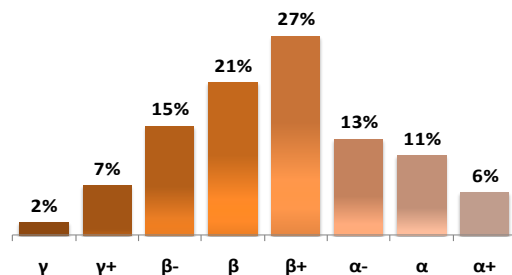


PROMUJER Bolivia | Bolivia | July 2011

α-	Low credit risk and excellent portfolio quality despite a more flexible methodology. Favorable financial structure and recovered profitability.
Stable	Rating Perspective ¹

Financial Situation² β+
 Social Rating³ ★★★★☆
Performance Rating Grade Distribution



-	▲	+
Date of Visit	Jun-11	
Date of Financial Information	Jun-11	
Previous Rating	Jun-10	

Main Performance Indicators

	Jun-10	Dec-10	Jun-11
Gross Loan Portfolio (\$'000)	\$28,056	\$33,793	\$32,860
Number of Borrowers	88,642	90,695	95,801
Leverage	1.0	1.4	1.3
ROE*	-1.0%	2.1%	3.8%
Portfolio Yield	36.7%	34.9%	39.2%
Portfolio at Risk	0.7%	0.9%	0.8%
Average loan	\$317	\$373	\$343
Operating Expenses	30.6%	25.9%	29.8%
Number of borrowers per staff	138	138	129
Operating Margins	-1.7%	2.3%	1.6%

* Adjusted

¹See Annex 1

²See Annex 1

³ See Social Rating

Summary

ProMujer Bolivia is a non-profit entity that has been in operation for 21 years. It maintains a strong position, serving Bolivia's mid-to-low microcredit niche. It provides loans primarily through group methodology. The institution is in the process of separating its financial activities (under a new legal status in Bolivia) from non-financial activities (still under the American NGO ProMujer International).

Rating Rationale

ProMujer is one of the MFIs evaluated by MicroRate with the most knowledge of village banking. Its vast experience operating in an advanced market has allowed it to consolidate its operations and attain a strong position in the mid-to-low microcredit niche. The institution's deep knowledge of its customer base allows it to maintain excellent portfolio quality despite the continued modifications of its methodology, some of which increase its medium-term risk profile.

The institution is financially stressed due to the cost of providing comprehensive services to a niche with a low average loan size. The efficiency and financial management used to regain profitability are remarkable. Its low leverage and high diversification of funding sources are factors that reduce the moderate exchange and interest rate risks. Operationally, challenges remain to adapt the institution's products to its customers' needs and to strengthen the internal arrears monitoring within groups.

Highlights

- + Deep knowledge of village banking methodology.
- + Excellent portfolio quality.
- + Important strengthening of the managerial team.
- + Strong position within the chosen niche.

Risk factors

- + Easing of lending policies.
- + High staff turnover.
- + Limitations of computer systems.
- + Unstable operating margin.

APPENDIX I – Performance Rating Definitions

<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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