



BlueOrchard raises 110 million dollars to finance 70,000 micro entrepreneurs.

BlueOrchard gains the top S&P rating in microfinance.

Geneva, 31st may 2007 - BlueOrchard Finance, based in Geneva, is the leader in private finance for microfinance institutions. Having launched seven funds and securitized products, in collaboration with major banks including Credit Suisse, Morgan Stanley, JPMorgan, Citi, Dexia and BBVA, BlueOrchard has already raised 450 million dollars.

BlueOrchard announces an important innovation: its second loan basket "BlueOrchard Loans for Development," or BOLD 2, is the first transaction for financial institutions in microfinance to obtain the rating of a large rating agency, Standard & Poor's.

This recognition of the solvency and solidity of many microcredit institutions is an important step, which marks a growing interest in the world capital markets towards microfinance. For BlueOrchard, it also means confirmation of its capacity to develop innovative products corresponding to the needs of both investors and micro entrepreneurs.

BOLD 2 was oversubscribed and closed at 110 million dollars, which will finance 20 microfinance institutions in 12 countries: Azerbaijan, Bosnia, Cambodia, Colombia, Georgia, Kenya, Mongolia, Montenegro, Nicaragua, Peru, Russia and Serbia. The funds will enable some 70,000 very low-income people to develop their micro businesses.

Launched in partnership with Morgan Stanley, BOLD 2 is a CDO (*Collateralized Debt Obligation*, or an obligation depending on a basket of loans). This operation is the second of this type, following a transaction (BOLD 1) effected last year, also with Morgan Stanley. Thanks to its know-how, BlueOrchard was the first company to persuade a major investment bank to participate in a joint launch of a significant CDO (with no rating at the time), in order to finance microcredit institutions.

BOLD 2's S&P rating is a decisive new development. Among the 10,000 microfinance institutions in the world, those with access to world capital markets are very rare. Most depend on gifts or subsidies to finance their loans and other services. They explain the high level of caution on the part of investors, especially institutional ones, who often demand guarantees in order to lend funds to organizations with disparate legal structures and in some cases no public or specialized rating.

Most opinions converge on one point: only the capital markets are in a position to satisfy the huge financing needs of microfinance, estimated ultimately at between 250 and 300 billion dollars. CDO ratings by the large agencies will encourage the healthy expansion of financial sources, as they enable accessing this type of assets with greater confidence and security.

For investors, the main interest lies in the attractive ratio of return to risk. We know that 98% of micro-entrepreneurs manage to repay their loans, without mentioning the tremendous social impact



of microfinance, which offers financial services to people who are too poor to access the conventional banking sector. Over the last 25 years, microfinance has established itself as a powerful instrument of social and economic development.

Jack Lowe, CEO of BlueOrchard, observes: "BOLD 2 is a new and fundamental stage in the opening up of the world capital markets to microfinance. The market will thus become an important source of finance at competitive rates. BlueOrchard is proud to have contributed to the involvement of a major rating agency in this process." For her part, Ellen Brunsberg, manager of the European Securitised Products Group at Morgan Stanley, adds: "this rating confirms that the capital market can contribute to the financing of microfinance on a solid, commercial basis and on a large scale."

Like its predecessor, BOLD 2 finances non-guaranteed loans to a diversified portfolio of microfinance institutions. Part of the loans will be in local currencies, with exchange rate risks being covered by derivative products. The CDO includes several types of bonds. The senior bonds are: A (44 million dollars) and B (16 million dollars), their ratings are: AA and BBB respectively. The subordinated tranches have no ratings.

BlueOrchard plans to continue designing and managing financial products aimed at investors of all types – institutional, private individuals or foundations – looking for an attractive risk/ return ratio, while contributing directly to economic development. Microfinance is also one of the best vectors of socially responsible investment.

BlueOrchard Finance, based in Geneva, specializes in the design and management of funds aimed at investment in microfinance. Since its foundation in 2001, the company has established itself as the leader in the private financing of microfinance institutions.

BlueOrchard employs 16 finance professionals in Geneva and New York, all with a solid experience of emerging markets. Its seven funds and products have enabled the raising of 450 million dollars, invested in over 34 countries and 92 microfinance institutions. BlueOrchard's leadership stems from its capacity for innovation recognized by the major financial institutes. The company works in partnership in several financial areas with Credit Suisse, Morgan Stanley, JPMorgan, Citi, Dexia and BBVA.

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