

HBL

HABIB BANK
حیب بینک

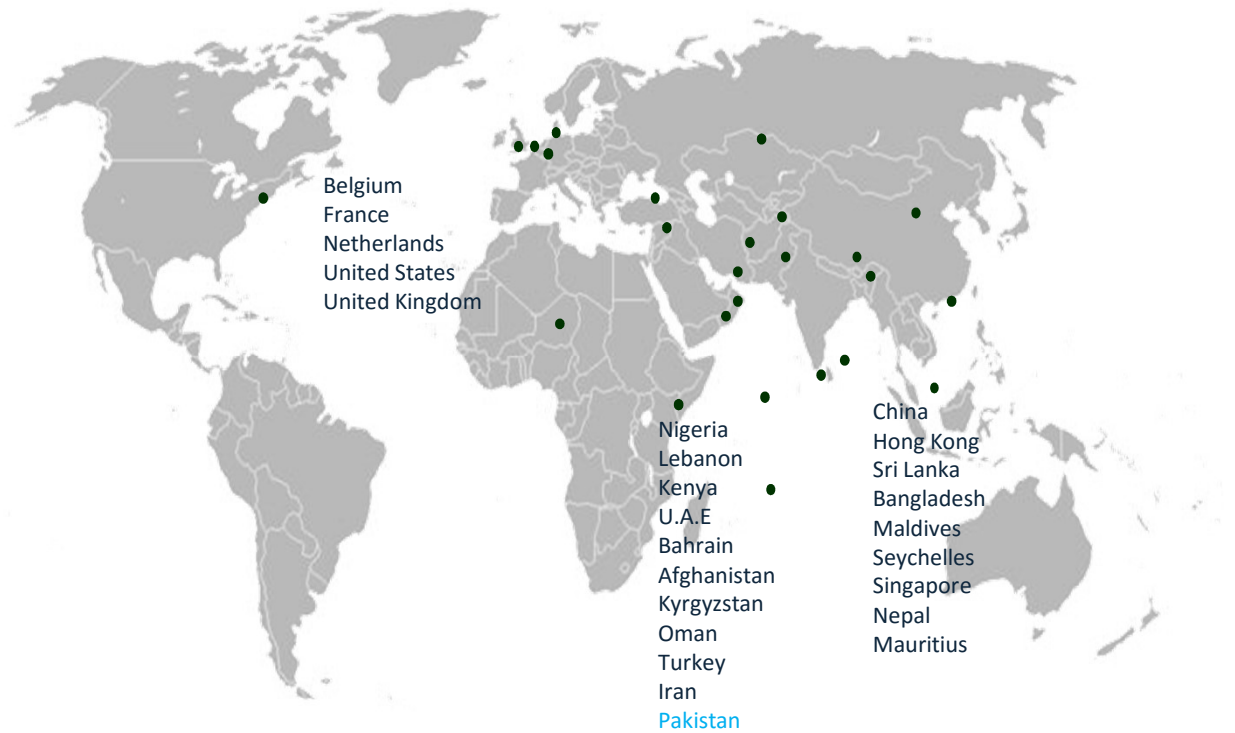
SME-Collections



HBL Profile

The 1st commercial bank to be established in Pakistan and only bank* in Asia with presence in 29 countries

Established since	1941
International Network	29 countries
Local Branch Network + ATMs	Over 1600 branches 1700+ ATMs
Employees strength	17,100
Client Base	Over 8 million across the world
Deposits	USD 15 bn
Rating	AAA (JCR)



OUR SME VISION



Capitalize on our country-wide footprint and long-standing customer loyalty to become a preferred cum prudent provider of a “Total Banking Solution” to the SME segment.

HBL SME Landscape

Hub & Spoke Model

- 109 credit Hubs
- 400 + dedicated SME staff

Products / Programs

- Small Business Finance
- Easy Loan
- Rice, Flour, cotton Ginning, Oil Extraction Pulses Mills
- Fleet Financing
- Customized Financing Facilities
 - Conventional Lending
 - Trade Finance (Import / Export / Guarantees)
- Current / Saving Accounts
- Term Deposits

Dedicated R&D Function

- Sector Studies
- Target Market Screens
- Commodity Price Bulletins

SME Trade Desk

- Trade Sales Managers
- Trade Lines advisory
- Exchange Rates

SMEs: Industry Vs HBL

	<i>All Banks</i>	<i>HBL Share</i>
As on Dec 2015 (PKR Billion)		
Outstanding SME Financing	USD 3 Bn	15%
No. of SME Borrowers	158,387	6%
Total SME Population 2.5 mn enterprises		

Market Challenges

- High NPL % of SME Loans-as of June 2016 SME NPLs accounted for 27.37% of all banks (39%, a few years back)
- Cash Economy-Many SME businesses avoid documenting their sales and transactions through banking channel.
- Turnover Tax-Since the imposition of the tax credit transactions have dropped significantly in loan accounts.
- Weak judicial/legal system
- Credit Culture- SMEs generally less disciplined in terms of loan repayment



IFC Project Consultation

- IFC project was initiated in 2012 at HBL
- Major problems identified were the high levels of NPL accretion which drained down the profitability and affected asset quality. Banks had almost stopped SME lending.
- Consequently on recommendations of IFC collections unit was established in 2012 with an aim to stem the rising NPLs and discipline the repayment behaviour of the customer.
- Net NPL accretion was brought down by 50% over the next few quarters.



Our Strategy

Targets & KPIs

- Collection Structure
- Collection Targets part of credit staff KPI
- Stretched Collection targets 30, 60, 90 Dpd
- Regular monitoring and Performance Management



Intrinsic Rewards

- Staff motivation and engagement was rewarded
- Competition among Regions
- Topper branch was announced in country level MIS
- Annual Conference-Award/Trophy

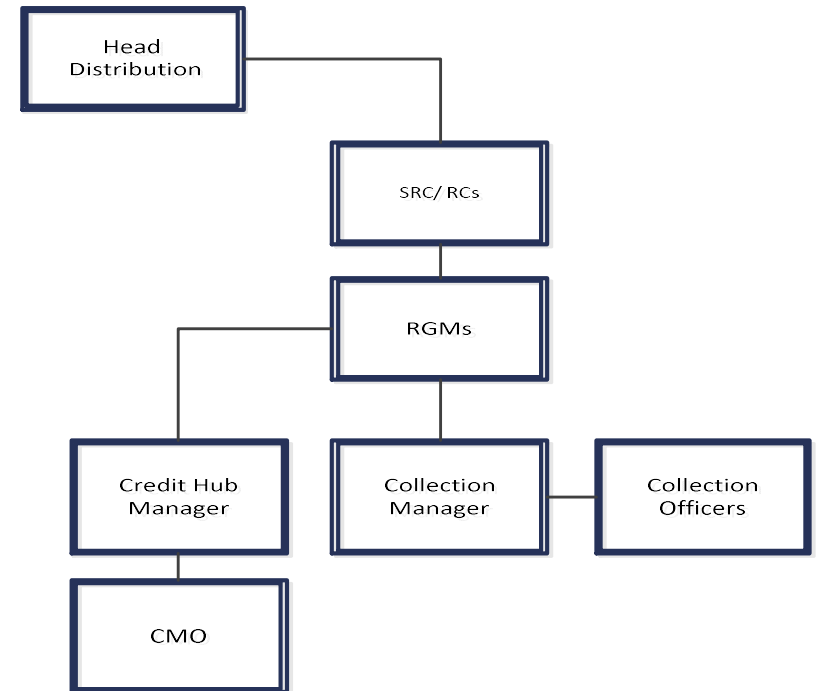
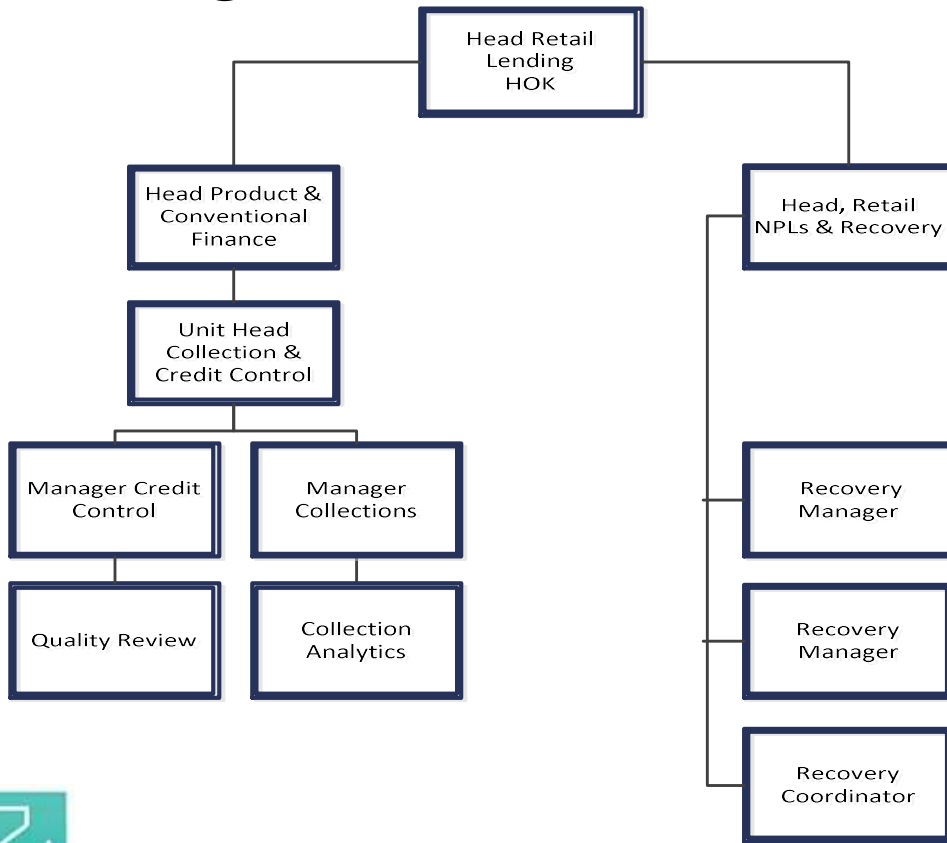


Inculcating timely repayment behaviour

- Training of staff
- Customer Counselling
- Thank you calls to early payers
- Auto Debit of Interest / Mark-up
- Negative re-enforcement through penal Interest on late payr
- A combination of Judgmental and Behavior based score card for the 'S' part of the target market (Built in Penal score for late payments)



Organization Structure



Key Performance Indicators

Key Performance Indicators	Weightage
92% collection target (first month)	XX%
97.50% Collection target (second month)	YY%
99.50% collection target (Third month)	XY%

Action Triggering Matrix

No. of days Past Due	Collection Step	Activity
1 – 14	Telephone calls	Friendly reminders given on phone
15 - 29	Telephone calls & 1st Dunning Letter	Friendly reminders given on phone. 1st Dunning Letter to be sent immediately if payment not received by 15th day
30 - 44 or 2 installment in arrears	Telephone calls 2nd Dunning Letter	Follow-up on broken promises. Dunning Letter to be sent immediately if payment not received by 44 th day.
45 th day – 64 th day or 1 installment in arrears” to be added	Physical visits by credit and branch staff.	Relationship marked as Watch list when customer becomes past due for 60 days.
65 th – 89 th or 2 or more installments in arrears	Physical visits by credit and branch staff.	Advise customer on bank’s right over the security and legal options the bank intends to initiate.
90 or more	Hand Over to SME Recovery Team /Legal for further action	Initiate legal proceedings for recovery.

Robust Monitoring Mechanism



Automated Interest Recovery mechanism

- The programme reads the credit entries on daily basis and accumulates till the total credit matches the full amount of outstanding mark-up.
- Partial recovery not allowed in the system
- The mark-up recovery programme is run on weekly basis on Saturdays.
- Any Excess Over Limit is deemed to be other than “Interest” and is to be regularized in 15 Days or else require ratification from Credit Officer.

HBL's Performance – Collections & Recovery

Recovery Performance

In Million '000

Year	2014	2015	2016
Recovery	761	911	736

Provisioning Charge

Year	2014	2015	2016
Provisioning Charge	NIL	NIL	NIL

- Net Recovery compared to NPL accretion

NPLs

Year	2014	2015	2016
NPL %age	8%	7%	5%

Collections Performance

Year	2014	2015	2016
Resolution %age	99.52%	99.73%	99.64%



Lessons Learnt

- Early repayment is a behavioral change which needs to be inculcated in our staff as well as the customer.
- Late payers eventually turn into NPLs
- No financial reward is allowed. Only Intrinsic reward for performance evaluation.
- Dedicated staff for collections



Question and Answers

Thank You!

