

Azeri Star Microfinance, Azerbaijan

In 1999, Azeri Star Microfinance (ASM) started as a pilot program by Save the Children to target rural women and impoverished micro entrepreneurs. ASM became a dedicated program in 2003 and spun-off in March 2006 to become a non-bank financial institution regulated by the National Bank of Azerbaijan. ASM is now 100% owned by Save the Children and remains a non-profit company. Its three branches and one sub branch office reach rural and urban clients in central Azerbaijan. ASM offers group solidarity and individual loan products for livestock, micro businesses, and consumption purposes. As of March 2009, ASM serves 5,680 borrowers with a total loan portfolio of 2.0 M AZN (2.5 M USD).

GIRAFE Rating

Rating

B-

Outlook

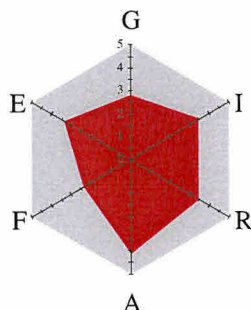
Stable

Date of the rating

April 2009

Valid until March 2010

Rating per evaluation area



Governance – Information – Risk –
Activities – Funding – Efficiency

Planet Rating Contact

Otto Wormgoor
owormgoor@planetrating.com
+33 1 49 21 26 30

MFI Contact

Rufat M. Abas, Executive Director
rabas@asm.az
+994 110 5 2608

REF:OW/290509

Rating highlights

- ASM demonstrates a strong profitability, with a consistent high ROA between 13% and 16% since 2005. ROE increased to 23.5% in FY08 as a result of increasing leverage.
- Credit risk continues to be low with PAR 30 at 0.3% as of Dec. 2008.
- ASM has an adequate management team in place for the size of the institution but key-person risk remains on the Executive Director. The team will need further strengthening to manage the growth and expansion of ASM.
- The Board of Directors has elected a new member with specific microfinance expertise. This is expected to bring a needed strengthening to the governance and provide a better balance in decision making with the management team.
- ASM has a moderate revenue quality. As other MFIs encroach on its previously strong rural market position, its products with high pricing and low loan amounts will put ASM at a competitive disadvantage.
- The funding strategy and liquidity management remain a challenge for ASM. Too much uncertainty in its funding strategy remains and liquidity management is lacking the appropriate tools for cash flow planning.

Outlook

The stable outlook reflects Planet Rating's opinion that ASM will strengthen its operations, but these improvements will not surpass the increasing complexity of the institution as it further expands; resulting in an expected stable risk profile.

Performance indicators

USD	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008
Assets	623,719	732,128	881,448	1,314,915	2,468,181
Loan portfolio	535,839	676,508	866,203	1,309,949	2,409,007
Active borrowers	3,744	3,815	4,179	4,541	5,973
Average outstanding loan per client	143	177	207	288	403
Staff	38	39	37	39	36
ROE	(1.5%)	17.0%	15.2%	17.2%	23.5%
ROA (without donations)	(1.5%)	15.9%	13.3%	14.5%	15.4%
Liabilities / Equity	0.00x	0.14x	0.14x	0.33x	0.85x
Portfolio yield	67.2%	69.2%	68.3%	61.6%	54.4%
Operating expense ratio	67.5%	49.2%	46.8%	40.0%	27.2%
Funding expense ratio	0.0%	0.5%	1.3%	1.1%	6.6%
Loan Loss Provision expense ratio	1.4%	1.7%	2.6%	0.9%	1.2%
PAR 31-365	0.38%	0.19%	0.15%	0.16%	0.21%
PAR > 365	0.02%	0.13%	0.17%	0.02%	0.05%
Write-off ratio	0.31%	0.24%	0.21%	0.30%	0.06%

Note: financial data prior to March 2006 is not considered to be fully reliable, 2006 data is based on 2 months of non-audited data (January and February) and 10 months of audited data.