

## It's never a zero-loss game, you will lose some money

Citibank remains profitable with actual loss running at only single digit higher than its loss provisions **Starting January, there has been a lot of liquidity coming on to the market**  
Bank sees improvement in deposits and investment sales  
**Investors bringing back money from overseas markets**

**I**n running a retail banking business, loss should never be a problem as long as it is within what has been projected. "It's never a zero-loss game, you will lose some money but the question is did the players in the market project their loss and is their loss as per their projection or is it three times more than that?" according to Sanjoy Sen, Citibank's Middle East Consumer Bank Head. He said the bank remains profitable with actual loss running at only single digit higher than its loss provisions and recovery rates of non-performing loans running at 25-30 per cent. He said the bank, which has a market share of 17 per cent in credit cards and 15-20 per cent in loans, has also seen an uptake in deposits and investment sales.

—How big is your non-performing loan (NPLs) as a percentage to your loan book?

—I can't be specific but rates of NPLs, compared to what it was last year, have gone up because this market has gone through a high and reasonable amount of stress leading to job losses and customers leaving this country. Having said that, we are still at very profitable levels because of our balanced and prudent strategy. We've gone through these cycles of recession and consumer losses in different markets so in trouble times we can live. We are a more matured and seasoned player.

—You mentioned during a recent conference that collection is one of your frontline strategies. How much of the NPLs were you able to recover?

—When we launch a lending business we first invest in collections parallel to what we invest in sales. There are different norms of recovery but we collect in a range of 25 to 30 per cent of those that goes to NPLs. We have strategies that ensure our recovery streams even if the account has gone to NPLs.

—Say, a customer, who is individually bankrupt, absconds and goes home.

### Sanjoy Sen Consumer Bank Head - Middle East, Citibank

Sen heads Citibank's Consumer Banking business for the Middle East and serves as the Country Business Manager for Citibank's Consumer Bank in the UAE. His responsibility includes consumer, wealth management, credit cards and SME. Prior to moving to Dubai, he was the Retail Banking Head and COO for Citibank in China. He has been with Citibank for 19-plus years. He was Retail Banking Head for Citibank in India and CEO of Citicorp Maruti, a joint venture between Citibank and Maruti Suzuki, which he helped set up. Sen has a degree in electronics engineering. He is an MBA and marketing gold medalist from the Indian Institute of Management and has management training from Harvard Business School.

Even if you tracked him down, he has no means of paying his debts. What else can you do?

—That's when you take and incur losses. In a consumer business, you should have priced or budgeted for that loss and if your lending norms are prudent and your strategy is conservative and you know your high risk segments, you can predict that loss. It's never a zero-loss game, you will lose some money but the question is did the players in the market project their loss and have their loss as per their



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projection or is their loss three times more than that?

—And is your actual loss lower or at least as per what you forecast?

—No, it's higher. It's running at single digit higher than expected but compared to the market, we are significantly better.

—Some blame hot money and others on the market panic, but until now some banks' loan-to-deposit ratio remains over 100 per cent. For the past six to eight months, we have seen banks chasing deposits. How's the inflow of deposits in Citibank now?

—There was a lot of drying up of liquidity last year in the third and fourth quarters when a lot of clients wanted to move their money from banks but starting January 2009 there has been a lot of liquidity coming to this market, lots of comfort for our customers to bring in money to Citibank. Today, we are running a liquidity level, a loan-to-deposit ratio, which is significantly higher than what is required by the regulators. All our deposits are getting renewed, we are getting a flood of new deposits. We are paying attractive rates to our depositors, in sync with the market. Earlier this year, it has gone up to 5.5 to 6 per cent; now it's 3 to 3.5 per cent on dirham deposits.

—Was the flood of deposits due to the guarantee made by the UAE Government?

—I don't think that itself is the reason but it's one of the reasons. There are other reasons like our reputation as a solid company is back again as it should be; two, the market here is reviving again with liquidity coming in. Third, clients who have moved their money overseas are bringing it back to this market and fourth is that a lot of investors who would have put their money in the property are now putting it in the bank.

—Will this market revival translate to profit growth for 2009?

—We are seeing double-digit growths in investment sales the past couple of months but these growths are from what it was in the last two quarters of 2008, which saw a sharp decline. It's difficult to say whether we'll have substantial growth over last year but we can expect certain pockets of growth and certain pockets may be flat. Our objective is to stay profitable.

—Out of the 29 banks surveyed by Ethos Consultancy's Benchmarking Service Quality for the UAE Retail Banking Sector, Citibank came 14th, signifying customer service is not satisfying. What are you doing to improve the lapses in your customer service?

—We have set ourselves benchmarks on the highest international levels, so when customers walk in or call Citibank they expect a high level of service. It's like when you're driving a Mercedes you don't expect it to make any noise. If you don't live up to that highest level of international class service then there will be complaints but that is no way an indicator of our customer service levels.

—The recession has pushed most of the banks to revamp their previously relaxed lending strategies. Are you revisiting your strategies as well?

—We made ourselves more prudent but there is no major change to our strategy. We always had a balanced approach towards our consumers so we are not one of those players who are just building market share for the sake of market share. At the end of the day as a banking institution we are responsible to our deposit lenders as custodians of their wealth.