



IFC Financing to Micro, Small, and Medium Enterprises in East Asia and the Pacific

Key Highlights

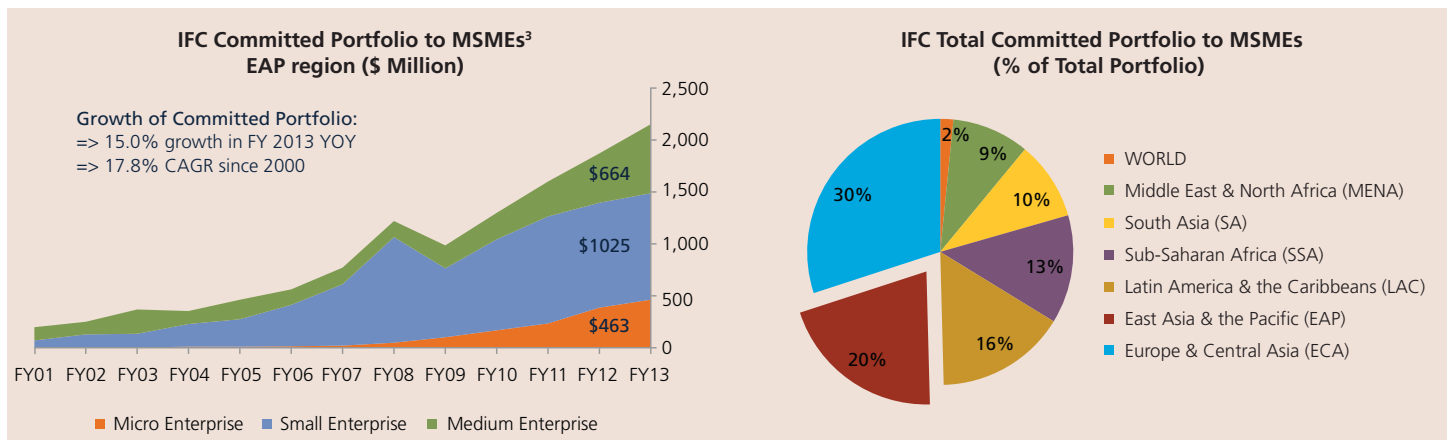
IFC is working to develop solutions to close the micro, small, and medium enterprise (MSME¹) financing gap, collaborating with 34 financial institutions (FIs) across nine countries in the East Asia and the Pacific (EAP) region.

As of June 2013, IFC committed a total of \$2.6 billion to MSME finance in the EAP region², \$2.3 billion for long term finance (including \$143 million for funds supporting MSMEs), and \$314 million for trade finance. In fiscal year (FY) 2013 alone, IFC MSME commitments in the region were \$1.45 billion

(up 31.4 percent from \$1.11 billion), \$714 million of which was attributed to long-term financing.

By the end of calendar year (CY) 2012 IFC's MSME clients had 3.32 million micro loans outstanding in the East Asia and Pacific (up 8 percent from 3.07 million in CY2011), totaling \$4.84 billion (down 11 percent from \$5.07 billion in CY2011). Similarly, IFC's MSME clients had over 1.1 million small and medium loans outstanding by the end of CY2012 (up 11 percent from 1 million previous year), totaling \$73.06 billion in this region (up 57 percent from \$46.41 billion in CY2011).

MSME Financial Intermediary Portfolio, FY2013 (as of June 2013)



MSME Loans by Type of IFC Clients in EAP Region, CY2012

MSME Loans by Microfinance Institutions

IFC was able to survey or extrapolate outreach data from 14 clients - microfinance institutions (MFIs) in six countries, 71 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio in '000\$	Average Loan Size	NPL % ⁴
Micro Loans	3,241,471	4,615,470	1,424	2%
Small Loans	116,215	2,038,879	17,544	1%
Medium Loans	2,611	493,039	188,832	1%

MSME Loans by SME Financial Institutions

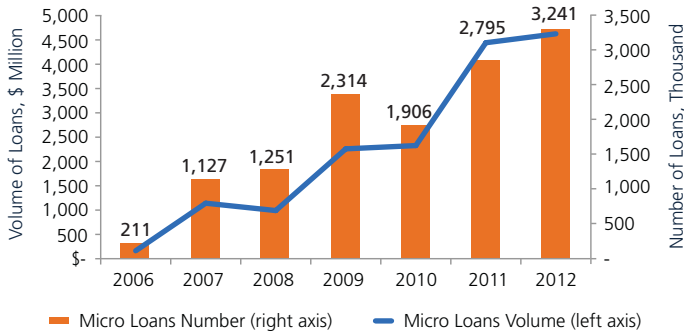
IFC was able to survey or extrapolate outreach data from 20 clients - small and medium enterprises (SME) FIs in seven countries, 70 percent of these clients received advisory services from IFC.

	Number of Loans Outstanding	Outstanding Loan Portfolio '000 in \$	Average Loan Size	NPL % ⁴
Micro Loans	78,167	222,218	2,843	7%
Small Loans	485,291	13,146,762	27,090	4%
Medium Loans	542,577	57,378,483	105,752	4%

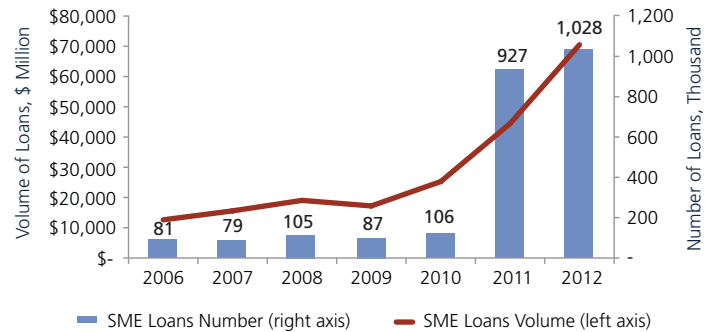
1. MSME firm size definitions: IFC's Financial Institutions Group categorizes its clients' sub-borrowers according to the following definitions: (1) microfinance institution if loan < \$10,000 at origination; (2) small enterprise if loan < \$100,000 at origination; (3) medium enterprise if loan < \$1 million at origination (\$2 million for advanced countries).
2. The share of committed loans to microfinance institutions in the MSME regional committed portfolio increased from 20.7 percent in FY2012 to 21.5 percent in FY2013; small enterprises accounted for 47.6 percent in FY2013 (54 percent in FY2012); medium enterprises accounted for 30.9 percent in FY2013 (25.4 percent in FY2012).
3. The committed portfolio in MSME FIs below does not include commitments for commercial banking trade finance and collective investment vehicles.
4. Nonperforming Loan (NPL) = > 90 days past due loans.

Growth Trends of Loan Volume by Type of Institution in EAP Region, CY2006-CY2012

Volume and Number of Micro Loans by MFIs



Volume and Number of SME Loans by SME FIs

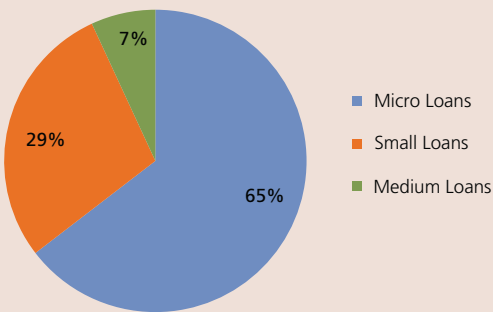


Micro loans portfolio demonstrated smooth growth over the last several years. Large swing in number and volume of micro loans in CY2011 was fostered by acquiring new clients in Indonesia, which accounted for 55 percent of MFI regional portfolio in CY2011. The drop in number of micro loans in CY2010, followed by the terminating business with a large Indonesian client which accounted for 30 percent of CY2009 micro loans volume in the region, was partially compensated by new entrants in IFC portfolio and scaling up of existing clients' portfolios.

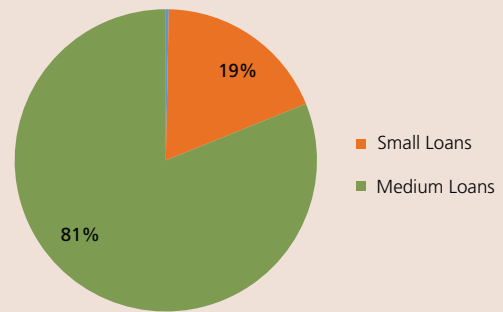
The major driver of significant growth in number (8.7 times) and volume (76 percent) of small and medium loans provided by SME FIs in CY2011 was the acquisition of new large clients in China, Vietnam and Philippines, which jointly accounted for 53 percent of SME portfolio in CY2011. Less steep but still fast growth in CY2012 was attributed to significant growth in volume (3 times) and number of loans (2.7 times) of one of IFC partners in China. This client accounted for 53 percent of this segment portfolio in CY2012.

MSME Portfolio Composition by Loan Category in EAP Region, CY2012

MFI Portfolio



SME FI Portfolio



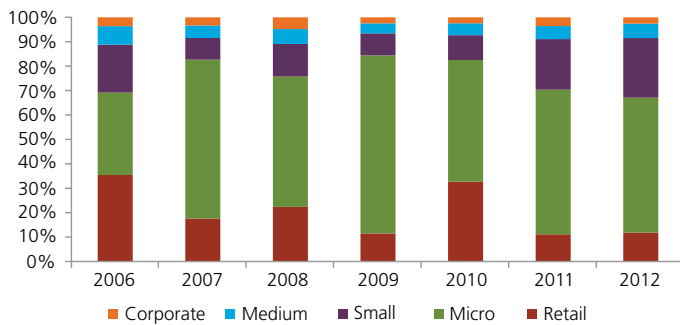
MFI	Micro Loans	Small Loans	Medium Loans
2006	55.3%	32.3%	12.4%
2007	82.3%	11.2%	6.5%
2008	73.3%	18.3%	8.4%
2009	84.8%	10.5%	4.8%
2010	76.8%	15.7%	7.5%
2011	69.5%	24.3%	6.3%
2012	64.6%	28.5%	6.9%

SME	Micro Loans	Small Loans	Medium Loans
2006	0.5%	7.8%	91.7%
2007	0.7%	8.4%	91.0%
2008	0.6%	8.1%	91.3%
2009	0.6%	9.3%	90.1%
2010	0.6%	10.1%	89.3%
2011	1.4%	24.0%	74.6%
2012	0.3%	18.6%	81.1%

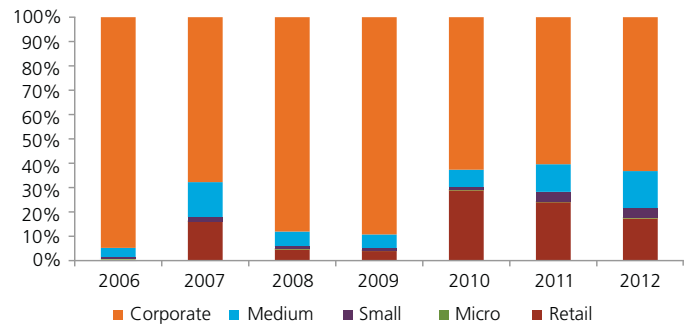


Total Portfolio Composition by Loan Category in EAP Region, CY2012

MFI Portfolio Composition: Volume of Loans



SME FI Portfolio Composition: Volume of Loans

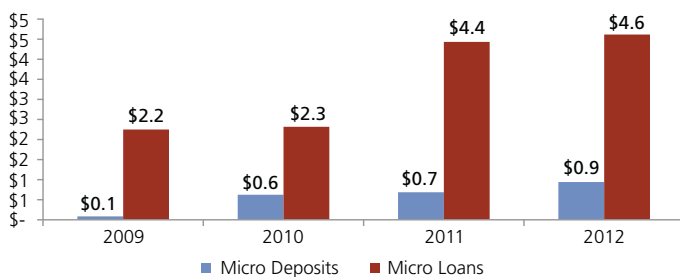


Deposits versus Loans Comparison CY2009-CY2012⁵

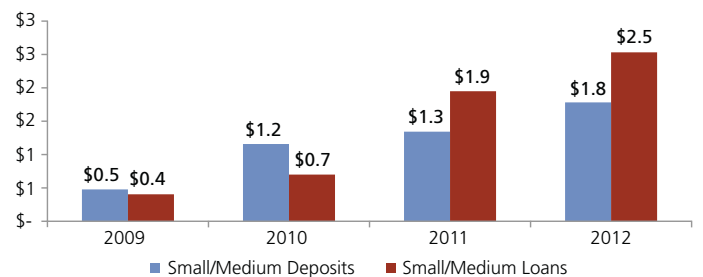
Over the last several years the deposits received by MFIs in EAP region demonstrated gradual growth. The portfolio of small and medium deposits held by MFIs increased by 16% in CY2012 since CY2011, which was mainly fostered by the \$208 million expansion of a Cambodian client's portfolio (and \$120 million increase of a Mongolian client's portfolio). Also an acquisition of the two clients in China and Cambodia in CY2012 further enlarged portfolio by \$62 million. The deposits held by SME FIs had an inconsistent trend over the last four years. The large spike of micro deposits and drop in small and medium deposits in CY2010 were attributed to the restructuring of the Chinese client in 2010, which transformed from rural cooperative to rural commercial bank and increased the volume of micro deposits by \$2.2 billion while scaled down the

portfolio of small and medium deposits by \$23 billion. Moreover, \$2.7 billion increase of the client's portfolio in the Philippines (more than six times) and an acquisition of the large client in Vietnam with \$2.3 billion portfolio further contributed to significant growth of the volume of micro deposits in CY2010. The \$6.2 billion drop in micro, small and medium deposits held by SME FIs in CY2011 can be explained by no deposit information reported by a large client in China. However, in CY2012, the micro, small and medium deposit portfolio held by SME FIs demonstrated growth by 34 percent, which was mainly driven by the acquisition of the large client in Indonesia with \$1 billion of micro and \$5.4 billion of small and medium deposit portfolio.

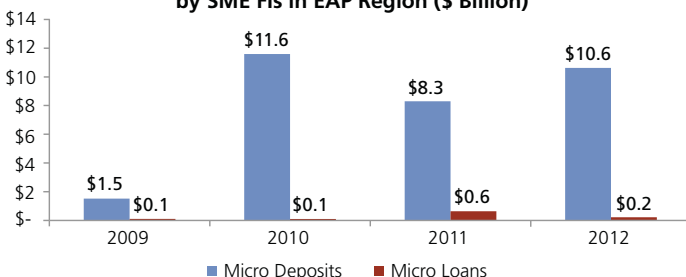
Volume of Micro Loans and Deposits by MFIs in EAP Region (\$ Billion)



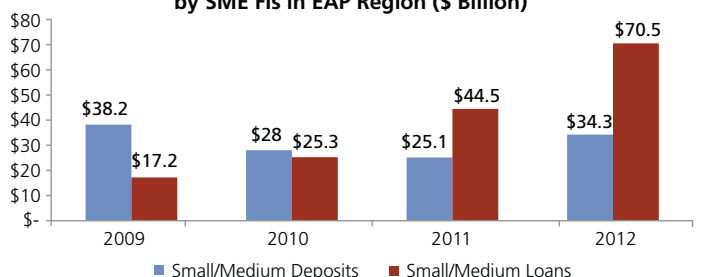
Volume of Small/Medium Loans and Deposits by MFIs in EAP Region (\$ Billion)



Volume of Micro Loans and Deposits by SME FIs in EAP Region (\$ Billion)



Volume of Small/Medium Loans and Deposits by SME FIs in EAP Region (\$ Billion)

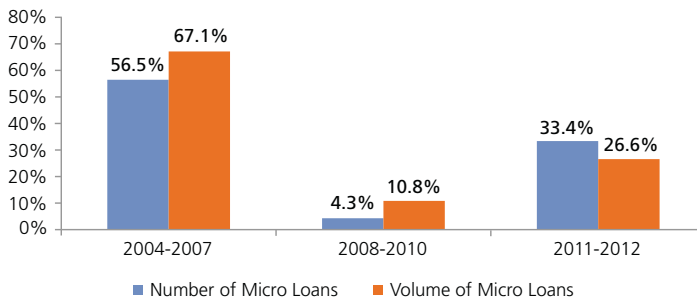


5. Micro and Small/Medium deposits classification is based on the deposit size and irrespective of the recipient (retail/commercial). The classification was done in accordance with definition of the relevant loan size noted in footnote 1.

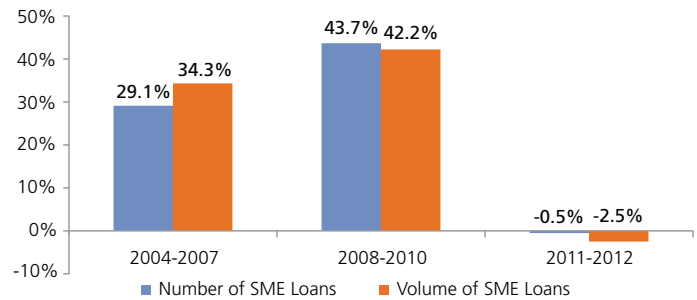


Trend Analysis of Compounded Annual Growth Rate (CAGR)⁶

CAGR Trend – Micro Loans by MFIs in EAP Region



CAGR Trend – SME Loans by SME FIs in EAP Region



Client Highlight: XacBank, Mongolia

Objective and Client Need:

XacBank, which started as a micro credit project over 10 years ago, has established its leading position as the primary provider of banking services to the lower-income segment of the Mongolian population. It operates in all 21 provinces and the capital city serving more than 500 thousand customers through its 97 retail and business branches as well as specialized banking outlets which includes 400 AMAR mobile banking agents and 70 Savings and Credit Cooperatives.

The development of a strong SME sector is essential to creating jobs and maintaining a reasonable degree of economic diversification in Mongolia which is undergoing a mining boom. XacBank has an important role to play taking into account the private sector's contribution to support SMEs. As a consequence, XacBank has begun developing its SME business by leveraging its expertise in credit management gained from the extensive microfinance experience.

IFC's role:

IFC's cooperation with XacBank started in 1999 with an advisory project to assist the Bank's transformation from a NGO-project to a Non-bank financial institutions and then to a microfinance bank.

Since then, IFC has kept providing various supports to facilitate the further development of XacBank and its head company Tenger Financial Group (TFG).

The bank received advisory services in terms of capacity building and corporate governance, in addition to financial support through loans, equity investment and a trade line. IFC has cumulatively made US \$9.9 million equity investment in TFG for 15.2 percent of shareholding, and its latest EMPS valuation was US \$12.3 million, representing an IRR of 24.4 percent.

Development Impact:

With strong market demand and XacBank's implementation skills, the SME portfolio accounted for 45 percent of the total portfolio as of December 31, 2011 and contributed more than 50 percent operating income in 2011. The total gross loan portfolio sums up MNT537 billion (approximately US\$386 million). Now, XacBank is the fourth largest bank in Mongolia in terms of outstanding loans and total assets. According to the statistics of the Central Bank, at the end of CY2011, XacBank had a market share of 9.6 percent in lending.

"XacBank has benefitted a lot from the continuous support from IFC. Currently, XacBank is maintaining its leadership positions in microfinance and SME financing in Mongolia, and with the assistance from IFC, the bank is expanding its presence in the Asian region."

Mr. Ganbaatar, President, XacBank

6. Compounded annual growth rate (CAGR) from 16 reporting and repeated clients in the 2004-2007 period, 40 reporting and repeated clients in the 2008-2010 period, 60 reporting and repeated clients in the 2011-2012 period, excluding greenfield institutions and FIs that are closing their operations