

## GAWFA, The Gambia

Gambia Women's Finance Association (GAWFA) is an NGO affiliated to the Women's World Banking Network (WWB). It was established in 1987 to enhance the entrepreneurship development of low income women as a mean of alleviating their poverty and increasing their economic participation. GAWFA will soon become a commercial entity as required by the Central Bank of The Gambia (CBG), and is the only MFI in the country with a nationwide coverage. It offers individual and group loans exclusively to women, while the saving facility and non financial services are intended for all members (men and women). As of June 2007, the institution had an outstanding loan portfolio of 0.8 M USD serving 14,906 borrowers.

### GIRAFE Rating

#### Rating

**C-**

#### Outlook

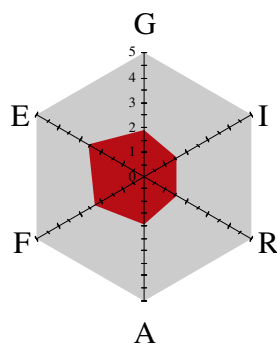
**Uncertain**

#### Date of the rating

**October 2007**

Valid until September, 2008

#### Rating per evaluation area



Governance – Information – Risk –  
Activities – Funding – Efficiency

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#### Rating highlights

- GAWFA's profit structure is still unsteady and has been seriously hampered by a lack of funding, weak marketing and poor portfolio management.
- Despite a committed board and management team, the institution has suffered from weak governance. The core management team needs further capacity building, especially in strategic decision making. In addition, its performance has been affected by a few unfilled key positions and a shortage of skilled staff.
- New dynamic competitors with stronger funding bases have recently entered the market and may threaten GAWFA's leading position (15% market share).
- The institution is facing major challenges, including: to successfully transform into a regulated financial entity by September 2008; to implement internal improvements in the governance structure, IT and reporting systems; and to mobilize adequate funding to match the current loan demand.

#### Outlook

- The "Uncertain" trend is explained by the multiple challenges faced by GAWFA, for which the institution is not adequately prepared. The management has recently taken positive steps (e.g. acquisition of a new MIS, contacts with investors and commercial banks to expand funding), but it is too early to measure their impact as most of the initiatives have not been fully implemented yet.

#### Performance indicators

USD, unless otherwise stated	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
Assets	1,023,754	1,281,714	1,306,442	1,452,795
Growth	35.1%	22.3%	0.7%	5.8%
Loan portfolio	605,510	617,825	729,775	788,851
Growth	5.5%	(0.3%)	16.7%	2.9%
Outstanding deposits	353,731	359,694	382,784	N/A
Growth	12.5%	(0.6%)	5.2%	N/A
Active borrowers	13,249	16,312	19,088	14,906
Active savers	45,468	45,433	46,987	N/A
Staff	37	45	44	45
ROE	8.9%	10.8%	6.2%	6.9%
ROA	2.0%	4.2%	2.4%	2.7%
Liabilities / Equity	1.58x	1.60x	1.52x	1.54x
Portfolio Yield	31.4%	26.1%	23.5%	26.0%
Operating expense ratio	22.7%	20.9%	21.4%	28.5%
PAR > 31	5.6%	4.7%	4.5%	5.8%
PAR > 365	N/A	N/A	N/A	N/A
Write-off ratio	1.9%	0.0%	0.0%	0.0%

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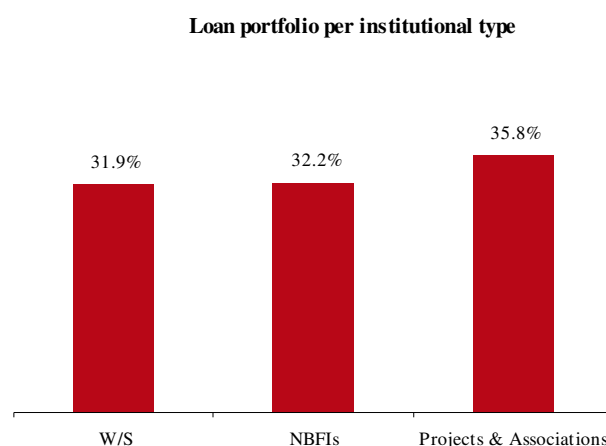
## Microfinance sector

In 2006, The Gambia had a population of almost 1.5 million, of which nearly 60% falls under the overall poverty line and 74% of it lives in rural areas. Microfinance has started in The Gambia in the early 70's with the creation of the Indigenous Business Advisory Services (IBAS), a government agency established mainly to bring support to the indigenous micro-enterprises. Since, substantial growth has taken place with government projects including microfinance components (SDF, RFCIP, FASE, and SDRD), and the support of donors (e.g. AfDB, IFAD, Women's World Banking). The microfinance sector is still limited as measured by a penetration rate of less than 17% and is very focused on rural women. As of June 2005, there were around 120 microfinance practitioners aggregating a loan portfolio of 7.9 million USD for 232,000 clients.

The Gambian microfinance sector is served by four different types of microfinance intermediaries, which offer credit facilities and savings mobilization (voluntary or compulsory):

- Wholesalers (W/S): include the SDF, the RFCIP and the AGIB. They do not interact directly with clients, but provide funds or training to other microfinance intermediaries, such as the VISACAs, the village savings and credit associations.
- Retailer non bank financial institutions (RNBFI): The largest RNBFI is GAWFA, seconded by NACCUG, which is an apex organisation of professional credit cooperatives. Their services (credit and saving) are almost available nationwide and they also offer non financial services, such as sensitization on various issues (gender, aids, malaria and more).
- Projects in support of rural microfinance: founded mainly by the AfDB and the IFAD, which use microfinance to achieve their development objectives. For example, the VISACAs supply a range of financial services to their members.
- Commercial banks: They recently entered the microfinance market and are still very focused on the urban clientele (entrepreneurs and businesses) as it is riskier and more expensive to manage activities in rural areas. Currently, their market share is limited, but they will be growing rapidly in the coming years.

The following graph<sup>1</sup> shows the market share of the different operators between 2000 and 2004:



The main microfinance network institution in the country is The Gambia Microfinance Network (GAMFINET) whose capacity still needs to be strengthened to better serve MFIs in terms of external support (financing) and improve the coordination and monitoring mechanisms. The CBG regulates and/or supervises microfinance institutions. In 2001, a microfinance department was established and the Central bank of Ghana (CBG) initiated new policies to boost the sector and limit risks by establishing prudential requirements. For example, borrowers must have at least 30% of their loan amount in their saving balance. The CBG does not impose ceiling on interest rates, but the discount rate is used as a benchmark for microfinance interest rates.

In recent years, many new competitors (New Reliance Services and Access) have entered the Gambian microfinance sector. They are mainly bank affiliates and focused on urban clients. Due to recent changes in the sector, the CBG is being more conservative and has recently passed a law, which allows only commercial entities to collect demand deposits.

## Political & economic environment

The Gambia is one of the African nations to enjoy a relative political stability. Since independence, the country has faced a few coups and political violence, among which the 1994 military coup, which overthrew the former president Dawda Kaibara Jawara and banned political activity for the following two years. In 1996, a new constitution was created, followed by a presidential election won by Yahya A. J. J. Jammeh, the leader of the coup who has since won all succeeding elections. The Gambian government has made

<sup>1</sup> This graph was made from data obtained from an appraisal report, Entrepreneurship Promotion and Microfinance Development Project, written by the African Development Fund in August 2006.

a few improvements in fighting poverty and boosting the economy. Nevertheless, it still struggles with economic reforms and corruption.

The Gambia has no important mineral or natural resources and its economy is mainly based on the production of peanuts (58% of national exports). The country also exports fish, cotton lint, and palm kernels, and gains revenues from re-export trade, but the instability of the Gambian dalasi has reduced its effect on the economy. The Gambia has an important source of foreign currency as it is one of the most visited countries in West Africa. The inflation level is reasonable (around 4%), but the country is faced with a high unemployment rate and the pace of privatization is slow.

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

(USD millions)	2000	2005	2006
GDP	420.9	461.2	510.7
Economic growth (%)	5.5	5	4.5
Inflation (%)	3.7	4.3	4.1
Exports of goods and services (% of GDP)	48	44.8	N/A
Imports of goods and services (% of GDP)	56.8	65.4	N/A
Current account balance (%GDP)	-3.1	-13	-11
Agriculture, value added (% of GDP)	35.8	32.6	N/A
Industry, value added (% of GDP)	13.1	13.1	N/A
Services, etc., value added (% of GDP)	51.1	54.2	N/A
Cash surplus/deficit (% of GDP)	N/A	N/A	N/A

Sources: The IMF (data), the World Bank (data) and CIA-The WorldFactbook (text). No information is available for 2007. N/A: non available.

## Institutional presentation

### Legal form, supervision and audit

GAWFA is a not-for-profit NGO licensed by the CBG to serve as a financial intermediary. As any NGO involved in microfinance activities, GAWFA must apply for a new license each year from the CBG and send its financial statements on a quarterly basis. At the beginning of this year, the CBG informed GAWFA's management about the need to transform the institution into a regulated, commercial financial institution by the end of 2008 to be in conformity with the Financial Institutions Act 2002. GAWFA will transfer its current equity to the new entity to meet the capital requirement set by the CBG: at least 173 K USD by September 2008 and an additional 173 K USD by September 2009.

A committee was set up to deal with the new challenges the institution may be facing in the near future: different regulation, more complex reporting to local authorities, reinforced internal controls and audit, and payment of corporate tax.

GAWFA's financial statements have been audited and certified for the last three years by a local accounting firm, AUGUTUS PROM that has limited experience in microfinance.

### Ownership

Currently, GAWFA is owned by all its members as it is a membership based institution. It is governed by a Board of Directors (BOD) of ten members, who have diverse and valuable experiences (business, legal, social and more...). New BOD members are elected by GAWFA's members at the annual General Assembly Meeting, upon the BOD nomination. They are elected for a maximum of three terms of two years each.

With the coming transformation of GAWFA into a commercial entity, two options have been elaborated but not yet voted by the BOD: 1) GAWFA will only sell shares to its members; 2) GAWFA's will sell shares to members and non members allowing investors to come in.

### Donations

GAWFA has received around 305 K USD as of June 2007. Almost half of it was given by Women's World Banking (WWB) as support for loan capital. The organization has also received funds from the Agence Française de Développement (AFD), Rabobank Foundation and other donors for the purchase of fixed assets.

### Funding composition

GAWFA finances its activities primarily with equity and savings: they account for almost 70% of its funding structure. The management team is planning to diversify the funding composition by contracting commercial loans in the coming years.

### Management team

The management team is headed by Mrs. Oley Jagne, who was the treasurer of the BOD before being appointed General Manager (GM) in September 2004. She is a chartered accountant and has business and managerial skills as former Chief Officer in a commercial bank and in the Gambian Development Bank. She is assisted by a Finance and Administrative Manager (FAM) and an Operations Manager (OM). Branches are managed by Branch Managers (BM), helped by Credit and Savings Mobilization Assistants

(C&SA), who are based in the different stations. The management team and BMs meet twice a month, while BMs and the C&SAs within their region meet on a monthly basis to address issues and challenges.

## Organization

GAWFA has a three level organizational structure:

- HO: is in charge of strategic decision making, preparation of consolidated financial statements, planning, elaboration of procedures, approval of loans (> 173 USD for individual loans and 346 USD for group loans), recruitment, loan financing and external relationships with stakeholders and regulatory bodies.
- Branches: are responsible for the supervision of stations, collection of portfolio and accounting information and loan approval (up to 173 USD for individual loans and 346 USD for group loans).
- Stations: are sub-branches, in which C&SAs are in charge of loan disbursements, collecting repayments, promotion of products and training of clients. C&SAs are also responsible for collecting savings and can pay out saving withdrawals for up to 17 USD per day and per saver. They may keep up to 346 USD in their stations and must deposit any surplus in their respective bank account.

When C&SAs receive loan applications, they visit prospective clients to assess their business activity and then give recommendations to BMs regarding loan approvals. Then, the list of approved loans is sent to the FAM for the preparation of checks, made in the order of a C&SA, who will go to the different communities to get contracts signed and disburse loans. Finally, the C&SA will return the data to the HO for verification.

GAWFA is using a centralized system for the loan portfolio tracking, based at the HO and developed by Women's World Banking (WWB). Recently, a local integrated system for loan and saving tracking, VSB Banking, was acquired and should be implemented before the end of the year. GAWFA is using a cash basis accounting system and its accounting is done on Microsoft ACCESS at the HO.

## Market penetration

As the largest MFI in The Gambia, GAWFA operates in all the three regions of the country: southern, northern and western. It has 19 stations covering more than 2500 village based women's groups and serving 19,088 women as of December 2006. Almost half of its portfolio is concentrated in the northern region, mainly comprised of farmers.

## Products and services

GAWFA offers financial and non financial services:

Prospective clients must be members for at least three months and open a saving account, in which they have at least 40% of the loan amount to benefit from GAWFA's credit facility.

- The Direct Lending Program (DLP) is meant only for low income women (individuals and groups) who are in agricultural activities, petty trading, soap making, etc. The average loan size disbursed is around 60 USD for an average loan term of 6 months and a flat interest rate of 35% (the APR is around 70%). Clients must pay a 2.5% processing fee and repayments are due on a monthly basis or at the end of the loan cycle.
- The Signara is directed to the Great Banjul women clientele, who are conducting more sophisticated business activities. The average loan size is around 4 K USD and a 30% flat interest is charged (the APR is around 60%). The average loan length is 10 months, clients must give property documents as collateral and pay a 2.5% processing fee.
- The saving facility is composed of a voluntary savings programme that is open to everybody – women, men, youths, groups, corporate bodies, regardless of occupation or income level, and an integrated savings programme, which is meant for low income women (individuals and groups)

GAWFA offers also free services to its members, such as business advice, advocacy on gender and support for women's kafos to access assistance from other development partners for milling machines, construction of wells and marketplaces.

## Networks

GAWFA is a member of GAMFINET, WWB and the Association of NGOs of The Gambia (TANGO).

## Governance

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Governance and Decision Making is rated "d"

## Decision-making

The BOD members share the same vision and are committed to the institution. They meet regularly (quarterly or more if necessary) and are kept informed on all major issues. Though the decision making process is transparent and participative, it has not yet successfully addressed the issues and challenges faced by the institution (transformation, additional funding, reliable and timely information, marketing strategies and HR issues). Indeed, the BOD and management team need further capacity building in strategic decision making to strengthen their ability to identify and

implement appropriate strategies. In addition, the decisions taken by the BOD are not always based on reliable and quickly available information and the monitoring of the implementation of decisions is weak.

GAWFA has been able to develop strong local support from the governmental development projects and the CBG and enjoys a good reputation in the country. This may help smoothen the transformation process. The committee set up to deal with it meets regularly and has defined the broad guidelines but it has not yet come out with a finalized strategy to mitigate the major risks related to transformation (more sophisticated organizational structure, new regulations and reporting requirements, taxation effects, etc.), partially explained by a lack of experience in running commercial entities.

## Planning

Overall, the planning process is weak at GAWFA. A two year business plan (BP) is under preparation by the management through multiple workshops and with the external support of WWB. The first draft BP has identified some key strategic goals (strengthening portfolio quality management, governance, etc) highly needed by GAWFA, but it does not clearly indicate how it will achieve them and the goals are not shared with all key staff members (FAM, OM, and BM). In addition, the lack of a thorough formal market analysis and clear identification of the required financial resources to achieve the goals constitute a major limitation.

However, GAWFA's short term planning is adequate. It is essentially done by the FAM and the OM with the supervision of the ED. The budgets are detailed, closely monitored through variance analysis and updated when required.

## Management team

The team is directed by a GM with a long experience in women empowerment and microfinance. The team meets regularly and enjoys a smooth internal communication, cohesiveness and mutual respect. However, top management needs to be more polyvalent to mitigate key person risks, especially in loan operations, for which the ED and FAM have very limited information. The performance of the management team is affected by a lack of skilled assistants and unfilled positions. For example, the FMA position was left vacant during 4 months and a BM has not yet been assigned to the western branch. This staff shortage is detrimental to the institution because it creates a high concentration of duties in the ED, FAM and OM, who thus have less time for strategic decision making.

GAWFA's middle management team has improved its performance but still needs further capacity building to be able to fully assume its duties without permanent supervision from top management. This is especially important for the staff involved in operations as the OM's performance is highly affected by the time she spends for follow up at the HO and stations.

## Human resource management

Human resource management is a main issue at GAWFA because the institution is in the need of more skilled staff and the current number of employees does not allow to efficiently manage operations. Staff management is currently administered by the ED and the FAM, who have not yet been able to clearly assess GAWFA's current human resource needs.

The recruitment practices are adequate but trainings need to be reinforced at all levels, especially for the newly hired C&SAs, for whom turnover rates are very high (around 15% to 20%) because of a difficult work environment. In addition, they are relatively inexperienced with microfinance best practices and need intensive coaching. The yearly staff appraisal, which may lead to bonuses, is a good incentive but a more frequent appraisal could have helped to improve portfolio quality and staff motivation.

## Information

Information is rated "d"

The current information infrastructure is limited and entirely concentrated in the HO, in Banjul. The current loan tracking software has been donated by WWB a long time ago and has not been updated since. Thus, it is now obsolete and can no longer handle the quantity of transactions and produce reliable and on time information on loan portfolio. Therefore, the generation of the monthly report on the loan portfolio is tedious, time consuming and leads often to errors:

- The current tracking system does not produce consolidated portfolio information from entries made for each station. Consequently, the consolidated portfolio information is produced manually, involving delays and errors.
- The transfer of information from stations to HO is only made on a monthly basis and it takes between two to three weeks to key in data in the loan tracking system.
- The HO verifies the portfolio information received from branches and stations but the verification process is not formalized, leading to many unsolved discrepancies in the clients' balance between the HO and stations (between 5% and 10% of the total portfolio information).

- The reconciliation of the portfolio information is not properly done: 1) Between the HO and stations, the portfolio information is reconciled on a quarterly basis, but the reconciliation is not formalized; 2) The portfolio information is not reconciled with the accounting records.

The generated loan portfolio information is not well secure using back up, anti virus and passwords. In addition, all paper documents with clients' records are not securely stored in locked shelves.

Management has hired a local consultant to provide GAWFA with an integrated loan and saving tracking system, called VSB Banking. The system is planned to be installed in the beginning of 2008, but it has not yet been thoroughly tested and its full capacities are still unknown by management. In addition, the management has not yet designed the system's implementation plan to avoid data loss or any other risks related to information transfers.

The accounting information is relatively reliable and timely. However, improvements are needed as it is not always obvious to understand accounting movements. The institution produces some financial ratios (repayment rates, loan per business sector), but the key ratios which are essential for a good management of the institution are missing (portfolio yield, operating and funding expense ratio, liabilities/equity).

## ▪ Risk Management

Risk Management is rated "d"

### Procedures and internal controls

The administrative and credit procedure manuals are in place. However, the newly updated credit procedure is not used in all branches and stations, resulting in procedures misapplication in some cases. For example, CS&As do not always respect the new policy that states that they should not keep more than 10 K GMD in their station. In addition, the lack of regular training on procedures has resulted in low compliance level.

The internal control is very much affected by a weak separation of duties (at HO and branch levels), lack of formal reconciliations and inadequate performance indicators. Despite a good loan approval limits, GAWFA's separation of duties is not efficient, especially in stations where C&SAs are also cashiers. This explains the multiple cases of fraud detected in recent years.

The institution is faced with cash risk as the C&SAs store cash in their stations' safe and hold cash on them when

returning from remote areas after collecting repayments from clients. GAWFA purchased a cash insurance policy for cash at station and for cash in transit (up to 5,200 USD) that slightly mitigate the cash risk.

### Internal audit

The current internal audit team is limited (two persons: a junior auditor and his assistant) to efficiently cover the nineteen stations, three branches, and the HO of GAWFA. In addition, it does not have all the required skills to perform complete and in depth audits of the portfolio, the accounts, the implementation of procedures, the follow up of BOD decisions as well as the suitability of the institution's strategies. The recently appointed junior auditor has not benefited from a proper training and the current audit manual does not include all risks faced by the institution (operational, information, compliance, bad internal control, etc.).

Audit missions are scheduled every 45 days to cover one region at a time, but the mission planning is not formalized nor risk based. The internal audit is limited to controls of cash balances and reconciliations with no thorough investigations. The reports produced are not directly sent to the BOD: they are first sent to the ED, who then transfers them to the BOD. This process is against best practices, which promote a constant and direct contact between the BOD and the audit team. In addition, the audit reports are much like narrative reports, not clearly emphasizing findings to facilitate follow up. For example, many issues found by the audit team are still unexplained (e.g.: discrepancies in clients' balance).

## ▪ Activities

Activities: products and services is rated "d"

### Market position

GAWFA is the oldest and largest MFI in The Gambia in terms of number of clients with a market share of 15%. Unlike its competitors, it only targets the economically active poor women who principally live in rural areas and are left un-served by commercial banks and other MFIs.

Despite its 20 years of servicing low income women, GAWFA has only gained a few competitive advantages (nationwide coverage, adequately-designed credit methodology, and a good partnership with donors and government) mainly because of poor governance and a lack of competition. The Gambian microfinance market is quite open and new competitors (e.g. Reliance Financial Services and Access) have recently entered the market. However, GAWFA's competitors are mainly concentrated in the

western region (greater Banjul area) and within the next five years they should not rapidly expand to other regions due to higher operating costs, very low income clients (farmers and small traders) and bad infrastructure to access remote and rural areas.

GAWFA's products and services are fairly well adapted for its current target market, who is mainly rural women traders and farmers. In recent years, GAWFA has designed a new product for urban women traders, "Signara", which is very much appreciated but still very limited (only 32 members have benefited from it) since it allows members to borrow a relatively significant amount of money (on average 4 K USD, almost 10 times more than the DLP). However, GAWFA's interest rates are considered too high by clients who often cannot find profitable activities to invest the borrowed funds. Consequently, it has discouraged some clients to re-apply for new loans. This issue is even more important now since new competitors are ready to offer better rates and terms.

## Loan portfolio management

GAWFA's credit procedures are adequately designed although their application is weak. They include three months sensitization programs for prospective clients, clients' cash flow analysis, field visits and recovery steps. They also include a tiered approval system, which sets progressive approval limits. However, GAWFA's portfolio management is weak:

- BMs centralize the information from stations and then transfer it on a monthly basis to the OM without any significant value added, such as compiling the information from stations within their area. This process overloads the OM and creates delays in monitoring, especially when recovery steps are needed.
- The current poor quality of information weakens the monitoring of the loan portfolio and partially explains the discrepancies found in clients' balance between the HO and stations.
- The credit procedures are not strictly applied by C&SAs: the sensitization program is not rigorously provided to clients, the repayment capacity is often not well analyzed and field visits are not as frequent as they should be, especially due to a lack of supervision and logistics.
- The supervision of C&SAs done by BMs is limited as the collaboration between them is not constant and the monthly meetings do not always enable to deal with many issues, such as the misunderstanding of credit procedures for newly hired C&SAs, especially since the internal audit team does not perform regular spot checks. In addition, this lack of supervision has resulted in cash fraud committed essentially by C&SAs.

However, management has taken new actions to improve the portfolio management (new MIS system, progressive decentralization of the portfolio monitoring, and new incentive schemes for C&SAs based on PAR and not on the reimbursement rate) but it is too early to appreciate their effects.

GAWFA's loan portfolio has slightly grown over the last four years (40%). The limited evolution of the loan portfolio is partially due to the heavy requirements, which members must meet before being eligible for loans: prospective clients must be members for at least three months and have at least 40% in their savings. In addition, some of the management's decisions to improve portfolio monitoring have affected portfolio growth. For example, in 2005 the management decided to reduce loans' size given to farmers because of issues associated with rain-fed agriculture and a bad portfolio management in stations. Therefore, the portfolio dropped by 0.3% between 2004 and 2005, while the number of clients increased by 23.1% during the same period. As a result, the average outstanding loan per client dropped from 46 USD to 38 USD. In 2006, the 16.7% growth of the loan portfolio was mainly influenced by the opening of new stations in the western and northern regions and the introduction of the "Signara" product.

## Credit risk

GAWFA's PAR 31 of 5.8% in June 2007 is acceptable but slightly over the average of its African peers (4.3%)<sup>2</sup>. The management's focus on portfolio quality has helped to lower the PAR 31 from 5.6% to 4.5% between 2004 and 2006 but some improvements are still needed (see Loan Portfolio Management). The highest PAR was found in the southern branch and stations where many issues in supervision and misapplication of credit procedures have been detected by the HO.

Currently, GAWFA does not have a write off policy. Only a certain number of fake loans made by former C&SAs in the southern region were written off in 2004 after the BOD approval. Discussions are taking place between the BOD and management team to establish a write off policy. GAWFA's risk coverage ratio is good (149% in June 2007) due to an adequate bad debt provisioning in previous years. The risk coverage is reinforced by the use of additional guarantees, such as the 40% mandatory saving requirement.

Although loans are tracked by sectors (agriculture, commerce and services), there is no formal portfolio diversification strategy to manage portfolio concentration and ensure heterogeneity within groups. This is especially

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<sup>2</sup> Benchmarking African Microfinance 2005

important since the highest PAR is found in agricultural loans, which account for 53% of the total loan portfolio.

### Saving management

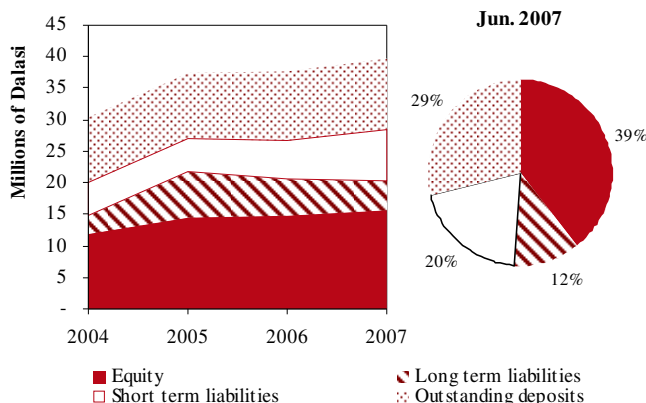
The saving management at GAWFA is also affected by the current MIS system, as it is obsolete and cannot efficiently manage the current number of savers. It often provides inaccurate information on savers' balance and miscalculates the amount of interest that should be paid to savers.

The saving growth is not correlated to the portfolio, as the current active savers are comprised of loan holders (women only) and members (men and women) who want to save small amount of monies for short periods. Members prefer to use their saving for stockbreeding rather than investing it at GAWFA for an annual rate of 8%. This partially explains the limited growth of saving of 5.2% between 2005 and 2006.

### Funding and liquidity

Funding and liquidity is rated "c"

Funding structure



### Asset & Liability Management

GAWFA's funding structure is mainly based on equity and savings (as of June 2007, they accounted for 68% of the total funding structure). As of now, there is no formal ALM. GAWFA has not yet developed risk parameters to measure and control key financial risks. It is necessary to formalize this process; especially as GAWFA has planned to diversify its funding composition by contracting commercial loans in the near future to better serve clients needs in terms of loan length.

- Limited maturity risk: Currently GAWFA's resources are mainly long term (52%), while 54.3% of its assets are short term loans (6 month average term).
- No FX risk: GAWFA has not yet contracted any foreign loans. However, it has been planned to do so in the near future, and so it will need to take hedging measures to

mitigate the risk involved with the instability of the Dalasi exchange rate.

- No interest rate risk: GAWFA's funding expense ratio is quite low (2.9%) as it only pays interests on savings (8%). Therefore the spread between the portfolio yield (23.5%) and the funding expense ratio is largely sufficient to mitigate any interest rate risk.

### Funding strategy

GAWFA has not yet been able to draw a formal funding strategy, which has affected the growth of the institution since the current demand of loans is far from being covered. The institution has been relying extensively on donations and savings to finance most of its activities without trying to diversify its funding structure, even though it could have used its creditworthiness to contract commercial loans at adequate interest rates.

The management team understands the need to diversify the funding sources and some discussions are undergoing between GAWFA and some foreign investors to get long term financing. It is essential for GAWFA to expand its funding base since some of its competitors are bank affiliates and could attract some of GAWFA's clients by offering them better rates and longer term loans.

### Liquidity management

The cash to asset ratio of 4.5% may be emblematic of an optimization of resources. However, GAWFA lacks of prudential ratios regarding liquidity which should help the institution to face unexpected high savings withdrawals.

During the repayment periods (from November to March), the unused cash is invested in Tbills and fixed term deposits (an average interest rate of 15%) because loan demands are low during that period. During the high disbursement period (April to September), a few cash transfers are made between branches to try to meet local loan demand. But liquidity management needs to be improved by providing a more in-depth cash flow forecast that outlines scheduled repayments and disbursements. In addition, GAWFA needs to more efficiently pool resources across branches to enable branches with liquidity surplus to finance other branches with liquidity deficit in order for them to make disbursements and generate income from idle cash. For example, in some stations with cash deficit, C&SAs must wait for repayments before being able to make loan disbursements.

### Efficiency and Profitability

Efficiency and Profitability is rated "c"

## Profitability analysis

GAWFA is a profitable institution with adequate ROE and ROA, respectively 6.2% and 2.4% in December 2006. In the near future (2008), GAWFA will be subjected to income tax (higher between 35% of net result or 2% of turnover), which should have a considerable impact on its current net income. The institution has asked the CBG for a five year moratorium that has not yet been granted. Therefore, management needs to quickly undertake initiatives to boost revenues to offset the effects of taxation.

GAWFA's portfolio yield of 23.5% in 2006 is low, especially compared to its African peers (62.5%<sup>3</sup>). The huge gap between the portfolio yield and the estimated APR of 60% is probably due to formal rescheduling practices, weak portfolio management and the option of early repayments of loans by clients without enduring any penalty fees. The decrease of the LLPR in the last two years is explained by the provision reversals made in 2006 and 2007 as GAWFA was over-provisioning in previous years according to the CBG's provisioning policy.

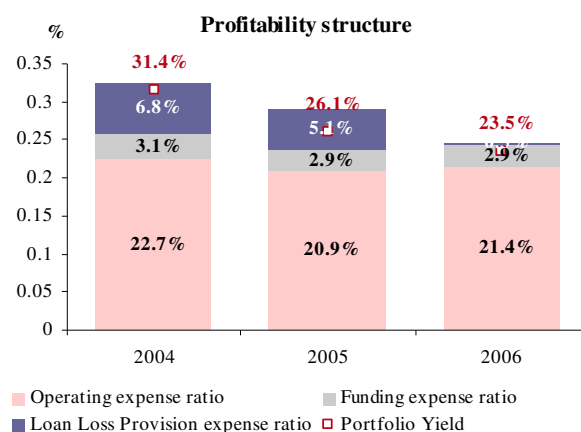
GAWFA's operating expense ratio is currently reasonable (around 25%) in regard to other African NGOs (35%). This performance is underpinned by a good staff productivity (434), but conceals the underinvestment in personnel and logistics (motorbikes and computer), which are crucial to improve the portfolio management and enhance internal control. The management has made some arrangements with the Rural Finance and Community Initiatives Project (RFCIP)<sup>4</sup> to get motorbikes but additional investments will be needed to efficiently manage the institution.

GAWFA's enjoy a low funding expense ratio of 2.9% as of December 2006, as the institution has often benefited from capital grants from various donors (mainly WWB), and is only paying interest on its clients' saving balance. However, the current funding level is too limited to satisfy loan demands. To narrow the gap, GAWFA is undertaking discussions with banks and investors for commercial loans. Therefore, the ratio is expected to slightly increase in the coming years.

GAWFA's resources optimization is still to be improved, as shown by the poor ratio of outstanding loan portfolio to assets (50.1% in 2006). Almost 23% of GAWFA's assets are comprised of sundry debtors, such as the VISACAs that received a financing from the RFCIP managed by GAWFA

for a management fee. In recent years, GAWFA has made satisfactory investments of unused cash during repayment periods (November-March) by investing it in Tbills and fixed term deposits with interest rates ranging from 12 to 15%.

GAWFA's profitability outlook is uncertain as it is faced with many issues (portfolio management, MIS system and limited funding sources) and challenged by the coming transformation. Therefore, it is difficult to clearly predict GAWFA's future. However, management has taken promising initiatives (new MIS to be installed, opening of new stations, discussions with investors to obtain more funding, etc) but it is too early to assess their effects.



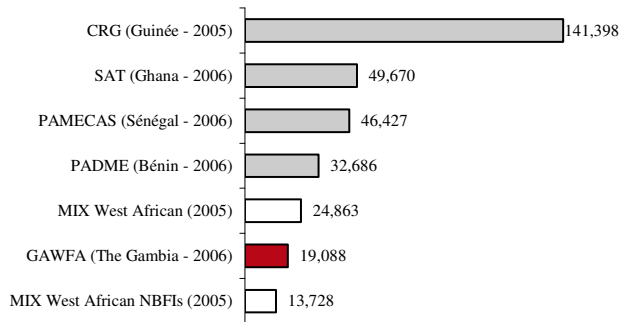
*The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution's performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee 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.*

<sup>3</sup> Benchmarking African Microfinance 2005

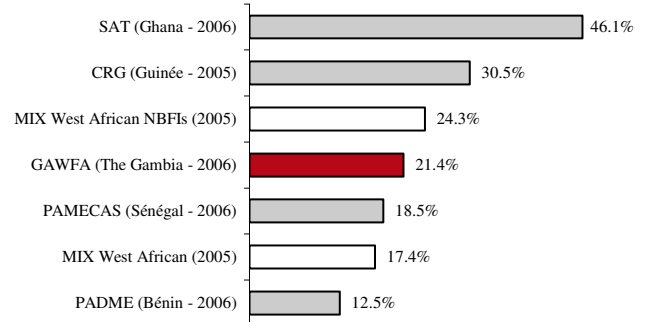
<sup>4</sup> The RFCIP is one of the agricultural projects under the purview of the Department of State for Agriculture (DOSA) which evolved from discussions between IFAD and the Government of The Gambia as far back as 1992. One of the major goals of the RFCIP is to support the development of rural financial services.

## Benchmarking

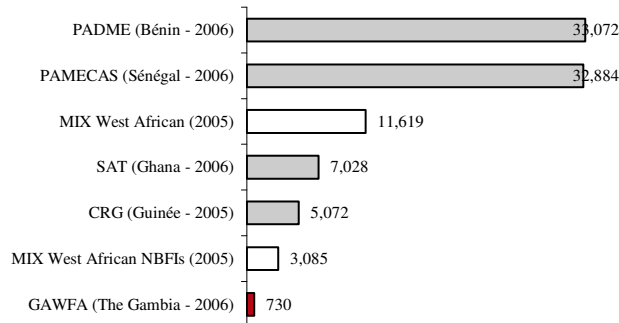
Active borrowers



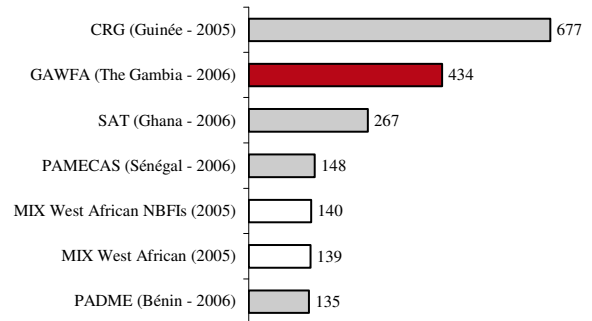
Operating expense ratio



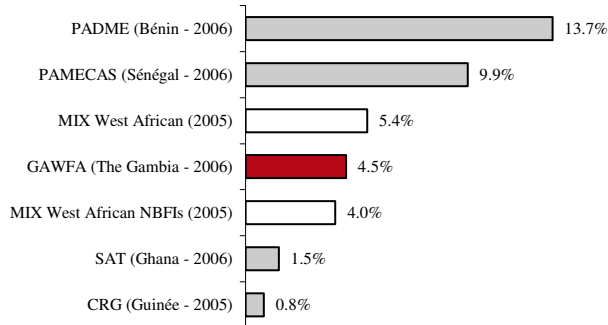
Loan portfolio (USD)



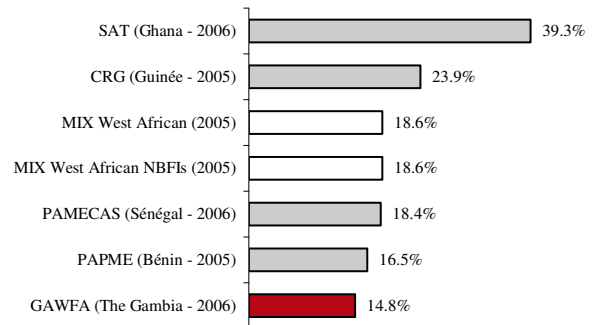
Staff productivity



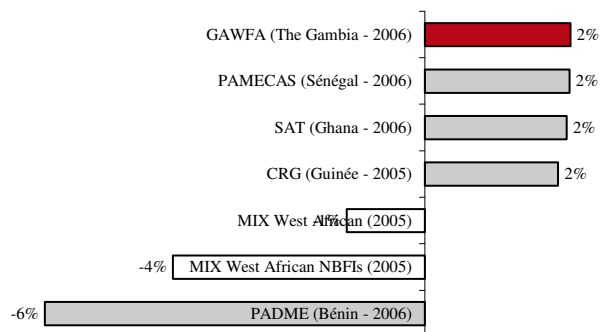
PAR 31-365



Financial revenue ratio



ROA



Source: Planet Rating reports, MIX Market's website and MIX Benchmarking. MFIs: CRG, GAWFA, PAMECAS, PADME and SAT

## ■ Performance indicators

Data in USD, unless otherwise stated

	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
<b>Loan Portfolio</b>				
<b>Loan portfolio evolution</b>				
Loan portfolio	605,510	617,825	729,775	788,851
Loan portfolio (GMD)	18,092,651	18,040,486	21,061,293	21,669,742
Evolution	5.5%	(0.3%)	16.7%	2.9%
Average outstanding loan	528,513	618,718	654,912	711,530
Active borrowers	13,249	16,312	19,088	14,906
Evolution	(33.3%)	23.1%	17.0%	(21.9%)
Average outstanding loan per client	46	38	38	53
% of GDP per capita	32.5%	25.7%	25.2%	32.4%
Average amount disbursed per loan	62	56	60	54
% of GDP per capita	44.3%	37.9%	39.6%	33.1%
<b>Portfolio quality</b>				
Rescheduled loans	0.0%	0.0%	0.0%	0.0%
PAR > 31	5.6%	4.7%	4.5%	5.8%
PAR > 365	N/A	N/A	N/A	N/A
Write-off ratio*	1.9%	0.0%	0.0%	0.0%
<b>Credit risk coverage</b>				
Risk coverage ratio	118.0%	237.1%	231.2%	149.1%
PAR 31 net of loan loss provision / Equity	(1.5%)	(8.5%)	(8.3%)	(4.0%)
<b>Savings</b>				
Outstanding deposits	353,731	359,694	382,784	N/A
Outstanding deposits (GMD)	10,569,476	10,503,055	11,047,157	N/A
Evolution	12.5%	(0.6%)	5.2%	N/A
Mandatory savings (%)	N/A	N/A	N/A	N/A
Voluntary savings (%)	N/A	N/A	N/A	N/A
Active savers	45,468	45,433	46,987	N/A
Evolution	3.2%	(0.1%)	3.4%	N/A
Average outstanding deposit per saver	8	8	8	N/A
Mandatory	N/A	N/A	N/A	N/A
Voluntary	N/A	N/A	N/A	N/A
<b>Staff</b>				
Total number of staff	37	45	44	45
% Credit officers	54.1%	44.4%	45.5%	40.0%
Turnover	5.4%	7.3%	6.7%	4.5%
<b>Profitability analysis</b>				
ROE	8.9%	10.8%	6.2%	6.9%
Liabilities / Equity	1.6x	1.6x	1.5x	1.5x
ROA	2.0%	4.2%	2.4%	2.7%
<b>Profitability structure</b>				
Portfolio Yield	31.4%	26.1%	23.5%	26.0%
Operating expense ratio	22.7%	20.9%	21.4%	28.5%
Cost per borrower	9	8	7	14
Staff productivity	358	362	434	331
Loan officer productivity	662	816	954	828
Average outstanding loan per client (USD)	46	38	38	53
Funding expense ratio	3.1%	2.9%	2.9%	3.1%
Cost of savings	2.5%	4.9%	5.1%	9.7%
Cost of liabilities	0.0%	0.0%	0.0%	0.0%
Loan Loss Provision expense ratio	6.8%	5.1%	0.3%	(6.0%)
PAR > 31	5.6%	4.7%	4.5%	5.8%
Write-off ratio*	1.9%	0.0%	0.0%	0.0%
<b>Resource optimization</b>				
Outstanding Loan Portfolio / Assets	55.2%	42.5%	50.1%	49.6%
Revenue from investment as a % of financial revenues	0.0%	0.0%	0.0%	0.0%
<b>Liquidity</b>				
Loans to deposits	171.2%	171.8%	190.6%	187.8%
Liquidity / Total assets (LAR)	5.1%	2.0%	4.4%	7.5%
<b>Adjusted ratios</b>				
Adjustment expense ratio	4.0%	1.8%	3.8%	8.3%
AROE	(1.8%)	8.2%	1.4%	(3.7%)
AROA	(0.4%)	3.2%	0.5%	(1.4%)
Financial self-sufficiency	98.2%	119.5%	103.8%	91.5%
Adjusted operating expense ratio	22.7%	20.9%	21.4%	28.5%
Adjusted funding expense ratio	7.1%	4.7%	4.8%	5.6%
Adjusted loan loss provision expense ratio	6.8%	5.1%	2.1%	(0.2%)
Exchange rate 1 USD= xx GMD	29.9	29.2	28.9	27.5

\* GAWFA does not have a write off policy.

GAWFA Balance sheet	Notes	GMD				USD				Evolution		
		Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	2005/2004	2006/2005	2007/2006
<b>ASSETS</b>		<b>30,589,761</b>	<b>37,426,054</b>	<b>37,703,926</b>	<b>39,908,275</b>	<b>1,023,754</b>	<b>1,281,714</b>	<b>1,306,442</b>	<b>1,452,795</b>	<b>22.3%</b>	<b>0.7%</b>	<b>5.8%</b>
<b>Short Term Assets</b>		<b>20,537,772</b>	<b>23,832,375</b>	<b>26,877,928</b>	<b>34,529,232</b>	<b>687,342</b>	<b>816,177</b>	<b>931,321</b>	<b>1,256,980</b>	<b>16.0%</b>	<b>12.8%</b>	<b>28.5%</b>
Cash and Due from Banks		1,574,584	758,796	1,673,535	2,995,003	52,697	25,986	57,988	109,028	(51.8%)	120.6%	79.0%
Short Term Investments	A	1,043,284	6,120,000	5,000,000	5,000,000	34,916	209,589	173,250	182,017	486.6%	(18.3%)	0.0%
Short Term Net Loan Portfolio		16,892,651	15,913,387	18,885,690	19,780,809	565,350	544,979	654,390	720,088	(5.8%)	18.7%	4.7%
Short Term Gross Loan Portfolio		18,092,651	18,040,486	21,061,293	21,669,742	605,510	617,825	729,775	788,851	(0.3%)	16.7%	2.9%
(Loan Loss Reserve)		1,200,000	2,127,099	2,175,603	1,888,933	40,161	72,846	75,385	68,763	77.3%	2.3%	(13.2%)
Interest Receivable		-	-	-	-	-	-	-	-	-	-	-
On loan portfolio		-	-	-	-	-	-	-	-	-	-	-
On investments		-	-	-	-	-	-	-	-	-	-	-
Accounts receivable and other assets		1,027,253	1,040,192	1,318,703	6,753,420	34,379	35,623	45,693	245,847	1.3%	26.8%	412.1%
<b>Long term assets</b>		<b>10,051,989</b>	<b>13,593,679</b>	<b>10,825,998</b>	<b>5,379,043</b>	<b>336,412</b>	<b>465,537</b>	<b>375,121</b>	<b>195,815</b>	<b>35.2%</b>	<b>(20.4%)</b>	<b>(50.3%)</b>
Long Term Net Investments		-	-	-	-	-	-	-	-	-	-	-
Long Term Gross Loan Portfolio		-	-	-	-	-	-	-	-	-	-	-
Net Fixed Assets		2,837,658	2,623,918	2,226,800	2,543,975	94,968	89,860	77,159	92,609	(7.5%)	(15.1%)	14.2%
Other Long Term Assets		7,214,331	10,969,761	8,599,198	2,835,068	241,443	375,677	297,963	103,206	52.1%	(21.6%)	(67.0%)
<b>LIABILITIES AND EQUITY</b>		<b>30,589,761</b>	<b>37,426,054</b>	<b>37,703,926</b>	<b>39,908,275</b>	<b>1,023,754</b>	<b>1,281,714</b>	<b>1,306,442</b>	<b>1,452,795</b>	<b>22.3%</b>	<b>0.7%</b>	<b>5.8%</b>
<b>Liabilities</b>		<b>18,727,769</b>	<b>23,019,774</b>	<b>22,758,832</b>	<b>24,205,817</b>	<b>626,766</b>	<b>788,348</b>	<b>788,594</b>	<b>881,173</b>	<b>22.9%</b>	<b>(1.1%)</b>	<b>6.4%</b>
Short term liabilities		15,829,418	15,601,423	17,217,140	19,526,625	529,766	534,295	596,574	710,835	(1.4%)	10.4%	13.4%
Demand Deposits	B	10,569,476	10,503,055	11,047,157	11,537,568	353,731	359,694	382,784	420,006	(0.6%)	5.2%	4.4%
Compulsory Deposits		-	-	-	-	-	-	-	-	-	-	-
Short Term Time Deposits		-	-	-	-	-	-	-	-	-	-	-
Short Term Borrowings		-	-	-	-	-	-	-	-	-	-	-
Interest payable		-	-	-	-	-	-	-	-	-	-	-
Accounts Payable and Other Short Term Liabilities		5,259,942	5,098,368	6,169,983	7,989,057	176,036	174,602	213,790	290,828	(3.1%)	21.0%	29.5%
Long term liabilities		2,898,351	7,418,351	5,541,692	4,679,192	97,000	254,053	192,020	170,338	156.0%	(25.3%)	(15.6%)
Long Term Time Deposits		-	-	-	-	-	-	-	-	-	-	-
Long Term Borrowings		-	-	-	-	-	-	-	-	-	-	-
Other Long Term Liabilities		2,898,351	7,418,351	5,541,692	4,679,192	97,000	254,053	192,020	170,338	156.0%	(25.3%)	(15.6%)
<b>Equity</b>		<b>11,861,992</b>	<b>14,406,280</b>	<b>14,945,094</b>	<b>15,702,458</b>	<b>396,988</b>	<b>493,366</b>	<b>517,848</b>	<b>571,622</b>	<b>21.4%</b>	<b>3.7%</b>	<b>5.1%</b>
Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-
Donated equity	C	8,389,315	9,092,787	8,856,141	8,725,482	280,767	311,397	306,866	317,637	8.4%	(2.6%)	(1.5%)
Retained earnings without donations and reserves		3,472,677	5,313,493	6,088,953	6,976,976	116,221	181,969	210,982	253,985	53.0%	14.6%	14.6%
Current year		525,860	1,415,714	916,144	526,521	17,599	48,483	31,744	19,167	169.2%	(35.3%)	(42.5%)
Other equity accounts		-	-	-	-	-	-	-	-	-	-	-

Notes: A: Investments in Treasury Bills; B: Demand and compulsory saving; C: Donations for capital loan and the purchase of fixed assets.

GAWFA Income Statement	Notes	USD								Evolution		
		Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	2005/2004	2006/2005	2007/2006
<b>Financial Revenue (a)</b>		<b>5,670,087</b>	<b>6,638,489</b>	<b>5,557,462</b>	<b>3,031,296</b>	<b>189,762</b>	<b>227,346</b>	<b>192,566</b>	<b>110,349</b>	<b>17.1%</b>	<b>(16.3%)</b>	<b>(45.5%)</b>
Financial Revenue from Loan Portfolio		4,963,660	4,712,611	4,443,974	2,542,184	166,120	161,391	153,984	92,544	(5.1%)	(5.7%)	(42.8%)
Interest on Loan Portfolio		4,325,809	4,156,115	3,973,902	2,295,752	144,773	142,333	137,696	83,573	(3.9%)	(4.4%)	(42.2%)
Fees and Commissions on Loan Portfolio		612,847	542,995	456,744	246,432	20,510	18,596	15,826	8,971	(11.4%)	(15.9%)	(46.0%)
Penalty Revenue on Loan Portfolio		25,004	13,501	13,328	-	837	462	462	-	(46.0%)	(1.3%)	(100.0%)
Financial Revenue from Investments	A	333,856	1,561,114	754,705	377,137	11,173	53,463	26,151	13,729	367.6%	(51.7%)	(50.0%)
Other Operating Revenue		372,571	364,764	358,783	111,975	12,469	12,492	12,432	4,076	(2.1%)	(1.6%)	(68.8%)
<b>Financial Expense (b)</b>		<b>482,015</b>	<b>519,022</b>	<b>554,620</b>	<b>306,074</b>	<b>16,132</b>	<b>17,775</b>	<b>19,218</b>	<b>11,142</b>	<b>7.7%</b>	<b>6.9%</b>	<b>(44.8%)</b>
Interest paid on borrowings		-	8,003	-	-	-	274	-	-	-	(100.0%)	-
Interest paid on deposits		482,015	511,019	554,620	296,465	16,132	17,501	19,218	10,792	6.0%	8.5%	(46.5%)
Net Inflation Adjustment Expense		-	-	-	-	-	-	-	-	-	-	-
Other Financial Expenses		-	-	-	9,609	-	-	-	350	-	-	-
<b>Financial income [c=a-b]</b>		<b>5,188,072</b>	<b>6,119,467</b>	<b>5,002,842</b>	<b>2,725,222</b>	<b>173,630</b>	<b>209,571</b>	<b>173,349</b>	<b>99,207</b>	<b>18.0%</b>	<b>(18.2%)</b>	<b>(45.5%)</b>
<b>Net Loan Loss provision expense (d)</b>		<b>1,081,330</b>	<b>927,099</b>	<b>48,634</b>	<b>(586,670)</b>	<b>36,189</b>	<b>31,750</b>	<b>1,685</b>	<b>(21,357)</b>	<b>(14.3%)</b>	<b>(94.8%)</b>	<b>(1,306.3%)</b>
Loan loss provision expense and write-off		1,081,330	927,099	48,634	(286,670)	36,189	31,750	1,685	(10,436)	(14.3%)	(94.8%)	(689.4%)
Recovery from Loans written off	B	-	-	-	300,000	-	-	-	10,921	-	-	-
<b>Operating expense (e)</b>		<b>3,580,882</b>	<b>3,776,654</b>	<b>4,038,064</b>	<b>2,785,371</b>	<b>119,842</b>	<b>129,337</b>	<b>139,919</b>	<b>101,397</b>	<b>5.5%</b>	<b>6.9%</b>	<b>(31.0%)</b>
Personnel Expense (includes fringe)		1,765,314	1,865,801	2,202,483	1,342,800	59,080	63,897	76,316	48,882	5.7%	18.0%	(39.0%)
Administrative Expense (non-staff operating expenses)		1,815,568	1,910,853	1,835,581	1,442,571	60,762	65,440	63,603	52,514	5.2%	(3.9%)	(21.4%)
Depreciation and amortization		503,698	551,514	450,662	235,778	16,857	18,887	15,615	8,583	9.5%	(18.3%)	(47.7%)
Consulting fees		-	-	-	-	-	-	-	-	-	-	-
Rental costs		15,800	15,200	13,800	7,300	529	521	478	266	(3.8%)	(9.2%)	(47.1%)
Travel costs		-	25,000	-	-	-	856	-	-	-	(100.0%)	-
Bank fee		11,886	7,990	9,285	-	398	274	322	-	(32.8%)	16.2%	(100.0%)
BOD fees		37,250	49,000	26,900	-	1,247	1,678	932	-	31.5%	(45.1%)	(100.0%)
Accrued interest written off		95,834	76,870	82,416	-	3,207	2,633	2,856	-	(19.8%)	7.2%	(100.0%)
Others		-	-	-	-	-	-	-	-	-	-	-
Others		1,151,100	1,185,279	1,252,518	1,199,493	38,524	40,592	43,400	43,666	3.0%	5.7%	(4.2%)
<b>Net Operating Income Before Taxes and Donations [f=c-d-e]</b>		<b>525,860</b>	<b>1,415,714</b>	<b>916,144</b>	<b>526,521</b>	<b>17,599</b>	<b>48,483</b>	<b>31,744</b>	<b>19,167</b>	<b>169.2%</b>	<b>(35.3%)</b>	<b>(42.5%)</b>
Income Taxes (g)		-	-	-	-	-	-	-	-	-	-	-
<b>Net Operating Income Before Donations [h=f-g]</b>		<b>525,860</b>	<b>1,415,714</b>	<b>916,144</b>	<b>526,521</b>	<b>17,599</b>	<b>48,483</b>	<b>31,744</b>	<b>19,167</b>	<b>169.2%</b>	<b>(35.3%)</b>	<b>(42.5%)</b>
Non Operating Revenue (i)		-	-	-	-	-	-	-	-	-	-	-
Non Operating Expense (including related taxes) (j)		-	-	-	-	-	-	-	-	-	-	-
<b>Net Income Before Donations [k=h+i-j]</b>		<b>525,860</b>	<b>1,415,714</b>	<b>916,144</b>	<b>526,521</b>	<b>17,599</b>	<b>48,483</b>	<b>31,744</b>	<b>19,167</b>	<b>169.2%</b>	<b>(35.3%)</b>	<b>(42.5%)</b>
Donations (l)		12,323	90,160	90,154	45,077	412	3,088	3,124	1,641	631.6%	(0.0%)	(50.0%)
<b>Net Income (after Taxes and Donations) [m=k+l]</b>		<b>538,183</b>	<b>1,505,874</b>	<b>1,006,298</b>	<b>571,598</b>	<b>18,011</b>	<b>51,571</b>	<b>34,868</b>	<b>20,808</b>	<b>179.8%</b>	<b>(33.2%)</b>	<b>(43.2%)</b>

Notes: A: Financial revenues from investments in Treasury Bills and fixed term deposits; B: Recovery from frauds committed by some C&SAs in 2004.

## ■ Formulas

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Personnel productivity:	$\text{Active borrowers} / \text{Total personnel (end of period)}$
Loan officer productivity:	$\text{Active borrowers} / \text{Total Loan Officers (end of period)}$
Return on assets (ROA):	$\text{Net operating income before donations} / \text{Average assets}$
Adjusted return on assets (AROA):	$\text{Adjusted net operating income before donations} / \text{Average assets}$
Return on equity (ROE):	$\text{Net operating income before donations} / \text{Average equity}$
Adjusted return on equity (AROE):	$\text{Adjusted net operating income before donations} / \text{Average equity}$
Leverage:	$\text{Debt (savings + debts)} / \text{equity (end of period)}$
Portfolio yield:	$\text{Portfolio revenue} / \text{13-month average gross outstanding portfolio}$
Operating expense ratio:	$\text{Operating expense} / \text{13-month average gross outstanding portfolio}$
Funding expense ratio:	$\text{Interest and fees paid on funding liabilities} / \text{13-month average gross outstanding portfolio}$
Cost of 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

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