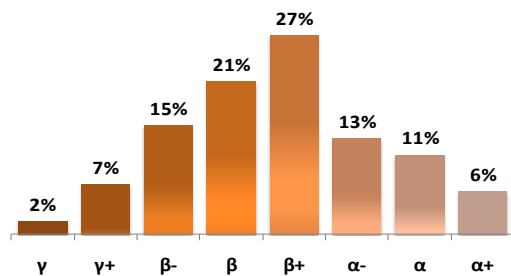


ICC BLUSOL | Brazil | June 2011

β+	Moderate level of credit risk. Interest rate risk and concentration of funding. Good credit methodology and organizational structure.
Stable	Rating Outlook ¹

Financial Situation ² β+
 Social Rating ³ ★★★★★

Performance Rating Grade Distribution


-	+
Date of Visit	May-11
Date of Financial Statements	Jun-10
Previous Rating	β+

Main Performance Indicators

	Jun-10	Dec-11	Jun-11
Gross Loan Portfolio (\$'000)	\$7,019	\$8,486	\$10,880
Number of Borrowers	4,951	5,846	6,913
Leverage	0.9	0.9	1.0
ROE*	8.4%	4.5%	4.1%
Portfolio Yield	53.4%	48.9%	50.5%
Portfolio at Risk	3.2%	3.2%	4.2%
Average Loan Size	\$1,418	\$1,452	\$1,574
Operating Expenses	33.7%	32.5%	31.9%
Number of borrowers per staff	103	122	133
Operating Margins	10.3%	8.4%	10.3%

* Adjusted

Overview

The Community Credit Institution Solidariedade Blumenau (ICC BLUSOL), was created in 1997 by the initiative of the Municipality of Blumenau, and is a non-profit organization (NGO) dedicated to microfinance. Blusol has been supervised by the Ministry of Labor since 2005 and belongs to the National Productive Microcredit Program (PNMPO), a government initiative.

BLUSOL has a portfolio of U.S. \$10.9 million and reaches 6,913 borrowers. BLUSOL uses an individual microcredit methodology and provides loans through 8 agencies located in the State of Santa Catarina in southern Brazil.

Rating Rationale

The outstanding Board leadership is reflected in significant portfolio growth, which has good levels of quality. The MFI has strengthened its institutional positioning; nevertheless, its primary challenge is strengthening of internal controls.

BLUSOL has a good credit methodology, emphasizing growth through new customers. The low competition permits growth in operations despite limited independent internal controls.

The MFI's financial position is favorable. However, concentration of funding and significant interest rate risk expose the MFI to adverse changes in the economic context. Additionally, despite the favorable financial results, profitability is decreasing.

Rating Rationale
Key Factors

- + A persistent portfolio growth with quality
- + Good microcredit methodology
- + Efficient administration of the Board and management team
- + Large potential market

Risk Factors

- Insufficient operational control
- High concentration of funding
- High interest rate risk exposure

¹ See Annex 1

² See Annex 1

³ See Social Rating

APPENDIX I – Performance Rating Definitions

Performance Rating α, β, γ	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.
$\alpha+$ α $\alpha-$	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
$\beta+$ β $\beta-$	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.
$\gamma+$ γ	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.
Financial Situation Rating α, β, γ	Measures the MFIs financial health based on its financial structure, profitability, operating margins and financial risk management.
Rating Outlook - Positive - Stable - Negative - Uncertain	Expected direction of the rating grade over the 12 months following the rating. <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.
Social Rating ☆☆☆☆☆	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.

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