CREDIT Ltd., Cambodia

Cambodia Rural Economic Development Initiatives for Transformation Co. Ltd. (CREDIT) was initiated by the Christian US based NGO World Relief (WR/US) in 1993 and transformed into a Limited Liability Company in 2003. CREDIT received its operating license from National Bank of Cambodia (NBC) in May 2004. CREDIT offers both group and individual loans for business and agriculture purposes in both USD and KHR. As of June 2009, CREDIT serves 35,065 clients with a portfolio of 18.7 M USD across nine provinces, through a network of seven branches and 31 sub-branches.

GIRAFE Rating

Rating

B+

Outlook

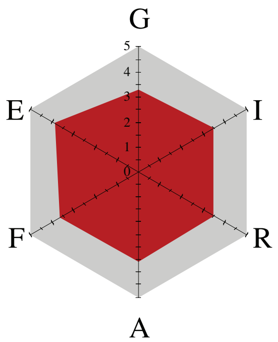
Stable

Date of the rating

September 2009

Valid until August 2010

Rating per evaluation area



Governance – **I**nformation – **R**isk – **A**ctivities – **F**unding – **E**fficiency

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Rating highlights

- Amidst the economic recession in Cambodia, CREDIT has suffered an increase in credit risk in 2009 with PAR 30 up from 0.3% at FYE08 to 2.5% at June 2009.
- Subsequently, profitability levels have decreased, mainly as a result of increased provisioning expenses with ROA sliding from a solid 5.6% for FY08 to 3.7% (annualized) for the first six months of 2009.
- Since Planet Rating's previous rating in 2007, CREDIT has solidified its management team, who has shown good execution capacity to proactively manage the downward pressure on portfolio quality and profitability.
- However, the BOD requires further strengthening in specific microfinance and/or banking expertise, which continues to remain limited among the BOD members.
- CREDIT has been able to strengthen its market position in the competitive Cambodian market, increasing its market share from 2.7% at FYE06 to 4.4% as of June 2009 and demonstrates a moderate to good revenue quality.
- In its ambition to obtain a deposit taking license, CREDIT will have to further enhance its financial projections, maturity risk management and Internal Audit function as well as the connectivity and efficiency of its MIS.

Outlook

The stable outlook reflects Planet Rating's opinion that CREDIT will be able to stabilize the downward trend in portfolio quality and profitability while preparing for the institution to obtain a deposit-taking license.

Performance indicators

USD	Dec. 2004	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	Jun. 2009
Assets	1,952,654	2,933,624	5,578,304	11,410,017	20,665,049	22,518,777
Loan portfolio	1,595,727	2,576,065	4,622,004	10,303,487	19,060,212	18,746,427
Active borrowers	10,909	11,451	10,796	18,273	33,887	35,065
Avg. outst. loan per client	146	225	428	564	562	535
Outstanding deposits	217,778	349,922	571,268	1,190,584	863,484	537,752
Active savers	11,094	11,669	11,024	12,924	3,429	2,837
Staff	118	128	142	222	391	422
ROE	(4.4%)	1.8%	6.8%	16.3%	22.4%	16.0%
ROA (without donations)	(3.5%)	1.4%	3.8%	5.7%	5.6%	3.7%
Liabilities / Equity	0.30x	0.38x	1.14x	2.45x	3.41x	3.36x
Portfolio yield	41.9%	38.8%	34.1%	30.2%	29.6%	29.3%
Operating expense ratio	46.1%	28.6%	23.7%	16.5%	14.7%	12.5%
Funding expense ratio	1.1%	3.5%	2.8%	5.4%	7.6%	8.9%
LLP expense ratio	1.0%	4.2%	1.3%	0.0%	(0.0%)	3.9%
PAR 31-365	3.5%	4.5%	3.0%	0.3%	0.3%	2.4%
PAR > 365	0.0%	0.0%	0.3%	0.0%	0.0%	0.1%
Write-off ratio	1.6%	3.9%	1.1%	0.2%	0.0%	0.0%

Appendix to the GIRAFE Rating

CREDIT Ltd., Cambodia

Cambodia Rural Economic Development Initiatives for Transformation Co. Ltd. (CREDIT) was initiated by the Christian US based NGO World Relief (WR/US) in 1993 and transformed into a Limited Liability Company in 2003. Anchored in a concern for community development, CREDIT envisions that "the economically active poor and small entrepreneurs have the opportunity to develop their livelihoods. CREDIT believes that the best way to achieve this vision is by providing inclusive financial services tailored to the clients' needs through excellent services and positive relationships while maintaining organizational sustainability". It offers both group and individual loans for business and agriculture purposes in USD and KHR. As of June 2009, CREDIT serves 35,065 clients with a portfolio of 18.7 M USD across nine provinces, through a network of seven branches and 31 sub-branches.

Social Performance Rating

Rating

Incipient

1	2+	3	4	5

Date of the Rating

September 2009

Indicator	Camb.	EA
Demography		
Urban population	20.0	44.3
Poverty lines		
Population below NPL	35%	n/a
Population below FPL	20%	n/a
Population below 1$/day	40%	6.6%
HDI	0.575	0.762
Rank out of 177 countries	136	n/a

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Rating highlights

- CREDIT's decision makers show a strong dedication to the achievement of the social mission but because social goals have not been accurately defined there is only limited integration of this intent in CREDIT's strategic planning.
- To the exception of the gender ratio, some drop out data and client's level of satisfaction, CREDIT does not monitor specific social performance indicators.
- The lack of definition of its target group in its social mission and the inconsistent use of geographic targeting mechanisms, limits CREDIT's targeting capacity. This is partially mitigated by the type of loan products offered, which indirectly play the role of targeting tools.
- While belonging to the top 10 community of microfinance players in Cambodia, with a market share of 4.4%, CREDIT has a moderate breadth of outreach of 1.7% of the total households in the provinces where it operates.
- CREDIT's portfolio yield (29.3% as of June 2009) has been consistently decreasing over the years and is within national benchmarks.
- CREDIT charges declining interest rates with no additional service charges and follows some basic policies in line with the Client Protection Principles.
- Basic HR policies ensure staff's commitment to CREDIT's social mission and guarantee staff equal treatment, yet female presence is low (23% as of June 2009).
- CREDIT also provides non-financial services to some of its clients, even though no formal monitoring of the performance of these services is conducted.

Social Performance Indicators

	Dec. 2005	Dec. 2006	Dec. 2007	Dec. 2008	June. 2009
Social Performance Indicators (see also annexes)					
% of women borrowers	95.0%	95.0%	95.0%	95.0%	94.0%
% of rural borrowers	70.0%	70.0%	70.0%	60.0%	60.0%
Retention rate	n.a.	n.a.	n.a.	n.a.	n.a.
PAR 31-365	4.5%	3.0%	0.3%	0.3%	2.4%
Portfolio Yield	38.8%	34.1%	30.2%	29.6%	29.3%
% of women among staff	33.6%	33.8%	27.9%	22.8%	22.7%
# of training days per staff	n.a.	n.a.	0.3	0.4	0.1
Institutional Performance Indicators					
Loan portfolio (USD)	2,576,065	4,622,004	10,303,487	19,060,212	18,746,427
Outstanding deposits	349,922	571,268	1,190,584	863,484	537,752
Active borrowers	11,451	10,796	18,273	33,887	35,065
Active savers	11,669	11,024	12,924	3,429	2,837
Staff	128	142	222	391	422

Note: in the absence of indicators on social performance, institutional performance indicators are provided for informative purposes.