

MicroInvest - Moldova

Evaluation report

April 2005

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Evaluation synopsis

Indicative grade

C to C+

Minimum required

Procedures are functional but with certain failings. There are minor risks in the medium term for operations, but these risks are being managed and monitored.

Major strengths	Major weaknesses	Areas for improvement
<p>G Clear mission, Medium term strategy is formalized, Detailed yearly budget, well defined HR policies; Fluid communication, and common roots</p>	<p>BoD role is neither statutory, nor formalized; Strategic document mixes strategy, policies and internal rules, thereby making it difficult to put enough emphasis on the core strategy of the institution.</p>	<p>BoD role and formalization: set up an internal governance regulation and update the company by-laws; revise strategic supports and operational manuals and rules, the planning model (assumptions, variables)</p>
<p>I Fully integrated system (Loan portfolio, accounting and pay roll - including bonus scheme calculations); Flexibility regarding credit conditions and creation of new products, satisfactory security level; Accurate, up-to-date, regular and complete portfolio and financial information</p>	<p>The software lacks documentation and MicroInvest has no control on coding sources, No allocation of costs by branch / product which prevents from doing a sound profitability study</p>	<p>Set up a full documentation of the software; Improvement of the reports generated by the MIS, Decentralization of the MIS so that the database is available to all LOs, Deepen the financial analysis</p>
<p>R Good level of organic control through well defined accounting and credit procedures and MIS, Effective control by management with reports and follow up;</p>	<p>Planning of controls could be more formalized and better organized (by area)</p>	<p>External audit could evaluate and revise periodically the quality of the internal control</p>
<p>A Good image, wide range of products with tailor-made conditions adapted to the clients' businesses and competitive interest rates; Adequate and efficient loan monitoring, diversification of the portfolio to mitigate risks, high quality of portfolio, Adequate loan-loss reserve policy, very conservative collateral policy</p>	<p>Centralization of credit decision slows the disbursement process, Lack of funds in the development and promotion period that does not give a good image of MicroInvest; Important side-costs for the clients (collateral system, disbursements and reimbursements through banks),</p>	<p>Have a more precise evaluation of each product profitability (cost of all advantages offered to clients, level of risk, pricing); study potential actions to increase staff productivity.</p>
<p>F Sound fund raising strategy; good practices in order to eliminate the currency risks; Liquidity forecasts eased by MIS reports; Sustained support from SOROS institutions that help overcome the liquidity crisis</p>	<p>Strong limitations for accessing the Moldavian financial market (legal issues and very conservative attitude of banks), High dependency on donors' funds</p>	<p>Study in more details the types of guarantees accepted by international funders.</p>
<p>E Unused staff capacity giving an important potential for growth</p>	<p>The currently overstaffed structure leads to very low LO productivity, high operating expense ratio and negative ROE and ROA</p>	<p>Define the interest rate strategy for the future; draft strategies to increase productivity; study all potential sources of cost cutting.</p>

Institutional Presentation

Environnement Having suffered one of the deepest recessions among transition economies following Russia's collapse and despite recent periods of growth, Moldova remains the poorest country in Europe. From 1991 to 2000 Moldova's economic output fell by 50% forcing 700,000 people to leave in search of jobs. In 2000 the country's economy turned around growing at an average 5% per year due to a period of structural adjustment, an increase in domestic and neighboring countries' consumer demand and a sharp rise in remittances sent back by Moldavians working abroad (about ¼ of the population). Despite the turnaround, which saw average growth of 6.4% per year between 2001-2004, the country continues to face severe challenges such as a high poverty, a high rate of unemployment, and a rising foreign debt. For the great majority of the population, real salaries have remained stagnant partly due to the unexpectedly high rate of inflation experienced in 2003 (15%). Moldova specializes in low value-added agricultural products (22% of GDP) and is thus heavily dependent on exogenous factors such as market prices for food and weather conditions. Despite extensive land privatization, the typical rural household is not producing for the market but for subsistence.

The microfinance sector in Moldova dates back to 1997, when the first Savings and Credit Associations (SCA) were established, and is composed predominantly of these credit unions or SCAs. Some local banks are also implicated in the MF sector. Most SCAs operate in rural areas serving mainly private farmers and village entrepreneurs. Currently, there are approximately 530 SCA and 3 other MFIs operating in the country serving about 85,000 clients and 37,000 borrowers. Banks and SCAs each represent 40% of the total MF portfolio while MFIs represent the remaining 20%. Despite the impressive number SCAs and other microfinance institutions existing in Moldova the estimated credit demand coverage stands at 15%.

Mission The mission of MicroInvest is “to offer consultancy services and financial products in order to create and develop micro and small enterprises, as well as cooperatives; to stimulate private initiative, social and economic development and life standards increase; to identify and develop the segments uncovered by banking services (financing services) applying efficient marketing strategies and permanently adjusting services to market demand.”

History MicroInvest is a non-banking financial institution established by the Soros Foundation Moldova in April 2003. Soros Foundation had previously supported financially Moldova Microfinance Alliance (MMA) created by a consortium of SCAs and that provided consulting services to these SCAs (accounting and loan application analysis) and funds to local banks for on-lending to these SCAs (with complete files including cash flows projections, balance sheet assets and income statements). MMA's only revenues were SCAs memberships and donations (the services were not charged to the local banks) and the institution couldn't become self-sufficient. As a consequence, its founders decided to create a non-banking financial institution (MicroInvest), authorized to disburse loans directly to microentrepreneurs that would be able to reach profitability. MicroInvest has taken over the regional staff and branch network of MMA¹.

Legal form and supervision Regulation governing the country's extensive Savings and Credit Association network does not apply to Moldova's three microfinance institutions². The legislation governing these institutions

¹ These staff had trained more than 200 Savings and Credit Associations (SCA) and analyzed, supervised and monitored over 20,000 loans. MMA is still active as MicroInvest LOs keep on supporting SCAs by providing consulting services (less than 20% of their time).

² RFC (Rural Finance Corporation), Procredit (former MEC Moldova), and MicroInvest.

remains basic and adjustments to the fiscal code related to the provision, grant capital tax and profit tax shall be made to better fit the MFIs activity. As a limited responsibility company, MicroInvest has no obligations aside from paying income taxes and is not supervised by any regulatory body³.

Networks MicroInvest is a member of MFC (Microfinance Centre for Central and Eastern Europe and the New Independent States). Soros Foundations network is very active in microfinance in Eastern Europe; and can thus provide MicroInvest a valuable experience, as well as financial support.

Ownership MicroInvest's Assembly and Board of Directors is, for the time being, composed of five members, all of them having been invited by the only shareholder (as of April 2005, Soros Foundation was holding 100% of the paid-in capital). The Board should be extended as new investors take shares in the capital of the company. Since its inception, MicroInvest has increased its paid-in capital thanks to Soros Foundation's new funds, which will be registered in the coming weeks, and another increase is scheduled at the end of the year 2005.

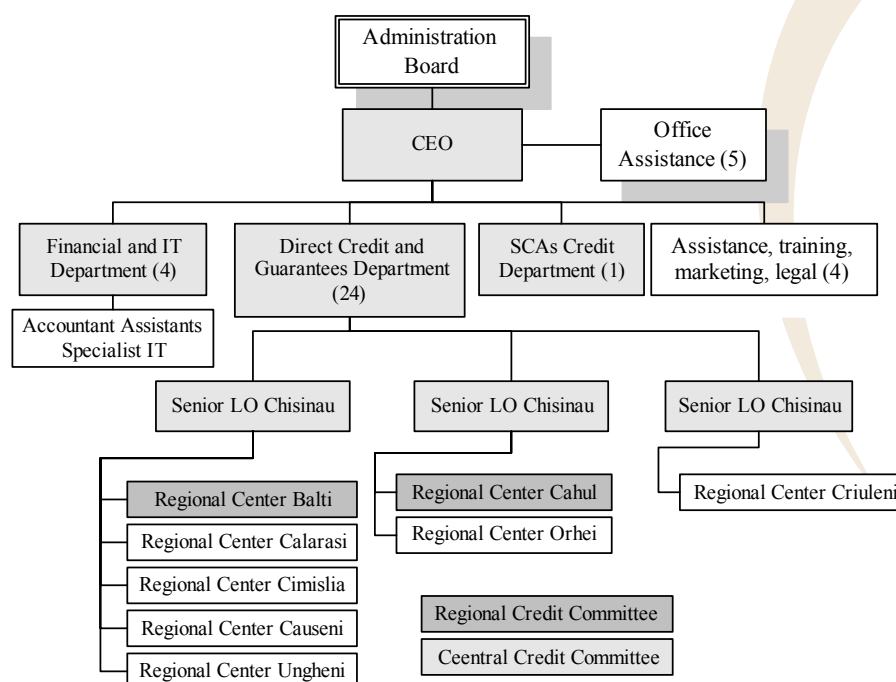
Board members	Board position	Current position
Victor Ursu	President	Executive Director, Soros Foundation Moldova
Alexandru Muravschi	Member	Private Farmers Assistance Program, Chief of Policy and Advocacy Department
Igor Padure	Member	Moldova Microfinance Alliance, Founder
Liliana Cazacu	Member	CEO ALBA Milk processing company
Tatiana Ambroci	Member	Program Director, Soros Foundation Moldova

Organization In March 2005, MicroInvest had 23 loan officers (and 4 interns) located in HQ (Chisinau) and the 8 regional offices, and 15 staff in HQ. All accounting and loan tracking data entry is centralized in HQ. Credit decisions are taken by Credit Committees (Central or Regional for branches having at least 3 LOs) and disbursements and reimbursements are channeled through banks. Senior LOs located in Chisinau are in charge of keying in all data on portfolio, checking all files submitted to the Central Credit Committee, and supervising the branches. Branch Managers don't have real empowerment as they have the same tasks as basic LOs, but are in charge of few administrative duties.



	Dec. 2003	Dec. 2004	Mar. 2005
Total number of staff	8	31	38
Number of branches	8	8	9
Assets (USD)	234,449	1,082,094	NA
(MDL)	3,099,416	13,482,888	NA
Outstanding loan portfolio (USD)	186,502	785,131	1,223,908
Number of active borrowers	219	399	463
ROA	(21.9%)	(22.5%)	NA
Operational self-sufficiency	37.9%	49.9%	NA
Information source	Audited financial statements		MIS

³ The department of the Ministry of Finance supervising SCAs monitors MFIs by collecting their financial statements and evaluating them.



Services A detailed description is provided in appendix

MicroInvest offers five different loan products, its direct loan product representing the main part of the portfolio:

- ❑ Direct loans for both working capital and fixed assets can go up to 140,000 MDL (11,200 USD), with an annual percentage rate (APR) of 24% for non-agricultural businesses, 22% for agricultural activities; no fees nor commission are charged. For loans up to 14,000 MDL (1,120 USD), no tangible assets are required, but the borrower must be covered by at least one guarantor. Disbursal of loans up to 70,000 MDL (5,600 USD), must be covered 100% by tangible assets, and 125% for loans above 70,000 MDL. Repayments scheme are defined depending on the activity being financed.
- ❑ Group loans target clients of rural villages for amounts of up to 15,000 MDL. 2% interest are charged per month, and a commission of 6% of the amount disbursed is charged before the first instalment. Interest is paid quarterly, balloon principal repayment at maturity.
- ❑ Guarantees aim at expanding bank loans. The amount of the guarantee does not exceed 10,000 USD and covers up to 50% of the loan amount granted by the bank. The price of a guarantee ranges between 4% and 7% annually. The guarantee funds are deposited with a bank in the national currency. If the client does not reimburse the loan in time, the debt is paid from the guarantee fund to the respective bank.
- ❑ Venture capital targets young entrepreneurs contributing to SME development. The equity investment goes up to 50,000 USD with a nominal annualized interest rate of 25%. The interest repayment scheme is flexible, while the invested capital is reimbursed at the 5-year maturity. Conditions stipulate that MicroInvest shall hold the major share (or no less than 60%) of the debtor's stock.
- ❑ Loans to SCAs have been launched at the beginning of 2005, for amounts ranging from 200,000 to 1,200,000 MDL and duration of up to 18 months. Nominal annualized interest rate is of 18 to 19%, with flexible repayment schedule according to the client's cash flows. MicroInvest requires the cession of rights over SCAs deposits as collateral, representing 10% of the loan.

External audit E&Y began auditing MicroInvest's financial statements for the first time in 2004 and approved them without reserve, acknowledging that they give a fair picture in all material aspects of the financial position of the institution, and that they are in accordance with international accounting standards.

Governance and Decision Making

Decision-making

- The mission of MicroInvest is clear, shared by all staff and decision-makers, orientates the global strategy of the institution and is coherent with Moldova's development necessities. The staff knows the main orientations of this strategy and is part of the definition of its objectives.
- The decision-making process is well defined and efficient. The Board of Directors (BoD) is comprised of five members having various backgrounds, value added competences and knowing very well Moldavian microfinance sector, as they had been working with MMA prior to their involvement with MicroInvest, and have all been involved in development or agricultural projects for several years. The levels of empowerment are well defined and allow for a fluid decision-making process: the BoD is the final decision maker and reviews all strategic decisions prepared by the Management team. At the end of 2004, the operational team presented its 2005 annual budget, 2005-2014 global strategy and financial projections to the BoD, which discussed it and made some reorientations. Implementation of the corresponding action plans is the responsibility of the management team.
- The BoD is given useful information on both activities and financial matters. Decisions are made based on quarterly operational reports and informal communication between the CEO and members of the Board. Though the BoD role is neither statutory nor formalized⁴, the meetings are regular and the follow-up of the operations is effective.
 - Nevertheless, considering the enlargement of the shareholding composition it will be necessary in the near future to update the company by-laws, introducing the BoD body and defining the respective powers of General Assembly, Board of Directors and CEO.
 - MicroInvest should as well organize more regular meetings for the BoD as planned in the "strategy and policy" document: only three BoD meetings have been organized and formalized (minutes) since the inception of the MFI although they are supposed to take place on a quarterly basis.

Planning

- The management team has been defining medium-term planning for the first time, together with a more detailed annual budget⁵, via a process that involved all concerned staff. The yearly budget includes the main variable costs and is compared to the realizations on a quarterly basis; global cash-flow projections for the year have been made and are regularly updated with the information on activities and the data on available funds. The size of portfolio and number of clients targeted seem realistic given the very large uncovered demand, but the financial model has insufficiencies regarding the costs and incomes assumptions:
 - The 5-year plan defines global objectives by product, based on the market niches identified and targeted by the institution (SCAs, small and microentrepreneurs who don't have access to the banks markets). The objective is to reach in 5 years a portfolio of 6.5 million USD and 2,200 active clients with a stable average loan of 3,000 USD⁶.
 - Three clients segments have been defined (start-ups having no alternative source of funds with equity up to 1,000 USD, economically dependent clients with equity between 1,000 and 5,000 USD, and economically independent clients having alternative source of funds (including commercial banks) and

⁴ The typical statutes of limited responsibility companies don't define the role of those governance organs

⁵ Prepared in 2004 as well

⁶ This amount is significantly higher than that of the standard MFI, but that can be explain by the fact that MicroInvest lends to SCAs, which themselves lend to their members (average of 200 members per SCA).

equity up to 10,000 USD), and should represent respectively 10%, 65% and 25% of the portfolio. The market scope is large, including both rural and urban areas, as well as production and trade sectors,

- No new venture capital products (combined with a loan) are planned to be offered in the coming years (new investments will be made once MicroInvest has sold its shares in the two SMEs financed),
- The plan is influenced by the fact that MicroInvest was created from the former MMA (see “presentation”): MicroInvest continues offering services to the SCAs⁷ as they have been identified as a market niches (a dedicated product have been created for them) and the objective is to transform consulting services into financial support in the coming months. The SCA product having been launched at the beginning of 2005, it isn’t mentioned in the planning, but it should represent an increasing part of the portfolio in the coming months,
- The planning process is very young and some improvements could be made in the formalization, assumptions and tools:
 - Strategy, policies and operational manuals are all included in the same document. It would be clearer to have separate documents for the strategy and the different policies (credit, IT, HR, etc...),
 - Some assumptions on which are based all the expenses and revenues projections are not pertinent: the productivity of the LOs is used to determine the size of portfolio (for a given amounts of funds available), but its calculation is not precise enough (time spent is assumed equal for all types of clients and products, whereas repeated clients files are much faster, less collateral are asked for small amounts...). The interest rates assumptions are also approximate: portfolio evolution (drop-out and new business hypothesis) have not been defined, although lower interest rates are offered to repeated clients,
 - The budget follow-up is not used to update the planning: realizations are compared to plans, but the medium-term planning remains unchanged (only new available funds are registered in the financial model).

Management Team

- MicroInvest’s management team is experienced and competent; the diversity of the professional background and experiences⁸ of members allows for complementarity. Communication among the directors is fluid and efficient;
- The main responsibilities are concentrated on three persons (CEO, CFO and CLO), the empowerment levels are clearly defined and are adequate to the size and activities of the institution;
- Senior LOs based at HQ supervise the network and are in charge of keying in all portfolio data. Branch managers do not have real management responsibilities so far, but these could increase as the loan management system is implemented in all the branches;
- The management team meetings are frequent and the information is available and discussed extensively. These meetings are well prepared, though improvements could be made in formalizing the main conclusions and decisions in short minutes to facilitate follow-up. It could be helpful as well for the internal communication (notably with the branch managers once they are empowered).

Human Resource Management

- Being a small sized MFI, MicroInvest does not have a department dedicated to HR, however this does not jeopardize its efficiency in managing the staff. The administrative tasks of HR are performed by the Finance department and facilitated by the fully integrated MIS; recruitments and evaluations are still managed by the CEO.
- The general policy for Human Resources defined by the management and approved by the Board clearly states the main HR rules and procedures:

⁷ Between 15 and 20% of the branch managers labor time is still spent on providing these services

⁸ The CEO has large experience of working in NGOs involved in development, the CLO has a deep knowledge of banks (head of agricultural business division of a local bank), and the CFO has both accounting and development experience.

- The policies and guidelines for recruitment, salaries and training are formal and consistent. An internal Regulation for HR has been elaborated.
- The salary grid and conditions are close to those of the market. Thanks to these conditions, to the common history of the staff in MMA and to the high unemployment level of the country, there have not been any departures since the creation of MicroInvest.
- The fact that MicroInvest took over MMA staff largely simplified the Human Resources Management since policies and procedures were already in place (recruitments and training). Most staff have a good educational level, have been trained, have some experience in microfinance as well as a good knowledge of their region and clients (particularly SCAs). Senior LOs are available to help younger ones and give advices regarding file analysis.
- The staff is competent and the communication among branches and between the HQ and the regional branches seems satisfactory, although the implementation of the MIS would ease the exchange of data and indicators. Quarterly, all-staff meetings are organized in the HQ, where achievements and goals are discussed; Management and marketing department staff make frequent visits to the branches.

	Dec. 2003	Dec. 2004	Mar. 2005
Total number of staff	8	31	38
% Credit officers	25%	61%	61%
Turnover	NA	0%	0%

Information Management Systems

Management Information System (MIS) and Equipment

- ❑ The MIS of the institution is efficient⁹ and the infrastructure sufficient. There is a local network in the HQ and computers (connected to the Internet) in the branches¹⁰.
- ❑ The MIS is correctly secured and backups are made regularly. The authorization grid (function, tasks and transactions) is fully supported by the system. Anti-virus and back-up measures are satisfactory.
- ❑ The MIS is user friendly and provides main information needed:
 - The data are centralized in Chisinau to be keyed into the system by the senior LOs located in the headquarters for data on the portfolio and by the accounting assistant. The database is only accessible in Chisinau, information about the portfolio is sent on a weekly basis to all regional branches (including PAR, number of new clients, amount disbursed, installments expected), and an extensive report on activities is generated quarterly from the MIS data.
 - MicroInvest team helped the provider in defining and developing the specific requirements for portfolio management and accounting chart and rules of the financial activity, so that loan portfolio, accounting and payroll (bonus calculation) are fully integrated and all necessary reports automatically generated. The database (client and product) is comprehensive and flexible and can be easily enriched, the product design allows for ease of use and there is no limitation to including new tailor-made products.
- ❑ But there are still some weaknesses to be solved and room for improvements:
 - The MIS is currently being improved in order to include more information about the portfolio, to generate tailor-made reports for MicroInvest's management and to be accessible in all branches.
 - The portfolio management functions and programs are not technically documented, which creates a high level of risks in case of high turnover in the provider staff.
 - There are technical limitations regarding the number of simultaneous connected users,
 - The MIS development plan, the business process and organization should be discussed and formalized to be sure that it is in line with the strategic goals (credit process decentralization, front-office tasks integration), in order to comply with the quality and productivity objectives.

Information on Activities

- ❑ The portfolio information is accurate, up-to-date, regular and complete, and numerous useful reports and indicators calculations are generated by the MIS and widely disseminated:
 - The list of late loans is followed up by agent / branch on a daily basis, and PAR is closely monitored,
 - The analysis of clients' businesses is deep and of good quality, and many statistics are available, such as the portfolio per type of client, per activity, per loan size or per loan maturity.
- ❑ There is still room for improvement in the following areas:
 - Market research is not updated or formalized enough (precise conditions offered by competitors, calculation of APR).
 - Information on repeated clients is not sufficient, although it is crucial as reduced rates are offered on renewed loans.
 - The time spent by the LOs on each type of client has to be thoroughly analyzed in order to refine the data presented in the strategic plan (many projections are computed based on productivity assumptions) and to identify some leverage to increase productivity.

⁹ It has been developed based on a standard package (1C) developed for production and distribution companies, and is written in a 4th generation language.

¹⁰ The network is based on a client server model: 35 PCs and two servers.

Financial and Accounting Information

- The fully integrated MIS allows for accurate, up-to-date, regular and complete financial information and the Finance Director has all the necessary skills to manage and improve the Finance Department:
 - Consolidated financial statements are generated quarterly, and include provision, depreciation and write-off.
 - Financial information is available by numerous categories depending on data (consolidated, loan officer level, branch level, founder), but costs are not allocated yet.
 - Disbursements and reimbursements are made through the bank network and there is no petty cash in the branches, which greatly simplifies the consolidation of data and allows for a close to real-time follow-up of revenues and expenses.
- However, as MicroInvest offers very different product to clients with highly diverse profiles, the financial analysis should be strengthened and be done at the product level.
 - There is no allocation of costs by branch / product which prevents MicroInvest from conducting a sound profitability study (i.e. minimum size of portfolio per LO and branch to reach break-even, Group Credit profitability)
 - Interest rates have been set according to competition (banks and MFIs) and donors' requests, but not according to an internal cost analysis. A deeper financial analysis would provide highly valuable tools for the strategy definition.

Risk Management

Procedures and Internal Controls

- MicroInvest set up organic control and procedures that minimize most of the internal risks
 - Processes are well defined and compiled in manuals: the credit manual clearly defines all rules to be followed for each product, type of client (type of collateral accepted, key ratios to analysis, etc.); the accounting policy manual is very documented, with details on all control procedures (bank reconciliation, collateral registration, fixed assets depreciation, etc.);
 - The distribution of functions and tasks among the staff creates a healthy separation of tasks
 - Limits for both lending and purchasing decisions have been set;
 - Systematic controls have been set-up: Applications of credit procedures are checked by Senior LOs when revising the files for the Credit Committees: if the file is not correctly filed or some documents are missing, files are sent back to the branches to be processed again; all loans disbursements, investments and salary payments have to be checked and signed by at least two persons; all documents are signed by their author and by the person having controlled that it was right.
 - Control routines are included in the MIS.
- External auditors however noted that some procedures regarding loan files (client documentation, collateral evaluation) are not yet systematically applied.
- The channeling of disbursements and reimbursements through banks allow for more internal control points to avoid fraud and fictitious clients (disbursement made on the client's bank account).
- There is no cash management risk as all the operations are channeled through the banking network, thereby ensuring the physical security of funds. The fully integrated MIS eases the banking reconciliations.

Internal Audit

- MicroInvest does not have a separate audit department, which is coherent with the size of the institution¹¹. The management team performs some of the usual internal audit tasks, but the institution could however benefit from more systematic internal audit procedures:
 - The Management team conducts some field visits, planned or impromptu. Complete reports including weak points and recommendations are produced and sent to the controlled staff (visited LOs and Senior LO in charge or the branch). These visits are followed by an effective monitoring to check that improvements have been made.
 - During these on-site missions, the management team visits some clients and notably checks the loan utilization and the validity of the information mentioned in the client's file. At the end of year 2003 the marketing team led a satisfaction study, thereby visiting some more clients.
- The Management team has clearly identified operational risks, and seems aware of the general strategic risks linked to the current strategy (shortage of funds, lack of productivity, non-profitable products). However a more comprehensive risk analysis could be performed.
- MicroInvest could make some improvement in its internal audit process by asking an external firm to periodically run specific analysis on the quality of the internal controls, and to report directly to the Board of Directors.

¹¹ The CEO estimates that it will be necessary to have one once the institution achieves a network of 50 Loan Officers

Activities: products and services

Marketing and competition

- MicroInvest's strategy clearly states the goal to provide high quality services to its clients at reasonable prices, and achieving this goal allows the institution to benefit from core competitive advantages:
 - MicroInvest offers a wide range of products, with tailor-made conditions adapted to the clients' business (grace period etc.);
 - The interest rates are quite low, especially given the absence of fees and commissions (only the interest is charged to the clients, the APR equals to the annualized nominal percentage rate);
 - The LOs have a very good knowledge of rural areas and particularly of SCAs, and time spent on clients' business analysis is of great value for the clients;
 - Great attention is given to retention: repeated clients can borrow at lower rates;
 - As a result, 73% of all clients claim to be fully satisfied by MicroInvest offer.
- However, MicroInvest has suffered from the negative impact of "stop and go" periods and some improvements can still be made to ensure a smoother disbursement and repayment process:
 - The lack of funds in the development and promotion period causes great prejudices to MicroInvest: clients that have been contacted and who ended up waiting for a credit for several weeks tend not to come back;
 - The disbursement process is slowed by the complexity and costs of the collateral system for small amounts and by the centralization of credit decisions;
 - The management of credits through banks carries a cost for the clients: commissions have to be paid to the bank for disbursements and reimbursements (although partially born by MicroInvest¹²).

Portfolio Management

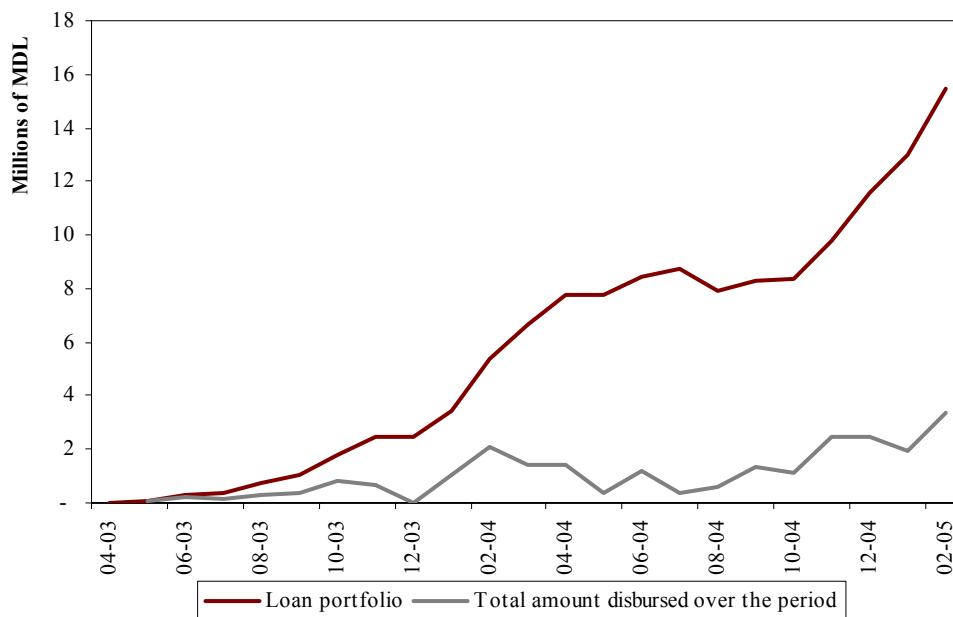
- The lending methodology has proven to be efficient, both PAR and write-off ratio remain very low. The methodology relies on the following factors:
 - Clever use of the LOs experience with SCAs and MMA's database to identify prospects: LOs have a very good knowledge of their region and clients, and many have been working with SCAs for several years. Members of SCAs tend to become individual clients of MicroInvest as amounts lent by SCAs aren't large enough to allow investments,
 - Deep analysis of the clients' businesses (borrower selection is based on a file including all necessary financial information, such as assets, liabilities, monthly cash flow projections after loan disbursement for 12 months, detailed information on family expenses and incomes, and a client morality assessment...);
 - Adaptation of loan conditions to clients needs (especially for big amounts);
 - Credit decision centralized at HQ, or decentralized at the regional level for branches having at least three LOs¹³. All files are reviewed by one of Chisinau senior loan officers (*refer to Institutional presentation for enhanced details on the organization*) that check that all needed information have been filled;
 - Loan monitoring is adequate and efficient (on-site visits to check the loan utilization, no renewal for clients having used their loan for other purposes than the one that was agreed upon);
 - Effective delinquency management: LOs seem motivated by the bonus scheme (no incentive if PAR > 4%).

¹² The institution has negotiated with two banks reduced commission (0,1 and 0,2% of the amount transferred) not charged to the client but debited from MicroInvest account.

¹³ Loans over 5,000 MDL cannot be approved at the regional level and have to be submitted to the Central Credit Committee

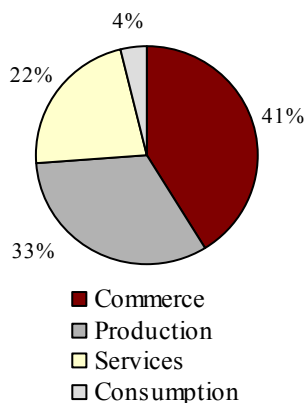
Composition and evolution of the loan portfolio

Loan portfolio evolution

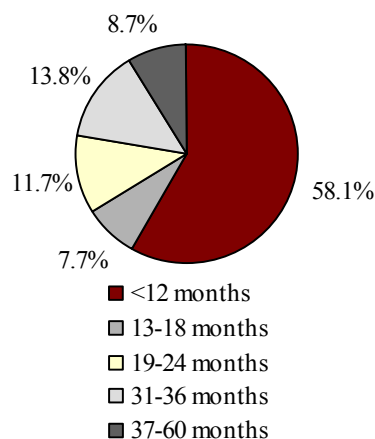


- MicroInvest has experienced rapid growth since its inception (close to 300% in 2004 and above 60% for the first quarter 2005), with two slow downs in disbursements due to liquidity crisis in June 2004 and March 2005 (*refer to F section for enhanced details*).
- The various tenures of the portfolio and the different sectors financed by the institution demonstrate the goal to achieve diversification expressed by the management team, in order to mitigate the credit risks. Their proportions have remained stable since the beginning of activity, with the major part of funds being invested in rural areas (79,2%), although this proportion should decrease in the coming years (non-rural areas should eventually account for up to 40% of the portfolio):
 - MicroInvest's portfolio is mainly short term (58.1%) with less than 10% of the portfolio with tenure superior to 36 months; this proportion should remain the same according to the goals defined by the management team;
 - Commerce is the main sector financed, followed by services, and production (agricultural businesses are registered in one of these 3 sectors depending on the type of activity undertaken by the farmers, in 2005, agriculture will be followed as an independent sector in the MIS).

Loan portfolio per sector



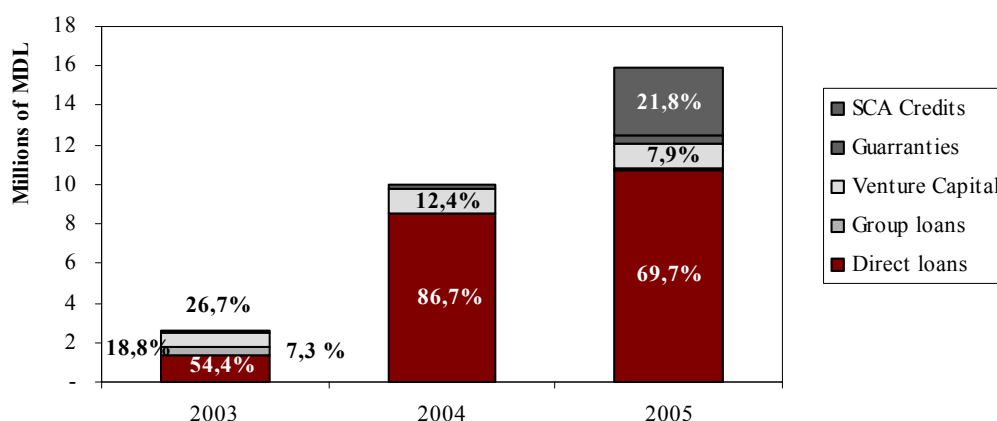
Loan portfolio per tenure



- In 2005, the launch of a product designed for SCAs' has significantly modified the portfolio composition:
 - In 2004, direct loans accounted for more than 85% of the whole portfolio, and for less than 70% at the end of March 2005. This evolution can be easily explained by the size of the loans granted to SCAs (average loan per client of more than 560,000 MDL, whereas average outstanding loan per direct clients is less than 26,000 MDL).

Portfolio per product, March 2005	Direct loans	Group loans	Venture Capital	Guarantees	SCA Credits
Loan portfolio (KMDL)	10,760	106	1,214	441	3,361
Number of active borrowers	414	41	2	6	6
Average outstanding loan per client	25,991	2,585	606,823	73,500	560,125
% of total outstanding portfolio (volume)	69.7%	0.7%	7.9%	2.9%	21.8%
% of total outstanding portfolio (number)	89.4%	8.9%	0.4%	1.3%	1.3%
PAR 31-365	2.5%	0.0%	0.0%	0.0%	0.0%
Write-off ratio	0.0%	0.0%	0.0%	0.0%	0.0%

- The group loan part of the portfolio has been greatly reduced since the beginning (dropping from 18.8% of the portfolio in 2003 to less than 1% in March 2005), notably because of the heavy cost of monitoring, and the launching of loans to SCAs;
- The venture capital part in the portfolio has decreased in 2004 and 2005, because no new loans were granted. The strategy regarding this credit is to keep it low (dedicated funds were used for this credit and other investments in new firms will be made when MicroInvest has sold its shares in the first two ones);
- Guarantees account for less than 7%, and should remain low in the coming years (cf. planning in the G section).



Portfolio at risk (PAR)

Write-off ratio

- Although increasing, PAR >30 remains at an acceptable level but should be closely monitored in the following months.
 - All risks are concentrated in the direct loans product (which account for around 70% of the portfolio): as of end of March 2005, PAR >30 for direct loans was above 2%;
 - The write-off ratio is null, as no client has been late for more than 365 days since inception (all loans are written-off automatically by the system after 365 days);
 - PAR>1 is sometimes overestimated because of the banks: clients might not have been late, but the time needed to transfer the installment from one account to the other might make them late.
 - Rescheduling can be negotiated with the LOs, and are then submitted to the Credit Committee (it is an exceptional procedure and should remain so).

PORTFOLIO			
USD, unless otherwise stated	Dec. 2003	Dec. 2004	Mar. 2005
Loan portfolio	186,502	785,131	1,223,908
Loan portfolio (MDL)	2,465,558	9,782,730	15,440,697
Evolution	NA	296.8%	55.9%
Guarantee	181,000	441,000	441,000
Average outstanding loan	73,566	539,565	986,190
Number of active borrowers ⁽¹⁾	219	399	463
Evolution	NA	82.2%	16.0%
Average outstanding loan per client	852	1,968	2,643
% of GDP per capita	3,059.3%	5,250.1%	7,110.7%
Average amount disbursed	887	2,081	3,415
% of GDP per capita	3,186.3%	5,551.0%	9,185.0%
PAR 31-365	0.6%	0.9%	1.7%
PAR > 365	0.0%	0.0%	0.0%
Write-off ratio	0.0%	0.0%	0.0%
Risk coverage ratio	587.9%	321.1%	NA
PAR 31 net of loan loss provision / Equity	(3.2%)	(2.0%)	NA

⁽¹⁾ Borrowers may have two active loans at the same time, but that remains an exception (clients of venture capital product simultaneously having a direct loan).

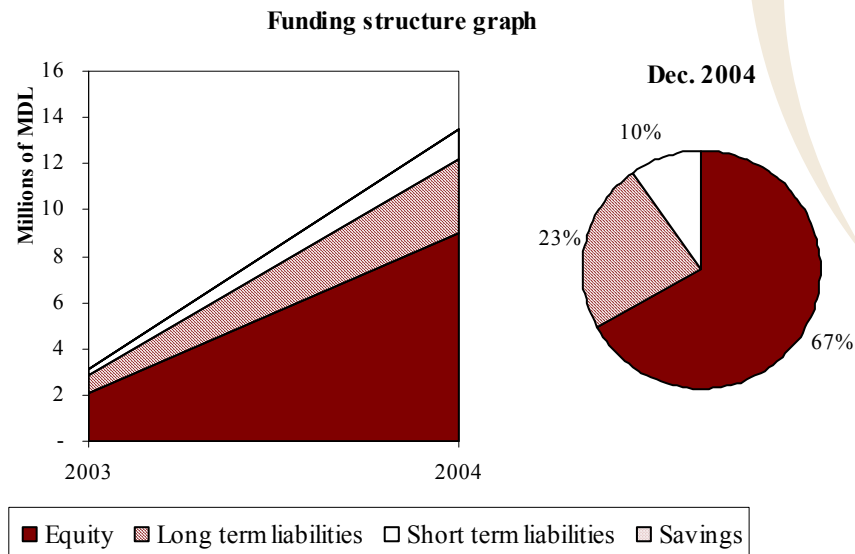
Credit risk coverage

- Risk coverage ratio is much higher than 100% (587,9% in 2003, 321,1% in 2004¹⁴), and is complemented by coverage by both guarantees and collaterals. MicroInvest thus have an adequate loan-loss reserve policy given the high quality of portfolio over time (PAR 30 of 0,85% as of dec. 2004, no write-off).
- Strong guarantees are requested of loan clients as an additional risk coverage policy. The collateral policy is very conservative (collaterals up to 200% of the loan are legally registered, typically 125% even for small amounts), and although their actualization is not easy and expensive, these guarantees help MicroInvest put more pressure on delinquent clients or serve as an actual source of payments.

¹⁴ External auditors have recommended to make a provision for healthy portfolio, which is not automatically made by the system (*refer to the provisioning methodology in the appendices*), but has been adjusted in the audited financial statements.

Financing and liquidity

Financing Strategy



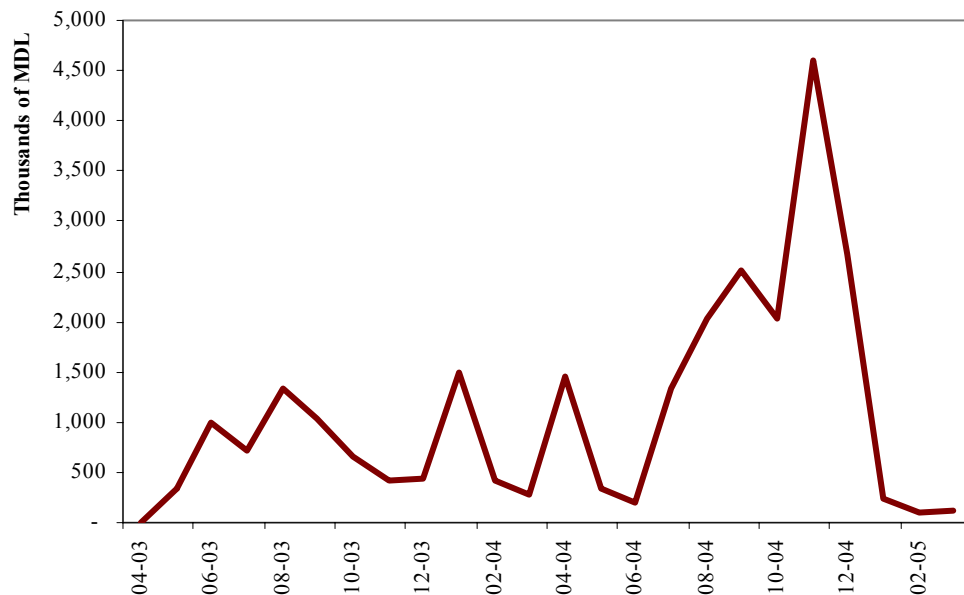
- Being born from MMA, MicroInvest has benefited from the support of the Soros Foundation, but the institution has also proved its capacity to raise interest from both local and international donors:
 - Subsidies have been received from Soros Foundation Moldova, Alianta de Microfinantare din Moldova, Foundation Open Society Institute and NOVIB for a total amount of around 10 MMDL since inception (for both operations and investments); some other investors shall invest in the institution in the coming months;
 - Loans have been contracted from National Federation AGROinform, and Contact at 5 and 11% respectively, for a total amount of more than 3 MMDL;
 - Retained earnings are negative in 2003 and 2004, given that MicroInvest does not cover its costs with its revenues.
- Asset liability management is correctly performed by both CEO and CFO:
 - There is no currency risk as the borrowings are denominated in MDL or if they are denominated in foreign currency (USD or Euro) there are used as collateral with a local bank in order to issue a loan in MDL; all loans and commissions receivable are granted in MDL; grants are received in either USD or EUR, but are subsequently translated into MDL.
 - There is no interest rate risk (all interest rates are fixed), neither maturity risk (long term resources are much higher than long term portfolio).
- Funding is clearly the major issue for the institution, given its youth and growth projections; this is not eased by the local banking sector. Acknowledging this crucial issue, the management is very active to raise funds with international donors, banks and investment funds:
 - The Moldavian banking sector adopts a very conservative attitude and seems not to be prepared to offer loans or credit line both for legal reasons and because of their misunderstanding of the business. In order to increase its leverage and not to slow its activities when having no funds available, MicroInvest has to go further in its negotiations with international banks (exploration of all guarantee possibilities) and to continue lobbying the local banks.
 - By its 5-year strategic plan, MicroInvest intends to reach an outstanding loan portfolio of 6 millions USD in year 2007. Due to the low profitability level in the start-up period, nearly 95% of the funding shall come from donors, subsidized and commercial loans.

- Many contacts were taken and finalizations of the negotiations are underway (decisions have been taken, but legalization, translation and international transfers take lots of time). The length of the disbursing process has already created liquidity shortages, which have been overcome with the support of the Soros foundation¹⁵. The “stop and go” damages are hard to evaluate as few competitors are active in the rural sector; however would it happen again, it would clearly affect the credibility of MicroInvest, and jeopardize its ability to reach profitability via economies of scale.

Liquidity Management

- Pertinent liquidity forecasts are made on a weekly basis, supported by daily MIS reports and based on installments and disbursements agenda, which nevertheless could not prevent MicroInvest from experiencing illiquidity crisis:
 - All cash outflows are centralized so the CFO can control all in and out cash movements and adjust the disbursements of the loans already authorized to the available liquidity.
 - The use of the bank network is a good way to avoid cash handling risks, but the related costs and the lack of control on the processing delays might push MicroInvest to adopt a new strategy and progressively create cash management in the branches. This would require a thorough review of the whole disbursement and repayment procedure in order to optimize cash management (quality, cost and security).

Evolution of cash balance



¹⁵ In June 2004 and March 2005, MicroInvest had to stop disbursing for several weeks, before receiving “repayable grants” from Soros Foundation

Efficiency and Profitability

Profitability analysis	Dec. 2003	Dec. 2004
ROE	(54.1%)	(47.8%)
Liabilities / Equity	49.2%	49.2%
ROA	(21.9%)	(22.5%)
Profit generation		
Operational self-sufficiency	37.9%	49.9%
Portfolio Yield	20.8%	25.8%
Operating expense ratio	36.9%	49.5%
Staff productivity	27	13
Loan officer productivity	110	21
Average outstanding loan per client (USD)	852	1,968
Funding expense ratio	5.1%	3.2%
Loan Loss Provision expense ratio	14.2%	2.8%
PAR 31-365	0.6%	0.9%
Write-off ratio	0.0%	0.0%
Asset management		
Outstanding Loan Portfolio / Assets	76.9%	70.6%

A simple annualization of 2003 relevant ratios was performed for ease of comparison.

Overview of the profitability

MicroInvest is not able yet to cover its costs with its revenues: ROE and ROA are still very negative¹⁶ though improving over time (ROE increased from -54.1% in 2003 to -47.8% in 2004, whereas ROA remained relatively stable from -21.9% to -22.5%). Operational self-sufficiency reached 49.9% in 2004 (only 37.9% in 2003), showing a positive trend (the incomes grew faster than the expenses in 2004).

MicroInvest's results are based on the following factors:

Portfolio yield and effective interest rate

Average portfolio yield is around 26% in 2004 and shall remain stable, or even decrease, given that no increase in the interest rates has been scheduled and that renewed clients are offered reduced rates (down to 21%). The annual percentage rate is very transparent (24% for most of credits, 22% for some agriculture businesses, according to the Credit Committee decisions) as MicroInvest charge no commission nor fees to its clients¹⁷, except for group lending which has an APR of around 37%, as all clients are charged a 6% fee. MicroInvest will have to pay particular attention to its portfolio composition, notably the part represented by renewed clients, to maintain its portfolio yield at an acceptable level. The portfolio yield is in line with MicroInvest's interest rates, thanks to low PAR and no write-offs. MicroInvest's rates are lower than those charged by both banks, MFIs and SCAs.

Operating expense ratio

The operating expense ratio has increased from 36.9% in 2003 to almost 50% in 2004 with the addition of new staff and computerization of the branches, the increase in office renting prices and of monitoring costs¹⁸. It should be decreasing in 2005, since the growth of the portfolio is planned to be faster than that of expenses, if MicroInvest succeeds in improving its LOs' productivity.

¹⁶All donations are taken off income statements to compute ratios

¹⁷Clients have to pay commissions to banks when depositing installments and withdrawing their credit

¹⁸Transportation costs are higher for rural clients than for urban ones

As a matter of fact, LOs' Productivity is very low (average of only 21 clients per LO), and is the main leverage to be used to reach profitability. This large unused HR capacity must allow MicroInvest to increase consequently its revenues (loan portfolio growth of 100% per year) with the same staff. By quickly reaching its critical size to benefit from economies of scale, the institution might be able to cover its expenses with its revenues in a relatively close future. The very deep analysis of the clients business included in the methodology, the consulting approach of LOs inherited from MMA and the cost of collateral formalization all have a substantial cost: the relevance and usefulness in terms of risk control of all procedures might be reviewed to identify potential productivity gains (notably in the group lending product).

Funding expense ratio

The funding expense ratio is low compared to the commercial cost of funds (3.2% in 2004), but should follow an upward trend in the coming years when concessional loans will replace subsidies. This should be analyzed in comparison with the portfolio yield (interest rate strategy), given the actual negative margin of the institution, and its aim to become self-sufficient in a close future.

Loan loss provision expense ratio (cost of risk)

Provisions expenses have a non negligible weight in the IS (14.2% in 2003, 2.8% in 2004) because of the recommendation by the external auditor to provision for the healthy portfolio, which is not really representative of the level of the portfolio at risk (PAR>30 of only 0.85% in 2003)

Asset management

Outstanding loan portfolio represents more than 70% of all assets at the end of 2004, which is not representative of the level of mobilization of funds, that is adequate. Funds had been received just before the accounting closure, and a few weeks later, all available funds had been lent. As of end of March 2005, this ratio is close to 90%.

Adjusted performance

During this evaluation exercise we did not calculate the adjusted performance of MicroInvest. In the case of a rating, we would adjust the financial indicators in order to be able to compare MicroInvest's performance with international benchmarks. These adjustments would be the following:

- ❑ Adjustment for inflation: to neutralize the effect of inflation on equity and fixed assets;
- ❑ Adjustment for cost of funds: to estimate the cost that the institution would have paid if using commercial financing. This adjustment accounts for the cost savings received from donated funds or concessional loans;
- ❑ Adjustments for in-kind donations: support received from Soros Foundation regarding the HQ office...
- ❑ Adjustments to provisions in compliance with the international standards fixed by the MicroBanking Bulletin for the sake of homogenization.

Appendices

Product description

Loan Product Features	Direct lending	Group Lending	Venture capital	Guarantee	SCA
Minimum / Maximum loan amount	Up to 140,000	Up to 5,000 - 1st year Up to 10,000 - 2nd year Up to 15,000-3rd year	141,000 – 625,000	40,000 –140,000	200,000 - 1,200,000
Nominal interest rate	24% - non agricultural 22% - agricultural 18% - ASPA Project	24%	25%	n/a	18%-19%
Fees	0,2% penalty for past-due amounts	0,2% penalty for past-due amounts; 6% of the amount approved as commission	0,2% penalty for past-due amounts	4-5% is paid upfront, while after a year, the client is bound to pay monthly 0,33% twice per year for the agricultural businesses and quarterly 0,43% for the non-agricultural ones. 0,2% penalty for past-due amounts	0,2% penalty for past-due amounts
Repayment frequency	Different schemes, depending on a client's cash flow	Interest is paid quarterly. Balloon principal repayment at maturity	Flexible repayment, while the invested capital is reimbursed at the 5-year maturity.		
Term (without grace period)	Up to 36 months	Up to 12 months	Up to 60 months	up to 60 months	up to 18 months
Grace period	Up to 8 months		Up to 60 months for the invested capital	not available	from 3 to 11 months
Guarantees	Up to 14,000 MDL, no tangible assets, 1-3 guarantors Up to 70,000 MDL, 100% collateral tangible assets, and above 125%.	1-3 guarantors	Holding the major share (or not less than 60%) of debtor's stock	not available	Cession of rights over SCAs deposits, that represents 10% of granted loan
Effective interest rate	24% - non agricultural 22% - agricultural 18% - ASPA Project	37,2%	25%		18,5%- 19,5%

Specific notes to the financial statements

Balance Sheet

1. Guarantees excluded (deposits made at the banks are registered as short term investments). Guarantees were issued to 6 enterprises in the amount of 456,000 MDL (261,000 in favor of Moldova Agroindbank and 195,000 of Fincombank)
2. Prepaid rent expenses (first three months), inventory, receivable from employees, from grantors, penalty receivable, others
3. Loans to employees
4. Deferred revenues (guarantee fee 4% in the first year, and 0,33 -> 1,3% in subsequent years)
5. Audit fees, advertising, payables to budget mainly includes income tax payable
6. Including unused grants (Foundation Open Society Institute, Moldovan Microfinance Alliance) and paid-in capital from Soros Foundation (not registered en capital yet).

Income Statement

1. Including guarantee fee revenues
2. Exchange gains / Interests on loans to employees
3. Including exchange losses

MicroInvest Balance sheet	Notes	MDL		USD		Evolution	
		Dec. 2003	Dec. 2004	Dec. 2003	Dec. 2004	2004/2003	
ASSETS		3,099,416	13,482,888	234,449	1,082,094	335.0%	
Short Term Assets		1,469,420	8,218,735	111,151	659,610	459.3%	
Cash and Due from Banks		449,960	2,673,821	34,036	214,592	494.2%	
Short Term Investments		181,000	246,000	13,691	19,743	35.9%	
Short Term Net Loan Portfolio		757,965	4,829,183	57,335	387,575	537.1%	
Short Term Gross Loan Portfolio (Loan Loss Reserve)	1	838,804	5,096,500	63,450	409,029	507.6%	
Interest Receivable		80,839	267,317	6,115	21,454	230.7%	
On loan portfolio		67,256	257,846	5,087	20,694	283.4%	
On investments		64,722	254,859	4,896	20,454	293.8%	
Accounts receivable and other assets	2	2,534	2,987	192	240	17.9%	
Long term assets		1,629,996	5,264,153	123,298	422,484	223.0%	
Long Term Net Investments		-	6,480	-	520	-	
Long Term Gross Loan Portfolio		1,626,754	4,686,230	123,052	376,102	188.1%	
Net Fixed Assets		3,242	425,581	245	34,156	13,027.1%	
Other Long Term Assets	3	-	145,862	-	11,706	-	
LIABILITIES AND EQUITY		3,099,416	13,482,887	234,449	1,082,094	335.0%	
Liabilities		1,021,692	4,445,498	77,284	356,782	335.1%	
Short term liabilities		237,587	1,312,479	17,972	105,335	452.4%	
Interest payable	4	6,552	-	496	-	(100.0%)	
Accounts Payable and Other Short Term Liabilities	5	231,035	1,312,479	17,476	105,335	468.1%	
Long term liabilities		784,105	3,133,019	59,312	251,446	299.6%	
Long Term Time Deposits		-	-	-	-	-	
Long Term Borrowings		784,105	3,133,019	59,312	251,446	299.6%	
Other Long Term Liabilities		-	-	-	-	-	
Equity		2,077,724	9,037,389	157,165	725,312	335.0%	
Paid-In Capital		5,400	1,248,312	408	100,186	23,016.9%	
Donated equity	6	2,400,023	10,775,865	181,545	864,837	349.0%	
Retained earnings without donations and reserves			(2,986,788)	(24,788)	(239,710)	811.4%	
Current year		(327,699)	(2,659,089)	(24,788)	(213,410)	711.4%	
Other equity accounts						-	

MicroInvest Income Statement	Notes	MDL		USD		Evolution 2004/2003
		Dec. 2003	Dec. 2004	Dec. 2003	Dec. 2004	
Financial Revenue (a)		120,818	1,864,433	9,139	149,633	1,443.2%
Financial Revenue from Loan Portfolio		118,284	1,733,316	8,947	139,110	1,365.4%
Interest on Loan Portfolio		112,508	1,619,095	8,510	129,943	1,339.1%
Fees and Commissions on Loan Portfolio	1	5,776	53,978	437	4,332	834.5%
Penalty Revenue on Loan Portfolio			60,243		4,835	-
Financial Revenue from Investments		2,534	33,021	192	2,650	1,203.1%
Other Operating Revenue	2		98,096		7,873	-
Financial Expense (b)		28,994	216,517	2,193	17,377	646.8%
Interest paid on borrowings		6,552	182,478	496	14,645	2,685.1%
Interest paid on deposits						-
Net Inflation Adjustment Expense						
Other Financial Expenses	3	22,442	34,039	1,698	2,732	51.7%
Financial income [c=a-b]		91,824	1,647,916	6,946	132,257	1,694.6%
Net Loan Loss provision expense (d)		80,839	186,478	6,115	14,966	130.7%
Loan loss provision expense and write-off		80,839	186,478	6,115	14,966	130.7%
Recovery from Loans written off						-
Operating expense (e)		209,207	3,329,737	15,825	267,234	1,491.6%
Personnel Expense (includes fringe)		133,077	1,944,707	10,066	156,076	1,361.3%
Administrative Expense (non-staff operating expenses)		76,130	1,385,030	5,759	111,158	1,719.3%
Depreciation and amortization		4,396	60,226	333	4,834	1,270.0%
Audit fees		60,283	241,514	4,560	19,383	300.6%
Office supplies		2,478	116,040	187	9,313	4,582.8%
IT maintenance expenses		2,685	95,912	203	7,698	3,472.1%
Business trip expenses		152	94,921	11	7,618	62,348.0%
Bank charges		4,195	81,121	317	6,511	1,833.8%
Public utilities, security			67,345		5,405	-
Marketing / telephone expenses		975	148,367	74	11,907	15,117.1%
Fuel expenses			89,546		7,187	-
Others		966	390,038	73	31,303	40,276.6%
Net Operating Income Before Taxes and Donations [f=c-d-e]		(198,222)	(1,868,299)	(14,994)	(149,944)	842.5%
Income Taxes (g)		129,477	790,790	9,794	63,466	510.8%
Net Operating Income Before Donations [h=f-g]		(327,699)	(2,659,089)	(24,788)	(213,410)	711.4%
Donations (l)		717,436	5,638,872	54,269	452,558	686.0%
Net Income (after Taxes and Donations) [m=k+l]		389,737	2,979,783	29,481	239,148	664.6%

Rating scale

Factors	Area Rating	Global Rating	Explanation
4 to 5	a	A+ A A-	Excellent 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.
3 to 4	b	B+ B B-	Good 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.
2 to 3	c	C+ C C-	Minimum required Procedures are functional but with certain failings. There are minor risks in the medium term for operations, but these risks are being managed and monitored.
1 to 2	d	D	Insufficient Procedures are in place, but with failings, and certain problems are only partially addressed. There are medium-term risks for operations.
0 to 1	e	E	Immediate risk of default or very insufficient There are immediate or underlying risks for operations or an unacceptable under performance.

Rating Plus: classification selon les critères du Microbanking Bulletin (MBB)

Scale(Outstanding portfolio USD)	Target Clientele(Avg. out. loan / GNP per capita)	Maturity(Years of operation)
Large: > 8 million	Low-end: < 20% OR avg. out. loan ≤ 150 USD	New: 1 to 3 years
Medium: 1 to 8 million	Broad: 20% to 149%	Young: 4 to 7 years
Small: < 1 million	High-end: 150% to 249%	Mature: over 7 years
	Small Business: 250 %	

MENA : Middle East and North Africa ECA : Eastern Europe and Central Asia.

Ratio formulas

Personnel productivity	Active borrowers / Total personnel (end of period)
Loan officer productivity	Active borrowers / Total Loan Officers (end of period)
Return on assets (ROA):	Net operating income before donations / Average assets
Adjusted return on assets (AROA) :	Adjusted net operating income before donations / Average assets
Return on equity (ROE):	Net operating income before donations / Average equity
Adjusted return on equity (AROE):	Adjusted net operating income before donations / Average equity
Leverage	Debt (savings + debts) / equity (end of period)
Portfolio yield	Portfolio revenue / 13-month average gross outstanding portfolio
Operating expense ratio	Operating expense / 13-month average gross outstanding portfolio
Funding expense ratio	Interest and fees paid on funding liabilities / 13-month average gross outstanding portfolio
Cost of funds ratio	Interest and fees paid on funding liabilities/Average funding liabilities
Loan loss expense ratio	Net loan loss expense / 13-month average gross outstanding portfolio
Adjustment expense ratio	Total adjustments / 13-month average gross outstanding portfolio
Net portfolio as a % of assets	Net outstanding portfolio / total assets (end of period)
Operational self-sufficiency	Revenue from operations / (Financial expense + Loan loss expense + Operating expense)
Financial self-sufficiency	Revenue from operations / (Financial expense + Loan loss expense + Operating expense + Adjustments)
Risk coverage ratio	Loan loss reserves / Portfolio at risk (31-365 days)
Write-off ratio	Loans written off / 13-month average gross outstanding portfolio