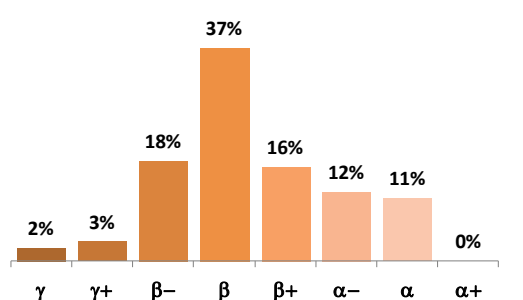


<b>β</b>	Young, recently profitable, low equity MFI with good governance and management and low portfolio risk. Low efficiency results in a high effective cost for the borrower.
<b>Stable</b>	Rating Grade Perspective <sup>1</sup>

 Rating Validity Date<sup>2</sup> August 2015

 Financial Situation<sup>3</sup> **β**
**Microfinance Institutional Ratings**


Date of Visit	Aug-14
Date of Financial Information	Jun-14
Previous MicroRate Rating	n/a

**Main Performance Indicators**

	Jun-13**	Dec-13	Jun-14**
Gross Loan Portfolio (\$'000)	\$1,574	\$2,951	\$3,446
Number of Borrowers	6,258	13,300	15,251
Total savings (\$'000)	\$1,924	\$2,808	\$2,847
Number of Savers	n/a	n/a	38,302
Leverage	42.2	5.5	6.1
ROE*	n/a	55.4%	76.4%
Portfolio Yield	82.8%	72.6%	81.2%
Portfolio at Risk	2.8%	3.8%	3.0%
Write-offs	0.0%	0.5%	1.8%
Average loan	\$252	\$222	\$226
Operating Expense Ratio	71.0%	45.6%	48.8%
Number of borrowers per staff	73	121	96
Operating Margins	-11.2%	7.8%	11.7%

Adjusted\*. 12-month info\*\*

**Summary Description**

Bosak Microfinance Bank (Bosak) is a for-profit, regulated microfinance institution (MFI). The MFI began operations in 2010 under a Unit Microfinance Bank (MFB) license. It currently serves 21 areas in Lagos from one office location. Bosak provides microcredit using the village banking methodology. As of June 2014, the MFI serves 15,251 borrowers with a portfolio of US\$3.4 million, and an average loan size of US\$226. Bosak has a total of US\$2.8 million in client savings deposits.

**Rating Rationale**

Bosak is a young, fast-growing MFI, with good governance and management. Fast growth is projected to continue. To realize its ambitious goals the company needs to decrease high loan officer turnover, increase training of new loan officers and generally lower the level of operating expenses in relation to the size of its loan portfolio. The lending methodology is good, but group cohesion would benefit from higher attendance of group members. The portfolio quality still is relatively high, despite some weaknesses. These weaknesses may also be the result of comparatively high lending rates which could be driving the best borrowers to competitors.

Bosak shows high, but recent profitability. Partly, this reflects a very narrow equity base (which is in the process of being widened). However it should also be seen in the context of unusually high account receivables and prepayments. The high leverage is mitigated by low debt and a high level of mandatory savings mobilized from borrowers. Liquidity is acceptable, but the concentration of fixed term depositors deserves attention. There is low interest rate risk and no foreign exchange risk.

**Highlights**
**Strengths**

- Strong governance and top management
- Good lending methodology
- Strong growth and huge market potential

**Risk Factors**

- High loan officer turnover
- Low efficiency
- High effective cost to borrowers

<sup>1</sup>See Annex 1

<sup>2</sup>Rating grades are valid up to 1 year after publication. MicroRate reserves the right to modify rating grades at any time.

<sup>3</sup>See Annex 1.

## ANNEX I – Microfinance Institutional Rating Grade Definitions

<b>Microfinance Institutional Rating</b>	The <b>Microfinance Institutional Rating (MIR)</b> provides an opinion on the long-term institutional sustainability and creditworthiness of a microfinance institution (MFI) through a comprehensive assessment of risks and performance.
<b><math>\alpha+</math></b> <b><math>\alpha</math></b>	Financial Institutions with <b>high long term sustainability</b> and <b>high creditworthiness</b> .  Excellent performance. Low or well managed short- medium term risk.
<b><math>\alpha-</math></b> <b><math>\beta+</math></b>	Financial institutions with <b>good long term sustainability</b> and <b>good creditworthiness</b> .  Good performance. Modest or well-managed short- medium term risk.
<b><math>\beta</math></b> <b><math>\beta-</math></b>	Financial institutions with <b>moderate long term sustainability</b> and <b>moderate creditworthiness</b> .  Fair performance. Moderate to medium-high risk.
<b><math>\gamma+</math></b> <b><math>\gamma</math></b>	Financial institutions with <b>weak long term sustainability</b> and <b>poor creditworthiness</b> .  Weak or poor performance. High to very high risk.
<b>Financial Profile Rating</b>	Opinion about the financial strength of the institution and the ability to repay their obligations. The rating grade uses the same $\alpha$ , $\beta$ , $\gamma$ rating scale as the MIR: <ul style="list-style-type: none"> <li>- <b>Alpha Plus/Alpha (<math>\alpha+</math>, <math>\alpha</math>)</b>- Exceptional financial strength</li> <li>- <b>Alpha Minus/Beta Plus (<math>\alpha-</math>, <math>\beta+</math>)</b> - Good Financial Strength</li> <li>- <b>Beta/Beta Minus (<math>\beta</math>, <math>\beta-</math>)</b> - Moderate Financial Strength</li> <li>- <b>Gamma Plus/ Gamma (<math>\gamma+</math>, <math>\gamma</math>)</b> - Poor Financial Strength.</li> </ul>
<b>Rating Outlook</b>	Expected direction of the rating grade over the 12 months following the rating. <ul style="list-style-type: none"> <li>- <b>Positive</b>- The rating is expected to increase.</li> <li>- <b>Stable</b>- The rating is expected to remain unchanged.</li> <li>- <b>Negative</b>- The rating is not expected to remain unchanged.</li> <li>- <b>Uncertain</b>- Due to unpredictable factors, a rating outlook cannot be determined.</li> </ul>

**Analyst**

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