

Banking

Championship League 2007

Latin America & Caribbean 100

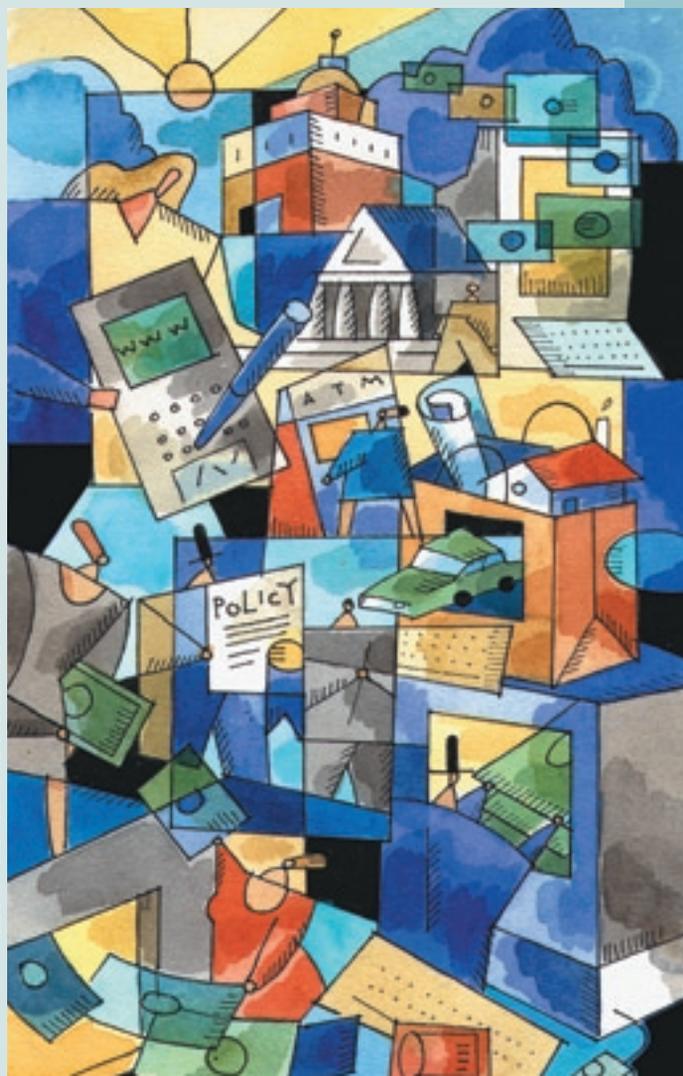
As Latin American and Caribbean microfinance institutions (MFIs) continued their tradition of performance and innovation, 2006 proved another watershed year for the industry. With over 33% growth in portfolio and 19.5% growth in savings, the region's leading institutions diversified their product offerings and aggressively marketed, rapidly expanding in remaining markets thirsty

for financial services. Despite increasing competitive pressure in some countries, MFI profitability rose in 2006—from 2.7% to 3.0% return on assets, and 9.7% to 12% return on equity—as the region's MFIs continued to push performance boundaries. The past year also saw commercial funding grow to almost 80% of loan portfolios, a result of increased deposits from the public and noteworthy innovations in MFI funding mechanisms. With microfinance now squarely on the world stage, Latin American institutions continue to play a starring role for their growth and progress.

MicroEnterprise Americas and the Microfinance Information Exchange, Inc. (MIX) are pleased to present this year's *Latin America & Caribbean 100*, our annual report on the lead-

Want to see more?

This printed report contains only a small portion of the information available on Latin America & Caribbean 100 MFIs. More complete data can be found by logging on to www.mixmarket.org, clicking on "Demand" and searching for "Latin America and the Caribbean."



ILLUSTRATIONS: ROBIN JAREAUX/LAUGHING STOCK

ing microfinance institutions across the region. Drawing on a survey of 154 MFIs, we analyzed the latest, high-quality data from auditors, regulatory agencies and other third-party sources to report on MFI performance for 2006. Taken as a group, these 154 institutions ended the year managing over US\$10.8 billion in more than 10.7 million loans to low-income clients in 15 countries across the region and across all credit types. Credit specifically to microentrepreneurs exceeded US\$4.65 billion in approximately 5.2 million loans.

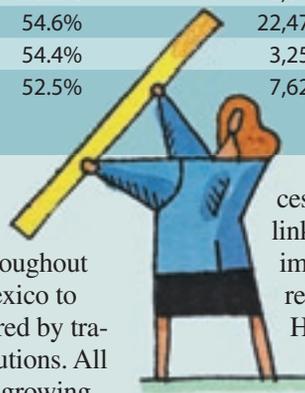
Scale

Latin America and the Caribbean's largest MFIs pulled farther away from the pack in 2006. The year's top 10 finishers managed approximately half of all microloans outstanding. In fact, the number of institutions reaching at least 200,000 clients doubled from six in 2005 to 12 last year. One of this year's biggest stories is the dominance in scale and outreach of institutions focusing on consumer credit. Eight of the top 10 spots are occupied by MFIs focused primarily on consumer lending. However, looking farther down the list,

TOP 20 MFIs WITH GREATEST GROWTH

Ranking 2006	Ranking 2005	Name of MFI	Country	Adjusted % Change in Loans	Adjusted Absolute Change in Loans (US\$)	Adjusted Absolute Change in Gross Loan Portfolio (US\$)
1	n/a	EurekaSoli	Mexico	649.6%	5,710	3,255,662
2	n/a	CAFASA	Mexico	410.6%	6,673	1,025,004
3	n/a	ASEA	Mexico	354.4%	11,321	3,421,348
4	1	EDPYME Efectiva	Peru	201.2%	31,086	6,547,361
5	n/a	Oportunidad Microfinanzas	Mexico	162.5%	3,229	592,978
6	n/a	Soluciones Financieras	Mexico	131.9%	7,193	1,790,209
7	n/a	ASP Financiera	Mexico	124.2%	4,224	2,906,729
8	n/a	Fundación Paraguaya	Paraguay	110.3%	10,214	1,797,082
9	2	EDPYME Alternativa	Peru	104.4%	6,167	2,923,178
10	n/a	ACME	Haiti	83.8%	7,596	3,139,387
11	n/a	MiBanco	Peru	78.7%	121,624	113,289,015
12	n/a	Contactar	Colombia	76.7%	2,564	1,620,892
13	n/a	FUNDESER	Nicaragua	73.5%	5,325	4,188,359
14	n/a	FINDESA	Nicaragua	67.4%	19,913	32,438,550
15	n/a	CMM Medellín	Colombia	62.6%	16,461	14,363,686
16	12	EDPYME Crear Arequipa	Peru	62.5%	13,904	12,532,109
17	n/a	Fonkoze	Haiti	59.9%	6,147	1,745,982
18	6	FINCA - Mexico	Mexico	54.6%	22,472	6,282,528
19	16	PRESTANIC	Nicaragua	54.4%	3,250	4,044,727
20	n/a	EDPYME Proempresa	Peru	52.5%	7,626	6,118,183

n/a: not available



microenterprise lenders controlled 77 of the 100 positions, indicating that the vast majority of institutions continue to focus on providing working capital for the region's microentrepreneurs.

Colombia's Banco Caja Social stormed into the top position in 2006 with a balanced portfolio reaching large numbers of microenterprise and consumer clients, as well as mortgage and commercial borrowers. Banefe, Banco Santander's Chilean microfinance operation, leaped into second place due to the inclusion of the vast consumer credit portion of its loan portfolio. Compartamos finished another successful year to move ahead of Caja Popular Mexicana to lead Mexico in outreach.

Growth

The Latin American and Caribbean microfinance market continued its blistering growth in 2006 led by a cadre of small and medium-sized Mexican MFIs who doubled, tripled and even sextupled their number of loans dis-

bursed. These institutions capitalized on their local presence throughout different corners of Mexico to serve clients long ignored by traditional financial institutions. All 20 of the year's fastest growing MFIs increased outreach by at least 50%, with nine of the top 10 doubling in size. The vast majority did not figure in last year's ranking, indicating the continuing vitality and potential of some areas.

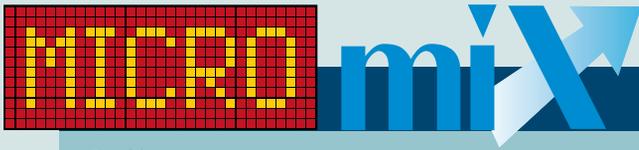
After Mexico, some of the region's strongest growth occurred in Peru, one of Latin America's largest microfinance markets. Several of its leading institutions greatly increased outreach to low-income borrowers by stepping up operations from the local to the national level. MiBanco shined as the only top 10 finisher in the scale ranking to show similar success in growth despite its already mammoth size. EDPYME Efectiva was the only institution to maintain its top-five growth two years in a row, thanks to the runaway suc-

cess of its consumer portfolio linked to local retailers. However, impressive growth was not only relegated to large markets. In Haiti, ACME and Fonkoze led the Caribbean even as civil unrest continued in 2006.

Depth

The year's ranking of lenders to the lowest-income clients was overwhelmingly dominated by Mexican institutions, controlling 12 of the top 20 spots. While their positions in the ranking were aided by their country's relatively high per capita income, Oportunidad Microfinanzas stood out from the field because of its use of the village banking methodology to maintain an average loan balance of US\$162.

Another new entry, Banco Popular of Brazil, led the ranking due to its extremely low average balances, a result of its innovative loan distribution network using agent locations in grocery stores, pharmacies and other



TOP 100 MFIs IN LATIN AMERICA AND THE CARIBBEAN

Ranking 2006	Ranking 2005	MFI Name	Country	Number of Loans Outstanding	Gross Loan Portfolio (US\$)	General Trend†	Ranking MIC %**	MIC %***
1	4	Banco Caja Social	Colombia	837,003	1,659,368,035	CNS	7	13.3
2	26	BanEfe *	Chile	787,702	1,128,041,012	CNS		
3	2	Compartamos	Mexico	652,025	269,092,914	MIC	1	99.9
4	1	Caja Popular Mexicana	Mexico	643,659	934,698,068	CNS		
5	4	Banco del Trabajo	Peru	600,729	345,487,797	CNS		
6	n/a	Banco Popular	Brazil	553,164	32,027,609	CNS		
7	n/a	Financiera Independencia	Mexico	499,195	198,191,986	CNS		
8	5	Caja Libertad	Mexico	290,328	484,912,429	CNS		
9	9	MiBanco	Peru	276,165	320,018,655	MIC	3	66.7
10	10	BanRural *	Guatemala	267,515	123,815,761	CNS		
11	6	CrediAmigo	Brazil	235,740	88,712,808	Only MIC	2	100.0
12	7	BancoEstado	Chile	229,404	567,240,945	MIC	6	57.1
13	8	Banco Solidario	Ecuador	182,048	243,562,592	CNS		
14	11	WWB Cali	Colombia	174,000	147,072,197	Only MIC	4	100.0
15	14	FMM Popayán	Colombia	155,332	81,273,520	MIC	5	90.7
16	12	CMAC Arequipa	Peru	145,724	182,421,777	MIC	9	68.2
17	13	CMAC Trujillo	Peru	130,931	193,062,424	MIC		
18	15	Financiera Familiar	Paraguay	126,680	52,820,864	CNS		
19	n/a	Cooperativa Universitaria	Paraguay	115,173	116,800,212	CNS		
20	18	FMM Bucaramanga	Colombia	111,111	72,850,852	MIC	8	93.6
21	16	BancoSol	Bolivia	103,786	163,126,784	MIC		
22	22	EDPYME Edyficar	Peru	96,663	79,212,915	MIC	10	99.6
23	20	CRECER	Bolivia	88,435	23,026,309	Only MIC		
24	17	Banco Los Andes ProCredit	Bolivia	85,009	189,042,093	MIC		
25	19	CMAC Sullana	Peru	77,812	97,589,134	CNS		
26	23	Banco ProCredit - El Salvador	El Salvador	77,504	130,727,300	MIC		
27	21	PRODEM FFP	Bolivia	77,476	134,642,890	MIC		
28	n/a	Oriencoop	Chile	76,681	78,272,552	CNS		
29	36	Credi Fe	Ecuador	75,830	135,591,741	MIC		
30	24	Pro Mujer - Bolivia	Bolivia	74,106	13,476,727	Only MIC		
31	32	BanDesarrollo Microempresas	Chile	73,939	99,955,919	MIC		
32	n/a	CRESOL BASER *	Brazil	73,264	99,810,632	MIC		
33	28	FIE FFP	Bolivia	71,334	101,057,702	MIC		
34	27	Banco ProCredit - Nicaragua	Nicaragua	69,659	89,758,189	MIC		
35	34	FDL	Nicaragua	67,396	43,525,336	MIC		
36	30	Génesis Empresarial	Guatemala	66,144	41,298,821	MIC		
37	33	ACODEP	Nicaragua	65,934	27,169,982	CNS		
38	25	Visión de Finanzas	Paraguay	64,465	60,599,462	CNS		
39	31	CMAC Huancayo	Peru	64,176	82,546,320	CNS		
40	39	FINCA - Mexico	Mexico	63,614	16,087,460	Only MIC		
41	29	ADOPEM	Dominican Republic	59,586	21,034,476	MIC		
42	37	CMM Bogotá	Colombia	57,982	33,198,596	MIC		
43	35	Interfisa	Paraguay	52,324	27,067,449	CNS		
44	38	FINCA - Ecuador	Ecuador	51,195	25,015,021	Only MIC		
45	51	FINDESA	Nicaragua	49,474	87,922,245	CNS		
46	74	EDPYME Efectiva	Peru	46,537	10,242,389	CNS		
47	40	FAMA	Nicaragua	44,124	23,892,900	MIC		
48	42	Pro Mujer - Peru	Peru	42,960	5,597,626	MIC		
49	54	CMM Medellín	Colombia	42,745	30,690,487	Only MIC		
50	44	FinComún	Mexico	42,221	26,911,984	MIC		
51	41	CMAC Cusco	Peru	42,163	87,503,336	MIC		
52	56	CMAC Ica	Peru	41,707	47,169,573	MIC		
53	49	Financiera El Comercio	Paraguay	40,258	20,138,041	MIC		

Ranking 2006	Ranking 2005	MFI Name	Country	Number of Loans Outstanding	Gross Loan Portfolio (US\$)	General Trend†	Ranking MIC %**	MIC %***
54	46	Banco Ademi	Dominican Republic	39,860	91,022,268	MIC		
55	48	Banco ProCredit - Ecuador	Ecuador	39,350	117,484,982	MIC		
56	43	Fundación Mario Santo Domingo	Colombia	36,933	12,290,188	MIC		
57	55	EDPYME Confianza	Peru	36,404	37,754,068	MIC		
58	60	EDPYME Crear Arequipa	Peru	36,163	29,005,121	MIC		
59	53	FinAmérica	Colombia	35,145	54,825,656	MIC		
60	47	CMAC Maynas	Peru	33,686	34,837,256	CNS		
61	50	BanGente	Venezuela	32,058	38,946,742	Only MIC		
62	58	Caja Nor Peru	Peru	30,860	38,575,416	MIC		
63	n/a	Diaconia	Bolivia	30,120	14,805,723	Only MIC		
64	52	CMAC Tacna	Peru	29,005	55,923,656	CNS		
65	59	CMAC Del Santa	Peru	27,391	33,409,650	CNS		
66	62	Apoyo Integral	El Salvador	26,856	26,921,842	MIC		
67	65	Actuar Antioquia	Colombia	25,953	24,931,062	MIC		
68	n/a	FINCA - Nicaragua	Nicaragua	24,093	4,019,184	Only MIC		
69	61	CMAC Paíta	Peru	23,616	32,886,577	MIC		
70	57	Caritas	Peru	23,522	10,482,222	MIC		
71	67	COAC Mushuc Runa	Ecuador	23,362	32,724,893	MIC		
72	68	Fundación José Nieborowski	Nicaragua	22,259	20,045,946	MIC & CNS		
73	80	EDPYME Proempresa	Peru	22,162	17,766,330	MIC		
74	70	COAC Jardín Azuayo	Ecuador	21,320	56,832,241	CNS		
75	66	FADES	Bolivia	20,983	20,047,078	Only MIC		
76	72	Financiera Solidaria	Honduras	20,421	24,163,793	MIC		
77	81	FINCA - Guatemala	Guatemala	19,737	3,026,990	Only MIC		
78	n/a	COAC JEP	Ecuador	19,733	53,353,041	MIC		
79	n/a	Fundación Paraguaya	Paraguay	19,473	5,979,833	MIC		
80	71	Fundación Microfinanciera Covelo	Honduras	18,858	11,330,139	MIC		
81	78	Asociación Raíz	Guatemala	18,683	25,946,872	MIC		
82	83	Fundación Espoir	Ecuador	18,260	6,620,261	Only MIC		
83	84	ODEF	Honduras	18,163	14,303,756	MIC		
84	77	Ecofuturo FFP	Bolivia	18,020	23,870,455	MIC		
85	85	Pro Mujer - Nicaragua	Nicaragua	17,835	3,275,757	Only MIC		
86	n/a	COOPROGRESO	Ecuador	17,124	50,566,270	CNS		
87	73	World Relief - Honduras	Honduras	16,762	8,291,943	MIC		
88	n/a	ACME	Haiti	16,659	7,049,863	Only MIC		
89	97	Fonkoze	Haiti	16,412	4,246,515	Only MIC		
90	n/a	FINCA - Honduras	Honduras	16,084	4,526,182	Only MIC		
91	89	PRODESA	Nicaragua	16,033	14,671,742	CNS		
92	76	PRISMA	Peru	15,625	4,521,093	Only MIC		
93	n/a	Pro Mujer - Mexico	Mexico	15,613	4,060,286	Only MIC		
94	88	FUNDENUSE	Nicaragua	14,956	9,449,663	MIC		
95	82	CEAPE Maranhão	Brazil	14,666	6,174,482	Only MIC		
96	n/a	ASEA	Mexico	14,515	5,739,028	Only MIC		
97	95	Fundación Ecuatoriana de Desarrollo	Ecuador	14,489	9,034,823	Only MIC		
98	90	ADMIC	Mexico	14,045	5,429,649	Only MIC		
99	n/a	Asociación Arariwa	Peru	13,739	2,905,745	Only MIC		
100	87	Familia y Medio Ambiente	Honduras	13,631	5,346,743	Only MIC		
TOTALS				10,200,768	10,513,797,868			

n/a: not available

* Of the top 100 institutions, some only provided data on the volume of active loans and outstanding portfolio.

** Ranking MIC: Top 10 institutions in number of Microenterprise loans outstanding

*** MIC%: % of MIC loans relative to total loans outstanding

† General Trend defined as:

Only MIC: 100% of Loans to Microenterprises

MIC: Loans to Microenterprises > 50% Total Loans

CNS: Loans to Consumers > 50% Total Loans

MIC & CNS: Loans to Microenterprises and Consumers > 50% Total Loans

TOP 20 MFIs IN SAVINGS PORTFOLIO

Ranking 2006	MFI Name	Country	Savings Accounts	Voluntary Savings (US\$)	Deposits to Gross Loan Portfolio
1	Caja Popular Mexicana	Mexico	2,330,078	1,138,380,222	123.8%
2	Banco Caja Social	Colombia	1,694,613	1,976,986,573	120.4%
3	Caja Libertad	Mexico	605,690	462,121,810	97.5%
4	Banco del Trabajo	Peru	578,115	256,594,180	74.9%
5	Oriencoop	Chile	383,754	37,187,097	48.2%
6	PRODEM FFP	Bolivia	255,966	106,928,645	79.5%
7	CMAC Arequipa	Peru	196,366	144,303,192	79.7%
8	MiBanco	Peru	160,636	202,794,743	63.5%
9	BancoEstado	Chile	157,256	236,448,178	41.7%
10	Banco ProCredit - El Salvador	El Salvador	135,883	92,698,800	71.4%
11	FIE FFP	Bolivia	130,258	55,845,361	55.5%
12	Banco Solidario	Ecuador	123,731	217,545,561	90.6%
13	BancoSol	Bolivia	123,561	145,467,323	91.0%
14	Banco ProCredit - Nicaragua	Nicaragua	112,335	42,775,204	47.7%
15	CMAC Cusco	Peru	108,146	83,405,429	95.7%
16	CMAC Trujillo	Peru	102,115	113,418,524	59.7%
17	FinComún	Mexico	90,337	16,121,221	59.9%
18	CMAC Sullana	Peru	82,639	66,784,298	69.3%
19	Banco Los Andes ProCredit	Bolivia	79,992	92,612,501	49.0%
20	Cooperativa Universitaria	Paraguay	79,646	130,140,068	114.2%

non-traditional distribution points. However, perennial top finishers like village bankers Pro Mujer Peru and El Salvador's ASEI continued to reach the lowest-income sectors by making some of the smallest loans in the region.

Savings

Savings continued to grow as an important funding mechanism in 2006. Latin American and Caribbean MFIs finished the year with almost US\$6 billion in deposits from the public, held in more than 7.8 million accounts. However, the ratio of savers to borrowers in deposit-taking institutions remained unchanged, indicating that these MFIs balanced their growth in loans with growth in savings. In fact, a survey of all participating institutions showed that loan portfolios increased more rapidly than savings as institutions tapped other commercial funding sources to spur their growth.

The year's top three finishers each financed the great majority of their

New Innovations in Latin American and Caribbean MFI Funding

Latin American and Caribbean micro-finance institutions pushed the envelope in 2006 and 2007 by introducing a slew of innovative funding mechanisms.



Spain's Fundación BBVA and its parent bank launched several groundbreaking investment initiatives in Peru and Colombia.

The foundation purchased equity interest in two Peruvian institutions operating in the rural sector, Caja Nor Perú and Caja Sur, and in two Colombian Women's World Banking affiliates in Bogotá and Medellín. BBVA's Banco Continental is also introducing the industry's first syndicated bond issue. For three Peruvian CMAC institutions based in Piura,

Huancayo and Sullana, the bonds, which are scheduled for late 2007, will grant access to international funding sources that would not be cost-effective individually.

Perhaps this year's biggest story was Compartamos' recent initial public stock offering in Mexico. Though not without controversy, the IPO was the first of its kind and represented an important advance for the micro-finance industry toward increasing access to international capital. Compartamos' Co-Executive Director Carlos Danel noted that the IPO "was the icing on the cake in terms of bridging the gap to capital markets. The largest institutional investors in the world can now look at micro-finance as a viable investment option. Some might be wary, but to bring microfinance to scale, this is a necessary, major step."

TOP 20 MFIs WITH GREATEST DEPTH

Ranking 2006	Ranking 2005	MFI Name	Country	Adjusted Average Loan Balance / GNI per Capita	Adjusted Average Loan Balance (US\$)
1	n/a	Banco Popular	Brazil	1.7%	58
2	n/a	Oportunidad Microfinanzas	Mexico	2.2%	162
3	n/a	ATEMEXPA	Mexico	2.5%	182
4	n/a	CAFASA	Mexico	2.8%	204
5	n/a	Soluciones Financieras	Mexico	2.9%	215
6	1	FINCA - Mexico	Mexico	3.5%	252
7	n/a	Pro Mujer - Mexico	Mexico	3.6%	260
8	n/a	Conserva	Mexico	4.3%	312
9	n/a	FRAC	Mexico	4.7%	340
10	2	Pro Mujer - Peru	Peru	5.0%	130
11	5	ADMIC	Mexico	5.3%	387
12	n/a	ASEA	Mexico	5.4%	395
13	n/a	Financiera Independencia	Mexico	5.4%	397
14	4	Compartamos	Mexico	5.6%	413
15	3	ASEI	El Salvador	5.9%	145
16	9	EDAPROSPRO	Peru	5.9%	154
17	n/a	MIDE	Peru	6.2%	162
18	8	FINCA - Guatemala	Guatemala	6.4%	153
19	6	FINCA - Peru	Peru	6.5%	171
20	n/a	Movimiento Manuela Ramos	Peru	6.9%	180

n/a: not available

institutions did not sacrifice sound lending techniques to capture additional market share. Delinquency fell across the board as leading Latin American and Caribbean MFIs further improved their lending practices and increased their loan portfolios. For the first time, all top 20 finishers ended the year with less than 1% of their loan portfolio more than 30 days late, an impressive achievement in an industry noted for good portfolio quality. Consistently strong performers ADRA and Pro Mujer Peru were joined at the top in 2006 by fellow



Peruvian village banker Movimiento Manuela Ramos. They all finished the year with an impressive zero delinquency and wrote off virtually no loans. However, some institutions that focused on individual credit also efficiently managed risk. Two Colombian Women's World Banking affiliates in Popayán and Bucaramanga effectively screened individual microentrepreneurs to keep delinquency below 1%.

Profitability

Following the lead of Compartamos' recent IPO, many Mexican institutions could become the region's "value stocks," generating some of the highest returns in the region. Compartamos was joined at the top by a group of new entries from Mexico; however the competition did not stop Compartamos from growing more profitable in 2006. Many Mexican MFIs were able to take in high income streams by operating in underserved, isolated regional markets. While the sustainability of such returns will be challenged in subsequent years as the Mexican market grows more competitive (ProCredit Holding is opening up its first Mexican branch later this year), in the short term institutions are certain to continue leveraging

loan portfolios using deposits from the public. The largest, Colombia's Banco Caja Social, doubled since the previous year to finish 2006 with almost US\$2 billion in savings. Banco Caja Social Colombia was joined in the billion savings club by the giant cooperative, Caja Popular Mexicana. Two Peruvian banks, Banco del Trabajo and MiBanco, remained dominant players in the Peruvian savings market. However, they saw increasing competition from CMAC institutions as all parties moved to capture the national market.

Efficiency

As competitive pressure increased between MFIs, efficiency improved across the board. Most institutions in the survey shaved off an average of 1% from their operating costs relative to their loan portfolio as they worked to improve their margins. This increase in efficiency may be more the result of average loan balances increasing by

14.6% throughout the region, than of improved systems. A group of Ecuadorian cooperatives came to dominate the average loan balance "> US\$500" category, but they mostly did so by making loans over 30% larger on average.

This trend should not cloud the achievements of some institutions that balanced moderate increases in average loan balances with efficiency gains. PRODESA continued to shine as the most efficient NGO in Latin America with a mix of small agricultural and home improvement loans to residents of the rural central area of Nicaragua. Guatemala's AYNLA actually managed to increase efficiency by almost four percentage points while decreasing its average loan balance thanks to an extremely productive staff.

Asset Quality

As worries about over-indebtedness continue to grow in more developed markets like Peru and Bolivia, top

TOP 20 MOST EFFICIENT MFIs WITH AVERAGE LOAN BALANCE > US\$500

Ranking 2006	Ranking 2005	MFI Name	Country	Adjusted Average Loan Balance (US\$)	Operating Expense/Average Gross Loan Portfolio	Adjusted Loans per Staff Member
1	2	COAC Jardín Azuayo	Ecuador	2,666	5.0%	177
2	3	PRODESA	Nicaragua	918	6.0%	266
3	n/a	COAC JEP	Ecuador	2,704	6.5%	127
4	5	COAC San José	Ecuador	1,855	7.5%	138
5	6	BancoEstado	Chile	2,483	7.7%	290
6	17	Credi Fe	Ecuador	1,802	8.9%	253
7	7	CMAC Cusco	Peru	2,067	8.9%	138
8	10	COAC Mushuc Runa	Ecuador	1,401	9.5%	323
9	12	COOPAC Santo Cristo	Peru	1,169	9.5%	181
10	13	CMAC Tacna	Peru	1,970	10.1%	120
11	n/a	COOPROGRESO	Ecuador	2,953	10.3%	90
12	14	ACCOVI	El Salvador	4,280	10.3%	57
13	8	CMAC Arequipa	Peru	1,250	10.4%	265
14	9	CMAC Huancayo	Peru	1,286	10.4%	155
15	n/a	WWB Cali	Colombia	845	10.7%	261
16	15	CMAC Trujillo	Peru	1,473	10.7%	181
17	n/a	Coop 20 de Abril	Nicaragua	971	10.7%	110
18	20	Banco Los Andes ProCredit	Bolivia	2,224	10.9%	72
19	n/a	Actuar Antioquia	Colombia	955	11.1%	254
20	n/a	Caja Popular Mexicana	Mexico	1,444	11.1%	193

n/a: not available

TOP 20 MOST EFFICIENT MFIs WITH AVERAGE LOAN BALANCE < US\$500

Ranking 2006	Ranking 2005	MFI Name	Country	Adjusted Average Loan Balance (US\$)	Operating Expense/Average Gross Loan Portfolio	Adjusted Loans per Staff Member
1	n/a	Diaconia	Bolivia	492	13.9%	196
2	5	Crysol	Guatemala	413	15.6%	303
3	9	AYNLA	Guatemala	364	17.1%	337
4	12	Fundación Mario Santo Domingo	Colombia	331	17.4%	305
5	4	FODEMI	Ecuador	434	17.4%	236
6	8	Pro Mujer–Bolivia	Bolivia	183	19.3%	153
7	n/a	Financiera Familiar	Paraguay	415	19.4%	241
8	n/a	CRECER	Bolivia	262	19.5%	301
9	13	FINCA–Ecuador	Ecuador	495	19.9%	242
10	11	CrediAmigo	Brazil	376	19.9%	214
11	2	FONCRESOL	Bolivia	318	20.8%	242
12	n/a	Asociación Arariwa	Peru	212	21.3%	335
13	19	ACODEP	Nicaragua	412	21.9%	333
14	n/a	World Relief–Honduras	Honduras	494	23.8%	129
15	18	Pro Mujer–Peru	Peru	130	25.4%	318
16	16	ADOPEM	Dominican Republic	354	26.3%	214
17	n/a	Caritas	Peru	446	27.3%	156
18	n/a	FUNDAHMICRO	Honduras	349	27.5%	148
19	n/a	FUNED	Honduras	396	27.9%	115
20	14	EDPYME Efectiva	Peru	220	28.1%	264

n/a: not available

Beyond Working Capital: The Diverse Latin American Microcredit Market

The term “microcredit” is often associated with small working capital loans for microentrepreneurs. However, the reality of Latin American microcredit is far more diverse than meets the eye. As the Latin America and Caribbean 100 survey shows, institutions that traditionally provided loans to microentrepreneurs are now moving into the consumer, mortgage and low-end commercial loan segments. Meanwhile, some larger, consumer-focused lenders are competing for microenterprise business. MIX finds that the more competitive, mature Latin American markets bring more diverse credit offerings.

With more than 5.25 million consumer loans in 2006, the 154 microfinance institutions participating in this survey held slightly more consumer than microenterprise products at year end. Consumer lenders tend to be larger banks and cooperatives, with the top 10 managing more than US\$3.1 billion in credit, nearly double the top 10 microenterprise lenders.

In competitive markets, such as

Nicaragua and Bolivia, mature microfinance institutions have diversified their product offerings. This practice allows MFIs to retain clients by cross-selling other loan products; to continue expanding in competitive markets; and to reduce risk and increase operating efficiency by establishing exclusive lending relationships with their clients. Nicaragua’s FINDESA recently introduced its first mortgage product: home loans starting at US\$2,000 with a 15-year term. In Bolivia, BancoSol offers SolVivienda, a market-leading home improvement product that now comprises 30% of its loan portfolio.

Mexico provides an important counterpoint. While consumer microcredit is widely available from giant cooperatives and non-bank financial institutions, demand remains strong for microenterprise credit as exhibited by microenterprise lender Compartamos’ runaway success. In an environment with limited access to financial services, microfinance clients will sometimes take advantage of the fungible nature of money to use a loan product in ways

not originally intended. In fact, Caja Libertad, a large cooperative focused on consumer lending, estimates that up to 25% of its consumer loans are used for productive purposes. In response, it is preparing to launch its first microenterprise targeted product. As Latin American markets grow increasingly competitive, microfinance institutions will continue to expand product offerings to capture market share and to better serve their clients.

MIX Credit Type Definitions:

Commercial: Given to persons or enterprises to finance the production or trade of goods and services; usually directly to corporations, large and medium enterprises.

Microenterprise: Similar to the previous definition except that activities are on small or micro scale.

Consumer: Given to persons to finance the purchase of consumer goods and services that have no commercial or enterprise purposes.

Mortgage: Given to persons for the purchase, construction and/or improvement of their dwelling with the condition that the loans are supported by mortgage guarantees recorded in the public registry.

their high margins and interested clients into rapid growth.

Mexican MFIs were not the only ones to see strong returns in 2006. Peru’s EDPYME Efectiva’s impressive operational efficiency and fast growth translated into some of the highest margins in the country, despite a small average loan balance. Contactar Nariño, a small but growing Colombian NGO, profitably delivered individual and solidarity group loans to microentrepreneurs in the rural sector.



Conclusion

With an eye on 2007, Latin American and Caribbean MFIs will need to become even more responsive to the diverse and changing landscapes in which they operate. As competition in more developed markets continues to heat up, many institutions will look to expand their product lines to capture more of their clients’ businesses, thus reducing their own operating costs. Also expect to see additional consolidation in these markets as competition drives MFIs to capitalize on economies of scale. The two regional giants, Mexico and

Brazil, are certain to see explosive growth as local institutions rush to fulfill demand for microenterprise credit. Finally, with unprecedented interest in the microfinance industry from socially-minded investors, the Latin America and Caribbean region will remain in a strong position to access local and international capital by continuing its growth in savings and building on its history of innovation in funding mechanisms.

MIX and *MicroEnterprise Americas* would like to thank all participating institutions for sharing their financial and outreach information and advancing transparency in the region.



Methodological Note: All data are presented in USD for the year ending December 31, 2006. All data must be of sufficient quality and detail to stand up to critical scrutiny. Financial data must be provided along with third-party documents verifying the accounts. All data are reclassified to industry standard financial statement presentation and then adjusted using MIX standard *MicroBanking Bulletin* methodology. Only loan and portfolio information from the “scale” list remain unadjusted. Microfinance programs and departments within larger entities must also provide reliable allocations of income statement items to be eligible for the subsidiary top 10 lists. Otherwise, MFIs that cannot be completely analyzed are only eligible for the lists based on volume and are listed with an asterisk (*).

Following the methodology of MIX, the analysis defines a microfinance institution as one with an average size of financial products less than 250% of average individual income levels (GNI per capita) in the country where it is based. For purposes of comparison, only institutions reporting more than 5,000 clients were considered for this survey. All of the information provided in this report on the size and growth of the Latin American microfinance market is based solely on the sample of 154 institutions participating in this survey. Notable exceptions from this list have likely been excluded because they could not or would not provide or substantiate information within the allotted time frame. Some institutions could not appear in the scale list because of size but did appear in other categories due to performance.

For more information on the definitions and methods used, go to www.iadb.org/msm and www.mixmbb.org.

Acknowledgments: The authors would like to thank Anne-Lucie Lafourcade (MIX), Sandra Sánchez (MIX) and Gerardo Talavera (REDCAMIF) for their contributions to expanding this year’s MFI coverage. Many thanks also to the following organizations that provided valuable assistance in facilitating the collection of data for this article: ACCION, ASOFIN, COPEME, FINCA International, Opportunity International, ProDesarrollo, ProCredit Holdings, ProMujer, RADIM, REDCAMIF, and RFR. Finally, the authors would like to thank the following professionals for providing valuable information for this analysis: Gabriel Solorzano (Findesa), César Izurieta (Caja Libertad), Enrique Mejía (Banco del Trabajo), David Torres (Caja Popular Mexicana), Marcelo Escobar (BancoSol), Zobeida Hernández (Prodesa), Carlos Danel (Compartamos), Alfredo León (CMAC Sullana) and Jorge Delgado (Fundación BBVA).

—MATTHEW GEHRKE AND RENSO MARTÍNEZ,
MICROFINANCE INFORMATION EXCHANGE,
INC. (MIX)

TOP MFIs WITH LEAST RISK

Ranking 2006	Ranking 2005	MFI Name	Country	Adjusted Portfolio at Risk > 30 Days	Adjusted Write-off Ratio *
1	1	ADRA - Peru	Peru	0.0%	0.0%
1	1	Pro Mujer - Peru	Peru	0.0%	0.0%
3	n/a	Manuela Ramos	Peru	0.0%	0.1%
4	3	Crysol	Guatemala	0.1%	1.7%
5	4	Pro Mujer - Nicaragua	Nicaragua	0.2%	0.8%
6	n/a	Oportunidad Microfinanzas	Mexico	0.2%	2.9%
7	7	Pro Mujer - Bolivia	Bolivia	0.3%	1.8%
8	n/a	CRECER	Bolivia	0.4%	0.3%
8	5	FINCA - Peru	Peru	0.4%	0.3%
10	8	FMM Bucaramanga	Colombia	0.5%	0.2%
11	20	Fundación Espoir	Ecuador	0.5%	0.5%
12	n/a	Diaconia	Bolivia	0.6%	0.3%
13	n/a	CMAC Trujillo	Peru	0.7%	2.8%
14	n/a	Coop 20 de Abril	Nicaragua	0.8%	0.1%
15	n/a	Friendship Bridge - Guatemala	Guatemala	0.8%	0.2%
16	11	FMM Popayán	Colombia	0.8%	0.4%
17	n/a	EurekaSoli	Mexico	0.8%	0.6%
18	n/a	FUNBODEM	Bolivia	0.8%	0.7%
19	9	Credi Fe	Ecuador	0.8%	0.8%
20	17	FIE FFP	Bolivia	0.9%	1.4%

*n/a: not available * Write-off ratio should be less than 3%.*

TOP 20 MOST PROFITABLE MFIs

Ranking 2006	Ranking 2005	MFI Name	Country	Adjusted Return on Assets	Adjusted Return on Equity
1	n/a	Conserva	Mexico	31.0%	61.8%
2	1	Compartamos	Mexico	22.5%	55.8%
3	9	CrediAmigo	Brazil	15.7%	58.6%
4	n/a	Financiera Independencia	Mexico	15.5%	40.2%
5	4	Pro Mujer - Peru	Peru	13.5%	23.8%
6	n/a	Diaconia	Bolivia	13.1%	13.9%
7	n/a	Contactar	Colombia	11.5%	18.2%
8	5	EDPYME Efectiva	Peru	11.0%	56.9%
9	n/a	D-Miro	Ecuador	9.6%	13.3%
10	n/a	ASEA	Mexico	9.5%	29.1%
11	n/a	Pro Mujer - Mexico	Mexico	8.6%	23.2%
12	6	FINCA - Mexico	Mexico	8.5%	27.1%
13	14	PRODESA	Nicaragua	8.4%	21.6%
14	n/a	FRAC	Mexico	8.4%	16.9%
15	17	ACODEP	Nicaragua	8.3%	35.2%
16	n/a	FMM Bucaramanga	Colombia	8.0%	45.3%
17	2	ADRA - Peru	Peru	8.0%	12.1%
18	n/a	ASEI	El Salvador	8.0%	10.3%
19	12	CRECER	Bolivia	7.9%	21.9%
20	n/a	FMM Popayán	Colombia	7.6%	18.1%

n/a: not available