

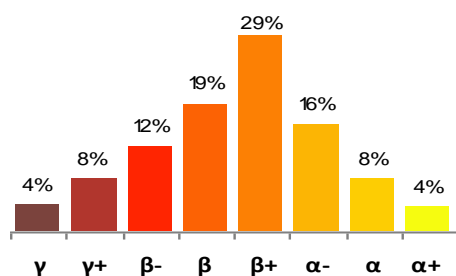
February 2011

FORJADORES DE NEGOCIOS
Mexico

β+

Low credit risk. Operations are being consolidated. Profitability is recovering.

Financial Situation¹
Rating Perspective
Social Rating²
β+
Stable



-	↑	+
Date of Visit		Dec.-10
Previous Rating		n.a.
Date of Previous Rating		n.a.
Num. of Ratings		1st.
Audit	Dec-09,	KPMG

¹ See Annex 1 ² See Social Rating

Main Performance Indicators

	Dec-08	Dec-09	Dec-10
Gross Loan Portfolio ('000\$)	\$3,439	\$6,067	\$17,603
Number of Borrowers	15,845	24,847	53,520
Leverage	35.2	3.9	4.4
ROE*	-182.0%	-87.8%	27.9%
Portfolio Yield	85.2%	90.0%	81.8%
Portfolio at Risk	1.7%	3.2%	1.4%
Average loan	\$217	\$244	\$329
Operating Expenses	92.0%	82.8%	52.4%
Number of borrowers per	115	99	132
Operating Margins	-32.3%	-13.2%	12.6%

* Adjusted

Summary Description

FORJADORES de Negocios began operations in 2005 as a Multi-Purpose Financial Institution. Forjadores is part of the Community Action Group of Peru (ACP), which holds a majority stake in the MFI and has a significant presence in the microfinance sector in various Latin American countries. It offers microcredit through municipal banks mainly in semi-urban areas, through a network of 18 branches spread across various states of the country's central region. As of December 2010, it has a portfolio of US\$ 17.4 million and more than 53,000 customers. The institution does not take deposits.

Rating Rationale

A highly trained board of directors with good leadership has been fundamental in the changes being undertaken by FORJADORES. These changes have led to favorable results in the last quarter.

The board of director's clear mission has allowed the development of a strategy that emphasizes internal and methodological strengthening, which is adequate for the institution's operations, although weaknesses remain in the monitoring of processes in the field. Despite these weaknesses, the institution has experienced excellent quality results. Efficient financial management has led to a rapid and favorable recovery of profitability and reinforced a solid financial structure.

FOJADORES faces significant challenges, especially given the strong growth planned for the coming quarter. According to MicroRate, the monitoring of field operations and the management of internal controls (now being consolidated) are areas for improvement. High staff turnover remains a challenge given its direct impact on the methodological standardization and the strength of the organizational structure.

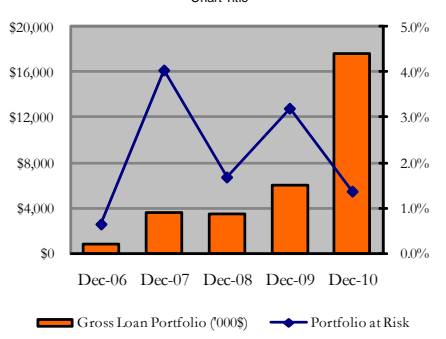
Highlights

- Adequate methodological design
- Excellent portfolio quality
- Capable and experienced staff
- Experienced board of directors
- Specialized and solvent shareholders

Risk Factors

- Limited monitoring of field processes
- Controls in the process of consolidation
- High staff turnover
- High growth rate

Summary

FORJADORES			MicroRate Group		MicroRate México	Gross Loan Portfolio vs Portfolio at Risk
Indicator	Dec-10	Quartile	1st Quartile*	Average	Average	
ROE**	27.9%	1ero	12.9%	7.6%	2.5%	
Leverage	4.4	4to	1.1	2.1	2.6	
Portfolio at Risk	1.4%	2do	1.3%	3.7%	8.4%	
Operating Expenses	52.4%	4to	26.6%	37.7%	47.1%	
Number of borrowers per staff	132	2do	172	146	79	
Operating Margin	12.6%	1ero	5.0%	3.8%	3.6%	
	Dec-10		Average		Average	
Gross Loan Portfolio***	\$17,603		\$9,666		\$17,671	
Number of Borrowers	53,520		28,066		28,722	
Average Loan Balance (per borrower)	\$329		\$417		\$552	

*Lower limit of the 1st quartile

**Adjusted

***('000\$)

Financial Situation

FORJADORES has a good financial profile, with a solid financial structure and a notable recovery of profitability. The institution has diverse funding sources, a moderate level of indebtedness, and solvent shareholders.

Operations and Portfolio Quality

After starting operations in 2005, FORJADORES has maintained an acceptable growth rate, which has accelerated in recent periods. Its methodology, which has been successfully standardized, has an adequate design. However, it still lacks the controls that would ensure higher quality growth.

Portfolio quality is excellent. The MFI has good provision coverage, lacks high-risk operations, and monitors arrears well. However, there are some weaknesses in the collection process and the monitoring of solidarity groups, which could alter the institution's results in the medium term.

Organization and Management

FORJADORES has an adequate organizational structure, which relies on the experience and capabilities of its main officials and credit staff. The

clear growth goal has led to greater specialization, although this is yet to be reflected in internal controls, which are still moderate given the size of the MFI's operations and its growth. The institution shows good operational efficiency given its target niche and lending methodology. Nevertheless productivity is still limited.

Governance and Strategic Positioning

Despite only a few years in operation, FORJADORES has experienced rapid growth with increasing momentum in recent periods, favoring its still moderate positioning. This has occurred thanks to a board of directors with a broad vision and strong commitment.

Social Perspective

FORJADORES's operations are consistent with its institutional mission. However, in terms of its social focus, the MFI's mission is broad and vague and there have been no concerted efforts to translate the mission into its operations.

MFI Statistics

Country:	Mexico
Type of MFI:	SOFOM
Regulated or Unregulated:	Unregulated
Size:	\$17.6 million
Number of Clients (Borrowers):	53,520
Number of Branches:	18
Average Loan Size:	US\$ 329
Deposit-Taking:	No
Profitable/Sustainable Since:	2010
Growth Expectation:	100%
Funding Need and Type (Currency):	\$15 million Debt(USD)
Short-Term Funding Need and Type (Currency):	Unknown
Long-Term Funding Need and Type (Currency):	Unknown

About this MFI:

This Mexican microfinance institution has excellent portfolio quality and strong growth. Its strategic position is interesting as it is developing its portfolio in peri-urban areas of middle sized cities in the central region of the country. Clear assets are its strong management team and the backing of its majority shareholder, Peruvian Mi Banco. The institution is currently looking for debt to grow the portfolio but is open to evaluate capital investments.

BALANCE SHEET (US\$'000)	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
ASSETS					
Cash and Banks	11	898	231	561	917
Temporary Investments	-	-	-	-	2
Net Loans	864	3,487	3,318	5,755	17,117
Gross Loans	867	3,574	3,439	6,067	17,603
<i>Performing Loans</i>	862	3,430	3,381	5,873	17,362
<i>Portfolio at Risk</i>	6	144	58	194	241
Loan Loss Reserve	3	87	121	312	487
Interest Receivables	-	226	53	107	187
Other Current Assets	10	366	564	878	1,224
Current Assets	885	4,977	4,166	7,302	19,447
Long Term Investments	-	-	-	-	-
Property and Equipment	49	429	485	391	384
Other Long Term Assets	-	-	-	-	164
Total Assets	934	5,406	4,651	7,692	19,994
LIABILITIES					
Demand Deposits	-	-	-	-	-
Short Term Time Deposits	-	-	-	-	-
Short Term Funding Liabilities	-	957	3,063	3,742	7,208
Other Short Term Liabilities	326	388	468	662	1,687
Current Liabilities	326	1,345	3,531	4,404	8,896
Long Term Time Deposits	-	-	-	-	-
Long Term Funding Liabilities	108	2,412	1,004	1,848	7,717
Quasi-Capital Accounts	-	-	-	-	-
Other Long Term Liabilities	-	-	-	-	-
Total Liabilities	434	3,758	4,535	6,252	16,612
EQUITY					
Capital	447	1,234	1,655	3,707	5,016
Earnings (Losses) Period	15	47	(1,577)	(671)	761
Retained Earnings	(15)	(0)	38	(1,596)	(2,395)
Other Capital Accounts	53	368	-	-	-
Total Equity	500	1,648	116	1,440	3,382
Total Liabilities & Equity	934	5,406	4,651	7,692	19,994
Source of Financial Statements	Audited reports	Audited reports	Audited reports	Audited reports	Management reports

INCOME STATEMENT (US\$'000)	Jan-06	Jan-07	Jan-08	Jan-09	Jan-10
	-	-	-	-	-
For periods between:	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
Interest and Fee Income	568	2,057	2,988	4,279	9,683
<i>Cash Interest and Fee Income</i>	568	1,831	2,936	4,172	9,496
<i>Accruals (Int., Receivables)</i>	-	226	53	107	187
Interest and Fee Expense	48	171	477	540	1,227
Net Interest Income	521	1,886	2,511	3,739	8,456
Provision for Loan Loss	3	84	417	432	767
Net Interest Income After Provisions	518	1,802	2,094	3,307	7,689
Operating Expense	448	1,672	3,227	3,936	6,202
<i>Personnel</i>	-	1,049	1,798	2,369	3,890
<i>Other Administrative Expense</i>	448	623	1,428	1,567	2,311
Net Operating Income	70	130	(1,133)	(630)	1,487
Other Income	-	22	20	208	110
<i>Investment Income</i>	-	-	-	-	5
<i>Other Non-Extraordinary Income</i>	-	22	20	208	105
Other Expenses	23	42	463	249	301
<i>MFI's Inflation Adjustment (if any)</i>	-	-	-	-	-
<i>Other Non-Extraordinary Expenses</i>	23	42	463	249	301
Net Not-Operating Income	47	111	(1,577)	(671)	1,296
Extraordinary Items	-	-	-	-	-
<i>Extraordinary Income</i>	-	-	-	-	-
<i>Extraordinary Expense</i>	-	-	-	-	-
Net Income Before Taxes	47	111	(1,577)	(671)	1,296
Taxes	32	64	-	-	535
Net Income	15	47	(1,577)	(671)	761
Source of Financial Statements	Audited reports	Audited reports	Audited reports	Audited reports	Management reports

ADJUSTED COMPARISON TABLE
 (US\$'000)

Period: June 2010

	FORJADORES*	Group	Mexico	Median
Loan Portfolio				
Gross Loan Portfolio (US\$'000)	\$17,603	\$9,666	\$17,671	\$29,796
<i>Annual Change in Gross Loan Portfolio</i>	190.1%	26.7%	31.1%	29.1%
Number of Loans Outstanding	53,520	31,938	33,108	32,606
<i>Annual Change in Number of Loans Outstanding</i>	115.4%	9.6%	8.2%	11.5%
Number of Borrowers	53,520	28,066	28,722	31,219
<i>Annual Change in Number of Borrowers</i>	115.4%	13.6%	6.1%	12.8%
Average Loan Balance (per borrower)-Actual Amounts	\$329	\$417	\$552	\$1,330
Portfolio at Risk (Arrears 30-180 Days)/ Gross Loan Portfolio	1.4%	3.7%	8.4%	5.9%
Write-offs / Gross Loan Portfolio	2.7%	3.1%	4.9%	1.8%
Unadjusted Loan loss reserves / Unadjusted Portfolio at Risk	202.0%	207.9%	94.6%	264.2%
Loan loss provision expense / Average Gross Portfolio	6.5%	3.3%	6.2%	3.1%
Efficiency and Productivity				
Total operating expense / Average Gross Portfolio	52.4%	37.7%	47.1%	18.4%
Number borrowers per credit officer	219	316	161	269
Number of borrowers per staff	132	146	79	124
Portfolio yield	81.1%	48.0%	63.2%	30.7%
Personnel Expense/ Average Gross Portfolio	32.9%	24.3%	29.1%	11.3%
Credit officers / Total personnel	60.4%	47.9%	48.7%	47.1%
Incentive Pay as % of Base Salary	0.0%	36.3%	37.7%	47.7%
Percent of Staff with MFI < 12 Months	n/a	24.2%	42.0%	32.9%
Total operating expense / Borrower	\$158	\$144	\$250	\$216
Financial Ratios				
Debt / Equity	4.4	2.1	2.6	3.0
Equity/Assets	16.9%	35.9%	28.5%	29.5%
Net Income / Average equity (ROE)	27.9%	7.6%	2.5%	5.1%
Net Income / Average assets (ROA)	4.9%	2.7%	0.4%	1.8%
Interest expense / Average Gross Portfolio	10.4%	6.9%	6.3%	7.2%
Unadjusted Interest expense / Average funding liabilities	12.0%	10.5%	9.0%	8.8%
(Cash + Temp. Investment)/ Gross Portfolio	5.2%	25.0%	18.3%	14.1%
Adjusted operating margin	11.9%	3.8%	3.6%	2.0%
Absolute Currency Amounts (US\$'000)				
Interest and Fee Income	\$9,683	\$3,927	\$11,637	\$8,627
Net Income	\$672	\$237	\$173	\$590
Total Assets	\$19,994	\$12,067	\$24,515	\$35,670
Deposits	\$0	\$124	\$8,923	\$4,797
Funding Liabilities (excl. Deposits)	\$14,925	\$5,983	\$7,115	\$19,532
Equity	\$3,382	\$4,672	\$6,595	\$9,659

*Information as of Dec-10

ANNEX 1

Rating	Performance Rating Definitions
α+ α α-	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 emerging standards in the microfinance industry. <i>Good</i> efficiency and effectiveness. <i>Low Risk/ Risk well managed</i> , leaving the company minimally susceptible to variability during economic cycles. <i>Good</i> future outlook.
β+ β	Those MFIs <i>working to define</i> a relationship among the financial, operational, and strategic, considerations of sound microfinance practices as compares to an international set of similar companies and standards of the microfinance industry. <i>Satisfactory</i> efficiency and effectiveness. <i>Moderate risk / Incipient</i> risk management, leaving the company subject to some variability during economic cycles. <i>Satisfactory</i> future outlook.
β-	Those MFIs that lack a clear and rational relationship among the financial, operational, and strategic considerations of sound microfinance practices as compared to an international set of similar companies. <i>Acceptable</i> efficiency and effectiveness. <i>Moderate risk / Inadequate</i> risk management, leaving the company subject to some variability during economic cycles. <i>Satisfactory</i> future outlook.
γ+ 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 emerging standards in the microfinance industry. <i>Poor</i> efficiency and effectiveness. <i>High Risk</i> , with high variability during economic cycles. <i>Poor</i> future outlook.

Financial Sub-rating
<ul style="list-style-type: none"> Using the same rating scale described above, MicroRate's Financial Sub-rating measures the MFIs financial health based on its financial structure, profitability, operating margins and financial risk management. Whereas the MFIs 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.



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