

## EKI, Bosnia and Herzegovina

In early 1996, EKI began as a project of World Vision International (WVI), based in Zenica, Bosnia and Herzegovina (BiH). As of March 2001 EKI was established as a Microcredit Organization (MCO). EKI has undergone a further legal transformation and in 2008 EKI became a Microcredit Foundation (MCF), and now awaits its license as a Microcredit Company (MCC). Its 14 branches and 58 sub branch offices reach rural and urban clients of all ethnicities across BiH. EKI offers individual loan products for business, agriculture, home improvement and consumption purposes. As of December 2008 EKI serves 53,033 active borrowers with a total loan portfolio of 204 million BAM (104 M EUR).

### GIRAFE Rating

#### Rating

**A-**

#### Outlook

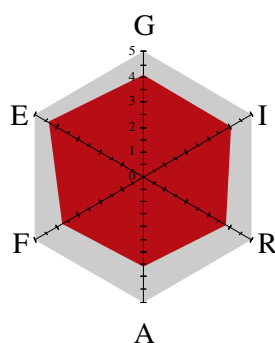
**Stable**

#### Date of the rating

**February 2009**

Valid until January 2010

#### Rating per evaluation area



Governance – Information – Risk –  
Activities – Funding – Efficiency

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REF: OW/160409

#### Rating highlights

- A recession in the Bosnian economy combined with a situation of over indebtedness of clients has resulted in rising credit risk levels in the industry.
- EKI has experienced a similar increasing trend from a low PAR 30 of 0.4% as of Dec. 2007 to moderate levels of 1.7% in Dec. 2008 and 2.9% in Feb. 2009. Credit risk levels are expected to increase further.
- Increased provision expenses have lowered the previous high profitability of 7.1% in FY07 to 3.1% in FY08. The majority of the reduced profitability was planned by EKI as it lowered its interest rates to keep a competitive edge in the sector.
- EKI remains well governed and managed and EKI has shown that it can handle well a change in operating environment as experienced in the past six months.
- The economic downturn in Bosnia and Herzegovina has also resulted in the fact that EKI was not significantly affected by the international financial crisis as growth levels have halted. EKI has been able to attract sufficient funding to renew its maturing liabilities and support its low growth projections.
- Besides maintaining credit risk at moderate levels, a key challenge for EKI is to maintain a good compliance level by its staff. Most notably, increased controls are needed on the client - loan officer relationships.

#### Outlook

The stable outlook reflects Planet Rating's opinion that EKI will be able to manage well the increasing trend in credit risk and to maintain its solid financial position in the worsening economic situation in Bosnia and Herzegovina.

#### Performance indicators

*000 EUR	Dec. 2003	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008
Assets	16,945	21,323	28,955	46,733	83,461	104,690
Evolution	38.4%	25.8%	35.8%	61.4%	78.6%	25.4%
Loan portfolio	15,239	19,368	26,610	44,227	79,781	101,915
Evolution	35.0%	27.1%	37.4%	66.2%	80.4%	27.7%
Active borrowers	13,305	18,789	22,559	28,019	41,215	53,033
Avg. outs. loan per client	1,145	1,031	1,180	1,578	1,936	1,922
Staff	102	119	153	211	281	320
ROE	53.6%	27.9%	22.4%	32.4%	33.7%	16.3%
ROA	6.6%	6.5%	5.4%	7.8%	7.1%	3.1%
Liabilities / Equity	3.74x	3.00x	3.28x	3.10x	4.17x	4.32x
Portfolio Yield	23.1%	22.6%	21.0%	23.6%	21.6%	19.6%
Operating expense ratio	14.3%	13.7%	12.7%	11.6%	8.9%	7.5%
PAR 31-365	0.3%	0.4%	0.3%	0.3%	0.4%	1.7%
PAR > 365	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Write-off ratio	0.3%	0.4%	0.5%	0.5%	0.3%	1.3%