

## Sunrise MCO, Bosnia and Herzegovina

Sunrise started to provide microcredit services in Sarajevo on April 1997 and it was officially registered as a MFI on September 2000. Following the adoption of the new microcredit law, Sunrise will first transform into a Foundation before becoming a for-profit microfinance Company by July 2007. The Foundation will become a shareholder in the Company, but other shareholders including top management are also expected to subscribe to its capital. As of May 31, 2007, Sunrise's 145 staff serves 19,531 clients through a network of 46 branches and satellite offices in both BiH entities. The institution had a loan portfolio of 48 M BAM (24.5 M EUR) and offers seven individual loan products directed to production, trade, services, agriculture and housing improvements.

### GIRAFE Rating

#### Rating

**A-**

#### Outlook

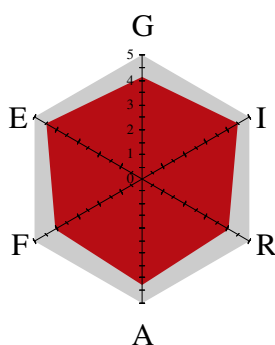
**Stable**

#### Date of the rating

**May 2007**

Valid until April 2008

#### Performance composition



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#### Rating highlights

- Sunrise is highly profitable (ROA=8.0%, ROE=29.8% in 2006), this excellent performance is fuelled by a big drop in operational expenses and increased leverage.
- Sunrise has succeeded in growing fast (averaged 43.5% per year for the past 5 years) and in maintaining good portfolio quality (PAR30=1.3% in 2006, although this level remains higher than the industry average of 0.8%).
- Sunrise enhanced its prudent portfolio management practices with a new client and guarantor rating tool while making its products more flexible and competitive.
- Operating cost expense ratio dropped steadily over the years to 16.7% in 2006. Decentralized lending operations, efficient IT systems, good staff productivity and good asset deployment all contributed to better efficiency. This improved cost level remains however higher than the BiH average of 14.5%.
- The upcoming transformation to a for-profit Company status is expected to provide clearer ownership and governance rules. The main challenge is whether Sunrise can/will remain independent in the long run, and if so, how it will effectively compete and gain market share in a market dominated by the top 3 MFIs.

#### Outlook

- The "Stable" trend is underpinned by Planet Rating's expectations that the lending operations will continue to be well-managed, that the portfolio quality will remain at the current level and that Sunrise will handle smoothly the challenges associated with the upcoming legal and ownership changes aided by ongoing preparations.

#### Performance indicators

EUR, unless otherwise stated	Dec. 2002	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006
Assets	5 989 967	7 598 385	10 129 493	13 814 760	23 046 003
Growth	48.9%	26.9%	33.3%	36.4%	66.8%
Loan portfolio	5 161 012	6 953 978	9 474 838	13 086 458	20 873 055
Growth	49.1%	34.7%	36.3%	38.1%	59.5%
Active borrowers	4 560	7 256	10 294	12 319	17 250
Staff	50	70	85	97	121
ROE	26.2%	20.1%	18.2%	19.4%	29.8%
ROA	8.3%	7.4%	6.6%	6.3%	8.0%
Liabilities / Equity	1.88x	1.62x	1.91x	2.26x	3.03x
Portfolio Yield	38.5%	36.9%	33.9%	31.8%	33.6%
Operating expense ratio	23.2%	22.6%	21.5%	18.9%	16.7%
PAR 31-365	1.5%	1.3%	1.1%	1.1%	1.3%
PAR > 365	0.0%	0.0%	0.0%	0.0%	0.0%
Write-off ratio	1.4%	1.6%	1.1%	1.1%	1.5%

## Microfinance sector

The microfinance sector in Bosnia and Herzegovina (BiH) was launched in 1996 with support from the World Bank (WB) and international NGOs. The bulk of start-up funds to the sector have been channelled through the WB-financed Local Initiatives Project (LIP). Through various rounds of LIP funding, the WB has been able to dictate conditions through its Eligibility Criteria and thus heavily influenced the way many MFIs are managed. Numerous international donors have funded microfinance organizations (MFIs) and provided valuable technical assistance. The largest MFIs, having adopted most industry best practices, are among the strongest MFIs in Eastern Europe. As of December 2006, the 12 largest MFIs reporting to the Association of Microfinance Institutions (AMFI), reported a total portfolio of 486.4 M BAM (248.2 M EUR), for 201,667 borrowers. This does not include commercial banks' portfolio, with the largest share attributed to ProCredit Bank Bosnia (outstanding portfolio of 117.8 M EUR and 42,459 active clients as of December 2006).

Both BiH entities' parliaments have adopted the new microfinance law (Republika Srpska -RS- Parliament on July, 2006 and Federation of BiH -FBH- Parliament on October, 2006). Relevant bylaws have been issued in both entities. The new law will require existing FBH-based MFIs to register first into a Foundation and subsequently to follow two options: to remain with the non-profit Foundation status or to create a for-profit shareholder Company of which the foundation will a shareholder. Both options are non-deposit taking, an activity reserved to banks. The two main differences between these two options are: 1) minimum capital requirement (500,000 BAM or 250,000 EUR for a company and 50,000 BAM or 25,000 EUR for a foundation); and 2) maximum loan size (50,000 BAM or 25,000 EUR for a company and 10,000 BAM or 5,000 EUR for a foundation). The law authorizes MFI mergers and acquisitions and outlines clear reporting requirements. The Law on Enterprises will also apply to newly transformed MFI companies including the requirement to pay income taxes. The MFIs will be licensed and supervised by each entity's Banking Agency, which is a step forward in terms of supervision of the sector, presently regulated by the Ministry of Finance in RS, and by the Ministry of Displaced Persons and Refugees in FBH. Regulation will not include prudential norms given the absence of deposit taking risks.

The BiH microfinance sector is now entering an interesting phase of development where MFI top managers and their Boards are deciding soon which transformation option to take. The largest MFIs are expected to transform into for-profit companies for the following reasons: 1) most have sufficient capital which was built up from capitalized

donations and retained earnings; 2) all have been disbursing loans exceeding 10,000 BAM; 3) the company status will allow the opening of the capital structure to investors.

Several MFIs are in discussion with potential domestic and foreign investors to secure their participation as strategic equity partners. Merger discussions are expected to accelerate and to be more serious than before. Mikrofin, the largest MFI of BiH has already merged with Benefit, and it is likely that other mergers will take place over the next few years when equity investors start to flex their muscles. Most commercial banks, led by Raiffeisen and Hypo-Alpe-Adria (but with the notable exception of ProCredit), have thus far chosen to get involved in the microfinance sector indirectly by financing MFI portfolio growth. They might become equity investors as well. In all cases, the BiH microfinance sector is firmly heading towards consolidation and further commercialization.

## Political & economic environment

Robust domestic demand and good export performance have been underpinning growth. The fixedness of the exchange rate based on a currency board regime has made it possible to keep inflation at low levels except for the price increases registered in 2006, attributable to introduction of VAT. Financial intermediation has been developing. Foreign currency reserves have been growing. The tax system has been modernised, the public sector deficit reduced and government debt kept to moderate levels. That progress nonetheless rests on shaky foundations. The current account deficit is still too large, reflecting the limited extent of domestic savings. This imbalance has tended to increase the country's external vulnerability in view of its appreciable debt burden. Exports have not been very diversified, with half comprising sales of metals, mineral products, and wool and depending on price trends for staple commodities. The lagging pace of reforms intended to improve the business environment has deterred private investment. Institutions are fragmented with administrative capacities remaining limited. The sharp credit expansion could undermine the financial sector. The future development of public spending will be uncertain due to a lack of adjustment measures and to the substantial arrears owed by the government for war damages. Bosnia-Herzegovina is still the region's least advanced country in the transition process.

In the political arena, the October 2006 general elections finalised the defeat of the traditional nationalist parties. However, the winning parties' divisive rhetoric hardly augurs a peaceful legislature. The consequences of renewed tensions would be to prolong the country's current international "protectorate" status and delay its march toward the European Union.

COFACE Country Rating: D - The high risk profile of a country's economic and political environment will further worsen a generally very bad payment record.

(USD millions)	2004	2005	2006 (e)	2007 (f)
Economic growth (%)	5.8	5.0	5.5	6.0
Inflation (%)	0.2	2.8	6.5	2.5
Public sector balance (% GDP)	-5.9	-3.9	-3.6	-5.7
Exports	2 087	2 591	3 041	3 686
Imports	6 656	7 581	7 973	9 389
Trade balance	-4 570	-4 989	-4 932	-5 703
Current account balance (% GDP)	-19.3	-21.3	-17.0	-17.5
Foreign debt (% GDP)	53.5	57.9	54.7	54.2
Debt service (% exports)	2.7	2.5	2.7	2.5
Foreign currency reserves (in months of imports)	4.0	3.7	4.8	5.5

**Source:** COFACE's Country Risk Rating Guidebook. (e) estimates (f) forecasts. Note: COFACE is a shareholder of Planet Rating.

## Institutional presentation

### Legal form, supervision and audit

Created as a humanitarian organization, Sunrise started to provide microcredit services on April 1997 and it was officially registered as a MFI on December 2000. Currently not subject to any banking supervision, the FBH Banking Agency will regulate when Sunrise becomes a for-profit Company. Sunrise's financial statements are prepared in accordance with IFRS and IASB. Deloitte Touche is Sunrise's external auditor and has always certified the accounts without qualification.

### Ownership

Currently Sunrise has no owners. After becoming a Company, Sunrise ultimately wishes to have a mix of potential investors including the Foundation, its top management, a local financial institution and a reputable foreign partner with existing microfinance experience such as EFSE and EBRD. Sunrise's Board of Directors (BOD) is composed of nine members with private sector, insurance or banking backgrounds. Two BOD members represent Raiffeisen Bank and EFSE, respectively. There are four BOD Committees: Audit; Evaluation and Compensation; Management of Assets and Liabilities; and Cooperation with Investors.

### Donations

Sunrise received close to 2.6 M BAM (1.3 M EUR) in donations, mostly from WB LIP I and II through various capitalizations of their soft loans.

### Management team

The management team includes the General Director (GD), the Deputy General Director (DGD) -together representing

top management-, the Credit Manager (CM), the Finance & Accounting Manager (FAM), the IT Manager, the Human Resources Manager, the Market Research Manager, the Internal Auditor and the Legal Advisor. The management team also counts on the services of 6 Regional Managers (RM) reporting directly to the CM.

The GD, Mirsad Milavić, has led Sunrise since the beginning of the program along with DGD Milan Seselj and CM Jasminka Milavić. The GD has over 20 years of practical experience in public service and microfinance sectors prior to founding Sunrise.

### Organization

- The headquarters (HQ) is located in Novo Sarajevo where all key managerial staff and operational functions are found along with its largest branch. A number of Sarajevo-area branches will be relocated to a newly acquired building in downtown Sarajevo.
- Operations are decentralized, RMs supervise the offices within their respective territory and are in charge of the general portfolio management (loan validation process, monitoring of portfolio performance and Loan Officer (LO) work, market evaluations). Loans up to 15,000 BAM (7,653 EUR) are approved locally in Regional Credit Committees made up of the RM, the LO and a Credit Administrator. Bigger loans require HQ approval.
- All operations involving cash (disbursements, repayments) are made through local partner banks, except for a cashier accepting cash at the HQ branch.
- Client data are entered directly by LOs at the branches/offices' computers which are connected via VPN to the HQ central database. There are various built-in layers of checks to ensure data accuracy.

### Market penetration

Sunrise operates through a network of 46 branches and offices located in central BiH covering both entities. The portfolio is still overwhelmingly drawn (90%) from FBH-based offices.

### Products and services

Sunrise revamped its credit products and policies on March 2006. It now offers seven individual loan products: two working capital loans for various trading and production businesses; four loans for general agriculture activities and a recently introduced housing improvement loans. Most loans have maximum lending amounts between 10,000 to 12,000 BAM, except for a maximum of 30,000 BAM for housing improvement loans. Loan terms range from 1 to 36 months. The loans' APRs range as low as 10% for the Special Action Agriculture Product to as high as 33% for the Short Term Working Capital Product. Average portfolio APR stood at

27.9% as of end March 2007. As of March 2007, the average loan outstanding is 2,350 BAM (1,199 EUR). Portfolio average term stood at 16.4 months at end 2006 (11.7 months in 2005). All loans are guaranteed by one or more guarantors together with promissory notes and in certain cases administrative bans on salaries and personal guarantees.

## Networks

Sunrise is a member of AMFI (the local association of MFIs in BiH) and Warsaw-based MFC (the Microfinance Centre for Central and Eastern Europe and NIS).

## ■ Governance

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Governance and Decision Making is rated “a”

### Decision-making

The decision-making process at Sunrise is participative and effective. Committed BOD members are well informed of key challenges and issues, receive relevant and timely data for decision making in advance, meet regularly and their discussions are recorded in well documented minutes. The current all-volunteer BOD plays the main role as assets' custodian and competently guides Sunrise as a NGO, but its composition and nature have not changed much over the years (which is a similar situation to other MFIs). Top management continues to propose main strategies and key initiatives for BOD's validation. The upcoming transformation to a for-profit making Company status is expected to, though not initially, alter BOD's nature to include actual owners for the first time.

While Sunrise's decision to become a Company is clear, who will control the new entity remains unclear. The Foundation (i.e. the current BOD together with top management) ultimately controls who will become shareholders and under which conditions. There are some ongoing discussions with potential equity investors, but there is no firm commitment at this stage. Local banks as well as foreign lenders (e.g. EFSE, MicroVest, EBRD, Raiffeisen Bank) are interested, but they have yet to develop their BiH strategy and outline specific conditions. Top managers are expected to become shareholders although how much they will own and how to finance their shares remains a question mark. Similarly, it is not clear at this stage whether the Foundation will retain majority ownership in the long run. The Government, through the Banking Agency, ultimately controls how the Foundation will employ financial assets which represent some regulatory risks, but this is somewhat mitigated by the close consultation process between MFIs and the Banking Agency.

## Planning

There is a strong and embedded planning culture throughout the organization that involves all staff levels. The current 2006-2009 Strategic Plan is market-relevant overall and outlines some ambitious targets and goals (e.g. attain 20% market share and become a Microfinance Bank). These two goals, while commendable, are not likely to be achieved within the planning period. Organic growth alone will not help Sunrise reaching the 20% market share given very strong competition and continued dominance of the top 3 players. The idea to become a Bank seems far-fetched given the over-banked local market. While the case to become a Bank has not been made convincingly, it is not relevant for this current rating exercise given its remote timeframe.

Top management proposes to transform the Foundation into a group/holding structure in which the microfinance company would be a core, but not the only one, business. Other financial (e.g. insurance, equity) and non-financial (e.g. marketing of clients' product, training) services would be provided by one or more sister companies with the idea to provide broader services to the existing clientele. This idea is only at its initial stage and is designed to help Sunrise to differentiate itself in the market place should Sunrise choose to grow alone. Sunrise, while not ruling out any potential mergers, does not reportedly engaging in any serious discussion. Sunrise, in the short term, can comfortably grow and stay independent, but it remains to be seen whether it can stay so in the long term as a middle-size market player. The group/holding strategy is an interesting alternative, but it also brings obvious execution risks of conducting new and non-core (though related) businesses.

Sunrise has a good and detailed annual Business Plan that contains all relevant elements, focuses on key efficiency and competitive areas and provides realistic projections based on reasonable assumptions. The budgeting process is equally regular and systematic. Relevant analysis and reports are regularly made to track and benchmark actual performance versus set objectives.

## Management team

Sunrise's committed and skilled top management provides stable and strong leadership to the institution. They are the key decision-making drivers and rely on a good middle management team to execute operational objectives. This middle management team has been strengthened over the years through on the job experience, training and exposure. Sunrise plans to promote/hire a new Executive Director to run the daily operations of the new microfinance Company leaving the top 2 managers to concentrate strategic, business and investors' issues at the Company, but also at the contemplated group/holding structure. It intends to hire a Risk Manager as well to oversee and control all operational

and financial risks in coordination with other line managers. Their exact roles and responsibilities still need to be defined. An internal staff member is being identified to nominally lead the new Foundation and Sunrise's present top managers are expected to stay within the microfinance company.

The management team works cohesively together and thus mitigate the key person risk at the top management level. As the business becomes larger and more complicated, more delegation of authority and participation of middle managers would enhance team effectiveness. It would probably be good to benchmark the management team with Banking Agency standards for banks to identify further capacity building opportunities. Among the middle management, there are stronger HQ sector teams such as HR, IT and Credit with more resources needed for the Internal Audit team. Sunrise provides good ongoing training opportunities for its managers. Finally, Sunrise counts on a solid field team (run by Regional Managers) that also participates in the overall running of the organization.

### **Human resource management**

Basic HR procedures and policies are in place along with adequate recruitment and training practices. Sunrise has one of the strongest HR management teams among the BiH MFIs. They practice best practices, help to train staff and lower staff turnover. Staff morale is good overall enhanced by good and regular communication through meetings, staff retreats and Intranet portal.

### **Information**

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Information and equipment is **rated "a"**

Sunrise is currently using its internally-developed loan tracking system called SunKop after having partially dropped the integrated PROBIS system. This new and more flexible system has all relevant functionalities to provide Sunrise with all required operational data. Sunrise 5-member IT team is working on developing the accounting module which is expected to be ready and integrated with the loan system by the third quarter 2007 (Sunrise is still using the accounting module for PROBIS in the mean time). Given the high skilled technical team and ample resources devoted to this venture, the IT development risk is considered low at Sunrise. The new system has required security features (control access, anti-virus, back-up...etc) and data input checks at various levels to guarantee data integrity.

Sunrise's user-friendly and comprehensive MIS system provides it with accurate, timely and reliable data to manage its lending operations efficiently. The same can be said for both accounting and financial data. Numerous portfolio and

financial reports are regularly generated, analyzed and widely used throughout the organization. As with all internally developed MIS, it would be useful to have an independent external IT audit in due course. Sunrise received CGAP's Certificate of Merit for Financial Transparency Awards for 2004, 2005 and 2006.

### **Risks Management**

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Risks Management is **rated "a"**

### **Procedures and internal controls**

Sunrise continues to excel with regard to formalizing and updating rules, procedures and policies in comprehensive manuals and devotes significant amount of time and resources to ensure strict implementation. Best control practices (e.g. separation of tasks, limitation of power, hierarchical controls) are followed and foster a strong compliance culture. Major lending risks are identified and mitigated. Potential frauds would quickly be identified.

### **Internal audit**

Sunrise employs a skilled 3-member Internal Auditor (IA) team that performs effective controls based on an Annual Audit Plan. The Department is understaffed given the size of Sunrise's current network and has traditionally lagged behind Sunrise's rapid expansion. It is understood that Sunrise will hire a new IA, but this will just merely replace one IA has been absent due to sickness for a number of months and will not solve the core understaffing situation. The IA Head is part of the BOD Audit Committee and regularly reports to them. The reports are of good quality and contain relevant recommendations. Generally speaking, there is an adequate management follow-up on recommendations. Deloitte Touche performs annual external audits using international accounting standards and has certified accounts without any qualification.

### **Activities**

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Activities: products and services is **rated "a"**

### **Market positioning and strategy**

Sunrise wants to be one of the leaders in the BiH market, hopes to catch up with the top 3 players and aims for 20% market share by 2009. Despite strong growth that averaged 43.5% per year for the past 5 years, due to both geographic expansion and to lending larger loans to existing clients, its market share remains stable around 8-9% as the overall industry has also witnessed similar strong growth rates. Sunrise remains a strong mid-size player firmly focused on the entrepreneurial poor segment. From its Sarajevo base, it

expanded in contiguous regions and into RS. This growth has been enabled by larger access to both local and international funding as well as a better command of core business over the years.

On March 2006, it revamped its credit products to make them broader (e.g. new housing loan) and more competitive (i.e. higher amount, lower interest and commission, longer loan terms). It is noted that most BiH MFIs adopt more or less the same competitive strategies.

In the past 2 years, Sunrise has considerably enhanced its marketing and promotion capability. This has resulted in targeted promotion campaigns where/when demand is low or when opening new offices, creative marketing materials, nicer office environment to welcome clients and higher branding awareness. A main competitive advantage for Sunrise is its turnaround time which is now an average of 2 days compared to 5 previously thanks to its highly efficient new IT system. Sunrise's pricing as measured by portfolio yield (28.1% as of March 2007) remains significantly higher than that of the top 3 MFIs (around 20%). This higher pricing has not hurt its growth potential thus far as clients perceive good value in quick turnaround time and personalized service that Sunrise staff provides.

Despite much stronger competition, BiH clients remain remarkably loyal to the original MFI they first borrowed from. While client drop-out is not a major industry issue, all MFIs face a higher risk of over indebtedness. One of the strategies to deal with this issue has been the expansion to underserved areas, usually small towns or rural areas. Sunrise, like many MFIs, has developed a client rating or scoring system to better control credit risk in addition to informally sharing client data with other MFIs. It is expected that all credit institutions will start reporting to the Central Bank's credit bureau over the next few months, thus enabling all to better assess the level of indebtedness of their clients.

## Loan portfolio management

Sunrise's portfolio management philosophy has not changed much over the years. It continues to emphasize rigorous application of credit policies (e.g. proper client selection and analysis) and recruitment/training of good lending staff. Credit methodology and products remain market-appropriate. On March 2006, Sunrise published a new Credit Policy that introduced/formalized some new features:

- Decentralization of the credit approval process to accelerate loans approval. Larger loans continue to be approved at the HQ.
- Formal introduction of client and guarantor rating system to assess credit risk in a more systematic way and faster.

- Stronger delinquency management capability with legal staff handling all loans over 120 days late.
- Introduction of the multiple loans concept with one client can obtain up to 3 loans (2 for business and 1 for housing) with maximum exposure per client of 30,000 BAM.

## Credit risk

Sunrise is awareness of the over-indebtedness risk and has been very prudent in allowing multiple loans. As of May 2007, only 235 clients (1% of total) have more than one loan representing 5.7% of the portfolio. It is understood that second loans are only provided to good clients only that have quick need for cash. Sunrise does not offer consumption loans at this stage.

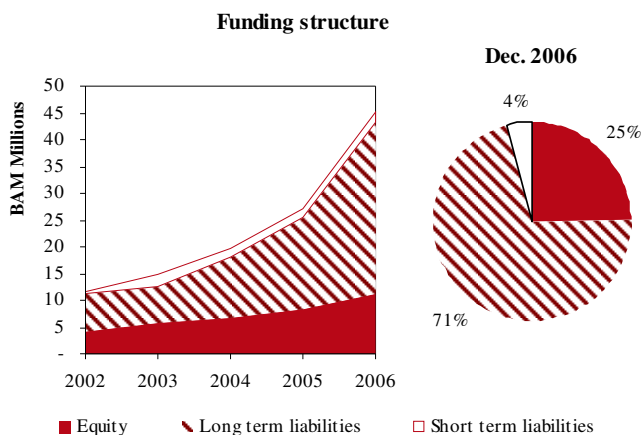
Sunrise does not have a formal portfolio diversification strategy (except for specific agriculture loan targets), although its portfolio is reasonably diversified across sectors and the Federation territory (the portfolio in RS, though growing, remains small at around 10%). 60% of the portfolio is for working capital (mainly trade and services) follows by 28% for agriculture (mostly in less risky milk production and animal husbandry businesses). The newly introduced housing loans constituted 5.4% of the 2006 end portfolio adding a new and welcoming element to the overall mix.

Sunrise's portfolio quality remains very good with March 2007's PAR>30 at 1.3% thanks to strong portfolio management practices. While this level is quite low by international standards, it is and has been among the highest rates in BiH where industry average is around 0.8%. It remains to be seen whether the newly formalized client/guarantor system will significantly help Sunrise to reduce its PAR to industry average. 74% of PAR>30 comes from working capital loans. The multiple loans' option and the presence of the new housing loans in the portfolio have yet to show up in PAR data, although they are not expected to change significantly the portfolio risk profile. Partially due to its higher PAR, Sunrise also write-offs more loans than the industry average (1.5% at the end of 2006 vs. 0.8%). Despite having a formal policy to write off all loans over 180 days, there remain a number of such loans on Sunrise's balance sheets (explained as having strong probability of recovery).

Sunrise continues to have excellent credit risk coverage from both conservative provision policy (242% risk coverage ratio as of March 2007) and good ability to enforce loan guarantees (administrative ban on salaries, promissory notes, etc.).

## ■ Financing and liquidity

Financing and liquidity is rated “a”



### Capital structure and leverage

Despite growing leverage, Sunrise remains well capitalized with equity representing a solid 25% of the funding structure. Its capital structure remains strong as liabilities to equity ratio rose steadily from 1.9x in 2002 to 3x at the end of 2006. Its debts are well diversified between both commercial and soft loans although the proportion of soft loans has decreased over the years. Given its low risk profile, good track record and good growth prospects, Sunrise has significant additional debt capacity.

### Asset Liability Management risks

Asset & Liability Management (ALM) risks are identified and manageable given the current assets/liabilities structure.

- **Low maturity risks:** As of the end of December 2006, 79% of Sunrise’s rate sensitive assets is below 1-year maturity whereas the structure of its rate sensitive liabilities is the exact opposite with 80% is between 1 to 5 years.
- **Medium FX risks:** Sunrise is exposed to FX risks as all of its financial assets are BAM-denominated whereas only 30% of its financial liabilities are. About 23.8 million of its liabilities are EUR-denominated. While the BAM has been pegged to the EUR for years and the peg has been maintained during this period, no guarantee is given that the peg will continue forever. Sunrise is not protected from FX risks despite the standard pass-on clause in the client loan contracts in a case of a major devaluation.
- **Relatively high interest rate risks:** About 15.6 M (out of total 18.1 M BAM) long-term commercial loans as well as 10.1 M (out of total 15 M BAM) of subsidized loans are priced on the EURIBOR benchmark. Given that the EURIBOR has gradually gone up in the past 2 years, Sunrise interest payments have been negatively impacted though partially mitigated by having successfully negotiated lower spreads with its main lenders. The

European Central Bank could potentially raise further its prime rates and push the EURIBOR higher on the account of better economic growth within the Eurozone. Sunrise does however have some flexibility as its reasonably fast turnover of loans will allow re-pricing as needed to reflect changes in interest rates.

### Financing strategy

Sunrise has been successful at securing both subsidized and commercial funds from various sources thanks to ongoing and active fund raising efforts, favourable funding environment (plenty of competing funds willing to lend to BiH MFIs) and its own good operational and financial performance. Its funding sources are well diversified and it continues to benefit from lower cost subsidized sources locally (FBH Investment Bank) and internationally (Spanish ICO).

### Liquidity management

Sunrise manages its liquidity effectively and has a good track record of quickly deploying its available funds into the portfolio as evidenced by high portfolio to assets ratios (over 86% since 2002). It has weekly, monthly and annual liquidity plans with branch and HQ management working together to optimize cash deployment. Liquidity risk is low.

## ■ Efficiency and Profitability

Efficiency and Profitability is rated “a”

### Profitability analysis

Sunrise is a highly profitable institution as measured by strong ROE and ROA ratios of around 20% and 6%, respectively over the past 5 years. It has accomplished this excellent performance by successfully driving down operational costs which compensated for the declining portfolio yield and higher funding and provisioning costs. As of December 2006, Sunrise’s ROE and ROA stood at 29.8% and 8.0%, respectively. This “spike” in profitability indicators is mostly explained by changes in accounting rules (fee income recognition) rather than in major underlying changes in either the revenue or cost structure.

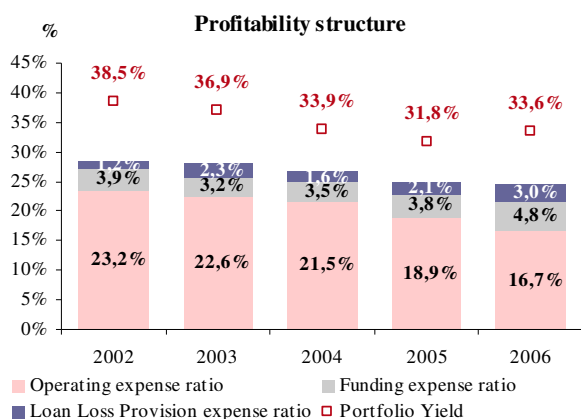
In line with the increased competition, Sunrise’s portfolio yield dropped a full 10% to 28.1% in March 2007 compared to 38.5% in 2002 due to reductions in both interest and fees on Sunrise’s core working capital and agriculture loans. Sunrise has been able however to minimize the negative impact by altering slightly its portfolio composition (i.e. making less lower yielding loans and substituting with new higher yielding ones such as housing loans). Sunrise’s portfolio yield remains almost 2% higher than the BiH MFIs’ average at 26%. There is no significant gap between

portfolio APR (27.9%) and portfolio yield (28.1%) as of March 2007. Sunrise’s portfolio yield is expected to drop further over the next few years under ongoing competitive pressure.

As Sunrise gets squeezed by lower portfolio yield, it managed to become more efficient by reducing its operating expense ratio to 15.3% in March 2007 from 23.2% in 2002. Decentralized lending operations, highly efficient IT systems, good staff productivity (143 borrowers/staff in 2006) and good asset deployment (88% in 2006) all contributed to increased operational efficiency. While this 15% operating cost range is very good by international standards, Sunrise still has more to do in order to reach the 10% range seen at the top tier BiH MFIs. Similar to other MFIs, Sunrise starts to pay higher funding costs (i.e. blended funding expense ratio increased from 3.9% in 2002 to 5.4% in March 2007) on the back of higher (commercially-priced) leverage (i.e. liabilities/equity ratio jumped to 3.5x vs. 1.9x in 2002). It also spent more on loan loss provisioning as a % of the average gross loan portfolio (3% in 2006 vs. 1.2% in 2002) feeling more the negative impact of client over-indebtedness.

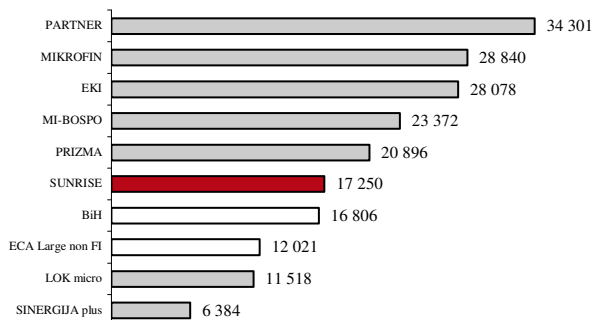
Sunrise’s profitability outlook is positive despite expected further decline in portfolio yield given its track record in controlling and reducing costs. Sunrise is expected to maintain tight portfolio management practices and good portfolio quality, although only the introduction of higher yielding and/or fee-based products will alter radically the revenue structure. Its market share is not expected to change significantly over the next 12 months unless a merger takes place. Further improvements in IT systems, staff productivity and asset deployment will help to compensate rising loan provisioning and funding costs.

*The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution’s performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee the validity of the opinions contained herein, and recommends that a new rating evaluation be undertaken. Planet Rating cannot be held responsible for investments/financings that are made based on this report.*

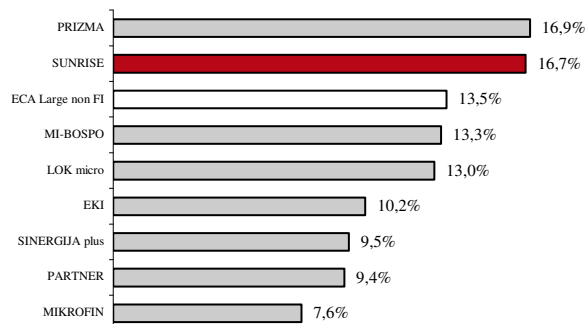


## Benchmarking

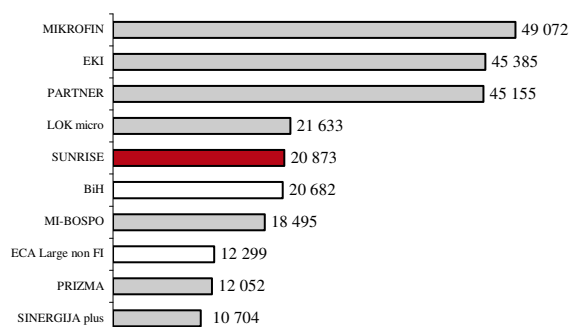
Active borrowers



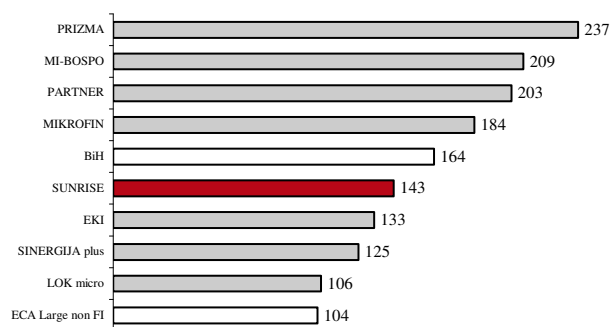
Operating expense ratio



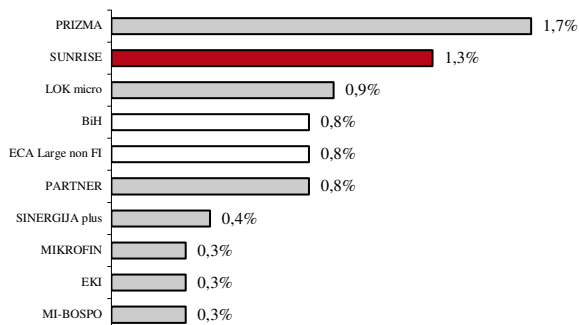
Loan portfolio



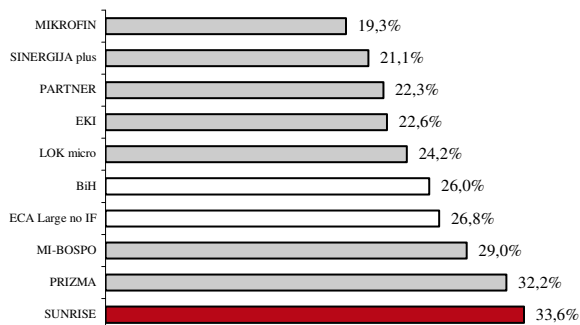
Staff productivity



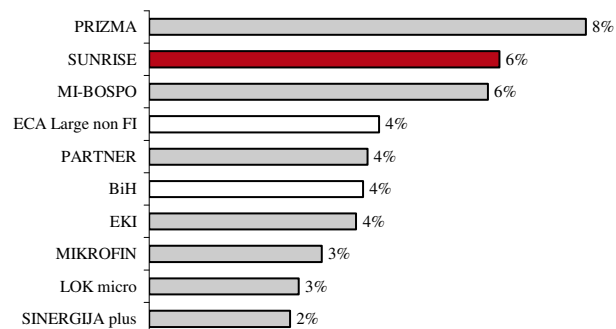
PAR 31-365



Portfolio Yield



ARO



**Source:**

**Bosnian MFIs:**

AMFI data as of December 2006 (some differences with Planet Rating data)

**MBB Peer groups; benchmarks 2005**

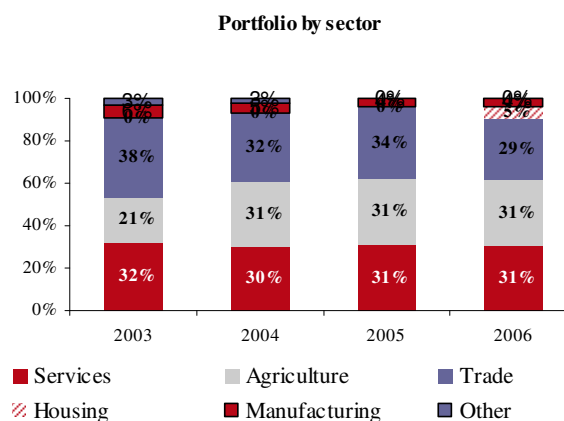
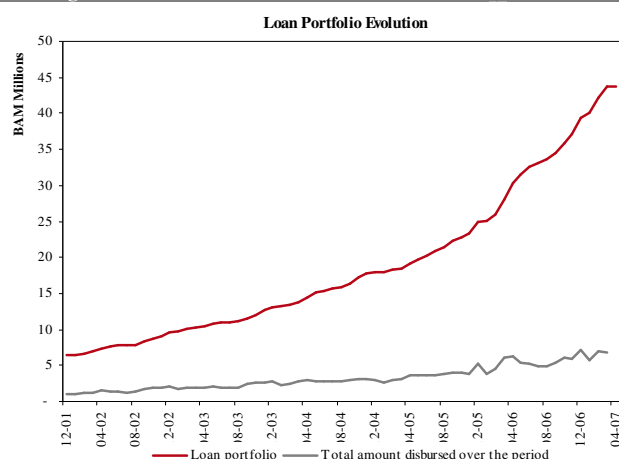
**BiH:** Benefit, EKI, LOKmicro, MI-BOSPO, MIKROFIN, Partner, PRIZMA, SINERGJApplus, Sunrise and BiH average

**ECA Large non FI:** ACBA, Agroinvest, Benefit, BESA, EKI, FINCA - KOS, FMCC, FORA, Fundusz Mikro, KAFC, KEP, KLF, KMB, LOKmicro, MFBA, MI-BOSPO, MIKROFIN, Moznosti, Partner, PRIZMA,

## ■ Performance indicators

Data in EUR, unless otherwise stated

	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Mar. 2007
<b>Loan Portfolio</b>					
Loan portfolio	6 953 978	9 474 838	13 086 458	20 873 055	22 387 487
Loan portfolio (BAM)	13 600 798	18 531 172	25 594 888	40 824 148	43 786 119
Evolution	34.7%	36.3%	38.1%	59.5%	7.3%
Average outstanding loan	5 624 431	7 834 395	10 474 590	16 177 536	21 111 082
Active borrowers	7 256	10 294	12 319	17 250	18 672
Evolution	59.1%	41.9%	19.7%	40.0%	8.2%
Average outstanding loan per client	958	920	1 062	1 210	1 199
% of GDP per capita	55.6%	50.7%	56.6%	57.6%	59.6%
Average amount disbursed per loan	1 434	1 369	1 535	1 593	1 697
% of GDP per capita	86.6%	77.1%	81.2%	76.0%	80.9%
Rescheduled loans	0.7%	0.4%	0.5%	0.4%	0.4%
PAR 31-365	1.3%	1.1%	1.1%	1.3%	1.3%
PAR > 365	0.0%	0.0%	0.0%	0.0%	0.0%
Write-off ratio	1.6%	1.1%	1.1%	1.5%	0.3%
Risk coverage ratio	259.0%	287.5%	268.7%	246.0%	242.1%
PAR 31 net of loan loss provision / Equity	(4.7%)	(5.2%)	(5.8%)	(6.7%)	(6.8%)
<b>Staff</b>					
Total number of staff	70	85	97	121	145
% Credit officers	70.0%	64.7%	66.0%	68.6%	72.4%
Turnover	5.0%	11.6%	6.6%	6.4%	3.0%
<b>Profitability analysis</b>					
ROE	20.1%	18.2%	19.4%	29.8%	21.2%
Liabilities / Equity	1.62x	1.9x	2.3x	3.0x	3.5x
ROA	7.4%	6.6%	6.3%	8.0%	5.0%
Portfolio Yield	36.9%	33.9%	31.8%	33.6%	28.1%
Operating expense ratio	22.6%	21.5%	18.9%	16.7%	15.3%
Cost per borrower	343	320	314	306	339
Staff productivity	104	121	127	143	129
Loan officer productivity	148	187	192	208	178
Average outstanding loan per client (EUR)	958	920	1 062	1 210	1 199
Funding expense ratio	3.2%	3.5%	3.8%	4.8%	5.4%
Cost of liabilities	4.3%	4.8%	4.9%	5.9%	6.1%
Loan Loss Provision expense ratio	2.3%	1.6%	2.1%	3.0%	2.8%
PAR 31-365	1.3%	1.1%	1.1%	1.3%	1.3%
Write-off ratio	1.6%	1.1%	1.1%	1.5%	0.3%
Outstanding Loan Portfolio / Assets	88.6%	90.8%	91.9%	87.8%	80.6%
Revenue from investment as a % of financial revenues	0.0%	0.0%	0.0%	0.0%	0.1%
Liquidity / Total assets (LAR)	2.8%	1.3%	1.9%	7.6%	10.6%
Adjustment expense ratio	4.4%	3.4%	2.2%	3.5%	3.3%
AROE	10.2%	9.9%	13.3%	18.3%	9.2%
AROA	3.7%	3.6%	4.3%	4.9%	2.2%
Financial self-sufficiency	113.9%	113.5%	118.2%	120.0%	109.6%
Adjusted operating expense ratio	22.6%	21.5%	18.9%	16.7%	15.3%
Adjusted funding expense ratio	7.6%	6.8%	6.0%	8.4%	8.7%
Adjusted loan loss provision expense ratio	2.3%	1.6%	2.1%	3.0%	2.8%
Exchange rate 1 EUR= xx BAM	1.96	1.96	1.96	1.96	1.96



GIRAFE Rating – Sunrise MCO, BiH – May 2007

SUNRISE MCO Income Statement	BAM					EUR					Evolution			
	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Mar. 2007	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Mar. 2007	2004/2003	2005/2004	2006/2005	2007/2006
<b>Financial Revenue (a)</b>	<b>4 072 338</b>	<b>5 207 596</b>	<b>6 544 368</b>	<b>10 663 171</b>	<b>3 039 843</b>	<b>2 082 153</b>	<b>2 662 602</b>	<b>3 346 082</b>	<b>5 451 993</b>	<b>1 554 247</b>	<b>27,9%</b>	<b>25,7%</b>	<b>62,9%</b>	<b>(71,5%)</b>
Financial Revenue from Loan Portfolio	4 061 779	5 191 879	6 507 342	10 631 429	2 901 236	2 076 755	2 654 566	3 327 151	5 435 763	1 483 378	27,8%	25,3%	63,4%	(72,7%)
Interest on Loan Portfolio	3 735 947	4 704 270	6 112 715	9 537 386	2 665 427	1 910 159	2 405 255	3 125 382	4 876 388	1 362 811	25,9%	29,9%	56,0%	(72,1%)
Fees and Commissions on Loan Portfolio	325 832	449 415	359 871	1 075 358	229 902	166 595	229 782	183 999	549 822	117 547	37,9%	(19,9%)	198,8%	(78,6%)
Penalty Revenue on Loan Portfolio	-	38 194	34 756	18 685	5 907	-	19 528	17 770	9 553	3 020	-	(9,0%)	(46,2%)	(68,4%)
Financial Revenue from Investments	-	-	-	-	3 455	-	-	-	-	1 767	-	-	-	-
Other Operating Revenue	10 559	15 717	37 026	31 742	135 152	5 399	8 036	18 931	16 229	69 102	48,8%	135,6%	(14,3%)	325,8%
<b>Financial Expense (b)</b>	<b>354 171</b>	<b>530 395</b>	<b>777 165</b>	<b>1 528 442</b>	<b>554 166</b>	<b>181 085</b>	<b>271 187</b>	<b>397 358</b>	<b>781 480</b>	<b>283 340</b>	<b>49,8%</b>	<b>46,5%</b>	<b>96,7%</b>	<b>(63,7%)</b>
Interest paid on borrowings	354 171	530 395	777 165	1 528 442	554 166	181 085	271 187	397 358	781 480	283 340	49,8%	46,5%	96,7%	(63,7%)
Interest paid on deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Inflation Adjustment Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financial Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Financial income [c=a-b]</b>	<b>3 718 167</b>	<b>4 677 201</b>	<b>5 767 203</b>	<b>9 134 729</b>	<b>2 485 677</b>	<b>1 901 069</b>	<b>2 391 415</b>	<b>2 948 724</b>	<b>4 670 513</b>	<b>1 270 906</b>	<b>25,8%</b>	<b>23,3%</b>	<b>58,4%</b>	<b>(72,8%)</b>
<b>Net Loan Loss provision expense (d)</b>	<b>251 321</b>	<b>241 407</b>	<b>433 556</b>	<b>964 299</b>	<b>293 977</b>	<b>128 498</b>	<b>123 429</b>	<b>221 674</b>	<b>493 038</b>	<b>150 308</b>	<b>(3,9%)</b>	<b>79,6%</b>	<b>122,4%</b>	<b>(69,5%)</b>
Loan loss provision expense and write-off	251 321	241 407	433 556	964 299	293 977	128 498	123 429	221 674	493 038	150 308	(3,9%)	79,6%	122,4%	(69,5%)
Recovery from Loans written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Operating expense (e)</b>	<b>2 489 253</b>	<b>3 298 230</b>	<b>3 867 693</b>	<b>5 273 122</b>	<b>1 584 033</b>	<b>1 272 735</b>	<b>1 686 358</b>	<b>1 977 520</b>	<b>2 696 104</b>	<b>809 903</b>	<b>32,5%</b>	<b>17,3%</b>	<b>36,3%</b>	<b>(70,0%)</b>
Personnel Expense (includes fringe)	1 561 212	2 124 260	2 333 610	3 330 029	921 688	798 235	1 086 117	1 193 156	1 702 617	471 252	36,1%	9,9%	42,7%	(72,3%)
Administrative Expense (non-staff operating expenses)	928 041	1 173 970	1 534 083	1 943 093	662 345	474 500	600 241	784 364	993 488	338 652	26,5%	30,7%	26,7%	(65,9%)
Depreciation and amortization	104 617	114 046	133 612	179 466	60 491	53 490	58 311	68 315	91 760	30 929	9,0%	17,2%	34,3%	(66,3%)
Consulting fees	22 786	22 786	22 786	30 420	-	11 650	11 650	11 650	15 553	-	0,0%	0,0%	33,5%	(100,0%)
Rent	88 930	127 230	146 688	193 312	-	45 469	65 052	75 000	98 839	-	43,1%	15,3%	31,8%	(100,0%)
Com/advertising and maintenance costs	175 005	237 003	330 739	495 074	-	89 479	121 178	169 104	253 127	-	35,4%	39,6%	49,7%	(100,0%)
Materials	85 289	94 254	127 343	131 910	-	43 608	48 191	65 109	67 445	-	10,5%	35,1%	3,6%	(100,0%)
Banking fees	42 024	64 210	119 246	105 127	-	21 487	32 830	60 970	53 751	-	52,8%	85,7%	(11,8%)	(100,0%)
Taxes, fees and membership	94 533	134 097	168 674	138 328	-	48 334	68 563	86 242	70 726	-	41,9%	25,8%	(18,0%)	(100,0%)
Education/trainings	38 141	28 669	53 701	50 063	-	19 501	14 658	27 457	25 597	-	(24,8%)	87,3%	(6,8%)	(100,0%)
Transportation, fuel and energy	136 750	166 109	213 471	306 257	-	69 919	84 930	109 146	156 587	-	21,5%	28,5%	43,5%	(100,0%)
Others	139 966	185 566	217 823	313 136	601 854	71 563	94 878	111 371	160 104	307 723	32,6%	17,4%	43,8%	92,2%
<b>Net Operating Income Before Taxes and Donations [f=c-d-e]</b>	<b>977 593</b>	<b>1 137 564</b>	<b>1 465 954</b>	<b>2 897 308</b>	<b>607 667</b>	<b>499 835</b>	<b>581 627</b>	<b>749 530</b>	<b>1 481 370</b>	<b>310 695</b>	<b>16,4%</b>	<b>28,9%</b>	<b>97,6%</b>	<b>(79,0%)</b>
Income Taxes (g)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Operating Income Before Donations [h=f-g]</b>	<b>977 593</b>	<b>1 137 564</b>	<b>1 465 954</b>	<b>2 897 308</b>	<b>607 667</b>	<b>499 835</b>	<b>581 627</b>	<b>749 530</b>	<b>1 481 370</b>	<b>310 695</b>	<b>16,4%</b>	<b>28,9%</b>	<b>97,6%</b>	<b>(79,0%)</b>
Non Operating Revenue (i)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Operating Expense (including related taxes) (j)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income Before Donations [k=h+i-j]</b>	<b>977 593</b>	<b>1 137 564</b>	<b>1 465 954</b>	<b>2 897 308</b>	<b>607 667</b>	<b>499 835</b>	<b>581 627</b>	<b>749 530</b>	<b>1 481 370</b>	<b>310 695</b>	<b>16,4%</b>	<b>28,9%</b>	<b>97,6%</b>	<b>(79,0%)</b>
Donations (l)	613 691	16 223	-	-	-	313 775	8 295	-	-	-	(97,4%)	(100,0%)	-	-
<b>Net Income (after Taxes and Donations) [m=k+l]</b>	<b>1 591 284</b>	<b>1 153 787</b>	<b>1 465 954</b>	<b>2 897 308</b>	<b>607 667</b>	<b>813 611</b>	<b>589 922</b>	<b>749 530</b>	<b>1 481 370</b>	<b>310 695</b>	<b>(27,5%)</b>	<b>27,1%</b>	<b>97,6%</b>	<b>(79,0%)</b>

GIRAFE Rating – Sunrise MCO, BiH – May 2007

SUNRISE MCO Balance sheet	BAM					EUR					Evolution			
	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Mar. 2007	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Mar. 2007	2004/2003	2005/2004	2006/2005	2007/2006
<b>ASSETS</b>	<b>14 861 149</b>	<b>19 811 566</b>	<b>27 019 322</b>	<b>45 074 064</b>	<b>52 589 323</b>	<b>7 598 385</b>	<b>10 129 493</b>	<b>13 814 760</b>	<b>23 046 003</b>	<b>26 888 494</b>	<b>33,3%</b>	<b>36,4%</b>	<b>66,8%</b>	<b>16,7%</b>
<b>Short Term Assets</b>	<b>13 725 447</b>	<b>18 655 672</b>	<b>25 786 515</b>	<b>43 626 638</b>	<b>50 247 334</b>	<b>7 017 710</b>	<b>9 538 494</b>	<b>13 184 436</b>	<b>22 305 946</b>	<b>25 691 054</b>	<b>35,9%</b>	<b>38,2%</b>	<b>69,2%</b>	<b>15,2%</b>
Cash and Due from Banks	419 115	262 804	516 205	3 408 511	5 550 452	214 290	134 370	263 931	1 742 744	2 837 901	(37,3%)	96,4%	560,3%	62,8%
Short Term Investments	-	200 000	200 000	260 000	-	-	102 258	102 258	132 936	-	-	0,0%	30,0%	(100,0%)
Short Term Net Loan Portfolio	13 162 931	17 986 382	24 828 251	39 559 921	42 413 286	6 730 100	9 196 291	12 694 483	20 226 666	21 685 569	36,6%	38,0%	59,3%	7,2%
Short Term Gross Loan Portfolio	13 600 798	18 531 172	25 594 888	40 824 148	43 786 119	6 953 978	9 474 838	13 086 458	20 873 055	22 387 487	36,3%	38,1%	59,5%	7,3%
(Loan Loss Reserve)	437 867	544 790	766 637	1 264 227	1 372 833	223 878	278 547	391 975	646 389	701 918	24,4%	40,7%	64,9%	8,6%
Interest Receivable	140 296	173 750	225 616	375 234	1 459 550	71 732	88 837	115 356	191 854	746 256	23,8%	29,9%	66,3%	289,0%
On loan portfolio	140 296	173 750	225 616	375 234	1 459 550	71 732	88 837	115 356	191 854	746 256	23,8%	29,9%	66,3%	289,0%
On investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable and other assets	3 105	32 736	16 443	22 972	824 046	1 588	16 738	8 407	11 745	421 328	954,3%	(49,8%)	39,7%	3 487,2%
<b>Long term assets</b>	<b>1 135 702</b>	<b>1 155 894</b>	<b>1 232 807</b>	<b>1 447 426</b>	<b>2 341 989</b>	<b>580 675</b>	<b>590 999</b>	<b>630 324</b>	<b>740 057</b>	<b>1 197 440</b>	<b>1,8%</b>	<b>6,7%</b>	<b>17,4%</b>	<b>61,8%</b>
Long Term Net Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long Term Gross Loan Portfolio	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Fixed Assets	1 135 702	1 155 894	1 232 807	1 447 426	2 341 989	580 675	590 999	630 324	740 057	1 197 440	1,8%	6,7%	17,4%	61,8%
Other Long Term Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>LIABILITIES AND EQUITY</b>	<b>14 861 149</b>	<b>19 811 566</b>	<b>27 019 322</b>	<b>45 074 064</b>	<b>52 589 323</b>	<b>7 598 385</b>	<b>10 129 493</b>	<b>13 814 760</b>	<b>23 046 003</b>	<b>26 888 494</b>	<b>33,3%</b>	<b>36,4%</b>	<b>66,8%</b>	<b>16,7%</b>
<b>Liabilities</b>	<b>9 197 413</b>	<b>12 994 043</b>	<b>18 735 845</b>	<b>33 893 279</b>	<b>40 800 872</b>	<b>4 702 563</b>	<b>6 643 749</b>	<b>9 579 485</b>	<b>17 329 358</b>	<b>20 861 155</b>	<b>41,3%</b>	<b>44,2%</b>	<b>80,9%</b>	<b>20,4%</b>
Short term liabilities	2 223 639	1 585 818	1 651 988	1 717 862	1 137 828	1 136 929	810 816	844 648	878 329	581 762	(28,7%)	4,2%	4,0%	(33,8%)
Demand Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compulsory Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Time Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short Term Borrowings	2 066 246	1 472 184	1 494 180	1 002 870	-	1 056 455	752 716	763 962	512 759	-	(28,8%)	1,5%	(32,9%)	(100,0%)
Interest payable	42 993	41 194	54 272	-	-	21 982	21 062	27 749	-	-	(4,2%)	31,7%	(100,0%)	-
Accounts Payable and Other Short Term Liabilities	-	72 440	103 536	714 992	1 137 828	58 492	37 038	52 937	365 570	581 762	(36,7%)	42,9%	590,6%	59,1%
Long term liabilities	6 973 774	11 408 225	17 083 857	32 175 417	39 663 044	3 565 634	5 832 933	8 734 837	16 451 029	20 279 392	63,6%	49,8%	88,3%	23,3%
Long Term Time Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long Term Borrowings	6 973 774	11 408 225	17 083 857	32 175 417	39 455 802	3 565 634	5 832 933	8 734 837	16 451 029	20 173 431	63,6%	49,8%	88,3%	22,6%
Other Long Term Liabilities	-	-	-	-	207 242	-	-	-	-	105 961	-	-	-	-
<b>Equity</b>	<b>5 663 736</b>	<b>6 817 523</b>	<b>8 283 477</b>	<b>11 180 785</b>	<b>11 788 451</b>	<b>2 895 822</b>	<b>3 485 744</b>	<b>4 235 275</b>	<b>5 716 645</b>	<b>6 027 339</b>	<b>20,4%</b>	<b>21,5%</b>	<b>35,0%</b>	<b>5,4%</b>
Paid-In Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated equity	4 072 452	5 663 736	6 817 523	8 283 477	8 520 266	2 082 212	2 895 822	3 485 744	4 235 275	4 356 343	39,1%	20,4%	21,5%	2,9%
Retained earnings without donations and reserves	-	1 153 787	1 465 954	2 897 308	3 268 185	813 611	589 922	749 530	1 481 370	1 670 996	(27,5%)	27,1%	97,6%	12,8%
Current year	977 593	1 137 564	1 465 954	2 897 308	607 667	499 835	581 627	749 530	1 481 370	310 695	16,4%	28,9%	97,6%	(79,0%)
Other equity accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## ■ Formulas

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Personnel productivity:  $\text{Active borrowers} / \text{Total personnel (end of period)}$

Loan officer productivity:  $\text{Active borrowers} / \text{Total Loan Officers (end of period)}$

Return on assets ROA:  $\text{Net operating income before donations} / \text{Average assets}$

Adjusted return on assets: AROA:  $\text{Adjusted net operating income before donations} / \text{Average assets}$

Return on equity: ROE:  $\text{Net operating income before donations} / \text{Average equity}$

Adjusted return on equity: AROE:  $\text{Adjusted net operating income before donations} / \text{Average equity}$

Leverage:  $\text{Debt (savings + debts)} / \text{equity (end of period)}$

Portfolio yield:  $\text{Portfolio revenue} / \text{13-month average gross outstanding portfolio}$

Operating expense ratio:  $\text{Operating expense} / \text{13-month average gross outstanding portfolio}$

Funding expense ratio:  $\text{Interest and fees paid on funding liabilities} / \text{13-month average gross outstanding portfolio}$

Cost of funds ratio:  $\text{Interest and fees paid on funding liabilities} / \text{Average funding liabilities (deposits + borrowings)}$

Loan loss expense ratio:  $\text{Net loan loss expense} / \text{13-month average gross outstanding portfolio}$

Adjustment expense ratio:  $\text{Total adjustments} / \text{13-month average gross outstanding portfolio}$

Net portfolio as a % of assets:  $\text{Net outstanding portfolio} / \text{total assets (end of period)}$

Operational self-sufficiency:  $\text{Revenue from operations} / (\text{Financial expense} + \text{Loan loss expense} + \text{Operating expense})$

Financial self-sufficiency:  $\text{Revenue from operations} / (\text{Financial expense} + \text{Loan loss expense} + \text{Operating expense} + \text{Adjustments})$

Risk coverage ratio:  $\text{Loan loss reserves} / \text{Portfolio at risk (31-365 days)}$

Write-off ratio:  $\text{Loans written off} / \text{13-month average gross outstanding portfolio}$

## ■ Rating scale

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Rating	Definition
A+	<b>Excellent</b>
A	The institution excels in the evaluation area and is a model for the sector. There is a long-term vision for continual improvement. There are no risks in the short and medium term for operations. Long-term risks are well managed and monitored.
A-	
B+	<b>Good</b>
B	Procedures are well developed, effective, and incorporate a long-term perspective. Some improvements could be made. Long-term risks are identified in the strategic plan.
B-	
C+	<b>Minimum required</b>
C	Procedures are functional but with certain failings. There are minor risks in the medium term for operations.
C-	
D	<b>Insufficient</b>
	Procedures are in place, but with failings, and certain problems are only partially addressed. There are medium-term risks for operations.
E	<b>Immediate risk of default or very insufficient</b>
	There are immediate or underlying risks for operations or an unacceptable under performance.