

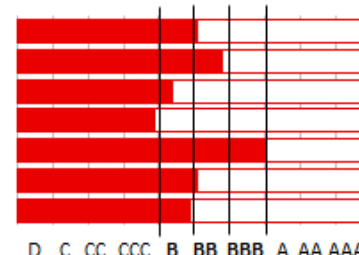
Chamroeun Microfinance Limited - Cambodia

FINAL RATING
BB-
OUTLOOK
Stable

Mission date: December 2013
Date Rating Committee : 04/04/2014
Validity: 1 year if no relevant changes in operations or in the external context occur
Previous Rating : June 2011 B+, MFR

RATING SCORING BY AREA

Microfinance Sector and R&S
 Mission, Governance and Strategy
 Systems and Controls
 Client Protection
 Assets quality and structure
 Capital Adequacy and ALM
 Financial and operational results



D C CC CCC B BB BBB A AA AAA

RATING RATIONALE
**FINANCIAL ANALYSIS
AND CAPITAL
ADEQUACY**

Chamroeun has been able to recover adequate levels of profitability after the worsening of financial performances occurred in 2012. Growth rate has been maintained close to the average of previous years and portfolio quality keeps at excellent standards. The institution is confirming the good results in terms of productivity while it shows limited capacities to clearly improve efficiency. Solvency is just within regulator's prudential requirements, breached in 2012, but not adequate to international standards. The approval by NBC of subordinated debt will improve the capital adequacy.

**GOVERNANCE, RISK
MANAGEMENT AND
CLIENT PROTECTION**

Ownership has been reinforced mainly with the entrance of Grameen Credit Agricole Foundation in 2012 and governance has strengthened along with the changes in the shareholding structure. Shareholders and BoD are clearly committed to the social mission and social considerations influence decision making process. Risk management shows room for improvement in terms of management approach, capacity and leadership, as well as of definition and formalization of specific policies. Control and information systems are still not adequate given the evolution trend and the ambitions of the institution. Client protection systems are just adequate, with margins for improvement especially in terms of policies to ensure a fair and respectful treatment of clients, transparency and responsible pricing.

Legal form	Limited Liability Company
Ownership	EdM, Microfinance Solidaire, Grameen CA, Staff Association, private individuals
Year of inception	2005 as project, 2009 as LLC, 2011 as microfinance institutions
Regulator / Supervisor	National Bank of Cambodia
Networks of reference	CMA
Area of intervention	Urban, semi-urban
Financial Services	Credit, microinsurance
Credit methodology	Group and individual

Institutional data	Dec11	Dec12	Sep13
Clients (#)	27,990	41,480	53,782
Active borrowers (#)	27,990	41,480	53,782
Active savers (#)	62,287	55,759	75,731
Active loans (#)	27,998	41,489	53,792
Branches (#)	15	21	39
Satellites (#)	9	14	0
Total staff (#)	199	213	281
Loan officers (#)	84	102	140
Gross outstanding portfolio (USD)	3,213,551	5,073,467	6,568,624
Total assets (USD)	4,364,248	6,226,495	7,663,649
Female borrowers	81.2%	85.4%	85.8%

Indicators

	Dec11	Dec12	Sep13
Credit risk ratio	0.20%	0.07%	0.09%
PAR 30	0.08%	0.05%	0.18%
PAR 90	0.07%	0.04%	0.11%
Risk coverage ratio	58.2%	71.9%	65.2%
ROE	11.9%	2.1%	6.0%
ROA	2.5%	0.5%	1.3%
Portfolio yield	50.1%	44.8%	44.1%
Operating expense ratio	39.8%	37.7%	34.3%
LO productivity (borrow.)	333	407	384
Cash Ratio	0.5	0.5	0.2
Capital Adequacy Ratio (MFR)	14.0%	22.1%	20.3%
Equity to Assets Ratio	16.5%	22.3%	19.9%
Client drop-out ratio	46.5%	47.1%	41.2%
Average APR Chamroeun Loan			49.3%
Average APR Entrepreneurs Loan			43.7%
Average APR Developing Loan			42.4%
Average transparency index Chamroeun Loan			86.4%
Average transparency index Entrepreneurs Loan			89.4%
Average transparency index Developing Loan			85.0%

As of September 2013 data are annual

MicroFinanza Rating Srl

Via Rigola, 7
 20159 Milan – Italy
 Tel: +39-02-3656.5019
info@microfinanzarating.com – www.microfinanzarating.com

Chamroeun Microfinance Limited

#425, St. 271, Toul Tumpung II Chamkarmorn
 Phnom Penh - Cambodia
 Tel. +855-23-987566

sophea@chamroeun.com – www.chamroeun.com

The final rating grade does not consider the Country Sovereign Rating Risk, but it takes into account the effects of the political and economic context on MFI's performance.

Microfinance Rating PLUS		Common rating grade classification for all microfinance rating agencies	
Grade	Definition	Classification	Definition
AAA	<i>Excellent capacity to manage risks. This capacity is not expected to be affected by a foreseeable deterioration of the operations or economic conditions. Extremely strong and stable fundamentals. Excellent client protection systems.</i>	EXCELLENT	Low or well-managed short-medium term risk. Strong performance
AA+, AA, AA-	<i>Very strong capacity to manage risks. This capacity may be slightly affected by a deterioration of the operations or economic conditions. Very strong and stable fundamentals. Excellent client protection systems.</i>		
A+, A, A-	<i>Strong capacity to manage risks. This capacity may be affected by a deterioration of the operations or economic conditions. Strong and stable fundamentals. Good client protection systems.</i>		
BBB+, BBB, BBB-	<i>Good capacity to manage risks. However, this capacity is likely to be affected by a deterioration of the operations or economic conditions. Good fundamentals. Adequate client protection systems.</i>	GOOD	Modest or well-managed short- medium term risk. Good to moderate performance
BB+, BB, BB-	<i>Adequate capacity to manage risks. However, this capacity may be significantly affected by a deterioration of the operations or economic conditions. Adequate fundamentals. Adequate client protection systems.</i>		
B+, B, B-	<i>Moderate capacity to manage risks. This capacity is vulnerable to a deterioration of the operations or economic conditions. Moderate fundamentals. Moderate client protection systems.</i>	FAIR	Moderate to moderate-high risk Moderate performance
CCC+, CCC, CCC-	<i>Modest capacity to manage risks. This capacity is highly vulnerable to a deterioration of the operations or economic conditions. Modest fundamentals. Modest client protection systems.</i>		
CC+, CC, CC-	<i>Weak capacity to manage risks. Modest fundamentals. Poor client protection systems.</i>		
C	<i>Weak capacity to manage risks. Weak fundamentals. Poor client protection systems.</i>	POOR	High risk Poor performance
D	<i>Extremely weak capacity to manage risks. Extremely weak fundamentals. Poor client protection systems.</i>		

MODIFIERS The modifiers “+” or “-” may be assigned to a rating to indicate relative status within a main rating category. The modifiers cannot be assigned to "AAA" and below "CC" grades.

OUTLOOK indicates the direction a GRADE is likely to move over a one year period

- POSITIVE** Probable upgrade of the rating grade
- STABLE** Rating grade is not likely to change
- NEGATIVE** Probable downgrade of the rating grade

UNDER OBSERVATION The rating grade and/or outlook cannot be assigned, due to unexpected internal/external events or to insufficient information provided and it may be assigned only after a monitoring to be held in the short term.

If you are interested in the full report, please do not hesitate to contact us at info@microfinanzarating.com and learn more about the availability of rating reports to purchase.

The information used in the current rating has been partly provided by the institution subject to the evaluation process and partly collected during the meetings with the head executives. The analysis is based on audited financial statements and other official sources. MicroFinanza Rating cannot guarantee the reliability and integrity of the information, as it does not conduct auditing exercises, and therefore does not bear responsibility for any mistake or omission coming from the use of such information. The rating has to be considered as an external and independent opinion and it has not to be considered as a recommendation to realize investments in a specific institution.