

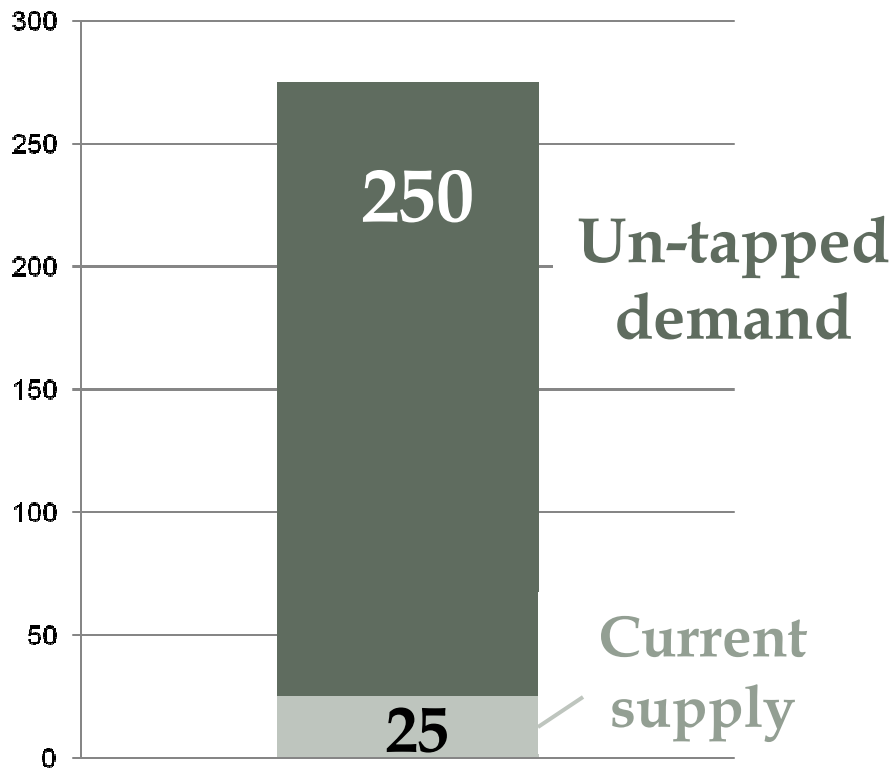
Microfinance Congress, Paris – January 21, 2008

MICROFINANCE :

AN ASSET MANAGEMENT OPPORTUNITY ?

Microfinance funding gap of USD ~ 250 bn

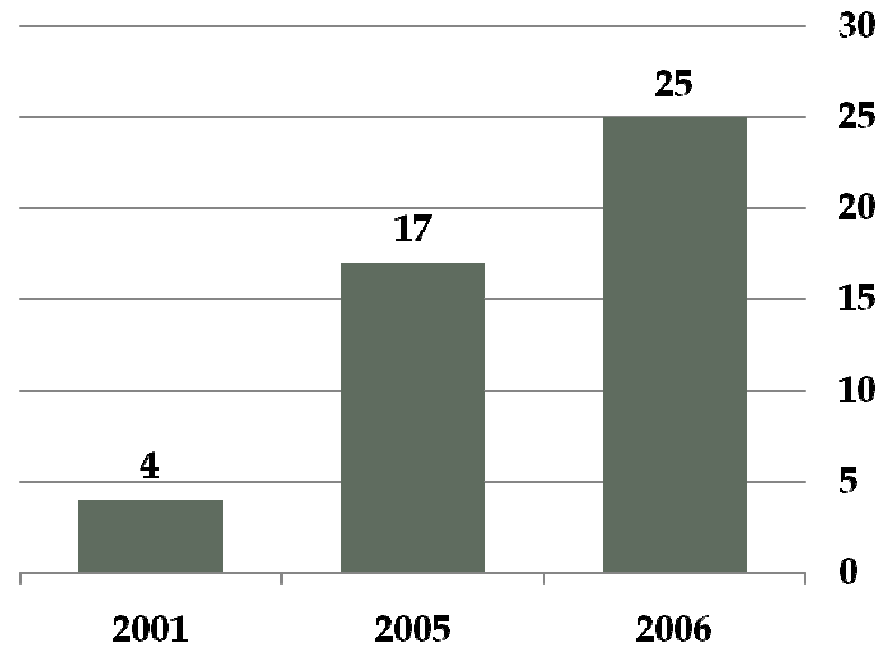
Estimates in USD bn



Source : DB Research, Meehan, CGAP

Total volume of microloans

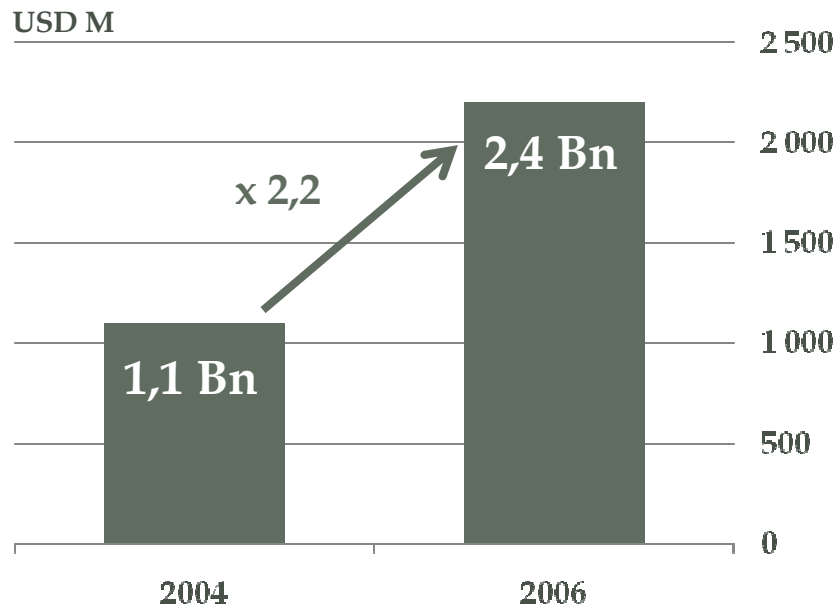
Estimates in USD bn



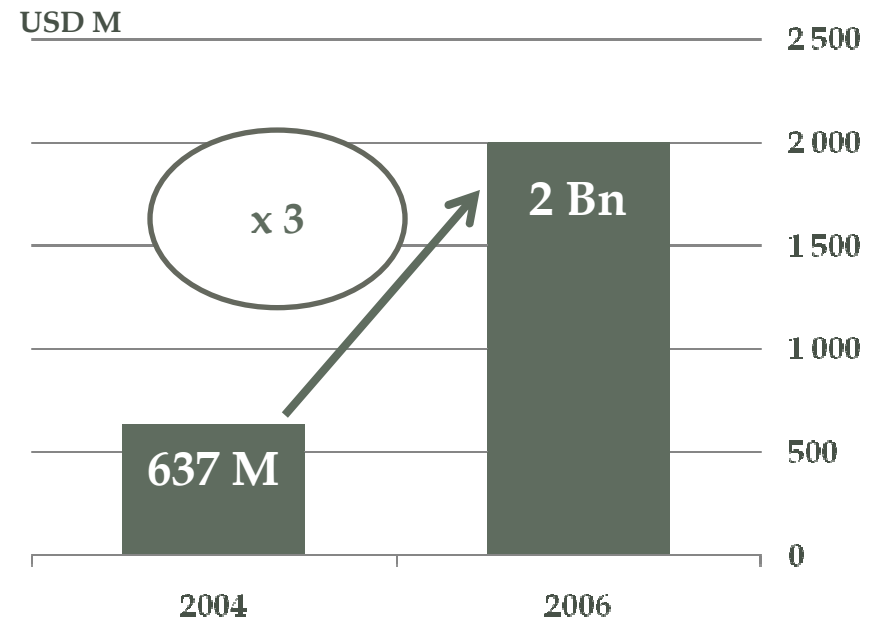
Source : DB Research, The MIX

IFIs and MIVs portfolio race for Microfinance investments

International Financial Institutions (IFI) Portfolios

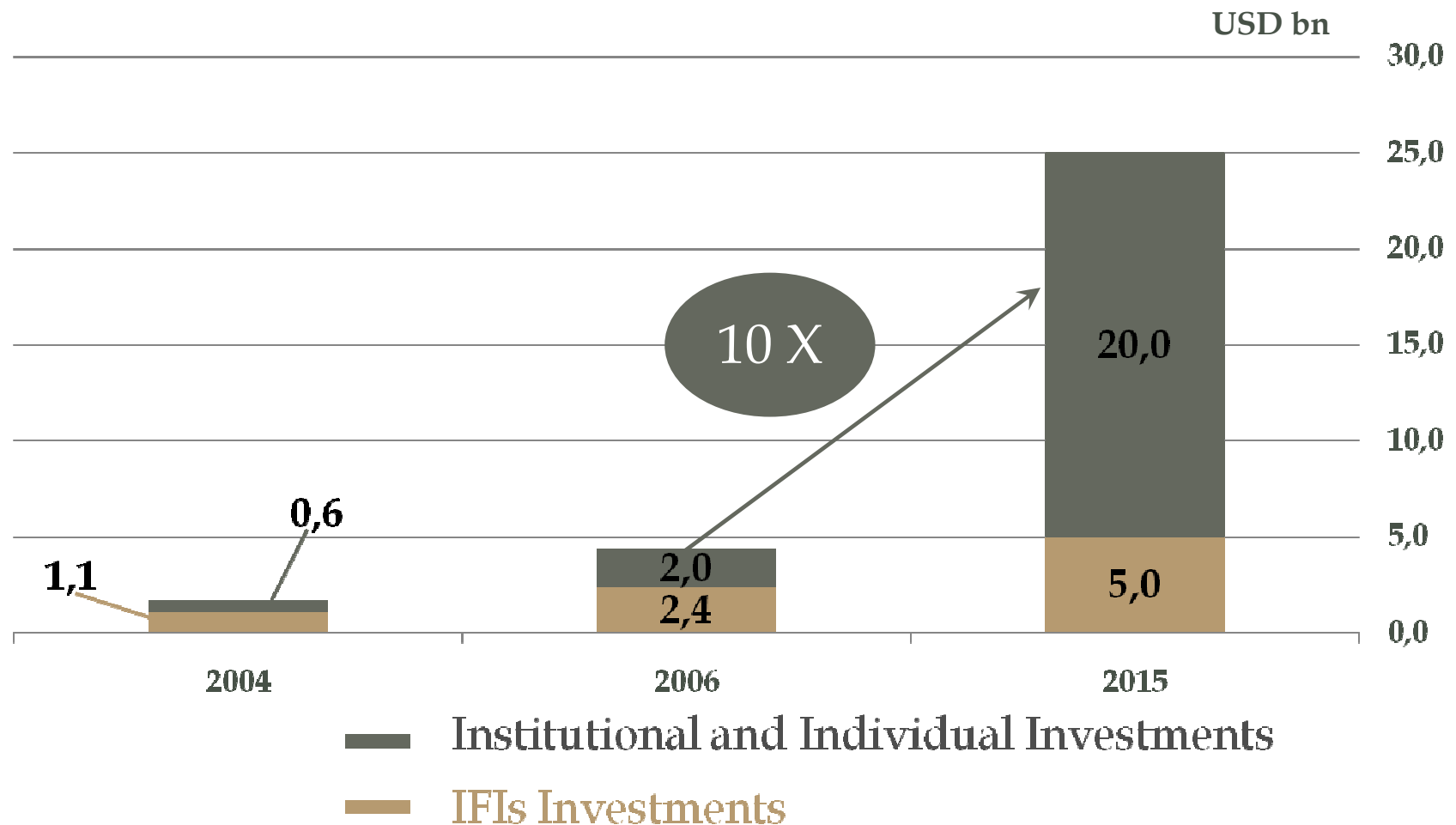


Microfinance Investment Vehicles (MIV) Portfolios



Source : CGAP, 2007

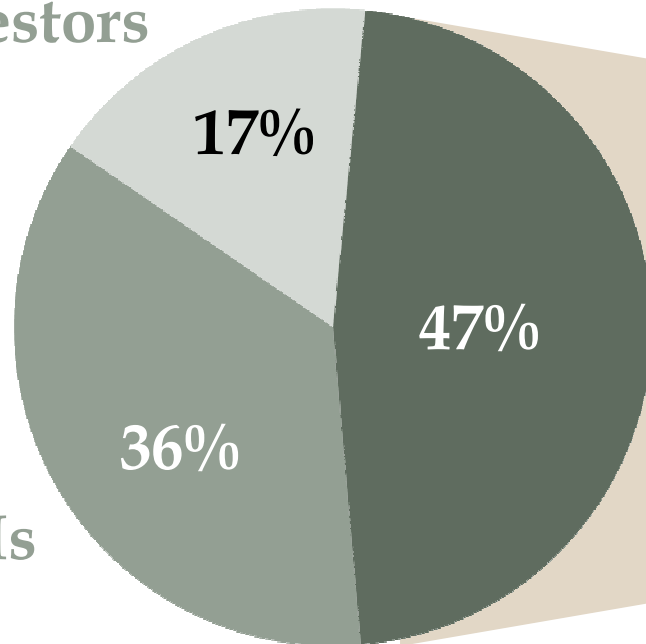
Forecast of Institutional and Individual Investments in Microfinance



Source : DB Research

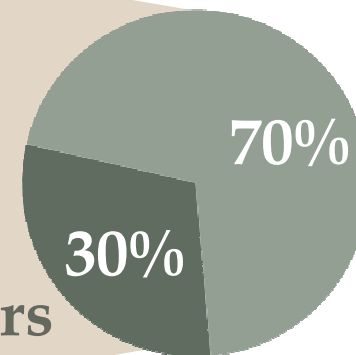
SRI is 50% of MIV funding

Mainstream
Investors



Socially
Responsible
Investors

Europe

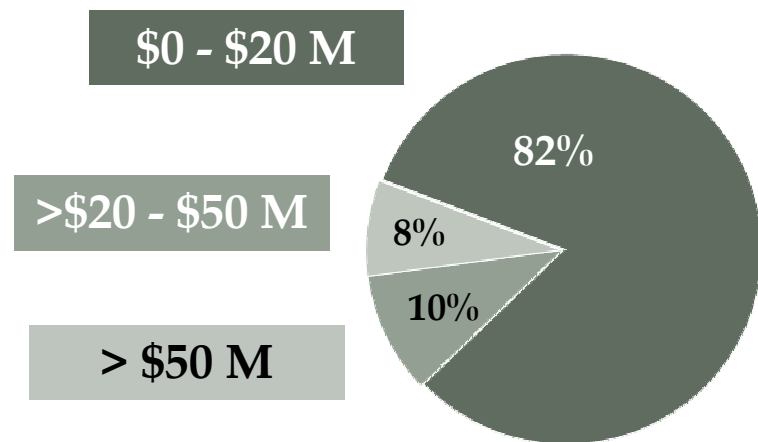


Others

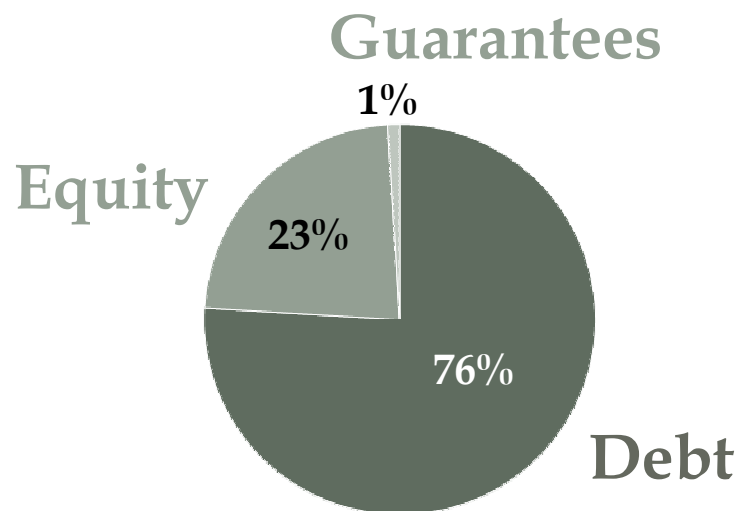
Source: CGAP-MicroRate 2005 survey

Microfinance Investment Vehicles (MIVs): an emerging Asset Class

MIVs Portfolio Size

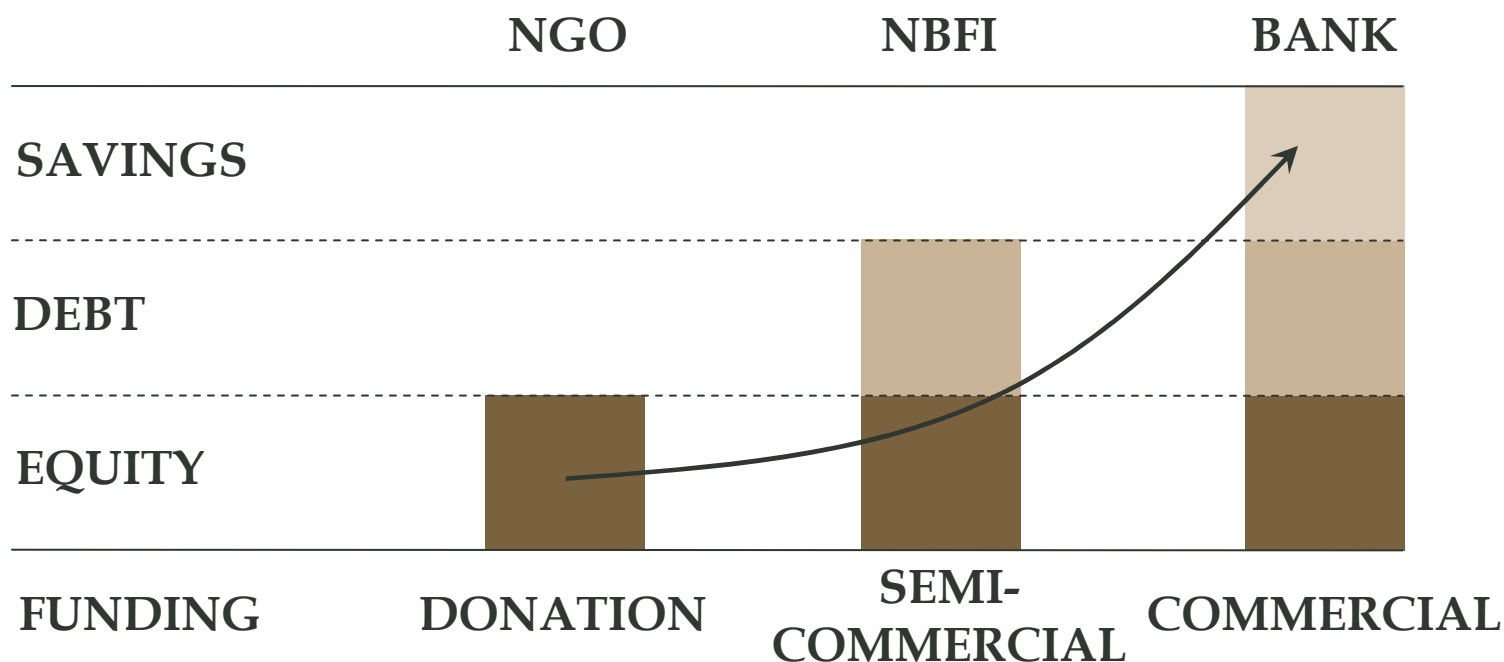


MIVs Portfolio Composition



Microfinance Institutions funding typical life cycle

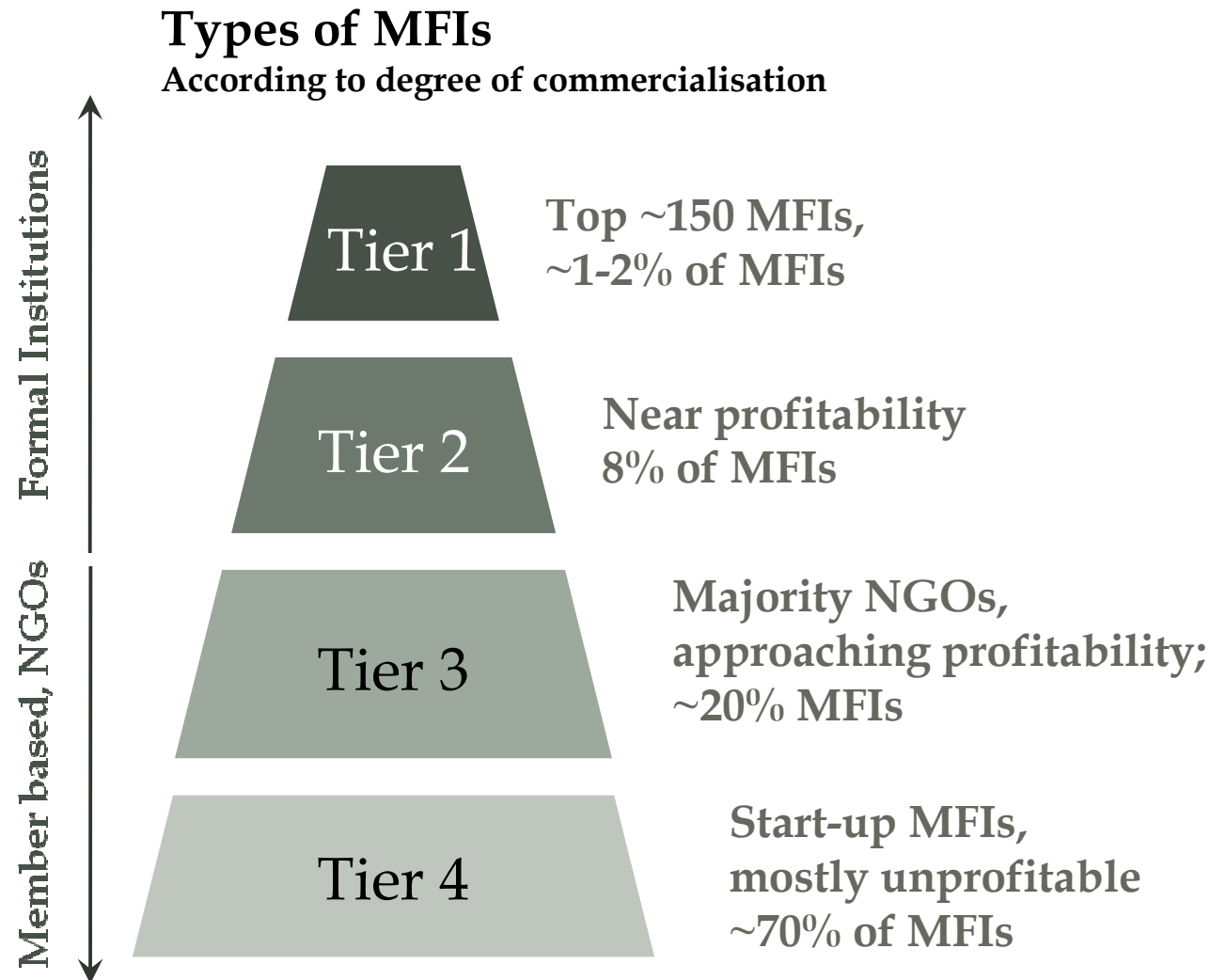
MFIs gradually evolve towards commercialization



NGO: non-gouvernemental organization
NBF: non-bank financial institution

Source : <http://www.symbiotics.ch/en/microfinance-institutions.asp>

A tiny fraction of the MFI universe is considered economically viable



Source : Mehan

New Investment Vehicles are offering different asset classes to the investor

From high-reward first loss investments to fully guaranteed notes



Source : <http://www.symbiotics.ch/en/microfinance-investment-vehicles.asp>

Microfinance is concentrated in many respects

MIVs:

Top 10 MIVs account for 67% of the aggregate portfolio ¹
25% of MIV investments are concentrated in just 10 MFIs
74 funds at the end of 2006 (~90 today)

MFIs:

The Top 25 MFIs serve 60% of outstanding loan balances ²
11 Institutions dominate in terms of coverage of loans and borrowers

Suppliers :

In 2004, nearly 50% of all investments are provided by just four of the IFIs (IFC, EBRD, KfW, DCA) - 2004

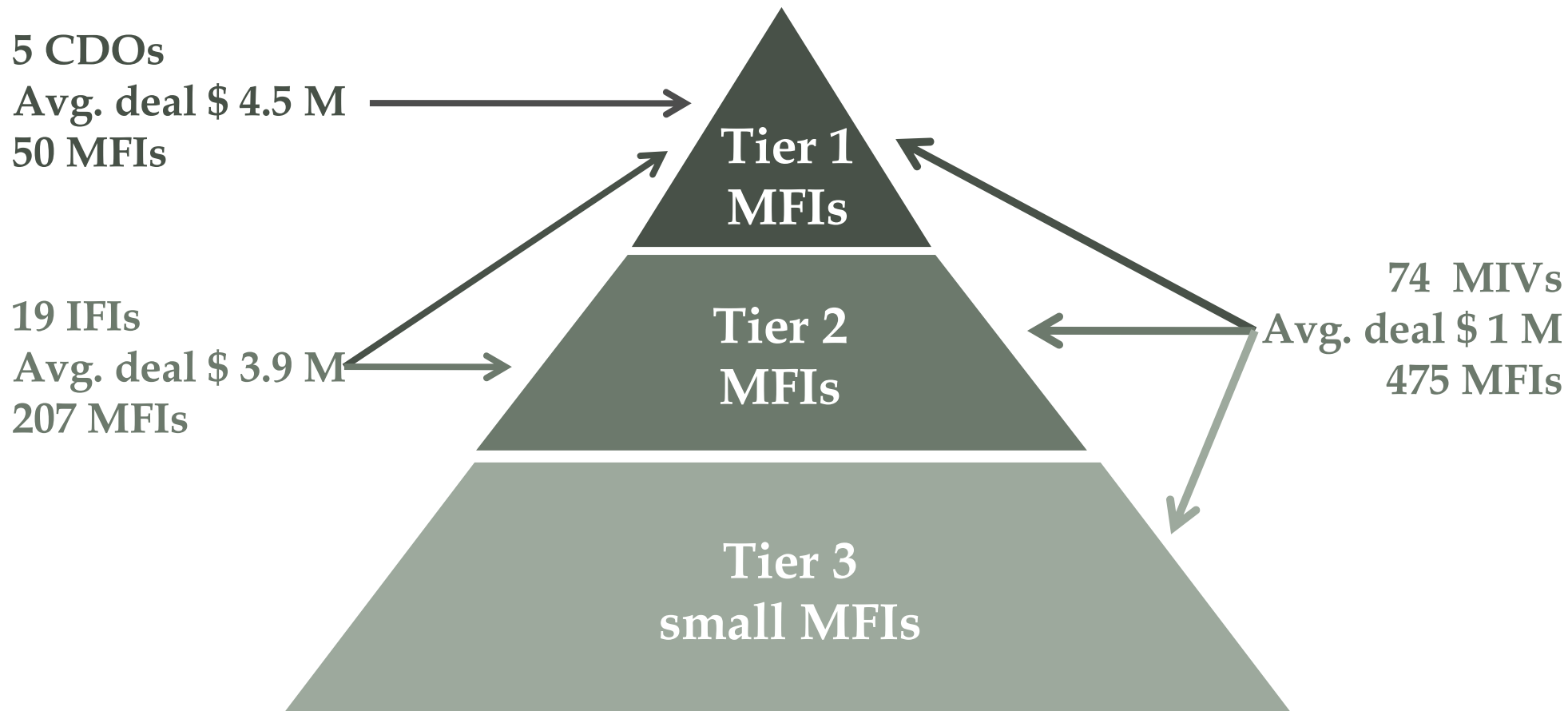
Geography:

More than 80% of foreign investment is going to LatAm and ECA

Sources : ¹ CGAP Brief April 2007

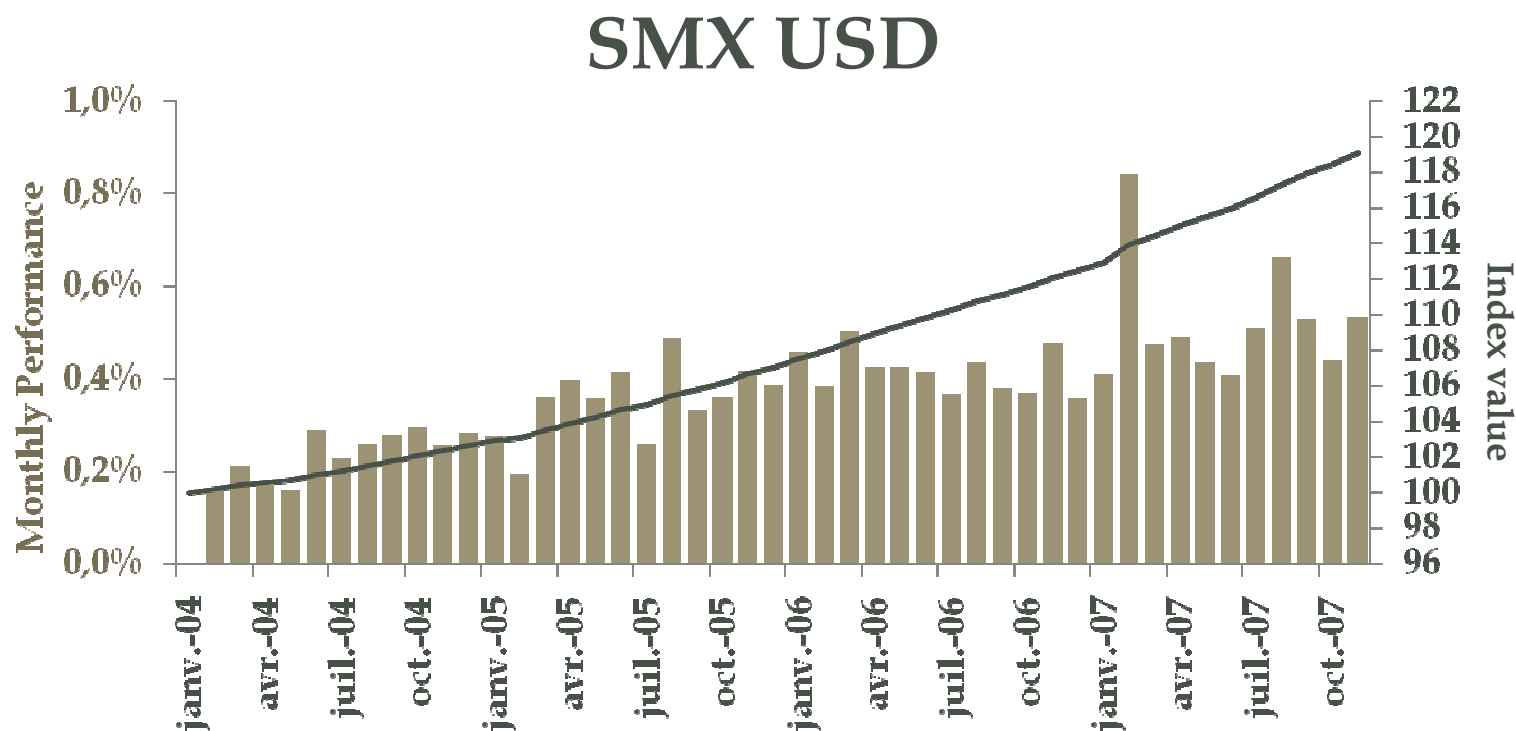
² MIX Benchmark 2006

Foreign investment is concentrated in 450+ MFIs but most goes to the top MFIs



Source : CGAP, 2007

Performance of Investment Vehicles : Symbiotics Microfinance Index



Year	Yield	Volatility	Libor Spread
2007	5,88%	0,45%	0,66%
2006	5,09%	0,33%	-0,04%
2005	4,30%	0,31%	0,84%
2004	2,61%	0,18%	1,06%

Source : http://www.symbiotics.ch/en/smx/smx_usd.asp

Some leading Investment Vehicles: recent Performance

Performance Reports (November 2007 - USD)

responsAbility -

Global Microfinance Fund

Total assets (USD)	180,1 M
Inception Date	Nov 2003
2007 YTD (Nov)	7,26%
2006	5,07%
Annualized Return (Since Inception)	5,42%

Dexia Micro-Credit Fund

Total assets (USD)	245,1 M
Inception Date	Sep 1998
2007 YTD (Nov)	5,80%
2006	6,56%
Annualized Return (3 Years)	5,06%

Growing integration of microfinance into the financial market

- **Credit enhancements for bond issues**
(Compartamos, Mi Banco, Faulu)
- **Compartamos IPO**
- **Investment in Mezzanine funds**
(EFSE, Global commercial consortium)
- **International CDOs**
(BOMFS and BOLD 1 & 2)
- **MFI Portfolio securitization**
(BRAC, Procredit Bulgaria)

2006 MFI Benchmarks - Medians

Overall Financial performance

YIELD ON PORTFOLIO (REAL)

All MFIs	22,3 %
<i>Region</i>	
Africa	21,3%
Asia	18,9%
Europe - C.Asia	19,6%
LatAm-Carib	26,4%
MENA	21,4%
<i>Scale</i>	
Small	25,3%
Medium	23,0%
Large	19,5%

OPERATIONS+PERSONNEL (/ ASSETS)

All MFIs	23,6%
<i>Region</i>	
Africa	28,1%
Asia	18,6 %
Europe-C.Asia	22,6 %
LatAm-Carib	26,1%
MENA	26,0%
<i>Scale</i>	
Small	34,0 %
Medium	24,8%
Large	17,2 %

2006 MFI Benchmarks - Medians

Overall Financial performance

RETURN ON ASSETS (ROA)

All MFIs	0,9 %
<i>Region</i>	
Africa	-2,4 %
Asia	0,1 %
Europe - C.Asia	1,3 %
LatAm-Carib	2,1 %
MENA	-0,5 %
<i>Scale</i>	
Small	-1,6 %
Medium	0,7 %
Large	1,8 %

RETURN ON EQUITY (ROE)

All MFIs	4,0 %
<i>Region</i>	
Africa	-6,9 %
Asia	2,5 %
Europe-C.Asia	5,4 %
LatAm-Carib	8,5 %
MENA	-0,6 %
<i>Scale</i>	
Small	-2,8 %
Medium	3,5 %
Large	10,7 %

Source : MBB, Issue 15, 2007

Most profitable MFIs

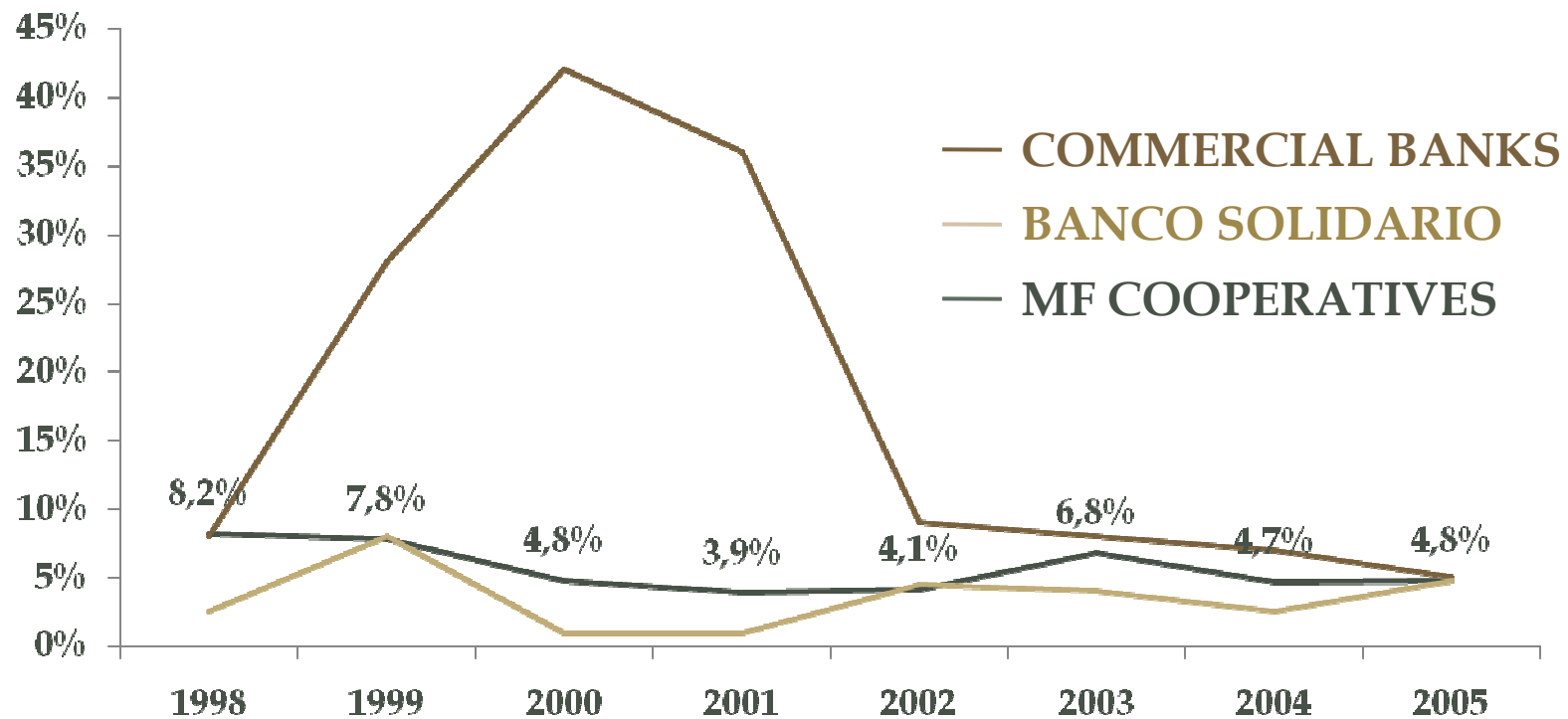
MIX Global 100: Profitability

Rank	Rank (05)	MFI Name	Country	Return on Assets (%)
1	45	FVRM	Uzbekistan	36.3
2	1	EB-F	Kenya	32.4
3	14	MLF ZAR	Tajikistan	32.3
4	8	Daulet	Uzbekistan	28.2
5	4	BWA Kashkadarya	Uzbekistan	25.1
6	n/a	CCC	Ecuador	25.0
7	487	Fondespoir	Haiti	24.5
8	9	DAYAQ-Credit	Azerbaijan	24.0
9	12	Compartamos	Mexico	23.2
10	n/a	Ugyon	Philippines	22.7
11	364	MCO Orlan	Kazakhstan	22.0
12	10	Life Bank	Philippines	21.9
13	25	CMMB	Benin	21.5
14	515	FCF Shymkent	Kazakhstan	21.3
15	688	FINCA – UZB	Uzbekistan	21.1
16	28	KAMURJ	Armenia	21.0
17	15	AREGAK	Armenia	20.9
18	17	CMFinance	Russia	19.7
19	103	FONDEP	Morocco	19.2
20	n/a	COCDEP	Mexico	19.0

Source : 2007 MIX Global 100 - December 2007

Are Microfinance Investments un-correlated to domestic and international markets ?

Bad loan portfolios during the Ecuador financial crisis



Source : symbiotics.ch