



BlueOrchard[®]
Microfinance Investment Managers

BlueOrchard and Morgan Stanley's BOLD 2 obtains FT's sustainable deal of the year award

Geneva, Switzerland (BlueOrchard Finance SA), June 4, 2008.

The 2007 BlueOrchard Loan for Development, BOLD 2, was elected "Sustainable Deal of the Year" on June 3, 2008, at the FT Sustainable Banking Awards Ceremony hosted by the Financial Times and the International Finance Corporation (IFC) of the World Bank Group. The BOLD 2 transaction is a landmark deal that has helped to broaden microfinance as an asset class for mainstream investors, while simultaneously providing credit to tens of thousands of individual borrowers at more favourable terms.

BlueOrchard Finance S.A. of Geneva, Switzerland, and Morgan Stanley launched BOLD 2 at the end of April 2007. BOLD 2 is a Collateralised Loan Obligation (CLO) of unsecured loans amounting to USD 110.2 million, of which the equivalent to USD 106.7 million were lent to 20 microfinance institutions based in 11 emerging countries (Azerbaijan, Bosnia and Herzegovina, Cambodia, Colombia, Georgia, Kenya, Mongolia, Montenegro, Nicaragua, Peru, Russia).

These funds were on-lent by the microfinance institutions (MFIs) to approximately 70,000 low-income people - over half of them women - for entrepreneurial activities.

The combination of innovative structuring of the CLO and a first time rating by a major international rating agency (Standard & Poor's) attracted a wide institutional investor base. Ground-breaking currency swaps allowed nearly 60% of the loans in BOLD 2 to be in local currencies, including Mongolian Tugrik and Peruvian New Soles, Colombian Pesos and Russian Roubles, as well as USD and EUR. Denominating loans in local currency assists MFIs with their risk management and micro-entrepreneurs with their ability to match the currency of their liabilities and revenues. All the currencies were swapped back to the currencies of the notes, in order to protect investors. The swap provider for all was Morgan Stanley, who also arranged the transaction and acted as placement agent. BlueOrchard Finance S.A. originated the loans and selected and services the MFIs.

BOLD 2007 was structured as a CLO consisting of two tranches of rated notes (AA and BBB) and two tranches of unrated notes, issued in GBP, EUR and USD. All notes have an expected maturity of 5 years.

Private investors participated in all tranches of the deal, including the unrated “equity” and mezzanine tranches, where they took some 30% and 60%, respectively. The 21 investors in BOLD 2007 include banks, insurance companies, money managers, mutual and hedge funds, and corporate accounts. 86% of the issue was placed in Europe, with the remainder in the US. The rated notes were heavily oversubscribed, signalling broad interest in microfinance from institutional investors.

Jack Lowe, CEO of BlueOrchard Finance S.A., said: “BOLD 2 was indeed a pioneering transaction, bringing microfinance closer to the mainstream of the international capital markets as a source of medium-term money at competitive rates, as well as providing large sums in local currency lending. Moreover, the first-ever rating of a microfinance investment vehicle by a reputed rating agency such as Standard and Poors was a major stride in harnessing investors to the microfinance sector. We are proud and grateful for the recognition of this exploit.”

Notes to the Editor:

BlueOrchard Finance S.A. is a Swiss company based in Geneva whose mission is to manage microfinance investment funds. It helps investors gain access to investment opportunities in the microfinance sector through a diversified range of products and services. To do so, BlueOrchard grants loans to leading microfinance institutions who in turn provide micro-credits and other financial services to families and small businesses with no access to regular credit providers. As at March 31, 2008, BlueOrchard Finance S.A. managed a total loan portfolio of USD 617 million invested with more than 160 microfinance institutions (MFIs) in about 40 countries.

Investor confidence in the microfinance sector is increasing thanks to the impressive results it produced over recent years. In a volatile environment, the microfinance sector remained stable and productive. From the inception of the company to date, BlueOrchard has allocated over 650 loans to nearly 160 institutions, of which 157 loans to 87 MFIs in 2007 alone. To this day, all loans ever made by BlueOrchard have been reimbursed without any default.

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FT Awards for Sustainable Banking. The Financial Times and IFC, a member of the World Bank Group, are sponsors of a range of yearly awards, now in their third year, that were created to recognize banks and other financial institutions that have shown leadership and innovation in integrating social, environmental and corporate governance considerations into their operations. See: <http://www.ftconferences.com/sustainablebanking>
