

## CHAMROEUN MICROFINANCE LTD – Cambodia

Chamroeun Microfinance Ltd. (Chamroeun) is a non-banking financial institution pre-licensed as credit operation and awaiting for the full license by the National Bank of Cambodia as microfinance institution. Initially set as program under Entrepreneurs du Monde (EdM, French NGO) is nowadays a limited liability company providing financial services to urban low end target population in Cambodia. EdM remains the majority of shareholder, while the institution is expanding its capital base as well as its areas of operations.

<b>FINAL RATING</b>	<b>B+</b>
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**Date Rating Committee :** **13/07/2011**

**Validity :** 1 year if no relevant changes in operations or within the operational context occur.

<b>OUTLOOK</b>	<b>Stable</b>
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**Previous Rating :** First Rating

### RATING RATIONALE

#### FINANCIAL ANALYSIS AND CAPITAL ADEQUACY

Chamroeun is a young institution, which achieved its sustainability for the first time in 2010. Profitability levels need therefore to be confirmed in the short-medium term. The institution is constantly expanding its operations and portfolio and requires additional capital to sustain its planned growth. Advanced negotiations are on-going with specialized investors, which will soon strengthen the ownership structure of Chamroeun. Considering the target clientele, financial and operational results are strongly linked with productivity and portfolio quality levels. The latter have been always good, even though the practice of off-setting late loans with compulsory savings need to be tracked in order to adequately monitor the borrowers' credit risk, also considering the quite high risk of over-indebtedness in the country.

#### GOVERNANCE, RISK MANAGEMENT AND QUALITATIVE RISK ANALYSIS

Operations need to be strengthened at field level through better segregation of functions and dual controls in order to improve internal control as well as efficiency. Financial, leadership and coaching expertise needs to be improved at senior management level to make the decision making process more effective. Liquidity and currency risk management (the latter negatively affecting Chamroeun's results) are not fully integrated in consolidated tools, thus hampering a comprehensive analysis. The whole decision making process might also be affected by a governing body that is not adequate in terms of size and expertise.

Legal form	Limited Liability Company
Client typology	Low end urban market
Year of inception	2009
Year of inception of the operations	2005 (as project)
Regulator / Supervisor	National Bank of Cambodia (NBC)
Networks of reference	Entrepreneurs du Monde
Area of intervention	Urban
Credit methodology	Individual/group

Indicators	Dec09	Dec10	Mar11
Active borrowers (#)	7,144	14,930	17,821
Active loans (#)	7,151	14,936	17,828
Branches (#)	9	10	11
Total staff (#)	58	94	130
Loan officers (#)	27	46	61
Gross outstanding portfolio (USD)	676,247	1,679,235	1,974,744
Total assets (USD)	751,942	1,976,066	2,397,620

Financial Indicators	Dec09	Dec10	Mar11
PAR 30	0.7%	0.2%	0.2%
PAR 90	0.6%	0.2%	0.2%
Write-off ratio	0.2%	0.1%	0.1%
Restructured loans	0.0%	0.0%	0.0%
ROE*	-29.0%	18.5%	13.7%
ROA*	-8.8%	5.3%	3.7%
AROE	-32.7%	7.9%	6.8%
Oper. Self-sufficiency (OSS)	84.2%	119.9%	114.9%
Fin. Self-sufficiency (FSS)	81.3%	112.3%	109.6%
Staff productivity (borrow.)	123	159	137
LO productivity (borrow.)	265	325	292
Operating expense ratio	59.8%	42.5%	41.2%
Operat. expense ratio (over asset)	53.7%	37.7%	35.7%
Funding expense ratio	1.5%	2.0%	2.4%
Provision expense ratio	0.9%	0.0%	0.1%
Portfolio yield	51.4%	51.0%	51.1%
Risk coverage ratio	82.7%	86.5%	79.4%
Cost of funds ratio	2.1%	2.5%	3.0%
Debt/Equity ratio	2.0	2.3	3.0
Capital adequacy ratio	33.8%	30.6%	24.9%

\*Chamroeun received donations which offset the loss in 2008-2009

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