

# DOCUMENTO DE DISCUSIÓN

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Mibanco: specialized banking products and  
services for micro and small scale  
entrepreneurs

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## Documento de Discusión

### **Mibanco: specialized banking products and services for micro and small scale entrepreneurs**

Elaborated by Pedro Franco\*

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## Resumen

Mibanco is a Peruvian micro finance institution with 74 offices nationwide. It was the first commercial bank in Peru, and second in Latin America, with its core business focused on providing financial services to lower income households and their micro and small enterprises. Since assuming operations in 1998, Mibanco has loaned over US\$1,630 million in amounts ranging from US\$100 to US\$1500. Starting from a base in Lima, Mibanco spread operations nationwide, including rural areas. This case examines the challenges Mibanco experienced in offering credit to people who had never had access to the formal banking system in Peru and its innovations contributing to its success. This case also describes Mibanco's latest adaptations in response to growing competition in the lower income market..

Key words: Mibanco, micro finance, banks, credits, Perú

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## **Mibanco: specialized banking products and services for micro and small scale entrepreneurs**

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### **Case Summary**

Mibanco is a Peruvian micro finance institution with 74 offices nationwide. It was the first commercial bank in Peru, and second in Latin America, with its core business focused on providing financial services to lower income households and their micro and small enterprises. Since assuming operations in 1998, Mibanco has loaned over US\$1,630 million in amounts ranging from US\$100 to US\$1500. Starting from a base in Lima, Mibanco spread operations nationwide, including rural areas. This case examines the challenges Mibanco experienced in offering credit to people who had never had access to the formal banking system in Peru and its innovations contributing to its success. This case also describes Mibanco's latest adaptations in response to growing competition in the lower income market.

### **Positive outcomes for the poor**

- Increased access to the formal banking system and credit for more than 300,000 clients since 1998.
- Variety of credit products offered opportunities to improve and grow businesses, as well as non-mortgage loans for improved housing, among other things.
- Business skills training available for all clients at no cost.
- Increasing competition in banking services to the poor should spur better service and continual innovation.

### **Key Barriers**

- Little collateral or formal documentation available to secure loans.
- Many poor communities were situated in areas that are difficult to reach, such as urban slums or dispersed rural populations.
- Poor communities were not familiar with the credit system and were thus afraid of it.
- Expansion to the rural market found competition with NGOs, cajas rurales, and cajas municipales.

### **Key Innovations**

- Decentralized decision making grants business advisors authority to approve loans, reducing time and administration.
- Simple requirements to access a loan.
- Approach a huge number of clients with smaller amount of money for credits.
- Wide variety of payment schemes according to the clients needs. The business advisor checks the client's payment possibilities and creates a chronogram according to the information collected.

- Marketing focused on poor clients, through markets and open fairs.
- Business advisors who adjust their way of work to each client.

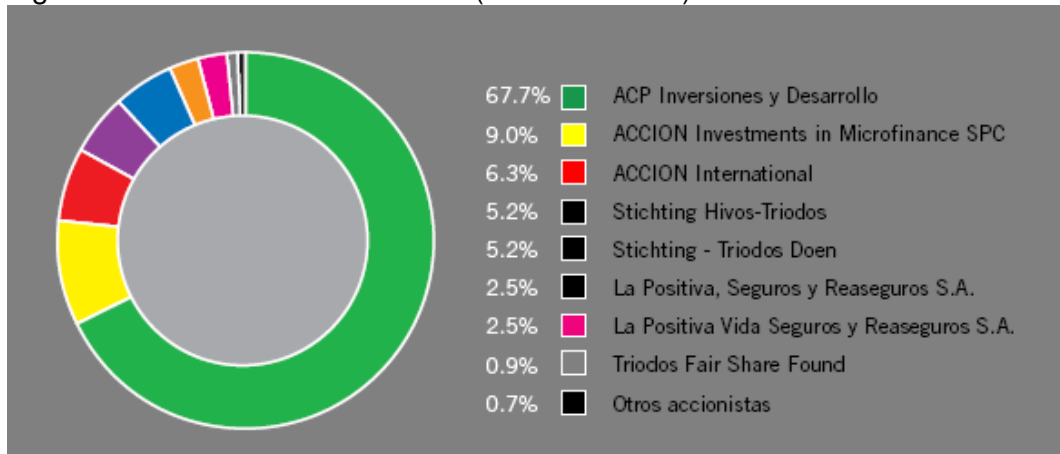
### **Opportunities and Challenges for Scaling Up**

- Mibanco is looking for opportunities to grow outside of Peru, especially for opportunities to partner with banks in other Latin American countries.
- Mibanco is going where no bank has gone before, because they are reaching communities far away from main urban areas in Peru. In our country there are a lot of this areas and the expansion Mibanco can reach is huge.
- The credits they offer are small amounts of money, but they have a great number of clients and this has been growing since they begin to operate. The greatest potential of growth is their clients that are growing with them and that access to more credits along the time.
- Increased competition for Mibanco's primary market (i.e. lower income and MSE clients) threatens its existing market share and growth proposition.
- Mibanco also had to finance a longer term credits and needed more money for this operations so they had to look for alliances.

## Creation and Growth of Mibanco

Mibanco was launched in 1998 as a private company, specializing in financial services for the MSE sector. It was transformed from a non-profit organization (ACP Investment and Development) after the government challenged Peru's financial sector to develop a commercial, regulated bank for the poor. Mibanco was the first bank in Peru to focus in this area, backed by ACP (60% equity stake), Profund (19.68%), ACCION International (7%), Banco de Crédito del Peru (6.66%) and Bank Wiese Sudameris (6.66%). The shareholder breakdown as of the end of 2005 is shown in Figure 1. Mibanco also had the tacit backing of the government, who were supportive of its pioneering efforts to rise to the challenge of serving the low-income population, including MSEs. The mix of financial institutions in the ownership group included the experience of the traditional commercial banks as well as the new microfinance institutions<sup>1</sup>.

Figure 1: Shareholders of Mibanco (as of end 2005)



Source: 2005 Annual Report

ACP's entire portfolio (more than US\$12 million) was transferred to Mibanco. Mibanco paid US\$1 million to ACP for access to its client base and took over administration for all ACP client loans. Most ACP loans were repaid within five months because of their short terms. All new loans were approved under Mibanco as the new microfinance institution.

Since 2001, the Peruvian economy has shown one of the highest growth ratios in Latin America. At the same time, Mibanco grew steadily. In 2005 it was elevated to an A risk assessment rating (the highest attainable) by Pacific Credit Rating, signaling its strong financial structure and capability to measure and control financial risks<sup>2</sup>. Mibanco's investment risk level decreased further in 2006, based on its financial performance, increased market share and joint venture with Visa to issue a credit card (granting them access to the ATM system), among other things. Mibanco saw an opportunity to expand beyond Lima, to increase the client base. Since 1998, it grew from 30,000 clients to 300 000 in 2006, maintaining a profitable return on equity. Table 1 shows the Net Income and Profitability of Mibanco from 1999 to 2003.

<sup>1</sup> Source: <http://www.creditosperu.com.pe/banco-mi-banco-Mibanco-peru.php>

<sup>2</sup> Source: [http://www.ratingspcr.com/1024\\_768/peru/productos/p\\_instituciones\\_c.htm](http://www.ratingspcr.com/1024_768/peru/productos/p_instituciones_c.htm)

**Table 1: Net Income and Profitability of Mibanco (1999 - 2003)**

Net Income and Profitability					
	1999	2000	2001	2002	2003 End-March
Net income after tax (\$'000)	223.00	1,243.00	3,180.00	5,433.00	1,364
Return on equity (%) <sup>a</sup>	1.53	8.12	17.43	23.24	-
Return on assets (%) <sup>a</sup>	0.75	2.77	4.36	5.17	-

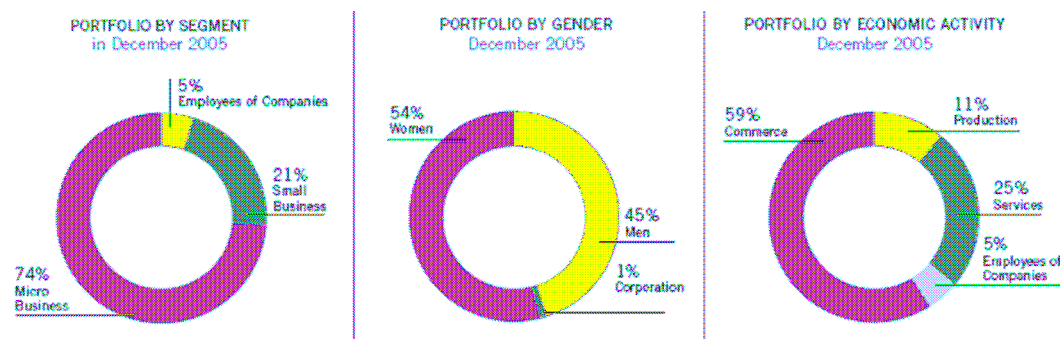
Source: Fernando (2003)

### Mibanco Client Profile

Mibanco was founded on a commitment to serving MSEs<sup>3</sup>, building on the work of ACP. This commitment was reflected in its mission, vision and values (see Annex A), as well as in the decentralized organizational structure and in its products and services. In Peru, the MSE sector represented 98% of the total number of businesses and almost 88% of jobs in the private sector<sup>4</sup>. It also produced 35% of GDP. Clearly MSEs were a key player in the domestic economy; creating jobs and opportunities for the working class.

Half of Mibanco's clients were below poverty level<sup>5</sup>; most were women (54%), and most in the commerce sector (59%), or service sector (25%)<sup>6</sup>. The vast majority were micro or small entrepreneurs (74% and 21% respectively)<sup>7</sup>. Most of Mibanco's clients had no prior access to the traditional banking system. As first time borrowers, they had little knowledge of the process or requirements. Figure 2 shows the distribution of client demographics. Annex B provides an income distribution of Mibanco clients, and additional client data.

Figure 2: Mibanco Client Profile



Source: 2005 Annual Report

<sup>3</sup> In legal terms, micro and small business is defined as having sales up to US\$145,000 and US\$824,500 per year respectively Source: "Situación de la Micro y Pequeña Empresa en el Perú"- PROMPYME, September 2005

<sup>4</sup> Source: "Situación de la Micro y Pequeña Empresa en el Perú"- PROMPYME, September 2005

<sup>5</sup> Lima poverty level. Source: Horn-Welch and Devaney (2003)

<sup>6</sup> 2005 Annual Report

<sup>7</sup> 2005 Annual Report

## **Mibanco Products and Services**

Mibanco devised a variety of products and services to meet the diverse needs and cultures of the population in Peru. There were products for housing, agricultural purposes, working capital, and more. Each product was based on a model that would ensure the loan is repaid on time and is also aimed to improve the lives of the poor. The process for all of the products was the same, and the business advisors stayed close to the client to ensure the money was used for the intended purpose; for example, Mi Casa was used for home improvement, or Mi Local used for business improvement. Through exceptional service Mibanco aimed to generate loyalty among its clients, and thus grow along with them as clients improved their businesses and economic status. A complete list of products and services is included in Annex C.

Mibanco charged higher interest rates on loans compared to the market average in Peru. It demanded higher rates because of the higher risk of the MSE market compared to the traditional banking system. Mibanco's creditors demanded higher rates on the money lent to the company, which in turn were passed on to Mibanco's clients. Despite this perceived risk, Mibanco had a lower bad debt ratio than the market average. The company attributed this to the strength of relationship between the business advisors and the clients. However, the time and effort expended by the business advisor team was expensive, and thus Mibanco had higher fixed costs than other traditional banks.

Mibanco pursued clients not only to do business but to improve their quality of life, as well. Of the 1988 employees, Mibanco employed 765 business advisors<sup>8</sup> that went to the field daily, to identify and work with potential clients. Their role was to understand the potential client's needs and adjust a specific product to those needs. They typically had university or college level education and extensive training from the company. They were trained not only to advise MSEs, but also to listen to, and understand, clients' specific needs. The client consultation included a basic financial analysis of the micro or small business. After the advisor reviewed the cash flow, they ensured the client understood the loan terms and repayment process. In this way, Mibanco aimed to offer the best loan according to the entrepreneur's financial situation, while minimizing risk of default on the loans.

Business advisors also encouraged clients to attend training programs designed to improve their business skills and operations. These training programs were free for any Mibanco client. They were offered with the support of the Institute of the Micro Business, in major regions throughout Peru. The training was tailor-made for MSE clients, taught in a friendly and simple way.

Mibanco did not require assets to guarantee loans. To qualify for credit, potential clients had to prove a permanent address and show a cash flow that would be sufficient to make the loan payments on top of other household living

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<sup>8</sup> Annual Report 2005

expenses. Businesses had to be more than six months in operation, and clients also had to show official identification. The vast majority of loans were approved by Business Advisors; a small percentage was also reviewed by the principal manager. This process of analyzing each application led Mibanco reject 30% of the requested loans of new clients.

Over the period from 1998 to April 2006, Mibanco approved 1,339,934 loans. It was the number two Peruvian bank in terms of the total number of loans of loans dispersed in 2006. In that year, Mibanco approved 1,395'248,149 soles (approximately US\$436 million) worth of loans to MSEs; this represented almost 70% of the bank's portfolio<sup>9</sup>. Banco de Crédito del Perú (BCP), the largest bank in Peru, was first in this ranking with a loan portfolio in the MSE sector of US\$240 million. According to Rafael Llosa, CEO of Mibanco, BCP was focused in the top end of the MSE market, and its average loan amount was higher than the market average. This generally indicated that BCP catered to the high (income) end of the MSE market, especially those that were well established, with fixed assets as a financial guarantee. BCP was the leader regarding the total soles of loans approved; however, it had less than 50% of the number of clients compared to Mibanco. Annex D shows Mibanco's loan size distribution, with the majority of loans dispersed in amounts totaling less than US\$1000.

### **Key Challenges and Innovations**

The key challenges Mibanco experienced in working with the MSE target market were:

- (1) Low level of education
- (2) Lack of experience dealing with the formal banking system
- (3) Dispersed population beyond Lima
- (4) Competition

Mibanco's strategy addressed these constraints as part of its service. Its focus was to capture and retain its target market of low income people without access to commercial banks. The key innovations that have contributed to the sustained growth include the following:

#### *Accessibility to the target market*

From the inception of Mibanco, it catered to MSEs. Mibanco realized that this market had needs that the commercial banks did not meet. The financial service offered by Mibanco was different from the services offered by the traditional banking system. The traditional banks had a more formal atmosphere. Mibanco adjusted its offices to try to make them less intimidating, and also visited clients in the field – at their place of business – sometimes traveling long distances to remote locations.

Mibanco's target market was low income households without access to easy transportation. Striving for growth, Mibanco designed an expansion plan to be

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<sup>9</sup> The difference in MSE contribution to Mibanco portfolio from 2005 was due to a growth in consumer credit in 2006.



accessible to new potential clients, including outside of Lima. In 2004, Mibanco had 26 agencies, of which 23 were located in Lima. By 2006, Mibanco had 74 agencies, with 44 located in Lima.

#### *Business advisors*

Mibanco business advisors were trained to explain product characteristics and offer business advice to potential clients. They were also sensitive to the lack of education and lack of familiarity with banking systems of the potential clients. Advisors communicated in plain language, they dressed and ate food that fit in with the local culture and ultimately built Mibanco's client relationships and trust.

#### *Decentralized decision making*

In order to compete with the non-profit MFIs, Mibanco emulated the decentralized structure of the NGOs, skipping long processes that could delay loan approvals. Rafael Llosa, CEO of Mibanco, estimated that he reviewed less than 1% of the number of loans approved. Loans were assessed by the business advisors with a quick turnaround of a few days.

#### *Leadership*

Mibanco had leadership that challenged traditional banking approaches and saw the opportunity in serving a huge market that was forgotten by other private banks. The senior executives of Mibanco actively sought innovative approaches to working with the MSE and lower income market.

#### *Business skills training*

Mibanco organized conferences and workshops to help MSE owners improve and grow their business, resulting in increased profits. This was a virtuous circle, not only because clients had access to credit based on the advising and training to improve their business and increase profitability, but because Mibanco lowers risk.

#### *Differentiation from rural competitors*

In the early years, Mibanco was concentrated in Lima, where the only competitors for the MSE and lower income market were NGOs. The main competitors outside of Lima were *las cajas municipales*<sup>10</sup>. Mibanco differentiated itself from *las cajas* competitors first, by the fact that Mibanco was a *bank*, a bigger and more developed organization; also, by the added value advisory services offered to clients. The business advisors were more than a nexus between Mibanco and its clients; they became partners and friends, just the way its clients were accustomed to doing business. Mibanco found how to deal with this people (with low incomes, low education, none experienced in financial organizations, etc.) and add them to the formal financial sector. Neither NGOs or *cajas* reached this confidence level with its clients.

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<sup>10</sup> A commercial business organization oriented to attend serve MSEs in rural areas.

## **Staying Competitive**

In 2006, Mibanco had more than 300,000 clients with over US\$1,630 million portfolio. In 1998, when Mibanco was created, there were no major commercial competitors for banking services in the MSE market. Traditional banks were reluctant to work with lower income clients; the lower income market was perceived to be risky and costly to work with, for little profit.

The traditional banks kept close watch on Mibanco, and as it showed signs of success, new competitors entered the market. In 2004, the market's conditions drastically changed as other private sector institutions began to encroach on Mibanco's market. Mibanco took stock of its new competitive environment. It surveyed customers to gauge client satisfaction and potential areas for improvement. It also designed new strategies to gain and retain clients, to increase its market share, and to enhance its public image. It launched new marketing campaigns, and developed two new products aimed at lower income clients that were as yet underserved by the banking sector.

### *Client satisfaction survey*

In November 2006, the Cuore Institute conducted a client satisfaction survey for Mibanco in over 70 agencies throughout the country, in order to evaluate the level of satisfaction of Mibanco's clients regarding service quality<sup>11</sup>. One of the findings was that speed in serving clients was considered the most important characteristic for a bank, before the quality of staff assistance and the quality of the information provided. The survey also showed that the level of satisfaction had increased between June and November 2006 among Mibanco clients, 93% of whom indicated that they were satisfied with Mibanco services. In particular, 91% were satisfied with the geographical proximity of Mibanco agencies, although 33% would call for a higher coverage. The survey also revealed some lack of awareness about the current network of Mibanco agencies. When evoking Mibanco, the clients sample spontaneously associated with it the words "good service", "speed" and "assistance". Although the findings of the survey proved to be satisfactory, there were still opportunities for Mibanco to improve its services in order to meet the standards of other financial institutions, in particular by increasing the number of its counters and agencies.

### *Marketing strategy*

Prior to 2004, Mibanco did not have a formal marketing strategy to promote its services and attract clients. Reflecting on its need to remain competitive, CEO Rafael Llosa created a Marketing department to help Mibanco communicate its message to its target market. The marketing strategy used multiple and unconventional methods of communication. Some examples of Mibanco marketing strategy include:

- Micro marketing: advertising with posters and flyers in the neighborhoods where offices were located.
- Awards: prizes (2000 soles) and public recognition were awarded to clients making payments on time.

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<sup>11</sup> Source: Cuore, *Estudio de satisfacción de clientes – Telefónico*, Mibanco, November 2006

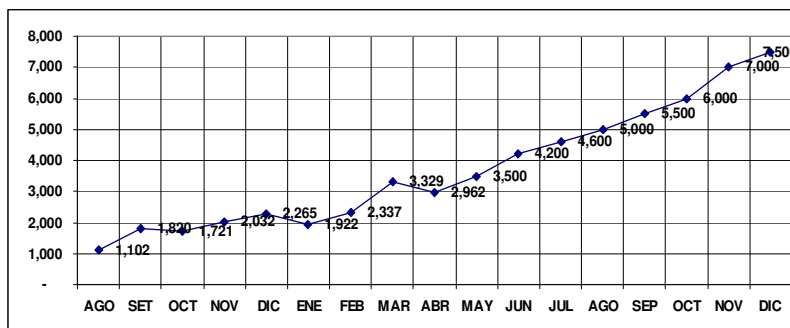
- Food coupon: Mibanco gave food coupons to new clients after their first loan was approved.
- Banners: Each office displayed a Mibanco banner so transients could easily identify the bank.
- Merchandising: Mibanco business advisors had identification cards, as well as Mibanco t-shirts and pens. Clients also received a t-shirt and pen.
- Business modules: Mibanco installed business modules, or small offices, located in the halls of the commercial centers where potential clients could get information on Mibanco's services and products.

*New products targeting even lower income clients*

Two important new products were launched in 2005: The Roadrunner (*El Chasqui*) and Rural Credit. They were both designed to capture low income clients in rural markets, seen as a significantly under-served market.

The Roadrunner (*El Chasqui*) loan ranged from S/. 300 to S/. 1000 (approximately US\$ 90 to US\$320). It was the smallest product available, directed at rural poor MSEs. The name (*El Chasqui*) refers to a legendary figure in Incan history for the geographical target audience, thus named for marketing appeal. This new product attracted many new clients, and contributed to the market segment growth to 300 000 clients by 2006. Similar to the other products, the Roadrunner targeted owners of a MSE for a period of time longer than 6 months. The location of the business could be, for example, in an open market, mobile stand, or in the owner's home. Preference was given to applicants belonging to an MSE association. Ninety eight percent of Roadrunner clients were accessing credit for the first time<sup>12</sup>. Figure 3 shows the growth in this product from 1100 loans in August 2005 to more than 7500 in December 2006.

Figure 3: Disbursements of Roadrunner (August 2005-December 2006)



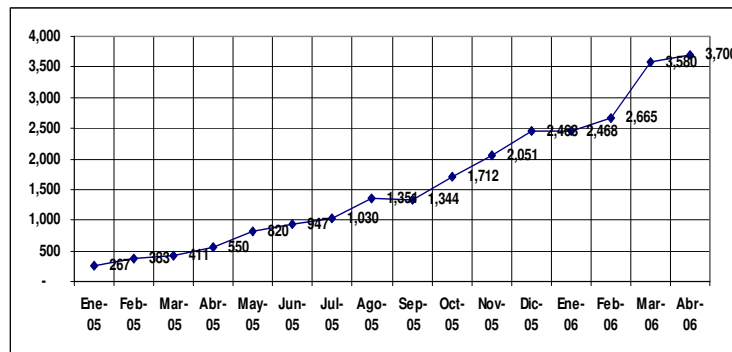
Source: Mibanco

The Rural Credit product was also designed for MSEs working in rural areas, but marketed in a different way. It also started from 300 soles; and the amount could increase as clients built a credit history. The product could be disbursed either as individual credit or group credit. Individual credit could be requested by any person who owned property. The group credit could be requested by a group of 10 or more people that were organized in a specific business activity.

<sup>12</sup> 2005 Annual Report

The business activity could be related to agriculture, services, or commerce. Seventy percent of Rural Credit clients were accessing credit for the first time<sup>13</sup>. Similar to The Roadrunner, Rural Credit has also grown rapidly; from 267 clients in January 2005 to 3700 in April 2006, shown in Figure 4.

Figure 4: Disbursement of Rural Credit (January 2005-April 2006)



Source: Mibanco

These two products did not have much competition, since most other banks were not willing to work with smaller loans to low income, rural clients. They saw the market as too risky to be worthwhile. Meanwhile, Mibanco has seen rapid growth and solid repayment of loans.

So despite growing competition in the MSE market overall, Mibanco was retaining its stake. It captured 26% of the total market of clients that accessed the formal financial system for the first time in the first trimester of 2006. Annex E shows the breakdown of market share in this market segment among all financial institutions in Peru.

## Future Outlook

For future prospects, Mibanco was preparing to add more new services and products to be offered to its clients in 2007. It was also looking at opportunities to add to its value chain by partnering with suppliers to its clients. For example, it was talking to construction material suppliers to offer better prices to Micasa clients making improvements to their homes.

Mibanco also see many opportunities to grow, especially expansion within Latin America. They were looking at strategic partnerships with other Latin American banks in the same sector as the mostly likely mode of expansion to new markets.

<sup>13</sup> 2005 Annual Report

## **Conclusion**

Mibanco proved that a financial institution can grow from an NGO to a one of the leading banks devoted to attend the needs of micro and small enterprise. The wide range of products and personalized service were key success factors for growth. With improved access to formal credit, MSEs and other clients are finding more opportunities to enjoy a better quality of life. The future looks bright for Mibanco, but it will certainly see different challenges than experienced in the past due to increasing competition for the MSE and low income market. The competition is healthy for the industry, and should spur further innovation; ultimately benefiting the clients.

### List of Interviews

Ferreyra, Jesús, Business Manager, Mibanco. January 9<sup>th</sup>, 2007

Herrero, Gustavo A., Executive Director, Harvard Business School Latin America Research Center. October 25<sup>th</sup>, 2006

Llosa, Rafael, CEO, Mibanco. January 9<sup>th</sup>, 2007

Ovalle, Luis, CEO, ACP Investments. November 14<sup>th</sup>, 2006

### List of Resources

Brown, Warren (2003). *InSight #4: [Building the Homes of the Poor – One Brick at a Time: Housing Improvement Lending at Mibanco](#)*. ACCION.

Campion, Anita, Elizabeth Dunn and J. Gordon Arbuckle, Jr. (2001). *[The Transformation of Acción Comunitaria del Perú \(ACP\) to Mibanco](#)*. USAID.

Horn-Welch, Karen and Patricia Lee Devaney (2003). *InSight #5: [Poverty Outreach Findings: Mibanco, Peru](#)*. ACCION.

Fernando, Ninal (2003). *[Mibanco, Peru: Profitable Microfinance Outreach, with lessons for Asia](#)*. Asian Development Bank (ADB). Manila.

PROMPYME, “*Situación de la Micro y Pequeña Empresa en el Perú*”, September, 2005.

Mibanco documentation:

Website [www.Mibanco.com.pe](http://www.Mibanco.com.pe)

Institutional booklet Mibanco

Institutional presentation in Power Point

Annual Report (2005)

### List of Websites

Créditos Peru <http://www.creditosperu.com.pe/banco-mi-banco-Mibanco-peru.php>

Latin Focus website:

<http://www.latin-focus.com/spanish/countries/peru/perembisprd.htm>

National Institute of Statistics [www.inei.gob.pe](http://www.inei.gob.pe)

Peruvian Ministry of Finance and Economics [www.mef.gob.pe](http://www.mef.gob.pe)

*Photographs courtesy of Mibanco and Acción International*

## **Annex A: Mibanco Mission, Vision and Values**

### **Mission**

We are a team primarily devoted to the development of the entrepreneurs of the micro and small business sector, as well as the of lower income populations with no access to the formal financial sector. We offer quality service above the clients' expectations in an innovative, efficient, respectful and honest framework. We contribute growth of Peru.

### **Vision**

To be the financial service organization leader with high quality standards focused on the micro and small business sector and the lower income population with no access to the traditional bank.

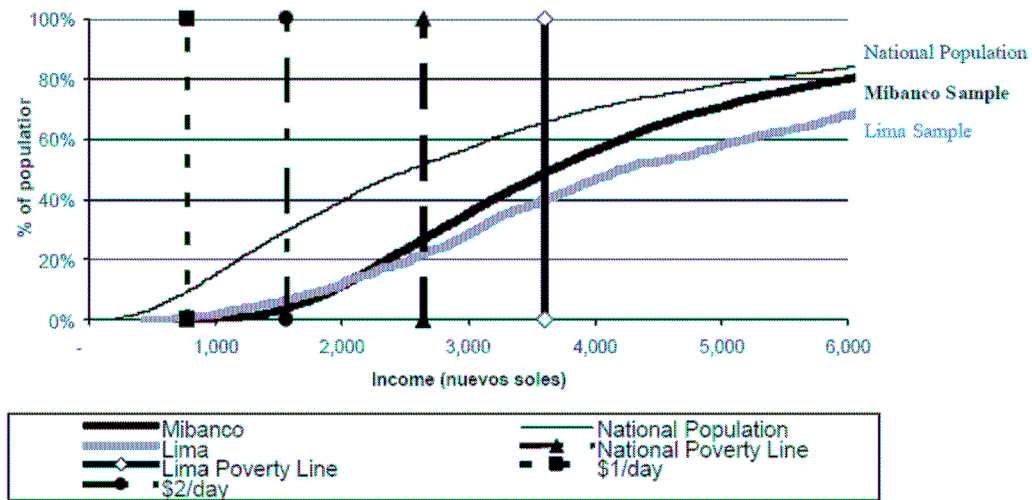
### **Values**

Innovation, respect, compromise, honesty, and efficiency

Source: Mibanco

## Annex B: Client Data

Figure B1: Household Annual Income, Per Capita, Mibanco (2000-2001)



Source: Horn-Welch and Devaney (2003)

### Notes for Figure:

Absolute poverty levels of Mibanco clients were assessed by comparing consumption (income and expenditure<sup>5</sup>) to several fixed poverty lines: the national Peruvian poverty line, the Lima metropolitan poverty line, and the \$1/day and \$2/day international poverty lines. The Lima poverty line is equal to S/3,601 or \$1,029 in 2000 annual income per capita terms. The national poverty line is equal to S/2,642 or \$755 in 2000 annual income per capita terms. Both use an exchange rate of S/3.5 per USD. ACCION also used the international \$1/day and \$2/day poverty lines, which represent the purchasing power of US\$1 and \$2 per person per day across countries.

The Figure shows that Peru's national population has the highest level of poverty, and that the Lima and Mibanco populations have similar poverty profiles. The individual curves illustrate the percentages of each population sample (Mibanco, national and Lima) that had incomes below a given level indicated on the horizontal axis.

The four poverty lines were imposed as vertical lines corresponding to the appropriate annual per capita income levels. A higher distribution curve illustrates a higher number of households in poverty. Therefore, the national population's cumulative distribution function (CDF) line, which is continuously higher than the Mibanco and Lima CDFs, illustrates the higher percentage of national households living below each of the four poverty lines. The intersection of the Mibanco and Lima CDFs demonstrates that a higher percentage of Lima households than Mibanco households have incomes below the \$1 and \$2/day poverty lines, but a greater percentage of Mibanco client households have incomes below the national and Lima poverty lines.



Figure B2: Demographic Comparison, Percent by Poverty Level\*

Poverty Level	Gender		Economic Activity			Housing			
		Mibanco	Lima		Mibanco	Lima		Mibanco	Lima
1	Female	71	27	Production	10	7	Rent	1	9
	Male	29	73	Service	8	56	Own	84	64
				Commerce	82	37	Other	14	27
2	Female	68	21	Production	10	11	Rent	2	15
	Male	32	79	Service	13	46	Own	80	66
				Commerce	78	52	Other	19	19
3	Female	63	18	Production	11	10	Rent	4	18
	Male	37	82	Service	15	47	Own	77	63
				Commerce	74	44	Other	19	18
4	Female	57	21	Production	9	11	Rent	4	17
	Male	43	79	Service	20	47	Own	74	65
				Commerce	71	44	Other	21	18
5	Female	53	23	Production	12	11	Rent	5	16
	Male	47	77	Service	23	57	Own	69	74
				Commerce	65	35	Other	26	10

Source: Horn-Welch and Devaney (2003)

Poverty levels 1 through 5 were defined by Horn-Welch and Devaney as follows:

Level 1 includes all households with per capita income levels of 0-50 percent of the Lima poverty line; Level 2 includes households with income equal to 50-75 percent of the poverty line; Level 3, 75-100 percent; Level 4, 100-120 percent, and Level 5, over 120 percent. Therefore, levels 1-3 represent all households below the Lima poverty line and levels 4 and 5 include near poor and non-poor households.

## **Annex C: List of Products and Services**

### **Credit Products**

**Micapital**, Working capital for buying goods, inputs or raw materials with payback periods of up to 24 months

**Miequipo**, To equip or renew workshop or business equipment with payback periods of up to 36 months

**Mifacilidad**, Personal loans for any type of need

**Milocal**, To buy, improve or modify business premises

**Mivivienda**, To buy or build houses with resources from Mivivienda Funding (Peruvian Government Fund), payback period of up to 20 years

**Micasa**, To improve, remodel or modify a house. Loans without real estate guarantees

**Mhipoteca**, To purchase a house.

**Mimercado**, To buy a commercial entity.

**Chasqui Efectivo**, Directed to micro and small businessmen with null or very little credit experience; loans range between S/. 300 and S/. 1,000

**Tarjeta de Crédito MIBANCO - VISA**, To buy in millions of stores and to withdraw cash from VISA automatic teller machines in Perú and abroad.

**Proyectos Especiales**, To finance the development of a market, gallery or shopping center.

### **Savings Products**

**Miahorro**, Has interest accrual from the very first sol, no maintenance cost and free of charge Visa Electron debit card.

**Depósito a Plazo Fijo**, On credit deposits with the best interest rates.

**Cuenta Corriente**, Current account with many benefits

**CTS**, Severance Payment Service with the best interest rates.

### **Services**

**ATM's network**, 24 hours a day nationwide, free of charge for our customers and affiliated to Visa Electron.

**Letter Bail**, operation that permits our clients to guarantee its interbank operations set against a tender.

**Mibanco Visa Electrón debit card**, the safest way to carry money without having cash, free of charge maintenance.

**Foreign Exchange**, the best and safest and more reliable foreign exchange rate in soles and dollars.

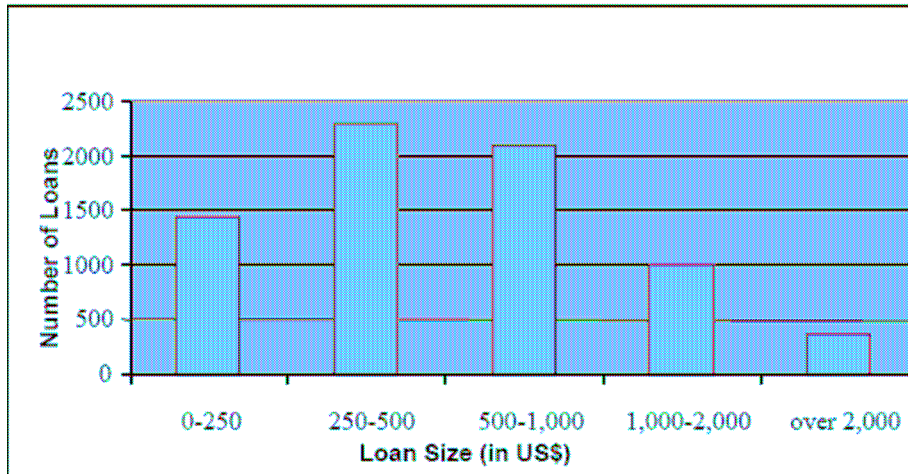
**Foreign Transfers**, in order to make transferences or payments to the foreigner, with total comfort and the lowest cost.

**Remittances**, to send money from Chile and Spain and to withdraw it in our network of agencies to national level

**www.mibanco.com.pe**, the new banking system via internet for micro and small company businessmen

Source: 2005 Annual Report

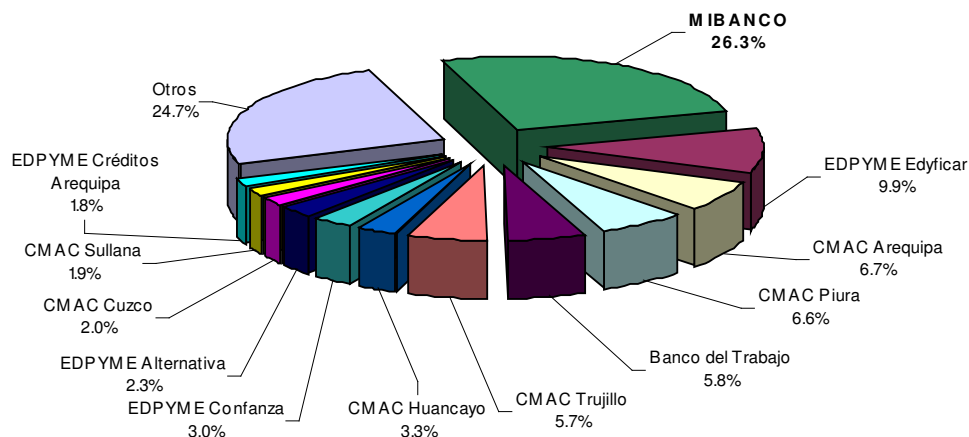
### Annex D: Mibanco Loan Size Distribution



Source: Horn-Welch and Devaney (2003)

## Annex E: Breakdown of Market Share for Clients without previous access to formal credit

### New clients- First trimester- Year 2006



FUENTE: EQUIFAX

Source: Mibanco

## Annex F: Size of the Portfolio by year

Year	Ammount Loaned (soles)	Ammount Loaned (dollars)	Exchange Rate
2006	S/ . 1,395,248,000.00	\$ 436,015,000.00	S/ . 3.20
2005	S/ . 1,007,990,000.00	\$ 314,996,875.00	
2004	S/ . 634,580,000.00	\$ 198,306,250.00	
2003	S/ . 621,330,000.00	\$ 194,165,625.00	
2002	S/ . 539,140,000.00	\$ 168,481,250.00	
2001	S/ . 404,941,000.00	\$ 126,544,062.50	
2000	S/ . 299,286,000.00	\$ 93,526,875.00	
1999	S/ . 197,258,000.00	\$ 61,643,125.00	
1998	S/ . 117,459,000.00	\$ 36,705,937.50	
<b>TOTAL</b>	<b>S/ . 5,217,232,000.00</b>	<b>\$ 1,630,385,000.00</b>	

Source: Mibanco