

Business News Americas-English

April 25, 2005 Monday

Lemon Bank expects profitability this year

Brazil's Lemon Bank expects to post a profit in 2005, its third year of operations, the bank's managing director Michael Esrubilsky told BNamericas.

Lemon began operating in January 2003 to target Brazil's many millions who are without access to the formal financial system and also people looking for cheaper banking alternatives. Lemon's distribution model is based solely on non-bank partners, such as convenience stores, supermarkets and drug stores.

The bank reached break-even in the fourth quarter 2004 and this year it expects Ebitda of between US\$1mn and US\$1.5mn, Esrubilsky said.

Lemon Bank operates a fee-oriented banking business offering services such as checking and savings accounts, bill payments and cell phone recharging. It also offers personal and payroll-linked loans, insurance and savings products through other partner banks and insurers.

The bank started lending to individuals and small enterprises at the end of last year and Esrubilsky said it would take two to three years before those loan portfolios reach significant volumes.

Esrubilsky said he sees Brazil's largest bank, federally run Banco do Brasil, and the country's biggest private bank Banco Bradesco (NYSE: BBD) as its main competitors. However, those banks operate with different strategies and "there's a huge potential for everyone" in the **un-banked** and under-served segments, he said.