

Banks and Private Sector Providers Of Microfinance Services

UNITED ARAB EMIRATES

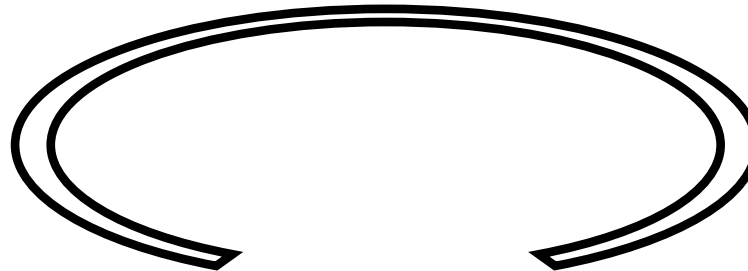
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DUBAI 2006
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WHAT ARE WE TRYING TO ACHIEVE?



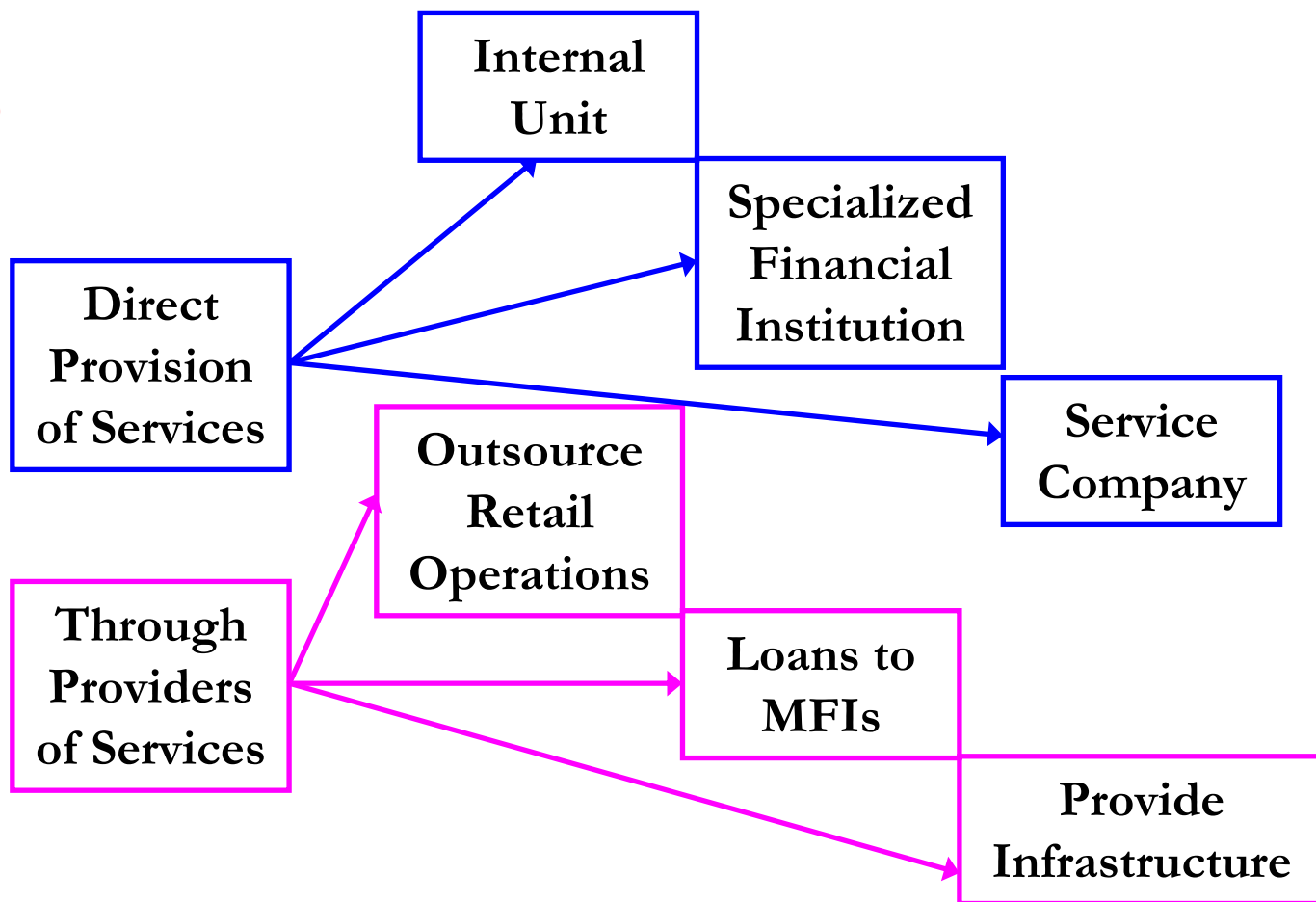
WHY MICROFINANCE FOR BANKS?

- Opens a huge untapped market
- Creates a pipeline of bankable customers
- Growth and diversification of banks' portfolio
- High profitability commensurate to risks
- Leverages banks' human and infrastructure resources
- Enhances the banks' corporate image

HOW DO BANKS GET INVOLVED?

KEY CONSIDERATIONS

Business Goals
Competition
Regulatory Environment
Market Size
Existing Infrastructure
Other Factors



BANKS PERFORMANCE INDICATORS

| Bank | Banque Du Caire (5 years) | Bank Misr (2 years) |
|-----------------------|------------------------------|------------------------|
| No. of Branches | 107 | 11 |
| Loans Disbursed | 322,000 | 21,100 |
| Borrowers | 163,000 | 12,000 |
| Cumulative Loans | \$192 million | \$11 million |
| Average Loan Size | \$690 | \$590 |
| PAR (>30 days) | 1.09% | N/A |
| Active Client/Officer | 140 | 208 |

INDICATIVE BANK COST STRUCTURE

| | |
|----------------------------|-----|
| Average Yield on Portfolio | 24% |
| Cost of Funds | 9% |
| Gross Margin | 15% |
| Direct and Indirect Costs | 3% |
| Net Profit | 12% |
| Return on Assets | 6% |

HOW DO T.A. PROVIDERS WORK?

- Prerequisites
 - Senior Management Commitment
 - Microfinance at the core of the bank's strategy
- Modular Approach: Pilot then Full Deployment
- Stages
 1. Initialization
 2. Implementation
 3. Monitoring and Evaluation

INITIALIZATION: 3-4 Months

- Institutional Needs Assessment
 - Regulatory environment and industry evaluation
 - Market Survey – Demand and Supply sides
 - Human resources analysis
 - IT and physical infrastructure
- Outputs
 - Strategy, Business Plan and Operational Policies
 - Product Design and Implementation Plan



IMPLEMENTATION: 6-8 weeks

- Development of Operating Policies and Procedures
- Loan Officers Selection & Training
- Proprietary Loan Tracking Software Installation
- Field Training in Loan Disbursement
- Product Marketing and Outreach
- Training on Supervision and Collection

ON-GOING MONITORING & SUPPORT

- Monitoring and Analyzing Performance
- Bringing latest Best-Practices in microfinance
- Recommending additional Microfinance Products and Services
- Advising on Public Awareness and Branding

T.A. APPROACH

- Intensive and Efficient:
 - Comprehensive Microfinance Package/Tool Kit
 - Practical Hands-on Training
 - Interactive Field Coaching
- Local knowledge is invaluable: Banks/MFIs lead
- Prudent – pilot followed by full deployment
- Flexible and modular – minimum economic size

TRENDS IN MICROFINANCE BANKING

- Supportive Regulatory Environment: New class of MFI
- Market demands new banking products: Micro-insurance, leasing...
- Adapted financing instruments: Islamic Micro Finance
- New types of markets/clients: Rural Micro Finance
- New Sources and Types of Funding: Gates, Soros, CitiGroup, Grameen/Jameel guarantees, ...
- Technology advances reduce transaction costs & offer new products: e-banking, mobile units, remittances transfer...

Thank you

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