MicroRate
The Rating Agency for Microfinance

LAPO - 2nd Rating

NIGERIA

Company Limited by Guarantee

Report as of December 2005

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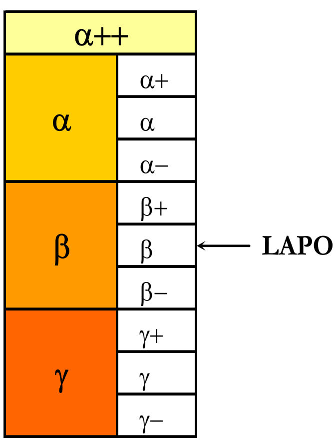
PERFORMANCE RATING	**β**
RATING OUTLOOK	**POSITIVE**

Date of visit	**May 2006**
Date of previous rating	**March 2002**



Main Performance Indicators	Dec '04	Dec '05
Gross Portfolio ('000's)	$1,877.6	$3,314.3
Number of active borrowers	29,812	43,699
ROE	16.0%	25.7%
Portfolio Yield	64.7%	61.2%
Portfolio at Risk	0.7%	1.1%
Operating Expense Ratio	45.5%	39.5%
Average Loan Size	$63	$76
Borrowers per staff	114	148

Synopsis

Lift Above Poverty Organisation ("LAPO"), a company limited by guarantee (not-for-profit), started operating in 1988 with the help of a grant from the Ford Foundation. Godwin Ehigiamusoe, founder and CEO, had previously started a spontaneous microcredit program on his own. By 1989, this impromptu venture had grown, and Grameen Bank of Bangladesh began to provide advice. Subsequently, LAPO developed an expansion plan that called for substantial scaling up of the microfinance program in order to become financially self-sufficient. The plan benefited significantly from a Microstart program in Nigeria (run by the Bangladeshi MFI, ASA) and in 2002, LAPO made a profit for the first time. The MFI makes group loans to 44,000 clients and has grown the portfolio to $3.3 million. LAPO is funded mainly with equity.

Highlights

POSITIVE

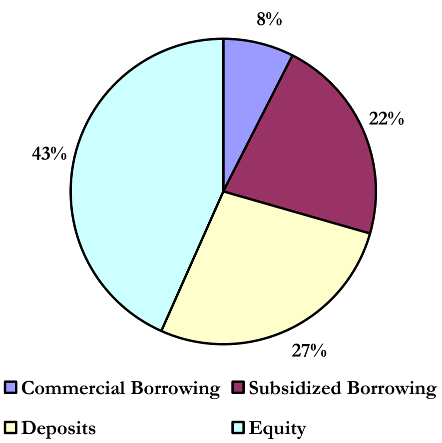
- Consistent improvement in profitability.
- Good portfolio quality and low write-offs.
- Competent management and staff.
- Strong market position.
- Sufficient liquidity to manage short term growth.

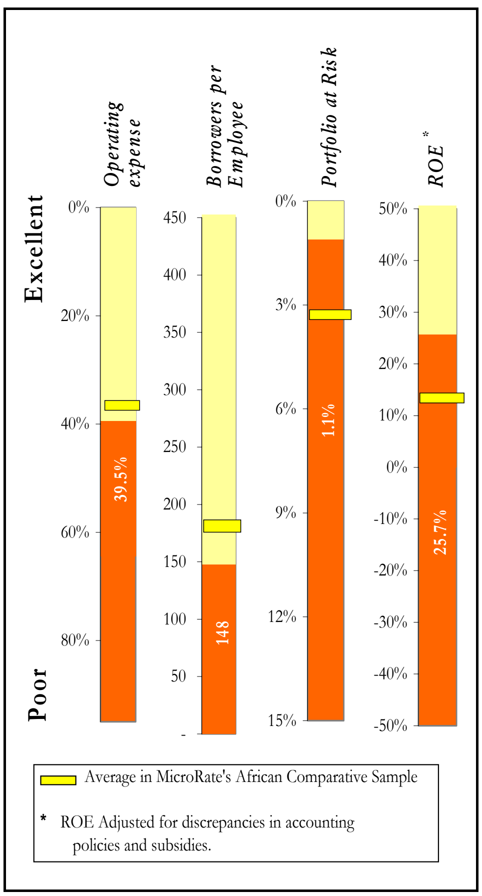
NEGATIVE

- Weak MIS.
- Inflexible loan products.
- High client drop out.
- Governance structure needs improvement.
- Large scale, unregulated financial intermediation.
- Potential for foreign exchange risk.

LAPO	**NIGERIA** **December 2005**

Sources of Funding





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

Rating Rationale

Consistent improvement in profitability - With net income of $477,800 at December 2005 and an annualised ROE of 25.7%, the MFI has proven that it is now more than financially sustainable.

Good portfolio quality – Given that the portfolio is comprised of group loans, one would expect portfolio at risk to be low. LAPO does not refinance and given that write-offs declined to a low 0.1%, Portfolio at Risk (PaR) plus write-offs declined to 1.2% from 4.4% in 2004.
04: 0.6%).

Low gearing – Despite total debt increasing 1.8 times since 2004, LAPO's debt: equity ratio remains well below average at 1.4. With margins widening significantly in 2005, there is scope for the MFI to absorb higher funding costs in the short term.

Competent management and staff – Management and staff know their jobs well and are committed to achieving the institution's goals and objectives.

Limited product offering - Designing effective credit products will be essential to grow the portfolio (and reduce client attrition). This will become increasingly important as competition increases.

Inadequate MIS - Loan tracking and accounting systems are not integrated and the system is prone to error. Although the system can be easily adapted and modified, reporting still needs to be improved

Lack of formal risk management framework – At the Board level there are no systematic risk management policies in place. For an unregulated institution which on-lends client's savings on a large scale (and especially since oversight by the central bank is weak), a more sophisticated board structure and comprehensive risk management framework would be desirable.

Country Overview

Macroeconomic Information	Dec 02	Dec 03	Dec 04	Dec 05
Annual Inflation	12.9%	14.0%	15.0%	11.6%
Exchange Rate per US$	126.4	136.5	132.6	132.9
Annual Currency Devaluation	11.9%	7.9%	(2.9%)	0.3%
Deposit Rate (Year Average)	13.8%	14.2%	12.8%	-

Source: International Finance Statistics

Following nearly 16 years of military rule, a new constitution was adopted in 1999, and a peaceful transition to civilian government was completed. The president faces the challenge of reforming a petroleum-based economy, whose revenues have been squandered through corruption and mismanagement, and institutionalizing democracy. The Government is further challenged by the enormous task of building a sound foundation for economic growth and political stability.

As part of its commitment to boost the economy, development of microfinance has been placed high on the agenda. At the moment, 65% of the economically active population are excluded from the formal financial system and consequently microfinance remains largely under developed. There are around 50 MFIs (mostly NGOs) in Nigeria, of which Lift Above Poverty Organisation ("LAPO") is the largest. Small by international standards, the institution has been at the forefront of industry development, particularly with regards to developing policies for industry regulation.

There is currently no supervision of microfinance activities in the country, but this is set to change. In 2005 the Central Bank released its Microfinance Policy, Regulatory and Supervisory Framework which aims to boost the sector's development. It is hoped that by harmonizing operating standards, promoting regulation and adopting best practices it will stimulate the growth and development of new and existing microfinance institutions. The main thrust of this New National Microfinance Policy will be on Community Banks. There are roughly 800 of these institutions and by law, they will have to transform into a Microfinance Bank[1] ("MFB") by December 2007.

The central bank's requirements are strict, with MFB's licensed to operate throughout a State having to increase their minimum paid-up capital to $7.5 million, whilst MFB's licensed to operate as unit banks will require minimum capital of $150,000 per branch. This will be a major challenge and one that many community banks are unlikely to meet. Commercial banks too are expected to boost their capital (from $15 million to $198 million) which could result in consolidation and even the exit of smaller institutions.

This could provide a window for commercial banks to move down market with microfinance operations carried out through subsidiaries or simply by transforming into a MFB. For LAPO, which operates in an environment where there is little or no competition, this could present a major threat.

As yet there is no deadline for the transformation of NGOs. However, pressure from the Central Bank is expected and LAPO will have to transform sooner rather than later (given the size of its portfolio and client base). The MFI is fully committed to doing so and plans are in place to convert into a private company by the proposed deadline. This will require much dedication from management, especially since outside investors will have to be found (LAPO only had 30% of the required equity to meet Central Bank criteria as at December 2005).

Whilst the Central Bank threatens to close down Community Banks who miss the transformation deadline, as yet there are no indications to suggest the same for NGOs. LAPO is in the fortunate position that the Central Bank cannot afford for its potential transformation to fail and in a worst case scenario, it is expected that the MFI would be given an extension.

Background

LAPO was started in 1981 as a Grameen replicator with the help of a grant from the Ford Foundation. By 1989, this impromptu venture had grown, and Grameen Bank of Bangladesh began to provide advice.

In late 1999, LAPO developed an expansion plan that called for substantial scaling up of the microfinance program in order to become financially self-sufficient. The plan benefited significantly from a Microstart program in Nigeria, run by the Bangladeshi MFI, ASA. Under the program, ASA introduced measures to simplify products and procedures and cut costs.

[1]The Central Bank will supervise and regulate the microfinance banks and the Nigeria Deposit Insurance Corporation will insure their deposits. Microfinance banks will benefit from tax incentives and access to wholesale funds and refinancing facilities.

With ASA guidance the branch network has grown significantly *(See Microfinance Operations)*.

In March 2002 LAPO received a license to operate a Community Bank ("IYOBO-LAPO Community Bank") that they had "rescued". This allowed LAPO to conduct all banking operations, including deposit taking from the public. Following the publication of the New National Microfinance Policy, the Community Bank will have to transform by the stipulated deadline (or face closure). With LAPO planning to convert to a MFB as well, it would make sense to combine the operations of both institutions.

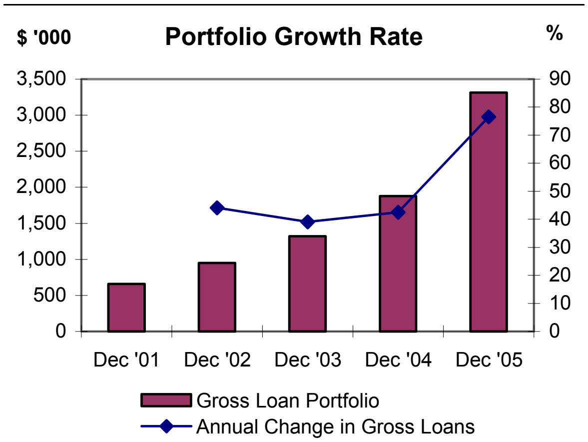
Reflecting the conception of LAPO as a broad poverty alleviation initiative, there are, in addition to the microcredit operation, 3 semi-independent, non financial programs run under the LAPO umbrella. These include:

- **LAPO Development Centre ("LADEC")** – is the largest of the three non-financial services. It is active in social development and providing training on relevant topics (e.g. gender equality). LADEC also publishes and distributes the LAPO newsletter, and carries out impact studies.
- **LAPO Health** - promotes health awareness activities to community members and microfinance clients.
- **LAPO Services -** provides consultancy services to other organizations.

Microfinance Operations

Main Indicators	31 Dec-01	31 Dec-02	31 Dec-03	31 Dec-04	31 Dec-05
Gross Loan Portfolio (000's)	$657.7	$947.3	$1,317.3	$1,877.6	$3,314.3
Number of Active Borrowers	13,859	18,740	23,136	29,812	43,699
Asset Quality					
Portfolio at Risk / Gross Loan Portfolio	n.a.	n.a.	2.3%	0.7%	1.1%
Loan Loss Provision Expense / Average Gross Portfolio	3.8%	3.2%	3.3%	4.2%	1.3%
Loan Loss Reserves / Portfolio at Risk	-	-	-	276.2%	187.4%
Write-offs / Average Gross Portfolio	-	5.7%	2.5%	3.7%	0.1%
Efficiency and Productivity					
Operating Expenses / Average Gross Loan Portfolio	39.2%	31.3%	35.9%	45.5%	39.5%
Cost per Borrower	$17.7	$15.4	$19.4	$27.5	$27.9
Average Outstanding Loan Size	$47.5	$50.6	$56.9	$63.0	$75.8
Number of Borrowers / Credit Officer	182	193	179	160	181
Number of Borrowers / Staff	117	132	122	114	148

Following three years of relatively stable growth, in 2005 LAPO's loan portfolio grew by a healthy 76.5% to $3.3 million.



This followed aggressive expansion of the branch network, with the number of branches increasing by 43% in 2005. Divisional and Area managers help to knit this far-flung network together, and so far, have been effective in ensuring the consistent application of credit policy.

Loan Products

	Regular	Farming
Interest rate	3% per month	2.5% per month
Interest type	Flat	Flat
Term	8 months	6-10 months
Min loan	$70-$140	$140-$200
Max loan*	$350	$430
Deposit	10%	10%
Group size	30	30
% of portfolio	96%	4%

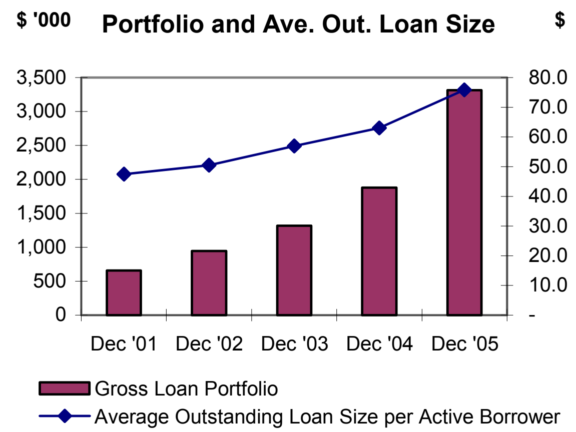
The MFI makes only group loans, where members form a Core group of 5 and up to 6 such Core groups form a Union. Before the group is registered, members are assessed against a number of simple poverty indicators to determine if they belong to LAPO's "target group". Applicants appear to be turned away primarily due to scoring too high in the poverty test (not poor enough!) and not as a result of being considered to be a credit risk.

Groups are trained for up to 6 weeks, during which time an Executive Committee is elected. Most unions meet weekly, whereby loan disbursements, repayments and savings transactions are conducted. The more rural branch groups meet monthly due to the larger distances. As a result, the efficiency of the officers at rural branches is higher, as they can look after more groups than officers in urban centres.

Although competition is limited, the MFI has responded to client demand for higher loans sizes. Whilst the maximum loan size remains fixed at $350, the minimum loan was raised to $140 (in December 2005). Despite this, the products remain supply driven.

LAPO has made an effort to improve its products, but client attrition remains unacceptably high at around 27%. The indication is that loan products remain too rigid and further product modification is needed. In order to realise adequate efficiencies, particularly given LAPO's methodology of targeting the both the urban and rural poor, reducing the drop out rate is imperative. This trend is worrying and as competition develops, improving the product offering will become increasingly important.

A significantly lower drop-out rate would not only signal that LAPO is better attuned to what its clients need, but it would also lead to lower operating expenses.



Average loan size has consistently increased since 2001, but it remains very low at $76. This is well below MicroRate's average for similar African MFIs of $247.

Generally, the MFI has benefited greatly from ASA's technical expertise and this has underpinned the good lending methodology which exists today. Although there is no ratio analysis (the group determines repayment capacity), the approval process works. There is a zero tolerance for non payment and credit officers are well trained to limit possible default. Risk is further mitigated by the collection of voluntary savings known as the "Group Purse". LAPO can access these savings in the event of non-payment, but this is a last resort.

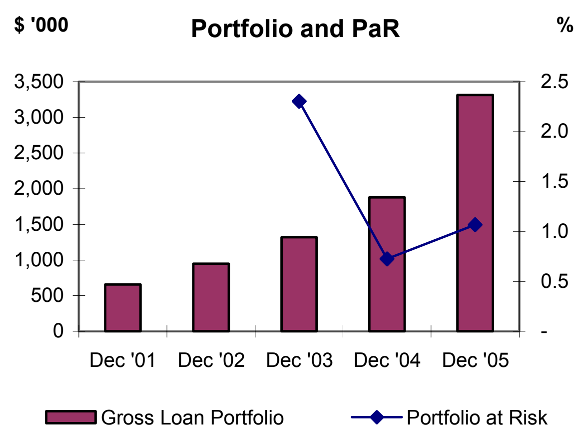
Overall, the most obvious aspect of operational risk is cash management: at the moment there is insufficient payment control as all loan repayments are collected in cash in the field. Disbursements too are made in cash at branches, which presents a notable risk. Usually a greater separation of functions is desired, as at the moment, the institution is open to theft and fraud.

It is noted that there is neither fidelity insurance nor any insurance on cash held at branches.

Portfolio Quality

Although portfolio at risk (over 30 days) increased, LAPO's portfolio quality actually improved significantly in 2005. PaR had been lowered by write-offs of 1.2% in 2004. The following year, write-offs were insignificant (0.1%). Overall, PaR plus write-offs thus diminished from 4.4% in 2004 to 1.2% in 2005. LAPO's portfolio quality thus remained well below MicroRate's African average of 3.1%.

This low PaR is to be expected, given that loans are backed by up to 30 members, whilst the MFI can also repay itself from clients' savings (i.e. from the group purse). LAPO does not refinance.



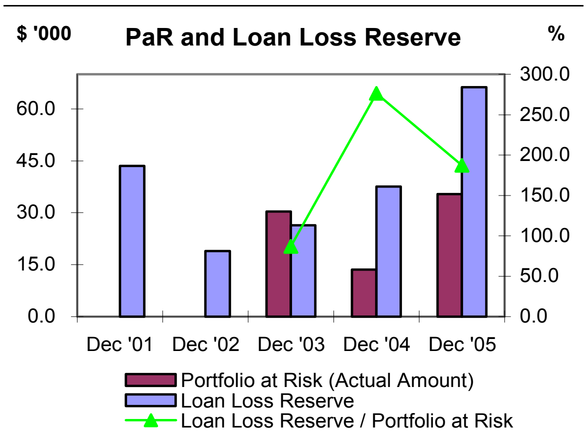
Note: Before 2003, LAPO could not measure PaR

This trend is positive and reinforces the true quality of the loan portfolio. Previously, write-offs remained high owing to political instability in Delta State, which saw wide scale default among clients. This has since stabilised and arrears have reduced accordingly.

PAR plus write offs

Portfolio Quality	December 2004	December 2005
Gross loan portfolio	$1,877.6	$3,314.3
Portfolio at risk	0.7%	1.1%
Write-offs/ Portfolio	3.7%	0.1%
PaR plus write-offs	4.4%	1.2%

Despite the improved portfolio quality, the MIS cannot track repayment histories of individuals within groups. Normally, this can be useful in screening out individual problem clients from subsequent loans. For this reason, the underlying PaR at the client level is bound to be higher.



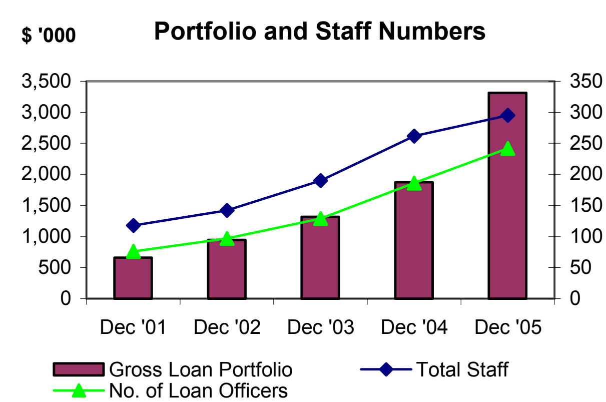
Loan loss reserves to portfolio at risk decreased from a very high 276.2% in 2004 to 187.4% in 2005. As PaR is not understated by high write-offs, coverage remains well above MicroRate's level of comfort of 100%.

Organization and Management

The majority of senior management have been with the institution for a number of years and demonstrate a high level of competence.

The Executive Director, Godwin Ehigiamusoe is supported by a deputy GM, an Operations Manager, two Financial Managers, the Chief Internal Auditor, a Human Resources Manager and a MIS Manager.

Overall the institution displays good depth in management. Management is transparent and the good company culture (with strong Christian ethics) is indicative of effective communication within the organisation.

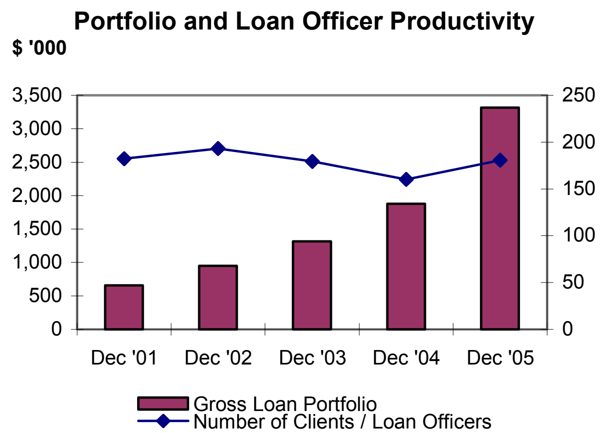


Staff are well trained (they receive both internal and external training at least once a year) and they know their jobs well. Loan officers are recruited centrally before they are sent to branches based on need.

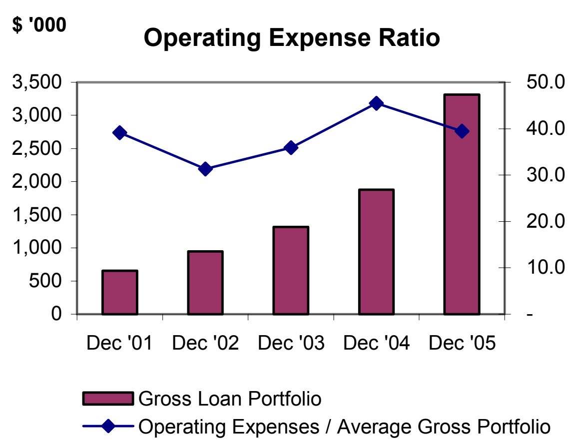
Personnel are dedicated to achieving the institutions goals and objectives. Staff turnover is low and this suggests a good working environment.

In line with portfolio growth, the staff complement grew to 295 in 2005, 82.0% of whom were loan officers. This proportion of loan staff is unusually high. Traditionally, microfinance institutions have a rough split of 50/50 between loan officers and other staff.

As personnel were recruited more to staff the rapidly expanding branch network than to ease capacity constraints, staff productivity remains low. Notwithstanding a slight improvement in 2005, at 181 (2004: 160) borrowers per loan officer, LAPO remains well below the African average of 364.



No doubt, this low productivity of staff mitigated additional improvements in operating efficiency. In 2005, the operating expense ratio improved, from 45.5% to 39.5% largely due to increased economies of scale arising from higher loan sizes.



This is expected to contribute to further improvements, but the key to future efficiency gains lies in dramatically increasing the level of staff productivity. Developing an effective incentive scheme would go along way in this regard. At the moment, there is only an annual bonus for all staff. In MicroRate's experience a bonus system (specifically for loan officers) can be very effective in growing the portfolio, without a significant increment in cost.

Despite low staff productivity, the cost per borrower remains very low at $28. This is well below the average of $65 for African MFIs rated by MicroRate.

Internal Audit and Internal Controls

LAPO's internal controls are satisfactory and are strengthened by an Audit department of 8 individuals. The supervisory function of this department is further enhanced by the actions of both the divisional and area managers.

Surprise visits are conducted in accordance with the audit plan. However, in MicroRate's opinion, given the size of branch network, the size of the department is small.

Going forward, developing and documenting a clear set of policies and procedures, which cover each loan product, will become increasingly important. Not only will this help to improve the lending methodology, but combined with a continued adaptation of the management information system, incidences of fraud should decline.

Management Information and Accounting Systems

LAPO uses a loan tracking system known as M2. Although this system is able to track most necessary data, it is inflexible and prone to error (due to the manual double entry of data). Furthermore, there is only online support, which is inefficient and can lead to long delays in problem solving (up to three months in some cases).

The system is not integrated and financial reports are generated using AccPac, an accounting software.

M2 cannot easily be modified and reporting is inadequate. Currently, query reports have to be generated outside of the system (using complementary software). This makes customisation difficult and can hamper decision making capabilities. Another constraining factor is that discrepancies in repayments do exist (nor can it apply regular interest payments to savings accounts). If additional funds are deposited, repayments are allocated using a set formula (between savings, principal an interest) and hence, are often not correctly posted.

In the long run this can add up to material amounts thereby undermining the data's authenticity. This problem is further compounded by the fact that manual errors are difficult to reverse.

Overall, there is a lot of work to be done to ensure that the MIS and its capabilities are aligned to meet LAPO's future growth prospects. At the moment the system struggles to handle large quantities of data. It's weaknesses have been exacerbated by the MFIs rapid branch expansion.

Accounting at LAPO is centralised. Cash flow statements and trial balances are sent by branches to head office monthly. These are consolidated and a report is generally available by the 10th of the following month.

Governance and Strategic Positioning

LAPO is an NGO and is headed by a Board consisting of seven Nigerians (including the General Manager). The Chairman has extensive business experience, whilst the other members are mainly involved in teaching or research. There is one client on the Board who represents the interest of all LAPO's borrowers. Although the Board functions relatively well, the composition of the board is not optimal. For an institution that plans to transform into a regulated entity, a greater concentration of commercial and financial skills is warranted. At the moment the MFI's social objectives remain a high priority.

At the Board level there are no systematic risk management policies in place. For example, there are no committees for Audit, Asset and Liability matching or Liquidity risk. Despite the institution's still small size, a systematic approach to risk management is imperative.

MicroRate believes that for an institution, which intermediates a large portion of its clients' savings (and especially since supervision by the central bank is weak), a more sophisticated board structure would be desirable. Furthermore, to successfully manage the risks associated with savings intermediation, the institution must put in place stricter policies and procedures.

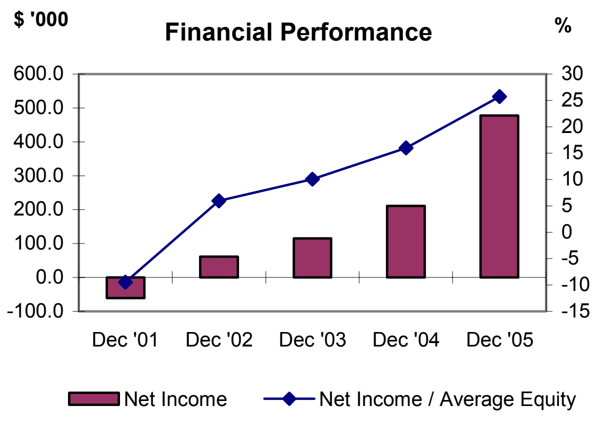
In general, LAPO operates in a unique environment where there is minimal competition. However, this is set to change. Hence, management cannot afford to relax, particularly considering the expected potential threat from newly transformed MFB's (once community banks etc. become regulated). Not only could this potentially hinder the institution's future expansion plans, but it will demand that the institution develops more customer focussed products.

Whilst the MFI plans to continue focussing on group lending, it is expected that individual lending will become increasingly popular (clients do not like the burden of a group guarantee).

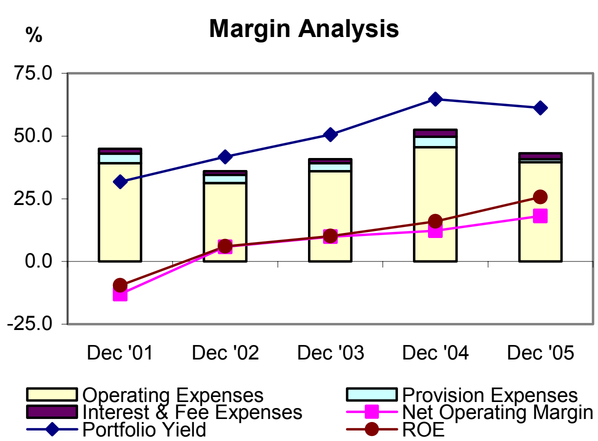
Financial Profile

Financial Ratios	31 Dec-01	31 Dec-02	31 Dec-03	31 Dec-04	31 Dec-05
Capital Adequacy					
Debt / Equity	0.3	0.2	0.8	0.8	1.4
Asset Quality					
Portfolio at Risk / Gross Loan Portfolio	n.a.	n.a.	2.3%	0.7%	1.1%
Loan Loss Provision Expense / Average Gross Portfolio	3.8%	3.2%	3.3%	4.2%	1.3%
Loan Loss Reserves / Portfolio at Risk	-	-	-	276.2%	187.4%
Write-offs / Average Gross Portfolio	-	5.7%	2.5%	3.7%	0.1%
Management					
Operating Expenses / Average Gross Loan Portfolio	39.2%	31.3%	35.9%	45.5%	39.5%
Number of Borrowers / Credit Officer	182	193	179	160	181
Number of Borrowers / Staff	117	132	122	114	148
Earnings					
Net income / Average Equity (ROE)	(9.5%)	6.0%	10.1%	16.0%	25.7%
Net income / Average Assets (ROA)	(7.6%)	4.8%	6.8%	8.9%	12.0%
Portfolio Yield	31.8%	41.7%	50.6%	64.7%	61.2%
Interest and Fee expenses / Average Gross Loan Portfolio	1.9%	1.4%	1.5%	2.8%	2.4%
Interest and Fee expenses / Average Funding Liabilities	4.5%	3.8%	3.2%	4.4%	3.1%
Liquidity					
Cash & Liquid Assets / Total Deposits	99.5%	43.1%	26.6%	20.1%	85.3%

LAPO's financial condition is characterized by rapidly rising margins and low indebtedness. With net income of $477,800 at December 2005 and an annualised ROE of 25.7%, the MFI has proven that it is now more than financially sustainable.



Although portfolio yield decreased slightly to 61.2% in 2005 (2004: 64.7%), higher net operating margins were largely the result of improved efficiencies and lower provisioning. A relatively low cost of funds (2.4% of the average gross portfolio) was also contributing factor. This is despite paying 6% on savings.



The low interest expense is attributable to the highly subsidized borrowings which funded much of LAPO's growth in 2005. Since 2004, total borrowings increased almost 1.8 times to $1.5 million. Accordingly, debt funding exceeded deposits for the first time. Despite an increase in 2005, the debt: equity ratio remains well below average at 1.4 (2004: 0.8). This provides significant scope for funding growth through further borrowing.

At the moment, total borrowings is mainly (74%) comprised of subsidized liabilities. These are priced up to a maximum of 7.5% and remain unsecured. With the exception of NAPEP, all loans are denominated in foreign currency and as there are no hedging mechanisms in place, the institution is exposed to exchange rate risk. Risk is only partially mitigated by placing the NOVIB loan in fixed deposit. Against this, a local currency loan from Zenith Bank (a local commercial bank) has been leveraged.

The institution also manages a loan from GBF of $45,000 at a high rate of 22% over 2 years.

Loan Facilities as at December 2005

	Amount	Rate	Term
Subsidized Borrowings			
Grameen	$310,000	2%	8 years
Grameen Trust	$18,000	2%	2 years
NAPEP*	$38,000	2%	3 years
NOVIB	$460,000	7%	2 years
INCOFIN	$280,000	7.5%	2 years
Commercial Borrowings			
GBF**	$45,000	22%	2 years
Zenith Bank	$340,000	17%	2 years

*National Poverty Eradication Programme – a government initiative.
**Growing Business Foundation – a foundation providing support to micro, small & medium enterprises.

Additional funding is expected from CORDAID, a Dutch development foundation, in the short term. So far, €500,000 has been negotiated for a period of 2 years at a subsidized rate of 2.5%. As a foreign currency loan, LAPO will incur foreign exchange risk. To mitigate risk however, these funds will be placed in fixed deposit and leveraged in local currency.

Aside from long term funding, LAPO has benefited greatly from the fact that it can intermediate its clients' savings. In 2005, these deposits amounted to a sizeable $1.4 million and comprised 27% of the capital structure. Although a large proportion of these savings (roughly 50%) have been used to on-lend, MicroRate is comforted by the fact that 85.3% of savings were covered by cash and liquid assets.

However, it must be noted that in 2005 cash and liquid assets were bolstered by a $340,000 injection from NOVIB (another Dutch donor). If this is excluded, then cash coverage declines to 60.5% of total deposits.

Overall, MicroRate has no immediate liquidity concern, nor is there a mismatch between assets and liabilities in the short term.

However, as deposits are expected to rise (as the institution grows) managing the risk of financial intermediation will be crucial. In this regard, MicroRate feels that LAPO would benefit greatly from transforming into a MFB.

Future Prospects

Going forward, LAPO is expected to continue dominating the microfinance industry given its rapidly expanding branch network and strong foothold in major urban areas. Whilst these urban areas offer significant scope to increase the average outstanding loan size (and hence efficiencies), a major challenge will be transformation.

Although LAPO is not yet required by law to become regulated, the MFI is expecting it will have to do so in the medium term. In preparation, the institution plans to transform by the end of 2007. This is an ambitious target, particularly given the heavy minimum capital requirements and, that outside investors need to be found. At the moment, the plan is to raise 65% of capital internally, which will be difficult. To achieve this, LAPO will have to ensure above average growth rates without a deterioration in portfolio quality. Furthermore, margin growth must be sustained and this can only be realised if efficiencies and portfolio yields are improved.

Overall, the outlook for LAPO is positive.

LAPO

(All amounts in USD '000s except as noted)

Income Statement for the year ended:	31-Dec-01	31-Dec-02	31-Dec-03	31-Dec-04	31-Dec-05
Interest and Fee Income	172.1	334.6	572.9	1,034.2	1,589.6
Interest and Fee Expense	(10.2)	(11.2)	(17.4)	(44.4)	(63.5)
Net Interest Income	**161.9**	**323.4**	**555.5**	**989.8**	**1,526.0**
Provision for Loan Loss	(20.3)	(25.7)	(37.6)	(66.7)	(32.7)
Net Interest Income After Provisions	**141.5**	**297.7**	**517.9**	**923.1**	**1,493.4**
Operating Expense	(211.7)	(251.3)	(406.5)	(726.9)	(1,024.7)
Net Operating Income	**(70.1)**	**46.4**	**111.4**	**196.2**	**468.7**
Other Income	8.9	15.3	4.3	14.2	9.1
Other Expenses	-	-	-	-	-
Extraordinary Items	-	-	-	0.8	-
Net Income Before Taxes	**(61.2)**	**61.7**	**115.7**	**211.2**	**477.8**
Taxes	-	-	-	-	-
Net Income	**(61.2)**	**61.7**	**115.7**	**211.2**	**477.8**
Balance Sheet as at:					
Cash and Banks	166.3	90.3	100.1	153.3	755.1
Temporary Investments	17.3	15.4	14.3	-	411.4
Net Loans	614.1	928.4	1,291.0	1,840.0	3,248.0
Gross Loans	657.7	947.3	1,317.3	1,877.6	3,314.3
Performing Loans	*657.7*	*947.3*	*1,287.0*	*1,864.0*	*3,278.9*
Portfolio at Risk	-	-	*30.4*	*13.6*	*35.4*
Loan Loss Reserve	43.5	18.9	26.3	37.6	66.3
Other Current Assets	13.9	24.7	134.3	219.4	517.1
Current Assets	**811.6**	**1,058.8**	**1,539.7**	**2,212.8**	**4,931.6**
Long Term Investments	6.1	63.6	167.8	189.6	146.2
Property and Equipment	287.3	288.4	288.0	363.7	151.6
Other Long Term Assets	-	-	-	-	-
Long Term Assets	**293.4**	**351.9**	**455.8**	**553.3**	**297.8**
Total Assets	**1,105.1**	**1,410.8**	**1,995.5**	**2,766.1**	**5,229.4**
Demand Deposits	-	-	-	-	-
Short Term Time Deposits	184.6	245.4	430.8	762.4	1,367.8
Short Term Funding Liabilities	-	-	-	-	-
Other Short Term Liabilities	9.3	2.6	40.8	74.9	172.9
Current Liabilities	**193.9**	**248.0**	**471.6**	**837.3**	**1,540.7**
Long Term Time Deposits	-	-	-	-	-
Long Term Funding Liabilities	35.4	15.8	393.3	413.5	1,491.9
Other Long Term Liabilities	-	-	-	-	-
Long Term Liabilities	**35.4**	**15.8**	**393.3**	**413.5**	**1,491.9**
Capital	-	-	-	-	-
Retained Earnings	(192.4)	(144.4)	83.1	302.4	316.0
Other Capital Accounts	1,068.1	1,291.3	1,047.6	1,212.9	1,880.9
Equity	**875.7**	**1,146.9**	**1,130.6**	**1,515.3**	**2,196.9**
Total Liabilities & Equity	**1,105.1**	**1,410.8**	**1,995.5**	**2,766.1**	**5,229.4**
Key ratios:					
Asset Quality					
Portfolio at Risk / Gross Loan Portfolio (%)	n.a.	n.a.	2.3	0.7	1.1
Loan Loss Provision exp. / Average Gross Portfolio (%)	3.8	3.2	3.3	4.2	1.3
Loan Loss Reserves / Portfolio at Risk (%)	-	-	86.8	276.2	187.4
Write-offs / Average gross portfolio (%)	-	5.7	2.5	3.7	0.1
Efficiency and Productivity					
Operating Expenses / Average Gross Loan Portfolio (%)	39.2	31.3	35.9	45.5	39.5
Cost per borrower	17.7	15.4	19.4	27.5	27.9
Average outstanding loan size	47.5	50.6	56.9	63.0	75.8
Number of Borrowers per Staff (no.)	117.4	132.0	121.8	113.8	148.1
Number of Borrowers / Credit Officer (no.)	182.4	193.2	179.3	160.3	180.6
Operating Expenses / Net Interest and Other Income (%)	124.0	74.2	72.6	72.4	66.7
Profitability					
Net Income / Average Equity (%) (ROE)	(9.5)	6.0	10.1	16.0	25.7
Net Income / Average Assets (%) (ROA)	(7.6)	4.8	6.8	8.9	12.0
Portfolio Yield (%)	31.8	41.7	50.6	64.7	61.2
Net Interest Income / Average Gross Loan Portfolio (%)	29.9	40.3	49.1	62.0	58.8
Non Interest Income / Total Operating Income (%)	4.9	4.4	0.7	1.4	0.6
Financial Management					
Interest and Fee Expenses / Average Gross Portfolio (%)	1.9	1.4	1.5	2.8	2.4
Interest and Fee Expenses / Average Funding Liabilities (%)	4.5	3.8	3.2	4.4	3.1
Debt / Equity (:1)	0.3	0.2	0.8	0.8	1.4
Total Capital / Risk Weighted Assets (%)	98.5	88.9	80.9	73.8	89.0
Tier One Capital / Risk Weighted Assets (%)	94.7	87.7	60.0	58.0	53.0
Tier Two Capital / Risk Weighted Assets (%)	3.8	1.2	20.9	15.8	36.0
Cash and Liquid Assets / Total Deposits (%)	99.5	43.1	26.6	20.1	85.3
Cash and Liquid Assets / Liabilities to the Public (%)	94.7	42.6	24.3	18.3	75.7
Nominal Growth indicators					
Assets (%)		27.7	41.4	38.6	89.1
Loan Portfolio (%)		44.0	39.1	42.5	76.5
Shareholders Equity (%)		31.0	(1.4)	34.0	45.0
Deposits (%)		32.9	75.5	77.0	79.4
Net income (%)		n.a.	87.5	82.6	126.3

1. Excellence in Microfinance Rating Definitions

Grade	Definitions	
α++	Those MFIs consistently exhibiting a clear, rational and balanced relationship among the social, financial and operational considerations of sound microfinance practice as compared to an international set of similar companies and emerging standards of the microfinance industry. Optimal efficiency and effectiveness. Very low risk. Excellent future prospects.	**1 Optimal**
α+ α α–	Those MFIs striving to balance a clear and rational relationship among the social, financial and operational considerations of sound microfinance practice as compared to an international set of similar companies and emerging standards of the microfinance industry. Good efficiency and effectiveness. Low risk. Good future prospects.	**2 Good**
β+ β β–	Those MFIs working to define a clear and rational relationship among the social, financial and operational considerations of sound microfinance practice as compared to an international set of similar companies and emerging standards of the microfinance industry. Satisfactory efficiency and effectiveness. Acceptable risk. Satisfactory future prospects	**3 Satisfactory**
γ+ γ γ–	Those MFIs without a clear and rational relationship among the social, financial and operational considerations of sound microfinance practice as compared to an international set of similar companies and emerging standards of the microfinance industry. Poor efficiency and effectiveness. Very risky. Poor future prospects.	**4 Poor**

	Scoring key:	
++	Optimal	*1*
α	Good	*2*
β	Satisfactory	*3*
γ	Poor	*4*