



## MICROCAPITAL BRIEFS | TOP STORIES

### Microbank Compartamos Raises Half Billion with IPO in US and Mexico

This is the biggest deal yet in microcapital. Read the full story herein on the Initial Public Offering of the Mexican microbank. In two special features, we reflect on this landmark deal: “The Compartamos IPO” and “The MicroCapital Equity Report.”

### Morgan Stanley and BlueOrchard Launch USD 108mn Bond

Morgan Stanley, a New York based investment bank, and BlueOrchard Finance, a Swiss microfinance fund management company, have announced the launch of a USD 108mn bond backed by loans issued to microfinance institutions (MFI's). The bond will be given a rating by Standard & Poor, a major independent credit ratings agency. The deal aims to fund loans to 21 different MFI's in 13 countries (Azerbaijan, Bosnia, Cambodia, Colombia, Georgia, Ghana, Kenya, Mongolia, Montenegro, Nicaragua, Peru, Russia and Serbia), facilitating loans to 70,000 people. The loans to MFI's will be at an average interest rate of 8.5% and will be offered in local currency. Standard & Poor will rate two classes of notes; a USD 42mn tranche at AA and USD 16mn at BBB. The remaining USD 50mn is unrated. Investments will be available in US dollars, British pounds, and euros. The deal is being dubbed ‘BOLD 2’ after a previous collaboration between BlueOrchard and Morgan Stanley. BlueOrchard Loans for Development (BOLD) was a Collateralised Debt Obligation (CDO) which closed in April 2006 reported total fund assets of USD 99.1mn to MIX Market. May 9. 2007.

### Mergers and Acquisitions in Nigeria by Regulation

Central Bank Nigeria (CBN) has endorsed a broadening of mergers and acquisitions among existing microfinance institutions (MFI's) or “community banks,” so that they can comply with minimum capital requirements which are part of forthcoming regulation. The regulation, which requires all such organizations to register as microfinance banks by December 2007 requires a minimum capital base of 20mn Nigerian naira (USD 156,500) for ‘state community banks’ and the equivalent of USD 7,824,000 for ‘federal community banks.’ After a meeting between CBN and the National Association of Community Banks of Nigeria (NACOB) Abdulgadir Bauchi, president of NACOB, said “community banks can now go into mergers and acquisitions so as to meet the deadline given by the apex bank to transform to microfinance bank[s].” Mr. Bauchi also announced that community banks would now be able to merge with other community banks within and beyond their local government areas, and that they are now permitted to merge with banks across state borders. CBN has so far received 144 applications from community banks for conversion to microfinance banks, of which four have been granted full licenses, 64 licenses have been granted “in principle” and 76 are still being processed. May 10. 2007

### SHARE Microfin Ltd. Takes USD 27mn in Private Equity

Private firms Legatum and Aavishkaar Goodwell have agreed to a joint equity investment of USD 27mn in the capital shareholdings of SHARE Microfin Limited (SML), an Indian microfinance institution (MFI). With a USD 25mn share of the equity investment, Legatum gains the majority interest of SML. Legatum was founded in December 2006 in Dubai, following the de-merger of Sovereign Global Investment (Sovereign), Legatum's parent company. Sovereign had invested funds globally since 1986; Legatum now manages a portion of this portfolio. Legatum holds over USD 1bn in Indian investments, including significant share holdings in ICICI Bank, the Housing Development Finance Corporation Ltd (HDFC), HDFC Bank, United Trust of India Bank (UTI Bank), and Indiabulls Finance Services. May 17. 2007 ◆◆◆

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MicroCapital would like to recognize the individuals at CGAP, The MIX., and microfinancegateway.org for their outstanding work disseminating information on microfinance. Thank you!

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## MICROCAPITAL BRIEFS

### Sandana Becomes Western Union Agent

Western Union, a global dominant in money transfer services, has confirmed a partnership with Sandana, a microfinance institution housed in city of Hyderabad, India, and is one of the top microbanks in India. Money transfer services will be available via Western union from all 280 of Sandana's branches. Sandana was established in 1998 and in 2006 reported USD 97mm in total assets and a 1,074.84% debt/equity ratio. Their main sources of funding include ICICI Bank, SIDBI, and Indian Overseas Bank. There are 40,000 Western Union agents across 4,000 towns in India. According to Western Union's country director, Mr. Ratheesh Kumar, based on the success of the present tie-up, plans will be drawn up to forge alliances with other similar institutions. May 21. 2007

### EBRD Lends USD 1m to Frontiers LLC

The European Bank for Reconstruction and Development (EBRD) will lend USD 1 million to Frontiers LLC, the wholesale microlending company based in Bishkek, Kyrgyzstan. The loan will be accompanied by USD 100,000 grant. Frontiers was established in 2003 by US non-profit organization ACIDI/VOCA with USD 3 million of start-up capital. At the year end 2006 Frontiers reported total fund assets of USD 4.5 million and 30 active microfinance investments. Frontiers provides financing to non-banking financial institutions in Central Asia to lend to micro-entrepreneurs. ACIDI/VOCA was formed by the 1997 merger of two US non-profit organizations, and the organization largely operates through funding from USAID, the World Bank, United Nations Development Programme (UNDP), and EBRD among others, as well as forming an increasing number of partnerships with private companies. The EBRD is a multilateral institution formed in 1991 to support market economies and democracies from Central Europe to Central Asia. The organization currently works with more than 70 commercial banks and non-banking financial institutions to support microbusiness and microfinance. To date it has lent more than USD 1 billion for microfinance. May 21. 2007

### Sri Lankan Legislation to Parliament in June

Next month, the Parliament of Sri Lanka will consider the Microfinance Institutions Act (MFIA). The legislation was described by The Sunday Times Online, an English-language newspaper of Sri Lanka, which wrote that the bill's drafting came out of concern for "aid wastage, duplication of funds and corruption" within the Sri Lankan microfinance sector. Under the MFIA, there would be a fixed amount of minimum net assets held by a MFI to operate. For MFIs conducting business nationwide, the minimum would be USD 450,000; for MFIs operating inside of one of the nine provinces, USD 90,000; within one of the twenty five administrative districts, USD 45,000; within one of the hundreds of Divisional Secretary's Divisions, USD 9,000. If the MFIA is passed, it would be implemented by the Department of Supervision of Non-Bank Financial Institutions (DSNBFI) of the Central Bank of Sri Lanka. May 21.2007

### Mibanco Anticipates 40% increase in Loans

Peruvian Microbank Mibanco expects to cap off the year with a loan book of USD 470mm, an additional 40% to last year's figure. The rise is accountable to an expected increase in deposits and loans from various multilateral banks and international funds including the IFC, Triodos, and the Inter-American Investment Corporation (IIC). Finishing off in 2006, Mibanco possessed around USD 389mm in total assets, and a 644.31% debt/equity ratio. They also had 223,182 active borrowers and 160,636 savers. Currently, their number of borrowers has gone up to about 230,000 and they aim to hit 300,000 by the end of this year. The bank intends to open an additional 17-20 branches, bringing the total number to above 90. May 18. 2007

### Microbank in a Box? Indian Leaders Offer Franchise Package

Dr. Nachiket Mor, Deputy Manager Director of the India-based ICICI Bank, has started IntelleCash, a microfinance training, investment, and banking program. IntelleCash seeks to help entrepreneurs build microfinance institutions (MFIs). Dr. Mor of ICICI Bank was joined in a partnership by Aavishkaar Goodwell, a for-profit business development firm, Intellectual Capital Advisory Services (Intellectap), a consultancy, and the largest MFI of North India, CASHPOR. The IntelleCash Franchise Package, consisting of a business plan, financial model, and manuals, was designed by Intellectap and CASHPOR. ICICI Bank will be the primary banker for the IntelleCash-assisted MFIs. The bank has worked with 208 MFIs, and its portfolio consists of USD 517 million in loans to MFIs. The goal is to create 60 franchisee MFIs 2010. May 18. 2007

### SKS and Citibank Announce USD 44mn Financing

On the heels of last month's announcement of new equity investors, Indian microfinance institution (MFI) SKS Microfinance has announced a USD 44mn (Rupees 1.8bn) financing partnership with Citibank. Citibank India will purchase loans which SKS will continue to originate and service, sharing the credit risk of the transaction. May 16. 2007

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THIS MONTH OUR SUBSCRIBER EDITION INCLUDED 12 PAGES BRIMMING WITH THE BEST MICROFINANCE NEWS AVAILABLE INCLUDING OUR NEW MICROFINANCE MARKET INDICATORS REPORT POWERED BY THE MIX MARKET. DON'T DELAY: BECOME A SUBSCRIBER TODAY

### UPCOMING EVENTS

Need an easy way to track good microfinance industry events? In the full version available to subscribers only, we select and highlight events with a business orientation and those aimed at the investment community. We give you a short description, putting all the event and contact information at your fingertips. *16 events covered this month.*

### PAPER WRAP UP

In the full version available to subscribers only, we alert you to key papers and provide summaries and recommendations to save you time and keep you up to date. *3 papers reviewed this month.*

### WHO'S WHO IN MICROCAPITAL

How do you get to know an organization? In the full version available to subscribers only, learn about the people who manage and direct the players in microfinance. Where did they go to school? What organizations do they support? Where have they worked and in what positions? *1 organization, ICICI Bank, India profiled this month including 14 leaders.*

**unitus**  
GLOBAL MICROFINANCE ACCELERATOR  
has loaned



**Ventura**

An Indonesian Microfinance Institution

**USD 1,200,000**

**Consisting of 2 Contributions**

- 1) USD 600,000 from *The Dignity Fund, LP*, a California-based Microfinance Fund
- 2) USD 600,000 from *MicroCredit Enterprises*, a California-based non-profit organization

**Unitus** is a Redmon-Washington non-profit consultancy and venture capital firm

**Morgan Stanley**  
and



**BlueOrchard Finance**  
Microfinance Investment Managers

have launched a  
**USD 108,000,000 Bond**  
backed by loans issued to Microfinance Institutions (MFI)

**Standard and Poor Ratings**

- 1) USD 42,000,000 tranche at AA
- 2) USD 16,000,000 at BBB
- 3) Remaining USD 50,000,000 is unrated.

Investments will be available in  
US dollars, British pounds, and euros.

**BlueOrchard Finance**, based in Geneva, co-manages and advises various microfinance investment funds.

**Morgan Stanley** is an investment bank, retail broker, and credit card provider headquartered in New York City.

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You're currently reading a complete edition of the Microcapital Monitor for May 2007, courtesy of the Chicago Microfinance Conference. The MicroCapital Monitor is a regular market report on microfinance capital markets in particular and microfinance in general. The report is timely, comprehensive and easy to read. Editions include news briefs from around the world, summaries of just-published industry research, a calendar with contact information for upcoming events and detailed profiles and interviews of the individuals behind the players in microfinance. Issues of the Monitor are available only by subscription. Please subscribe today and support a representative voice for micro-bankers and microcapital investors alike..

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