July 2007

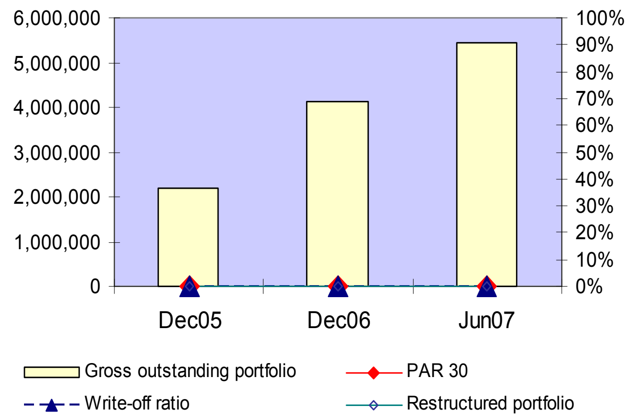
Frontiers – Kyrgyzstan

Final Rating	BBB
First rating	Validity: 1 year if no relevant changes in operations or within the operation context will happen.. The final rating grade does not consider the political and economic context.

Registered in July 2003 under the framework of the Central Asia (CA) MicroFinance Alliance (CAMFA) project, the Micro Lending Company (MLC) Frontiers begun its operation as pure second tier lending institution in early 2004 with an initial capital of US$ 3 M and a significant amount of grants for covering operating expenses (US$ 400,000). In order to fulfill its mission, which consists in supporting the growth and expansion of the non-bank financial institution community in CA, Frontiers is at the moment providing lending services in three countries, namely Kyrgyzstan, Tajikistan and Kazakhstan. As of June 2007 the second tier MLC has 35 active clients and an outstanding portfolio worth almost US$ 5.7 M. Over the last 1.5 years Frontiers has managed to significantly increase its access to commercial funds and build important partnership with international investors.

Legal Form	2nd tier MCC
Inception year	2003
Area of intervention	Urban/Rural
Credit methodology	Individual

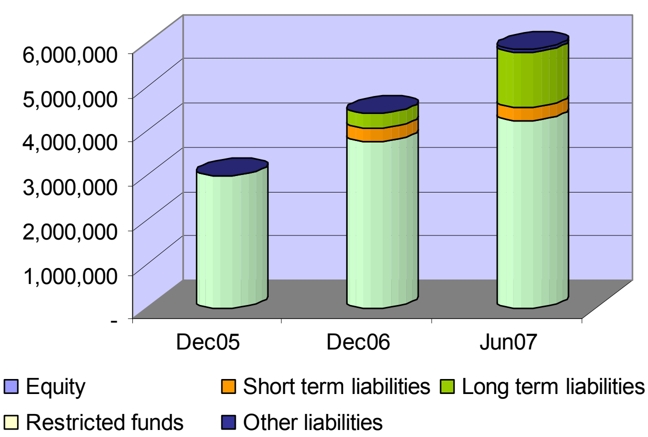
Portfolio quality evolution



US$	Jun07
Average disbursed loan size	104,669
Gross outstanding portfolio	5,429,726
Total assets	5,848,520

Number	Dec05	Dec06	Jun07
Active borrowers	18	31	35
Active loans	29	51	61
Branches	1	1	1
Total staff	8	9	10
Loan officers	1	3	4

Liabilities and Equity - US$



Financial Indicators	Dec05	Dec06	Jun07
PAR 30	0.0%	0.0%	0.0%
Write-off ratio	0.0%	0.0%	0.0%
Restructured loans	0.0%	0.0%	0.0%
ROE	3.1%	2.4%	6.5%
AROE	-3.0%	-3.5%	2.7%
Oper. Self-sufficiency (OSS)	162.7%	130.9%	172.7%
Fin. Self-sufficiency (FSS)	78.7%	84.6%	126.4%
Staff productivity (borrow.)	2	3	4
LO productivity (borrow.)	18	10	9
Operating expense ratio	7.9%	6.6%	4.5%
Funding expense ratio	0.0%	0.9%	1.9%
Provision expense ratio	0.0%	0.0%	0.0%
Portfolio yield	15.2%	14.7%	14.7%
Risk coverage ratio	n.ap.	n.ap.	n.ap.
Cost of funds ratio	0.0%	6.3%	9.4%
Debt/Equity ratio	0.0	0.2	0.4

n.ap. = not applicable

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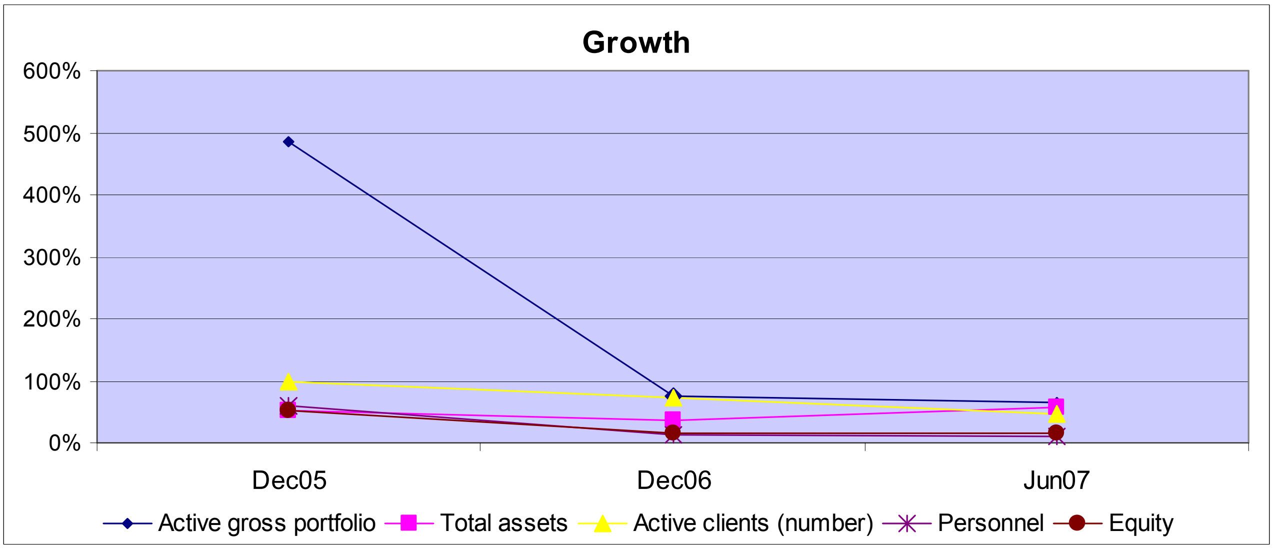
AREA	Risk factors	Relevance*
External environment	Political instability	Medium
	Some rigidities in the fiscal framework	Low
	Growing presence of international investors in the region	Medium-low
	Competition on human resources	Medium-low
Governance, management and operations	Key person risk	Medium-low
	Limited presence of the BoDs in the region	Medium-low
	Reconciliation between internal and audited financial statements is not performed systematically	Low
	Some shortcomings in the MIS	Medium
Financial products and asset quality	Issues in diversifying lending products	Medium-low
	Concentration of portolio in few clients	Medium-high
	On-site monitoring post disburement to be strenghten	Medium-low
	High risk profile of some of the clients	Medium
Financial structure and ALM	Interest rate risk	Medium-low
	Lack of ALM policies and tools. No risk management framework	Medium
	Currency risk	Medium-high
Financial and operational results	Provision cost not included in IS	Medium-low
	Profitability needs to be consolidated	Medium-low
	Improvable efficiency and productivity	Medium-low
Strategic objectives and future evolutions	Some shortcomings in business planning	Low
	Risks related to the business model	Medium

*** Relevance refers to the damage/loss brought about by negative events (associated to each risk factor) and to the probability that damage/loss eventually occurs.**

Strengths	Opportunities
• *Strong and committed founder* • *Existing and potential partnership with several domestic and some international actors;* • *Good knowledge of the market reached;* • *Young and motivated management and staff.*	• *Development of new lending products;* • *Expansion in new countries within the NIS;* • *Existing unmet demand for credit in the countries reached;* • *Participation into Frontier's equity of international investors.*

Frontiers Head Office ●



Final opinion

Frontiers is a rapidly growing second tier microcredit company which has achieved positive levels of profitability and sustainability exploiting the significant demand for credit in the market, the large equity base and an increasing access to funds from international investors. Efficiency and productivity stands at adequate levels, although showing some room for further improvement.

Nevertheless, Frontiers' business model bears some implicit threats. First of all, its outreach in depth brings about some uncertainties linked to the presence of small institutions with a rather risky profile. Besides, portfolio, which was initially built up lending to the best performing MFIs of the area, shows a relevant concentration in a few large clients. Moreover, the increasing leverage, necessary to sustain its growth, triggers a rather high, although declining, currency risk, and a certain pressure on the already narrow margin, also due to the high cost of funds.

In order to continue proving to be a cost effective way to serve local microfinance institutions, including smaller ones, and thus attract cheaper funds from international investors, Frontiers needs to consolidate profitability, through further enhancing efficiency and productivity, and contain financial risks.

Annex 6 - Rating Scale

Rating grade	Definition
AAA	Extremely strong capacity to meet its financial obligations. Excellent operations. Very stable and highly unlikely to be adversely affected by foreseeable events.
AA	Very strong capacity to meet its financial obligations. Very good operations. Stable and unlikely to be adversely affected by foreseeable events.
A	Strong capacity to meet its financial obligations. Very good operations. Stable even if it could be affected by major internal or external events.
BBB	Adequate capacity to meet its financial obligations. Good operations. Quite stable even if it could be affected by significant internal or external events.
BB	Limited vulnerable capacity to meet its financial obligations. Adequate operations. Quite stable even if it could be affected by internal or external events.
B	Partially vulnerable capacity to meet its financial obligations. Sufficient operations. Not completely stable and vulnerable to internal or external events.
CCC	Vulnerable capacity to meet its financial obligations. Basic operations. Potentially unstable and vulnerable to external or internal events.
CC	Highly vulnerable capacity to meet its financial obligations. Poor operations. Potentially unstable and vulnerable to external or internal events.
C	Very high vulnerable capacity to meet its financial obligations. Very poor operations. Unstable and very vulnerable to external or internal events.
D	Not able to meet its financial obligations. Insufficient operations. Very unstable and completely vulnerable to external or internal events.

The rating grade can be corrected with a + or – sign, which implies a slight positive or negative variation respect to the main grade.