Armenia Micro Lending Programme

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Quarterly Report

January – March 2007

1. General situation

In late March 2007, a decision was taken to terminate the AMP's technical assistance, provided by IPC, at the remaining partner banks, Cascade Bank and Ineco Bank, as of the end of March. At Cascade Bank, the decision was taken to graduate the bank from TA because the bank's lending results never met expectations and because the bank's management started far too late to implement the measures suggested by IPC's consultants. In the case of Ineco Bank, in mid-March the bank indicated to the EBRD that it was not comfortable with ProCredit Holding's decision to open a ProCredit Bank in Armenia and with IPC's planned involvement in ProCredit Bank. Given these concerns on the part of Ineco Bank, the EBRD decided to stop providing TA to the bank through IPC, giving the bank eight days' notice. Thus, the EBRD decided to terminate the AMP's TA activities entirely as of the end of March.

Since IPC's activities within AMP were terminated after only 14 months, 16 months earlier than initially envisaged by the EBRD's programme design, this report will discuss the extent to which the expected deliverables and achievements were fulfilled. At the end of the assignment the AMP would have been expected to have achieved the following deliverables:

a) Institution-building measures fully implemented in at least four partner banks;

b) Graduation of 75% of participating branches from technical co-operation support;

c) At least 65 additional new loan officers fully trained;

d) Monthly disbursements of 2,000 loans worth USD 8 million achieved;

e) MSME lending expanded to an additional 15 new cities and towns, with an additional 30 MSME lending outlets established;

f) Level of past-due loans (overdue by more than 30 days) less than 3% of the AMP's portfolio.

Re: a) Institution-building measures fully implemented in at least four partner banks:

In the EBRD's initial programme design as it was laid out in the institution's Terms of Reference (TOR), the AMP was supposed to work with four existing partner banks[1] – Armeconom Bank, Anelik, ACBA and Ineco Bank – and at least one new partner bank. Unfortunately, one of the four existing partner banks, Armeconom Bank, seemed never to have been prepared to engage in MSE lending operations under the AMP. The bank claimed that it had never received MSE onlending funds from the EBRD under the AMBFF and was therefore unwilling to develop its MSE lending operations within the framework of the AMP. Thus, the programme began operating with only three active partner banks. Eventually, in April 2006, the EBRD decided to deliver TA to a fourth partner bank, Cascade Bank.

When IPC re-entered the Armenian market upon the inception of the AMP in February 2006, the consultants discovered that following the phase-out of the German-Armenian Fund (GAF) in early 2005, none of the partner banks had developed either their MSME portfolios or their MSME lending structures any further.

a) Institution-building measures in Anelik Bank

As mentioned in the first quarterly report in June 2006, it had been agreed with the EBRD that the delivery of TA to Anelik Bank would be restricted to head office co-ordination. At the start of the AMP, MSME lending was in bad shape in this bank. The Deputy CEO, Ms. Tadevosyan, who had successfully co-ordinated all of the bank's MSME lending activities, had left the bank in July 2005, and the remaining deputy CEOs did not show any particular interest in MSME lending; since then, the co-ordination of MSME lending operations at the head office had been badly neglected.

In the first six months of the AMP, IPC's consultants tried to re-start MSME lending activities in the bank by delivering a number of seminars and workshops to various levels of the bank's management and conducting visits to the bank's regional branches. In parallel, working with the bank's top management, the programme's consultants analysed the status of MSME lending and the relevant structures in the bank and were able to convince the bank to put a stronger emphasis on MSME lending, i.e. to improve MSME lending co-ordination, stop the outflow of experienced loan officers and adopt a more flexible approach towards express lending.

Today, MSME lending in Anelik Bank is in sound condition and a fairly good co-ordination structure is in place. MSME lending in Anelik might not be on a very dynamic growth path, but it has its firmly recognised place within the bank and the bank is even capable of, and interested in, developing its MSME lending products further on an independent basis.

b) Institution-building measures in ACBA

After the end of technical support under the GAF, ACBA also had not developed its MSME lending activities any further. At the start of the AMP, IPC's consultants analysed the current situation in the bank and, based on its analysis, convinced ACBA's management to increase loan approval limits of local credit committees, to recruit and train new loan officers, to enhance ACBA's internal control capacities and to strengthen business loan co-ordination in ACBA's head office in Yerevan.

Thus, during the period prior to ACBA's graduation from TA at the end of 2006, IPC's consultants introduced the concept of regional managers, strengthened the positions of local heads of credit departments and introduced strong back-office positions in every branch.

In order to strengthen ACBA's regional co-ordination of MSME activities, IPC's consultants helped the bank to recruit three new employees for the position of regional manager, developed together

[1] Under the Armenia Multi-Bank Framework Facility (AMBFF).

with the bank the requisite procedures and job descriptions, and provided intensive training to the individuals hired. Until the end of 2006, all three of ACBA's regional managers, who are co-ordinating the bank's MSME lending activities in northern, southern and central Armenia, were coached on the job. Today, ACBA's MSME lending activities are managed by the team of three regional managers and the head of business lending, all trained and coached by IPC, who are capable of developing MSME lending operations in their bank on their own, without further advisory support.

Since ACBA had increased its overall number of employees and had begun to develop plans for regional outreach, IPC's consultants convinced the bank to install in every branch strong back-office units with the aim of improving internal control and at the same time increasing loan officers' disbursement efficiency. The strengthening of local capacity was further increased by giving local heads of credit departments additional responsibilities such as quality management, training of local lending staff and supervision of marketing activities.

By developing a capable central co-ordination unit and at the same time strengthening local capacities, IPC's consultants enabled ACBA to generate substantial MSME portfolio growth, and to be able to achieve outreach in the region in future, without the permanent supervision of IPC.

c) Institution-building measures in Ineco Bank

As indicated in the previous quarterly reports, due to a shortage of onlending funds, Ineco Bank was not overly enthusiastic about developing its MSME lending activities. In terms of institution-building measures as well, the bank's management was only ready to seriously consider IPC's proposals when finally, nine months after the AMP's start, the EBRD approved another credit line to the bank in late November.

Accordingly, at the end of November, the bank began co-operating with IPC's consultants in a more constructive way and signalled its readiness to expand its MSME lending activities substantially. Thus, IPC was able to convince the bank's management to conduct a large-scale loan officer recruitment campaign in December – which increased the number of MSME loan officers at Ineco by 100% – and to approve measures designed to strengthen the bank's MSME lending structures and procedures, i.e. appointing a head of business lending, introducing back offices, and creating a separation of functions among the loan officers, with some focusing exclusively on business loans and others dealing only with consumer loans. During the period prior to the termination of IPC's support for Ineco at the end of March, the programme's consultants assisted in the recruitment of the head of business lending and started his training; developed, in collaboration with the bank, sound procedures and job descriptions for the new back-office positions; and initiated the process of assigning the loan officers specialised functions.

After only four months of institution-building measures, it is obviously not yet clear to what extent the above-mentioned measures will prove sustainable; this remains to be seen.

d) Institution-building measures in Cascade Bank

Co-operation with Cascade Bank was always difficult, and from the start of co-operation until the bank's graduation from TA in March 2007, it remained unclear to what extent Cascade's management was truly committed to MSME lending and the target group. Due to a lack of capacity within the bank, it unfortunately proved impossible to approve or implement written procedures or regulations during the period of co-operation.

Although no regulations could be implemented, IPC's consultants managed to fully train three new loan officers and to create within the bank a certain understanding of the nature of MSME lending and of the rules for sound decision-making in credit committees. The extent to which MSME lending activities will be further developed through the bank's own capacity remains to be seen. Given that the bank has failed to generate clear regulations and procedures, the further development of lending activities may prove to be a rather challenging undertaking.

Re: b) Graduation of 75% of participating branches from technical co-operation support:

At the end of March 2007 MSME lending operations were underway in all 30 branches of the four participating partner banks. During the reporting period, IPC's consultants were providing active support to three branches (involvement in daily operations) and were providing less intensive support to another two branches (supervision and operational advice). Thus, at least 83% of all branches were graduated from technical co-operation support.

Re: c) At least 65 additional new loan officers fully trained:

From April 2006 to March 2007 IPC's consultants conducted five seminars lasting four days each for 67 loan officer trainees of the four partner banks. Of the 67 loan officers trained as of the end of IPC's activities in March, 49 are still working in the banks as loan officers, 13 are working in other positions in the banks, three left the banks after the seminars, and two were already bank staff members before the seminars took place. Thus a total of 49 new loan officers were trained.

If the partner banks had made plans to further develop their MSME lending activities and to recruit more loan officers, and if new partner banks could have been found with a reasonable potential for regional growth, IPC is confident that in the remaining 16 months of the 30-month assignment, at least 65 new loan officers could have been trained easily.

Re: d) Monthly disbursements of 2,000 loans worth USD 8 million achieved:

From October 2006 on, monthly disbursements in terms of number were always higher than 2,000 loans with the exceptions of January and March 2007. In January, a traditionally weak month, monthly disbursements dropped to 929 and in March 1,776 loans were disbursed (see table below).

From October 2006 on, the disbursed monthly volume of the AMP's partner banks exceeded USD 8 million in four out of six months. The volumes disbursed fell below this level only in the traditionally weak January 2007 (USD 4 million) and February 2007 (USD 7.1 million).

Table 1: Monthly disbursements over the last seven months

Month	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Monthly Disbursement in number	1,003	2,067	2,541	2,559	929	2,078	1,776
Volume in USD million	5.3	8.1	8.5	8.1	4	7.1	8.8

Re: e) MSME lending expanded to an additional 15 new cities and towns, with an additional 30 MSME lending outlets established:

The goal of expanding MSME lending to an additional 15 new cities and towns, with an additional 30 MSME lending outlets established, clearly was not achieved. Instead, during the 14 months of IPC's activities, five new lending outlets in two cities were established.

There are two main reasons for this disappointing result in terms of regional expansion: First, existing partner banks were either reluctant to expand their overall banking activities to the region (Anelik and Ineco Bank), or had regional expansion plans which could not have been realised due to a lack of internal capacity and the fact that management was focusing on other priorities (ACBA). The second reason was the failure to identify strong potential new partner banks with extensive regional networks. The only partner bank with which a new co-operation could be established was Cascade Bank, which – operating only from its head office – did not really contribute to fulfilling the goal of regional development.

As IPC pointed out right from the beginning in its technical proposal to the EBRD and in its first quarterly report in June 2006, the deliverable of regional expansion would only be realistic either if Armeconom Bank utilised its huge branch network to carry out MSME lending operations[2], or if at least one new partner bank with a considerable branch network could be found.

Re: f) Level of past-due loans (overdue by more than 30 days) less than 3% for the AMP's portfolio:

With a portfolio at risk overdue by more than 30 days at 0.4% by number and 0.5% by volume, the deliverable of generating a reasonable portfolio quality was achieved.

Conclusion

With the AMP having fulfilled almost all envisaged deliverables in less than half of the period initially planned for the programme, the question now arises as to what priority MSME lending has today in the Armenian banking market, what role the downscaling approach played during the AMP's 14 months, and what role it will play in the future.

As noted above, after the end of technical assistance from the GAF, none of the participating commercial banks either developed their portfolios to any significant extent or devoted any further effort to their MSME products, regulations and procedures. For more than a year, MSME lending operations were simply maintained at the same level as when IPC terminated its operations under the GAF.

When IPC began delivering consulting services under the AMP to the same banks – with the exception of one institution – which had already received these services for many years during the GAF, its efforts were highly welcomed by three of the four banks. Most of the banks would have readily accepted it had IPC's consultants taken control of most of their operational MSME lending business, and thus filled the managerial vacuum.

As noted above, however, IPC's consultants did not become overly involved at the operational level, and instead were able to persuade some of the banks to install better procedures and structures, to help them to do so, and to play a close supervisory role. Given that this "non-operational" approach generated quite satisfactory lending results, the conclusion is that the unsatisfactory MSME lending performance in the Armenian banks after the GAF ended was due not to a lack of motivated middle-management staff, but rather to the fact that top management is both unwilling and unable to take an active approach to managing MSME lending in their banks.

[2] As noted earlier, Armeconom Bank decided not to engage in any MSE lending operations at all. The bank's management did not signal a change of strategy, and a return to MSME lending, until the end of 2006.

This constraint – the attitude towards MSME lending on the part of Armenian bankers – is caused by two circumstances: a) lack of competition, and b) an inappropriate equity structure and lack of finance.

Re: a) Lack of competition

Apart from the fast-growing consumer lending segment, the Armenian banking market is not very competitive. Due to a “gentlemen’s agreement” within the Armenian banking association not to offer jobs to job-seekers who are currently working in another Armenian bank, local bankers have prevented any inter-bank migration of specialists. The informal ban on hiring staff from competitor institutions not only serves to prevent employees from leaving their current banks, it also rules out any transfer of knowledge and best practices within the market.

There is also little competition among Armenian banks in the area of MSME lending. With the exception of ACBA, the only bank which has fully adopted MSME lending as a part of its business activities, the banks are willing to utilise own funds only in cases where the IFIs make this a condition for granting their MSME credit lines. If no further credit lines from IFIs are expected, the banks use almost all of their limited own funds to finance their consumer loan portfolios, and allow their MSME portfolios to stagnate or even shrink. Thus, MSME lending is seen as an activity to be financed by donors, rather than as a core business.

Re: b) Inappropriate equity structure and lack of finance

The Armenian banking sector is characterised by small, undercapitalised and family-owned banks. These banks are able neither to attract extensive FDI, nor to mobilise sufficient funds on the domestic market, due to their poor image and reputation. Thus, the AMP has encountered difficulties in achieving dynamic growth, as would any future downscaling programmes, given that few banks in Armenia are eligible to absorb additional IFI funding or sufficiently capitalised to do so.

As long as Armenian bankers fail to accept a greater degree of competition, to take a more proactive approach to their MSME lending operations and to fully accept MSME lending as a business activity which is at least equal to their other banking activities, MSME lending will always have an inferior standing in the Armenian banking market.

2. General information on the Consultant’s activities

As ACBA was graduated from TA as of the end of 2006, the AMP’s activities in the reporting period were restricted to Ineco Bank and Cascade Bank.

At Cascade Bank IPC’s consultants were involved in the MSME department’s operational lending activities, as in the past, and made another attempt to convince the bank’s management that a much more aggressive marketing approach would be needed in order to generate a sufficient number of loan applications. This time, the consultants’ efforts were more successful, due in part to the help of Cascade Bank’s new MSME manager, Mr. Stepan Melikyan, who joined the bank in January 2007.

As indicated in the last quarterly report, Ineco Bank became more willing to implement IPC’s suggestions for expanding MSME lending activities once it became clear to the bank’s management that they would receive another credit line from the EBRD. Thus, IPC’s consultants invested considerable efforts in recruiting a huge number of new LOs and at the same time strengthening the partner bank’s MSME lending capacities and MSME procedures.

During the reporting period IPC’s consultants organised and conducted a number of seminars for partner bank staff:

1. In January a one-day seminar was held for all lending staff of Ineco Bank. Selected aspects of the lending cycle were discussed, such as the credit technology for express loans, cash flow and working with problem clients.

2. Also in January, a one-day seminar was held for all branch managers and MSME co-ordinating staff of Ineco Bank. The topics discussed at this seminar were marketing, increasing productivity, integration of MSME lending operations into the branches' overall business operations, and staff motivation.

3. At the end of January Ms. Anastasia Kozhemyakina, Head of Audit in the Russia Small Business Fund (RSBF), conducted a three-day seminar for 10 senior audit staff from all partner banks plus Armeconom Bank. The topics presented and discussed were the specific characteristics of MSMEs, MSME lending technology, sampling, fraud detection, and planning and reporting.

4. In mid-February IPC's consultants conducted a four-day basic seminar for Ineco Bank's 14 new loan officer trainees.

3. Results of lending activities:

- During the reporting period, portfolio growth in volume terms was about 8%. At the end of March the outstanding portfolio totalled more than USD 60 million.
- Disbursements were satisfying in number terms in February and March. In February 2,078 loans were disbursed, and in March 1,776 loans.
- The quality of the portfolio improved again, with arrears of more than one day amounting to 0.9% and arrears of more than 30 days coming to 0.5%.

Table 2: Development of the outstanding loan volume over the period January 1 - March 31, 2007 (in USD)

	Micro Loans			Small Loans			Total				
City	31 December, 2006	31 March, 2007	Growth - (%)	31 December, 2006	31 March, 2007	Growth - (%)	30 September, 2006	31 December, 2006	31 March, 2007	Growth - 3 months (%)	Growth - 7 months (%)
Yerevan	3,774,136	4,198,830	11%	16,790,977	18,078,121	8%	18,979,653	20,565,113	22,276,951	8%	17%
Lori	526,958	554,632	5%	3,108,936	2,985,013	-4%	3,693,263	3,635,894	3,539,644	-3%	-4%
Armavir	5,198,240	6,672,579	28%	4,153,795	4,465,858	8%	6,136,764	9,352,035	11,138,437	19%	82%
Ararat	3,423,818	3,465,092	1%	3,238,908	3,120,844	-4%	4,645,063	6,662,726	6,585,936	-1%	42%
Shirak	1,078,095	1,107,489	3%	2,060,583	2,568,911	25%	2,690,408	3,138,678	3,676,400	17%	37%
Kotayk	1,146,867	1,153,462	1%	2,947,349	2,799,300	-5%	3,040,790	4,094,216	3,952,763	-3%	30%
Tavush	437,322	467,356	7%	1,167,902	1,315,982	13%	1,276,969	1,605,224	1,783,338	11%	40%
Sjunik	518,600	559,705	8%	1,537,679	1,659,358	8%	1,296,722	2,056,279	2,219,063	8%	71%
Gegarkunik	899,187	974,943	8%	1,090,020	984,747	-10%	1,471,015	1,989,207	1,959,690	-1%	33%
Vayots Dzor	276,573	265,173	-4%	648,226	899,620	39%	666,297	924,799	1,164,793	26%	75%
Aragatsotn	442,761	455,194	3%	1,519,863	1,495,462	-2%	1,538,042	1,962,624	1,950,656	-1%	27%
TOTAL AMP	**17,722,557**	**19,874,455**	**12%**	**38,264,238**	**40,373,215**	**6%**	**45,434,987**	**55,986,795**	**60,247,670**	**8%**	**33%**

Table 3: Development of the number of outstanding loans over the period January 1 - March 31, 2007

City	Micro Loans			Small Loans			Total				
	31 December, 2006	31 March, 2007	Growth - (%)	31 December, 2006	31 March, 2007	Growth - (%)	30 September, 2006	31 December, 2006	31 March, 2007	Growth - 3 months (%)	Growth - 7 months (%)
Yerevan	1 459	1 665	14%	481	504	5%	1 716	1 940	2 169	12%	26%
Lori	268	227	-15%	113	116	3%	380	381	343	-10%	-10%
Armavir	3 712	5 139	38%	167	182	9%	3 084	3 879	5 321	37%	73%
Ararat	3 079	3 048	-1%	107	102	-5%	2 708	3 186	3 150	-1%	16%
Shirak	503	534	6%	81	99	22%	503	584	633	8%	26%
Kotayk	682	692	1%	126	132	5%	699	808	824	2%	18%
Tavush	224	254	13%	65	71	9%	279	289	325	12%	16%
Sjunik	225	227	1%	68	79	16%	261	293	306	4%	17%
Gegarkunik	474	542	14%	43	45	5%	409	517	587	14%	44%
Vayots Dzor	148	143	-3%	19	19	0%	162	167	162	-3%	0%
Aragatsotn	191	209	9%	78	87	12%	239	269	296	10%	24%
TOTAL AMP	**10 965**	**12 680**	**16%**	**1348**	**1436**	**7%**	**10 440**	**12 313**	**14 116**	**15%**	**35%**

4. Co-operation with partner banks

As noted above, by the end of 2006 all banks except Ineco Bank and Cascade Bank had graduated from technical assistance. At ACBA and Anelik Bank, IPC's consultants only monitored the MSME portfolios; therefore, this section will describe only the co-operation with Ineco Bank and Cascade Bank. For ACBA and Anelik, only lending results will be presented.

4.1 Cascade Bank

Co-operation with Cascade Bank was better than in previous reporting periods, because from January on the new MSME manager, Mr. Stepan Melikyan, tried hard to implement some of IPC's suggestions. The fact that a bank insider began supporting some of IPC's ideas certainly proved valuable. Unfortunately, even Mr. Melikyan had to realise right from the start that capacities in Cascade Bank are not very strong. The institutional weakness of Cascade Bank was again demonstrated when IPC's consultants and Mr. Melikyan realised that the bank, against the advice of the programme's consultants, was completely unprepared in terms of a having a well-defined description of duties for the new MSME manager. In the end Mr. Melikyan had to write himself a job description, which was then readily accepted by the bank's management.

In terms of marketing, the new MSME manager's efforts started to show results in mid-March and the number of loan applications increased, leading to a record disbursement of 12 loans. Nevertheless, this better-than-expected result cannot hide the fact that MSME lending in Cascade Bank still has a long way to go. First of all, Cascade Bank wasted valuable months before they began implementing the suggestions which IPC had been making from August 2006 on as to how to increase the number of loan applications. It remains to be seen how successful the new manager will be in stabilising and further developing the bank's readiness to support MSME marketing activities. Second, the bank needs to formalise its MSME lending procedures by establishing written regulations and a written lending policy. If the bank fails to institutionalise the MSME know-how which IPC has undoubtedly brought into the bank, then MSME lending in Cascade Bank will depend in the future on the degree of interest shown by individual managers, rather than being an integral part of the bank's overall strategy. At a time in which the bank's top management is undergoing changes, the future of MSME lending in Cascade Bank therefore remains uncertain.

Table 4: Overview of the performance of AMP lending operations at Cascade

	Yerevan
Output over last 3 months	
Disbursed loans - December 31, 2006	8
Disbursed loans - March 31, 2007	12
Disbursed loans (volume USD) - December 31, 2006	27,785
Disbursed loans (volume USD) - March 31, 2007	55,505
Development of outstanding portfolio	
Outstanding loans – December 31, 2006	27
Outstanding loans – March 31, 2007	52
Growth (%)	237.5%
Outstanding loans (volume USD) - December 31, 2006	120,793
Outstanding loans (volume USD) - March 31, 2007	282,284
Growth (%)	134%
Portfolio quality	
Arrears rate (volume) - December 31, 2006	0.0%
Arrears rate (volume) - March 31, 2007	0.0%
Loan officers	
No. of LOs under training (up to 6 months)	
No. of trained Los (> 6 months)	3
Total no. of Los	3
No. of LOs financed by partner bank	3

4.2 Ineco

As mentioned earlier, co-operation with Ineco Bank substantially improved when in late November the bank became confident that it would receive additional onlending funds from the EBRD. After extensive recruiting activities in December, which resulted in the hiring of nine additional loan officer trainees for Yerevan were recruited, IPC's consultants organised another assessment centre in the city of Armavir in mid-January and recruited three additional loan officer trainees for Ineco Bank's Armavir branch, thus doubling the number of loan officers in Ineco Bank to 25.

After consultation with IPC in December, Ineco Bank was able to fill the vacant position of head of the Business Loans Department. Because all regional co-ordination at Ineco Bank is conducted by the manager of the institution's branch in Gyumri, the new manager unfortunately did not initially take any responsibility for Ineco's regional MSME lending activities. IPC's consultants were able to convince the bank that all of its MSME lending activities needed to be co-ordinated centrally, and they then worked with the bank to redefine the responsibilities of this position and set them forth in a written job description.

Since the number of loan officers increased so dramatically, IPC's consultants convinced the bank that it was necessary to introduce a separation between back-office and front-office functions in all branches. Thus, in the beginning of March, Ineco's CEO announced that back-office functions would be introduced in every branch of the bank, and IPC's consultants generated the respective regulations and job descriptions in co-operation with the bank. If this concept is implemented according to IPC's proposal, Ineco will be able to increase the productivity of its loan officers and at the same time strengthen its internal control mechanism.

All in all, lending operations at Ineco developed very favourably after the bank realised at the end of November that it would receive additional onlending resources in December. While as of the end of November, Ineco Bank's MSME portfolio totalled only USD 2.1 million, at the end of March the portfolio already totalled USD 4.3 million.

Table 5: Overview of the performance of AMP lending operations at Ineco

	Yerevan	Lori	Armavir	Shirak	Total
Output over last 3 months					
Disbursed loans - December 31, 2006	31	10	19	11	71
Disbursed loans - March 31, 2007	40	10	20	6	76
Disbursed loans (volume USD) - December 31, 2006	312,873	82,193	158,714	105,132	658,912
Disbursed loans (volume USD) - March 31, 2007	953,199	149,556	198,545	8,422	1,309,722
Development of outstanding portfolio					
Outstanding loans - December 31, 2006	199	39	105	50	393
Outstanding loans - March 31, 2007	220	56	114	63	453
Growth (%)	11%	44%	9%	26%	15%
Outstanding loans (volume USD) - December 31, 2006	1,636,751	354,338	322,970	187,281	2,501,340
Outstanding loans (volume USD) - March 31, 2007	2,905,588	507,073	521,036	372,790	4,306,487
Growth (%)	78%	43%	61%	99%	72%
Portfolio quality					
Arrears rate (volume) - December 31, 2006	0.4%	0.0%	0.0%	0.6%	0.1%
Arrears rate (volume) - March 31, 2007	0.4%	8.9%	1.5%	0.2%	1.3%
Loan officers					
No. of LOs under training (up to 6 months)	8	1	3	1	13
No. of trained LOs (> 6 months)	4	2	2	4	12
Total no. of Los	12	3	5	5	25
No. of LOs financed by partner bank	12	3	5	5	25

4.3 ACBA

Table 6: Overview of the performance of AMP lending operations at ACBA

	Yerevan	Vanadzor	Spitak	Tashir	Echmiadzin	Ararat	Vedi	Gjumri	Abovyan	Ijevan	Kapan	Sevan	Yeghegnadzor	Ashtarak	Total
Output over last 3 months															
Disbursed loans - December 31, 2006	49	29	0	6	1148	290	349	21	94	25	43	26	22	38	2140
Disbursed loans - March 31, 2007	62	23	1	2	477	315	251	25	77	44	35	26	16	33	1776
Disbursed loans (volume USD) - December 31, 2006	504,151	249,986	0	20,908	2,163,980	840,934	377,464	72,188	642,133	169,546	305,934	174,198	191,896	193,906	5,907,226
Disbursed loans (volume USD) - March 31, 2007	1,604,300	150,461	2,209	4,280	936,564	847,761	293,900	424,003	470,505	181,446	346,286	201,338	95,151	282,253	8,761,278
Development of outstanding portfolio															
Outstanding loans - December 31, 2006	577	333	3	6	3705	1977	1209	201	672	289	293	196	167	269	9897
Outstanding loans - March 31, 2007	570	270	5	12	5058	1613	1537	221	679	325	306	201	162	296	14116
Growth (%)	-1%	-19%	67%	100%	37%	82%	27%	10%	1%	12%	4%	3%	-3%	10%	43%
Outstanding loans (volume USD) - December 31, 2006	9,042,604	3,255,839	4,831	20,887	8,551,375	5,352,529	1,310,197	1,799,602	3,320,756	1,605,224	2,056,279	1,278,523	924,799	1,962,624	40,486,070
Outstanding loans (volume USD) - March 31, 2007	9,699,961	2,985,092	9,926	37,554	9,929,032	4,846,410	1,739,526	2,178,474	3,140,846	1,783,338	2,219,063	1,172,337	1,164,793	1,950,656	60,247,670
Growth (%)	7%	-8%	105%	80%	16%	-9%	33%	21%	-5%	11%	8%	-8%	26%	-1%	49%
Portfolio quality															
Arrears rate (volume) - December 31, 2006	1.9%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	7.0%	0.5%	7.0%	0.1%	0.4%	1.1%
Arrears rate (volume) - March 31, 2007	0.2%	0.4%	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%	4.6%	12.2%	0.8%	3.7%	0.6%	1.0%	1.2%
Loan officers															
No. of LOs under training (up to 6 months)	6	1	1		3	2				2	1	2		2	20
No. of trained LOs (> 6 months)	7	2		1	4	3	1	2	4	1	5	1	2	6	39
Total no. of Los	13	3	1	1	7	5	1	2	4	3	6	3	2	8	59
No. of LOs financed by partner bank	13	3	1	1	7	5	1	2	4	3	6	3	2	8	59

4.4 Anelik Bank

Table 7: Overview of the performance of AMP lending operations at Anelik

	Yerevan	Armavir	Shirak	Kotayk	Gegarkunik	Total
Output over last 3 months						
Disbursed loans – December 31, 2006	188	27	43	26	56	340
Disbursed loans – March 31, 2007	155	41	36	22	47	301
Disbursed loans (volume USD) - December 31, 2006	1,019,558	100,275	120,715	149,794	159,560	1,549,901
Disbursed loans (volume USD) - March 31, 2007	1,009,615	123,188	126,543	129,097	167,150	1,555,593
Development of outstanding portfolio						
Outstanding loans – December 31, 2006	1137	69	333	136	321	1996
Outstanding loans – March 31, 2007	1327	149	349	145	386	2356
Growth (%)	17%	116%	5%	7%	20%	18%
Outstanding loans (volume USD) – December 31, 2006	9,764,965	477,690	1,151,796	773,460	710,683	12,878,593
Outstanding loans (volume USD) – March 31, 2007	9,389,118	688,369	1,125,136	811,917	787,353	12,801,893
Growth (%)	-4%	44%	-2%	5%	11%	-1%
Portfolio quality						
Arrears rate (volume) – December 31, 2006	1.9%	0.0%	0.0%	0.0%	1.4%	0.5%
Arrears rate (volume) – March 31, 2007	0.3%	0.0%	0.1%	0.0%	1.9%	0.2%
Loan officers						
No. of LOs under training (up to 6 months)		1				1
No. of trained LOs (> 6 months)	22	3	5	4	3	37
Total no. of Los	22	4	5	4	3	38
No. of LOs financed by partner bank	22	4	5	4	3	38