An Overview Of The Micro Finance Industry:

From its early days in the 1970's to 2005, the Year of Microcredit, and its increasing emphasis on profit-based self-sustaining models.

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ABSTRACT

Leading commercial for-profit microfinance institutions (MFIs) such as Grameen Bank in Bangladesh, BancoSol in Bolivia and Bank Rakyat Indonesia (BRI) in Indonesia, have shown that the MFI business model can be sustainable and even profitable with some innovation and good management. As each year passes, their consistent results prove to the financial world that the business of micro finance services for the poor can be a lucrative investment opportunity, in addition to its original humanitarian goals of combating and eliminating poverty.

However, it is also clear that vastly differing regional and local conditions, make it unsuitable for any one model to work all the time. Various organizations have entered the industry to fill in the gaps in knowledge and take advantage of potential opportunities. The microfinance industry has come a long way, and it is an exciting time now, as it appears to be in the early stages of large scale commercial funding.

Five key words to identify main topic:

- Microfinance
- microcredit
- sustainable growth
- microfinance institutions (MFI)
- commercial MFI

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INTRODUCTION

This paper provides a broad overview of the microfinance industry, traces the emergence and evolution of the profit-based models (Fernando, 2004) and provides updates on key current events. The paper highlights the emergence of new venture funds, and the evolving operational characteristics and financial results of selected microfinance institutions ("MFI").

Microfinance has evolved beyond is initial humanitarian activity. It has broken "free of the structural paradox of most humanitarian efforts, in which the costs of reaching every additional person brings the program closer to its economic limits. Successful microfinance, on the contrary, becomes more self sufficient with scale." noted Michael Chu, past President of ACCION in 1997 (Daley-Harris, 2005). Both the for-profit and non-profit worlds have gradually adapted this non-profit charitable model to fit commercial and entrepreneurial requirements, while still targeting to meet the social goals of reducing or eliminating extreme poverty.

In the past few years, this evolution has resulted in a shift in thinking, that the poor are indeed worthy of commercial attention, and that the poor are in effect a niche market of its own. *"They are reading about the fortune at the bottom of the pyramid"* observed Maria Otero, CEO of Accion in March 2005 (Otero, 2005).

Commercial for-profit companies are more willing to explore and innovate methods of selling to this niche market. In the long run, this will benefit both the companies and the target market served. The key benefit for companies, is the double bottom line of: 1) having new sources of revenue and profits for existing lines of businesses, and 2) social benefits of improving the society in which the company does business while being perceived as a good corporate citizen. The key benefit for the poor, is having access to basic financial services that did not exist for them before, and having the opportunity of using credit facilities to potentially bring themselves out of poverty.

A timeline of the MFI industry's evolution from its early inception in the 1970's through 2005, a year declared by the United Nations to be the International Year of Microcredit (Microfinance, 2005), is presented. Selected MFIs are highlighted to show various operating models and results. The best practices adopted by some MFIs are noted, along with lessons learned.

This paper will be useful to the following parties:

a) Existing non-profit and for-profit microfinance institutions (MFI) and formal financial institutions (FFI) (such as commercial banks) already in the microfinance business; to update themselves on current industry trends and various operational best practices adopted by selected MFIs.

b) Financial institutions planning to enter the microfinance business; to provide a basic overview of the industry, the social and market potential, current trends, and highlight selected resources for the industry.

c) Employees and entrepreneurs in the industry or planning to enter the industry; to update themselves on current industry trends and selected operational best practices.

d) Governmental and non-governmental organizations providing support to this industry; to update themselves on current trends.

e) Investors and donors to this industry; to update themselves on current trends and provide a basic resource list of selected key industry participants.

BACKGROUND

Microfinance, according to the definition adopted by the Asian Development Bank, is the provision of a broad range of financial services such as deposits, loans (commonly known as 'microcredit'), payments services, money transfers, and insurance to the poor and low-income households and their microenterprises. "Let us be clear: microcredit is not charity. It is a way to extend the same rights and services to low-income households that are available to everyone else." Kofi Annan, Secretary General of the United Nations, in a letter to the government of Bangladesh at the launch of the UN Year of Microcredit in 2005.

For the purposes of this paper, the definition of ‘poor’ is taken from the United Nations’ Millennium Development Goals, which describes in economic terms, people living on less than US$1 a day. As of February 2006, the World Bank estimated that 1.2 billion people, or roughly 240 million families, live on less than US$1 a day. (This definition is however, not applicable and misleading for the poor populace in rich countries like the United States, where the poverty threshold for a family of 4 is estimated to be about US$11 per day). According to Prahalad (2004), more than 4 billion people live at the Bottom Of The Pyramid (BOP) on less than $2 per day and he argues that there is significant untapped opportunity for value creation that is latent in the BOP market if companies revolutionize how they do business.

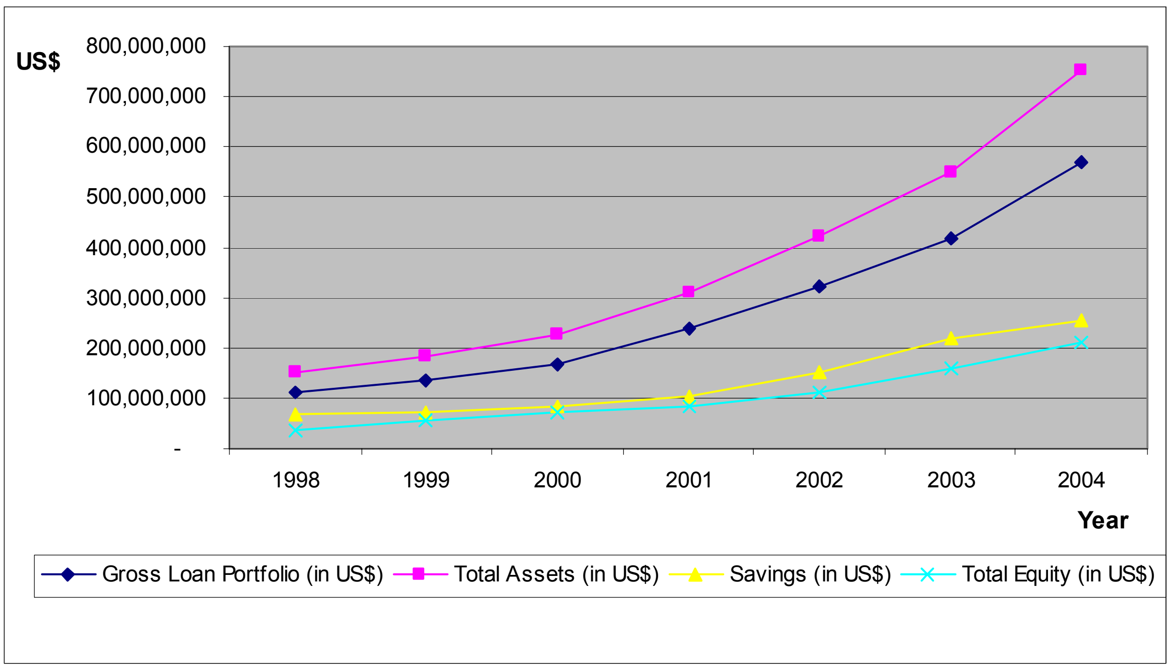
In 2003, Stanley Fischer of Citigroup (Fischer, 2003) estimated, using Women’s World Banking statistics, that about 40 million low income entrepreneurs have access to microfinance services, but there are probably another 500 million who need and warrant these financial services. The 40 million receiving microlending services, obtain them respectively from specialized MFIs (1/3rd of the total), credit unions (another 1/3rd) and converted banks or finance companies (remaining 1/3rd).

In 1997, a group of more than 2,900 people from 137 countries gathered for the Microcredit Summit, a civil society-organized summit, with a commitment to “break with business as usual and dramatically accelerate and scale up action” with their bold campaign to reach 100 million of the world’s poorest with credit for self employment and other financial services by the end of 2005.

As of December 31 2004, the Microcredit Summit reported that over 3,000 microcredit institutions had reached over 92 million clients, of whom 66.6 million were among the poorest clients, with micro loans (Daley-Harris, 2005).

The graph in Figure 1 below tracks a sampling of selected financial results from 15 institutions providing microfinance services from 1998 thru 2004. See Appendix 6 for more information on the 15 MFIs selected.

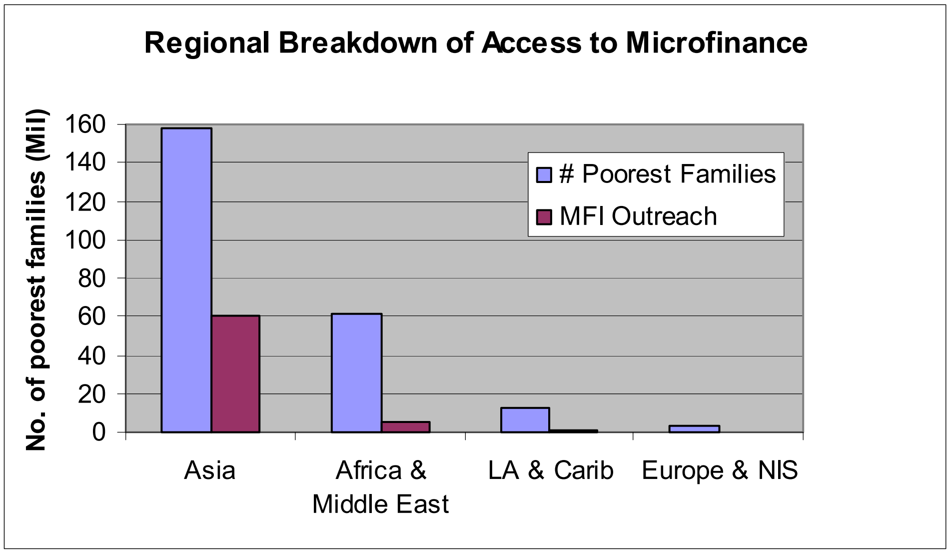
Figure 1: Chart of Financial Growth for 15 Selected MFIs



Source: The MIX (Microfinance Information Exchange) Market website

Despite the rapid growth and reach achieved in the past few years, there remains a large need for microfinance services. Figure 2 below is a graphic presentation of this reach, showing the potential remaining need for these services by region, whereby the MFI outreach had only covered 38% of the total number of the poorest families in Asia who would benefit from microfinance. In Africa and the Middle East, it was only 8.5%, in Latin America it was only 11.6%, and in Europe and the Newly Independent States it was less than 2%.

Figure 2: Regional Access To Microfinance

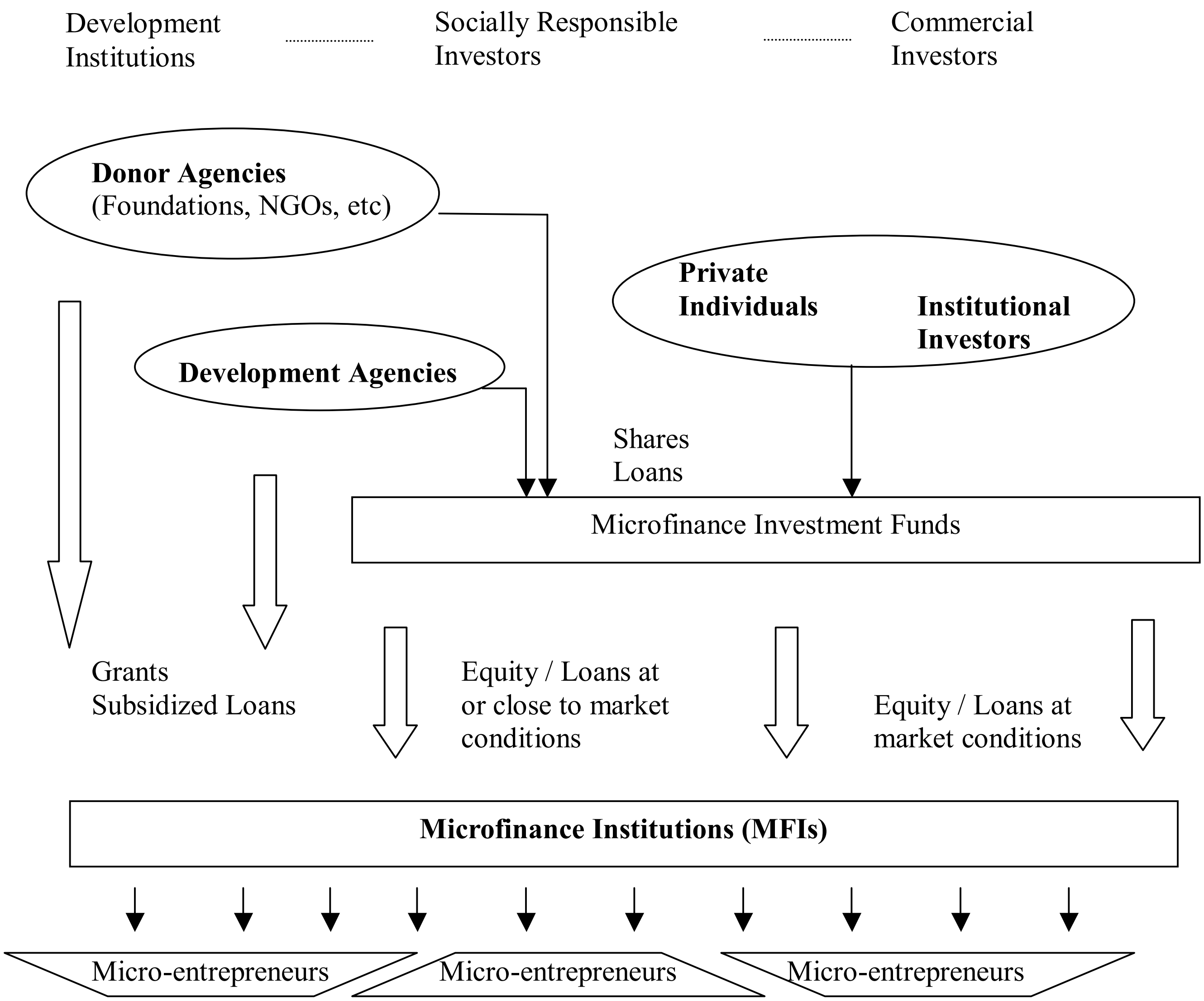


Source: State of the Microcredit Summit Campaign 2005

Many parties are involved in various capacities in the microfinance industry, for example, managing an MFI or a network of MFIs, consulting to investors and donors, providing market information and research for the industry, and providing credit ratings to selected MFIs. A list of 55 such organizations, their websites, basic information and area of involvement, are outlined in Appendixes 1 and 2. The relationship between the main industry participants: donors, investors and MFIs, is presented graphically in Figure 3 below. (PlaNet Finance, 2005)

One of the industry's key participants is the Grameen Bank. In 1977, Muhammad Yunus, an economics professor, founded the Grameen Bank in Bangladesh to extend credit to the poor (Yunus, 1999). Counts (1996) highlighted various personal stories in Bangladesh to describe the implementation of Grameen's microfinance programs. A Schreiner (2003) report compared Grameen's output with their subsidies received for the time frame between 1983-1997. The paper concluded that: 1) Grameen most likely had a surplus that exceeded subsidy, 2) Grameen was cost effective and 3) Grameen was probably a worthwhile social investment. The paper attributed the recent rapid growth in funding for microfinance to Grameen's success.

Figure 3: Graph of Microfinance relationships



Source: PlaNet Finance: Relations between Banks and Microfinance

There has been growing excitement in the industry since the passing of time has revealed the effectiveness and results of reputable pioneering MFIs. Leading MFIs have shown that microfinance can be an effective tool to combat poverty while exposing a potential new market, with its unique model that is both a social service and a self sustainable venture. The investing community has begun to take note.

METHODOLOGY

Secondary research consisted of reviewing information from various relevant sources such as reports, research papers, publications and books written by industry participants. Online database search engines that were key to finding the information above include Google, Google Scholar, the SDSU Library's database sources that include Lexis/Nexis and ProQuest; industry databases such as The Microfinance Gateway, The Microfinance Information Exchange; and various industry participant websites that hold a wealth of information from their individual perspectives. Primary research was based on direct discussions with a few local individuals involved in microfinance organizations.

RESULTS

Timeline of Noted Microfinance Industry Events

The industry has come a long way from lending a few dollars to a group of poor women. Below is a timeline of selected notable events[1] in the microfinance industry, with emphasis on for-profit or commercial developments and profiled organizations:

1961 - ACCION founded in Venezuela by American Joseph Blatchford
1968 - Bank Rakyat Indonesia (BRI) established as one of five state-owned commercial banks in Indonesia, primarily responsible for providing rural banking services
1970 - Bank Dagang Bali (BDB) founded in Indonesia by I Gusti Made Oka and his wife, one of the world's first commercial banks established primarily to target low-income borrowers
1971 - Opportunity International began lending uncollateralized loans to very poor borrowers in Colombia
1972 - BRAC starts as a relief organization in Bangladesh, founded by Fazle Hasan Abed
1973 - ACCION began issuing small loans to micro enterprises in Brazil
1974 - BRAC microcredit started
1976 - Grameen Bank founded in Bangladesh by Dr. Muhammad Yunus
1984 - FINCA founded in Bolivia by American John Hatch
- Grameen Bank transformed into an independent commercial bank

[1] More information on most of the organizations noted in the Timeline can be found in Appendix 1 & 2.

- K-Rep founded in Kenya to address operational shortfalls experienced by NGOs involved in micro-enterprises.
- Indonesian Central Bank loosens lending and savings rate caps on banks
- BRI's rural banking unit, BRI Unit, spun out as a sustainable rural commercial bank
- BancoSol's predecessor PRODEM founded as an NGO by a group of businessmen to provide small working capital loans to micro enterprises

1988 - Good Faith Fund founded in Arkansas, U.S.A. as a replication of Grameen Bank. Supervised by Chicago's Shorebank Corporation and funded by Winthrop Rockefeller, MacArthur, Mott and Ford Foundations.

1991 - K-Rep Bank Limited, a division of the K-Rep group, established in Kenya as the first commercial bank that caters specifically to low-income people

1992 - BancoSol founded as a commercial bank, taking over PRODEM's clients and portfolio, and leveraging on their experience

1995 - Prisma Microfinance Inc, started in Nicaragua with a $1,000 personal start up capital from founders Roger Aburto and American David Satterthwaite, and a $4,000 loan from American businessman George Kraus. Prisma operates for-profit MFIs.
- Grameen Bank decided not to receive any more donor funds. Their growing amount of deposits from savings accounts were expected to be more than enough to run and expand its credit programs and repay existing loans.
- Profund, a US$23 million fund to invest in Latin American MFIs created.

1996 - German-based ProCredit started an MFI from scratch in Bosnia-Herzegovina. It now operates a network of for-profit MFIs, in 14 different countries. Received an investment-grade rating from rating agency Fitch.

1997 - Microcredit Summit, a gathering of more than 2,900 people from 137 countries, launched a 9-year campaign to reach 100 million of the world's poorest families, especially the women of these families, with credit for self-employment and other financial and business services by 2005.
- at this time, an estimated 13.5 million had been reached by microfinance

2001 - BRAC Bank Ltd., a commercial bank, launched

2003 - Grameen II launched

2004 - Bank Dagang Bali (BDB), the oft quoted microfinance success story, was closed by Indonesian banking regulators due to low capital adequacy ratio and liquidity problems related to family ownership of the bank; notably though, the closure was not attributed to the creditworthiness of their low income clients

2005 - United Nations' declared Year of Microcredit
- Microcredit Summit reported that by the end of 2004, 67 million very poor people were reached with microcredit, 84% of them women. A total of 3,164 MFIs participated in the reporting.
- According to Grameen Bank, 58% of their borrowers' families crossed the poverty line. As of July 2004, Grameen Bank had 3.7 million borrowers, 96% were women, 1,267 branches servicing 46,000 villages in Bangladesh.
- Profund liquidated its entire MFI portfolio and reportedly had a 6% annual return on investment.

Funding the Industry

In the early days of the industry, most of the funding for MFIs came from grants and donations from the government, non-profit non-governmental development agencies (NGOs), and charitable foundations.

In 1995, Profund was created by a few social investors including Calmeadow of Canada, Triodos of Netherlands and Fundes of Switzerland, and headed by ACCION International. The fund size of US$23million was to be invested in Latin American MFIs to demonstrate that microfinance could be commercially viable. It was designed to last 10 years, with its entire portfolio to be sold off at the end of 10 years. ProFund had invested in a total of 13 different Latin American MFIs, located in Bolivia, Columbia, Ecuador, Guatemala, Haiti, Mexico, Nicaragua, Paraguay, Peru, and Venezuela. The investee MFIs included BancoSol of Bolivia, Mibanco of Peru and Compartamos of Mexico.

In 2001, a USAID funded paper (Campion & White, 2001) noted that specialized equity funds such as ProFund and the ACCION Gateway Fund play an important role in the transition toward increased commercial investment in microfinance. These funds are managed and treated as private commercial money and the success of these funds will demonstrate that investing in MFIs is viable. However, also in 2001, an investors' report, Evaluation of ProFund (DiLeo & Cuandra, 2002) noted that ProFund's original business plan was oversimplistic and overambitious with respect to regional macroeonomic and financial sector developments, and their own portfolio had failed to demonstrate the existence of clean exits and liquidity. The paper however did note that ProFund was successful in accomplishing its core objective of sharpening the identity of the emerging industry and demonstrating the key features required for a successful development finance fund.

Subsequently, ProFund reported in their website that by June 2004 they had returned US$5 million to shareholders and that they were on course to fully return all capital plus profits in the high single digits yield by December 2005. The Economist reported in November 2005 (Survey, 2005) that despite the failures of 3 investee companies, economic and political challenges of a few countries, currency weaknesses and some active management involvement by ProFund's fund manager Alex Silva to 'rescue' a few MFIs, ProFund managed a 6% annual return to investors.

Table 1: ProFund Financial Highlights

ProFund International S.A. **Financial Highlights** **US$'000**	Ended June 30: **2000**	**2001**	**2002**	**2003**	**2004**
Total Assets	18,313	18,748	18,321	14,558	11,404
Total Liabilities	726	709	507	1,519	2,029
Total Stockholders' Equity	17,587	18,039	17,814	13,039	9,375
Income	1,088	1,945	772	698	1,752
Expenses	711	707	728	641	469
Operating Income	377	1,238	44	57	1,283
Net unrealized gain (loss) on Investments	(1,333)	80	815	1,058	1,947
Provision for future fluctuations in market value of investments in equity securities	(277)	(871)	(1,084)	(1,375)	(1,594)
Net Income (Loss)	(1,233)	447	(225)	(260)	1,636

During that time, the investee MFIs saw their combined outstanding loan portfolio grow to nearly $500 million, serving over 550,000 microfinance clients. ProFund's investors were impressed enough by the fund's overall performance in 2005, to have wanted to renew its charter. But portfolio manager Alex Silva declined, and noted that unlike the environment for MFIs in 1995, there was now growing interest from commercial banks, and there were already numerous funds and sources of equity available to MFIs. Table 1 above is a summary of ProFund's recent and available financial highlights.

ProFund's investors and fund managers have instead set up a separate US$15 million Emergency Liquidity Fund (ELF) to serve as a lender of last resort to MFIs affected by natural disasters or man-made crisis.

Today, a list of 75 funds totaling US$1.8 billion (balances of fund assets reported for dates ranging from 31/12/01 to 31/12/05) that invest all or a portion of their funds in MFIs, are tracked by The MIX Market, an information exchange source for the microfinance industry. Many of these funds were created in the past 3 years. One of the largest and most publicized is a fund created by Pierre Omidyar, one of eBay's founders and his wife Pam. It has pledged US$100 million to fund microfinance projects. See Appendix 3 for the full list of the 75 funds. The funds that had reported a return on investment (ROI) according to The MIX Market, are listed in Table 2 below.

Table 2: Microfinance Funds

Microfinance Funds Offering a Return	**ROI:**
Accion Investments in Microfinance, SPC	8-10%
MicroVest I, LP: Equity	7-9%
Blue Orchard Microfinance Securities	4.55-8.8%
Dexia Microcredit Fund (BlueOrchard)	5.5-7.5%
ProCredit Holding Aktiengesellschaft (PCH AG)	5-6.5%
Microvest I, LP: Subordinated Debt	4.5-6%
ALTERFIN	6%
AXA World Funds	5.10%
Impulse Microfinance Investment Fund	4%
Triodos Fair Share Fund (TFSF)	2-4%
responsAbility Global Microfinance Fund (responsAbility Fund)	3.56%
mPower Investment Program	0-3%
Calvert Community Investment Notes	3%
Partners for the Common Good (PCG)	3%
Latin American Bridge Fund (LABF)	0-2.875%
Accion Global Bridge Fund	0-2.875%
CRESUD	2.75%
Oikocredit World Partnership Investments	2%
ASN-Novib Fonds (ANF)	1.20%

Source: MicroCapital (www.microcapital.org)

Actual numbers of total MFIs that operate in the industry today are difficult to obtain. Campion & White (2001) reported that there were 7,000 NGOs providing microfinance services to poor entrepreneurs throughout the world, while only a tiny percent of that has initiated the transformation into privately owned and regulated MFIs. Maria Otero, the current President of ACCION estimated in 2005 that there could be between 7,000 to 10,000 MFIs worldwide, and only 150 to 200 considered leading MFIs.

Leading MFIs, such as Grameen Bank, take pride in not receiving any donor money, whereby they prefer to borrow low cost loans that will be repaid in time. The established MFIs are also funding their lending operations with the savings deposits from clients. With generally good repayment records in the high 90 percent range from their borrowing clients, the established MFIs are generally able to cover their operating costs with interest earned from their microcredit programs.

Entry of For-Profits

Several international and large commercial financial institutions such as Citigroup, ABN Amro, Soc Gen and India's second largest bank, ICICI Bank, have entered the microfinance industry in a for-profit role, either as supporting financiers to various MFIs or in downscaling their own programs to implement microfinance services within existing banking operations. (Microfinance Matters, 2005; Soc Gen, 2005; Mugica, 2003; Fischer, 2003). Citigroup reports that their involvement in the microfinance industry began in 1965 with a $5,000 grant. In 2001, they issued $4.5 million in letters of credit to microfinance organizations such as ACCION and FINCA.

This shift with the entry of commercial banks and equity funds, is changing the image and business of microfinance from the previous charity-based non-profit model, to a commercial for-profit model. (Rhyne & Christen, 2000; Robinson, 1995). The new model is also expected to shift the image of micro-welfare to a more self sustaining and entrepreneurial model. It is expected to accelerate the growth of microfinance to reach the vast numbers that still need such services.

The following table compares a few basic characteristics of the non-profit vs. for-profit providers of microfinance services:

Table 3: Comparison of For-profit MFI vs. Non-profit MFI models

Characteristics	For-profit MFI model	Non-Profit MFI model
Overall focus or goal	Self sustainability after initial funding from donors or lenders	Charitable cause to assist poor borrowers/savers with services.
Source of funds for operations	Ongoing operations: repayment of loans, interest payments, savings deposits	Charitable donations from donors and governments
Management team	Personnel with commercial banking experience or affiliation with established MFI models	Generally social workers or volunteers
Affiliations	Replication of ACCION, FINCA, Grameen or similar for-profit MFI network's operating model	Charitable or religious NGOs, or governmental agencies that provide aid to the poor
Expectation of borrowers / clients	Full repayment of loan with interest. Failure to repay results in being barred from borrowing more	Little or no consequences for non-repayment of loan and interest

Operational Characteristics

The MFI industry has certain operational practices that distinguish microfinance services from commercial banking services offered, as follows:

- No collateral required from borrowers, who usually have little or no assets
- Lending to groups of 5 or 10 borrowers, making group members responsible for each others' loan repayment
- Specifically defining the meaning of "poor" and target marketing to the poor clients (Hatch & Frederick, 1998)
- Typical businesses that the micro loans are used for tend to vary by country and region, but in general, the loan uses include raising or tending livestock eg. milking cows, raising chickens; fish trading; basket weaving; vegetable cultivation; making bread, puffed rice or tortillas; operating a grocery shop or stall; making and selling clothes; paddy cultivation; and rickshaw purchase.
- Small loan sizes that can range between US$10 and US$100 initially

- Short loan repayment terms, usually 6 months or 1 year for full repayment
- Frequent and consistent repayment periods eg. weekly or biweekly fixed payments
- Interest rates that are usually between 25% to 100%, which are higher than the "normal" commercial lending market, but lower than informal money lenders.
- Interest charged by some MFIs are based on simple interest rates with fixed payments, instead of compounded rates
- Low default rates, with leading MFIs reporting over 90% loan repayment rates
- Clients have access to banking services beyond microcredit, such as savings, insurance, housing and education loans (Hatch, Levine & Penn, 2002)

Certain industry best practices have emerged through the years. Among the most common and well known practice of an MFI is the group lending model, the lack of collateral requirement and the active involvement of banking personnel to counsel and assist in influencing high repayment rates from their borrowers. In time though, other best practices emerge and MFIs adapt. Table 4 below shows how Grameen had adapted their operational best practices as they discovered new client needs and new ways of extending their effectiveness.

Table 4: Comparison of Grameen Classic and Grameen II

Clause	Grameen Classic	Grameen II (since 2003)
Borrowers	Lending to a group of borrowers	Lending to individual borrowers
Repayment	Group liability	Group only advises, no liability for individual defaults
Default deterrent	Group pressure	Individual not allowed to borrow in future
Disbursements	Staggered loan disbursement to group members	All members can borrow at the same time
Loan ceilings	Ceilings at branch level, zone level, etc	No ceilings
Loan Tenor (length of loan)	1 year minimum tenors	Flexible loan tenors and arrangements
Repayment terms	Weekly fixed repayments	Flexible repayment amounts
Savings products	Compulsory savings	Flexible new savings and insurance products

Various MFIs have also adapted technology to their best interests, to improve efficiency and lower operating costs. Examples of technology working for the microfinance industry are as follows:

- lower cost to transfer funds via mobile phones
- arrangements with merchants in small towns to enable mobile phones to be used to pay loans, make deposits and get cash
- setting up point-of-sale machines using mobile phone technology in small towns to take deposits, pay loans and get cash

Structural Characteristics

In addition to internal operations, many MFIs share certain similarities in their start-up process and basic structure. Most MFIs started as NGOs providing humanitarian assistance to the poor. Some then decided that microfinance or specifically microcredit was their most effective tool to help the poor and combat poverty. Via outside help from experienced MFI practitioners such as Grameen, ACCION or FINCA, they re-organize their operations to become MFIs.

With initial start-up funds from donors or investors, these newly minted MFIs make their first few micro loans and take in their first few dollars in savings deposits. In time, as they grow in size and reach, they find that with the high interest rates charged on loans, high repayment rates by borrowers, and increasing savings deposit balances by clients, they have managed to become self sustaining and even profitable enough to reinvest profits for further growth.

In the late 1990's a new breed of MFIs emerged, with the creation of Germany-based ProCredit Holdings AG. ProCredit's founding was shaped by their founders' over 20 years' experience in finance in developing countries, and conclusion that state-owned banks and NGOs were very rarely efficient. Their model was to create entirely new MFIs from scratch, with a business model that combines a development policy orientation with a commercial approach, supported by a strong central management team.

Key Performance Indications From Selected MFIs

Grameen Bank effectively started in 1976 with founder, Muhammad Yunus' US$21 personal loan to 42 poor bamboo stool weavers. As of January 2006, Grameen reported that it had disbursed a cumulative of US$5.28 billion since inception, and had $4.68 billion in cumulative repayments, with a rate of recovery at 98.88%. Their 2004 Annual Report showed Net Profits at 422 mil Taka (or about US$6.2 million)[2] from Interest Income of 3.5 billion Taka (or about US$51.8 million), and ROE was 8.98%.

BancoSol started as a commercial bank in 1992 by taking over NGO Prodem's operations and focused on servicing micro enterprises. In 2003 they reported having 56,707 credit clients with an average loan balance of US$1,607 and a default portfolio rate of 6.82%. Their gross portfolio amount was US$91.1 million and deposits were US$69.9million. ROE in 2003 was 14.4%, compared to 1.7% in 2002 and 0.4% in 2001.

Grameen de la Frontera started in 2000 with a US$280,000 low cost loan from Grameen Foundation. As of December 2005, they had 2,093 active clients, operate 76 centers in the Sonora region in Mexico, some of which are 60 miles apart, and have 14 staff members. In total, they had lent out over 6 million pesos (over US$542,000)[3]. At the time of this paper, they reported 100% repayment rate on all their outstanding loans. For the year ended December 31, 2005, they reported income of 1.508 million pesos and expenses of 1.399 million pesos for a year-to-date accumulated income of 109,246 pesos, or about US$10,000.

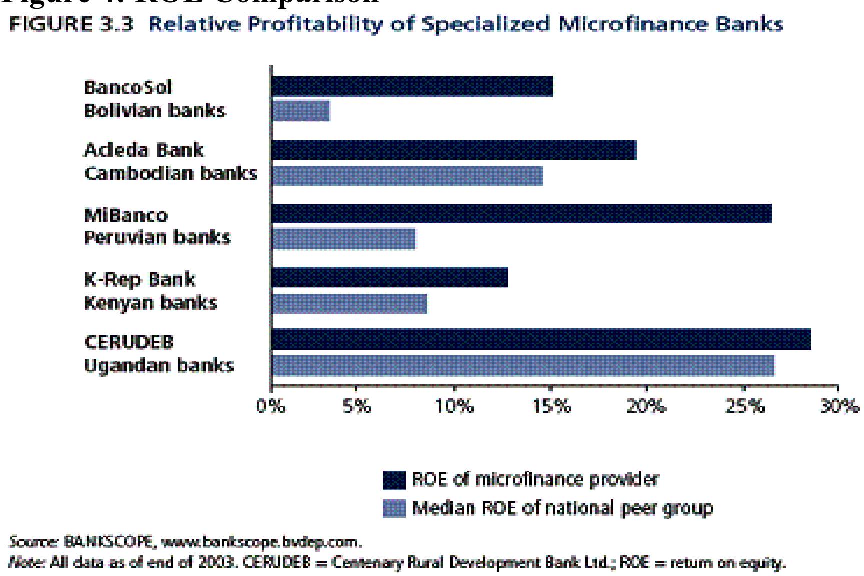
The ProCredit group of banks opened its first MFI in Bosnia-Herzegovina in 1997. ProCredit Holdings AG was formed in 1998, based in Frankfurt, Germany to act as the main shareholder, and to provide strategic guidance and management to the rapidly

[2] As of April 21, 2006 US$1.00 = 69.475 Bangladeshi Taka. Source: Yahoo Finance website.
[3] As of April 21, 2006 US$1.00 = 11.066 Mexican peso. Source: Yahoo Finance website.

growing group of banks. By the end of 2005, the group consisted of 19 MFIs in as many countries in Eastern Europe, Africa and Latin America. ProCredit group's MFIs were disbursing 50,000 loans per month to their target group and more than 560,000 loans amounting to EUR 1.5 billion[4] were outstanding. The average loan outstanding was EUR 2,650. They reported a high quality loan portfolio with less than 1% of the total loan portfolio in arrears for more than 30 days.

Figure 4 below is a ROE comparison graph from Helms (2006) showing superior ROEs achieved by MFIs compared to their industry peer group, as of the end of 2003.

Figure 4: ROE Comparison



Note: BANKSCOPE is a comprehensive, global database containing information on public and private banks.

Women's World Banking estimated that there are 125 to 150 specialized MFIs around the world that are profitable. Fischer (Fischer, 2003) observed that Bank Rakyat Indonesia, the largest microfinance institution in the world, had to write off 100% of its corporate portfolio and 50% of its middle market portfolio during the 1997-98 East Asian financial crisis, while their 6 million micro-borrowers continued to repay at a rate of

[4] As of April 21, 2006, US$1.00 = EUR 0.8103. Source: Yahoo Finance website

98.5%. Specialized rating agency, Microrate, reported in October 2002 that 12 of the 29 rated MFIs in Latin America had a higher ROE than Citigroup.

Appendix 7 presents a brief profile of 5 MFIs: BancoSol, Grameen Bank, Grameen de la Frontera, Real Microcredito and ProCredit Bulgaria. The profiles include local market information and key statistics over several years, such as total loans outstanding, total deposits, total number of clients and ROE (where available).

Financial highlights from the Grameen Bank and BancoSol, are presented in Table 5 below. Their latest financial statements are also attached in Appendix 8.

Table 5: Summary Financial Highlights from 2 major MFIs

Financial Highlights	BancoSol				Grameen Bank		
	31/12/04	31/12/03	31/12/02	31/12/01	31/12/04	31/12/03	31/12/02
Exchange Rate used for Conversion	8.032 BOB/USD	7.593 BOB/USD	1 USD/USD	1 USD/USD	59.6 BDT/USD	57.013 BDT/USD	55.928 BDT/USD
Balance Sheet							
Gross Loan Portfolio (in US$)	108,673,973	93,901,070	80,900,000	81,149,000	337,700,855	283,062,894	228,139,039
Total Assets (in US$)	138,355,039	117,736,166	104,340,000	98,083,000	514,718,843	413,882,828	337,448,935
Savings (in US$)	81,174,213	85,076,405	62,417,000	49,948,000	327,944,005	223,141,129	157,438,698
Total Equity (in US$)	18,671,503	17,312,441	14,800,000	14,548,000	79,096,917	82,213,695	36,474,170
Financing Structure							
Capital / Asset Ratio	13.50%	14.70%	14.18%	14.83%	15.37%	19.86%	10.81%
Debt / Equity Ratio	641.00%	580.07%	605.00%	574.20%	550.74%	403.42%	825.17%
Overall Financial Performance							
Return on Assets (%)	3.04%	1.88%	0.25%	0.07%	0.18%	0.77%	n/a
Return on Equity (%)	21.63%	13.00%	1.72%	0.44%	1.04%	4.87%	n/a
Profit Margin (%)	20.06%	12.14%	1.67%	0.78%	1.20%	5.07%	-3.87%
Operating Expense Ratio (%)	9.63%	10.41%	9.73%	11.59%	6.04%	7.09%	n/a
Cost per Borrower	215.6	271.7	205	191.8	8.5	10.8	n/a
Portfolio at Risk >30 days Ratio(%)	3.04%	4.31%	6.61%	10.16%	7.98%	6.98%	18.41%
Loan Loss Reserve Ratio (%)	5.03%	7.11%	8.63%	10.62%	9.24%	12.18%	15.81%
Write Off Ratio (%)	1.21%	2.22%	n/a	10.47%	4.05%	5.34%	n/a

Source: The MIX Market website www.mixmarket.org

Specific key success factors and lessons learnt from 5 MFIs are highlighted below:

BancoSol:

- Having started as an NGO, spent time and money accumulating local knowledge and expertise, and learning from early mistakes (Gonzalez-Vega, et.al., 1996)
- Affiliating with ACCION to put in place a proven operational structure to operate as an MFI
- Access to funding with credible investment grade rating from Fitch
- extensive local network

Grameen Bank:

- Continued focus on who their client is: rural poor, mostly women.
- Early adopter of group lending, subsequently changed to individual lending
- Non-collateral lending
- Full range of basic financial services: loans (business, housing, education), savings, insurance.

BRI (Bank Rakyat Indonesia):

- Removal of interest rate ceilings previously set by the government
- Started operations with an extensive rural network of branches
- Offered government guaranteed savings accounts with no minimum deposits
- Formality and large scale savings focus have contributed to large-scale, sustainable access to demand-driven microfinance
- Commercialization has not led to mission-drift (ie. tendency of profit maximizing concerns to shift in target market from poor to less-poor and non-poor) (Charitonenko, 2003)

ProCredit Bank Bulgaria (PCBB):

- Founders and shareholders of PCBB shared a clear vision of establishing a profitable full-service bank with a core microlending product from the beginning
- Bank had qualified expert management with banking experience from day one
- Parent holding company, ProCredit Holding AG operates a network of 19 MFIs and provided extensive expertise
- The commercial approach also ensured that PCBB could augment its capital through deposits and other local debt instruments
- aggressive competition from other banks forces PCBB to remain efficient

ABN AMRO Real Microcredito:

- Relatively new and small one-MFI branch
- Provides both individual and group loans, though individual loans are much more popular in urban Sao Paolo
- Agents go door-to-door to sell Real's credit services
- Fast turnaround time for loans, but extensive creditworthiness checks are performed
- Competitors include grocery stores allowing customers to make payments in installments that can have interest rates that are lower than microcredit rates

DISCUSSION OF RESULTS

Leading commercial for-profit MFIs have shown that the business model can work with some innovation and good management. As each year passes, their consistent results prove to the financial world that the business of micro finance services for the poor can be a potentially lucrative investment opportunity.

However, it is also clear that there are vastly differing conditions worldwide that make it unsuitable for any one model to work under any circumstances. There remains a need for the pioneering non-profit, NGO and donor-based models to bridge the gaps of local knowledge, local conditions, and financial shocks from drastic political, economic, or natural challenges that purely commercial MFIs will be unwilling to risk.

CONCLUSIONS

The microfinance industry has come a long way, yet it appears to be in the early stages of commercialization and large scale commercial funding.

To further enhance and improve on the industry's growth and reach, perhaps additional models from the for-profit world can be adapted and implemented, such as:

- Rating of governments, as to their friendliness or level of support for the local microfinance industry. At worst, these ratings could be used to shame the governments into implementing favorable policies. At best, it could be an efficient tool to assist investors in their risk assessment and investing analyses.
- Subsidized centralized credit rating of MFIs. Current specialized microfinance rating agencies such as Microrate charge the MFI clients to get rated. Most MFIs with limited funds cannot afford to pay to get rated. Key industry participants could get together, finance and form a centralized rating agency that can apply certain uniform standards while providing flexibility for local scenarios.
- Centralize a form of "seal of approval" or FDIC-type insurance system for MFIs to provide security to their savings and loan clients. This could enable the MFIs to gain the trust of borrowers and savers in a much shorter time, and to quicken the pace of growth and reach for their services.

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APPENDICES

Appendix 1: Basic Information on Selected Key Participants

Appendix 2: Matrix of Selected Key Participants in the Microfinance Industry

Appendix 3: List of Funds Investing in Microfinance

Appendix 4: List of MFIs Categorized as Banks

Appendix 5: ProFund International's Shareholders

Appendix 6: Combined Financial Highlights of 15 MFIs

Appendix 7: Profiles of Selected Commercialized MFIs:

a) BancoSol (Banco Solidario S.A.)
b) Grameen Bank
c) Real Microcredito (Banco ABN AMRO Real)
d) Grameen de la Frontera, A.C.
e) ProCredit Bank Bulgaria

Appendix 8a: Most recent Financial Statements of Grameen Bank (2004 Annual Report)
Appendix 8b: Most recent Financial Report of BancoSol (2003 English & 2005 Spanish)

Name: BancoSol (Banco Solidario S.A.) **Appendix 7a**
Country: Bolivia
Website: www.bancosol.com.bo
Year started as a commercial MFI: 1992

Mission:
BancoSol is dedicated to meeting the financial needs of Bolivia's microentrepreneurs and small business owners. It aims to make a significant social and economic impact in the country's urban centers.

Shareholders:
Accion Investments in Microfinance, Acción Internacional, Acción Gateway Fund, Mi Banco, Finanzas Microempresariales S. A. (FIMISA), Pachamama Holdings Corp., Fundación para la Promoción y Desarrollo de la Microempresa (PRODEM), Other minority shareholders

Background:
In 1986, ACCION and a few Bolivian business leaders established a microlending NGO called PRODEM. By 1988, PRODEM had steadily grown large and was outstripping the capacity of the local banking system to provide it lending capital. In 1992, PRODEM, ACCION International, Calmeadow Foundation, a few Bolivian Banks and investors established BancoSol as the first private commercial bank in Bolivia dedicated to servicing microenterprises.

Market profile / Borrower profile / Opportunity:
(source: CIA World Factbook; Bancosol website)

Population of Bolivia: 8,857,870 (July 2005 est.)
GDP per capita: $2,700 (2005 est.) (compared to the United States $ 41,800 2005 est.)
Population below poverty line: 64% (2004 est.) (the United States 12% (2004 est.)

Women play a major role in number and in amount of outstanding loans; they account for 63% of BancoSol clients and represent 53% of the loan portfolio. Most of the clients are young, with a predominant age group between 35 and 40 yrs, and have low levels of education.

BancoSol clients operate in the informal economy, which contributes more than 20% of GDP and generates employment for over 65% of the employed population. There are approximately 800.000 micro enterprises, largely urban, that form part of this informal economy and generate over 1.7 million jobs for the economically active population.

Key statistics:

Year	Gross Portfolio US$ mil	Deposits Public US$ mil	Income (Loss) US$ mil	ROE %	ROA %	Total Assets US$ mil	Equity US$ mil
2001	$ 81.15	$ 61.31	$ 0.06	0.44%	0.07%	$ 98.08	$ 14.55
2002	$ 80.95	$ 62.30	$ 0.25	1.71%	0.26%	$ 104.34	$ 14.80
2003	$ 91.18	$ 69.96	$ 2.23	14.42%	2.10%	$ 114.32	$ 16.81

Year	Total # credit clients #	Average loan balance US$	Number of branches #	Number of employees #	Default Portfolio %
2001	53,812	$ 1,508	35	506	14.65%
2002	50,904	$ 1,590	34	503	9.46%
2003	56,707	$ 1,607	36	581	6.82%

(Source of information: BancoSol 2003 Annual Report (English version), BancoSol website, ACCION website, CIA World Factbook website)

Name: Grameen Bank **Appendix 7b**
Country: Bangladesh
Website: http://grameen-info.org/bank
Year started as a commercial MFI: 1983

Mission:
Grameen Bank's objective is to bring financial services to the poor, particularly women and the poorest ¾ to help them fight poverty, stay profitable and financially sound. It is a composite objective, coming out of social and economic visions.

Grameen Bank provides credit to the poorest of the poor in rural Bangladesh without any collateral (and created a banking system based on mutual trust, accountability, participation and creativity). At Grameen Bank, credit is a cost effective weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic.

Shareholders:
Government of Bangladesh (4.12%), Sonali Bank (1.03%), Bangladesh Krishi Bank (1.03%), Member borrowers Men (4.48%), Member borrowers Women (89.34%)

Background:
The origin of Grameen Bank can be traced back to 1976 when Professor Muhammad Yunus, Head of the Rural Economics Program at the University of Chittagong, launched an action research project to examine the possibility of designing a credit delivery system to provide banking services targeted at the rural poor. In October 1983, the Grameen Bank Project was transformed into an independent bank by government legislation. Today Grameen Bank is owned by the rural poor whom it serves. Borrowers of the Bank own 90% of its shares, while the remaining 10% is owned by the government. Grameen is known as a leading microfinance institution worldwide, and has replicated its model in various countries.

Market profile / Borrower profile / Opportunity:
(source: CIA World Factbook; Grameen website)

Population of Bangladesh: 144,319,628 (July 2005 est.)
GDP per capita: $2,100 (2005 est.) (compared to the United States $ 41,800 2005 est.)
Population below poverty line: 45% (2004 est.) (the United States 12% (2004 est.)

Grameen Bank branches are located in the rural areas. First principle of Grameen banking is that the clients should not go to the bank, it is the bank which should go to the people instead. Grameen Bank's 17,336 staff meet 5.77 million borrowers at their door-step in 62,089 villages spread out all over Bangladesh, every week, and deliver bank's service. Repayment of Grameen loans is also made very easy by splitting the loan amount in tiny weekly installments.

Grameen gives high priority to women. 96 per cent of Grameen Bank's borrowers are women. According to founder Dr. Yunus, loans given to women tend to be used for the benefit of the entire family compared to loans given to men who tend to use the money for themselves. The most common business activities of borrowers were in the categories of livestock & fisheries, trading, processing & manufacturing, agriculture & foresty, shop keeping and services.

According to a recent internal survey, 55% of Grameen borrowers' families have crossed the poverty line. To do this according to Grameen's Bangladesh rural poverty line criteria, they must have a rainproof house, a sanitary toilet, clean drinking water and the ability to repay 300 Taka ($8) a week.

In 1995, GB decided not to receive any more donor funds. Since then, it has not requested any fresh funds from donors. Last installment of donor fund, which was in the pipeline, was received in 1998. Ever since Grameen Bank came into being, it has made profits every year except in 1983, 1991, and 1992.

Grameen also has loans from the following institutions: International Fund for Agricultural Development, Government of the People's Reppublic of Bangladesh, Norwegian Agency for International Development (NORAD), Swedish International Development Authority (SIDA) and Dutch Grant Loan.

Key statistics:

Year	Total Interest Income Taka (mil)	Loans outstanding Taka (mil)	Current performing loans Taka (mil)	Deposits & other funds Taka (mil)	Net Profit (Loss) Taka (mil)	Total Assets Taka (mil)	Equity Taka (mil)	ROE
2002	2753.727	12,759.00	12,533.00	9,824.15	59.67	22,659	5,768	2.93%
2003	2,743.12	16,138.00	15,679.00	14,706.18	357.52	27,272	4,687	10.63%
2004	3,489.86	20,127.00	19,535.00	22,477.47	422.13	33,653	4,714	8.98%
Feb-06				32,860.00				

Year	Total # active borrowers # mil	Average loan balance taka	Number of branches #	Number of employees #	Number of loan officers	Number of active borr / branch	Loan recovery %
2002	2.08	6,134	1178	11699	7448	1766	99.07%
2003	2.87	5,622	1195	11846	7495	2402	97.63%
2004	3.7	5,444	1358	13038	7925	2722	98.12%
Feb-06	5.77		1,861	17,336			98.45%

(Source of information: BancoSol 2003 Annual Report (English version), BancoSol website, ACCION website, CIA World Factbook website)

Name: Real Microcredito (Banco ABN AMRO Real) **Appendix 7c**
Country: Brazil
Website: www.bancoreal.com.br (in Portuguese)
Year started as a commercial MFI: 2002

Mission:
Real Microcrédito, a new initiative by Banco ABN AMRO Real, offers small loans to growing businesses that lack access to conventional forms of credit. Through the provision of microcredit, Banco ABN AMRO Real is committed to the economic and social development of its borrowers, and to promoting Brazil's economic growth.

The objective is not to do charity, but to make Real Microcredito a sustainable company. The goal is to achieve breakeven by 2007. However, there is no profit goal beyond that.

Shareholders:
Real Microcrédito is a new microlending institution with majority 80% ownership by ABN AMRO Real, Brazil's seventh largest bank. ACCION holds a twenty percent share in the company.

Background:
ABN AMRO Bank, a multinational institution based in the Netherlands, began operations in Brazil in 1927. Since its acquisition of Banco Real in 1998, the bank has had a countrywide presence through 2,350 branch offices. In 2001, Banco ABN AMRO approached ACCION for its professional expertise to launch a for-profit microlending subsidiary. Real Microcrédito began operations in July 2002 and disbursed its first loan in their first (and to date only) branch in São Paulo favela of Heliopolis the following month.

Market profile / Borrower profile / Opportunity:
(source: CIA World Factbook; ACCION website, World Business Council for Sustainable Development Case Study 2004)

Population of Brazil: 186,112,794 (July 2005 est.)
GDP per capita: $8,500 (2005 est.) (compared to the United States $ 41,800 2005 est.)
Population below poverty line: 22% (1998 est.) (the United States 12% (2004 est.)

Ninety-five percent of the clients are working in the informal sector, the majority of whom conduct commercial activity, service and production. Ninety-four percent have received working capital loans and six percent have applied for housing improvement loans and fixed assets.

There are a number of other credit options available in the sophisticated, urban Sao Paulo market. Competitors include stores that allow customers to make payments in installments (some with interest rates lower than micro-credit), credit cards, informal loans and stores that allow the consumer to purchase and pay later.

An estimated 15.7 million people in Brazil work in the informal economy as micro-entrepreneurs, outnumbering formal sector entrepreneurs by more than three to one. Of these informal micro-entrepreneurs 93% run profitable businesses, 84% of whom do not have access to credit. It is estimated that 50% of these micro-entrepreneurs would apply for a micro-credit loan if they had access to banking services. This figure represents a potential of R$ 11 billion or US$ 3.7 billion per year in loans. (reference Case Study)

Key statistics:

Year	Active Portfolio	Amount Disbursed	Active Clients	Average Loan Balance	Percentage of Women Clients
2003	$202,000	$340,000	579	$349	39%
2004	$1,549,777	$2,167,025	3,260	$475	N/A
2005*	$3,088,270	$2,897,872	5,945	$519	N/A

**Statistics as of June 2005* ; Portfolio at Risk: 11.83%

Source: ACCION website

Name: Grameen de la Frontera, A.C. **Appendix 7d**
Country: Mexico
Website: www.grameendelafrontera.org
Year started as a commercial MFI: 2000

Mission:
Grameen de la Frontera is committed to the possibility of the end of poverty through self-reliance, self-employment and microcredit.

Shareholders:
Private individuals, with start up loan from Grameen Foundation of US$280,000

Background:
Marshall Saunders, a San Diegan, started the idea of forming an MFI in a poor region in Mexico in 1999. He has prior experience in micro finance when he had been a director at FINCA and a group leader of RESULTS in San Diego. He interviewed various microfinance participants to assess their level of support for his new venture. Grameen Bank and Grameen Foundation was found to have been the most helpful to individuals like himself who wanted to start their own MFI.

In March 2000 GDLF formally started operations. The basic methodology and operational structure was obtained from Grameen with various adaptations to fit local conditions in the region served. GDLF operates in the Sonora region of Mexico, east across the Sea of Cortez off the southern tip of the Baja Peninsula. The region is geographically large and the distance between each center is as far as 60 miles.

Market profile / Borrower profile / Opportunity:
(source: CIA World Factbook; website, interview in March 2005)

Population of Mexico: 107,449,525 (July 2006 est.)
GDP per capita: $10,100 (2005 est.) (compared to the United States $ 41,800 2005 est.)
Population below poverty line: 40% (2003 est.) (the United States 12% (2004 est.)

A hundred percent of GDLF's borrowers are women. This was a choice and policy of the organization because women have proven to be better at paying back loans and a better record of using profits in caring for their children. At the time of the interview, their repayment rate was 100%.

The loans start at 1,000 pesos (or about US$100). Interest rate charged is a fixed 25% simple interest. The entire loan amount is to be repaid bi-weekly over a period of no more than 6 months. After the full repayment of the first loan, borrowers may take out a second loan. The limit on the second loan increases to 2,000 pesos. Subsequent loans can be taken out at higher and higher limits as a track record of repayments are made.
The most common businesses undertaken by their borrowers were raising animals, making and selling jewelry, selling groceries, making and selling food or meals, sewing and sale of clothing.

The toughest challenge is not funding, but finding the right managers to grow their program.

Key statistics:

Month ended	# Active members	Amount disbursed	Amount outstanding	Cumulative amount loaned	Repayment rate
	#	Pesos	Pesos	Pesos	%
31-Dec-03	1,308	127,000	1,180,588	4,585,160	99.0%
31-Dec-04	1,840	370,000	2,603,458	9,984,645	99.0%
31-Dec-05	2,093				

Year ended	# Active Centers	# Staff	Total Income	Total Expenses	Profits
	#	#	Pesos	Pesos	Pesos
31-Dec-05	76	14	1,508,279	1,399,032	109,247

Name: ProCredit Bank Bulgaria **Appendix 7e**
Country: Bulgaria
Website: www.procreditbank.bg
Year started as a commercial MFI: 2001

Mission:
ProCredit Bank Bulgaria (PCBB) is a development-oriented full-service bank. We offer excellent customer service and a wide range of banking products. In our credit operations, we focus on lending to micro, small and medium-sized enterprises, as we are convinced that these businesses create the largest number of jobs and make a vital contribution to the economies which they operate in. Our bank explicitly avoids all speculative lines of business and issues large loans only in exceptional cases, thus minimising the risk associated with such activities.

Shareholders:
Deutsche Investitions und Entwicklungsgesellschaft (DEG) (19.7%), International Finance Corporation (IFC) (19.1%), European Bank for Reconstruction and Development (EBRD) (19.7%), ProCredit Holding AG (20.3%), Commerzbank (19.7%), Internationale Projekt Consult (IPC GmbH) (1.5%).

Background:
PCBB was founded in 2001 by a consortium that included donor organizations, the Bulgarian government and their national bank. With tremendous efficiency, the bank emerged from idea to a functioning full-service bank for micro and small enterprises (MSEs) in a span of 3 months.

4 members of the consortium (IFC, EBRD, ProCredit Holding and DEG's parent KfW Bankengruppe) had been investing in best-practice microfinance institutions since 1997. PCBB's growth was supported by substantial consortium investments. The bank opened with €6.15 million in equity contributed equally by their shareholders. The founders and shareholders of PCBB shared a clear vision of establishing a profitable full-service bank with a core microlending product.

Although PCBB's core business is loans to micro and small enterprises approved within 24 hours, the bank offers a wide range of financial products and services. It provides business development loans, agricultural loans, overdraft facilities, credit lines, and consumer and housing loans. It also offers six types of deposits and other standard banking services (e.g., current accounts in local or foreign currency, debit cards, foreign currency exchange, internet banking, and "ProPay" transfers).

Market profile / Borrower profile / Opportunity:
(source: CIA World Factbook; PCBB website, CGAP Case Study: Donor Good Practices March 2005)

Population of Bulgaria: 7,385,367 (July 2006 est.)
GDP per capita: $9,000 (2005 est.) (compared to the United States $ 41,800 2005 est.)
Population below poverty line: 13.4% (2002 est.) (the United States 12% (2004 est.)

Of the country's 226,586 registered businesses, 81 percent are micro-enterprises that employ fewer than ten people. In the late 1990s and early 2000s, these crucial businesses were starved for cash because banks were reluctant to lend to "risky" clients. At the end of 2001, for example, banks had collectively extended only 16,336 loans under €100,000 to private enterprises in Bulgaria. There was huge pent-up demand and PCBB quickly expanded its size, services and financial base.

One of PCBB's great successes is aggressive competition from other banks, predominantly in small-scale consumer lending. "ProCredit's services are so good because it is fighting for each customer," remarked an EBRD representative on the PCBB board. Competition is welcomed by PCBB investors as a way to drive efficiency. However, lack of a national credit bureau (until recently), inadequate lending technologies, and insufficient transparency also create a risk of over-indebtedness in Bulgaria's market.

Key statistics:

Year	Gross Loan Portfolio EUR '000	Business Loan Portfolio EUR '000	Customer Funds EUR '000	Net Profit EUR '000	Total Assets EUR '000	Shareholders Equity EUR '000	ROE %
2002	27,507	27,374	13,045	197	38,360	5,942	3.00%
2003	77,920	72,212	38,402	1,145	94,882	13,223	12.00%
2004	139,285	126,918	75,583	2,983	179,939	21,530	20.00%

Year	Number of Loans Outstanding #	Number of Business Loans O/S #	Average Business loan balance EUR	Number of Deposit Accounts #	Number of branches #	Number of staff #	Loan Loss Provisions %
2002	5,087	4,890	5,598	13,103	13	222	1.47%
2003	16,492	12,033	6,001	34,616	28	468	0.98%
2004	28,490	19,390	6,546	64,936	35	623	1.65%

(Source: ProCredit Bank Bulgaria Annual Report 2004 and 2003)