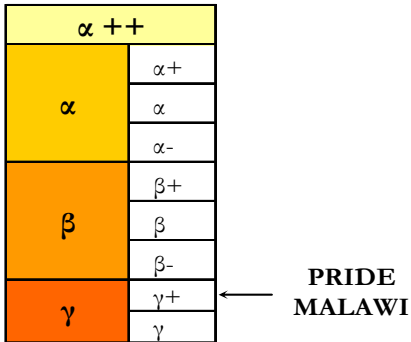


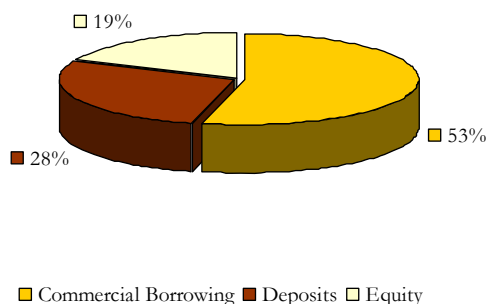
<b>PRIDE MALAWI - First Rating</b>		<b>MALAWI</b>
<b>Company Limited by Guarantees</b>		<i>Report as at December 2006</i>
<b>Contacts</b>		<b>Synopsis</b>
<p><b>MicroRate:</b>  <b>Maria Belen Effio</b>  <a href="mailto:maria@microrate.com">maria@microrate.com</a>            Phone: +27 (11) 803-7117            Fax: +27 (11) 807-3490</p> <p><b>M-CRIL:</b>  <b>Jyoti Gidwani</b>  <a href="mailto:jyotigidwani@m-cril.com">jyotigidwani@m-cril.com</a>            Tel: +91 124 230 9497            Fax: +91 124 230 9520</p>		<p>Initially set up in 2000 as programme of PRIDE AFRICA (regional NGO to promote microcredit services), PRIDE MALAWI - PM became a private MFI limited by guarantees in 2002.</p> <p>PM is still not a sustainable company. Continuing losses have eroded equity and liquidity is critically low. The company is unable to meet its loan obligations. A management strategy that is not well defined and high personnel instability pose additional threats to PM's survival.</p> <p>Specialised in group loan methodology, PM has a portfolio of \$1.1 million, around 8,000 active borrowers and 14 branches nationwide.</p>
<b>PERFORMANCE RATING</b>	<b>γ+</b>	
Date of visit	<b>July 2007</b>	<b>Highlights</b>
Date of previous rating	n.a.	<ul style="list-style-type: none"> <li>Accumulated losses have eroded equity and sapped liquidity to the point where Pride Malawi can neither meet its debt obligations nor adequately fund its operations.</li> <li>Efficiency and staff morale are low. Weak lending practices have resulted in unacceptably low portfolio quality.</li> <li>Neither the Board nor management have developed realistic plans to cope with an increasingly critical situation.</li> </ul>
Previous rating	n.a.	
 <p>The diagram shows a vertical scale of ratings from α++ at the top to γ at the bottom. The γ+ rating is highlighted in orange and has an arrow pointing to it from the label 'PRIDE MALAWI'.</p>		
<b>Principal Performance's Indicators</b>		
	<b>Dec-05</b>	<b>Dec-06</b>
Gross Loan Portfolio*	\$1,266	\$1,074
Number of Clients	7,355	7,799
ROE**	-62.2%	-45.5%
Portfolio yield	76.1%	65.9%
Portfolio at Risk	9.0%	24.7%
Operating Expense	64.1%	65.9%
Average Loan Balance	\$172	\$138
Borrowers per staff	118	93
* (000 \$)		
** Adjusted		

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<b>PRIDE MALAWI</b>	<b>MALAWI</b>	<b>December 2006</b>
<b>Sources of Funding</b>	<b>Rating Rationale</b>	



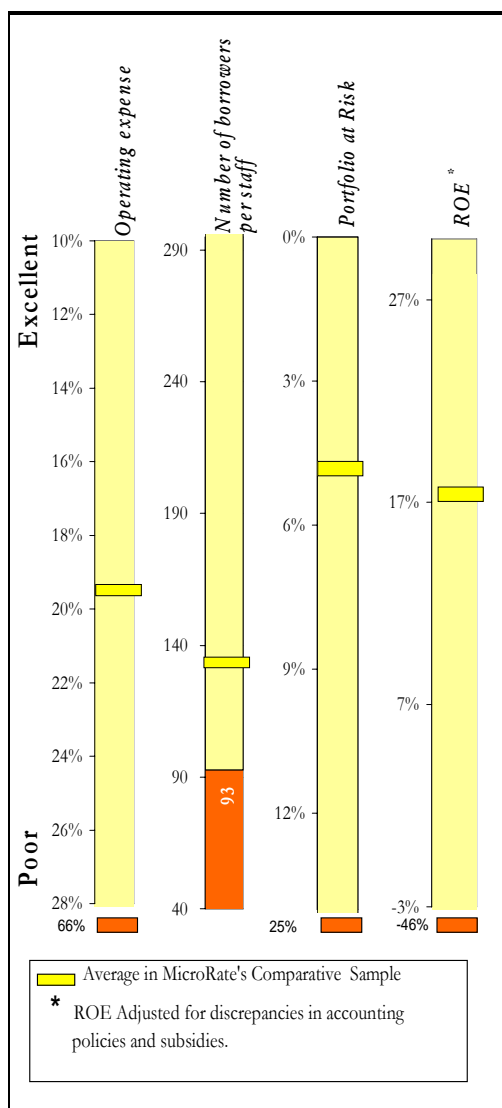
Pride Malawi is currently not a sustainable microfinance institution. Weak operational, strategic and financial performance has seriously affected solvency, putting the MFI's future at risk.

The methodology used for PM's main product (Group Loans) is acceptable. However application of this methodology is being weakened as evidenced by high portfolio at risk.

Operational staff is suffering from high turnover at all levels. This has resulted in low productivity and efficiency. The graph at left illustrates just how far PM lags behind industry norms.

Pride Malawi is operating in an increasingly competitive environment. Even though the company has prepared a "Strategic Plan" and a Business Plan, neither of these documents offers a realistic strategy for coping with an increasingly critical situation.

Negative results due to tightened margins affected by competition, low portfolio quality and high financial expenses are eroding Pride's equity year by year. Minimum levels of liquidity have not only limited portfolio growth but it has also prevented the company from meeting its loan obligations.



The operating expense ratio and ROE compared to all African MFIs rated by MicroRate with average loans < US\$500.