



An exciting first half of the year



2008 started on a high note for BlueOrchard with the launch of its second company, BlueOrchard Investments which concentrates on **private equity investments** in microfinance institutions and networks. The review of our **performance in 2007 and in the first half of 2008** showed remarkable results. In March 2008, we welcomed a record-breaking commitment to microfinance by **PGGM**, the second largest European pension fund manager based in the Netherlands. Our flagship fund, the Dexia Micro-Credit Fund (DMCF) was granted the **LuxFLAG label** for the second year running. BOLD 2, last year's collateralised debt obligation received the prestigious **FT "Sustainable Deal of the Year"** award on June 3, 2008 in London. To crown it all, BlueOrchard integrated several **new staff members** in its teams since the beginning of 2008.

We are proud to present **"BlueNews"**, our revamped quarterly newsletter. We invite you to read on to find out more about our latest achievements and activities.

Please don't hesitate to contact us with any enquiries or comments; we look forward to hearing from you.

Antonella Notari
Head of Corporate Communication
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Excellent results for 2007 and a promising first half for 2008

BlueOrchard Finance SA significantly expanded its activities in 2007 and came close to doubling its portfolio. The growth continued during the first half of 2008: as of 30 June 2008, BlueOrchard had USD 761.7 million under management of which USD 667.2 million invested with 133 microfinance institutions (MFIs) in 37 countries, up from USD 680.3 million under management with USD 579.9 million invested in 117 MFIs in 36 countries at the end of 2007.

From the inception of the company in 2001 to 30 June 2008, BlueOrchard has allocated 720 loans to 170 institutions. To this day, all the loans made by BlueOrchard since its inception have been reimbursed without any default.

Read more about our achievements and activities in 2007 in our recently published Annual Review 2007 at: www.blueorchard.org/jahia/webdav/site/blueorchard/shared/HomePage/BO_Annual_Reviews/BO_AR_2007.pdf

BlueOrchard Private Equity Fund off to a good start

At the end of 2007, BlueOrchard launched its first microfinance private equity fund.

The BlueOrchard Private Equity Fund is incorporated as a limited partnership in Luxembourg and is currently capitalized at USD 37 million raised from leading private institutional and individual investors. This amount will be significantly increased by the final closing date at the end of 2008.

The Fund seeks to forge long-term partnerships with microfinance organisations across the world. It intends to acquire minority stakes (between 15% and 30% of the capital), investing in the development of microfinance, while playing

an active governance role by sharing international experience, information, networks and knowledge. It is committed to achieve strong tangible social returns along with a reasonable economic return.

The BlueOrchard Private Equity Fund is advised by BlueOrchard Investments, an equity management company based in Geneva, Switzerland. Jean-Philippe de Schrevel, CEO, heads the team which includes Myriam Djari, Xavier Pierluca and Sarah Djari, Investment Managers; and Christian Schattenmann, Office Manager. (See bios at: www.blueorchard.org/jahia/Jahia/site/blueorchard/pid/162).

Major European Investment in BlueOrchard's Microfinance Scheme

PGGM, the leading provider of retirement services in the Dutch healthcare sector, launched a global investment programme of EUR 200 million in the microfinance sector in March 2008. A first investment of EUR 27 million was placed by PGGM in the Dexia Micro-Credit Fund (DMCF) managed by BlueOrchard Finance S.A. PGGM expects to invest the total amount of EUR 200 million over the coming 2 to 3 years through specialised microfinance investment vehicles. BlueOrchard is PGGM's choice of manager for this important initial stage.

(More at: www.blueorchard.org/jahia/Jahia/lang/en/pid/166).

LuxFLAG label for the Dexia Micro-Credit Fund (DMCF) renewed



LUXFLAG
microfinance
investment vehicle

The Luxembourg Fund Labelling Agency is an independent entity whose charter members represent the private sector, the non-governmental organisations sector and the State of Luxembourg. The principle eligibility criteria to obtain the

Luxflag Microfinance Label are that the microfinance vehicle must:

- be subject to supervision by a national regulator;
- have a microfinance portfolio corresponding to at least 50% of total assets;
- have at least 25% of its microfinance portfolio invested in MFIs rated by a microfinance rating agency recognised by Luxflag.

The Luxflag Label is intended for MIVs which have a commercial objective.

(More at: www.luxflag.org)

BlueOrchard Loans for Development 2007 (BOLD 2) received FT's Sustainable Deal of the Year Award on June 3, 2008

The BOLD 2 transaction is a landmark deal that has helped to broaden microfinance as an asset class for mainstream investors, while simultaneously providing credit to tens of thousands of individual borrowers at more favourable terms. BlueOrchard and Morgan Stanley launched BOLD 2 at the end of April 2007 as a Collateralised Loan Obligation (CLO) of unsecured loans amounting to USD 110.2 million, of which the equivalent to USD 106.7 million were lent to 20 microfinance institutions based in 11 emerging countries. These funds were on-lent by the microfinance institutions (MFIs) to approximately 70,000 low-income people - over half of them

women - for entrepreneurial activities. The combination of innovative structuring of the CLO and a first time rating by a major international rating agency (Standard & Poor's) attracted a wide institutional investor base. Ground-breaking currency swaps allowed nearly 60% of the loans in BOLD 2 to be in local currencies, including Mongolian Tugrik and Peruvian New Soles, Colombian Pesos and Russian Roubles, as well as USD and EUR. All the currencies were swapped back to the currencies of the notes, in order to protect investors. The swap provider for all was Morgan Stanley, who also arranged the transaction and acted as placement agent. BlueOrchard

Finance S.A. originated the loans and selected and services the MFIs. The 21 investors in BOLD 2007 include banks, insurance companies, money managers, mutual and hedge funds, and corporate accounts. The rated notes were heavily oversubscribed, signaling broad interest in microfinance from institutional investors.

The FT Sustainable Banking Awards Jury said "If the CDO market is drying up, this is just the type of product we need to bring it back to life."

(More at: www.blueorchard.org/jahia/site/blueorchard/Products_1/pid/201).

BlueOrchard's Jean-Philippe de Schrevel, also founder and CEO of Bamboo Finance, joins World Economic Forum's Global Agenda Council on Philanthropy and Social Investing

The council, consisting of the 15 to 30 most knowledgeable and authoritative personalities in the field, is integrated into the World Economic Forum's Network of Global Agenda Councils addressing all the crucial challenges of humankind so as to ensure that connections between

global issues are fully explored. The Network of Global Agenda Councils will have a major impact on shaping the global agenda by monitoring and prioritizing world-wide challenges, by elaborating solutions and by being available in crisis management situations. It will also act as an

advisory board to the World Economic Forum and other interested parties, such as governments and international organizations.

(More at: www.bamboofinance.com and at www.weforum.org)

How micro-credits change people's lives

Maria M., client of Edyficar in Lima, Peru, holds a small vegetable stand at the local market and runs a mini bus for public transport in her neighbourhood. BlueOrchard asked Maria what impact the micro credits she took over the past few years had on her and her family's lives.

"When you know how to plan and how to organise your life, everything becomes possible. With the loans we took and which we were able to repay in due time, we improved the results of our business, we increased our revenues and we enhanced our quality of life. Two of my sons are presently studying at university and I am able to support them thanks to my successful business."

Over the past 3 years, Maria and her husband have taken out four loans with Edyficar for a total amount of about USD 4,500 and have repaid three of them in due time and with interests. The fourth loan is still running. These funds have served them as working capital for their small businesses and have helped to finance their children's education and to improve their family's living conditions.



A view on our products and services in figures

Indicators of the socio-economic scope of BlueOrchard's investments

As of 30 June 2008, BlueOrchard Finance S.A. manages a total portfolio of USD 691.2 million. The average loan made by partner MFIs to micro-entrepreneurs is of USD 1721.

This means that since inception to 30 June 2008, BlueOrchard has facilitated about 4 million loans to micro-entrepreneurs.

Over half of the loans provided by our partner MFIs are granted to women (52%)*.

More than a third of the loans they make go to rural micro-entrepreneurs (38%)*.

Nearly one in five is dedicated to agriculture (19.3%)*.

*These figures relate to the total portfolio under management by BlueOrchard at December 31, 2007.

The growth of BlueOrchard Finance S.A.

As of 30 June 2008, BlueOrchard had USD 752.3 million assets under management. The number of full time employees was of 36.5.

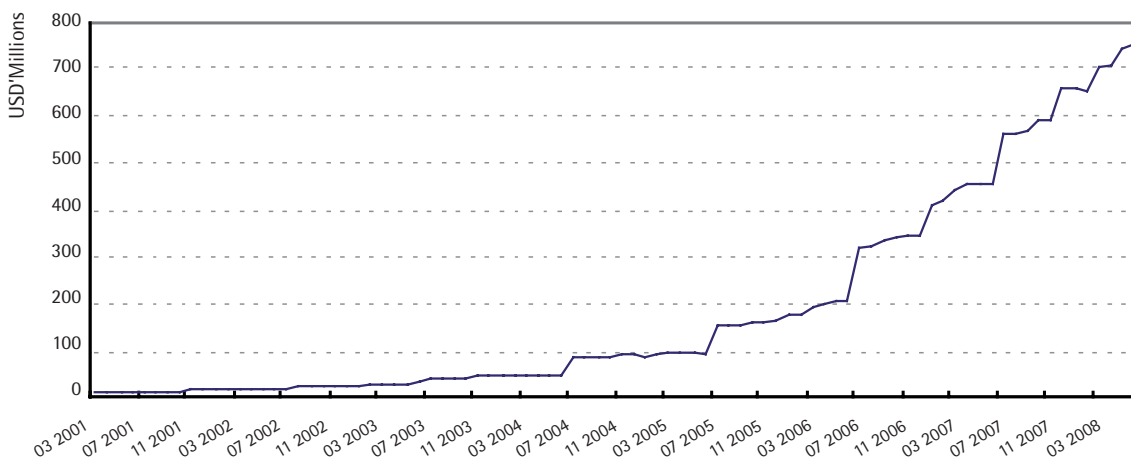


Table showing the growth of BlueOrchard Finance S.A.'s assets under management since inception from March 2001 to June 2008.

A global view of funds managed or co-managed by BlueOrchard Finance S.A.

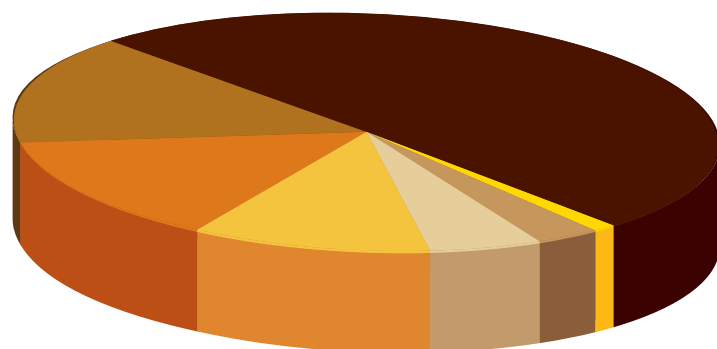


Chart showing the part of each fund managed or co-managed by BlueOrchard Finance S.A. of the total assets under management as of 30 June 2008.

Dexia Micro-Credit Fund – BlueOrchard's flagship commercial investment fund designed to refinance microfinance institutions specialised in financial services to small entrepreneurs in emerging markets. It represents over 50% of the portfolio managed by BlueOrchard.

Figures in USD as of 2 July, 2008

Net Asset Value	USD 397.2 million
Average loan to MFI USD	1.7 million
Loan average maturity	27.3 months
Number of loans outstanding:	200
Number of MFIs with outstanding loans:	101
Number of countries in which there are outstanding loans:	30

Share value	ROI 08 (YTD)	ROI 07
USD 16,117.90	2.65%	6.21%
CHF 11,739.10	2.19%	2.85%
EUR 12,405.90	3.19%	4.77%

Average performance of DMCF USD share class from January to June 2008

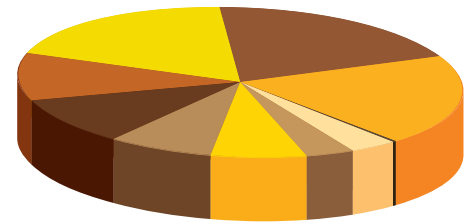
was Libor USD at 6 months: + 2.26%

Average performance of DMCF EUR share class from January to June 2008

was Libor EUR at 6 months: + 1.78%

Average performance of DMCF CHF share class from January to June 2008

was Libor CHF at 6 months: + 1.55%



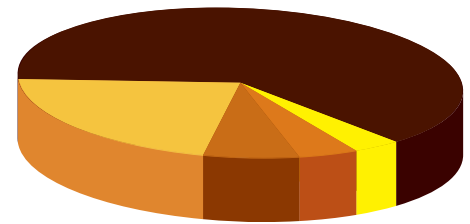
- Russia, Central Asia and Caucasus 18.9%
- East Europe 19.4%
- Middle East and North Africa 0.2%
- Central America and The Caribbean 10.2%
- Liquidities 9.8%
- South America 20.0%
- South Asia 7.4%
- East Asia and the Pacific 6.9%
- Africa 3.6%
- Other Assets 3.6%

Geographic distribution of the DMCF fund as of 2 July 2008 in % of Total Assets

ResponsAbility Global Microfinance Fund – A fund conceived to work with investment partners and investment vehicles that have expertise and experience in their specific market segments. BlueOrchard Finance S.A. acts as a direct investment partner for microfinance debt products.

Figures in USD as of 30.06.2008

Net Asset Value (total of the fund)	298.9 million
BlueOrchard advising for	7.4 million
Number of loans outstanding:	10
Number of MFIs with outstanding loans:	9
Number of countries in which there are outstanding loans:	7



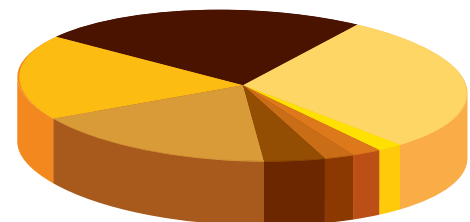
- South America 63.7%
- Russia, Central Asia and Caucasus 3.4%
- Central America and The Caribbean 4.4%
- East Asia and the Pacific 7.1%
- East Europe 21.4%
- Central America and The Caribbean 4.4%

Geographic distribution of the Respa fund as of 30 June 2008 in % of the MFI portfolio managed by BlueOrchard

Saint-Honoré Microfinance Fund – The fund is co-managed by BlueOrchard Finance and Edmond de Rothschild Asset Management (EDRAM). It invests in a wide range of microfinance apex institutions and acts as a "fund of funds".

Figures in EUR as of 30.06.2008

Net Asset Value:	13.6 million
Portfolio maturity:	12.81 months
Number of loans outstanding:	20
Number of MFIs with outstanding loans:	11
Number of countries in which there are outstanding loans:	9
Share value EUR 5,321.57	
Return on Investment (ROI) 07	2.21%
ROI 08 (YTD)	1.80%
Cumulated ROI since inception (11/2005):	6.43%



- North America 23.9%
- Liquidities 29.4%
- East Europe 17.3%
- East Asia and the Pacific 2.3%
- Russia, Central Asia and Caucasus 18.5%
- Central America and The Caribbean 2.1%
- South America 4.6%
- Other Assets 1.8%

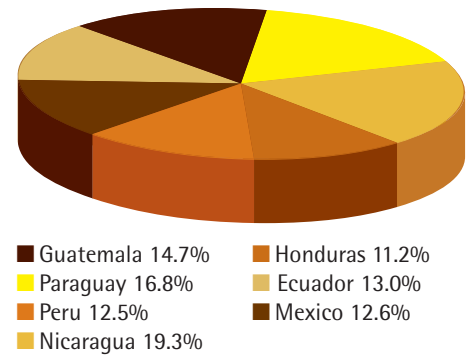
Geographic distribution of the fund as of 30 June 2008 in % of Total Assets

BBVA Codespa (Banco Bilbao) Microfinance fund – A fund used for loans to MFIs in Latin America, partially unhedged. BlueOrchard advises BBVA on these investments.

Figures in USD as of 31.05.2008

Net Asset Value:	23 million
Portfolio maturity:	25.74 months
Number of loans outstanding:	26
Number of MFIs with outstanding loans:	22
Number of countries in which there are outstanding loans:	7

60% of the loans made from this fund are made in local currency.



Geographic distribution of the fund as of 31 May 2008 in % of the MFI portfolio managed by BlueOrchard

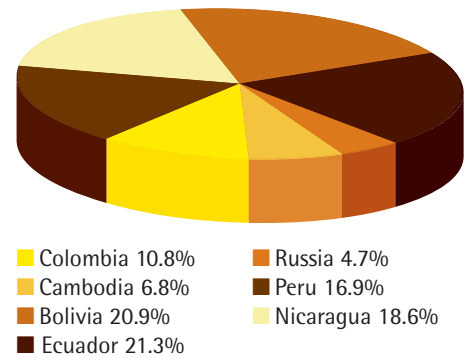
BlueOrchard Microfinance Securities 1 (BOMS 1) LLC, 2004/2005 - The world's first international structured microfinance product created by BlueOrchard with two partners offered US private and institutional investors an opportunity to acquire notes collateralised by MFI debt obligations (CDO). The CDO closed in two tranches (2004 and 2005).

Figures in USD as of 30.06.2008

Total Assets:	80.3 million
Portfolio:	74 million
Number of loans outstanding:	16
Number of MFIs with outstanding loans:	13
Number of countries in which there are outstanding loans:	7

Yield:

OPIC Notes yield:	4.45%
A Notes yield:	4.94%
B Notes yield:	6.10%
C Notes yield:	8.27%



Geographic distribution of the fund as of 30 June 2008

BlueOrchard Loans for Development 1 (BOLD 1), 2006 – A second collateralised debt obligation closed in April 2006 with Morgan Stanley and FMO (the Netherlands Development Finance Company) as partners.

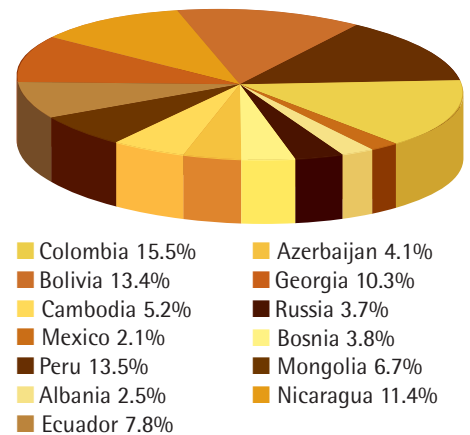
Figures in USD as of 30.06.2008

Total Assets:	99.2 million
Portfolio:	96.7 million
Number of loans outstanding:	21
Number of MFIs with outstanding loans:	21
Number of countries in which there are outstanding loans:	13

27.6% of the loans made from this fund are made in local currency

Yield:

B notes: estim. To	9.14%
A notes1: EUR Euribor 3M +	0.75%
A2 notes:	5.586%
A3 notes:	6.017%



Geographic distribution of the fund as of 30 June 2008

BlueOrchard Loans for Development 2 (BOLD 2), 2007 – A third collateralised debt obligation closed in May 2007 with Morgan Stanley and FMO (the Netherlands Development Finance Company) as partners. Like its predecessors, BOLD 2 finances non-guaranteed loans to a diversified portfolio of microfinance institutions. Part of the loans were be in local currencies, with exchange rate risks being covered by derivative products. This was the first structured finance transaction to be rated (by Standards & Poors).

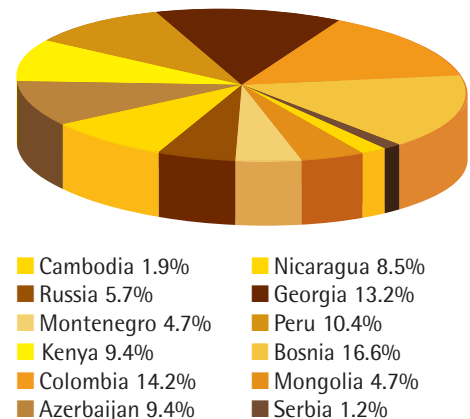
Figures in USD as of 30.06.2008

Total Assets:	110.2 million
Portfolio:	106.7 million
Number of loans outstanding:	21
Number of MFIs with outstanding loans:	20
Number of countries in which there are outstanding loans:	12

57.5% of the loans made from this fund are made in local currency

Yield:

A notes:	5.61%
B notes:	6.16%
C notes:	7.73%
X notes:	10.96%



Geographic distribution of the fund as of 30 June 2008

BlueOrchard's new team members

Lynn Martin joined BlueOrchard Finance S.A as new Director of Investor Relations in March. Previously, Lynn was Managing Director at Zephyr Management, L.P., an emerging markets' private and public equity investment firm, with responsibility for client relations and marketing. From 1991 to 2004, Lynn was Managing Director at Credit Suisse Asset Management and at a predecessor firm, Warburg Pincus Asset Management, where she built the highly successful Post Venture/Distribution Management equity investment business, globally. Earlier, Lynn began her career as an investment banker. She holds an MBA from Columbia University with concentrations in finance and accounting, and a BA in Mathematics from Smith College. Lynn will be based in the New York office.

Maria Teresa Zappia, recently started as Director of Investment Analysis. Maria Teresa previously worked for the European Bank for Reconstruction and Development (EBRD) for over 8 years, first in Uzbekistan and then in London, graduating from Associate to Principal to Senior Banker. Most recently, she was in the Group for Small Business which is EBRD's microfinance team. She holds a Master of Philosophy in Development Studies from the University of Sussex (UK), and a Degree in Economics (BA & MA equivalent) from the University of Florence (Italy). (More on: www.blueorchard.org/jahia/Jahia/site/blueorchard/lang/fr/pid/25)

Jane Bieneman just started at the BlueOrchard USA office as Director of Financial Advisory Services. Jane worked at Citigroup's investment bank from 1995 to 2007. She originated and executed private equity financings as well as advised clients on debt and equity capital markets transactions and mergers and acquisitions. In addition, Jane was a senior

member of the team that launched Citigroup's Public Sector Group which is responsible for the firm's business globally with public sector clients. Most recently, Jane worked with Women's World Banking to establish an equity fund for its network members. Jane began her career as a commercial loan officer for The Fifth Third Bancorp. She holds a BA from Dartmouth College and an MBA from the Kellogg Graduate School of Management at Northwestern University.

Antonella Notari was appointed head of corporate communication for BlueOrchard in January 2008. She was previously spokesperson and head of media relations and public communication of the International Committee of the Red Cross (ICRC) after having served for over 11 years as a delegate of the ICRC. She holds a MSc in Media and Communication of the London School of Economics and a licence ès lettres of the University of Geneva.

The following analysts joined the BlueOrchard Finance team recently: **Veronika Giusti Keller** for Central America and the Caribbean; **Anne-Lucie Lafourcade** for West and Central Africa, Eastern Europe and Bosnia-Herzegovina; **Gulnaz Abdрахmanova** for Central Asia and the Caucasus; **Vincent Oswald** for Russia, the Caucasus and Central Asia. **Dipti Singh Malik** joined the team as a consultant for India, Nepal and Sri Lanka. **Aline Crettol** (executive assistant, BlueOrchard Geneva), **Lurdes Mallon** (office manager, BlueOrchard USA), **Carla Cilloniz Fassioli** (office manager, BlueOrchard Lima) and **Robert Barcos** (Head of IT) came in to support to our operational teams.

(See also: www.blueorchard.org/jahia/Jahia/lang/en/pid/25)

Important up-coming events...

The **World Microfinance Forum Geneva (WMFG)** will hold its International Symposium "Building Fair Financial Markets for All" on October 1-2 in Geneva, Switzerland.

BlueOrchard is a founding member of the WMFG. More on: www.microfinanceforum.org

... and more events of note

(A non-exhaustive list of events to which BlueOrchard staff will participate in the near future)

- 28-31 July, Asia Pacific Regional Microcredit Summit, Bali, Indonesia. See: www.inamicrocreditsummit.org
- 27-29 August, IV Central American Conference on Microfinance, Guatemala. See: www.redcamif.org/index.php
- 10-11 September, 9th International Sustainability Leadership Symposium, Zurich, Switzerland. See: www.sustainability-zurich.org/en/p67000184.html
- 8-10 October, XI Inter-American Forum on Microenterprise: From the Margin to Mainstream, Greater Asuncion, Paraguay. See: www.iadb.org/mif/foromic/index.cfm?language=English
- 4-7 November, SEEP Annual Conference, Washington, USA. See: www.communities.seepnetwork.org/ac_2008/node/990
- 13-15 November, Net Impact Advantage, Wharton University, Philadelphia, USA. See: www.netimpact.org/displaycommon.cfm?an=1&subarticlenbr=2029

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