

**Foundation Banque Populaire -
First Update**

MOROCCO

Association

Report – December 2006

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Synopsis

Foundation Banque Populaire ("FBP") pour le microcredit was created in 1999 by *Banque Populaire du Maroc* (*Banque Populaire*), one of Morocco's largest commercial banks. Continuing with its strong performance, FBP has grown to 138 branches, and more than doubled its portfolio to ~US\$70 million, while maintaining its extraordinarily high portfolio quality (PAR₃₀ < 0.1%). In the fast growing Moroccan microfinance sector, FBP continues to be the 3rd largest MFI.

PERFORMANCE RATING

α

Rating Outlook

Positive

Despite very fast growth, FBP retains a conservative financial structure with equity exceeding indebtedness.

Date of visit **June 2007**
Date of previous rating June 2006
Previous rating **α-**

Highlights

α++	α+	
α	α	← FBP
	α-	
	β+	
β	β	
	β-	
	γ+	
γ	γ	
	γ-	

POSITIVE

- Strong support and supervision from *Banque Populaire*
- Constantly improving financial performance
- Qualified and experienced managerial staff
- Good management systems including accounting systems and internal control
- Excellent portfolio quality
- Very strong capital adequacy

NEGATIVE

- High client drop out rate

Main Performance Indicators

	Dec-05	Dec-06
Gross Portfolio (US\$ '000)	31,864.1	69,983.2
Number of active borrowers	82,651	131,781
ROE	8.8%	16.2%
Portfolio Yield	28.1%	28.1%
Portfolio at Risk ₃₀	0.13%	0.09%
Operating Expense Ratio	17.9%	14.8%
Average o/s loan size (US\$)	385.5	531.1
Borrowers per staff	191	247

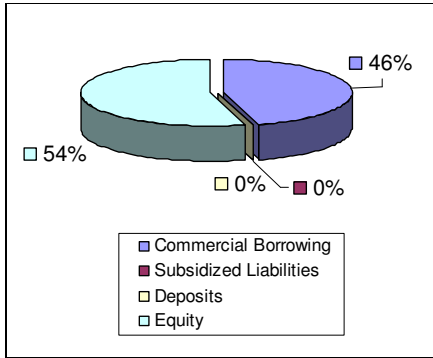
Exchange rate (Dec-06): US\$1.0 = 8.5Dirhams (Dh)

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FBP	MOROCCO	June 2007
Sources of Funding	Rating Rationale	



Strong support from Banque Populaire: The promoter of FBP has given the institution its character and strength. *Banque Populaire* continues to provide support to FBP in all possible ways. All borrowings of FBP (~US\$35 million) come from the bank, and so does all the equity (other than the retained earnings). The Bank also has a strong control over FBP, which it exercises judiciously to ensure that FBP maintains the highest banking standards.

High growth and good portfolio quality: FBP’s portfolio has increased by ~124% during 2006, to US\$69.9 million. During this period, its client base has also increased by 59% to ~132,000 active clients. It is commendable that the organisation has been able to maintain a good portfolio quality along with the growth, as indicated by a PAR₃₀ of 0.09% (31 Dec ’06).

Strong financial performance: FBP has shown considerable improvement in its financial performance during 2006: with the Operating Expenses Ratio (OER) reducing to 14.8% from 17.9% last year, the Return On Equity (ROE) has gone up from 8.8% to 16.2%, and the net profit is in excess of ~US\$6 million.

Conservative Capital Structure: Despite rapid portfolio growth, the institution maintains a conservative capital structure: equity exceeds borrowings and liabilities are very long term (7 years average).

Competition: Despite very fast growth of the principal MFIs, the Moroccan microfinance market is not yet very competitive and there is still substantial scope for further market penetration.

Conducive environment: Among North African countries, Morocco has by far the most developed microfinance industry. Four of the regions’ top 6 MFIs are Moroccan. This has been achieved because Morocco recognized the potential of microfinance relatively early and the government moved vigorously to promote its development. Some regulations affecting MFIs are no longer appropriate for a relatively well-developed industry, but the government seems willing to change these.

