

Sinapi Aba Trust, Ghana

Sinapi Aba Trust (SAT) is a Christian NGO established on May 30th 1994 to support the poorest of the economically active poor in Ghana. In 2005, SAT and Opportunity International (OI) teamed up to create a new regulated entity – OI Savings & Loans (OI-SASL) - but could only transfer SAT's branches progressively into the new entity as required by the Bank of Ghana. As a result, SAT's three largest branches were transferred to OI-SASL (loan portfolio, branch assets and clients, and some head office assets) with the remaining twelve branches administered by OI-SASL under a management contract with SAT. As compensation, SAT obtained 34.8% share of OI-SASL. However, in August of 2005, SAT's BOD revoked the management contract due to disagreements in the management of the administered branches and decided to self manage them with the aid of a new management team. As of June 2007, SAT had a loan portfolio of 7.9 M USD and served 50,093 active borrowers through 18 branches.

GIRAFE Rating

Rating

B

Outlook

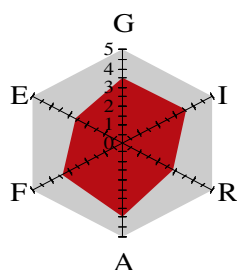
Positive

Date of the rating

July 2007

Valid until June 2008

Rating per evaluation area



Governance – Information – Risk –
Activities – Funding – Efficiency

Planet Rating Contact

Youssef Sy
ysy@planetrating.com
+221 821-7939

MFI Contact

Mr. Anthony Gyasi Fosu
info@sinapiaba.com
+233 51 27150

Ref: YS/140907

Rating highlights

- A profitable institution with adequate ROE and ROA (respectively 3.4% and 2.9% in 2006). SAT enjoys a good portfolio yield but is faced with poor cost management, which partially resulted in the 50% drop in net income in 2006.
- The BOD and core management team are experienced and very dedicated to the institution. They share common goals and strategies, grounded on social aspects and institutional sustainability.
- SAT is among the three largest MFIs in Ghana and has competitive advantages and a well designed credit methodology. As of June 2007, its portfolio quality was excellent (PAR30=1.5% in 2006) compared to its African peers.
- SAT is going through a consolidation process and faces many challenges: further capacity building of middle management, strengthening internal audit, enhancement and formalization of liquidity management, and efficient cost control.

Outlook

- The “Positive” trend is explained by promising initiatives (e.g. introduction of new products, diversification of funding structure, more effective organizational structure...etc.) being undertaken by SAT's management, which should improve profitability and strengthen the management of the institution.

Performance indicators

USD , unless otherwise stated	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
Assets	5,503,597	5,275,576	9,741,190	11,185,883
Growth	29.2%	(2.0%)	94.5%	15.5%
Loan portfolio	3,142,519	3,108,694	7,028,242	7,857,233
Growth	4.5%	1.2%	138.2%	12.4%
Outstanding deposits	101,798	345,327	1,911,076	2,164,424
Growth	-	247.0%	483.0%	13.9%
Active borrowers	49,286	33,247	49,670	49,091
Active savers	49,286	33,347	49,670	49,091
Staff	189	115	186	192
ROE	3.3%	10.1%	3.9%	17.5%
ROA	2.0%	6.8%	2.4%	9.3%
Liabilities / Equity	0.65x	0.33x	0.88x	0.90x
Portfolio Yield	69.3%	62.0%	57.0%	67.8%
Operating expense ratio	66.1%	46.7%	46.1%	41.5%
PAR 31-365	0.0%	1.8%	1.5%	2.8%
PAR > 365	0.0%	0.0%	0.0%	0.0%

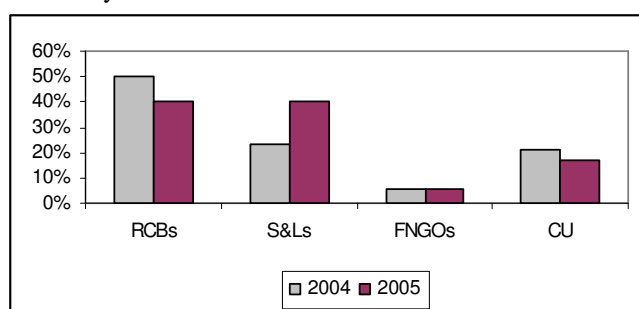
Microfinance sector

Ghana had a population of 22.1¹ million people in 2005, of which nearly half lived on less than \$1 per day. The first formal MFI was born from the micro savings product of the Post Office Savings Bank, which transformed into a National Savings and Credit Bank in 1972 under NRC Decree 38. Over the last decade, the microfinance sector has considerably progressed with the creation of new structures, ranging from informal financial intermediaries to regulated rural banks and Savings and Loans institutions. The sector has benefited from the support of numerous donors² but its scope is still relatively limited compared to some Western and Eastern African countries (Benin and Uganda). According to some unofficial sources, the penetration rate is less than 15%. As of December 2005³, there were 435 MFIs aggregating an outstanding portfolio of \$213 million and with an outreach of 548,755 borrowers.

In Ghana, MFIs are classified under three categories⁴:

- Formal financial institutions: composed of Rural and Community Banks RCBs (120) and Savings and Loans S&Ls (10);
- Semi formal financial institutions which include NGOs (25) and credit unions (273);
- Informal financial system, mixed of individual saving collectors “susu” (1444), rotating savings and credit associations, and credit “clubs” run by community based organizations and self help groups.

The following graph⁵ shows the percentage of loan portfolio to industry total:



Most MFIs are rural poverty focus and spread in the three poorest regions of Ghana (Upper East region, Upper West region and the Northern region). The only exception comes from the S&Ls, which usually serve low income urban and peri urban clients.

¹ According to the World Bank.

² IFAD, World Bank, AfDB, GTZ and others. The government has also launched a few projects with the support of various donors.

³ No reliable update is available.

⁴ The data is from year 2005.

⁵ Source: GHAMFIN.

RCBs, S&Ls and Credit Unions are licensed and regulated by the Bank of Ghana (BOG). However, the Association of Rural Banks and the Credit Union Association, Apex Bodies, may undertake supervisory functions for their respective entity. The Financial Non-Governmental Organizations (FNGOs) are registered but not regulated by laws and cannot mobilize voluntary savings from clients. All MFIs are members of GHAMFIN (Ghana Microfinance Institutions Network). The objectives of GHAMFIN are to reinforce MFIs' capacity and serve as intermediary between MFIs and stakeholders (governments and donors). In the coming years, many FNGOs have planned to transform into S&Ls to expand their funding structure by mobilizing voluntary saving and commercial banks (Ecobank, Barclays and Intercontinental Bank) have shown interest in intervening in the sector via subsidiaries specialized in microfinance.

Political & economic environment

Economic growth has remained high, underpinned by the good performance of the gold and cocoa sectors and spurred by increasing private investment. In 2007, public investments should bolster the civil engineering sector with services (telecommunications, tourism) remaining dynamic. Nevertheless, inadequate infrastructure, particularly as regards electricity generation and delivery, along with difficult access to credit has hampered companies.

The country has struggled furthermore to translate economic performance into poverty reduction, which has limited its capacity to increase fiscal revenues whereas the run-up to general elections in 2008 is prompting authorities to increase social spending. In that context, public sector finances have remained out of balance. External accounts, meanwhile, have remained in deficit with the growth of gold and cocoa export revenues and the very significant reduction of foreign debt granted under the HIPC and MDRI programmes not sufficing to offset the pressure of oil and capital goods imports. Covering the country's internal and external financing needs will thus continue to depend on the inflow of aid granted by donor countries.

In any case, Ghana's domestic political stability, democratic maturity, and conflict-free relations with neighbouring countries have been conducive to structural reform implementation, albeit at an unsteady pace, and have facilitated the significant progress made on education and health.

Strengths:

- Political stability and an improved business environment have been assets for investors.

- Having long made efforts on structural reforms, Ghana has benefited from the support of financial backers.
- Cancellation of a large proportion of its foreign debt will make it possible to speed up economic development and poverty reduction.
- With its geopolitical situation and mediator role in regional conflicts, Ghana enjoys a positive image.

Weaknesses:

- With gold and cocoa generating two third of export revenues, the economy is still insufficiently diversified and thus exposed to exogenous shocks (weather conditions, world prices).
- Outdated and insufficient infrastructure and a difficult access to credit have impeded diversification.
- Both public-sector and external accounts have remained structurally in deficit thus keeping Ghana dependent on international aid.

COFACE Country Rating: C - A very unsteady political and economic environment could deteriorate an already bad payment record.

(USD millions)	2004	2005	2006 (e)	2007 (f)
Economic growth (%)	5.6	5.9	5.7	5.8
Inflation (%)	12.6	15.1	10.9	9.2
Public sector balance (%GDP)	-9.5	-6.9	-10.5	-8.4
Exports	2,785	2,802	3,684	3,902
Imports	4,297	5,345	6,377	6,891
Trade balance	-1,512	-2,543	-2,693	-2,989
Current account balance (%GDP)	-8.8	-12.3	-9.0	-9.2
Foreign debt (%GDP)	72.7	59.2	21.2	22.1
Debt service (%G&S exports)	16.2	14.2	11.8	4.3
Foreign currency reserves (in months of imports)	4.5	4.1	3.6	3.9

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

Institutional presentation

Legal form, supervision and audit

Sinapi Aba Trust (SAT) was incorporated in May 30th 1994 as a company limited by guarantee under the Companies Code, 1963 (Act 179). The organization is not regulated by BOG but self regulated through the support of GHAMFIN, the Association of Financial NGOs (ASSFIN) and Opportunity International (OI). Its financial statements have been audited for the past seven years by Ernst & Young.

Ownership

As an NGO, currently SAT has no owners. It is governed by a Board of Directors (BOD) comprised of 11 members included SAT's Executive Director (ED), as allowed by local regulations. After the cancellation of the management contract between SAT and OI-SASL, one seat on the BOD was given to OI but it has not yet been occupied.

The BOD is responsible for the appointment of the ED and exercises supervisory control over the management through the various committees (Executive, Finance and Audit, Human Resource Development, and Legal/Non Finance).

Donations

Since December 2006, SAT has received almost 400 K USD in donations, of which 98% came from Opportunity International (Australia, UK and Germany). Donations were mainly used to finance non financial services offered by SAT (e.g. client transformation, Youth Apprenticeship programme, training and HIV/AIDS).

Funding composition

SAT's major source of funding is still equity (53%). However, it has started diversifying its funding structure with commercial borrowing and client deposits (compulsory and progressive savings) – see the "Activities" section.

Management team

SAT's management is composed of core and general management. The core management (CM) includes the ED and the four heads of departments (Finance and Administration or FAM, IT/MIS, Chief Operations Officer or COO and Non Finance Manager). The ED, Mr. Anthony Gyasi-Fosu, holds an executive MBA as well as a Post-Graduate Diploma in Business Administration. He was a former Area Manager in Accra before being promoted ED of SAT in September 2005. He has strengthened his expertise in management by acquiring local and international training in microfinance. The general management is comprised of Area Managers (AM) who supervise different branches within a region, HR, Administration, Marketing, Monitoring and Evaluation (M & E), Micro Save, Transformation, R & D, and Branch Managers (BM).

The branches are headed by a BM, supported by one Finance Services Supervisor (FSS equals to a senior loan officer), one Finance Services Officer (FSO equals to a loan officer), an Account Officer and a Branch Operation Assistant (BOA). The BM is under the supervision of the Area Manager of his/her zone, who reports to the COO. Currently, the ED is acting as COO, as the former COO resigned and a revamp of the organizational structure is underway.

Organization

SAT has a two-level organization structure:

- **HO:** in charge of planning, strategic decision making, preparation of consolidated financial statements, elaboration of procedures, recruitment, search for additional funds and external relationship with stakeholders and regulatory bodies;
- **Branches:** are responsible for loan disbursements, repayments, promotion of products and training of clients. Disbursements are approved by BM or FSS based on FSO analysis. Then the list of approved loans is sent to HO for the preparation of checks, made in the order of the BM. Once checks are cashed, FSOs go under the supervision of FSS/BM to the different communities to disburse loans to each group member. Contracts are signed, validated by the thumbprint of each member, and returned to the HO for verification by the data entry unit before authorizing the information in the MIS system, eMerge.
- Repayments are gathered by FSO's, who then give them to the BOA to deposit the money at the bank. Paying in slip along with cash book and bank reconciliations are sent to the Internal Audit department for confirmation.

SAT has an integrated MIS system, eMerge for accounting, portfolio tracking, HR and payroll, and fixed assets management. The system is only based at HO, although deployment of the system in branches is planned for the coming years.

Market penetration

SAT operates in 18 branches reaching 420 communities with a total of 1825 Trust Banks. Almost half of the loan portfolio is spread over four branches (Tarkoradi, Sunyani, Kumasi and Cape Coast)

Products and services

SAT offers both financial and non financial products:

- **Financial services:** Individual and group loans. The group loans comprised of Trust Banks and Solidarity Groups, as well as Enhanced Solidarity Group loans. The major difference between the two is the group size since Trust Banks are designed for successful matured trust bank clients who want a smaller group. The loan size is between 100 and 2,000 USD for a maximum period of 32 weeks and requires a minimum of 10% compulsory saving, a 2% client welfare scheme (insurance) and a 3% processing fees. The nominal interest rate is 35% (flat) and the APR is around 95%.
- Individual loans are between 200 and 10,000 USD for a maximum term of 10 months and require also a 10% compulsory saving, a 2% client welfare scheme

(insurance) and a 3% processing fees. The nominal interest rate is 35% (flat) and the APR is around 80%.

- The non financial services include the business transformational training programme (basic business management training), HIV/AIDS sensitization, youth apprenticeship and the community development programme. As of December 2006, the amount allocated to non-financial services represented around 3% of operational expenses.

Networks

SAT is a member of OI, GHAMFIN, ASFIN and the International network of Alternative Financial Institutions (INAFI) - Africa.

Governance

Governance and Decision Making is rated "b"

Decision-making

SAT's decision making process is clear, fluid and participative. Despite the withdrawal of OI-SASL from the management of SAT, the decision-making process has not been weakened due to the sharing of common goals and strategies between the BOD and management team coupled with the continuous support still given by the OI network. The set up of committees (Executive, Finance and Audit, Human Resource Development, and Legal Non Finance) also enhances the collaboration between the BOD and core management (CM), and allows a stronger understanding of SAT's main issues and challenges. The BOD is committed and has various professional expertises.

Although the BOD has taken strategic decisions for and on behalf of SAT (e.g. cancellation of the management contract between SAT and OI, establishment of the Non-Finance Department...etc.), its contribution to SAT is both operational and strategic. The CM frequently proposes strategic decisions to the BOD for its validation. The BOD monitors their implementation through regular BOD meetings, and accurate and regular performance reports. For example, the BOD has come up with the idea to transform SAT into a regulated intermediary and has tasked the CM to study its feasibility and options. The transformation into a commercial entity is still to be decided on, but if it happens, the main concern will be the balance between the social and financial goals, especially with the new shareholders who are profit-motivated. Therefore, this decision will need to be considered very carefully by the BOD and management given the previous difficult experience with the commercialization of SAT operations (e.g. the establishment of OI-SASL).

Planning

SAT has a good planning process. The new 2007-2011 Strategic Plan (SP) was done internally and went through staff consultation, internal and external factors collection, and the approval of the BOD. It clearly defines six strategic goals (i.e. greater outreach and transformation, higher operational and financial efficiency, diversification of the funding structure and more...) through realistic figures and outlines the source of funding needed for the execution of the plan. The 5-year SP is implemented through annual business plans, which have a greater emphasis on operational features and are developed with a higher involvement from the BMs.

Monthly and yearly budget monitoring are performed at branch and HO level to assess the level of variance between projections and actual figures. As of June 2007, the budget variance was fair with a margin of error +/- 12%. The forthcoming revision of the strategic plan by including the transformation of SAT into a regulated intermediary is premature given the stabilization/consolidation process which SAT is still undergoing and the short time given (2 years) before the planned transformation, especially since some of the BOD and management team members lack specific expertise and experience with managing commercial financial entities.

Management team

Overall, SAT enjoys an experienced and polyvalent management team. The CM has good leadership skills, but the general/middle management needs further capacity building to fully assume its duties and ultimately gain more autonomy in regard to the CM. The key person risk is somewhat mitigated by a collective decision making process that involves key staff members in all major decisions. The newly elaborated succession plan clearly appoints replacement staff in case of the departure of a member of the CM. However, further training on management skills is needed for the potential acting ED to make the succession plan workable. Moreover, the current management of operations by the ED as the acting COO is not beneficial to the institution as this increases key person risk and reduces overall management effectiveness at the top level.

The overall internal communication is smooth. There is good cohesiveness among SAT staff which is strengthened by the sharing of common values. The CM has access to daily reporting from eMerge and meets general/middle management on a weekly or monthly basis and informally even more frequently, sometimes daily. Clear and concise management reports are published after each monthly general management meeting.

Human resource management

SAT has formal HR procedures and uses adequate recruitment and training practices. A training schedule is made at the beginning of the year and updated if needed. However, the training could be enhanced to build greater proficiencies among middle management and supervisors. The monitoring and evaluation of staff is shared between the HR and the M & E Departments, which is responsible for performance evaluation of branch managers. Each department uses quantitative and qualitative criteria to appraise staff performance over the year. Each staff receives a score that is used to determine the level of annual bonus.

SAT suffered from a relatively high turnover rate in 2006 (9.3%), partly because some employees decided to join OI-SASL after the split in 2005 and due to an aggressive environment in which competitors are willing to recruit SAT's employees for a higher pay. In order to retain employees, SAT has applied internal promotion, incentive schemes and personal loan facilities. Overall morale is good, despite difference between HO and branches explained mainly by a better work environment at HO.

Information

Information is rated "b"

In 2005, SAT's first loan tracking system, eMerge, and various hardware were transferred to OI-SASL as part of the agreement contract signed between the two parties. Therefore, SAT's portfolio information was managed by OI-SASL for a fixed annual fee until 2006 when SAT reacquired the integrated version of eMerge⁶, and purchased hardware and software to expedite and secure its information generation.

Currently, SAT is able to provide reliable and relevant portfolio information as a result of an acceptable computational infrastructure, an adequate verification of information and good portfolio indicators. The information is well secure using back up, password and anti virus. However, there are still few weaknesses, which affect the overall quality of the information, primarily in terms of timeliness:

- The computational infrastructure is overly concentrated in HO while some branches lack computers. As a result, it delays in some cases the transfer of portfolio and accounting information to HO (one or two days)⁷;
- The small current number of trained users (18) and the limited number of licensed users (12 persons are able to

⁶ The new integrated eMerge is used for accounting, portfolio tracking, HR and payroll, and fixed assets management.

⁷ The information must be first entered on an Excel sheet by BOAs and FSSs before being forwarded to HO.

use the system at the same time) affect productivity and creates delays;

- Branches have not yet fully benefited from eMerge features and must wait until the end of each month to have an accurate situation of their outstanding loan portfolio, level of PAR and financial situation, while the HO has the information on a daily basis and conducts adequate financial analysis for the overall management of the institution;
- The reconciliations are not properly formalized, especially for savings for which discrepancies in clients' balance still exist between HO and branches;
- The current internal auditor does not have sufficient IT knowledge to run tests and ensure the system integrity.

The IT team is experienced, competent and dynamic. They fully master eMerge and already planned to deploy eMerge in all branches and use PDAs for the transmission of live information from remote areas to HO on repayments and clients' deposits.

SAT's accounting information is timely and reliable. Its financial statements complied with CGAP disclosure standards and have been certified with no reserve by Ernst & Young, which has a fair knowledge in the audit of MFIs in Ghana.

▪ Risk Management

Risk Management is rated "c"

Procedures and internal controls

SAT has an adequate internal control system, with most procedures formalized and up to date. A complete set of manuals are available at both HO and branches, but some manuals lack basic policies: for example, the Internal Audit manual does not indicate the required frequency of audit missions and the BOD policy manual does not include quorum for decision making. However, most potential operational risks are addressed by SAT's policies, which provide for:

- Hierarchical control (LO / FSO / Supervisor / Branch Manager / Sector Manager/ COO-ED and the Credit Committee) particularly for loan approvals;
- Checks at multiple levels, particularly at the data entry level (e.g. clerk at branch level, auditors, Data department staff, and spot checked by M&E), which helps limit human error risk when computing client and loan information;
- Adequate segregation of duties, with separate staff to handle data entry, loan decision and disbursement & reimbursement.

The policies and procedures are applied fairly consistently, with the chain of authority well understood at both branch and HO levels. However, the full transaction handling by FSOs remains a key risk point: disbursement, reimbursement, receipting, and recording of transactions are all handled in field by the FSOs. SAT has mitigated this through a policy of full supervision of field transactions by a Supervisor. However, the M&E reports highlight lapses in the supervision of FSOs, particularly in rural branches. Uniform application of this policy is critical to ensure an acceptable level of control.

SAT conducts field transactions almost exclusively in cash, with only HO to branch transactions using checks and bank transfers. SAT has taken some steps to mitigate the cash security risk inherent in its rural operations:

- Where possible, cash is deposited at the bank on a daily basis or kept in a safe overnight at the bank through agreements reached with some bank branches;
- SAT has taken specific cash insurance for cash at the branch and for cash in transit (up to 191,000 USD).

However, cash risks remain at rural branches where cash is sometimes transported by a single FSO, and in some cases using public transport. This risk is more acute with the promotion of savings that will increase the amount of cash handled in field by FSOs. Moreover, at the branch level, the cash policy is not clear: the Operations Manual states only that BMs must establish an effective branch cash policy. As such, there is a need for standardized policies and formal limits on the amount of cash held and the management of same at the branches.

Internal audit

Internal audit is weak at SAT and needs significant improvements. The current IA team of five is headed by an experienced Manager but is overworked due to a heavy emphasis on continuous verification of all branch transactions rather than systematic spot/sample checks. Although audit procedures are documented in a manual, the required frequency of branch and head office departmental audits is not formally documented. In addition:

- Although an audit plan for the following year is available by December, the 2007 plan was still not yet approved by the BOD as of July 2007;
- The audit plan is not risk-based (larger branches, higher PAR branches, etc) leaving some of the highest risk branches without adequate audits;
- During 2006 several branches received an inadequate audit, and the largest branch in the Northern Sector, Sunyani, did not receive any audit;
- At July 2007, only two written audit reports were available for review even though four audits have been

completed; according to the audit plan some scheduled audits had already been missed.

The existing IA reports are fairly detailed, include recommended corrective measures, and are followed upon at the Management level. However, the reports are not available as rapidly as necessary after an audit, and there is no formal policy on how soon after an audit the report should be available. It must also be noted that the IA team in practice reports to the ED rather than to the BOD, although the BOD does ultimately receive reports. A BOD Audit Committee has been established in December 2006 but it is too early to assess its effectiveness as it has only met once so far.

It is also still too early to evaluate the performance of the M&E team. The dedicated operational audit function is a strong step towards mitigating operational risks discussed above, with M&E staff visiting both branches and clients to verify both the existence of clients and compliance with policies. However, the division of labour between the M&E and IA departments is not clear in the IA manual and in practice. Instead, the interface of the two departments is ad hoc and is not documented in a single document to ensure complete audit coverage. In some cases, areas such as field activities are audited redundantly, while in other critical areas no audit has been done, including the MIS audit. The M&E and IA functions are thus not yet sufficiently coordinated to provide a consistent quality of financial and operational audit across the HO and branch levels.

■ Activities

Activities: products and services is rated “b”

Market position

SAT is among the three largest MFIs (including S&L institutions) in Ghana in terms of active borrowers, and is well differentiated from the competition by its strong social and rural orientation, including provision of non-financial services, nationwide coverage, and an emphasis on holistic social “transformation” of clients. This approach translates into generally strong customer loyalty among lower end clients. SAT serves clients in rural areas left un-served by other MFIs (approximately 60% of the SAT portfolio is in rural areas) and targets a lower end of the market than its largest competitors: SAT has an average loan size of 139 USD at December 2006 compared to 247 USD for OI-Ghana (previously called OI-SASL) and 1,338 USD for ProCredit.

Nonetheless, the estimated client retention rate of 75% at June 2007 is quite low, although due partly to the closure of the Hohoe branch in 2007. Competition is also increasing as

ProCredit, OI-Ghana, and others progressively move into SAT’s core markets, including Kumasi. The previous informal OI-Ghana/SAT non-compete agreement is finished, but because of fairly distinct market strategies and separate branding this should not pose a major risk to SAT. However, future competition will also be driven by downscaling banks with significant technical and financial resources. SAT’s current product range is well adapted to the rural poor target clientele, but several competitors offer a wider product mix, higher maximum loan sizes, and competitive pricing, which increases risk of poached clients in the future. This is a particular risk as SAT intends to re-enter the competitive Accra market.

Loan portfolio management

SAT’s credit methodologies for the Trust Bank and Enhanced Group Loan products are well designed (OI developed), with detailed procedures for client selection and credit analysis. Cash flow analysis is key part of client selection for both products, and is a standardized part of the loan application form. There are also appropriate specific areas of emphasis for appraisal of each loan type:

- For group loans, there is an appropriate focus on ensuring group cohesiveness, particularly the community basis of group formation. All groups are given 8 training sessions on group responsibility. Before disbursement, groups are formally appraised by the BM or FSS. Clients are also subject to a verification of the loan use shortly after disbursement;
- For individual loans, FSOs focus on analyzing repayment capacity. A standardized excel sheet is used to calculate income and expenses for client businesses, with 35% percent of net income assumed as the repayment capacity.

SAT’s portfolio monitoring process is generally well organized, with Northern and Southern regions of the branch network (sectors) divided among two Area Managers (AMs) within the operations department. Each AM evaluates BM performance, portfolio growth and quality, and produces management reports. According to the operations policy, AMs travel to the field to supervise branches at least twice per year per branch. However there is no formalized program for AM supervision or report template and in practice the quality and frequency of sector reports is inconsistent.

At the branch level, a tiered system for supervision of loan officers ensures tight management of lending activities:

- Loan officers are supervised by both a Supervisor and a BM and have frequent evaluations against their targets and feedback;
- Both Supervisors and BMs make spot checks of clients and FSOs in the field;

- Recovery actions are rapid, from the first day of delinquency, with progressive actions and early intervention of FSS, BMs and legal department.

SAT's loan portfolio evolution has been strongly influenced by the separation of SAT from OI-SASL in 2005, including the transfer of its 3 largest branches (Accra, Kumasi, and Techiman) and placement of the remaining branches under a management contract, resulting in a 32% drop in active clients over 2004. The fast increase in portfolio (138%) and active borrowers (50%) experienced during 2006 can thus largely be explained by SAT's re-assumption of branch management. Portfolio growth can be expected to resume a slower trajectory, as evidenced by growth of 12% through June 2007; this slower growth is also influenced by the aforementioned closing of the Hohoe branch due to civil unrest and portfolio quality problems.

Although SAT tracks loans by sector, no formal steps are taken to manage portfolio concentration. However, AMs and BMs try to create heterogeneity within groups, and given the small loan sizes, risks per client are low. Concentration risk could be more relevant in the future as larger loan sizes and new products like asset financing are introduced.

Savings activities

Aside from obligatory savings used as a credit enhancement for SAT's loan products (10% if loan amount), SAT has introduced a "Progressive" savings product. This product is actively marketed by FSOs and described clearly as a voluntary savings product, distinct from loan collateral, in the operational manual. The savings are intermediated by SAT and managed from HO by the product-specific Microsave Manager. So far SAT's BOD and Management do not have a clear position on the legality of this activity. It must be noted that as an NGO does not have legal authority to mobilize and intermediate client voluntary savings. This activity thus poses a potential regulatory risk to SAT.

Credit risk

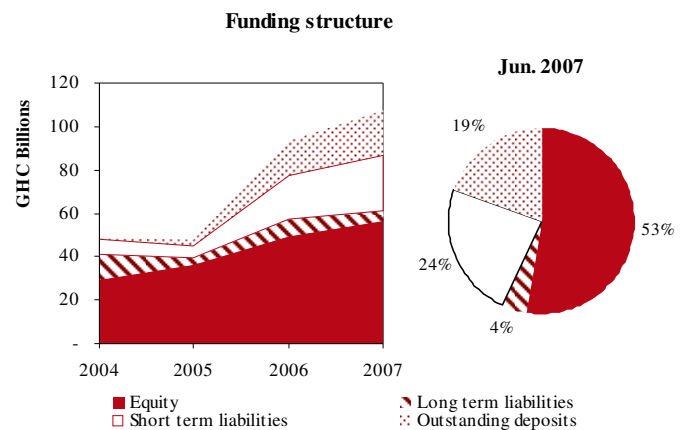
SAT's overall PAR-31 of 1.5% at December 2006 is excellent, particularly in the national and regional context. This is a result of the present institutional focus on portfolio quality and repayment discipline that targets 0% PAR. However, the recent upward trend in PAR, with PAR-31 nearly doubling to the current 2.8%, is linked to a concentration of risk in certain rural branches that could pose a risk: at December 2006, virtually the entire PAR amount was found in the Ho and Tamale branches, both of whom have been affected by weaker supervision due to distance from the head office, poorly performing loan staff (some of whom have been disciplined or let go) and lapses in the application of operational policies.)

SAT follows a reasonable provisioning policy and uses appropriate primary guarantees for additional risk coverage:

- Acceptable risk coverage (95% of PAR-31): this coverage dropped slightly between 2006 and June 2007 due to higher PAR levels but is still at an acceptable level;
- In addition to the LLR, appropriate group guarantees for group loans and individual guarantors for individual loans; coverage is enhanced by mandatory savings, and the Client Welfare Scheme;
- The write-off ratio has been low throughout the entire period due to overall good portfolio quality and an appropriately cautious write off policy (write off decisions are taken by the Board for loans beyond 365 days in arrears).

Funding and liquidity

Funding and liquidity is rated "b"



Capital structure & Leverage

SAT's funding structure is presently composed of approximately equal parts liabilities and equity, which is typical of an NGO. SAT currently has significant additional debt capacity, although leverage will increase with recent borrowing. Moreover, commercial borrowing, including foreign currency borrowing, is expected to grow rapidly in the near future. Currently the ALM management process is not fully formalized, with asset-liability matching handled by the FAM. This set up is working for now, but as part of approaching plans for significant borrowing in foreign currency, and plans for longer term credit products, SAT should consider formalizing this process, setting key risk limits, reviewing hedging strategies...etc:

- FX risk is becoming material; with a \$1.3M open position at June 2007, and over \$1M additional funds to be received in the coming months. Although this has been partly hedged with a 30% back to back deal with Barclays Ghana a more formal plan for hedging is needed as more loans are signed in hard currency;

- No maturity risk yet as SAT has mainly long term resources (72% equity + LT liabilities) while 68% of its assets consists of short term loans (6-month average term);
- Very limited interest rate risk, as there are no liabilities are on a floating rate basis, and the spread between the funding expense ratio (8%) and the portfolio yield (67%) leaves an ample margin.

Funding strategy

SAT's funding strategy is adequate, as SAT is taking good steps to diversify its funding sources through efforts of both the Marketing and Finance and Administration Departments to attract new investors both inside and outside of Ghana. SAT has also developed a formalized general three-year funding strategy, and funding needs are also addressed in the current 5-year SP. However, the funding strategy is not yet sufficiently specific in terms of FX risk, tenor, source, rate...etc. The variety of SAT's funding sources has increased recently with management efforts. SAT has signed USD commercial loans with investment funds Incofin (288,737 USD) and MicroVest (241,133 USD) and obtained a new commitment from MicroVest for an additional 1 M USD in debt, as well as three loans from a local bank Standard Trust totalling GHC 500,000 (USD 516,000) and a recently signed loan with EcoBank Ghana (1.5 M GHC or approx. 1.6 M USD). However, about half of this funding is still Short Term/Medium Term, and the funding is still short of the projected BP goal for 2007. Thus despite good achievements so far, SAT could still potentially face a challenge to finance its aggressive growth plans, especially regarding the long term funds.

Liquidity management

Although SAT does not have formalized liquidity management procedures, liquidity levels are adequate. This is thanks to the frequent loan repayments, yielding significant liquid resources to meet outflow obligations. However, liquidity planning is still limited to a short term horizon: branch projections of disbursements and repayments for the following week sent by BMs to the FAM by Thursday of each week. SAT does not yet have a longer term cash flow projection (12-month), or a formal investment strategy for short-term excess liquidity, with cash maintained mostly in local bank accounts. Finally, SAT's intention to introduce loan products with less frequent repayments (individual, asset finance), to enter into more external loan agreements and to mobilize voluntary savings will require a more formalized and professional liquidity management process. Although not yet critical, a formal Asset Liability Management Committee (ALCO) will be needed in the longer term.

Efficiency and Profitability

Efficiency and Profitability is rated "c"

Profitability analysis

SAT has been a profitable institution over the last four years with reasonably good ROE and ROA ratios (in 2006, they were respectively 3.9% and 2.4%). Its profitability has been underpinned by a strong portfolio yield (57%), but seriously affected by a weak cost management, which primarily explains the unsteady financial situation of the institution.

Between 2005 and 2006, SAT's profitability dropped by almost 50% because of a faster increase in operating expenses than revenues from the loan portfolio. During that period, operating expense grew by 71% principally as personnel expenses doubled (bonuses, rises in wages and the hiring of 71 new employees) while financial revenues increased only by 51%. Despite the decrease of the operating expense ratio in 2006 as a result of the significant growth of the loan portfolio, the latest ratio (June 2007: 41.5%) was still high compared to African peers (35.5%)⁸.

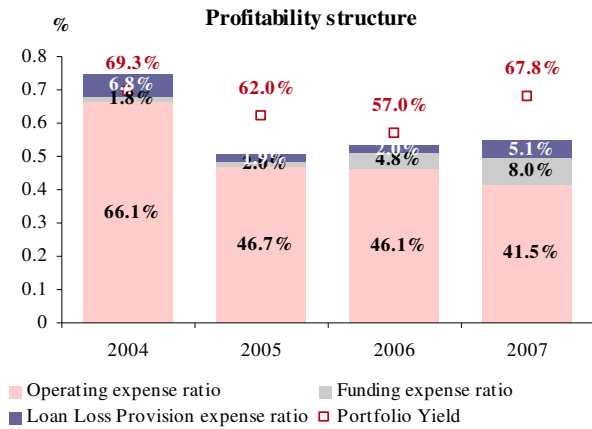
Though SAT's portfolio yield is good, it has been declining since 2004 from 69.3% to 57% in 2006, for the most part because of the reduction in interest rates which contributed to strong growth of the outstanding loan portfolio (2.4x). During the same period, the loan provision expense ratio dropped also from 6.8% to 2.0% due to an improvement in PAR 31 and write off. The close monitoring of operations by the ED, implemented after the resignation of the former COO, has helped in improving the overall quality of the loan portfolio between 2004 and 2006. Nevertheless, the partial figures from 2007 (up to June) show a deterioration of the quality of loans, resulting partially from issues in portfolio management and staff overloading (see "A & G").

In line with the increase in loan portfolio, SAT's funding expense has considerably grown from 2% to 8% between 2005 and June 2007, due to loans contracted from banks and investors. The ratio is expected to increase in the subsequent months since over 1 million USD is yet to be received from MicroVest, a private microfinance investor. The low debt/equity ratio (around 1%) makes further external funding possible, but it will require enhancing liquidity management (see "F").

The profitability outlook of SAT is positive. Promising initiatives, such as the creation of new products, are underway and should generate higher revenues in the coming years. However, SAT needs to improve its cost control management, especially operating, and strictly follow local regulations to avoid any possible regulatory risk

⁸ MIX Benchmarking African Microfinance 2005

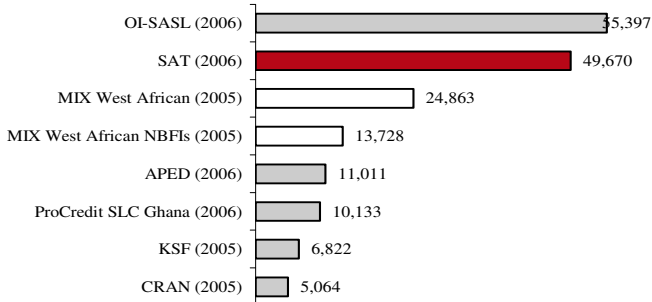
in its saving operations. Other improvements in staff and risk management are also necessary and will help in lowering total expense in the medium/long term.



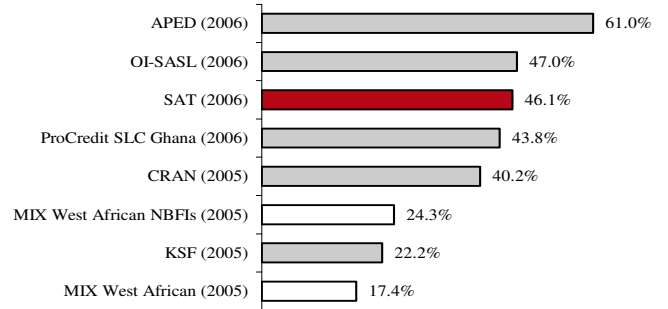
The opinions expressed within this report are valid for one year after the rating mission. Beyond one year, or in case of a major change during this period affecting the institution's performance, that change due to the institution itself or its operating environment, Planet Rating does not guarantee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

Benchmarking

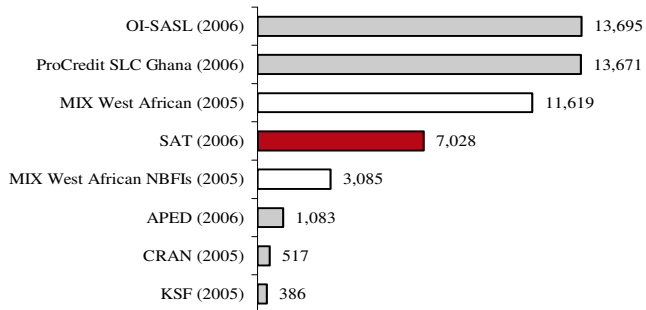
Active borrowers



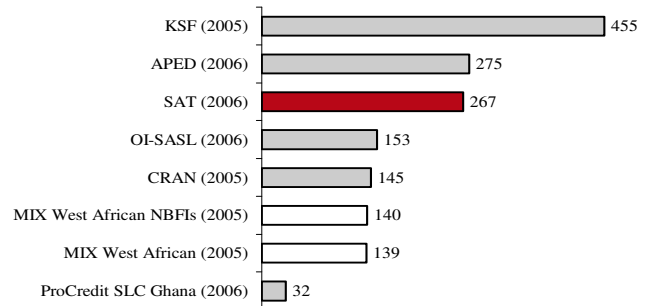
Operating expense ratio



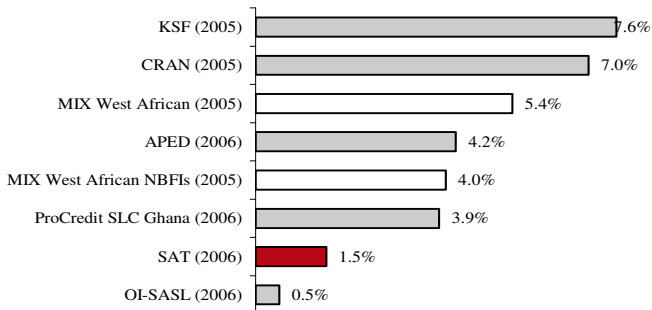
Loan portfolio



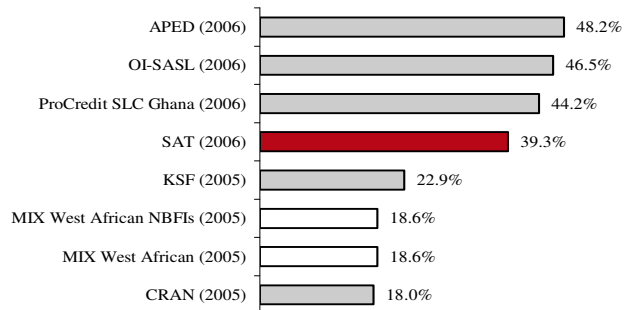
Staff productivity



PAR 31-365



Financial revenue ratio



ROA



Source: Planet Rating reports, MIX Market's website and MIX Benchmarking African MFIs (2005)
MFIs: APED, CRAN, OI-SASL, and ProCredit

■ Performance indicators

Data in USD, unless otherwise stated

	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
Loan Portfolio				
Loan portfolio evolution				
Loan portfolio	3,142,519	3,108,694	7,028,242	7,857,233
Loan portfolio (GHC)	27,968,417,000	28,298,444,000	67,393,810,000	75,759,443,509
Evolution	4.5%	1.2%	138.2%	12.4%
Average outstanding loan	3,036,147	3,090,567	4,989,689	7,423,421
Active borrowers	49,286	33,247	49,670	49,091
Evolution	23.1%	(32.5%)	49.4%	(1.2%)
Average outstanding loan per client	64	94	141	160
% of GDP per capita	14.5%	18.3%	25.9%	26.5%
Average amount disbursed per loan	158	195	255	382
% of GDP per capita	35.8%	38.3%	46.7%	63.2%
Portfolio quality				
Rescheduled loans	0.0%	0.0%	0.0%	0.0%
PAR 31-365	0.0%	1.8%	1.5%	2.8%
PAR > 365	0.0%	0.0%	0.0%	0.0%
Write-off ratio	4.8%	1.2%	0.6%	0.0%
Credit risk coverage				
Risk coverage ratio	3,956.8%	103.2%	123.7%	95.5%
PAR 31 net of loan loss provision / Equity	(1.0%)	(0.0%)	(0.5%)	0.2%
Savings				
Outstanding deposits	101,798	345,327	1,911,076	2,164,424
Outstanding deposits (GHC)	906,000,000	3,143,508,000	18,325,309,215	20,869,380,477
Evolution	N/A	247.0%	483.0%	13.9%
Mandatory savings (%)	100.0%	99.9%	80.8%	73.1%
Voluntary savings (%)	0.0%	0.1%	19.2%	26.9%
Active savers	49,286	33,347	49,670	49,091
Evolution	N/A	(32.3%)	48.9%	(1.2%)
Average outstanding deposit per saver	2	10	38	44
Mandatory	2	11	31	32
Voluntary	N/A	1	12	12
Staff				
Total number of staff	189	115	186	192
% Credit officers	66.7%	54.8%	62.4%	60.9%
Turnover	1.8%	5.9%	9.3%	3.7%
Profitability analysis				
ROE	3.3%	10.1%	3.9%	17.5%
Liabilities / Equity	0.7x	0.3x	0.9x	0.9x
ROA	2.0%	6.8%	2.4%	9.3%
Profitability structure				
Portfolio Yield	69.3%	62.0%	57.0%	67.8%
Operating expense ratio	66.1%	46.7%	46.1%	41.5%
Cost per borrower	41	43	46	63
Staff productivity	261	289	267	256
Loan officer productivity	391	528	428	420
Average outstanding loan per client (USD)	64	94	141	160
Funding expense ratio	1.8%	2.0%	4.8%	8.0%
Cost of savings	0.0%	0.0%	0.0%	0.0%
Cost of liabilities	4.5%	7.5%	20.7%	19.0%
Loan Loss Provision expense ratio	6.8%	1.9%	2.0%	5.1%
PAR 31-365	0.0%	1.8%	1.5%	2.8%
Write-off ratio	4.8%	1.2%	0.6%	0.0%
Resource optimization				
Outstanding Loan Portfolio / Assets	56.5%	57.8%	70.8%	68.4%
Revenue from investment as a % of financial revenues	0.0%	0.0%	0.0%	0.0%
Liquidity				
Loans to deposits	3,087.0%	900.2%	416.9%	363.0%
Liquidity / Total assets (LAR)	11.0%	4.8%	3.6%	5.6%
Adjusted ratios				
Adjustment expense ratio	16.7%	18.1%	8.4%	6.1%
AROE	(15.7%)	(7.8%)	(7.2%)	3.5%
AROA	(8.3%)	(3.6%)	(3.3%)	4.9%
Financial self-sufficiency	87.6%	95.1%	94.8%	118.6%
Adjusted operating expense ratio	66.1%	46.7%	46.1%	41.5%
Adjusted funding expense ratio	18.5%	20.0%	13.1%	14.1%
Adjusted loan loss provision expense ratio	6.8%	1.9%	2.0%	5.1%
Exchange rate 1 USD= xx GHC	8,900.0	9,103.0	9,589.0	9,642.0

SINAPI ABA TRUST		GHC				USD				Evolution			
Balance sheet		Notes	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007*	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	2005/2004	2006/2005	2007/2006
ASSETS			48,982,013,000	48,023,565,000	93,408,275,000	107,854,279,336	5,503,597	5,275,576	9,741,190	11,185,883	-2.0%	94.5%	15.5%
Short Term Assets			34,091,672,000	31,695,914,000	74,656,965,000	87,535,536,766	3,830,525	3,481,920	7,785,688	9,078,566	-7.0%	135.5%	17.3%
Cash and Due from Banks			5,405,340,000	2,297,609,000	3,359,908,000	6,036,064,726	607,342	252,401	350,392	626,018	-57.5%	46.2%	79.6%
Short Term Investments	A		-	-	600,000,000	858,645,394	-	-	62,572	89,053	-	-	43.1%
Short Term Net Loan Portfolio			27,671,167,000	27,772,003,000	66,156,147,000	73,745,606,420	3,109,120	3,050,863	6,899,171	7,648,372	0.4%	138.2%	11.5%
Short Term Gross Loan Portfolio			27,968,417,000	28,298,444,000	67,393,810,000	75,759,443,509	3,142,519	3,108,694	7,028,242	7,857,233	1.2%	138.2%	12.4%
(Loan Loss Reserve)			297,250,000	526,441,000	1,237,663,000	2,013,837,089	33,399	57,832	129,071	208,861	77.1%	135.1%	62.7%
Interest Receivable			-	-	-	1,269,129,703	-	-	-	131,625	-	-	-
On loan portfolio			-	-	-	1,269,129,703	-	-	-	131,625	-	-	-
On investments			-	-	-	-	-	-	-	-	-	-	-
Accounts receivable and other assets	B		1,015,165,000	1,626,302,000	4,540,910,000	5,626,090,523	114,063	178,656	473,554	583,498	60.2%	179.2%	23.9%
Long term assets			14,890,341,000	16,327,651,000	18,751,310,000	20,318,742,570	1,673,072	1,793,656	1,955,502	2,107,316	9.7%	14.8%	8.4%
Long Term Net Investments	C		9,578,828,000	11,053,216,000	11,473,083,000	12,073,083,410	1,076,273	1,214,239	1,196,484	1,252,135	15.4%	3.8%	5.2%
Long Term Gross Loan Portfolio			-	-	-	-	-	-	-	-	-	-	-
Net Fixed Assets			5,311,513,000	5,274,435,000	7,278,227,000	8,245,659,160	596,799	579,417	759,018	855,181	-0.7%	38.0%	13.3%
Other Long Term Assets			-	-	-	-	-	-	-	-	-	-	-
LIABILITIES AND EQUITY			48,982,013,000	48,023,565,000	93,408,275,000	107,854,279,305	5,503,597	5,275,576	9,741,190	11,185,883	-2.0%	94.5%	15.5%
Liabilities			19,315,558,000	11,912,408,000	43,599,213,000	51,024,003,339	2,170,287	1,308,624	4,546,795	5,291,849	-38.3%	266.0%	17.0%
Short term liabilities			8,098,845,000	8,467,608,000	35,989,486,833	46,468,635,088	909,983	930,200	3,753,205	4,819,398	4.6%	325.0%	29.1%
Demand Deposits			-	4,289,000	3,540,328,000	5,609,145,366	-	471	369,207	581,741	-	82444.4%	58.4%
Compulsory Deposits			906,000,000	3,139,219,000	12,624,779,000	15,260,235,111	101,798	344,855	1,316,590	1,582,684	246.5%	302.2%	20.9%
Short Term Time Deposits			-	-	-	-	-	-	-	-	-	-	-
Short Term Borrowings	D		-	-	11,032,640,833	16,233,444,444	-	-	1,150,552	1,683,618	-	-	47.1%
Interest payable			764,047,000	909,096,000	1,353,594,000	-	85,848	99,868	141,161	-	19.0%	48.9%	-100.0%
Accounts Payable and Other Short Term Liabilities	E		6,428,798,000	4,415,004,000	7,438,145,000	9,365,810,167	722,337	485,005	775,696	971,356	-31.3%	68.5%	25.9%
Long term liabilities			11,216,713,000	3,444,800,000	7,609,726,167	4,555,368,251	1,260,305	378,425	793,589	472,451	-69.3%	120.9%	-40.1%
Long Term Time Deposits			-	-	-	-	-	-	-	-	-	-	-
Long Term Borrowings			11,216,713,000	3,444,800,000	7,609,726,167	4,555,368,251	1,260,305	378,425	793,589	472,451	-69.3%	120.9%	-40.1%
Other Long Term Liabilities			-	-	-	-	-	-	-	-	-	-	-
Equity			29,666,455,000	36,111,157,000	49,809,062,000	56,830,275,966	3,333,310	3,966,951	5,194,396	5,894,034	21.7%	37.9%	14.1%
Paid-In Capital			-	-	-	-	-	-	-	-	-	-	-
Donated equity	F		-	-	3,815,251,000	-	-	-	397,878	-	-	-	-100.0%
Retained earnings without donations and reserves			29,666,455,000	36,111,157,000	39,099,475,000	48,222,239,966	3,333,310	3,966,951	4,077,534	5,001,269	21.7%	8.3%	23.3%
Current year			1,223,451,000	3,693,125,000	1,966,609,000	4,673,993,840	137,466	405,704	205,090	484,754	201.9%	-46.7%	137.7%
Other equity accounts	G		-	-	6,894,336,000	8,608,036,000	-	-	718,984	892,765	-	-	24.9%

*2007 financial statements were not audited.

Notes: A: Provident Fund Investment and 91 Treasury bill; B: Prepayments and staff debtors; C: Investments made at New generation Investment services; D: Loans contracted from the Agricultural Development Bank, Opportunity international, Emergency social relief programme, OI-SASL and the GILBT; E: Deferred income, taxation, national reconstruction levy, accounts payable and accruals and bank overdraft; F: From Opportunity International, G: Managed funds for farmers received from Emergency Social Relief, GILBT, Kumasi Metropolitan Authority and Venture Capital Trust Fund.

SINAPI ABA TRUST		GHC				USD				Evolution			
Income Statement		Notes	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007*	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007	2005/2004	2006/2005	2007/2006
Financial Revenue (a)			21,631,976,000	18,348,445,000	27,796,065,000	25,735,996,319	2,430,559	2,015,648	2,898,745	2,669,155	-15.2%	51.5%	-7.4%
Financial Revenue from Loan Portfolio			18,723,396,000	17,430,087,000	27,291,611,000	24,281,709,445	2,103,752	1,914,763	2,846,137	2,518,327	-6.9%	56.6%	-11.0%
Interest on Loan Portfolio			15,613,504,000	14,865,136,000	21,729,425,000	20,380,682,445	1,754,326	1,632,993	2,266,078	2,113,740	-4.8%	46.2%	-6.2%
Fees and Commissions on Loan Portfolio			2,562,019,000	2,195,115,000	4,653,617,000	3,901,027,000	287,867	241,142	485,308	404,587	-14.3%	112.0%	-16.2%
Penalty Revenue on Loan Portfolio		A	547,873,000	369,836,000	908,569,000	-	61,559	40,628	94,751	-	-32.5%	145.7%	-100.0%
Financial Revenue from Investments			-	-	-	-	-	-	-	-	-	-	-
Other Operating Revenue		B	2,908,580,000	918,358,000	504,454,000	1,454,286,874	326,807	100,885	52,608	150,828	-68.4%	-45.1%	188.3%
Financial Expense (b)			490,459,000	550,538,000	2,288,593,000	2,849,051,920	55,108	60,479	238,669	295,484	12.2%	315.7%	24.5%
Interest paid on borrowings			490,459,000	550,538,000	2,288,593,000	1,876,655,369	55,108	60,479	238,669	194,633	12.2%	315.7%	-18.0%
Interest paid on deposits			-	-	-	731,083,603	-	-	-	75,823	-	-	-
Net Inflation Adjustment Expense			-	-	-	-	-	-	-	-	-	-	-
Other Financial Expenses			-	-	-	241,312,948	-	-	-	25,027	-	-	-
Financial income [c=a-b]			21,141,517,000	17,797,907,000	25,507,472,000	22,886,944,399	2,375,451	1,955,169	2,660,076	2,373,672	-15.8%	43.3%	-10.3%
Net Loan Loss provision expense (d)			1,832,911,000	540,652,000	980,556,000	1,809,456,801	205,945	59,393	102,258	187,664	-70.5%	81.4%	84.5%
Loan loss provision expense and write-off			1,958,076,000	560,102,000	1,000,951,000	1,819,511,801	220,009	61,529	104,385	188,707	-71.4%	78.7%	81.8%
Recovery from Loans written off			125,165,000	19,450,000	20,395,000	10,055,000	14,063	2,137	2,127	1,043	-84.5%	4.9%	-50.7%
Operating expense (e)			17,871,291,000	13,129,654,000	22,064,129,000	14,845,495,811	2,008,010	1,442,344	2,300,983	1,539,670	-26.5%	68.0%	-32.7%
Personnel Expense (includes fringe)			8,985,379,000	6,652,353,000	13,217,723,000	7,664,106,805	1,009,593	730,787	1,378,426	794,867	-26.0%	98.7%	-42.0%
Administrative Expense (non-staff operating expenses)			8,885,912,000	6,477,301,000	8,846,406,000	7,181,389,006	998,417	711,557	922,558	744,803	-27.1%	36.6%	-18.8%
Depreciation and amortization			866,435,000	944,452,000	1,257,420,000	437,067,194	97,352	103,752	131,132	45,330	9.0%	33.1%	-65.2%
Consulting fees			70,032,000	-	-	-	7,869	-	-	-	-100.0%	-	-
Board expenses			348,851,000	257,362,000	279,011,000	306,878,361	39,197	28,272	29,097	31,827	-26.2%	8.4%	10.0%
Management fees		C	2,100,000,000	2,000,000,000	-	-	235,955	219,708	-	-	-4.8%	-100.0%	-
Business promotion			148,350,000	130,228,000	-	-	16,669	14,306	-	-	-12.2%	-100.0%	-
Legal expense			70,584,000	46,233,000	73,925,000	22,380,000	7,931	5,079	7,709	2,321	-34.5%	59.9%	-69.7%
Professional fees			294,389,000	14,576,000	-	-	33,077	1,601	-	-	-95.0%	-100.0%	-
Rent and rates			766,755,000	146,468,000	326,871,000	-	86,152	16,090	34,088	-	-80.9%	123.2%	-100.0%
Others			4,220,516,000	2,937,982,000	6,909,179,000	6,415,063,451	474,215	322,749	720,532	665,325	-30.4%	135.2%	-7.2%
Net Operating Income Before Taxes and Donations [f=c-d-e]			1,437,315,000	4,127,601,000	2,462,787,000	6,231,991,787	161,496	453,433	256,835	646,338	187.2%	-40.3%	153.0%
Income Taxes (g)			547,798,000	806,416,000	788,045,000	1,557,997,947	61,550	88,588	82,182	161,585	47.2%	-2.3%	97.7%
Net Operating Income Before Donations [h=f-g]			889,517,000	3,321,185,000	1,674,742,000	4,673,993,840	99,946	364,845	174,652	484,754	273.4%	-49.6%	179.1%
Non Operating Revenue (i)		D	333,934,000	371,940,000	291,867,000	-	37,521	40,859	30,438	-	11.4%	-21.5%	-100.0%
Non Operating Expense (including related taxes) (j)			-	-	-	-	-	-	-	-	-	-	-
Net Income Before Donations [k=h+i-j]			1,223,451,000	3,693,125,000	1,966,609,000	4,673,993,840	137,466	405,704	205,090	484,754	201.9%	-46.7%	137.7%
Donations (l)			1,489,808,000	1,915,822,000	1,021,709,000	-	167,394	210,461	106,550	-	28.6%	-46.7%	-100.0%
Net Income (after Taxes and Donations) [m=k+l]			2,713,259,000	5,608,947,000	2,988,318,000	4,673,993,840	304,861	616,165	311,640	484,754	106.7%	-46.7%	56.4%

*2007 financial statements were not audited.

Notes: A: Training, application and default fees (the breakdown is not available); B: Bank interest, profit on disposal, and exchange rate gain; C: Fees paid to OI-SASL during the management of SAT by OI-SASL, D: Equity in net earnings of associated company (Amantin & Kasey Community Bank Limited).

■ Formulas

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

■ Rating scale

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