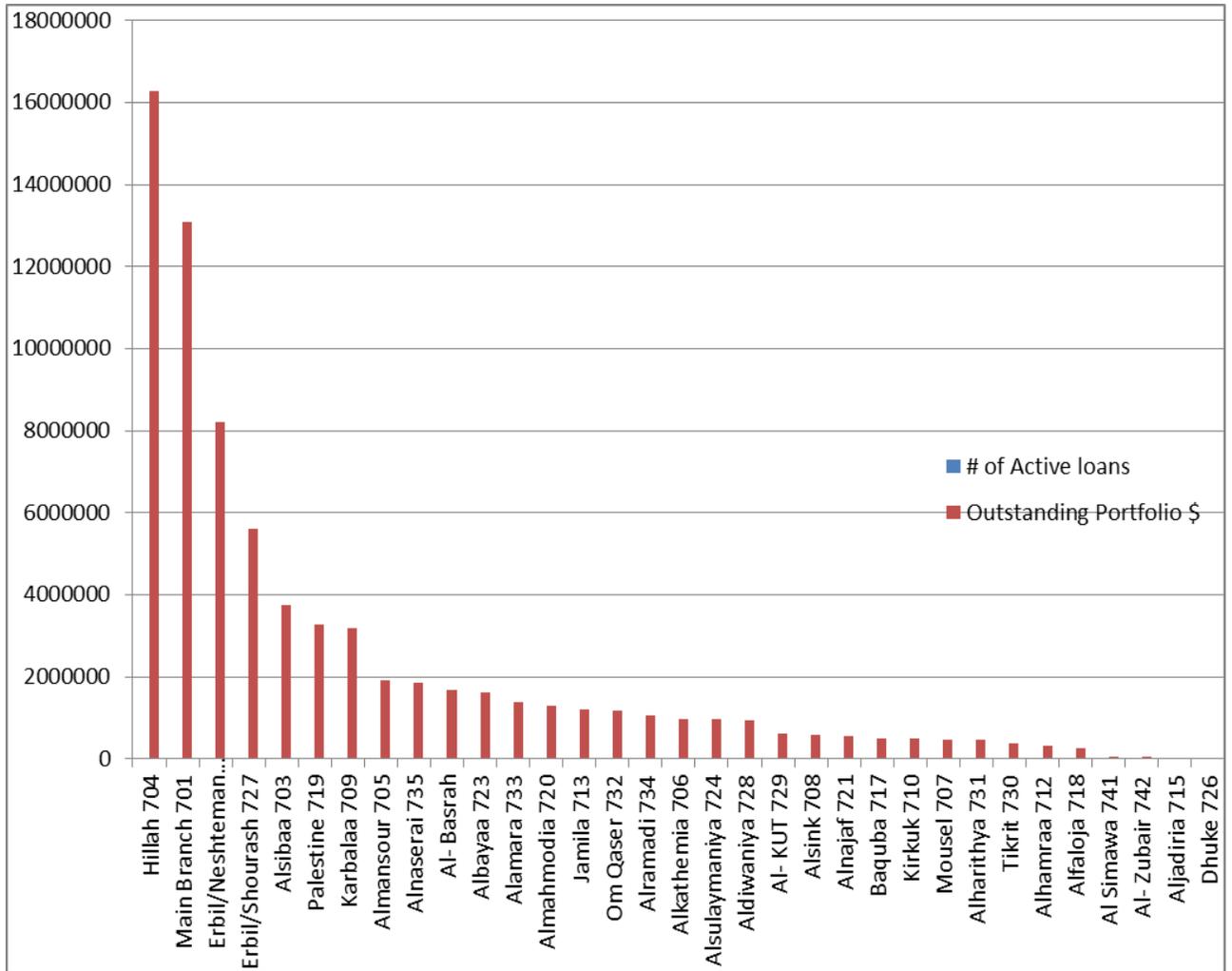
Credit department didn't focus on monthly targets for branches loan officers, which explained the wide gap between different branches in the total outstanding portfolio. Some branches have a big portfolio where the other have no SME lending as shown in the below charts. This depends on the branch manager and the loan officers on the branches due to the lack of planning and follows up from the credit department.

Branch manager on the same time were not aware on the importance of generating SME loan and their positive affect on their branches profitability and performance, they were not well educated on the need to follow up SME lending methodologies and enhance their outstanding portfolios, branch manager still depends on collateral based lending following the bank policy in this aspect.

Figures below show outstanding SME loan portfolio per branch and number of active client.

Bank Outstanding Portfolio by Branches <250000\$

<b>Branch Name</b>	<b># of Active loans</b>	<b>Outstanding Portfolio \$</b>
Hillah 704	952	16,284,845.60
Main Branch 701	110	13,080,027.50
Erbil/Neshteman 725	33	8,219,410.68
Erbil/Shourash 727	98	5,594,635.36
Alsibaa 703	283	3,759,210.74
Palestine 719	154	3,277,338.07
Karbala 709	348	3,190,079.97
Almansour 705	78	1,923,772.38
Alnaserai 735	308	1,864,839.68
Al- Basrah	265	1,662,349.30
Albayaa 723	106	1,605,009.00
Alamara 733	166	1,372,490.59
Almahmodia 720	277	1,298,718.36
Jamila 713	115	1,199,263.00
Om Qaser 732	182	1,171,752.93
Alramadi 734	59	1,061,351.61
Alkathemia 706	43	980,796.40
Alsulaymaniya 724	259	955,422.67
Aldiwaniya 728	165	939,421.80
Al- KUT 729	78	602,947.17
Alsink 708	67	583,138.87
Alnajaf 721	95	559,062.94
Baquba 717	81	486,159.70
Kirkuk 710	40	485,680.02
Mousel 707	89	462,645.06
Alharithya 731	80	462,133.75
Tikrit 730	21	364,765.10
Alhamraa 712	57	302,019.00
Alfaloja 718	12	249,725.46
Al Simawa 741	8	59,274.35
Al- Zubair 742	5	55,166.33
Aljadiria 715	2	7,881.94
Dhuke 726		
<b>Total</b>	<b>4636</b>	<b>74,121,335</b>



❖ Chart shows the outstanding portfolio by branch

As shown from the above table and chart the total SME portfolio of the bank is 74,121,335 \$ as of 25 April 2012 , this amount include all loans below 250000\$ , all kind of lending are included , corporate individual and other loans , ICBG and ICF-SME portfolio are part of this portfolio also

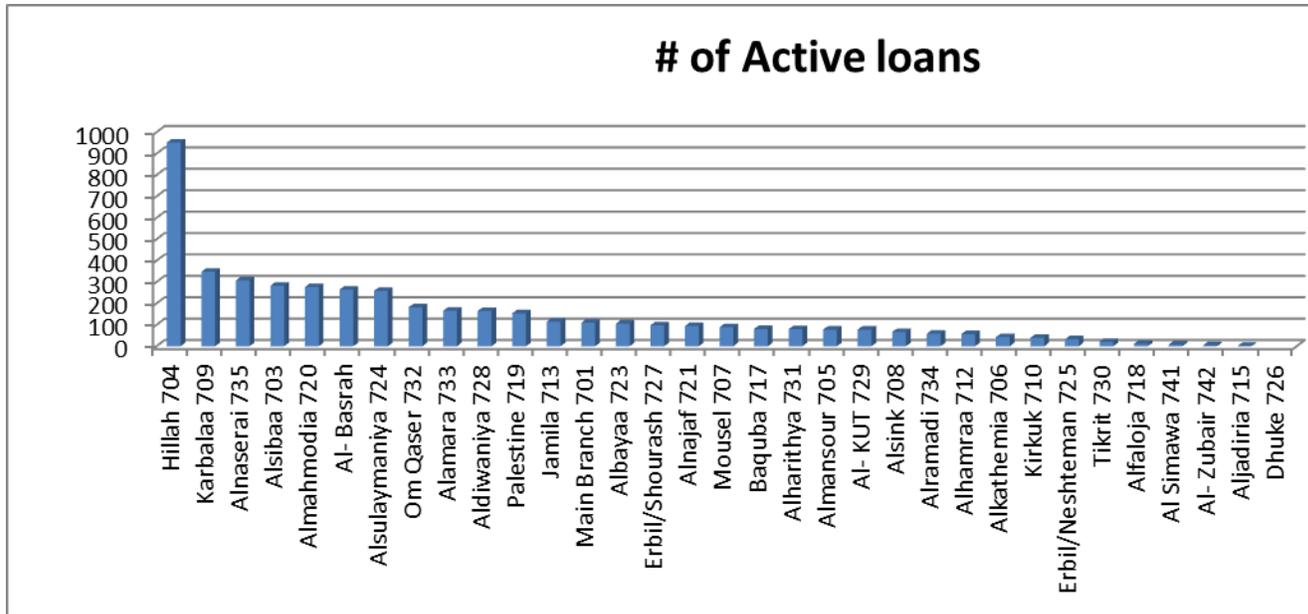
Number of active client are 4636 as of 25 April 2012, with an average loan size around 16000\$.

Only 7 branches have an outstanding portfolio more than 3 million \$.

Other 16 branches have an outstanding portfolio more than 1 million \$,

Also 6 branches have an outstanding portfolio >0.5<1 million \$

On the other side 11 branches have an outstanding portfolio less than 0.5 million \$.



The most 7 active lending branches from portfolio volume perspective are distributed as:

- Two in the North area “ Neshteman and Shorash”
- Five in the Middle area, Baghdad “Hilla, Main branch, Alsiba, Palestine and Karbala”

The most 7 active lending branches from portfolio number of loans perspective are distributed as:

- One in the North area “Sulaymanai”
- Two in the south area “ Alnaserai and Albasra”
- Four in the middle area “ Almahmodiya , Alsiba, Karbala and Hila”

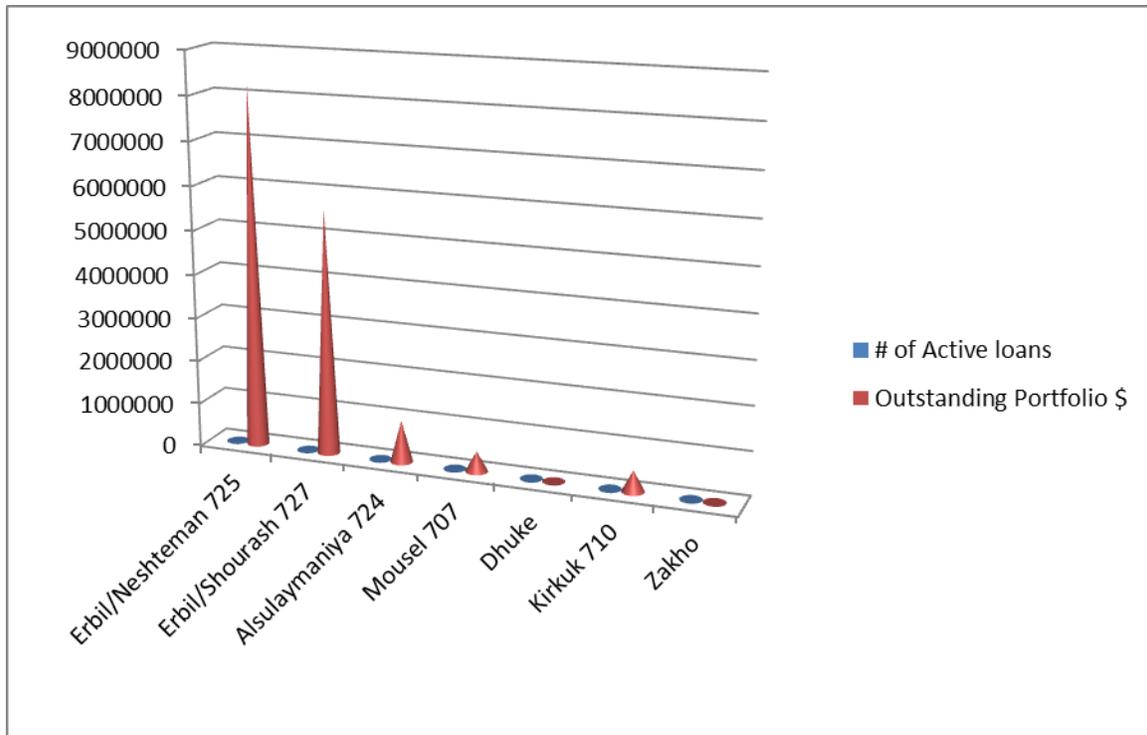
**Incubator Branches outstanding Portfolio:**

Figures below show outstanding SME loan portfolio per incubator branch and number of active client.

**Incubator Branches Total Outstanding Portfolio <250000\$**

<b>Branch Name</b>	<b># of Active loans</b>	<b>Outstanding Portfolio \$</b>
Erbil/Neshteman 725	33	8,219,410.68
Erbil/Shourash 727	98	5,594,635.36
Alsulaymaniya 724	259	955,422.67
Kirkuk 710	40	485,680.02
Mousel 707	89	462,645.06
Dhuke	0	0.00
Zakho	0	0.00
<b>Total</b>	<b>519</b>	<b>15717793.79</b>

Northern area SME portfolio is 22% of the total SME outstanding portfolio, only 5 branches involved in SME lending, Erbil branches are the most active branch in SME lending from volume perspective ,Sulaymanaia has the biggest portfolio in number of clients, where Zakho and Dhuke are not involved totally with zero portfolio .



❖ Incubator Branches Total Outstanding Portfolio , in \$ and # <250000\$

### Incubator Branches performance 2012:

Figures below show incubator branches, SME performance during the first quarter of 2012. Loans volume and number of loan generated

Monthly Loan Generation by Branch 2012<250000\$

Branch	January 2012		February 2012		March 2012		Total	
	#	\$	#	\$	#	\$	#	\$
Neshteman	0	0	2	70000	0	0	2	70000
Shorash	0	0	0	0	0	0	0	0
Sulaymanya	1	18000	1	5000	1	11000	3	34000
Mosel	0	0	2	16600	0	0	2	16600
Dhuke	0	0	0	0	0	0	0	0
Kerkuke	2	15000	2	21500	0	0	4	36500
Zakho	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>33000</b>	<b>7</b>	<b>113100</b>	<b>1</b>	<b>11000</b>	<b>11</b>	<b>157100</b>

As shown from the above figure , still Zako and dhuke did not perform any kind of lending less than 250000\$, although Shourash has the 4<sup>th</sup> portfolio in volume , but he did not lend during 2012. Neshteman branch the third portfolio in size only generates 2 loans in 2012. The whole

area (North) did not perform well during 2012, all branches lend only 11 loan with a total volume of 157100\$.

During 2012 first quarter all North branches lend only 1% from the total bank outstanding portfolio.

**Portfolio quality:**

According to the IT officer in the HQ, they can't issue reports showing the portfolio quality, mainly the PAR and so no reports provided to assess the PAR for the bank portfolio

**Recommendations:**

- Additional staff need to be identified in order to follow up and monitor credit risks and portfolio performance per loan officer and branch,
- Credit Risk manual to be used in order to be aware of credit risks and how to prevent their occurrence
- Follow up procedures are essential to be agreed and circulated to BoB team, monitoring compliance to those follow up procedures is also a Branch managers should be committed to those manuals and procedures, branch managers are responsible on follow up to make sure their teams are following those procedures.
- Training to the IT people on how to use the CBS capability in issuing reports , especially from risk management perspective "PAR reports "
- Activate many of the bank branches managers on lending , as only 16 branches with an outstanding portfolio more than 1 million , 11 branches with less than 0.5 million portfolio
- 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. Measuring the performance of different branches
- North area lending activities should be evaluated, as only 11 loans generated within 7 branches in the first quarter of 2012.