

Rater Questionnaire

1. Legal Profile

1.1. Name Pacific Credit Rating Holding Inc.

1.2. Primary Business of the organization Credit Rating
Global Risk Assessment

1.3. Legal Set-up of Rating Business

Independent Business Entity

Please provide details of legal form and applicable law

The company, established under the Panama Republic law, is a holding company that has the following subsidiaries:

- o Clasificadora de Riesgo Pacific Credit Rating S.A.C. (Perú).
- o Calificadora de Riesgo Pacific Credit Rating S.A. (Bolivia).
- o Calificadora de Riesgos Pacific Credit Rating S.A. (Ecuador).
- o Pacific Credit Rating S.A. de C.V. (El Salvador).
- o Pacific Credit Rating, Sociedad Anónima (Costa Rica)

Unit of a larger organization

If applicable, please provide name of organization _____

Affiliations (Please provide names of organizations)

Raters Name: _____
Networks Name: _____
Investors Name: _____
Donors Name: _____
Others Name: _____

1.4. Sources of revenue of parent entity by business area in percentage

Rating/Evaluation %
Consultancy %
Others %

1.5. Profit Orientation For Profit Non For Profit

1.6. Does your company have a policy on managing conflict of interest ?¹ Yes No

If yes :

(a) Please provide details of policy to avert potential conflict of interest in the following areas:

¹ Please note that you are associated with potential conflict of interest if your company or parent company has a unit that offers conflicting business services like consulting and advisory services and/or investments in microfinance institutions.

1. Conflict of assignment:
The task assignment process is based on the economic sector specialization of each analyst. Commercial duties and analytical work are separated to avoid conflict of interest.
2. Staff independence:
A PCR analyst work exclusively in credit rating and has to follow an established analysis process. The result of these analysis is discussed in a Rating Committee.
3. Director independence:
PCR personnel, managers and directors work exclusively in the credit rating. The rating committee, conformed only by PCR's analysts, makes the decision of the rating. The committee always looks for an unanimous decision.

(b) Please name the person responsible for policy enforcement
Oscar Jasai and Guicela Melgarejo

(c) Please describe briefly how the policy is enforced
All PCR employees know the policy, it is a prerequisite to work in PCR: the analyst independency and the exclusive dedication. Constantly his work is supervised to check out proper application of methodology and procedures. The Rating Committee is a filter to assure the application of rating methodology.

2. Institutional Details

2.1. Rating/Assessment Clients

MFI NGO	<input checked="" type="checkbox"/>
MFI Credit Unions	<input type="checkbox"/>
MFI NBF	<input checked="" type="checkbox"/>
MFI Cooperatives	<input checked="" type="checkbox"/>
Corporate Sector entities	<input checked="" type="checkbox"/>
Government institutions	<input checked="" type="checkbox"/>

2.2. Number of ratings/assessments completed by your institution in the last 12 months²
(Note: It has been briefed the number of clients rated during the year).

2.3. Total number of *microfinance* ratings done by your institution since inception

2.4. Number of Ratings completed with the CGAP/IDB Rating Fund

2.5. Geographic Coverage of MFI Ratings/Assessments Done

Africa	<input type="checkbox"/>	Latin America	<input checked="" type="checkbox"/>
MENA	<input type="checkbox"/>	South Asia	<input type="checkbox"/>
CEE/NIS	<input type="checkbox"/>	East Asia & The Pacific	<input type="checkbox"/>

2.6. Other areas willing to do MFI Ratings/Assessments in

Africa	<input type="checkbox"/>	Latin America	<input type="checkbox"/>
MENA	<input type="checkbox"/>	South Asia	<input type="checkbox"/>
CEE/NIS	<input checked="" type="checkbox"/>	East Asia & The Pacific	<input type="checkbox"/>

² Includes ratings done with the CGAP/IDB Rating Fund and others

2.7. Office Locations

- | | | | |
|---------|--------------------------|-------------------------|-------------------------------------|
| Africa | <input type="checkbox"/> | Latin America | <input checked="" type="checkbox"/> |
| MENA | <input type="checkbox"/> | South Asia | <input type="checkbox"/> |
| CEE/NIS | <input type="checkbox"/> | East Asia & The Pacific | <input type="checkbox"/> |

- 2.8. Staff Number of full time rating/assessment staff
- Number of associate rating/assessment staff

10
0

Credit Rating

Describe fee structure for :

- a. Issue Ratings:

The standard annual fee for rating an issue without a specific structure is between US\$9,000 and US\$15,000 (not including taxes and expenses).

Issuer Ratings:

The standard annual fee for rating an Issuer is between US\$9,000 and US\$15,000 (not including taxes and expenses).

For Global Risk Assessments

Lowest charge US\$ Highest charge US\$

Is this range inclusive of all expenses? Yes No

3. Product Details (if applying for both products, please be sure to complete both columns)

	Credit Rating	Global Risk Assessment
<i>Product Type</i>	X	
<i>Standard Clients</i>		
MFI	X	
Donors	X	
Regulators	X	
Lenders/Creditors	X	
Investors	X	

4.5. Please provide an index of your rating scale

m1	The Highest quality degree among Microcredit Specialized Institutions (MSI). Solvent organization, with the highest financial endorsement among MSI based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are very good. Risk factors are the minor within the system of specialized financial companies.
m2	High quality among Microcredit Specialized Institutions. Solvent organization, with higher financial endorsement among MSI based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are good. The institution presents total coverage of present risks and little vulnerability in relation to some future risks.
m3	Good quality among Microcredit Specialized Institutions. Solvent organization, with high financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are efficient. Risk factors are modest within the Microcredit Specialized Institution system.
m4	Satisfactory quality among Microcredit Specialized Institutions. Solvent organization, with a good financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are efficient. Risk factors are modest within the Microcredit Specialized Institution system and could occasionally vary due to economic conditions.
m5	Reasonable quality among Microcredit Specialized Institutions. Solvent organization, with an adequate financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are adequate. Protection factors are adequate, nevertheless in periods of slow economic activity risks are higher and more variable.
m6	Average quality among Microcredit Specialized Institutions. Solvent organization, with a reasonable financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are in a medium level. It could present some difficulties to face risks.
m7	Below average quality among Microcredit Specialized Institutions. Solvent organization, with limited financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are in a medium level. It exists variability of risks during economic cycles that could cause rating fluctuation.
m8	Below average quality among Microcredit Specialized Institutions. Its quality may fluctuate according to economic cycles, market conditions and the management capacity for avoid them. Solvent organization, with limited financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are below the average. The institution presents a restricted capacity to face risks.
m9	Below average quality among Microcredit Specialized Institutions. Its quality widely fluctuates in relation to economic cycles, market conditions and the management capacity for avoid them. Organization with reduced solvency and limited financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are not much adequate. It presents limited capacity to face risks.
m10	Reduced quality among Microcredit Specialized Institutions. Organization with low levels of solvency and limited financial endorsement based on the degree of governance,

	financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are insufficient. It presents a reduced capacity to face risks.
m11	Low quality among Microcredit Specialized Institutions. Organization with reduced solvency and limited financial endorsement based on the degree of governance, financial strength of shareholders and experience in the business. The operational capacity and the financial characteristics of the MSI are insufficient. It presents a reduced capacity to take risks.
m12	Very low quality among Microcredit Specialized Institutions. Organization that faces solvency and management problems. Losses generated seriously affect its viability. It does not have a defined positioning or has lost market in a significant way.
m13	The organization has serious problems of solvency and management. Losses generated make it hard to determine the possibility of ongoing operations in the system.
m14	Organization whose auditors have abstained from giving an opinion about the company's financial statements. Organization that denies to give the necessary information to the credit rating companies for the rating.
mn	Institution that has recently initiate operations or is new in the micro credit market and its existing information at present does not allow to complete a credit rating analysis.

4.6. Additional Methodology Features_(500 words max)

The approach used by PCR to analyze the financial strength of a Microfinance Institution (MFI) has the objective to determinate the future credit risk of each institution. Considering this objective, the analytic exercise that we make when assessing the credit rating is based on the link between quantitative data and qualitative information to determine payment probability (capital plus interest) according to the terms agreed with the lenders.

It's important to emphasize that MFIs are a main case of study by international institutions (international organizations, governments, etc.) given its importance in poverty reduction through income generating activities, employment, and its contribution to income and economic growth, among others, through credit approval to micro entrepreneurs.

The qualitative aspects of our analysis are extremely important. These factors are critical to see "beyond the numbers" and play a very important role in the evaluation of intangible strengths and weaknesses of the institution. A close work relationship with the administration of the MSI is important to make a good evaluation of qualitative factors. The size of the institution is not, by itself, a dominant issue to make a rating decision. We believe that a personalized approach is more appropriate due to the difference between the control and procedures of risk management.

The base for the evaluation of quantitative aspects is an emphasis in fundamental principles. Detailed analytic review procedures give us clear impression about historic yield and present financial status of the institutions. The following step is the development of expectations about the estimated financial results for each institution. These expectations allow us to review the stability of the rating in the future.

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-----*OPTIONAL SECTION*-----

Please submit completed applications with the following :

1. A one-page summary of the firm's rating/assessment methodology (update if applicable)
2. Details of organization structure
3. Samples of 2 ratings completed in the last 12 months
4. The names and telephone numbers of at least 4 MFIs assessed by the firm during the past 24 months.
5. Sample report - this document should demonstrate that the assessment cover main microfinance risk areas, such as governance, assets quality, MIS and internal control, financial analysis, and liquidity. It should also show that the firm is able to perform the basic types of financial statement adjustments routinely practiced in MFI appraisals and that the firm's adjustment policy cover the following areas:
 - donations
 - loan loss provisions (with details on the aging portfolio balance)
 - inflation
 - cost of funds (breakdown of liabilities)