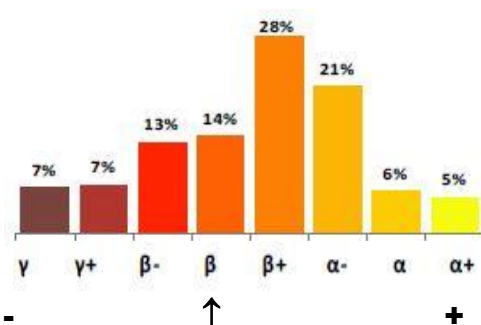


β

Good operational performance and sustainability. Low efficiency and productivity. Strong governance. Moderate credit risk.

Financial Sub-Rating¹ **β+**
Future Rating Outlook **Positive**
Social Rating ★★☆☆☆²



Date of Visit June-09
Previous Rating n.a.
Number of MicroRate Ratings 1st

Principal Performance Indicators

	Dec-06	Dec-07	Dec-08
Gross Loan Portfolio*	\$822	\$1,064	\$1,566
Number of Borrowers	1,161	1,325	1,529
ROE**	-81.0%	-20.8%	18.7%
Portfolio Yield	55.4%	66.5%	64.7%
Portfolio at Risk	n.a.	n.a.	n.a.
Operating Expenses	30.7%	32.0%	37.8%
Average Loan Balance	\$708	\$803	\$1,024
Borrowers/Staff	n.a.	27	29

*(‘000\$) ** Adjusted

¹ See Annex
² See Social Report Aug-09

Summary Description

Rwanda Microfinance Ltd (RML) was created in 2004 as a subsidiary of the holding company Micro Africa Ltd.

Operating in the capital city of Kigali, it provides individual loans to 1,500 clients. Most of these are recipients of the consumer loans rather than microcredits; the remainders are small businesses. Because of their relatively large average size (\$1,608) small business loans account for nearly 60% of the gross portfolio of \$1.6 million.

Rating Rationale

RML shows a good credit culture in both its small business and consumer lending operations. This manifests itself in improving portfolio quality and an efficient collection process. Remaining methodological weaknesses are minor. RML is however exposed to above-average risks in two ways: the local credit bureau is weak, which makes it more likely that clients carry too much debt, and consumer loans are typically made to borrowers who already carry one or more loans from commercial banks.

Although profitable in 2008, RML’s long-term sustainability is difficult to ascertain in the absence of earnings history and with possible outside downward pressures on portfolio yield. Gains in efficiencies and productivity – notably thanks to economies of scale and more efficient marketing – and an improved portfolio quality will be keys to maintain profitability over time.

RML has the potential to become a strong MFI thanks to the strong management and organization, competent governance, the unconditional backing of the Holding Company and a microfinance market where competition is still modest. Risks such as staff turnover and over-indebtedness of RML’s clients may however impair its ability to reach its objectives.

Although the strategy is to do so in the future, RML has not yet begun to lend to finance productive activities of the poor. Management favors a strengthening of the structure and cleaning of the loan portfolio prior to expanding operations in that direction.

Strengths

- + Profitable with good perspectives
- + Good loan methodology
- + Strong governance and shareholding structure

Risk Factors

- Low salaries for the personnel
- Inefficient information system
- Low efficiency and productivity
- Risky positioning

ANNEX

Rating	Microfinance Rating Scale Definitions
$\alpha++$	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. Optimal efficiency and effectiveness. Very Low Risk / Risk very well managed , leaving company minimally susceptible to variability during economic cycles.
$\alpha+$ α $\alpha-$	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. Excellent efficiency and effectiveness. Low Risk / Risk well managed , leaving the company minimally susceptible to variability during economic cycles.
$\beta+$ β	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. Good efficiency and effectiveness. Moderate Risk / Incipient Risk Management , leaving the company subject to some variability during economic cycles.
$\beta-$	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. Acceptable efficiency and effectiveness. Moderate Risk / Inadequate Risk Management , leaving the company subject to significant variability during economic cycles.
$\gamma+$ γ	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. Poor efficiency and effectiveness. High Risk , 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.

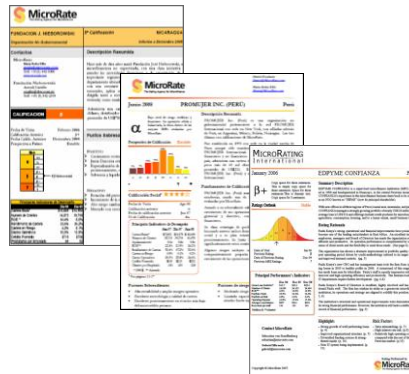
Interested in the full report?

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.

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