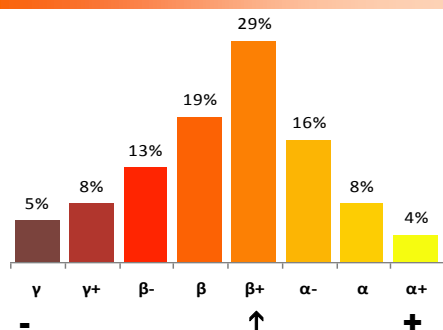


February 2011

PROMUJER INC. NICARAGUA
Nicaragua

β+

Good operating performance with low credit risk. Currently in the process of strengthening its organizational structure.

Financial Situation¹
Rating Perspective
β+
Stable
Social Rating²


Date of Visit: Dec.-10
 Previous rating: β
 Date of previous rating: Dec.-09
 Number of ratings: 7
 Audit: Dec-10, Deloitte Touche, S.A.

Main Performance Indicators

	Dec-10	Dec-10	Dec-10
Gross Loan Portfolio	\$5,109	\$3,654	\$6,009
Number of Borrowers	26,365	22,048	25,924
Leverage	0.4	0.3	0.5
ROE*	-6.1%	6.3%	-1.7%
Portfolio Yield	60.1%	48.5%	46.1%
Portfolio at Risk	1.9%	2.3%	0.2%
Average loan	\$194	\$166	\$232
Operating Expenses	39.8%	34.5%	35.7%
Number of borrowers per staff	208	208	201
Operating Margins	11.3%	4.6%	4.0%

* Adjusted

¹See Annex 1

² See social rating

Strengths

- Good portfolio quality
- Strengthening of supervision
- Strengthening of the organizational structure
- Recovery of portfolio growth

Risk Factors

- Unstable economic and socio-political environment
- High exchange rate risk
- Risk of client overindebtedness
- High client turnover

Overview

Pro Mujer Inc. Nicaragua (ProMujer Nicaragua) is a non-profit branch of Pro Mujer Inc., headquartered in New York, USA. Since 1996 it has offered both microcredit and non-financial services to low-income women.

As of Dec. 2010, it had a portfolio of US\$6 million distributed nationwide among 26,000 borrowers through five branches. It offers microcredit through a group lending methodology (mainly village banking) in semi-urban and rural areas. The MFI also offers non-financial services such as basic health care and training. In this rating, MicroRate only evaluates ProMujer Nicaragua, not ProMujer Inc.

Rating Rationale

Promujer Nicaragua has achieved outstanding results in 2010 despite the volatility of the country's microcredit sector. In addition to maintaining a solid financial structure, it achieved strong growth with good quality indicators.

Following a period of contraction and write-offs, the methodology and supervision of operations improved, which led to portfolio recovery with excellent quality ratios. Low levels of agricultural and livestock loans and the lack of loans requiring collateral were determinants in the institution's ability to adequately address local market turbulence.

The institution has improved its organizational structure. However, given the current context in Nicaragua, the strengthening of controls is necessary. While productivity remains good, it was affected by customer turnover, as was operational efficiency, leading to deterioration in these indicators compared to the sector average. The institution has a strong position and an adequate strategy to address the sector crisis.

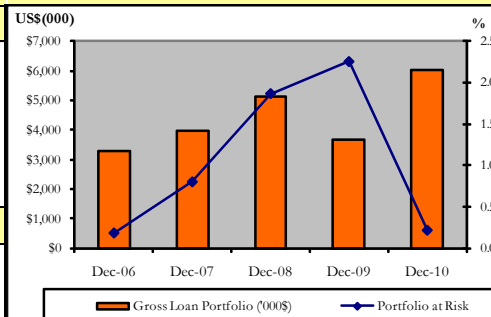
The MFI's financial structure remains solid with low leverage and high liquidity. However, exchange rate risk is high. It is also a challenge to achieve the levels of profitability that will enable continued institutional strengthening.

Summary

PROMUJER NICARAGUA	MicroRate Group		MicroRate Central America		Gross Loan Portfolio vs Portfolio at Risk
	Dec-10	Quartile	1st Quartile	Average	
ROE**	-1.7%	4	12.9%	7.6%	3.6%
Leverage	0.5	1	1.1	2.1	2.3
Portfolio at Risk	0.2%	1	1.3%	3.7%	9.5%
Operating Expenses	35.7%	3	26.6%	37.7%	26.1%
Number of borrowers per staff	201	1	172	146	130
Operating Margin	4.0%	3	5.0%	3.8%	1.7%
	Dec-10		Average		Average
Gross Loan Portfolio***	\$6,009		\$9,666		\$24,311
Number of Borrowers	25,924		28,066		38,760
Average Loan Balance (per borrower)	\$232		\$417		\$680

*Lower limit of the first quartile

Adjusted *('000\$)



Financial Situation

Based on a conservative strategy, management has maintained an adequate level of liquidity to adjust to the volatile Nicaraguan context. In addition to its solvency and better diversification of funds, the MFI shows good management of loan term mismatch and interest rate risk, though exchange rate risk remains high. Adjusted profitability was affected by the period's high inflation.

Operations and Portfolio Quality

After the drastic decrease in the size of its operations in 2009, ProMujer Nicaragua quickly recovered growth and quality indicators. Using a strengthened methodology to face volatility, the institution has improved its portfolio quality significantly.

It is remarkable that despite the difficult microcredit environment, ProMujer Nicaragua has managed an outstanding quality recovery. The factors leading to this improvement include strengthening the application of the lending methodology, rapid management response to sector volatility, improvements in collection, and operational growth.

Organization and Management

ProMujer Nicaragua has a strong and specialized organizational structure that is commensurate with its context and size. The decrease in staff turnover and acceptable operational efficiency are notable. However, the institution maintains high customer turnover rates. Management is supported by a good information system.

Governance and Strategic Positioning

ProMujer Nicaragua is a non-profit and has no local legal status. It maintains a strong focus in the lower microcredit market niche. The board has a limited presence, yet its commitment to the institutional mission and experience in the sector have allowed the MFI to achieve a strong position.

Social Perspective



ProMujer Nicaragua fulfills its institutional mission well. It achieves good operational depth. However, the actual costs of its loans are high. The unstable macroeconomic environment in which it operates has hindered its financial results, requiring institutional strengthening to guarantee the continuity of offered services. While a diversion from its mission is unlikely, it needs to strengthen key internal processes such as customer protection, especially during volatile times.

MFI Statistics

Country:	Nicaragua
Type of MFI:	NGO
Regulated or Unregulated:	Unregulated
Size:	\$6 million
Number of Clients (Borrowers):	25,924
Number of Branches:	5
Average Loan Size:	\$232
Deposit-Taking:	No
Sustainable Since:	2003
Growth Expectation (2011):	30%
Funding Need and Type (Currency):	NA
Terms of Funding:	NA

About this MFI:

This Nicaraguan microfinance institution (MFI) is part of the multinational company ProMujer Inc. Based on strong social commitment, this MFI presents good social results, serving mostly rural and peri-urban low income women through group lending and non-financial services (financial training and health services). With a specialized board of directors and management team, the MFI has planned less aggressive growth for 2011 (30%). It exhibits an improved lending methodology, better portfolio quality, and solid financial performance. The challenge to increase profits remains important in the face of macroeconomic instability.

BALANCE SHEET (US\$'000)	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10
ASSETS					
Cash and Banks	543	667	683	914	2,355
Temporary Investments	182	-	-	1,758	-
Net Loans	3,175	3,800	4,844	3,468	5,975
Gross Loans	3,276	3,948	5,109	3,654	6,009
<i>Performing Loans</i>	3,270	3,917	5,014	3,572	5,996
<i>Portfolio at Risk</i>	6	32	95	82	13
Loan Loss Reserve	102	149	266	187	34
Interest Receivables	-	30	36	21	27
Other Current Assets	234	318	217	124	193
Current Assets	4,134	4,815	5,780	6,285	8,550
Long Term Investments	2	2	2	2	2
Property and Equipment	186	154	169	139	194
Other Long Term Assets	-	-	-	-	-
Total Assets	4,322	4,971	5,951	6,426	8,746
LIABILITIES					
Demand Deposits	-	-	-	-	-
Short Term Time Deposits	-	-	-	-	-
Short Term Funding Liabilities	394	428	919	690	892
Other Short Term Liabilities	97	265	195	212	766
Current Liabilities	491	693	1,114	902	1,658
Long Term Time Deposits	-	-	-	-	-
Long Term Funding Liabilities	1,108	1,102	564	791	1,813
Quasi-Capital Accounts	-	-	-	-	-
Other Long Term Liabilities	70	-	107	94	110
Total Liabilities	1,670	1,794	1,785	1,786	3,581
EQUITY					
Capital	2,219	2,652	3,077	3,959	4,309
Earnings (Losses) Period	254	248	473	285	356
Retained Earnings	-	-	-	-	-
Other Capital Accounts	180	276	617	396	500
Total Equity	2,652	3,177	4,166	4,640	5,165
Total Liabilities & Equity	4,322	4,971	5,951	6,426	8,746
Source of Financial Statements	Management Financial Statements	Management Financial Statements	Management Reports	Management 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	\$1,487.71	\$2,024.93	\$2,720.93	\$2,123.15	\$2,225.60
<i>Cash Interest and Fee Income</i>	\$1,487.71	\$1,994.77	\$2,685.22	\$2,102.02	\$2,198.51
<i>Accruals (Int., Receivables)</i>	\$0.00	\$30.16	\$35.71	\$21.13	\$27.09
Interest and Fee Expense	\$224.98	\$128.96	\$208.62	\$211.33	\$295.01
Net Interest Income	\$1,262.72	\$1,895.97	\$2,512.31	\$1,911.82	\$1,930.59
Provision for Loan Loss	\$50.29	\$87.66	\$197.59	\$199.75	\$12.38
Net Interest Income After Provisions	\$1,212.43	\$1,808.31	\$2,314.72	\$1,712.07	\$1,918.22
Operating Expense	\$1,043.42	\$1,499.17	\$1,804.73	\$1,512.14	\$1,723.94
<i>Personnel</i>	\$545.55	\$845.63	\$928.35	\$709.76	\$866.75
<i>Other Administrative Expense</i>	\$497.87	\$653.54	\$876.38	\$802.38	\$857.20
Net Operating Income	\$169.01	\$309.14	\$509.99	\$199.93	\$194.27
Other Income	\$88.58	\$106.81	\$117.55	\$287.26	\$394.80
<i>Investment Income</i>	\$57.72	\$74.44	\$81.21	\$197.12	\$226.18
<i>Other Non-Extraordinary Income</i>	\$30.87	\$32.37	\$36.35	\$90.13	\$168.62
Other Expenses	\$4.04	\$168.03	\$155.02	\$202.24	\$232.88
<i>MFI's Inflation Adjustment (if any)</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Other Non-Extraordinary Expenses</i>	\$4.04	\$168.03	\$155.02	\$202.24	\$232.88
Net Not-Operating Income	\$253.55	\$247.92	\$472.53	\$284.95	\$356.19
Extraordinary Items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Extraordinary Income</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<i>Extraordinary Expense</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Income Before Taxes	\$253.55	\$247.92	\$472.53	\$284.95	\$356.19
Taxes	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Income	\$253.55	\$247.92	\$472.53	\$284.95	\$356.19
Source of Financial Statements	Management Financial Statements	Management Financial Statements	Management Financial Statements Management Reports	Management Financial Statements Management Reports	Management Financial Statements Management Reports

ADJUSTED COMPARISON TABLE
 (US\$'000)

BASED ON 50 LATIN AMERICAN MICROFINANCE INSTITUTIONS

	1	2	3	4
	1st QUARTILE	AVERAGE	MEDIAN	3rd QUARTILE
Period: June 2010				
Loan Portfolio				
Gross Loan Portfolio (US\$'000)	\$131,034	\$91,629	\$31,675	\$9,861
<i>Annual Change in Gross Loan Portfolio</i>	37.9%	25.9%	22.7%	13.6%
Number of Loans Outstanding	91,674	73,096	45,436	15,564
<i>Annual Change in Number of Loans Outstanding</i>	18.3%	11.9%	10.5%	2.0%
Number of Borrowers	84,587	65,367	41,712	14,670
<i>Annual Change in Number of Borrowers</i>	24.0%	13.7%	11.1%	4.7%
Average Loan Balance (per borrower)-Actual Amounts	\$538	\$1,325	\$1,111	\$2,040
Portfolio at Risk (Arrears 30-180 Days)/ Gross Loan Portfolio	3.4%	6.8%	5.9%	9.6%
Write-offs / Gross Loan Portfolio	0.9%	2.4%	1.8%	3.2%
Unadjusted Loan loss reserves / Unadjusted Portfolio at Risk	136.8%	154.8%	100.8%	83.1%
Loan loss provision expense / Average Gross Portfolio	2.0%	3.9%	2.9%	5.3%
Efficiency and Productivity				
Total operating expense / Average Gross Portfolio	13.2%	24.0%	18.9%	29.6%
Number borrowers per credit officer	298	243	204	162
Number of borrowers per staff	126	109	88	67
Portfolio yield	43.0%	38.2%	35.3%	28.8%
Personnel Expense/Average Gross Portfolio	8.4%	14.5%	11.0%	16.8%
Credit officers / Total personnel	51.3%	45.3%	46.1%	37.3%
Incentive Pay as % of Base Salary	49.3%	38.5%	32.5%	20.3%
Percent of Staff with MFI < 12 Months	23.3%	30.4%	31.4%	38.5%
Total operating expense / Borrower	\$126	\$233	\$203	\$298
Financial Ratios				
Debt / Equity	1.5	3.2	2.6	4.6
Equity/Assets	34.2%	28.0%	23.3%	15.8%
Net Income / Average equity (ROE)	21.4%	10.1%	9.7%	1.1%
Net Income / Average assets (ROA)	3.8%	2.4%	2.2%	0.2%
Interest expense / Average Gross Portfolio	5.7%	7.8%	7.7%	9.4%
Unadjusted Interest expense / Average funding liabilities	7.4%	9.8%	9.6%	10.8%
(Cash + Temp. Investment)/ Gross Portfolio	26.0%	19.1%	17.7%	9.0%
Adjusted operating margin	6.4%	3.3%	3.2%	0.9%
Absolute Currency Amounts (US\$'000)				
Interest and Fee Income	\$36,948	\$25,535	\$9,543	\$3,213
Net Income	\$4,051	\$2,931	\$609	\$22
Total Assets	\$156,908	\$113,611	\$37,479	\$12,764
Deposits	\$18,451	\$44,566	\$0	\$0
Funding Liabilities (excloding Deposits)	\$48,011	\$39,857	\$15,222	\$7,075
Equity	\$27,094	\$22,197	\$9,865	\$4,092

ANNEX 1

Rating	Performance Rating Definitions
α+ α α-	<p>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.</p>
β+ β	<p>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.</p>
β-	<p>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.</p>
γ+ γ	<p>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.</p>

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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