

# DEXIA MICRO-CREDIT FUND

SICAV under Luxembourg law

Audited annual report as at December 31, 2003



# DEXIA MICRO-CREDIT FUND

Société d'Investissement à Capital Variable (SICAV)  
de droit luxembourgeois

AUDITED ANNUAL REPORT  
For the year ended December 31, 2003

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# DEXIA MICRO-CREDIT FUND

Société d'Investissement à Capital Variable  
R.C.S. Luxembourg B-66258

## MANAGEMENT AND ADMINISTRATION

### Board of Directors:

**Chairman:**

André Roelants,  
Président du Comité de direction de  
Clearstream International, Luxembourg

**Members:**

Benoît Debroise,  
Senior Vice President  
Dexia Banque Internationale à Luxembourg

Marc Beaujean,  
Directeur Associé  
Mc Kinsey & Company Belgium, Bruxelles

Ernst Brugger,  
Président  
Brugger & Partners Ltd, Zürich

Jean-Yves Maldague,  
Member of the Executive Committee  
Dexia Asset Management, Luxembourg

Wim Vermeir,  
Global Head of Equities  
Dexia Asset Management, Bruxelles

**Registered Office:**

69, route d'Esch  
L-1470 Luxembourg

**Sponsor:**

Dexia Banque Internationale à Luxembourg  
69, route d'Esch  
L-1470 Luxembourg

**Investment Manager:**

Dexia Asset Management  
283, route d'Arlon  
L-1150 Luxembourg

**Investment Adviser:**

BlueOrchard Finance S.A.  
72, bd St-Georges  
CH-1205 Genève

**Custodian, Paying Agent,  
Domiciliary and Corporate Agent,  
and Administrative Agent:**

Dexia Banque Internationale à Luxembourg  
69, route d'Esch  
L-1470 Luxembourg

**Registrar and Transfer Agent:**

First European Transfer Agent  
5, rue Thomas Edison  
L-1445 Strassen

**Independent Auditors:**

PricewaterhouseCoopers S.à r.l.  
Réviseur d'entreprises  
400, route d'Esch  
L-1471 Luxembourg

**Legal Adviser:**

Arendt & Medernach  
14, rue Erasme  
L-1468 Luxembourg

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# DEXIA MICRO-CREDIT FUND

## GENERAL INFORMATION

DEXIA MICRO-CREDIT FUND, hereinafter referred to as "the SICAV", is an investment company organized under the laws of the Grand Duchy of Luxembourg as a "Société d'Investissement à Capital Variable" (SICAV), with several separate sub-funds.

The SICAV was incorporated on September 18, 1998 and is governed by the Law of August 10, 1915 on commercial companies, as amended, and by the Law of March 30, 1988. The SICAV is registered pursuant to the provisions of Part II of the Law of March 30, 1988.

The initial Articles of Incorporation of the SICAV were published in the "Mémorial, Recueil des Sociétés et Associations" (the "Mémorial") of October 26, 1998. These Articles have been amended on October 23, 1998 and published in the "Mémorial" on November 10, 1998. Its minimum capital is the equivalent in USD of EUR 1,250,000.

The SICAV has been registered in the Commercial Register of Luxembourg under the number B-66258.

The Board of Directors has decided with effect as of March 5, 2003, the merger of

the Blue Orchard Debt CHF into the Blue Orchard Debt USD, renamed Blue Orchard Debt Sub-Fund.

The annual and semi-annual reports are sent to the registered shareholders within four months for the annual reports and two months for the semi-annual reports of the date thereof and copies may be obtained free of charge by any person at the registered office of the SICAV.

A detailed schedule of portfolio changes for each Sub-Fund is available free of charge upon request at the registered office of the SICAV.

Notice of any general meeting of shareholders are mailed to each registered shareholder at least eight days prior to the meeting and are published to the extent required by Luxembourg law in the Mémorial and in any Luxembourg and other newspaper(s) that the Board of Directors may determine.

The annual general meeting of shareholders takes place in Luxembourg City at a place specified in the notice of meeting on the fourth Wednesday in the month of April at 11.00 a.m.

# DEXIA MICRO-CREDIT FUND

## FUND ADVISOR'S REPORT 2003

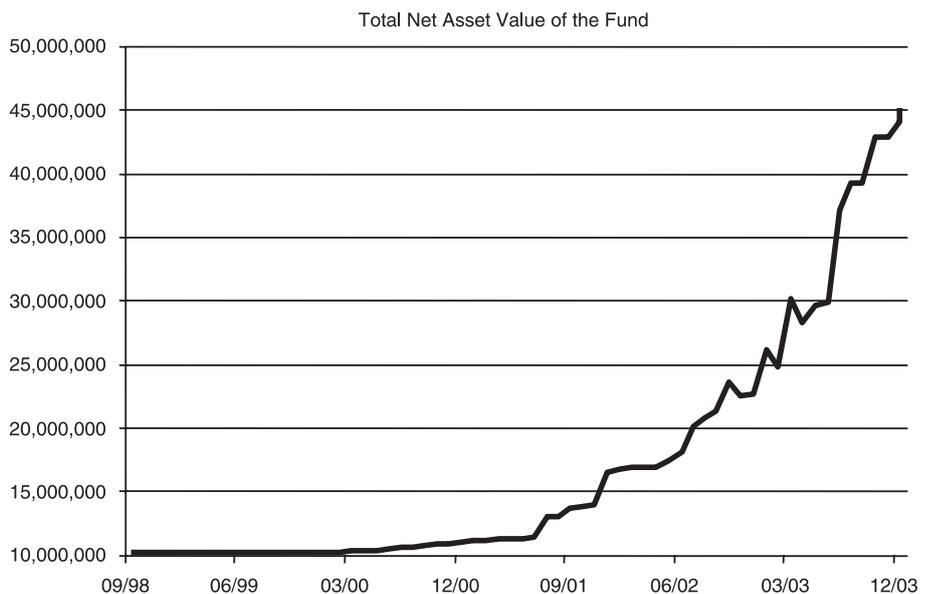
To the Shareholders of  
Dexia Micro-Credit Fund SICAV:

The year 2003 has confirmed that Microfinance is starting to impose itself as an attractive fast growing financial market segment in emerging countries. Overall the Microfinance industry is increasingly characterized by the existence of a growing number of sophisticated intermediaries operating in a better regulated and more competitive environment, getting access to increasingly diversified sources of funding enabling them to offer a wider range of products to their clients – the micro-entrepreneurs.

**In this context, the Dexia Micro-Credit Fund (DMCF) is well positioned to grow and has indeed performed very well in 2003:**

**1. Its total Net Asset Value** has grown by more than 70%, reaching USD 45,161,858 by year end. This is mainly due to two important developments:

- a. In April 2003, the two separate sub-compartments (USD and CHF) with distinct portfolios were merged and three new share classes were simultaneously created. This restructuring improved the product since investors now have the choice between three currencies for their participation in the DMCF while enjoying the benefits of the diversification and the depth of a large single pool of investments. Indeed, the three share classes feed the same USD investment portfolio and FX risk is hedged for the EUR and CHF share classes against the USD on a monthly basis.
- b. Existing investors have held and even increased their positions (very few significant redemptions have taken place in 2003), showing their long-term commitment to the product. A significant source of growth also came from new participations of very affluent individuals and major institutional investors. In this regard, it is worth mentioning that for the first time a Swiss pension fund decided to subscribe to an important amount of shares and we certainly hope that this investment will pave the way for similar participations in the future. It is very encouraging to observe that an increasing number of professional investors are recognizing the possibility of earning two types of returns with one single investment in DMCF: a decent financial return and a very effective social impact.



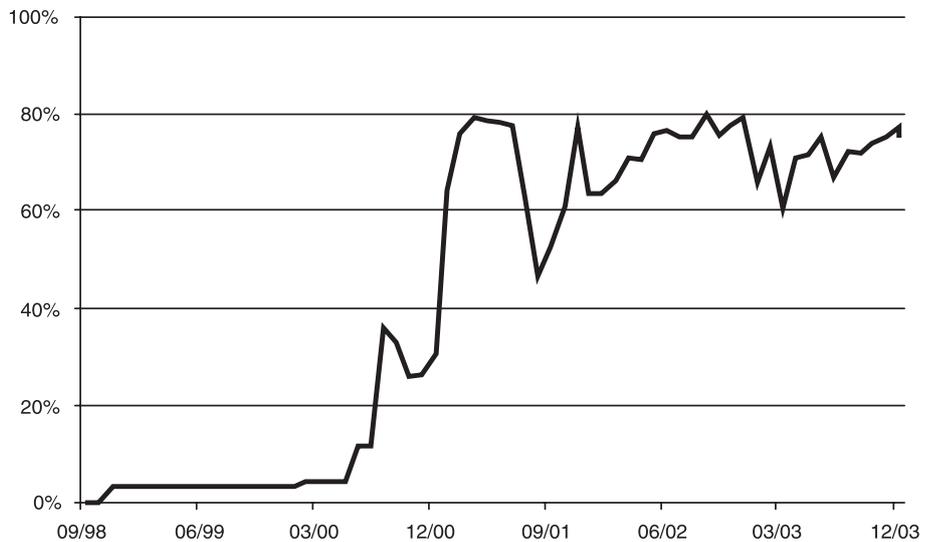
# DEXIA MICRO-CREDIT FUND

## FUND ADVISOR'S REPORT 2003 (continued)

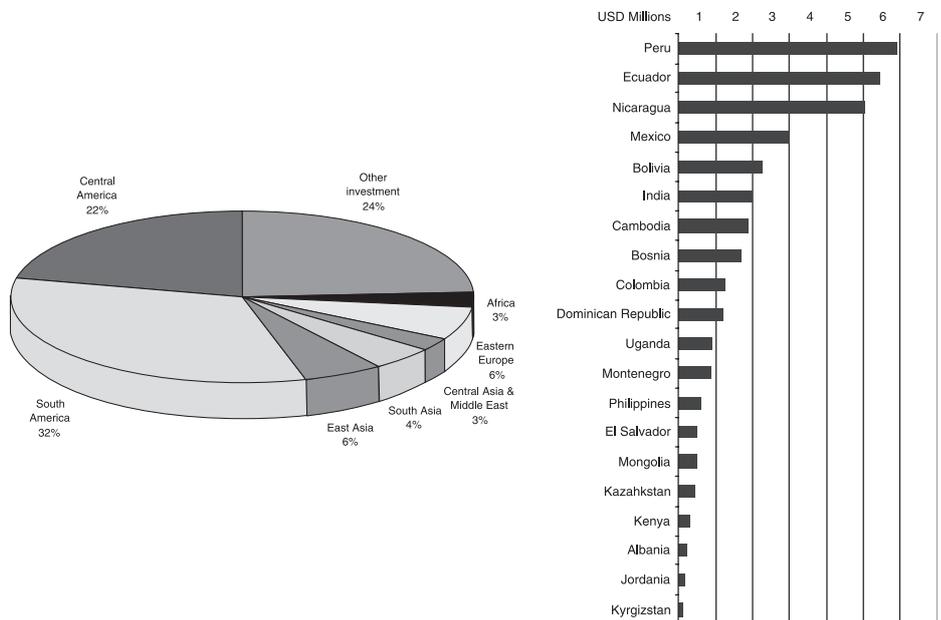
2. The Microfinance investment portfolio has followed the same growth path.

- a. The percentage of Microfinance investments in the total net asset value shows an annual median of 72.3%, demonstrating a very good placement capability from Blue-Orchard Finance and large fund absorption opportunities in the market. Total Microfinance loans outstanding at the end of the year were USD 34,236,498. The portfolio growth came from maintained or increased funding to existing clients, but also from acquisition of new clients in new countries.

Microfinance investment over total Net Asset Value



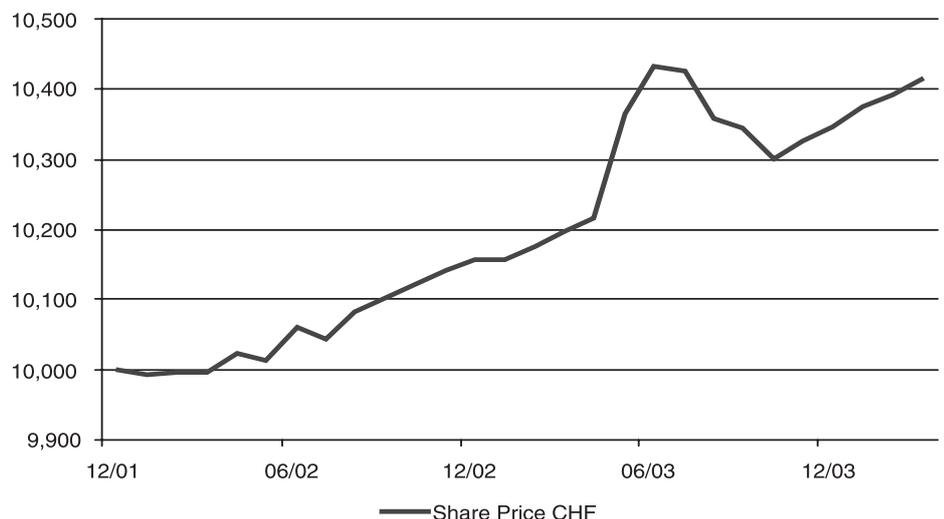
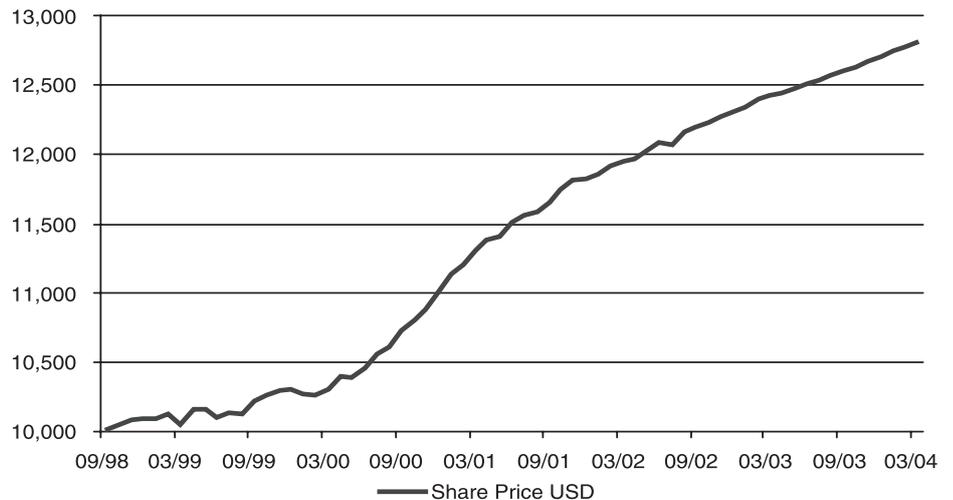
- b. Geographic diversification remains very good. The DMCF now operates in 20 countries. The bulk of the portfolio remains placed in Central and South America, where USD absorption is easier and where funding on commercial terms has long been accepted as normal practice. Investments have however taken place in new regions such as the Middle East. The BlueOrchard Finance team constantly looks for placement opportunities in new countries in order to further improve the DMCF loan portfolio diversification, without compromising its credit quality.



# DEXIA MICRO-CREDIT FUND

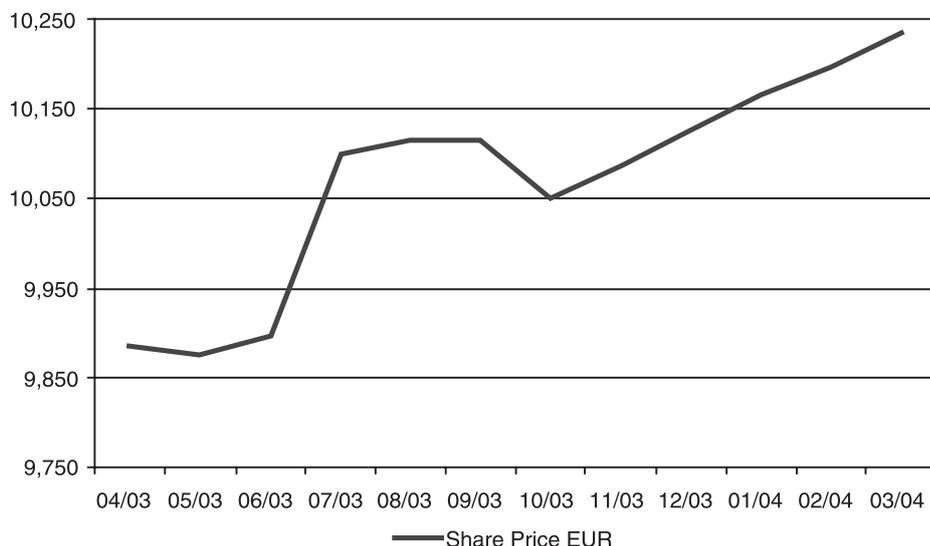
## FUND ADVISOR'S REPORT 2003 (continued)

- c. The average loan size made to the Microfinance institutions at year end reached USD 462,655 while average funding per Microfinance institution amounted to USD 849,662. This is due to the fact that the DMCF may extend different loans to the same Microfinance institution at different times during the year in order to best match their liquidity needs. Average Microfinance loan portfolio growth rate for the 42 clients MFI in the DMCF portfolio has reached 55% in 2003! The average maturity of the extended loans is of about 19 months. Concentration risk is also limited: the number of loans outstanding at year end was of 74 while the largest investment in Microfinance represented 6.64% of the total Net Asset Value of the fund.
- d. Performance of the US share class has reached the targeted level of USD Libor 6 months + 2%, with an annual net financial return of 3.21%. As shown on the graphic below, such performance is coupled with very low volatility, which adds to the attractiveness of the DMCF. Cumulated net financial return of the USD share class since inception in September 1998 amounted to 27.31% at year end. Financial returns (net of all costs, including hedging fees) of the CHF and EUR share classes reached respectively 1.36% and 2.07% (the EUR share class was launched in April 2003). Returns on these two share classes experienced unusual fluctuations between the months of May and October, partly due to the merger of the previous sub-compartments. Necessary adjustments to initial hedging methodology were also identified and finally made. As shown in the graphics below, all share classes were back to their normal performance curve by November and are expected to perform accordingly in 2004.



# DEXIA MICRO-CREDIT FUND

## FUND ADVISOR'S REPORT 2003 (continued)



e. The Microfinance institutions composing the loan portfolio are experiencing steady and profitable growth. No default or threats of defaults took place in 2003. BlueOrchard Finance regards the DMCF clients as reliable long-term partners and will do all it can to help them sustain their development in the future. With 42 Microfinance institutions serving altogether more than 1,600,000 micro-entrepreneurs of whom 69% are women, BlueOrchard is convinced that DMCF is delivering significant support to institutions acting at the grass root level of the economy to impact very efficiently the lives of tens of thousands of entrepreneurial poor.

### 3. Perspectives for 2004 are excellent:

- Existing DMCF clients are experiencing fast growth and will therefore need additional funding. New potential clients are also increasingly turning to DMCF as a source of international commercial funding. The BlueOrchard team will keep travelling intensively throughout the world to identify new placement opportunities.
- BlueOrchard Finance is equipped to face aggressive growth in 2004: it counts with a team of 8 motivated professionals, constantly refined IT systems allowing fast and regular interactions with clients, strict selection criteria and credit risk appraisal methodologies and with a solid governance structure, all of which should enable a fast DMCF portfolio growth coupled with continued high investment quality.

The Fund Manager

The Board of Directors

Luxembourg, June 25, 2004

Note: The figures stated in this report are historical and not necessarily indicative of future performance.

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# DEXIA MICRO-CREDIT FUND

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of  
Dexia Micro-Credit Fund**

We have audited the financial statements which consist of the statement of net assets, the statement of changes in net assets, the statement of investments and the notes to the financial statements of Dexia Micro-Credit Fund (the "SICAV") and of each of its Sub-Funds for the year ended December 31, 2003. These financial statements are the responsibility of the Board of Directors of the SICAV. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors of the SICAV, in preparing the financial statements, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached financial statements give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the financial position of Dexia Micro-Credit Fund and of each of its Sub-Funds at December 31, 2003 and of the results of their operations and changes in their net assets for the year then ended.

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. We have no observation to make concerning such information in the context of the financial statements taken as a whole.

Luxembourg, June 25, 2004

PricewaterhouseCoopers S.à r.l.  
Réviseur d'entreprises  
Represented by

Thierry Blondeau

# DEXIA MICRO-CREDIT FUND

## Statement of Net Assets as at December 31, 2003

	BlueOrchard Debt Sub-Fund (in USD)
<b>ASSETS</b>	
Investments in securities at market value (note 2)	39,648,243
Acquisition cost (note 2)	39,387,193
Cash at bank (Call)	2,275,269
Cash at bank (Time deposits) (note 3)	2,014,475
Net unrealised appreciation on forward foreign exchange contracts (note 8)	603,652
Interest and dividends receivable, net	835,683
Prepaid expenses	650
	<b>45,377,972</b>
<b>LIABILITIES</b>	
Investment management commission payable (note 5)	136,244
Taxes and expenses payable (note 7)	79,870
	<b>216,114</b>
<b>TOTAL NET ASSETS</b>	<b>45,161,858</b>
Number of shares outstanding CHF	2,011.135
Net asset value per share CHF	8,330.28
Number of shares outstanding EUR	585.146
Net asset value per share EUR	12,727.27
Number of shares outstanding USD	1,645.697
Net asset value per share USD	12,736.99

The accompanying notes form an integral part of these financial statements.

## DEXIA MICRO-CREDIT FUND

### Statement of Changes in Net Assets as at December 31, 2003

	BlueOrchard Debt Sub-Fund (in USD)	BlueOrchard Debt CHF * (in CHF)	Total (in USD)
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>19,792,311</b>	<b>8,852,478</b>	<b>26,194,628</b>
<b>INCOME</b>			
Interest on bonds and other debt instruments, net of taxes	1,842,804	73,305	1,902,076
Bank interest	129,977	1,613	131,281
Other income	8,697	0	8,697
	<b>1,981,478</b>	<b>74,918</b>	<b>2,042,054</b>
<b>EXPENSES</b>			
Investment management commission (note 5)	653,169	24,947	673,340
Depository bank commission	52,088	2,152	53,828
Domiciliation, administration and transfer agent fees	2,910	0	2,910
Audit fees, printing and publication expenses	21,344	2,571	23,423
Subscription tax (note 6)	19,357	797	20,001
Bank interest	4,980	2,486	6,990
Bank charges and correspondent fees	3,162	0	3,162
Amortisation of formation expenses	0	543	439
Other charges	59,172	365	59,467
	<b>816,182</b>	<b>33,861</b>	<b>843,560</b>
<b>NET INCOME FROM INVESTMENTS</b>	<b>1,165,296</b>	<b>41,057</b>	<b>1,198,494</b>
Net realised gain (loss) on sales of investments (note 2)	0	(159,554)	(129,011)
Net realised gain (loss) on forward foreign exchange contracts (note 2)	2,852,349	225,683	3,034,830
Net realised gain (loss) on foreign exchange	(1,396,399)	2,931	(1,394,029)
<b>NET REALISED GAIN</b>	<b>2,621,246</b>	<b>110,117</b>	<b>2,710,284</b>
Change in net unrealised appreciation/ depreciation on:			
– investments	148,391	(28,842)	125,070
– forward foreign exchange contracts	(127,036)	(52,350)	(169,365)
<b>NET INCREASE IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>2,642,601</b>	<b>28,925</b>	<b>2,665,989</b>

\* Sub-Fund active from 01/01/2003 to 05/03/2003

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## DEXIA MICRO-CREDIT FUND

### Statement of Changes in Net Assets as at December 31, 2003 (continued)

	BlueOrchard Debt Sub-Fund (in USD)	BlueOrchard Debt CHF * (in CHF)	Total (in USD)
<b>MOVEMENTS IN CAPITAL</b>			
Issue of shares	22,676,284	26,733	22,697,900
Redemptions of shares	(6,610,620)	0.00	(6,610,620)
Contribution in kind	6,661,282	(8,908,136)	(541,578)
	<b>22,726,946</b>	<b>(8,881,403)</b>	<b>15,545,702</b>
Currency translation			755,539
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>45,161,858</b>	<b>0</b>	<b>45,161,858</b>

\* Sub-Fund active from 01/01/2003 to 05/03/2003  
The accompanying notes form an integral part of these financial statements.

## DEXIA MICRO-CREDIT FUND

### Changes in the number of shares during the year ended December 31, 2003

	Blue Orchard Debt Sub-Fund			Blue Orchard Debt CHF
	(in CHF)	(in EUR)	(in USD)	(in CHF)
Number of shares in issue at the beginning of the year	0.000	0.000	1,603.824	870.959
Number of shares subscribed	2,015.618	585.146	2,463.806	2.627
Number of shares redeemed	(4.483)	0.000	(2,421.933)	(873.586)
Number of shares in issue at the end of the year	2,011.135	585.146	1,645.697	0.000

### Statistics

	Blue Orchard Debt Sub-Fund			Blue Orchard Debt CHF
	(in CHF)	(in EUR)	(in USD)	(in CHF)
– December 31, 2003				
Total net assets			45,161,858	0.00
Net asset value per share			12,736.99	0.00
Net asset value per share	10,302.47	—	8,330.28	
Net asset value per share	—	10,090.20	12,727.27	
– December 31, 2002				
Total net assets			19,792,311	8,852,478
Net asset value per share			12,340.70	10,164.06
– December 31, 2001				
Total net assets			14,066,559	4,549,370
Net asset value per share			11,854.69	9,994.09

# DEXIA MICRO-CREDIT FUND

## BlueOrchard Debt Sub-Fund

Statement of investments as at December 31, 2003 (expressed in USD)

Description	Face value	Currency	Acquisition cost	Evaluation	% net assets
<b>A) Transferable securities dealt in on another regulated market</b>					
<b>Bonds</b>					
<b>Ivory Coast</b>					
Bq Africaine 6.75% 92-1.10.04	1,000,000	USD	<b>1,011,620</b>	<b>1,041,099</b>	<b>2.31</b>
<b>Luxembourg</b>					
BEI 5.375% 99-15.12.04 Emtn	1,500,000	USD	<b>1,558,725</b>	<b>1,556,280</b>	<b>3.45</b>
<b>Philippines</b>					
Asian Dev. Bank 7.5% 00-31.5.05	900,000	USD	<b>975,060</b>	<b>972,677</b>	<b>2.15</b>
<b>United States</b>					
Int. Fin. 7.125% 00-6.4.05 Emtn	1,500,000	USD	1,605,600	1,603,045	3.55
Kfw Intl Tv 02-10.5.05 Emtn	1,000,000	USD	1,000,100	1,000,625	2.22
			<b>2,605,700</b>	<b>2,603,670</b>	<b>5.77</b>
<b>Venezuela</b>					
Corp. Andina Fom. 7.75% 99-04	1,000,000	USD	<b>999,590</b>	<b>1,008,750</b>	<b>2.23</b>
<b>Total transferable securities dealt in on another regulated market</b>			<b>7,150,695</b>	<b>7,182,476</b>	<b>15.91</b>
<b>B) Other debt instruments</b>					
<b>Albania</b>					
Partneri Ship. tv 03-17.12.04 Pn	200,000	USD	<b>200,000</b>	<b>200,000</b>	<b>0.44</b>
<b>Bolivia</b>					
Caja Los Andes 02-14.02.04 Pn	750,000	USD	750,000	750,000	1.66
Prodem Ffp Tv 03-11.11.06 Pn	1,000,000	USD	1,000,000	1,000,000	2.21
Prodem Ffp Tv 02-16.8.04 Pn	300,000	USD	300,000	300,000	0.66
Prodem Ffp Tv 02-16.8.04 Pn	200,000	USD	200,000	200,000	0.44
			<b>2,250,000</b>	<b>2,250,000</b>	<b>4.97</b>
<b>Bosnia Herzegovina</b>					
Mikrofin Tv 03-1.7.05 Pn	500,000	EUR	579,800	630,675	1.40
Mikrofin Tv 03-13.5.04 Pn	200,000	USD	200,000	200,000	0.44
Mikrofin Tv 03-15.1.05 Pn	500,000	EUR	564,825	630,675	1.40
Prizma Tv 03-28.4.05 Pn	300,000	EUR	350,610	378,405	0.84
			<b>1,695,235</b>	<b>1,839,755</b>	<b>4.08</b>

# DEXIA MICRO-CREDIT FUND

## BlueOrchard Debt Sub-Fund

Statement of investments as at December 31, 2003 (expressed in USD) (continued)

Description	Face value	Currency	Acquisition cost	Evaluation	% net assets
<b>Cambodia</b>					
Acleda Bk Ltd 8% 03-13.05.05 Pn	1,000,000	USD	1,000,000	1,000,000	2.21
Cambodian Ent. tv 03-5.2.05 Pn	150,000	USD	150,000	150,000	0.33
Emt Tv 03-6.10.04 Pn	220,000	USD	220,000	220,000	0.49
Enn. mouleth. tchonn. tv 03-05 Pn	330,000	USD	330,000	330,000	0.73
Ennat. mouleth. tchon. tv 02-04 Pn	200,000	USD	200,000	200,000	0.44
			<b>1,900,000</b>	<b>1,900,000</b>	<b>4.20</b>
<b>Colombia</b>					
Fund. wwv Col. tv 03-6.9.06 Pn	750,000	USD	750,000	750,000	1.66
Fundac. wwv Col. tv 03-11.9.04 Pn	250,000	USD	250,000	250,000	0.55
Fund. mund. bucar. tv -23.5.05 Pn	225,000	USD	225,000	225,000	0.50
			<b>1,225,000</b>	<b>1,225,000</b>	<b>2.71</b>
<b>Dominican Republic</b>					
Adopem Tv 02-26.6.04 Prom. note	400,000	USD	400,000	400,000	0.89
Adopem Tv 02-26.6.04 Prom. note	800,000	USD	800,000	800,000	1.77
			<b>1,200,000</b>	<b>1,200,000</b>	<b>2.66</b>
<b>Ecuador</b>					
Banco Solidario 9% 03-12.9.06 Pn	1,500,000	USD	1,500,000	1,500,000	3.32
Bco Solidario 8% 03-1.7.05 Pn	1,500,000	USD	1,500,000	1,500,000	3.32
Co. ahorro Cr. tv 03-11.9.04 Pn	400,000	USD	400,000	400,000	0.89
Co. ahorro Cr. tv 03-25.3.04 Pn	150,000	USD	150,000	150,000	0.33
Co. ahorro Cr. tv 03-27.5.04 Pn	150,000	USD	150,000	150,000	0.33
Co. ahorro Cr. tv 03-3.12.04 Pn	200,000	USD	200,000	200,000	0.44
Co. ahorro Cr. tv 03-7.4.05 Pn	350,000	USD	350,000	350,000	0.77
Credife Bco Pich. tv 03-05 Pn	1,000,000	USD	1,000,000	1,000,000	2.21
Fundac. espoir Tv 03-30.3.05 Pn	200,000	USD	200,000	200,000	0.44
			<b>5,450,000</b>	<b>5,450,000</b>	<b>12.05</b>
<b>El Salvador</b>					
Apoyo Integral Tv 03-04 Pn	500,000	USD	<b>500,000</b>	<b>500,000</b>	<b>1.11</b>
<b>Jordan</b>					
Microfd Women Tv 03-23.12.04 Pn	150,000	USD	<b>150,000</b>	<b>150,000</b>	<b>0.33</b>
<b>Kazakhstan</b>					
Kazakhstan Comm. tv 03-04 Pn	100,000	USD	100,000	100,000	0.22
Kazakhst. tv-4.7.04 Pn (li+5.5%)	200,000	USD	200,000	200,000	0.44

# DEXIA MICRO-CREDIT FUND

## BlueOrchard Debt Sub-Fund

Statement of investments as at December 31, 2003 (expressed in USD) (continued)

Description	Face value	Currency	Acquisition cost	Evaluation	% net assets
Kazakhst. tv-4.3.04 Pn (li+5.5%)	50,000	USD	50,000	50,000	0.11
Kazakhstan 7.19% 03-19.9.04 Pn	100,000	USD	100,000	100,000	0.22
			<b>450,000</b>	<b>450,000</b>	<b>0.99</b>
<b>Kenya</b>					
Faulu Kenya 03-28.09.04 Pn	300,000	USD	<b>300,000</b>	<b>300,000</b>	<b>0.66</b>
<b>Kyrgyzstan</b>					
Bai Tushum 2.25% 03-15.12.04 Pn	100,000	USD	<b>100,000</b>	<b>100,000</b>	<b>0.22</b>
<b>Mexico</b>					
Fin. compart. 8% 03-4.7.05 Pn	3,000,000	USD	<b>3,000,000</b>	<b>3,000,000</b>	<b>6.64</b>
<b>Mongolia</b>					
Xac Bank Tv 03-18.08.06 Pn	500,000	USD	<b>500,000</b>	<b>500,000</b>	<b>1.11</b>
<b>Nicaragua</b>					
Ass. del. f. i. nic. des 16.1.05 Pn	250,000	USD	250,000	250,000	0.55
Acodep Tv 03-18.11.04 Pn	500,000	USD	500,000	500,000	1.11
Corp. nic. fin. tv 03-05 Pn	1,000,000	USD	1,000,000	1,000,000	2.21
Fama Tv 03-7.05.05 Pn	500,000	USD	500,000	500,000	1.11
Fdo Desarr. loc. tv 03-14.3.05 Pn	350,000	USD	350,000	350,000	0.77
Fdo de Desar. tv 03-28.10.05 Pn	350,000	USD	350,000	350,000	0.77
Fd. de Desar. nica. tv-20.6.05 Pn	400,000	USD	400,000	400,000	0.89
Findesa Tv 03-23.9.05 Pn	750,000	USD	750,000	750,000	1.66
Findesa Tv 03-5.5.04 Pn	500,000	USD	500,000	500,000	1.11
Fund. jose Niebrow. 03-17.1.04 Pn	250,000	USD	250,000	250,000	0.55
Fund. nieborowski Tv 03-04 Pn	200,000	USD	200,000	200,000	0.44
			<b>5,050,000</b>	<b>5,050,000</b>	<b>11.17</b>
<b>Peru</b>					
Caja Mun. ah. Tv 03-23.10.04 Pn	280,000	USD	280,000	280,000	0.62
Caja Mun. ahor. tv 03-11.3.05 Pn	250,000	USD	250,000	250,000	0.55
Caja Mun. ahorr. tv 03-23.9.05 Pn	1,000,000	USD	1,000,000	1,000,000	2.21
Edpyme Crear Tv 03-11.3.04 Pn	125,000	USD	125,000	125,000	0.28
Edpyme Conf. tv 03-11.5.05 Pn	300,000	USD	300,000	300,000	0.66
Edpyme Confian.t v 03-17.4.04 Pn	200,000	USD	200,000	200,000	0.44
Edpyme Confianza Tv 03-04 Pn	200,000	USD	200,000	200,000	0.44
Edpyme Crear Tv 03-11.11.04 Pn	100,000	USD	100,000	100,000	0.22
Edpyme Crear Tv 03-16.7.04 Pn	250,000	USD	250,000	250,000	0.55
Edpyme Ed. tv 03-25.3.04 Pn	500,000	USD	500,000	500,000	1.11
Edpyme Edific. tv 03-10.09.04 Pn	250,000	USD	250,000	250,000	0.55
Edpyme Edyficar Tv-17.6.04 Pn	250,000	USD	250,000	250,000	0.55

# DEXIA MICRO-CREDIT FUND

## BlueOrchard Debt Sub-Fund

Statement of investments as at December 31, 2003 (expressed in USD) (continued)

Description	Face value	Currency	Acquisition cost	Evaluation	% net assets
Edpymes Conf. tv 03-24.1.04 Pn	200,000	USD	200,000	200,000	0.44
Edpyme Tv 03-12.01.05 Pn	500,000	USD	500,000	500,000	1.11
Edpymes Proem. tv 02-4.07.05 Pn	500,000	USD	500,000	500,000	1.11
Mibanco Tv 03-5.8.04 Pn	1,000,000	USD	1,000,000	1,000,000	2.21
			<b>5,905,000</b>	<b>5,905,000</b>	<b>13.05</b>
<b>Philippines</b>					
Taytay Sa Kaus. tv 03-17.4.04 Pn	300,000	USD	300,000	300,000	0.66
Taytay Sa Tv 03-3.4.05 Pn	300,000	USD	300,000	300,000	0.66
			<b>600,000</b>	<b>600,000</b>	<b>1.32</b>
<b>Serbia Montenegro</b>					
Opp. Bk Montenegro 8% 03-06 Pn	750,000	EUR	<b>861,263</b>	<b>946,012</b>	<b>2.09</b>
<b>Uganda</b>					
Faulu Uganda Tv 03-25.1.05 Pn	300,000	USD	300,000	300,000	0.66
Uganda Micro. tv 03-11.10.04 Pn	300,000	USD	300,000	300,000	0.66
Uganda Microf. tv 03-5.9.05 Pn	300,000	USD	300,000	300,000	0.66
			<b>900,000</b>	<b>900,000</b>	<b>1.98</b>
<b>Total other debt instruments</b>			<b>32,236,498</b>	<b>32,465,767</b>	<b>71.78</b>
<b>Total investments</b>			<b>39,387,193</b>	<b>39,648,243</b>	<b>87.69</b>

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## DEXIA MICRO-CREDIT FUND

### BlueOrchard Debt Sub-Fund

**Geographical and Economic division  
of investments as at December 31, 2003**  
*(expressed as a percentage of net assets)*

<b>Geographical division of investments</b>	
Peru	13.05
Ecuador	12.05
Nicaragua	11.17
Mexico	6.64
United States	5.77
Bolivia	4.97
Cambodia	4.20
Bosnia Herzegovina	4.08
Philippines	3.47
Luxembourg	3.45
Colombia	2.71
Dominican Republic	2.66
Ivory Coast	2.31
Venezuela	2.23
Serbia Montenegro	2.09
Uganda	1.98
Mongolia	1.11
El Salvador	1.11
Kazakhstan	0.99
Kenya	0.66
Albania	0.44
Jordan	0.33
Kyrgyzstan	0.22
	<b>87.69 %</b>
<b>Economic division of investments</b>	
Microfinance	71.78
Supranational	15.91
	<b>87.69 %</b>

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# DEXIA MICRO-CREDIT FUND

## Notes to the financial statements as at December 31, 2003

### Note 1 — General

DEXIA MICRO-CREDIT FUND (the "SICAV") was incorporated on September 18, 1998 as a Variable Capital Investment Company (SICAV) in accordance with the legislation of the Grand Duchy of Luxembourg. The SICAV is created for an unlimited period.

The SICAV is an umbrella fund and offers investors one Portfolio:

- DEXIA MICRO-CREDIT FUND — BlueOrchard Debt Sub-Fund (expressed in USD)

The Board of Directors has decided with effect as of March 5, 2003:

- the merger of the BlueOrchard Debt CHF Sub-Fund into the BlueOrchard Debt USD.

- the modification of the name of the BlueOrchard Debt USD into BlueOrchard Debt Sub-Fund.

- launching of three classes of shares within the BlueOrchard Debt Sub-Fund: CHF, USD and EUR.

The SICAV's capital is expressed in USD.

The principal objective of the Sub-Funds is to invest in debt instruments issued by micro-banks.

### Note 2 — Principal accounting policies

Presentation of financial statements:

The financial statements are prepared in accordance with Luxembourg regulations relating to undertakings for collective investment.

a) Valuation of investments:

Debt instruments not listed or dealt in on any stock exchange or any other regulated market are valued at fair market value, deemed to be the net present value calculated on the basis of the relevant interest rate market conditions applicable to the currency in which the relevant debt instrument is denominated. Such value is adjusted, if appropriate, to reflect the appraisal of the Investment Manager on the credit-worthiness of the relevant debt instrument.

The value of assets which are listed or dealt in on any stock exchange is based on the last available price on the stock exchange which is normally the principal market for such assets.

The value of assets dealt in on any other regulated market is based on the last available price.

In the event that, for any assets, the price as determined here above is not representative of the fair market value of the relevant assets, the value of such assets are based on the reasonably

foreseeable sales price determined prudently and in good faith. These prices are for each debt instrument unquoted, the cost of investment which can be different of the actual sale price.

b) Net realised profit (loss) on sales of investments:

The net realised profit or loss on sales of investments is determined on the basis of the average cost of investment sold.

c) Foreign currencies:

The value of assets and liabilities not expressed in the reference currency of each Sub-Fund is converted into the reference currency of such Sub-Fund at the exchange rate ruling in Luxembourg at December 31, 2003.

The exchange rates applied as at December 31, 2003 are:

1 CHF = 0.808571 USD

1 EUR = 1.26135 USD

d) Formation expenses:

The costs and expenses incurred in connection with the formation of the SICAV and the initial issue of shares by the SICAV are borne by Dexia-BIL.

e) Acquisition cost of investment:

The cost of investments not expressed in the reference currency of a Sub-Fund

# DEXIA MICRO-CREDIT FUND

## Notes to the financial statements as at December 31, 2003 (continued)

is converted into the reference currency of this Sub-Fund at the exchange rate prevailing at purchase date.

f) Forward foreign exchange contracts:

Unrealised appreciation/depreciation on out-standing forward foreign exchange contracts are valued on the basis of forward exchange rates prevailing at the relevant valuation date and are included in the Statement of Changes in Net Assets.

g) Net asset value calculation policy:

The net asset value in respect of the Sub-Fund is determined in the reference currency of such Sub-Fund and it is calculated in respect of any valuation day by dividing the net assets of the SICAV attributable to such Sub-Fund by the total number of shares in the relevant Sub-Fund then outstanding. The net asset value may be rounded up or down to the nearest unit. The net asset value is determined on the first Wednesday of each month.

**Note 3 — Cash in banks — Time deposits**

The SICAV has a deposit account of 2,014,475 USD in Deutsche Bank Luxembourg that is guaranteeing 100% of a loan made by Deutsche Bank India in

Mumbai to Share Microfin Ltd for 1,500,000 USD and to Asmitha Microfin Ltd for 500,000 USD.

**Note 4 — Commission on subscription and redemption of the SICAV's shares**

The SICAV's shares are issued at their net asset value, to which may be added a maximum commission of 4% of the net asset value, payable to the sales agents.

The SICAV's shares are redeemed at a price equal to the net asset value in respect of the relevant valuation day. There is presently no redemption charge.

**Note 5 — Investment management commission**

The Investment Manager is entitled to receive fees which will depend on the type of the assets under management and will amount to a maximum of 2.5% of the net asset value of the Sub-Fund.

**Note 6 — Subscription tax**

The SICAV is liable in Luxembourg to a tax of 0.05% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the SICAV at the end of the relevant calendar quarter.

**Note 7 — Taxes and expenses payable**

Subscription tax (note 6)  
 Depositary bank commission and transfer fees  
 Audit fees, printing and publication expenses

**BlueOrchard  
 Debt Sub-Fund  
 (in USD)**

5,647
16,821
57,402
<b>79,870</b>

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## DEXIA MICRO-CREDIT FUND

### Notes to the financial statements as at December 31, 2003 (continued)

#### Note 8 — Forward foreign exchange contracts

As at December 31, 2003, DEXIA MICRO-CREDIT FUND — BlueOrchard Debt Sub-Fund had entered into the following outstanding forward foreign exchange contracts:

Forward foreign exchange contracts in order to hedge CHF and EUR classes:

	Purchases		Sales	Maturity date	Unrealised appreciation/ (depreciation)
CHF	20,854,035	USD	16,185,994	07/01/2004	569,764
EUR	5,887,536	USD	7,106,256	07/01/2004	<u>269,655</u>
					839,419

Forward foreign exchange contracts in order to hedge portfolio:

	Purchases		Sales	Maturity date	Unrealised appreciation/ (depreciation)
USD	849,000	EUR	750,000	30/06/2004	(87,210)
USD	567,500	EUR	500,000	01/07/2004	(56,614)
USD	556,100	EUR	500,000	15/09/2004	(67,194)
USD	348,600	EUR	300,000	28/10/2004	<u>(24,749)</u>
					(235,767)

The net unrealised appreciation on forward foreign exchange contracts as at December 31, 2003 amounts to 603,652 USD and is included in the Statement of Net Assets.