



The First MicroFinance Bank

SME Development Workshop

July 20-21, 2009

Serena Hotel, Kabul

Development to Date

- **Strategy**
 - Focus on Loan Quality
 - Market focus-\$5000-\$50,000
 - Migrate internal MF clients
 - Job creation is critical component of Mission
- **Structure**
 - Centralized decision making
 - Regional approach
 - SME imbedded into MF Offices
- **Funding**
 - Deposit taking institution
 - Loans
 - Cost of Funds, impact on client

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- Guarantee with Partner who takes on majority of risk.
- T.A. is married to the partnership
- Relationship required us to adherence covenants
- Portfolio: Balance and Numbers
- Current Portfolio is USD 6.2M and 471 loans
- Total historical jobs created to date is 13,000
- USD 16.6 million total disbursed in 882 loans to date.
- Average loan size is USD 15,000

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PAR as of 6/30/2009	Ratio	Number	Value USD
1-30	1.6%	6	81,000
31-180	0.6%	6	31,000
Written-off			103,000

Issues: Regional variances
Seasonality
External Fraud

- Loan Officers productivity.
17 Loan Officers, 3 Admin staff
471 loans / 17 = case load- 27 per Loan Officer
\$6.2MM / 17 = volume per L.O.- \$365,000
Bonus system: production, delinquency, in line with targets.

Internal Challenges

- **Staffing**
 - 6 months to 1 year training period
 - Productivity levels
 - Lack of readily available talent pool
- **Training**
 - Technical assistance is excellent
 - Internal Training
 - Bank supported educational effort by employee.
- **Credit Process**
 - Intensive Due Diligence
 - No start ups, collateral required
 - Centralized decision making
 - Committee approval, no single signature
 - Credit Partner involvement in credit approval process.

Industry Challenges

- **Legal Processes**

 - Difficult to foreclose collateral

 - Customer identification

- **Credit Bureau-Interim process/agreement.**

 - Lack of cooperation

 - Data received is unreliable, or with disclaimer

- **Staff 'Poaching'**

 - Training costs (time & money) high

 - Market-related salaries

 - New players hire away experienced staff