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| PADME – 2nd Rating | BENIN |
| Association | <i>Report as of June 2005</i> |

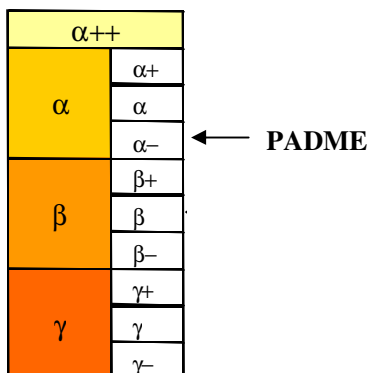
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|---------------------------|------------|
| PERFORMANCE RATING | α – |
|---------------------------|------------|

Date of visit **October 2005**
 Date of previous rating **September 2004**
 Previous rating **α**



| Main Performance Indicators | | |
|------------------------------------|----------------|----------------|
| | Jun '04 | Jun '05 |
| Gross Portfolio ('000's) | \$28,587.0 | \$36,629.5 |
| Number of active borrowers | 46,069 | 47,924 |
| ROE | 28.3% | 20.3% |
| Portfolio Yield | 31.1% | 28.0% |
| Portfolio at Risk | 1.9% | 6.7% |
| Operating Expense Ratio | 9.4% | 9.2% |
| Average Loan Size | \$828 | \$764 |
| Borrowers per staff | 238 | 240 |

Synopsis

Initially set up in 1993, the Project for the Promotion and Support of the Development of Micro-Enterprises (“PADME”) transformed into an “Association” (effectively a NGO) in 1997. Since then, the institution has developed into one of the most successful African microfinance institutions (MFIs). On the back of its consistently good financial performance, PADME has been able to grow its portfolio by accessing a wide variety of local and international funding sources. Whilst available funding is plentiful, PADME actively slowed portfolio growth in June 2005 to curb a deterioration in portfolio quality. Accordingly, the gross loan portfolio contracted 16.6% to \$37 million. Despite this, the institution remains one of the largest MFIs in Benin. PADME makes mainly individual loans to around 48,000 active borrowers through its 4 branches and 22 sub-branches.

Highlights
POSITIVE

- Remarkably efficient operation.
- PADME remains highly profitable.
- A strong market position and national coverage.
- Strong management and effective control.
- Excellent growth prospects with considerable access to commercial funding sources.

NEGATIVE

- Significant deterioration in portfolio quality.
- No hedging mechanisms in place, hence the potential for foreign currency risk still exists.
- The governance structure offers the potential for severe conflict of interest. However, plans are in place to remedy this.
- There is no systematic risk management framework.

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