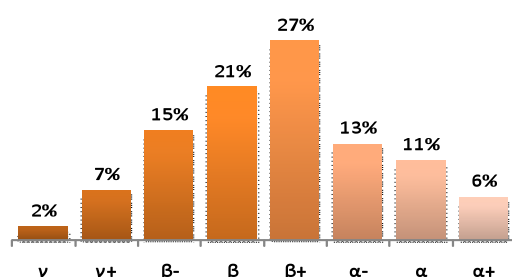


FUNBODEM | Bolivia | March 2011

β+	Low credit risk and acceptable profitability. In the process of organizational strengthening, although lacking strategic focus in its growth.
Stable	Rating Perspective ¹

Financial Situation² β+
 Social Rating³ ★★★★★

Performance Rating Grade Distribution


-	+
Date of Visit	Jan.-11
Date of Financial Information	Dec.-10
Previous rating (Dec.-09)	β+
Audit: PKF Garcia Veramendi & Asociados	Local firm Dec-09

Main Performance Indicators

	Dec-08	Dec-09	Dec-10
Gross Loan Portfolio (\$'000)	\$10,090	\$11,856	\$15,065
Number of Borrowers	9,073	9,390	9,853
Total Savings	\$0	\$0	\$0
Leverage	2.6	2.7	3.4
ROE*	5.0%	9.9%	5.5%
Portfolio Yield	25.3%	25.6%	25.2%
Portfolio at Risk	1.8%	2.7%	2.3%
Average Loan Size	\$1,112	\$1,263	\$1,529
Operating Expenses	13.2%	13.5%	13.6%
Number of Borrowers per Credit Officer	296	235	229
Operating Margin	2.2%	1.4%	2.0%

* Adjusted

¹See Annex 1

²See Annex 1

³ See Social Rating

Summary Description

Fundación Boliviana para el Desarrollo de la Mujer (the Bolivian Foundation for Women's Development) FUNBODEM, a subsidiary of Women's World Banking (Banco Mundial de la Mujer) is an NGO that began operating in 1987. It started as an organization offering training and loans, but has specialized only in financial services since 1997. It offers individual loans concentrating on the urban and semi-urban areas of Santa Cruz (Eastern Bolivia) through four branches and six customer service locations.

Rating Rationale

FUNBODEM is a limited scale microfinance institution that operates in one of the most mature and difficult markets in the region. It is characterized by low interest rates that require high levels of operational excellence. The methodology is at an appropriate and standardized level that allows the institution to maintain sufficient portfolio quality to grow in a healthy manner.

FUNBODEM's increasingly efficient financial management has allowed the institution to achieve a solid financial structure with low interest rate risk and appropriate debt management. Although its operating margin is still limited, it is underestimated as a result of a high loan loss provision requirement.

The MFI's operational centralization and concentration in the city of Santa Cruz mitigate the risks caused by a lack of a clear business strategy with respect to the target niche.

Highlights
Strengths

- + Good portfolio quality
- + Managerial stability
- + Organization preparing itself for regulation
- + Good financial structure

Risk Factors

- Monitoring and policies for renewals
- Lack of clarity in the target market segment
- Environment with elevated competition
- Requirement of high loan loss provisions by the regulatory body limits profitability

Summary

Indicators	FUNBODEM		MicroRate Individual		MicroRate Median	Gross Loan Portfolio vs Portfolio at Risk	
	Dec-10	Quartile	1st Quartile*	Average	Average	US\$('000)	%
ROE**	5.5%	3rd	21.8%	10.8%	5.1%		
Leverage	3.4	2nd	1.9	3.5	3.0		
Portfolio at Risk	2.3%	2nd	5.1%	7.7%	5.9%		
Operating Expenses	13.6%	2nd	12.9%	20.2%	18.4%		
Number of borrowers per credit officers	229	2nd	288	222	269		
Operating Margin	2.0%	3rd	6.5%	3.2%	2.0%		
	Dec-10		Average		Average		
Gross Loan Portfolio***	\$15,065		\$114,747		\$29,796		
Number of Borrowers	9,853		75,888		31,219		
Average Loan Balance (per borrower)	\$1,529		\$1,582		\$1,330		

*Lower limit of the 1st quartile

Adjusted *('000\$)

Financial Situation

FUNBODEM’s financial position is good. It has achieved improved profitability, although adjustments for inflation reduce returns significantly. Its financial structure is strengthened by a high level of local funding and good management of currency mismatch risk. There has been an increase in the debt level, although it is not significant.

Operations and Portfolio Quality

The lending methodology is acceptable for the environment in which the MFI operates, achieving a good level of standardization of application in the field. The growth achieved in 2010 is important, although it was achieved through larger loans to existing clients. Portfolio quality is at a good level; however, its downward trend is worrisome. In the Bolivian context, it could affect long-term sustainability.

Organization and Management

Organizational structure has been strengthened with the aim of becoming a regulated institution. Despite high staff turnover, the institution maintains acceptable levels of efficiency and productivity. Controls are

adequate, although further specialization is expected. The MFI’s information system has been strengthened.

Governance and Strategic Positioning

FUNBODEM has a stable and committed Board, although it has not been significantly strengthened with the impending transformation into a regulated entity. The Board works closely with the institution and denotes an increased level of expertise, although there is a lack of clarity regarding the target niche. Its small scale limits its reach. In addition, having operations only in the state of Santa Cruz keeps the MFI from achieving its mission of being a leader with national coverage.

Social Perspective



FUNBODEM is a microfinance institution with a significant social focus. It has an ambitious mission and vision, which makes fulfilling these goals a challenge. There is no clear strategy for its target niche, resulting in mission drift that can be seen by a declining percentage of women borrowers and growing loan sizes.

ANNEX 1 – MicroRate Performance Rating Definition

<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>

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