

Deutsche Bank Microcredit Development Fund

Dear Friends,

We are pleased to provide this report describing the activities and achievements of the Deutsche Bank Microcredit Development Fund (DB MDF). Since its launch in 1998, the DB MDF has enabled microfinance institutions (MFIs) to grow in scale and reach self-sufficiency by providing subordinated debt that serves as collateral for bank loans. In this way the DB MDF facilitates the formation of durable relationships between microfinance organizations and local domestic banks—a sustainable source of capital.

Since its inception, the DB MDF has invested nearly \$3 million in loans to some 30 MFIs, enabling more than \$42 million to be leveraged in private financing and cumulative lending capacity to the very poor.

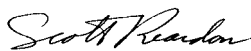
The existing portfolio includes loans in 18 different countries spanning six continents. A recent breakthrough has been the increased activity in Africa where, despite the difficulty of obtaining local commercial bank support for microfinance, four loans totaling \$400,000 have been made to MFIs in Benin, Mozambique, South Africa, and Uganda.

In response to European donor interest, complementary tax-exempt funds, authorized by local tax authorities to receive charitable gifts, have been established in the United Kingdom and in Germany. Thanks to this added capacity and to the reinvestment of maturing loans, the DB MDF has been growing at an accelerated pace as the microfinance industry matures and the demand for private capital increases.

We are particularly proud that the DB MDF has united wealthy families, who are our donors, with the global reach and financial capacity of Deutsche Bank to create economic opportunities for those who most lack resources. In addition to expressing our appreciation for the pioneering investors who joined with us to create the DB MDF, we wish to salute the practitioners themselves who, every day, create opportunity and change lives.

We encourage you to review this report and share our optimism for what is possible.

Sincerely,



Scott Reardon
Chairman



Gary Hattem
President



Steven C. Rockefeller, Jr.
Treasurer

DB MDF Loan Portfolio / Summary of Impact*

	No. of active clients	Average Outstanding Microloan Size (US\$)	Gross Loan Portfolio (US\$)	Portfolio at risk (>30 days past due) (%)	Operational self-sufficiency (%)	DB MDF loan	Leverage	Estimated Cumulative Impact**
ACCION New York (USA)	1,065	\$8,890	\$7,003,413	9.3	52.7	\$75,000	4.15	\$974,348
ACME (Haiti)	5,986	694	2,578,582	5.3	131.0	75,000	2	1,500,000
Amigo S.A.-CASA (Bolivia)	8,036	181	1,456,037	1.0	53.1	50,000	1	300,000
Asian Credit Fund (Kazakhstan)	370	4,480	1,566,017	0.5	115.1	150,000	2	771,429
Cashpor FTS (India)	26,228	68	1,909,528	5.4	58.2	125,000	2	1,363,636
Corporación Mundial de la Mujer Colombia-Bogotá (Colombia)	22,958	347	7,962,225	1.6	117.3	75,000	2	750,000
Corporación Mundial de la Mujer Medellín (Colombia)	19,299	328	6,596,745	1.7	120.3	75,000	2	750,000
Faulu Uganda-(Uganda)	11,218	264	2,178,336	1.7	112.9	75,000	2	900,000
Fincomun (Mexico)	14,046	870	7,507,294	4.5	103.9	100,000	2	3,000,000
Fundación Mundial de la Mujer Bucaramanga (Colombia)	38,810	240	10,236,325	0.7	117.0	75,000	2	642,857
Fundación Mundo Mujer Popayán (Colombia)	60,140	298	18,701,946	0.8	256.2	75,000	2	750,000
Fundación WWB Cali (Colombia)	70,200	485	37,489,877	0.8	152.7	75,000	2	600,000
Grameen Koota (India)	9,083	71	489,757	0.0	85.7	55,000	3	825,000
MI-BOSPO (Bosnia and Herzegovina)	7,162	1,511	7,138,794	0.2	148.2	125,000	2	1,276,596
Milamdec Fnd'n (Philippines)	12,195	48	3,807,999	2.9	106.0	75,000	3.4	2,550,000
Nat'l Federation of CDCUs (USA)	N/A	N/A	913,940	N/A	36.2	100,000	4	666,667
Network Leasing Corporation Limited (Pakistan)	4,742	4,430	10,843,150	2.5	125.0	125,000	2	416,667
Partneri Shqiptar ne Mikrokredi-PSHM (Albania)	2,921	1,865	5,775,789	1.2	111.0	100,000	3	981,818
Russian Women's MFNetwork (Russia)	4,322	1,216	4,408,029	0.5	108.0	125,000	2	3,750,000
Share Microfin Limited (India)	183,215	130	16,677,832	0.0	112.0	75,000	10	3,750,000
Shared Interest (S. Africa)	N/A	N/A	3,396,970	11.6	34.1	75,000	10	4,500,000
SOCREMO (Mozambique)	5,931	326	1,935,328	0.3	126.7	100,000	1.2	480,000
South Pacific Business Development (Samoa)	1,750	313	186,854	1.7	51.8	45,000	1.5	405,000
Spandana (India)	74,448	155	7,759,323	0.1	189.0	75,000	5	900,000
Vital Finance (Benin)	12,094	789	5,982,912	3.4	142.3	150,000	3	1,620,000
XAC (Mongolia)	44,276	648	9,428,267	1.9	114.0	125,000	2	1,271,186

* As of December 31, 2003

** Cumulative impact is re-estimated on a periodic basis

This report contains information that has been provided by the applicable MFIs. While the information contained here is believed to be reliable, no representation or warranty is made by Deutsche Bank, or any of its affiliates, as to the accuracy or completeness of such information.

Definitions of Terms

- **All amounts are in USD or USD equivalent**
- **Portfolio at risk (> 30 days past due)**
Balance of loans with arrears over 30 days / balance of loans outstanding
This figure indicates the relative quality of an MFI's loan portfolio by considering the balance of all loans 30 days or more in arrears.
- **Operational self-sufficiency**
 $\text{Operating revenue} / (\text{Financial expense} + \text{Loan-loss provision expense} + \text{Operating expense})$
This figure indicates the ability of an MFI to cover the costs of its own operations through self-generating income. For example, at 100 percent, an MFI is meeting all its cost of operations through its lending activity.
- **Estimated cumulative impact**
Calculation based on the DB MDF loan amount, loan term, and leverage as well as the average microloan term. For example, a DB MDF loan of \$125,000 at 2:1 leverage realizes a \$250,000 increase in lending capacity over the average 10-month microloan term (equivalent to \$300,000 per annum) for an estimated cumulative impact of \$1.5 million over the 5-year DB MDF funding period. This calculation is re-estimated on a periodic basis.

Cooperating Organizations

The Deutsche Bank Microcredit Development Fund appreciates the generous cooperation it has received from a network of outstanding organizations committed to providing microfinance services to the poor throughout the world:

ACCION International
Asian Development Bank
Consultative Group to Assist the Poorest (CGAP)
Foundation for International Community Development (FINCA)
Grameen Bank and Grameen Foundation USA
Inter-American Development Bank (IADB)
International Fund for Agricultural Development (IFAD)
Microcredit Ratings & Guarantees India (M-CRIL)
Microcredit Summit Campaign
Microfinance Centre
MicroRate
United Nations Development Program (UNDP)
U.S. Agency for International Development (USAID)
White & Case LLP
Women's World Banking (WWB)
World Bank

Deutsche Bank Microcredit Development Fund, Inc.

Financial Statements as audited by KPMG LLP

Balance Sheet

December 31, 2002

Assets

Cash and cash equivalents	\$	280,433
Investments		179,952
Accrued interest receivable		1,150
Program loans receivable		<u>1,475,025</u>
Total Assets	\$	<u>1,936,560</u>

Liabilities and Net Assets

Liabilities

Accrued interest payable	\$	1,500
Loans payable		<u>200,000</u>
Total liabilities		201,500
Net assets – unrestricted		<u>1,735,060</u>
Total liabilities and net assets	\$	<u>1,936,560</u>

Statement of Activities

Year ended December 31, 2002

Revenues

Contributions	\$	435,452
Interest from program loan receivables		24,101
Other		<u>4,520</u>
Total Revenues		<u>464,073</u>
Expenses – administrative		<u>2,192</u>
Total expenses		<u>2,192</u>
Increase in net assets		461,881
Net assets at beginning of year		<u>1,273,179</u>
Net assets at end of year	\$	<u>1,735,060</u>