

Amasezerano SA, Rwanda

Amasezerano Community Banking (ACB) SA is a young for profit institution created in 2005 by the African Evangelistic Enterprise (AEE), a local NGO, to pursue its microfinance activities after the publication of a new law forbidding NGOs to undertake microfinance activities. ACB operates currently through two branches (Kicukiro and City Center) to serve micro entrepreneurs and workers located in the city of Kigali. As of July 31st 2007, the institution had a loan portfolio of 164 M RWF (304 K USD) serving 377 active borrowers and aggregate savings of 157 M RWF (292 K USD) from 2 415 savers.

GIRAFE Mini Rating

Mini-Rating

No rating

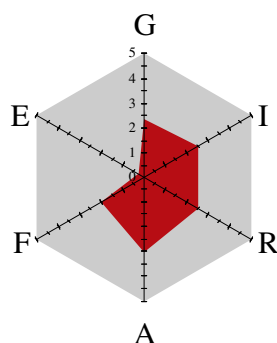
Less than 3 years of activity

Date of the rating

November 2007

Valid until October 2008

Rating per evaluation area



Governance – Information – Risk –
Activities – Funding – Efficiency

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Rating highlights

- ACB is an emerging institution and is taking the right direction to reach self-sufficiency, as shown by strong portfolio growth and good portfolio quality.
- The members of the Board show a strong commitment with the institution but have limited skills in microfinance best practices.
- The management team is efficiently led by its General Manager but is currently under-staffed.
- Market positioning with salary loans has allowed quick portfolio growth but is highly dependent in the financial health of a limited number of companies.
- The implementation of ADBanking has improved information management but staff does not fully master the software yet and the transition to the new computerized system led to some inconsistencies in portfolio information.

Areas for improvement

- Reinforce the management team by taking the adequate decisions concerning the management composition and staffing.
- Enhance the skills of members of the Board with specific training in microfinance governance.
- Consider portfolio diversification solutions in order to avoid dependency on salary loans and address other financial needs.
- Organize trainings on ADBanking utilization and reinforce microfinance accounting knowledge of staff.

Performance indicators

USD , unless otherwise stated	Dec. 2006*	Jun. 2007
Assets	352,846	574,140
Growth	-	62.7%
Loan portfolio	38,264	304,078
Growth	N/A	694.7%
Outstanding deposits	78,673	292,160
Growth	N/A	271.4%
Active borrowers	20	377
Active savers	624	2,415
Staff	11	14
ROE	(33.6%)	(18.7%)
ROA	(19.7%)	(8.4%)
Liabilities / Equity	0.70x	1.78x
Portfolio Yield	24.2%	47.2%
Operating expense ratio	228.8%	71.4%
PAR 31-365	0.0%	0.1%
PAR > 365	0.0%	0.0%
Write-off ratio	0.0%	0.0%

* Data from July to December 2006. Information has not been annualized as it is the first year of operations.

Institutional presentation

Legal form, supervision and audit

After a long accreditation procedure, due to strong delays in the analysis of the registration request by the National Bank of Rwanda (NBR), ACB has been registered in July 20th 2006 as a limited company with a share capital amount of 130 M RWF (240 K USD). ACB started its microfinance activities on August 21st 2006 and is placed under the supervision of the National Bank of Rwanda¹.

In years 2005 and 2006, the national sector has experienced several collapses of microfinance institutions which led the NBR to fix strict requirements for practicing microfinance activities within the country. One of these requirements is that all MFIs with limited company status must secure at least 300 MRWF (555 5 K USD) of capital before the end of December 2007 to be allowed to pursue their activities. Discussions are undergoing with the NBR to postpone the deadline nevertheless, ACB has already been launching several initiatives to gather sufficient funding to take up the challenge before the deadline.

The financial statements are prepared in accordance with accounting standards edited by the NBR and those of the first year of exercise (from July to December 2006) have been audited and certified by an independent external auditor (a retired former banker) Mr Charles KARARA.

Ownership

The shareholding structure is largely dominated by the AEE² which holds more than 90% of the total capital. The remaining part is shared among sixty individuals.

The governance is ensured by the General Assembly (GA) through a Board of Directors (BoD) composed of five members: two representatives of the AEE and three individuals from various backgrounds (economic, social, religious, etc.). They are elected for a mandate of three years and the current President is Mr Froduald MUNYANKIKO, who is Regional Advisor for Burundi, Rwanda and Uganda of Tears Fund, a British NGO.

Donations

Since its creation, the institution has not received any donation in cash. Only four used PCs of a value of 600 K

RWF (11.1 K USD) have been received from AEE in March 2006.

Funding composition

AEE plays a major role in the institution funding by holding the majority of the equity and giving, in September 2006, a two years loan of 30 M RWF (55 K USD) without interest. ACB's equity has progressively increased to 280 K USD, in June 2007, and is expected to reach 555.5 K USD at the end of 2007. Savings mobilization remains equally an important source of funding (296 K USD as of June 2007) composed of 98% of demand deposit and 2% of compulsory savings.

Management team

The institution is headed by a Management Committee (MC) composed of the General Manager (GM) and the two branch managers (BMs). The GM, Mr. Daniel BAVUGAMENSHI, joined the company as the first hired person, in January 2007, after more than 10 years of experience mainly conducted in a local insurance company where he occupied different management functions. He is finalizing a MBA thesis in Project Management with Maastricht School of Management. One of the BMs (Kucikiro branch) is currently acting as Operation Manager (OM) after the departure of the previous OM in September 2007.

Organization

Loans approbation is done locally by the BMs for amounts up to 200 K RWf (370 USD). For higher amounts, a credit committee, composed of the GM, the BM and Loan Officers (LOs), takes decisions up to 5 MRWF (9.2 K USD). Beyond this amount, the BoD's approval is required.

All cash operations (disbursements, repayments) are made in branches under the supervision of a principal cashier based in the head office (HO). Nevertheless, BMs are not allowed to undertake expenses without the approval of the GM except for the payment of small expenses (transport, communication, etc.) below 20 KRWF (37 USD).

Client data is entered directly by cashiers, LOs or BMs at the branch level. All the computers are interconnected through the AD Banking system to a central database located in a dedicated room at the HO.

Market penetration

The institution is operating through a network of two branches supervised by the HO (located in the same building that Kicukiro branch). Its geographical outreach is currently concentrated in Kigali city because of limitations set by the NBR related to a minimum capital amount. After the equity raise, expected to be done at end of the year 2007, the

¹ The institution is expected to send to this structure a quarterly balance sheet, income statement and reports on credit portfolio, number of clients, etc.

² A Christian NGO engaged in mission and community development work by partnering with local organisations and churches.

institution should be allowed to extend its network by opening new offices outside of Kigali. Currently, ACB has less than 1% share of the global market dominated by the Banques Populaires (which are the only one MFI to have a national coverage and held about 60% of the market share).

Products and services

The institution offers consumption and working capital loans to finance trade, handicraft, production, housing and education. They are classified as loans for groups (fidelity GS), for individuals (fidelity person), for institutions such as associations and cooperatives (fidelity orga), for churches (fidelity kingdom) and special loans to farmers (fidelity agro-business). The lending amount ranges from 50,000 RWF (92 USD) to 5 M RWF (9,259 USD) with a maximum duration of 24 months for all loans. The interest rates range from 1% per month, for fidelity Kingdom, to 4.5% per month, for fidelity express business. Average portfolio APR stands at 31,5% as of end June 2007. The guarantee requirement varies from collaterals or guarantees along with savings (of at least 20% of the borrowed amount), or a domiciliation of salary for companies and civil service workers. For all loans approval ACB requires the borrower to be a client for at least three months.

The management of a checking account is free of charge and the institution offers a fixed term account remunerated from 4%, for a three months deposit of less than 1 M RWF (1,851 USD), to 8% for a 12 months deposit of an amount above 3 M RWF (5,555 USD).

Networks

ACB is member of the Association of Microfinance Institutions of Rwanda (AMIR) headed by its GM, Mr BAVUDAMENSHI, since June 2007.

■ Governance

Governance and Decision Making is rated “c”

Decision-making

- + The decision making process, shared between the BoD, for strategic issues, and the GM, for operational issues, is dynamic and based on a clear vision. Their collaboration is based on a transparent communication and an adequate independence of the GM in the day to day management.
- + BoD members boast a good mix of skills in financial management, social and religious activities and do regular follow up of the GM’s management through, at least, quarterly meetings.
- But their knowledge in microfinance best practices is limited. They need further capacity building particularly

in the monitoring of the business plan, financial and operational analysis.

Planning

- + The institution has a formalized 2006-2010 Business Plan prepared, with the support of an external consultant, before the launching of activities.
- It gives a precise description of activities and their projected evolution in the coming years. However, the forecast became obsolete after the first year of operation mainly because of the limitation for opening new branches set by the NBR³.
- Besides this restriction, the required financial resources to execute the plan have not yet been available, even if some good prospects exist.
- + Considering these difficulties, the management team has updated the initial plan with a detailed budget and action plan based on assumptions of a study realized by the GM and the former Operation Manager (OM).
- + Operational goals have been set for each branch and the management holds weekly meetings to follow up performances and take corrective actions (e.g. departure of the former BM of City branch because of low performance)
- The BoD monitors the plan but its members do not possess required tools to conduct a complete analysis of results. Particularly, the budget control is not efficiently conducted yet.
- The long term goals for ACB remain to achieve a national coverage, with 10 to 12 branches by 2010, in order to serve poor people out of Kigali and to reach profitability by 2008. If the institution receives sufficient financing, it might be able to reach this goal.

Management team

- + ACBs management has played a dynamic role in the stage of inception of the institution (NBR agreement process, assistance of the BoD, staff motivation, etc.) but is experiencing a transition which requires a redefinition of its members’ roles.
- Indeed, the management team composition has been redesigned since the departure of the former OM, in September 2007, and the promotion of the two BMs as members of the MC.
- These current members have sufficient experience and skills for the operational follow-up but have not yet developed strong abilities to successfully guide ACB’s strategic development. The two BMs are very busy with the day to day management of their branches and have not fully taken over a strategic role because of their recent promotion in their functions. Consequently, the

³ For instance, the institution projected to open 5 branches over the first two years but this could hardly be reached.

strategic thinking is mainly done by the GM who has been also deeply involved in the operational management, generating a key person risk.

- The current set up enables ACB to limit staff expenses. However, its management is weakened by the few unfilled key positions (Operation Manager and Chief Financial Officer). This lack of staff has an impact in the operational and strategic guidance needed at this stage of development.
- A decision has then to be made about whether giving an internal promotion to the current BMs, with stronger responsibilities along with adequate trainings, or launching an external recruitment process.

Human resource management

- The human resource management, shared between the GM (recruitment, promotion, etc.) and the main cashier (salaries, holidays, etc.), is basic but adapted to ACB's size.
- + The recruitments procedures are transparent and formalized through tests, interviews and probationary periods. Employees show a good level of motivation with a great adhesion to ACB's philosophy. The remunerations proposed are in line with the local market.
- However remunerations are not yet based on individual performance with a variable share of salaries. The institution has planned to introduce this policy in HR management next year.
- Moreover, the staff needs further training in their respective positions. As of now, the institution has not yet done a correct assessment of these needs in the different departments and within departments. The institution has projected to address this weakness in a near future although a training plan is not yet available.

Areas for improvement

- Reinforce BoD members' skills with specific training in microfinance governance;
- Pursue funding initiatives, after meeting the NBR's capital requirement, in order to finance the new plan prepared;
- Reinforce the strategic management of ACB by taking required decisions of external recruitment or internal promotion;
- Design a training schedule for the staff based on a good assessment of needs, and use means to improve productivity and performance (e.g.: bonuses).

Information

Information is rated "c"

- + Overall information is of good quality, notably since the purchase of the software ADBanking, in May 2007, for the processing and monitoring of the operations.
- + Branches are interconnected and there is a real time communication of information with an effective security of data: individual password, user profiles, regular backup of the information, etc.
- + The MIS generates various financial and portfolio information that allow the management to make a daily follow up of clients, liquidity, savings, loans and the financial performance of the institution.
- However, the software is not yet fully used particularly for the generation of monitoring reports. The staff has equally a limited knowledge of the software and relies heavily on data created by the MIS without an analytical view.
- The portfolio information is globally correct but continues to present some weaknesses :
 1. The information is not automatically available per branch;
 2. The information cannot be displayed as of one specific date different from the date of demand;
 3. Provisions are not automatically calculated but manually each day (through a loan to loan calculation). This constitutes a potential difficulty with the important growth of portfolio experienced by the institution.⁴
- MIS procedures are not rigorously and homogeneously followed by the institution. For instance, during the installation of ADBanking, the institution decided to record all outstanding loans as new loans, in order to save time, without registering potential amounts in default and consequently provisions. This led to an underestimation of PAR and an adjustment on previous loan loss provisions (negative loan loss reserve in 2007).
- Accounting information is correct but presents also weaknesses due to an insufficient knowledge of accounting standards and the stringency of some ADBanking functions. For instance, the record of several accounts (transportation expenses, purchase of office materials, etc.) is not done in a detailed manner, calculation of treasure bonds amounts held in the BNR is not rigorously done, etc.

⁴ ADBanking is still in development and a new version 3, which contains branches module and other advanced modules, is expected to be available in the beginning of 2008.

Areas for improvement

- Better and more frequent use of reports produced by ADBanking;
- Organize training on ADBanking utilization and reinforce microfinance accounting knowledge for concerned staff ;
- Ask ADBanking technicians to define the parameters of some specific modules according to internal procedures of ACB (branch information, automatic calculation of provisions, availability of information on a specific date).

▪ Risk Management

Risk Management is rated “c”

Procedures and internal controls

- + The institution has since its beginning relevant and formalized procedures for different areas of operations: credit, accounting, internal audit, etc.
- + An internal control system has also been set up to prevent some operational risks by hierarchical approvals of loans according to the amount, daily cash counting, mandatory GM’s approval for majority of expenses, etc.
- + The ADBanking software proposes also a certain level of security in data processing by preventing double entries, arithmetic errors, etc.
- However internal controls have to be reinforced regarding the accounting movements’ entries generated by different people (cashier, General Manager, credit officer, accountant...) and that are not centralized or double-checked.
- Equally, internal controls are not systematically materialized which hinders their quality.
- Finally, the requirements of the NBR (liquidity ratio, convertible demand deposit ratio, etc.) are not yet fully integrated as control tools in internal procedures.

Internal audit

- + An internal audit service has recently been created (November 2007) and includes one officer who is the former accountant of the institution. He has the required skills and performs relevant controls in accordance with audit procedures.
- However, his action is still new and has not yet a complete coverage of services and operations within the institution. Also, his missions are not yet planned with a sufficient frequency and the reports produced after the missions are to be improved, particularly in the presentation of risks and recommendations.
- The financial statements of the first partial year were audited but the methodology applied did not correctly encompass all the verifications relevant to address specific issues of microfinance activities.

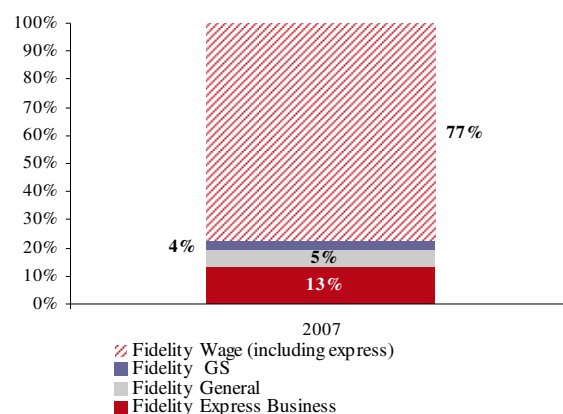
Areas for improvement

- Set up a centralized control of accounting information in a periodical basis;
- Materialize systematically all verifications made according to internal procedures and integrate the NBR’s prudential ratios as tools for internal control management;
- Improve internal audit reports to better follow up the evolution of risk management within the institution;
- Require from the external auditor to fully perform his verifications in accordance with the NBR’s accounting standards and microfinance audit procedures

▪ Activities

Activities: products and services is rated “b”

Portfolio composition as of Nov. 2007



Market position

- + ACB proposes a diversified range of products adapted to its target clientele, composed of salaried and micro entrepreneurs located in nearby branches.
- Although the competition remains low, because of the limited number of MFIs in the country and the huge unsatisfied demand still existing, the institution has not yet developed an obvious competitive advantage compared to its main competitors.

Loan portfolio management

- + ACB enjoys a well designed credit methodology. Credit decision making is rapid and based on a good specification of product by type of activity (salaried or business worker, farmer, etc.), borrowers profile (individual, solidarity groups, organization) or repayment schedule (express or for a longer term, weekly, monthly, bullet payment, etc.).
- The credit demand addressed by the institution is growing hugely (more than 700% of portfolio raise between December 2006 and June 2007) justifying a

softening of credit approval procedures⁵. In particular credit express are granted very rapidly (1 to 2 days), which can have a negative effect by not giving adequate time to perform a correct analysis of repayment capacities of prospective clients.

- + Managers and LOs show globally good skills and motivation to carry out their tasks and internal trainings are often organized to strengthen their capacities. Nevertheless, the topics of trainings do not always address critical needs. Furthermore, trainings are made by internal staff (GM, former OM, etc.) and did not include external trainers with strong knowledge and experiences in microfinance best practice.
- + The follow up of credit delinquency is accurate thanks to the information generated by the ADBanking system and LOs and BMs are reactive for an adequate follow up.

Credit risk

- + Until the end of June 2007, the loan portfolio quality was very good with only 0.1% of PAR31-365.
- But since this date, the loan portfolio quality dropped because of unpaid loans notably from workers of the national coffee company (Rwandex). The company is facing financial difficulties which have affected the correct payment of its staff who has taken loans from ACB.
- The PAR 31 has reached 4,6% as of September 2007 mainly because of this issue. ACB's management is conducting discussions directly with the company, which announced an improvement of its financial situation and repayment of salaries. But this highlights the nature of risk ACB has to face with an important share of salary loans in its portfolio (around 77% including express wage).
- Provisioning is done manually based on the NBR's policies but is hampered by weaknesses occurred during the transition from a manual to a computerized system.
- + Except employees, whose guarantees are secured through the domiciliation of their salaries, ACB requires collateral and financial guarantees (often 20% of the amount borrowed) in the majority of its loans⁶.
 - These requirements help to improve credit risk coverage but the institution has to reinforce the monitoring of its credit portfolio notably because of the huge growth of quick loan disbursements but also given the general bad situation of the microfinance sector in Rwanda.
 - ACB follows NBR policy in terms of write-off of portfolio. As of June 2007 there has not been any significant PAR>365, leading to a write-off ratio of 0.0%.

⁵ BMs are allowed to grant loans up to 200 000 RWF (370 USD).

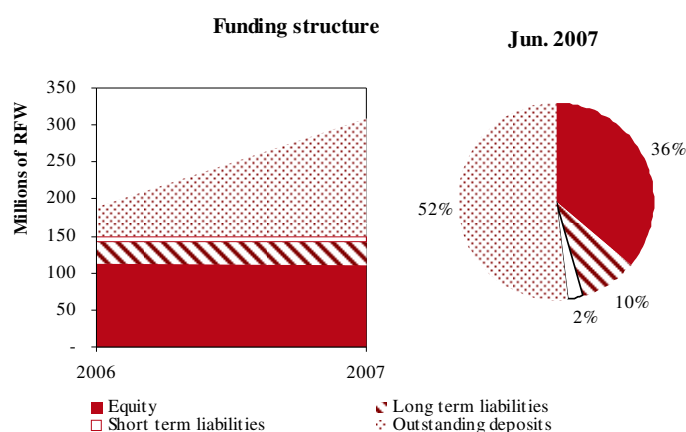
⁶ Only overdrafts do not require guarantees.

Areas for improvement

- ACB needs to analyze its product offering in order to find a market niche as competition increases;
- The institution has also to find the right balance between growth and quality of loan portfolio, particularly in its current stage of development;
- The institution has to collect additional information about the financial health of companies before approving salary loans to their employees (e.g. : the case of Rwandex).

Funding and liquidity

Funding and liquidity is rated "c"



- ACB's funding structure is dominated by deposits of members, which represent 52% of total liabilities, completed by the issued capital (near 1/3 of resources) and a debt of 30 M RWF (55.5 K USD) lent by the AEE.

Asset & Liability Management

- + Overall, the ALM management is acceptable since the institution does not face: 1) foreign exchange risk as the funding structure and the portfolio are in local currency and 2) interest risk as ACB has no commercial loan.
- However, a maturity risk exists because of the transformation of outstanding and term deposits into loans without a formalized monitoring. As of June 2007 ACB had 102% of its savings in portfolio, while the limit set by the NBR is 80%. However, short term liabilities are sufficiently covered by short term assets and liquidity is high.

Funding strategy

- + ACB has benefited since its creation of a considerable financial support from the AEE. Indeed, AEE is the main shareholder with near 90% of ACB's equity and has agreed to lend additional funding to the institution without interest and a flexible repayment schedule.
- The AEE support is essential since the institution has received no substantial grants since its creation, contrary to many of its peers acting in the same market.

- The requirement of the NBR to increase the equity in order to reach 555 K USD before end of year 2007 has led to a more active funding strategy. The AEE has agreed to contribute to meet the capital requirement before the end of the year, in addition to funds which should be received from other targeted fund providers: churches and Geneva Global (an international philanthropic organization based in USA). The institution is expected to receive 137 M RWF (225 K USD) from this organization and discussions are ongoing with other microfinance players, such as ECLOF International, to take part in the equity raise.
- As of now, the institution has not planned to contract loans from national banks. This option is in fact limited by high interest charged by banks lending to microfinance institutions. The average interest rate charged is around 14% to 19% currently.

Liquidity management

- + The institution has opted for a centralized liquidity management and appointed a main cashier who is in charge of the supervision of all cash operations. This organization enables the institution to optimize its liquidity management.
- However, liquidity management needs to be more efficient, especially through a reduction of the current high number of bank accounts (five) and reduce the important amount of cash detained as treasury bounds (around 70 M RWF (129.6 K USD) as of December 2007)⁷.
- The institution does not presently have a cash flow forecast table in order to better plan expected reimbursements/disbursements.

Areas for improvement

- Finalize the current perspectives for additional funding from AEE, Churches, Geneva Global, etc. In addition, continue looking for new partners mainly to finance the network extension (if the NBR gives required authorizations);
- Rationalize liquidity management by a reduction of the number of bank accounts along with an optimization of the cash available.

⁷ The institution has decided to reduce this number of bank accounts, in the near future, to only two: one in RWF and one in USD (for money transfer service) and to inject Treasury Bonds in the funding of the credit portfolio.

Efficiency and Profitability

Efficiency and Profitability is rated “e”

Profitability analysis

- ACB is not yet a profitable structure although there has been an improvement over the last two years of existence. Indeed, the ROE and ROA were respectively of -33.6% and -19.7% at the end of 2006 and increased to -18.7% and -8.4% at June 2007.
- This evolution is due to the raise of the portfolio volume (from 34 K USD to 304 K USD) and of portfolio yield (from 24.2% to 52.5%) during the period.
- But the improvement in profitability has not enabled the institution to cover its significant operating expenses ratio (in June 2007, the operating ratio was of 79.4%). This ratio remains high because of heavy personnel expenses (which represent near 50% of total expenses) added to rent cost and depreciations (car, computers, office materials, etc.) respectively 14.6% and 16.1% of total charges.
- Funding and loan loss provisioning ratios remain low (respectively 0.30% and 0.08% as of June 2007) because of lack of commercial loans contracted and novelty of portfolio depreciation (mainly Rwandex case at end of May 2007) which has not required provisions at that time.
- The institution has not yet a high optimization of its assets with a ratio of outstanding loan portfolio/asset around 55% as of June 2007⁸. Also, idle liquidity remains high and represents an average of 28.8% of total assets over the last two years. This is due to the important amount of savings mobilized by the institution (loans to deposit ratio was 102% at June 2007) and also the management’s choice to keep important cash reserves for operational expenses (in banks, branches and HO).
- Overall, the institution is expected to improve its profitability structure in the near future because of the continued growth of portfolio and probably portfolio yield. The forecast of reaching the profitability projected in the new plan remains realistic only if the followings conditions are met :
 1. The PAR increase is correctly monitored and stays in reasonable proportions (less than 3%);
 2. A stabilization of personnel expenses is done accompanied with a progressive improvement of staff productivity which is currently very low (27 due to the limited credit personnel compared to the total staff⁹).
 3. A rationalization of the planned extension by limiting the cost of the opening of offices which has to take

⁸ According to MicroBanking Bulletin (MBB) 2006 the peers’ average is of 67,1%

⁹ LOs plus BMs productivity is around 94, inferior to peers average of 240.

place in the current stage of development of the institution.

Areas for improvement

- Conduct a deeper analysis of financial ratios generated by ADBanking as management tool to achieve the profitability planned in 2008.
- Maintain the current growth of portfolio by limiting the share of credit in arrears.
- Raise the staff productivity to reach at least the peers' average.

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.

■ Performance indicators

Data in USD, unless otherwise stated

	Dec. 2006*	Jun. 2007
Loan Portfolio		
Loan portfolio evolution		
Loan portfolio	38,264	304,078
Loan portfolio (FRW)	20,662,500	164,202,229
Evolution	N/A	694.7%
Average outstanding loan	19,132	190,377
Active borrowers	20	377
Evolution	N/A	1,785.0%
Average outstanding loan per client	1,913	807
% of GDP per capita	765.3%	322.6%
Average amount disbursed per loan	2,317	810
% of GDP per capita	926.9%	324.1%
Portfolio quality		
Rescheduled loans	0.0%	0.0%
PAR 31-365	0.0%	0.1%
PAR > 365	0.0%	0.0%
Write-off ratio	0.0%	0.0%
Credit risk coverage		
Risk coverage ratio	N/A	(4,621.3%)
PAR 31 net of loan loss provision / Equity	0.0%	7.5%
Savings		
Outstanding deposits	78,673	292,160
Outstanding deposits (FRW)	42,483,657	157,766,494
Evolution	N/A	271.4%
Mandatory savings (%)	1.4%	2.0%
Voluntary savings (%)	96.7%	102.0%
Active savers	624	2,415
Evolution	N/A	287.0%
Average outstanding deposit per saver	126	121
Mandatory	1,111	385
Voluntary	120	123
Total number of staff	11	14
% Credit officers	36.4%	28.6%
Turnover	N/A	16.0%
Profitability analysis		
ROE	(33.6%)	(18.7%)
Liabilities / Equity	0.7x	1.8x
ROA	(19.7%)	(8.4%)
Profitability structure		
Portfolio Yield	24.2%	47.2%
Operating expense ratio	228.8%	71.4%
Cost per borrower	2,189	360
Staff productivity	2	27
Loan officer productivity	5	94
Average outstanding loan per client (USD)	1,913	807
Funding expense ratio	0.3%	0.3%
Cost of savings	0.0%	0.0%
Cost of liabilities	0.0%	0.0%
Loan Loss Provision expense ratio	0.0%	0.1%
PAR 31-365	0.0%	0.1%
Write-off ratio	0.0%	0.0%
Resource optimization		
Outstanding Loan Portfolio / Assets	10.8%	55.6%
Revenue from investment as a % of financial revenues	48.8%	8.0%
Liquidity		
Loans to deposits	48.6%	102.1%
Liquidity / Total assets (LAR)	30.7%	27.1%
Adjusted ratios		
Adjusted expense ratio	33.3%	0.0%
AROE	(39.8%)	(18.7%)
AROA	(23.3%)	(8.4%)
Financial self-sufficiency	18.0%	71.6%
Adjusted operating expense ratio	228.8%	71.4%
Adjusted funding expense ratio	33.7%	0.3%
Adjusted loan loss provision expense ratio	0.0%	0.1%
Exchange rate 1 USD= xx FRW	540.0	540.0

* Data from July to December 2006. Information has not been annualized as it is the first year of operations.

AMASEZERANO		RWF		USD		Evolution
Balance sheet	Notes	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007	2007/2006
ASSETS		190,536,964	310,035,825	352,846	574,140	62.7%
Short Term Assets		148,564,278	270,956,032	275,119	501,770	82.4%
Cash and Due from Banks		58,428,287	84,027,782	108,201	155,607	43.8%
Short Term Investments		70,000,000	-	129,630	-	(100.0%)
Short Term Net Loan Portfolio		14,822,500	172,396,248	27,449	319,252	1,063.1%
Short Term Gross Loan Portfolio		14,822,500	164,182,229	27,449	304,041	1,007.7%
(Loan Loss Reserve)		-	(8,214,019)	-	(15,211)	-
Interest Receivable		-	-	-	-	-
On loan portfolio		-	-	-	-	-
On investments		-	-	-	-	-
Accounts receivable and other assets		5,313,491	14,532,002	9,840	26,911	173.5%
Long term assets		41,972,686	39,079,793	77,727	72,370	(6.9%)
Long Term Net Investments		-	-	-	-	-
Long Term Gross Loan Portfolio		5,840,000	20,000	10,815	37	(99.7%)
Net Fixed Assets		36,132,686	39,059,793	66,912	72,333	8.1%
Other Long Term Assets		-	-	-	-	-
LIABILITIES AND EQUITY		190,536,964	310,035,825	352,846	574,140	62.7%
Liabilities		78,733,815	198,469,010	145,803	367,535	152.1%
Short term liabilities		48,733,815	168,469,010	90,248	311,980	245.7%
Demand Deposits		41,063,157	141,132,744	76,043	261,357	243.7%
Compulsory Deposits		52,200	3,119,152	97	5,776	5,875.4%
Short Term Time Deposits		1,420,500	16,604,950	2,631	30,750	1,069.0%
Short Term Borrowings		-	-	-	-	-
Interest payable		-	-	-	-	-
Accounts Payable and Other Short Term Liabilities		6,197,958	7,612,164	11,478	14,097	22.8%
Long term liabilities		30,000,000	30,000,000	55,556	55,556	0.0%
Long Term Time Deposits		-	-	-	-	-
Long Term Borrowings		30,000,000	30,000,000	55,556	55,556	0.0%
Other Long Term Liabilities		-	-	-	-	-
Equity		111,803,149	111,566,815	207,043	206,605	(0.2%)
Paid-In Capital		130,000,000	139,370,000	240,741	258,093	7.2%
Donated equity		600,000	600,000	1,111	1,111	0.0%
Retained earnings without donations and reserves		(18,796,851)	(29,256,283)	(34,809)	(54,178)	55.6%
Current year		(18,796,851)	(10,459,432)	(34,809)	(19,369)	(44.4%)
Other equity accounts		-	853,098	-	1,580	-

AMASEZERANO		RWF		USD		Evolution
Income Statement	Notes	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007	2007/2006
Financial Revenue (a)		4,879,310	26,405,109	9,036	48,898	441.2%
Financial Revenue from Loan Portfolio		2,497,686	24,248,370	4,625	44,904	870.8%
Interest on Loan Portfolio		89,550	11,074,030	166	20,507	12,266.3%
Fees and Commissions on Loan Portfolio		2,408,136	13,174,340	4,460	24,397	447.1%
Penalty Revenue on Loan Portfolio		-	-	-	-	-
Financial Revenue from Investments		2,381,624	2,116,634	4,410	3,920	(11.1%)
Other Operating Revenue		-	40,105	-	74	-
Financial Expense (b)		34,672	137,025	64	254	295.2%
Interest paid on borrowings		2,246	-	4	-	(100.0%)
Interest paid on deposits		10,554	137,025	20	254	1,198.3%
Net Inflation Adjustment Expense		-	-	-	-	-
Other Financial Expenses		21,872	-	41	-	(100.0%)
Financial income [c=a-b]		4,844,638	26,268,084	8,972	48,645	442.2%
Net Loan Loss provision expense (d)		-	38,132	-	71	-
Loan loss provision expense and write-off		-	38,132	-	71	-
Recovery from Loans written off		-	-	-	-	-
Operating expense (e)		23,641,489	36,689,384	43,781	67,943	55.2%
Personnel Expense (includes fringe)		9,757,465	17,897,525	18,069	33,144	83.4%
Administrative Expense (non-staff operating expenses)		13,884,024	18,791,859	25,711	34,800	35.3%
Depreciation and amortization		3,707,087	5,906,559	6,865	10,938	59.3%
Consulting fees		1,128,867	-	2,090	-	(100.0%)
Rental costs		2,995,000	5,340,000	5,546	9,889	78.3%
Tax		236,485	968,295	438	1,793	309.5%
Operating charges		4,045,060	4,939,405	7,491	9,147	22.1%
Other external charges		1,771,525	1,637,600	3,281	3,033	(7.6%)
Accrued interest written off		-	-	-	-	-
Others		-	-	-	-	-
Net Operating Income Before Taxes and Donations [f=c-d-e]		(18,796,851)	(10,459,432)	(34,809)	(19,369)	(44.4%)
Income Taxes (g)		-	-	-	-	-
Net Operating Income Before Donations [h=f-g]		(18,796,851)	(10,459,432)	(34,809)	(19,369)	(44.4%)
Non Operating Revenue (i)		-	-	-	-	-
Non Operating Expense (including related taxes) (j)		-	-	-	-	-
Net Income Before Donations [k=h+i-j]		(18,796,851)	(10,459,432)	(34,809)	(19,369)	(44.4%)
Donations (l)		-	-	-	-	-
Net Income (after Taxes and Donations) [m=k+l]		(18,796,851)	(10,459,432)	(34,809)	(19,369)	(44.4%)

■ Formulas

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 savings ratio:	$\text{Interest and fees paid on deposits} / \text{Average deposits}$
Cost of borrowings ratio:	$\text{Interest and fees paid on borrowings} / \text{Average borrowing}$
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:	$\text{Net outstanding portfolio} / \text{total assets (end of period)}$
Financial self-sufficiency:	$\text{Revenue from operations} / (\text{Expenses (financial, loan loss, operating)} + \text{Adjustments})$
Risk coverage ratio:	$\text{Loan loss reserve} / \text{Portfolio at risk (31-365 days)}$
Write-off ratio:	$\text{Loans written off} / \text{13-month average gross outstanding portfolio}$

■ Rating scale

Rating	Definition
A+	Excellent
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+	Good
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+	Minimum required
C	Procedures are functional but with certain failings. There are minor risks in the medium term for operations.
C-	
D	Insufficient
	Procedures are in place, but with failings, and certain problems are only partially addressed. There are medium-term risks for operations.
E	Immediate risk of default or very insufficient
	There are immediate or underlying risks for operations or an unacceptable under performance.