

JSC MFO Crystal, Georgia

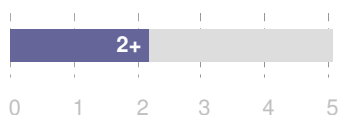
Crystal started in 1998 as a microfinance program of a local NGO set up by and intended for Internally Displaced Persons from Abkhazia. In 2004 the program transferred to a separate entity, Crystal Fund, and in line with the new law on microfinance, Crystal Fund transformed into a Joint Stock Company (JSC) in 2007 and received its license as a Microfinance Organization (MFO) from the National Bank of Georgia. With its head office based in Kutaisi, Crystal currently operates from 3 branches and 9 offices in Western Georgia and from 1 branch in Tbilisi, offering mainly individual business and consumer loans to 4,779 clients with a loan portfolio of USD 4.3 M at March 2010. Crystal's **vision** is to 'become a leading microfinance institution in Georgia known for quality of service, its innovative business model, a cohesive corporate philosophy, a focus on regional development and a commitment to social responsibility'. "The **mission** is to offer a wide range of high quality financial services to micro and small entrepreneurs throughout Georgia."

Social Performance Rating

May 2010

Overall, Crystal's Social Performance is rated "2+"

Social Performance Management	Financial Inclusion	Client Protection & Ethical Finance	Human Resources Policy	Social Change
2+	2	2+	3+	*

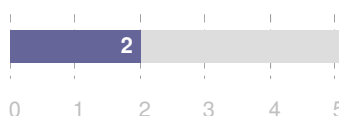


Indicators

Intent to have an impact	Convincing
Risk of Mission Drift	Limited

Social performance management

- Crystal has a clear intent to have a social impact but does not have a clearly defined social mission, which is neither translated into clear social goals.
- The social mission is considered in key decisions and processes and a Social Committee at the BOD level has been set up, however limited information is available in order to take well informed decisions.
- Crystal has made its first attempts at social performance monitoring, but more internal knowledge would be needed to fully develop a monitoring system.

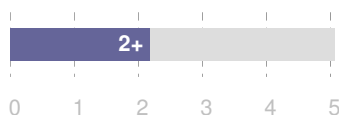


Indicators

Indicators	Mar. 2010
% Female clients	49.9%
% Rural clients	53.7%
% Clients with social collaterals	66.6%
% Penetration of population	0.11%
% Retention	n/a

Financial inclusion

- With operations in Western Georgia, there is some outreach to the underserved. However no specific targeting tools are in place and a large part of the clients (e.g. 43.3% of loans are consumer loans) fall outside the scope of its mission.
- Crystal's loan products are relatively diversified in terms of purposes and amounts, but no other services are currently offered. To date one client survey has been conducted to investigate clients needs, with additional surveys planned.
- The cost of services is high, mostly due to inefficient operations but transaction costs for clients are relatively low and efforts are being done to make the processes more efficient.

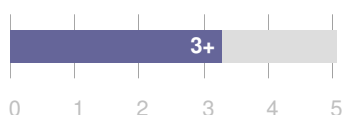


Indicators

Indicators	Mar. 2010
% Loans checked /credit bureau	n/a
% Loans checked /other MFIs	n/a
% Clients with micro-insurance	0.0%
% Clients bearing FX risk	42.5%
Effective Interest Rate (EIR)	28-67%
Portfolio Yield	56.7%
% Clients visited by non-op staff	n/a

Client protection & ethical finance

- Crystal has several procedures in place with respect to the prevention of over-indebtedness although they are undermined by allowing loan repayments up to 80% of net-income of clients and the limited use of the credit bureau (only first time clients).
- Transparency of services is moderate with business loans offered on a declining basis, but consumer and universal loans with higher EIRs offered on a flat basis.
- Appropriate collection practices and ethical staff behavior are focus areas for Crystal but require stronger policies and processes.
- Crystal has recently implemented a client hotline and suggestion boxes in its branches to allow clients to voice complaints in case of need.



Indicators	2009
Staff Turnover	10.3%
Traffic accidents per LO	0.0%
Yearly salary increase/inflation	-2.7
% Staff receiving >2 training days	40.0%

Human resources policy

- Equal rights for staff are well ensured within Crystal with transparent practices (e.g. a clear salary grid) and a good representation of women among staff.
- Crystal’s compensation policy is good with good salary levels denominated in USD and social security coverage provided (health insurance) above the basic minimum standards in Georgia.
- Labor conditions for staff are good in general. One area of concern are that not all staff have active contracts which is not mandatory according to Georgian law. Crystal is currently finalizing a new contract template to offer better job security to staff which is expected to be implanted in the second half of 2010.

Education, Health, Basic Services	* * * * *
Gender Equality and Women Empowerment	* * * * *
Fight vs. Unemployment	* * * * *
Democracy & Human Rights	* * * * *
End Poverty	* * * * *
Environment Sustainability	* * * * *

Social change

- Crystal has made contributions to several smaller projects (e.g. for medical treatment, or in case of natural disaster) as part of their corporate social responsibility focus.
- Crystal has promoted the use of gas stoves in remote areas to reduce the use of firewood. 50 clients have taken a loan to date for this purpose.

Crystal Profile

Financial Services

- ✓ Credit Services: 4,779 borrowers
- Micro and Small Business Loans (21.0%), Agro Loans (11.8%), Consumer loans (67.1%)
- Average outst. loan size: 920 USD (37.3% of GDP per capita)
- Average Effective Interest Rate: ~56% (28 to 67%)
- ✗ Savings Services
- ✗ Microinsurance Services:
- ✗ Money Transfer Services:

Non Financial Services

	Awareness Raising	Training	Services
Business Development	✗	✗	✗
Education, Health and Basic Services	✗	✗	✓
Women Empowerment	✗	✗	✗
Democracy & Human Rights	✗	✗	✗
Environment	✓	✗	✓

Country Profile

Indicators	Georgia	ECA
Demography		
Urban population (%)	49.9%	63.7%
Health		
Life expectancy at birth	71.6	70
Mortality rate (<5) per 1,000 births	29.7	21.6
Education		
Adult literacy rate (%)	99.7%	99%
Combined school enrolment ratio (%)	76.7%	91.1%
Gender		
Parliament seats held by women (%)	18.7%	15.3%
Poverty lines		
Population below 1\$/day (%)	13.4%	3.7%
Population below 2\$/day (%)	30.4%	
Gini index	40.8	
HDI		
Rank out of 177 countries	89	
2000-2007 progress	0.73%	
Economy (2009)		
Economic growth (%) (f)	(4.0%)	5.5%
Inflation (%)	1.73%	11.4%

Source: World Bank (2007), World Bank (2009) for Economy indicators, UNDP (2008), UNDP (2009) for HDI indicators, CIA (2008)