

February 2009

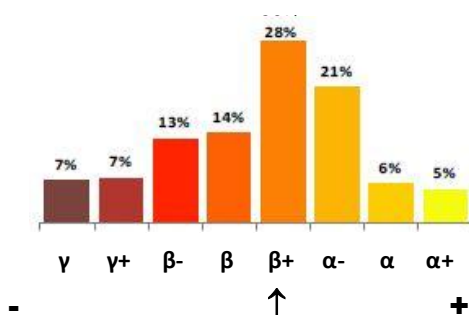
D-MIRO FOUNDATION

Ecuador

β+

Good operational results with respect to microfinance best practices. Sustained growth with quality.

Financial Sub-Rating¹ **β**
 Future Rating Outlook **Uncertain**
 Social Rating ★★★★★²



Date of visit Dec-08
 Previous Rating β+
 Date of Previous Rating Dec-07
 Number of MicroRate Ratings 8th

Principal Performance Indicators

	Dec-06	Dec-07	Dec-08
Gross Loan Portfolio*	\$7,091	\$13,976	\$24,437
Number of Clients	11,431	23,031	35,163
Leverage	0.3x	1.0x	1.8x
ROE**	12.6%	9.7%	-0.2%
Portfolio Yield	40.4%	34.8%	30.8%
Portfolio at Risk	2.4%	1.6%	1.9%
Operating Expenses	23.2%	22.1%	20.5%
Average Loan Size	\$620	\$607	\$695
Borrowers per Staff	130	158	175

*(000\$) ** Adjusted

¹ See Annex

² See Social Report Feb-09

Summary Description

The Foundation for the Development of Microenterprises–Mission Alliance Ecuador (D-MIRO) began as the D-MIRO program, a component in Ecuador of the international NGO Mission Alliance of Norway. It has more than ten years of experience in the microfinance sector and became independent in Dec-06.

In accordance with its vision of serving the poorest, D-MIRO offers individual and group microloans in semi-urban areas around Guayaquil, the main economic motor of the country and of the other five coastal Ecuadorian cities. With a portfolio of more than US\$24 million, and more than 35,000 clients, it focuses on the middle microcredit niche (with an average loan size of US\$695).

Rating Rationale

In 2008, D- MIRO maintained an important growth period, sustained by a deeper penetration of its traditional markets and by opening new agencies. The application of an adequate credit methodology allowed it to maintain favorable quality indicators.

D-MIRO maintains its organizational structure, obtaining good productivity indicators. Strengthening internal controls is a challenge that should not be postponed especially while undergoing a constant expansion of operations and client base.

The adverse economic and political environment has directly affected D-MIRO's financial results. Influenced by the greater country risk and legal limitations on active interest rates, the operational margin has reduced to a minimal level. The high political risk could accelerate the outflow of foreign currencies, which could limit the access to the necessary funding required to cover expansion in the medium term. D-MIRO is solvent, has manageable leverage and adequate control over the risk of term mismatching. Low levels of liquidity are preoccupying.

Strengths

- + Excellent portfolio quality
- + Good personnel productivity
- + Low debt exposure and strong equity position

Risk Factors

- Uncertain political economic environment
- Minimum operational margin
- High operating costs
- Limited internal controls

ANNEX

Rating	Microfinance Rating Scale Definitions
$\alpha++$	Those MFIs with an <i>ongoing stable relationship</i> 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. Optimal efficiency and effectiveness. Very Low Risk / Risk very well managed , leaving company minimally susceptible to variability during economic cycles.
$\alpha+$ α $\alpha-$	Those MFIs that have <i>successfully balanced</i> 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. Excellent efficiency and effectiveness. Low Risk / Risk well managed , leaving the company minimally susceptible to variability during economic cycles.
$\beta+$ β	Those MFIs <i>working to define</i> 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. Good efficiency and effectiveness. Moderate Risk / Incipient Risk Management , leaving the company subject to some variability during economic cycles.
$\beta-$	Those MFIs <i>lacking</i> a clear relationship among the financial, operational and strategic considerations of sound microfinance practice as compared to an international set of similar companies and standards of the microfinance industry. Acceptable efficiency and effectiveness. Moderate Risk / Inadequate Risk Management , leaving the company subject to significant variability during economic cycles.
$\gamma+$ γ	Those MFIs <i>with financial, operational or strategic weaknesses that have the potential to threaten their viability, now or in the future</i> , as compared to an international set of similar companies and standards of the microfinance industry. Poor efficiency and effectiveness. High Risk , with high variability during economic cycles.

Financial Sub-rating

- Using the same rating scale described above, MicroRate's Financial Sub-rating measures the MFI's financial health based on its financial structure, profitability, operating margins and financial risk management.
- Whereas the MFI's Performance Rating indicates the overall excellence of its microfinance operations, the Financial Sub-rating is only concerned with the financial condition of the MFI. As such, the latter allows investors to differentiate MFIs along purely financial criteria.
- The Financial Sub-rating is an integral consideration of the Rating Committee's assignment of the Performance Rating.

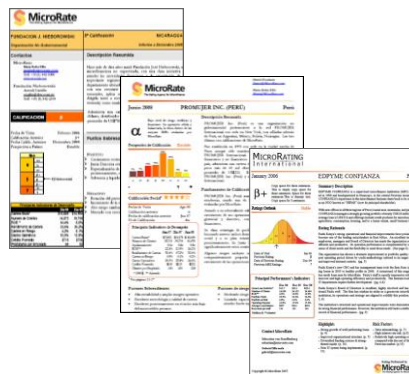
Interested in the full report?

The full Performance Rating includes detailed information on the following:

- Context
- Financial Situation
- Microcredit Operations
- Portfolio Quality
- Organization and Management
- Governance and Strategic Positioning

This performance report is available for purchase. If you are interested in purchasing a report, please contact MicroRate at 1-703-243-5340 or email info@microrate.com.

*If you are interested in more than one rating report, MicroRate also offers the **Rating Report & Analyst Access Service** which provides investors with access to multiple public performance and social rating reports. This service is available on an annual basis or through a customizable package based on your needs.*



<p>MicroRate Latin America Mayor Armando Blondet 261 San Isidro, Lima, 27 Lima – Peru Phone: (511) 628-7054 Fax: (511) 628-8729</p>	<p>MicroRate Headquarters 3300 North Fairfax Drive Suite 202 Arlington, VA 22201 United States Phone: (703) 243-5340 Fax: (703) 243-7380</p>	<p>MicroRate Africa Espace A11-10ème étage 357 Boulevard Mohammed V Casablanca-Morocco Phone/Fax: +212 5 22 49 10 94</p>
<p>info@microrate.com</p>		<p>www.microrate.com</p>

Copyright © MicroRate 2010

This document is subject to copyright and may not be reproduced in whole or in part without the written permission of MicroRate©. The ratings and other opinions contained herein are, and must be construed solely as statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such rating or other opinion or information is given or made by MicroRate in any form or manner whatsoever.