

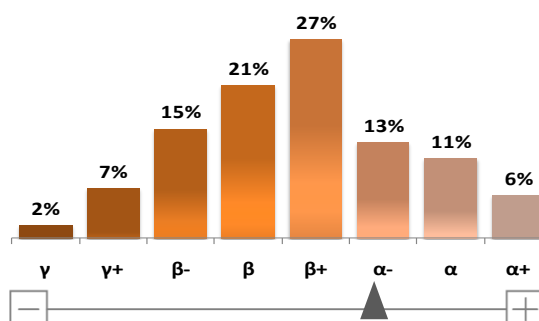
PRO MUJER (PERU) | Peru | August 2011

α-	Low level of credit risk. Good lending methodology and excellent portfolio quality. Limited internal controls and high turnover reduce performance.
Stable	Rating outlook ¹

 Financial Situation²
α

 Social Rating³


Performance Rating Distribution



Date of visit

Aug -11

Date of Financial Information

Jun - 11

Previous MicroRate Rating

α

Main Performance Indicators

	Jun-10	Dec-11	Jun-11
Gross Loan Portfolio (\$'000)	\$12,438	\$16,267	\$22,785
Number of Borrowers	48,792	69,825	55,806
Leverage	0.6	0.7	1.0
ROE*	6.3%	3.4%	13.0%
Portfolio Yield	50.8%	41.4%	43.5%
Portfolio at Risk	3.3%	2.3%	0.7%
Average Loan Size	\$255	\$233	\$408
Operating Expenses	32.6%	29.7%	26.3%
Number of borrowers per staff	172	262	212
Operating Margins	9.1%	4.4%	10.9%

* Adjusted

Overview

PRO MUJER (Peru) is the Peruvian branch of the international non-governmental organization PRO MUJER. MicroRate produced this rating solely for PRO MUJER (Peru), and not for PRO MUJER International.

Established with headquarters in the southern city of Puno in 1999, PRO MUJER (Peru) provides services to low-income women through a group lending methodology. With its low average loan size (US\$408), the MFI reaches more than 55,000 clients through a network of 38 operating centers. PRO MUJER Peru's social orientation, as demonstrated through training programs and health services, is significant.

Rating Rationale

PRO MUJER (Peru) has a solid financial position with significant profitability and a favorable capital structure. The organization demonstrates good operational performance through successful loan placement. However, the institution's flexible lending policies, moderate internal controls and high rate of staff turnover could challenge the MFI's positive performance.

PRO MUJER's (Peru) mastery of group lending practices is reflected in the MFI's excellent portfolio quality. Nevertheless, changes to lending policies have relaxed conventional village banking practices, increasing the possibility of greater credit risk in the future.

Internal controls are still moderate, despite their crucial importance in light of anticipated growth in an increasingly competitive and over-indebted environment. High staff turnover may continue to affect analyst performance.

Performance Highlights

- Good financial results
- High quality group lending practices
- Strong position in low-income microcredit niche
- Capable and committed Management and Board
- Excellent productivity and efficiency

Risk Factors

- Flexible lending policies
- High turnover among employees and credit officers
- Limited internal oversight
- Increasingly indebted and competitive market

¹ See Appendix 1

² See Appendix 1

³ See Social rating

APPENDIX I – Performance Rating Definitions

Performance Rating α, β, γ	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.
$\alpha+$ α $\alpha-$	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
$\beta+$ β $\beta-$	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.
$\gamma+$ γ	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.
Financial Situation Rating α, β, γ	Measures the MFIs financial health based on its financial structure, profitability, operating margins and financial risk management.
Rating Outlook - Positive - Stable - Negative - Uncertain	Expected direction of the rating grade over the 12 months following the rating. <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.
Social Rating ☆☆☆☆☆	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.

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