

Catalyst Microfinance Investors achieves second close for equity investments in microfinance

October 9, 2007

Catalyst Microfinance Investors (“CMI”) today announced that it has achieved its second private closing with total initial commitments of US\$ 50 million (€35 million) from leading institutional and private investors based in the United States of America and Europe. CMI is a private equity fund dedicated to investing in emerging, fast-growing microfinance institutions (“MFI’s”) throughout Asia and Africa and is planning total commitments from investors to reach between US\$ 75 million (€53 million) and US\$ 100 million (€71 million) before the end of the year.

CMI is managed by ASA of Bangladesh, widely recognized as one of the world’s largest and most successful microfinance institutions, which serves over 6 million micro-entrepreneurs from more than 3,000 branches spread all over Bangladesh, and Sequoia, an independent European financial advisory and investment firm. The global microfinance market is substantial with an estimated 1 billion potential microfinance clients worldwide of which at this time less than 120 million are being served. Microfinance has proven itself as a sustainable and attractive business with most MFI’s consistently achieving repayment rates of 99% or more on outstanding loans. Simultaneously, many independent surveys provide evidence of microfinance’s positive social impact on low-income families with substantial increases in income, savings and capital, as well as improved access to healthcare and education.

Concurrent with achieving its second closing, CMI plans to make a US\$ 10 million (€7 million) equity investment in ASA International, one of the largest equity investments of its kind in a single MFI. ASA International is a wholly-owned subsidiary of CMI and is establishing new microfinance institutions in some of Asia’s and Africa’s largest microfinance markets. Each of ASA International’s microfinance operations will adopt ASA’s successful model of microfinance, which distinguishes itself for its rapid scalability and low operating costs. ASA International already commenced microfinance operations in the Philippines, Nigeria and Ghana, and expects to become operational in India, China and Pakistan over the next few months. CMI also has investments in existing MFIs in Sri Lanka and Cambodia.

CMI aims to deliver long-term capital growth from equity investments in rapidly growing, highly efficient microfinance institutions in some of the world’s largest microfinance markets, including India and China.

Mr. Shafiqul Haque Choudhury, Executive Chairman of CMI and Founder and President of ASA of Bangladesh, said: “This important milestone in the development of CMI will enable us

to invest in, build and develop large scale and highly efficient microfinance institutions in developing markets around the world and provide the non-bankable poor in these regions with first-time access to credit and other basic financial services, which will help free them from exploitation, unleash their entrepreneurial drive, and improve their family's livelihoods."

Mr. Dirk Brouwer, Executive Director of CMI and Managing Director of Sequoia, commented: "CMI now manages the largest pool of equity capital dedicated to investing in the microfinance sector and combines mainstream private equity skills with ASA's tremendous operational microfinance expertise and experience throughout Asia and Africa."

"CMI provides pension funds and other institutional investors as well as major private investors with exposure to the rapidly-expanding microfinance sector which has the potential to provide investors with a combination of strong growth and attractive returns in high growth economies through an investment that is relatively non-correlated with most other asset classes."

Mr. Willem Nolens, General Manager of CMI, mentioned: "ASA's powerful, highly efficient model of microfinance, which successfully services many millions of micro-entrepreneurs in Bangladesh and, through a number of existing ASA replicas, various other countries in Asia and Africa, gives us a true competitive edge as an investor and, through our proprietary investment in ASA International, as an owner/operator of MFI's. Since 2005, CMI has built a solid team of microfinance investment professionals which leverages off the best of ASA's and Sequoia's respective know-how and expertise."

Mr. Robert Pattillo, Founder of Gray Ghost Microfinance Fund, a major investor in CMI, mentioned: "We are honored to have been associated with CMI from its very start several years ago. What makes CMI so attractive is that, through CMI, Gray Ghost essentially provides the capital for the world's largest, most efficient and most profitable MFI to roll out its distinctive, highly successful model of microfinance around the world."

CMI started its operations with a pilot program in August 2005. This program allowed for extensive due diligence on a large number of MFI's in many attractive microfinance markets. It enabled CMI to establish an initial portfolio of emerging MFI's and provided the basis for the start-up of new MFI's and the establishment of ASA International.

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Editors Note:

ASA

ASA was founded in 1979 as an NGO in Bangladesh by Md. Shafiqul Haque Choudhury, its current president, and has provided microfinance services since 1991. ASA is known globally as one of the most cost-effective and fastest growing organizations of its kind, with over fifteen years of experience in successfully providing high-quality microfinance services to more than five million borrowers in Bangladesh. The Asian Development Bank termed the ASA “cost-effective sustainable microfinance model” as the “Henry Ford Motor Model of Microfinance.”

As of December 31, 2006, ASA had a total loan portfolio of US\$ 294 million, of which less than one percent (1%) was overdue, and retained earnings of US\$ 196 million. Its 6.5 million clients, of which 5.2 million are borrowers, were served through 2,931 branches by 18,400 staff members. In 2006, ASA realized a return on equity of eighteen percent (18%) and a return on assets of ten percent (10%). ASA’s rapid expansion over the past years has been fuelled by its strong financial performance. ASA owes its success largely to its innovative products that uniquely suit the needs of its clients. Additionally, ASA has supported a large number of MFIs throughout Asia (India, the Philippines, Sri Lanka, and Bangladesh) and Africa (Nigeria and Ethiopia) by helping them to establish best practice credit methodologies and standard operating procedures to accelerate growth.

Sequoia

Sequoia, with offices in the United Kingdom and the Netherlands, is an independent, international corporate finance advisory and private equity firm, specializing in strategic mergers and acquisitions and capital markets advisory services and private equity investments. The firm was founded in 2002 by Dirk Brouwer, who was previously the managing director and head of Benelux Investment Banking at Merrill Lynch. Since its inception, Sequoia has advised on numerous strategic assignments with a combined transaction value in excess of US\$ 5 billion.

Gray Ghost

The Gray Ghost Microfinance Fund is a US\$ 75-million, for-profit portfolio of microfinance fund investments created in late 2003 by Bob Pattillo, a successful entrepreneur and lifelong philanthropist with over 10 years of experience in microfinance. Gray Ghost is aimed at connecting private social investors with microfinance. The purpose of the fund is to demonstrate the viability of microfinance as an alternative investment option. In doing so, Gray Ghost is committed to educating the investment community about the dual benefit of microfinance investing, as well as introducing interested investors to microfinance investment opportunities in order to actively engage private capital in poverty alleviation.

What is Microfinance?

Microfinance is the practice of providing banking services to the economically active poor. Microfinance is not charity; rather, it seeks to provide equal access to financial services so that the poor can grow their businesses, insure their families, and begin savings deposit programs. Accordingly, microfinance services can include anything from credit to insurance, and are generally provided to people on low incomes who run and operate micro-enterprises in developing nations.

MFI's are dedicated to serving a high-potential and underserved market of over 1 billion potential customers worldwide that lack access to formal financial services. An increasing number of MFI's, like ASA, have demonstrated that they are successful in meeting the needs of their low income clients in a commercially and financially sustainable way and thereby generating an attractive risk-adjusted return on investment.