



IFC

**International
Finance Corporation**
World Bank Group



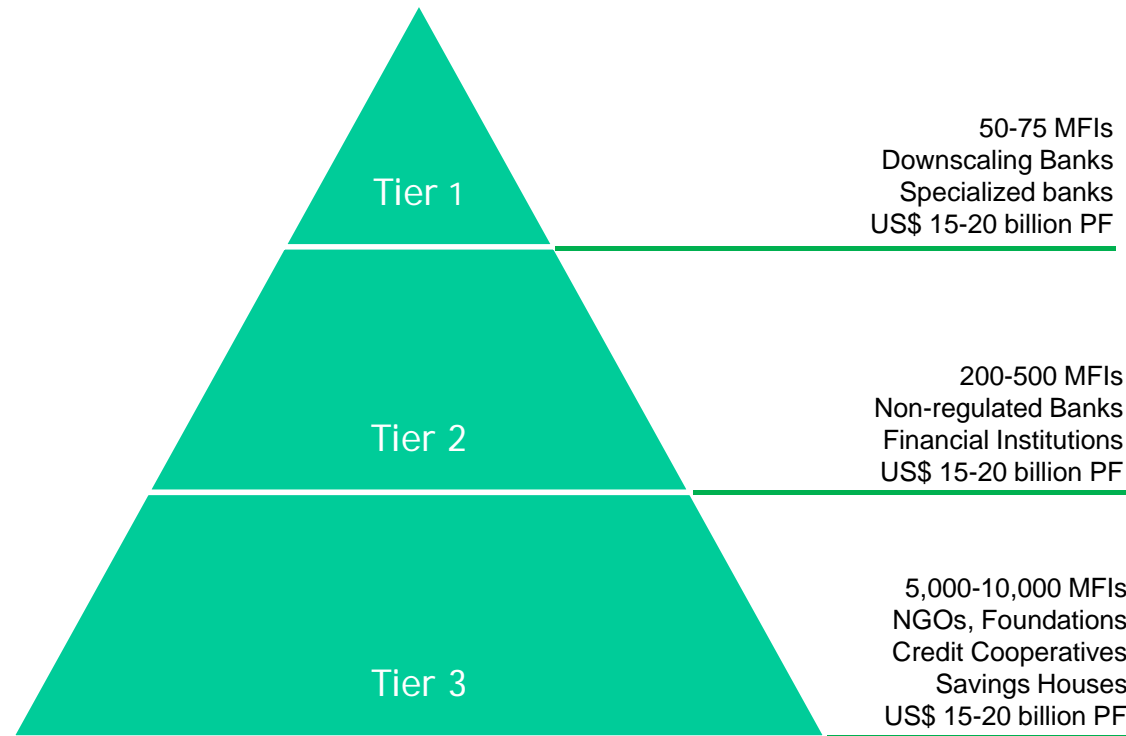
IFC Microfinance

October 2012

IFC Microfinance - Market Background

- Microfinance Institutions (MFIs) provide access to capital and financial services in low-income countries
- Microfinance rated as “financial innovation” by Economist Magazine (2/25/2012)
- MFIs finance micro- and small enterprises and low-income households
- Microfinance industry is estimated at between US\$60-100 billion in total MFI asset size
- Top tier MFI market consists of up to 100 microfinance banks, with assets generally above US\$100 million
- Leading MFIs grew by 20% p.a. in past 5 years
- Microfinance growth is very resilient but not totally immune to global economic downturn risk
- Microfinance model is labor intensive, with 15% operating expense ratio, 10 times higher than traditional banks
- Micro-credits have low default rates (PAR 30 of 2-3%)
- Leading MFIs reach RoA of 4-5% and RoE of 15-20%
-

Microfinance Universe



- Total DFI disbursements in 2010: US\$1.2 bn

- IFC among top 3 international investors

- Globally, World Bank Group is largest funder

Sources: Symbiotics, CGAP Funder Survey 2011

IFC Microfinance: Strong Catalytic Role 1

1995-2007

- 1995: Equity investment K-Rep Bank Kenya – first commercial microfinance-focused bank in Africa

- 1997-1998: creation of MF bank of BiH – creation of the microfinance holding company model

- 2000-2002:
 - ✓ Roll-out Pro Credit model
 - ✓ Transformation of Aceda & Compartamos – model for MFI transformation

- 2003 – 2007:
 - ✓ Diversification into debt & equity funds
 - ✓ Credit enhancement for bonds
 - ✓ Syndications for individual MFIs

IFC Microfinance: Strong Catalytic Role 2

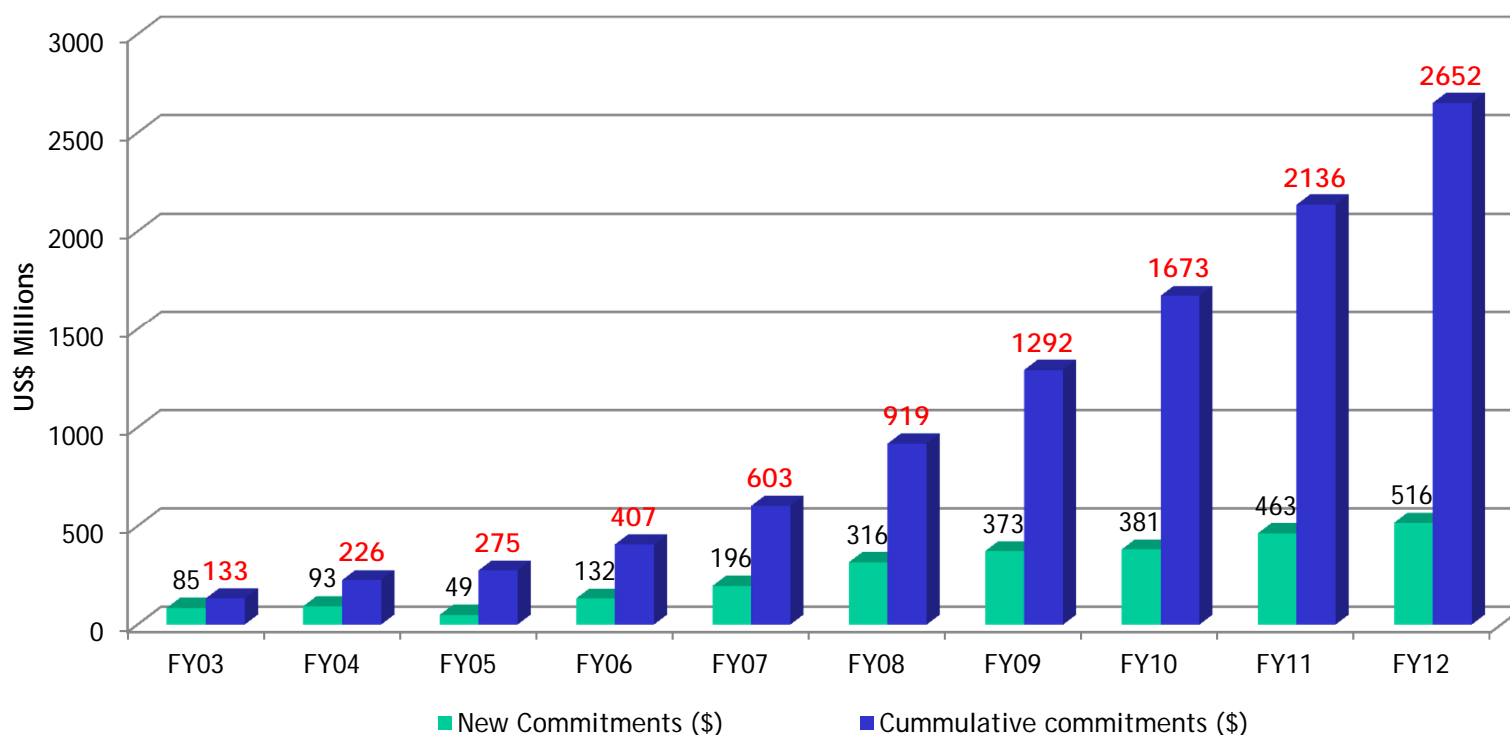
2008-2012

- 2008-2009: post crisis measures – support to network clients and Microfinance Liquidity Facility (MEF)
- 2010: New strategy formulated to scale up outreach & impact
- 2011-2012:
 - ✓ Landmark investments in large-scale microfinance providers (Bandhan India, Finca, Equity Bank Kenya, BTPN Indonesia)
 - ✓ Focus on deposit mobilization, mobile delivery channels
 - ✓ Japanese Microfinance Bond: landmark transaction

IFC Microfinance: Steady Growth

FY 2011 Highlights

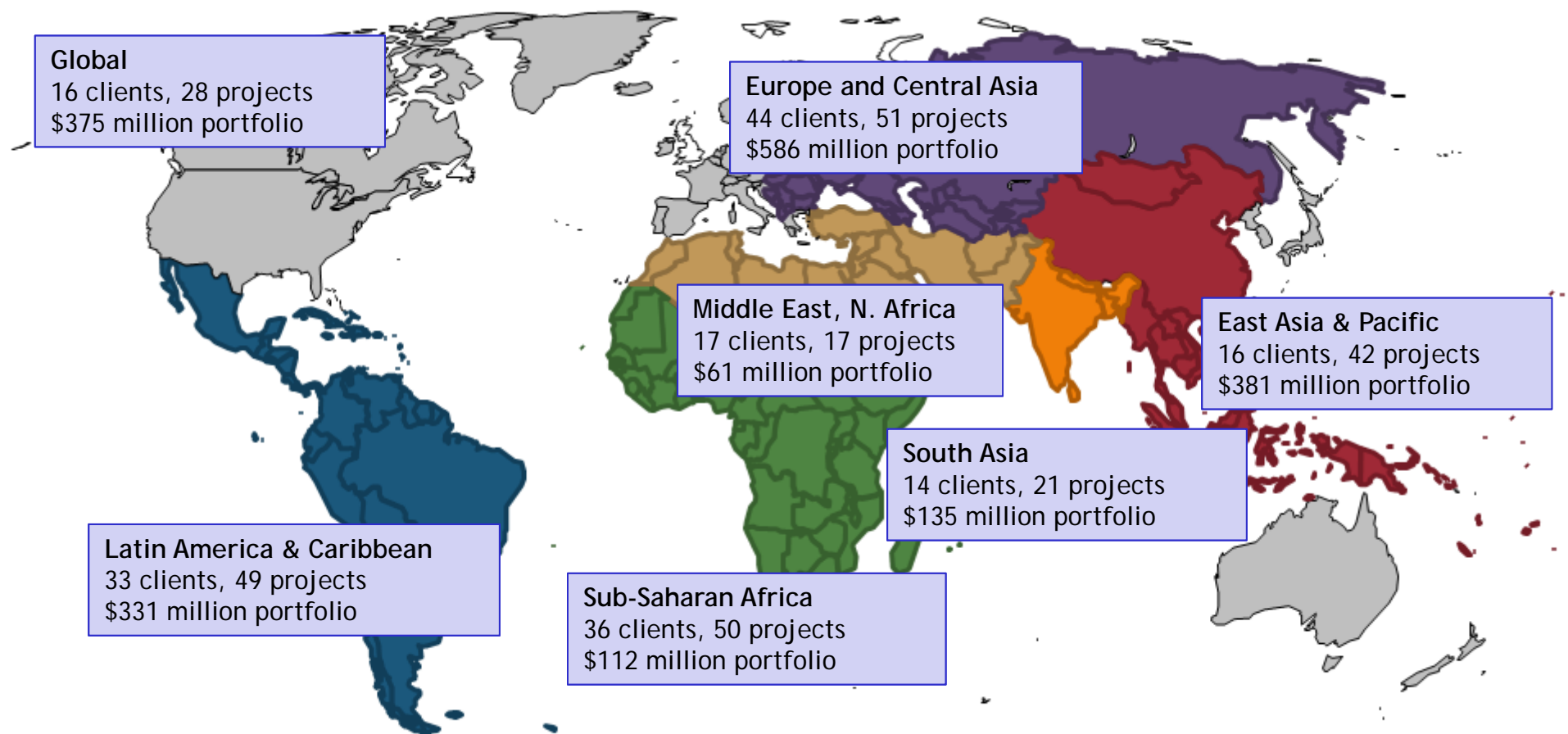
- Commitments in FY12 alone US\$516 million with total IFC commitments of US\$2.65 billion



Microfinance Outstanding Portfolio Snapshot

178 clients, 258 projects, \$1.98 billion total portfolio*

as of March 31, 2012



* IFC Committed Amounts, Includes MF Funds

Highlights of East Asia/Pacific Portfolio

- 15 active clients, 35 projects, reflecting continued support to IFC investees over the years
- 4 out of the 15 clients are in IDA, and 6 in frontier countries
- Outreach of 2.54 million borrowers is set to grow strongly
- IFC footprint is expanding, with presence in Mongolia, China, Indonesia, Cambodia, Lao and Papua New Guinea; efforts are being made to expand into Philippines, Vietnam and Timor Leste
- A balanced combination of (i) banks versus non-banks, (ii) traditional versus non-traditional (e.g., commercial bank downscaling, motorcycle finance company, whole-sale financiers and agency models), (iii) greenfields versus brownfields, and (iv) international versus local
- Global flagships, e.g., XacBank, Acleda Bank; emerging stars, e.g., CFPA, BTPN
- Strong link with IFC advisory services – 12 out of the 15 clients were/are AS clients

IFC's Microfinance in South Asia: Increasing Footprint

Significant scale up during last 4 years

- 22 relationships in CSA
- 16 portfolio clients under IS (including micro payments)
- 17 investments through funds (5 common investments)
- Most partnerships less than 4 years old

Significant Outreach

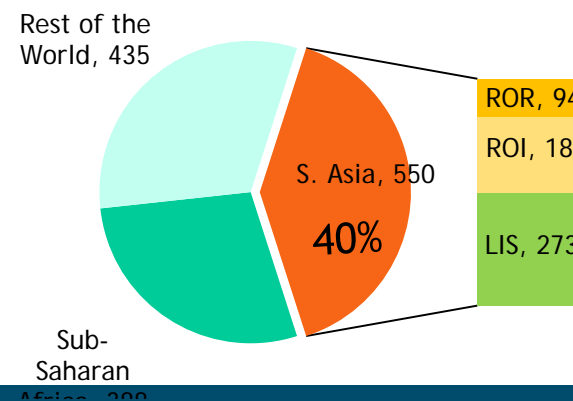
- Client Outreach > 15.80 million
- Relationships with wholesalers and retailers

Financial Performance

- Portfolio clients (other than AP) demonstrate excellent portfolio quality.
- Generally good financial performance.
- Successful exits demonstrated both directly as well as through funds.



Global extreme poverty 2005 (m) (PPP, \$1.25 / day)



IFC Microfinance 2012 & Beyond: Increase Reach and IFC's Impact

- Large Country Focus: 15 large countries account for 75% of world's poor
 - China, India, Ethiopia, Nigeria, So. Africa, Pakistan, Bangladesh, Mexico, Indonesia, Russia, Brazil, Turkey, Egypt, Morocco, Philippines
- Savings Mobilization and Diversification: key for sustainability and poverty alleviation
 - Regulatory improvements
 - Back-office capacity
 - Incentive structures
 - Product diversification (Leap Frog: micro-insurance)
- Capacity/ Institution Building: (Africa, Caribbean, Central Asia, MENA and Pacific)
 - Establishing flagship local or regional MFIs
 - Greater integration with the conventional financial sector
- Innovation and Technology: prerequisite to further develop sector and expand outreach
 - Attract new funding sources through use of structured financing vehicles
 - Support product development and use of mobile and branchless banking

Annex - Project Snapshots

Project Snapshot Compartamos Bond Issue & IPO

□ Yesterday and Today

- 1991: Creation of an NGO with capital of US \$50K
- 2001: Transformation into SOFOL – IFC joins
- 2005: First MFI in Mexico
- 2006: Conversion into Bank

□ Initial investment

- US\$660K in equity
- US\$1M in debt

□ Achievements

- 2004: Launch of IFC credit enhanced bond program (MXP 500M – US\$45M) as a first MF rated bond targeting institutional investors
- 2005: Second tranche: MXP 310M -Demand exceeds offer threefold
- 2007: First Latin American microfinance institution to raise equity capital via an IPO raising US\$407 million. IFC sold 11,302,644 shares (proceeds = US\$38.9 million)
- 2009 Stats: US\$587 M assets, US\$206 M net worth, ROE of 39% and ROA 15.4%
- 2009 Outreach: 1.1 million borrowers (98% of women in rural areas)
- IFC continues to support partner (LC funding and international expansion)



Project Snapshot: Network Partner/Greenfields ProCredit Group (PCH)

- ProCredit Holding (PCH) was founded in 1998 in Germany by IPC
- IFC involved in PCH since its inception, investing its greenfield operations
- PCH is IFC's oldest & largest microfinance client : As of Dec, 2008, IFC's investment consisted of: US\$109 million (loan investments with 8 network banks totaling US\$76 million & equity investment at PCH level of US\$32 million)
- PCH consists of 21 banks operating in Africa, LAC and Eastern Europe (DRC, Ghana, Mozambique, Ukraine, Romania, Serbia, Georgia, Moldova, Bosnia, Kosovo, Bulgaria, Macedonia, Armenia, Albania, Nicaragua, El Salvador, Bolivia, Ecuador, Colombia, Honduras, Mexico)
- PCH held almost 1 million micro-loans as of December 2009



ProCredit
H O L D I N G

Program Snapshot: IFC Microfinance Start-Ups in Africa

Active Projects (Committed)	
1	K-REP Kenya (FY98)
2	Africap (FY03)
3	Accion Nigeria (FY05)
4	ProCredit Congo (FY05)
5	AccessBanque Madagascar (FY07)
6	MicroCred Madagascar (FY07)
7	AccessBank Tanzania (FY08)
8	Advans Ghana (FY08)
9	Advans Cameroon (FY08)
10	Advans DRC (FY08)
11	AccessBank Liberia (FY09)
12	AB MF Bank Nigeria (Access) (FY09)
12	MicroCred Senegal (FY10)
Pipeline Projects (High Probability)	
1	EB-Accion Ghana
2	AKAM West Africa
3	MicroCred Nigeria
4	Fides Senegal
5	Access Bank Zambia
Indirect Projects	
1	ProCredit Ghana
2	ProCredit Mozambique

