

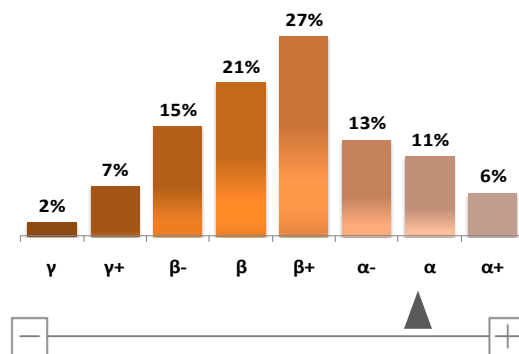
BANCO ADOPEM | Dominican Republic | May 2011

α	Excellent credit methodology, good asset quality, excellent productivity and financial results.
Stable	Rating Perspective ¹

 Financial Situation²

α

 Social Rating³

Performance Rating Grade Distribution


Date of Visit

Mar.-11

Date of Financial Statement

Dec.-10

Previous Rating (Dec.-09)

α

Audit : Horwath, Sotero Peralta & Asociados (local firm)

Dec.-10

Main Performance Indicators

	Dec-08	Dec-09	Dec-10
Gross Loan Portfolio (\$'000)	\$37,402.05	\$48,973.47	\$56,631.18
Total savings (\$'000)	\$10,854	\$21,670	\$20,666
Number of Borrowers	87,060	112,058	131,332
Leverage	2.3	3.7	2.9
ROE*	30.9%	28.2%	27.5%
Portfolio Yield	48.4%	47.8%	45.4%
Portfolio at Risk	2.8%	3.3%	3.3%
Average loan	\$430	\$437	\$431
Operating Expenses	26.0%	24.6%	26.7%
Number of borrowers per credit officer	426	444	429
Operating Margins	11.2%	10.0%	9.2%

* Adjusted

Summary Description

The savings and credit bank ADOPEM began operating as a banking entity in 2004. Previously, it was the financial portion of the NGO ADOPEM. Currently, both entities have independent structures, although there is a strong link between the two as the NGO holds 48% of the Bank's shares. The Bank offers individual and group loans, servicing mainly the semi-urban and rural areas. As of December 2010, it manages a portfolio of US\$56.6 million, with 131,332 borrowers and more than 110,000 savers. The average loan size is US\$431 provided through a network of 37 branches.

Rating Rationale

ADOPEM demonstrates excellence in its financial results and leadership in its target market. It has a strong organizational structure tailored to microcredit and extensive knowledge of the Dominican market. Its strong credit methodology has translated into healthy portfolio quality.

Stability and continuous training of the operational staff have helped the institution to achieve high productivity and efficiency. Together with the leadership of the Vice President and Board, the Bank is positioned as a leading institution in the Dominican microfinance sector. Organizational strengthening focused on greater specialization in different areas of the Bank, is notable.

While credit methodology has been consolidated, the limited review of customer credit information in the credit bureau is a concern. On the other hand, the Bank holds a solid financial position with significant profitability, good asset structure, and proper management of market risk. However, the high concentration of deposits is a risk factor.

Rating Rationale
Key Factors

- + Solid financial results
- + Good microcredit methodology
- + Experienced and committed management
- + Excellent portfolio quality

Risk Factors

- High concentration in principal savers
- Concentration of operations at the main office
- High operating costs

¹See Annex 1

²See Annex 1

³ See Social Rating

Summary

Indicators	BANCO ADOPEM		MicroRate Individual		MicroRate Large MFIs	Gross Loan Portfolio vs Portfolio at Risk
	Dec-10	Quartile	1st Quartile*	Average	Average	
ROE**	27.5%	1	21.8%	10.8%	17.1%	
Leverage	2.9	2	1.9	3.5	4.3	
Portfolio at Risk	3.3%	3	5.1%	7.7%	7.1%	
Operating Expenses	26.7%	4	12.9%	20.2%	17.2%	
Number of borrowers per credit officer:	429	5	288	222	223	
Operating Margin	9.2%	6	6.5%	3.2%	4.9%	
	Dec-10		Average		Average	
Gross Loan Portfolio***	\$56,631		\$114,747		\$195,948	
Number of Borrowers	131,332		75,888		125,399	
Average Loan Balance (per borrower)	\$431		\$1,582		\$1,818	

Lower limit of the 1st quartile **Adjusted ***('000\$)

Financial Situation

ADOPEM has a strong financial position. Its profitability and good asset structure are notable. It has acceptable leverage and good management of liquidity and market risks. However, it still shows a high savings concentration.

Operations and Portfolio Quality

ADOPEM demonstrates good design and application of its credit methodology supported by experienced and stable staff. Good credit appraisal and a constant monitoring of operations have led to excellent portfolio quality. Consistent with its mission, ADOPEM serves the Dominican Republic’s low-income microcredit market niche.

The Bank has a healthy portfolio at risk backed by good loan loss provisioning coverage and an adequate monitoring system.

Organization and Management

ADOPEM has a strong organizational structure and a highly trained staff experienced in the Dominican microfinance sector.

It has excellent productivity and moderate operational efficiency. Internal control is adequate, with room for improvement.

Governance and Strategic Positioning

The Bank’s Board is highly committed to its institutional objectives and has extensive experience in the Dominican microfinance sector. Its positioning in the low microcredit market niche is notable.

Social Perspective

According to MicroRate, Banco ADOPEM has a clear mission that is well communicated and supported by the entire staff. Therefore, its mission is satisfactorily carried out as a result of its strong social commitment.

Advances in the standardization of internal processes are notable, and the institution shows good monitoring of its social mission.

MFI Statistics

Country:	Dominican Republic
Type of MFI:	Bank
Regulated or Unregulated:	Regulated
Size:	US\$ 56.6 million
Number of Clients (Borrowers):	131,332
Number of Branches:	37
Average Loan Size:	US\$431
Deposit-Taking:	Yes
Profitable/Sustainable Since:	NA
Growth Expectation:	30%
Funding Need and Type (Currency):	No funding needed at this time

About this MFI:

Banco ADOPEM has a strong social mission focused on serving the poor mainly through individual lending. ADOPEM shows excellent financial results and a strong position in its target market. The Bank has a solid organizational structure specialized in microcredit, combined with extensive knowledge of the Dominican market. Banco ADOPEM also has a strong credit methodology that has allowed it to achieve healthy levels of portfolio quality.

Balance Sheet (US\$'000)	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Assets					
Cash and Banks	870	1,823	3,182	3,636	5,724
Temporary Investments	20	60	208	418	173
Net Loans	18,719	24,862	36,261	47,150	54,606
Gross Loans	19,354	25,708	37,402	48,973	56,631
<i>Performing Loans</i>	18,660	24,908	36,354	47,357	54,758
<i>Portfolio at Risk</i>	695	799	1,048	1,616	1,873
Loan Loss Reserve	635	845	1,142	1,824	2,025
Interest Receivables	60	78	94	125	139
Other Current Assets	69	99	360	898	859
Current Assets	19,737	26,923	40,104	52,227	61,502
Long Term Investments	2,889	4,924	7,778	14,571	7,479
Property and Equipment	824	1,141	1,472	1,610	2,776
Other Long Term Assets	-	-	-	-	-
Total Assets	23,450	32,988	49,355	68,407	71,756
Liabilities					
Demand Deposits	704	1,419	2,078	3,030	3,878
Short Term Time Deposits	8,997	10,338	8,776	18,211	16,654
Short Term Funding Liabilities	1,050	3,088	1,089	3,225	5,695
Other Short Term Liabilities	1,608	2,270	3,898	4,356	4,567
Current Liabilities	12,359	17,115	15,841	28,822	30,794
Long Term Time Deposits	-	-	-	429	134
Long Term Funding Liabilities	4,797	4,617	19,662	25,542	23,544
Quasi-Capital Accounts	888	3,931	3,807	-	-
Other Long Term Liabilities	-	-	-	-	-
Total Liabilities	18,043	25,663	39,311	54,794	54,472
Equity					
Capital	3,938	4,660	5,371	6,519	6,288
Earnings (Losses) Period	1,287	2,210	3,275	3,925	5,092
Retained Earnings	2	3	5	-	693
Other Capital Accounts	179	452	1,394	3,170	5,211
Total Equity	5,407	7,325	10,044	13,614	17,284
Total Liabilities & Equity	23,450	32,988	49,355	68,407	71,756
Source of Financial Statements	Audited Financial Statements	Management Reports	Audited Financial Statements	Audited Financial Statements	Management Reports

Income Statement (US\$ '000)	Jan-06	Jan-07	Jan-08	Jan-09	Jan-10
	-	-	-	-	-
For periods between:	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Interest and Fee Income	8,094	11,445	15,273	20,663	23,980
<i>Cash Interest and Fee Income</i>	8,034	11,367	15,179	20,538	23,841
<i>Accruals (Int.. Receivables)</i>	60	78	94	125	139
Interest and Fee Expense	1,772	2,094	3,078	4,829	4,451
Net Interest Income	6,322	9,352	12,195	15,833	19,529
Provision for Loan Loss	561	386	482	905	539
Net Interest Income After Provisions	5,761	8,965	11,713	14,929	18,990
Operating Expense	4,049	6,393	8,190	10,614	14,112
<i>Personnel</i>	2,290	3,457	4,572	6,575	8,568
<i>Other Administrative Expense</i>	1,759	2,936	3,618	4,040	5,544
Net Operating Income	1,711	2,572	3,523	4,314	4,878
Other Income	182	442	927	1,233	1,901
<i>Investment Income</i>	62	156	476	730	574
<i>Other Non-Extraordinary Income</i>	120	286	451	503	1,327
Other Expenses	61	80	81	99	85
<i>MFI's Inflation Adjustment (if any)</i>	-	-	-	-	-
<i>Other Non-Extraordinary Expenses</i>	61	80	81	99	85
Net Not-Operating Income	1,832	2,933	4,370	5,449	6,693
Extraordinary Items	-	-	-	-	-
<i>Extraordinary Income</i>	-	-	-	-	-
<i>Extraordinary Expense</i>	-	-	-	-	-
Net Income Before Taxes	1,832	2,933	4,370	5,449	6,693
Taxes	545	724	1,095	1,524	1,601
Net Income	\$ 1,287.21	\$ 2,209.84	\$ 3,274.63	\$ 3,924.70	\$ 5,092.43
Source of Financial Statements	Audited Financial Statements	Management Reports	Audited Financial Statements	Audited Financial Statements	Management Reports

Adjusted Comparison TableAverage Rates of the MicroRate Sample
(US\$'000)

<i>Period: June 2010</i>	BANCO ADOPEM**	INDIVIDUAL	LARGE MFIs	MICRORATE 50
Loan Portfolio				
Gross Loan Portfolio (US\$'000)	\$56,631	\$114,747	\$195,948	\$91,629
<i>Annual Change in Gross Loan Portfolio</i>	15.6%	25.6%	30.1%	25.9%
Number of Loans Outstanding	131,332	83,927	142,206	73,096
<i>Annual Change in Number of Loans Outstanding</i>	17.2%	12.4%	17.3%	11.9%
Number of Borrowers	131,332	75,888	125,399	65,367
<i>Annual Change in Number of Borrowers</i>	17.2%	13.7%	17.2%	13.7%
Average Loan Balance (per borrower)-Actual Amounts	\$431	\$1,582	\$1,818	\$1,325
Portfolio at Risk (Arrears 30-180 Days)/ Gross Loan Portfolio	3.3%	7.7%	7.1%	6.8%
Write-offs / Gross Loan Portfolio	0.5%	2.3%	2.0%	2.4%
Unadjusted Loan loss reserves / Unadjusted Portfolio at Risk	108.1%	139.8%	119.6%	154.8%
Loan loss provision expense / Average Gross Portfolio	1.0%	4.1%	4.2%	3.9%
Efficiency and Productivity				
Total operating expense / Average Gross Portfolio	26.7%	20.2%	17.2%	24.0%
Number borrowers per credit officer	429	222	223	243
Number of borrowers per staff	186	99	100	109
Portfolio yield	45.4%	35.4%	34.2%	38.2%
Personnel Expense/Average Gross Portfolio	16.2%	11.7%	9.9%	14.5%
Credit officers / Total personnel	43.3%	44.5%	44.4%	45.3%
Total operating expense / Borrower	\$116	\$258	\$254	\$233
Financial Ratios				
Debt / Equity	2.9	3.5	4.3	3.2
Equity/Assets	24.1%	25.8%	19.6%	28.0%
Net Income / Average equity (ROE)	27.5%	10.8%	17.1%	10.1%
Net Income / Average assets (ROA)	6.1%	2.3%	3.3%	2.4%
Interest expense / Average Gross Portfolio	8.4%	8.0%	7.9%	7.8%
Unadjusted Interest expense / Average funding liabilities	8.9%	9.6%	8.8%	9.8%
(Cash + Temp. Investment)/ Gross Portfolio	10.4%	17.5%	17.9%	19.1%
Operating Margin	9.2%	3.2%	4.9%	3.3%
Absolute Currency Amounts (US\$'000)				
Interest and Fee Income	\$23,980	\$31,629	\$53,430	\$25,535
Net Income	\$4,253	\$3,691	\$6,669	\$2,931
Total Assets	\$71,756	\$142,251	\$243,201	\$113,611
Deposits	\$20,666	\$57,100	\$103,341	\$44,566
Funding Liabilities (excluding Deposits)	\$29,240	\$49,411	\$80,017	\$39,857
Equity	\$17,284	\$27,139	\$44,769	\$22,197

* Most recent information available

**Values as of December 2010

APPENDIX I – Performance Rating Definitions

<p>Performance Rating α, β, γ</p>	<p>A performance rating evaluates an institution, comparing it with the best practices in microfinance, taking into account financial, operational, and strategic aspects. In particular, it measures the level of efficiency and effectiveness, the level of risk management, and the future outlook of the institution.</p>
<p>$\alpha+$ α $\alpha-$</p>	<p>Those MFIs that have successfully balanced the financial, operational and strategic considerations of sound microfinance practices as compared to an international set of similar companies and emerging standards in the microfinance industry. Good efficiency and effectiveness. Low Risk / Risk well managed, leaving the company minimally susceptible to variability during economic cycles. Good future outlook</p>
<p>$\beta+$ β $\beta-$</p>	<p>Those MFIs working to define a relationship among the financial, operational and strategic considerations of sound microfinance practices as compared to an international set of similar companies and standards of the microfinance industry. Satisfactory efficiency and effectiveness. Moderate Risk, leaving the company subject to some variability during economic cycles. Satisfactory future outlook.</p>
<p>$\gamma+$ γ</p>	<p>Those MFIs with financial, operational or strategic weaknesses that have the potential to threaten their viability, now or in the future, as compared to an international set of similar companies and emerging standards in the microfinance industry. Poor efficiency and effectiveness. High Risk, with high variability during economic cycles. Poor future outlook.</p>
<p>Financial Situation Rating α, β, γ</p>	<p>Measures the MFIs financial health based on its financial structure, profitability, operating margins and financial risk management.</p>
<p>Rating Outlook - Positive - Stable - Negative - Uncertain</p>	<p>Expected direction of the rating grade over the 12 months following the rating.</p> <ul style="list-style-type: none"> - Positive- The rating grade is expected to increase. - Stable- The rating grade is expected to remain the same. - Negative- The rating grade is expected to decrease. - Uncertain- Due to unpredictable factors, the rating outlook cannot be determined.
<p>Social Rating ☆☆☆☆</p>	<p>MicroRate’s social rating provides an opinion on the social return on investment (SROI) by measuring the social performance of an MFI, focusing on the institution’s social commitment and social results.</p>

Analyst Team

Daniel Escalante | Daniel@MicroRate.com

María Esther Castro | Mayte@MicroRate.com

Contact

MicroRate Latin America and the Caribbean

Calle Armando Blondet 261

San Isidro, Lima 27

Perú

Tel. +51 (1) 628-7054

MicroRate United States

1901 N. Moore Street, Suite 1004

Arlington, Virginia 22209

United States

Tel. +1 (703) 243-5340

MicroRate Africa, East Europe, & the Middle East

1, Angle rue el Araar et bd Lalla Yacout, Casablanca

Morocco

Tel +00212 5 22 49 10 94

info@MicroRate.com | www.MicroRate.com

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