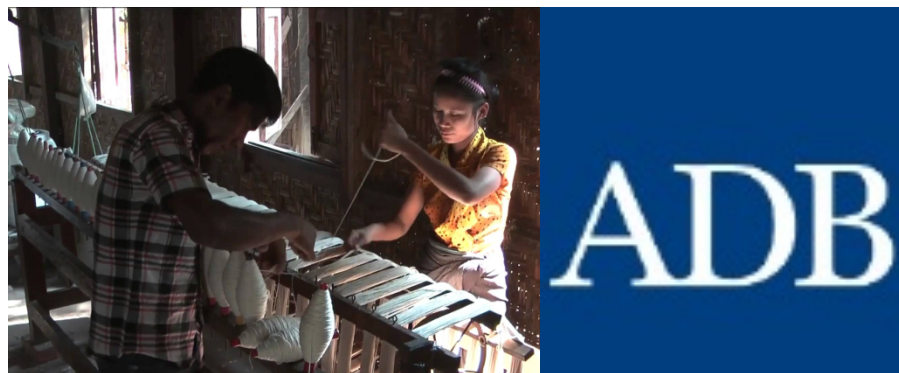


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ADB Private Sector Financial Institutions



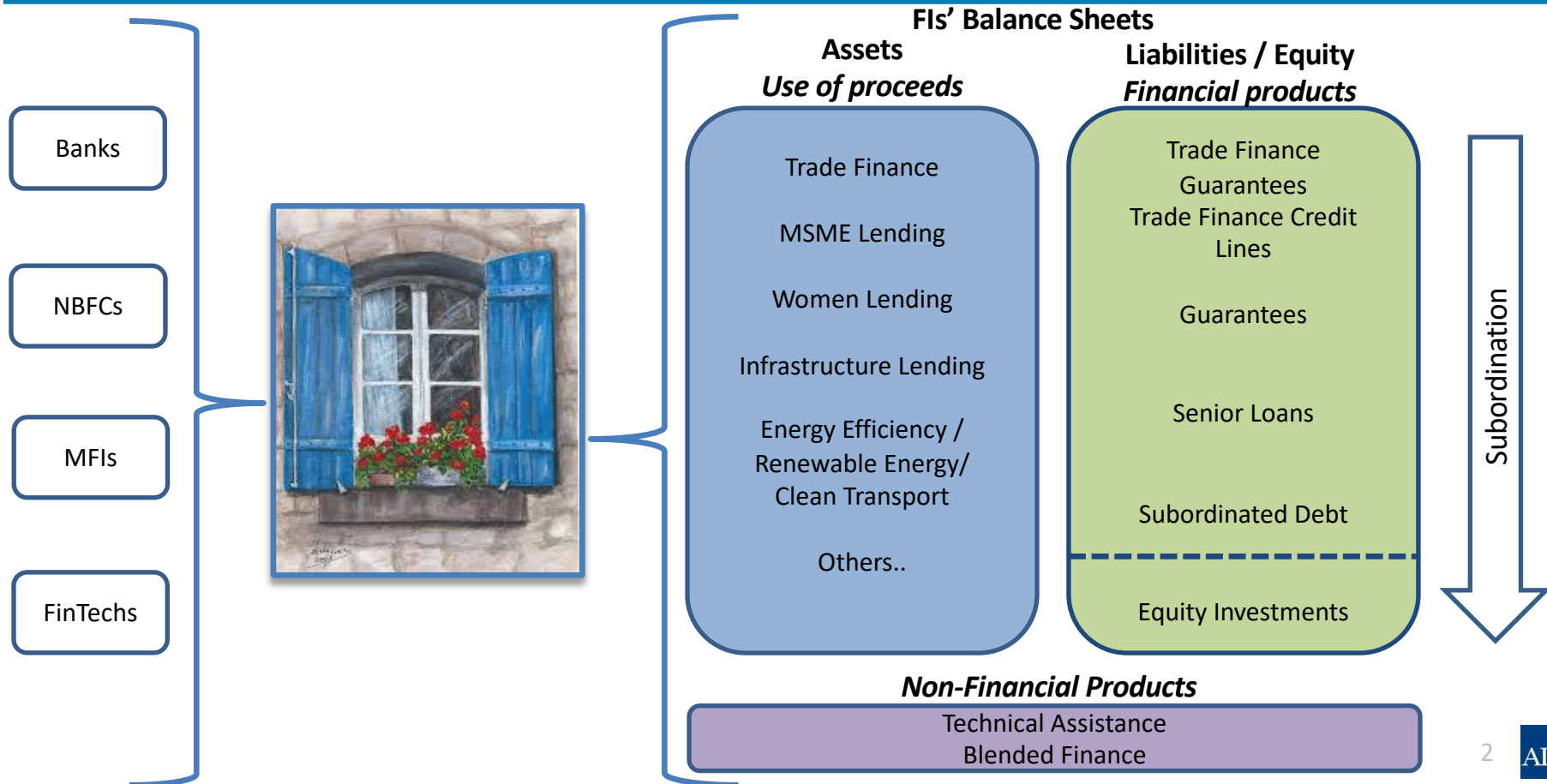


Introduction to ADB PSFI



PSFI: Single Window Solution for our FI Clients

Access to the entire range of products in one stop shop...



Most Common Products (ex Trade Finance)

Along the Capital Stack

Instrument	Typical Size	Typical terms	When is it relevant?
Guarantees	\$1M - \$50M	<ul style="list-style-type: none"> Partial credit guarantees for bond issuances, pool of loans or local currency funding Market pricing, guarantee fees typically based off lenders' margins 3 to 5 years (longer tenor for SubDebt) 	<ul style="list-style-type: none"> Microfinance Risk Participation and Guarantee Program Where other lenders are more efficient than ADB in mobilizing local currency In frontier markets where ADB does not have local currency liquidity
Debt	\$5M - \$200M	<ul style="list-style-type: none"> LIBOR / ADB cost of fund in local currency + credit spread based on internal model and market benchmarks Secured or unsecured 25% ownership maximum 	<ul style="list-style-type: none"> Established companies with large balance sheets and strong revenues Possibility to mobilize co-financing under the B-loan structure or risk participation
Equity	\$5M - \$75M	<ul style="list-style-type: none"> Board seat Minority shareholders protection rights Market standard exit rights (i.e. Put on the parent company, etc.) 	<ul style="list-style-type: none"> Growing companies in a pre-IPO or pre-trade sale situation State-owned banks willing to dilute government's stake and bring along commercial investors
Blended Finance	\$2M - \$10M	<ul style="list-style-type: none"> Long term loans at concessional interest rates to be "blended" with ADB financing First loss cover 	<ul style="list-style-type: none"> Whenever donor funds managed by ADB are available for the specific use of proceeds Currently available for climate mitigation and adaptation projects or low-income countries
Technical Assistance	\$0.2M - \$1M	<ul style="list-style-type: none"> For capacity development TA, non-reimbursable grants with at least 30% of counterpart by FIs 	<ul style="list-style-type: none"> To help with the implementation of special projects depending on the use of proceeds such as digital finance, women banking products, green lending, etc. To reinforce special areas of focus such as risk management or ESMS implementation

Financial Products in Depth: Debt Funding

ADB value addition and key terms

Value Addition



Improve asset liability mismatches with the ability to match the tenor of underlying assets

Our facilities range from short term trade finance lines to long term debt financing for infrastructure projects



Diversify funding sources

Deposits are generally the largest source of funding for banks – IFI funding allows to diversify the funding sources and seen as credit positive by rating agencies



Mobilize other commercial lenders under B-Loan

We can raise additional funds from the market under ADB umbrella to meet clients' requirements further diversifying the funding sources for the client



Structuring flexibility

Ability to structure and offer secured, unsecured, subordinated, convertible debt products



Local currency financing

We have the ability to provide local currency financing in a number of markets and adding to our capabilities

Key Terms



Tenor. Inline with underlying assets being financed



Pricing. ADB assigns a risk rating to come up with a cost recovery pricing – risk rating incorporates a number of variable incl. sovereign rating, quality of management, financial track record, quality of balance sheet, portfolio diversification etc. ; Also looks at benchmark pricing from comparable borrowings



Use of proceeds. Clearly defined (i.e. SME, agri, housing etc.)



Maximum exposure: 50% of Tangible Equity (Banks) or 25% of Total Assets (Corporates)



ESS Safeguards. An Environmental Social Management System (ESMS) must be implemented and applied to the entire FI's portfolio



Other key terms: Industry standard financial covenants; do not want to be the single largest lender

Financial Products in Depth: Equity Investments

ADB value addition and key terms

Value Addition



Long-term, strategic, patient investor

We look to provide growth capital with long investment horizons and responsible exit strategies



Strategic direction with active board participation

We nominate industry experts with complementary expertise in key areas of joint interest



Knowledge sharing, network and contacts

We leverage our extensive experience and network in Asia, providing access to contacts, markets, and strategic partners



Improved environmental and social impact profile

We bring expertise to manage environmental and social risks and improve public profile



Enhanced Credibility

ADB's 'AAA' rating and reputation for prudent policies including AML/CTF are highly respected. This enhances our partners' credibility for capital raisings or correspondent banking lines in the current environment of derisking

Key Terms



Investment horizon. Typically 6 to 7 years, with flexibility depending on each situation



Valuation/Pricing. We pay fair market value (FMV) based on comparables (recent transactions and benchmarks) and intrinsic valuation (typically discounted cash flows). For listed companies, we pay a VWAP of the previous 60-120 trading days



Use of proceeds. General use of proceeds



Board representation. Typically with a minimum 5% stake, but could be lower



Minority shareholders rights. Consent rights at board and GM level, pre-emptive rights, anti-dilution, inspection rights, sponsors lock period, etc.



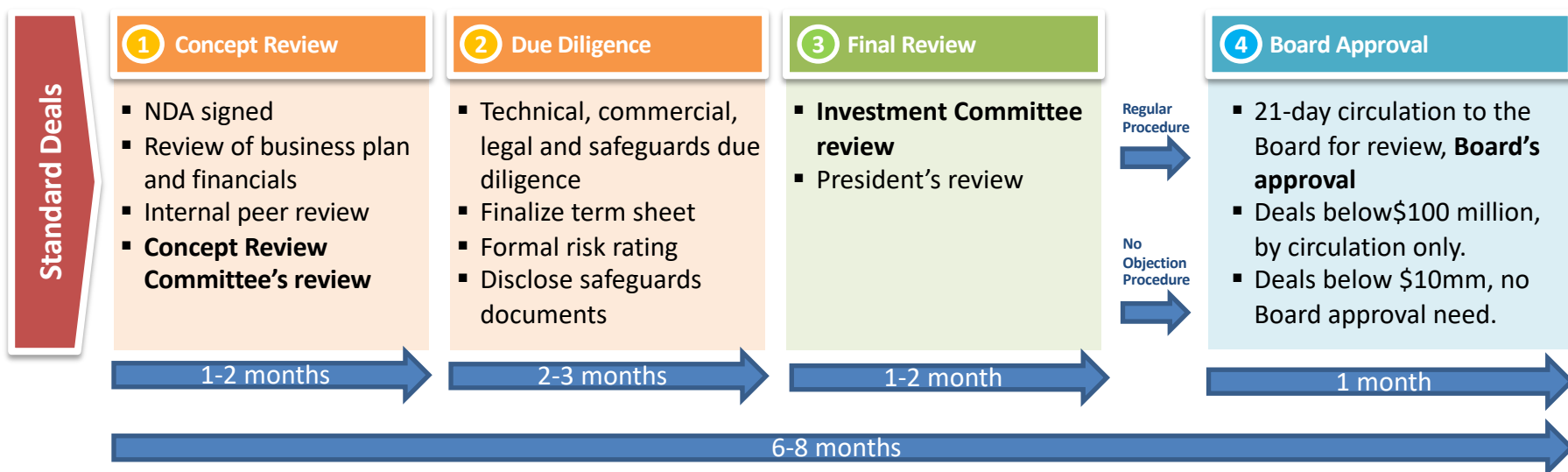
Exit rights. Tag-along, best efforts to find a buyers, and in some cases, put option against sponsors to be exercised at FMV, or multiple of BV



ESS Safeguards. An Environmental Social Management System (ESMS) must be implemented and applied to the entire FI's portfolio

Project Approval Workflow

Timeline

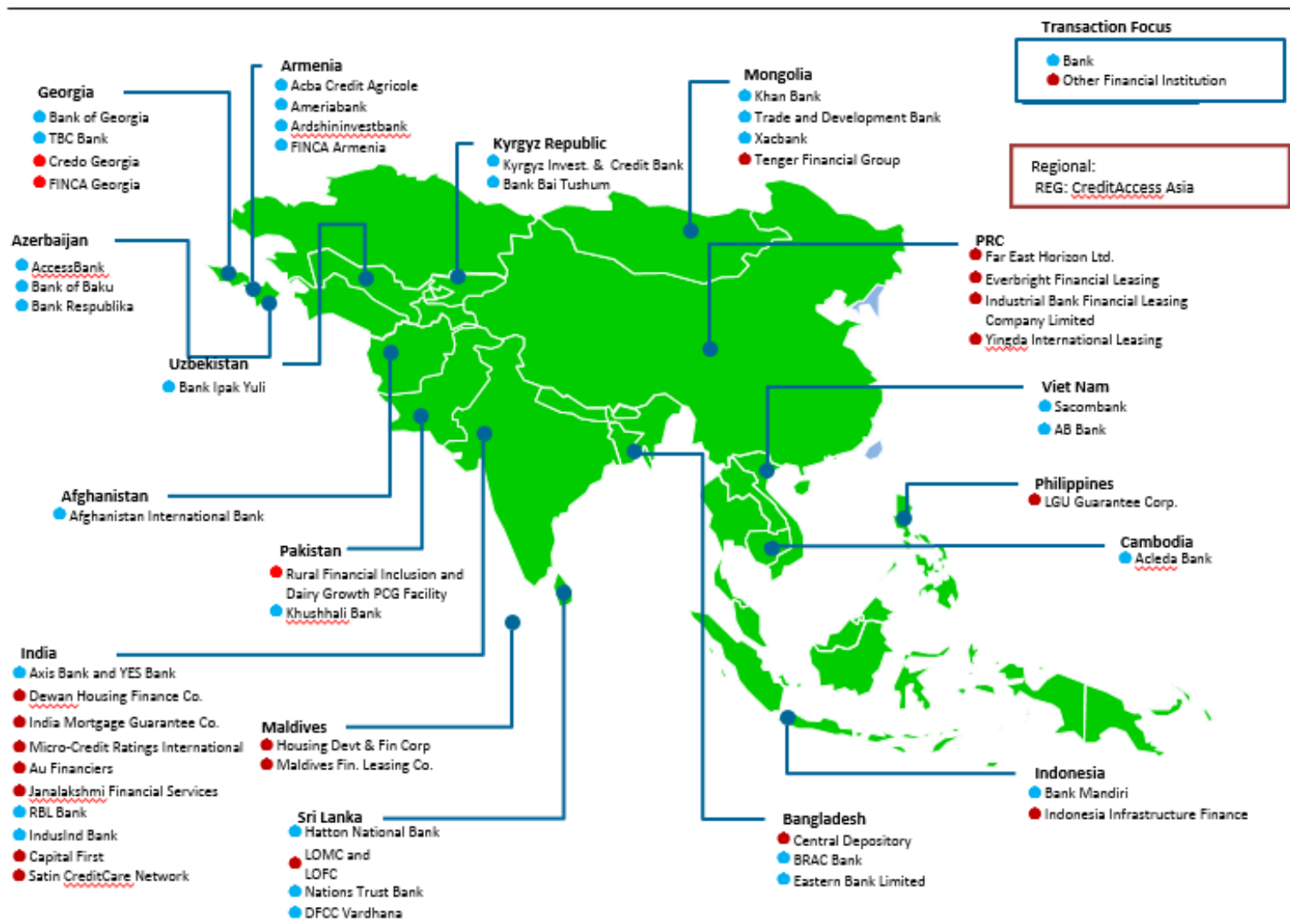


What ADB Looks for in a Partner

- A suitable platform to deliver developmental impact in the financing target sector, such as microfinance, SMEs, infrastructure, housing finance
- Sound corporate governance
- Sound integrity and AML/CFT principles
- Maintenance of appropriate environmental and social safeguards
- Adherence to regulatory guidelines
- Suitable risk management practices
- Ability to respond to market challenges



PSFI Reach in Asia-Pacific (select transactions)





ADB Case Studies



TBC Bank (Georgia): Debt + Technical Assistance

Project

- \$50 million senior loan, 5 years
- \$150,000 Technical Assistance to improve loan and non-financial services to small enterprises

Impact

- Inclusive Growth: Increase access to financial services for MSMEs and farmers in regions
- Since March 2013 TBC Bank achieved the following:
 - Disbursed \$32 million (2013) to 700 regional MSMEs and farmers – average loan \$47,000
 - Established SME Academy and SME toolkit in June 2013 to extend non-financial services
 - Trained 1,600 Georgian entrepreneurs in business planning, marketing, human resources management and web based advertising
 - Started review of lending process for small customers (loans \$50-150,000) to improve client responsiveness and cost efficiency

Key Features

- Strong know your customer process and internal controls
- Rigorous cash flow based lending process
- Innovative non-financial service marketing to SME customers to address their management skill gaps and capabilities and improve customer loyalty
- High participation of women
- Technical assistance to support SME Academy



Project

- \$75 million senior loan - 5 years approved in 2013
- Participant in Trade Finance Program since 2009

Impact

- Inclusive Growth: Increase financial services access to support MSMEs across Cambodia, with 45% of borrowers in agriculture and more than 50% women
- Highlights the importance of strong governance in building a successful banking platform

Loan growth



Deposit growth



Projects

- **Xac Bank**
 - \$30 million senior loan
- **Khan Bank**
 - \$40 million senior loan
 - Participant in Trade Finance Program

Impact

- Support the growth of MSMEs, particularly in rural areas, to support increased access to finance and credit.
- Provide access to longer tenor debt, which will assist both banks in balancing their asset-liability maturity profile better, as well as diversify its funding sources.

THANK YOU



For more information kindly visit ADB's website at
www.adb.org