

Criteria and Proceedings of an Investor

The experience of IMI AG

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IMI Shareholder Structure



IMI is an equity investment company that was set up to expand the “frontier of finance”, i.e. to extend downward the range of market segments served by formal and commercial financial institutions.

IMI’s equity capital currently totals €URO 26.6 million and is owned by the following shareholders :

	IPC GmbH	20%
	IPC Invest	10%
	DOEN	20%
	ProCredito	2%
	KfW/DEG	12%
	IFC	12%
	FMO	12%
	BIO	12%

Shareholders with a common underlying philosophy

- The aim is to provide credit and other banking services to people that are not served by formal commercial financial institutions
- The target groups are micro entrepreneurs and small businesses
- The institutions can and must be profitable to be sustainable and remain a permanent force in the local financial sector
- The institutions are part of a network managed and in-part owned by IPC/IMI, leaders in the field of microfinance
- The owners always make an active and long-term commitment to the institutions

IMI Business Strategy

- Clear, long-term ownership structure (shared vision of maximum target group outreach and commercial sustainability)
- Appropriate credit policies and technologies
- Expert management
- Technical assistance
- Universal banking approach
- Access to international refinancing

Implementation of Business Strategy

(4 phases)

- **Selection phase** (country of interest, market study, business plan)
- **Establishment phase** (€ 2-10 million initial capital, TA secured, banking license)
- **Institution building phase** (2-4 experts provide senior management for two years, building local skills, rapid branching, building the micro loan portfolio)
- **Sustainable operations** (Year 3 target: RoE 15%, bank operates independently of TA, SME banking services, after 5-10 years the founding IFI may exit)

Ownership Structure of IMI Institutions

Equity(€M)



KFW group



FMO



COMMERZBANK

%

Eastern Europe

Microfinance Bank of Georgia		11	25	20	16	10	-	14	15
Micro Enterprise Bank, BiH		7	19	8	25	13	-	25	10
Micro Enterprise Bank, Kosovo		7	16	16	16	16	-	16	16
Microfinance Bank, Romania		10	10	22.5	22.5	-	-	22.5	22.5
Microenterprise Credit, Moldova*		5	10	20	20	-	10	20	-
FEFAD Bank, Albania		7	15	25	20	-	-	20	20
Microfinance Bank, Yugoslavia		14	16	16	16	16	-	16	16
Microfinance Bank, Ukraine		10	10	20	20	-	10	20	-
ProCredit Bank, Bulgaria		7	20	20	20	-	-	20	20

Latin America

Caja Los Andes, Bolivia*		10	26	12	12	-	-	-	-
Financiera CONFIA, Nicaragua		3	13	-	-	-	19	-	-
Financiera Calpiá, El Salvador*		11	20	-	20	20	-	-	-
Sociedad Financiera Ecuatorial		3	62	-	-	-	38	-	-

Rest of World

Micro Credit National, Haiti		2	20	-	20	15	-	-	-
NovoBanco, Mozambique		2	25	-	13	13	13	-	-
Microenterprise Bank, Philippines		2	20	-	10	10	20	-	-
Sikaman S&L, Ghana		2	35	-	25	20	20	-	-

109

* Proposed structure once finance companies have become banks in Q4 2002/Q1 2003

Overview of the 17 institutions (September 2002)

Eastern Europe

Microfinance Bank of Georgia
 Micro Enterprise Bank, BiH
 Micro Enterprise Bank, Kosovo
 MIRO Bank, Romania
 Micro Enterprise Credit, Moldova
 FEFAD Bank, Albania
 Micro Finance Bank, Serbia
 Microfinance Bank, Ukraine
 ProCredit Bank, Bulgaria

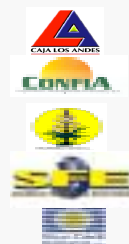


Portfolio in million EUR	Number of outstanding loans	Ø outstanding loan amount
33,8	28.986	1.166
28,4	6.719	4.222
19,5	3.737	5.210
8,4	1.870	4.471
3,7	737	4.977
24,9	4.979	4.995
24,6	3.251	7.560
20,7	4.490	4.605
20,6	3.811	5.411
184,6	58.580	3.151

Subtotal

Latin America

Caja Los Andes, Bolivia
 Financiera CONFIA, Nicaragua
 Financiera Calpiá, El Salvador
 Sociedad Financiera Ecuatorial
 Micro Credit National, Haiti



60,9	49.755	1.224
15,9	19.950	796
38,7	42.409	913
5,5	4.303	1.272
3,7	3.100	1.254
124,6	119.517	1.043

Subtotal

Rest of World

NovoBanco, Mozambique
 Micro Enterprise Bank, Philippines
 Sikaman SLC, Ghana



1,8	6.453	285
0,3	1.346	221
0,2	243	842
2,3	8.042	291

Subtotal

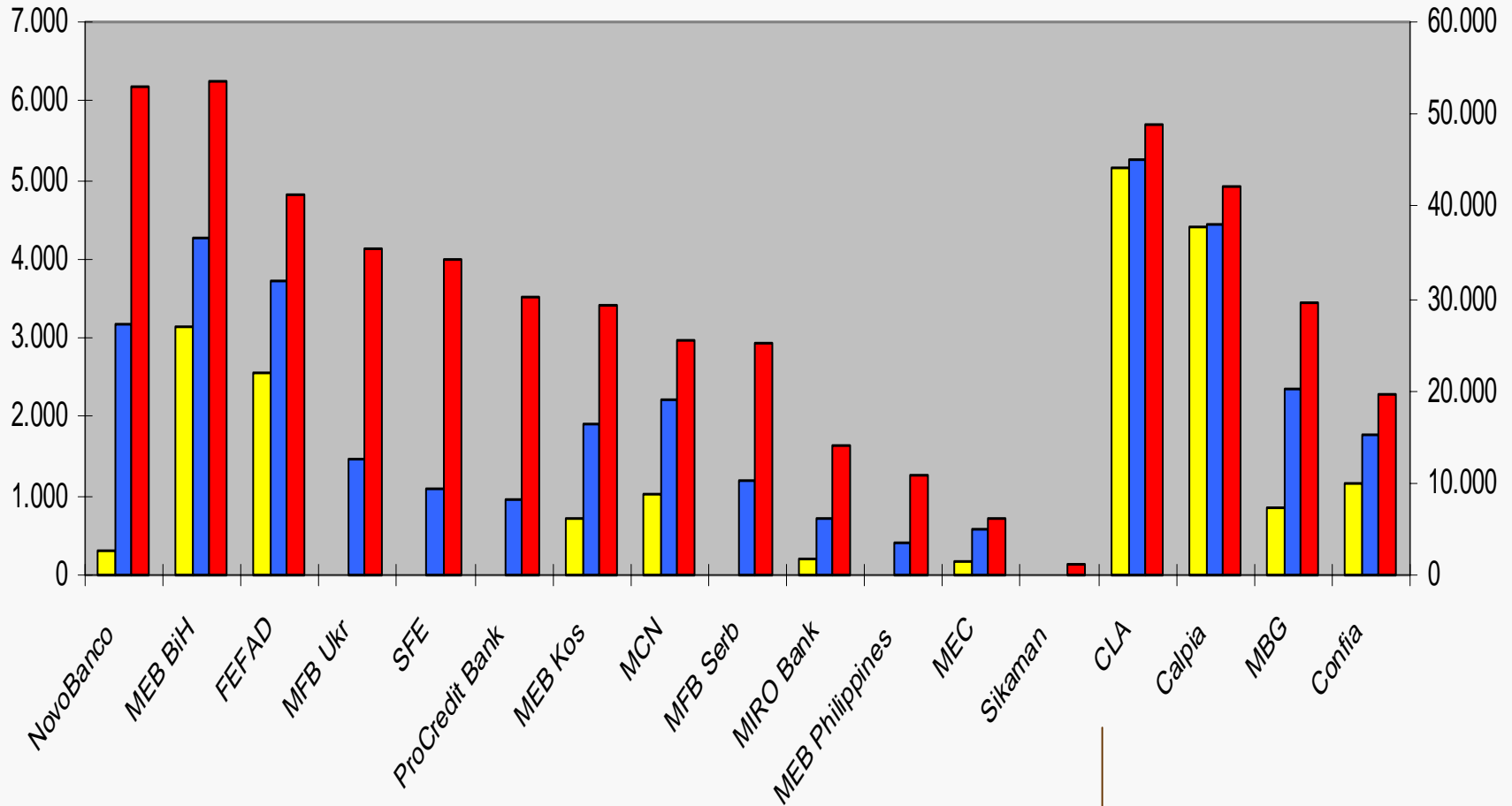
Total

311,5	186.139	1,781
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Number of loans outstanding in December 2000, 2001 and August 2002

Number of Loans

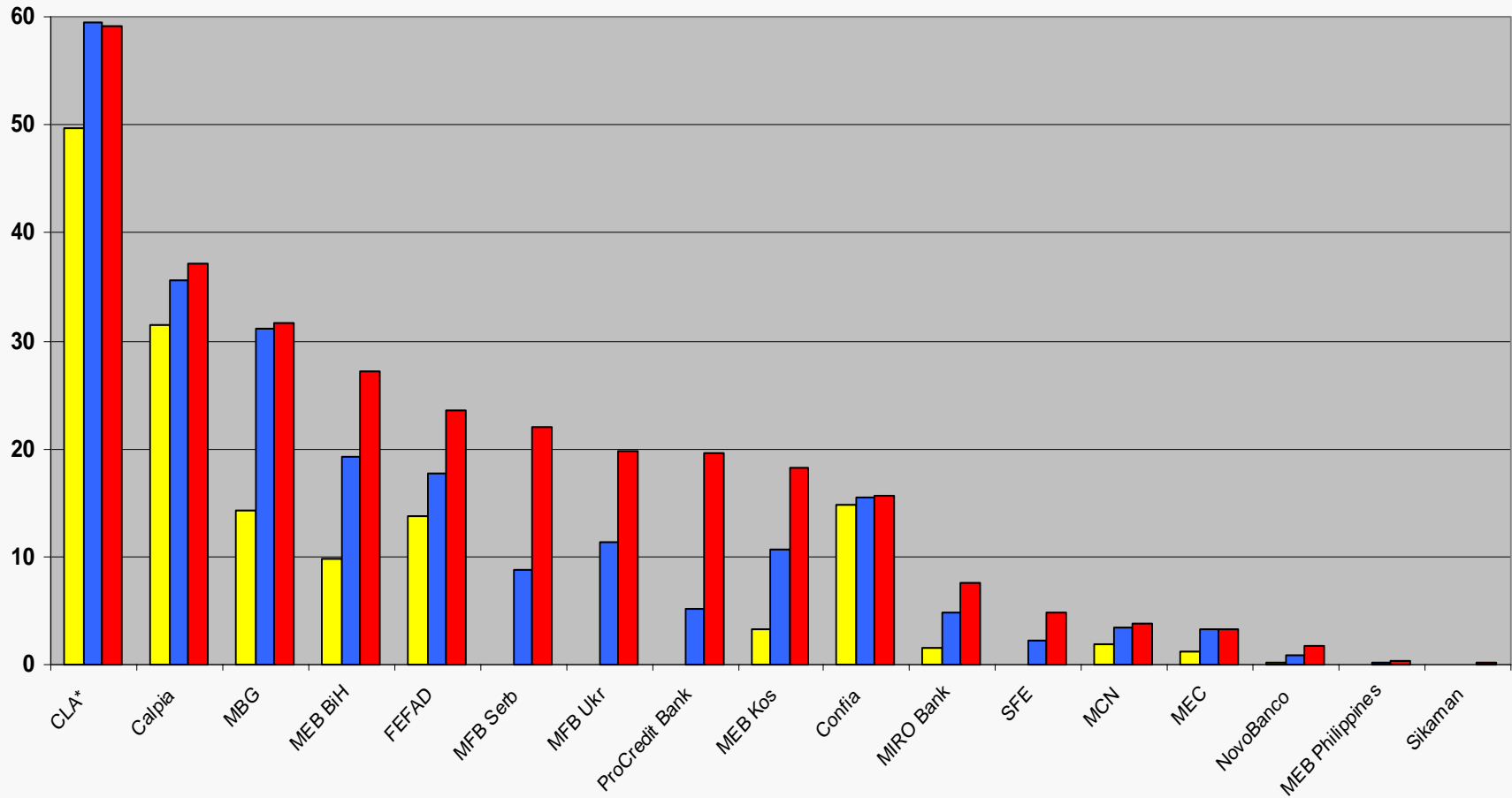
Number of Loans



Left axis (to 7.000)

Right axis (to 50.000)

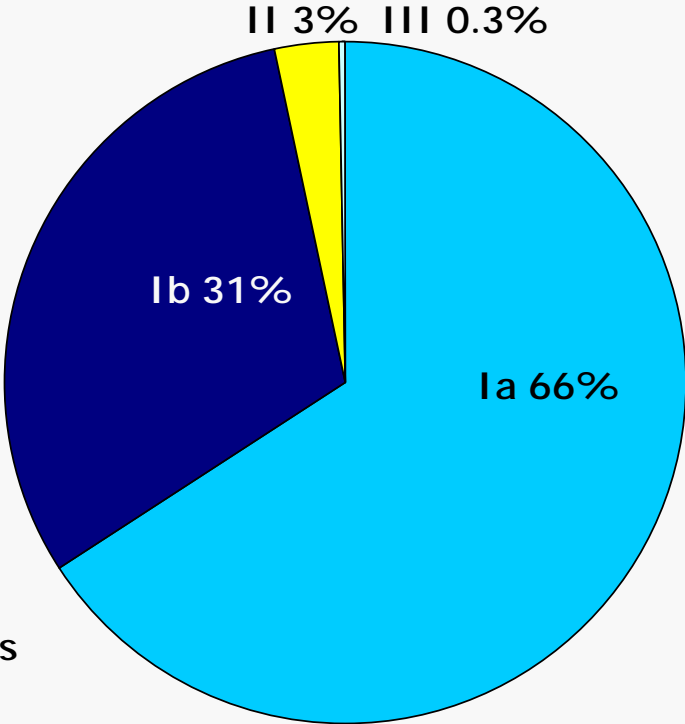
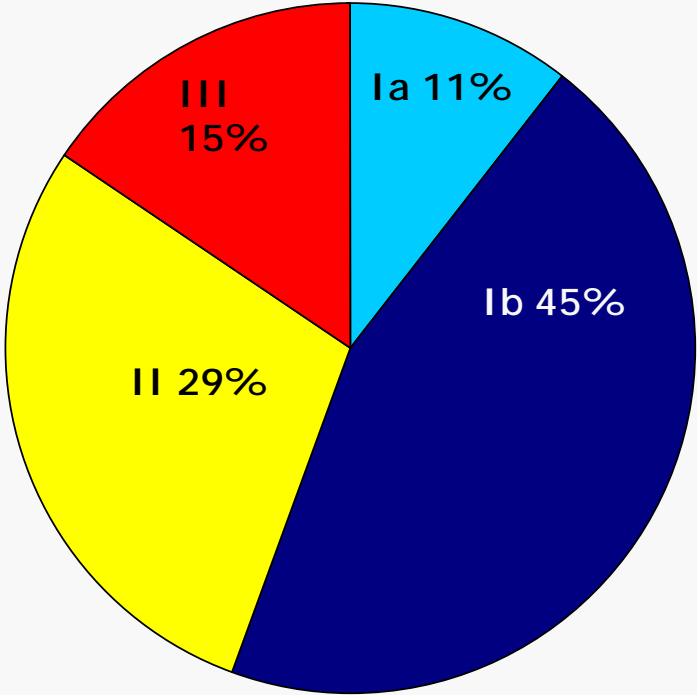
Gross loan portfolio in December 2000, 2001 and August 2002 (in million €URO)



Breakdown of the combined portfolio into three loan size categories of all institutions (09/02)

Distribution by volume

Distribution by number of loans



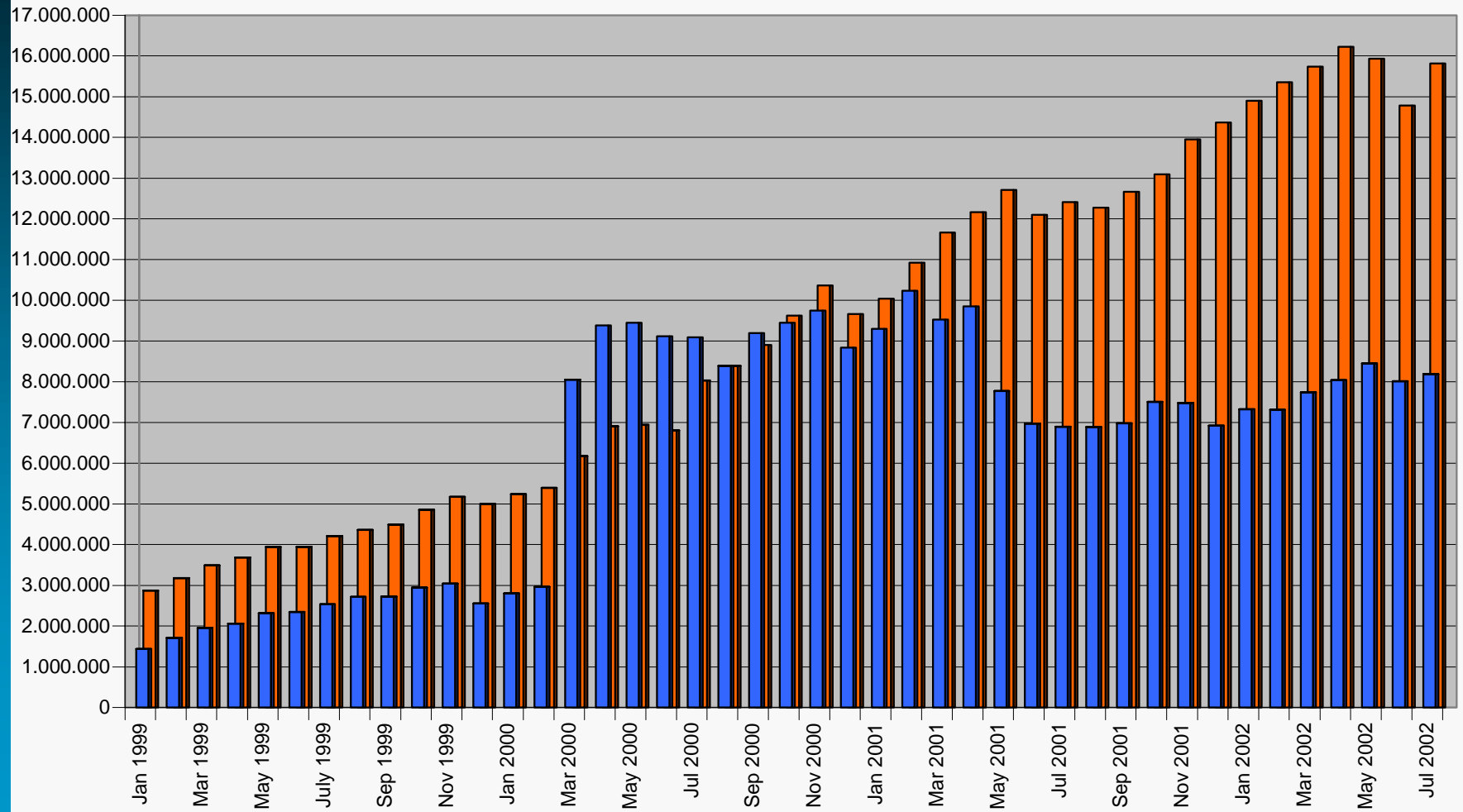
Average size of outstanding loans (€URO)

- I 959
- II 16,435
- III 80,555

Ia = <€ 1,000 Ib € 1,000- 10,000 II = € 10,000-50,000 III = >€ 50,000

Capital at risk (arrears > 30 days) vs. loan loss provisions (all institutions in which IMI invests)

in EURO



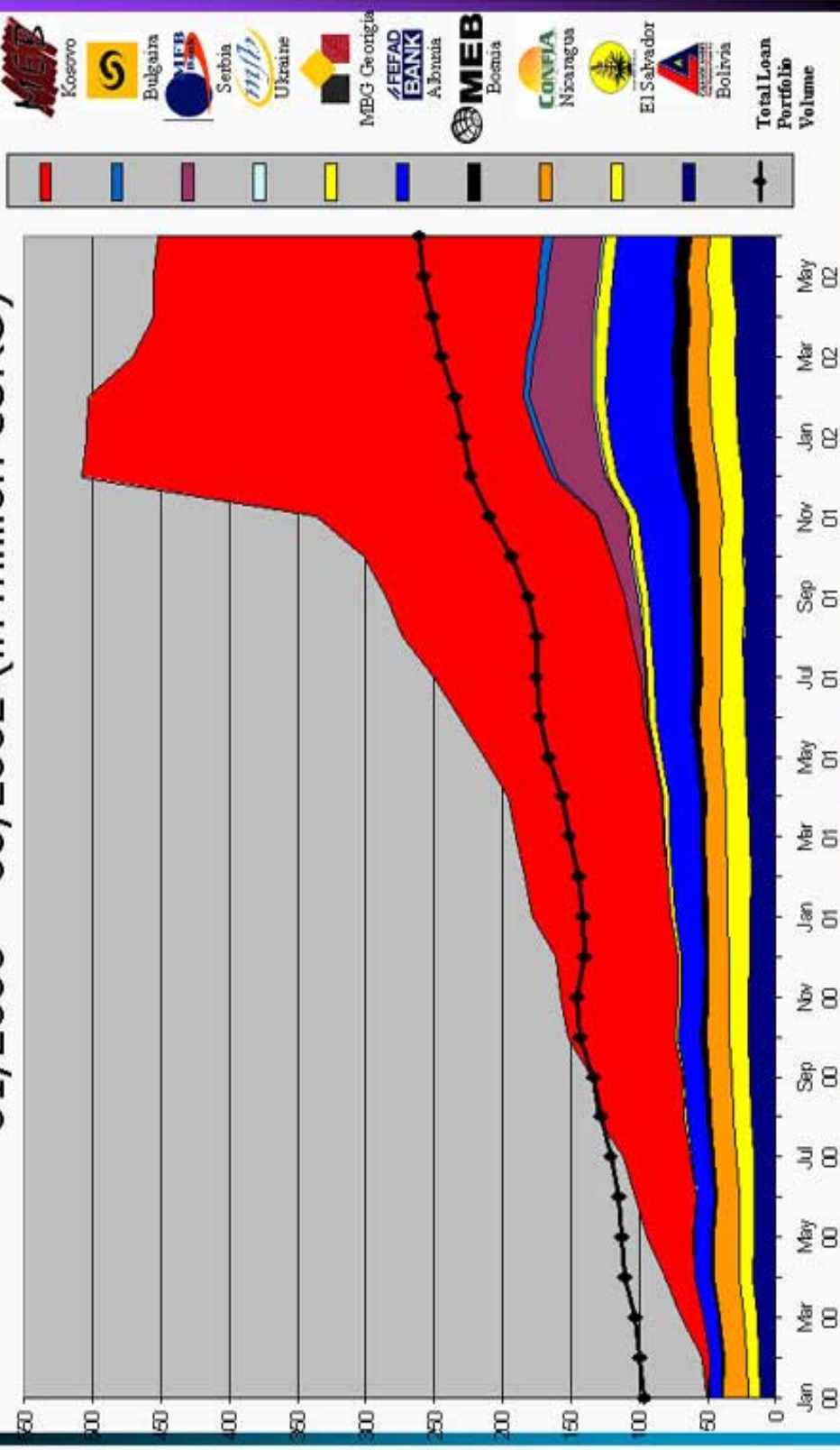
Return on Equity of 17 investments to date (January 2002 – September 2002, annualised)

		<u>Start Date</u>	<u>RoE*</u>
Caja Los Andes, Bolivia		1995	13%
Financiera Calpiá, El Salvador		1995	11%
Micro Enterprise Bank, BiH		1997	8%
Microfinance Bank of Georgia		1999	-1%
FEFAD Bank, Albania		1999	15%
Micro Enterprise Bank, Kosovo		1999	53%
Financiera CONFIA, Nicaragua		2000	18%
Micro Credit National, Haiti		2000	27%
Micro Enterprise Credit, Moldova		2000	-7%
NovoBanco, Mozambique		2000	-6%
Microfinance Bank, Ukraine		2001	-1.9%
Sociedad Financiera Ecuatorial		2001	10%
ProCredit Bank, Bulgaria		2001	1%
Micro Enterprise Bank, Philippines		2001	-11%
Micro Finance Bank, Serbia		2001	-26%
Sikaman SLC, Ghana		2002	-5%
MIRO Bank, Romania		2002	-9%

Average Return on Equity for all investments: 8%

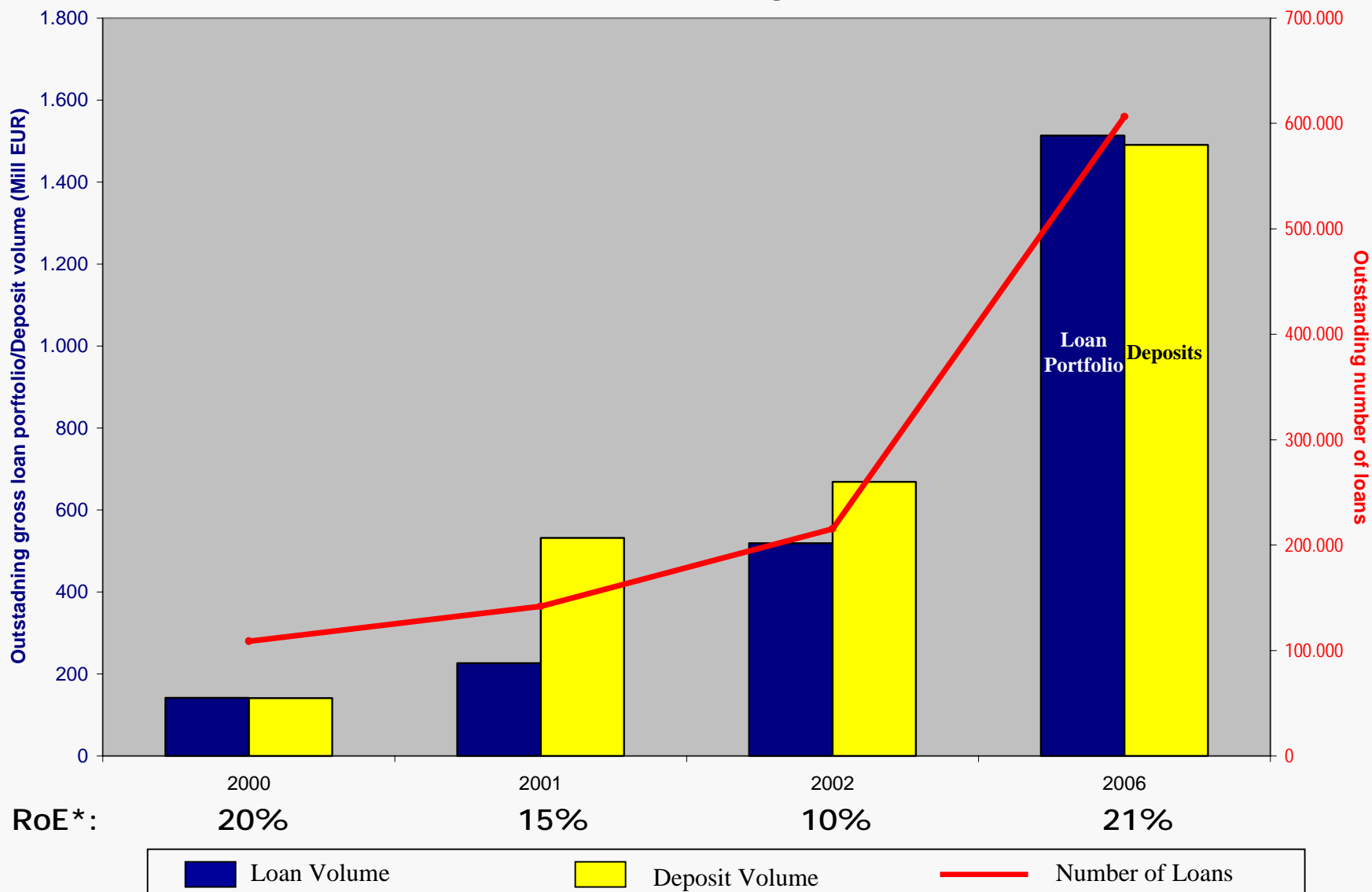
* Annualized. After Tax. Includes impact of local currency devaluation

Deposit volume development vs loan portfolio growth 01/2000 – 06/2002 (in million €URO)



Note that the peak in Dec 01 is caused by the Euro conversion effect in Balkan countries

Development of the loan portfolio in all the institutions in which IMI invests (2000 –2006, including KMB Russia from 2002)



* RoE is defined as an average for all the institutions, after tax, in hard currency