

Institutional Presentation of *Express Finance*, Romania

Introduction

In 2006, CHF International started to perform its microfinance activity in Romania via a stand-alone Development Finance Institution (DFI). In January 2006, **Express Finance** (EF) was registered as a private joint stock company and completed successfully its registration as a Non-Bank Financial Institution (NBFi) with the National Bank of Romania in May 2007.

The **Express Finance** headquarters are located in the west Romanian city of Timisoara. The operational microfinance activities via **Express Finance** started in August 2006 and are carried out through a country-wide network of 17 site offices (lending offices).

Ownership

Express Finance is owned by five shareholders, with CHF International being its main investor, with a participation of 99.7%. The remaining 0.3% ownership is held equally by institutions of the CHF International network: AMEEN SAL (Lebanon), MEMCC (Jordan), CHF International Romania (Romania), and LIDER (Bosnia-Herzegovina). **Express Finance** will have increased until end of 2007 its equity base to \$2 million consisting of loan capital grants originally provided by USAID and retained earnings acquired during the period of CHF International's long-term development efforts in Romania.

CHF International has over 20 years experience in partnering with commercial banks and local financial institutions to design and deliver unsubsidized financial services to traditionally under-served urban markets in countries as diverse as Romania, Bosnia, Ghana, Lebanon, and Iraq. CHF's Office of Development Finance (ODF) currently oversees 11 microfinance operations in 10 countries across Latin America, the Middle East, Eurasia and Africa. At the end of 2006, CHF International managed US\$62 million in loans outstanding with the following highlights: a) Since October 2002, CHF International has disbursed over 110,000 loans worth US\$230 million and b) Our loan portfolio has grown by 203% over the last three years.

Experience

CHF has over 11 years of experience working in the housing and micro, small, and medium-sized business market of Romania. For over six of those years, CHF has been offering financial services to homeowners and business owners. It is now one of the largest microfinance providers of Romania with operations in 23 of Romania's 42 counties.

CHF's portfolio has grown from a modest \$150,000 seed fund serving the Timis County business and housing community, to a current portfolio (as of June 2007) of \$13.8 million and over 2,200 active clients. Despite rapid growth and geographic expansion, CHF has maintained a high level of portfolio quality – a 99% repayment rate, less than 1% portfolio-at-risk rate, and a very low percentage of write-offs for over 12 months: 0.06%.

Funding

Until now, CHF has used several sources of capital funds for lending, including grants, loan interest/commission reflows, managed accounts, direct loans from CHF/HQ, direct loans from commercial sources and pass-through commercial loans.

Since the start of operations, **Express Finance** has attracted significant funding for its microfinance activities and is now both managing funds on behalf of donors and using debt capital to onlend to its clients. The DFI manages two World Bank programs: \$2.9 million from the GOR/MOPF Rural Finance Microcredit Fund and \$2.3 million from the GOR/NAD Mining Areas Microcredit Fund. The company's debt financing consists of two \$2.5 million loans from the Overseas Private Investment Corporation (USA), a \$1.0 million loan from OikoCredit (Netherlands), and a €2.0 million loan from BlueOrchard (Switzerland).

In order to ensure financing for 2007, Express Finance is negotiating financing possibilities with local and international commercial banks and other lenders. For its long term financing, **Express Finance** is expecting to contract soon a credit from EBRD/EU Micro credit scheme for Romania.

Management and Staffing

Express Finance is managed by a Board of Directors comprised of representatives of the five shareholders of the company with the possible future inclusion of 1-2 Romanian board members. The transition process and the day-to-day operations are initially being managed by an experienced General Manager who will be transferring the leadership to the local management team by the end of 2007. All other management and lending positions will be held by CHF's current 63 Romanian staff members (including 32 loan officers).

Operations

Express Finance maintains CHF's current product line-up of business and housing loans priced at market levels which reflect a strategy of cost recovery and portfolio growth. In the last year, EF started to review its existing products and is planning to launch several products which will consolidate the new EF brand among its target clientele.

Express Finance's lending methodology will continue to in part rely on its network of Romanian NGO partners – business service associations, federations of housing associations and chambers of commerce. These organizations facilitate access for their members to the CHF loan products. Some of these working relationships have evolved over several years, initially through CHF support for a specific NGO project activity, and later through partnering in the MSME loan program.

Results

Over the five-year period, **Express Finance** will reach more than 6,200 active clients, with an outstanding portfolio of \$41.3 million. Although **Express Finance** will contract its portfolio to stay within debt and equity limitations under the current operating conditions, it will be able to increase sustainability during the next 5 years. It is anticipated that within the five-year period, CHF will continue to seek alternative ways to attain more favorable internal and external operating conditions that will enable it to grow **Express Finance** to its full potential.

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