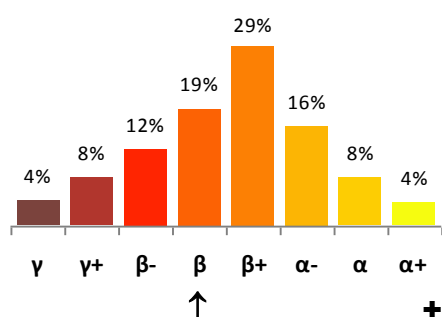


# β

Good effectiveness but moderate risk, leaving the company subject to some variability during economic cycles

Financial Sub-Rating<sup>1</sup> **β**  
 Future Rating Outlook **Stable**  
 Social Rating ★★☆☆☆<sup>2</sup>



Date of Visit Oct-09  
 Date of Previous Rating Sep-06  
 Number of MicroRate Ratings 3<sup>rd</sup>

### Principal Performance Indicators

	Dec-07	Dec-08	Jun-09*
Gross Loan Portfolio**	\$62,141	\$90,539	\$108,103
Number of Borrowers	164,568	226,664	286,099
Number of Savers	164,568	226,664	286,099
ROE***	7.4%	5.0%	-2.8%
Portfolio Yield	35.6%	30.9%	32.6%
Portfolio at Risk	n.a.	n.a.	n.a.
Operating Expenses	23.3%	17.4%	22.3%
Average Loan Balance	\$378	\$399	\$378
Borrowers/Staff	303	247	221

\* 12 month period \*\* ('000\$) \*\*\* Adjusted

<sup>1</sup> See Annex

<sup>2</sup> See Social Report Nov-09

### Summary Description

Kenya Women Finance Trust (“KWFT”) was originally formed in 1981 and then restructured into a not for profit company limited by guarantee. Its application to become a regulated Deposit Taking Microfinance Institution has been pre-approved by the Central Bank and will lead to some institutional changes.

KWFT offers mainly group loans, with a small portion of individual lending. It serves 286,099 active clients in both rural and urban areas through 115 offices and 14 regional branches. Average loan size is \$378 with an outstanding portfolio of \$108 million. In local currency terms, the portfolio has more than doubled since June 2008.

### Rating Rationale

Strong operational performance has been fueled by an ambitious marketing strategy and a conservative credit approval process. Group credit methodology is well implemented throughout the organization and remains the institution’s key strength. Management has been strengthened with trained banking professionals to comply with deposit-taking regulation. Committed board members ensure that KWFT remains focused on its institutional mission.

KWFT’s organizational structure has however not kept pace with the institution’s rapid growth. Internal control functions remain understaffed and, with rising over indebtedness, portfolio monitoring is relatively weak. KWFT remains unable to track restructured loans, which often provide an early indication of portfolio problems.

The financial profile has weakened as high inflation is beginning to erode equity and new debt is increasing exposure to foreign exchange risk. KWFT is partly funding itself with compulsory savings without license. Normally, this would affect a rating negatively. However in this case, transformation process to a supervised deposit-taking institution is far advanced and Kenyan banking authorities have given their tacit approval to the present situation.

### Strengths

- + Solid group methodology
- + Diversified portfolio
- + Determined top management

### Risk Factors

- High, unmitigated inflation
- Savings mobilization without license
- Middle management stretched thin by growth
- MIS provides updated and flexible portfolio data only as of January 09

## ANNEX

Rating	Microfinance Rating Scale Definitions
<b><math>\alpha++</math></b>	Those MFIs with an <i>ongoing stable relationship</i> among the financial, operational and strategic considerations of sound microfinance practices as compared to an international set of similar companies and standards of the microfinance industry. <b>Optimal</b> efficiency and effectiveness. <b>Very Low Risk / Risk very well managed</b> , leaving company minimally susceptible to variability during economic cycles.
<b><math>\alpha+</math></b> <b><math>\alpha</math></b> <b><math>\alpha-</math></b>	Those MFIs that have <i>successfully balanced</i> the financial, operational and strategic considerations of sound microfinance practices as compared to an international set of similar companies and standards of the microfinance industry. <b>Excellent</b> efficiency and effectiveness. <b>Low Risk / Risk well managed</b> , leaving the company minimally susceptible to variability during economic cycles.
<b><math>\beta+</math></b> <b><math>\beta</math></b>	Those MFIs <i>working to define</i> a relationship among the financial, operational and strategic considerations of sound microfinance practices as compared to an international set of similar companies and standards of the microfinance industry. <b>Good</b> efficiency and effectiveness. <b>Moderate Risk / Incipient Risk Management</b> , leaving the company subject to some variability during economic cycles.
<b><math>\beta-</math></b>	Those MFIs <i>lacking</i> a clear relationship among the financial, operational and strategic considerations of sound microfinance practice as compared to an international set of similar companies and standards of the microfinance industry. <b>Acceptable</b> efficiency and effectiveness. <b>Moderate Risk / Inadequate Risk Management</b> , leaving the company subject to significant variability during economic cycles.
<b><math>\gamma+</math></b> <b><math>\gamma</math></b>	Those MFIs <i>with financial, operational or strategic weaknesses that have the potential to threaten their viability, now or in the future</i> , as compared to an international set of similar companies and standards of the microfinance industry. <b>Poor</b> efficiency and effectiveness. <b>High Risk</b> , with high variability during economic cycles.

### Financial Sub-rating

- Using the same rating scale described above, MicroRate's Financial Sub-rating measures the MFIs financial health based on its financial structure, profitability, operating margins and financial risk management.
- Whereas the MFIs Performance Rating indicates the overall excellence of its microfinance operations, the Financial Sub-rating is only concerned with the financial condition of [the MFI. As such, the latter allows investors to differentiate MFIs along purely financial criteria.
- The Financial Sub-rating is an integral consideration of the Rating Committee's assignment of the Performance Rating.

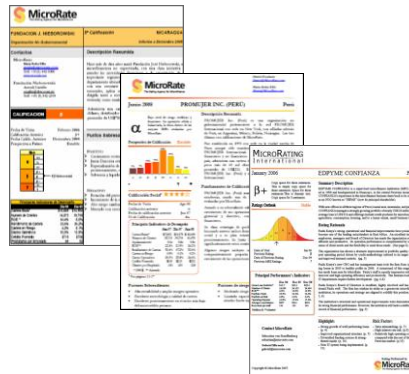
### Interested in the full report?

The full Performance Rating includes detailed information on the following:

- Context
- Financial Situation
- Microcredit Operations
- Portfolio Quality
- Organization and Management
- Governance and Strategic Positioning

*This performance report is available for purchase. If you are interested in purchasing a report, please contact MicroRate at 1-703-243-5340 or email [info@microrate.com](mailto:info@microrate.com).*

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