



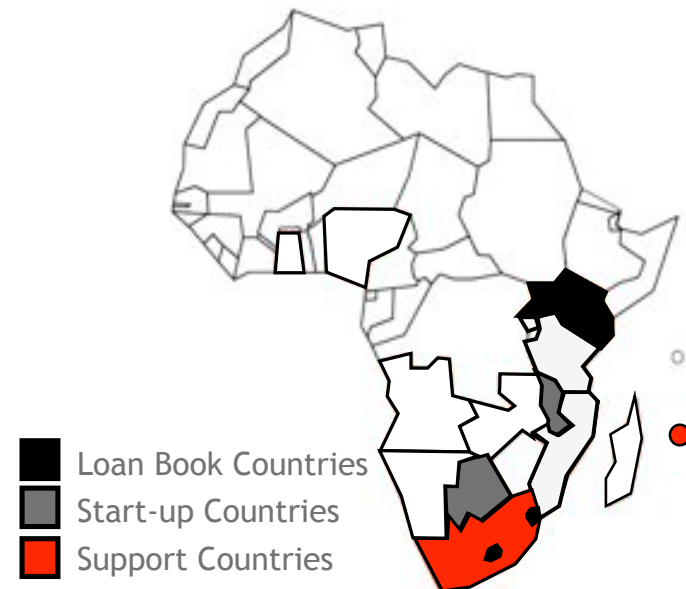
African Union for Housing Finance Conference - 22 September 2010



A leader in African microfinance

- Offering retail financial services to the non or under-banked market in southern Africa for over 10 years
- Core focus is the provision of unsecured credit to employed individuals for the purposes of housing, education, SME financing and other client needs
- Commercial enterprise that generates real, measurable social impact

Currently operating in 8 countries

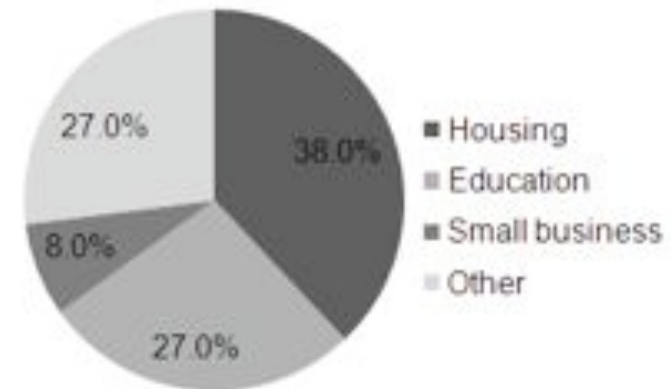


Financial services under banked population

- Client base tends strongly towards public sector employees, typically being the largest and most stable formally employed base in all markets across Africa
- Loan repayments are deducted via payroll (at source), providing for more consistent collections
- In addition to loan products, we offer embedded insurance products such as credit life and funeral cover

Portfolio characteristics ¹

38% of our clients use our loans for housing

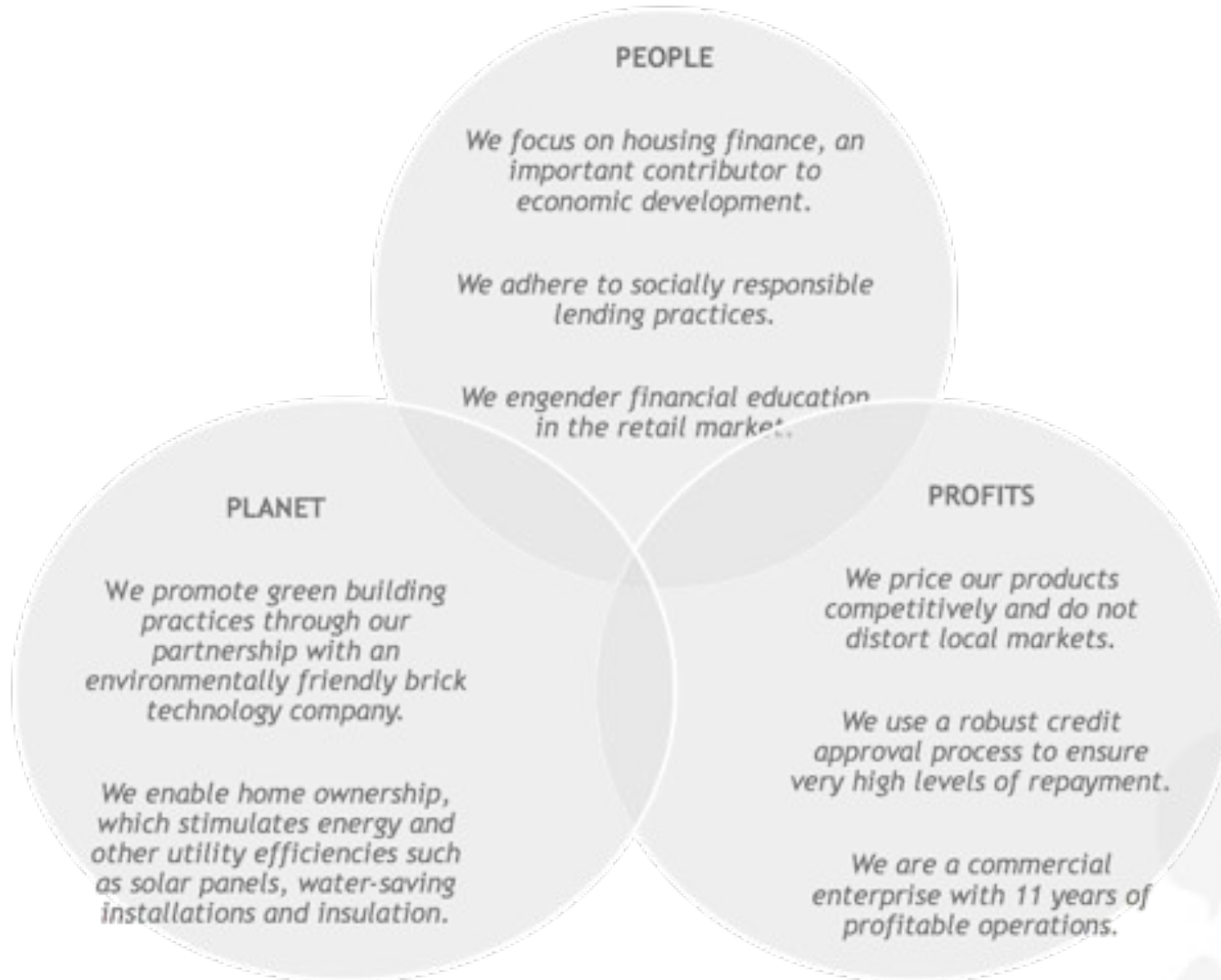


87% of our clients earn less than \$750 per month



1. Based on an independent survey of our Swaziland operations

Committed to 'Triple Bottom Line' operations



Focus on Housing

- Unsecured housing credit is not available from the banking sector.
- Banks are risk averse and do not provide housing loans without little as security (mortgage).
- Banks only provide finance and do not assist with the social underpin guiding the building process.
- RESULT: Housing and generation of affordable housing 'stock' suffers.
- Select is well positioned to service this niche through its unique 'incremented modular' approach to housing credit.

A Select success story...

The Late Esau Maxwell Kunene



The Late Mr. Kunene was a Swaziland government employee and the breadwinner of his family. He was employed as a teacher in one of the rural settlements in the Western Hhohho Region. He previously lived in a government house, and harboured the dream of owning his own home. In 2005, he began to search for a small plot of land on which to construct a house. He quickly encountered the problem of obtaining finance for this endeavour, as conventional loan products were too costly for him on a monthly salary of E3,510 (~US\$530). He then approached Select, a housing microfinance institution in Swaziland, where he qualified and was approved for a loan of E20,000 (~US\$3,000). This he chose to repay over a period of 24 months

He used this first loan to build a foundation and to purchase some building materials such as cement. The loan was not enough at the time to finish his house, and once he had finished paying the loan off in August 2005, he rolled over the loan, which he did repeatedly a total of ten more times, making the grand sum of money borrowed E57,000 (about US\$8,500). With this, he has finished building the walls, roofing, and wired and connected his five roomed home to the electricity grid. A further loan in July 2008 of E9,590 (about US\$1,400) was used to purchase fencing materials, build a gate and plant trees around his home. Unfortunately Mr. Kunene passed away in August 2009, but since Select provided Credit Life Insurance on his loan as well as funeral insurance for him and his family, his widow does not need to worry about repaying the loan and she and her children have a fully paid shelter



Incremental Loan Vs Mortgage Loan

Incremental Housing Loan

- No deposit required
- No Title held by Select
- Affordable loan over shorter period
- Reduced interest paid overall
- Added benefits to the product
- Potential for lowering cost of credit through Government guarantee scheme.

Mortgage Loan

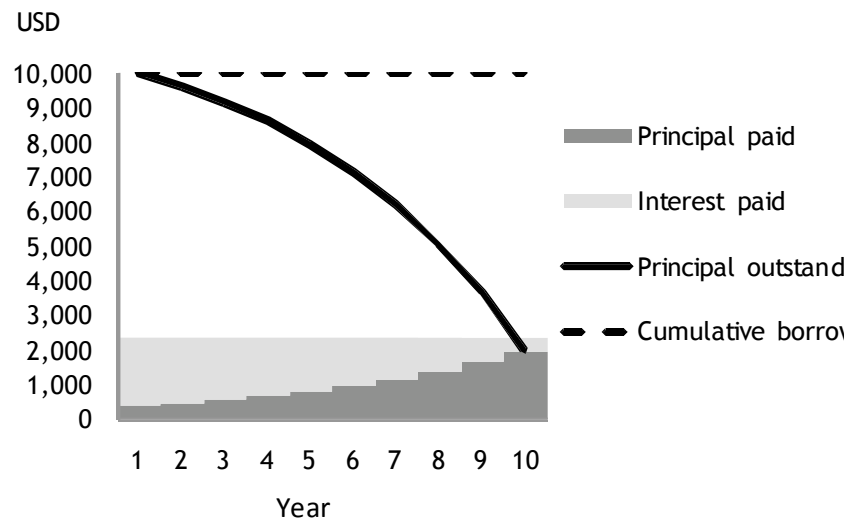
- Risk Averse institutions
- Securitization required
- Bond Registration fees
- Hidden costs
- Deposit required
- High interest yield over period

Incremental loans drive affordable housing credit

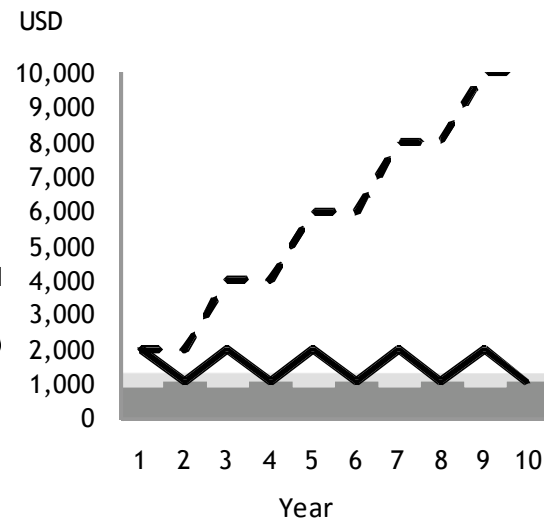
- An incremental loan breaks up a typical home loan facility of 10 to 15 years into smaller, shorter incremental loans (12 to 60 month loan terms)
- At identical rates of interest, the installment associated with a \$10,000 traditional mortgage is almost twice as large as that associated with a series of smaller loans totaling \$10,000
- Even with an all-in interest rate 4x greater than that of a traditional mortgage, the incremental home loan can still have a more affordable installment

\$10,000 Home Loan at 20% interest - Comparison of Traditional Mortgage vs. Incremental Loan

Traditional Mortgage



Incremental Loan (series of 5 24-month loans)



Traditional Mortgage

TRADITIONAL MORTGAGE

Size	10000												
Term	10												
Rate	25%												
													Totals
Year	1	2	3	4	5	6	7	8	9	10			
Opening Balance	10,000.00	9,699.27	9,323.37	8,853.48	8,266.13	7,531.94	6,614.19	5,467.02	4,033.04	2,240.58			
Interest Accrued	2,500.00	2,424.82	2,330.84	2,213.37	2,066.53	1,882.98	1,653.55	1,366.75	1,008.26	560.15			
Interest Paid	-2,500.00	-2,424.82	-2,330.84	-2,213.37	-2,066.53	-1,882.98	-1,653.55	-1,366.75	-1,008.26	-560.15	-18,007.26		
Principal Paid	-300.73	-375.91	-469.88	-587.35	-734.19	-917.74	-1,147.18	-1,433.97	-1,792.46	-2,240.58	-10,000.00		
Closing Balance	9,699.27	9,323.37	8,853.48	8,266.13	7,531.94	6,614.19	5,467.02	4,033.04	2,240.58	0.00			

Incremental Building

INCREMENTAL LOAN

Size	2000											Totals
Term	2											
Rate	52%											
		1	2	3	4	5	6	7	8	9	10	
Previous Balance			1,206.35	0.00	1,206.35	0.00	1,206.35	0.00	1,206.35	0.00	1,206.35	
New loan		2,000.00		2,000.00		2,000.00		2,000.00		2,000.00		
Opening Balance		2,000.00	1,206.35	2,000.00	1,206.35	2,000.00	1,206.35	2,000.00	1,206.35	2,000.00	1,206.35	
Interest Accrued		1,040.00	627.30	1,040.00	627.30	1,040.00	627.30	1,040.00	627.30	1,040.00	627.30	
Interest Paid		-1,040.00	-627.30	-1,040.00	-627.30	-1,040.00	-627.30	-1,040.00	-627.30	-1,040.00	-627.30	-8,336.51
Principal Paid		-793.65	-1,206.35	-793.65	-1,206.35	-793.65	-1,206.35	-793.65	-1,206.35	-793.65	-1,206.35	-10,000.00
Closing Balance		1,206.35	0.00	1,206.35	0.00	1,206.35	0.00	1,206.35	0.00	1,206.35	0.00	

Lending Criteria

- **Know your Customer**
- **Affordability**
- **Loan amount & term**
- **Client Responsibility**
- **Disbursement**
- **Payroll deduction**

Benefits

- **Advocate for responsible lending**
- **Free Personal Budgeting Training**
- **Free Building Advice Booklet**
- **Disbursements to Suppliers where possible**
- **Embedded Insurances**
- **Affordable Loan taken at a given time**
- **Advantage of Self Build using latest technologies**

Thank You

